**STATE OF CALIFORNIA**
**Budget Change Proposal - Cover Sheet**
DF-46 (REV 03/25)

| Fiscal Year | Business Unit Number | Department |
|---|---|---|
| 2026-27 | 0690 | Office of Emergency Services |

| Hyperion Budget Request Name | Relevant Program or Subprogram |
|---|---|
| 0690-040-BCP-2026-GB | 0380- Emergency Management |

**Budget Request Title**
Artificial Intelligence Models: Large Developers (SB 53)

**Budget Request Summary**
The Office of Emergency Services requests two positions and $618,000 General Fund in FY 2026-27 and ongoing to establish a mechanism to be used by a frontier developer or the public to report critical safety incidents and a mechanism to confidentially submit summaries of assessments of potential catastrophic risk resulting from use of frontier models, in order to implement Chapter 138, Statutes of 2025 (SB 53).

| Requires Legislation (submit required legislation with the BCP) | Code Section(s) to be Added/Amended/Repealed |
|---|---|
| ☐ Trailer Bill Language<br>☐ Budget Bill Language ☒ N/A | |

| Does this BCP contain information technology (IT) components? ☐ Yes ☒ No<br>*If yes, departmental Chief Information Officer must sign.* | Department CIO | Date |
|---|---|---|

**For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), the approval date, and the total project cost.**

**Project No.** **Approval Date:**

**Project Approval Document:** **Total Project Cost:**

**If proposal affects another department, does other department concur with proposal?** ☐ Yes ☐ No
*Attach comments of affected department, signed and dated by the department director or designee.*

| Prepared By | Date | Reviewed By | Date |
|---|---|---|---|
| Budget Office | 10/9/2025 | Mary Rucker | 12/30/2025 |
| **Department Director** | **Date** | **Agency Secretary** | **Date** |
| Eric Swanson | 12/30/2025 | | |

**Department of Finance Use Only**

**Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ Dept. of Technology**

| Principal Program Budget Analyst | Date submitted to the Legislature |
|---|---|
| Sara Swanson | 1/9/2026 |

## A. Problem Statement

The Office of Emergency Services requests two positions and $618,000 General Fund in FY 2026-27 and ongoing to establish a mechanism to be used by a frontier developer or the public to report critical safety incidents and a mechanism to confidentially submit summaries of assessments of potential catastrophic risk resulting from use of frontier models, in order to implement Chapter 138, Statues of 2025 (SB 53)

Artificial Intelligence (AI) remains largely unregulated in the United States, and this legislation establishes guardrails for large developers in how they create foundation models. This creates new standards for safety and accountability while clarifying pathways to report catastrophic risks.

Chapter 138, Statutes of 2025 amends the Business and Professions Code Section 22757.13, et seq, to require the Office of Emergency Services (Cal OES) to establish a mechanism to be used by a frontier developer or the public to report critical safety incidents and a mechanism to confidentially submit summaries of assessments of potential catastrophic risk resulting from use of frontier models. In addition, Cal OES must report findings of critical incidents to the Legislature by January 1, 2027, and annually thereafter. This section grants Cal OES the authority to draft regulations meeting federal guidance.

## B. Justification

California is home to 32 of the top 50 AI companies worldwide. Senate Bill (SB) 53 contains a first of its kind requirement, directing companies to disclose safety incidents involving dangerous or deceptive behavior by autonomous AI systems. For example, developers typically place controls on AI systems to prevent systems from assisting with the construction of a bioweapon or other highly dangerous tasks set by users. If developers catch the AI system in a lie about how well those controls are working during routine testing, and that lie materially increases the risk of a catastrophic harm, the developer would be required to disclose that incident to Cal OES under SB 53. To support these efforts and fulfill the new requirements set forth in Business and Professions Code Section 22757.13, et seq, (SB 53) Cal OES requests two positions and $618,000 annually from the General Fund. With this funding, Cal OES will:

- Establish a mechanism to be used by a frontier developer or the public to report a critical safety incident or confidentially submit summaries of assessments of potential catastrophic risk resulting from use of frontier models.
- Submit annually a report of findings of critical incidents to the Legislature.
- Draft regulations, as needed, that meet federal guidance.

Cal OES is requesting one (1.0) Associate Government Program Analyst within the California Cybersecurity Integration Center (Cal-CSIC) to create the reporting mechanism, collect and aggregate relevant data for the report, and draft the annual legislative report. This includes:

- Leading the effort to create the public facing reporting mechanism.
- Leading the effort to create the confidential reporting mechanism.
- Reviewing the submitted critical incident reports by frontier developers and reviewing the reports from the public.
- Producing an annual legislative report with anonymized and aggregated information about critical safety incidents that have been reviewed by Cal OES.

Cal OES is requesting one (1.0) Attorney III to provide legal advice and counsel in the drafting of regulations, as needed, and the development of the reporting mechanism, including the drafting and negotiating of software contracts and agreements regarding information storage and sharing. This includes:

- Drafting and negotiating software contracts and agreements regarding information storage and sharing.
- Researching relevant state and federal laws impacting Artificial Intelligence to provide counsel in developing the public facing and confidential reporting mechanisms, while evaluating legal risks and potential for litigation from developers, and whether rulemaking is needed to effectively execute the statutory requirements.
- Should rulemaking need to occur, providing legal advice and counsel during the rulemaking process.
- Providing ongoing legal advice and counsel regarding the development of the reporting mechanism as well as maintaining the program once it is in place.

**C. Departmentwide and Statewide Considerations**

Cal OES' mission is to protect lives and property, build capabilities, and support communities for a resilient California. This proposal will specifically work toward the goals within the Cal OES Strategic Plan:

- *Goal 1:* Anticipate and enhance prevention and detection capabilities to protect our state from all hazards and threats.
- *Goal 2:* Strengthen California's ability to plan, prepare for, and provide resources to mitigate the impacts of disasters, emergencies, crimes, and terrorist events.
- *Goal 3:* Effectively respond to and recover from both human-caused and natural disasters.

Additionally, this proposal aligns with four of the ten goals set out in the 2021 – 2024 California State Security Strategy as the 2025 California Homeland Security Strategy is pending approval).

- *Goal 1:* Enhance Information Collection, Analysis, and Sharing, in Support of Public Safety Operations across California.
- *Goal 2:* Protect Critical Infrastructure and Key Resources from All Threats and Hazards.
- *Goal 3:* Strengthen Security and Preparedness across Cyberspace.
- *Goal 4:* Strengthen Communications Capabilities through Planning, Governance, Technology, and Equipment.

**D. Outcomes and Accountability**

Cal OES will create a public facing and confidential reporting mechanism, track the information, and provide an annual report to the California legislature. In turn, this will help achieve the State's goals of stronger transparency, innovation, safety, accountability, and responsiveness related to AI.

**E. Implementation Plan**

Implementation will begin July 1, 2026.

**F. Supplemental Information (If Applicable)**

None.

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# BCP Fiscal Detail Sheet

(Dollars in Thousands)
BCP Title: Artificial Intelligence Models: Large Developers (SB 53)
BR Name: 0690-040-BCP-2026-GB
Budget Request Summary

## Personal Services

| Personal Services | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| Positions - Permanent | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| **Total Positions** | **0.0** | **2.0** | **2.0** | **2.0** | **2.0** | **2.0** |
| Salaries and Wages Earnings - Permanent | 0 | 231 | 231 | 231 | 231 | 231 |
| Salaries and Wages Overtime/Other | 0 | 19 | 19 | 19 | 19 | 19 |
| **Total Salaries and Wages** | **$0** | **$250** | **$250** | **$250** | **$250** | **$250** |
| Total Staff Benefits | 0 | 137 | 137 | 137 | 137 | 137 |
| **Total Personal Services** | **$0** | **$387** | **$387** | **$387** | **$387** | **$387** |

## Operating Expenses and Equipment

| Operating Expenses and Equipment | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| 5301 - General Expense | 0 | 24 | 24 | 24 | 24 | 24 |
| 5302 - Printing | 0 | 2 | 2 | 2 | 2 | 2 |
| 5304 - Communications | 0 | 12 | 12 | 12 | 12 | 12 |
| 5306 - Postage | 0 | 2 | 2 | 2 | 2 | 2 |
| 5320 - Travel: In-State | 0 | 10 | 10 | 10 | 10 | 10 |
| 5322 - Training | 0 | 4 | 4 | 4 | 4 | 4 |
| 5324 - Facilities Operation | 0 | 26 | 26 | 26 | 26 | 26 |
| 5326 - Utilities | 0 | 2 | 2 | 2 | 2 | 2 |
| 5346 - Information Technology | 0 | 16 | 16 | 16 | 16 | 16 |
| 539X - Other | 0 | 133 | 133 | 133 | 133 | 133 |
| **Total Operating Expenses and Equipment** | **$0** | **$231** | **$231** | **$231** | **$231** | **$231** |

## Total Budget Request

| Total Budget Request | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| **Total Budget Request** | **$0** | **$618** | **$618** | **$618** | **$618** | **$618** |

# Fund Summary

## Fund Source

| Fund Source | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| State Operations - 0001 - General Fund | 0 | 618 | 618 | 618 | 618 | 618 |
| **Total State Operations Expenditures** | **$0** | **$618** | **$618** | **$618** | **$618** | **$618** |
| **Total All Funds** | **$0** | **$618** | **$618** | **$618** | **$618** | **$618** |

# Program Summary

## Program Funding

| Program Funding | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| 0380 - Emergency Management Services | 0 | 618 | 618 | 618 | 618 | 618 |
| 9900100 - Administration | 0 | 113 | 113 | 113 | 113 | 113 |
| 9900200 - Administration - Distributed | 0 | -113 | -113 | -113 | -113 | -113 |
| **Total All Programs** | **$0** | **$618** | **$618** | **$618** | **$618** | **$618** |

# Personal Services Details

## Positions

| Positions | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| 5393 - Assoc Govtl Program Analyst (Eff. 07-01-2026) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| 5795 - Attorney III (Eff. 07-01-2026) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| OT00 - Overtime | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Positions** | **2.0** | **2.0** | **2.0** | **2.0** | **2.0** | **2.0** |

## Salaries and Wages

| Salaries and Wages | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| 5393 - Assoc Govtl Program Analyst (Eff. 07-01-2026) | 79 | 79 | 79 | 79 | 79 | 79 |
| 5795 - Attorney III (Eff. 07-01-2026) | 152 | 152 | 152 | 152 | 152 | 152 |
| OT00 - Overtime | 19 | 19 | 19 | 19 | 19 | 19 |
| **Total Salaries and Wages** | **$250** | **$250** | **$250** | **$250** | **$250** | **$250** |

## Staff Benefits

| Staff Benefits | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| 5150450 - Medicare Taxation | 0 | 4 | 4 | 4 | 4 | 4 |
| 5150500 - OASDI | 0 | 16 | 16 | 16 | 16 | 16 |
| 5150630 - Retirement - Public Employees - Miscellaneous | 0 | 73 | 73 | 73 | 73 | 73 |
| 5150900 - Staff Benefits - Other | 0 | 44 | 44 | 44 | 44 | 44 |
| **Total Staff Benefits** | **$0** | **$137** | **$137** | **$137** | **$137** | **$137** |

## Total Personal Services

| Total Personal Services | FY26 Current Year | FY26 Budget Year | FY26 BY+1 | FY26 BY+2 | FY26 BY+3 | FY26 BY+4 |
|---|---|---|---|---|---|---|
| **Total Personal Services** | **$250** | **$387** | **$387** | **$387** | **$387** | **$387** |