

Department of Technology
Fiscal Year 2026-27
Effective Dates: July 1, 2026
Rate Change Detail for Digital Identity (D-ID)

Service Name: Digital Identity (D-ID)
Service Codes: NEW
Cost Center: NEW

Issue/Reason for Rate Change:

The California Department of Technology (CDT) is establishing new billing rates to recover transactional costs for identity verification and attribute validation services through the Digital Identity (D-ID), including third-party provider fees and optional application development costs, while infrastructure and platform maintenance for the Digital ID program will remain generally funded. The established rate structure is designed to balance affordability, predictable cost recovery, and long-term service sustainability while supporting agency onboarding and integration activities through the State's Digital ID program. Consistent with CDT's enterprise service model, vendor-related transaction and licensing costs will be recovered on a pass-through basis with a single, standardized 15 percent (15%) administrative rate applied to support service management and operational support.

As with many emerging enterprise services, adoption and transaction volumes are expected to mature over time. CDT has structured the initial rate period to support early participation across departments and to establish a stable statewide platform. Based on current projections, the D-ID service is expected to experience an over-recovery in Fiscal Year (FY) 2026-27 followed by an under-recovery in FY 2027-28 as personnel costs increase. In FY 2027-28, CDT anticipates the transition of at least one Digital ID position from General Fund (GF) to Technology Services Revolving Fund (TSRF) authority. CDT has incorporated the associated personnel and indirect costs into the Digital ID rates accordingly.

CDT will continue to monitor demand, transaction volumes, and vendor pricing on an annual basis and will reassess rates as needed to maintain appropriate cost recovery over time. As participation expands and the service reaches a steady-state operating level, the D-ID rate structure is expected to stabilize and align with ongoing operating costs, supporting long-term sustainability of the statewide digital identity framework.

Description of Service Offering:

Digital Identity, built by CDT, is a central platform designed to securely verify identity and eligibility attributes on behalf of state services. This architecture enables a streamlined and improved experience for everyone interacting with the California government, notably providing the foundation for Single Sign-On (SSO) access to services. CDT supports departments in integrating these advanced digital capabilities to enhance their offerings.

By replacing traditional paperwork and in-person processing with digital identity verification and instant backend data sharing via the California Identity Gateway, we can dramatically increase efficiencies and significantly reduce fraud, waste, and risk across all state services.

Key Benefits:

There are three primary elements that make the D-ID Framework a tool for users to gain access to the many benefits that state services provide:

1. Digital Identity (D-ID)

2. Digital Credentials Issuance, Storage, and Reading of Digital Wallets.
3. Consolidated Contracts across Statewide Procurement of Identity Providers and Verification Services and Data Sharing Agreements

Service features and support:

Centralized Identity Gateway Platform

- Secure, statewide Digital ID Gateway that brokers authentication and identity verification transactions between customer applications and approved identity providers
- Single integration point for departments to access multiple Digital ID providers through standardized APIs
- Vendor-agnostic architecture allowing providers to be added or updated without requiring customer re-integration

Integration and Onboarding Support

- Technical onboarding support for departments connecting applications to the Gateway
- Standard integration documentation, API specifications, and testing environments
- Coordination with approved identity and eligibility providers during implementation
- Support for production readiness, connectivity validation, and go-live activities

Secure, Managed Infrastructure

- Hosting within a secure, State-managed cloud environment
- Encryption of data in transit and secure handling of identity transactions
- Alignment with State security, privacy, and data protection requirements
- Centralized management of tokens, credentials, and provider connections

Access and Identity Services

- Integration with approved State identity and access management solutions where available
- Support for authentication, identity proofing, and eligibility verification services through approved providers
- Role-based administrative access for customer agencies to manage their integrations
- Enforcement of statewide acceptable use and security policies

Service Desk and Operational Support

- Incident reporting and support through the CDT Service Desk
- Tiered response for connectivity issues, provider outages, and critical incidents
- Standard escalation and communication procedures for service disruptions
- Coordination with external providers to resolve service issues impacting customers

Monitoring, Reliability, and Performance

- Continuous monitoring of Gateway health, performance, and transaction activity
- Proactive issue detection and resolution by CDT operations teams
- Logging and audit capabilities to support troubleshooting and reporting
- Target availability and performance objectives defined in the service agreement

Governance and Provider Management

- Central governance of approved Digital ID providers and integrations
- Vendor management and coordination for provider updates or changes
- Standardized security and compliance review for participating providers
- Alignment with statewide digital identity and privacy policies

Reporting and Usage Tracking

- Tracking of transactions by customer and provider for billing and reporting
- Periodic usage summaries available to participating departments
- Support for reconciliation of pass-through and Gateway program charges
- Data to support service planning and capacity management

Training and Guidance

- Onboarding materials and integration guidance for departments
- Technical and operational best practices for Digital ID implementations
- Periodic updates on service enhancements and provider options
- Support for customer questions related to service use and billing

Cost Recovery Model:

The D-ID cost recovery model consists of two primary pass-through layers, each tied to a different cost driver, and a 3rd and 4th layer leveraging pre-existing service rates to recover optional premium support and cloud hosting. This multi-level approach is applied to address the following factors:

1. Charge customers proportionally with actual consumption
2. Protect early adopters from disproportionate cost burden
3. Aligning billing timing with cost obligations
4. Ensure CDT cost recovery is tied to measurable activity
5. Enable scalable customer onboarding

D-ID costs will be recovered through a fifteen percent (15%) pass-through fee applied to applicable vendor charges to support the administration and delivery of D-ID services. This approach provides a consistent and scalable recovery method given the variability in D-ID vendor pricing and the inability to reliably forecast transaction volumes and usage patterns across individual customers.

1. **15% Pass-Through on Usage-Based Vendor Transaction Charges:** CDT will track D-ID transactions by customer and by vendor (e.g., Socure, Login.gov, CalFresh, etc.). Transaction-based vendor costs will be billed monthly based on measured usage. The customer bill will reflect their vendor transaction costs plus 15%.
2. **15% Pass-Through on Shared Vendor Services:** Annual or recurring vendor fees will be billed annually and allocated proportionally based on customer usage during the applicable period. The customer bill will reflect their proportional vendor costs plus 15%.

Optional Additional Costs and Charges:

3. **Specialized Support:** For customer support needs that exceed standard service support, CDT will utilize existing consulting rates to recover the cost of additional effort.
4. **Cloud Hosting:** External Cloud Hosting may be required when a customer's D-ID implementation involves CDT-hosted environments or supporting infrastructure that must run on third-party cloud hosting services (e.g., VHSS). This may occur when customer onboarding requires dedicated or expanded hosting capacity to support application connectivity to the identity gateway, increased transaction throughput, enhanced availability requirements, or specific security and compliance configurations. In these cases, hosting costs are driven by the level of infrastructure required to support the customer's onboarding and ongoing usage. These costs will be recorded and recovered as VHSS charges.

Rate Methodology Used to Develop Rates:

The rate for this service is based on the Service Rate Methodology. The Service Rate Methodology involves building a service rate based on the estimated costs for the entire service

at a given volume level. The following process was used to determine rates using this methodology:

1. Billable Unit: Vendor Cost, Per Transaction
2. Direct cost components: Salary and benefits, software licensing and vendor hosted IT services.
3. Attributes: The projected D-ID Service costs were used to determine a breakeven rate based on the projected utilization of the service.
4. Indirect cost components: IT Service Management (ITSM), Service Desk, Campus Infrastructure Connectivity, Facility, Technology Innovation, Privileged Access Management, Internal Applications, Desktop Support & Voice Services, Info Security Office, Business Applications, Project & Portfolio Management, Legal Services and Marketing. These costs were allocated based on established methodologies. The sum of the direct and indirect costs represents the cost of providing the service.
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6. The billable rates are determined by the formula below which is the monthly costs to provide the service divide the forecasted cost of the service by the forecasted volume of billable units. This rate is set to breakeven.

$$\text{Rate per Billable Unit} = \frac{\text{Cost of Service}}{\text{Volume of Billable Units}}$$

New Rates:

| Service Code | Service Description | Billing Metric | Current Rates | New Rates | Change |
|--------------|-------------------------------------|----------------|---------------|------------------|--------|
| NEW | D-ID – Usage-Based Pass-Through | Variable | N/A | Vendor Cost +15% | NEW |
| NEW | D-ID – Shared Services Pass-Through | Variable | N/A | Vendor Cost +15% | NEW |

Customer Impact:

There is no impact on existing customers as this is a new offering.

Revenue Impact:

| Fiscal Year | Revenue | Expenses | Difference |
|-------------|-------------|-------------|-------------|
| 2026-27 | \$1,728,450 | \$1,619,892 | \$108,558 |
| 2027-28 | \$2,450,650 | \$2,578,497 | (\$127,847) |

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Approval for Rate Changes:

Approved 04/14/2026
Vera Zakem
Chief Technology Innovation Officer
Office of Digital Services

Approved 04/14/2026 by Vera Zakem on Behalf of Blaine Wasyliw
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