

Senate Budget and Fiscal Review—John Laird, Chair

SUBCOMMITTEE NO. 4

Agenda

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



Thursday, April 9, 2026
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 113

Consultant: Jessica Uzarski

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Public Comment

Please Note: Public comment will be taken after all Items have been heard.

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Items for Discussion

8570 DEPARTMENT OF FOOD AND AGRICULTURE

Item #1: Farm to School Program Funding and Trailer Bill Codification

Request: The Governor’s budget requests, for the Department of Food and Agriculture (CDFA), \$24,600,000 General Fund in 2026-27, \$24,200,000 General Fund in 2027-28, and \$25,200,000 General Fund in 2028-29 and ongoing and 10 permanent positions for the California Farm to School Incubator Grant Program. The Governor’s budget also requests trailer bill language codifying the Farm to School Program as the “Farm to School Act”.

Background: The Office of Farm to Fork within the CDFA currently manages the Farm to School Incubator Grant Program, which provides competitive grants to support the adoption and expansion of farm to school practices. Specifically, the program (1) supports schools and child care centers in procuring locally grown food and providing hands-on food education; (2) assists producers in increasing production capacity to supply food to schools and child care centers; and (3) supports organizations in providing technical assistance to schools, child care centers, and producers that are seeking to implement and advance farm to school practices. The program was first established with \$8.5 million from the General Fund in 2020-21, with subsequent budget packages providing General Fund appropriations of \$30 million in 2021-22 and \$60 million in 2022-23—all provided on a one-time basis. The 2025 budget also included one-time funding of \$24.9 million General Fund for 2025-26 for the California Farm to School Network, the California Farm to School Incubator Grant Program, and Climate Smart Technical Assistance.

The current proposal, as opposed to previous requests, asks for ongoing program funding in the amount of \$25,200,000 General Fund in addition to requesting Trailer Bill Language which codifies the program as the “Farm to School Act”, representing a significant change from the year-on-year funding structure which has previously supported the program.

The proposal sets forth the following resource and workload histories:

Resource History – F2S Program

(in millions)

Program Budget	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Authorized Expenditures	\$10.0	\$30.0	\$60.0	\$4.7	\$4.5	\$24.9
Actual Expenditures – Grants	\$8.5 (Awarded in 2021)	\$25.5 (Awarded in 2022)	\$52.8 (Awarded in 2024)	\$0	\$0	TBD
Actual Expenditures – Administration	\$0.8	\$1.1	\$1.9	\$3.1	\$3.7	TBD
Authorized Positions	6	6	6	17	20	23
Filled Positions	6	6	6	12	18	23

Workload History

Workload Measure	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26 (projected)
F2S Incubator Grant Applications	-	80	264	-	499	600
F2S Incubator Grant Awards	-	60	120	-	195	100
F2S Quarterly Invoices		183	215	471	482	500
EFASAP Meetings	4	4	4	4	4	4
OARS Stakeholder Outreach and Engagement events	50	50	50	50	50	50
Direct Technical Assistance Support for Small-Scale and Socially Disadvantaged Producers (hours)	520	520	520	520	520	520
Small-Scale Producer Advisory Committee Meetings	4	4	4	4	4	4
Small-Scale Producer Conferences, Events and Workshops	4	4	4	4	4	4
Communication/Newsletters/Radio	4	4	4	4	4	4
Partnership/Networking/Interagency Meetings on Small-Scale producer impacts	12	12	12	12	12	12

Core programs within the Farm to School Program include:

Farm to School Grants: These proposal states that these grants assist educational institutions in increasing access to locally grown, climate friendly, and equitably produced whole or minimally processed foods. This is achieved through projects that increase school resources to identify and access food produced using climate smart agriculture practices, support education programs that help children to engage with nutrition and their food system and make investments in infrastructure that facilitate transportation and the cooking of whole foods.

Local Food System Resilience: The Farm to School Program sources food exclusively from producers that implement Climate Smart Agriculture (CSA) practices with the stated goal of increasing Californians’ nutrition and access to food long term while also helping to improve environmental outcomes.

Farmer Economic Development Opportunities: Local, small-scale and historically underserved agricultural producers and food manufacturers face both production and market development barriers. The Farm to School Program proposal states that the program strives to connect Farm to School producers with better market access. The CDFA Executive Office, through farm equity, will provide ongoing consultation, technical assistance, and activities to benefit small-scale agricultural producers and food manufacturers in targeted economic development.

In the case of approval, the proposal sets forth the following implementation plan:

F2S Grant Program: CDFA will hire staff to administer the F2S Incubator Grant Program in Summer 2026 and will prepare the F2S Incubator Grant Program Request for Proposals in Fall 2026. The Program plans to complete its first competitive grant cycle in the Spring or Summer 2027. In 2027-28, the Program will administer the F2S Incubator Grant Program RFP, award recipients, begin projects, and conduct site visits. The Program will also begin the development of the second year of grant funding,

and the pattern will continue for all subsequent years. The first round of projects are expected to close out in 2029-30.

F2S Program Improvement: The Program intends to host one to two events in each region every other year beginning in 2026-27. Every other year beginning in 2027-28 the Program will track school food transformation through independent third-party evaluation.

F2S Database Implementation: In 2026-27, CDFA will contract with an implementation provider to implement a CRM tool to track program impacts based on the business requirements gathered by the Program. Implementation will follow the System Development Lifecycle for planning, analyzing, designing, building, testing, implementing and moving to maintenance and operations for continued support for the CRM solution.

Farm and Food System Resilience: Starting in 2026-27, CDFA will consolidate positions, shifting existing workloads from grant administration to focus on certain policy areas (water, soils, circular economy, and TA). Strategies will be drafted for each area, identifying research, outreach and convening priorities with public consultation. These strategies will help OARS prioritize stakeholder engagements and investments in professional facilitation and research services. Also starting in 2026-27, CDFA will immediately begin scheduling EFASAP meetings in new locations across the state to engage a wider variety of stakeholders.

Market Development: The Executive Office will onboard the Small Farm Business and Regulatory Liaison and Foreign Trade Coordinator in July 2026. Foreign trade events and activities will begin in 2026-27, anticipating one activity per quarter. Engagement efforts at trade shows, farmers markets, and seminars, one-on-one consultation sessions, and TA will also begin in 2026-27.

The proposal also notes that the Farm to School Program is subject to a review by an independent third-party evaluator which has detailed previous program successes. This independent evaluation show has indicated that 80 percent of schools served are Title I schools, 90 percent intend to purchase whole or minimally processed foods from producers who use CSA practices, 95 percent intend to purchase from prioritized producers and/or small to midsize food producers, 54 percent of producer grantees are certified, registered or transitioning to organic, 98 percent are small to midsize farms, 100 percent use at least one CSA practice, and 100 percent of producer grantees are veterans, socially disadvantaged, or limited-resource farm households.

Legislative Analysts Office Comments: The Legislative Analyst Office, in their “Framework for Approaching the Natural Resources, Environmental Protection, and Agriculture Budget” published on February 10, 2026 made the following comments on the Farm to School Program current year budget request:

“CDFA: Farm to School Program. CDFA proposes \$24.6 million General Fund and ten positions in 2026-27 (as well as a similar amount ongoing) to support the Farm to School Program along with other related food system programs. This program provides grants to educational agencies, food producers, and other organizations and partnerships to increase the amount of locally grown and produced foods in schools. While the program does appear to provide some benefits to farmers, schools, and students, it does not meet a critical health and safety concern or a pressing time-sensitive objective. Moreover, the state and federal governments provide a total of close to \$5 billion annually for school nutrition programs, and over the past few years the state has allocated supplemental funds

to schools in order to improve their ability to provide more healthy meals, procure California-grown foods, and incorporate more freshly prepared foods.”

The proposal was listed, among others, under the following heading and explanation within the report:

“Reject Proposals That Fail to Meet This High Bar - The Governor’s budget includes a few proposals that do not address critical health and safety issues or pressing near-term problems. Under different fiscal conditions, these activities might merit consideration because they advance various policy objectives, such as expanding public access to state parks or reducing greenhouse gas emissions. However, based on our assessment, these proposals do not address urgent needs or mitigate near-term risks. Given the state’s current budget condition and the limited capacity for supporting new commitments, we recommend that the Legislature reject the following proposals.”

Staff Recommendation: Hold Open.

Item #2: Climate Bond (Proposition 4) 2026-27 Expenditure Plan

Request: The Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Proposition 4 or the Climate Bond), approved by voters in November 2024, authorizes \$10 billion to protect communities and nature from the impacts of climate change, such as drought, flooding, wildfire, extreme heat, and sea level rise; to reduce or remove carbon pollution where possible; and in some cases address existing environmental challenges exacerbated by climate change. The 2025-26 budget appropriated \$3.3 billion from the Climate Bond. The Administration proposes an additional \$2.1 billion in 2026-27.

Background: The Administration proposed the following expenditure plan for the Department of Food and Agriculture under the umbrella of Climate Smart Agriculture spending:

Chapter 7. Climate Smart Agriculture

(\$ in Millions)

Department	Program	2025-26 Appropriations	2026-27 Proposed Appropriations
Dept. of Food & Agriculture	Healthy Soils Program	\$36	\$26
	State Water Efficiency & Enhancement Program	\$38	\$0.7
	Invasive Species Account	\$20	\$0
	Certified Mobile Farmers' Markets	\$10	\$10
	Year-Round Certified Farmers' Markets	\$10	\$10
	Urban Agriculture Projects	\$19	\$0.4
	Regional Farm Equipment Sharing	\$0.2	\$14
	Tribal Food Sovereignty	\$0.2	\$14

The above chart also shows year to year proposed appropriation changes to various CDFA administered programs which received Climate Bond funding, including some programs which have seen significant or total reductions. Descriptions of the programs are as follows

Healthy Soils Program. Intended to improve soil health on California’s farmlands and ranchlands through conservation management practices.

State Water Efficiency and Enhancement Program. Intended to provide financial aid and incentive to agricultural operations for the adoption of more efficient irrigation systems. There are restrictions in bond language that require “multiple-benefit projects that improve resilience to climate change and save water on California agricultural operations.” Climate Bond funding for this program is proposed to be significantly reduced in 2026-2027.

Invasive Species Account. This account funds invasive species projects and activities recommended by the Invasive Species Council of California. Climate Bond funding for this program is proposed to be eliminated in 2026-2027.

Certified Mobile Farmer’s Market. Established certified mobile farmers' markets to provide accessibility to foods that are grown, harvested, and produced in California by reaching residents in communities that have limited access to nutritious foods, supermarkets, and grocery stores, including communities in rural, underserved, and tribal areas.

Year-round Certified Farm's Markets. Provides funding to develop year-round infrastructure for certified farmers' markets.

Urban Agriculture Projects. Intended to benefit projects that create or expand city or suburban community farms or gardens, including community food producers, as defined in Section 113752 of the Health and Safety Code, through in-ground small plot cultivation, raised beds, mushroom growing, rooftop farms, and cultivation of vacant lots and in parks. Climate Bond funding for this program is proposed to be significantly reduced in 2026-2027.

Regional Farm Equipment Sharing. Funding will be used for the establishment of the Regional Farm Equipment Sharing Program, designed to facilitate equipment sharing among small farmers and ranchers. This proposal builds on an initial investment of \$200,000 in 2025-26 that allowed CDFA to conduct initial outreach around program design.

Tribal Food Sovereignty. Funding will be used for a newly established grant program aimed at enhancing food sovereignty for tribal communities through projects that focus on irrigation and water infrastructure, utility and power infrastructure, and food processing infrastructure. This proposal builds on an initial investment of \$200,000 in 2025-26 that allowed CDFA to conduct outreach to tribal communities to inform program design.

Clear Lake Watershed. \$1.5 million will be provided as a direct grant to the California Department of Food and Agriculture, available for a period of three years, to support aquatic weed eradication efforts targeting *Hydrilla verticillata*, an invasive aquatic weed in Clear Lake.

Staff Recommendation: This item is for discussion only.

Item #3: Elimination of Vacant Positions
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General Background on the Elimination of Vacant Positions and Control Section 4.12 of the 2025 Budget Act:

The Governor's budget assumes ongoing savings associated with the permanent elimination of vacant positions across all state agencies and departments. The authorization to eliminate vacant positions was included in Control Section 4.12 of the 2025 Budget Act, which authorized the Department of Finance to adjust items of appropriation to achieve ongoing savings associated with the elimination of the positions. In total, 6,002.4 vacant positions were proposed for elimination beginning in 2025-26, with savings totaling \$478.1 million (\$182.3 million General Fund) and \$487.1 million (\$191.3 million General Fund) in 2026-27, ongoing.

The 2025 Budget Act gave the Joint Legislative Budget Committee (JLBC) until January 1, 2026 to review and express nonconcurrence to the elimination of a subset of vacant positions. Specifically, JLBC had the authority to review and non-concur with the proposed elimination of positions authorized to implement legislation passed in 2022 and 2023 and positions at nine specified departments. The nine departments included the Office of Inspector General, Department of Fish and Wildlife, Department of Parks and Recreation, Department of Pesticide Regulation, State Water Resources Control Board, Department of Toxic Substances Control, Department of Industrial Relations, Department of Food and Agriculture, and the Department of Veteran Affairs.

In total, the JLBC was authorized to review the proposed elimination of 1,008.7 positions.

After reviewing responses from the various departments to questions posed by the JLBC, the committee identified 650.1 positions that merited additional review by the Legislature and issued a response letter on December 29, 2025, non-concurring with their elimination.

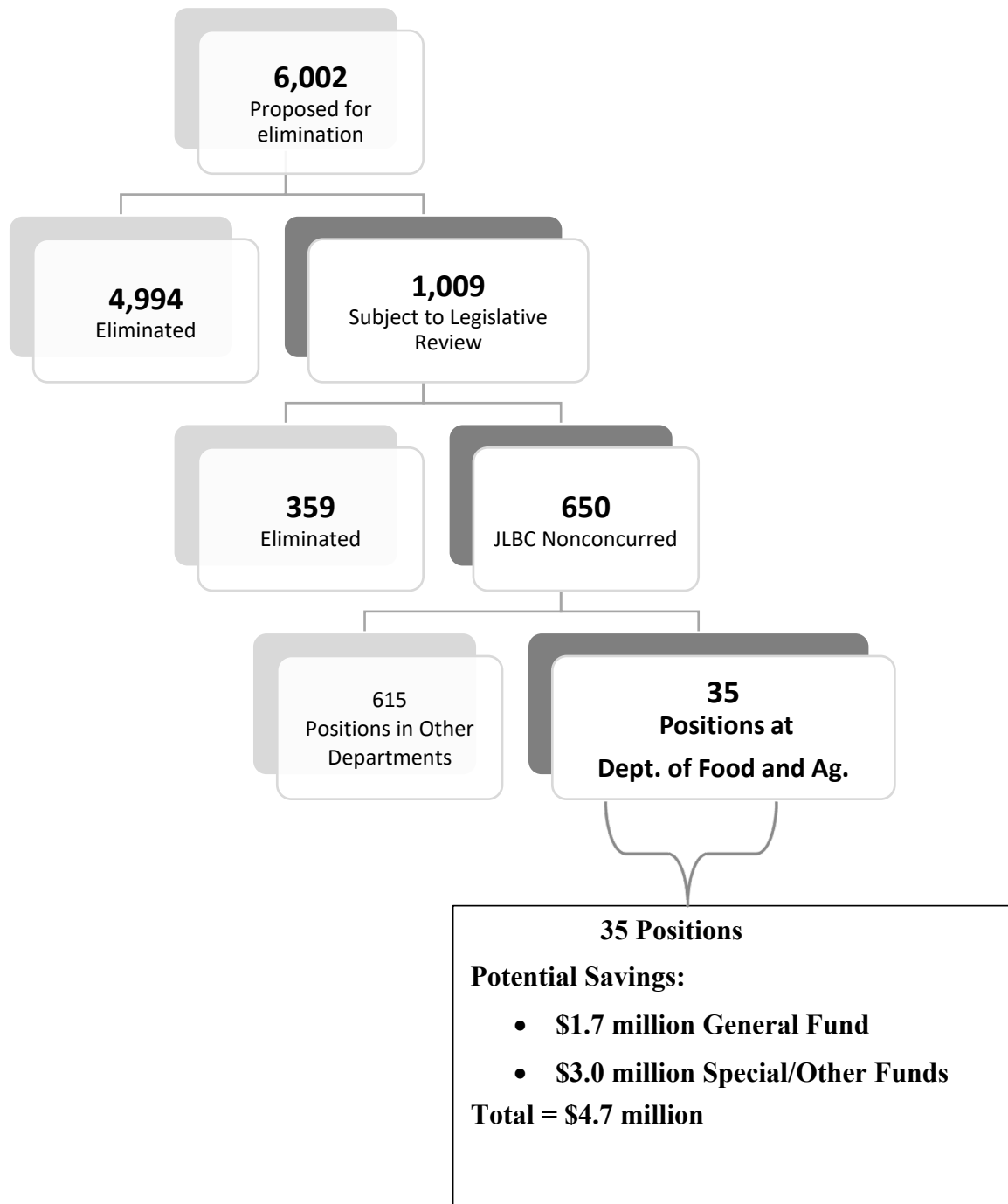
The Governor's budget continues to assume savings associated with the elimination of the 650.1 positions in fiscal year 2026-27.

A total of 5,352.3 positions were effectively eliminated on January 1, 2026.

(See chart on the following page for a breakdown of the positions)

Governor's Proposed Elimination of Vacant Positions

JLBC Did Not Concur with the Elimination of 35 Positions within the Department of Food and Agriculture



Position Eliminations at Department of Food and Agriculture: Of the 6002.4 positions proposed for permanent elimination, 69.1 positions are within the Department of Food and Agriculture (CDFA) – accounting for savings of \$6.9 million (\$2.7 million General Fund). According to the Governor’s January budget, CDFA has a total of 2,059.1 authorized positions.

JLBC’s Review of Proposed Eliminations. Of the 69.1 positions proposed for elimination, JLBC objected to the elimination of 35 positions. Maintaining the positions would result in a loss of savings totaling \$4,696,000 (\$1,742,000 General Fund).

The JLBC tried to identify positions that, if filled, could assist with pest management and invasive species prevention activities or ensure program integrity through the oversight of the various departmental programs. The positions the committee identified include a wide range of responsibilities ranging from animal health to pest detection, and include positions classified as pest prevention specialists, environmental scientists, veterinarians, special investigators, and program auditors. Nineteen of the 35 positions JLBC non-concurred with were associated with the state’s pest and invasive species programs including invasive fruit fly detection, sterile medfly production and the Broomrape program authorized by AB 402 (Aguiar-Curry), Chapter 651, Statutes of 2023. According to CDFA, some of the roles will be backfilled with seasonal employees or hired into the temporary help blanket until vacant positions are available elsewhere in the department. JLBC was concerned the eliminations could potentially result in a reduction in early detection capabilities, potentially allowing invasive pests and species to spread more quickly.

The remaining 16 positions JLBC non-concurred with, perform audits and investigations across a variety of programs and provide oversight of important departmental programs. These positions include Auditors, Special Investigators, and Environmental Scientists, which help ensure program integrity and compliance with the many programs overseen by CDFA.

According to CDFA, many of the positions that were identified for elimination were unfunded positions that were being held vacant, while the others had been vacant for at least a year (mostly due to hard-to-fill locations or classifications). The department also pointed out that low wages impact recruitment, especially in high cost-of-living areas, making it difficult to hire for some of the hard-to-fill positions. Concerns with the Elimination of Positions at CDFA. Last year, when the administration identified the positions proposed for elimination, a coalition of agricultural industry stakeholders expressed opposition to the proposed cuts. The industry coalition, which is primarily responsible for supporting the department through special funds generated by fees and industry-specific taxes, raised concerns about the impact the position eliminations would have on pest detection and eradication programs that protect crops, public health, and the environment from invasive species such as the exotic fruit fly and Asian citrus psyllid disease surveillance along with the impacts on rapid response systems that protect livestock from threats such as avian influenza or other contagious pathogenic viruses.

Staff Comment: This item is for discussion only.

Item #4: Information Technology Resources

Request: The Governor’s budget requests, for the Department of Food and Agriculture (CDFA), \$382,000 General Fund, \$353,000 Department of Food and Agriculture Fund, and \$75,000 Special Funds in Fiscal Year 2026-27 and ongoing and 4.0 positions to complete crucial Information Technology (IT) operational activities.

Background: CDFA’s Information Technology Services Division (ITSD) ensures regulatory compliance, protects sensitive information, manages infrastructure operations, oversees project management processes, and develops and maintains applications for CDFA program initiatives. The proposal states that ITSD is currently operating under increasingly unsustainable and resource-constrained conditions, hindering its’ abilities. The proposal states that CDFA requires a modern, secure, and reliable technology service within the Department, but faces staffing shortages, operational risks, and service delays which can compound.

CDFA is also launching a cloud-based Customer Relationship Management (CRM) platform to support operation of two primary enterprise applications (Registered Service Agency and Produce Safety). CDFA also plans to expand the CRM functionality to include additional applications (Grant Management, Dairy Accounting System, Emerging Threats 2, Farm to School, and Credit Card Portal). The proposal states that CDFA currently lacks the internal IT expertise required to support, scale, and optimize the platform.

CDFA identifies the following enterprise risks within the proposal:

1. **Cybersecurity and Compliance Exposure:** Insufficient capacity to maintain SIMM-required documents such as Incident Response Plans, Risk Registers, and Privacy Assessments, placing CDFA at risk of noncompliance and audit findings.
2. **Modernization Instability:** Inadequate support for Customer Relationship Management (CRM) infrastructure undermines CDFA's ability to scale new digital platforms and deliver responsive public-facing services.
3. **Operational Fragility:** Resource constraints in Maintenance and Operations (M&O) result in deferred upgrades, increased outages, and growing support workload.
4. **Delivery Bottlenecks:** Growing project queues, lengthening resolution times, and declining consistency in delivery negatively impact internal productivity and stakeholder satisfaction.
5. **Inefficient Spending:** The ongoing reliance on emergency fixes and contract labor is unsustainable, resulting in higher long-term costs and lost opportunities for automation, standardization, and optimization.

For these reasons, CDFA is requesting one IT Associate, two IT Specialists I, and one IT Specialist II positions for (1) Application Development Services, (2) Technology Governance, and (3) Portfolio and Project Management.

The 2025 Budget Act included \$2.5 million General Fund and five positions in 2025-26, \$4.1 million General Fund and 5 positions in 2026-27, and \$3.6 million General Fund and 5 positions in 2027-28 and ongoing to manage, implement, and maintain security and infrastructure remediation efforts.

Staff Recommendation: Hold Open.

1115 DEPARTMENT OF CANNABIS CONTROL

Item #5: Enforcement and Legal Affairs Workload Adjustment

Request: The Governor’s budget requests, for the Department of Cannabis Control (DCC), \$6.4 million Cannabis Tax Fund and 12.0 positions and \$1.2 million Cannabis Control Fund and 4.0 positions in 2026-27; and \$3.9 million Cannabis Tax Fund and 12.0 positions and \$2.1 million Cannabis Control Fund and 8.0 positions in 2027-28 and ongoing to establish a sworn officer presence in Northern California and increase DCC’s legal professional staff.

Background: California's legal adult-use cannabis market, established eight years ago, faces many current challenges, including a thriving illicit market. The illicit market is estimated to and account for approximately 60 percent of in-state consumption with two out of every three cannabis sales occurring outside of the legal market. Illicit entities operate with substantially lower costs due to the absence of regulatory, tax, and licensing burdens faced by legal operators, potentially putting licensed dispensaries at a competitive disadvantage and provides criminal enterprises with significant profits.

The proposal argues that DCC’s Enforcement Division operates in an environment where both the volume and complexity of work have outgrown the current staffing model. Since 2021, complaints related to unlicensed cultivation, manufacturing, retail, and distribution have increased by approximately 187 percent, and according to the proposal a larger share of Enforcement Division cases involve organized criminal networks, multi-jurisdictional activity, and protracted financial and conspiracy investigations. The proposal suggests that existing sworn and professional staff resources have reached a plateau, leaving key regions under-covered and limiting the state’s ability to reduce the size, profitability, and influence of the illegal market. The current proposal seeks increased funding, expanded footprint, and programmatic augmentations to DCC’s enforcement to allow for increased enforcement against the illicit cannabis market.

The proposal includes funding for the following positions along with the following justifications:

North State Unit

The proposal requests the establishment of a field office in Northern California to increase cannabis enforcement presence within the region. Currently the Sacramento office is the northernmost field office assigned to cover 35 counties with only two teams, each consisting of seven detectives and one supervisor. The proposal requests establishment of a Northern field office in the Redding area along with the creation of an additional field team. The proposal states that this area is the regional bottleneck for all cannabis distribution.

For the establishment of this new field office, DCC is requesting \$1.9 million for the build-out of the new facility and \$366,000 in ongoing leasing costs. The tenant improvement estimates are based on an 11,000 square foot building using the Department’s Fresno law enforcement office for reference.

The newly created field team associated with the new office would include:

- One Supervising Special Investigator I.
- Seven Investigators.

- \$486,000 in 2026-27 and \$36,000 ongoing to purchase and maintain nine additional vehicles for the new sworn positions requested in this proposal. DCC is also requesting the addition of three dump trailers to haul illegal cannabis and cannabis products seized for destruction.

Legal Affairs Division

- Office A - One Attorney IV within the Office of Administration and Department Governance to provide the Administration, Policy & Research, Government Affairs and Licensing with legal guidance, and represent DCC at personnel actions and state personnel board hearings, among other duties.
- Office B - One Attorney IV within the Office of Compliance, Enforcement, Environmental Compliance, and Appeals to take on cases related to environmental compliance, testing standards, manufacturing standards, pesticide use, and other health and safety standards.
- Office C - One Assistant Chief Counsel, two Attorney IVs, One Attorney III, and Two Analyst IIs within a newly created Office of Enhanced Enforcement to advise the Compliance and Enforcement Divisions on civil and criminal investigations, developing investigation plans and directing investigations by peace officers and special investigators.
- The proposal also requests, starting July 2026, that one Assistant Chief Counsel and one Attorney IV be added to Office C, one Attorney IV be added to Office B, and one Attorney IV be added to Office A. Finally, the proposal requests that, in July 2027, one Attorney IV, one Attorney III and two Analyst IIs be added to Office C.

Law Enforcement Support Branch

The proposal splits the current law enforcement support branch into two units, the Administrative Support Unit and the Criminal Case Intake & Intelligence Unit and requests:

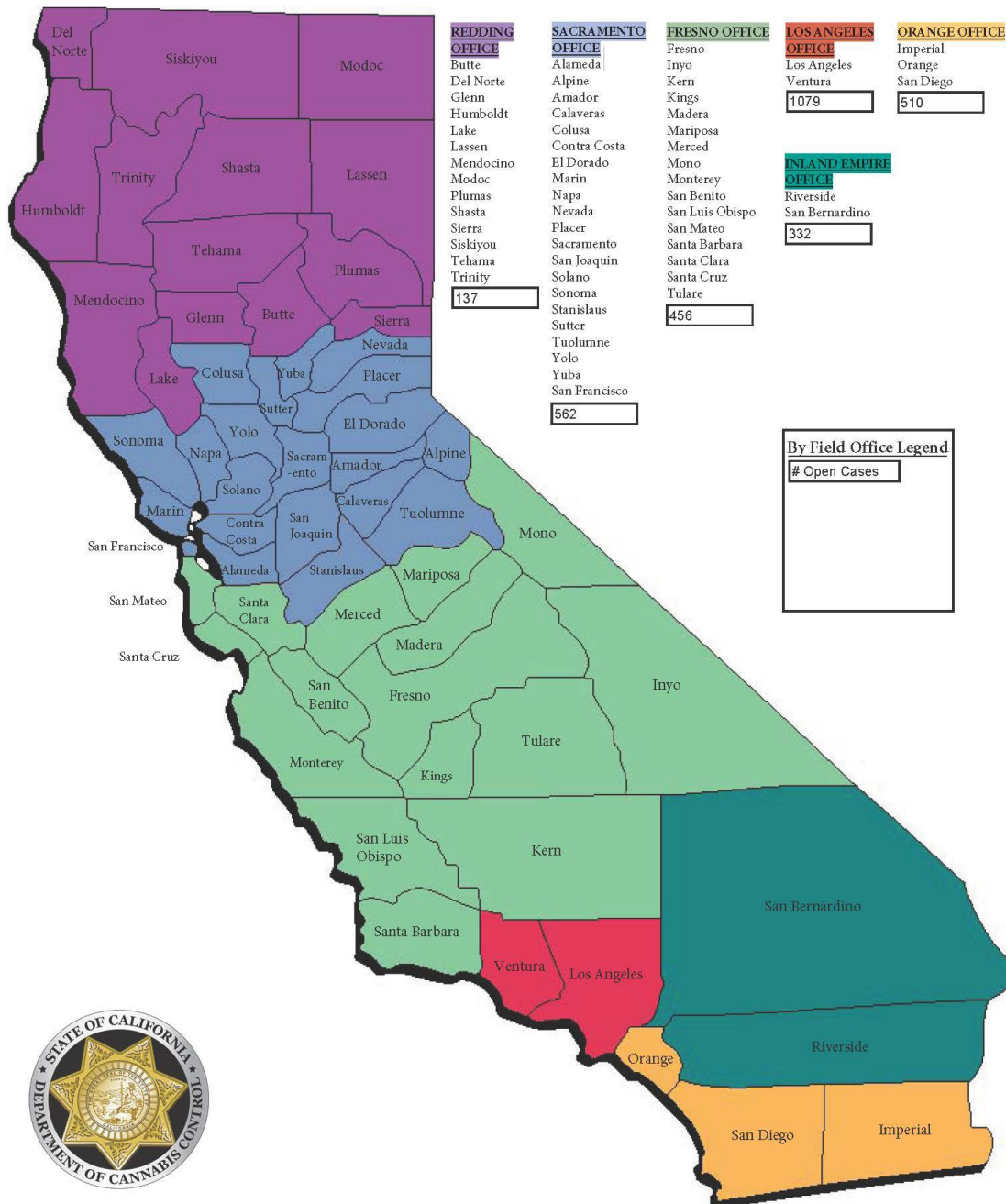
- One Supervisor II to oversee the Law Enforcement Support Unit.
- One Supervisor I to manage day to day operations within the Administrative Support Unit and the Criminal Case Intake & Intelligence Unit.
- One Analyst II to handle complaint intake and address other administrative backlogs.

Specialized Units Command

- One Supervising Special Investigator II to provide leadership and oversight for three specialized units within DCC's statewide law enforcement program: Law Enforcement Training, Digital Forensics and Professional Standards Unit.

The 2026 budget included an enforcement fund shift from the Cannabis Control Fund to the Cannabis Tax Fund which did not result in a significant increase in new enforcement staffing capacity for the Law Enforcement Division. The Law Enforcement Division has not received any new sworn peace officer positions. DCC has stated that the 2025–26 Budget Act resources associated with enforcement were

primarily focused on stabilizing and supporting existing operations, not expanding sworn enforcement capacity. Specifically, the Division received seven professional staff positions, which allowed DCC to convert four limited term positions to permanent and add three ITS I positions to support digital forensic investigations. These resources aided in investigative support functions, but they did not increase the number of sworn peace officers available to conduct field enforcement operations or expand complex criminal investigation capacity. DCC states that they are requesting additional enforcement resources because the scale and adaptability of the illegal cannabis market require sustained enforcement pressure and increased investigative capacity. DCC provided the following map to show the proposed new enforcement framework and county boundaries, along with an estimate of open cases per area.



Staff Recommendation: Hold Open.

Item #6: Cannabis Systems Integration (CSI) Project

Request: The Governor’s budget requests, for the Department of Cannabis Control (DCC), one-time funding of \$7.2 million Cannabis Control Fund in 2026-27 for the implementation of the Cannabis Systems Integration project.

Background: DCC was created on July 12, 2021, by AB 141 (Budget) Chapter 70, Statutes of 2021, which consolidated California’s three separate cannabis licensing programs into a single department. Although DCC was formed to centralize regulation and oversight of the cannabis industry, it still operates two platforms from the previous licensing programs: the Cannabis Licensing Enforcement Application and Reporting (CLEaR) system, and the Cultivation Licensing System (CLS). These two systems are distinct platforms which cannot share data or documents between each other. This necessitates that staff and licensees duplicate submissions and manage multiple platforms. Compliance inspectors are currently required to piece together information from both systems, which the proposal argues may increase the risk of errors and delay enforcement actions. It also means that any changes in law or policy which necessitate system changes must be configured in two separate code databases. The proposal argues that having two separate systems is unworkable for operating an effective regulatory program, leading to the need for present funding request.

The number of complaints processed, the inspections conducted, and the number of product recalls have increased substantially since 2021, and the split platform increases staff workloads, and DCC has previously completed a similar system consolidation. In February 2024, DCC completed a smaller scaled effort to migrate licensing data from the Pega system to its CLEaR system. This effort required an update to an existing software support agreement to support \$1.5 million in increased costs and existing funding was redirected to this effort. The proposal states that oversight from the California Department of Technology (CDT) was not needed due to the relative lack of complexity and small scale. The current request for a full Cannabis Systems Integration (CSI) project seeks to complete this consolidation by moving DCC to one unified platform. This unified platform may be based in Accela software or another suitable software product, which will be determined upon Stage 4 completion, consistent with the CDT Project Approval Lifecycle (PAL) process.

Workload History

Workload Measure	2020-21*	2021-22	2022-23	2023-24	2024-25	2025-26**
Compliance – Recalls	N/A	1	4	26	67	134
Compliance – Complaints Received and Processed	N/A	1904	5587	14,133	12,287	13,287
Compliance - Inspections	N/A	3013	4084	3503	2147	2,739
Applications Received	N/A	5,235	1,728	1,318	880	924
Applications Processed (Issued)	N/A	3,582	1,327	682	645	678
Applications Processed (Not Issued)	N/A	2,126	1,931	1,577	289	303
Total Applications Processed	N/A	5,708	3,258	2,259	934	981
Laboratory – Number of Completed Inspections (includes complaints, compliance, and precicensure assessments)	N/A	N/A	16	32	10	15
Laboratory - Number of Complaints Received	N/A	90	80	193	207	220
Laboratory – Number of Complaints Closed	N/A	20	50	94	60	65
Laboratory – Number of Laboratory Completed Programs	N/A	N/A	N/A	128	37	60

*2020-21 is N/A as the Department was established in 2021.
 ** Projections as of October 2025

The proposal states that DCC conducted significant market research efforts to determine the availability of viable software solutions, with a focus on finding solutions which would lead to a

successful project with feasible long-term maintenance and operations. Solution demonstrations included technical staff in addition to stakeholders, who the proposal states provided their perspectives on viability based on their current and future business process needs. The proposal also states that the demonstrations included features related to artificial intelligence, and that AI capabilities might be sought for use in several of the systems.

The proposal includes a projected project cost breakdown and implementation timelines.

Description	Amount
California Department of Technology (CDT) Oversight	\$148,000
System Integrator Team	\$3,000,000
Project Management Consultant	\$403,000
Data Conversion Consultant	\$374,000
Independent Verification and Validation	\$374,000
Organizational Change Management	\$365,000
Reports Consultant (Google Cloud)	\$365,000
SaaS Software Licensing	\$2,000,000
Project Management Software	\$25,000
Jira Defect & Enhancement Tracking Tool and Training	\$89,000
Development Operations Pipeline Tools	\$23,000
Total	\$7,166,000

Fiscal Year	Start	End	Duration	Stage
2024-25	August 2024	December 2024	4 Months	Stage 1
2025-26	September 2024	January 2026	16 Months	Stage 2
2026-27	July 2025	February 2026	6 Months	Stage 3
2027-28	February 2026	July 2026	6 Months	Stage 4

Fiscal Year	Start	End	Duration
2026-27	July 2026	June 2027	1 Year
2027-28	July 2027	June 2028	1 Year
2028-29	July 2028	December 2028	6 Months

Fiscal Year	Start	End	Duration
2028-29	January 2029	June 2029	6 Months
2029-30	July 2029	June 2030	1 Year
2030-31	July 2030	June 2031	1 Year

This proposal also requests provisional budget bill language to require the funds are made available for the implementation of this project contingent upon approval by the CDT PAL process.

Staff Recommendation: Hold Open.

Item #7: Hemp Enforcement and Regulation under Cannabis Framework (AB 8)

Request: The Governor’s budget requests, for the Department of Cannabis Control (DCC), \$5.6 million Cannabis Control Fund and 18.0 positions and \$1.7 million Cannabis Tax Fund and 4.0 positions in 2026-2027; and \$4.1 million Cannabis Control Fund and 18.0 positions and \$852,000 Cannabis Tax Fund and 4.0 positions in 2027-28 and ongoing.

Background: In 2016 Proposition 64 legalized adult use of cannabis and created a comprehensive regulatory framework for cannabis regulation. In December 2018, the federal government adopted the Agriculture Improvement Act of 2018 (“2018 Farm Bill”). The Farm Bill removed industrial hemp from scheduling under the Controlled Substances Act and created regulatory oversight for hemp farming primarily under the United States Department of Agriculture (USDA). The Farm Bill requires consumable products containing hemp to comply with the Food, Drug, and Cosmetic Act, which generally prohibits the inclusion of hemp extracts in products. Despite this, product manufacturers across the nation have exploited perceived regulatory gaps to produce and sell intoxicating hemp products. These products are not subject to regulatory control, can contain more tetrahydrocannabinol (THC) than is allowed in legal cannabis markets, and are sold without age restrictions necessary to protect youth.

Cannabis and hemp are varieties of the same plant species, *Cannabis sativa*, and both contain cannabinoids, such as THC, which can be intoxicating. Though the plants are classified differently under federal and state laws, products made from them can be similar in both composition and effects on consumers. The proposal states that over 99 percent of beverages and 70 percent of foods sold by licensed California cannabis retailers would meet the legal definition of hemp if measured solely by THC content. Because the 0.3 percent THC limit is calculated by total product weight, it is easy for manufacturers to make a beverage, gummy, or edible large enough in size to stay under the legal threshold while still delivering an intoxicating dose of THC. The proposal states that this has allowed products with psychoactive effects to be sold as “hemp” despite higher potency.

AB 8 (Aguiar-Curry) Chapter 248, Statutes of 2025, has given DCC an expanded role in regulation of the sale of hemp products and has codified the Department of Public Health’s (CDPH) regulations banning THC in food, beverages, and dietary supplements. It also provides pathways for hemp products to comply with regulations and enter the regulated market. The law also shifted regulatory and oversight responsibilities for hemp products containing THC from CDPH to DCC.

Beginning in 2028, hemp plant material will be allowed to enter the cannabis supply chain; hemp extraction and production of intoxicating hemp products in California will require a cannabis manufacturing license, and all sales of product to Californians will be limited to licensed cannabis retailers. The proposal argues that this statutory transition places increased enforcement and oversight responsibilities on DCC. Without additional resources, the proposal argues that DCC will be unable to effectively implement AB 8.

(Requested resources are listed on the following page)

DCC requests the following resources for the following purposes, set forth in the proposal, related to AB 8:

Enforcement Against Illicit Production and Sales

One Attorney IV and Four Special Investigators for the Civil and Online Sales Enforcement within the Legal Affairs Division – The proposal states that the requested positions would provide resources needed to establish a Civil Enforcement Unit to conduct investigations of illegal online sales of intoxicating hemp and pursue civil penalties against those violating the law. The Attorney IV would lead strategy and lawsuits; direct investigations; and draft administrative subpoenas, search warrants and other legal documents. The three Special Investigators would conduct complex investigations, collect evidence, review and triage complaints, draft investigative reports and provide testimony at hearings.

Equipment – Two Orange Photonics Light Lab Analytical Instrumentation - The Light Lab equipment requested is a portable testing device for field testing of cannabinoids found in cannabis and hemp plants, concentrates, and food products.

Oversight of Hemp Products and Integration in Cannabis Supply Chain

One Supervisory Senior Environmental Scientist, One Specialist Senior Environmental Scientist, Six Environmental Scientists, and One Scientific Aid for Targeted Inspection Capacity within the Compliance Division - The nine requested staff will form a multi-disciplinary team that monitors distribution sites where hemp plants will enter the supply chain and finished hemp products will exit the state, as well as manufacturing sites to prevent the production of synthetic cannabinoids. The Senior Environmental Scientist will direct and evaluate the team, assign inspection and investigatory work, and supervise:

- Six Environmental Scientists responsible for conducting inspections, documenting violations and providing enforcement support;
- One Senior Environmental Scientist (Specialist) responsible for developing inspection protocols and training, researching hemp and synthetic cannabinoids, and liaising with stakeholders;
- One Scientific Aid responsible for collecting samples of suspected synthetic cannabinoid products, performing data entry and supporting inspectors.

Track-and-Trace Program Updates (Compliance and Information Technology Services Divisions)

One Analyst II - The requested Analyst II would be responsible for supporting the development of new track-and-trace system functionality, anomaly detection mechanisms and reports to monitor hemp movement in and out of the supply chain.

Software - Metrc System Updates - The system is currently designed as a closed system that tracks cannabis from “seed to sale.” To implement AB 8, the system must be reconfigured to allow cannabinoid plant material (hemp) to be entered into the system from an unlicensed source and allow finished products to exit the system from a non-retail system user.

New Testing Requirements and Synthetic Cannabinoid Testing Capacity (Compliance Division)

One Research Scientist III and One Research Scientist V - The requested Research Scientist III (Chemical Science) will serve as the testing lead for synthetic cannabinoids, responsible for developing, validating and managing complex analytical methods necessary to distinguish naturally occurring cannabinoids from synthetic or semi-synthetic cannabinoids. The Research Scientist V will act as the senior scientific authority within DCC for hemp and synthetic (or semi-synthetic) cannabinoid testing.

Thermo Scientific Q Exactive Plus Orbitrap LC-MS/MS System - The LCMS/MS (Thermo Scientific Orbitrap) laboratory testing equipment requested is needed to provide a dedicated instrument for conducting this testing and researching test methodology.

Increased contracting authority for lab testing resources - DCC contracts with the University of California San Diego (UCSD) for testing laboratory services. This additional testing capacity and expertise supports oversight of licensed testing laboratories and testing of samples collected by inspectors.

Hemp Policy Specialist (Policy & Research Division)

One Supervisor I - The Supervisor I requested will serve as a project manager for policy development and promulgation of regulations and as a subject-matter expert on hemp.

Legal Affairs Division

One Attorney IV and One Attorney III - The two requested attorneys would conduct both routine work and support the preparation and service of disciplinary actions related to non-compliance with AB 8, including diversion, inversion, and production of synthetic cannabinoids. The Attorney IV will handle complex enforcement and compliance cases and provide more specialized legal assistance. The Attorney III will serve as second chair on complex cases and provide more generalized legal assistance.

Administration Division and Technology Services Division

Two Analyst IIs and One Informational Technology Specialist I - One requested Analyst II would support the Acquisitions Office and manage this increased workload. The second requested Analyst II would be housed within the Classification and Recruitment Unit of the branch and be responsible for ensuring the appropriate use of civil service classifications through comprehensive analysis, audits and studies. The Information Technology Specialist I will participate in the track-and-trace system update process to understand database structure changes.

Staff Recommendation: Hold Open.

1045 CANNABIS CONTROL APPEALS BOARD**Item #8: Cannabis Control Appeals Panel Resources**

Request: The Governor’s budget requests, for the Cannabis Control Appeals Panel (CCAP), an increase in expenditure authority of \$3.4 million Cannabis Control Fund in 2026-27 and ongoing to support 12.0 existing positions and operational expenses. This proposal also requests \$57,000 in reimbursement authority in 2026-27, \$59,000 in 2027-28, and \$61,000 in 2028-29, \$63,000 in 2029-30, and \$65,000 in 2030-31 and ongoing to recoup shared facility costs with the Alcoholic Beverage Control Appeals Board.

Background: Proposition 64 established the CCAP as a statutorily independent agency with a mission to provide fair, accessible, and timely quasi-judicial resolution of appeals from the Department’s licensing decisions. CCAP was initially established as a three-person panel in 2016 but was expanded to five persons by SB 94 (Committee on Budget and Fiscal Review) Chapter 27 Statutes of 2017. Currently, three members are Governor Appointments, and two are Legislative appointments. At the present time, there is one vacancy on the panel. Panel members receive a statutorily determined salary of \$180,000 per year.

The resources to support the Panel have been allocated on a limited-term basis as follows:

- The 2017 Budget Act included \$1.1 million Cannabis Tax Fund through 2019-20 to support 8 positions.
- The 2020 Budget Act included \$3 million Cannabis Tax Fund through 2022-23 to support 13 positions.
- The 2023 Budget Act included \$3 million Cannabis Tax Fund through 2025-26 to support 11 positions.

Since 2019 the Panel has been receiving appeal requests, but as most cases involved provisional licenses none were ripe for adjudication by the panel until very recently (2025). Under current law, only annual license holders can appeal final disciplinary actions. The proposal states that with the statutory phase-out of provisional licenses effective January 1, 2026, the number of eligible appeals may begin to increase. Along with this transition, CCAP projects a rise in workload and higher demand for legal and administrative resources. CCAP currently reports that it has begun to hear its first case and expects a second in May. CCAP is seeking approval of the current proposal, which provides ongoing resources to support 12 existing positions along with operational expenses, in connection with the increase in cases this transition is expected to trigger.

The requested resources support the following positions:

- 1 Panel Chair. The chair coordinates with the executive director on daily operations, manages panel hearings, and oversees the annual review of the executive director.
- 4 Panel Members. Panel members, including the chair, issue written decisions that affirm, reverse, or remand the Department’s licensing and disciplinary actions.

- 1 Executive Director. The executive director oversees daily operations and advises panel members on regulatory, legislative, and legal matters.
- 1 Assistant Chief Counsel (ACC). The ACC serves as the Panel’s chief legal advisor, supervises the legal unit, and manages staff attorney workloads.
- 2 Attorney III. These attorneys independently prepare legal briefs, analyze and summarize cases, conduct peer review, and advise the Panel and executive team.
- 1 Analyst II. The Analyst manages complex administrative responsibilities, including budget, accounting, procurement, contracts, and reporting.
- 1 Legal Secretary. The legal secretary processes new appeals, reviews required forms, creates and maintains case files in the case management system.
- 1 Office Technician. The office technician handles front-line operations.

Legislative Analyst’s Office Recommendations: A report by the Legislative Analyst’s Office published on February 11, 2026 states the following assessment and recommendation for the requested resources:

“Assessment - Still Too Early to Know What Actual Caseload and Workload Will Be. As mentioned previously, CCAP has argued that the reason the panel has heard so few cases is because so many licensees held provisional licenses. It further asserts that more cases will come now that the transition to annual licenses is largely complete. With two cases prepared for hearing in 2026, this argument appears to have some merit. However, it is unclear how many cases will actually reach the panel each year now that most licensees have transitioned to annual licenses. Moreover, because the panel has not finished processing any cases yet, the amount of staff time and other resources that each case will require is also unclear. As such, the panel’s ongoing resource need remains unknown.

CCAP Has More Resources Than the Alcoholic Beverage Control Appeals Board (ABCAB), Which May Have the Larger Workload. ABCAB and CCAP perform broadly similar functions. Specifically, they are both impartial appellate bodies designed to review licensing decisions made by a separate licensing department. (For ABCAB, this is the Department of Alcoholic Beverage Control.) However, there are notable differences in workload, budget, and some salaries between them. ABCAB receives 20 to 35 appeals per year, in contrast to a projected 4 to 6 cases for CCAP. The 2026-27 proposed budget for ABCAB includes \$1.4 million from Alcoholic Beverage Control Appeals Fund—which is about half the amount proposed for CCAP. Additionally, ABCAB board members receive a statutory salary of \$25,500 annually, in contrast to the \$180,000 provided for CCAP members. It is important to note that there may be qualitative and substantive distinctions between the work carried out by these two entities that could justify these differences. However, without data from completed CCAP cases, this is unknown.

Recommendation - Provide Funding on a Three-year, Limited-Term Basis and Require Workload Report. *We recommend that the Legislature approve the proposed funding on only a three-year, limited-term basis, as it has done in past years when the panel’s resource*

needs were not known. By the end of this period, the number of cases CCAP is likely to receive annually on an ongoing basis should be clearer. We further recommend that the Legislature direct CCAP to provide an updated workload justification for each CCAP position. This would provide information on the amount of staff time and other resources each case requires. This report should also include a comparative analysis showing how CCAP's caseload, tasks, positions, salaries, and budget compares to similar entities in state government, including ABCAB and any other state entities CCAP considers appropriate. This would provide information allowing the Legislature to assess how efficiently CCAP processes cases relative to other, similar entities. Taken together, this information will help the Legislature assess what CCAP's actual ongoing resource needs will be when it would next deliberate CCAP's budget under our recommendation."

CCAP has reported that outside of the two present pending appeals, at the present time there are no additional appeals pending or specifically anticipated, although CCAP projects that the rate of receiving appeals will continue to increase. In the proposal, CCAP anticipates 4-5 appeals to be received by the end of 2026.

The proposal states that without a stable funding structure, CCAP risks operational disruptions that would delay case resolution, potentially allow unscrupulous licensees to remain in operation, and limit appellants' access to a fair and timely appeals process.

Staff Comment: The Legislature may wish to consider the LAO's recommendation that CCAP's funding be approved under a limited term in connection with additional workload reporting requirements.

Staff Recommendation: Hold Open.

Vote Only Items

8570 DEPARTMENT OF FOOD AND AGRICULTURE**Item #9: Dog Importation: Certificates of Veterinary Inspection (SB 312)**

Request: The Governor’s budget requests, for the Department of Food and Agriculture (CDFA), \$187,000 General Fund in Fiscal Year 2026-27 and ongoing and one position to meet the mandates of SB 312 (Umberg), Chapter 480, Statutes of 2025 related to dog Certificates of Veterinary Inspection (CVIs).

Background: The Animal Health and Food Safety Services (AHFSS) Division within CDFA is responsible for protecting livestock, consumers, and the state’s economy from animal diseases, disasters, and agricultural health issues. Within AHFSS, the Animal Health Branch (AHB) serves as the state’s veterinary medical unit, coordinating statewide resources to prevent, detect, and control animal diseases and implementing programs that ensure the safety, affordability, and quality of food products.

AHB currently collects CVIs (certificates which are issued for animals entering or leaving California signed by a USDA accredited and state licensed veterinarian) for agricultural animals such as cattle, sheep, goats, swine, and poultry. CVIs are used for disease monitoring and traceability to maintain a healthy animal agriculture industry and to protect California from the introduction and spread of livestock and poultry diseases. CDFA has encouraged the use of electronic CVIs to improve timeliness and accuracy and is planning to replace its current animal health information system in future years.

By contrast, CVIs for dogs are governed by the Health and Safety Code and intended to be submitted to county health departments as part of rabies prevention. Historically, CDFA has received dog CVIs from veterinarians who mistakenly submitted them to the Department. Because CDFA had no authority over these records, staff created a system to identify and separate them from the livestock CVIs under Department oversight. This practice has generated an ongoing administrative burden, with CDFA receiving approximately 50 dog CVIs per month that require sorting, and which could not be acted upon. In 2024, CDFA launched an informational website to help veterinarians, sellers, and transporters understand dog importation CVI requirements as an education resource only.

SB 312 created a new statutory mandate by designating CDFA as the central repository for all dog CVIs. The bill requires the Department to receive submissions in multiple formats, verify their accuracy, retain them for five years, and post them publicly without redaction. Unlike AHB’s livestock CVI program, which serves disease surveillance purposes, SB 312’s policy aim is to identify and deter inhumane breeding and trafficking practices, commonly referred to as “puppy mills”, through increased transparency into dog importation patterns, breeder and importer identities, and transport routes. The proposal argues that this represents a significant departure from CDFA’s historical role.

CDFA has never been provided funding for the collection, retention, or disclosure of companion animal CVIs. Workload history is limited to the incidental receipt of CVIs as described above. In implementing SB 312, CDFA will see workload for intake, and verification, among other things. The proposal states that existing staff cannot absorb this new statutory responsibility, and that a staff services Analyst position will be required by the Department to implement SB 312. Per SB 312, CDFA only has oversight of CVIs for dogs entering the state for sale or transfer. CDFA is currently updating its Emerging Threats database, with CVI submission to be included in that development, potentially increasing workload.

Staff Recommendation: Approve as budgeted.

Item #10: Livestock Carcass Disposal – Composting (AB 411)
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Request: The Governor’s budget requests, for the Department of Food and Agriculture (CDFA), \$228,000 General Fund in 2026-27 to implement AB 411 (Papan), Chapter 613, Statutes of 2025 – Caring About the Terrain, Livestock, and Ecosystems (CATTLE) Act.

Background: California faces challenges in ensuring safe, effective, and environmentally compliant carcass disposal related to livestock. CDFA regulates the rendering industry, which is the primary recycling method, however California’s vast and diverse agricultural landscape makes rendering impractical in certain rural and remote areas of the state. The limitations in animal mortality disposal options, particularly in more isolated regions, leave many parties dealing with animal remains with little access to rendering facilities, landfills, or other options to handle mortalities. This leads to carcasses decomposition in large “bone piles,” which are attractants for predators such as gray wolves, bears, mountain lions, and coyotes, and can result in increased livestock-predator interactions that risk the loss of additional livestock. The proposal states that rendering provides a safe and viable method for handling carcasses, but that only three rendering facilities (Stanislaus, Sacramento, and Fresno Counties). Landfills may accept carcasses if rendering services are not available and under a permit issued by CDFA, but only a limited number of landfills in California are authorized to accept carcasses and landfill space is limited. Burial and other options, such as incineration, are also limited based on environmental regulations and local ordinances.

To deal with this present issue in livestock carcass disposal, AB 411 established the CATTLE Act, which allows on-farm composting of livestock carcasses resulting from routine mortality or on-farm processing under limited circumstances. AB 411 also directs CDFA to develop a Best Management Practices (BMPs) document to be adopted by the Secretary. This request asks for funding for one 12-month Limited-Term Composting Subject Matter Expert to lead in drafting the BMPs document, coordinate with a wide range of stakeholders, and manage various policy concerns in the field.

Previously, composting of mammalian animals was prohibited under California Code of Regulations, Title 14, section 17855.2, except when composting is conducted as part of a research project or when the composting material comes from a source approved by the California Department of Resources Recycling and Recovery consultation with the State Water Resources Control Board and CDFA. AB 411 establishes an exemption from existing prohibitions which apply under limited circumstances and only when composting operations are conducted in accordance with the rules set forth in the completed and approved BMPs.

Staff Recommendation: Approve as budgeted.

0855 GAMBLING CONTROL COMMISSION**Item #11: Information Technology Program Support**

Request: The Governor’s budget requests, for the Gambling Control Commission (GCC), 2.0 positions and \$467,000 Special Funds in fiscal year 2026-27, and \$462,000 in 2027-28 and ongoing, to address increased technical workload and to support recommendations

Background: The GCC was established by the Gambling Control Act of 1997 with jurisdiction over the operation, concentration, and supervision of gambling enterprises and over all persons or things (i.e. card tables, gaming equipment) related to the operations of gambling establishments in the State of California. The Commission currently has 40 permanent authorized positions, five of which are Commissioners appointed by the Governor. The Commission is fully special funded by the Indian Gaming Special Distribution Fund and Gambling Control Fund.

The proposal states that the GCCs Information Technology Services Unit (ITSU) lacks permanent staffing to implement the California Military Department’s cybersecurity remediation recommendations, and to meet the California Department of Technology’s 2024 cybersecurity mandates. Failing to meet these cybersecurity milestones could create compliance, security, and service risks for the GCC. The proposal also states that current operational delays are causing operational strain on the GCC, and that vulnerability fixes, program patching, and threat detection may experience a slowdown without action, raising the risk of ransomware and data theft. The proposal states that expertise within the GCC for certain critical cybersecurity functions is limited to single staff members, in many cases. This limited staffing, the proposal argues, can lead to heightened risks in cases of vacancy, extended leave, or other unexpected changes in personnel.

Currently, the ITSU is comprised of 1 Information Technology Manager I (Chief Information Officer), 1 Information Technology Specialist (ITS) II, 1 ITS I, and 1 Information Technology Associate (ITA). The ITSU also employs one Retired Annuitant (RA). These five employees support all servers, firewalls, desktops, mobile devices, live-streaming infrastructure, and cybersecurity controls. From 2016–2024, the Commission employed three RA specialists on an as-needed basis—one to support the Information Security Program, and two to support Application Development and live-stream operations. The current proposal requests one ITS III and one ITS I.

The proposal states the ITS III will function as a Cybersecurity and Compliance Analyst and will, among other things, coordinate audits and assessments, manage vendor risk and privacy reviews, update incident response plans, and deliver required security and privacy training. The ITS III will also provide mutual coverage with the current Application Developer and serve as the Commission’s Information Security Officer, and will lead cybersecurity, AI governance, and privacy, as well as complete AI-risk and privacy impact assessments. The ITS I will focus exclusively on application development and support and work alongside the current Application Developer, among other duties.

The specific proposal states that not approving the requested resources will lead to further project backlogs and update delays, and lead to the potential exposure of confidential financial data.

Staff Recommendation: Approve as budgeted.

Item #12: Tribal Nation Grant Fund (AB 221)

Request: The Governor’s budget requests, for the Gambling Control Commission (GCC), an increase in the Tribal Nation Grant Fund expenditure authority of \$117,000,000 in 2026-27 and \$40,000,000 in FY 2027-28 and ongoing in accordance with AB 221 (Ramos and Valencia), Chapter 129, Statutes of 2025.

Background: In 2012, a new tribal gaming-related fund, the Tribal Nation Grant Fund (TNGF), was created to receive a portion of the Indian Gaming Revenue Sharing Trust Fund, with a total of \$217 million being transferred to this fund since 2019. Roughly \$50 million is estimated to be available for transfer annually from the fund to certain federally recognized tribes to assist in various efforts to foster effective self-governance and economic development. TNGF funds are allocated for these purposes by a nine-member panel on a competitive basis. State law requires GCC to administer the fund as well as to provide administrative support for the grant process, including drafting program policies and procedures, creating application forms, assisting applicants, and providing technical support to the panel. As part of the 2019-20 budget, CGCC received \$237,000 annually to support this workload.

AB 221 was approved by Governor and chaptered on September 26, 2025 requires, in part, that the Panel distribute annual equal shares grants to federally recognized limited gaming and nongaming tribes in California. Per AB 221, eligible tribes will receive an annual equal shares grant of \$600,000, or 85 percent of the available TNGF funds, whichever is greater. The proposal states that current projections for AB 221 equal shares grant awards are based on distributing 85 percent of the available funds in the TNGF among 71 eligible tribes. To fully meet the total equal shares grant award amount under this formula, a request for an increase of the TNGF expenditure authority by the amount below is being sought. This increase would allow the maximum allowable amount to be available for disbursement to eligible tribes. The proposal also seeks additional expenditure authority beginning in 2026-27, as the total TNGF equal shares grant awards in future years are projected to exceed the currently authorized expenditure level. The requirements of AB 221 can therefore not be met without an approved increase in expenditure authority.

The present proposal states that, with the enactment of AB 221, there is a need to permanently increase the GCC’s expenditure authority by \$117,000,000 in 2026-27 and \$40,000,000 in 2027-28. The TNGF currently has an expenditure authority of \$50,000,000, in which the Department of Finance may augment up to the total amount transferred from the RSTF in the current Fiscal Year.

Staff Recommendation: Approve as budgeted.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**Item #13: Relocation of Palm Desert District Office**

Request: The Governor’s budget requests, for the Department of Alcoholic Beverage Control (ABC), an increase of expenditure authority of \$397,000 Alcohol Beverage Control Fund in 2026-27 and \$268,000 in 2027-28 and ongoing to support the relocation of the Palm Desert District Office.

Background: ABC has 22 district offices across the state. These offices provide licensing services to the communities they serve and house licensing staff who are responsible for conducting site visits for license applications. These offices also house the ABC’s enforcement personnel, made up of sworn peace officers who investigate complaints, among other things.

The Palm Desert District Office is located 60 miles east of the Riverside District Office and houses ten staff total, equally split between the licensing and enforcement programs. The current space leased to ABC which houses the Palm Desert District Office was sold in July 2025, and that the new landlord notified the ABC that it would no longer lease the building to tenants. ABC and the new landlord agreed to a lease extension through December 31, 2026, to allow time for ABC to relocate. ABC initiated a project with the Department of General Services to move the district office to another location within Palm Desert. The proposal states that an ABC presence in the Palm Desert area is critical to maintain both an enforcement and licensing in this remote region that hosts significant tourist draws, including the Coachella Music Festival. The new Palm Desert office space will house the 10 positions currently working at the existing office.

The proposal requests the difference in lease rental between the new space, and the current space, along with costs associated with moving locations and required tenant improvements, which have been amortized over the term of the lease. The proposal states that the request for 2026-27 was reduced by \$70,000, reflecting the amount deposited in the Architectural Revolving Fund as part of a lease renewal project initiated prior to the ABC being notified of the need to relocate.

Staff Recommendation: Approve as budgeted.