

SUBCOMMITTEE NO. 5

Agenda

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



Wednesday, May 20, 2026
1:30pm
State Capitol – Room 112

Part A – Labor & Public Employment

Consultant: Diego Emilio J. Lopez

ITEMS FOR DISCUSSION.....	2
7100 Employment Development Department.....	2
7320 Public Employment Relations Board	2
7350 Department of Industrial Relations.....	2
7501 Department of Human Resources.....	2
7900 California Public Employees’ Retirement System (CalPERS)	2
7920 California State Teacher’s Retirement System (CalSTRS)	2
ISSUE 1: May Revision Proposals.....	2

Public Comment

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ITEMS FOR DISCUSSION

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT
7320 PUBLIC EMPLOYMENT RELATIONS BOARD
7350 DEPARTMENT OF INDUSTRIAL RELATIONS
7501 DEPARTMENT OF HUMAN RESOURCES
7900 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)
7920 CALIFORNIA STATE TEACHER'S RETIREMENT SYSTEM (CALSTRS)

Issue 1: May Revision Proposals

May Revision Proposals. The May Revision reflects the following adjustments:

Employment Development Department (EDD)

EDDNext Modernization – Document Management System Spring Update. The May Revision includes \$10 million one-time General Fund and \$10 million one-time Unemployment Compensation Disability Fund and provisional language to support continued implementation of the EDDNext Document Management System.

Unemployment Insurance Loan Interest Payment. The May Revision includes \$6.1 million one-time to reflect an updated unemployment insurance loan interest payment estimate. In conjunction with the amount proposed at the 2026-27 Governor's Budget, this will be used to fund the estimated interest payment of \$668,291,000.

Disability Insurance Program Benefits and Administration Adjustments. The May Revision includes \$2.3 billion ongoing Unemployment Compensation Disability Fund to align with updated projections for disability insurance program benefit payments. Additionally, it includes \$1.3 billion one-time Unemployment Compensation Disability Fund in 2025-26 to align with estimated current year increases in disability program benefit payments. Finally, it includes \$4.3 million ongoing Unemployment Compensation Disability Fund to align with updated estimates for disability program administration needs.

Workforce Innovation and Opportunity Act Allocations. The May Revision includes \$74,325,000 ongoing Consolidated Work Program Fund and \$74.3 million Federal Trust Fund \$95.6 million ongoing Consolidated Work Program Fund and \$95.6 million ongoing Federal Trust Fund to align Workforce Innovation and Opportunity Act funding authority with estimated federal allocations.

Unemployment Insurance Program Benefits and Administration Adjustments. The May Revision includes \$65.7 million ongoing Unemployment Fund and \$65.7 million ongoing Federal Trust Fund to align with updated projections for unemployment insurance program benefit payments. Additionally, a decrease of \$308 million in 2025-26 to align with an estimated current year increase in unemployment insurance program benefit payments.

It further includes a decrease of \$32 million ongoing for EDD to align with updated estimates for unemployment insurance program administration needs.

School Employees Fund Benefits Adjustment. The May Revision includes \$12.3 million ongoing School Employees Fund, and technical, corresponding reductions to align with updated projections for School Employees Fund benefit payments. Additionally, it includes \$8.5 million one-time School Employees Fund in 2025-26 to align with estimated current year increases in School Employee Fund benefit payments.

Emergency Medical Technician Training Reappropriation. The May Revision includes technical changes to reappropriate \$883,000 General Fund included in the 2022 Budget Act for targeted emergency medical technician training to make funds available for encumbrance or expenditure for one additional year, until June 30, 2027.

EDDNext Modernization – Technical Correction to Add Budget Bill Language. The May Revision includes provisional language to effectuate a reversion of \$70.6 million previously appropriated for the EDDNext project. This item was proposed in the Governor’s budget but was inadvertently omitted from the budget bills (AB 1563 and SB 879).

Public Employment Development Board (PERB)

Unfair Labor Practices (AB 288) – Spring Adjustment. The May Revision includes a decrease of \$5 million one-time General Fund and 22 positions in 2026-27, \$6.5 million one-time and 31 positions in 2027-28, and 31 positions ongoing. This adjustment will reduce the amount included in the 2026-27 Governor’s budget for implementation of AB 288 (McKinnor), Chapter 139, Statutes of 2025 to a total of \$500,000 one-time in 2026-27 and 2027-28 for the Public Employment Relations Board to support current legal workload associated with the implementation of AB 288.

Implementation of the Legislature Employer-Employee Relations Act (AB 1, 2023). The May Revision includes \$165,000 General Fund and one position ongoing for implementation of AB 1 (McKinnor), Chapter 313, Statutes of 2023, the Legislative Employer-Employee Relations Act, which will become operative on July 1, 2026.

Department of Industrial Relations (DIR)

Office of the Director Legal Unit Restructuring. The May Revision includes \$388,000 in 2026-27 and ongoing from various special funds to support the reclassification of eight existing positions in the Office of the Director, Legal Unit, to increase management and support capacity and establish a new office in Southern California to align with workload needs.

Electronic Adjudication Management System (EAMS) Modernization. The May Revision includes \$44.1 million one-time in 2026-27 from the Labor and Workforce Development Fund to continue the replacement of the Division of Workers’ Compensation’s (DWC) aging Electronic Adjudication Management System (EAMS) whose 17-year technology is nearing its end of life.

Additionally, DIR requests a reappropriation to extend the encumbrance availability of the unencumbered balance of the amount included in the 2025 Budget Act for the EAMS Project by an additional year, through June 30, 2027, to support project activities.

Cal/OSHA Data Modernization Project. The May Revision includes \$28.4 million Labor and Workforce Development Fund in 2026-27 to continue the development of the Division of Occupational Safety and Health's information technology system to meet federal and state-mandated requirements, consolidate information into a central database/repository, interface to other DIR systems, automate manual processes across its units and support the training, and post go-live assistance needs.

Emerging Technologies Unit. The May Revision includes five positions and \$1.8 million in 2026-27 and \$1.2 million ongoing from the Occupational Safety and Health Fund to research, evaluate, and develop regulations and industry guidance related to rapidly developing workplace technologies, as well as work with employers on experimental variance applications for emerging equipment and technology.

California Opportunity Youth Apprenticeship (COYA) Reappropriation. The May Revision includes an extension of \$2.3 million General Fund of existing funds from the 2024 Budget Act with provisional language to extend the encumbrance/expenditure date to align with the liquidation/reversion date of June 30, 2028.

Trailer Bill Language - Assessment Payment Via Electronic Funds Transfer. The May Revision includes proposed trailer bill language to require payment of the annual employer assessment by electronic funds transfer (EFT). According to the Administration, this language is modeled after EFT requirements in statute for the Franchise Tax Board and the California Department of Tax and Fee Administration. The proposed trailer bill language is intended to create efficiencies for DIR related to payment processing through EFT as compared to paper checks. The department Director has discretion to reduce or waive the penalty.

Trailer Bill Language - Division of Workers' Compensation Administrative Director Salary Amendment. The May Revision includes proposed trailer bill language to remove the salary cap for the Administrative Director of the Division of Workers' Compensation (DWC) within DIR. According to the Administration, this is intended to establish parity among leadership in the compensation structures for the DWC and DIR, and to support recruitment and retention following the retirement of DWC's prior Administrative Director. The current monthly salary of \$16,015.47, per statute, is below other executive leadership positions in DWC and DIR.

The salary for the DWC Administrative Director is listed in statute with the Chairs of various regulatory boards rather than with similar division leads (e.g., the Division of Occupational Safety and Health and the Division of Labor Standards Enforcement). This proposal caps the salary and eliminates vacation accrual for this exempt appointee, to which other appointed division chiefs at DIR are not subject.

Department of Human Resources (CalHR)

Employee Assistance Program (EAP). The May Revision includes one permanent position and \$12.3 million in reimbursement authority in 2026-27 and \$12.3 million in reimbursement authority in 2027-28 and ongoing to transition to a new EAP service provider with a more robust and comprehensive model, and to establish a dedicated program manager focused on supporting first responders and their support staff, including employees within California Highway Patrol, the California Department of Forestry and Fire Protection, the California Department of Corrections and Rehabilitation, the California Department of Parks and Recreation, and other public safety departments.

California Public Employees' Retirement System (CalPERS)

Operational Budget. The May Revision includes changes to the 2026-27 operational budget of the California Public Employees' Retirement System (CalPERS) that was approved by the CalPERS Board on April 14, 2026. The budget proposed by CalPERS reflects a net increase of \$482,473,000, primarily attributed to increased administrative and investment operating costs, investment external management fees, and third-party administrator fees. The request is comprised of the following changes:

- Item 7900-003-0830 be increased by \$459,149,000
- Item 7900-015-0815 be decreased by \$146,000
- Item 7900-015-0820 be increased by \$11,000
- Item 7900-015-0830 be increased by \$23,297,000
- Item 7900-015-0833 be decreased by \$130,000
- Item 7900-015-0849 be increased by \$66,000
- Item 7900-015-0884 be increased by \$202,000
- Item 7900-015-9251 be increased by \$24,000

California State Teachers' Retirement System (CalSTRS)

State Contributions to CalSTRS. The May Revision includes \$6.5 million ongoing to reflect an increase in the state's contributions to the CalSTRS' Defined Benefit Program and Supplemental Benefit Maintenance Account.

Benefit Payment Revisions. The May Revision includes \$1 million one-time, to reflect the state's share of benefit overpayments identified by CalSTRS from the prior fiscal year as required by Education Code Section 24616.2. The adjustment results in an increase of \$1 million as compared to \$0 in the Governor's budget.

Staff Recommendation. Hold open.