

Senate Budget and Fiscal Review—John Laird, Chair

SUBCOMMITTEE NO. 1

Agenda

Senator Sasha Renée Pérez, Chair
Senator Bob Archuleta
Senator Rosilicie Ochoa Bogh



Tuesday, April 7, 2026
9:30 a.m.
California State Capitol, Room 112

Consultant: Yong Salas

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Public Comment

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6120 CALIFORNIA STATE LIBRARY**Issue 1: Imagination Library Update**

Background.

This hearing is an update to the oversight discussion on the California State Library's administration of the Imagination Library that was held in this subcommittee on March 12, 2026.

The state provided an initial investment of \$68.2 million for the Statewide Imagination Library in 2022. The California State Library established a nonprofit called the Strong Reader Partnership in April 2023, and allocated \$1.5 million to the Dollywood Foundation in September 2023. In August 2024, the State Library allocated \$4.8 million to the Strong Reader Partnership. Due to the delay in the implementation of the Statewide Imagination Library, the 2024 budget agreement redirected funds directly to the Dollywood Foundation in order to expand the Imagination Library. The 2024 budget agreement included budget bill language in 6120-488 that reads, in part:

“Notwithstanding any other law, at least 90 percent of the funds reappropriated in this item up to \$68,200,000 shall be allocated no later than 45 days after this bill becomes law on a one-time basis to the Dollywood Foundation for the purposes of developing a California iteration of Dolly Parton’s Imagination Library. The California Library Strong Reader Partnership may establish an advisory group to advise the Dollywood Foundation in its development of the California iteration of Dolly Parton’s Imagination Library.”

The 2024 budget agreement included permissive language that stated that the Strong Reader Partnership *may* serve as an advisory body to advise the Dollywood Foundation for the Statewide Imagination Library. The language stated that 90 percent of the remaining funds was the minimum amount that was to be reappropriated to the Dollywood Foundation to implement a Statewide Imagination Library within 45 days of the budget being enacted.

Even though the Dollywood Foundation was now the lead entity for expanding the Imagination Library in California, the Strong Reader Partnership kept the funds and entered into and continued its agreements and contracts with various organizations after the 2024 budget agreement was enacted. Grant reports by the Strong Reader Partnership acknowledge communications occurred between the Dollywood Foundation and Strong Reader Partnership during this time. However, staff notes the Strong Reader Partnership confirmed that there is no signed agreement between the Dollywood Foundation and the Strong Reader Partnership, which would have formalized the role of the Strong Reader Partnership in the effort to expand the Imagination Library in California. The committee began its inquiry into how the Strong Reader Partnership spent state funds in the fall of 2025.

Prior to the March 12, 2026 hearing, the committee received bank statements that showed approximately \$550,000 in expenditures, and the committee made several requests for invoices, receipts, and other back-up documentation for all expenditures made by the Strong Reader Partnership, as detailed in the March 12, 2026 agenda. Since this hearing, the committee received several invoices, bank statements, service agreements and contracts, as well as a document titled

Financial Expenditure Detail Report that includes a list of expenditures made by the Strong Reader Partnership.

The original Financial Expenditure Detail Report that was sent to the committee included errors, most notably an overreported amount of \$101,788 to Sage Strategies (there was one lump payment to Sage Strategies of \$101,788.50 on September 19, 2024 which reflected the combination of four invoices; however this report double counted the invoices and the payment), an overreported amount of \$10,974.50 to the law firm Delfino Madden (this was a result of outstanding invoices rolling over into subsequent invoices, but being double counted in this report), and small dollar corrections related to bank and software fees. After these corrections, the Strong Reader Partnership reports that it spent approximately \$1.1 million in total.

\$1 million of the \$1.1 million went to three firms.

The documents that the Administration shared with the committee show that the three largest expenditures of state funds went to three firms - Shipyard, Sage Strategies, and Lotus Financial Solution. The invoices for all three firms did not provide detailed information on the work provided during billing periods, such as deliverables, meetings, or other services. Invoices for Sage Strategies and Lotus Financial Solution did not exceed one page.

These expenditures were as follows:

- \$581,708.55 for **Shipyard**, which has an office located in downtown Sacramento. According to the Strong Reader Partnership, Shipyard is *“a full service advertising agency that provided services to develop the Strong Reader Partnership brand, develop all owned properties (strongreaderpartnership.org, social media channels, etc.), create marketing, outreach and social media content in multiple languages, develop multilingual materials, coordinate public relations activities, and support earned media. In addition, they retained the AXIS Agency to support activities and tactics to better reach local Spanish-speaking Californians. As we shifted gears in Phase 3 to refocus the more narrow total budget available, we continued to focus on the mission of expanding DPIL enrollment in a strategic and hyper-targeted way to maximize remaining funds.”*

The Shipyard’s Scope of Work agreement with the Strong Reader Partnership that was shared with the committee was signed on July 22, 2024 and began on July 1, 2024 – which was prior to the 2024 budget action to redirect the funds – and was scheduled to go through June 30, 2025. The value of the original agreement with Shipyard was \$1.07 million.

Invoices and bank statements show that Shipyard invoiced for its agency fees in July and August 2024, which was paid in September 2024, then did not invoice again for agency fees until January 2025, which was paid in February 2025. There was another pause in invoicing for agency fees until April 2025, when monthly agency fees resumed and were charged until October 16, 2025. Separate monthly invoices for what is described as “Web Digital Landing Page Fee” began in May 2025 and continued through August 2025, for a total cost of \$125,000.

- \$326,250.99 for **Sage Strategies**. According to the Strong Reader Partnership, Sage Strategies is “a management consulting firm that provided services to develop a non-profit from the ground up. The principal of the firm acted as the non-profit’s executive director, performing all the tasks that would typically fall to this person within a newly formed non-profit entity. Services the firm provided spanned across all staff functions (including executive leadership, program management, and administrative support) with multiple consultants providing support. Other activities included vendor management, board operations, statewide partner outreach and engagement, development of a multi-million-dollar multilingual marketing campaign, and grant compliance activities. The engagement totaled more than 1,524.75 billable hours at an average rate of \$216 per hour, with additional pro-bono hours extended beyond the grant period to ensure closeout.”

When committee staff asked the State Library via e-mail about whether it was concerned that the executive director of the Strong Reader Partnership is also the principal of Sage Strategies and has a financial arrangement where they are expending funds from the nonprofit’s bank account to their owner firm, the State Library responded on October 13, 2025 with the following:

“It is our understanding that the Executive Director takes direction from, and decisions are made by the Board of Directors for the nonprofit. With these guardrails as well as those included in the grant agreement signed by the Executive Director, not limited to those sections specifically prohibiting self-dealing, the State Library has been comfortable with the Strong Reader Partnership’s choice of executive director even though also serving as a principal of Sage Strategies. We understand that payments to Sage Strategies have been for work approved by the board to be done by the Executive Director (or any tasks delegated to other employees) for grant work.”

The invoices for Sage Strategies include the description of “General Consulting” with staff names and the billing periods, with hours billed, the rate, and the total amount due. The invoices do not include descriptions for deliverables, meetings, or other work it performed.

According to the Strong Reader Partnership, the board of directors approved the expenditures, and a designated board member, Chair or Treasurer was responsible for signing the checks. Staff notes that, according to the Strong Reader Partnership, Sage Strategies also provided services for board operations.

- \$110,000 to **Lotus Financial Solution**, an Oakland-based “bookkeeping service to record and manage all financial transactions in accordance with Generally Accepted Account Principles (GAAP), including the set up of financial systems to support a multi-million-dollar grant administration, dispensing of subgrants and high volume of payments over time,” according to the Strong Reader Partnership.

The Strong Reader Partnership provided a service agreement with Lotus Financial Solution that marks the beginning of the contract on October 1, 2024; however, it was signed by the

principal of Lotus Financial Solution on November 4, 2024, and the first invoice from Lotus Financial Solution notes that November 7, 2024 is associated with the execution of the agreement between Strong Reader Partnership and Lotus Financial Solution. Staff notes that according to bank statements, \$169,186.81 worth of transactions already occurred from the Strong Reader Partnership's bank account by October 1, 2024. By November 7, 2024, \$184,199.31 worth of transactions had already occurred from the Strong Reader Partnership's bank account.

Lotus Financial Solution charged \$40,000 in what the invoices described as *onboarding and set up fees*. The service agreement states that these fees are for the *development of operating infrastructure* for the Strong Reader Partnership, *including finance and human resource operations, first year budget (2024), 1099 filing and tax preparation*. Lotus Financial Solution also charged \$7,000 for monthly bookkeeping services, and invoices show that there were ten monthly charges of \$7,000 between January 2025 and October 17, 2025. Staff notes that the abatement checks that reverted the funds back to the state were dispensed on November 13, 2025.

The service agreement also includes human resources within Lotus Financial Solution's scope of work, such as developing job descriptions, creating payroll accounts, and processing and maintaining payroll records. Staff notes the records that were provided to the committee do not indicate that the Strong Reader Partnership employed staff, but rather contracted with vendors and relied on Sage Strategies for staffing needs. Other services were included in its scope of work, such as tax compliance, monthly financial reports, quarterly financial analyses and summary reports, general ledger maintenance and ensuring the accuracy of records, bank reconciliation, and managing accounts payable and receivable. The committee notes that it did not receive any monthly financial reports (other than the bank statements) or quarterly financial analyses and summary reports in the documents it received from the Strong Reader Partnership and the State Library on its finances.

- In addition to Lotus Financial Solution, bank statements and invoices show three additional companies that provide financial management services were used:
 - \$1,399 in total was paid separately from Lotus Financial Solution to Intuit Quickbooks, which, according to the Strong Reader Partnership, was "*used to track and manage expenditures*." The principal of Lotus Financial Solution is listed as the contact on the invoices for this service.
 - \$1,962.58 was paid to Bowman & Company, and according to the Strong Reader Partnership, is "*a Certified Public Accountant (CPA) selected to conduct an independent audit of the nonprofit*." This invoice is dated September 1, 2025.
 - \$1,325 for All About Taxes, which, according to Strong Reader Partnership, is a "*tax preparer selected to provide tax filing services for 2023, 2024, and 2025*." This invoice is dated October 31, 2025. Staff notes that tax

preparation was included in the service agreement with Lotus Financial Solution.

In total, the Strong Reader Partnership's bank statements show that from August 2024 to January 2026, less than 100 transactions were made. Staff notes that although the Strong Reader Partnership paid almost \$115,000 to four different companies that provide financial management services, the nonprofit's bank account incurred an overdraft fee on October 9, 2025, and bank statements show that two additional checks were returned for insufficient funds in October 2025 and December 2025 but did not incur overdraft fees. The Strong Reader Partnership submitted a financial expenditure report to its administering state agency with various errors, including more than \$110,000 in overreported charges.

Other Notable Charges.

In addition to these charges, the following payments were also made:

- \$14,500 to **Change Craft**, which according to the Strong Reader Partnership in its March 17, 2026 letter to the committee, is "*a strategic communications consultancy that provided stakeholder material development.*" The billing period on this invoice was for a period of six days, beginning on August 24, 2024 (which coincides with the date that AB/SB 157 went into print) and ended on August 29, 2024 (which coincides with the date that AB 157 was approved by the Legislature). In the invoice under its Budget Category, the invoice states "*Phase One: Stakeholder Materials and Communications Services.*"

When the committee asked the California State Library via e-mail whether any of this funding was used in service of lobbying activities in opposition to the budget bill AB/SB 157 in August/September of 2024, the State Library responded on October 13, 2025:

"The Strong Reader Partnership agreed that grant funds would not be used for the purposes of lobbying or otherwise attempting to influence legislation, and it does not appear that any funds for Change Craft were spent on lobbying activities but were for engaging stakeholders for the Imagination Library."

Staff notes that this committee received outreach from Change Craft with proposed amendments to AB/SB 157 on behalf of its clients **First 5 California** and **Imagination Library of California Strong Reader Partnership** on August 25, 2024 and August 26, 2024.

- \$5,000 to **United Way California Capital Region**, and according to the Strong Reader Partnership was for "*a pilot grant program to support paid marketing advertisements geared toward driving new DPIL enrollments.*" In its final program narrative report, the Strong Reader Partnership reported that "*a \$5,000 Community Engagement Grant helped the local library host bilingual story hours and community events that increased family participation and program sign-ups.*"

The Strong Reader Partnership provided an invoice from United Way California Capital Region to the Strong Reader Partnership dated July 15, 2025 for this \$5,000 grant. The invoice included the description “*Marketing for Dolly Parton Imagination Library for Yolo County.*”

On September 4, 2025, the Department of Finance shared with the committee an undated California State Library Grant Report for the Strong Reader Partnership that captured activities during the period between July 1, 2024 and August 31, 2025. In this report, it indicated that there were two pending and in process obligations of \$60,000 each to a “Sacramento Program Partner” and Read to Me! Stockton, for a total of \$120,000. These payments do not appear on the Strong Reader Partnership’s bank statements or in its Financial Expenditure Detail Report.

- \$43,131 to **Delfino Madden**. The initial set of invoices for Delfino Madden showed an unpaid invoice of \$3,404, which was later clarified by the State Library to be “a duplicate invoice with additional charges. The additional amount has been absorbed by the Law Firm and is no longer owed.” According to the Strong Reader Partnership, Delfino Madden is “*a legal services firm that provided legal counsel to prepare appropriate filings to secure and maintain tax-exempt status, advising board members on duties and legal filings, and attending board meetings to advise as needed on legal issues, reviewed various agreements, and provided counsel to the non-profit, as requested.*” The Delfino Madden invoices provided to the committee were significantly redacted.
- \$512.50 to **Eleakis & Elder Photography**, a Sacramento-based photography company that specializes in family photos, commercial photography, portraits, weddings and events, passport photos, and other photography services. On October 10, 2025, the State Library shared with the committee expanded descriptions of the expenditures the committee knew of to date, and this stated that the Strong Reader Partnership used Eleakis & Elder Photography for “*commercial photography for stock images.*” In its March 17, 2026 letter to the committee, the Strong Reader Partnership said that the photography services “*provided commercial photography to support nonprofit materials.*” The invoice shows that it was billed to Sage Strategies, separate from the Strong Reader Partnership’s payments to Shipyard.

The Dollywood Foundation. The Dollywood Foundation received two allocations from the California State Library - \$1.5 million in September 2023, and approximately \$25 million in February 2025. It is important to note that the \$25 million allocation was in response to the Budget Act of 2024, but that the allocation did not fully comply with the law, which required “*at least 90 percent of the funds reappropriated in this item up to \$68,200,000 shall be allocated no later than 45 days after this bill becomes law on a one-time basis to the Dollywood Foundation ...*”. The \$25 million allocation was at least \$36.38 million below the required amount and was not transferred within the required 45 day period. Pursuant to the 2025 budget agreement, the Department of General Services allocated the remaining funds, included the abated funds from the Strong Reader Partnership, to the Dollywood Foundation.

For the \$1.5 million in September 2023, the Dollywood Foundation provided the committee an invoice dated April 2023 to the California State Library for \$1.5 million, which covered the cost of more than 1 million books. According to the Dollywood Foundation, between the period of July 1, 2023 and July 31, 2024, there were 85,401 children enrolled in the program, of which 46,530 were newly enrolled.

For the reporting period between July 1, 2025 and December 31, 2025, the Dollywood Foundation reports 683,636 books being distributed, with 52,034 new children enrolled into the programs. During this reporting period, the Imagination Library expanded into seven new counties, with five counties/region of counties getting ready to launch in Spring/early Summer 2026. During this reporting period, the Dollywood Foundation also hired a California State Director.

Between January 2025 and December 2025, the Dollywood Foundation also reported to reach out to and present information sessions about Dolly Parton's Imagination Library to provide an overview of the goals, scope, and program delivery model to various potential partners and stakeholders. Additionally, the Dollywood Foundation included its activities at events and conferences that it attended as either an attendee, a presenter, or having a table.

Since the launch of the Statewide Imagination Library in June 2023, the Dollywood Foundation reports that there is a total of 163,104 children enrolled in the program, and that 2.9 million books have been distributed.

Staff Recommendation. Informational Item Only.