

Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 4

Agenda

Senator Stephen C. Padilla, Chair
Senator Roger W. Niello
Senator Lola Smallwood-Cuevas



Thursday, April 4, 2024
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 113

Consultants: Diego Emilio J. Lopez

ITEMS FOR VOTE ONLY

1703 Privacy Protection Agency	3
Issue 1: Annual COLA - Legal Workload	3
7760 Department of General Services	4
Issue 2: Building Operations and Support Bateson Building.....	4
Issue 3: Increased Expenditure Authority for the Statewide Parking Program.....	6
Issue 4: Increased Maintenance and Repair Cost Expenditure Authority for Fleet Operations .	8
Issue 5: Office of Sustainability Workload Adjustment	10
Issue 6: Information Technology Workload Adjustment.....	12

ITEMS FOR DISCUSSION

7502 Department of Technology	15
Issue 7: Middle Mile Broadband Initiative Overview & Budget Change Proposals	15
Issue 8: Information Security Compliance.....	24
Issue 9: Intrusion Detection and Prevention System (IDS and IPS) Replacement	25
Issue 10: Statewide Technology Services	26
7760 Department of General Services	28
Issue 11: Office of State Publishing Material Purchase Authority	28

Issue 12: Design-Build Sunset Repeal – Trailer Bill Language..... 30

Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

ITEMS FOR VOTE ONLY

1703 PRIVACY PROTECTION AGENCY

Issue 1: Annual COLA - Legal Workload

Request. The Governor’s budget requests \$177,000 General Fund and one position in 2024-25 and ongoing for the Privacy Protection Agency for a cost-of-living adjustment (COLA), as outlined in Civil Code 1798.199.95, and a graduate legal assistant.

Background. On November 3, 2020, California voters approved Proposition 24, the California Privacy Rights Act of 2020, creating the California Privacy Protection Agency (Agency). The Agency is vested with administrative power, authority, and jurisdiction to implement and enforce the California Consumer Privacy Act of 2018, as amended (CCPA), which is aimed at protecting Californians’ personal information and the promotion of public awareness and understanding of the risks, rules, and rights related to the collection, use, sale, and disclosure of personal information, including the rights of minors.

The Agency is governed by a five-member board, including the chairperson. The chairperson and one member of the board are appointed by the Governor. The Attorney General, the Senate Rules Committee, and the Speaker of the Assembly each appoint one member. These appointments must be made from among Californians with expertise in the areas of privacy, technology, and consumer rights.

Cost-of-Living Adjustment. According to Civil Code 1798.199.95, the Privacy Protection Agency is annually appropriated \$10 million from the General Fund, adjusted for cost-of-living changes, to support the operations of the Agency. The Governor’s budget requests \$177,000 General Fund in 2024-25 for these purposes. The baseline budget of the Agency is \$11.72 million. If approved, the Agency’s total appropriation with the COLA is \$11.9 million.

Graduate Legal Assistant (GLA). According to the Agency, the COLA will be used to cover the cost of one Graduate Legal Assistant in the Legal Division. One of the Legal Division’s primary responsibilities is to promulgate and update regulations on more than twenty complex and technical topics, involving consumer opt out preference signals, the treatment of consumer personal information and sensitive personal information, cybersecurity auditing, geolocation, and automated decision making. The Agency adopted its first major package of regulations in 2023, but already has two more major packages in development and anticipates significant rulemaking to be ongoing for the foreseeable future. According to the Agency, the GLA classification can be used to train and prepare candidates for attorney positions within the Agency.

Staff Recommendation. Approve as budgeted.

7760 DEPARTMENT OF GENERAL SERVICES**Issue 2: Building Operations and Support Bateson Building**

Request. The Governor’s budget requests \$4.21 million Service Revolving Fund and 36 positions in 2024-25, and ongoing, for the Department of General Services (DGS) to manage, operate, and maintain the newly renovated Gregory Bateson building located in Sacramento.

Background. The Gregory Bateson Building is located at 1600 9th St., Sacramento, CA. The building has been under renovation since 2021-22 and is nearing completion. When the building closed for renovation, Facilities Management Division (FMD) maintenance, operation, and management staff assigned to Bateson were redirected to the Allenby building. According to DGS, now that the Bateson building will be reopening, FMD requires additional staff to manage, operate, and maintain the newly renovated building.

In 2016, the Department of General Services (DGS) published a Ten-Year Sequencing Plan that proposed a strategy for addressing its aging portfolio. The Sequencing Plan, focusing on buildings in and around Sacramento, incorporated projections for long-term office space needs and established principles for DGS to follow in updating state office space. The Sequencing Plan recommended constructing three new state office buildings to expand the portfolio and accommodate the projected future growth. Doing so would allow DGS to relocate tenants from some of the most deficient buildings in the area and renovate the vacant building. This would continue, in a controlled sequence, until the portfolio’s useful life was extended. The Bateson building renovation project was included in the plan and is nearing completion, creating the need for additional personnel and resources to effectively manage, operate, and maintain the newly renovated building.

The comprehensive renovation of the Gregory Bateson Building will incorporate a variety of improvements to the building. These include fire and life, safety, and accessibility, repairs to historic elements that are deteriorating or causing deterioration, hazardous materials removal, replacement of the plumbing and heating, ventilating and air conditioning systems, and replacement of the electrical, telecommunications and security systems. The project includes restoration of historic elements, provides a new office layout using modular furniture and optimizing occupant density, and will target Zero Net Energy. In 2019-20, DGS was authorized to begin establishing performance criteria, the initial step in Traditional Design-Build, for this renovation project. However, the project was put on hold due to the COVID-19 Pandemic in 2020. In 2021-22, the project was restarted, this time as Progressive Design-Build, allowing the design and construction team to collaborate during the earliest stages of project development. This change in delivery method reduced the project schedule and cost, with the renovation slated for completion in 2024-25 (tenants to move in beginning December 2024). Tenants will include:

- Energy Commission
- Department of Water Resources
- Department of Conservation
- Office of Energy Infrastructure Safety

DGS requests the following classifications to manage, operate, and maintain the newly renovated Gregory Bateson building. According to DGS, FMD Operations and Maintenance staff previously assigned to the Gregory Bateson building were redirected to the Clifford L. Allenby Office Building when the renovation project began. The Allenby Building is a new structure therefore, the staff redirected to that building are not available to be returned to the Gregory Bateson building.

Class Code	Classification	Positions
6675	Office Building Manager I	1.0
1138	Office Technician (General)	1.0
5393	Associate Governmental Program Analyst	2.0
6695	Chief Engineer II	1.0
6712	Stationary Engineer	2.0
6940	Maintenance Mechanic	1.0
0731	Groundskeeper	3.0
6533	Electrician I	1.0
6913	Electronics Technician	1.0
6526	Painter I	1.0
2001	Custodian Supervisor II	1.0
2002	Custodian Supervisor I	2.0
2003	Custodian II	1.0
2011	Custodian I	18.0
Total		36.0

Source: Department of Finance

Staff Recommendation. Approve as budgeted.

Issue 3: Increased Expenditure Authority for the Statewide Parking Program

Request. The Governor’s budget requests \$2.5 million Motor Vehicle Parking Facilities Money Account in 2024-25, \$2.6 million Motor Vehicle Parking Facilities Money Account in 2025-26 through 2029-30, and \$886,000 Motor Vehicle Parking Facilities Money Account in 2030-31, and ongoing, for the DGS, Office of Fleet and Asset Management to support the Parking Administration Unit’s operational costs, facility maintenance and repair expenses.

Background. The Office of Fleet Asset Management (OFAM), Parking Administration Unit (PAU) currently manages 25 state owned parking facilities, located throughout California; it offers customer service for state employee parkers, oversees parking facility maintenance, and repairs, and implements parking policies. The parking facilities offer affordable parking opportunities and are available for use by individual state employees or state entities (i.e., departments or agencies). Parking can either be obtained via a monthly subscription or a daily rate; revenue is used to cover operational costs and fund facility maintenance and repairs.

Table 1: Motor Vehicle Parking Fund Resource History
(Dollars in thousands)

Program Revenue	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Revenues	\$4,085	\$5,122	\$8,443	\$7,454	\$8,086	\$8,570

Source: Department of Finance

Expansion of Daily Parking. As the impact of the COVID-19 Pandemic matured and stabilized, PAU identified an opportunity to better align their parking services with the needs of a teleworking/hybrid state workforce. The month-long access offered by monthly subscriptions was no longer needed by many state employees; daily parking has become a more reasonable parking solution. To accommodate this change, PAU has begun the installation of the Parking Access and Revenue Control system (PARCS) at many parking facilities; the system provides an automated payment mechanism that allows for daily parking at facilities where it was previously unavailable. PARCS has been installed and is currently active at five facilities; PAU intends to install the system at an additional two facilities in 2024-25 and two facilities in 2025-26. Each PARCS incurs a \$4,500 monthly cost, necessitating an ongoing expense increase of approximately \$486,000 annually once fully implemented for all nine facilities.

Fire Life Safety and Deferred Maintenance Project Backlog. PAU has an existing backlog of parking facility related Fire, Life, and Safety and deferred maintenance projects, dating back to 2017-18. At that time, \$20 million in outstanding projects existed; several of the projects have since been completed, but an approximate \$10.2 million in projects remain outstanding. Additional expenditure authority from this request will allow OFAM to further prioritize the completion of these projects and ensure that the program continues to provide quality and safe parking facilities to its customers.

The table below summarizes the PAU’s anticipated allocation of the additional authority from this request. Allocating \$1.7 million of additional parking revenue annually for deferred maintenance projects will allow PAU to eliminate the backlog in approximately 6 years.

PAU Supplemental Expense Summary

(Dollars in thousands)

Fiscal Year	2024-25	2025-26	2026-27
PARCS System	\$378	\$486	\$486
Facility PM's ¹	\$400	\$412	\$424
Facility Projects	\$1,700	\$1,700	\$1,700
Total	\$2,478	\$2,598	\$2,610

Source: Department of Finance

Staff Recommendation. Approve as budgeted.

Issue 4: Increased Maintenance and Repair Cost Expenditure Authority for Fleet Operations

Request. The Governor’s budget requests \$1.2 million Service Revolving Fund in 2023-24 through 2026-27 for the Department of General Services, Office of Fleet and Asset Management (OFAM) to address increased vehicle maintenance and repair expenses.

Background. OFAM’s Fleet Operations Unit (Fleet Ops) administers the State Vehicle Leasing Program (SVLP), which provides a fleet of vehicles available for lease to support agencies’ transportation needs. Leasing through OFAM allows state agencies to take advantage of several fleet management services, which provides many benefits and opportunities for cost savings. OFAM is obligated to pay for maintenance and repair expenses for all vehicles in its leased fleet.

According to DGS, prior to 2021-22, OFAM’s annual maintenance and repair expenses were relatively stable and consistently remained between approximately \$4.1 million and \$4.7 million; this stability can be attributed to both low volatility in the cost of parts and services for vehicle maintenance and repair and low volatility in the total vehicles in OFAM’s leased fleet. Beginning in 2021-22 (see table below), the cost associated with vehicle maintenance and repair increased by approximately 20 percent over prior years.

Prior Year M&R Data						
Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Total M&R Expenses	\$4,704,000	\$4,124,000	\$3,672,000 ²	\$4,662,000	\$5,399,000	\$5,595,000
Fleet Size	4,615	4,393	4,367	4,557	4,477	4,568
M&R Per Vehicle ¹	\$1,019	\$939	\$841 ³	\$1,023	\$1,206 ⁴	\$1,225

Source: Department of Finance

OFAM is projecting future annual M&R expenses to reach \$5.7 million—an increase of roughly \$1.2 million relative to prior years (see table below). According to DGS, contributing factors to increased maintenance and repair costs include:

- Post-pandemic inflation.
- Shortages of skilled technicians necessary to service and repair complex vehicle systems.
- Increase in the volume and complexity of vehicles with advanced technology features, resulting in higher costs for replacement parts.
- More expensive materials used in manufacturing to make cars more fuel efficient such as aluminum, carbon fiber, and rare earth metals.
- Shortages of replacement parts due to supply chain challenges, resulting in higher part costs.

M&R Expense Projections				
Fiscal Year	2023-24	2024-25	2025-26	2026-27
Total M&R Expenses	\$5,640,000	\$5,700,000	\$5,700,000	\$5,700,000
Fleet Size	4,700	4,750	4,750	4,750
M&R Per Vehicle	\$1,200	\$1,200	\$1,200	\$1,200

Source: Department of Finance

Since 2021-22, due to the increase in the number of vehicles leased, mileage costs reimbursed by departments, and the increase in the resale value of retired fleet assets, Fleet Ops has generated revenue above program’s expenditure authority. OFAM is anticipating the program’s revenue sources will remain steady in future fiscal years (see table below).

Program Prior Year Revenue			
Fiscal Year	2021-22	2022-23	Averages
Expenditure Auth.	\$32,714,000	\$33,015,000	\$32,865,000
Revenue	\$33,954,000	\$38,058,000 ¹	\$36,006,000
Difference	\$1,240,000	\$5,043,000 ²	\$3,141,000

Source: Department of Finance

As a result of these projected increased maintenance and repair costs, the Governor’s budget is requesting \$1.2 million Service Revolving Fund in 2023-24 through 2026-27.

Staff Recommendation. Approve as budgeted.

Issue 5: Office of Sustainability Workload Adjustment

Request. The Governor’s budget requests, requests \$665,000 (\$599,000 Service Revolving Fund, \$66,000 various funds) and four positions in 2024-25, and ongoing, for the Department of General Services, Office of Sustainability, to provide support for increased contracting and analytical services for programs and external customers and to better respond to sustainable energy directives.

Background. The DGS, Office of Sustainability (OS) develops and constructs renewable energy projects for state agencies across the State of California. OS has contracted for approximately 80 megawatts (MW) which have generated over one billion kilowatt hours to date, under 40 separate contracts for on-site solar and wind.

The project development process includes site evaluation, job walks, bid evaluation, contract award, architecture, and engineering (A&E) feasibility evaluations, due diligence, adherence to the California Environmental Quality Act review, tax analysis, system A&E, utility interconnection, and construction management. OS coordinates with the State Fire Marshall on inspection, permitting, and oversees training (for facility management, technical personnel, local fire departments, police departments, etc.), performance testing, commissioning, and close out.

Once the projects are completed, OS can remain involved for the life of the contract and verifies the systems remain fully operational over the 20 to 25-year contract term. This continued engagement by OS is to assist agencies with contract amendments, assignments, sales, and contract review of deliverables. OS ensures systems are operated and maintained per contract by the developer, oversees all system upgrades, repairs, and maintenance as well as monitors the system performance, energy generation requirements, and billing evaluations. These costs can be absorbed and incorporated into the cost of electricity for each project.

OS is comprised of three operational units which provide construction project management services to client agencies, including DGS. The Energy Savings Unit engages in energy audits and existing building energy efficiency upgrades. The Clean Energy Generation Unit engages in the design, installation, and monitoring of solar arrays, wind farms, and microgrids. The Transportation Unit installs EV infrastructure and equipment. Within OS, the Executive Office of Sustainability (EOS) provides administrative, analytical, and research services to OS and client agencies statewide.

OS reports increased workload across existing programs as well as increased workload from statutory changes and Executive Orders mandating that state facilities have clean renewable energy systems, resiliency, and redundancy during power disruptions to reduce utility grid impacts. Examples of increased workload include an increase of closed projects in the Clean Energy Unit from five in 2019, generating 13.80 MW of power, to 13 closed projects in 2023, generating 27.25 MW of power.

The four positions requested will enable OS to provide administration and analytical capacity to support the ability to respond to sustainable energy legislation and Executive Orders for the 36

state agencies that own real estate and to all agencies statewide that are impacted by sustainability related initiatives.

- Associate Governmental Program Analyst (AGPA) – Three positions.
- Project Director – One position.

Staff Recommendation. Approve as budgeted.

Issue 6: Information Technology Workload Adjustment

Request. The Governor’s budget requests \$1.8 million (various funds) and 14 positions in 2024-25, and \$1.6 million (various funds) in 2025-26, and ongoing, for the Department of General Services, Enterprise Technology Solutions, to ensure the evolving needs of customers are met and the department complies with existing Cal-Secure requirements for Disaster Recovery and Application Development.

Background. The Department of General Service (DGS), Enterprise Technology Solutions (ETS) must ensure the evolving needs of its customers are met and the department complies with existing Cal-Secure requirements for Disaster Recovery and Application Development. DGS serves as the State’s business manager by providing services to other state agencies. As IT and business services evolve, DGS’ client base and demand for services increases. ETS provides infrastructure, application, security, and privacy support for each of DGS’ 24 unique business lines that support other state agencies, California businesses, and members of the public. According to DGS, in the past three years, the reliance on technology to achieve business success has significantly increased. This trend has been driven by several factors, including:

Cybersecurity (Cal-Secure). On October 22, 2021, Governor Newsom issued the State Government Cybersecurity memo, officially adopting Cal-Secure as the state’s multi-year strategy and roadmap for cybersecurity, which directed state entities to implement specific security requirements within specific timeframes. According to DGS, the Department has met the Governor’s Cal-Secure requirements in 2022-23 and 2023-24, but need the requested resources to meet the Cal-Secure requirements for 2024-25 and 2025-26. The table below shows the phased order of priority of Cybersecurity Capabilities mandated by Cal-Secure.

Cal-Secure Mandated Capabilities				
Phase 1 (FY21-22)	Phase 2 (FY22-23)	Phase 3 (FY23-24)	Phase 4 (FY24-25)	Phase 5 (FY25-26)
<ul style="list-style-type: none"> • Anti-Malware Protection • Anti-Phishing Program • Multi-Factor Authentication • Continuous Vulnerability Management 	<ul style="list-style-type: none"> • Asset Management • Incident Response • Continuous Patch Management • Privileged Access Management • Security and Privacy Awareness Training • Security Continuous Monitoring 24x7 • Cloud Security Monitoring 	<ul style="list-style-type: none"> • Data Loss Prevention • Log Management • Network Threat Detection • Network Threat Protection • Threat Intelligence Program • Application Security • Operational Technology Security 	<ul style="list-style-type: none"> • Disaster Recovery • Enterprise Sign-on • Mobile Device Management • Application Development Security • Application Whitelisting • Software Supply Chain Management 	<ul style="list-style-type: none"> • Identity Lifecycle Management • Insider Threat Detection • Network Access Control • Enterprise Encryption • Mobile Threat Defense

Source: Department of Finance

Evolving Business Needs. Technology plays a critical role in DGS’ ability to provide value to its customers and their evolving business needs. DGS and other state agencies are increasingly digitizing services and operations to improve efficiency, reduce costs, and enhance customer service. The COVID-19 Pandemic forced many government employees to work from home. As the pandemic response shifts to hybrid-work, the need for technology to enable remote collaboration, communication, and document sharing has become a permanent and essential need.

Additionally, customer expectations for simple engaging experiences, seamless transitions and instantaneous results continue to grow with new technologies and automation.

Project Management and Business Analysis. To keep up with these evolving business needs and new automation technologies, DGS reports that it must shift its business analysis and project management implementation methodologies to be more iterative—including hybrid-agile and Continuous Improvement/Continuous Development (CI/CD).

ServiceNow Platform Management. DGS has implemented the ServiceNow platform to standardize user experience, simplify public and agency registration and logins, provide reporting dashboards, and deliver polished user interfaces with a consistent look for DGS program services. DGS' implementation of ServiceNow has grown to support over 26,000 users, including DGS, other state departments, and public users. ServiceNow provides a platform to standardize user experience, simplify public and agency registration and logins, provide reporting dashboards, and delivers user interfaces that present a polished, consistent look for DGS program services. In ServiceNow, there are over 25 business applications currently in production, an increase of 10 from last year. Additionally, ServiceNow has a backlog of over 18 engagements in various stages of development. Ensuring the maintenance of applications on the ServiceNow platform is a significant workload that continues to increase.

Workload History						
Workload Measure	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Project Requests Received	45	69	87	63	62	64
IT Projects Completed	12	7	14	14	11	15
ServiceNow Enhancements	N/A	266	370	411	390	413
IAA Incidents and Tasks	DATA NOT AVAILABLE	155	301	458	463	825
Request ticket total	N/A	6,448	14,930	32,249	30,785	39,035
Incident ticket total	N/A	21,982	21,855	17,901	16,174	13,706
Phone calls	DATA NOT AVAILABLE	DATA NOT AVAILABLE	DATA NOT AVAILABLE	6,961	13,276	11,109
Network and VOIP Tickets	DATA NOT AVAILABLE	561	462	738	640	1,022

Source: Department of Finance

According to DGS, the requested positions and funding will ensure that ETS is able to keep its enterprise applications current and support the needs of DGS programs and client agencies for technology and security. ETS will monitor the health of the application portfolio and ensure that updates and refreshes of technology are completed in a timely manner.

ETS monitors IT project requests and project completion through project portfolio management processes that are in line with California Department of Technology Project Approval Lifecycle. ETS will be better positioned to maintain compliance with updated IT security and privacy requirements resulting from the fiscal year 2024-25 Phase 4 of Cal-Secure. Compliance is

measured through both internal and third-party security audits and mandatory security reporting to applicable oversight agencies.

Staff Recommendation. Approve as budgeted.

7502 DEPARTMENT OF TECHNOLOGY**Issue 7: Middle Mile Broadband Initiative Overview & Budget Change Proposal**

Request. The Governor’s budget requests \$250 million General Fund (GF) in 2024-25, and \$1.25 billion GF in 2025-26, for the Department of Technology (CDT), to fund completion of the Middle Mile Broadband Initiative (MMBI) network and make 36 administratively established positions permanent. CDT also requests provisional language allowing up to \$500 million additional General Fund in 2024-25, to support MMBI.

Background. The COVID-19 public health emergency shifted a number of activities such as education, government services, health care, and human services from physical environments to remote alternatives facilitated by the internet. Increased use of these alternatives highlighted the disparities in internet access—that is, differences in the availability, affordability, quality, and reliability of internet service—across the state. The Public Policy Institute of California notes that, although broadband access has grown in recent years, a significant gap persists across racial groups, with 81% of Latino, 83% of Black, 87% of White, and 88% of Asian households reporting having broadband access at home in 2021. In addition, 76% of households with annual income below \$50,000 are less likely to have broadband access at home.

The Federal Communications Commission (FCC) defines broadband as high-speed internet access that provides a minimum of 25 Megabits per second (Mbps) download speed and 3 Mbps upload speed. Internet access at these speeds allow consumers to use the internet for a variety of activities such as accessing information, studying online, and working remotely.

Unserved areas and households are generally defined as those without access to broadband (as defined by the FCC). Underserved areas and households can be defined as those with access to broadband but without access to broadband at faster Mbps download and upload speeds with higher reliability and/or lower latency. Federal and state broadband programs define unserved and underserved in different ways using various criteria. All of the major federal and state programs, however, estimate that there are hundreds of thousands of households in areas of the state without broadband access. The digital divide refers to this gap between households, communities, and geographic areas that have access to high-speed internet services and those that have limited to no access.

To address this digital divide, as part of the 2021-22 budget, the Administration and the Legislature agreed to spend \$6 billion (\$1.7 billion General Fund) over three fiscal years (starting in 2021-22) on broadband infrastructure. Of the \$6 billion, \$4.37 billion was to be appropriated in 2021-22—\$4.32 billion in federal American Rescue Plan (ARP) fiscal relief funds and \$50 million General Fund.

Changes to State's 2021 Spending Plan. Since July 2021, the Administration and the Legislature have changed the state's 2021 broadband infrastructure spending plan in the following ways:

- \$1.4 billion shift from federal ARP Fiscal Relief Funds to General Fund in 2021-22. Pursuant to Control Section 11.96 of the 2022-23 Budget Act, the fund source for appropriations totaling \$1.4 billion in 2021-22 shifted from ARP fiscal relief funds to the General Fund—\$887 million for the middle-mile network and \$522 million for last-mile projects. (This shift was made due to increased flexibility in the use of a portion of ARP fiscal relief funds.) After the shift, there is \$2.9 billion in ARP fiscal relief funds (as compared to \$4.3 billion in the 2021 spending plan) allocated in 2021-22 for broadband infrastructure.
- \$550 million General Fund added across 2023-24 and 2024-25 for increased Middle-Mile network costs. In June 2022, the Legislature passed (and the Governor signed) Chapter 48 of 2022 (SB 189, Committee on Budget and Fiscal Review). In SB 189, the Legislature stated a goal to appropriate an additional \$550 million General Fund (\$300 million in 2023-24 and \$250 million in 2024-25) for increased costs to build, lease, and purchase the state's middle-mile network.
- Appropriates an additional \$73 million from the federal Enabling Middle Mile Broadband Infrastructure Program. On June 16, 2023, the National Telecommunications and Information Administration (NTIA) announced California will receive \$73 million for the state's middle-mile network from the Enabling Middle Mile Broadband Infrastructure Program established pursuant to the IJA. Chapter 189 of 2023 (SB 104, Skinner) appropriates this funding using a new federal expenditure item for the California Department of Technology (CDT) to receive and expend these funds.

The figure below from the Legislative Analyst's Office (LAO) provides the current spending plan for state broadband infrastructure programs and projects as of the 2023-24 Budget Act.

(Continued on the next page)

Figure 1

Broadband Infrastructure Spending Plan as of the 2023-24 Budget Act

(In Millions)

Program or Project	Fiscal Year	Funding Source		
		GF	FF	TF
Middle-Mile Network	Prior Years	\$887 ^a	\$2,363 ^b	\$3,250
	2023-24	300	73 ^c	373
	2024-25	250	—	250
	2025-26	—	—	—
	2026-27	—	—	—
Subtotals		(\$1,437)	(\$2,436)	(\$3,873)
Last-Mile Projects Grants	Prior Years	\$647 ^d	\$550 ^e	\$1,197
	2023-24	253	—	253
	2024-25	200	—	200
	2025-26	200	—	200
	2026-27	150	—	150
Subtotals		(\$1,450)	(\$550)	(\$2,000)
LLRF	Prior Years	—	—	—
	2023-24	\$175	—	\$175
	2024-25	300	—	300
	2025-26	275	—	275
	2026-27	—	—	—
Subtotals		(\$750)	(—)	(\$750)
All Programs and Projects	Prior Years	\$1,534	\$2,913	\$4,447
	2023-24	728	73	801
	2024-25	750	—	750
	2025-26	475	—	475
	2026-27	150	—	150
Totals		\$3,637	\$2,986	\$6,623

^a Pursuant to Control Section 11.96 of the 2022-23 Budget Act, the Department of Finance shifted \$887 million for the middle-mile network from ARP fiscal relief funds to GF in 2021-22.

^b The remaining \$2.363 billion in FF for the middle-mile network in 2021-22 is state ARP fiscal relief funds.

^c Chapter 189 of 2023 (SB 104, Skinner) appropriated a \$73 million award of federal funds in 2023-24 from the IJA's Enabling Middle Mile Broadband Infrastructure Program.

^d Pursuant to Control Section 11.96 of the 2022-23 Budget Act, the Department of Finance shifted \$522 million for last-mile projects from ARP fiscal relief funds to GF in 2021-22.

^e The remaining \$550 million in FF for last-mile project grants in 2021-22 is the state's allocation from the ARP's Coronavirus Capital Projects Fund.

GF = General Fund; FF = federal funds; TF = total funds; LLRF = Loan Loss Reserve Fund; ARP = American Rescue Plan; SB = Senate Bill; and IJA = Infrastructure Investment and Jobs Act.

Broadband Infrastructure. Broadband infrastructure allows internet service providers (ISPs) and other entities to provide high-speed internet access to communities and households. This infrastructure can be categorized into three groups based on the distance covered, from longest to shortest distance:

- **Backbone or Long-Haul.** Backbone or long-haul infrastructure often uses high-capacity fiber-optic cables laid over hundreds or thousands of miles to connect different countries, states, and/or regions to the internet.

- Middle-Mile. Middle-mile infrastructure also often consists of fiber-optic cables laid over tens or hundreds of miles that, once connected to by an ISP, can deliver local internet access.
- Last-Mile. Last-mile infrastructure relies on antennae, cables, poles, wires, and other components to connect middle-mile infrastructure to individual communities and households.

Statewide Open-Access Middle-Mile Network. As of January 29, 2024, the total estimated length of the statewide open-access middle-mile network is 10,513 miles. The figure below, from the LAO, provides a summary of the middle-mile network miles by delivery method.

Figure 2

Middle-Mile Network Miles by Delivery Method^a

Delivery Method	Number of Miles	Percent of Total Network Miles
Leases	4,584	44%
Caltrans Construction Projects	4,032	38
Joint-Build Construction Projects	1,420	14
Purchases	477	5
Total	10,513	

^a Data as of January 29, 2024.

Caltrans = California Department of Transportation.

Leases and standalone Caltrans construction projects account for a majority of the network miles—8,616 miles or 82 percent of the total network. The remainder of the network miles are joint-build construction projects (that is, construction projects where the state is working with another party to build the network) and purchases.

As of February 6, 2024, the total estimated number of middle-mile network miles with encumbered funding (that is, appropriated funds that are committed to an unfilled purchase order or unfulfilled contract) is at least 6,500 miles. From responses provided by the Administration, it is understood that the amount of encumbered funding for joint-build construction projects, leases, and purchases (about 6,500 miles) is, in general, more precise than for the standalone Caltrans construction projects (about 1,800 miles). Caltrans is continuing to finish the pre-construction work (that is, design, environmental, and permitting work) on any of its projects. Caltrans expects to complete this work by the end of 2024, after which contracts and purchase orders will be finalized and more specific amounts of funding will be encumbered. Therefore, while some number of miles for the standalone Caltrans construction projects have encumbered funding, the exact number of miles is uncertain.

The figure below, provided by the LAO, provides a summary of the middle-mile network projects and related costs with at least some funding encumbered. The figure does not include about \$665 million (\$450 million General Fund and \$215 million federal ARP fiscal relief funds) in appropriated, yet unencumbered, funding.

Figure 3

Middle-Mile Network Projects With Encumbered Funding

Project Name	Delivery Method	Miles	Estimated Cost (In Millions)	Encumbered Funding (In Millions)		
				TF	GF	FF
CVIN	Lease	2,522	\$715	\$715	\$427	\$288
Various	Standalone Caltrans Construction	1,800 ^a	950	500 ^b	—	500
Lumen	Joint-Build	1,186	257	257	—	257
Lumen	Lease	710	141	141	—	141
Digital 395	Purchase	435	31	31	31	—
Arcadian #1	Joint-Build	310	134	134	—	134
Arcadian #2	Joint-Build	280	171	171	—	171
Arcadian #3	Joint-Build	255	127	127	—	127
Zayo	Joint-Build	193	13	13	—	13
TPN	Lease	172	40	40	40	—
Siskiyou Telephone Company	Joint-Build	165	52	52	—	52
Arcadian #5	Joint-Build	117	38	38	—	38
Boldyn	Lease	81	79	79	—	79
Arcadian #4	Joint-Build	44	17	17	—	17
Vero	Joint-Build	24	7	7	—	7
Hoopla	Joint-Build	23	10	10	—	10
Subtotals		8,317	(\$2,782)	(\$2,332)	(\$498)	(\$1,834) ^c

Additional Costs	Estimated Cost (In Millions)	Encumbered Funding (In Millions)		
		TF	GF	FF
Administration	\$250	\$250	\$8	\$242
Conduit, Fiber and Vaults ^d	234	234	172	62
Electronics	215	— ^e	—	—
Huts ^f	69	69	61	8
Subtotals	(\$768)	(\$553)	(\$241)	(\$312)
Totals	\$3,550	\$2,885	\$739	\$2,146

^a The exact number of miles of standalone Caltrans construction projects that can be funded with the \$500 million in encumbered federal ARP fiscal relief funds is unknown. The 1,800-mile estimate also assumes at least \$450 million GF, all of which is appropriated yet unencumbered, as well as an anticipated appropriation of \$250 million GF in 2024-25.

^b The \$450 million difference between encumbered funding and the estimated cost of the standalone Caltrans construction projects is expected to be covered by appropriated yet unencumbered GF.

^c This FF subtotal does not include the \$73 million award of FF in 2023-24 from the IJA's Enabling Middle-Mile Broadband Infrastructure Program.

^d Conduit are physical tubes that encase fiber-optic cables. Vaults are protective shelters for network equipment that are close to the served area or household.

^e Bids for network electronics remain under review, so no funding is encumbered yet for these purchase orders. CDT expects to encumber appropriated ARP fiscal relief funds for these costs once bids are reviewed.

^f Huts are protective shelters for network equipment used for middle-mile broadband infrastructure.

TF = total funds; GF = General Fund; FF = federal funds; CVIN = Central Valley Independent Network; Caltrans = California Department of Transportation; IJA = Infrastructure Investment and Jobs Act; ARP = American Rescue Plan; and CDT = California Department of Technology.

For the remaining 2,200 or so miles of standalone Caltrans construction projects, CDT issued a second Request for Innovative Ideas (RFI2) solicitation—that is, a procurement method that defines a department's business need or problem to solve and allows vendors to design their own solutions—on November 9, 2023. The main purpose of this RFI2 solicitation is to identify opportunities for joint-build construction projects, leases, and/or purchases in place of the

remaining standalone Caltrans construction projects. This is because, in general, joint-build construction projects, leases, and/or purchases are less costly than standalone Caltrans construction projects. CDT also asked for ideas from vendors on the ongoing maintenance, management, and operation of the network. As of February 16, 2024, CDT received over 50 proposals from vendors. CDT expects to review these proposals over the next several months and incorporate any network changes (including in the length and number of standalone Caltrans construction projects) by mid-2024.

Middle-Mile Network Business Plan. CDT reports that it is also starting to conduct market research to develop a business plan for the maintenance, management, and operation of the middle-mile network as different segments are completed and activated. On February 12, 2024, CDT announced its market research will involve interviews with existing public middle-mile network administrators, large private middle-mile network operators, and potential state middle-mile network customers. According to CDT, their intent is to identify best practices to maintain and operate the network while minimizing the fiscal burden on the state. However, the third-party administrator Golden State Network expects forecasting revenues to be extremely challenging due to the scale and size of the network and the unknown number of customers in both unserved and underserved areas of the state.

Middle-Mile Broadband Initiative Budget Proposal. The Governor's budget requests \$500 million General Fund in 2024-25. Of the \$500 million, \$250 million is included in CDT's state operations budget as an anticipated appropriation based on uncodified statutory language adopted in Chapter 48 of 2022 (SB 189, Committee on Budget Fiscal Review). The Governor's budget requests a new, additional appropriation of \$250 million in 2024-25 as part of CDT's MMBI proposal CDT plans to use all \$500 million requested on standalone Caltrans construction projects.

Provisional Budget Bill Language. The Governor's budget also requests provisional budget bill language that would allow the Department of Finance to increase CDT's \$500 million appropriation in 2024-25 by up to an additional \$500 million General Fund.

The Governor's budget also requests \$1.25 billion General Fund in 2025-26 as part of CDT's MMBI proposal. CDT plans to use all \$1.25 billion requested on standalone Caltrans construction projects.

The Governor's budget also proposes to make permanent 36 positions that were established on a temporary basis in 2022 to support middle-mile network efforts using existing funding. The figure below, from the LAO, provides a list of these positions by classification and working title.

(Continued on the next page)

Title	Classification
Deputy Director	CEA
Program Manager	IT Manager II
Assistant Program Manager	IT Manager I
IT Manager I - GIS	IT Manager I
Procurement Manager	IT Manager I
Senior Business Manager	IT Manager I
Assistant Business Technology Manager	IT Supervisor II
Business Manager	IT Supervisor II
Business Manager	IT Supervisor II
Senior Agreements Officer	IT Supervisor II
Senior Procurement Officer	IT Supervisor II
Senior Procurement Officer	IT Supervisor II
Senior Procurement Officer	IT Supervisor II
Senior Procurement Officer	IT Supervisor II
IT Specialist II - GIS	IT Specialist II
IT Specialist II - GIS	IT Specialist II
IT Specialist II - GIS	IT Specialist II
IT Specialist II - GIS	IT Specialist II
Financial Officer	IT Specialist I
Region 1 Business Manager	IT Specialist I
Region 2 Business Manager	IT Specialist I
Region 3 Business Manager	IT Specialist I
Region 4 Business Manager	IT Specialist I
Region 5 Business Manager	IT Specialist I
Staff Services Manager III	Staff Services Manager III
MMBI Legislative Manager	Staff Services Manager II
Assistant Delivery Manager	Staff Services Manager I
Stakeholder Engagement	Staff Services Manager I
Attorney III	Attorney III
MMBI Information Officer I	Information Officer I
Senior Accounting Officer - AP	Senior Accounting Officer
Senior Accounting Officer - AR	Senior Accounting Officer
Senior Management Auditor	Senior Management Auditor
Senior Telecommunications Engineer	Senior Telecommunications Engineer
AGPA - Administration	AGPA
AGPA - Financials	AGPA

CDT = California Department of Technology; MMBI = Middle-Mile Broadband Initiative; CEA = Career Executive Assignment; IT = information technology; GIS = Geographic Information Systems; AR = Accounts Receivable; AP = Accounts Payable; and AGPA = Associate Governmental Program Analyst.

Recommendations from the LAO.

Approve \$250 Million General Fund in 2024-25 for Middle-Mile Network With New Provisional Budget Bill Language. The LAO recommends the Legislature approve the \$250 million General Fund included in CDT's operating budget as a planned appropriation in 2024-25. This funding would meet the Legislature's stated goal in SB 189 to provide additional funding for increased middle-mile network costs and, as presented in July 2023, allow CDT to build, lease, and purchase enough miles to deliver an operational middle-mile network. However, given the lack of critical information about middle-mile network construction, the LAO also recommends the Legislature adopt provisional budget bill language that conditions this funding on more information about standalone Caltrans construction projects and other information that is deemed necessary for legislative oversight of middle-mile network implementation such as an initial draft of the business plan.

Reject Additional \$250 Million General Fund in 2024-25, \$1.25 Billion in 2025-26 for Middle-Mile Network. The LAO recommends the Legislature reject the \$1.5 billion General Fund in CDT's MMBI proposal—\$250 million in 2024-25 and \$1.25 billion in 2025-26. The serious budget problem in 2024-25 and significant projected budget deficit in 2025-26 do not support the substantial General Fund investment in this proposal, particularly when detailed information is unavailable and alternative funding sources may be explored.

Reject Provisional Budget Bill Language Allowing for Increases in 2024-25 Appropriation. The LAO recommends the Legislature reject the provisional budget bill language that allows the Department of Finance to increase CDT's 2024-25 middle-mile network appropriation by up to \$500 million. This is consistent with their recommendation on the \$1.5 billion in CDT's MMBI proposal, as well as their assessment that the language does not reflect the administration's intent and complicates legislative oversight.

Approve Other Proposals as Budgeted. As the LAO has no concerns with them, the LAO recommends the Legislature approve the following other proposals:

- Funding for the 36 administratively created positions in CDT's MMBI proposal that support its middle-mile network implementation efforts.
- CDT's proposed provisional budget bill language that allows the Administration to authorize up to three additional permanent positions for CDT's middle-mile network implementation efforts.

(Continued on the next page)

Staff Comments. As part of the 2023-24 budget, CDT was required to submit a report to the Legislature by March 1, 2024, providing detailed information on project segments, expenditures, and updates on the MMBI. As of the writing of this report, CDT has not submitted this report to the Legislature. Additionally, CDT has not provided detailed information on any individual Caltrans pre-construction project segments for the MMBI, including the status within the pre-construction process, location, and the timing of projects transitioning from pre-construction to construction. Pending the RFI2 process, which could yield additional lease, purchase or joint-build options, the requested additional \$1.5 billion GF across 2024-25 and 2025-26 is currently intended to fund Caltrans construction of the remaining miles. Without this, and other information, it is difficult for the Legislature to effectively evaluate the implementation of the MMBI and ensure that the statewide middle-mile network is completed in a manner that prioritizes connectivity in unserved and underserved communities. Staff notes that the Legislature may wish to consider including further accountability requirements to evaluate implementation of the MMBI before considering any additional GF appropriations, especially in light of the significant budget problem.

Staff Recommendation. Hold Open.

Issue 8: Information Security Compliance

Request. The Governor’s budget is requesting \$250,000 General Fund in 2024-25, for CDT, for consulting services to address compliance deficiencies with the Cal-Secure Roadmap and internal security program. The departmental security deficiencies that this request will address include vulnerability management, incident response, and compliance.

Background. The CDT, Departmental Information Security Office (DISO) is responsible for implementing the Department’s Information Security Program (ISP). The department’s ISP evaluates the Department’s business needs, related technologies, and risks to develop and implement information security policies, standards, procedures, and subordinate programs that address security objectives. The ISP is coordinated with the policies and mandates of the DISO through relevant sections of the State Administrative Manual (SAM), the State Information Management Manual (SIMM), and federal directives.

According to CDT, internal security program deficiencies and compliance with the Cal-Secure Roadmap have demonstrated the need for one-time corrective action. CDT has reported 107 vulnerabilities with a median remediation period of 349 days in its Plan of Action and Milestones (POAM) submitted to the State ISO (April 2023). Approximately 50 percent are regarding internal processes, documentation, and systems. The chart below details the

Departmental Programs & Workload Functions	Estimated Annual Tasks	Estimated Hours Per	Estimated Total Hours
Vulnerability Management Program			
Vulnerability research, analysis, and assignment	136	4	544
Vulnerability research remediation assistance	136	2	272
Vulnerability research remediation monitoring and reporting	136	2	272
Remediation status tracking	50	4	200

Source: Department of Finance

According to CDT, the requested resources will be used by DISO for external security consultants to focus on eliminating the current backlog of internal vulnerabilities significantly reducing the overall number of POAM findings. These consultants will develop and document, and where needed, execute the missing processes and procedures. Contractors will also be used to perform consistent oversight of departmental vulnerability remediation efforts. This will reduce CDT’s risk of potential vulnerabilities remaining undetected and un-remediated.

CDT’s Information Security Office is requesting one-time, \$250,000 GF in 2024-25 to remediate the Department’s security compliance deficiencies.

Staff Recommendation. Hold Open.

Issue 9: Intrusion Detection and Prevention System (IDS and IPS) Replacement

Request. The Governor’s budget requests \$809,000 General Fund 2024-25, \$374,000 in 2025-26, and \$393,000 in 2026-27, and ongoing, for CDT, to replace Data Center Intrusion Detection Systems (IDS) and Intrusion Prevention Systems (IPS) hardware that will be reaching its end of supportable life. The requested IDS/IPS resources will be utilized to internally monitor and protect the East-West traffic security perimeter of state services maintained by the Office of Technology Service’s (OTech) data centers.

Background. CDT currently provides data center services for multiple state entities at two data center locations. These data centers must maintain the highest degree of security possible against malicious actors operating on both North-South and East-West traffic. North-South traffic pertains to department connections to both the California Government Enterprise Network and the internet at large. East-West traffic pertains to connections between the various networks within the data centers. These include internal database zones, web servers, mainframe, and other state-provided services within both data centers. CDT reports that intrusion detection and prevention remains a critical component for safeguarding the state’s data and IT infrastructure.

According to CDT, IDS and IPS hardware (North-South & East-West) continue to provide critical statewide benefits by serving as a frontline defense against cybersecurity threats. CDT reports that IDS and IPS devices block millions of malicious actions targeting the state’s network hourly and were used to protect the DMV Motor Voter website from attack. Requested resources are also intended to support investigations of suspected malicious cyber activity and prevention. Maintaining the ability to block known malicious IP addresses and domain names is a key element to the state’s cyber security posture.

The 2023-24 budget approved funding for replacement of end-of-life IDS/IPS infrastructure, which provided for enhancement of infrastructure supporting North-South traffic inspection.

The Governor’s budget is requesting resources in 2024-25 to replace end-of-life IDS/IPS infrastructure inspecting East-West traffic within the data centers as well as ongoing funding for hardware support.

Staff Recommendation. Hold Open.

Issue 10: Statewide Technology Services

Request. The Governor’s budget requests provisional language, for the Department of Technology, to allow the conversion of up to \$10 million from the Technology Services Revolving Fund (TSRF) to the General Fund (GF) in 2024-25 to support statewide technology services.

Background. CDT provides many statewide technology services including securing Information Technology (IT) assets, providing oversight and infrastructure for many state departments, and serving as the custodian of information for mission-critical business applications. CDT’s responsibilities and authority include policy formation, interagency coordination, IT project oversight, information security, technology service delivery, and advocacy. Additionally, CDT partners with local governments and educational entities to provide technology solutions.

Currently, CDT charges customers rates for services, depositing revenue into the Technology TSRF which funds much of CDT operations. According to CDT, many of the statewide services it provides lack designated departments to charge for services and associated workloads.

Some of the areas within CDT providing these types of statewide technology functions include:

Strategic Initiatives – This area assists in setting IT policies and practices and statewide performance management as it relates to the State Information Technology Strategic Plan. Additionally, they are responsible for leading the development and implementation of policy, performance management, and communication relating to the state’s strategies for emerging technologies such as artificial intelligence, block chain, and quantum computing.

Office of Digital Services (ODS) – ODS is responsible for ongoing support for a number of statewide initiatives, including: CA.gov domain name efforts, enforcement of the Statewide Information Management Manual (SIMM) 40A, State Administrative Manual (SAM) 5195, and SIMM 25, data & Geographic Information Services, managed WordPress web hosting service & contracts, web analytics & search, and multiple web services & standards (including Web Standards, State Web Template, Design System, and CA.gov web portal).

Office of Enterprise Architecture (OEA) – OEA provides services to statewide initiatives, programs, and departments to establish cohesive and consistent business-driven practices.

Office of Statewide Project Delivery (OSPD) – OSPD is responsible for ensuring adherence to best practices and managing risk, through Project Approvals and Oversight, Statewide Technology Procurement, and the California Project Management Offices. Additionally, OSPD collaborates on various state policies (including SIMM 71B, Project Approval Lifecycle, State Contracting Manual, Categorization of All Technology, Telecom and Internet of Things Effort (CATTIE), Public Contract Code, Government Code).

Training and Education Center (TEC) – The Training and Education Center is responsible for providing training to cybersecurity professionals and IT staff, including leadership training.

Office of Governmental Affairs (OGA) – OGA creates graphic and web-based design, social media, and awards coordination for submissions to nationally recognized award programs, oversight, direction, and guidance for external event coordination, messaging, and remote meeting facilitation. Additionally, OGA supports the Directorate in public facing events such as conferences, speeches, and panels.

According to CDT, the Department implemented various service rate adjustments in 2023-24 to improve cost recovery within several areas, including Mainframe CPU, OSPD, TEC, and ODS. CDT has proposed several rate changes for 2024-25 to further strategic cost recovery efforts and is working closely with the Department of Finance to achieve full cost recovery.

CDT is requesting provisional language in 2024-25 for a GF conversion of up to \$10 million from the Technology Services Revolving Fund.

Staff Recommendation. Hold Open

7760 DEPARTMENT OF GENERAL SERVICES**Issue 11: Office of State Publishing Material Purchase Authority**

Request. The Governor’s budget requests \$4 million Service Revolving Fund in 2024-25, and ongoing, for the Department of General Services, Office of State Publishing (OSP), to support the increased cost and volume of paper and commodities ordered in response to the extended lead times and reduction in production capacity in the commodities market.

Background. The OSP was established by the California Governor’s Office and assigned to DGS as a part of the Interagency Support Division in 1963. As outlined in Government Code section 14850, OSP is responsible for completing state printing jobs. OSP currently provides services to state, federal, county, and city agencies by providing printing, communication and document management solutions. Printing services include storage, mailing, and strategic marketing solutions. OSP also performs document remediation to ensure accessibility compliance with state and federal Americans with Disability Act standards. To fulfill printing service requirements, OSP must purchase and maintain appropriate stock of necessary specialized materials.

OSP reports that over the past few years, paper supply industry consolidations, COVID-19 pandemic supply chain issues, and geopolitical events increased the prices of raw material, core paper commodities, and related materials, such as pallets and ink. In addition, OSP reports that these events increased lead times for placing orders with suppliers.

Previously, OSP operated under a “just-in-time” ordering model whereby OSP received most paper deliveries directly from the supplier within two to four weeks from ordering. However, as a result of the increased lead times discussed above, OSP began making advanced supply orders to ensure adequate paper and printing materials were available for printing services, which required additional warehouse space for storage. Accordingly, OSP started a lease for a new warehouse facility in West Sacramento on July 1, 2022, with the option to renew or terminate the lease after 2025-26. The 2023-24 Budget Act included \$1.3 million annually from the Service Revolving Fund for OSP to lease and operate this new warehouse facility.

According to OSP, paper suppliers estimate that ongoing market disruptions will continue for at least the next two to three years at a minimum. However, it is unclear if these issues will continue after this time and therefore if there will be a continued need to purchase and store an increased supply of paper and related materials. Moreover, OSP previously indicated that it plans to monitor the paper supply market, and if OSP determines that returning to a just-in-time ordering model is sustainable by the end of the new warehouse facility’s lease term in 2025-26, then OSP would terminate the remainder of the lease and vacate the facility.

Comments from the Legislative Analyst’s Office (LAO). *Approve Funding for Paper and Related Materials on a Limited-Term Basis.* The LAO recommends that the Legislature approve the funding on a two-year basis (rather than on an ongoing basis as proposed by the Governor). This would result in the funding expiring after the 2025-26 budget year when OSP will be reevaluating whether to return to a just-in-time ordering model as part of its decision of whether

to renew or terminate the warehouse lease. If OSP determines it can return to the just-in-time ordering model, the requested funding would be unnecessary. If OSP determines it cannot do so, it can submit a request for legislative consideration to maintain this funding as part of the 2026-27 budget process. Additionally, this will ensure the state does not commit to ongoing expenditure authority that may be unnecessary, potentially leaving unspent funds that could be redirected without legislative oversight.

Staff Recommendation. Modify the Governor’s budget proposal to \$4 million Service Revolving Fund annually, beginning in 2024-25 through 2025-26.

Issue 12: Design-Build Sunset Repeal – Trailer Bill Language

Request. The Governor’s budget requests trailer bill language to repeal the January 1, 2025 sunset for Design-Build authority in Public Contract Code (PCC) 10196. This statutory change would permanently authorize the use of design-build, in specified circumstances.

Background. Existing law requires, generally, under the State Contract Act, public entities to fully complete the design of a project prior to awarding a construction contract and must award that contract to the “lowest responsible bidder.” This process, commonly known as design-bid-build, is intended to ensure that the project is built for the lowest possible cost. However, there are exceptions.

- The Department of Transportation (Caltrans), the Department of General Services, the Military Department, and the Department of Corrections and Rehabilitation have been authorized to use the design-build process. This is an alternative project delivery process in which both the design and the construction of a project is procured from a single entity. The Department of Water Resources (DWR) has also been granted the authority to use design-build for projects at the Salton Sea.
- Caltrans, regional transportation agencies, and the San Diego Association of Governments have also been authorized to use the Construction Manager/General Contractor project delivery method (CM/GC method). This method allows an agency to engage a construction manager during the design process to provide assistance to the design team, which can ultimately lead to a more constructible project. When design is nearly complete, the agency and the construction manager negotiate a guaranteed maximum price for the construction of the project based on the defined scope and schedule. If this price is acceptable to both parties, they execute a contract for construction services, and the construction manager becomes the general contractor.
- DWR is also authorized to use the design-build and CM/GC processes for project delivery for facilities of the State Water Project, excluding through Delta conveyance.

Per statute, the authority to utilize design-build would sunset on January 1, 2025. The Governor’s budget is requesting trailer bill language to repeal the provision that would sunset the Design-Build authority on January 1, 2025. This statutory change would permanently authorize the use of design-build, in specified circumstances.

Staff Recommendation. Hold Open.