Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 4 Agenda

Senator Christopher Cabaldon, Chair
Senator Roger W. Niello
Senator Lola Smallwood-Cuevas

Thursday, March 20, 2025
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 113

Consultants: Timothy Griffiths & Jessica Uzarski

ITEMS FOR VOTE ONLY

8955 Department of Veterans Affairs....................3
Item 1: Northern California Veterans Cemetery, Igo: Columbaria Expansion – Reimbursement Authority....................3
8940 Military Department....................4
Item 2: State Active Duty Pay Adjustment....................4
Item 3: Task Force Rattlesnake....................5

ITEMS FOR DISCUSSION

0515 Business, Consumer Services and Housing Agency....................7
Item 4: Discussion of the reorganization and structure of the newly proposed Housing and Homelessness Agency (HHA) and the newly proposed California Consumer Protection Agency (CCPA)....................7
1115 Department of Cannabis Control....................10
Item 5: Cannabis Operator and Separate Premises License Types (SB 1064)....................10
0511 Government Operations Agency....................11
Item 6: California Education Learning Lab....................11
8955 Department of Veterans Affairs....................12
Item 7: Veterans Home of California, Yountville: Steam Distribution System Renovation - Reappropriation....................12

Item 8: Administrative Services Staffing....13
Item 9: Veterans Homes Deferred Maintenance....14
8940 Military Department 15
Item 10: Office of the Staff Judge Advocate 15
Item 11: Deferred Maintenance 17
Item 12: Consolidated Headquarters Staffing – Phase 4....18
Item 13: Los Alamitos: Battalion Headquarters Readiness Center....19
Item 14: Los Alamitos: STARBASE Classroom Building....20
Item 15: Cybersecurity Reimbursement Increase 21

Public Comment

Please Note: Public comment will be taken following each Departments Issues, and again after all Issues have been heard.

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.

VOTE-ONLY ITEMS

8955 DEPARTMENT OF VETERANS AFFAIRS

Item 1: Northern California Veterans Cemetery, Igo: Columbaria Expansion – Reimbursement Authority

Request. The Governor's Budget requests, for the California Department of Veterans Affairs (CalVet), authority to receive a federal grant reimbursement for allowable costs for construction of the Northern California Veterans Cemetery, Igo: Columbaria Expansion project.

Background. The United States Department of Veterans Affairs, by way of the State Cemeteries Grants Program, executed a Memorandum of Agreement on January 5, 2024, approving reimbursement to the state. In conjunction with the grant award, a like amount of General Fund will be reverted.

The project was completed in August 2024, with a scope including the construction of ten new columbaria, each consisting of 100 niches on each side, for a total of 2,000 additional niches. The total project cost was $2.61m in General Fund, with $1.4m in General Fund set to be reimbursed (with a corresponding reversion to the General Fund) following the approval of this request and receipt of federal funds.

The Administration states that the though the total cost of the project is shown as $2,610,000, bid savings resulted in a revised project cost of $1,772,000 and the reimbursement from the State Cemeteries Grant Program will be $1,316,000. The resultant state costs from the project overall, therefore, will be roughly $456,000, with such costs being previously budgeted. Funds saved from the bid process will revert automatically on June 30, 2025, as construction authority was originally provided in the 2022 budget cycle, and has a three year encumbrance period.

Staff Recommendation. Approve as budgeted.

8940 MILITARY DEPARTMENT

Item 2: State Active Duty Pay Adjustment

Request. The Governor's Budget requests, for the California Military Department (CMD), $4,064,000 ($1,891,000 General Fund, $1,990,000 Federal Trust Fund authority, $66,000 Mental Health Services Fund, and $117,000 Reimbursement authority) to align the pay and allowances of its State Active Duty (SAD) employees to those of service members of similar grade in the federal armed forces, and to provide funding for increases for salary driven benefits because of the State Active Duty pay and allowance increases. The Governor's Budget also requests provisional language to allow for CMD to be augmented to cover increased pay rates which go into effect in 2025-26.

Background. Compensation for service members in the federal armed forces is set forth annually by the federal government in the National Defense Authorization Act (NDAA). The current version of the NDAA for federal fiscal year 2025 that is under consideration in Congress proposes a 4.5 percent pay increase for all service members, an average of 4.5 percent increase for the Basic Allowance for Housing (BAH) across all localities across the United States, and a 4.5 percent increase for the Basic Allowance for Subsistence (BAS). Historically, the President signs the NDAA in late December or early January. However, the final approved salary, BAS, BAH, and any allocated Cost of Living Adjustment (COLA) increases are not available until they formally published by the Defense Finance and Accounting Services (DFAS) in January. This proposal is based upon the current version of the NDAA under consideration in Congress. The Administration will submit a revised proposal during the Spring Process to reflect the approved BAH, BAS, pay and allowance adjustments as authorized in the NDAA and revise the SDB calculations accordingly.

Generally, Military and Veterans Code, sections 320 and 321 require that the CMD must pay its SAD employees at the same pay and allowances to service members of similar grade in the federal armed forces. Annually, the CMD submits two proposals for consideration—one based upon the proposed NDAA in the Fall process, and one based upon the enacted NDAA in the Spring process. However, from 2014-15 through 2022-23, CMD did not include adjustments for SDB for SAD service members in either proposal. The omission of SDB resulted in CMD not requesting adequate resources to fund increased SDB contributions for its service members. In 2023-24, CMD addressed this shortfall through a budget change proposal that requested compensation for SDB and determined that the appropriate mechanism for requesting SDB increases would be to include them in the annual SAD Pay Adjustment BCP moving forward.

The requested provisional language would allow the Military Department's budget to be augmented in 2025-26 to cover increased pay and benefit costs for SAD service members that are realized upon passage of the NDAA on January 1, 2026.

Staff Recommendation. Approve as budgeted.

Item 3: Task Force Rattlesnake

Request. The Governor's Budget requests, for the California Military Department, $3,647,000 ongoing General Fund to address annual pay adjustments, cost of living based benefit stipends, and the increased costs of Industrial Disability Leave for Task Force Rattlesnake.

Background. Taskforce Rattlesnake (TFR) is a specialized program and partnership between CMD and CalFire consisting of 14, full-time, year-round fire control hand crews. These crews are skilled in fire suppression and hazardous fuels reduction, and according to the proposal play a critical role in fire mitigation, fire and other emergency response efforts across California. Their work includes activities such as broadcast burning, hand and machine piling, and other vegetation disposal techniques, all aimed at protecting life, property, and public safety in alignment with state and federal Wildland Fire Fighting (WLFF) operations.

The Administration is requesting $3,647,000 ongoing General Fund to address annual pay adjustments, cost of living based benefit stipends, and the increased costs of Industrial Disability Leave (IDL) for TFR. The below explanations have been submitted by the Administration to explain the basis for the aggregate increase in General Fund requested.

The CMD is requesting $1,208,000 to support TFR annual Emergency State Active Duty (ESAD) pay rate increases for the 308 ESAD crewmembers. There are two distinct rates applied to ESAD SMs depending on mission profile and duty status: Emergency Activation Pay (EAP) and Military Pay (MilPay). EAP is applied during bona fide emergency response missions, e.g., Wildland Fire Fighting suppression and fuel reduction efforts—duties and tasks that have a clear and direct impact on the emergency mitigation or response efforts. MilPay is applied for non-emergency duty statuses for ESAD crewmembers, to include servicemembers in a travel status, paternity leave, sick leave status, and when on Industrial Disability Leave (IDL) often otherwise referred to as salary continuation.

MilPay rates are updated annually, effective January 1, based upon the pay scales authorized in the National Defense Authorization Act (NDAA). MilPay is calculated daily from the monthly Department of Defense base pay by rank, along with basic allowances for housing (BAH) and sustenance (BAS), as provided to ESAD service members under CMVC Sections 320 and 321. The 2025 NDAA proposes a 4.5% increase in Department of Defense pay rates, resulting in an anticipated 4.5% MilPay rate. When applied to the current task force rank structure and the historical utilization of MilPay days, the CMD anticipates an additional cost of $135,000 for TF-RS in 2025-26 for the 4.5% increased MilPay rate.

EAP rates are established annually by the CMD in accordance with CMVC Section 324 and are updated each July, following the May or June publication of the Department of Interior's Administratively Determined (AD) pay rates for temporary emergency workers upon which the rates are based. To calculate the base daily rate for service members receiving EAP, the AD hourly rates are multiplied by a factor of 12, and these rates are then tiered to reflect the military rank structure. Historically, AD rates are approximately 0.6% lower than the federal Department of Defense base pay increases. For the 2025-26 fiscal year, the CMD applied this historical rate increase to the 2024 AD rates to estimate the EAP rates. Using this methodology, the CMD anticipates the 4% EAP rate increase will result in an additional cost of $1,073,000. This estimate is based on the number of EAP days utilized during the 2024-25 fiscal year within TF-RS.

CMD anticipates cost of $137,000 for 2025-26 supplemental benefit stipend cost increases for TFRS ESAD crewmembers. This increase accounts for an anticipated 4.5 MilPay increase, which directly impacts the stipends provided to crewmembers for leave. The leave stipend, issued in lieu of traditional leave, is calculated as the equivalent of 2.5 days of MilPay per month. Additionally, per California Military and Veterans Code §327 and CMD's pay policies, crewmembers receive a medical stipend tied to the current Tricare Member + Family monthly premium, prorated to a daily rate.

The California Military and Veterans Code 340.1 mandates compensation for each calendar day of service for injured service members for up to 52 weeks, meaning 30 days paid on IDL at the MilPay rate per month. CMD was initially budgeted for this expense at a rate calculated at 22 days per month. This adjustment follows an updated legal interpretation of CMVC 340.1 which clarified IDL is intended to pay each calendar day (30) and not the total number of days the service member would have worked on assigned shift (22). The CMD anticipates a cost of $1,031,000 in funding for IDL based on adjustments to personnel compensation and alignment with historical averages for injured personnel within TFRS.

The State Compensation Insurance Fund is an insurance carrier who provides adjusting and legal services for the State's worker's compensation claims and provides benefits and services to injured/ill TFR employees. SCIF rates usually are published just before the start of a new state fiscal year and are effective July 1 of each year. Using historical data of SCIF rate changes going back to 2015, the CMD forecasts an 18% overall SCIF cost increase for 2025-26, resulting in an anticipated program cost increase of $1,271,000.

Staff Recommendation. Approve as budgeted.

ITEMS FOR DISCUSSION

0515 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

Item 4: Discussion of the reorganization and structure of the newly proposed Housing and Homelessness Agency (HHA) and the newly proposed California Consumer Protection Agency (CCPA)

The Administration proposes reorganizing the Business, Consumer Services, and Housing Agency (BCSH) into two separate agencies: (1) The Housing and Homelessness Agency, and (2) The California Consumer Protection Agency.

Housing and Homelessness Agency

In a preliminary outline of its proposed structure for the new Housing and Homelessness Agency (HHA), the Administration indicated that the new agency would encompass all of the following existing entities:

- *Department of Housing and Community Development (HCD)*
- *California Housing Finance Agency (CalHFA)*
- *California Interagency Council on Homelessness (Cal-ICH)*
- *Civil Rights Department (CRD)*

As part of this shift, Cal-ICH would become its own business entity with its own budget code, but otherwise, the existing entities would not change structure or function.

In addition to the existing entities, the Administration indicated that HHA would include two new entities:

- *Department of Housing Development and Finance.* As described by the Administration, this new entity would centralize the Administration of affordable housing programs, including grant processing and asset management.

- *Housing Development and Finance Committee.* As described by the Administration, this new entity, composed of the executive leadership of existing state entities that fund housing, would make coordinated funding awards across the various agencies.

The Administration made it clear that a key goal of the proposed Reorganization is to consolidate and align funding decisions across housing entities in order to increase efficiency for both government and applicants. However, the Reorganization Plan does not appear to contemplate the inclusion of the Tax Credit Allocation Committee, a major source of affordable housing funding currently housed within the State Treasurer's Office.

As described, the proposed reorganization does not involve transferring any homelessness programs into the new HHA from other departments. However, the Administration indicated that the HHA would have an increased role in promoting collaboration and coordination between these programs.

California Consumer Protection Agency

In a preliminary outline of its proposed structure for the new California Consumer Protection Agency (CCPA) the Administration indicated that the new agency would encompass all of the following existing entities:

- Department of Alcoholic Beverage Control
- Alcoholic Beverage Control Appeals Board
- Cannabis Control Appeals Panel
- California Horse Racing Board
- Department of Consumer Affairs
- Department of Cannabis Control
- Department of Financial Protection and Innovation
- Department of Real Estate

Unlike the new HHA, the newly proposed CCPA would not include any new entities.

The Administration has stated that the reorganization as it pertains to consumer protection is intended to streamline oversight and responsiveness. Additional information related to potential administrative costs increases will be available at a later time.

The Administration stated that it hopes to submit a more detailed Narrative Summary and Proposed Statutory Language within a few weeks for both HHA and CCPA. The Administration did not have a cost or position estimate for the proposed Reorganization at this time, but did indicate that a corresponding Budget Change Proposal might be forthcoming as part of the Governor’s May Budget Revision.

Key Questions:

- What is the timeline for when this proposed Reorganization would take place?

- Recognizing that a precise Budget Change Proposal to support this plan is likely to come out together with the Governor’s May Revision, what is the current rough cost estimate associated with this Reorganization Plan?

- Does splitting BCSH into two new entities create new or duplicative administrative costs that previously did not exist?

- Does the Reorganization Plan reduce or consolidate any state housing and homelessness operations?

- What role, if any, will HCD have in funding affordable housing under the Reorganization Plan?

- The Reorganization Plan, as loosely outlined so far, would create a new Department of Housing Development and Finance as well as a new Housing Development and Finance Committee. Why is it necessary to have these two distinct entities? What is the difference between them? What specific roles would each one play?

- Preliminary descriptions of the Reorganization Plan make it clear that a key goal is to better coordinate and align affordable housing funding programs and procedures. The Tax Credit Allocation Committee (TCAC), which operates under the auspices of the State Treasurer's Office, is one of the most important sources of affordable housing funding in the state, but it is not part of this Reorganization Plan. How does the Administration propose to better coordinate and align affordable housing funding programs and procedures without including TCAC?

- Would any of the existing state programs to address homelessness move between departments or agencies under the Reorganization Plan? If so, which programs will move and to what new departments or agencies? If so, will the existing programs to address homelessness operate any differently under the proposed Reorganization Plan?

- Will the role of the Interagency Council on Homelessness change under the Reorganization Plan? If so, how?

- What impact will the dismantling of the federal Interagency Council on Homelessness have on the California Interagency Council on Homelessness?

- Does the California Civil Rights Department still fit well in the new HHA structure? Are there new challenges that may face CRD under this structure?

- What positive impacts does the department foresee in regards to CCPA operating as a standalone agency?

1115 DEPARTMENT OF CANNABIS CONTROL

Item 5: Cannabis Operator and Separate Premises License Types (SB 1064)

Request. The Governor's Budget is requesting, for the Department of Cannabis Control (DCC), an increase in expenditure authority of $154,000 Cannabis Control Fund and 1.0 position in 2025-26, and $146,000 in 2026-27 and ongoing to implement Chapter 875, Statutes of 2024 (SB 1064).

Background. The enactment of Chapter 875, Statutes of 2024 (SB 1064) requires DCC to establish a new Combined Activities License (CAL) type for eligible cannabis licensees. The CAL license authorizes two or more commercial cannabis activities to take place at the same premises, to ease administrative burdens on licensees, and allow for consolidation.

Currently, the California Cannabis Track and Trace system is used to track cannabis products from seed to sale to prevent products from moving through the supply chain to licensees not permitted to engage in certain activity types. Prior to being transferred from one licensed activity to another licensed activity, products are placed on a manifest to be tracked and moved, creating a clear distinction between activities.

The Governor's budget proposal states that prior to the enactment of SB 1064, the microbusiness license was the only cannabis license type that allowed multiple small-scale cannabis activities under one license at the same location. DCC states that this is currently accomplished by providing microbusiness licensees with a unique type of access to the Track and Trace system, allowing entry of multiple forms of license activity. DCC monitors these unique access types for irregularities and anomalies, which DCC suggests require more time to analyze than typical Track and Trace accounts. The request suggests that the new CAL license will necessitate similar access to the Track and Trace system, and a corresponding increase in review time.

As of December 2024, there are 369 microbusiness licensees using this unique Track and Trace access type out of 8,905 total Track and Trace licensees. There are approximately 440 licensees eligible for the new CAL license. The request states that DCC has previously been able to absorb the additional review work associated with the microbusiness licenses, but that DCC will be unable to absorb the additional validation workload stemming from the new CAL licensees, as the additional licensees may result in double DCC's current CCTT validation workload. The request proposes creating an associate governmental program analyst position within DCC to handle this increase in workload, monitor all CAL licensee Track and Trace accounts.

Staff Recommendation. Approve as budgeted.

0511 GOVERNMENT OPERATIONS AGENCY

Item 6: California Education Learning Lab

Request. The Governor's Budget proposes to move the California Education Learning Lab (the "Learning Lab"), a higher education innovation program launched in 2018, from the Governor's Office of Land Use and Climate Innovation (formerly the Governor's Office of Planning and Research) to the Government Operations Agency (GovOps).

Background. The Learning Lab, established in 2018 under the Governor's Office of Planning and Research (OPR), was created to improve learning outcomes and close equity gaps across California's public higher education segments, particularly in the Science, Technology, Engineering, and Math (STEM) disciplines. Learning Lab awards grants to support teaching and learning programs in STEM.

In the 2024-25 budget OPR was restructured into the Governor's Office of Land Use and Climate Innovation (LCI). As part of this restructuring, several programs under the former OPR were transferred into other existing and newly created departments. The Governor's Budget proposal states that the Learning Lab's mission and programmatic goals align more with GovOps than LCI, and that a move would be beneficial.

The following resources for the Learning Lab will be transferred from LCI to GovOps:
· 1.0 Exempt Position;
· $5,500,000 General Fund in FY 2025-26;
· $4,000,000 General Fund ongoing.

The request states that transferring the Learning Lab to GovOps allows LCI to focus on its core responsibilities and allows GovOps to provide internal operational support for the Learning Lab without any additional operational resources. The request also suggests that the Learning Lab might better collaborate with GovOps efforts related to state workforce development and other education priorities of the Administration.

This item only transfers the Learning Lab between departments. No new resources are requested. The Governor's Budget has proposed trailer bill language associated with this request.

Though the present proposal deals only with the transfer of the Learning Lab to GovOps, the LAO has, in previous years, recommended that Learning Lab funds be redirected toward other ongoing higher education budget priorities.

Staff Recommendation. Approve as budgeted.

8955 DEPARTMENT OF VETERANS AFFAIRS

Item 7: Veterans Home of California, Yountville: Steam Distribution System Renovation - Reappropriation

Request. The Governor's Budget requests, for the California Department of Veterans Affairs, the reappropriation of $38,756,000 General Fund for the construction phase of the Steam Distribution System Renovation project at the Veterans Home of California-Yountville (VHC-Yountville).

Background. The 2022 Budget Act $39.2 million for working drawings and construction associated with the Veterans Home of California, Yountville Steam Distribution System Renovation project. This project is intended to renovate the existing steam distribution system, which provides heating and domestic hot water throughout certain buildings within the Yountville campus.

The request states that the project delays necessitating this reappropriation were caused by design revisions to incorporate 1) code updates, 2) scope updates due to impacts of new skilled nursing facility building project, 3) PG&E requirements related to gas lines & valves, and 4) technical specifications updates. The request estimates that working drawings for the project are roughly 80% complete, with an estimated total completion date of August 2025. The Department expects construction to begin in September 2025 and puts forth an estimated project completion date of September 2027.

The request estimates a total project cost of $40,854,000 including preliminary plans ($579,000), working drawings ($1,519,000), and construction ($38,756,000). The construction amount includes $32,149,000 for the construction contract, $2,572,000 for contingency, $1,745,000 for architectural and engineering services, and $2,290,000 for other project costs. Construction is expected to begin September 2025 and scheduled to be completed by September 2027.

Staff Recommendation. Approve as budgeted.

Item 8: Administrative Services Staffing

Request. The Governor's Budget requests, for the California Department of Veterans Affairs, two positions and $285,000 General Fund in 2025-26 and ongoing to augment staffing resources within the Administrative Services Division to meet the increased demands of the Budget Office.

Background. The CalVet budget office exists within the Administrative Services Division of the department and is responsible for responsibilities including preparation of the Governor's Budget, processing current year budget adjustments, reviewing budget bill language, producing fiscal bill analyses, preparing budget change proposal, and overseeing daily financial operations among other duties. The request states that the CalVet budget office requires additional support to keep pace with the increased volume of contract reviews, personnel actions, revenue projections and other associated budgetary responsibilities.

Currently, the Budget Office consists of 7 HQ staff, 6 Associate Governmental Program Analysts (AGPAs), and one SSMI supervisor. The HQ Budget Office maintains 5 Associate Budget Analyst positions, with one assigned to HQ Budgets, and the remaining four assigned to various Veteran's home assignments. The Administration notes that although most Veteran's home locations are assigned an AGPA, only a single AGPA is assigned to the three Los Angeles area Veteran's homes. The request states that no additional staff have been added to the HQ budget office to handle the increased responsibilities associated with new Veteran's homes (CalVet currently assigns a single analyst to all workload associated with the Barstow and Redding Homes, and another analyst to workload associated with the Chula-Vista and Fresno Homes).

The request states that with current operation staff, CalVet has not been able to efficiently handle the increased workload volume of the Budget Office, compromising the Administrative Services Division's ability to support the department's strategic goals and maintain compliance with state and federal regulations.

The Administration suggests that these gaps may be addressed by adding staff, and has asked for the addition of two Associate Budget Analysts (ABAs), which they state are specifically necessary to manage the increasing complexity and volume of financial transactions at the Veterans Homes in Fresno and Redding. The addition of two additional ABAs is suggested to allow for a commensurate number of budget analysts with the number of Veterans Homes, decreasing the backlog of critical budget tasks assigned to the existing staff.

Staff Recommendation. Approve as budgeted.

Item 9: Veterans Homes Deferred Maintenance

Request. The California Department of Veterans Affairs requests $819,000 General Fund in 2025-26 and ongoing for deferred maintenance for the Veterans Homes of California.

Background. Currently, CalVet offers four levels of care for veteran residents and their spouses, including: Domiciliary (Dom), Residential Care Facility for the Elderly, Intermediate Care Facility, and Skilled Nursing Facility. Today, the eight veterans' homes provide long-term care for up to 2,289 veterans and their spouses. The facilities range in size across the state; while the smallest Veterans' home has 60 beds, VHC-Yountville hosts 876 budgeted beds on an expansive campus with more than 100 buildings. The Veterans' homes are licensed or certified by the United States Department of Veterans Affairs, Centers for Medicare and Medicaid Services, California Department of Public Health, and/or California Department of Social Services. Accordingly, each veterans' home is required to comply with the rules and regulations governed by each of these agencies. These requirements affect a broad range of programmatic areas, including food services, clinical outcomes, facility standards, and records management.

The Administration notes that three oldest Veterans' homes are rapidly aging. Of the more than 100 buildings at the Yountville Home, few were built after the 1950s, and many critical structures date back to the 1920s and 1930s. As a result, VHC-Yountville has far more deferred maintenance needs than any of the other seven California Veterans Homes, and has experienced more frequent infrastructure issues, placing continued pressure on the facility's operating expenses and equipment budget.

The request states that the lack of ongoing funding to handle deferred maintenance priorities has exacerbated deferred maintenance issues. Currently, CalVet has an annual Headquarters and Homes Division deferred maintenance budget of $681,000, but notes that the estimated cost for replacing the hydronic piping system at one particular home would be $3,766,000.

Since 2015-16, CalVet has expended nearly $54 million in one-time funding allocations from the General Fund to address deferred maintenance projects at the Veterans Homes. CalVet suggests with this request that an increase in their baseline ongoing annual budget for deferred maintenance would be preferable to submitting individual budget requests for specific projects. Currently, CalVet estimates there is approximately $43.3 million in necessary repairs with reasonably known costs in their deferred maintenance backlog, as well as an additional 51 other deferred maintenance projects with yet to be determined, but potentially significant, costs.

The Administration suggests that completing deferred maintenance projects has been an ongoing challenge, as major projects are generally funded through one-time budget appropriations which extend the repair timeline and make it more difficult to create long-term maintenance plans. The CalVet deferred maintenance budget is therefore often used instead for lower-priority repairs that are less significant for the health and safety of veteran residents. The requested increase in deferred maintenance budget is proposed to increase CalVet's ability to plan for and address repairs which fall outside the scope of one-time budget requests, and improve the well-being of veterans in CalVet's care.

Staff Recommendation. Hold open.

8940 Military Department

Item 10: Office of the Staff Judge Advocate

Request. The Governor's Budget requests, for the California Military Department, $697,000 General Fund and three permanent positions (two Attorney III and one Legal Secretary) in 2025-26 and $697,000 GF ongoing to meet the demands of significantly increased legal workload and reduce departmental risk and liability with public works, contracting, human resources and educational programs.

Background. The Office of the Staff Judge Advocate (OSJA) is the Legal Department of the CMD. It is responsible for handling both state and federal legal issues for the department. For federal issues, OSJA relies on a full-time legal staff of military attorneys (Judge Advocates) and military support staff. It can also leverage additional part-time Judge Advocates, placing them on full-time Military Orders when needed. All these attorneys receive training which is entirely federally focused. Statutorily, these Judge Advocates are responsible for supporting the Federal programs to which they are assigned. There is no requirement that these Judge Advocates be licensed by the California State Bar Association and the majority are not.

Currently, OSJA staff consists of 23 licensed attorneys and 9 support staff. Of the 23 licensed attorneys, only one is a State Civil Service employee – an Attorney IV. This single attorney is currently responsible for all California-centric issues, including, but not limited to, conducting research, analyzing, and applying laws, interpreting court decisions and regulations, identifying other legal authorities, assessing legal risk to the State, and directly briefing the Executive Team on matters of legal import. The Attorney IV also works with the Directorates to negotiate, draft, and review contracts and agreements using State codes and regulations for the implementation of services contracts, real property transactions, site improvement projects, and grants. The Attorney IV also manages all litigation by or against the CMD working closely with Deputy Attorney Generals (State) and Asst. U.S. Attorneys (Federal) representing the CMD in civil matters. Lastly, the Attorney IV works with CMD's legislative team to review and analyze proposed state legislation and regulations that affect California's Soldiers and Airmen.

The current Attorney IV position was established through a vacant position reclassification and hired by the CMD in 2022. The Administration states that following this hire, CMD discovered significant risk created by contracts and agreements that did not undergo a legal review prior to approval and signature, as they lacked the input of a state attorney. Since the appointment of the state attorney, the CMD identified 285 public works contracts that were approved without sufficient legal review and 111 support agreements with school districts without legal authority. Since 2022, the Attorney IV has supported six litigations from public works and four litigations stemming from human resource (HR) disputes. One of the HR cases recently settled at a total cost of $3.9 million. One of the Public Works cases has a settlement demand of $3.8 million. Upon a subsequent review of applicable state laws, CMD identified that it was not complying with Public Contract Code §10220, which requires all contracts to be reviewed by a state attorney, with all non-reviewed contracts considered as non-binding (invalid). The current CMD Attorney IV does not have the capacity to address the workload required to bring the CMD into compliance with Public Contract Code and bring existing agreements into compliance with the limits of the CMDs legal authority.

To address these deficiencies in capacity to address state law issues related to contracts and human resources, the Administration is requesting two Attorney III positions (one focusing on construction/contract related issues, and one focusing on human resources related issues), as well as a legal secretary.

In support of this request, the Administration notes that the purpose of these positions is to limit the liability on CMD and the state. The additional positions are intended to allow for more thorough review of contractual and support agreements before implementation, risk management, creation of governing policy and regulation, training, compliance with state law and regulation, dispute mediation and claim resolution. Staffing the OSJA with the required legal support team provides the best chance of avoiding or limiting any financial liability to the CMD.

Staff Recommendation. Hold Open.

Item 11: Deferred Maintenance

Request. The Governor's Budget requests, for the California Military Department, a $4.8 million one-time General Fund in 2025-26 and provisional language that allows for a General Fund augmentation by an additional $6.3 million if CMD does not receive a federal match for deferred maintenance issues at the Azusa, Sacramento-Okinawa, and Fresno-Hammer Field armories.

Background. The Administration proposes to replace three HVAC systems in the following three armories: Azusa, Sacramento-Okinawa, and Fresno-Hammer Field. The HVAC replacements are currently in design within the Facilities directorate, with a complete design available by the spring of 2025. Currently, each armory is utilizing systems and supplies that are often failing, leaving areas of the armory without air conditioning for days at a time. This violates compliance with the following American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) codes: Standard 55 (thermal environmental conditions for human occupancy), Standard 61.2 (water source heat pump systems), and Standard 62.2 (ventilations system standards/design and indoor air quality). Additionally, these armories are out of compliance with California Building Code 2022, Chapter 12, which provides the minimum provisions for the interiors of buildings, including ventilation and space heating/cooling. These armories are unable to maintain appropriate temperature control due to failing HVAC systems and have permanently locked windows, resulting in heat trapping without proper ventilation.

The Azusa armory HVAC system was installed in 2006 when the armory was built and has exceeded its life expectancy. Issues at this armory are related to system failure with the chiller and boiler. The chiller for the system continues to automatically shut off to prevent damage to the system, while the boiler itself is no longer functional. The request states that this deficiency causes the armory to reach internal temperatures as high as 90-95 degrees, which affects productivity, operational effectiveness, and overall morale of service members. The Sacramento-Okinawa HVAC system was installed in 2009, with a lifecycle expectancy of 12-15 years. The request states that the current system often fails to blow cold air, which creates a danger on days with exceedingly hot temperatures. The Fresno-Hammer Field armory is the third HVAC project for this proposal. This system was installed in 2003 and is near the end of its life expectancy.

Staff Recommendation. Hold open.

Item 12: Consolidated Headquarters Staffing – Phase 4

Request. The Governor's Budget requests, for the California Military Department, two positions and $351,000 General Fund in 2025-26, with $347,000 ongoing, to enhance its capacity to effectively manage the facility systems at the Consolidated Headquarters Complex.

Background. In 2022-23, CMD received 32 positions to establish administrative and maintenance functions for the Consolidated Headquarters Complex (CHQC). In 2023-24, an additional 18 positions were allocated for security and safety operations, along with three positions for Zero Net Energy (ZNE) activities. By October 2023, over 900 CMD staff had relocated to the CHQC campus.

In 2024-25, the CMD received seven positions and funding to address additional security and safety requirements and utility expenses. The Administration states that, although these resources have addressed CHQC's immediate security and safety needs, the operation of the complex is still challenged by gaps in maintaining the seven (7) facility systems. The Administration states that approval of this would address these deficiencies and ensure the efficient operation of the CHQC.

Specifically, the request states that CMD urgently requires dedicated Information Technology (IT) staff to monitor and manage its seven critical facility systems, and therefore two Information Technology Specialist I positions are required. These positions would serve as facility systems administrators.

The CHQC operates seven building systems. These systems include the Tridium Niagara system, which centralizes control of building operations like HVAC and energy efficiency; CCURE 9000, which secures access to facilities and integrates intrusion detection; Siveillance, for real-time security monitoring via cameras; along with Sensorview and Clarity+, which optimize lighting automation and energy use; RGB Spectrum Galileo for real-time visual content control; the Emergency PA System for urgent communication, and the fire alarm and suppression systems for safeguarding lives and property. The Administration states that the requested positions are required to address the technical requirements for these systems, which were not fully understood from the limited familiarization training CHQC staff received during the occupancy process. The request states that this lack of understanding resulted in a critical gap in staffing, expertise, and resources necessary for effective operation and oversight of building systems.

The Administration states that this gap has led to numerous operational disruptions. Facility system errors are said to have caused significant issues such as overheating and high humidity in the server room, threatening sensitive computing and communications equipment; failures in access control systems have prevented employees from entering the campus or restricted areas; and prolonged outages of security cameras have compromised campus security. The suggested purpose of the new positions is to allow the CHQC to achieve the proper operation, maintenance, and integration of the facilities systems.

Staff Recommendation. Hold open.

Item 13: Los Alamitos: Battalion Headquarters Readiness Center

Request. The Governor's Budget requests, for the California Military Department, an appropriation of $750,000 from the Armory Fund to perform a planning study for a new Battalion Headquarters Readiness Center at the Joint Forces Training Base in Los Alamitos, California. The 1-160th Infantry Battalion's Headquarters & Headquarters Company (1-160 HHC) is currently located in the 70-year-old Inglewood Armory. The new Readiness Center will be approximately 48,800 square feet and will support individual and collective training, administrative requirements and responsibilities, automation and communications, as well as the logistical requirements for the California Army National Guard specified to the 1-160 HHC.

Background. The Administration has requested the Armory Funds referenced above for an advanced planning study. This project which is the subject of the study includes the construction of a new readiness center at the Los Alamitos Joint Forces Training Base complex for an Infantry Battalion. The request states that this new facility will provide sufficient space for a company-sized unit (approximately 187 service members). The new Readiness Center would be approximately 48,800 square feet and would be intended to support individual and collective training, administrative requirements and responsibilities, automation and communications, as well as the logistical requirements for the California Army National Guard.

The request states that, currently, the 1-160th Infantry Battalion's Headquarters & Headquarters Company, is stationed at the Inglewood Armory. The Administration states that the facility does not meet force structure requirements or space standards and is undersized by 19,000 square feet, with no room for expansion, leading to suggested deficiencies and an inability to comply with certain military guidelines.

Total project costs are estimated by the Administration to be $59,850,000, and are stated to be preliminary. Initial estimates include $750,000 Armory Fund for a study; $2,000,000 General Fund for preliminary plans; $2,100,000 General Fund for working drawings; and $55,000,000 ($13,750,000 General Fund and $41,250,000 federal funds). The planning study is requested to compete at the national level for Military Construction funds.

If approved, the study would begin in July 2025, with an estimated completion date of May 2026. Preliminary plans would begin July 2027 and working drawings would begin in the following budget year. The Administration states that the construction would begin upon completion of working drawings and confirmation of a federal match.

CMD has stated that the armory fund is an appropriate funding source for this type project. Currently the fund has a balance of approximately $35m, which includes proceeds from the sale of state-owned, obsolete Armory properties and lease revenue from Armories (that are used by outside agencies/entities) which are deposited after accrual.

Staff Recommendation. Hold open.

Item 14: Los Alamitos: STARBASE Classroom Building

Request. The Governor's Budget requests, for the California Military Department, an appropriation of $419,000 for the continuation of the Los Alamitos: STARBASE Classroom Building Project. The mission of STARBASE is to increase the interest and improve the knowledge and skill of at-risk youth in science, technology, engineering, and mathematics as well as to increase their self-esteem, respect for peers, and sense of responsibility. This project will address waiting lists by providing classroom space to accommodate 900 additional students annually.

Background. The STARBASE program is a U.S. Department of Defense-authorized educational program designed to provide elementary- and secondary-aged students with supplemental education in the fields of science, technology, engineering, art and design, and mathematics (STEAM). The program uses real-world, experiential learning to motivate children to explore educational opportunities in the STEAM fields.

California has several STARBASE programs directly facilitated by CMD, some of which are located on CMD military facilities. Established in 2012, STARBASE Los Alamitos is one such program. It serves students in the Southern California region, including students from the Cypress Unified and Los Angeles Unified school districts. Students attend the program in classrooms at the CMD Los Alamitos Joint Forces Training Base complex. Participating students learn Computer Assisted Design, robotics, and physics, and launch high-powered rockets and high-altitude weather balloons. As of 2023, STARBASE Los Alamitos had three authorized classrooms for the over 3,500 students a year who visit. However, CMD reports it cannot serve all interested students and there is currently a waitlist for the program.

The Administration asserts that a new educational space could serve as many as 900 additional students annually. The department indicates that a new classroom building could accommodate approximately 50 STARBASE classes during the school year, which would effectively eliminate the typical annual program waitlist.

Although the present request includes only funding for technical drawings, the total cost of the project is currently estimated at $6.3 million General Fund, including preliminary plans ($68,000), working drawings ($787,000), and construction ($5,468,000) with increasing construction costs driving the increase in total project cost.

The Legislative Analyst's Office, in its review of this proposal, has suggested that this request puts the state at risk of unnecessarily funding working drawing that ultimately go unused (which could occur if the multiyear deficits facing the state result in the delay of the construction phase of the project to a time when the working drawings are no longer usable). The LAO has therefore recommended that the Legislature reject this proposal without prejudice and reconsider constructing a classroom building to expand service at STARBASE Los Alamitos in the future when doing so will not likely come at the cost of existing budget commitments.

Staff Recommendation. Hold open.

Item 15: Cybersecurity Reimbursement Increase

Request. The Governor's Budget requests, for the California Military Department, an increase of $8.8 million to its reimbursement authority for expanded use of Interagency Agreements to support the California Office of Emergency Services and the California Department of Technology, as well as to support increased workload to conduct Independent Security Assessments in support of state agencies, state universities and local government.

Background. The Administration states that the CMD Cyber Program continues expanding to meet growing cybersecurity needs, supporting the Office of Emergency Services (OES) Cyber Security Integration Center (Cal-CSIC), the Department of Technology (CDT) Security Operations Center (SOC), and conducting Independent Security Assessments (ISAs) for state agencies, cities, and counties. The proposal suggests this expansion is driven by new laws, legislative mandates, executive orders, and increased demand for CMD's cyber expertise.

Inter-Agency Agreements (IAAs) are CMD's primary mechanism for providing cyber manning services to OES and CDT. IAA's allow the CMD to support OES and CDT with State Active Duty (SAD) Service Members (SMs) with unique Department of Defense and civilian cyber security training, skills and experience. The Administration states that by utilizing IAA's, the CMD can advertise, select and hire the most qualified cyber security candidates across a spectrum of military ranks, typically from E5 to O3. A potential issue raised by the request is that each IAA reimbursement limit must often be estimated at the highest rank level within the pre-determined range, as the actual rank of the final selected hire is unknown.

In 2016 AB 670 updated California GOV Code 11549.3 to define the requirements of CDT's Office of Information Security (OIS) to conduct ISAs for State Agencies. Under this bill, OIS is mandated to conduct ISAs for a minimum of 35 state agencies each year. AB 670 also established the CMD an authorized provider of these assessments. Over the past four years, CMD's cyber IAAs have increased from 2 to 13, allegedly outpacing the existing reimbursement limits. The proposal states that this due to the expansion of Cal-CSIC's responsibilities, the growth of SOC's customer base, and the increasing need for skilled cybersecurity professionals.

In order to accomplish their stated goal of sustaining these services and continuing to support the state's cybersecurity operations, CMD is requesting a reimbursement authority increase of $8.8 million. The Administration states that this adjustment allows CMD, Cal-CSIC, and SOC to continue to respond to cyber threats. The $8.8 million figure represents the maximum combined value of CMD's current IAA contracts for Cal CSIC / SOC which is $6.8 million, plus the difference between the CND's current ISA reimbursement maximum ($6 million) and its current reimbursement authority ($3.9 million). The proposal also states that this adjustment accounts for annual increases to military pay and housing allowances over the next two years.

The Administration states that without the additional reimbursement authority, CMD would be required to either reduce to the level of support to the state or request annual authority increases through the budget revision process, which creates an additional administrative workload for the CMD budget staff, the Department of Finance (DOF) and the Joint Legislative Budget Committee.

Staff Recommendation. Hold open.