

accountability measures, and strategic solutions to address disparities identified in racial equity analyses; and additional staff training and professional development (Air Pollution Control Fund).

- 2) Cost pressures of an unknown, but likely significant amount, to the extent state agencies will need to change their operations based on directives from an agency's updated strategic plan or the results of a racial equity analysis (GF or special fund). For example, a plan or analysis may result in an agency requesting to hire more bilingual staff or enter into a third-party contract for translation services to meet community needs.
- 3) Likely costs of an unknown amount, potentially in the hundreds of thousands of dollars annually, to the Government Operations Agency (GovOps) for outreach, technical assistance, and compliance monitoring to support consistent implementation of this bill across state agencies (GF). Although GovOps is not assigned a specific role in this bill, GovOps leads implementation of strategic initiatives in state operations, including DEI efforts.

The Legislative Analyst's Office recently warned of GF structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

COMMENTS:

- 1) **Purpose.** The author contends "it is critical that the State Legislature step in to advance a more equitable and inclusive California" as "the federal administration continues to scale back programs that support historically underserved communities." According to the author, this bill builds off Governor Newsom's Executive Order (EO) N-16-22 and "provides a clear path forward by requiring state agencies and departments to embed equity into their strategic planning and budgeting processes." This bill is supported by various social justice and public health organizations.
- 2) **EO N-16-22.** On September 13, 2022, Governor Newsom issued EO N-16-22, directing state agencies to take additional actions to embed equity analysis and considerations in their mission, policies, and practices. Amongst other directives, the EO requires every state agency to incorporate more inclusive public engagement and data analysis, tasks specified agencies to develop recommendations to improve language and communications access to state government services and programs, and establishes the state's first Racial Equity Commission to produce a Racial Equity Framework of resources and tools to promote racial equity and address structural racism. On August 3, 2022, Governor Newsom also appointed the state's first Chief Equity Officer at GovOps to oversee these priorities in relation to state operations, procurement information technology, and human resources. This bill requires certain state agencies to develop or update the agency's strategic plan with practices that advance racial equity and undertake a racial equity analysis before implementing any budget or before any regulation takes effect.
- 3) **Related Legislation.** AB 766 (Sharp-Collins) was nearly identical to this bill prior to amendments adopted by this committee to strike the provision requiring certain state agencies to undertake a racial equity analysis. The enrolled version of AB 766, which requires certain state agencies to develop or update the agency's strategic plan with practices that advance racial equity, similar to the other provision of this bill, was vetoed by Governor Newsom, who stated:

Unfortunately, the bill's timelines for reporting on strategic plans, along with the additional information entities must include in their plan and uncertainty around which entities are required to comply, are unworkable. Lastly, expanding the reporting requirements to all entities under my purview with these accelerated timelines will lead to significant costs not accounted for in this year's final budget.

- 4) **Prior Legislation.** AB 437 (Jackson), of the 2023-24 Legislative Session, would have required each state agency to consider the use of more inclusive practices to advance equity in the agency's mission, policies, and programs. AB 437 was ordered to the Senate Inactive File.

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