California State Assembly

Informational Hearing Agenda

Assembly Budget Subcommittee No. 4
on Climate Crisis, Resources, Energy, and Transportation

Assemblymember Steve Bennett, Chair

Wednesday, March 26, 2025
9:30 A.M. – State Capitol, Room 447

Non-Presentation Items: Staff have suggested the following items do not receive a formal presentation from the Administration in order to focus time on the most substantial proposals. Members of the Subcommittee may ask questions or make comments on these proposals at the time designated by the Subchair or request a presentation by the Administration at the discretion of the Subchair. Members of the public are encouraged to provide public comment on these items at the designated time.

Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.

Items To Be Heard

Various

Issue 1: Motor Vehicle Account Fund Transfers

The Governor's Budget requests to transfer $166.2 million, $81 million from the Greenhouse Gas Reduction Fund (GGRF) and $86 million from the Air Pollution Control Fund (APCF), to backfill the structural deficit in the Motor Vehicle Account (MVA).

Absent any action, the MVA is projected to be insolvent with a fund balance of negative $148 million in 2025-26. The resulting MVA fund balance from this solution alone is $18 million in 2025-26.

The administration states that it has identified expenditure reductions from MVA supported programs across CARB, DMV, and CHP totaling $28 million in 2024-25 and $33 million annually in 2025-26 and ongoing via Budget Control Sections 4.05 and 4.12 from last year regarding sweeping vacant positions and developing 7.95 percent in cost efficiencies. While the administration has not yet provided specific details around which positions and activities it is reducing to achieve these savings—or how service levels might be impacted—it has stated that it is not reducing public safety positions at CHP. With the proposed savings, the fund balance at the end of 2025-26 is projected to be approximately $80 million.

Average Revenue Collected (MVA Contributions):

- **Total DMV/CHP/CARB/etc. Related Collections**: $5.0 billion

- **Major Revenue Sources**:
  - **Vehicle Registration Fees**: $4.3 billion (Primary contributor)
  - **Driver License/ID Fees**: $462 million
  - **Miscellaneous Service Fees**: $69 million

Breakdown of MVA Expenditures by Department:

1. **California Department of Motor Vehicles (DMV)** – **$1.5 billion** (30% of MVA expenditures)
   - DMV operations, field offices, customer service improvements, IT upgrades.

2. **California Highway Patrol (CHP)** – **$3.1 billion** (62% of MVA expenditures)
   - Traffic enforcement, highway safety programs, personnel, and fleet costs.

3. **California Air Resources Board (CARB)** – **$175 million** (3.5% of MVA expenditures)
   - Vehicle emissions programs.

4. **Other Agencies & Programs** – **$290 million** (5% of MVA expenditures)

- Various state programs linked to vehicle-related policies.

Motor Vehicle Account (0044) Fund Condition
(dollars in millions)
2025-26 Governor's Budget

	Past Year 23-24	Current Year 24-25	BY 25-26	BY+1 26-27	BY+2 27-28	BY+3 28-29	BY+4 29-30
BEGINNING RESERVES	$445	$314	$152	$80	-$268	-$669	-$1,117
REVENUES & TRANSFERS							
Revenues							
Registration Fee	$4,026	$4,181	$4,263	$4,410	$4,551	$4,671	$4,799
Other Fees	$732	$682	$698	$639	$723	$778	$716
Total Fee Revenue	**$4,758**	**$4,862**	**$4,961**	**$5,049**	**$5,274**	**$5,449**	**$5,515**
Transfers & Loans							
Transfers To Other Funds	-$12	-$8	-$8	-$8	-$8	-$8	-$8
Transfers from Other Funds	$2	$4	$1	$1	$1	$1	$1
Transfers from APCF and GGRF	$0	$0	$166	$0	$0	$0	$0
Total Resources	**$5,193**	**$5,173**	**$5,272**	**$5,122**	**$4,999**	**$4,773**	**$4,390**
EXPENDITURES							
Baseline Support Expenditures							
CHP - Base Budget	$2,962	$3,078	$3,200	$3,327	$3,531	$3,687	$3,879
DMV - Base Budget	$1,418	$1,417	$1,408	$1,456	$1,510	$1,558	$1,605
ARB - Base Budget	$171	$175	$183	$194	$205	$215	$226
Other (Other Departments, Local Assistance, Assessments including Pro Rata)	$256	$299	$357	$364	$371	$378	$385
SB 84 Loan Repayment	$72	$74	$77	$80	$84	$84	$84
Proposed 4.05 Vacancy Savings and 4.12 Efficiencies Totals	$0	-$28	-$33	-$33	-$33	-$33	-$33
Total, Support Expenditures	**$4,879**	**$5,015**	**$5,192**	**$5,388**	**$5,667**	**$5,889**	**$6,145**
Cap Outlay-Committed Lease/Debt Service							
CHP	$0	$5	$1	$1	$1	$1	$1
DMV	$0	$0	$0	$1	$1	$1	$1
CDFA	$0	$0	$0	$0	$0	$0	$0
Subtotal, Capital Outlay	**$0**	**$5**	**$1**	**$2**	**$2**	**$2**	**$2**
Expenditure Total	**$4,879**	**$5,020**	**$5,193**	**$5,389**	**$5,669**	**$5,890**	**$6,147**
FUND BALANCE	**$314**	**$152**	**$80**	**-$268**	**-$669**	**-$1,117**	**-$1,756**

Panel

- Eamon Nalband, Assistant Program Budget Manager, Department of Finance
- Bowen Petersen, Finance Budget Analyst, Department of Finance
- Rachel Ehlers, Deputy Legislative Analyst, Legislative Analyst’s Office

LAO Comments

The Legislative Analyst's Office has provided the following recommendations to the Legislature:

Background

MVA Supports Various State Programs, Receives Revenues From Vehicle Registration Fees. MVA is the primary funding source for CHP and DMV. The account also provides some funding for the California Air Resources Board (CARB). The uses of most MVA revenues are constitutionally limited to the administration and enforcement of laws regulating the use of vehicles on public highways and roads, as well as certain other transportation activities. For 2025-26, MVA revenues are estimated to total about $5 billion. Of this amount, over $4 billion is projected to come from vehicle registration fees. The remainder largely is generated by other DMV fees such as driver license fees. (We note that DMV also collects various other fees at the time of vehicle registration that are not deposited into MVA, such as vehicle license fees, truck weight fees, and an additional registration fee charged to owners of zero-emission vehicles.)

Expenditures Outpacing Revenues. Since 2021-22, annual expenditures from MVA have exceeded the account's yearly revenues, resulting in a structural imbalance. Some of the major expenditure cost drivers have included (1) increased employee compensation costs which have been driven by both increases to staffing levels and growing salary and benefit costs at CHP, (2) workload related to the issuance of new driver licenses and ID cards that comply with federal standards (commonly referred to as "REAL IDs)," and (3) supplemental pension plan repayments that began in 2019-20. (These payments are related to a 2017-18 budget action that borrowed from the General Fund for a large one-time contribution to the state employee pension fund, requiring future repayment from all relevant funds that make employer pension contributions, including MVA. Over the next 30 years, MVA is expected to receive savings that outweigh these near-term loan repayment expenditures due to slower growth in employer pension contributions.)

State Has Undertaken Previous Efforts to Help Address Deficits and Delay Insolvency. Over the last couple of decades, MVA has experienced periodic deficits and risks of insolvency. In response, the state has taken various actions to shore up the fund. Some of these past solutions provided temporary relief, such as the state making a one-time repayment of loans that previously were provided from MVA to the General Fund and delaying supplemental pension plan repayments to the General Fund (which temporarily reduced MVA expenditures but created additional out-year liabilities). Other actions provided longer-term solutions, including (1) ending a previous practice of transferring about $90 million annually from MVA to the General Fund, (2) authorizing vehicle registration fees to be adjusted annually based on the percent change in the California Consumer Price Index to account for inflation, (3) shifting certain programs from MVA to other fund sources, and (4) the state recently shifting away from using up-front cash from MVA to pay for CHP's and DMV's facility needs.

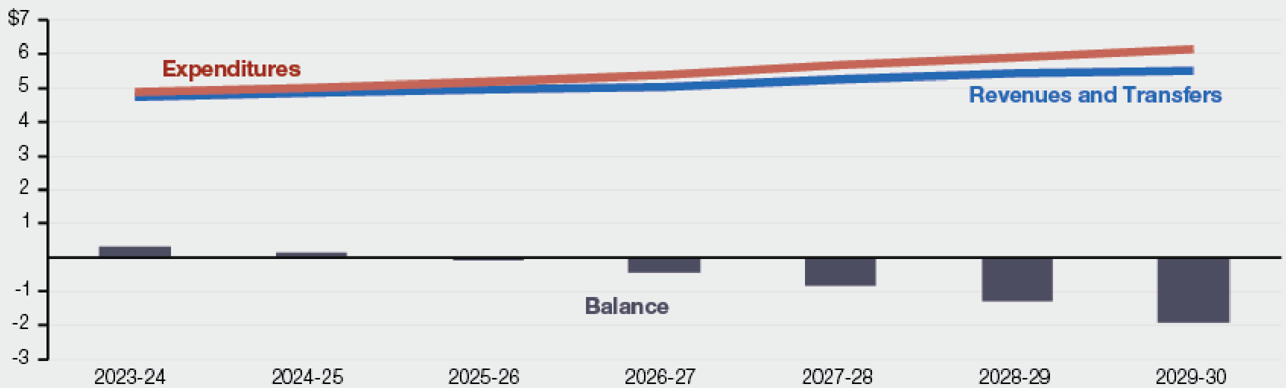
MVA Projected to Become Insolvent Beginning in 2025-26. Without action, MVA is projected to become insolvent in 2025-26 with deficits increasing in future years, as shown in Figure 3.

Specifically, if left unaddressed, MVA is projected to have a deficit of $87 million in 2025-26, increasing to $1.9 billion by 2029-30.

Figure 3

Motor Vehicle Account Facing Insolvency in 2025-26

(In Billions)



Note: Estimates reflect LAO adjustments to Department of Finance projections and do not include Governor's proposals or resulting impacts.

Governor's Proposal

Fund Shift to Prevent Insolvency, Continue Existing Support for CARB Program in 2025-26. To maintain a positive MVA balance in 2025-26, the Governor proposes to transfer

funds into the account from two other state accounts totaling $166 million on a one-time basis. These transfers are intended to fully offset the estimated $166 million that MVA annually provides to support CARB's Mobile Source Program. (That program aims to reduce emissions from on- and off-road mobile sources, such as vehicles and construction equipment.) The two components of these transfers consist of:

- ***$85 million From the Air Pollution Control Fund (APCF).*** The proposal would transfer $85 million from APCF to MVA. The APCF is overseen by CARB and receives revenues from fees and penalties on vehicle and non-vehicle pollution sources. The account's funds generally are used to carry out CARB's duties and functions.
- ***$81 Million From GGRF.*** GGRF contains auction proceeds from the state's cap-and-trade program. The proposed funds to be transferred to MVA consist of $49 million from unallocated projected discretionary GGRF revenues and $32 million that would be "freed up" by shifting some prior planned GGRF expenditures for clean energy activities to the Proposition 4 climate bond. (More information about the climate bond fund can be found in our recent publication, *The 2025-26 Budget: Proposition 4 Spending Plan*.)

Reduces MVA Expenditures in Response to 2024-25 Budget Solutions. Through Control Sections 4.05 and 4.12, the 2024-25 budget package directed departments to identify expenditure reductions from vacancies and operational efficiencies regardless of fund source. The administration states that it has identified expenditure reductions from MVA-supported programs across CARB, DMV, and CHP totaling $28 million in 2024-25 and $33 million annually in 2025-26 and ongoing. While the administration has not yet provided specific details around which positions and activities it is reducing to achieve these savings—or how service levels might be impacted—it has stated that it is not reducing public safety positions at CHP. Absent these expenditure reductions, the MVA deficit in 2025-26 and future years would be larger.

Assessment

Several Trade-Offs Associated With Proposal. We have a identified a number of trade-offs raised by the Governor's proposed MVA transfers.

- ***Solves Shortfall in 2025-26 Without Impacting MVA-Supported Activities.*** Based on the administration's estimated expenditures, the proposed fund transfers would provide sufficient resources to keep MVA balanced in 2025-26 without needing to make changes to service levels for MVA-supported programs or increasing fees.
- ***Results in Less Funding Available for Other Activities.*** Shifting APCF and GGRF to MVA means that those funds are not available for other spending priorities across the budget which they typically help support. Additionally, one portion of the proposed GGRF transfer is dependent on shifting planned expenditures to Proposition 4, resulting in that amount of the bond being used to sustain existing commitments rather than to enhance state climate efforts.
- ***Does Not Address Underlying Problem.*** The Governor's proposal represents a one-year fix but would not provide an ongoing and sustainable solution to address the MVA funding shortfall. Moreover, the shortfall is projected to grow in future years. The administration indicates that APCF will not have sufficient funds available to support MVA beyond 2025-26. MVA will remain at risk of insolvency until the state addresses the underlying imbalance between its revenues and expenditures.
- ***Relies on Revenue Source Subject to Uncertainty.*** As we discuss in further detail in our publication, *The 2025-26 Budget: Cap-and-Trade Expenditure Plan,* GGRF revenues are subject to substantial uncertainty and are trending lower than forecasted in the current year. To the extent these declining revenue trends persist, GGRF may not have capacity to support new commitments—such as the proposed fund shift—without requiring reductions to the 2025-26 GGRF expenditure plan that was agreed to as part of the 2024-25 budget process.

Alternative Options Also Come With Trade-Offs. The Legislature could consider one or more alternative actions to keep the MVA balanced in 2025-26. However, each of these options also has associated trade-offs.

- ***Use Funding From Other Sources.*** Similar to the Governor's proposal, the Legislature could consider using funding from other sources to bolster MVA. For example, the Legislature could consider a transfer from the General Fund to MVA. However, any shift would result in less funding from the transferring fund left available for other activities.

Moreover, the General Fund does not currently have much capacity to take on new expenditures without impacting existing commitments.

- ***Increase Revenues.*** The Legislature could take steps to increase MVA revenues, such as by increasing DMV fees. For example, based on the number of cars currently registered in California, every $1 increase in registration fees would raise about $36 million. However, this would increase costs for businesses and households that own cars.
- ***Reduce Expenditures.*** The Legislature could take steps to reduce expenditures from MVA. For example, the Legislature could temporarily suspend the supplemental pension repayments. However, this would not be sufficient on its own to address the fund condition and would lead to increased cost pressures in the near future because the principal and interest for the loan still would need to be repaid by June 30, 2030. Other expenditure reductions likely would reduce DMV and/or CHP service levels, which could affect both customer service (in the case of DMV) and safety (with regard to CHP). In addition, implementing sufficient expenditure reductions in time to keep the fund balanced in 2025-26 could be particularly challenging.

Recommendations

Weigh Trade-Offs and Address 2025-26 MVA Shortfall in a Way That Best Aligns With Legislature's Priorities. Any steps taken to address the MVA fund condition will come with trade-offs. However, given the operational funding shortfall, some action is needed in 2025-26 if the state wants to avoid significant impacts to public services. As such, we recommend the Legislature either adopt the Governor's proposal or some alternative for the budget year. The Legislature likely will want to closely monitor evolving budget conditions over the next few months—including GGRF revenue trends—as it weighs its various options.

Develop Plan to Ensure Fund Remains Solvent. In order to remain solvent, MVA expenditures and revenues must be brought into balance. As such, we recommend that the Legislature develop a plan to address MVA's structural deficit on an ongoing basis. To assist with developing such a plan, the Legislature could consider holding hearings this spring as part of the budget process to get a better understanding of the underlying causes of the MVA's insolvency risk, the potential options for a long-term solution to the fund condition, and the trade-offs associated with these options.

Staff Comments

Staff notes that the MVA has been on a structural deficit trajectory for nearly 20 years and there are no easy solutions as many of the fees/revenue sources are already adjusted for inflation, but costs have outpaced inflation. The main departments funded by MVA are the Department of Motor Vehicles and the California Highway Patrol.

Members of this subcommittee may wish to ask:

- What are the main cost drivers of the expenditure growth?

- How much have driver license fees, including Real ID specifically, increased over the past few years as the State prepares for the Real ID implementation deadline? What costs have increased to prepare for Real ID? Has the federal government helped with these costs?

Staff believes that this is a one-time to solution to an ongoing problem and if the Legislature adopts this solution, it will be used every year. Additionally, staff expresses concern that this proposed solution is twice as large as it needs to be, as it will leave an estimated $80 million in the fund balance. Members of this subcommittee may wish to opine on their comfortability with reducing the fund shifts (if they chose to adopt them) by $80 million which would leave no projected fund balance. This may result in departments being unable to pay bills if revenues come in lower than projected or expenditures come in higher than projected. The administration has stated that they would like to retain a $50 million fund balance.

Additionally, this subcommittee may wish to reject or find alternative fund sources for the following items also in this agenda that could put cost pressures on the MVA:

- Issue 5: CHP: Statewide: Advanced Planning and Site Identification: This proposal allocates $1 million of General Fund to identify suitable sites for future site/office replacements but those capital outlay projects may be proposed for funding with MVA or General Fund in the future.

- Issue 8: CHP: Security at State Capitol Swing Space, Annex, and Visitor Center: This proposal provides $8 million in one-time spending authority for overtime costs for CHP to provide enhanced security around the Capitol buildings during construction. These requests are expected to continue annually while the Legislature and Governor are spread across multiple buildings.

- Issue 11: California State Transportation Agency Freight Policy: This proposal allocates $121,000 annually for one staffer as part of a three staff unit on freight policy.

Staff Recommendation: Hold Open.

2660 California Department of Transportation (CalTrans)

Issue 2: Clean California Community Cleanup and Employment Pathways Grant Program

The Governor's Budget requests a one-year increase of $25,000,000 in operating expenses from the General Fund, to establish the Clean California Community Cleanup and Employment Pathway Grant Program to provide competitive grants to cities, counties, public agencies under the jurisdiction of a city or county and federally recognized tribal governments for cleanup activities on locally owned public spaces, excluding private property and the state right of way.

This program will address litter and graffiti abatement efforts, foster community engagement, and create career pathways for those overcoming barriers to employment across the state.

The grant program will support partnerships with workforce development organizations enabling cities, counties, public agencies under the jurisdiction of a city or county and federally recognized tribal governments to procure litter crews for cleanup activities. These partnerships create meaningful job opportunities and training for vulnerable populations, including individuals impacted by the justice system, and those experiencing homelessness. By providing individuals with skills and experience in litter abatement and maintenance, the program establishes pathways to long-term, stable employment while addressing critical community needs.

Caltrans will determine local match requirement and encourage communities to engage in ongoing litter and graffiti removal in public spaces and on locally owned rights of way by funding these activities in cities and counties through matching grants. Caltrans will prioritize grant proposals that integrate workforce development initiatives, and target underserved and vulnerable populations. Caltrans will develop guidelines and criteria to award local grants to underserved communities using a need-based formula for the local match requirement. Additionally, the department will require grantees to demonstrate plans for long-term sustainability of cleanliness efforts as well as submit quarterly reports that detail the following metrics to track progress and outcomes on litter and graffiti removal, workforce development, community engagement, and sustainability innovation.

Panel

- Steven Keck, Chief Financial Officer, Caltrans
- Keith Duncan, Chief Budget Officer, Caltrans
- Benjamin Pollack, Finance Budget Analyst, Department of Finance
- Frank Jimenez, Senior Fiscal & Policy Analyst, Legislative Analyst's Office

LAO Comments

The Legislative Analysts' Office has provided the following comments to the Legislature:

Background

Clean California Included Funding for Litter Abatement and Beautification Projects. The 2021-22 budget package provided roughly $1.1 billion from the General Fund over a three-year period for Clean California, a statewide program centered around supporting litter abatement and beautification projects. The 2022-23 budget agreement committed an additional $100 million from the General Fund that was provided in 2023-24 to augment funding for the Clean California Local Grant Program. The statewide program was administered by Caltrans and the combined $1.2 billion was used for the following activities:

- ***State Litter Abatement ($418 Million).*** To augment Caltrans' ongoing litter abatement activities on the state highway system through its maintenance program.
- ***Clean California Local Grant Program ($400 Million).*** For competitive grants to local governments for beautification and cleanup projects within public spaces and local right of ways. Beautification projects included infrastructure improvements such as art installations, graffiti removal, and landscaping. Trailer bill language—Chapter 81 of 2021 (AB 149, Committee on Budget)—guided the implementation of this new program.
- ***State Beautification Projects ($287 Million).*** For Caltrans to implement beautification projects on the state highway system. Assembly Bill 149 guided the implementation of this new program.
- ***Program Support ($62 million).*** For Caltrans staff to support Clean California activities.
- ***Public Education ($32 Million).*** For Caltrans to support a public education campaign aimed at reducing litter.

Caltrans Established the Clean California Community Designation. Along with the funded activities, Caltrans established a voluntary program to recognize certain localities as "Clean California Communities." We note that this initiative was not directed in statute, but rather was established by the department as part of its statewide outreach and engagement for Clean California. Local governments and nongovernment entities (such as neighborhood groups and community-based organizations) can obtain this designation by applying and completing a variety of steps. These include activities such as (1) having a local leader sign a pledge, (2) establishing an informal advisory board, (3) conducting an initial litter assessment, (4) organizing community cleanups, and (5) creating a long-term plan for keeping communities clean.

Governor's Proposal

Proposes $25 Million One-Time General Fund for New Local Litter Abatement Program. The Governor proposes $25 million from the General Fund on a one-time basis in 2025-26 to establish a new Clean California Community Cleanup and Employment Pathways Grant Program. The program would offer competitive grants to local governments and federally recognized tribal governments for litter abatement efforts. As opposed to the previous Clean California Local Grant Program, this new program would focus exclusively on local litter abatement and would not support infrastructure-related beautification projects. The program would prioritize funding for (1) projects that create employment pathways, such as those involving partnerships with workforce development organizations, and (2) communities that are designated as Clean California Communities or are actively working toward this designation.

Assessment

High Bar for Approving New Proposals Under Current Budget Conditions. The Governor's proposal to establish the new Clean California Community Cleanup and Employment Pathways Grant Program would commit a modest amount of discretionary General Fund in 2025-26. However, because our office currently estimates that the budget is roughly balanced, every dollar of new spending essentially requires offsetting reductions elsewhere in the budget. The Governor "makes room" for this proposal by making modifications to funds committed to other programs. As we discuss in our January 2025 report, *The 2025-26 Budget: Overview of the Governor's Budget*, overall, the Governor proposes $2.2 billion in actions that would create capacity in the General Fund to support $570 million of discretionary proposals (including this proposal), $150 million of tax expenditures, and a larger discretionary reserve than the state typically plans. These actions include shifting nearly $300 million in previous General Fund augmentations for climate- and environmental-related programs to instead be supported by the new Proposition 4 climate bond. While this would result in maintaining prior funding levels for these activities, it would preclude this amount of Proposition 4 funds from supporting expanded service levels or additional projects. Additionally, the budget faces a number of notable risks and uncertainties—including related to forecasted revenues, federal funding levels, and fire recovery costs—that could lead to the General Fund condition worsening over the coming months. Given this context, the Legislature will want to apply a higher bar to its review of new spending proposals than it might in a year in which the General Fund has more capacity to support new commitments. Overall, the Legislature will want to weigh the importance and value of the proposed new program against the activities to which it has already committed.

Local Litter Abatement Is Not a Core State Responsibility. The state is responsible for maintaining safe and clean conditions on its own property, such as on the state highway system. While addressing litter issues at the local level may be a worthwhile goal, it does not fall within the core responsibilities of the state—a distinction which is especially important in a budget environment with limited General Fund resources where the state may find it challenging to address its own areas of responsibility. Rather, addressing litter issues at the local level falls to local governments, which can raise funds, hire maintenance staff and solicit volunteers, and oversee practices within their own jurisdictions. Moreover, because it does not oversee local litter abatement, the state does not have a way to ascertain the magnitude of this problem. For the state highway system, Caltrans monitors data on the volume of litter collected and the number of service requests submitted by individuals related to litter. Caltrans does not collect similar data on an ongoing basis related to local streets and roads and public spaces more broadly. However, the department notes that based on discussions with local governments and feedback from the Clean California Local Grant Program, local governments continue to face persistent challenges related to litter.

One-Time Funding Unlikely to Address Persistent Issues Around Litter. One-time funding can provide short-term benefits by enabling cleanup in specific areas within a community, but it is unlikely to lead to sustained improvements without ongoing funding. The department indicates that by targeting funding to communities that are designated as Clean California Communities or are actively working toward that designation, the program can be focused on localities that have displayed a commitment to reducing litter and therefore hope to have a more enduring impact. However, this approach relies heavily on voluntary pledges that are not accompanied by long-term funding. The department also indicates that it would require local governments to provide a match to receive this state funding. Yet, a one-time match similarly does not ensure lasting efforts to address litter.

Recommendation

Reject Funding to Establish Clean California Community Cleanup and Employment Pathways Grant Program. Given the limited General Fund available and uncertain budget context, we recommend the Legislature reject this proposal to create a new local litter abatement grant program. In our assessment, this proposal to create a new program does not meet the high bar for approving new discretionary General Fund spending because (1) local litter abatement is not a core state responsibility and (2) one-time funding is unlikely to address persistent local issues around litter. If litter abatement is an issue of high legislative priority, the Legislature could consider directing this funding to support state-level activities, such as for Caltrans' ongoing litter abatement activities on state highways, although that too would face a number of competing priorities and likely would necessitate making modifications to other existing spending commitments.

Staff Comments

Staff notes that this is a new program to fund litter abatement and graffiti removal in local jurisdictions. Previously the State funded $1.2 billion for similar purposes, but those funds were mostly targeted at state property (Caltrans right of ways, etc).

The administration plans to develop program guidelines to determine how projects will be scored in order to determine which projects will be awarded. Members of this subcommittee may wish to opine on any program requirements that they wish to see if this funding is approved.

Staff recommends prohibiting funds from being used for marketing, billboards, advertisements, or art projects (beyond graffiti removal) that were components of the previous programs, but are not planned for this program.

The administration states that this program will include workforce training to hire individuals who may be experiencing homelessness or be previously incarcerated, similar to the previous Clean California program. The administration states that this may lead to careers at Caltrans or at local cities or county offices of education doing similar work. Staff believes that the workforce development aspects of this proposal have merit, but staff believes that if the Legislature's intent is to increase workforce development, there may be more proven programs that lead to high wages or more stable careers than litter abatement.

Staff recommends that this subcommittee reject this funding. Due to fiscal uncertainty at both the State and federal level, staff believes that the State should be judicious in developing new programs. This funding could be used to restore $305 million of cuts proposed in this subcommittee in the Governor's Budget. Prioritizing funding for prior commitments instead of new discretionary programs is especially important given that the prior two budgets resulted in $10 billion in cuts to programs within this subcommittee. Additionally, litter abatement and graffiti removal, not on state right of way, should remain the responsibility of local governments, not the State General Fund. The State and local governments should increase enforcement of existing littering laws to reduce and deter littering, and increase revenue instead of relying on State General Fund dollars.

Staff Recommendation: Hold open.

Various

Issue 3: Tahoe Population Funding Formula

Tahoe Regional Planning Agency requests statutory language to increase their population on the California side of the Tahoe Basin from 40,000 to 145,000, to conform to federal formula population numbers.

This would increase their funding from various population based transportation programs. These programs include:

- State Transit Assistance (STA)
- SB 1 Gas Tax Funding
- New programs like SB 125 and other climate programs
- Regional Early Action Planning (REAP)
- State Transportation Improvement Program (STIP)

They estimate this will bring in an additional $3-4 million annually.

The Tahoe Regional Planning Agency supports language that phases in the population increase over a multi-year period. This phased approach will reduce funding impacts as general transportation funding increases over time across the state. They believe that overall funding to all transit agencies should increase faster than the phase-in, so no agency would be at a net-loss as a result of this change in law.

Since 1969, the State of California has been committed to investing in transportation for the protection and prosperity of the Tahoe Region through the Tahoe Regional Planning Agency's (TRPA) Bi-State Compact (CA Gov. Code Section 66800 and Federal PL 96-551). Fifty-five years later, the protection of Lake Tahoe continues to be a statewide priority as Tahoe is visited by millions of Californians every year.

In 1998, the federal government designated the Tahoe Regional Planning Agency as the regional Metropolitan Planning Organization. This designation formalized TRPA's transportation role in the region and dedicated additional resources to planning and implementation of transportation projects at Tahoe.

In 2015, federal legislation known as the FAST Act recognized the Lake Tahoe Region, an urbanized area with a population of 145,000 in California and 65,000 in Nevada, for purposes of all allocated funding under U.S.C. Title 23 and 49.

In 2017, then-Secretary of the Natural Resources Agency (Senator) John Laird, in partnership with the Director of the Nevada Department of Conservation and Natural Resources, convened a Bi-State Consultation on Transportation for Lake Tahoe. The Bi-State working group brings together public and private sector partners to catalyze needed transportation investment in the Tahoe Region. The Bi-State Consultation on Transportation reviewed revenue needs and funding options. The Bi-State Consultation directed TRPA to engage with partners to identify new funding sources that would fill the Region's identified transportation gap of roughly $20 million annually, or $400 million over 20 years.

In 2022, bi-state partners unanimously opted for a collaborative multi-sector approach that followed the successful funding model of the Lake Tahoe Environmental Improvement Program (EIP). Known as the "7-7-7" strategy, federal, state, local, and private partners are committed to funding $7 million per year from each sector to support high-priority, regionally significant transportation projects. The state share is $4.5 million annually from California and $2.5 million annually from Nevada.

In 2023, the first year under 7-7-7, partners met the $20 million funding goal. The local and private sectors have been successful in securing their contribution through sustainable sources including local taxes and business improvement districts. While California met the first-year share ($4.5 million annually), the funding was discretionary and is not guaranteed in future years.

Panel

- Devin Middlebrook, Government Affairs Manager, Tahoe Regional Planning Agency
- Nick Haven, Metropolitan Planning Organization Director, Tahoe Regional Planning Agency

Staff Comments

Staff notes that the Lake Tahoe region has approached the Legislature, via budget and policy committee staff, to request this change multiple times over the past few years.

Staff notes that the California side of Lake Tahoe is 57% publicly owned land and contains roughly 28 state parks, beaches, and historic and cultural monuments. Lake Tahoe receives millions of visitors each year and this subcommittee has invested millions of dollars to protect, conserve, and ensure access to the natural, cultural, and historical resources found in the Lake Tahoe basin.

Members of this subcommittee (as well as the public) should consider their desire to statutorily increase the funding population of the California side of the Lake Tahoe region to conform with the federal population in order to increase transportation funding.

Staff notes that this will divert funding from other areas, but stakeholders have stated this impact will only be $3-4 million per year across multiple programs, and a phased in approach may soften this impact. This may set a precedent of other regions asking for a higher population estimate, but staff is unaware of other regions that have a higher population under federal law.

Staff Recommendation: Hold Open.

2665 High Speed Rail Authority

Issue 4: High Speed Rail Project Update

On March 1, 2025 the California High-Speed Rail Authority (HSRA) submitted the statutorily mandated biennial Project Update Report. At that time, HSRA stated that they are undergoing a comprehensive effort to update its design criteria, scope, cost, procurement strategy, ridership, and schedule and those updates will be submitted to the Legislature later this year.

As the Legislature waits for final updates, the Legislative Analyst's Office has prepared a snapshot of the funding status of the project.

Panel

- Helen Kerstein, Principal Fiscal and Policy Analyst, Legislative Analyst's Office

LAO Comments

The Legislative Analyst's Office has provided the following comments:

Background

State Law Requires Annual Plans. State law requires the High-Speed Rail Authority (HSRA) to prepare a business plan every even year that provides certain key information about the planned high-speed rail system. State law also requires HSRA to prepare a project update report (PUR) by March 1 of every odd year that provides certain updated information, such as related to costs and schedule.

Legislature Added Additional PUR Requirements in 2022. Chapter 71 of 2022 (SB 198, Committee on Budget and Fiscal Review) expanded the required elements of the PUR to include additional information, such as specified updates on the cost and schedule for the Merced-to-Bakersfield segment. Chapter 71 also made various other statutory changes, such as creating a new High-Speed Rail Office of the Inspector General (HSR OIG) to oversee the project.

2025 PUR Released in March 2025 but Defers Some Statutory Requirements to Summer Update. HSRA released its most recent PUR on March 1, 2025 (2025 PUR). In the 2025 PUR, HSRA indicates that it is in the midst of a comprehensive review of the project. Accordingly, the department indicates it will provide a supplemental document upon the completion of its review in summer 2025. This supplemental document is anticipated to include some statutorily-required information, such as updated estimates of the Merced-to-Bakersfield segment's cost and schedule.

Major Features of the 2025 PUR

2025 PUR Largely Unchanged From 2024 Business Plan. The 2025 PUR is largely the same as the 2024 Business Plan. Specifically, the 2025 PUR:

Does Not Update Project Schedule. The 2025 PUR does not provide any updates to the project's schedule. In the 2024 Business Plan, HSRA proposed to launch interim high-speed passenger service on the Merced-to-Bakersfield segment sometime between 2030 and 2033.

Does Not Update Project Costs. The 2025 PUR does not update any of the cost estimates included in the 2024 Business Plan (which were the same as the cost estimates included in the 2023 PUR). As shown in the figure on the next page, the 2024 Business Plan estimated the total cost to construct the Merced-to-Bakersfield segment and meet other local and federal obligations at $35.3 billion.

Makes Minor Updates to Anticipated Funding. The 2025 PUR updates the project's funding assumptions to reflect actual Greenhouse Gas Reduction Fund (GGRF) revenues through November 2024 and the receipt of a $90 million federal grant that was awarded in January 2025. With these updates, as shown in the figure on the next page, the 2025 PUR estimates total funding available to the project to be $28.2 billion. (This estimate assumes the project will retain all awarded federal grants, including roughly $700 million of federal funds that have not yet been obligated. It also assumes the project will receive $1 billion annually from GGRF through 2030.)

Mentions New Financial Strategy, but Does Not Provide Details. The 2025 PUR indicates HSRA plans to pursue a new financial strategy that includes: "(1) long-term sustained investment, (2) innovative financing to drive construction momentum, and (3) public-private partnerships to leverage state funds." The PUR does not include details on this proposed strategy.

Estimated Merced-to-Bakersfield Segment Funding and Costs (In Billions)

Projected Funding	**Amount**
Federal Funds	
Fed-State grant	$3.1[a]
ARRA grant	2.6
FY 10 federal grant	0.9
CRISI, RAISE, RCE, and other grants	0.4
Subtotal, federal funds	($7.0)
State Funds	
Proposition 1A	$8.3
GGRF	7.4[b]
Future GGRF	5.5[c]

Subtotal, state funds	($21.2)
Total Funding Available	**$28.2**
Merced to Bakersfield Costs [d]	**Amount**
Central Valley Segment	$18.3
Merced and Bakersfield extensions	7.7
Other	9.3
Total Costs	**$35.3**

a Includes roughly $2.4 billion in obligated funds and $700 million in unobligated funds.

b Received through November 2024.

c Assumes GGRF revenues of $1 billion annually through 2030.

d Not updated in 2025 Project Update Report.

Fed-State = Federal-State Partnership for Intercity Rail; ARRA = American Recovery and Reinvestment Act; FY 10 = High-Speed Passenger Rail program in 2010; CRISI = Consolidated Rail Infrastructure and Safety Improvements; RAISE = Rebuilding American Infrastructure with Sustainability and Equity; Railroad Crossing Elimination = RCE; and GGRF = Greenhouse Gas Reduction Fund.

Key Issues for Legislative Consideration

No Detailed Plan to Meet Roughly $7 Billion Funding Gap for Merced to Bakersfield. The information in the 2024 Business Plan and 2025 PUR suggests that there is a funding gap of roughly $7 billion for completing the Merced-to-Bakersfield segment. HSRA has not put forward a specific plan to meet this funding gap.

Risk That Funding Gap Could Grow. HSRA indicates it is in the process of implementing strategies to control costs and is conducting a full program review in an attempt to identify further cost savings. These efforts might result in some cost savings. However, at this point, the level of any such potential savings is unclear. Additionally, other factors could drive growth in the project's funding gap, including: (1) potential loss of federal funds, such as those that have not yet been obligated; (2) inflation and other construction cost increases; (3) uncertainty related to assumed future GGRF revenues.

Legislature Faces Key Decisions Soon. The Legislature may need to make decisions on the project soon. This is because:

HSRA OIG Has Indicated Funding Could Be Needed as Soon as 2026. In an October 2024 report, the HSRA OIG indicated that HSRA needs to secure funds to meet most of its identified funding gap before June 2026 to avoid negative impacts on the Merced-to-Bakersfield segment schedule. We note that the current federal administration has signaled a lack of support for the project, making additional federal grants unlikely, at least over the next four years.

Decisions on Cap-and-Trade Reauthorization Might Be Made in Near Term. The Legislature is considering the potential reauthorization of the state's cap-and-trade program beyond its current sunset of 2030. As part of that reauthorization, the Legislature may want to consider whether it would like to retain or make changes to HSRA's continuous appropriation of 25 percent of GGRF revenues.

Aligning Funding Availability and Needs Will Be Important. To the extent the Legislature is interested in providing additional funding to the project, considering how to best align the timing of that additional funding with the timing of the project's funding needs will be important. Timing considerations are especially critical for GGRF, as it is a funding source that is not well-suited to securitization.

Legislature Would Benefit From Additional Information for Upcoming Decisions. Having access to the most accurate, up-to-date project data—including related to cost estimates and schedules—is important to inform legislative decision making. The Legislature also should be apprised of details on HSRA's new proposed financial strategy—including the trade-offs associated with any innovative or traditional financing approaches HSRA is considering—as it weighs its options for proceeding.

Staff Recommendation: Informational, no action necessary.

Non-Presentation Items

2720 California Highway Patrol

Issue 5: Statewide: Advanced Planning and Site Identification

The Governor's Budget requests $1,000,000 General Fund to identify suitable parcels for replacing up to three additional area offices and to develop studies for those sites.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 6: Cannabis Tax Fund Program Staffing

The Governor's Budget requests position authority for one additional Associate Governmental Program Analyst position to provide administrative support to the Cannabis Tax Fund Program. This request has no additional cost since the department already has funding from the Adult Use of Marijuana Act.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 7: Reappropriate Acquisition for Five California Highway Patrol Area Office Replacement Projects

The Governor's Budget requests to reappropriate $9,079,000 General Fund for the acquisition phase of five Area Office Replacement projects. The following pages identify the projects. Each of these facilities were constructed in the 1960s and 1970s and have significant structural and functional deficiencies. The unique requirements of a CHP office has resulted in challenges in locating viable properties, thereby necessitating a request for the reappropriation of this funding.

This includes:

- Redding Area Office Replacement…………… $1,504,000
- Los Banos Area Office Replacement…………..$2,278,000
- Porterville Area Office Replacement…………..$1,002,000
- Antelope Valley Area Office Replacement…. $1,537,000
- Barstow Area Office Replacement……………..$2,758,000

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 8: Security at State Capitol Swing Space, Annex, and Visitor Center

The Governor's Budget requests a one-time funding augmentation of $8.0 million from the Motor Vehicle Account to provide protection and security at the State Capitol Swing Space and the new State Capitol Annex.

Staff Comments

Staff notes that approving this request would keep funding flat from current year 2024-25 and less than 2022-23.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

2740 Department of Motor Vehicles

Issue 9: AB 3 Delayed Implementation Trailer Bill

The Governor's Budget requests statutory language to delay implementation of AB 3 (Fong, Chapter 611, Statutes of 2021) from July 1, 2025, to January 1, 2029. The full language can be found here: https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1170.

Background

Commencing July 1, 2025, AB 3 provides courts with discretion to suspend the driving privilege of a person convicted of a motor vehicle exhibition of speed pursuant to Vehicle Code §23109(c) for a period of 90 days to six months and additionally authorizes courts to order a course of employment restricted driver license during the suspension period.

Justification

Implementation of AB 3 on the current statutory timeline requires the Department of Motor Vehicles to make changes to its core legacy systems to provide for a new court-ordered license suspension and new license restriction as it is still undertaking its Information Technology (IT) modernization efforts, known as the DXP project, is not projected to be completed before AB 3's effective date. Developing a technology system outside of the DXP project would cost a few million dollars, or delaying implementation can enable the department to utilize the new DXP system. Additionally, four other bills have been signed in recent years on sideshows and street takeovers that use penalties that do not impact DMV data systems.

Staff Recommendation: Adopt trailer bill when the subcommittee takes action.

0521 California State Transportation Agency (CalSTA)

Issue 10: California Office of Traffic Safety Federal Fund Authority

The Governor's Budget requests an increase to federal authority of $40 million to align with expected available federal funding. This also includes budget bill language to allow traffic safety grant funding to be transferred between local assistance and state operations items so that it can comply with technical State Controller's Office requirements and manage the program's funding effectively.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 11: California State Transportation Agency Freight Policy

The Governor's Budget requests $603,000 in ongoing funding to convert 3.0 limited-term positions to permanent positions for continuation of an agency-level freight policy team dedicated to oversight and coordination of freight policy across the state. The funding sources consist of:

- $363,000 from the State Highway Account
- $121,000 from the Motor Vehicle Account
- $121,000 from the Public Transportation Account

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

2660 California Department of Transportation (CalTrans)

Issue 12: Capital Outlay Support Authority Transfer Trailer Bill

The Governor's Budget requests statutory language to clarify that both Budget Act and non-Budget Act appropriations, including the continuously appropriated Road Maintenance and Rehabilitation Account (RMRA) funds (SB 1), can be part of the program's funding realignment, provided that the net total of the adjustments between all items is $0.

The full language can be found here: https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1169.

LAO Comments

The Legislative Analyst's Office has provided the following comments to the Legislative:

LAO Bottom Line: Consider Modifying Proposed Trailer Bill Language to Better Align With Administration's Intended Scope.

Annual Budget Bill Language Allows Caltrans to Make Midyear Adjustments to Align Capital Outlay Staffing with Appropriate Fund Source. The California Department of Transportation's (Caltrans') Capital Outlay Support (COS) Program provides the staff support necessary to deliver transportation infrastructure projects, such as for engineering and design, environmental analysis, and right-of-way acquisition. Each year, the budget act includes provisional language allowing Caltrans to adjust the mix of funds allocated to the program across various budget items, provided that these adjustments result in no net changes to total program expenditures. The department makes these adjustments with the intent of aligning funding authority and sources with actual transportation project schedules and project-specific staff work. For example, within a given year, the department might increase support for the COS Program from the State Highway Account by $15 million and decrease authority from federal funds for the program by a like amount, to reflect associated modifications in staff work for specific projects funded by those two sources. The Department of Finance (DOF) may authorize these adjustments no sooner than 30 days after notifying the Joint Legislative Budget Committee (JLBC).

Some Uncertainty Around Scope of Existing Authority. Historically, Caltrans has made these midyear COS-related budget adjustments across funds authorized through the annual budget act (budget act items) as well as those that are continuously appropriated to the department through statute (non-budget act items), reflecting the mix of fund sources the department uses to support its projects. However, the department indicates that questions have been raised about whether current law provides authority for it to make such adjustments with non-budget act items. This is because the annual budget act—through which this authority is granted—only references budget act items.

Governor's Proposal. The department's proposed trailer bill language seeks to remove the existing uncertainty by adding language that DOF can "increase or decrease funding appropriated to [Caltrans'] capital outlay support program using items from both the annual Budget Act and any other appropriation provided the combined adjustments total $0." The proposal also would maintain the requirement to notify JLBC of any adjustments DOF authorizes. The administration indicates this proposal is intended as technical "cleanup" to clarify authority for its longstanding practice and is not intending to request new or expanded abilities.

LAO Comments. Overall, we find that the rationale for the proposal is reasonable given that it provides clarity on technical adjustments the department currently undertakes. However, in our view, the proposed trailer bill language is overly broad and could authorize adjustments beyond the intended technical adjustments described. For example, the proposed language might authorize the department to adjust funding across programs outside of the COS Program, such as increasing funding for the COS Program and decreasing funding for Caltrans' Maintenance Program by a like amount. While we do not believe this is the department's intent, the Legislature may find it beneficial to refine the proposed language to ensure it aligns more precisely with the administration's intended scope. For instance, the Legislature could modify the language to specify that adjustments can only be made *within* the COS Program.

Staff Recommendation: Adopt trailer bill with amendment to limit it to the Capital Outlay Support program.

Issue 13: Implementation of Recently Enacted Legislation

The Governor's Budget requests a permanent increase of $5,340,000 and twenty (20) positions funded from the State Highway Account (SHA) to implement new requirements with the passage of Assembly Bill 2086, Assembly Bill 2525, Senate Bill 960, and Senate Bill 1488.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 14: Enterprise Data Governance Technology Solution

The Governor's Budget requests $9,714,000 in 2025-26 from the State Highway Account (SHA) for consulting services, equipment, and software to implement the enterprise data governance technology solution.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 15: FI$Cal Onboarding Planning

The Governor's Budget requests a one-year augmentation from the State Highway Account (SHA) of $13,500,000 in FY 2025-26, of which $7,938,000 is for professional consulting services, to support the transition and onboarding to the Financial Information System for California (FI$Cal) System.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 16: Stormwater Asset Management

The Governor's Budget requests $35,212,000 in Fiscal Year (FY) 2025-26 and $34,932,000 in Fiscal Year (FY) 2026-27 from the State Highway Account (SHA) for Stormwater funds for Caltrans to fulfill the corresponding workload needed to perform inspections, maintenance, and repairs to its Stormwater Treatment Best Management Practices as well as track their conditions and effectiveness in removing pollutants from highway runoff statewide as required by the 2022 National Pollutant Discharge Elimination System permit.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 17: Transportation System Network Replacement

The Governor's Budget requests five positions and resources totaling $2,168,000 from the State Highway Account (SHA) in 2025-26 to cover Year 5 and $2,449,000 annually beginning in 2026-27 to cover Year 6 and for ongoing annual Maintenance and Operations for the Transportation System Network Replacement (TSNR).

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

2667 High-Speed Rail Authority Office of the Inspector General

Issue 18: Continuing Establishment of the Office of the Inspector General, High-Speed Rail

The Governor's Budget requests a workload budget adjustment of 1.0 administrative position and $1,274,000 in 2025-26 and $338,000 in 2026-27 ongoing from the Public Transportation Account, State Transportation Fund for Information Technology (IT) goods and services and other administrative support. The purpose of this budget request is to establish needed administrative functions, including human resources, budgeting, procurement, and others, in a manner that maintains the required independence from the High-Speed Rail Authority (Authority) and to continue with two IT projects to implement solutions needed to perform the OIGHSR's responsibilities, including the protection of the confidentiality of whistleblowers who submit complaints regarding potential waste, fraud, and abuse pertaining to the high-speed rail. This budget request proposes provisional budget language that a portion of the funding provided for the two projects - $124,000 for the whistleblower software and $194,000 for the audit management software - be made available to the OIG-HSR upon CDT's approval or delegation of the respective project.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

2665 California High-Speed Rail Authority

Issue 19: California High-Speed Rail Authority Office of the Inspector General Reimbursement Authority

The Governor's Budget requests $113,000 in High-Speed Passenger Train Bond Fund reimbursement authority starting in Fiscal Year 2025-26 and ongoing for costs associated with administrative services on behalf of the independent Office of Inspector General, California High-Speed Rail (HSR-OIG).

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 20: National Environmental Policy Act (NEPA) Assignment Support

The Governor's Budget requests $2.54 million and 13.0 positions ongoing in High Speed Passenger Train Bond Funds (Proposition 1A), and associated reimbursement authority, for costs associated with the renewed National Environmental Policy Act (NEPA) Assignment Memorandum of Understanding (MOU) executed with the Federal Railroad Administration (FRA) on July 22, 2024.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 21: Operational Technology and Data Integration

The Governor's Budget requests a budget augmentation of $1.16 million and 5.0 positions in Fiscal Year (FY) 2025-26 and $1.81 million and 8.0 positions in FY 2026-27 and ongoing in High-Speed Passenger Train Bond Funds. These positions will design the frameworks and identify the standards essential for the implementation, integration, and security of the technology required to establish train operations in the Central Valley between 2030 and 2033.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

This agenda and other publications are available on the Assembly Budget Committee's website at: Sub 4 Hearing Agendas | California State Assembly. You may contact the Committee at (916) 319-2099. This agenda was prepared by Shy Forbes.