CA Department of Technology – Rate Adjustments
Fiscal Year: 2026-27
Effective Date: July 1, 2026
Service Name: Poppy – California's Statewide Digital Assistant
Service Codes: P101, P102, P103, P104, P105, P106, P107, P108, P109, P110
Cost Center: 365

Issue/Reason for Rate Change:
The California Department of Technology (CDT) has established new billing rates to recover the costs associated with providing California state customers with the newly established Statewide Digital Assistant service – Poppy. The service rates are designed to balance affordability, predictable cost recovery, and the long-term sustainability of a new statewide digital capability.

As with many emerging enterprise services, initial adoption and usage of Poppy is expected to mature over time. CDT has intentionally structured the service to encourage early participation across state departments, recognizing that broad adoption is essential to achieving the economies of scale necessary to support stable pricing and long-term sustainability. As a result, during the initial budget year (FY 2026-27), cost recovery may not fully reflect steady-state operations while usage patterns and customer demand continue to develop. CDT anticipates sufficient adoption and usage growth to achieve full cost recovery in FY 2027–28. CDT will continuously evaluate service utilization, support requirements, and operating costs to ensure rates remain aligned with ongoing demand and fiscal sustainability.

Poppy is being implemented using existing CDT staff resources and does not require a Budget Change Proposal or additional investment from the State. To support service launch while managing overall cost pressures, CDT is strategically redirecting staff effort from several under-recovering OTech services, reducing cost burdens in those areas and supporting continued operations without rate changes. This portfolio-based approach allows CDT to introduce new statewide capabilities while maintaining fiscal discipline and minimizing impacts on customers.

Description of Service Offering:
The Poppy platform is a secure, centrally managed Generative AI (GenAI) environment designed to enhance productivity, protect state data, and improve the efficiency of government operations for California state employees. Poppy streamlines day-to-day work by providing a statewide, vendor-agnostic GenAI platform that integrates seamlessly with multiple Large Language Model (LLM) AI solutions (e.g., ChatGPT, Gemini), while maintaining consistent governance, security, and compliance standards.

Built by state staff for state staff, Poppy is specifically tuned to the types of work California state employees perform every day. The Poppy platform delivers task-specific capabilities designed to support core departmental operations and mission-critical functions. Poppy acts as an intelligent assistant, providing efficient, natural-language responses to a wide range of questions, leveraging approved internal and external information sources, and assisting users with routine and complex tasks across government workflows.

Key Benefits:

- **Efficiency:** Automates routine processes and reduces duplicated work, freeing staff to focus on higher-value initiatives.
- **Resource Optimization**: Minimizes operational costs by streamlining workflows and maximizing the use of existing resources.
- **Security & Compliance:** Lowers risk exposure and manual security overhead, helping departments avoid costly policy breaches and penalties.

- **Centralization:** Eliminates the need for multiple standalone tools, reducing software costs and facilitating more efficient teamwork.
- **Scalability:** Adapts across different state departments and can grow as organizational needs evolve, without significant extra investment.
- **Advanced AI Capabilities:** Leverages state-of-the-art AI to support data-driven decisions and improve outcomes, reducing the need for manual input.

Service features and support:

- **Access to Modern Large Language Models (LLMs)**
  - Use of current, enterprise-grade LLMs selected and managed by CDT
  - Periodic updates to models to improve quality, safety, and capabilities
  - Central governance of model configuration and safeguards

- **24/7 Service Desk Support**
  - Around-the-clock incident reporting and support via the CDT Service Desk
  - Support for access issues, outages, and critical incidents
  - Standard escalation and communication procedures for major incidents

- **Secure, Managed Environment**
  - Hosting in a secure, State-managed cloud environment
  - Controls to help prevent entry of PII, PHI, and FTI into the service
  - Built-in safety filters to block harmful or inappropriate content

- **User Access and Authentication**
  - Web-based access for authorized State of California employees
  - Integration with approved State identity and access management solutions (where available)
  - Role-based access and enforcement of State acceptable use policies

- **Service Monitoring and Reliability**
  - Continuous monitoring of platform health and availability
  - Proactive issue detection and remediation by CDT
  - Target uptime and performance objectives defined in the service agreement

- **Training, Guidance, and Best Practices**
  - Onboarding materials for departments and end users
  - Usage guidelines, policy reminders, and examples of appropriate use
  - Periodic updates on new capabilities and recommended practices

- **Governance and Reporting**
  - Governance framework aligned with State security and privacy policies
  - High-level usage metrics available to authorized stakeholders
  - Support for periodic review of use cases and risk posture

Cost Recovery Model

Poppy is offered through three complementary subscription models, each designed to support departments at different stages of adoption and with varying workforce sizes and usage requirements. Together, these options provide a flexible entry pathway for initial evaluation, a predictable per-user pricing model for smaller deployments, and scalable department-level pooled consumption tiers designed to support enterprise adoption across larger organizations.

1) Limited Free Trial offers a free one-month term to any non-Poppy users (departments not currently subscribed or who did not participate in the pilot) interested in evaluating the service before subscribing to a priced service model. The Limited Free Trial version offers one month of free access to a maximum of 50 users per department, with a fixed capacity of $8 per user.

2) Pay-Per-User (PPU) offers a fixed monthly price of $8 per user. Departments exceeding their aggregate committed consumption allocation across all users will be billed for additional usage on a pass-through basis at actual vendor cost plus a 2.79% administrative fee.

3) Committed Consumption Tiers allow departments to subscribe to a fixed monthly usage allocation sized to support their anticipated level of adoption across eligible staff. Rather than purchasing licenses for individual users, departments select a monthly consumption tier that provides access to a shared usage pool that can be flexibly utilized across their workforce. This structure supports predictable billing while accommodating varying usage patterns across departments with different workforce compositions and operational needs. Departments may select from seven standardized monthly commitment tiers ranging from $7,500 to $50,000. Departments exceeding their committed consumption allocation will be billed additional usage. on a pass-through basis at actual vendor cost plus 2.79% administrative fee.

POPPY **LIMITED FREE TRIAL**	**POPPY** **PER USER**	**POPPY** **TIERED CONSUMPTION**
$0 per user / month	**$8** per user / monthly	**$7.5K – $50K** / monthly
Includes: - Access entire Poppy service with multi-LLM offerings - 24/7 service desk support - Security, governance, monitoring - $8 Baseline capacity	**Includes:** - All Free Trial offerings without limitations - Unlimited data usage (capacity)	**Includes:** - All Per User offerings - Pooled capacity shared across designated users
Target Users: - New Poppy Users	**Target Users:** - Departments with approximately 900 users or less - Small and mid-size departments beginning service adoption	**Target Users:** - Departments interested in enterprise-scale user participation - Departments with approximately 900 users or more
Benefits: - Hands-on evaluation before committing to paid subscription model - Supports informed planning for optimal subscription model	**Benefits:** - Predictable monthly cost - Standard user-based pricing allowing scaled participation costs	**Benefits:** - Predictable monthly cost - Supports enterprise-wide deployment - Enables pulled usage across all participating departmental staff
Conditions: - Limited one month term - Limited to $8 per user capacity - Limited to Non-Poppy Users - No prior pilot users - Limited to 50 Departmental users	**Conditions:** - Consumption usage reconciled against departmental capacity - Consumption exceeding capacity billed at vendor cost plus 2.79% administrative mark-up	**Conditions:** - Consumption usage reconciled against departmental capacity - Consumption exceeding capacity billed at vendor cost plus 2.79% administrative mark-up

The committed consumption tiers are structured as fixed dollar subscription levels rather than fixed user-count tiers to better reflect the underlying consumption-based nature of generative AI services. Unlike traditional seat-based software licensing models, generative AI workloads vary significantly across users and departments depending on mission requirements, document-processing volume, and analytic activity levels.

Establishing tiers based on monthly committed consumption allows departments to:

- Allocate usage capacity across participating staff without managing individual licenses
- Accommodate uneven usage patterns across different classifications of users
- Scale adoption over time by committing to a different tier
- Maintain predictable monthly billing aligned with departmental budgeting practices

This structure also supports CDT's ability to recover fixed service costs while aligning variable consumption costs with actual usage patterns.

Billing Methodology:
Poppy rates are based on a per user assessment of LLM consumption capacity plus CDT's fixed service delivery component – which collectively represents each user's total standard capacity. Departments subscribed to either a Committed Consumption Tier or the PPU model are evaluated based on their usage against this standard capacity. Any usage above the standard capacity level is billed at actual vendor cost plus a 2.79 percent administrative fee.

Enhanced Support – CDT Consulting Fees:
In addition to Poppy's standard subscription plus Pay-for-Use (+) pricing model, certain customer requests may require specialized configurations, custom development, or enhanced operational support beyond the scope of standard POPPY services. These above-and-beyond services will be recovered using CDT's established consulting rates, consistent with existing CDT service billing practices.

Rate Methodology:
The rate for this service is based on the Service Rate Methodology, which calculates service rates 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:** Per User & Per Department
2. **Direct cost components:** Salary and benefits, vendor hosted IT services, general operating expenses and software licensing.
3. **Attributes:** The Statewide Digital Assistant (POPPY) 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, Shared Campus Infrastructure Connectivity, OTech Business Support, OTech Executive Office, Customer Engagement Services, Facility Services, Technology Innovation, Privileged Access Management, Internal Applications, Desktop Support & Voice Services, Internal Security Services, Internal Business Application Support, Internal Project & Portfolio Management, Legal Services, Marketing. These costs are allocated based on established methodologies.
5. The sum of the direct and indirect costs represents the cost of providing the service.
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.

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

Adjusted Rates Effective July 1, 2026:

Service Code	Service Description	Billing Metric	Current Rate	Adjusted Rate	Change
P101	POPPY Tier 1 – $7.5k Commitment	Per Department	NEW	$7,500	NEW
P102	POPPY Tier 2 – $10k Commitment	Per Department	NEW	$10,000	NEW
P103	POPPY Tier 3 – $15k Commitment	Per Department	NEW	$15,000	NEW
P104	POPPY Tier 4 – $20k Commitment	Per Department	NEW	$20,000	NEW
P105	POPPY Tier 5 – $25k Commitment	Per Department	NEW	$25,000	NEW
P106	POPPY Tier 6 – $35k Commitment	Per Department	NEW	$35,000	NEW
P107	POPPY Tier 7 – $50k Commitment	Per Department	NEW	$50,000	NEW
P108	POPPY Per User	Per User	NEW	$8	NEW
P109	POPPY Exceeded Capacity – LLM Pass-Through Fee	Per Department	NEW	Vendor Cost +2.79%	NEW
P110	POPPY – Limited Free Trial	Per User	NEW	$0	NEW

Customer Impact:
There is no impact on existing customers as this is a new offer.

Revenue Impact:

Fiscal Year	Revenue	Expenses	Difference
2026-27	$1,855,180	$2,998,391	($1,143,211)
2027-28	$3,952,800	$3,766,098	$186,702

POPPY - California's Statewide Digital Assistant
Cost Center: 365
Rate Calculation

Cost Component	FY 2026-27	FY 2027-28	Ratio of Costs
Direct	**$ 204,769**	**$ 268,745**	**86%**
Personnel - Salary & Benefits	$ 105,358	$ 105,358	34%
Operating Expenses & Equipment	$ 15,000	$ 10,000	3%
Software Licensing	$ 31,500	$ 37,000	12%
Vendor Subscription IT Svcs (Infrastructure)	$ 52,911	$ 116,386.74	37%
Indirect	**$ 45,097**	**$ 45,097**	**14%**
Total:	**$ 249,866**	**$ 313,841**	**100%**

Proposed Rates:

Service	Rate Code	Rate
POPPY – Limited Free Trial	P110	**$0**
POPPY – Pay-Per-User (PPU)	P108	**$8**
POPPY Tier 1 – $7.5k Commitment	P101	**$7,500**
POPPY Tier 2 – $10k Commitment	P102	**$10,000**
POPPY Tier 3 – $15k Commitment	P103	**$15,000**
POPPY Tier 4 – $20k Commitment	P104	**$20,000**
POPPY Tier 5 – $25k Commitment	P105	**$25,000**
POPPY Tier 6 – $35k Commitment	P106	**$35,000**
POPPY Tier 7 – $50k Commitment	P107	**$50,000**
POPPY Exceeded Capacity – LLM Pass-Through Fee	P109	**2.79%**

FY 2026-27 Projected	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Total	% Diff
Revenue	$ 114,900	$ 114,900	$ 155,720	$ 155,720	$ 155,720	$ 165,460	$ 165,460	$ 165,460	$ 165,460	$ 165,460	$ 165,460	$ 165,460	**$ 1,855,180**	
Expense	$ 249,866	$ 249,866	$ 249,866	$ 249,866	$ 249,866	$ 249,866	$ 249,866	$ 249,866	$ 249,866	$ 249,866	$ 249,866	$ 249,866	**$ 2,998,391**	**-38.1%**
Difference	**$ (134,966)**	**$ (134,966)**	**$ (94,146)**	**$ (94,146)**	**$ (94,146)**	**$ (84,406)**	**$ (84,406)**	**$ (84,406)**	**$ (84,406)**	**$ (84,406)**	**$ (84,406)**	**$ (84,406)**	**$ (1,143,211)**	

FY 2027-28 Projected	Jul-27	Aug-27	Sep-27	Oct-27	Nov-27	Dec-27	Jan-28	Feb-28	Mar-28	Apr-28	May-28	Jun-28	Total	% Diff
Revenue	$ 278,020	$ 278,020	$ 278,020	$ 278,020	$ 278,020	$ 366,100	$ 366,100	$ 366,100	$ 366,100	$ 366,100	$ 366,100	$ 366,100	**$ 3,952,800**	
Expense	$ 313,841	$ 313,841	$ 313,841	$ 313,841	$ 313,841	$ 313,841	$ 313,841	$ 313,841	$ 313,841	$ 313,841	$ 313,841	$ 313,841	**$ 3,766,098**	**5.0%**
Difference	**$ (35,821)**	**$ (35,821)**	**$ (35,821)**	**$ (35,821)**	**$ (35,821)**	**$ 52,259**	**$ 52,259**	**$ 52,259**	**$ 52,259**	**$ 52,259**	**$ 52,259**	**$ 52,259**	**$ 186,702**	