

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, May 7, 2026
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 113

Consultants: Jessica Uzarski, Elisa Wynne, and Timothy Griffiths

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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

9210 LOCAL GOVERNMENT FINANCING**Item #1: Vehicle License Fee Backfill**

The Governor's budget does not include a backfill to counties for the Vehicle License Fee (VLF) shortfall when their VLF shortfall exceeds available funding in their Education Revenue Augmentation Fund (ERAF) revenues. The Department of Finance estimates that it would cost \$122.3 million to backfill revenues in the three counties with insufficient ERAF, San Mateo, Alpine, and Mono in 2026-27. In addition, the remaining balance from last year's VLF shortfall request is \$39 million.

Background. The VLF is a tax on ownership of a registered vehicle. All revenue from vehicle license fees is distributed to counties and cities and used for general purposes and some specific, required health and human services-related purposes. In the mid 1990's the state lowered the VLF rate and reimbursed counties and cities for the reduced VLF revenue with state General Fund, known as the "VLF Backfill". Also, in response to a severe budget deficit in the 1990's, the state met its legal obligation to fund schools by diverting specified amounts of local property taxes into an "Education Revenue Augmentation Fund" or ERAF in each county. ERAF funds are then transferred to local K-14 school entities. Some school districts, known as "Basic Aid School Districts" do not receive any ERAF allocations as local property taxes for K-14 education, already cover the level of funding provided for K-14 education, therefore the school district was not receiving state General Fund that could be offset by ERAF.

In 2004, a new mechanism for backfilling the VLF was created and a portion of property taxes from schools (through ERAF or other K-14 property taxes if ERAF was insufficient) was provided to counties and cities to replace the VLF Backfill, known as the "VLF swap". Prior to 2004, the amount counties and cities received was based on their populations. Today, counties and cities' VLF swap amounts increase annually based on growth in the assessed value of property within their boundaries. After the adoption of the VLF swap, statewide growth in assessed valuation—and, as a result, VLF swap payments—has significantly exceeded growth in VLF revenues. Although the VLF swap reduced the amount of property tax revenue in ERAF available to fund schools, state law specified that the shift would not affect the calculation of excess ERAF. Over the past several years, some counties, currently San Mateo, Alpine, and Mono have been unable to cover insufficiencies in their VLF funds with ERAF funding. When all or most school districts in the county are in basic aid status, the county is unable to direct enough K-14 property taxes or ERAF from school districts, as it will not generate a General Fund backfill.

The VLF shortfall has been relatively low in past years, but growing property tax revenue combined with declining enrollment has increased the shortfall and projections assume continued growth. General Fund appropriations have been provided in prior budget acts to cover the shortfall each year since 2012, ranging from a few hundred thousand up to over \$100 million. Given the constraints in the 2025-26 budget, \$79 million was provided to backfill VLF shortfalls, out of a total request of \$118.1 million. Subsequent to the passage of the 2025 Budget Act, San Mateo County filed a lawsuit against the State of California which is still under consideration by the court.

Staff Recommendation. Hold open.

0890 SECRETARY OF STATE**Item #2: Election Law Enforcement (SB 851)**

Request: The Governor’s budget requests, for the Secretary of State (SOS), \$1.1 million General Fund in 2026-27 and \$807,000 General Fund annually thereafter to support four permanent positions and litigation tracking software licensing costs necessary to implement and administer the statutory requirements prescribed by SB 851 (Cervantes), Chapter 238, Statutes of 2025.

Background: SB 851 was an urgency measure intended to prevent election interference. Specifically, SB 851 added Section 21 to the Elections Code to require the SOS to obtain notice within three days after a state or local agency files or is served with a lawsuit related to elections arising under federal law. In addition, at least fourteen days before a state or local agency or political subdivision enters into a settlement, consent decree, or other court-approved agreement (collectively, “settlements”) relating to elections claims arising under federal law, the SOS and the Attorney General’s office are to receive notice.

SB 851 also clarifies and expands the SOS’s authority to adopt voting system standards and regulations and augments notice requirements for vendors of voting systems to require notification of any defect or failure of any voting system as described in the bill. The proposal requires of the SOS additional duties, and the proposal states that the SOS is currently lacking the staff and operational resources which would be required to implement the provisions of the bill. Accordingly, the proposal requests funding for four permanent positions (Attorney IV, Information Technology Specialist I, Supervisor I, and Analyst II), funds to pay litigation tracking software licensing fees, and space and planning related costs.

The staffing resources requested, as well as the descriptions of specific duties, are as follows:

- **Attorney IV** – The attorney hired for this role would be generally knowledgeable about federal election law and would review and analyze lawsuit notices and settlements transmitted under the bill. They would engage in research on any complex subject matter relating to the claims under federal law. The position would require the attorney to coordinate and communicate with the Attorney General’s office, act as a liaison for the SOS, and potentially also assist in litigation as needed. Lastly, the attorney would be involved in developing voting system regulations and testing standards and addressing voting system defect notices.

The following three positions would be housed within the Office of Voting Systems Technology Assessment (OVSTA), created in 2005 to address voting system and ballot technology.

- **Informational Technology Specialist I** - The Information Technology Specialist I (ITSI) will serve as a subject matter expert on voting system technology and will review certification applications, develop protocols, and oversee system tests to ensure compliance with Elections Code. The ITSI will also track national developments in voting system performance, assist legal and executive staff in addressing voting system defect notices, and will help draft regulations.
- **Supervisor I** – The Supervisor I will supervise a team of three associate analysts and manage the administrative, fiscal, and legislative/regulatory and will also provide guidance on legislation, policy proposals, and long-term planning related to election technology.

- **Analyst II** – The Analyst II will provide analytical, fiscal, and programmatic support to OVSTA’s voting technology oversight and certification efforts. In addition, the position will prepare and review BCPs, support procurement planning, and coordinate cross-functional projects such as election outreach, stakeholder coordination, and election night operations.

The proposal also requests litigation tracking software to allow SOS to follow the status of lawsuits for which they have been provided notice under the bill. This software is intended to allow the SOS the information necessary to make decisions on possible intervention, supportive filings, or otherwise provide appropriate guidance. Currently, the proposal states that the SOS does not possess this software.

Lastly, the proposal includes costs associated with cubicle reconfiguration and the construction of additional space. The proposal states that these costs include DGS project fees, modification to building plans, approval of building plans by the State Fire Marshall and Divisions of State Architect as the modifications will include electrical, data and power modifications or additions. The facilities operation costs make up one time funding of \$239,000 within the proposal.

As SB 851 was passed as an urgency statute, its effects were immediate. The Administration states that it would begin the recruitment and hiring process immediately upon approval of resources requested under this proposal.

Staff Recommendation: Hold open.

Item #3: CAL-ACCESS Replacement System (CARS) Project

Request: The Governor’s budget requests, for the Secretary of State (SOS), \$11.8 million General Fund in 2026-27 to support the CARS Project which replaces the outdated CAL-ACCESS system for electronic reporting of campaign finance and lobbying activities mandated by the Political Reform Act (SB 84 and SB 1349).

Background: CAL-ACCESS is the state’s current campaign and lobbying information system. Candidates, political committees, and lobbyists use CAL-ACCESS to file detailed financial disclosures. The CAL-ACCESS system has been in existence for approximately 23 years and is running on a technology platform which is obsolete and has little support resources. SB 1349 (Hertzberg), Chapter 845, Statutes of 2016 required the development of an automated campaign and lobbying reporting and disclosure system to replace CAL-ACCESS. The proposal states that CAL-ACCESS is a critical system and that its replacement is a high priority. If CAL-ACCESS is not replaced SOS’s business operations will face a loss of data integrity, potential outages and downtime, and a continuing limitation of reporting abilities.

The 2025 Budget Act included \$15.1 million General Fund in 2025-26 to support the CARS Project for 2025-26. The Administration estimates total project costs of \$17.2 million in 2026-27 to support the CARS Project. \$5.4 million in previously appropriated ongoing funding will be utilized in addition to the presently requested \$11.8 million to cover the remaining costs. This proposal states that this funding will support the final months of project execution and other related project costs. The \$5.4 million in previously appropriated funds stem from a previous iteration of the project and were intended to be applied towards maintenance and operations costs. The previous iteration did not meet the complex needs of SOS’s Political Reform Division and its stakeholders. The proposal states that the previous iteration was paused and restarted with different operations goals. The Administration states that a 2027-28 budget request will identify the updated annual ongoing funding needed for the CARS program.

(Continued on the following page)

The following table summarized the expected costs for the CARS project in 2026-27:

(Dollars in Thousands)	
2026/27 CARS Project Costs	Amount
Personal Services (Salary and Benefits)	
23 Permanent State Staff	\$4,634
10 Temporary Program Staff (Non-Project PRD backfill positions) *	\$1,315
Operating Expense and Equipment (OE&E)	
Staff OE&E (Standard Complement minus Software) **	\$396
Postage for Outreach Mailer	\$36
Travel Related to CARS Outreach	\$31
Interdepartmental Services	
California Department of Technology Services and Admin Costs	\$570
Department of General Services Admin Costs	\$241
External Consulting and Professional Services	
Prime Vendor	\$5,076
Project Management Support Services	\$546
Independent Verification & Validation	\$454
Requirements and Schedule Management	\$145
Organizational Change Management	\$177
Quality Assurance and Quality Control Lead	\$229
Agile Training and Coach	\$59
CARS ADA Compliance Testing / CARS Independent Security Vulnerability Testing	\$204
Translation Services	\$400
Student Assistants	\$43
Information Technology	
Experian Aperture Data Studio	\$62
Cloud Platform Services via CDT	\$1,675
Third Party Software / Tools	\$843
Payment Processing Services	\$40
SOS Staff OE&E – Software Licenses**	\$33
Total 2026/27 CARS Project Costs	\$17,209

*The 10 temporary program staff are non-project positions to backfill PRD program staff redirected to the Project. Their salary, benefits, and staff OE&E costs are not reflected in the CARS Project Financial Analysis Worksheets (FAWs) for the project execution phase.

**Staff OE&E costs for software are located under Information Technology costs on the FAWs.

The SOS still expects full roll out to users in November of 2026.

Staff Recommendation: Hold open.

Item #4: Notary Automation Program Replacement Project (NAP 2.0)

Request: The Governor’s budget requests, for the Secretary of State, \$9.8 million Business Fees Fund in 2026-27 for the continuation of the Notary Automation Replacement Project 2.0 (NAP 2.0).

Background: The SOS is responsible for the appointment of all California notaries public. Prior to appointment, a notary public applicant must complete an education course and pass both a notary public examination and a background investigation from both the California Department of Justice and the Federal Bureau of Investigation.

The SOS currently utilizes a legacy Notary Automation Program (NAP) system to store and maintain notary public commission data. The NAP system is used to process requests to authenticate public officials’ signatures on documents for use outside the United States. The NAP system is approximately 30 years old and the Administration states that a more modern replacement system is required.

The current NAP system was developed utilizing the PowerBuilder application, which SOS contends is dated and difficult to update owing to its ageing architecture. SOS also states that this ageing architecture makes it difficult to find qualified personnel to update and maintain the system. SOS contends that current technology has evolved since NAP’s creation, making integration with modern systems increasingly difficult and that the creation of a new system will allow the SOS to streamline business processes and offer more efficient online services to notaries and the public. The request suggests that a replacement system will also allow for easier updates and maintenance, and better integration with modern systems.

The 2025 Budget Act included \$13.5 million Business Fees Fund in 2025-26 for the continuation of NAP 2.0. The current funding request is for the first full year of NAP 2.0 implementation. The request supports 15 previously approved positions. The 15 positions provide technical expertise in the areas of architecture, networks, database administration, communication, system analysis, application programming, quality assurance and validation, training, support, and security. Additionally, ongoing operating expense and equipment costs, general expenses, printing, communication costs, postage, and resources for outreach mailers are requested.

The proposal includes the following implementation timeline* and 2026-27 cost summary:

Project Planning Activities	July 2022 – Early 2027
CDT PAL Stage 1 Business Analysis	August 2022 Approved
CDT PAL Stage 2 Alternatives Analysis	July 2024 Approved
Prime Vendor Procurement	Summer 2024 – Spring 2027
CDT PAL Stage 3 Solution Analysis	Spring 2026
CDT PAL Stage 4 Project Readiness and Approval	Winter 2027
Project Implementation Activities	Spring 2027 – Summer 2031
Onboard Prime Vendor	Spring 2027
Design, Development, Data Migration, Testing, Training	Spring 2027 – Fall 2029
NAP 2.0 Go Live	Fall 2029
System Monitoring and M&O Transition	Fall 2029 – Spring 2031

*Preliminary estimate based on NAP 2.0 PAL planning, with updates planned upon approval of PAL stage 4

2026-27 NAP 2.0 Budget Proposal	Amount (Dollars in Thousands)
Personal Services (Salary and Benefits, 15.0 Permanent State Staff)	\$2,754
Operating Expense and Equipment (OE&E)	
Staff OE&E (Standard Complement)	\$180
Postage for Outreach Mailer	\$318
Travel Related to NAP 2.0 Training	\$83
Interdepartmental Services	
CDT Services and Admin Costs	\$599
Department of General (DGS) Services Admin Costs	\$160
External Consulting and Professional Services	
Prime Vendor	\$2,000
Project Management Support Services	\$300
Independent Verification and Validation	\$300
Data Verification and Cleansing	\$263
Requirements Management	\$278
Organizational Change Management	\$288
Security Assessment	\$248
Cooperative Personnel Services HR (CPS HR)	\$43
Quality Assurance and Test Lead	\$225
University Enterprises, Inc. (UEI) Student Assistants	\$445
Information Technology	
Experian Aperture Data Studio Licenses	\$41
Infrastructure Components	\$38
Secure Remote Access Lines	\$15
Security Monitoring Software	\$150
Secure File Transfer Protocol	\$2
Identity Management Licenses	\$4
Solution Software	\$375
Cloud Platform Services via CDT (Azure Costs)	\$600
SOS Staff OE&E – Software Licenses (IT Standard Complement)	\$11
Equipment (Printers and Scanners)	\$77
Total 2026/27 NAP 2.0 Budget Proposal from Business Fees Fund	\$9,795

The funding is requested from the Business Fees Fund which comprises of fees received for the filing of documents with the SOS and the certification of data or documents of record that are maintained by the SOS. The proposal also includes provisional budget bill language allowing an augmentation of up to \$925,000 in business fees fund for systems integrator and implementation costs contingent upon approval by the Department of Technology of Stage 4 of the Project Approval Lifecycle process.

Staff Recommendation: Hold open.

8955 DEPARTMENT OF VETERAN'S AFFAIRS (CALVET)**Item #5: Veterans Home of California, Yountville: Skilled Nursing Facility**

Request: The Governor's budget requests, for the California Department of Veterans Affairs (CalVet), \$209,342,000 Federal Funds authority to receive a federal grant award for allowable costs for the Veterans Home of California (VHC), Yountville: Skilled Nursing Facility project.

Background: The approval of this proposal would allow CalVet to accept a State Home Construction Grant for the design-build phase of the new Skilled Nursing Facility at Veteran's Home in Yountville. The multi-story 285,000 square foot facility with 240 skilled nursing beds is constructed on approximately 11 acres adjacent to the existing buildings. Other features of the facility include kitchens, dining rooms, exam rooms, elevators, nursing stations, laundry facilities, storage, fencing, parking, roadways, emergency generators, utilities, and other improvements. The United States Department of Veterans Affairs (USDVA), through its State Home Construction Grant program has committed to \$209,342,000 of total project costs, with remaining design-build phase cost of \$115,751,000 to come from the Public Buildings Construction Fund.

The proposal notes that the current grant amount needed to accept the full USDVA grant is \$209,342,000, but that the grant award itself will occur in several tranches, with a first allocation in the amount of \$110,607,384. The remainder will be provided in the out-years, as overall demand to the State Home Construction Grant program allows, until the full commitment has been met. The proposal also notes that a like amount of Public Buildings Construction Fund bonds (lease revenue bonds) will be offset as federal funds are received.

The Administration estimates that the project will likely be complete by Fall of 2026, barring unforeseen circumstances.

Previous Budget Appropriations for the Skilled Nursing Facility

- The 2018 Budget Act included includes \$7.1 million General Fund for the initial phase of construction for the facility.
- The 2020 Budget Act included \$317 million from the Public Buildings Construction Fund to proceed with the Design-Build phase for the facility.
- The 2023 Budget Acted included \$356,000 General Fund in 2023-24, and 10 positions and \$1.33 million General Fund ongoing thereafter for the first phase of staffing ramp up of the facility.
- The 2024 Budget Act previously included \$5.4 million in 2024-25 and \$12.1 million in 2025-26 and ongoing General Fund for 108 additional facility staffing positions.

Staff Comment: This item is set for discussion for a status report on the opening and operation of the Yountville Skilled Nursing Facility.

Staff Recommendation: Hold open.

Item #6: 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.

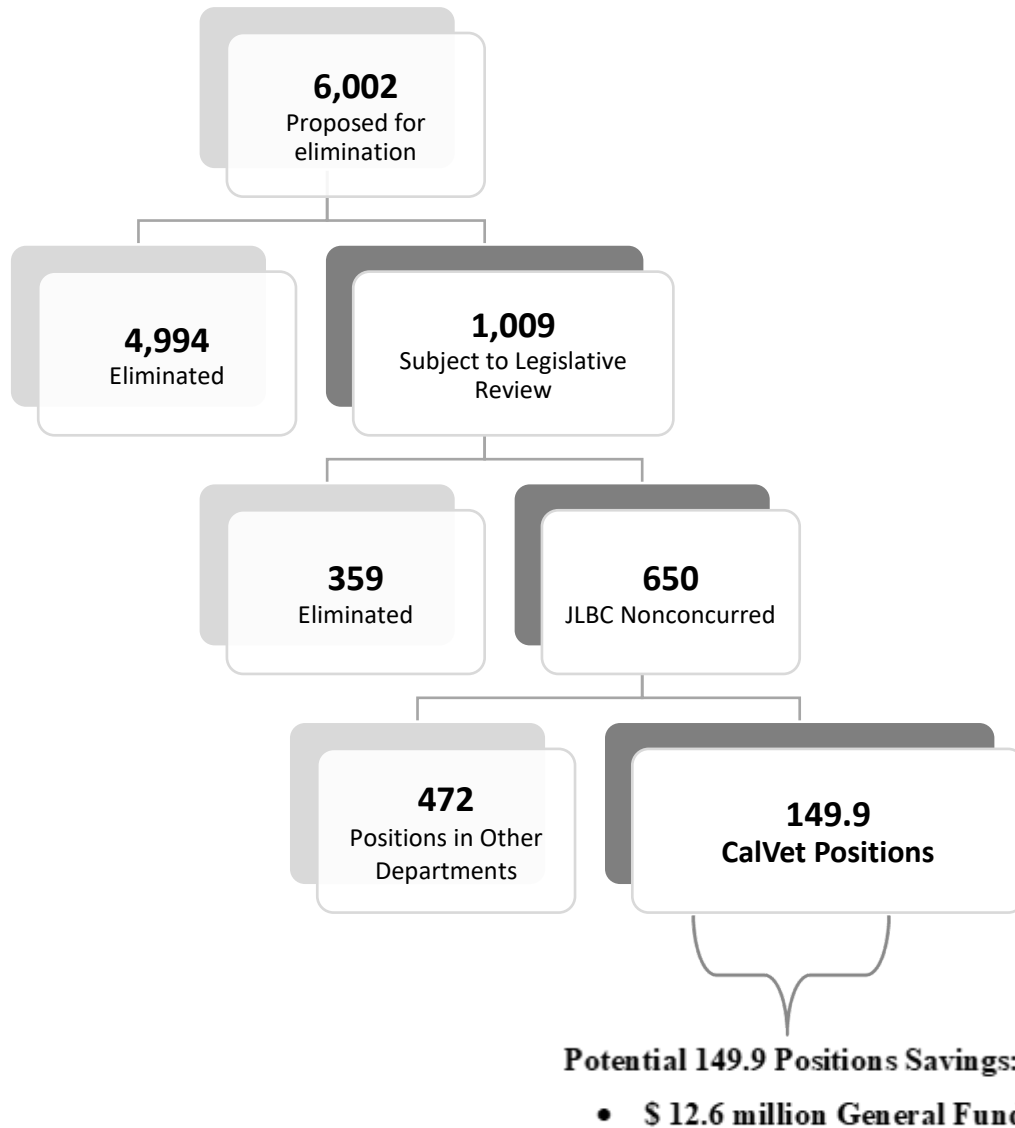
After reviewing responses from the various departments to questions posed by the JLBC, the committee identified 650.1 positions that merited additional review by the Legislature and issued a [response letter](#) on December 29, 2025 non-concurring with their elimination.

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, 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 149.9 Positions within the
Department of Veterans Affairs



JLBC = Joint Legislative Budget Committee; CalVet = Department of Veterans Affairs

Position Eliminations at Department of Veterans Affairs

Of the 6002.4 positions proposed for permanent elimination, 178.4 positions are within the Department of Veterans Affairs (CalVet) – accounting for savings of \$15.1 million General Fund. According to Governor’s budget, CalVet has 3,544.1 authorized positions.

JLBC's Review of Proposed Eliminations. Of the 178.4 positions, JLBC non-concurred with the elimination of 149.9 positions. Maintaining the positions would result in a loss of savings totaling \$12,646,000 General Fund.

The JLBC tried to identify positions that, if filled, could provide direct care to veterans. The 149.9 positions are primarily certified nursing assistants (CNAs) and the proposed eliminations warranted additional review by the budget subcommittees.

The CNAs proposed for elimination are located at the Veterans Home of California at Yountville (62 CNA positions) and the Veterans Home of California-Greater Los Angeles Ventura County (GLAVC) (86.7 CNA positions). After the elimination of these positions, the two homes will still maintain the full-time equivalent (FTE) number of CNA positions as follows:

- Yountville: 133.5 FTEs
- GLAVC: 161.7 FTEs

CalVets indicated that there are significant challenges in recruiting workers to fill vacancies. According to the department, CNA vacancies at the Yountville and GLAVC Homes reflect broader statewide workforce challenges that have intensified since the COVID-19 pandemic. The long-term-care sector continues to face a significantly reduced labor pool, accelerated retirements, and increased competition from higher-paying private employers. These two homes also operate in high-cost-of-living regions, making it difficult to recruit and retain CNAs at competitive salary levels. Despite expanded recruitment and retention efforts, the statewide shortage of direct-care staff continues to outpace supply, resulting in persistent vacancies that constrain admission capacity and staffing stability.

Even after the elimination of the proposed positions, the two homes will still have a high number of vacancies. After accounting for the proposed eliminations, the vacancies for the two homes as of November 2025 was as follows:

- Yountville: 29.5 FTEs (22.1% Vacancy Rate)*
- GLAVC: 30.7 FTEs (18.9% Vacancy Rate)*

*Rates calculated as of November 2025. These totals do not include positions identified for elimination.

Concerns with the Elimination of Positions at CalVet. Filling vacant clinical positions would not change the quality or amount of care currently provided to veterans. The department continues to maintain nursing staff levels that provide more than the minimum of 3.5 direct care service hours per patient day. However, if the positions were filled, the homes could potentially increase capacity to admit and serve more veterans. The Yountville and GLAVC Homes have significant waiting lists for housing, with 215 people on the wait list for Yountville and 121 people for GLAVC, as of March 11, 2026. Since state regulations require the Veterans Homes to maintain sufficient nurse-to-resident staffing ratios, the number of veterans that can be admitted is limited by the department's ability to fill vacancies. Filling

CNA positions requires hiring other non-CNA positions (janitorial, maintenance, security, food service and other support staff) to ensure that veterans are provided with all the services they need to live at the homes and could trigger a need to hire additional staff. Finally, the level of care varies depending on the needs of each individual resident and CNAs may not be the appropriate level of staffing for all veterans.

Staff Recommendation: Hold open.

8260 ARTS COUNCIL

Item #7: Arts Council and Cultural Districts Funding – Information Only

Background: The California Arts Council (CAC) engaged in a variety of activities which are supportive of the arts within the state. Among other things, the CAC encourages the awareness of art and artistic expression, assists local groups in developing arts programs, promotes employment of artists, and provides for the exhibition of artwork in public buildings. A key component of CAC’s mission is providing grants to art programs throughout the state.

CAC grants typically fall into three major categories: CAC Arts Grant allocations, Cultural District grants, and Arts in Corrections programming grants. The following table shows the 2025-26 and proposed 2026-27 budget for CAC.

	FY 25-26	PROPOSED FY 26-27
CAC Arts Grant allocations	\$19,533,000	TBD
Cultural Districts	\$100,000	\$ ---
Actor’s Gang	\$1,000,000	\$ ---
South Los Angeles Historic Black Cultural District	\$2,500,000	\$ ---
Arts in Corrections	\$7,200,000*	\$7,200,000*
Support / Operations	\$6,283,000	TBD
Total Annual Budget	\$36,616,000	\$37,970,000

*Expenditure dictated by Interagency Agreement with CDCR

California’s Cultural Districts program began with \$300,000 of pilot-level funding in the 2017 Budget Act. The 2022 Budget Act appropriated \$30 million General Fund to support the existing cultural districts and expand the use of funding to serve traditionally underserved communities and represent a cohort that reflects the geographic and racial diversity of the state. The funds were to be encumbered by June 30, 2025, however, the 2023 Budget Act reverted \$20 million of the \$30 million available for this program. The budget maintained the remaining \$10 million to support the fourteen existing designated districts. In December 2025, 10 new Cultural Districts were designated. Each received \$10,000, a 10 percent portion each of the \$100,000 in current-year funding set aside for the Cultural Districts. The CAC anticipates that additional Cultural Districts will be designated in the future, but plans for further expansion are still being assessed as to funding, timing, and number of districts.

The following charts provide an overview of the CAC’s 2025-26 Local Assistance allocations by program area funding and by number of grants:

CAC FY25-26 Local Assistance Allocations by Program Area

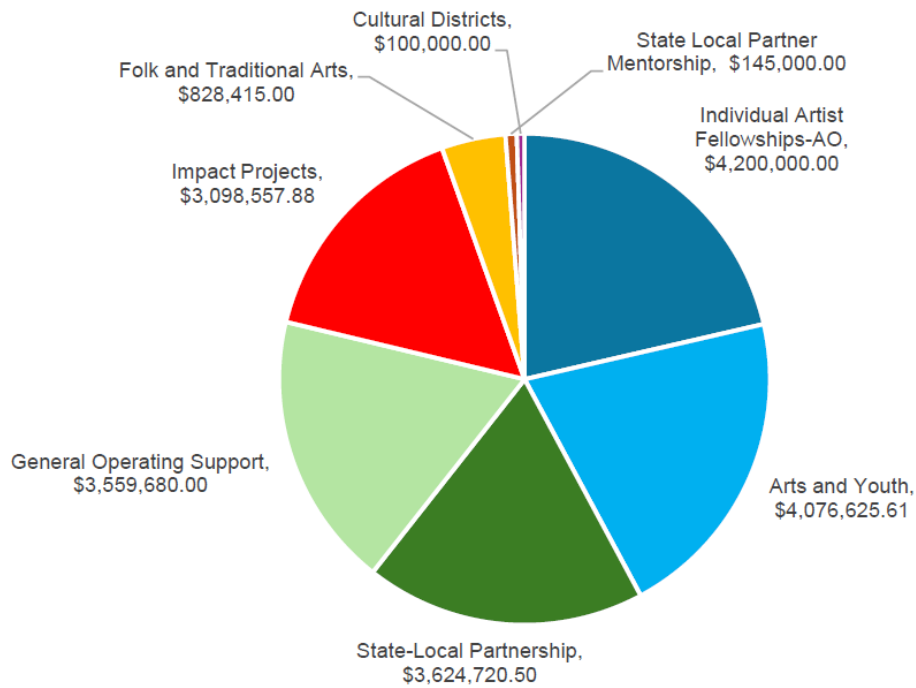


Table: Breakdown of FY25 Local Assistance Grants by Program

Program	Number of Grants
Arts and Youth	215
Folk and Traditional Arts – Administering Organization	1
General Operating Support	236
Impact Projects	162
Individual Artist Fellowships-Administering Organization	8
State Local Partner Mentorship	3
State-Local Partnership	54
Cultural Districts	10

8940 MILITARY DEPARTMENT (CALGUARD)

Item #8: Drug Interdiction Continuation

Request: The Governor’s budget requests, for the California Military Department (CMD), \$30 million General Fund (\$15 million in 2026-27 and \$15 Million in 2027-28) to provide continued support for the CMD’s state funded drug interdiction efforts.

Background: The 2022 Budget Act provided \$30 million general fund over two years for CMD’s drug interdiction efforts and specified that CMD was to prioritize illegal drugs that can cause overdose deaths. With the authorized funding, CMD established the state Counterdrug Task Force (CDTF) to support drug interdiction efforts. The proposal states that in March 2023, the CDTF program was included as a key component in the Governor’s Master Plan for Tackling the Fentanyl and Opioid Crisis.

The Budget Act of 2024 authorized another \$30 million over two years (\$15 million for 2024-25 and \$15 million for 2025-26). The Administration states that this investment has removed more than \$2.4 billion worth of Illicit drugs from California streets and contributed to a decline in overdose deaths, with an estimated 8,046 reported in Calendar Year 2024, a 29.4 percent reduction from the 11,388 deaths in Calendar Year 2023.

The proposal states that approval of the current funding request would allow CDTF to maintain its support for local, state, tribal and federal law enforcement agencies, and preserve interagency partnerships that have reduced drug trafficking. The Administration also states that the proposal complies with California’s Drug Interdiction and Counterdrug Activities Plan (State Plan) that was signed by the Governor, the State Attorney General, and the United States Secretary of Defense. CDTF also works with the federal Office of National Drug Control Policies’ High Intensity Drug Trafficking Area (HIDTA) program. The HIDTA program coordinates local, state, federal and tribal LEAs’ narcotic enforcement efforts through several multi-agency Task Forces throughout the State. California has four regional HIDTAs: Los Angeles HIDTA, Northern CA HIDTA, Central Valley HIDTA, & San Diego/Imperial HIDTA.

Programmatically, CDTF is comprised of servicemembers who are in a Title 32 status (those who are part of federally funded programs), as well as servicemembers who are in an Emergency State Active-Duty (ESAD) status (those who are funded by the continuing drug interdiction funding from the state). While the program includes two duty statuses of servicemember, CMD has stated that no single servicemember is in more than one duty status. Servicemembers in an ESAD status can provide support to federal law enforcement (generally under the umbrella of a HIDTA), but such is limited to strict counter-narcotics interdiction missions.

The table below represents the amount of funding CMD receives from the federal government for drug interdiction activities by year.

Year	FFY 22	FFY 23	FFY 24	FFY 25	FFY 26
Total	\$25,842,440	\$26,732,297	\$38,128,053	\$39,825,502	\$40,131,798

Staff Recommendation: Hold open.

Vote Only Items

0890 SECRETARY OF STATE**Item #9: Help America Vote Act - VoteCal**

Request: The Governor’s budget requests, for the Secretary of State (SOS), \$10.3 million Federal Trust Fund authority in 2026-27 for maintenance and operations, election management systems, data lines, and off-premises cloud costs for the VoteCal statewide voter registration system.

Background: The SOS is responsible for overseeing the administration of California elections. The statewide voter registration system, VoteCal, supports the registration of voters in California. To fulfill the purposes of the voter registration program, the state distributes voter registration cards through many channels, including local advocacy groups, other state and local agencies, and provides online access to registration materials. The SOS also provides online voter registration and interfaces with the Department of Motor Vehicles to process automatic voter registrations.

The federal Help America Vote Act of 2002 (HAVA) mandates that each state implement, maintain, and administer a uniform, centralized, interactive, computerized voter registration database. VoteCal serves as this system within California, and is the single system for storing and managing the official list of registered voters in the state. HAVA also mandates that the voter registration system utilize data that is contained in systems at the DMV, the California Department of Public Health, and the California Department of Corrections and Rehabilitation for voter identification or verification and list maintenance purposes. The VoteCal system also interfaces with the Employment Development Department to validate and correct address information against the U.S. Postal Service’s National Change of Address system as required by state and federal law.

The Administration is requesting the Federal Trust Fund authority within this proposal for costs associated with VoteCal maintenance and operations, including for a data analysis consultant, security assessments, and election management systems support and verification. The proposal also states that this authority allow SOS to support the VoteCal system and assess the program for vulnerabilities and performance enhancements. The funding also will support increased connectivity costs with counties and the maintenance of the VoteCal system on a California Department of Technology off-premises cloud environment.

\$11.3 and \$10.9 million in one-time Federal Trust Fund authority was approved, respectively, in the 2024 and 2025 Budget Acts, for similar purposes. The proposal states that VoteCal is adequately funded by federal funds. Although HAVA funding has generally been appropriated annually for similar and reoccurring purposes, the HAVA program currently has a remaining balance of \$36.8 million dollars. Without additional funds from the federal government, it is estimated that the HAVA funds could be fully expended by fiscal year 2027-28. To date, California has been allocated \$479.6 million in federal funds to implement these mandates. Including interest earned, the state has received \$537.6 million in total HAVA funds.

It is anticipated that federal funding for HAVA will be depleted within 2027-28, with the SOS needing to submit a request for ongoing funding from the General Fund to maintain compliance with the mandated requirements of HAVA. The SOS states that maintaining compliance with the mandates of HAVA would not be possible barring another funding source.

Staff Recommendation: Approve as budgeted.

Item #10: Help America Vote Act - Spending Plan

Request: The Governor’s budget requests, for the Secretary of State (SOS), \$4.5 million Federal Trust Fund authority in 2026-27 to continue implementation of the statewide mandates of the Help America Vote Act of 2002.

Background: The federal Help America Vote Act of 2002 (HAVA) mandates that each state implement, maintain, and administer a uniform, centralized, interactive, computerized voter registration database. The requirements of HAVA include statewide modernization or replacement of voting equipment, education and training programs for election officials and poll workers, development, and dissemination of voting information to increase voter participation and confidence, voting system testing and approval, and a statewide voter registration database.

The Administration makes the present request for Federal Trust Fund authority to continue implementation of the statewide mandates of HAVA. This request is distinct and separate from the request for maintenance and operating costs for VoteCal, the statewide voter registration database which is also contained within this agenda.

The request sets forth the following plan for HAVA spending in 2026-27:

<u>HAVA Spending Plan for 2026-27</u>			
<u>Activity</u>	<u>Amount</u>	<u>HAVA Citation</u>	
HAVA Activities			
Voting System Testing & Approval – Support	\$ 735,000	HAVA Required – Section 301	
Voter Education – Support	\$ 500,000	HAVA Required – Section 302	
Administration – Support	\$ 1,588,000	HAVA Allowable – Sections 101, 251	
Polling Place Accessibility Training	\$ 269,000	HAVA Allowable – Section 251	
Ballot Tracking System	\$ 1,100,000	HAVA Allowable – Sections 101, 251	
Election Auditing - Support	\$ 300,000	HAVA Allowable – Sections 101, 251	
HAVA Activities Total	\$4,492,000		

\$15 and \$8.4 million in one-time Federal Trust Fund authority was approved, respectively, in the 2024 and 2025 Budget Acts, for similar purposes.

Although HAVA funding has generally been appropriated annually for similar and reoccurring purposes, the HAVA program currently has a remaining balance of \$36.8 million dollars. Without additional funds from the federal government, it is estimated that the HAVA funds could be fully expended by fiscal year 2027-28. To date, California has been allocated \$479.6 million in federal funds to implement these mandates. Including interest earned, the state has received \$537.6 million in total HAVA funds.

It is anticipated that federal funding for HAVA will be depleted within 2027-28, with the SOS needing to submit a request for ongoing funding from the General Fund to maintain compliance with the mandated requirements of HAVA. The SOS states that maintaining compliance with the mandates of HAVA would not be possible barring another funding source.

Staff Recommendation: Approve as budgeted.

Item #11: Business Programs Division Workload Increase

Request: The Governor’s budget requests, for the Secretary of State (SOS), a permanent augmentation of \$3.8 million from the Business Fees Fund beginning in 2026-27 to support the ongoing needs of the Business Programs Division. This request includes: (1) \$3.6 million to permanently fund 37 existing positions that are limited term funded through June 30, 2026, and (2) \$268,000 to provide ongoing support for 33 positions that were reclassified in 2023-24.

Background: The SOS serves millions of businesses which file documents (over 120 different types of business filings), public applications, lien filings, notices of state and federal tax liens, access vital business records, and more. SOS. The SOS maintains these business records and provides information related to business filings to the public and other governmental agencies through the Business Programs Division.

In July 2013, the SOS temporary funding and 56 positions to address a workload backlog to allow the SOS to complete the California Business Connect Project automation project. The project is now known as “Bizfile Online” and was fully implemented on April 7, 2022. Bizfile provides an electronic alternative to paper-intensive filings and document requests. In 2023-24, the SOS received temporary funding for 37 positions, and a reclassification of 33 other positions to address the increased volume of Business Programs Division (BPD). This temporary funding is set to expire on June 30, 2026.

Information on the reclassification of positions is set forth in the following table:

PY (Personnel Year)	Original Classification	Reclassified Classification
1.0	Information Technology Manager I (1405)	Staff Services Manager III (4802)
1.0	Supervising Program Technician III (9926)	Assoc. Govtl. Program Analyst (5393)
27.0	Program Technician (9927)	Program Technician II (9928)
3.0	Office Assistant – Typing (1379)	Program Technician II (9928)
1.0	Office Assistant – General (1441)	Program Technician II (9928)
(Total) 33.0		

The proposal states that the BPD has faced increased workload volumes, and that the previous need for the positions still exists. For this reason, the Administration is putting forth the present funding request to (1) convert the 37 existing limited funded positions from 2023-24 to permanently funded positions, and (2) provide continued support of 33 positions that were reclassified in 2023-24. The Administration reports the Business Fees Fund is solvent.

Staff Recommendation: Approve as budgeted.

Item #12: Bizfile Online Maintenance and Operation Funding
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Request: The Governor’s budget requests, for Secretary of State (SOS), transfer of \$1 million of the maintenance and operations costs of the “Bizfile Online” program from the Business Fees Fund to the Business Programs Modernization Fund in 2026-27 and annually thereafter.

Background: The California Business Connect Project, now known as Bizfile Online (Bizfile), was funded by the Business Fees Fund and the Business Programs Modernization Fund. Upon completion of the project, the 2023 Budget Act included \$7.696 million for the maintenance and operation phase Bizfile. While the request for this funding originally included partial funding from the Business Program Modernization Fund, only funding from the Business Fees Fund was approved.

The proposal states that the Business Programs Modernization Fund has continued to collect fees which could be properly applied to Bizfile maintenance and operations expenses and therefore requests that a portion of the ongoing maintenance and operations expenses be transferred to the Business Programs Modernization Fund, as was originally requested in the 2023 proposal. The Administration states that this transfer will alleviate demand on the Business Fees Fund, which is the Business Programs Division’s main source of funding, and would allow a larger portion of the Business Fees Fund to be considered for other appropriate purposes in the future.

The SOS reports that if a portion of the Maintenance and Operations costs were paid from the Business Programs Modernization Fund, a portion of the Business Fees Fund could be used for the following purposes:

- **Workforce Stabilization:** An ongoing augmentation to convert limited-term funded positions to permanently funded positions and permanently funding monies to reclassified roles (as requested in the Workload Increase BCP).
- **Infrastructure:** Continued development of the Notary Automation Program Replacement Project (NAP 2.0) by modernizing legacy functions by integrating online application management capabilities, including functions and requirements tied to Remote Online Notarization (SB 696), a searchable public database, and electronic apostille/authentication capabilities.
- **Strategic Enhancements:** Continued support of the business community and the programs from which fees are collected, including expansion of fraud prevention efforts, continued evolution of the Bizfile Online portal, and increased accessibility for public services.

Staff Recommendation: Approve as budgeted.

Item #13: Elected Official and Candidate Confidential Voter Registration (AB 1392)

Request: The Governor’s budget requests, for the Secretary of State (SOS), a one-time augmentation of \$660,000 General Fund in 2026-27 to implement confidential voter registration requirements as prescribed by AB 1392 (Sharp-Collins), Chapter 300, Statutes of 2025.

Background: The SOS is the chief elections office in the state and has the duty of maintaining and administering the elections code, promoting voter registration to eligible voters, and encouraging eligible voters to vote.

Pursuant to the federal Help America Vote Act (HAVA) of 2002, each state is required to establish a uniform, centralized, statewide voter registration database that serves as the single system of record for storing and managing the official list of registered voters in the state. The SOS implemented the VoteCal statewide voter registration system to meet these requirements. VoteCal contains a module for maintaining statewide voter registration information as well as stand-alone modules for state candidate filing and election night reporting. The module allows the SOS to track the status of potential candidates and generate the certified list of candidates, nominated candidates, and elected officials for each election.

VoteCal and the SOS provide a variety of services and databases. The SOS provides an online “MyVoterStatus” lookup tool where voters can enter in personal information to access their personal voter registration information contained in VoteCal (including, address, county, political party preference, language preference, upcoming election information, and prior voting participation history). The SOS also administers a confidential address program that offers a substitute mailing address to receive mail for victims of domestic violence, sexual assault, stalking, human trafficking, child abduction, elder or dependent adult abuse, reproductive health care workers, and public entity employees who are in fear of their safety.

While voter registration information is generally confidential some candidates, initiative and referendum committees, and others may obtain specified information (name, address, precinct data, party, voter participation history, etc.) for election, scholarly, journalistic, or political or governmental purposes subject to approval by the SOS or local elections officials (“voter registration file request”). Social security numbers, driver’s license/California Identification number, and signature image are excluded from voter registration file requests by law.

AB 1392 requires that the voter registration information of all federal, state, and local elected officials and candidates be made confidential and excluded from all voter file requests, voter lists, rosters, and indexes and prohibits certain related disclosures.

The Administration’s proposal states that to comply with AB 1392, VoteCal must be modified to allow voter records for elected officials and candidates to be designated as confidential voters, while still allowing for the operation of other registration file requests generated through VoteCal. AB 1392 also allows elected officials and candidates to opt out of having their voter registration information made confidential. The proposal states that the current VoteCal system does not have this functionality and would need to be modified for the SOS to comply. The proposal states that all modifications required by AB 1392 would necessitate SOS to contract with a vendor to design, develop, test, and implement the required changes.

Staff Recommendation: Approve as budgeted.

Item #14: Implementation of Mandated Disclosure Requirements, Political Reform Act

Request: The Governor’s budget requests, for the Secretary of State (SOS), \$187,000 General Fund in 2026-27 and \$182,000 in 2027-28 and ongoing for 1.0 permanent position to provide comprehensive supervisory, management, and oversight of the complex areas of Campaign, Lobbying and Customer Support operations within the Political Reform Division and implement requirements of multiple changes to Government Code Sections.

Background: Existing law and the Political Reform Act of 1974 (PRA) requires lobbying firms, lobbyist employers, lobbying coalitions, and individual lobbyists to register and file periodic reports with the SOS. It also requires lobbyists to complete and verify period reports containing information on lobbying activities.

The PRA Appendix VI, titled “Sections of the Political Reform Act with a Future Operative Date” lists sections of the PRA which are scheduled to become effective in 2026-27, and the Administration states that the SOS will have to provide program oversight, implementation, and management of changes prompted by over 40 sections. The provisions, enacted through various legislative measures, generally aim to enhance transparency, accountability, and efficiency in political processes.

Within the SOS, the Political Reform Division (PRD) administers campaign and lobbying registration and disclosure filing requirements and ensures receipts and expenditures in election campaigns are fully and truthfully disclosed.

Changes include, but are not limited to:

- **Campaign Reporting and Disclosure Enhancements**

- Government code sections introduce additional timelines and requirements for reporting preelection statements, late contributions, independent expenditures, and ballot measure contributions.
- Government code sections focus on the expansion of electronic filing systems for campaign reports, facilitating easier access and improved efficiency including sections amended by AB 2528 (Bigelow), Chapter 500, Statutes of 2022, requiring elected local government officers and candidates for elective local government office who meet specified criteria to file with the SOS.
- Government code redirects responsibility from the California Fair Political Practices Commission to the SOS to maintain an accurate lists of top ten contributors.

- **Lobbying Activity Regulations**

- Government code amended by SB 459 (Allen), Chapter 873, Statutes of 2022, requires lobbying entities to disclose additional information on lobbying reports, increases the frequency of reporting if certain conditions are met, and requires additional disclosures on issue lobbying advertisements.

- **Slate Mailer Organizations**

- Government code requires slate mailer organizations to file statements of organization, providing clarity on their operations and affiliations online with the SOS within 24 hours of qualifying as a slate mailer organization.

The Administration's proposal requests one Supervisor II position within the PRD to manage workload associated with new provisions set to become effective. The requested position would allow more current staff within PRD to continue to focus on policy administration and other duties ordinarily occurring.

The proposal states that PRD's legislative analysis of SB 459 estimated SOS costs of approximately \$252,000 in the first year and \$242,000 annually thereafter to support two staff positions. Rather than moving forward with the original request to add two staff positions, the Administration is stating that PRD will use existing staff combined with the additional oversight provided by the requested Supervisor II to oversee and implement necessary changes.

Staff Recommendation: Approve as budgeted.

Item #15: Safe at Home Expanded Access (AB 82)
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Request: The Governor’s budget requests, for the Secretary of State (SOS), two positions and \$341,000 General Fund in 2026-27 and \$263,000 General Fund annually thereafter to implement the provisions of AB 82 (Ward), Chapter 679, Statutes of 2025, which expands “Safe at Home” eligibility to designated health care providers, employees, volunteers, and patients, and their family members.

Background: The Safe at Home (SAH) program, established under Government Code Sections 6205-6210 and 6215-6216, is the state’s address confidentiality program, and is administered by the SOS. It seeks to protect victims of domestic violence, stalking, sexual assault, human trafficking, elders/dependent, and reproductive healthcare facility employees, providers, patients, and volunteers who fear for their safety due to their affiliation with a reproductive healthcare facility. The program has been expanded by legislation several times in previous years.

- SB 1131 (Newman), Chapter 554, Statutes of 2022, expanded SAH eligibility to public entity workers and employees and their family members, who fear for their safety because of their work for a public entity.
- AB 243 (Alanis), Chapter 642, Statutes of 2023, expanded SAH eligibility to victims of child abduction, and their household members.
- AB 82 (Ward), Chapter 679, Statutes of 2025, expands SAH program eligibility to include gender-affirming health care providers, employees, volunteers, and patients who fear for their safety or the safety of their family because of their affiliation with a gender-affirming health care services facility.

The SAH program provides participants with a substitute mailing address, mail forwarding, and access to services like confidential name change, voter registration, Attorney General’s Online Privacy Protection, and DMV records suppression, among other things. The Administration states that program participation has grown 66 percent in five years, from 4,319 participants in 2019 to 7,167 in 2024. During this period, the program has received and processed 1,717 new applications per year.

The proposal states that, despite the high rate of SAH program use, the program operates with limited resources. Total program resources include \$2.2 million General Fund annually and 17 authorized positions. These include one Manager II, one Manager I, three Supervisor Is, six Analyst IIs, four Program Technician IIs, one Office Technician, and one Information Technology Specialist II.

The administration states that the additional workload and statutory requirements introduced by AB 82 have outpaced current staffing and operational capacity. SOS data indicates substantial growth in participant volume, application processing, and outreach needs and the request suggests that the significant ongoing use demonstrates the need to scale program capacity as eligibility grows.

With AB 82, the SOS will be required to expand the SAH program eligibility to include gender-affirming health care providers, employees, volunteers, and patients who are fearful for their safety or the safety of their family because of their affiliation with a gender-affirming health care services facility.

According to the California Department of Public Health there were an estimated 220,000 Trans/Transgender/Gender Non-Binary adults in California, in 2016. The total estimated population

within the state of transgender and non-binary adults, transgender youth, and gender affirming care providers, employees, volunteers, and family members is about 300,000. Although the Administration does not anticipate that all 300,000 would experience harassment and need to initiate participation in the program, the proposal states that if only .0023 percent of this total enrolled annually, that would amount to an increase of 700 participants each year.

The proposal therefore requests an Analyst II, Program Technician II, and program funds for portal licenses, postage, payment processing, translation services, brochure printing, and rulemaking/statutory update costs.

The Administration states the SOS would begin recruitment efforts for the positions following approval of the funding request. Once new staff are onboarded, revisions to SAH regulations to include the designated health care applicant type would begin in 2026 and be finalized in 2027.

Staff Recommendation: Approve as budgeted.

0950 STATE TREASURER’S OFFICE

Item #16: Electronic Resources Augmentation

Request: The Governor’s budget requests, for the State Treasurer’s Office (STO) Investment Division, an ongoing augmentation in reimbursements to meet the increasing costs associated with the Pooled Money Investment Account (PMIA).

Background: The Investment Division within the STO assists the State Treasurer in meeting their obligations as the state’s bank and chief investment officer. The Investment Division invests funds from the Centralized Treasury System into the Pooled Money Investment Account (PMIA) portfolio. The PMIA, created by legislation in 1955, is made up of commingled monies from the general fund, Surplus Money Investment Fund (SMIF), and the Local Agency Investment Fund (LAIF). The PMIA also manages the Time Deposit Program (TDP) which provides money to community banks at competitive rates allowing banks that receive time deposit funds to use the money to expand economic opportunity and create jobs in their communities.

The Administration states that the Investment Division prudently manages and safely invests the state’s idle or surplus monies to maximize earnings and to meet the cash flow needs of the state. State investment of public funds is generally subject to high scrutiny. The investment program includes a variety of complex investment instruments which require ongoing analysis and review. The proposal states that the program utilizes more than 100 brokers, dealers, banks and direct issuers of commercial paper and corporate debt. As of June 30, 2025, the PMIA total value was \$178.1 billion with daily investment activity for the month averaging \$3.184 billion.

The STO's Investment Division currently utilizes seven fee-based electronic subscriptions services. The proposal states that these services are critical to the business and operational needs of the division and that the subscriptions are standard in the investment community. The proposal also points to the growth of the PMIA as justification for the continuing need for these subscriptions. The PMIA has grown by over \$77 billion dollars in the past five years, from \$100.1 billion on June 30, 2020, to \$178.1 billion as of June 30, 2025.

The Administration states that the Investment Division’s access to these electronic subscription services are vital to the prudent investment of state taxpayer funds and will allow the Investment Division to continue their work with all due precaution. The proposal does not consider any new or improved services that may become available in the future.

The fiscal details section of the proposal sets forth the following costs associated with the electronic investment resources.

Budget Request Summary

	FY26					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Program Summary						
Program Funding						
0740010 - Investment Services	0	101	153	215	282	353
Total All Programs	\$0	\$101	\$153	\$215	\$282	\$353

Staff Recommendation: Approve as budgeted.

Item #17: Investment Portfolio Tracking System

Request: The Governor’s budget requests, for the State Treasurer’s Office (STO) Investment Division, ongoing reimbursement funding for a third-party vendor to provide a modern portfolio tracking system platform that will improve transparency, streamline workflows, ensure regulatory compliance, and provide analytics.

Background: The Investment Division within the STO assists the State Treasurer in meeting their obligations as the state’s bank and chief investment officer. The Investment Division invests funds from the Centralized Treasury System into the Pooled Money Investment Account (PMIA) portfolio. The PMIA, created by legislation in 1955, is made up of commingled monies from the general fund, Surplus Money Investment Fund (SMIF), and the Local Agency Investment Fund (LAIF). The PMIA also manages the Time Deposit Program (TDP) which provides money to community banks at competitive rates allowing banks that receive time deposit funds to use the money to expand economic opportunity and create jobs in their communities.

The Administration states that the Investment Division prudently manages and safely invests the state’s idle or surplus monies to maximize earnings and to meet the cash flow needs of the state. State investment of public funds is generally subject to high scrutiny. The investment program includes a variety of complex investment instruments which require ongoing analysis and review. The proposal states that the program utilizes more than 100 brokers, dealers, banks and direct issuers of commercial paper and corporate debt. As of June 30, 2025, the PMIA total value was \$178.1 billion with daily investment activity for the month averaging \$3.184 billion.

The Administration states that upgrading the platform the portfolio tracking system used by the Investment Division at STO will improve operational efficiency and reduce redundant work and have put forth the current proposal to allow the SOS the reimbursement authority to pursue such upgrades. The proposal states that the approval of the funding would allow the SOS to improve operational efficiency and reduce redundant workload, as well as providing more accurate and timely reporting data. The proposal also states that the new platform would increase process automation, reduce manual errors, and ensure compliance with industry regulations and accounting standards.

The proposal puts forth the following estimated costs of the portfolio tracking system by Fiscal Year:

Portfolio Tracking System

SUB- SCRIPTION	FISCAL YEAR						TOTAL
	2025-2026	2026-2027	2027-2028	2028-2029	2019-2020	2029-2030	
Bloomberg	400,000.00	440,000.00	484,000.00	532,400.00	585,640.00	644,204.00	3,086,244.00
<i>% change</i>		10%	10%	10%	10%	10%	

Staff Recommendation: Approve as budgeted.

0840 STATE CONTROLLER

Item #18: Integrated Database Management System (IDMS) Software Licensing Costs

Request: The Governor’s budget requests, for the State Controller's Office (SCO), \$9,963,000 [\$6,077,000 General Fund (GF), \$3,886,000 and Central Service Cost Recovery Fund (CSCRF) in 2026-27 for the contracted costs for Broadcom Inc.’s Integrated Database Management System (IDMS) software, including licensing fees, annual maintenance fees.

Background: SCO relies on the Integrated Database Management System (IDMS) software to operate its critical applications on the mainframe hosted by the California Department of Technology (CDT). IDMS is a legacy mainframe database management system developed in the 1960s and 1970s. Today, 10 SCO systems (three core systems and seven sub-systems) rely on IDMS and are scheduled for eventual replacement by the California State Payroll System (CSPS) project. However the proposal states that until such transition is complete, IDMS remains essential to SCO’s operations. The current three-year license agreement with vendor Broadcom Inc. (Broadcom) for IDMS is set to expire on March 31, 2026, and its renewal is projected to incur a 35-percent cost increase. The SCO stated in responses to questions from Senate Budget staff that Broadcom acquired the IDMS database product in 2017 through its acquisition of CA Technologies. As a result, Broadcom became the sole owner and distributor of IDMS. The SCO states that no alternative sources are available. The current contract is for a five-year period.

SCO depends on these remaining IDMS-based systems to carry out core responsibilities, including payroll, personnel, auditing, and financial functions. Many of these systems are large, complex, and high-volume, integrating with other systems through direct interfaces to support state operations. Although SCO is the user of the database system, the California Department of Technology is the contract owner and negotiates terms of the IDMS contract on behalf of the SCO.

The following chart shows historical and current year expenditures associated with IDMS at SCO:

Resource History Table
(Dollars in thousands)

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26 ¹
Authorized Expenditures	\$5,000	\$5,000	\$5,000	\$7,331	\$7,331	\$7,331
Actual Expenditures	\$4,589	\$4,589	\$4,917 ²	\$7,337	\$7,343	\$7,998

¹ Projected includes the estimated 35-percent IDMS rate increase for April 2026 through June 2026.

² SCO received CDT credit from July 2022 through April 2023.

Currently, there are 10 remaining SCO systems supported by IDMS. Below are the three core systems and seven related sub-systems that are reliant on IDMS and are on-hold to be replaced by the CSPS project.

- Direct Deposit Claims System (1)
- Civil Services Payscale System (1)
- Leave Account System (1)
- Seven Sub-Systems (7)

This current proposal will provide only first year funding of the three-year contract, required for the Controller to fulfill the base level of IT support and operational services for SCO on behalf of all state departments.

Staff Recommendation: Approve as budgeted.

8955 DEPARTMENT OF VETERAN’S AFFAIRS (CALVET)

Item #19: Administrative Services Staffing

Request: The Governor’s budget requests, for the California Department of Veterans Affairs (CalVet), two positions and \$285,000 General Fund in 2025-26 and ongoing to augment staffing resources within the Administrative Services Division related to Budget Office workload.

Background: The Administration requests the 2 positions and related funding for CalVet to right-size staffing resources to meet the increase demands of the Budget Office within the Administrative Services Division (ASD). The request states that it is designed to create operational efficiencies and support CalVet’s strategic goals. The proposal states that the Budget Office requires additional support to keep pace with the increased volume of contract reviews, personnel actions, revenue projections and other associated budgetary responsibilities.

The Budget Office is responsible for an extensive list of responsibilities including preparation of the Governor’s Budget, processing current year budget adjustments, reviewing budget bill language, producing fiscal bill analyses, preparing budget change proposals and overseeing daily financial operations among other duties.

The Budget Office consists of 8 Headquarters (HQ) staff and 6 Analyst IIs located at 6 of the 8 homes, 2 Supervisor IIs, and 1 Career Executive Assignment. The HQ Budget Office maintains 5 Analyst IIs, 1 assigned to HQ Budgets, with the other 4 assigned to various Veteran Homes’ assignments. Since the creation of the Redding and Fresno Veteran’s Homes, no additional staff have been added to the HQ budget office to handle the increased responsibilities associated with the new Homes.

The proposal states that the inability to efficiently handle this increased workload volume of the Budget Office compromises the ASD's ability to support the department’s strategic goals and maintain compliance with state and federal regulations. This proposal seeks to address these gaps by augmenting staffing resources to provide an appropriate level of HQ budget staffing commensurate with the number of Homes.

The historical and projected workload metrics are set forth in the proposal as follows:

Workload Measure	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Budget Office:						
Request for Personnel Actions	1,236	1,272	1,245	1,138	1,086	TBD
Std. 607 Entries	142	80	147	137	290	TBD
Contract Requests	155	67	130	130	303	TBD
Contract Packages (Std. 213 and Std. 215)	101	76	106	110	478	TBD
Develop and Maintain Procedures	0	0	0	0	0	TBD
Totals:	1,634	1,489	1,601	1,513	1,978	

Projected Outcomes						
Workload Measure	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Budgets:						
Request for Personnel Actions	1,200	1,200	1,200	1,200	1,200	1,200
Std. 607 Entries	300	300	300	300	300	300
Contract Requests	325	325	325	325	325	325
Contract Packages (Std. 213 and Std. 215)	500	500	500	500	500	500
Develop and Maintain Procedures	2	3	5	7	10	10
Totals:	2,327	2,328	2,330	2,333	2,335	2,335

Staff Comment: A similar proposal was approved by Senate Budget Subcommittee #4 in 2025. The Administration withdrew the proposal at the May Revision and funding was not included in the 2025 Budget Act.

Staff Recommendation: Approve as budgeted.

Item #20: CalVet Electronic Health Record (CEHR) Project: Phase 3

Request: The Governor’s budget requests, for the California Department of Veterans Affairs (CalVet), \$1.6 million General Fund in 2026-27 and \$590,000 General Fund in 2027-28 and ongoing for the final implementation of Phase 3 of a new long-term care electronic health record system in the Veterans Homes of California and Headquarters. This includes funding for partial system handover – Maintenance & Operations (M&O) for Homes in Production costs, and for M&O, once all Homes go-live in October 2026.

Background: CalVet currently operates eight Veteran’s Homes located throughout the state, providing medical, dental, pharmacy, and rehabilitation services, as well as social activities. The Homes range in capacity from 60 residents on a 10-acre site to almost 900 residents on 615 acres. Together, the eight Homes have the budgeted capacity to house, care for, and serve approximately 2,300 residents.

The clinical care provided at Veteran’s Homes includes primary medical care services, nursing services, rehabilitation care, health information management, order management, pharmacy management, and scheduling. Resident administration and financial services provided at Veteran’s Homes and CalVet Headquarters include admissions, discharges, and transfers, resident billing and reimbursement, and resident finances. Ambulatory Care Clinics provide primary medical care services to residents in “Domiciliary and Residential Care Facility for the Elderly” level of care settings. Intermediate Care Facilities and Skilled Nursing Facilities provide long-term medical and nursing care to residents.

Currently, CalVet continues to maintain some Electronic Health Records (EHR) as well as paper records at the Redding and Fresno Homes and Headquarters. The current EHR capabilities do not allow CalVet to share EHR without multiple different systems along with additional paper records. This reality led to CalVet pursuing a unified and systemwide EHR solution. In December 2015, CalVet initiated a study of EHR technologies utilized by other state entities. CalVet was particularly interested in the EHR systems used at facilities like CalVet’s Veteran’s Homes.

In May 2016, the Department of Technology (CDT) approved early plans for the CalVet Electronic Health Records (CEHR) Project to replace CalVet’s current EHR. In March 2020, with requisite CDT approval, a project start date of March 9, 2020 was set. On March 18, 2020, CalVet and vendor Netsmart formally entered into a contract and launched the CEHR Project, which was to occur in three phases.

The implementation of the CEHR has faced project delays caused both by system related and contractual issues. Due, in part, to these issues, changes were proposed in the CEHRs CDT project schedule and budget. Additionally, due to the scheduling delay, the proposal states that additional funding was needed. The proposal states that despite the delays, CEHR is currently set to go live in all Veteran’s Homes in October 2026.

The 2025 Budget Act included \$5.2 million General Fund in 2025-26 for implementation of the health record system.

(Continued on the following page)

The proposal sets forth the following project funding summary:

CEHR Project Summary	2020-21 through 2025-26 Approved BCP Amount	2020-21 through 2026-27 Total Project Amount	Amount Requested for 2026-27	Amount Requested for 2027-28 and Ongoing
Netsmart Contract/Project Costs - Projected Payment Based on the New Updated Schedule in Amendment #3	\$15,578,445	\$15,779,385	\$200,940	N/A
Netsmart Contract/ Partial System Handover - M&O Costs for Homes in Production - Projected Payment Based on the New Updated Schedule in Amendment #3	\$2,332,914	\$3,583,127	\$1,250,213	\$550,479
Independent Project Oversight/CDT	\$1,116,500	\$1,199,588	\$83,088	N/A
Independent Verification & Validation (Ten Consulting)	\$1,096,373	\$1,161,373	\$65,000	N/A
Pharmacy Management – Framework ERX Licensing (Software Licensing)	\$176,902	\$216,102	\$39,200	\$39,200
Total	\$20,301,134	\$21,939,575	\$1,638,441	\$589,679

Staff Recommendation: Approve as budgeted.

8940 MILITARY DEPARTMENT (CALGUARD)**Item #21: State Active-Duty Salary and Benefits Adjustment**

Request: The Governor's budget requests, for the California Military Department (CMD), \$4,006,000 (\$1,853,000 General Fund (GF), \$1,969,000 Federal Trust Fund (FTF), \$64,000 Behavioral Health Services Fund (BHSF), and \$120,000 Reimbursement to align the pay and allowances of its State Active Duty (SAD) service members to those of service members of similar grade in the federal armed forces, and to provide funding for salary driven benefits (SDB) adjustments.

Background: Compensation for service members in the federal armed forces is set forth annually by the federal government in the National Defense Authorization Act (NDAA). The current version of the NDAA for federal fiscal year 2026 that is under consideration in Congress proposes a 3.8 percent pay increase for all service members, an average of 5.4 percent increase for the Basic Allowance for Housing (BAH) across all localities across the United States, and a 1.5 percent increase for the Basic Allowance for Subsistence (BAS).

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

The present proposal reflects pay and allowance increases based upon the version of the NDAA for federal fiscal year 2026 under consideration in Congress and will be amended in the at or near the May Revise with the authorized pay and allowances published by DFAS.

Staff Recommendation: Approve as budgeted.

Item #22: Task Force Rattlesnake Pay Adjustment

Request: The Governor’s budget requests, for the California Military Department (CMD), \$1,858,000 ongoing general fund to address annual salary adjustments for existing positions and resources to support increased costs of disability leave entitled to Service Members wounded, injured, or disabled in the active service of the state in the line of duty in accordance with California Military Veteran Code 340.1 for Task Force Rattlesnake (TF-RS)

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

The Administration is requesting \$1,858,000 is to support anticipated annual increase in pay, employer paid taxes, service member benefit stipends and increased premiums for program coverage through the State Compensation Insurance Fund (SCIF) as follows:

FUNDING SUMMARY

Funding Category	SFL Funding Request	Summary
State Compensation Insurance Fund (SCIF)	\$1,219,000	California Military Veteran Code (CMVC) 340.1
Yearly MILPAY Rate Increases	\$123,000	DoD rate increases for Base Pay, Basic Allowance for Housing (BAH), and Basic Allowance for Subsistence (BAS).
Supplemental Benefit Stipends	\$464,000	Increases include medical benefits, Clothing Replacement Allowances, and an Annual Boot Stipend.
Yearly EAP Rate Increases	\$39,000	Based on a comparison of historical DoD federal pay rate percentage increases versus U.S Department of Agriculture administratively determined pay rate percentage increases.
Yearly EAP Rate Increase Taxes	\$13,000	Employer-paid taxes based on applicable wages.

This increase in annual funding for TF-RS ESAD crewmember pay, entitlements and stipends allow the program to be sustained at its current personnel level while continuing to comply with the provisions California Military Veteran Code Sections 324 and 340.1.

Staff Recommendation: Approve as budgeted.

Item #23: Utility Baseline and Federal Trust Fund Authority Increase
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Request: The Governor’s budget requests, for the California Military Department (CMD), an increase of \$25,000,000 in additional baseline Federal Trust Fund spending authority for CMD’s facilities program, as well as a new utility baseline of \$2,406,000 (General Fund).

Background: CMD manages a statewide real property inventory of 5,846 assets, including readiness centers, training sites, ranges, aviation and maintenance shops. These facilities allow for training, mobilization, recruiting and emergency response. The Administration states that these facilities cannot be adequately sustained without increased Federal Trust Fund (FTF) Authority increases and an appropriation for annual utility costs. The proposal states that it is intended to align Federal Trust Fund authority with federally allocated funding levels to create a sustainable utility baseline, maximize available federal funds, and reduce long-term deferred maintenance costs.

Of CMD’s 5,846 real property assets, FTF authority can be directed into projects, utilities, or maintenance into any asset except those that are solely supported by state funds. 605 of the 5,846 real property assets (roughly 10 percent) are 100 percent supported by the state. The remaining 90 percent of CMD assets can benefit from the increase in the FTF authority. 3,409 of those assets require only federal funds, without a need for state support. The proposal argues that increasing FTF authority allows CMD to effectively utilize funds as they are received by National Guard Bureau (NGB).

The Administration states that an increase in FTF Authority is needed to utilize all available federal funding. In the Federal Fiscal Year 2025, the NGB allocated \$96.6 million of federal funding for the Facilities Operations & Maintenance Activities (FOMA) program, an increase of \$23.9 million over the prior year. This level of FOMA funding exceeded the Army National Guard’s FTF appropriation by more than \$6.1 million, requiring the CMD to submit a Section 28.00 letter to request the additional authority to receive NGB funds for the FOMA program during the current fiscal year. Federal Fiscal Year 2026 allocation has been received and is expected to be \$99.7 million, and is therefore also expected to exceed CMD’s FTF authority for 2025-26.

The proposal also includes a request for provisional budget bill language. Currently, CMD does not have authority to accept end of federal fiscal year offers from NGB. The proposal states that these funds are usually offered in the last six weeks of the federal fiscal year. These opportunities are said to have a short timeline for state acceptance, often two weeks or less, which would in some cases prevent CMD from requesting authority through the 45-day section 28.00 process.

The Administration states that when CMD cannot augment its authority in time to accept NGB’s offers of funding it loses out on the opportunity to receive additional federal funds. CMD is proposing provisional budget bill language that will allow for more expedient approval for augmentation to its Federal Trust Fund authority. Under the provisional budget bill language, the Director of Finance must notify the chairperson of the Joint Legislative Budget Committee in writing within 10 days of adjusting any amount under this provision and include a spending plan listing the intended projects to be supported by the additional funds.

The proposal is primarily concerned with addressing health and safety concerns at the Fresno-Dakota, Oroville, and San Diego (roof replacements) and Azusa, Lancaster, and Long Beach (Fire Alarm Control Panels). Upon completion, each armory will continue maintenance and utilize warranties as funding is provided.

Staff Recommendation: Approve as budgeted and approve modified placeholder budget bill language similar in form and substance to the following:

“Upon approval and order of the Department of Finance, for the period from July 1 to September 30 of each year, the amount available for expenditure in Schedule (1) and Schedule (2) may be augmented by an amount sufficient to cover the costs associated with the California Military Department entering into unanticipated agreements made with the National Guard Bureau. The Director of Finance must notify the chairperson of the Joint Legislative Budget Committee in writing within 10 days of adjusting any amount under this provision. Any notification made pursuant to this provision shall include a spending plan listing the intended projects to be supported by the additional funds.”

Item #24: Deferred Maintenance (Facilities and Infrastructure)

Request: The Governor’s budget requests, for the California Military Department (CMD), \$2,750,000 General Fund one-time to allow for a state match to address safety issues at the Fresno-Dakota, Oroville, and San Diego armories for roof replacements, and at the Azusa, Lancaster, and Long Beach armories for fire alarm control panel and system repairs.

Background: CMD proposes to replace three roofs which the proposal states are in desperate need of replacement at the Fresno-Dakota, Oroville, and San Diego armories. All three armories are state property. All three roofs listed above are in a deteriorating state with expired warranties and reside within facilities that have been prioritized due to the poor roof condition, maintenance staff comments, and the likelihood of impacts to affected units and personnel. The Administration states that, if the roofs are left untreated, they may turn into structural hazards, lead to molding, and could even be subject to collapse. The collapse of a roof at any facility would introduce additional health and safety hazards and might require additional remediation costs.

The three facilities with roofing repair needs are as follows:

- The Fresno – Dakota Readiness Center is a 24,870 square foot building that was built in 1986. The initial roof was replaced in 2001, with warranty that expired in January 2021. The roof is now in constant need of repairs and maintenance since it has reached the end of its service life and warranty period.
- The Oroville Readiness Center is a 10,105 square foot armory that was built in 1956. This initial roof was replaced in 2002, with a warranty that expired in January 2022. The roof has had recurrent water intrusions at multiple locations throughout the building and needs replacement as inclement weather episodes in the area continue to put this armory at risk during the winter season.
- The San Diego Readiness Center is a 46,666 square foot building that was constructed in 1955. A portion of this roof was replaced with a warranty that expired in October of 2015, leaving multiple areas of the armory vulnerable during mild to severe weather episodes.

The proposal estimates costs associated with each respective re-roof at: \$700,000 total for Fresno-Dakota; \$800,000 total for Oroville; \$2,500,000 for San Diego.

The proposal also states that the fire alarm control panels at the Azusa, Lancaster, and Long Beach – Redondo armories are all in a non-functioning status and require an estimated \$1,500,000 in repairs. The Administration states that in the event of an emergency none of the panels are in a functional status to alert every occupant in the building to evacuate. The proposal states that each of these armories is in violation of the California Code of Regulations, having a broken/offline Fire Alarm Control Panel, putting tenants of the building at risk in emergency events. For these projects, CMD is only requesting the state share of costs. Implementation would begin upon the enactment and the Federal fund match requirement for the projects will be met through the annually appropriated Sustainment, Readiness and Modernization funds from the National Guard Bureau.

Staff Recommendation: Approve as budgeted.

8885 COMMISSION ON STATE MANDATES

Item #25: State Mandate—Disclosure Requirements and Deferral of Property Taxation

Request: The Governor’s budget requests to suspend a state mandate associated with certain costs that the Commission on State Mandates determined to be reimbursable related to SB 989 (Hertzberg), Chapter 712 of Statutes of 2022.

Background: The state Constitution states that property taxes are determined by purchase price, subject to annual increase. Proposition 19 (2020) allows certain homeowners to transfer their existing home value for property tax purposes to a different residence during a purchase by filing a claim. This claim process later developed a backlog, resulting in erroneous tax bills to some homeowners. SB 989 required Los Angeles County to pause tax payments during the period a Proposition 19 claim was pending. SB 989 also required property owners request such deferment from the county, instead of triggering an automatic pause. Lastly, the bill required Los Angeles County to print a disclosure on tax bills providing a summary of these relief options.

The Administration in the January budget has proposed suspending the mandate but does not include funding for County costs prior to 2026-27.

In a February 19th post, the Legislative Analyst’s Office provided the following recommendations:

“Repeal Ongoing Aspect of Mandate by Eliminating Printing Requirement... We recommend the Legislature remove the disclosure requirement in Chapter 712, which would have the effect of repealing the mandate (and mandate costs) going forward. Printing a disclosure about Chapter 712’s deferment procedures is no longer relevant given that the option expired more than two years ago and is no longer available to property owners in the county. In addition, counties generally have a practice of informing property owners of relief absent of state requirements.

...But Reimburse County for Previously Incurred Costs. We recommend the state reimburse Los Angeles County for costs already incurred. This is because the county has already performed the state-required activities and, even given the current budget climate, the cost to the state (a total of about \$30,000 one time) is minimal.”

Staff Recommendation: Approve \$26,572.00 general fund one-time for the reimbursement of Los Angeles County for costs incurred in connection with Chapter 712, Statutes of 2022 and adopt placeholder trailer bill language removing the disclosure requirement related to Chapter 712, Statutes of 2022.

**0971 CALIFORNIA ALTERNATIVE ENERGY & ADVANCED TRANSPORTATION
FINANCING AUTHORITY (CAETFA)****Item #26: Expanded Staff Resources for Administration of the Sales Tax Exclusion Program**

Request: The Governor’s budget requests, for the California Alternative Energy and Advanced Transportation Financing Authority, \$983,000 California Alternative Energy Authority Fund in 2026-27, and \$491,000 in 2027-28, as well as limited term authority for 3 new positions and extended limited term authority for 2 previously established positions to support workload related to the Sales and Use Tax Exclusion program.

Background: The Sales Tax Exclusion (STE) Program is intended to promote the creation of California-based manufacturing, California-based jobs, advanced manufacturing, the reduction of greenhouse gases, or reductions in air and water pollution or energy consumption. The STE attracts and retains companies and economic activities in California that might otherwise locate or relocate to other states.

In 2010, the Sales and Use Tax Exclusion Program was established and authorized CAEATFA to grant a sales and use tax exclusion to eligible businesses that purchase equipment to design, produce, manufacture, or assemble Advanced Transportation Technologies or Alternative Source products, components, or systems until January 1, 2021. Future legislation expanded the STE Program to include Advanced Manufacturers and projects that process or utilize Recycled feedstock. The program was extended to January 1, 2026 and the criteria by which CAEATFA must evaluate applications was expanded to include the extent to which the project will result in the loss of permanent, full-time jobs in California, including the average and minimum wage for each classification of full-time employees proposed to be hired or not retained.

Based on the extension of the program to January 1, 2026, the Legislature approved two limited-term positions in the 2022-23 Budget Act.

SB 86 (McNerney), Chapter 211, Statutes of 2025, extended the January 1, 2026, sunset date for the STE program to January 1, 2028, added fusion energy as an eligible alternative source, and added some labor-related provisions. In addition, the bill directed CAEATFA to report to the Legislature on or before January 31, 2027, on the number and dollar value of exclusions under the program.

The program is supported through participant fees and sufficient funds are available for this request.

Staff Recommendation: Approve as budgeted.

1700 CIVIL RIGHTS DEPARTMENT (CRD)

Item #27: Resources for Implementation of Recently Enacted Legislation

Issue. The Governor’s January 3036 Budget seeks authority for a total of 19 positions as well as General Fund appropriations totaling \$2,395,000 in 2026-27, \$3,177,000 in 2027-28, \$4,168,000 in 2028-29, \$5,154,000 in 2029-30, \$4,254,000 in 2030-31, and \$3,354,000 annually after that, for the California Civil Rights Department (CRD) to implement statutory requirements associated with legislation enacted in 2025.

Background. The request breaks down as follows:

- *Legislation:* SB 464 (Smallwood-Cuevas, Ch. 760, Stats. 2025)

Description: Since 2020, California has required employers of 100 or more employees to report data about pay and hours-worked to CRD annually broken down by establishment, pay band, job category, sex, race, and ethnicity. SB 464 modified this pay data reporting system by y 1) changing the job categories that private employers must use to report employees from the existing 10 to 23 new categories; 2) requiring a court to impose penalties, upon CRD’s request, on a private employer who fails to comply with the Pay Data Reporting Program; and 3) requiring private employers and labor contractors to collect and store demographic data gathered pursuant to the Pay Data Reporting Program separately from employees’ personnel records.

Implementation Resources Sought: Authority for three positions as well as General Fund appropriations of \$845,000 in 2026-27 and \$736,000 annually after that.

Comparison to Senate Appropriations Fiscal Impact Estimate: The resources requested here are close to the anticipated implementation costs that CRD reported to the Senate Appropriations Committee during legislative consideration of the bill, which were “\$790,000 in 2026-27, and \$781,000 annually thereafter.”

- *Legislation:* AB 822 (Elhawary, Ch. 714, Stats. 2025)

Description: Since 2022, California’s Commission on the State of Hate has researched hate in the state, created anti-hate resources, and recommended policy solutions. The Budget Act of 2022 funded the Commission’s operations through its original sunset date with appropriations totaling \$1.8 million per year through 2025-26 and \$900,000 in 2026-27.

AB 822 extends the sunset date of the Commission to January 1, 2031. This request extends the funding for the Commission accordingly.

Implementation Resources Sought: Authority for four positions as well as General Fund appropriations of \$900,000 in 2026-27, \$1.8 million in 2027-28 through 2029-30, and \$900,000 in 2030-31.

Comparison to Senate Appropriations Fiscal Impact Estimate: The requested funding aligns with the amount anticipated in the Senate Appropriations Committee’s analysis of the fiscal impact of the bill.

- *Legislation:* AB 935 (Ransom, Ch. 717, Stats. 2025)

Description: For every complaint of unlawful discrimination CRD receives, AB 935 requires the department to collect (1) demographic information about the complainant; (2) any final action taken by CRD in response to the complaint; (3) the timeline between the date the complaint was filed with CRD and the final action taken by the department. AB 935 further directs CRD to publish an annual report with this data on its website beginning in 2027.

Implementation Resources Sought: Authority for three positions as well as General Fund appropriations of \$650,000 in 2026-27, and \$641,000 annually after that.

Comparison to Senate Appropriations Fiscal Impact Estimate: The amount requested matches with the Senate Appropriations Committee fiscal impact analysis of AB 935 during legislative consideration of the bill.

- *Legislation:* SB 518 (Weber Pierson, Ch. 755, Stats. 2025)

Description: SB 518 establishes the Bureau for Descendants of American Slavery (bureau) within CRD, including a deputy director position and three divisions: (1) Genealogy; (2) Outreach and Education; and (3) Legal Affairs. The Outreach and Education and Legal Affairs Divisions become operative immediately upon approval of the necessary appropriation, which this request would provide. The Genealogy Division is not included in this request as its work does not begin until California State University (CSU) completes specified research. The 2025 Budget Act included \$6 million for CRD for the initial establishment of the Bureau over three years. This request extends funding for the Bureau at existing operational levels.

Implementation Resources Sought: Authority for nine positions, as well as General Fund appropriations of \$991,000 in 2028-29, and \$2 million annually after that.

Comparison to Senate Appropriations Fiscal Impact Estimate: Comparison of the amount requested here to the Senate Appropriation Committee's fiscal impact analysis of SB 518 is mostly unhelpful in this instance because the bill had not yet been amended into its final form. Among other things, the Appropriations Committee estimates assumed that the Bureau would be run under the auspices of the California Department of Justice, rather than CRD. To the degree the comparison is relevant, however, the amount requested is well below the fiscal impact estimated by the Appropriations Committees, which was "likely in the tens of millions of dollars annually at a minimum" As noted above, however, the current request does not include any future costs associated with establishment of the Genealogy Division.

Staff Comment: This item was previously discussed in Senate Budget & Fiscal Review Sub-Committee #4 on April 30th, 2026, and held open.

Staff Recommendation. Approve as budgeted.

Item #28: Resources to Address Cannabis Discrimination Workload

Issue. The Governor’s January 2026 Budget seeks an appropriation of \$2,103,000 in General Fund in 2026-27 and \$2,070,000 annually after that as well as authority for 12 positions to support the implementation of AB 2188 (Quirk, Ch. 392, Stats. 2022) as amended by SB 700 (Bradford, Ch. 408, Stats. 2023), relating to employment discrimination based on cannabis use.

Background. AB 2188 made it unlawful for private employers (of five or more employees) and California public employers to “discriminate against a person in hiring, termination, or any term or condition of employment, or otherwise penalize a person,” based on either (1) “[t]he person’s use of cannabis off the job and away from the workplace” or (2) “[a]n employer-required drug screening test that has found the person to have non-psychoactive cannabis metabolites in their hair, blood, urine, or other bodily fluids.” SB 700 went on to prohibit employers from requesting information from an applicant relating to their use of cannabis off the job and away from the workplace.

Because AB 2188 and SB 700’s provisions are nested within the Fair Employment and Housing Act (FEHA), CRD has responsibility for enforcing them.

The Budget Act of 2023 provided CRD with an initial, limited-term appropriation of \$1.7 million in General Fund annually in 2023-24, 2024-25, and 2025-26 through June 30, 2026, to begin enforcement of AB 2188. CRD utilized these funds for 12 positions. AB 2188 became operative in 2024.

The following table shows CRD’s actual AB 2188 workload to date and projected workload into the future.

Additional Workload Related to AB 2188

Workload Measure	2024-25	2025-26*	2026-27*	2027-28*	2028-29*	2029-30*	2030-31*
Additional Intakes Received	347	+100	+125	+150	+175	+200	+225
Requests for Right-to-Sue	213	+125	+150	+175	+200	+225	+250
Additional Investigations – Intakes Evaluated for an Investigation	134	+50	+55	+60	+65	+70	+75
Additional Complaints Investigated	25	+35	+35	+40	+40	+45	+50
Additional Cases Referred to Mediation	3	+5	+7	+9	+11	+13	+15
Additional Cases Mediated	0	+7	+7	+8	+10	+12	+18

* Projected.

CRD states that the current funding request would enable CRD to retain the 12 position assigned to AB 2188 enforcement and continue to respond effectively to the projected AB 2188 violation caseload increase going forward.

Staff Comment: This item was previously discussed in Senate Budget & Fiscal Review Sub-Committee #4 on April 30th, 2026, and held open.

Staff Recommendation. Approve as budgeted.

Item #29: Resources for Enforcement of Family and Sick Leave Laws

Issue. The Governor’s January 2026 Budget requests \$1,278,000 in General Fund and authority to fill 8.0 positions in 2026-27, as well as \$1,255,000 in General Fund each year after that for the Civil Rights Department (CRD) to continue enforcement of AB 1041 (Wicks, Ch. 748, Stats. 2022) and AB 1949 (Low, Ch. 767, Stats. 2022), which updated the state’s family, sick, and bereavement leave laws.

Background. AB 1041 expanded eligibility for family leave under the California Family Rights Act (CFRA) and paid sick leave under the Healthy Families Act of 2014, to allow employees to take job-protected time-off to care for designated individuals beyond traditional family members. AB 1949 amended CFRA to require employers to let eligible workers take up to five days of job-protected bereavement leave.

These laws empower workers to file a complaint with CRD if they believe their job-protected leave rights have been violated. CRD then investigates the complaints and can take enforcement action if it finds that the complaint has merit.

CRD initially estimated that the volume of additional intakes corresponding to AB 1401 and AB 1949 would be approximately 250 additional cases. Based on that estimate, the 2023 Budget Act provided CRD with \$1.2 million in limited-term funding in 2023-24, 2024-25, and 2025-26 to begin enforcement these new leave laws.

CRD reports that actual case volume has exceeded its initial estimates. Still, CRD asserts that the amount requested in this item would enable CRD to continue to fulfill its mandate to enforce AB 1041 and AB 1949 without interruption.

Staff Comments: The requested amounts are roughly consistent with the estimated costs of implementing these two bills as reported by the Senate Appropriations Committee while they were under legislative consideration. According to that Committee’s analysis, the total cost of investigating and adjudicating complaints pursuant to AB 1041 “would likely be in the hundreds of thousands of dollars annually,” while investigating and enforcing complaints under AB 1949 would likely cost \$470,000 in the first year, and \$464,000 annually after that.

Staff Comment: This item was previously discussed in Senate Budget & Fiscal Review Sub-Committee #4 on April 30th, 2026, and held open.

Staff Recommendation. Approve as budgeted.

Item #30: Resources for Public Counter Security

Issue. The Governor’s January 2026 Budget seeks an annual appropriation of \$502,000 in General Fund starting in 2026-27 for the Civil Rights Department (CRD) to pay for posting security guards at CRD’s five public counters statewide.

Background. CRD operates public counters at five of its regional offices: Fresno, Los Angeles, Oakland, Riverside, and Bakersfield. At these counters, members of the public can obtain information about their rights, file complaints when they believe they have been discriminated against unlawfully, and obtain updates on the status of civil rights investigations.

CRD reports a rise in threats against the employees who operate these counters.

Since July 2024, 14 complainants have made threats to harm employees, creating serious safety concerns. Individuals on-site have become hostile in several cases and have had to be physically escorted out of CRD buildings. Multiple complainants have been banned from visiting in person to protect staff from further risk.

To protect the safety of its staff while still serving the public openly, CRD began contracting for security guard patrols around two years ago. To date, CRD has paid for these security services through other departmental savings. It now seeks an ongoing appropriation to cover this expense.

Staff Comment: This item was previously discussed in Senate Budget & Fiscal Review Sub-Committee #4 on April 30th, 2026, and held open.

Staff Recommendation. Approve as budgeted.

2240 DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT (HCD)**Item #31: Staffing for HCD Connect System Support**

Issue. The Governor’s January 2026 Budget seeks authority for seven ongoing positions beginning in 2026-27 for the Housing and Community Development Department (HCD) to implement and operate its new information technology solution, HCD Connect, for improved monitoring and management of loan and grant programs.

Background. Since 2007, HCD has relied on the Consolidated Automated Program Enterprise System (CAPES) to input and analyze data from its more than 80 grant and loan programs. As the California State Auditor’s Office has concluded and HCD acknowledges, CAPES suffers from a number of functional shortcomings. Among other inadequacies, HCD reports it difficult or impossible to run the sort of program reports that the department needs to evaluate program performance and respond to stakeholder inquiries.

To address these problems, HCD sought and received funding in 2022 to procure and transition to a new grant and loan data management platform: Consolidated Housing Accountability Application Procurement Project (CHAAPP), a system that the department now calls “HCD Connect.” According HCD, this new system:

will provide an internal application/case management portal, an external application portal, eligibility determination, workflow functions, loans and grants management functions, analytics and performance reports, and interfaces to multiple federal and state systems including the Integrated Disbursement and Information System, Disaster Recover Grant Reporting System, and FI\$Cal.

Pursuant to the 2022 appropriation, seven staff in HCD’s Information Technology Branch (ITB) have been working alongside the contracted system integrator on the transition to the HCD Connect system, but only on a temporary basis. HCD states that it now needs permanent authority for these seven positions in order to maintain the staffing level necessary to complete the transition and enter into the maintenance and operation phase of the HCD Connect project. HCD asserts that “[i]t is critical to have state resources work alongside system integrators during system implementation to provide legacy system knowledge necessary for data migration and transition activities and to validate the scope and quality of new system functionality and deliverables.” Without the request position authority, HCD indicates, it would lose the chance to transfer knowledge from the system integrator will be lost and HCD would be forced to continue to rely on consulting resources to maintain the HCD Connect system.

This budget request seeks position authority only; there is no associated request for further General Fund resources.

Staff Comment: This item was previously discussed in Senate Budget & Fiscal Review Sub-Committee #4 on April 30th, 2026, and held open.

Staff Recommendation. Approve as budgeted.

Item #32: Resources for Implementation of Legislation Enacted in 2025

Issue. The Governor’s January 2026 Budget requests authority for 16 positions overall, a one-time appropriation of \$470,000 in General Fund in 2026-27, and total appropriations of \$4.2 million in General Fund annually beginning in 2026-27, for the Housing and Community Development Department (HCD) to implement the statutes enacted in 2025 and described in more detail in the Background that follows.

Background.

- *Legislation:* AB 1296 (Bonta, Ch. 508, Stats. 2025)

Description: Requires HCD to advise Local Educational Agencies (LEAs) across the state about developing workforce housing on surplus public land.

Implementation Resources Sought: \$743,000 in 2026-27 General Fund and ongoing for three staff positions, and a \$1 million consulting contract in 2026-27 and ongoing.

Comparison to Senate Appropriations Fiscal Impact Estimate: The requested resources mostly align with estimates reported to the Senate Appropriations Committee during legislative consideration of the bill, except that the estimate also included “one-time IT costs of approximately \$750,000 in 2026-27 to support data collection, outreach, and program administration.”

- *Legislation:* AB 413 (Fong, Ch. 489, Stats. 2025)

Description: Requires HCD to review all adopted and amended guidelines which explain rights or services available to the public and to translate those guidelines into any non-English languages spoken by a “substantial number of non-English-speaking people,” as defined.

Implementation Resources Sought: \$300,000 General Fund one-time in 2026-27 for a translation contract.

Comparison to Senate Appropriations Fiscal Impact Estimate: The requested resources match the estimate reported to the Senate Appropriations Committee during legislative consideration of the bill for the coming year. However, the estimate also acknowledges that “HCD would also incur unknown ongoing costs to translate additional guidelines and documents that are adopted in the future [...]” with costs that “would depend on the volume of documents that require translation each year.” Thus, while the request before the Subcommittee is for a one-time appropriation, the Subcommittee should assume that HCD will seek further funding for implementation of AB 413 in the future.

- *Legislation:* AB 507 (Haney, Ch. 493, Stats. 2025)

Description: AB 507 establishes a new, streamlined ministerial approval process for development projects that convert non-residential buildings into housing if the projects meet specified conditions relating to site eligibility, affordability, historical resource protection, and labor standards, among other things. AB 507 empowers HCD’s Housing Accountability Unit

(HAU) to enforce these provisions. Typical HAU enforcement activities include reviewing, researching, and investigating complaints; providing written or verbal technical assistance; and, in extreme cases, referring cases to the Attorney General’s Office and associated work duties.

Implementation Resources Sought: \$211,000 in General Fund annually beginning in 2026-27 for one new HAU position to manage the projected AB 507 enforcement workload.

Comparison to Senate Appropriations Fiscal Impact Estimate: The requested amount align precisely with fiscal impact anticipated by HCD and reported in the Senate Appropriations Committee analysis during legislative consideration of AB 507.

- *Legislation:* AB 518 (Ward, Ch. 157, Stats. 2025)

Description: HCD regulates Special Occupancy Parks (SOPs), either directly or through HCD-approved Local Enforcement Agencies (LEA). AB 518 establishes and defines a new category of SOPs: low-impact camping areas. HCD will be responsible for reviewing proposed local low-impact camping ordinances, maintaining official records of low-impact camping areas, and responding low-impact related complaints and inquiries. HCD also states that it must amend its regulations and update its record-keeping systems to account for this new kind of SOP.

Implementation Resources Sought: Authority for four positions, a one-time appropriation of \$70,000 of General Fund in 2026-27 for information technology enhancements, and an annual appropriation of \$780,000 in General Fund beginning in 2026-27.

Comparison to Senate Appropriations Fiscal Impact Estimate: The requested amount aligns closely with fiscal impact anticipated by HCD and reported in the Senate Appropriations Committee analysis during legislative consideration of AB 507.

- *Legislation:* AB 610 (Alvarez, Ch. 494, Stats. 2025)

Description: AB 610 requires local jurisdictions to include a disclosure statement as part of their housing element update identifying any new or revised regulations that could constrain the development of housing, as specified beginning with the 7th Housing Element revision cycle. Examples of these kinds of constraints include development fees, affordability requirements, and new historic designations, among others. HCD’s Division of Housing Policy Development is responsible for reviewing housing elements, offering technical assistance, providing statutory interpretations, and assisting with applications for 539 local jurisdictions.

Implementation Resources Sought: An annual appropriation of \$211,000 in General Fund beginning in 2026-27 to support an additional position to assist with the additional workload associated with implementation of AB 610.

Comparison to Senate Appropriations Fiscal Impact Estimate: The amount requested is identical to HCD’s anticipated costs as reported in the Senate Appropriations Committee fiscal impact analysis during legislative consideration of the bill.

- *Legislation:* AB 670 (Quirk-Silva, Ch. 701, Stats. 2025) and AB 726 (Author, Ch.704, Stats. 2025)

Description: AB 670 and AB 726 require local jurisdictions to report new categories of data in their Annual Progress Reports (APRs) toward implementation of their housing elements. AB 670 requires the inclusion of data about the demolition of housing units for each reporting year. AB 726 requires the inclusion of data regarding the rehabilitation of deed-restricted affordable units that the jurisdiction is counting towards its Regional Housing Needs Allocation (RHNA) targets.

Implementation Resources Sought: HCD seeks a one-time \$100,000 General Fund appropriation in 2026-27 to pay for an informational technology contract to collect, process, and report the new categories of data and an annual \$229,000 General Fund appropriation beginning in 2026-27 to pay for one additional position to assist with data collection design, policy analysis, and technical assistance to jurisdictions, in light of the expanded information that will now be contained in all APRs.

Comparison to Senate Appropriations Fiscal Impact Estimate: The requested amounts are consistent with HCD's anticipated implementation costs as reported in the Senate Appropriations Committee fiscal analysis of the two bills, when taken in combination. At the time, HCD observed that it would likely be able to absorb the costs of implementing AB 726 provided that it received what it perceived to be the necessary funds for implementing other APR-related bills, like AB 670. The amount requested here reflects that approach.

- *Legislation:* SB 79 (Wiener, Ch. 512, Stats. 2025)

Description: Among other things, SB 79 requires a housing development within one-quarter or one-half mile of a transit stop served by rail or bus rapid transit to be an "allowed use" as a transit-oriented housing development if the site is zoned for residential, mixed, or commercial use and the development complies with specified standards and affordability requirements. The bill establishes pathways for local jurisdictions to enact ordinances to carry out its terms. Finally, SB 79 also permits local governments in 197 jurisdictions across the state to count SB 79-eligible sites in their housing element sites inventories. The bill empowers HCD's Housing Accountability Unit (HAU) to enforce its provisions. Typical HAU enforcement activities include reviewing, researching, and investigating complaints; providing written or verbal technical assistance; and, in extreme cases, referring cases to the Attorney General's Office with associated work duties.

Implementation Resources Sought: HCD requests an annual General Fund appropriation of \$1.1 million to support six positions beginning in 2026-27. Of these, four positions will augment the HAU to respond to its increased workload due to SB 79; one position will accrue to the Legal Affairs Division to support SB 79 work; and one position corresponds to overall HCD support operations within the Business and Contract Services Branch. The latter position appears to respond to HCD overall workload expansion due to recently enacted legislation rather than just implementation of SB 79.

Comparison to Appropriations Committees' Fiscal Impact Estimates: The amount requested is generally consistent, though slightly higher, than the fiscal impact anticipated and reported to the legislative appropriations committees during legislative consideration of SB 79. That estimate

was “costs of at least \$955,000 annually,” but it was acknowledged that costs could potentially be higher depending on the number of jurisdictions that end up utilizing SB 79.

Staff Comment: This item was previously discussed in Senate Budget & Fiscal Review Sub-Committee #4 on April 30th, 2026, and held open.

Staff Recommendation. Approve as budgeted.

2255 CALIFORNIA INTERAGENCY COUNCIL ON HOMELESSNESS (CAL-ICH)**Item #33: Resources for Implementation of Recently Enacted Legislation (AB 678)**

Issue. As part of the Governor’s January 2026 Budget proposal, the California Interagency Council on Homelessness (Cal-ICH) requests a one-time, \$339,000 General Fund appropriation in 2026-27 for the purpose of implementing the provisions of AB 678 (Lee, Ch. 495, Stats. 2025).

Background. AB 678 requires Cal-ICH to coordinate with representatives of LGBTQ+ groups to identify best practices, develop recommendations for serving LGBTQ+ people experiencing homelessness, and report back to the Legislature on those recommendations by July 1, 2027. Cal-ICH indicates that it intends to carry out this mandate through a one-time contract with a “qualified vendor or vendor team possessing expertise in LGBTQ+ equity, trauma-informed engagement, culturally competent service design, research and evaluation, and systems policy.” Cal-ICH indicates that no new state staff will be hired for this work.

Staff Comments: During Legislative consideration of AB 678, the Senate Appropriations Committee reported a cost estimate of \$1.5 million in General Fund for implementation of the bill. The appropriation requested here falls substantially below that estimate while still purporting to fulfill all the statutory requirements of AB 678.

This item was previously noticed for vote-only on the Senate Budget & Fiscal Review Sub-Committee #4 agendas for February 26, 2026 and April 30th, 2026. It was held open at both hearings.

Staff Recommendation. Approve as budgeted.

Non-Discussion Items

VARIOUS DEPARTMENTS

Item #34: AB 91 (Harabedian), Chapter 357, Statutes of 2025 Cleanup

Request: The Governor’s budget proposes trailer bill language associated with AB 91 (Harabedian), Chapter 357, Statutes of 2025.

Background: The proposed trailer bill language delays implementation of certain aspects of AB 91 by one year, includes de-identification provisions, and makes other changes related to federal policy and program interaction. AB 91 requires a state or local agency that directly or by contract collects demographic data as to the ancestry or ethnic origin of Californians to use separate collection categories and tabulations for major Middle Eastern or North African groups in a form that offers the option of selecting one or more ethnic or racial designations or languages, among other things.

Staff Recommendation: Hold open.