Senate Budget and Fiscal Review—Scott D. Wiener, Chair

SUBCOMMITTEE NO. 5 Agenda

Senator Laura Richardson, Chair
Senator María Elena Durazo
Senator Kelly Seyarto
Senator Aisha Wahab

Thursday, April 3, 2025
9:30 a.m. or Upon Adjournment of Session
State Capitol – Room 112

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ITEMS FOR DISCUSSION

ITEMS FOR COMMENT ONLY

Public Comment

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ITEMS FOR DISCUSSION

VARIOUS DEPARTMENTS

Issue 1: State Departments' Operational Efficiencies (Control Sections 4.05 and 4.12)

Background. The 2024 Budget Act included two control sections—Control Section 4.05 and Control Section 4.12—that aimed to identify and implement efficiencies across nearly all state entities to produce ongoing budgetary savings without adverse effects on state services. Both control sections established statewide administrative exercises led by the Department of Finance (DOF) to (1) identify efficiencies and (2) eliminate vacant positions and related funding.

The budget assumed that these two exercises combined would (1) result in General Fund savings totaling $2.9 billion ($200 million of which was assumed from the universities) in 2024-25 and $3.6 billion ($774 million of which was assumed from the universities) in 2025-26 and ongoing and (2) reduce the number of vacant positions by about 10,000.

2024-25 Budget.

The 2024-25 budget included two control sections aimed at reducing General Fund state operations expenditures through efficiencies. In total, the 2024-25 budget assumed the savings from these control sections would reduce state expenditures by $3.7 billion ($2.9 billion General Fund) in 2024-25 and $4.3 billion ($3.6 billion General Fund) ongoing beginning in 2025-26. In total, these savings represent roughly 10 percent of General Fund state operations expenditures for affected departments in 2024-25.

Control Section 4.05. The enacted budget assumed General Fund savings of $2.2 billion in 2024-25 and $2.8 billion ongoing beginning in 2025-26 to reduce General Fund state operations expenditures by up to 7.95 percent. Although the budget assumed this level of savings could be achieved, it did not actually reduce departmental budgets by this amount. Instead, the reduction was made to the overall budget totals and remained "unallocated" to departments. The control section applied to almost all of state government, including the university systems and the state operations of the judicial branch (local assistance funding for trial courts was reduced by a similar amount outside of the control sections). Only the Legislature and Legislative Counsel Bureau were excluded from the language of the control section. Under the control section, the assumed General Fund savings would be achieved through "operational efficiencies and other cost reduction measures including, but not limited to, reorganizations, eliminations of boards and commissions, rate changes, contract reductions, elimination of excess positions, and the cancellation or postponement of information technology projects." The control section specified that the savings would be allocated by DOF and that DOF would be responsible for determining the budgetary and accounting transactions to ensure proper implementation of reorganizations and eliminations.

Reporting Requirements of Control Section 4.05. The control section included specific requirements for the administration to report information to the Legislature. Specifically, (1) on or before October 1, 2024, DOF would notify the Joint Legislative Budget Committee (JLBC) what direction, if any, had been issued to affected state entities and the criteria DOF would use to assess savings identified by state entities; (2) in the event that a reduction to a particular program, department, or agency exceeded 7.95 percent, DOF would notify JLBC 30 days prior to the reduction being implemented; and (3) on or before January 10, 2025, DOF would notify JLBC "how the reduction in state operations expenditures was achieved" by reporting by department and program the funding source and magnitude of any changes to departments' budgets pursuant to the control section.

Control Section 4.12. The enacted 2024-25 budget assumed savings of $1.5 billion ($762.5 million General Fund) resulting from about 10,000 authorized positions being vacant in 2024-25. The control section applied to all state entities except the Legislature, Legislative Counsel, universities, and judicial branch. Like Control Section 4.05, Control Section 4.12 did not distribute savings or reduced position authority to departments. Instead, the reductions were made to the whole budget and were unallocated to departments. The budget specified that DOF would propose, as part of the Governor's 2025-26 budget proposal, the permanent elimination of vacant positions and associated funding to make the assumed savings ongoing beginning in 2025-26.

Reporting Requirements of Control Section 4.12. The control section required DOF to report specific information to the JLBC and to the exclusive bargaining representatives of the state's 21 collective bargaining units on January 10, 2025. Specifically, for each position proposed to be eliminated in 2025-26, DOF was required to report (1) the department and program associated with the eliminated position, (2) the job classification of the eliminated position, (3) the savings associated with the eliminated position, and (4) the total amount of savings associated with the eliminated positions.

2025-26 Budget.

Lower Savings Statewide Than Was Assumed in 2024-25… The Administration assumes that the administrative exercises conducted pursuant to Control Section 4.05 and 4.12 resulted in lower savings than was assumed as part of the 2024-25 budget. In both cases, the savings resulting from the control sections remain unallocated under the Governor's proposal. The figure below compares the savings that were assumed in the 2024-25 budget with the savings that the Administration identified in its report to the Legislature.

Savings in Governor's 2025-26 Budget Lower Than Assumed in Enacted *2024-25 Budget*

(In Billions)

	2024-25		2025-26	
	General Fund	All Funds	General Fund	All Funds
Savings Assumed in 2024-25 Budget				
State Departments	$2.7	$3.5	$2.8	$3.6
Universities	0.2	0.2	0.8	0.8
Totals	**$2.9**	**$3.7**	**$3.6**	**$4.3**
Savings Identified in January 10, 2025 Report[a]				
State Departments	$0.8	$1.8	$0.7	$1.7
Universities[b]	0.2	0.2	0.8	0.8
Totals	**$1.0**	**$2.0**	**$1.5**	**$2.5**

[a]The report also identified savings resulting from trial courts; however, these savings are not the result of Control Section 4.05 and so are not reflected in this figure.

[b]Refer to analysis, *The 2025-26 Budget: Higher Education Overview*, for discussion of overall effects on universities' budgets.

…Especially Across State Departments. The Administration identified significantly lower General Fund savings across state departments relative to what was assumed in the 2024-25 budget. The Administration indicates that it identified about $800 million General Fund savings in 2024-25 and less than $700 million ongoing General Fund savings beginning in 2025-26 across state departments—less than one-fourth of the $2.8 billion in ongoing General Fund savings across state departments that was assumed in the 2024-25 budget. Across all funding sources, the Administration identified $1.7 billion in ongoing savings resulting from the two control sections. Of this total, the Administration indicates that it was able to identify more non-General Fund savings than General Fund savings—with the General Fund representing 43 percent of the total identified savings—far below the 2024-25 budget assumption that 78 percent of the savings from state departments would benefit the General Fund. The administration also assumes that about 6,400 vacant positions would be eliminated, compared with the 10,000 assumed in the 2024-25 budget. The funding associated with these 6,400 vacant positions are more heavily funded from non-General Fund sources than the 2024-25 budget assumed. Whereas the 2024-25 budget assumed that one-half of the funding associated with eliminated positions would be from the General Fund, the administration indicates that 37 percent of the funding associated with the identified positions is from the General Fund.

Report Submitted to Legislature Lists Departments and Assumed Savings at High Level. The Administration submitted a letter to the JLBC on January 10 that included a two-page list organized by department that identified the "General Fund," "Other Funds," and "Total" savings identified in 2024-25 and 2025-26 pursuant to Control Section 4.05 and Control Section 4.12 for each state department, including the universities. The report did not indicate which specific programs or funding sources were affected by the identified savings. The report also included the number of positions identified for elimination; however, it provided no information as to which classifications or which programs were affected by the vacant position elimination. The California Department of Forestry and Fire Protection (CalFire) was included in the list of identified savings; however, a footnote indicated that CalFire would be exempted from the exercise and that savings would not be achieved for that department in light of the fires in Southern California.

Legislative Analyst's Office.

We analyze and provide comments regarding the implementation of Control Sections 4.05 and 4.12 under the Governor's proposed 2025-26 budget in the section below. Seeking efficiencies in state government always is a worthwhile effort. We find that the assumed level of savings in the proposed budget generally is more reasonable than the savings target that was included in the 2024-25 budget. That being said, the very limited information that has been shared with the Legislature to date makes it very difficult to assess the viability of the assumed savings and raises concerns that the administration will not be able to achieve the full level of savings assumed, especially in the current year.

Efficiencies in State Government

Finding Efficiencies in State Government a Good Endeavor. Control Sections 4.05 and 4.12 put forward a worthy goal for DOF to lead a statewide effort to identify budgetary inefficiencies in state operations. Such an exercise is a meritorious endeavor in any year; however, it is particularly important to minimize unnecessary or duplicative spending when the state faces a budget problem.

Governor's Proposal Reflects Significantly Lower—Perhaps More Reasonable—Savings From Efficiencies in Most State Departments. The report to the JLBC shows that most state departments are expected to achieve much lower levels of General Fund state operations savings than assumed in the 2024-25 budget. The identified ongoing savings represent 2.4 percent of the $28.6 billion General Fund state operations expenditures associated with the affected departments in 2024-25. Given the exercises did not aim to reduce program service levels, achieving 2.4 percent in savings seems more reasonable than the roughly 10 percent target assumed in the budget.

Not Clear What Efficiencies Would Result in Identified Savings. We have tried to get information from some of the larger departments to better understand what types of operational changes are being implemented to achieve the identified savings. As we discuss in greater detail later, we have received limited information thus far. From the little information we have received, it seems that there may be variation in how the departments approached the exercise. Some seem to have identified true efficiencies—for example, identifying federal funds that could replace state General Fund expenditures—rather than indicating they are reducing services. Others have stated that they are unable to provide any detail at this time. Ultimately, our communications with the administration reveal that many of the details of how departments will implement the efficiencies are still under development. Moreover, whether there would be impacts on services is unknown at this time.

Lack of Information on Savings Provided to Legislature

List From Administration Does Not Fully Meet Reporting Requirements. The list of identified savings that the administration provided to the Legislature provides very high-level information and does not fully meet the reporting requirements specified under the control sections for the January 10 reports. (We note that the Control Section 4.05 October 1, 2024 reporting requirement was satisfied by the administration providing to the JLBC the instructions it sent departments in Budget Letter 24-24. The JLBC has not been notified of any departments with identified savings exceeding 7.95 percent.) There is no information about specific funding sources, affected programs, or affected job classifications as is required by the control sections.

Very Limited Information Available About How Savings Would Be Achieved From DOF… When compared with the amount of information that departments must submit to justify even small increases in their budgets (for example, the level of detail provided in budget change proposals), the two-page list to explain a multibillion-dollar adjustment to the budget that affects virtually all departments is insufficient to adequately inform the Legislature of the action. Moreover, discussions with DOF did not provide us much additional information about identified savings. DOF indicated that more information would be available in the spring, and suggested that we should ask individual departments for specific information about the actions they took to achieve the savings and the potential effects of the savings.

…Or Departments. We sent inquiries to some of the largest departments to better understand how the identified savings might be implemented. While a couple of departments provided us relatively detailed information—for example, indicating that the savings would be achieved though hiring freezes, leveraging more federal funds, reducing general expenses (printing costs, travel, and/or discretionary training), or moving to supply more administrative services in-house—the most common response we received from departments was that DOF was working on the proposal and that more information would be available in the spring. Below, we discuss the current information gaps that we have identified and provide some of the limited information that we did receive from departments.

Limited Information From Asking Departments Directly

Cause of Variation in Savings Across Departments Unknown. When excluding the universities, the identified 2024-25 statewide savings under Control Section 4.05 is around 2 percent of 2024-25 General Fund state operations expenditures; however, there is significant variation among these departments. Some departments are identified as having no identified General Fund savings (for example, Department of Technology and the State Auditor), others are around the statewide average of 2 percent (for example, California Department of Corrections and Rehabilitation, Department of Finance, and Secretary of State), others are identified at or near the full 7.95 percent savings target (for example, the Agricultural Labor Relations Board, California Air Resources Board, and Department of Health Care Access and Information), and a handful appear to possibly exceed the 7.95 percent savings target (for example, the Tahoe Conservancy and the Citizens Compensation Commission). The rationale for the variation in the size of the savings is unclear. On the one hand, it could be that some departments were able to identify more efficiencies than others. On the other hand, because little information is available about the identified savings, it seems that departments are still working to find ways to achieve their identified level of savings making it difficult to assess whether any variation is connected to real, identified efficiencies.

Implementation of Current-Year Savings Efforts Underway. Many of the departments we communicated with indicated that they have begun implementing at least some of the operational changes that would be necessary to achieve the identified savings in the current fiscal year. However, other departments indicated that they could not share with us any information about current-year implementation of the identified savings at this time and that more information would be submitted to the Legislature in the spring.

Necessary Statutory, Regulatory, or Fee Changes Unknown. It is not known, but possible, that changes in law—whether in statute, regulations, fee structure, or other—are necessary to achieve some of the identified savings. This raises important implementation timing and oversight questions in the instances of savings being achieved in the current year. When we asked departments, they reported to us either that they did not anticipate changes were necessary or that they were reviewing whether any change would be necessary. In instances where savings have been implemented before necessary changes in law are enacted, it is unclear under what authority the savings have been implemented. In instances where savings have not yet been implemented and changes in law are required, it is unclear that there is sufficient time in the fiscal year for the changes in law to be enacted and for the savings to be implemented.

Lack of Information Raises Uncertainty Whether Administration Will Achieve the Identified Efficiencies Savings. In the few departments that provided relatively more detailed information, it appeared that many departments identified actual efficiencies—that is, the savings would not affect services. In some cases, however, responses suggested that how efficiencies would be achieved was still under development. In these cases, impacts to service levels seems possible. Moreover, in some cases, the savings that departments have identified for 2024-25 cannot be repeated in the future. For example, multiple departments identified that the savings they identified in 2024-25 were one time in nature (contributing to the decline in savings from 2024-25 to 2025-26). In some of these cases, how the identified out-year reductions will be maintained is yet to be determined. The lack of information raises uncertainty that the identified savings necessarily are the result of identified efficiencies and whether the lower spending levels will be achieved fully in the current year or ongoing.

Assumed Savings

Exempting Departments Likely to Further Erode Assumed Savings. The list of identified savings reported to the Legislature indicated that, due to recent wildfire activity in Southern California, CalFire is now exempt from the exercise and that no savings were expected from that department. It is our understanding that other departments currently included in the report also might become exempt from the exercise due to concerns about the state's ability to achieve savings while responding to the fires. The suggestion that these departments cannot maintain service levels while reducing their expenditures by the levels identified as efficiency savings in the report to the Legislature raises concerns that the identified savings are not true efficiencies but rather constitute cuts that could negatively affect current service levels. The report had identified about $40 million General Fund in savings from CalFire (about 6 percent of the total identified General Fund savings). Because these savings were initially included in the Governor's January proposal, this and any other savings or eliminated positions in the report associated with departments now exempted from the exercises would further erode the savings that were originally assumed in 2024-25.

Large Share of Assumed Total Savings From Unspecified "Other Funds." Why non-General Fund sources reflect a majority of the identified savings is unclear. Further, with the report provided to the Legislature not identifying non-General Fund funding sources beyond labeling them "other funds," it is not clear whether this category includes just special funds or other non-General Fund state funding sources or even nonstate sources, for example, federal funds. The administration should provide justification for any reduction to nonstate funds. (For example, lower federal funds reasonably could occur in instances where there are matching requirements that directly tie the amount of federal funds the state receives to the amount of state funds spent.)

Proposed Savings in Special Fund Expenditures Should Be Accompanied by Discussion of Effects on Charges. A special fund is created to fund a specific purpose and is supported by taxes and fees levied on payors who receive the service supported by the fund. The administration reports that it identified $1 billion in reduced non-General Fund expenditures. We would expect any discussion of savings benefitting special funds to include a discussion of the effect, if any, lower spending from these special funds has on fees and other revenues that support the affected special funds. Based on our communications with departments, it seems that any such analysis currently is not available.

LAO Recommendations

Given the lack of information available to the Legislature, in this section we lay out our recommendation that the Legislature use the subcommittee process to solicit information from departments and to make its final determination regarding the savings assumed in the budget and the overall structure of Control Sections 4.05 and 4.12 after the administration has submitted its final report of identified savings.

Use Subcommittee Process to Provide Oversight of Identified Savings… We recommend that the Legislature use the subcommittee process to gain more clarity and increase transparency around the identified savings for each department. Similar to how a proposed budget augmentation requires justification, a budgetary reduction or savings identification also requires justification and explanation to ensure that legislative priorities are maintained. The purpose of these discussions would be to understand how the department plans to achieve the identified savings and whether the identified lower spending level is the result of efficiency gains or whether it could affect services. If services would be affected by the lower spending levels, the Legislature could use the discussion to understand if the effects on services are consistent with legislative priorities.

…Before May Revision. The administration has not provided a specific time line for its additional report on efficiencies. As such, the administration may not provide additional information until its May Revision proposal (or later). Waiting until May to understand departments plans would provide the Legislature limited time to assess the proposed savings. As such, the subcommittee hearings before May Revision could be an opportunity for the Legislature to make clear its priorities for each department as the administration determines the final savings it intends to present in the spring. The hearings also can be used to set expectations of DOF so that the Legislature can hold DOF accountable whenever it identifies the specific savings by funding source and program.

Ask Each Department Questions to Better Understand Identified Savings and Their Effects. We recommend the discussions in subcommittee hearings focus on five broad categories: (1) understanding the methodology used by the administration to arrive at the identified savings, (2) any potential effects on programs and services, (3) the effects on state law, (4) the effects on the state workforce, and (5) the implications of reducing non-General Fund sources through the exercise. In the figure below, we present questions that the subcommittees could use to direct the conversation through each of these categories. The overarching goals of these questions—and the discussion broadly—is to ensure that the Legislature is comfortable that the effects of the identified savings are consistent with Legislative priorities and intent.

Questions for Legislative Committees to Ask Affected Departments and the Department of Finance (DOF)

Budgeting Methodology

- What information from departments did DOF review to arrive at the identified savings?
- Were departments given a target for the level of savings necessary pursuant to the control section?
- What, if any, specific instructions did departments receive related to the treatment of expenditures from the General Fund, special funds, federal funds, or other funds?
- What is the rationale for the variation in identified savings across departments?
- How were the requests for new funding in 2025-26 now before the Legislature considered in relation to the identified savings and reduced position authority under the control sections?

Programs and Services

- What operational changes, if any, will be made in order to achieve the identified savings in expenditures in the current year and ongoing?
- Has the department implemented any of the identified savings? If so, at a high level, what do they entail?
- What are the anticipated effects on programs and services once the ongoing lower spending levels are fully implemented?

State Law

- Are there any reductions already underway that may potentially require changes to statute or regulations? If so, under what authority is the administration implementing the reductions in the current year?
- Does the department anticipate that any changes in statute or regulations will be necessary in order to achieve the identified savings?
- How will the identified savings affect implementation of enacted legislation?

State Workforce

- What classifications and programs are affected by the identified elimination of vacant positions?
- Why were the identified vacant positions chosen for elimination over other vacant positions?
- What are the anticipated effects on the department's ability to fill vacancies going forward?

Affected Funding Sources

- Expenditures from what specific "other funds," if any, are expected to be reduced and by how much?
- What effect, if any, will identified savings to special funds expenditures have on fees and taxes levied to support the funds?
- Would the identified savings result in any loss of federal funds?

Staff Recommendation. Hold Open.

0559 Labor and Workforce Development Agency
7100 Employment Development Department
7120 California Workforce Development Board
7300 Agricultural Labor relations Board
7350 Department of Industrial Relations

Issue 2: New Labor Agency Building Relocation

Governor's Budget. The Governor's budget requests $10,359,000 and $194,000 (reimbursements) in 2025-26, $15,067,000 and $93,000 (reimbursements) in 2026-27, $16,221,000 and $93,000 (reimbursements) in 2027-28, $17,486,000 and $93,000 (reimbursements) in 2028-29, and $18,463,000 and $93,000 (reimbursements) in 2029-30 and ongoing for the Labor and Workforce Development Agency, and the departments within it, to support the Workforce Management System, relocation and decommissioning activities, and increased lease costs associated with the move to the New Labor Agency Building (NLAB).

Background. The former Resources Building located at 1416 Ninth Street, Sacramento, is currently undergoing a comprehensive renovation and modernization, and will become the new Labor and Workforce Development Agency (Labor Agency) headquarters. The new Labor Agency building, referred to as the NLAB, will house 2,892 executives and staff from Labor Agency, Employment Development Department (EDD), Department of Industrial Relations (DIR), Employment Training Panel (ETP), California Workforce Development Board (CWDB), and Agricultural Labor Relations Board (ALRB). Currently, these entities reside in locations throughout the greater Sacramento area.

Construction on the building began in 2022 and the first occupants will begin to relocate in December 2025. The building will be Zero Net Energy, Carbon Neutral and Leadership in Energy and Environmental Design (LEED) Silver Certified. Labor Agency has designated EDD to be the lead partner in planning for the building's occupancy. This proposal includes costs directly associated with EDD's moving needs as well as the moving needs of other Labor Agency departments. Labor Agency departments will reimburse EDD for their proportionate share of the costs.

The 2023 Budget Act included $5.8 million in 2023-24 and $1.2 million in 2024-25 to begin the first phase of establishing network connectivity in the building and to bring on technical consultants to assist in project management activities related to data center infrastructure migration and provide technical expertise to properly relocate multiple technology business environments to the NLAB.

The 2024 Budget Act included $5.7 million in 2024-25 and $1.1 million in 2025-26 to further prepare the building for occupancy with a focus on workstation environments, an automated workforce management system, telephone systems, relocating data center server hardware and establishing a new system configuration that will connect field offices throughout the state.

The 2025-26 proposal requests funds to facilitate the movement of personnel and property into the NLAB, the decommissioning of vacated building spaces, and the ongoing costs associated with the increase in leasing costs. The figure below outlines the building project timeline:

New Labor Agency Building Project Timeline
(Includes activities associated with previous budget appropriations

Activity	Start Date	Target End Date
Procure Consulting Services, Network, Telecommunications, Conferencing, and Local Application Delivery Services hardware from 23/24 BCP.	July 2023	Complete
Procurements from 24/25 BCP including workstation equipment.	July 2024	June 2025
Equipment Unboxing/Tagging, Configuration, Software Updates, Security Patching, and Testing (as items are received).	July 2024	June 2025
Continued collaboration between Labor Agency departments, relocation team leads and the builder to monitor progress.	July 2024	Spring 2026
Initiate the procurement process to identify a vendor for Move/Decommission Professional Services	July 2024	June 2026
Access to the facility to begin technology implementation; NLAB Information Technology production implementation for a network-ready and telecom-ready by November 2025.	March 2025	November 2025
Full access to the building and can start workstation equipment deployment and installations	November 2025	March 2026
Moving vendor and Labor Agency departments begin the relocation from existing locations to the new Labor Agency headquarters.	December 2025	Spring 2026
Decommission and disposal of office furniture and equipment related to vacated buildings	December 2025	June 2026
800 Capitol Mall Data Center Decommission	March 2026	June 2026

Source: Department of Finance

- EDD will be relocating 2,350 personnel from three locations,
- Labor Agency will be relocating 43 personnel from one location,
- DIR will be relocating 314 personnel across four divisions from three locations,
- ETP will be relocating 100 personnel from one location, CWDB will be relocating 126 personnel from one location, and
- ALRB will be relocating 35 personnel from one location.

One-time vendor costs for moving operations and decommissioning buildings are $2,783,000 for 2025-26. This includes vendor assistance to prepare, package, tear down, relocate, and set up office equipment (files, printers, computers, monitors, chairs, etc.) and furniture from offices and conference rooms and any items that are deemed necessary for continuity of operations on day one of the move. The decommissioning of offices and buildings that will no longer be occupied includes the teardown, removal, and disposal of modular furniture cubicles, removal of miscellaneous furniture and equipment that will not be moved to the new facility and disconnecting of electrical cables throughout every office and cubicle floors.

Workforce Management Solution**.** According to the Administration, due to the continued support of a hybrid telework environment, the new building will serve as the headquarters for significantly more staff than there are workstations and will feature a wide variety of shared collaboration and amenity spaces that will be able to be reserved by all building tenants through a Workforce Management System (WMS). One-time implementation costs for the WMS were included in the 2024 Budget Act. Ongoing renewal costs for WMS software are $699,000.

Building Lease. Labor Agency departments will incur an increase in leasing costs with their relocation to the NLAB. Resources are not available to absorb these costs within existing budgets. Future lease cost estimates were based on the Department of General Services' Design/Build contractor's assessment of square footage per occupant and current rental rates per square foot, Central Plant rates and surcharges. EDD has worked closely with the Department of General Services and the build contractor to determine the future lease costs. Labor Agency departments are requesting ongoing funding to cover the future lease costs that are above their current lease costs because these increases are not currently absorbable and assume an annual four percent increase through 2029-30. Since initial occupancy occurs midyear, the first year will only include a partial year request. The costs of rent increases are:

- $7,770,000 in 2025-26
- $14,461,000 in 2026-27
- $15,615,000 in 2027-28
- $16,880,000 in 2028-29
- $17,857,000 in 2029-30 and ongoing.

Staff Recommendation. Hold Open.

7100 Employment Development Department

Issue 3: EDDNext Modernization

Governor's Budget. The Governor's budget requests $124,238,000 in 2025-26, funded equally by the General Fund and the Unemployment Compensation Disability Fund, for EDD, to continue the EDDNext customer service improvement effort. These resources are intended to fund the fourth year of the modernization of EDD's benefits systems and services – breakdown below:

2025-26 Governor's Budget EDDNext Proposal
(In Millions)

Current IT Projects[a]	
IT Project	**Requested Funding**
SCP	$8
DMS	6
Current IT Projects Subtotal	**($14)**
Current Non-IT Projects[b]	
Activity	**Requested Funding**
Integrated Contact Center	$25
Fraud and Data Analytics	4
Current Non-IT Projects Subtotal	**($29)**
Supporting Functions	
Function	**Requested Funding**
Continuation of 2022-23 Vendor Services BCP Contracts[c]	$32
Personal Services	26
Transformation Office	18
Other OE&E	3
CDT Oversight and Services	1
Supporting Functions Subtotal[d]	**($81)**
Total Requested Funding	**$124**

[a]No funding is specifically requested for the proposed ICMS/IDM IT project due to currently available 2024-25 funding and a modest delay in its procurement.

[b]No funding is specifically requested for the forms redesign and research/analysis non-IT project due to currently available 2024-25 funding and work incorporated into the proposed ICMS/IDM IT project.

[c]EDD's 2022 Vendor Services BCP included funding through 2024-25 for a number of contracts for supporting functions including, for example, automated batch review, identity risk analytics, and website managed security services.

[d]Differences in subtotal due to rounding.

EDD = Employment Development Department; IT = information technology; SCP = Shared Customer Portal; DMS = Document Management System; BCP = budget change proposal; OE&E = operating expenses and equipment; CDT = California Department of Technology; and ICMS/IDM = Integrated Case Management System/Integrated Data Management.

Background. EDD administers three large employment-related insurance programs. These include:

- Disability Insurance, short-term wage replacement for workers who are injured outside of work (and therefore not covered by workers' compensation insurance);

- Paid Family Leave, short-term wage replacement for workers to bond with new children or care for ailing family members; and

- Unemployment Insurance, the state-federal wage replacement program for workers who lose their jobs through no fault of their own.

Each year, about 1 million California workers receive a total of about $13 billion in DI and PFL insurance benefits. Similarly, about 1 million California workers access about $7 billion in UI benefits in a typical year. (Claims for UI tend to rise substantially during economic downturns, whereas claims for DI and PFL tend to remain relatively constant over time.) The IT systems the state uses to process incoming claims, ensure eligibility, and issue payments for these programs are aging. As a result, making technical changes to these systems to reflect legislative proposals or temporary federal policies related to UI during downturns has become increasingly complex and, in some cases, infeasible.

EDDNext Seeks to Modernize EDD. Beginning in March 2020, the state's unemployment rate sharply increased due to actions taken in response to the pandemic. As a result, EDD experienced an historic increase in UI applications that strained the department's existing IT systems and (together with other factors) led to delays in processing and payment of UI claims. In July 2020, the Governor formed a strike team to address the delays and in September 2020, the strike team released its assessment of the department's challenges in administering the UI program and its recommendations to solve them. One recommendation (of many related to EDD's outdated technology) was to restart the proposed Benefit Systems Modernization (BSM) IT project—the predecessor to EDDNext—using an incremental and iterative approach to address critical areas of need in the department's technology portfolio. (An incremental and iterative approach is one that delivers system functionalities to a department as they are developed, so a department can use and improve them over time instead of at the end of system development.) The 2021-22 Budget Act provided EDD with funds to restart the proposed BSM IT project, and the 2022-23 Budget Act funded the first year of projects in the new EDDNext portfolio.

EDDNext Is a Combination of IT and Non-IT Projects. The current EDDNext portfolio includes three IT projects that seek to modernize and/or replace existing IT systems and several non-IT projects that seek to improve the department's business processes, customer service, and information security. The figure below provides a summary of these current IT and non-IT projects.

Summary of the Current EDDNext Portfolio of IT and Non-IT Projects

Current IT Projects	
IT Project	**Description**
DMS	This approved IT project seeks to develop and implement a new system that captures, processes, and manages the large number of documents used by the department's programs.[a] Improved business processes, together with new technology and tools, are expected to make DMS a more flexible, reliable, and secure system than the existing document management system(s).
ICMS/IDM[b]	This proposed IT project seeks to replace the department's legacy claims management systems for its programs with a new claims management system.[c] This system also will integrate with a modern data management system that uses external and internal data sources to help facilitate program claims processing.
SCP	This approved IT project seeks to develop and implement an improved online portal for customers to log in and access their program benefits.[d] EDD implemented the first phase of this project in June 2023, and later provided six additional language options on the portal in 2023-24. The scope of the second phase of this project is being consolidated into the proposed ICMS/IDM IT project, after which this project will enter maintenance and operations.
Current Non-IT Projects	
Non-IT Project	**Description**
Forms Redesign and Research/Analysis	This project seeks to categorize, analyze, and prioritize program forms for improvement and/or re-design by creating a inventory of current forms for design work that is part of the proposed ICMS/IDM IT project, and making forms more usable through business process improvements and use of customer analytics data by, for example, using fewer questions and/or simpler language.
Fraud and Data Analytics	This project seeks to enhance the information security of the department's programs and prevent fraud through (among other enhancements) the deployment of tools to detect and mitigate cyberattacks, the integration of the department's event logging and management solution into EDDNext IT projects and systems, and the use of real-time identity proofing.
Integrated Contact Center	This project seeks to modernize the department's contact center through (among other improvements) additional self-service options, enhanced voice recognition, and multi-language functionality. Some of the stated goals of the integrated contact center include improved customer experience, reduced wait times, and streamlined business processes to better serve program claimants.

[a] An approved IT project has completed all four stages of the state's IT project approval process—the PAL process.

[b] EDD combined the formerly separate ICMS IT project and IDM IT project into the currently proposed ICMS/IDM IT project in 2023-24.

[c] A proposed IT project is still completing at least one stage of the state's PAL process.

[d] The California Department of Technology initially delegated the SCP IT project back to EDD, but later required approval of a Special Project Report (that is, an updated project plan) and independent project oversight once the scope of the second phase of the project was approved.

EDD = Employment Development Department; IT = information technology; DMS = Document Management System; ICMS/IDM = Integrated Case Management System/Integrated Data Management; SCP = Shared Customer Portal; and PAL = Project Approval Lifecycle.

Majority of Funding Approved for EDDNext Available for IT Projects in 2024-25… As of January 2025, the estimated total cost of the EDDNext portfolio is $1.258 billion, approximately half of which is General Fund. Through 2024-25, $661 million ($330 million General Fund) has been approved by the Legislature specifically for EDDNext. As of January 2025, $415 million is available in 2024-25 to fund current EDDNext projects, as well as pay for services and tools that are used by all projects such as the Transformation Office. (The Transformation Office provides centralized services that support, for example, change management, project management, vendor procurement, and other functions.) The figure below provides a breakdown of available funding in 2024-25 by current IT project, non-IT project, and supporting function.

Available Funding for EDDNext Costs in 2024-25

(In Millions)

Current IT Projects	
IT Projects	**Available Funding**
ICMS/IDM	$193
SCP	54
DMS	19
Current IT Projects Subtotal[a]	**($267)**
Current Non-IT Projects	
Non-IT Projects	**Available Funding**
Fraud and Data Analytics	$31
Integrated Contact Center	24
Forms Redesign and Research/Analysis	4
Current Non-IT Projects Subtotal[a]	**($60)**
Supporting Functions	
Function	**Available Funding**
Transformation Office	$58
Personal Services	23
CDT Oversight and Services	4
Other OE&E	3
Supporting Functions Subtotal	**($88)**
Total Available Funding	**$415**

[a]Differences in subtotals due to rounding.

EDD = Employment Development Department; IT = information technology; ICMS/IDM = Integrated Case Management System/Integrated Data Management; SCP = Shared Customer Portal; DMS = Document Management System; CDT = California Department of Technology; and OE&E = operating expenses and equipment.

…and IT Projects Likely Source of Remaining EDDNext Costs in Outyears. Most of the remaining $597 million in costs to complete the EDDNext portfolio (of the estimated $1.258 billion as of January 2025) will come from its three IT projects—and namely the proposed ICMS/IDM IT project. It is also possible that the ICMS/IDM IT project will exceed cost estimates, and thereby increase the total cost of EDDNext. This is because the ICMS/IDM project must still complete its procurement(s) and awards a vendor contract(s) through the state's IT project approval process—the Project Approval Lifecycle (PAL). (A nearby text box provides some background information on the state's PAL process.) The figure below provides the most recent total cost for each of the three current EDDNext IT projects, as well as their start and end dates.

Proposed ICMS/IDM IT Project Most of Remaining EDDNext Portfolio Cost

(In Millions)

IT Project	Total Cost	Start Date	End Date
ICMS/IDM[a]	$835[b]	June 2025	June 2029
SCP	222[c]	June 2022	June 2025
DMS	106	June 2024	June 2027

[a]The total cost, start date, and end date of this proposed IT project is based on market research conducted as part of its Stage 2 Alternatives Analysis during the Project Approval Lifecycle. Therefore, it is subject to change once the project's procurement activities are completed and its Stage 4 Project Readiness and Approval is approved by the California Department of Technology.

[b]$73 million of the $835 million is for planning activities for the previous iteration of EDDNext—the Benefit Systems Modernization IT project. Also, an additional $75 million is specifically program-related costs.

[c]The total cost of the SCP IT project includes the scope of the second phase of the project, which is being consolidated into the proposed ICMS/IDM IT project. A Special Project Report will update this project's total cost and transition it into maintenance and operations.

ICMS/IDM = Integrated Case Management System/Integrated Data Management; IT = information technology; EDD = Employment Development Department; SCP = Shared Customer Portal; and DMS = Document Management System.

Provisional BBL Used for Legislative Oversight of EDDNext. In both the 2023-24 Budget Act and 2024-25 Budget Act, the Legislature adopted provisional BBL that (1) provides two fiscal years to encumber and/or expend project funding; (2) submit an expenditure plan for DOF approval and JLBC review before one-quarter of project funding is released to EDD; and, (3) submit a quarterly progress report to DOF and the Legislative Analyst's Office.

Legislative Analyst's Office.

Assessment

EDD Continues to Make Progress on EDDNext… The department continues to advance both the IT and non-IT projects in its EDDNext portfolio. For example, phase one of the Shared Customer Portal (SCP) IT project created a new online portal for workers to log into and access their DI, PFL, and UI benefits in six new languages (in addition to English and Spanish). Also, EDD is nearing completion of forms redesign and research/analysis, fraud and data analytics, and integrated contact center non-IT projects at the end of 2025-26, and nearing its approval of the proposed ICMS/IDM IT project through CDT's PAL process in the summer of 2025. The department's forward momentum towards completion of EDDNext is encouraging.

…But A Number of Changes in 2024-25 Raise Questions About Strength of Legislative Oversight. Despite its encouraging progress, in 2024-25, the department made a number of changes to the three current IT projects within the EDDNext portfolio that suggests a need to consider whether the current legislative oversight through provisional BBL is sufficient:

Consolidation of Second Phase of SCP Into Proposed ICMS/IDM IT Project. On August 29, 2024, EDD entered into a vendor contract for the second phase of the SCP IT project. However, more than two weeks earlier on August 12, 2024, the department had already released a request for proposals for the proposed ICMS/IDM IT project that included the requirements from the second phase of SCP. EDD did not cancel the vendor contact until a month and a half later on October 11, 2024, noting the benefits of SCP's second phase would be limited given the overlap with the ICMS/IDM IT project schedule. EDD then requested redistribution of the 2024-25 funding allocated for SCP to instead cover integrated call center licensing and SCP maintenance and operation costs. This redistribution was possible because EDD knew the second phase requirements would be included in the cost, schedule, and scope of ICMS/IDM (though additional information will be available about the impact of this decision when ICMS/IDM completes the PAL process).

Modest Delay in Procurement of Proposed ICMS/IDM IT Project. In the 2024-25 Budget Act, the Legislature approved a total of $141 million for the proposed ICMS/IDM IT project expecting the project would begin development and implementation in 2024-25. While the department still expects the proposed IT project will complete the PAL process at the end of 2024-25, EDD also acknowledges that the project start date could extend into 2025-26 and identifies the loss of approved 2023-24 funding as a project risk. As of January 2025, the project is in active negotiations with potential vendors, and it remains unclear whether there will be a delay in the project start date. Nearly all of the funding approved in 2024-25 remains available with no additional funding requested for the proposed IT project in 2025-26. With the project start date in question and a possible extension of planning into 2025-26, the Legislature may not have a complete project plan available to review during the 2025-26 budget process for the most complex, costly IT project in the EDDNext portfolio.

Other Underspending and Shifting of Funds Between EDDNext IT and Non-IT Projects. In 2023-24, $105 million of the $198 million approved for IT and non-IT projects in the EDDNext portfolio was reallocated, largely due to consolidation of IT project scope into the proposed ICMS/IDM IT project and underspending on support functions provided by the Transformation Office. In 2024-25, $60 million of the $327 million approved was reallocated, again primarily due to consolidation of IT project scope. While the reallocation of funding between IT and non-IT projects is not a problem unto itself, it does raise questions about how appropriations the Legislature is asked to approve are ultimately calculated, allocated, and spent. The Figure below provides a summary of the reallocated funding in 2023-24 and 2024-25.

Significant Amount of EDDNext Funding Reallocated in 2023-24 and 2024-25

(In Millions)

	2023-24				2024-25			
		Reallocations				Reallocations		
Description	Starting Appropriations	(+)	(-)	Final Allocations	Starting Appropriations	(+)	(-)	Final Allocations
Current IT Projects								
ICMS	$7	$46	—	$52	$109	$32	—	$141
SCP - Phase 1	18	27	-$1	45	24	16	—	40
DMS	11	—	—	11	19	—	—	19
IDM	46	—	-46	—	32	—	-$32	—
SCP - Phase 2	27	—	-27	—	11	—	-11	—
Current IT Projects Subtotal	**($109)**	**($73)**	**(-$74)**	**($108)**	**($195)**	**($48)**	**(-$43)**	**($200)**
Current Non-IT Projects								
Fraud and Data Analytics	$9	—	—	$9	$32	—	-$5	$27
Integrated Contact Center	1	$28	—	29	10	$4	—	14
Forms Redesign and Research/Analysis	3	—	—	3	—	2	—	2
Current Non-IT Projects Subtotal	**($13)**	**($28)**	**—**	**($41)**	**($42)**	**($6)**	**(-$5)**	**($42)**
Supporting Functions								
Transformation Office - Services	$46	—	-$23	$23	$54	—	-$5	$49
Personal Services	22	—	-5	17	27	—	-4	23
Transformation Office - Tools	1	$4	—	5	3	$3	—	6
CDT Oversight and Services	1	1	—	2	1	3	—	4
Other OE&E	5	—	-3	2	5	—	-3	3
Supporting Functions Subtotal	**($76)**	**($4)**	**(-$31)**	**($49)**	**($90)**	**($6)**	**(-$12)**	**($85)**
Total Appropriations, Reallocations, and Allocations	**$198**	**$105**	**-$105**	**$198**	**$327**	**$60**	**-$60**	**$327**

[a]This allocation in 2024-25, together with $88 million in remaining funding from 2023-24, equals the total available funding in 2024-25 shown in Figure 2.

EDD = Employment Development Department; IT = information technology; ICMS = Integrated Case Management System; SCP = Shared Customer Portal; DMS = Document Management System; IDM = Integrated Data Management; CDT = California Department of Technology; and OE&E = operating expenses and equipment.

Current Provisional BBL Only Provides Visibility Into Past EDDNext Decisions. The current provisional BBL not only provides extended encumbrance and expenditure deadlines that allow for significant reallocations of appropriated funding, but also provides a relatively limited view into how these and other EDDNext decisions were made. Expenditure plans are submitted more than halfway through a fiscal year with reallocations between IT and non-IT projects already approved, by DOF, and quarterly progress reports provide no substantive information about progress towards completion of EDDNext aside from high-level summaries and IT project approval letters.

Recommendations

Approve Requested Funding in 2025-26. We recommend the Legislature approve the requested funding for current EDDNext IT and non-IT projects in the 2025-26 Governor's Budget.

Adopt Additional Oversight Tools in 2025-26. With the potential uncertainty of the budget condition in 2025-26, the most complex and costly IT project in the EDDNext portfolio on the horizon, and a number of other EDDNext projects reaching critical milestones in 2025-26, the Legislature's adoption of more oversight tools that are commonly used for large IT projects is warranted. We recommend the Legislature amend the provisional BBL for EDDNext proposed in the 2025-26 Governor's budget in four ways:

Remove Extended Encumbrance and Expenditure Deadlines. Consistent with best practice for other IT projects, we recommend the Legislature require annual budget requests without extended encumbrance and expenditure deadlines in 2025-26 and future fiscal years. Review of annual budget change proposals without significant reallocations between IT and non-IT projects will allow the Legislature to better oversee progress towards completion of EDDNext.

Build In Legislative Review of Final Project Plan for Proposed ICMS/IDM IT Project. Given the modest procurement delay of the proposed ICMS/IDM IT project and its potential to push CDT approval through the PAL process into early 2025-26, we recommend the Legislature require 30-day written notification of the JLBC once Stage 4 Project Approval and Readiness documentation for this project is approved by CDT. This notification requirement is consistent with a number of other IT project budget proposals that expected to finish planning in the fiscal year for which they are requesting or receiving development and implementation funding. (An example is the California State Payroll System [CSPS] IT project which, in provisional BBL the Legislature approved in 2024-25, provided for 45-day written notification of the JLBC after Stage 4 Project Approval and Readiness approval.) Given the anticipated complexity and cost of the proposed ICMS/IDM IT project and its importance to the EDDNext portfolio, this additional level of legislative review is needed.

Require CDT to Provide Bimonthly Independent Project Oversight Reporting on EDDNext Portfolio. We recommend the Legislature require that CDT, as the control agency charged with independent oversight of IT projects, publish oversight reports reviewing the entire EDDNext portfolio every other month. The absence of portfolio-level reports limits understanding of how decisions made by department and project leadership—such as the consolidation of IT project scope—impact each EDDNext project. Bimonthly portfolio-level reporting is already provided by CDT for other comparable IT project portfolios, such as the Department of Health Care Services' Medi-Cal Enterprise Systems Modernization effort, and would be similarly useful for legislative oversight of EDDNext.

Require Quarterly Legislative Staff Meetings. We recommend the Legislature require EDD to provide quarterly meetings with CDT, DOF, and legislative staff to review current EDDNext project progress. In particular, quarterly meetings would allow the Legislature to monitor whether the proposed ICMS/IDM IT project is on time, on track, and within budget. Quarterly legislative staff meetings are common practice for complex and costly IT projects such as the Child Welfare Services – California Automated Response and Engagement System and CSPS.

Staff Recommendation. Hold Open.

Issue 4: Unemployment Insurance & Federal Debt Repayment Overview

Governor's Budget. The Governor's budget includes $643.3 million General Fund one-time to pay the annual interest payment on the state's Unemployment Insurance loan balance.

Background. California's Unemployment Insurance program provides temporary income for eligible workers who lost their job (or had hours reduced) through no fault of their own. Workers can receive $40 to $450 each week, depending on their earnings over the previous 18 months. As of December 2024, California had an unemployment rate of 5.5 percent and 18,129,000 payroll jobs reported.

In recent years, California's Unemployment Insurance program experienced processing delays for applications, especially as pandemic-era related claims overwhelmed the state. The situation has improved; the department is reporting that 80.6 percent of claims are being paid within the first week of action. While over 45,000 claims were filed in the first week of February 2025, only 807 claims are pending past 30 days of application statewide. This represents a remarkable performance improvement, which can be both attributed to the improved business processes adopted by the department and the much lower level of unemployment reducing strain on the department.

Overview of the UI Federal Debt. California's Unemployment Insurance program is financed through employers, who pay a payroll tax into the state's UI trust fund. Under existing state tax and benefit rules, the UI trust fund does not build large enough reserves in normal times to cover the increase in claims during a recession. During recessions, states may borrow from the federal government to continue payment benefits if state UI funds are insufficient. These loans must be repaid, with interest, at a later time. The loan principal is repaid by automatic increases in the federal UI tax rate employers pay, and the interest has historically been paid from the General Fund. However, in recent years, the state budget began looking at special funds to finance a portion of the federal interest payment.

Prior to the pandemic, at the start of 2020, the state's UI trust fund held $3.3 billion in reserves. Despite these reserves, the state's UI trust fund became insolvent during the summer of 2020, a few months following the start of the pandemic and associated job losses. California, like many other states, used federal loans to continue paying benefits during the pandemic. In total, the state needed to borrow about $20 billion from the federal government, roughly twice the amount the state borrowed for UI benefits during the Great Recession of 2008. To repay the federal loans, the federal UI payroll tax rate on employers increases slightly each year until the loans are repaid.

Use of Special Funds to Pay the Interest on the Federal UI Debt. The Budget Act of 2024 provided $331 million one-time funding to pay the annual interest payment on the state's Unemployment Insurance loan balance. Of that amount, $231 million is from the General Fund, and $100 million is from the Employment Training Fund. However, $50 million from the Employment Training Fund to pay a portion of this interest payment in 2025-26; has since been determined by the department that the Employment Training Fund is unable to support this payment without reductions to existing programs and the payment is not included in the Budget.

The Employment Training Fund (ETF) is funded from contributions from employers, equal to 0.1 percent of wages, with the contributions generally used to reimburse the cost of employer-driven training for incumbent workers and funding training needed by unemployed workers to re-enter the workforce.

Staff Recommendation. Hold Open.

7300 AGRICULTURAL LABOR RELATIONS BOARD

Issue 5: Increased Workload Related to Chapter 7, Statutes of 2023

Governor's Budget. The Governor's budget requests 7 positions and $1,873,000 in 2025-26 and ongoing from the Labor and Workforce Development Fund, for the Agricultural Labor Relations Board (ALRB), to address the increased workload and unanticipated demands that have been generated by AB 113 (Committee on Budget), Chapter 7, Statutes of 2023.

Background. Governor Newsom signed AB 2183 (Stone), Chapter 673, Statutes of 2022 and a subsequently agreed upon clean-up measure, AB 113. This new law is intended to remove barriers for agricultural workers to elect union representatives, thereby facilitating union elections and increasing access to this process by allowing farmworkers to sign petitions for majority support, this is in addition to the existing secret ballot election process. AB 113 requires the ALRB to determine the validity of majority support within an extremely expedited timeframe of 5 days. This determination requires decisions such as the geographic scope and size of the bargaining unit. Expedited time frames also exist for adjudicating challenges to MSPs and hearings are to be held in no later than 14 days from the date the Majority Support Petitions (MSP) is filed. The ALRB is also charged with investigating unfair labor practices and election objections that result from election activity. Past contested elections at the ALRB have created a significant increase in ALRB's workload, given the number of unfair labor practice charges filed that must be investigated, prosecuted and adjudicated.

According to the Administration, this increase in workload has also exposed critical structural gaps, resulting in challenges to the Board meeting its statutory obligations and operational needs with respect to representation and compliance matters. This has been exacerbated by the increase in representation matters because of AB 113 and the complexity of the issues presented. The Board is proposing to align staffing to support the current workload of the Board, Adjudication unit and General Counsel program staff, and effectively addressing the new complexities that AB 113 presents.

Increase in Board's Workload. The MSPs have also resulted in lengthier and more complex adjudication for the Board. Upon a union becoming a certified bargaining representative the employer may file election objections within five days of the results of the investigation into the MSP. The Board then has 14 days to review the objections and issue an Administrative Order determining whether to set any of the objections for an investigative hearing and to commence that hearing within 14 days of the filing of the objections. This has led to increased workload in attorney hours to review objections and draft relevant administrative orders as well as having additional public meetings so the Board can deliberate on the filings in compliance with the Bagley-Keene Open Meeting Act.

The Board had one election matter in 2020-2021 and one in 2022-2023. In the election matter in 2022-2023, Sonoma Cho, the employer filed elections objections. The Board set several objections for hearing, this required 20 hours of attorney time and numerous meetings. For contrast, in 2023-24, the Board has had five MSPs filed. Election objections have been filed in four of the five matters and each objections filing has required 50 hours of lead attorney time and numerous meetings.

Additionally, the MSP representation proceedings have also resulted in more interlocutory appeals further increasing the work of the Board and board counsel. Interlocutory matters have included motions relating to discovery requests, motions to stay proceedings, motions relating to charges stemming from the representation proceedings and motions for intervention from other parties. These matters are in addition to existing workload.

The legislation has resulted in litigation which the ALRB has had to contract with the Attorney General's office for representation as the ALRB did not have adequate staff capacity to represent itself due to the current demands on existing staff. ALRB expended $61k in unbudgeted expenses for the first two months. At the current rate of workload, it is estimated the ALRB will spend over $350k for legal services in 2024-25. It is estimated the litigation will be ongoing for a minimum of two years.

The ALRB requests $1,873,000 from the Labor and Workforce Development Fund and the following 7 positions.

- 3Attorney III positions
- 1 Attorney I position
- 2 Field Examiner II
- 1 Senior Legal Typist
- Reclassify 2 Attorney III positions to Attorney IV
- Reclassify 1 Attorney IV position to a Career Executive Assignment (CEA) Attorney
- Reclassify 1 Attorney I to an Attorney III

According to the Administration, these positions and reclassifications are necessary to address the increased workload and unanticipated demands that have been generated by AB 113. These positions would be added to the Board and General Counsel programs. The General Counsel staff are responsible for conducting elections as well as for investigating unfair labor practices and prosecuting violations resulting from election activity and subsequent bargaining. The Board staff are charged with reviewing investigation reports resulting from Majority Support Petitions (MSPs), issuing certifications, and overseeing adjudicatory matters related to elections including representation proceedings related to election objections.

Staff Recommendation. Hold Open.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

Issue 6: Audit & Enforcement Unit

Governor's Budget. The Governor's budget requests $3.2 million Workers' Compensation Administration Revolving Fund (WCARF) and 16.5 permanent positions in 2025-26, and $2.9 million WCARF in 2026-27 and ongoing, for DIR, to enable the Audit and Enforcement Unit within the Division of Workers' Compensation (DWC) to address its increased workload and fulfill its statutory obligations to require that insurance companies, self-insured employers, and third-party administrators comply with the Labor Code and the California Code of Regulations.

Background. DWC regulates the administration of workers' compensation (WC) claims and provides administrative and judicial services to assist in resolving disputes that arise in connection with claims for WC benefits. California's WC system is a no-fault system, a trade-off between employees and employers. Employees promptly receive the statutory WC benefits for on-the-job injuries, and in return, the WC benefits are the exclusive remedy for injured employees against their employer.

DWC has identified a shortfall in the Audit and Enforcement (AE) Unit's ability to meet its obligations under Labor Code (LC) Sections 129 and 129.5, which require conducting Profile Audit Reviews (PAR) every 5 years. In addition, AE Unit has limited resources to expand PAR audits beyond the present focus to include inquiries into the possible unreasonable denial of workers' compensation claims, denials of reasonable and necessary medical treatment, and the late or denial of payment to providers. Presently, those issues are the subject of complaints that come to DWC and may give rise to target audits and civil penalty audits; however, current staffing and budgetary constraints limit investigation and focus on these additional areas. AE Unit has experienced an increased number of appeals and litigations from claims administrators resulting in numerous court hearings and trials, including a current writ of mandate presently pending before the California Superior Court1, that divert time and resources from completing audits. The inability to conduct regular and expanded audits affects the quality of workers' compensation claims administration, potentially delaying or denying rightful benefits to injured workers.

AE Unit Audit Team. At present, the AE Unit consists on average of six Auditor Teams (Auditor Team: 0.5 Supervising Workers' Compensation Compliance Officer, 1.0 Senior Workers' Compensation Compliance Officer, 3.0 Workers' Compensation Compliance Officer); however, due the increased complexity, litigation, and backlog of audits, the AE Unit will need to expand the number of Auditor Teams from six to eight in order to effectively manage the areas where penalties are imposed. This increase in Auditor Teams will enable DWC to address its increased workload and fulfill its statutory obligations by ensuring that insurance companies, self-insured employers, and third-party administrators comply with the LC and the CCR, thus improving the delivery of benefits to injured workers and guaranteeing timely and accurate compensation.

AE Unit Support. To provide general administrative support to the AE Unit, assist and support the additional Audit Teams, conduct Utilization Review audits, mail audit reports, update the Annual Report of Inventory, process/code/file complaints, mail and answer phones, and complete special projects, the DWC will also require 1.0 additional Workers' Compensation Assistant and 1.0 Associate Governmental Program Analyst.

Legal Support. DWC has encountered a significant increase in audit appeals and related litigation since 2020, resulting in the need for additional Legal Unit staff support for the AE Unit as it expands its efforts and to defend such appeals. DWC requests 2.0 Attorney III and 2 Legal Assistants for the AE Unit to meet its obligations under the Labor Code.

Division of Administration Support. With an increase of 15 positions to allow DWC to meet statutory and workload requirements, there will be increased demand on the DIR's general administrative support services. Currently, there is about a 1 to 9 ratio of administrative support staff to total Department staff. With an increase of 15 programmatic positions, the Department also requests 1.5 Staff Services Analyst positions to provide essential administrative support.

Staff Recommendation. Hold Open.

Issue 7: Cal/OSHA Data Modernization

Governor's Budget. The Governor's budget requests $18.2 million Labor and Workforce Development Fund in 2025-26 to continue the development of the Division of Occupational Safety and Health's information technology system to meet federal and state-mandated requirements, consolidate information into a central database/repository, interface to other DIR systems, and automate manual processes across its units.

Background. The Division of Occupational Safety and Health (DOSH or Cal/OSHA) uses the Federal Occupational Safety and Health Administration (OSHA) Information System (OIS) for case management and mandated data entry requirements of Federal OSHA (Fed OSHA). The Federal OIS is overly cumbersome, time-consuming, labor-intensive, lacks datasets specific to Cal/OSHA operational tracking needs, and is paper-driven, which decreases the effectiveness of the Cal/OSHA program.

California received initial approval as a state plan in 1973 to assume responsibility to develop and enforce occupational safety and health laws in lieu of Fed OSHA performing those functions in California. Continued approval and funding of California's State Plan by Fed OSHA is contingent upon the State Plan performing in a manner that is "at least as effective as" the Federal program (29 US Code § 667). California has enacted both a statutory and regulatory framework necessary to meet this minimum requirement. Existing law requires the state to create a budget that includes amounts sufficient to carry out the State Plan. It also requires the state to seek maximum federal funding for the State Plan and to take all steps necessary to prevent withdrawal of approval for the State Plan.

The 2023 Budget included $12.6 million one-time for the first year of this project. The 2024 Budget included $25.3 million one-time for the second year of this project. DIR received approval from the California Department of Technology (CDT) for final Stage 4 Project Readiness and Approval (S4PRA) of the Project Approval Lifecycle (PAL) on June 27, 2024. After receiving

Stage 4 approval, the System Integrator (SI) contract was awarded and signed on June 27, 2024. DIR began implementation of the new Cal/OSHA Modernization Project in August 2024.

Implementation Plan. The project received Stage 4 PAL approval from CDT on June 27, 2024 and officially commenced execution on June 28, 2024. The system build phase is scheduled to begin in February 2025. A User Acceptance Testing period is planned to occur between August and October 2025. This comprehensive testing phase aims to ensure the system meets business requirements and user expectations before deployment. The proposed go-live date for Release #1, focusing on Enforcement and Consultation, is targeted for February 2026. Key components of this phase include data migration from the Federal OIS and seamless integration with the new Cal/OSHA system. Upon the successful completion and deployment of Release #1, the project team will reassess and finalize the schedule for subsequent releases. The resources requested will support the project team in their commitment to deliver a robust, integrated solution that aligns with the operational needs and long-term objectives of stakeholders.

Staff Recommendation. Hold Open.

Issue 8: Electronic Adjudication Management System Modernization

Governor's Budget. The Governor's budget requests $25.8 million one-time Labor and Workforce Development Fund, for DIR, to continue the replacement of the Division of Workers' Compensation's aging Electronic Adjudication Management System, an electronic case management and document storage system, whose 16-year-old technology is nearing its end of life. This amount includes $12.3 million for contract services and $9.7 million for Information Technology costs.

Background. The Division of Workers' Compensation's (DWC) Electronic Adjudication Management System (EAMS) is nearing its technological end of life and must be replaced to maintain functionality.

EAMS is a mission critical system that serves the needs of employers and injured workers in California. The court case management and claims benefit administration management functions are currently in EAMS, which now supports over eight million cases and 96 million documents. The system is used primarily to manage the adjudication of benefit-related issues, including the scheduling of hearings to review the issues brought before the DWC, and as a document intake/repository for case related court documents.

EAMS is also used as a case management tool for the cases that fall under the jurisdiction of the Uninsured Employer Benefit Trust Fund (UEBTF) and Subsequent Injury Benefit Trust Fund (SIBTF) Units. The Qualified Medical Examiner (QME) system, by which DWC assigns independent physicians to evaluate injured workers for the purpose of determining benefit eligibility, is an integral part of the overall claims adjudication process. Both non-represented injured workers and represented injured workers utilize this important process to assess their disability claims and determine how much they are entitled to in workers' compensation benefits.

The QME system is not currently part of EAMS; however, due to the fact that the QME process is a significant part of the litigation and dispute resolution process, its modernization is a required piece of the EAMS project and the overall modernization of the court management function. Without the QME system, DWC court cases would be severely delayed or even halted, therefore delaying benefits to injured workers. DWC processes about 200,000 of these requests per year.

The 2022-23 and 2023-24 Budgets included funding for the earlier phases of the EAMS Modernization project and the 2024-25 Budget included one-time funding for the current phase. DWC works closely with California Department of Technology (CDT) on this project and has been working through the project approval lifecycle (PAL). A Stage 2 Alternatives Analysis has been approved by CDT and work on Stage 3 is ongoing. Detailed functional and non-functional requirements have been completed, as well as the alternatives analysis. The Division has chosen a systems platform for the project and will be moving forward to complete the procurement process for the systems integrator. DIR has also recently completed a contract for the project manager to oversee the project. The resources requested in this proposal will fund the next stage of the project's cost in 2025-26.

Implementation Plan**.** Both the Stage 1 Business Analysis and Stage 2 Alternatives Analysis have been approved by CDT, which ensures sufficient planning, readiness, documentation, research, and justification for the selected alternative. DIR will continue working with CDT throughout the PAL process.

DWC contracted with an outside vendor to provide the replacement plan and the design, software, and implementation plan in conjunction with the DWC and the DIR's Office of Information Services staff. The requirements gathering and alternative analysis are complete, and DIR is working closely with CDT on the procurement plan. They expect to complete the procurement for both licenses and the systems integrator and start the system implementation in 2025-26.

Staff Recommendation. Hold Open.

Issue 9: Subsequent Injuries Benefits Trust Fund Workload

Governor's Budget. The Governor's budget requests $2.7 million Workers' Compensation Administration Revolving Fund (WCARF) and 15 permanent positions in 2025-26 and $2.5 million WCARF in 2026-27 and ongoing, for DIR, to address rising workloads in the Subsequent Injuries Benefit Trust Fund program.

Background. Established in 1945, the purpose of the Subsequent Injuries Benefit Trust Fund (SIBTF) program is to encourage employment of workers with disabilities by relieving employers of liability for the greater levels of permanent disability that may result if an already-disabled worker later suffers an industrial injury.

Labor Code section 4751 provides that if an employee who is already partially disabled suffers a subsequent industrial injury that is compensable through the workers' compensation system, and if the employee's resulting total permanent disability is greater than that caused solely by the subsequent injury, the employee is entitled to additional compensation, to be paid from the SIBTF, to compensate for that degree of additional permanent disability. Rather than incurring workers' compensation liability for the entirety of the worker's resulting total permanent disability, the employer is responsible only for the disability that results from the subsequent industrial injury; the SIBTF, supported by assessments on all employers, pays the additional compensation as necessary to compensate the worker for the total resulting permanent disability.

SB 899 (Committee on Budget and Fiscal Review), Chapter 34, Statutes of 2004, among other reforms, changed the apportionment rules for "regular" workers' compensation cases. These reforms, as codified in Labor Code sections 4663 and 4664, established that apportionment of permanent disability must be based on causation of the disability, and further, that the employer is liable only for "the percentage of permanent disability directly caused by" the work injury and that workers were not entitled to compensation for aggravating a preexisting condition. In addition, changes in recent case law have also made it easier for applicants to meet threshold eligibility requirements.

The combination of all these factors has led to a 1,090 percent increase in the annual liabilities of the Fund over the past 10 years, as well as increases to the number of new SIBTF cases and the average cost per SIBTF case.

Workload History

Workload Measure	2019-20	2020-21	2021-22	2022-23	2023-24
Beginning Case Load	12,026	13,839	15,810	17,668	19,524
New Cases	2,226	2,496	2,448[4]	2,573[2]	3,132
Cases Closed	475	540	630	736	631
Ending Case Load[5]	13,777	15,795	17,628	19,505	22,025
Annual Case Load Change	+1,813	+1,971	+1,858	+1,856	N/A

The 2019 Budget included $4.8 million WCARF and 30 positions to support the SIBTF program, much of which was limited term (LT). The 2022 Budget made the LT resources from the 2019 Budget ongoing. The 2022 Budget also included 6 positions for the Division of Workers' Compensation (DWC) and 2 positions for the Office of the Director's Legal Unit (OD-Legal) for administrative support of the SIBTF program.

In 2022, DIR contracted with RAND to conduct a study of the SIBTF program. The key findings from the report are:

- The volume of applications for SIBTF benefits is growing
- The number of SIBTF cases resolved with benefits, including lifetime stream of benefits is growing
- Some chronic conditions that are rare in the regular workers' compensation system are common as permanent partial disabilities in SIBTF
- An increase in claimants with a 100-percent Permanent Disability rating increases SIBTF liabilities
- Payments from SIBTF rose moderately until 2020, when they accelerated quickly
- The total estimated SIBTF liability

Staff Recommendation. Hold Open.

7501 DEPARTMENT OF HUMAN RESOURCES

Issue 10: CalHR Internal Content Management System/Intranet

Governor's Budget. The Governor's budget requests $1,520,000 General Fund in 2025-26 and $500,000 General Fund in 2026-27, for the Department of Human Resources (CalHR) to replace its Internal Content Management System/Intranet.

Background. CalHR is responsible for managing the State's human resources functions and issues related to recruitment, selection, salaries, benefits, position-classification and provides various training and consultation services to state departments and local agencies. The intranet is a critical tool for delivering these services, and it is hosted on an on-premises SharePoint Content Management System (CMS). CalHR staff relies on the Intranet to support California state departments, agencies, labor organizations, and all state and/or prospective employees.

Microsoft published an End-of-Support date of July 14, 2026, for SharePoint 2016. This places CalHR at high risk of being unable to deliver reliable, secure, and functional CalHR Intranet sites to CalHR employees to support the public, state agencies, and employees; it is necessary to migrate the existing SharePoint 2016 platform to a more sustainable, supported and cost-effective Microsoft SharePoint Online.

In 2023-24, CalHR received approval for $775,000 to procure resources to perform analysis on available solutions, identify a strategy to move CalHR off SharePoint 2016, complete PAL S1BA and S2AA for solution(s), and develop a Budget Change Proposal for the following budget year to achieve implementation and delivery before End-of-Support. CalHR received approval to move forward with migrating the CALHR.CA.GOV website, which also resides in SharePoint 2016 during 2024-25 to the California Department of Technology's CAWEB product offering.

Implementation Plan

Milestone	Start Date	Completion Date
S1BA submitted to CDT	July 2024	July 2024
Delegation Request submitted to CDT	August 2024	August 2024
Publish RFP and award contract to contractor	March 2025	June 2025
Plan the implementation	July 2025	July 2025
Install Intranet default implementation	August 2025	October 2025
Configure and customize the Intranet	October 2025	January 2026
Migrate existing content for the Intranet	January 2026	March 2026
Train users	March 2026	April 2026
Test and launch both sites	June 2026	June 2026
Implement enhancements based on user feedback	July 2026	June 2027

CalHR Intranet's On-Premises SharePoint 2016 will be replaced with SharePoint Online before July 2026. It will be imperative to implement a project plan that will be tracked and measured against deliverables and milestones listed below. All SharePoint 2016 Intranet pages will be archived, usage will be made inactive, and replacement CMS functionality and intranet services will be launched before July 2026.

CalHR will institute a content management governance plan for the CalHR Intranet, determining how the organization's content will be created, published, maintained, and removed. CalHR staff will retain the ability to access required information to support stakeholders. By July 2026, the CalHR Intranet will have and follow clear and effective governance guidelines. Staff will be trained to appropriately manage and maintain content according to state and department policies. After implementation, CalHR will be tracking site usage metrics.

Staff Recommendation. Hold Open.

ITEMS FOR COMMENT ONLY

These items will not be presented, but the Department of Finance and the Legislative Analyst's Office are available to answer questions from the subcommittee members. Public Comment may be provided on these items.

7900 PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)
7920 STATE TEACHERS' RETIREMENT SYSTEM (CALSTRS)

Issue 11: CalPERS & CalSTRS Retirement Contributions

Governor's Budget. The Governor's budget includes $9.1 billion ($4.9 General Fund) for the statutorily required annual contribution to CalPERS for state pension costs in 2025-26

The Governor's budget also includes $4.6 billion General Fund for the statutorily required annual state contributions to CalSTRS in 2025-26.

Staff Recommendation. Hold Open.

7920 STATE TEACHERS' RETIREMENT SYSTEM

Issue 12: Enterprisewide Operational Support

Governor's Budget. The Governor's budget requests $6.3 million Teachers' Retirement Fund ongoing, for the State Teachers Retirement System (CalSTRS), for enterprise-wide operational support. This includes $2.6 million to establish 15 permanently authorized positions. In addition, this proposal includes $3.7 million for various information technology (IT) service contracts.

Background. CalSTRS was established by law in 1913 to provide retirement benefits to California's public school educators from prekindergarten through community college. It began by serving 120 retired members and 15,000 active members. More than a century later, the system serves more than 1 million educators and their beneficiaries. With approximately $343.5 billion in net assets as of June 30, 2024, CalSTRS is the largest educator-only pension fund in the world. CalSTRS administers a hybrid retirement system, consisting of traditional defined benefit, cash balance and voluntary defined contribution plans, and provides disability and survivor benefits for California public school educators. Additionally, CalSTRS administers a postemployment health benefit program. CalSTRS members include educators employed by approximately 1,800 school districts, community college districts, county offices of education and other public education employers.

CalSTRS is governed by a 12-member board, which sets policies and rules for the system. Consistent with Article 16, Section 17 of the California Constitution, the board maintains plenary authority and fiduciary responsibility for the investment of monies and administration of the system.

In support of CalSTRS, this proposal includes $6.3 million in permanent funding for enterprise-wide operational support resources. This includes $2.6 million to establish 15 permanently authorized positions. These resources will support workload associated with Assembly Bill AB 1667 (Cooper) Chapter 754, Statutes of 2022; diversity, equity and inclusion (DEI) efforts, which align with Executive Order N-16-22 and encompass compliance with AB 2019 (Petrie-Norris & Holden), Chapter 730, Statutes of 2022 and SB 588 (Archuleta), Chapter 80, Statutes of 2020); and innovation initiatives.

- AB 1667 – $1.8 million, 10 positions
- DEI – $500,000, 3 positions
- Innovation – $300,000, 2 positions

Additionally, this proposal includes $3.7 million for various IT service contracts for security software, SAP managed services, and software maintenance and operations (M&O) costs.
This proposal was presented to and approved by the Teachers' Retirement Board (board) at the November 7, 2024, board meeting.

<u>AB 1667.</u> AB 1667 provides relief prospectively for CalSTRS' retirees affected by benefit overpayments resulting from errors that were not their own. AB 1667 is intended to improve reporting and reduce future errors by providing additional resources to clarify creditable compensation and creditable service requirements. Ten positions will be dispersed across four business areas (Service Retirement −4, General Counsel−3, Disability and Survivor Benefits−2, Financial Services−1) to support workload associated with AB 1667 by performing the following key tasks:

- Research, review and analyze member benefit overpayments; prepare formal decision letters; and reissue payments.
- Prepare documentation for overpayment liability; recommend resolutions for payment discrepancies; and provide status updates to members.
- Ensure compliance with applicable laws, rules and regulations.
- Perform billing and collection processes to recover benefit overpayments from employers and the General Fund.
- Conduct legal research and analyses; draft advisory opinions and other legal documents; and represent CalSTRS in administrative hearings.

<u>Diversity, Equity and Inclusion.</u> CalSTRS' core values and strategic plan priorities align with the state's directive to foster the advancement of equity and inclusion practices. Thus, two positions will address workload associated with Executive Order N-16-22, AB 2019 and SB 588. Collectively, these bills require additional outreach efforts to advance economic equity in state procurement processes. One position will lead enterprise-wide DEI efforts in alignment with CalSTRS' strategic plan. The three positions are being proposed for two business areas (Procurement−2, Human Resources−1) to support DEI efforts by performing the following key tasks:

- Plan and organize procurement outreach efforts to certify women, disabled veterans, minorities and LGBTQ community owned businesses.
- Manage CalSTRS' enterprise-wide DEI program, including development and maintenance of a DEI policy; foster integration of DEI principles and practices; and establish measures of success throughout the organization.
- Develop key performance indicators in partnership with business stakeholders across the organization to monitor and track progress of DEI initiatives.

Innovation. In support of CalSTRS' strategic plan priority to lead innovation and manage change, and in alignment with Executive Order N-12-23 to responsibly employ GenAI within state government, two positions are being proposed for the Enterprise Strategy Management Unit to perform the following key tasks:

- Assist with managing innovation and AI projects through monitoring and reporting progress; develop project plans and timelines; collect, organize and analyze data related to innovation activities; establish and monitor performance metrics; and assist with the establishment of an AI framework.
- Conduct assessments on current innovation capabilities and identify strategies for improvement; assist in development of enterprise-wide innovation culture exercises and training; facilitate workshops; and communicate with stakeholders.

IT Service Contracts. This proposal includes $3.7 million for IT service contracts for security software, SAP managed services and software maintenance and operations (M&O) costs.

Security Software. Consistent with CalSTRS' strategic plan to strengthen preparedness capabilities to address change and disruptions, this proposal includes $1.7 million for security software contracts to further enhance and protect our information security architecture—critical to maintaining core business operations and sustaining the security and integrity of data. This software will unify security services under a single technology platform to strengthen our information security posture in both the cloud and hybrid work environments, provide advanced cybersecurity, and enhance data privacy and email security.

SAP Managed Service. This proposal includes $1.2 million for the SAP Managed Services contract, which was approved by the board on January 10, 2024. Services include essential M&O support for CalSTRS' existing SAP solutions, including BusinessDirect, Concur and HR Link systems. The BusinessDirect system relies on SAP technology and incorporates the functionality essential to maintain CalSTRS' financial and management needs at the highest level of integrity and efficiency. BusinessDirect provides CalSTRS with one comprehensive system for the tracking and reporting of critical activities as diverse as budgeting, procurement, asset management, contract processing, business partner relationship management, accounts payable, accounts receivable, investment accounting, and tax and financial reporting. SAP Concur is CalSTRS' travel and expense management system, and HR Link is an all-inclusive system for Human Resources processes that utilizes SAP SuccessFactors modules.

Software M&O. This proposal includes $800 thousand for various software M&O contract costs. This includes funding for additional network circuits for cloud datacenter accessibility and improve data redundancy, additional Microsoft product support due to increases in application usage, and license fees for new software to access our remote network.

Staff Recommendation. Hold Open.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)

Issue 13: Continuation of Cybersecurity Staffing, Security Audit, Logging and Data Security

Governor's Budget. The Governor's budget requests $13.8 million ongoing ($6.9 million General Fund and $6.9 million Unemployment Compensation Disability Fund) and 29 positions, for EDD, to continue support for its Cybersecurity Program. This funding will support the permanent extension of the cybersecurity resources that began in 2022-23, continued support for the movement of critical audit related data to a cloud solution, and maintain a secure Information Technology (IT) environment with Managed Detection and Response (MDR) services.

Background. EDD is one of the largest state departments with employees at service locations throughout the state offering services to millions of Californians through Job Service, Unemployment Insurance (UI), Paid Family Leave (PFL), State Disability Insurance (SDI), Workforce Investment, and Labor Market Information programs. EDD's benefit programs administer billions of dollars in benefits each year. As California's largest tax collection agency, EDD also handles the audit and collection of payroll taxes and maintains employment records for more than 18 million California workers.

EDD's multi-billion-dollar benefit programs make it a high-value target for cybercriminals. The 2022 Budget included three-year limited-term funding to increase staffing resources within EDD's Cyber Security Division, purchase fraud-related risk management tools, invest in a data classification tool, and implement additional security assessment tools to reduce the risk of data breaches and improve EDD's overall cybersecurity posture. These efforts formalized EDD's cybersecurity management program by mitigating security findings, enhancing and replacing inadequate security solutions and controls, and securing data entrusted to the EDD and the State.

EDD safeguards the data and privacy of over 8,000 employees and millions of California citizens. MDR provides incident investigation and response, threat detection, and threat hunting capabilities 24 hours a day, 7 days a week, 365 days a year.

In 2022-23, EDD moved its security audit logging solution from on-premises to the cloud because it is more scalable and allows for easier retrieval of older logs upon request. According to the Administration, continued funding for the cloud solution is requested to not only meet mandatory requirements for the California Department of Technology (CDT), Social Security Administration (SSA), Internal Revenue Service (IRS), and other control agencies, but also to continue to support ongoing fraud investigations, security incidents, and other requests from law enforcement entities.

Staffing. This request includes ongoing funding for 29 positions to continue to facilitate Security Policy and Compliance, Risk Management and Analysis, Privacy, Litigation Support, eDiscovery, Disclosure, Cybersecurity Architecture, Fraud Detection/Prevention, Vulnerability Management, Application Security, Penetration Testing, Threat Cybersecurity System Engineering, Endpoint Security, Data Loss Prevention, and Access & Identity Management. The total cost of the staffing, including salaries and benefits, is $5.1 million annually. The following is the breakdown by classification of the 29.0 requested positions:

- 1 Career Executive Assignment (C.E.A.)
- 1 Information Technology (IT) Associate
- 4 IT Manager I
- 1 IT Manager II
- 9 IT Specialist I
- 12 IT Specialist II
- 1 IT Specialist III

Security Information and Event Management (SIEM) (Cloud Licensing, Support Services, and Training). The SIEM solution provides the following critical security functions, according to the Administration:

- Flexible data handling of analytics and a security compliance platform that provides visibility into who is accessing what data sets and systems.
- Customized watch lists that match compliance analysts' needs and priorities to provide quick visibility, insight, and monitoring into the activity that is happening within those systems so that malicious or noncompliant activities can be detected.
- Linking and analysis of user and entity activity to better inform security and compliance staff about threats, breach of information, and corresponding remediation.
- Threat hunting capabilities with a point-and-click interface that simplifies the process of creating complex search queries. Analysts will be able to quickly and easily engage in threat hunting by developing searches that otherwise may have been extremely difficult or impossible. The tool will remove the manual steps in threat hunting and provide automatic incident timelines instead of logs for rapid and proactive threat hunting.
- Log gathering to monitor network or system activity that is not "normal" or secure, which will enhance the ability to perform monitoring, initiate alerts, assist with defining compliance metrics, and train EDD staff with the use of these dashboards.
- Quick response to security events that will allow the security teams to react quickly to identify what is happening, stop the attack, and mitigate the damage.
- Simplification of the investigation process that will allow EDD to expand its capabilities for security application information, making security investigation faster and easier. In many cases, this will involve escalating only the most important information so that human staff can intervene, and when the staff does get involved, there is a consolidated place to correlate alarms from different tools and drill down to the root cause of attacks.
- Damage mitigation from attacks from quicker staff response and investigation.

- Minimization of false positives. False alarms are frequent throughout the current security suite of tools. These false positives eat into staff time that could be spent much more productively and may reduce response times to true emergencies.
- Fraud detection and prevention with GenAI to detect and analyze IP address and geo-spatial velocity or anomalies on vast amounts of data.
- Threat intelligence feeds and correlation of data with GenAI to identify emerging threats and vulnerabilities via indicators of compromise that are associated.
- Reduction in manual processes. Many staff spend a large portion of their day handling cumbersome manual tasks like updating firewall rules, adding new users, or de-provisioning users who have left the company. These sorts of repetitive tasks are ideal for automation.
- Integration with IT operations tools that provide security analysts with the ability to integrate with asset databases, helpdesk systems, configuration management systems, and other IT management tools.

The ongoing Cloud Licensing, Support Services, and Training total $4.96 million.

<u>Project Management (Consulting Services).</u> This contractor will assist in planning and refining system architecture, building reports/dashboards, and drafting Standard Operating Procedures. These consulting services will continue project management activities for the SIEM migration and integration activities, monitor standards and expectations to plan and deliver Cybersecurity initiatives, manage dedicated resources, track and report on progress, decisions, risks, and issues, and coordinate communication amongst teams and broader stakeholders. The contractor will also continue to identify roles and responsibilities needed to support new capabilities/service delivery models and establish a program to support staff through changes in process, structure, and expectations, as well as continue to develop and execute internal and external communications strategies to support stakeholders. These critical efforts require a dedicated full- time project manager as EDD does not currently possess the staff capacity to accommodate or assign to these efforts. This request will allow EDD to continue with the same project manager for the lifecycle of these active projects, which will allow for continuity of services and to prevent a disruption in project progress.

The project management services total $300,000.

<u>Managed Detection and Response (MDR)</u>. MDR is an add-on to EDD's current Extended Detection and Response (EDR) platform, which offers 24/7 incident monitoring, containment, and response solutions with expertise on thousands of indicators of compromise and threat intelligence analyzed daily. While EDD's critical services, such as UI Online, SDI Online, and Accounting and Compliance Enterprise System, are available 24/7 to the public via the web, EDD staff is not available 24/7. The MDR contract is essential for maintaining a secure IT environment and protecting sensitive data and provides the following benefits:

- Cost-Effectiveness: Compared to building and maintaining an in-house MDR team with the required expertise, the MDR offers a cost-effective solution with proven scalability to accommodate a large department like EDD (8,000+ users, 30,000+ hosts).
- Enhanced Security Posture: The MDR augments existing security measures with continuous threat monitoring, expert analysis, and rapid incident response, significantly bolstering EDD's overall cybersecurity posture.
- Improved User Productivity: By proactively addressing security threats, the MDR minimizes security incidents and disruptions, allowing departmental staff to focus on their core tasks.
- Containment and Response: The MDR service provides services for containment and response exceeding and enhancing state staff capabilities of monitoring. This provides a level of assurance for the department unmatched by any other offering.
- The ongoing MDR services total $2.5 million.

Staff Recommendation. Hold Open.

7320 PUBLIC EMPLOYMENT RELATIONS BOARD

Issue 14: Attorney Classification Realignment

Governor's Budget. The Governor's budget requests $115,000 General Fund in 2025-26 and ongoing, for the Public Employment Relations Board, to refine and improve the organizational structure and supervision of the Office of the General Counsel.

Background. The Public Employment Relations Board (PERB) administers and enforces California public sector collective bargaining laws in an expert, fair, and consistent manner; promotes improved public sector employer-employee relations; and provides a timely and cost effective method through which employers, employee organizations, and employees can resolve their labor relations disputes.

The work of the Regional Attorneys at the General Counsel (GC) Office includes:

- The investigation and legal evaluation of unfair practice cases.
- The administration of representation processes such as elections.
- Defending final Board decisions where the parties challenge those decisions in the state appellate or trial courts.
- Evaluating requests for injunctive relief and preparing court documents where the Board determines an injunction is warranted.
- Assisting parties in reaching negotiated agreements through the fact finding process.
- Conducting informal settlement conferences before cases are heard by the Division of Administrative Law.
- Rulemaking.

PERB requests to upgrade three Supervising Attorney positions to the newly created Attorney Supervisor classification (class code 5749, approved by SPB on January 12, 2023). The Supervising Attorney classification has been difficult to utilize because they cannot supervise Attorney IIIs due to salary compaction issues. Due to this limitation, this position is being eliminated for statewide use. As the current Supervising Attorneys vacated their positions, PERB does not have the funding to upgrade them or the ability to fill in the old classification. The current funded structure provides one Supervising Attorney at each of the regional offices. The interim structure has three (unfunded) Attorney Supervisors that are able to supervise all Attorneys and Attorney III's at their regional office.

	Position	Min	Max
From	Supervising Attorney (5815)	$10,537	$14,135
To	Attorney Supervisor (5749)	$12,223	$16,408

Impact each position	$27,276
Impact X3 positions	$81,828
Total 3 positions with benefits	$114,559

Staff Recommendation. Hold Open.

Issue 15: Information Technology Civil Service

Governor's Budget. The Governor's budget requests to add one position in 2025-26 and ongoing, for PERB, to move from contracted IT Services to utilization of state civil service staff. This request is budget neutral ($0 impact).

Background. According to the Administration, PERB has historically contracted out for Information Technology services but has determined that it is no longer a cost-saving measure. In the interest of reducing costs, PERB requests $223,945 be moved from OE&E to Personal Services and leave $25,000 in OE&E for IT projects/consultation. The difference of $1,000 has already been reduced through the Control Section 4.05 process. The figure below outlines current and estimated outyear costs for contracting out for third-party IT vendor costs.

Third-Party IT Vendor costs:

FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	25/26 + (est.)
$132,000	$144,000	$160,000	$235,000	$250,000*	$275,000+

*Current year includes $17,500 for 100 hours/year for other projects, unanticipated tasks.

California Government Code section 19130 states (a) Personal services contracting is permissible to achieve cost savings when all of the following conditions are met: (1) The contracting agency clearly demonstrates that the proposed contract will result in actual overall savings to the state. The figure below outlines the costs associated with transitioning to civil service staff to fulfill IT services functions.

	Operating Expenses & Equipment	Personal Services- IT Manger I	TOTAL
From	$250,000	$0	$250,000
To	$25,000	$223,945	$248,945

IT Manager I (1405) (mid-range)	$127,968
Benefits ($76,777) + OE&E ($19,200)	$95,977
Total one position with benefits	$223,945

In addition to no longer meeting the requirements to sustain an IT contract, PERB believes that the addition of a civil service IT Manager provides leadership stability. Previous contractors have provided various levels of service and frequently rotate their staff and project managers. Continuity in projects and strategies is difficult to accomplish with constant change. The addition of an IT Manager I will provide the experience and knowledge to oversee the transfer of critical information, ensuring that PERB retains key institutional knowledge in-house. Consulting firms take their acquired knowledge with them when their contract ends, leading to knowledge gaps. The process of onboarding new firms takes months due to the numerous policies that PERB must follow as set-forth by the California Department of Technology (CD) in the State Administration Manual (SAM) and Statewide Information Management Manual (SIMM) guidelines.

PERB has "tested" this model by hiring a limited term IT Manager I in late 2023-24 and has eliminated the use of contracted IT services for desktop support. The remainder of the current contract will be used for system upgrades and other special projects. PERB has also established relationships with CDT IT contracted partners and would utilize the remaining $25,000 OE&E annually for consultation where that is the most efficient means. The goal is to make this structure permanent on July 1, 2025.

The reliance on outside contractors for PERB's IT services has been problematic over the past five years. In addition to the increased costs, there has been a lack of accountability that has resulted in negative consequences for PERB staff, inefficiency of operations, and in one event a network outage that caused disruption to constituent services. The focus of the IT Manager on staff will be to ensure continuity of operations and aligning IT initiatives with the department's long-term strategies.

Staff Recommendation. Hold Open.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

Issue 16: Administrative Support

Governor's Budget. The Governor's budget requests $2.4 million various special funds and 17 positions in 2025-26 and ongoing, for the Department of Industrial Relations (DIR), to address the growing administrative need within DIR's divisions.

Background. The Department of Industrial Relations (DIR) protects and improves the health, safety and economic well-being of workers in California. DIR is responsible for enforcing the sections of the Labor Code that protect the health and safety of workers; promulgating regulations and enforcing laws relating to wages, hours, and workers' compensation insurance laws; adjudicating workers' compensation claims, and working to prevent industrial injuries and deaths. The Department also promotes apprenticeship and other on-the-job training, as well as analyzes and disseminates statistics measuring the condition of labor in the state.

Office of Administrative Services. The DIR Office of Administrative Services (OAS) is responsible for providing essential support to all DIR divisions, offering services such as Human Resources management including classification, pay, benefits, Return-to-Work (RTW), performance management, and development and administration. OAS also includes the Training and Special Projects Branch focusing on training programs, policy development, telework agreements, and compliance with the Form 700 process issued by the California Fair Political Practices Commission. Furthermore, OAS encompasses Contracts, Procurement, Business Services and Facilities Office, handling vital tasks like safety and security services, facilities and fleet management, contracts, and procurements.

The Human Resources Office's (HRO) current structure was established in 2021, with 98.5 authorized positions to support DIR's 3,081.3 total authorized positions. DIR's overall authorized positions have increased to 3,807.8 in 2024-25, an increase of approximately 24 percent.

As currently structured, the DIR Performance Management (PM) Unit in DIR's HRO lacks sufficient positions to address operational needs and inefficiencies in the Unit. To streamline and ensure consistency throughout DIR, the PM Unit will provide performance management training to all DIR supervisory/managerial staff. This request for additional positions is necessary to effectively perform these duties and provide the appropriate staffing resources to DIR managers and supervisors.

The HRO Operations Branch is responsible for documenting, key entering, and validating all DIR employee's personnel, payroll, benefits, and leave transactions. The HRO Operations Branch has seen an increase in workload activities due to a growth in the number of employee appointments and separations, along with changing control agency procedural changes and data cleansing.

HRO's Return-To-Work Unit has experienced a significant increase in workload due to several factors including, but not limited to, an increase in reasonable accommodation requests and workers' compensation injury and illness reporting due to COVID-19 submissions, and the transition of Cal/OSHA injury and illness reporting from HRO's Transactions Unit to HRO's RTW Unit.

The Facilities team within OAS is responsible for coordinating all facility activities at approximately 50 DIR offices located throughout the state. These offices currently accommodate DIR's employees and serve thousands of members of the public annually. The number of facilities-related requests has grown drastically to meet these new workplace standards for office space and with the currently established positions, DIR cannot meet its facility needs. These facility requests will continue to increase as DIR continues to hire more staff.

DIR's growth has also resulted in an increased number of contracts, grants, and procurement requests to successfully carry out its mission. The Contracts and Procurement (C&P) Unit is responsible for processing all contracts, grants and procurement requests for DIR's many programs and divisions. The increase of contract solicitations, grant agreements, and policy and procedure development and training has resulted in an increase of responsibilities and workload for the C&P Unit. The current resources are not sufficient to meet the increase in workload in support of DIR's programs.

In summary, to address the workload associated with demands impacting DIR's OAS, DIR requests 10.0 permanent positions in the following capacities and functions:

- 1 Associate Governmental Program Analysts (AGPA)
- 2 Office Technicians (OT)-Typing
- 1 Staff Services Manager I (SSM I) for HRO
- 1 Associate Business Management Analyst
- 1 AGPA
- 2 OT-General
- 2 OT-Typing for the Contracts, Procurement, Business Services and Facilities Offices

Office of Fiscal Services. The DIR Office of Fiscal Services (OFS) Accounting Office is responsible for accurately accounting for DIR's financial assets by recording, classifying, and summarizing its financial transactions to inform executive staff of the DIR's financial health. OFS is also accountable for preparing and submitting comprehensive financial reports to control agencies such as the State Controller's Office and to grantors such as the Federal government. The number of positions in DIR has grown by 897, or approximately 30 percent, from 2,910.8 in 2019-20 to 3,807.8 in 2024-25. While the overall positions in DIR have increased, OAS and OFS have not seen similar increases.

The Collections Unit in DIR-Accounting is responsible for the collection activities of delinquent accounts referred from various Accounts Receivable (A/R) Units (Cal/OSHA, Elevator, Pressure Vessel and Amusement Ride and Tramway). Currently, the processing time for each delinquent account may take weeks as it involves a lengthy process of collection letters, collection calls, filing of judgments with California Superior Courts, Employment Development Department levies, referrals to the State Franchise Tax Board for collection, and recommendation for Discharge from Accountability (write-offs). Providing the Collections Unit with permanent resources will help prevent delays collecting civil penalties or fees by the statute of limitations per CA Labor Code section 6651.

DIR-Accounting's General Ledger (GL) Unit is primarily responsible for the timely closing of fiscal months and year-end financial reporting. In a recent reorganization of the office, the GL Unit also absorbed the Federal Grants Unit, responsible for the timely reporting and categorizing of federal expenditures, drawing down of federal funding, and providing audit support. The number of federal grants awarded to DIR has increased over the past 10 years from maintaining and monitoring five federal awarded grants to eight federal awarded grants, along with three state grant funding programs available for the public. The increased workload and responsibility have expanded and strain the Unit's ability to provide adequate support for DIR's programs and the timely completion of financial reports to the State Controller's Office and Department of Finance. Accounts Payable, Travel Services, and Office Revolving Fund

DIR-Accounting's Accounts Payable, Travel Services, and Office Revolving Fund Units are primarily focused on duties relating to money leaving DIR (i.e., paying employees, contractors, and vendors for goods and services received by DIR and for DIR employees traveling on business). Per the CalHR-approved reorganization of the Accounting Office, the Accounting Administrator II will perform a full range of management duties providing general direction to subordinate managers and supervisors responsible for planning, organizing, and directing the work of the Units. Because the number of positions in DIR has increased from 2,911 positions in 2019-20 to 3,808 in 2024-25, the number of employees traveling for business has increased, as has the demand for payroll-related duties, thus creating additional workload for both the Travel Services Unit and the Office Revolving Fund Unit. In addition, as evidenced by DIR's budget increasing from $789 million to $1.4 billion, the demand for Accounts Payable services has increased, especially with DIR now serving as a pass-through entity for Local Assistance programs and Federal grants. The Accounting Administrator II will manage the implementation of modernization efforts in all three units.

Since implementing the Financial Information System for California (Fi$Cal) in 2018, OFS has not consistently updated its policies and procedures to reflect the functionality of the new system. Because OFS serves in a controlling capacity for all DIR divisions, this lack of thorough documentation presents a high risk to DIR. The State Leadership Accountability Act (SLAA) requires a sustainable, on-going program to design, implement and operate internal controls. In addition, DIR has several modernization projects that affect the operations of both DIR-Accounting and DIR's Budget Office. The SSM I represents OFS and serves as project manager to ensure sufficient internal controls on mission-critical projects, supporting OFS management with complex and sensitive program and policy-related project management. The SSM I conducts monitoring, testing, and auditing of internal controls and completes the associated modifications and maintenance.

In summary, OFS is requesting a total of 7.0 permanent positions as follows:

- 2 Accountant Trainees,
- 1 Accounting Administrator II,
- 1 OT-Typing, 1 Senior Accounting Officer (Supervisor),
- 1 Staff Services Analyst (SSA), and 1.0 SSM I.

Staff Recommendation. Hold Open.

Issue 17: Domestic Worker Definitions (SB 1350)

Governor's Budget. The Governor's budget requests $1.2 million Occupational Safety and Health Fund (OSHF) and 4.5 positions in 2025-26 and $1.1 million OSHF and 4.5 positions in 2026-27 and ongoing, for DIR, to provide resources for the Division of Occupational Safety and Health to implement the new requirements of SB 1350 (Durazo), Chapter 895, Statutes of 2024.

Background. SB 1350 removes the household domestic service exclusion from California's occupational safety and health statute and replaces it with a more limited exclusion for workers hired directly by a private household to perform "ordinary household domestic tasks" for the benefit of the household. This will allow DOSH to exercise jurisdiction over household domestic workers who are employed by a business or otherwise perform work not subject to exclusion under federal law. This amendment aligns California law with Federal OSHA on this issue, which is a necessary condition of Cal/OSHA's ability to enforce occupational safety and health standards in the state. SB 1350 also exempts publicly funded domestic work and family daycare homes.

The Division's enforcement activities will be impacted by SB 1350, as the Division will now have jurisdiction over certain household domestic services, an industry that has never been regulated by the Division. The Division will be required to respond to complaints, conduct inspections, and issue citations for this industry. Due to the additional enforcement work, the Division's Legal Unit will also be impacted by additional appeals of citations. The Legal Unit will also need to conduct in-house training to all Division staff and develop and review publications for employers, employees and advocacy groups.

SB 1350 removes the blanket exclusion for household domestic service employment so that the majority of household domestic workers, with some exceptions, are a part of Cal/OSHA's jurisdiction, meaning all of the Labor Code sections and California Code of Regulations Title 8 regulations that provide workplace protections to workers will apply to them. This will create new and additional workload for the Division's Enforcement Branch and Legal Unit, because it will result in new inspections involving work and places of employment that historically fell outside of Cal/OSHA's reach.

Household domestic work includes the maintenance of the inside and outside of a house. For reference, DOSH estimated the number of new inspections based on inspections conducted on a comparable industry in landscaping services. Between 2015 and 20191, DOSH opened an average of 224.8 Cal/OSHA inspections per year on landscaping services. According to a report on the landscaping industry, residential maintenance and general service account for 33 percent of the landscaping industry2. Based on 33 percent of the 224.8 average inspections for landscaping services, the Division anticipates a minimum of 75 additional inspections per year, primarily in outdoor work such as residential landscaping. In addition to residential landscaping services, other types of household domestic service work such as pool maintenance may trigger additional inspections.

In addition to inspections, the Division anticipates an increase in appeals. Currently, approximately 48 percent of citations are appealed by employers, which will result in 36 additional appeals per year. A majority of these appeals will likely be referred to the Legal Unit, with an attorney then defending the citations.

Based on this assessment, at a minimum, it is estimated that the Division would need three and a half Associate Safety Engineers and one Attorney IV.

Staff Recommendation. Hold Open.

Issue 18: Occupational Safety and Health Standards Board Rulemaking Support

Governor's Budget. The Governor's budget requests $301,000 Occupational Safety and Health Fund (OSHF) and 1 position in 2025-26, $588,000 OSHF and 2 positions in 2026-27, $874,000 OSHF and 3 positions in 2027-28, and $857,000 OSHF and 3 positions ongoing, for DIR, for the Occupational Safety and Health Standards Board (OSHSB or Standards Board) to assist with the rulemaking backlog and workload levels that have increased in recent years. These permanent positions are intended to help reduce the rulemaking backlog and adopt critical occupational safety and health regulations.

Background. Due to understaffing and the inability to meet its increased workload, OSHSB is requesting a total of 3.0 SSE positions to be phased in over three years. These resources will enable OSHSB to achieve timely workflow, begin alleviating backlog, and move forward with long-term planning. An increase in engineering staff will also help OSHSB promulgate new occupational safety and health regulations that existing regulations are ill-equipped to address. This would help update rules that are outdated, impractical, or silent to modern workplace hazards resulting in a safer workplace for 19 million California workers.

Workload. OSHSB's workload and stakeholder engagement have grown significantly; however, staffing levels needed to work on complex rulemaking have not kept up with demands for new regulations. As a result, OSHSB's mandated work on regulations has been increasingly delayed or indefinitely paused as staff resources are redirected to more immediate operational needs. Stakeholders at public meetings often reiterate that their championed regulatory proposal has not yet seen action while also acknowledging that more staff is needed to make that a reality. With this budget change proposal (BCP), OSHSB will begin addressing this problem.

Over the past two years, OSHSB's regulatory calendar has increased in size and complexity (i.e., two separate emergency regulations were issued since 2019, Federal and State mandates for rulemakings and non-elevator variance applications have steadily increased). There remains a need to fortify OSHSB's engineering team by adding additional staff. In addition, California's workforce has grown in size and complexity. Engagement by federal OSHA, public stakeholders, media, and the Legislature has also grown.

Workload History

Workload Measure	2019-20	2020-21	2021-22	2022-23	2023-24
Petitions	7	5	5	1	6
Active Rulemaking Packages	7	5	4	5	10
Non-Elevator Variances	6	4	7	6	7
OSHSB Advisory Committee	6	1	3	8	8
Cal/OSHA AC	2	3	9	5	4
Backlogged Rulemaking Projects	38	42	34	36	31

Per Labor Code section 142.3(a)(1), the Standards Board is "the only agency in the state authorized to adopt occupational safety and health standards". OSHSB has a duty under the Administrative Procedures Act (APA) to substantively scrutinize, with the benefit of formal public participation, any Cal/OSHA-developed regulation being proposed.

The pandemic consumed the vast majority of OSHSB rulemaking resources for 2020-21, 2021-22, and much of 2022-23, leading to a significant increase in backlog. In 2019, OSHSB had 38 backlogged rulemaking projects and 7 active rulemaking projects. In 2020, OSHSB had 42 backlogged projects and 5 active projects. In 2021, OSHSB had 34 backlogged projects and 4 active projects. In 2022, OSHSB had 36 backlogged projects and 5 active projects. In 2023, with the addition of two new staff and the conclusion of the COVID-19 rulemaking project, OSHSB was able to reduce the backlog to 31 projects and had 10 active rulemaking projects.

Through a 2023-24 Legislative BCP for Chapter 778, Statutes of 2022 (AB 2243), OSHSB received four-year limited-term resources to assist with rulemaking related to outdoor heat and exposure to wildfire smoke.

Due to understaffing and the inability to meet its increased workload, OSHSB is requesting a total of 3.0 SSE positions to be phased in over three years. These resources will enable OSHSB to achieve timely workflow, begin alleviating backlog, and move forward with long-term planning. An increase in engineering staff will also help OSHSB promulgate new occupational safety and health regulations that existing regulations are ill-equipped to address. This would help update rules that are outdated, impractical, or silent to modern workplace hazards resulting in a safer workplace for 19 million California workers.

Staff Recommendation. Hold Open.

Issue 19: Property Service Worker Protection (AB 2364)

Governor's Budget. The Governor's budget requests $900,000 one-time various special funds, for DIR, to commission a study on improving worker safety and safeguarding employment rights in the janitorial industry, and to convene an advisory committee to make recommendations regarding the scope of the study consistent with AB 2364 () Chapter 394, Statutes of 2024.

Background. AB 2364 amends the Property Service Protection Act to increase and re-cast the fees that qualified organizations can charge janitorial employers for providing the required sexual harassment training and requires DIR to contract with the University of California, Los Angeles Labor Center (UCLA-LC) to conduct a study to evaluate opportunities to improve worker safety and safeguard employment rights within the janitorial industry. AB 2364 also requires DIR to convene an advisory committee comprised of representatives from Cal/OSHA, DWC, the Civil Rights Department, a recognized or certified collective bargaining agent that represents janitorial workers throughout the state, employers and labor management groups in the janitorial industry, UCLA-LC, and other relevant subject matter experts to make recommendations regarding the scope of the study. Finally, AB 2364 requires DIR to submit the completed report to the members of the specially established advisory committee and specified legislative committee chairs on or before May 15, 2026.

AB 2364 sets a clear deadline for DIR to submit the UCLA-LC report to the members of the specially established advisory committee and the Chairs of the Assembly Committee on Labor and Employment and the Senate Committee on Labor, Public Employment and Retirement, on or before May 15, 2026. Based on the Department's experience, a study of this nature is reasonably estimated to cost $750,000.

DIR expects the advisory committee to convene ten times during its operational period and will be responsible for coordinating audio-visual and interpretation services, with an estimated cost of $10,000 per meeting, ensuring that the committee meetings are accessible and inclusive. DIR requests $100,000 in one-time funding to provide webcasting and translation. With travel for advisory committee members estimated at $5,000 total per meeting, the Department also requests $50,000 to fund travel.

Staff Recommendation. Hold Open.

Issue 20: Schools' Occupational Injury & Illness Prevention Programs

Governor's Budget. The Governor's budget requests $170,000 Workers' Compensation Administration Revolving Fund (WCARF) annually from 2025-26 through 2027-28, for DIR, to allow the Commission on Health and Safety and Workers' Compensation (CHWSC) to assist schools in establishing effective occupational Injury and Illness Prevention Programs.

Background. Existing law requires CHSWC to assist schools in establishing illness and injury prevention programs. Labor Code Section 78(a) specifies that, "The commission shall review and approve applications from employers and employee organizations, as well as applications submitted jointly by an employer organization and an employee organization, for grants to assist in establishing effective occupational injury and illness prevention programs. The commission shall establish policies for the evaluation of these applications and shall give priority to applications proposing to target high-risk industries and occupations, including those with high injury or illness rates, and those in which employees are exposed to one or more hazardous substances or conditions or where there is a demonstrated need for research to determine effective strategies for the prevention of occupational illnesses or injuries."

Recent data from the U.S. Bureau of Labor Statistics indicates that although the injury and illness rate for schools has declined since the inception of the program, about 25 percent of the 114,800 non-fatal occupational injuries and illnesses in California's local governments still occur in elementary and secondary schools. In addition, California elementary and secondary schools have occupational injury rates nearly 30 percent higher (5.4 cases per 100 full-time employees) than the overall injury rate for Californians injured at work (4.2 cases per 100 full-time employees).

This augmentation will allow CHSWC to utilize funds that have accumulated in the WCARF specifically for the schools' Injury and Illness Prevention Programs that are mandated for this purpose and cannot be utilized for any other activity.

Staff Recommendation. Hold Open.

Issue 21: Workplace Violence Prevention Plans in Hospitals (AB 2975)

Governor's Budget. The Governor's budget requests 0.5 permanent positions and $125,000 in 2029-30 and ongoing from the Occupational Safety and Health Fund to implement AB 2975 (Gipson), Chapter 749, Statutes of 2024.

Background. AB 2975 requires the use of devices that automatically screen a person's body at specific entrances of hospitals. Additionally, hospitals are required to post a notice near the screening checkpoints advising of the screening and that no person shall be refused medical care, pursuant to specified federal law. Finally, hospitals are to adopt reasonable protocols for when a weapon is detected at screening, alternative weapons screening options, and proper training and hiring of security personnel. The legislation also charges Division of Occupational Safety and Health (DOSH) and Occupational Safety and Health Standards Board (OSHSB) to develop and adopt rulemaking to amend Labor Code Section 6401.8(a). After the new standard is adopted, DOSH will be charged with conducting ongoing enforcement of the new regulations. Accordingly, DOSH will require the following to properly implement the requirements of AB 1975:

Enforcement: Once the rulemaking process is completed, DOSH is responsible for the enforcement of activities to effectively implement this legislation. Ensuring that hospitals are complying with the new requirements of AB 2975 will increase the time and resources required for DOSH inspections of hospitals, including additional resources for preparation and on-site visits, meeting with employers, conducting walk-around of facilities, interviewing employees, and conducting return visits to verify abatement. In order to conduct enforcement efforts to ensure the developed regulations are implemented and enforced properly, DOSH requests permanent resources of 0.5 Associate Safety Engineer to handle the increased workload, starting in 2029-30 and ongoing.

Staff Recommendation. Hold Open.

Issue 22: Employer Assessment Regulatory Alignment Trailer Bill

Governor's Budget. The Governor's budget includes trailer bill language to make technical changes related to workers' compensation assessments on employers.

Background. Existing law requires the director of the Department of Industrial Relations to levy and collect assessments from employers, for purposes of collecting the aggregate amount determined by the Fraud Assessment Commission. Existing law requires revenues derived from the assessments to be deposited in the Workers' Compensation Fraud Account in the Insurance Fund and to only be expended, upon appropriation by the Legislature, for the investigation and prosecution of workers' compensation fraud and the willful failure to secure payment of workers' compensation. Existing law requires the director to promulgate reasonable rules and regulations governing the manner of collection of the assessments.

The proposed trailer bill language would make technical and conforming changes to the assessments and related provisions and would also exempt from the rulemaking provisions of the APA regulations adopted pursuant to those promulgated by the director governing the manner of collection of the above-described assessments.

Staff Recommendation. Hold Open.

7501 DEPARTMENT OF HUMAN RESOURCES

Issue 23: LMS Consolidation with CalHR and DGS

Governor's Budget. The Governor's budget requests 1 position and a total of $399,000 General Fund for 2025-26 and $392,000 General Fund ongoing, for CalHR, to address the consolidation of three statewide training systems into one Statewide LMS.

Background. The Department of Human Resources (CalHR) and the Department of General Services (DGS) have identified opportunities to more efficiently and effectively utilize state resources through the consolidation of the following three (3) statewide learning management systems (LMS) that house training for state employees:

1. DGS' statewide procurement LMS.
2. DGS' statewide LMS offering Defensive Driver training.
3. CalHR's statewide LMS (CalLearns).

To achieve these efficiencies, CalHR is requesting the following: 1 position and $399,000 General Fund for 2025-26 and $392,000 General Fund in 2026-27, and ongoing. Please see the concurrence letter from DGS on this proposal.

This proposal reduces expenditures with DGS' Procurement Division (PD) by eliminating a duplicate statewide LMS allowing the consolidation of LMS administration and customer support into one unit at CalHR. It also allows for the elimination of a second external facing LMS at DGS that hosts the Defensive Driver training. The proposal streamlines statewide training registration and delivery processes for State of California employees into a consolidated LMS.

DGS PD's LMS software contract ends in August 2025 and if this proposal is not approved, DGS will need to renew the LMS software contract to avoid an impact to current services.

Staff Recommendation. Hold Open.

Issue 24: Recruitment System Enhancements

Governor's Budget. The Governor's budget requests $300,000 General Fund in 2025-26, $450,000 General Fund in 2026-27, and $400,000 General Fund in 2027-28 and ongoing to invest in the State Recruitment platform and Examination and Certification Online System (ECOS) to continue to support Anonymous Hiring.

Background. The California Department of Human Resources (CalHR) is responsible for issues related to employee salaries and benefits, job classifications, civil rights, training, exams, recruitment and retention.

In 2022, Governor Newsom signed into law Executive Order N-16-22, which focused on advancing equity and tackling disparities and discrimination within the hiring process. Among other hiring reforms, the Executive Order calls for creating an anonymous hiring capability in the Examination and Certification Online System (ECOS) for job applicants. Anonymous hiring aims to eliminate bias and ensure privacy of personally identifiable information (PII) in the hiring process. The critical element to achieve anonymous hiring is the redaction of personally identifying information in an individual's application, including form fields, resumes, cover letters, and other documents submitted as part of the recruitment process.

Anonymous Hiring aims to remove PII during the early screening stages of recruitment. By anonymizing documents like resumes, cover letters, driving licenses, and other application forms such as form 678, this method seeks to reduce unconscious biases that may arise from visible details such as names, addresses, gender, and more. With this technology integrated into the hiring process, hiring managers will only focus on candidates' qualifications, experience, and competencies, ensuring a more equitable and merit-based evaluation. This technology may also create department efficiencies as this tool will replace the time consuming manual process of redacting.

The proposed budget of $300,000 for 2025-26, $450,000 for 2026/-7, and $400,000 in 2027-28 and ongoing will cover software licensing and services essential to advancing our strategic initiatives to enhance system functionality, capabilities, and overall user experience supporting Anonymous Hiring to redact free-form data such as resumes.

Staff Recommendation. Hold Open.

Issue 25: Savings Plus' Education & Outreach Travel Reimbursements

Governor's Budget. The Governor's budget requests a $79,000 augmentation to the Savings Plus' Deferred Compensation (DC) fund for 2025-26 and ongoing to fund travel costs that are currently prefunded by Savings Plus' Third-Party Administrator (TPA) Nationwide Retirement Solutions (Nationwide) and reimbursed by the Program's contracted Investment Managers.

Background. CalHR's Savings Plus Program ("Savings Plus" or "the Program") offers a robust Education and Outreach communication plan consisting of both virtual and on-site education. Financial Education Specialists frequently attend benefits and career fairs, open-houses, and

CalPERS' Benefits Education Events (CBEE) statewide to provide education to eligible employees, participants, and retirees. This includes visiting state agencies that are challenging to reach due to their location (CalFire, State Parks) or by the nature of their work (State Hospitals, State Prisons).

Education & Outreach travel costs are prefunded by the Program's Third-Party Administrator (TPA), Nationwide Retirement Solutions (Nationwide) and reimbursed to Nationwide by the Program's contracted Investment Managers annually. Each contracted Investment Manager bears a proportionate share of education and outreach (communication) costs, which includes marketing, investment education, outreach, and training costs. Savings Plus coordinates annual reimbursement of communication costs to the TPA (Nationwide) from the Investment Managers.

Coordinating the reimbursement of these expenses annually is cumbersome and the three-pronged method no longer aligns with current industry best practices.

Staff Recommendation. Hold Open.

Issue 26: Diverse, Ethnic, and Community Media Outreach (AB 1511)

Governor's Budget. The Governor's budget requests 1 position and $5,167,000 ($5,088,000 General Fund, $67,000 Reimbursements, $1,000 Flex Elect Benefit Fund, and $11,000 Deferred Compensation Plan Fund) in 2025-26 and $5,160,000 ($5,081,000 General Fund, $67,000 Reimbursements, $1,000 Flex Elect Benefit Fund, and $11,000 Deferred Compensation Fund) in 2026-27, 2027-28, and 2028-29 and $160,000 ($81,000 General Fund, $67,000 Reimbursements, $1,000 Flex Elect Benefit Fund, and $11,000 Deferred Compensation Fund) ongoing, for CalHR, to maximize the use of ethnic and community media outlets for advertising and outreach, expanding the state's ability to reach California's diverse communities in accordance with Assembly Bill 1511 (Santiago), Chapter 352, Statutes of 2024.

Background. Assembly Bill (AB) 1511 requires each state agency that expends funds on marketing, advertising or outreach to develop a plan for increasing expenditures directed to ethnic and community media outlets serving specified populations and report annually on progress of implementation using a template created by the Department of General Services.
CalHR currently has a budget of $250,000 which was meant to be used statewide. Due to budget constraints, the initial campaign was limited to the Sacramento market.

According to the Administration, if the budget remains at current levels, CalHR will not be able to afford both adequate general market and ethnic and community media outlet purchases in multiple California media markets. Competitive media markets, such as Los Angeles, San Francisco and Sacramento, require millions of dollars to adequately reach the communities in those areas. This does not account for the lack of media outlets in certain regions and the scarcity of airtime due to competing contracts or other special events, such as elections and high-profile sporting events.

To reach ethnic communities, CalHR requests funding to create marketing in specific languages and to possibly have different creative collateral from what is used in the general market. This ensures the message resonates with the audience. Translation is not enough in most cases; therefore, trans-creation is necessary. It is for this reason that many agencies often have separate ethnic media contracts, which is a separate investment from the advertising time. At this time, CalHR does not expend funds on these materials and will need to newly do so in order to reach the communities defined in AB 1511.

Staff Recommendation. Hold Open.