



May 14, 2026

Honorable John Laird, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Budget Bill Item 7501-001-0001, Support, Department of Human Resources

Employee Assistance Program (EAP)—It is requested that Item 7501-001-0001 be increased by \$12,320,000 in reimbursement authority and 1 permanent position in fiscal year 2026-27, and \$12,313,000 in reimbursement authority in 2027-28 and ongoing to transition to a new statewide Employee Assistance Program (EAP) service provider.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Hanzhao Meng, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

Attachment

cc: On following page

cc: Honorable Sabrina Cervantes, Chair, Senate Appropriations Committee
Attention: Mark McKenzie, Staff Director
Honorable Roger W. Niello, Vice Chair, Senate Budget and Fiscal Review
Committee
Attention: Elisa Wynne, Staff Director
Honorable Buffy Wicks, Chair, Assembly Appropriations Committee
Attention: Jay Dickenson, Chief Consultant
Honorable David Tangipa, Vice Chair, Assembly Budget Committee
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Joseph Shinstock, Fiscal Director, Assembly Republican Caucus, Office of Policy
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Jason Sisney, Budget Director, Assembly Speaker's Office
Paul Dress, Chief of Staff, Assembly Republican Caucus
Dylan Gray, Chief of Staff, Assembly Republican Leader's Office
Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, Government
Operations Agency
Monica Erickson, Director, California Department of Human Resources
Sean Hammer, Chief Deputy Director, California Department of Human Resources
Helen Fairchild, Chief Operating Officer, California Department of Human
Resources



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Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to various Budget Bill Items, Support, California Department of Technology

Middle Mile Broadband Initiative (MMBI) Contingency Funding—It is requested that provisional language be added to Item 7502-001-0001 to authorize Finance to increase the California Department of Technology's (CDT) General Fund appropriation by up to \$30 million to fund the cost to operate the Middle Mile Broadband Network in fiscal year 2026-27 in the event that the network does not generate sufficient revenues. The proposed Budget Bill Language is attached (see Attachment 1).

MMBI Reimbursement Authority—It is requested that Item 7502-490, as proposed in the 2026 Governor's Budget, be amended to include statutory reimbursement authority of \$25 million to the reappropriated items to allow the MMBI to receive reimbursements for joint-build projects. The proposed Budget Bill Language is attached (see Attachment 2).

Office Space Facilities Request—It is requested that the following Items be adjusted to provide CDT funding to relocate staff from a facility with an expiring lease:

- Item 7502-001-0001 be increased by \$113,000 in 2026-27, and \$84,000 in 2027-28, \$86,000 in 2028-29, \$89,000 in 2029-30, and \$93,000 in 2030-31, and ongoing
- Item 7502-001-9730 be increased by \$878,000 in 2026-27, \$466,000 in 2027-28, \$485,000 in 2028-29, \$503,000 in 2029-2030, and \$520,000 in 2030-2031, and ongoing
- Item 7502-001-9740 be increased by \$8,000 in 2026-27, 5,000 in 2027-28, and 2028-29, and \$6,000 in 2029-30, and ongoing,

Poppy: California's Digital Assistant—It is requested that Item 7502-001-9730 be increased by \$1 million in 2026-27, to provide funding authority for Poppy, California's Digital Assistant, which is a generative artificial intelligence service designed for use by the state workforce.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Danielle Brandon, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW

Director

By:

/s/ Erika Li

ERIKA LI

Chief Deputy Director

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and Budget
Jason Sisney, Budget Director, Assembly Speaker's Office
Paul Dress, Chief of Staff, Assembly Republican Caucus
Dylan Gray, Chief of Staff, Assembly Republican Leader's Office
Jared Johnson, Chief Deputy Director, California Department of Technology
Miles Burnett, Chief Administrative Officer, California Department of Technology
Nick Maduros, Secretary, Government Operations Agency
Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, Government
Operations Agency

Add Provision 8 to Item 7502-001-0001 as follows:

8. The amount appropriated in this item may be increased by the California Department of Finance by up to \$30 million upon approval of the Director of Finance for the purpose of funding operation of the Middle-Miles Broadband Initiative. The Department of Finance shall notify the Joint Legislative Budget Committee within 30 days of making such an augmentation.

Amend Item 7502-490 as follows:

“7502-490—Reappropriation, Department of Technology. The amounts specified in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance, expenditure, or liquidation until December 31, 2028:

0001—General Fund

- (1) Up to \$300,000,000 in Provision 1 of Item 7502-001-0001, Budget Act of 2023 (Chs. 12, 38, and 189, Stats. 2023) for the Middle-Miles Broadband Initiative, consistent with Chapter 48, Statutes of 2022 (SB 189).
- (2) Up to \$250,000,000 in Provision 1 of Item 7502-001-0001, Budget Act of 2024 (Chs. 22, 35, and 994, Stats. 2024) for the Middle-Miles Broadband Initiative, consistent with Chapter 48, Statutes of 2022 (SB 189).
- (3) \$25,000,000 in Reimbursements to 7502-001-0001, Budget Act of 2023 (Chs. 12, 38, and 189, Stats. 2023).
- (4) \$25,000,000 in Reimbursements to 7502-001-0001, Budget Act of 2024 (Chs. 22, 35, and 994, Stats. 2024)."



May 14, 2026

Honorable John Laird, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Budget Bill Item 7504-001-9753, Support, Office of Data and Innovation

Extended Encumbrance for the DIF—It is requested that provisional language be added to Item 7504-001-9753 to extend the expenditure and encumbrance period for the Data and Innovation Services Revolving Fund (DIF) to June 30, 2030, and to authorize Finance to augment the Office of Data and Innovation's DIF appropriation by the amount of resources available in the fund (see Attachment 1).

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Danielle Brandon, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

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Jason Sisney, Budget Director, Assembly Speaker's Office
Paul Dress, Chief of Staff, Assembly Republican Caucus
Dylan Gray, Chief of Staff, Assembly Republican Leader's Office
Justyn Howard, Deputy Secretary of Fiscal Policy and Administration, Government
Operations Agency
Eric Jarvis, Deputy Director of Operations, Office of Data and Innovation

Amend Provision 1 from Item 7504-001-9753:

~~1. The amounts in this item shall only be available for expenditure upon authorization by the Director of the Office of Data and Innovation~~

1. The amount appropriated in this item shall be available for encumbrance or expenditure until June 30, 2030.

2. Upon approval of the Department of Finance, the amount available for expenditure in this item may be augmented by the amount of resources available in the Data and Innovation Services Revolving Fund through June 30, 2030.



May 14, 2026

Honorable John Laird, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Various Budget Bill Items, Support and Reimbursements, California Department of Tax and Fee Administration

California Tax and Fee Administration Operational Savings—It is requested that Item 7600-001-0001 be decreased by \$10 million General Fund ongoing to align with anticipated operational savings. Based on historic past-year savings trends, the Department can absorb this reduction without impacts to its operations or ability to meet statutory requirements.

Administrative Resources for Digital Software Tax—It is requested that Item 7600-001-0001 be increased by \$450,000 ongoing and reimbursements be increased by \$300,000 ongoing to provide resources to administer the proposed Digital Software Tax.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Christopher Hill, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

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Jason Sisney, Budget Director, Assembly Speaker's Office
Paul Dress, Chief of Staff, Assembly Republican Caucus
Dylan Gray, Chief of Staff, Assembly Republican Leader's Office
Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, Government
Operations Agency
Trista Gonzalez, Director, California Department of Tax and Fee Administration
Jason Mallet, Chief Financial Officer, California Department of Tax and Fee
Administration



May 14, 2026

Honorable John Laird, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Budget Bill Item 7730-001-0001, Support, Franchise Tax Board

Franchise Tax Board's CalFile Resources Realignment—It is requested that Item 7730-001-0001 be decreased by \$921,000 and 9.9 positions in fiscal year 2026-27, \$2,343,000 and 22.8 positions in 2027-28, and \$2,713,000 and 27.0 positions in 2028-29, and ongoing, to reflect savings associated with ceasing efforts to link the Franchise Tax Board's CalFile system to the federal Internal Revenue Service's Direct File system, due to the latter's discontinuation. Instead, the Board will retain a reduced level of resources to complete a modified upgrade of CalFile by implementing the ability to upload federal information, modernize the user experience, and allow first-time and California Earned Income Tax Credit (CalEITC) filers to utilize this service.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Christopher Hill, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

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Paul Dress, Chief of Staff, Assembly Republican Caucus
Dylan Gray, Chief of Staff, Assembly Republican Leader's Office
Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, Government
Operations Agency
Selvi Stanislaus, Executive Officer, Franchise Tax Board
Roger Lackey, Chief Financial Officer, Franchise Tax Board



May 14, 2026

Honorable John Laird, Chair
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Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Addition of Budget Bill Item 7760-301-0660, Capital Outlay, Department of General Services

It is requested that Item 7760-301-0660 be added in the amount of \$15,638,000 one-time Public Buildings Construction Fund to begin preconstruction activities for the two projects listed below (see Attachment 1).

10th and O Street Reconfiguration—It is requested that Item 7760-301-0660 be increased by \$14,346,000 for the preconstruction phase. The Department of General Services (DGS) seeks to reconfigure approximately 111,000 square feet of the 480,000 square-foot 10th and O Street State Office Building (10th and O) to accommodate the relocation and consolidation of the Department of Finance. At present, 10th and O primarily serves as swing space for the Legislature while a new Capitol Annex is under construction, but as that project nears completion, 10th and O needs to be repurposed for long-term use, as envisioned in Government Code Section 9125. Specifically, the Legislature will retain approximately half of the building, with those areas remaining largely unchanged, while the area to be occupied by Finance is converted from the current suite-centric layout used by the Legislature to one more typical of state departments. The pre-construction phase needs to begin in fiscal year 2026-27 to align the beginning of construction once the Legislature relocates. The overall project is estimated to cost \$114,041,000.

O Street State Parking Garage—It is requested that Item 7760-301-0660 be increased by \$1,292,000 for the preconstruction phase. DGS seeks to construct an approximately 750-space, six-story parking structure on an existing 145-space state-owned surface lot at the southeast corner of O Street and 12th Street. The new garage will address a parking deficit in Sacramento. Existing occupants of the surface lot will have dedicated parking in the new garage. The overall project cost is estimated at \$46,226,000.

It is further requested that provisional language be added as follows: (1) Authorize DGS to execute documents necessary to sell State Public Works Board lease revenue bonds and, (2) Authorize DGS to utilize the progressive design-build procurement method for both projects:

1. The Department of General Services is authorized to execute and deliver any and all leases, contracts, agreements, or other documents necessary or advisable to consummate the sale and issuance of bonds by the State Public Works Board in accordance with the State Building Construction Act of 1955 (Part 10b [commencing with Section 15800] of Division 3 of Title 2 of the Government Code) or otherwise to effectuate the financing of the scheduled project.
2. Notwithstanding paragraph (2) of subdivision (a) of Section 10198.1 of the Public Contract Code, the projects identified in this item are authorized to be delivered using the progressive design-build method.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Randall Katz, Principal Program Budget Analyst, at (916) 445-9694.

JOE STEPHENSHAW

Director

By:

/s/ Erika Li

ERIKA LI

Chief Deputy Director

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Jason Sisney, Budget Director, Assembly Speaker's Office
Paul Dress, Chief of Staff, Assembly Republican Caucus
Dylan Gray, Chief of Staff, Assembly Republican Leader's Office
Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, California
Government Operations Agency
Ana Lasso, Director, Department of General Services
Jason Kenney, Chief Deputy Director, Department of General Services
Elizabeth Williamson, Chief Deputy Director, Department of General Services

7760-301-0660—For capital outlay, Department of General Services, payable
from the Public Buildings Construction Fund15,638,000

Schedule:

(1) 0016980-O Street State Parking Garage.....1,292,000
 (a) Preconstruction 1,292,000

(2) 0017000-10th and O Street Reconfiguration.....14,346,000
 (a) Preconstruction 14,346,000

Provisions:

1. The Department of General Services is authorized to execute and deliver any and all leases, contracts, agreements, or other documents necessary or advisable to consummate the sale and issuance of bonds by the State Public Works Board in accordance with the State Building Construction Act of 1955 (Part 10b [commencing with Section 15800] of Division 3 of Title 2 of the Government Code) or otherwise to effectuate the financing of the scheduled project.
2. Notwithstanding paragraph (2) of subdivision (a) of Section 10198.1 of the Public Contract Code, projects identified in this item are authorized to be delivered using the progressive design-build method.



May 14, 2026

Honorable John Laird, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Budget Bill Item 7760-015-0001, Support, Department of General Services

Lease Revenue Debt Service Transfer Adjustments—It is requested that Item 7760-015-0001 be decreased by \$126,485,000 ongoing to adjust the amount transferred to the Service Revolving Fund for the Department of General Services' lease revenue debt service payments. The decrease in authority in this transfer item will provide the department with the precise amount of funding to make rental payments for the Clifford L. Allenby, New Natural Resources Headquarters, May Lee State Office Complex, Gregory Bateson, Resources, and Jesse Unruh buildings pursuant to Item 7760-092-0666.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Andrea Scharffer, Principal Program Budget Analyst, at (916) 445-9694.

JOE STEPHENSHAW
Director
By:

/s/ Erika Li

ERIKA LI
Chief Deputy Director

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May 14, 2026

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Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Various Budget Bill Items, Support, and Statutory Changes, California Public Employees' Retirement System

Operational Budget—It is requested that various Budget Bill items be amended to reflect the 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

The Budget Bill items noted above are display items for informational purposes to reflect the corresponding changes in CalPERS' continuous appropriation authority.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Hanzhao Meng, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW

Director

By:

/s/ Erika Li

ERIKA LI

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Paul Dress, Chief of Staff, Assembly Republican Caucus
Dylan Gray, Chief of Staff, Assembly Republican Leader's Office
Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, Government
Operations Agency
Michele Nix, Chief Financial Officer, California Public Employees' Retirement
System
Willem (Will) Schaafsma, Chief, Division of Financial Planning, Policy and
Budgeting, California Public Employees' Retirement System
Stacy Guzman, Budget Manager, California Public Employees' Retirement System



May 14, 2026

Honorable John Laird, Chair
Senate Budget and Fiscal Review Committee

Attention: Elisa Wynne, Staff Director

Honorable Jesse Gabriel, Chair
Assembly Budget Committee

Attention: Christian Griffith, Chief Consultant

Amendment to Budget Bill Item 7920-011-0001, Support, State Teachers' Retirement System

State Contributions to CalSTRS—It is requested that Item 7920-011-0001 be increased by \$6,463,000 ongoing to reflect an increase in the state's contributions to the California State Teachers' Retirement System's (CalSTRS) Defined Benefit (DB) Program and Supplemental Benefit Maintenance Account (SBMA). The state's contributions to the DB Program and SBMA are calculated using creditable compensation provided by the Teachers' Retirement Board (Board) for the fiscal year immediately preceding June 30; the report is published annually by the Board by October 25, with a subsequent report due by April 15, displaying necessary revisions to creditable compensation. Based on the Board's April 15, 2026 creditable compensation report, the DB contribution will be increased by \$4,971,000 and the SBMA contribution will be increased by \$1,492,000, as compared to the Governor's Budget.

Benefit Payment Revisions—It is requested that Item 7920-011-0001 be increased by \$1,025,000 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 \$1,025,000, as compared to \$0 in the Governor's Budget.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Danielle Brandon, Principal Program Budget Analyst, at (916) 445-3274.

JOE STEPHENSHAW
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/s/ Erika Li

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Justyn Howard, Deputy Secretary, Fiscal Policy and Administration, Government
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Art Martinez, Director of Financial Planning and Reporting, California State
Teachers' Retirement System
Pritpal Bains, Assistant Director of Financial Planning and Reporting, California State
Teachers' Retirement System