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

Fiscal Year	Business Unit Number	Department
2026-27	7502	California Department of Technology

Hyperion Budget Request Name	Relevant Program or Subprogram
7502-017-BCP-2026-GB	6230

Budget Request Title
Artificial intelligence models: large developers (SB 53 Weiner)

Budget Request Summary
The California Department of Technology (CDT) requests General Fund (GF) budget authority (ongoing) for 1.0 Information Technology Manager II (ITM II) and $360,000 (one-time) for temp help/consultants in Fiscal Year (FY) 2026-27 to implement Chapter 138, Statutes of 2025 (SB 53).

The requested resources will ensure CDT meets statutory deadlines, builds durable in-house expertise, and delivers on the Governor's goal of establishing commonsense guardrails that balance innovation with public safety and reinforce public trust for California.

Requires Legislation (submit required legislation with the BCP)	Code Section(s) to be Added/Amended/Repealed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

Does this BCP contain information technology (IT) components? ☐ Yes ☒ No *If yes, departmental Chief Information Officer must sign.*	Department CIO	Date
	N/A	N/A

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. N/A **Approval Date:** N/A

Project Approval Document: N/A **Total Project Cost:** N/A

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
Vera Zakem	10/9/2025	Miles Burnett	10/9/2025
Department Director	**Date**	**Agency Secretary**	**Date**
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Department of Finance Use Only

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

Principal Program Budget Analyst	Date submitted to the Legislature
Danielle Brandon	1/10/2026

A. Problem Statement

SB 53 is landmark legislation on Artificial Intelligence (AI) safety, on par with the European AI Act. The statute carries significant workload with aggressive deadlines requiring timely reviews, assessments, and consultations with stakeholders and experts within the AI community. Without new dedicated resources and expertise, CDT will fail to meet the first statutory reporting deadline, exposing the state to noncompliance with SB 53 and undermining California's and the Governor's credibility and leadership in AI governance. The international community and the rest of the United States is watching and following California's lead on AI.

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

- **First**, this bill requires CDT to annually review and, if necessary, recommend updates to statutory definitions for "frontier model," "frontier developer," and "large frontier developer." These definitions determine the scope of California's regulatory authority and establish thresholds for developer obligations. If definitions are not updated in line with rapid technological change, they will quickly become obsolete, leaving critical gaps in oversight and may pose reputational risk on the governance and enforcement of artificial intelligence to California's Legislature and the Governor. This bill requires CDT to stay continuously abreast and be trained in state, federal, and international AI standards, guidelines, and regulations, and transparency disclosures set forth by AI developers in order to keep up with the latest developments of this emerging technology and its impact on 40 million Californians.
- **Second,** CDT must conduct technical and risk assessments to include assessing potential technical and social impacts and risks from the frontier AI models to the state of California and its residents.
- **Third,** CDT is required to be trained in, track and incorporate developments in federal and international standards continuously. This is important as federal and international standards on AI safety and adoption are continuously evolving, including from the U.S. Federal Government, the European Union, and allied nations and partners of California such as Canada, the United Kingdom, Australia, and others.
- **Fourth,** per this legislation, CDT is required to lead continuous extensive structured stakeholder consultation with academic researchers, civil society advocates, industry representatives, and government entities. These consultations may need to be complex with multiple working groups and processes to achieve desired outcomes to meet this legislative statute.
- **Fifth,** and finally, CDT is required to capture in an annual legislative report submitted under Government Code Section 9795 overall developments on AI governance, safety as described above. This report will serve as the state's official position on frontier AI risks, governance, safety, and adoption, and will serve as a model for other U.S. federal, state, and international government stakeholders.

These requirements represent a new, significant, and specialized workload that cannot be absorbed by CDT's current staff. The expertise and requirements outlined in this bill are new for CDT. Existing staff within CDT's Office of Digital Services are fully engaged in delivering statewide web standards, data and geospatial services, accessibility compliance, digital services oversight, and other policy initiatives and technology and digital strategy initiatives. CDT does not have the bandwidth or the technical, policy, or governance expertise required to conduct the annual AI assessments and consultations mandated by SB 53 without dedicated staffing.

Finally, SB 53 references CDT's role in supporting the Office of Government Operations Agency (GovOps) in the development of CalCompute, a statewide public cloud computing cluster. While CDT must be prepared to contribute governance and technical expertise to CalCompute, the department's immediate statutory requirements are the definition reviews,

technical assessments, consultations, and legislative reports due beginning in 2027. CDT will contribute governance and technical expertise in coordination with its existing cloud services team. SB 53 also requires large frontier developers to publish transparency frameworks that demonstrate how they adopt national, international, and industry standards. The ITM II will provide the necessary oversight for reviewing these transparency disclosures. CDT must review these disclosures as they relate to CDT's deliverable to establish definitions and standards as outlined in this bill.

The scope of SB 53 requires CDT to engage in continuous coordination with GovOps, the California Office of Emergency Services (CalOES), and the Attorney General, since stakeholder engagement, incident reporting, and enforcement are interdependent processes that cannot be managed in isolation. The law establishes mechanisms for reporting critical safety incidents to CalOES and provides whistleblower protections and civil penalties enforceable by the Attorney General. CDT must work closely with these enforcement partners to ensure its reviews and assessments incorporate real-world safety data, reflect the latest trends, and are aligned with agency and statewide priorities.

B. Justification

This proposal is necessary to ensure CDT has the staffing and expertise to meet its statutory obligations under SB 53. The mandates create two distinct cost drivers:

1. Statutory obligations that CDT must fulfill, including annual definition reviews, technical and risk assessments, stakeholder consultations, and legislative reporting.
2. CDT's supportive role in CalCompute.

<u>Permanent Staffing Needs</u>

CDT requires ongoing funding to support 1.0 ITM II in order to build durable, internal expertise in AI governance. This ITM II position is required to serve as the primary statewide liaison with GovOps, OES, and the Attorney General to ensure alignment, avoid duplication of effort, and manage coordination across statewide AI safety responsibilities. In order to fulfill this request, CDT will reclassify a vacant internal position.

Working within CDT's ODS, the requested ITM II will:

- Conduct technical reviews of frontier AI models, including evaluating scaling trends, risk potential, and compliance thresholds.
- Draft annual legislative reports and respond to legislative inquiries with accurate and timely information.
- Benchmark California's statutory framework against federal and international standards to maintain alignment.
- Design and manage stakeholder consultations that are structured, transparent, and inclusive of vulnerable communities.
- Coordinate with GovOps and CalOES on CalCompute governance.
- Review transparency disclosures required under SB 53.

<u>Consulting Resources</u>

Consultants are required to supplement the anticipated SB 53 workload requirements in the initial year. In turn, the proposal includes a one-time request for $360,000 in consulting resources in FY 2026-27. These resources will provide expertise in frontier model auditing, adversarial testing, risk modeling, and international regulatory analysis.

CDT does not currently have these skills internally, and they cannot be recruited and trained quickly enough to meet the statutory deadlines. Consulting resources provide immediate readiness while permanent staff are trained. Consultants will support CDT during the first implementation year while the ITM II establishes ongoing processes and internal capacity. Consultants will also support CDT in evaluating transparency frameworks and incorporating incident reporting into technical assessments.

Consultants will also provide early expertise in GenAI system auditing and risk evaluation while CDT develops internal capabilities. Without consultants in the initial year, statutory deadlines would be missed.

Consequences of Not Funding

Without funding, CDT will not meet the statutory requirements of SB 53. The department will be unable to complete its first definition review and deliver the required legislative report by June 2027, placing the state in violation of law, and posing reputational risk to the state of California on AI policy and adoption.

Without the ITM II, CDT would lack the dedicated managerial capacity necessary to coordinate SB 53 implementation with GovOps, CalOES, and the Attorney General. The absence of a dedicated resource would result in outdated definitions, insufficient technical analysis, and inadequate stakeholder consultation. This would erode California's credibility, create regulatory gaps, and increase risks to residents. The State would also remain dependent on external consultants, significantly increasing costs over time compared to building in-house expertise.

Additionally, CDT would not be prepared to provide technical or governance support for CalCompute, weakening statewide coordination on AI infrastructure. A lack of resources would also prevent CDT from implementing SB 53's transparency oversight, integrating safety incident reporting, and coordinating whistleblower protections and civil penalties. This failure would undercut the Governor's goal of establishing commonsense guardrails that balance innovation with safety and reinforce public trust.

Failure to invest in GenAI talent recruitment and training would further widen the gap between the State and private sector, leaving California without the skilled workforce needed to meet its statutory responsibilities under SB 53.

C. Departmentwide and Statewide Considerations

Departmentwide impacts:

- Provides CDT with dedicated staff for SB 53 implementation, preventing diversion from other core mandates such as IT oversight, security, and digital services.
- Establishes a dedicated point of coordination within ODS for SB 53 implementation.
- Reduces reliance on vendors over time by institutionalizing expertise within CDT.
- Ensures CDT can coordinate directly with the Office of Emergency Services on incident reporting and with the Attorney General on enforcement provisions, both of which are required under SB 53.
- The ITM II position is required to serve as the primary liaison with GovOps, OES, and the Attorney General to ensure alignment, avoid duplication of effort, and manage coordination across statewide AI safety responsibilities.

Statewide impacts:

- **Reputation on AI Leadership:** ensures that the state of California and the Governor maintain a leading role in AI innovation while taking into account AI safety and risk mitigation.
- **Public Safety and Risk Mitigation:** Ensures statutory definitions evolve with technology, closing regulatory gaps that could otherwise expose Californians to harm.
- **Federal and International Alignment:** Keeps California's framework harmonized with national and global standards, reinforcing credibility and avoiding unnecessary compliance burdens on developers.
- **Equity and Inclusion:** Structured consultation processes will capture diverse input, ensuring voices from vulnerable and marginalized communities are included in decision-making.
- **Clarity and Verifiability:** Policy design will prioritize clarity and enforceability, giving developers certainty and ensuring regulators can verify compliance.
- **Innovation and Economic Growth:** Provides clarity for AI developers, encouraging responsible innovation within safe guardrails.
- **Cross-Agency Collaboration:** Strengthens coordination with GovOps, CalOES, and the Attorney General's Office to ensure a coherent statewide approach to AI governance.
- **Transparency and Accountability:** Implements SB 53's requirement that large frontier developers publish safety frameworks, ensuring accountability to the public.
- **Enforcement Complements:** Reinforces SB 53's whistleblower protections and civil penalty provisions through CDT's coordination with OES and the Attorney General.

CDT will coordinate with GovOps on technical and governance considerations for advanced computing infrastructure on CalCompute. These responsibilities also advance the Governor's framing of SB 53 as commonsense guardrails that balance innovation with safety, reinforcing public trust in California's leadership on AI.

D. Outcomes and Accountability

Category A – Statutory Deliverables (mandatory):

- Annual AI definition reviews completed.
- Annual legislative reports submitted to the Legislature.
- Technical and risk assessments integrated into reports.
- Stakeholder forums conducted and documented.
- Recommendations aligned with federal and international frameworks and standards.
- Coordination activities with GovOps, CalOES, and the Attorney General documented.

Category B – Contingent Deliverables:

- CDT technical and governance support to GovOps for CalCompute.

Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
AI definition reviews completed	0	1	1	1	1	1
Legislative reports delivered	0	1	1	1	1	1
Stakeholder engagement forums	0	4	4	4	4	4
Technical and risk assessments conducted	0	2	3	3	3	3
CalCompute deliverables supported	0	-	1	1	1	1

E. Implementation Plan

Pre-Implementation (FY 2026-27):

- Q1: Recruit and onboard the ITM II who will manage SB 53 implementation and coordinate with GovOps, CalOES, and the Attorney General.
- Q2: Initiate consulting contracts and develop engagement and reporting protocols. The ITM II will establish coordination processes with GovOps, CalOES, and the Attorney General.
- Q2: Review existing definitions and transparency reports and requirements from frontier AI developers.
- Q2: Launch multistakeholder consultations and dialogues.

First Deliverables (January–June 2027):

- Q3: Complete first definition review, continue stakeholder consultations, begin risk assessments, and implement interagency coordination processes led by the ITM II.
- Q4: Submit first legislative report by June 2027, finalize stakeholder documentation, provide CalCompute input as needed, and deliver an interagency coordination report outlining activities with GovOps, OES, and the Attorney General.

Ongoing Annual Cycle (FY 2027-28 and beyond):

- Q1–Q2: Conduct reviews, consultations, and risk assessments, with the ITM II ensuring integration of safety incident data reported to OES and enforcement actions overseen by the Attorney General.
- Q3: Draft and validate recommendations.
- Q4: Deliver annual legislative report, document statewide interagency coordination activities, and support CalCompute deliverables.

Risk Mitigation

- Early recruitment, front-loaded consulting to address compressed timelines, and quarterly progress reviews to ensure statutory compliance.

F. Supplemental Information (If Applicable)

Attachments:

SB 53 (Weiner) Office of Digital Services Proposed Organization Chart

SB 53 (Weiner) Workload Justification

BCP Fiscal Detail Sheet

(Dollars in Thousands)

BCP Title: Artificial Intelligence Models Large Developers (SB 53 Weiner)

BR Name: 7502-017-BCP-2026-GB

Budget Request Summary

	FY26					
	CY	**BY**	**BY+1**	**BY+2**	**BY+3**	**BY+4**
Salaries and Wages						
Earnings - Permanent	0	99	99	99	99	99
Total Salaries and Wages	**$0**	**$99**	**$99**	**$99**	**$99**	**$99**
Total Staff Benefits	0	49	49	49	49	49
Total Personal Services	**$0**	**$148**	**$148**	**$148**	**$148**	**$148**
Operating Expenses and Equipment						
5301 – General Expense	0	2	2	2	2	2
5304 – Communication	0	1	1	1	1	1
5320 – Travel: In-State	0	1	1	1	1	1
5322 – Training	0	3	3	3	3	3
5340 – Consulting and Professional Services – External	0	360	0	0	0	0
5342 – Departmental Services	0	84	84	84	84	84
5346 – Informational Technology	0	5	5	5	5	5
Total Operating Expenses and Equipment	**$0**	**$456**	**$96**	**$96**	**$96**	**$96**
Total Budget Request	**$0**	**$604**	**$244**	**$244**	**$244**	**$244**

Fund Summary

Fund Source - State Operations						
0001 – General Fund	0	682	322	322	322	322
9730 – Technology Services Revolving Fund	0	-78	-78	-78	-78	-78
Total State Operations Expenditures	**$0**	**$604**	**$244**	**$244**	**$244**	**$244**
Total All Funds	**$0**	**$604**	**$244**	**$244**	**$244**	**$244**

Program Summary

Program Funding						
6230 – Department of Technology	0	604	244	244	244	244
Total All Programs	**$0**	**$604**	**$244**	**$244**	**$244**	**$244**

Personal Services Details

Salaries and Wages	CY	BY	BY+1	BY+2	BY+3	BY+4
-	0	151	151	151	151	151
Total Salaries and Wages	**$0**	**$151**	**$151**	**$151**	**$151**	**$151**
Staff Benefits						
5150350 - Health Insurance	0	16	16	16	16	16
5150450 - Medicare Taxation	0	1	1	1	1	1
5150500 - OASDI	0	6	6	6	6	6
5150600 - Retirement - General	0	26	26	26	26	26
Total Staff Benefits	**$0**	**$49**	**$49**	**$49**	**$49**	**$49**
Total Personal Services	**$0**	**$200**	**$200**	**$200**	**$200**	**$200**