

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 23, 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

**0511 SECRETARY FOR THE GOVERNMENT OPERATIONS AGENCY**

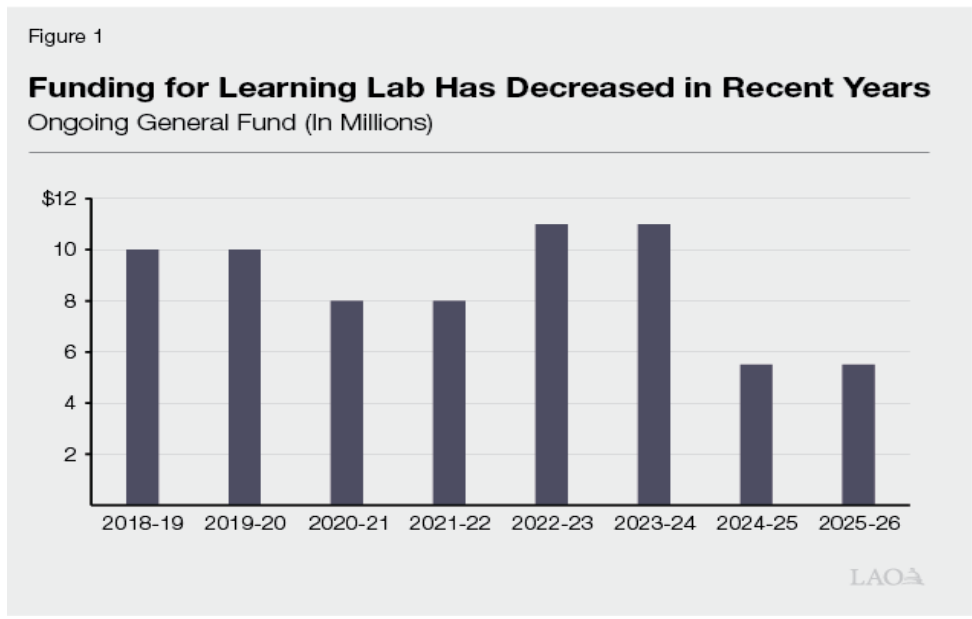
**Item #1: California Education Learning Lab and Associated Trailer Bill Language**

**Request:** The Governor’s budget requests, for the Government Operations Agency (GovOps), \$4 million General Fund in 2026-27, and ongoing, for the California Education Learning Lab (Learning Lab). The Governor’s budget also requests related trailer bill language.

**Background:** The Learning Lab was established in 2018 under the Governor’s Office of Land Use and Climate Innovation (formerly known as the Office of Planning and Research) and was created to improve higher education learning outcomes (particularly in science, technology, engineering, and math) by providing competitive grants to faculty teams.

The Learning Lab also seeks to increase collaboration across the three segments of public higher education – the University of California, California State University, and the Community Colleges. Faculty grants typically allow faculty to test and improve learning outcomes within college-level courses, often with the use of adaptive and emerging technologies. The proposal states that in recent years, artificial intelligence has been an increasing grant focus, in addition to improving student success in calculus. To date through January 2026, Learning Lab has awarded 120 grants totaling \$56 million through a competitive review process. The average award is \$465,000, with grant duration varying from eight months to five years. Most issued grants have a duration of two to three years.

The following chart provided by the Legislative Analyst’s Office (LAO) in their March 25, 2026 post shows the historical funding levels of the learning lab:



The proposal states that the goals of the Learning Lab align with that of GovOps in developing a skilled workforce within State Departments and Agencies. The Administration states that housing the Learning Lab at GovOps allows GovOps to provide the internal operational support for the Learning Lab, and further collaboration efforts with other education priorities, including Cradle to Career and the Master Plan for Career and Education Implementation.

As to current staff, the Learning Lab program currently employs six individuals with the positions being split by those authorized by prior budget change proposals, and those employed through the Foundation for California Community Colleges (FCCC). Those positions are as follows:

Positions referenced in the budget change proposal:

- Director (1)

Positions employed by the FCCC:

- Deputy Director (1)
- Program Development Officers/Managers (3)
- Program Specialist (1)

In written responses provided to the LAO, the Learning Lab wrote *“that administrative support from FCCC is not counted as positions but is reflected in the overall administrative fee, which covers HR, legal, contracts, financial accounting/accounts payable, IT related equipment, storage, applications, and support”* and that *“\$3.75 million [of the \$4 million proposed] would be allocated to FCCC to cover the costs of grantmaking, strategic and supportive activities, and program development personnel other than the director (the single state employee), as well as the fee for administrative services.”*

Since August 2020, the Governor’s Office of Land Use and Climate Innovation (LCI) has contracted with FCCC for administration of the Learning Lab program. The Director is an LCI employee while the rest of the Learning Lab team are FCCC employees who work with the director of the program. FCCC contracts and executes agreements directly with institutions on behalf of the Learning Lab program. FCCC’s role is to provide administrative and operational services in support of program management.

Learning Lab program staff work directly with faculty and project teams, with institutional personnel, and with FCCC backend services including financial accounting, accounts payable, human resources, contracts and legal services, and IT support. FCCC receives a flat percentage fee for these administrative services and provides a discounted rate for other charges not covered by the administrative fee, such as conferences, events, and IT development.

(Continued on the following page)

Learning Lab has provided the following chart showing the outstanding grants and their currently forecasted closeout timelines:

Grant Cohort	Number of Grants Remaining	Initial Close Date	Timeline for Closeout*
Calculus Grand Challenge	1**	December 2024	March 2026
Scaling Success	1**	June 2024	March 2026
Seeding Strategies I and II	2**	March 2025	March 2026
Data Science	12	June 2028	September 2028
AI FAST	28	October 2026	January 2027
AI Grand	5	December 2027	June 2028
Partnership Grants	2	June 2028	December 2028
Microgrants & Prototype Scaling	4	June 2026	August 2026

\*Grant agreements provide grace periods for submitting final evaluation reports, expense reports, and OER deliverables, which typically vary between 90 to 180 days depending on the size and scope of awards. Some grants have received extensions due to longer project durations and project complexities.

\*\*These projects received formal extensions and are in the invoice true-up phase.

The Learning Lab has not executed grant agreements for the 2025-26 cohort of grantees but has suggested the following as a typical timeline for the grantmaking process associated with the funds allocated by the 2025 Budget Act.

- Summer/fall: Idea generation, refinement, feedback from advisory board
- Late fall/winter: Requests for proposals development and outreach
- Late winter/early spring: Evaluation of proposals
- Late spring/early summer: Awards and negotiation of grant agreements
- July 1: Grants awarded

The Learning Lab’s staff manage the active grants (ranging from \$50,000 to roughly \$1.5 million), develop RFPs, integrate feedback from Learning Lab’s advisory board, provide technical assistance to applicants and potential applicants, and conduct outreach. The Learning Lab, in addition to grants management and grantee support, coordinates special initiatives, convenings, inter-institutional and intersegmental meetings, community-building, and collaborative meetings.

**LAO Analysis**

In their March 25, 2026 post, the LAO put forth the following recommendation for the Learning Lab’s current year proposal:

*“Recommend Rejecting Governor’s Proposal. We recommend rejecting the Governor’s proposal to retain Learning Lab. Though we recognize the benefits Learning Lab provides to some faculty and students, its grant-funded projects are challenging to scale and duplicate professional development opportunities at UC, CSU, and CCC. In addition, other similar grant opportunities exist that do not require state funding. Relative to the*

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*Governor’s budget, this recommendation results in \$4 million ongoing General Fund savings. By reducing ongoing spending, this recommendation helps the state address its projected out-year deficits. As a final note, if the Legislature wanted to prioritize certain types of intersegmental efforts, it could direct the recently created California Education Interagency Council (which has representatives from each of the three segments as well as other workforce training providers) to look for these opportunities using federal, philanthropic, or corporate dollars. Those other fund sources traditionally have supported some efforts in this area and potentially could yield more than the small amount the state has been providing to Learning Lab.”*

**Staff Comment:** The proposal also includes corresponding trailer bill language effectuating a transfer of the Learning Lab from LCI to GovOps. The trailer bill also includes language establishing the “California Education Learning Laboratory” within GovOps, along with statutory program language.

**Staff Recommendation:** Hold Open.

Item #2: Office of Civil Rights (AB 715, SB 48)

**Request:** The Governor’s budget requests, for the Government Operations Agency (GovOps), \$3,581,000 General Fund in 2026-27, and \$2,806,000 General Fund in 2027-28, and ongoing, to implement AB 715 (Zbur, Addis), Chapter 428, Statutes of 2025 and SB 48 (Gonzalez, Fong, Ward, Weber-Pierson), Chapter 429, Statutes of 2025.

**Background:** In connection with AB 715 and SB 48, the Administration has proposed the above resources to allow GovOps to establish a new Office of Civil Rights (OCR).

Under AB 715, the OCR is tasked with working directly with Local Educational Agencies (LEAs) to prevent and address antisemitism and other forms of discrimination and bias within California’s TK–12 education system. The OCR is responsible for providing education, educational resources, training, and technical assistance to LEAs, administrators, and educators. Additionally, the OCR must track, review, and advise on complaints of antisemitism and other forms of discrimination submitted through the Uniform Complaint Procedures. The proposal states that workload will be primarily driven by the number and complexity of complaints which are filed under the new framework.

SB 48 requires the OCR to employ additional Governor-appointed Discrimination Prevention Coordinators, with each specializing in distinct protected classes, including religious, race/ethnicity, gender, and LGBTQ discrimination. Each coordinator will assist to prevent and address discrimination and bias. SB 48’s provisions only take effect upon enactment of AB 715, which ties both bills to the same implementation framework.

The proposed funding would support 10 positions, contract resources for educational materials development, and one-time setup costs for facilities and equipment. The positions requested are as follows:

Classification	Count	Primary Function
<b>Governor Appointed Discrimination Prevention Coordinators and Executive Director</b>	6	Executive Director of the OCR and Coordinators focused on antisemitism, religion, race/ethnicity, gender, LGBTQ. Responsible for statewide education, technical assistance in prevention of antisemitism and other forms of discrimination and bias in educational settings, and community engagement.
<b>Supervisor I</b>	1	Coordinates policy development, supervises staff, and ensures statewide compliance with AB 715/SB 48 requirements.
<b>Analyst II</b>	1	Performs policy analysis, complaint tracking, data reporting, and support; assists in the development of strategies and educational resources.
<b>Executive Assistant</b>	1	Provides high-level administrative, scheduling, and correspondence support to the Director and Coordinators.
<b>Office Technician</b>	1	Coordinates with CDE on complaint intake, logging/document processing, and daily administrative tasks.
<b>Total FTE</b>	<b>10.0</b>	

The proposal sets forth the following implementation timeline:

Milestone	Target Date	Description
Initial Funding Availability	Feb 1 2026	Recruit Director, Antisemitism Coordinator, Supervisor I, Analyst II; initiate contract for educational resource development.
Remaining Funding Available	July 1 2026	Hire remaining appointees and support staff; begin strategic planning.
Begin to disseminate educational resources	July 2026	Launch initial LEA educational strategies.
Review CDE Complaint Report	Jan 2027	Advise on subsequent action regarding complaints; beginning Sept. 1, 2027 track and report to the Legislature, CDE, SBE and GovOps on the resolution of complaints relating to antisemitism.

**Staff Comment:** SB 998 - Educational equity: discrimination prevention coordinators (Gonzalez and Weber-Pierson) is pending legislation on related subjects.

**Staff Recommendation:** Hold Open.

## 7504 OFFICE OF DATA AND INNOVATION

### Item #3: Digital Experience Team

**Request:** The Governor’s budget requests, for the Department of Data and Innovation (ODI), \$1.25 million in reimbursement authority in 2026-27, and ongoing, and five permanent positions to expand ODI’s integrated model: strengthening pre-procurement research through the Innovation Lab and scaling digital service delivery teams with modern engineering and analytics skills.

**Background:** ODI was established on July 1, 2019, as an office within the Government Operations Agency (GovOps), later becoming a standalone department on July 1, 2023.

In the same report, ODI put forth the following list of strategic priorities:

- Research user needs for statewide program/policy areas.
- Develop online and in-person modern service standards.
- Build and foster a statewide culture of service innovation based on user needs.
- Streamline internal and external data access and analytics.
- Train department staff on the use of platforms and analysis best practices, including the development of training modules for leave-behinds and future training programs.
- Create standards that allow for broader adoption, equity, and sustainability.

ODI defined its activities as falling within two main categories of work: (1) Statewide strategic initiatives, and (2) Projects with partnered Departments. One of ODI’s key Statewide strategic initiatives in their 2023-24 report to the Legislature was implementing the Governor’s Executive Order EO N-12-23 on Generative Artificial Intelligence (GenAI), which requested multiple Departments Statewide to author benefits and risk analysis of GenAI uses in state government. ODI also began work on a toolkit to enable State teams to use new processes to procure GenAI, and in the intervening years has generally used GenAI as a tool in various projects.

In their report to the Legislature for 2024-25, ODI listed, in part, the following Statewide Strategic Initiatives and Partnerships:

**CallInnovate – Innovation Lab** – A service designed to help departments identify the root causes of problems and develop a course of action before allocating resources and undergoing procurement.

**Engaged California** – A deliberative democracy program intended to utilize real-time public data to allow communication between the public and the state. ODI’s initial use case included recovery efforts following the 2025 Los Angeles area wildfires, allowing those affected to participate in what ODI refers to as a “structured conversation” with the state over a seven-month period. ODI’s report stated that the program led to agreement on certain priorities in recovery efforts.

**Los Angeles Fires Service Delivery Work** – ODI partnered with CDT to develop a digital reusable template which could be potential future fire disasters, allowing an accessible starting point for relief and recovery resources. They also created a dashboard to compile views of recovery progress amongst different California agencies and counties.

**CalData - Data Science Accelerator** - Uses GenAI to resolve issues facing departments.

**CalData - Modern Stack Accelerator** – Helps departments adopt cloud-based tools to solve data issues

In connection with ODI’s growing project list and scope, the 2025 Budget Act allocated \$7.3 million Data and Innovation Services Revolving Fund to “continue support for ongoing projects.” This appropriation was requested to allow ODI to continue to provide services to their 32 partnered state departments on roughly 60 projects. The present request seeks reimbursement authority for the funding of five permanent positions within ODI, which the proposal states will primarily support the Innovation Lab and the Digital Service Delivery teams. The proposal states that this additional funding will allow ODI to move from one-off pilots to sustained, system-wide projects, with the intention of reducing costs and modernizing services.

ODI has described their workflow as “matrixed” where different disciplines and personnel expertise are combined in accordance with the needs of each project. ODI’s data services include data science, engineering, and analytics support. ODI is currently working on projects from departments that proactively sought ODI’s expertise, but due to their current project backlog, ODI is not conducting current project solicitation. Engaged California and the Innovation Lab, in particular, are utilizing a lot of ODI’s current resource according to the office.

In its problem statement, the proposal states that ODI’s Innovation Lab offers a collaborative and repeatable process that uses research and data to help departments reduce risk, deliver services faster, improve outcomes for users by allowing for pre-procurement analysis of a given Department’s challenges. One of the chief goals of the Innovation Lab is stated as allowing for more accurate and successful procurement, regardless of procurement process.

The Administration’s has stated that ODI provides a complimentary but distinct process from the Department of Technology’s Project Approval Lifecycle (PAL) and their newer Project Delivery Lifecycle (PDL), one that might allow for the streamlining and right-sizing of department and agency goals before those initiatives reach the Pal or PDL process.

According to the proposal, ODI identified 5 projects that went through the PAL process, totaling over \$542 million to analyze for potential savings. On average, the proposal states that the planning stages for these projects cost \$3.1 million and took 2.5 years to complete. ODI estimates that had these projects gone through ODI’s Innovation Lab process, the state could have saved as much as 5-10% of the project cost and could have potentially reduced their planning stage down from 2.5 years to six months.

The proposal provided the following implementation plan timeline:

Jan - March 2026

- Host solicitations for data services to advertise ODI programs to state departments.
- Prepare training materials and resources to scale up data service offerings.
- Prepare materials and planning documents to launch community of practice for data and innovation practitioners in state government as an audience for project solicitations.

April - June 2026

- Develop Duty Statements for the approved positions.
- Advertise positions.
- Conduct interviews.
- Design, develop, and test client intake and tracking tool.

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- Design and develop Innovation Lab intake webpage on innovation.ca.gov.
  - Identify emerging Innovation Lab engagements.
  - Identify data and digital service engagements and build strike teams to staff projects.
  - Launch community of practice for data and innovation practitioners in state government

#### July - September 2026

- Onboard new staff and continue to fill approved vacancies.
- Onboard and complete initial round of Innovation Lab engagements.
- Continue testing and improving Innovation Lab prototype design.
- Develop Innovation Lab marketing materials and outreach plan.
- Work with CDT to develop and test process for using Innovation Lab to support PAL/PDL projects.
- Complete 1st round of new data and digital services engagements.

#### October - December 2026

- Ongoing onboarding and implementation of Innovation Lab engagements.
- Ongoing collaboration with CDT to develop Innovation Lab PDL pipeline.
- Prepare case studies and success stories from 1st round of data and digital service engagements to illustrate impact and successes to executive stakeholders and ODI's community of practice.

#### January - March 2027

- Ongoing onboarding and implementation of Innovation Lab engagements.
- Open second solicitation round of data and digital service projects.

#### April - June 2027

- Ongoing onboarding and implementation of Innovation Lab engagements.
- Identify and plan second round of new data and digital services engagements.

#### July 2027 - Ongoing

- Ongoing onboarding and implementation of Innovation Lab engagements.
- Complete second round of new data and digital services engagements, prepare case studies and success stories, and prepare future solicitations for data and digital service projects.

The Administration listed the following examples of project success within the proposal:

- “Detecting EBT Cash Benefits: ODI developed modern data infrastructure and a machine learning model for the California Department of Social Services that detects 82 percent of unauthorized EBT transactions, reduces detection lag from two months to 72 hours, and saves 2,160 staff hours annually.”
- “Forecasting Community Water System Outages: ODI built a predictive model for the State Water Board that forecasts drought-related water shortages, automates data collection for 95 percent faster access, and empowers staff to take proactive, preventative action.”

- “Analytics Accelerator: ODI’s 12-week, no-cost training helped staff from seven departments replace 18 manual reporting workflows with automated data products, including one saving over 500 hours per year, enabling staff to independently use complex datasets.”
- “Enabling Hiring and Recruitment Data Analysis: ODI built a scalable, cloud-based pipeline for the California Department of Human Resources (CalHR) that replaced weeks-long manual queries run by a single staff member with near real-time, self-service hiring and recruitment analytics.”
- “Digital Disaster Recovery Center (DDRC): In response to the January 2025 LA wildfires, ODI and CDT launched a DDRC website within three days and iteratively updated it based on user research to meet fire survivors’ evolving needs.”

The proposal included the following chart showing the expected project workload:

**Projected Outcomes**  
(see next page)

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Business Innovation						
Innovation Lab engagements	2	4	12	12	12	12
Product and Service Delivery						
Modern Data Stack Accelerator projects	2	4	10	12	12	12
Data Science Accelerator projects	3	6	8	10	10	10
Analytics Accelerator projects	n/a	6	12	14	14	14
Digital Product Innovation	4	6	8	8	8	8

\*The proposal also states that the projected outcomes for budget year plus 1 and forward assume more resources obtained by ODI.

**Staff Recommendation:** Hold Open.

**7502 DEPARTMENT OF TECHNOLOGY****Item #4: Middle Mile – Encumbrance Extension, Operator Discussion, Enterprise Fund TBL**

**Request:** The Governor’s budget requests, for the California Department of Technology (CDT), an extension of the encumbrance period for two General Fund Middle Mile Broadband Initiative (MMBI) appropriations from December 31, 2026, to December 31, 2028. The Governor’s budget additional requests trailer bill language which creates an MMBI Enterprise Fund.

**Background:** Access to broadband internet access, defined as high-speed internet access that provides a minimum level of download and upload speed, is a requirement woven into the fabric of everyday modern life. Especially in the aftermath of the COVID-19 public health emergency, activities such as education, government services, health care, and human services are facilitated by access to reliable and fast internet. This is especially true in rural areas, where broadband access can provide a critical gap between individuals and services. In addition, significant gap persists across racial groups, with 81 percent of Latino, 83 percent of Black, 87 percent of White, and 88 percent of Asian households reporting having broadband access at home in 2021, according to The Public Policy Institute of California. 76 percent of households with annual income below \$50,000 are less likely to have broadband access at home.

Ensuring wide access to broadband internet, especially towards underserved areas and households, enables key access. All major federal and state programs estimate that there are hundreds of thousands of households in areas of the state without broadband access. To address this digital divide, as part of the 2021 Budget Act included \$6 billion in broadband funding over three years in federal and General Fund resources for several broadband investments. This included \$3.25 billion for construction of a statewide “middle mile” network to facilitate affordable broadband connections, what is now referred to as the “Middle Mile Broadband Initiative” or MMBI.

The 2022 Budget Act included \$550 million General Fund in 2023-24 and 2024-25 to support the middle mile broadband network but specified that the funds would not be available until CDT provided a report to the Joint Legislative Budget Committee on specified information about the network, in addition to annual reporting on project updates.

The 2024 Budget Act maintained the current level of investment in the statewide Middle Mile Broadband network and includes \$250 million in flexible funding and trailer bill language for the MMBI to prioritize construction of network segments in unserved and underserved locations.

The current proposal requests an extension of the encumbrance period for the two General Fund appropriations. The extension proposes moving the encumbrance period from December 31, 2026, to December 31, 2028. The proposal states that this request is cost-neutral and does not involve new funding and is sought to allow CDT to manage multi-year contracts and vendor agreements critical to completing and operationalizing the Middle Mile Broadband Initiative (MMBI) network. Lastly, the Administration states that while no movement is currently anticipated, some of these funds may need to be moved between contracts after December 31, 2026, as the MMBI program nears completion. Without the extension of the encumbrance period, CDT would be unable to make any adjustments after that date.

The proposal states that while most of the outstanding appropriations are encumbered, CDT is planning for two contingencies:

- “While no movement is currently anticipated, the Administration states that some funds may need to be moved between contracts after December 31, 2026, as CDT moves towards network completion. Without the extension of the encumbrance period, CDT would be unable to make any adjustments after December 31, 2026.”
- “Any of the unused contingency funds from the project will need to be available to help fund operating costs in the early years. Without the extension of the encumbrance period, CDT would be unable to access any unused contingency to help fund operations after December 31, 2026.”

**Current Status of the MMBI**

The following charts and tables were provided during CDT’s report on MMBI progress on April 17<sup>th</sup> Middle Mile Advisory Committee meeting:

### CDT: Project Update Installation Updates

**FIBER (Total 8,137 Miles)**

- 2,188 Pre-construction
- 5,526 Installation
  - 2,177 In Construction
  - 3,349 Construction Complete
- 423 Ready-to-Connect

**HUTS (Total 139 Count)**

- 111 Pre-construction
- 17 Installation
- 11 Ready-to-Connect

As of 4/13/26	Total Miles	Total Permitted	73%	Total Constructed	46%
Total Miles	8,137	5,949		3,772	

### CDT: Project Update Federal Approvals

**Federal Land Management Agencies (FLMAs):**

- Partners must obtain FLMA approvals for any construction that crosses federal land (e.g., BLM, USFS).
- It is the responsibility of each FLMA to ensure that NEPA and other federal requirements are met for Partner projects crossing their land. \*

Category	Miles
<b>Total MMBN Miles on Federal Lands</b>	1,198
<b>Total Permitted Miles</b>	615
<b>Miles Still Needing Permits</b>	583

\* Caltrans has NEPA assignment from FHWA for projects on the state highway system. Caltrans also has a FHWA Project Agreement for projects on the interstate."

## CDT Executive Report Out

Over 70%

of the network Permitted  
(670 additional miles since January)

Almost 45%

of the network constructed  
(383 additional miles since January)

First Community Served

Bishop Paiute Tribe  
(April 2, 2026)

Operations

Operator Selected  
(Starts to serve in July)

Coordination with CPUC

Ongoing for FFA Awardees  
(Up to 65 locations planning to connect)

The following chart, set forth in the proposal, shows the comparison between current year progress and expected out year progress.

**Projected Outcomes**

<b>Workload Measure</b>	<b>2025–26</b>	<b>2026–27</b>	<b>2027–28</b>	<b>Total</b>
Caltrans Miles Operational	0	267	0	<b>267</b>
Joint Build Miles Operational	0	3,743	0	<b>3,743</b>
IRU/Lease Miles Operational	0	3,752	0	<b>3,704</b>
Purchased Miles Operational	423	0	0	<b>423</b>
<b>Total Miles Operational</b>	<b>423</b>	<b>7,762</b>	<b>0</b>	<b>8,137</b>
FFA Grant Awardees Connecting to MMBI	0	42	0	<b>42</b>
FFA Unserved Households (per CPUC) Connecting to MMBI	6,477	761,523	0	<b>768,000</b>

The status of program funds, as of February 19<sup>th</sup>, 2026 is as follows:

<b>Status (as of 2/19/2026)</b>	<b>Dollars (in millions)</b>
Encumbered	\$ 3,805
Liquidated	\$ 2,386
Encumbered Balance	\$ 1,419
Unencumbered	\$ 68
<b>Total</b>	<b>\$ 3,873</b>

**Business Plan, Third Party Administrators, and Network Operators**

As shown in the above project updates, the MMBI remains in progress, with significant milestones set to be reached in the coming years. A closely watched aspect of the MMBI project is whether the program will be able to run without additional funds and be truly self-sustaining. To get a better sense of the business expectations for the program, the Legislature included in the 2024 Budget Act provisional budget bill language requiring CDT to submit a detailed business plan for the middle-mile network to the Legislature on or before January 31, 2025. The report was submitted to the Legislature on April 30, 2025. Vital to the functioning of the network was CDT’s ability to work with a sophisticated Third-Party Administrator (TPA) to run the day-to-day operation of the network, with CDT still retaining ultimate responsibility and control over the initiative.

Within the report, CDT points out the risk that the MMBI program would not be able to self-sustain, at least in early stages. The report states, on page 21, “CDT anticipates the Operations Third Party Administrator it selects will assume the risk that revenue may not cover expenses in the early years of network operations—and that the Operations TPA will invest its own capital in the MMBI; this arrangement will offset some of the MMBI’s potential financial risk. The Operations TPA’s responsibilities and capital requirements (if any) will be determined through the competitive selection process; as of the writing of this business plan, that process is not yet complete.”

Within SB156 (Committee on Budget and Fiscal Review), Chapter 112, Statutes of 2021, a trailer bill associated with the 2021 Budget Act, describes the powers of the Office of Broadband and Digital Literacy (Office) within CDT as follows:

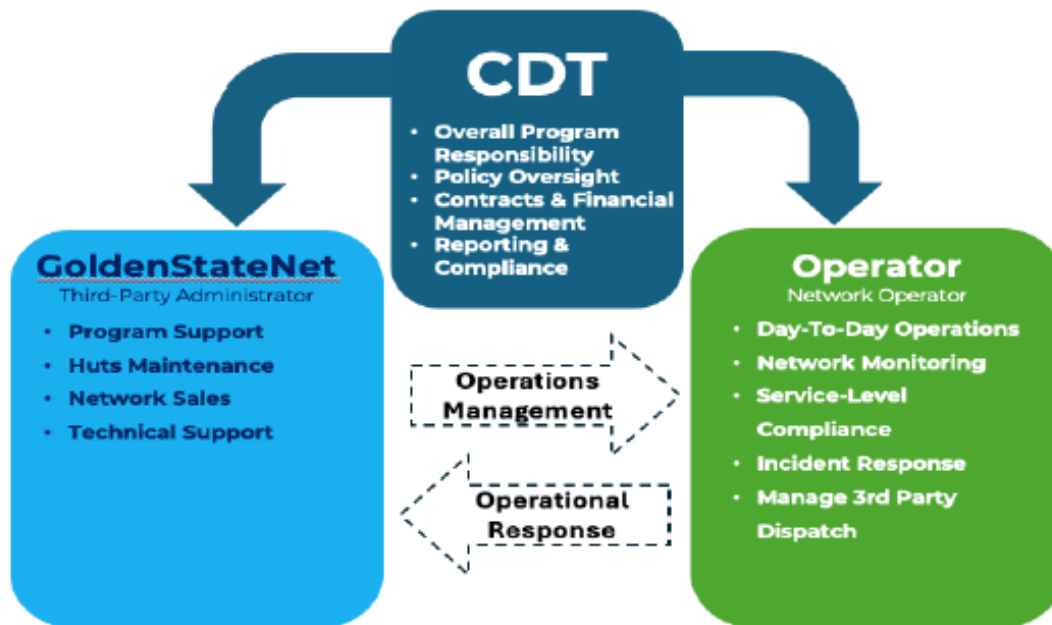
*“11549.53. (a) The office has the powers and authorities necessary to implement this chapter, including, but not limited to, the authority to enter into contracts with one or more entities to acquire goods and services and to take actions it deems necessary and appropriate for the development, acquisition, construction, maintenance, and operation of a statewide open-access middle-mile broadband network, including the creation of rural exchange points.*

*(b) (1) The office shall retain a third-party administrator to manage the development, acquisition, construction, maintenance, and operation of a statewide open-access middle-mile broadband network, including the creation of rural exchange points.*

*(2) The third-party administrator retained by the office shall be a California based nonprofit entity with demonstrated experience serving public libraries, elementary and secondary schools, and institutions of higher education with broadband connectivity.”*

CDT, claiming authority under the above Government Code sections enacted by SB 156, informed the Legislature of its intent to pursue a “three-party mode” for the MMBI program in a relationship document provided on March 23, 2026. That relationship document sets forth the following graphic describing the model:

**Figure 1. Relationship between CDT, the TPA and the Operator**



Thus far in the program, GoldenStateNet had been operating as the Third-Party Administrator (TPA), without the existence of the Operator role. The relationship document states that once the network becomes operational, GSN will act as the TPA to provide management support, but that “GSN has publicly stated that it does not have the resources to scale and maintain statewide operation of the MMBN, and they publicly stated in January 2026 that they did not bid on the current Operator solicitation.” In a memorandum dated April 15, 2026 sent from GSN to the Legislature, GSN disagreed with the characterization of their ability to operate the network.

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On April 16<sup>th</sup>, 2026, CDT informed the Legislature via email that Maryland based Skyline Technology Solutions LLC (Skyline) was selected as the Operator for the MMBI, with Skyline said to bring “20 years of expertise in designing, building, and operating carrier-class statewide fiber networks” to the project. The Legislature notes that while GSN exists as the current TPA and is a California nonprofit entity, Skyline is based in Maryland and is operated as a for-profit LLC., which may place each in unique positions within the three-party relationship which CDT has created for the operation of the MMBI network.

### **Middle Mile Broadband Enterprise Fund Trailer Bill**

The Governor’s budget also requests trailer bill language creating a State Middle-Mile Broadband Enterprise Fund within the State Treasury, to collect fees and revenues from users of the MMBI network pursuant to contracts. Also deposited into the fund are all revenues payable to the department for maintenance, operation, repair, and expansion of the network. On or after July 1, 2031, fund assets will be made available for expenditure, upon appropriation by the Legislature, for maintenance repair and expansion of the network, among other things.

**Staff Recommendation:** Hold Open.

## Item #5: CalTABS Modernization

**Request:** The Governor’s budget requests, for the California Department of Technology (CDT), an augmentation of \$1 million in Technology Services Revolving Fund (TSRF) in 2026-27 and \$550,000 in 2027-28 and ongoing to modernize the California Technology Agency Billing System (CalTABS).

**Background:** In 2011-12, a Governor’s Reorganization Plan consolidated multiple state information technology (IT) projects under CDT, then named the California Technology Agency. One of the planned strategic objectives of the reorganization was the consolidation of billings systems, leading to the creation of the CalTABS system, which was intended to provide a secure and integrated platform with the ability to produce electronic invoices, as well as store financial data.

Today, CDT provides IT services to state and local entities, and recovers its costs by charging customers specified rates for its services. CDT utilizes CalTABS to provide invoices to these state and local agencies for these services. CalTABS itself is now well over a decade old in a quickly evolving IT environment, which relied on even older IBM systems in its operation. The platform is responsible for invoicing approximately \$500 million annually for IT services used by 220 state departments and agencies. The proposal states that while CalTABS continues to perform critical billing functions, the system has become increasingly antiquated and fragile. Documentation related to system operation is outdated and incomplete, and the accumulation of short-term fixes over time is said to have resulted in a brittle architecture with minimal resiliency. CDT classifies this fragility as a present operational risk, as a system issue would leave CDT, and the state, with no ready alternative.

The Governor’s budget therefore requests the present resources for CDT to implement a modern Software-as-a-Service (SaaS) billing solution. This proposal states that this request covers the procurement of subscription licenses and implementation services to configure, deploy, and transition from the existing platform to a modern, secure billing system. The new solution is proposed to streamline billing operations, enhance data quality, reduce technical complexity, and improve transparency for both internal and external stakeholders. This proposal seeks funds for SaaS licenses and implementation services, including vendor determination and selection, onboarding, system design and configuration, data migration, integrations, testing, training, go-live support, and ongoing operational support.

The software which CDT is targeting for implementation is an off the shelf billing system, but the proposal states that the project will still utilize standard project management procedures, include formal governance, vendor oversight, and appropriate testing protocols.

The project implementation timeline is as follows:

1. Funding, Procurement & Vendor Onboarding (Months 0–3)
  - a. **Obtain project funding and control agency approvals**
    - i. Secure BCP and PAL approvals (as applicable)
    - ii. Align internal financial and administrative readiness
  - b. **Develop and release Request for Offer (RFO)**
    - i. Finalize RFO scope, requirements, and evaluation criteria
    - ii. Release RFO to qualified vendors
  - c. **Select and onboard implementation vendor**
    - i. Evaluate responses and conduct vendor scoring and demos
    - ii. Finalize contract and onboarding timelines

- iii. Hold kickoff meetings to align teams, clarify scope, and initiate planning
2. Project Initiation and Planning (Months 3–4)
    - a. Establish project governance, roles, and communication plans
    - b. Finalize detailed project schedule, milestone tracking, and resource assignments
    - c. Conduct requirement validation sessions with stakeholders and vendor
  3. System Configuration and Environment Setup (Months 5–7)
    - a. Configure SaaS billing solution based on validated requirements
    - b. Set up delineated environments (Dev, Test, UAT, Prod)
    - c. Define and implement business rules and data structures
    - d. Configure secure user roles, workflow rules, and reporting tools
  4. Data Preparation and Migration (Months 7–9)
    - a. Map legacy billing data to new data model
    - b. Extract, transform, and load baseline and historical datasets
    - c. Validate data through reconciliation testing and quality checks
    - d. Address any data readiness gaps or cleansing needs
  5. System Integration and Testing (Months 9–11)
    - a. Integrate billing system with CDT data sources, mainframe inputs (via CSV or APIs), and reporting tools
    - b. Conduct system, functional, and performance testing
    - c. Perform User Acceptance Testing (UAT) with billing and finance stakeholders
    - d. Validate compliance with state security and accessibility standards
  6. Training and Organizational Readiness (Months 10–11)
    - a. Conduct role-based training for CDT staff
    - b. Develop user guides, reference materials, and knowledge base articles
    - c. Deploy communications plan for business units impacted by the change
  7. Go-Live and Stabilization (Month 12)
    - a. Final production cutover at billing cycle boundary
    - b. Perform one-month parallel billing to verify data accuracy
    - c. Monitor performance, resolve post-go-live issues, and optimize configurations
  8. Ongoing Support and Optimization (Months 13+)
    - a. Transition to vendor-provided SaaS support model (L2–L4)
    - b. Maintain CDT Tier 1 ticket intake and escalation protocol
    - c. Monitor SLA adherence, system uptime, and operational performance
    - d. Conduct project closeout and lessons learned review

Stated expected outcomes include a modernized user interface with reduced dependency on specialized skills, operational resilience, and an easing of the single-point-of-failure risk by introducing vendor support capabilities.

**Staff Recommendation:** Hold Open.

**VOTE ONLY ITEMS**

**7502 DEPARTMENT OF TECHNOLOGY****Item #6: Artificial Intelligence Models: Large Developers (SB 53 Weiner)**

**Request:** The Governor’s budget requests, for the California Department of Technology (CDT), ongoing General Fund budget authority for 1.0 Information Technology Manager II and \$360,000 one-time funding for temp help/consultants to implement SB 53 (Wiener), Chapter 138, Statutes of 2025.

**Background:** According to the proposal, SB 53 represents landmark legislation on Artificial Intelligence (AI) safety, the implementation of which requires significant workload and aggressive deadlines. Timely review, assessments, and consultations between departments as well as with stakeholders will be required.

The Administration states that SB 53 requires the following responsibilities of CDT:

SB 53 assigns CDT new and ongoing statutory responsibilities beginning January 1, 2027. CDT shall:

- annually review and, if necessary, recommend updates to statutory definitions for “frontier model,” “frontier developer,” and “large frontier developer.” These definitions determine the scope of California’s regulatory authority and establish thresholds for developer obligations.
- conduct technical and risk assessments to include assessing potential technical and social impacts and risks from the frontier AI models to the state of California and its residents.
- train in, track and incorporate developments in federal and international standards continuously.
- lead continuous extensive structured stakeholder consultation with academic researchers, civil society advocates, industry representatives, and government entities.
- capture in an annual legislative report submitted under Government Code Section 9795 overall developments on AI governance, safety as described above.

The position requested, an Information Technology Manager II, is said by the proposal to be required to serve as the primary liaison with GovOps, OES, and the Attorney General. This position will manage CTD’s portion of coordination on statewide AI safety responsibilities.

The proposal states that without the resources contemplated by this request, CDT will not be able to meet their statutory reporting deadline, undermining the AI regulation and policy goals of SB 53.

**Staff Comment:** In discussions with Senate Budget Staff, the Administration confirmed that the June 2027 date referenced in the proposal as the required date for the delivery of CDT’s first required report was a typographical error, and that CDT will deliver the report by the date referenced in SB 53 (January 1, 2027).

**Staff Recommendation:** Approve as budgeted.

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Item #7: California Cybersecurity Integration Center: Artificial Intelligence (AB 979)
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**Request:** The Governor’s budget requests, for the California Department of Technology (CDT), \$408,000 General Fund in 2026-27 and \$286,000 in 2027-28 for the Office of Information Security (OIS) related to implementation of AB 979 (Irwin), Chapter 285, Statutes of 2025 on Artificial Intelligence.

**Background:** AB 979 requires the California Cybersecurity Integration Center (Cal-CSIC) to develop a California Artificial Intelligence (AI) cybersecurity collaboration playbook intended to allow for information sharing across state departments dealing with AI related issues, foster communication communities facing AI challenges, and bolster cyber security defenses.

OIS is an office within the CDT which regularly collaborates with Cal-CSIC on statewide cybersecurity coordination. The proposal states that, as state departments adopt new AI components into their systems at a rapid rate, there has been a continuing demand for resources within OIS related to AI. The proposal states that OIS cannot assist Cal-CSIC with both creating the playbook and monitoring the evolving AI risk to the state, based on their current personnel and resources. Without dedicated resources the proposal states that OIS would not be able to support the AI security initiatives outlined in AB 979. The administration posits nlike the other core four partners, OIS has direct control of statewide cybersecurity requirements and policies, making it the essential bridge between operational cybersecurity and the broader state policy framework.

The proposal states that if approved, a temporary position would be filled to work collaboratively with OIS management, Cal-CSIC, and other states agencies, to assess AI use cases, identify vulnerabilities, and conduct risk assessments.

There is also a current proposal pending within the Governor’s budget for the Office of Emergency Services requesting two positions and \$717,000 General Fund in 2026-27 and \$463,000 in 2027-28 to create the California Artificial Intelligence Cybersecurity Collaboration Playbook.

**Staff Recommendation:** Approve as budgeted.

## Item #8: Statewide Contract Procurement Workload Adjustment

**Request:** The Governor’s budget requests, for the California Department of Technology (CDT), an augmentation of \$560,000 dollars in Technology Services Revolving Fund (TSRF) to redirect 5.0 existing positions to address a significant and sustained increase in statewide technology procurement workload related to Generative AI (EO N-12-23), Innovation Procurement (EO N-04-19), and Efficient and Effective Government (EO N-30-25).

**Background:** CDT’s Office of Statewide Technology Procurement (OSTP) conducts independent project oversight for state project acquisitions of IT and Telecommunications goods and services. The Administration states OSTP is experiencing an unsustainable workload increase due to a surge in statewide demand for complex Information Technology projects and Generative Artificial Intelligence (GenAI) procurement, among other pressures. OSTP has not received additional staffing resources since 2021. The proposal states that OSTP’s workload has been driven by a variety of factors, including all of the following:

- Government effectiveness and efficiency (Executive Order N-30-25)
- Expansion of Innovation Procurement (Executive Order N-04-19)
- Rising Contract Lifecycle Demands and Digital Transformation Across State Government
- Pandemic Recovery and Compliance Backlogs and Post Acute Pandemic Economic Expansion
- OSTP’s Growing De Facto Role in Operational Procurement
- Generative AI Procurement Oversight (Executive Order N-12-23)

Since 2021-22, CDT reports a 61.6 percent increase in procurement cases managed by OSTP, rising from 318 cases to 514 in 2024-25.

To mitigate the above challenges, the request proposes that CDT be permitted to redirect five existing positions to expand OSTP’s capacity to plan strategically, ensure compliance, and deliver procurements that align with the state’s goals. The proposal states that the funds requested will augment the salary gap between existing and requested positions. The five positions which are proposed to be redirected are vacant and reside within CDT’s Office of Technology Services.

The positions requested are as follows:

- IT Manager I – Will manage day-to-day procurement operations, prioritize departmental requests, and oversee complex projects, particularly for departments without internal procurement capacity.
- 4.0 IT Supervisors II – Supervisors will oversee procurement lifecycles from solicitation to contract execution, support staff development, and ensure high-quality, policy-aligned outcomes across OSTP portfolios.

The proposal states that the requested positions are required in order to allow OSTP to stand up a new dedicated procurement team tasked with:

- Establishing an enterprise marketplace for business tools, including tools utilizing artificial intelligence, managed marketplace and a list of standardized technology products, including artificial intelligence, for statewide use.

- Identifying climate-aligned IT and data solutions suitable for statewide contract vehicles.
- Developing performance-based contracts that support innovation while ensuring vendor accountability.
- Managing vendor pools, performance metrics, and contract lifecycle oversight in this highly specialized and rapidly changing sector.

In implementation, OSTP would plan to finalize a recruitment and onboarding plan in July 2026, posting and advertising positions by August 2026, and complete candidate selection and hiring between September 2026 and January 2027. Training and integration would occur between December 2026 and February 2027, with full operational capacity anticipated by April 2027.

**Staff Recommendation:** Approve as budgeted.

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**Item #9: Scale Statewide Digital Identity Program**

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**Request:** The Governor’s budget requests, for the California Department of Technology (CDT), \$3 million in Technology Services Revolving Fund (TSRF) budget authority in 2026-27 and ongoing for cost recovery of customer-related expenses for integrating and leveraging the digital identity services through the statewide California Identity Gateway platform. In addition, CDT requests to convert one position and \$265,000 of General Fund to TSRF beginning in 2027-28.

**Background:** CDT’s Digital ID program was initially established in 2021-22 to deploy a California Digital Identification ecosystem (Digital ID) for an initial subset of state services that would provide, the request states, a consistent, secure, privacy-enabled, reliable, and consent-based method to authenticate and verify the identity and eligibility of California residents who seek access to state services. CDT received two positions and \$1.1 million in 2021-22 and 2022-23 to fund this pilot program. In the 2025 Budget Act, CDT was provided \$972,000 in General Fund for 2025-26 and 2026-27, with \$472,000 General Fund for 2027-28 and ongoing, to support existing positions and maintain and scale product offerings of the Digital ID program.

Digital Identity aims to provide Californians with a simplified mechanism to access benefits digitally through online verification protocols. The digital identity services have continued to grow as applications have increased across services, with CDT expanding product offices. The Digital Identity program has strived to ensure the implementation of services align with larger state objectives. Examples include ODS’ partnership with Sacramento Regional Transit to implement digital identity solutions for residents traveling within the state’s capital. The project successfully went live in the first quarter of 2025, with other transit agencies later adopting a similar plan. Recently, the program was involved in the development of the digital disaster recovery center to provide Californians affected by the LA fires with critical services. This effort culminated in the development of the vital records application in partnership with the California Department of Public Health (CDPH).

The Digital Identity program is currently funded utilizing general fund, which the proposal recognizes as unsustainable. At the same time, the Administration states that significant mandates on the program, including those imposed by the California State Transportation Agency and the California Privacy Protection Agency. The program is also working with CDT’s other segments to ensure that the development of resources supporting the Deletion Request and Opt-Out Platform (DROP) proceeds.

The proposal therefore requests Technology Services Revolving Fund authority to facilitate a transition towards a self-sustaining, cost-recovery and customer-funded model. This will include shifting to a cost recovery model for current customers as well as new customers that will be on-boarded in the future.

**Staff Recommendation:** Approve as budgeted.

Item #10: Sustained Support for Local Government Domain Services

**Request** The Governor’s budget requests, for the California Department of Technology (CDT), \$147,000 General Fund in 2026-27 through 2028-29 to manage the increasing workload associated with Local Government Domain Services.

**Background:** The Administration states that CDT has experienced significant workload increase supporting Local Government Domain Services, assisting local governments and counties adopting ".gov" or ". ca.gov" domain addresses by 2029, as mandated by AB 1637 (Irwin), Chapter 586, Statutes of 2023. CDT is responsible for assisting with domain registrations, reviewing naming requests, managing annual renewals, supporting exemption requests, and helping ensure domains meet applicable security and compliance requirements. CDT is the primary business owner for the State of California's Domain Name Request System (DNRS), a custom application developed and continuously maintained by CDT's Office of Digital Services (ODS). The DNRS supports statewide domain contacts by enabling efficient submission of new domain requests, updating contact information for existing domains, and facilitating annual domain renewals.

Limited funding in the same amount as presently proposed was approved in 2024-2025 and 2025-2026 to support the workload related to the above domain transitions, but the volume and complexity of complaints continue to climb at the present time. The current proposal allows additional limited term funding for consultants and professional services through 2028-2029 to ensure the support necessary to continue to implement these changes. CDT utilizes these resources to hire consultants who work with the Web Services Manager and an existing domain analyst.

The proposal sets forth the following workload history, demonstrating the need for continuing resources:

Workload History						
Workload Measure	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Active domains managed/supported	0	0	0	0	773	900+
New domain requests	0	0	0	89	89	100+
Domain exemption requests (requiring coordination with GovOps)	0	0	0	5	7	TBD

If the proposal is not approved, the Administration suggests that CDT will experience significant operational delays, and project backlogs will grow.

**Staff Recommendation:** Approve as budgeted.

**0511 SECRETARY FOR THE GOVERNMENT OPERATIONS AGENCY****Item #11: Office of the California Education Interagency Council (AB 1098, SB 638)**

**Request:** The Governor’s budget requests, for the Government Operations Agency (GovOps), approval to establish the Office of the California Education Interagency Council (CEIC) by authorizing 4.0 positions in 2025-26, and ongoing.

**Background:** In connection with AB 1098 (Fong and Padilla), Chapter 446, Statutes of 2025, and SB 638 (Padilla and Fong), Chapter 457, Statutes of 2025, the Administration has proposed the above resources to allow GovOps to establish the CEIC through the approval of 4.0 positions in 2025-26 and ongoing. These positions will support the CEIC initial operations and enable it to begin coordinating efforts across TK–12 education, higher education, and workforce development agencies.

Specifically, the proposal requests:

- **Executive Officer** – Provides leadership and strategic direction for CEIC.
- **Supervisor I** – Oversees administrative and programmatic operations.
- **Analyst II** – Supports policy development, planning, and interagency coordination.
- **Office Technician** – Provides clerical and logistical support to ensure smooth daily operations.

The proposal states that, in anticipation of approval for this request, GovOps has already begun drafting duty statements and advertising for the positions. The current hiring plan assumes that the Office will be fully staffed by the end of the 2025-26 fiscal year.

**Staff Recommendation:** Approve as budgeted.

**7760 DEPARTMENT OF GENERAL SERVICES**

**Item #12: Division of the State Architect Construction Oversight Program**

**Request:** The Governor’s budget requests, for the Department of General Services (DGS) Division of State Architect, \$1.4 million from the Public-School Planning, Design, and Construction Review Revolving Fund limited-term for four years in 2026-27 through 2029-30 and four positions to address the increased workload in the Construction Oversight Program.

**Background:** DGS’ Division of the State Architect (DSA) is responsible for supervising the design and construction of facilities projects at K-12 schools and community colleges throughout California to certify compliance with the Field Act and California Building Standards Code (CBSC). Education Code sections 17280 and 81130 require DSA to ensure the work of construction has been performed in accordance with the approved construction plans and specifications, for the protection of life and property.

DSA certifies project inspectors (PIs), who are responsible for ensuring projects comply with approved construction plans and specifications and actively monitor and facilitate the efforts of all construction team members to ensure compliance with regulatory and statutory requirements. To supervise the construction phase, DSA’s Construction Oversight Program deploys District Structural Engineers (DSEs) to school facility construction sites to consult with the PIs, address design issues and undocumented conditions, and help ensure overall site and project safety.

The proposal states that DSA has experienced a rapid increase in the number of active construction projects requiring site visits, averaging about a 15 percent increase per year over the past three years. The number of active construction projects has risen from 4,493 in 2021-22 to nearly 6,914 in 2024-25, which is over a 53 percent increase, topping historic highs. DSA projects that Construction Oversight Program workload will continue to grow in the coming years.

The workload history below is set forth in the proposal:

Workload History						
Workload Measure	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Active Construction Projects	4,538	4,493	5,250	6,040	6,914	7,078
Percentage (%) Change	-4.2%	-1.0%	16.8%	15.0%	14.5%	2.5%
Site Visits Conducted	9,182	9,240	10,425	11,120	11,466	12,600

The Administration estimates a total of 32 DSE positions to meet the expected workload demands of the Construction Oversight Program by 2026-27. DSA was approved 1.0 additional DSE position in the 2025 Budget Act, bringing the total authorized number of current DSE positions to 28.0. The current proposal requests four positions, with limited funding through 2029-2030, to provide sufficient staffing levels to meet the above-described increased workloads and to prevent any backlogs or shortfalls in site visits.

**Staff Comment:** Approve as budgeted.

Item #13: Extend Limited Term Expenditure Authority for Fleet Operations

**Request:** The Governor’s budget requests, for the Department of General Services (DGS) Office of Fleet and Asset Management, to increase and extend limited term authority of \$1.2 million to \$3.3 million in ongoing expenditure authority from the Service Revolving Fund to cover increased vehicle Maintenance and Repair expenses. The request involves \$2.1 million in increased authority in 2026-27 and \$3.3 million ongoing thereafter.

**Background:** The Office of Fleet and Asset Management (OFAM), Fleet Operations Unit (Fleet Ops) within DGS administers the State Vehicle Leasing Program (SVLP), which provides a fleet of vehicles available for lease to support agencies’ transportation needs. Leasing through OFAM allows state agencies to take advantage of several fleet management services.

SLVP provides vehicle maintenance and repair (M&R) expenses for all vehicles within the leased fleet, ranging from oil changes and minor maintenance to major repairs and body work. OFAM also allows certain non-essential additions such as window tinting and details car washes, with those costs billed back to the agency which leased the vehicle for those services. The proposal states that DGS leases approximately 4,500 vehicles to over 77 state departments and agencies. A recent side-by-side cost analysis shows that DGS’s SVLP rates run roughly 30–50 percent below comparable offerings from the private sector including Enterprise and other commercial lessors. These savings stem from DGS’s bulk-purchase discounts, minimal administrative mark-ups, and the fact that all maintenance overhead is built into the lease rate instead of tacked on as a separate fee. This cost effectiveness is put forth by DGS as an indicator that downsizing the fleet would only lead to increased state costs overall.

Currently, OFAM is seeing year on year increases in M&R costs, as depicted in the proposal’s prior year data chart:

Prior Year M&R Data							
Fiscal Year	2017-18	2018-19	2019-20 <sup>2</sup>	2020-21	2021-22	2022-23	2023-24
Total M&R Expenses	\$4,704,000	\$4,124,000	\$3,672,000	\$4,662,000	\$5,399,000	\$6,433,565	\$6,676,637
Fleet Size	4,615	4,393	4,367	4,557	4,477	4,491	4,458
M&R Per Vehicle <sup>1</sup>	\$1,019	\$939	\$840	\$1,022	\$1,206	\$1,433	\$1,498

<sup>1</sup> "M&R Per Vehicle" represents the average M&R costs for each vehicle in OFAM's leased fleet for that given year.

<sup>2</sup> M&R expenses in FY 2019-20 were abnormally low due to the COVID-19 pandemic's impact on State travel. State vehicle use was reduced to a bare minimum in the final quarter of that Fiscal Year, which subsequently led to nearly non-existent M&R expenses during that period.

In 2024-25, OFAM was provided with limited term authority of \$1.2 million for a three-year period to cover increases in M&R expenses. The limited term funding was provided with the expectation that M&R expenses would level off, however expenses have continued to climb, leading to the present request.

**Staff Recommendation:** Approve as budgeted.

**Item #14: Extend Limited Term Material Purchase Authority for Paper Supplies**

**Request:** The Governor’s budget requests, for the Department of General Services (DGS) Office of State Publishing, an increase and extend limited-term authority scheduled to end in 2025-26 from \$4 million to \$5 million from the Service Revolving Fund in 2026-27 and ongoing.

**Background:** The Office of State Publishing (OSP) was established in 1963 by the Governor and assigned to DGS under the Interagency Support Division. Pursuant to Government Code section 14850, OSP is responsible for fulfilling state printing needs and providing essential printing, communication, and document management services to state, federal, county, and city agencies. These services are delivered through specialized expertise, a statewide perspective, and strategic public-private partnerships.

In 2024-25, OSP received two-year limited term authority of \$4 million to address challenges in print production, with that funding set to expire in the current year. The proposal states, however, that the pressures which led to the initial limited-term funding request have only intensified in the intervening years, necessitating an additional request to ensure continuous operation and avoid future budget shortfalls.

The request states that, historically, OSP operated under a Just-in-Time (JIT) inventory model, minimizing storage costs by ordering materials as needed. Significant disruptions in the global paper industry have that model obsolete. In recent years OSP has lost access to major paper suppliers, resulting in unpredictable supplies, shortages, and increased costs. Geopolitical instability and trade sanctions have further constrained access to essential raw materials, such as wood pulp and natural gas, leading to higher procurement costs and increased supply uncertainty.

The proposal sets forth the following resource history:

**Resource History**  
*(Dollars in thousands)*

<b>Material Budget</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25<sup>1</sup></b>	<b>2025-26<sup>2</sup></b>
Budgeted Expenditures	\$13,998	\$14,984	\$19,962	\$19,962
Cost of Goods Sold	\$18,972	\$20,092	\$19,115	\$19,115
Variance	(\$4,974)	(\$5,108)	\$847	\$847

<sup>1</sup> 2024 Budget Act approved \$4 million limited-term funding for 2024-25 and 2025-26.

<sup>2</sup> Costs projected in 2025-26 to remain at a minimum of 2024-25 level.

DGS also has provided responses stating that they have taken the following actions, through OSP, to reduce reliance on traditional paper types and increase agency flexibility in printing:

**NCR (No Carbon Required) rolls and transition to NCR sheets** - To mitigate the increased costs and supply chain risks associated with rolls, OSP is in ongoing communications with state agency customers to support a transition from NCR rolls to NCR sheets where operationally feasible. Transitioning to

sheets would reduce cost exposure, improve availability, and help ensure continuity of print operations since sheets are sourced domestically and are not subject to international freight or tariff pressures.

**Newsprint stock** - OSP is currently working on pathways to utilize newsprint test to offer the lighter weight newsprint that is readily available.

**Optimizing use of existing inventory to avoid higher cost out-of-contract purchases** - OSP maintains an inventory of frequently used paper stocks based on historical utilization patterns, proactively engaging with state agency customers to determine whether existing inventory can be substituted.

**Promoting paper flexibility standards** – OSP Encourages agencies to use a broader range of paper specifications (e.g., weight, brightness, recycled content) for non-statutory and non-public-facing materials.

The proposal states that to ensure uninterrupted production of critical government printing products, OSP must secure an additional \$5 million in ongoing expenditure authority. Without this funding, the administration states that the ability to produce and distribute essential government documents—including the Governor’s Budget, Voter Information Guides, and other legislative materials—would be at risk, potentially impacting state operations and public services.

**Staff Recommendation:** Approve as budgeted.

Item #15: Printer Acquisition Purchase Authority

**Request:** The Governor’s budget requests, for the Department of General Services (DGS) Office of State Publishing (OS, requests \$1.5 million Service Revolving Fund in 2026-27 through 2032-33 to acquire two digital inkjet presses.

**Background:** The proposal requests resources to replace four pieces of printing equipment which have reached end of life, which the Administration states are essential for high-volume printing and mailing services provided to all state agencies.

Specifically, within OSP’s production unit, their Drent Gazelle web press (Drent), acquired in 1980 with a useful life of 25 years, is 45 years old, costs \$188,000 annually to maintain, and accounts for an annual average of 166 million pages. The Drent has been unsupported by the manufacturer since 2019. All critical components, including electrical, mechanical, and pneumatic parts, have been declared obsolete. The Muller Martini web press (Muller), acquired in 1990, with a useful life of 25 years, is 35 years old, costs \$75,000 annually to maintain, and accounts for an annual average of 113 million pages. Additionally, within OSP’s digital production unit, two Canon 7650 Digital Presses (Canons) were acquired in 2007 with a useful life of 12 years and are 18 years old. They cost \$210,000 annually to maintain, and account for an annual average of 17 million pages.

The proposal alleges that the loss of these printers creates a significant operational vulnerability, with a single equipment failure possibly leading to serious production consequences. At the current time, approximately 40 percent of the total OSP annual printing production relies on these two outdated offset machines and two outdated digital machines.

In 2018, OSP initiated a press replacement assessment to identify viable press replacement options, and in 2023-24, OSP shifted focus toward evaluating modern digital inkjet technologies. OSP’s analysis identified four possible press solutions using evaluation criteria such as production speed, operational costs, digital functionality, labor efficiency, and required capital investment. Based on OSP’s assessment results, the Canon ColorStream 8200 press, with a useful life of 10 years, provides the best solutions to meet current and future printing needs for OSP customers. The request states that the two Canon ColorStream 8200 presses can replace all four outdated machines. According to DGS, the new presses include a 1-year warranty and a manufacturer-backed maintenance plan, with the cost of total annual maintenance for two machines being estimated at approximately \$224,424.

The proposal highlights the below comparison between the current capabilities with existing presses and the expected capabilities with the two digital inkjet presses in operation.

Metric	Current State (Drent, Muller, and Canon’s)	Future State (two digital inkjet presses)	Improvement
Total Annual Pages	324.6 million	413.3 million	Increased
Production Hours	10,796 hrs.	6,413 hrs.	-40.6percent
Labor Cost	\$1.42 million	\$1.13 million	-20.4percent
Equipment Downtime Risk	High	Low	Reduced
Print Exemptions	\$5.2 million	\$0	Reduced
Variable Data Capability	Limited (manual imprinting)	Full	Enabled

The proposal states that if the requested increase in expenditure authority is not approved, OSP will be unable to meet critical customer demands for print production operations. These services support the production of secure documents and legally mandated notices that must be delivered within statutory timeframes.

**Staff Recommendation:** Approve as budgeted.

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Item #16: Local Jurisdiction Reporting Unit Workload
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**Request:** The Governor’s budget requests, for the Department of General Services (DGS) Real Estate Services Division Asset Management Branch, requests Property Acquisition Law Money Account authority in the amount of \$518,000 one-time in 2026-27, and \$391,000 in 2027-28 and ongoing to reconcile and maintain the Statewide Property Inventory with county assessors’ real property records.

**Background:** The Statewide Property Inventory (SPI) is the official repository for the majority of state-owned properties. The Department of General Services (DGS), Real Estate Services Division (RESA), has identified reporting gaps in the SPI inventory and is requesting resources to reconcile state agency records against county assessor data. The proposal states that the funding is intended to ensure that all department reported property is accounted for and that DGS can remain compliant with legislation to maintain an accurate repository of state property. The proposal also states that DGS will use these resources to ensure that reports issued related to state property (such as during emergency responses or conducting housing inventories) are as complete as possible.

Limited-term funding previously provided for positions to manage the workload associated with SB 6 (Beall and McGuire), Chapter 667, Statutes of 2019 and AB 1255 (Rivas and Ting), Chapter 661, Statutes of 2019 reverted on June 30, 2024. This limited term funding for four Associate Governmental Program Analysts allowed staff to update the database, field questions from those using the system, provide reports, and otherwise assist with coordinating use of the database. The positions requested in this proposal will continue to review Housing Element reports per SB6 and AB 1255.

DGS considers the SPI a critical state database which supports critical state needs, including supporting the state’s emergency response and asset management (including housing planning). Reconciling the SPI and data from county assessors’ real estate property records is intended to allow for a more thorough database and better asset management, leading to better downstream outcomes on subjects like disaster response and efficient use of state property resources.

The implementation plan states that the Local Jurisdiction Reporting Unit (LJRU), created in 2021 to handle the issues related to SB 6 and AB 1255, would utilize existing staff to complete the work described in the proposal.

**Staff Recommendation:** Approve as budgeted.

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**8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA**

Item #17: Onboarding Trailer Bill Language
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**Request:** The Governor’s budget requests for the Financial Information System for California (Fi\$cal), trailer-bill language

**Background:** Fi\$cal is the modern system of financial management for the state of California, which is undergoing continued adoption as more state agencies transition from legacy accounting, budgeting, and financial management legacy software to the Fi\$cal platform.

The Governor’s budget requests technical trailer bill language to sunset the existing exemption process that runs through the California Department of Technology (State Administrative Manual 7260), as FI\$Cal is no longer an IT project, and most departments have onboarded. For the few remaining deferred departments which have not yet undergone onboarding, the new language simply clarifies that FI\$Cal will continue to work closely with the Department of Technology and the Department of Finance to determine whether a department will onboard or interface their system with the FI\$Cal system.

**Staff Recommendation:** Approve as budgeted.