

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE No. 3  
ON CLIMATE CRISIS, RESOURCES, ENERGY, AND TRANSPORTATION****ASSEMBLYMEMBER RICHARD BLOOM, CHAIR****WEDNESDAY, FEBRUARY 23, 2022  
9:30 A.M. – STATE CAPITOL, ROOM 127**

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*The public may attend this hearing in person or participate by phone. Any member of the public attending this hearing will need to wear a mask at all times while in the building location. This hearing can be viewed via live stream on the Assembly’s website at <https://assembly.ca.gov/todaysevents>.*

*We encourage the public to provide written testimony before the hearing. Please send your written testimony to: [BudgetSub3@asm.ca.gov](mailto:BudgetSub3@asm.ca.gov). Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.*

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957 / Access Code: 131 51 27.***

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## VOTE-ONLY CALENDAR

### 2660 DEPARTMENT OF TRANSPORTATION

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#### VOTE-ONLY ISSUE 1: CONTINUATION OF PROPOSITION 1B ADMINISTRATIVE SUPPORT

The Governor’s budget includes funding to continue the administration of the workload associated with Caltrans’ responsibilities under Proposition 1B, the “Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006.” This request reduces the 2021-22 Proposition 1B staffing level of 18.5 to 12 positions totaling \$1,750,000 for 2022-23 and 2023-24. The positions are funded with Proposition 1B proceeds.

#### BACKGROUND

Administration of Proposition 1B involves a wide array of duties, including: project programming and monitoring; contract preparation and monitoring; performing audits; accountability report preparation; managing nine different funds; invoice processing and financial report preparation; preparing reports to control agencies; as well as various other tasks required to implement and manage transportation projects. Through 2020-21, approximately \$11.7 billion has been allocated to 1,100 projects by the California Transportation Commission for transportation projects through the ten Caltrans programs. Approximately \$3.6 billion has been awarded to local agencies for 1,300 local transit projects through the Public Transportation Modernization, Improvement and Service Enhancement Account.

#### STAFF COMMENTS

This proposal provides Caltrans with resources to continue Prop.1B implementation and administration over the next two years. According to Caltrans, approximately 2,000 of 2,500 allocated projects have been completed. Therefore about 300 projects or 12 percent, of allocated projects are still in the implementation phase and will require monitoring for several more years before they are complete.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 2: NET-ZERO PROGRAM TRANSFER**

The Governor's Budget includes a net-zero transfer of \$542,000 from the Division of Transportation Planning (Planning) to the Division of Financial Programming (Programming) at Caltrans.

**BACKGROUND**

The State Planning and Research (SPR) Program is a federal program administered by the Federal Highway Administration that provides funding for state transportation planning and research activities. Within Caltrans, the SPR Part 1 program is administered by Planning and the funding is used to carry out transportation planning activities. Planning provides SPR Part 1 resources annually to Programming to complete the SPR Part 1 workload, while the funding currently resides in Planning's authorized budget.

The intra-transfer of resources will create a more efficient management process for both Planning and Programming. This proposal will adjust the authorized budgets for these programs and permanently realign resources based on where the SPR Part 1 workload resides.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

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**Staff Recommendation: Approve as Budgeted.**

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## ITEMS TO BE HEARD

### 2665 HIGH-SPEED RAIL AUTHORITY

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#### ISSUE 1: DRAFT 2022 BUSINESS PLAN

This panel will provide an overview of the High-Speed Rail Authority’s Draft 2022 Business Plan.

#### PANEL

The following individuals will participate virtually in the discussion of this issue:

- Helen Kerstein, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office
- Louis S. Thompson, Chair, California High-Speed Rail Peer Review Group
- Brian Kelly, Chief Executive Officer, California High-Speed Rail Authority

#### BACKGROUND

On February 8, 2022, the California High-Speed Rail Authority (Authority) submitted to the Legislature the Draft 2022 Business Plan. The Draft 2022 Business Plan enters a 60-day public review period with a final 2022 Business Plan to be adopted and submitted to the Legislature by May 1, 2022.

The 2020 Business Plan was submitted to the Legislature on April 12, 2021. On March 10, 2021, a joint hearing was held with the Assembly Transportation Committee to hear the Draft 2020 Business Plan. The background for that hearing on the Draft 2020 Business plan can be found [here](#).

The Draft 2022 Business Plan provides an update on what has occurred over the past 10 months. There are marginal changes from the 2020 Business Plan to the 2022 Draft Business Plan. They are outlined below:

**Developments.** The Draft 2022 Business Plan outlines the following two developments since the 2020 Business Plan:

- New funding opportunities at the federal and state level with the proposed Build Back Better Act and new state funding.
- The Draft 2022 plan was designed as a 10 month update with adjustments to capital cost estimates and anticipates the 2023 Project Update will be more comprehensive.

**Central Valley.** According to the Authority, in the last year, it has substantially completed all major design elements for the 119-mile Central Valley segment, established a third-party task

force to advance first-order utility work by resolving outstanding issues, and developed a conservative and achievable right-of-way schedule.

**Baseline budget.** The Draft 2022 Business plan does not update the Baseline Budget. Instead it defers adoption of an updated Program Baseline Budget until action by the Legislature on the \$4.2 billion Proposition IA appropriation request. In December 2021, the Board of Directors added \$2.3 billion to the previously approved \$15.6 billion Baseline Budget to advance work consistent with the 2020 Business Plan.

**Capitol Cost Estimates.** The 2022 Business Plan includes two costs updates:

- A FY 2021-2022 Program Expenditure Update adopted by the Board in December 2021; and,
- Updated cost estimates reflecting scope changes adopted in the Bakersfield to Palmdale and Burbank to Los Angeles project section Records of Decision in August 2021 and January 2022.

**Organizational Changes.** In 2021 the Authority implemented two organizational changes:

- *Reformed Right-of-Way Division:* The Authority established new leadership and a more realistic approach to acquiring right of way for the Central Valley. The number of parcels acquired each month have increased and stabilized, resulting in high priority parcels being delivered on a reliable schedule. The Authority has now delivered 90.4% of the 2,286 parcels identified for the 119 miles of construction in the Central Valley.
- *Revamped Change Control Process:* In September 2021, the Board of Directors approved establishment of a Change Control Committee to clarify roles and responsibilities, to the decision-making and more consistency to documenting the change order process. The Authority also modified its Delegation of Authority policies to increase transparency and oversight by the Board in the use of contingency and contract change orders that exceed \$25 million.

**Ridership and Revenue Forecasts.** Defers updates to the ridership and revenue forecasts to the 2023 Project Update Report. The current 2020 Business Plan assumptions were deemed reasonable by the peer reviewers.

**STAFF COMMENTS**

The Draft 2022 Business Plan includes minor adjustments to the current 2020 Business Plan deferring all major action to 2023. At this time, it is unclear if the state will have adequate funding to complete the 171-mile segment from Bakersfield to Merced, much less the ability to make investments outside of that corridor.

The Draft 2022 Business Plan mentions upcoming federal funds including the IIJA competitive funds and the Build Back Better legislation for High-Speed Rail nationwide. With the Build Back

Better Act still under debate in Congress, it is difficult to determine how much California would receive and when the Authority would receive these funds. At this point, the Legislature should not account for the IIJA nor the Build Back Better funds when determining a plan to move forward with the project. Therefore, the Legislature does not have complete information about the amount of funding available to complete the Central Valley segment.

Additionally, the Draft 2022 Business Plan defers action on updating the Program Baseline Budget and Schedule. This deferral means that a full and complete Program Baseline Budget, which includes finalizing commercial settlements with construction contractors, accommodating all remaining scope and evaluating the Track and Systems bids, will go unanswered until, possibly, the 2023 update. Without that information, the Legislature is greatly disadvantaged in making the best decisions on the project. Due to the uncertainty about project costs and funding, the Legislature needs to ensure it has greater project controls and oversight in place.

In October of 2021, the Speaker and the Chair of the Transportation Committee sent a letter to the Governor in support of moving High Speed Rail forward while investing in transit connectivity and continuing oversight of the project funds. While the 2022 Business Plan notes that there are areas of agreement between the Legislature and the Authority, it is unclear in their plan if there is adequate funding to make those objectives materialize.

The Subcommittee may want to consider the following:

- How can the Legislature provide oversight into this project? The Cap-and-Trade funding is a flexible revenue source. The flexibility of the Cap-and-Trade dollars will enable the Authority to use these funds to make the state more competitive for federal dollars made available in the recently enacted federal Infrastructure and Investment Jobs Act (IIJA). The Legislature may wish to ask the LAO whether there are options for the Legislature to exercise additional oversight of this funding stream to ensure that the Legislature participates in future funding decisions about the project.
- How does the Legislature receive an accurate Baseline Budget prior to 2023 to fully understand the cost of the project and the potential future impacts on the State budget? How have inflation, delays and the current cost of materials impacted the total cost of the project, especially the costs of the Central Valley segment from Bakersfield to Merced?

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**Staff Recommendation: Hold Open.**

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**0521 SECRETARY FOR TRANSPORTATION AGENCY  
2660 DEPARTMENT OF TRANSPORTATION  
2665 HIGH-SPEED RAIL AUTHORITY**

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**ISSUE 2: TRANSPORTATION INFRASTRUCTURE PACKAGE**

The Governor’s budget includes \$9.1 billion for the transportation infrastructure package, which includes various transportation infrastructure projects and improvements. Additionally, the request includes a \$9.9 billion increase in federal fund authority over five years from the Infrastructure Investment and Jobs Act.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Carlos Quant, Deputy Secretary for Budget and Administration, CalSTA
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst’s Office
- James Moore, Staff Finance Budget Analyst, Department of Finance

**BACKGROUND**

The California State Transportation Agency (CalSTA) requests \$9.1 billion state funds (\$4.9 billion (General Fund) and \$4.2 billion (High-Speed Passenger Train Bond Fund) for the various projects included in the Administration’s transportation infrastructure package.

The components of the Governor’s \$4.9 billion transportation infrastructure package include the following:

**Statewide Transit and Rail Projects (\$2 Billion).** The Governor’s budget includes funding for the Transit and Intercity Rail Capital Program (TIRCP), which allocates grants through a competitive process for capital improvements on intercity rail and transit (bus and rail) systems to reduce greenhouse gas emissions, vehicle miles traveled, and congestion. Funding would be allocated by CalSTA to all regions of the state—including Southern California, which has a specific set aside in the Governor’s budget.

**Southern California Transit and Rail Projects (\$1.3 Billion).** The Governor proposes funding through TIRCP for projects specifically within the Southern California region. As part of the transportation budget package approved last year, this funding was originally set aside to support critical projects for the 2028 Los Angeles Olympic Games. Under the Governor’s proposed package, the use of the funding would be available for any eligible transit and rail project in the broader Southern California region.



**Grade Separation Projects (\$500 Million).** The Governor’s proposal includes funding through TIRCP specifically for high-priority grade separations—projects that create a physical separation between railroad tracks and roadways.

**Active Transportation Program (ATP) (\$500 Million).** The ATP, which is administered by the California Transportation Commission (CTC) and Caltrans, provides grants to local and regional entities through a competitive process for projects that encourage an increased use of active modes of transportation, such as biking and walking. Similar to last year’s package, the Governor proposes allocating the requested funding to support high-scoring projects that did not receive funding in previous ATP grant cycles. According to CTC, the cost to fund all of the projects that had clearly met the evaluation criteria would be about \$1.5 billion.

**Climate Adaptation Programs (\$400 Million).** The Governor’s budget includes funding for: (1) Caltrans to plan and implement state climate adaptation projects; (2) CTC to administer a new competitive grant program to implement local climate adaptation projects; and, (3) Caltrans to administer a new competitive program to support local adaptation planning that identifies transportation system vulnerabilities and climate-related risks.

**Highways to Boulevards Pilot Program (\$150 Million).** The Governor proposes allocating funding to Caltrans for a new pilot program that would provide competitive planning and implementation grants to local entities for the conversion or transformation of underutilized highways to benefit residents of underserved communities.

**Bicycle and Pedestrian Safety Projects (\$100 Million).** The Governor’s budget includes funding for bicycle and pedestrian safety projects through Caltrans’ Highway Safety Improvement Program. Funding would be split evenly between state and local projects, with local projects being selected on a competitive basis.

**Governor’s Proposed Transportation Infrastructure Package**

*General Fund (In Millions)*

Activity	Department	Approved in 2021-22 Budget, but Reverted to General Fund <sup>a</sup>	Additional Proposed Augmentations	Total Proposed Package
Statewide transit and rail projects	CalSTA	\$1,000	\$1,000	\$2,000
Southern California transit and rail projects	CalSTA	1,000	250	1,250
Grade separation projects	CalSTA <sup>b</sup>	500	—	500
Active Transportation Program	Caltrans <sup>c</sup>	500	—	500
Climate adaptation programs	Caltrans <sup>c</sup>	400	—	400
Highways to Boulevards Pilot Program	Caltrans	—	150	150
Bicycle and pedestrian safety projects	Caltrans	—	100	100
<b>Totals</b>		<b>\$3,400</b>	<b>\$1,500</b>	<b>\$4,900</b>

<sup>a</sup>Funds reverted to the General Fund because subsequent legislation to allocate the funds was not enacted by October 10, 2021, as required in the 2021-22 budget.

<sup>b</sup>Funds would be competitively awarded through CalSTA, but \$250 million included in Caltrans budget to reflect that some portion of funding would be spent on the state highway system.

<sup>c</sup>Programs in Caltrans budget, but the California Transportation Commission would have role in creating program guidelines and awarding funding.

CalSTA = California State Transportation Agency and Caltrans = California Department of Transportation.

**Federal Infrastructure Funds.** Additionally, the request includes a \$9.9 billion increase in federal fund authority over five years from the Infrastructure Investment and Jobs Act (IIJA).

In November 2021, the federal government enacted the IIJA, a \$1.2 trillion spending package for various types of infrastructure, including transportation, energy, water, and broadband. Funding will go to existing and new federal transportation programs (formula-based and competitive) that support highways, transit, rail, and freight.

California is estimated to receive almost \$40 billion from formula-based transportation programs over five years under IIJA, which is an increase of \$10 billion when compared to previous allocations from the FAST Act.

Funding the state receives from federal-aid highway programs is provided to Caltrans. Historically, 60 percent of the funding is used for state activities—such as highway maintenance and rehabilitation—and 40 percent is apportioned to local agencies. In contrast, most of the funding from federal transit programs is allocated to transit agencies in the state directly from the federal government.

#### LAO COMMENTS

***Consider Governor’s Proposed Package in Context of Anticipated Federal Funds.*** Over the next several years, California is expected to receive a significant amount of federal funding for transportation. The Legislature will want to consider how additional state funding for transportation infrastructure can complement these federal funds—supporting legislative priorities where federal funds are not as significant or are absent—as well as how state funding can help California be competitive in receiving discretionary federal grants.

***Consider Geographic Equity in Transit and Rail Funding.*** If the Legislature believes that some level of base funding for transit and rail projects should be provided to all regions of the state, it could consider allocating a portion of the proposed funding for transit and rail projects on a formula-basis, or providing additional dedicated funds for different regions. For example, the Legislature could provide some of the funding for transit and rail projects through existing formula-based programs, such as the State Transportation Improvement Program or the State Transit Assistance program, to ensure some level of geographic funding equity across the state.

***Require Robust Evaluations of New Programs Funded.*** The LAO recommends the Legislature add requirements—through budget trailer legislation—for program evaluations of any new transportation programs that are established and funded in the budget. For example, to the extent the Legislature approves funding for the proposed Highways to Boulevards Pilot Program and climate adaptation programs, it could require Caltrans to evaluate and report on the outcomes of each program.

***Consider SAL Implications.*** In considering the proposed transportation infrastructure package, the LAO recommends the Legislature be mindful of SAL considerations. In particular, if the Legislature were to reject or approve a lower amount of General Fund spending than the

Administration on transportation infrastructure, it likely would need to repurpose the associated funding to other SAL-related purposes.

#### STAFF COMMENTS

The request for \$100 million to augment the Clean California Initiative program grants will be discussed below under Issue 7.

The 2022 Assembly Blueprint, released in December 2021, proposed \$10 billion for transportation projects statewide, including transit infrastructure. The Governor's proposal focuses funding on the Los Angeles region similar to last year. The Legislature will have to consider how they want to balance the statewide transportation infrastructure investments as this moves forward.

The Subcommittee may wish to ask the following:

- The transportation infrastructure package is presented as one package, what was the statewide vision for transportation? Are the funding pots meant to promote connectivity with the High-Speed Rail or should they be considered as individual pots of funding to advance various transportation needs?
- What is the justification for linking the two pots of funding? If the High-Speed Rail discussions are stalled again this year, does the state jeopardize accessing future federal funds by not moving forward with the transportation infrastructure dollars independent of the High-Speed Rail?
- To best position the state to leverage federal dollars from the IIJA, the state will need additional dollars for the match. Is it anticipated that the General Fund Transportation Infrastructure dollars will be the likely match to leverage federal funds? How soon will the state begin competing for federal dollars?
- Can CalSTA discuss why they chose TIRCP to allocate the transit and rail projects?
- What improvements to the Active Transportation Program are being considered to ensure that these investments help the state reduce greenhouse gas emissions and improve health outcomes? Our understanding is that little has been done to assess the benefits of these investments and it's unclear if they are really changing the behavior of people and helping them to choose walking and biking over driving.

The Subcommittee may wish to ask the following on the IIJA:

1. What is the timeline for implementation of the IIJA?
2. When will the working groups complete their meetings? How will this information be brought back to the Legislature?
3. Does the Administration anticipate trailer bill language to implement any of the new federal funding?

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**Staff Recommendation: Hold Open.**

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**0521 SECRETARY FOR TRANSPORTATION AGENCY**

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**ISSUE 3: SUPPLY CHAIN RESILIENCE AND PORT INFRASTRUCTURE NEEDS**

The Governor’s budget includes \$1.38 billion General Fund for supply chain investments in port, freight, and goods movement infrastructure. This funding would improve the long-term resiliency of the supply chain and would be used to leverage additional federal funding through the Infrastructure Investment and Jobs Act.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Carlos Quant, Deputy Secretary for Budget and Administration, CalSTA
- Eunice Roh, Fiscal & Policy Analyst, Legislative Analyst’s Office
- Benjamin Pollack, Finance Budget Analyst, Department of Finance

**BACKGROUND**

Of the \$1.4 billion available, CalSTA requests \$1.2 billion one-time General Fund (\$600 million in 2022-23 and \$600 million in 2023-24) to be administered by CalSTA, in collaboration with Caltrans, for port-specific high priority projects that increase goods movement capacity on rail and roadways at port terminals, including railyard expansions, new bridges, and zero-emission modernization deployment potentially identified in the EMPA between the U.S. Department of Transportation and CalSTA. Of this funding, \$1.188 billion is for project funding and \$12 million is for state operations costs to support these projects.

The requested funding will be used to leverage additional federal funding available through the Infrastructure Investment and Jobs Act (IIJA) through programs such as the Nationally Significant Freight and Highway Projects Program, the new National Infrastructure Project Assistance Program, and others.

Project funding will be allocated by CalSTA with 70 percent going to infrastructure projects supporting goods movement related to The Ports of Los Angeles and Long Beach, and 30 percent to other high priority projects supporting ports and goods movement infrastructure in the rest of the state, including inland ports.

CalSTA has identified over \$5 billion in port, freight and goods movement infrastructure projects that could be supported by the requested resources. While the needs for freight infrastructure investment exceed the resources requested in this proposal, CalSTA would coordinate project selection with the ports and other stakeholders.

According to the BCP, the state has taken several actions to reduce the congestion in California's ports to ensure people in California and across the country and world can access goods and supplies. California currently has near and long-term actions under way, in partnership with the Supply Chain Disruptions Task Force established by the Biden-Harris Administration, to strengthen the resilience of California's and the Nation's supply chain:

- The 2021 Budget included \$250 million to help ports offset COVID-19 related losses and \$280 million for port infrastructure projects at and around the Port of Oakland. The Budget also included \$1.3 billion over three years for zero-emission trucks, transit buses and school buses, including the deployment of over 1,000 zero-emission port drayage trucks.
- In August 2021, California launched the California Supply Chain Success Initiative—a partnership with the Port of Long Beach and the California State University, Long Beach Center for International Trade and Transportation to engage the diverse network of stakeholders along the supply chain to discuss key challenges and identify creative solutions.
- In October 2021, Governor Newsom issued Executive Order N-19-21, which directed state agencies to identify additional ways to alleviate congestion at California ports and expanded efforts to ease supply chain issues by engaging stakeholders to discuss challenges created by record demand for imported goods and capacity issues which have slowed distribution at ports along the coast.

**Other BCP components.** This BCP is part of a larger proposal on Supply Chain Resiliency. The additional three components listed below will be heard in the various departments' budget as listed.

- \$110 million for the California Workforce Development Board (CWDB) to invest in the supply chain workforce. (This piece was heard in Subcommittee 4, on February 22, 2022).
- \$40 million for the California Department of Motor Vehicles (DMV) to enhance California's capacity to issue Commercial Driver's Licenses. (This piece will be discussed on March 30, 2022, with CHP's budget).
- \$30 million for the Governor's Office of Business and Economic Development (GO-Biz) to provide funding for operational and process improvements at ports, which includes improving data connectivity and enhancing goods movement. (This piece was discussed on February 1, 2022, with Go-Biz budget proposals).

#### LAO COMMENTS

**Proposal Addresses Long-Term Capacity Issues.** Many of the projects that this proposal would fund will take years to implement. This is in part because infrastructure projects are costly, time-intensive, and often require multiple phases of work to complete. Therefore, port improvement projects are intended to address long-term capacity issues—expanding the ability

of ports and related goods movement infrastructure to move a greater number of containers than currently. In addition, these port infrastructure projects could have other benefits, such as reductions in greenhouse gas (GHG) emissions through the electrification of port vehicles and equipment. While these goals may be worthwhile, it is important to recognize that such infrastructure projects will not address the more immediate issues with the current supply chain disruptions, such as delays in goods movement, stalled ships near ports, and insufficient space for containers at ports.

**Proposal Lacks Key Details.** This proposal would create a new program intended to fund projects that meet certain goals, such as reduce GHG emissions, promote transportation equity, and reduce freight-related injuries and deaths. However, the Governor’s proposal lacks detail on how projects will be assessed and prioritized for funding. According to CalSTA, this is because additional stakeholder feedback is needed before determining funding guidelines. In addition, the proposal has few accountability measures and no reporting requirements, which in turn will make future legislative oversight of the program’s implementation and outcomes challenging.

**Unclear Whether Geographic Allocations Reflect Needs.** According to CalSTA, 70 percent of the funding is proposed to go towards projects related to the Ports of Los Angeles and Long Beach because the majority of the goods movement occurs in this region. However, it is unclear whether this split in funding is reflective of the infrastructure needs in ports, freight, and the goods movement system.

**Project Costs Range Widely.** Costs for port, freight, and goods movement infrastructure vary significantly. For example, the 2020 California Freight Mobility Plan identified more than 300 freight projects that could be implemented in the next several years, and these project costs ranged from \$350,000 to \$6 billion, with the median cost at about \$50 million. The wide range of costs reflects how varied these projects can be, especially in regards to scale. Therefore, without a clearer understanding of which types of projects will be prioritized, it is difficult to assess how many projects can be implemented with the proposed level of funding.

**Federal Funding Anticipated, but Allocations Unclear.** As discussed above, IIJA includes several billions of dollars for port and freight rail infrastructure. However, the amount of funding California will be eligible for and ultimately receive currently is unclear.

**Funding Excluded From SAL.** The Governor excludes the proposed spending from the SAL, as the funds would primarily support infrastructure projects. As a result, the Legislature has limited flexibility to reallocate funding from this proposal to other purposes. The Legislature would generally need to repurpose the associated funding for other SAL-related purposes, such as tax reductions or an alternative excluded expenditure.

#### STAFF COMMENTS

This proposal appears to be fluid with discussions occurring in real time with the Ports. At this time, it is difficult to determine what infrastructure projects will be advanced with these funds and how these dollars will work with federal funding.

The Subcommittee may wish to ask the following:

- Why is the state creating a new program versus using an existing program to award funds?
- When does CalSTA anticipate incorporating stakeholder feedback into their trailer bill proposal?

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**Staff Recommendation: Hold Open.**

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**ISSUE 4: CALIFORNIA STATE TRANSPORTATION AGENCY OPERATIONAL NEEDS**

The Governor's budget requests 3.0 positions and \$1.156 million ongoing to establish a freight policy team, fund transportation research projects, and support increased rent costs. This request includes the following resources:

- Deputy Secretary for Freight Policy, 1.0 Senior Transportation Planner, 1.0 Associate Governmental Program Analyst (AGPA), and \$522,000 ongoing to establish a freight policy team that would oversee and coordinate freight policy across the state.
- \$500,000 ongoing to provide the agency with a baseline budget to conduct research projects that will inform transportation policy and support CalSTA in achieving its strategic priorities.
- \$135,000 to support increased rent costs from CalSTA's move from the Jesse Unruh building to a new facility.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Carlos Quant, Deputy Secretary for Budget and Administration, CalSTA
- Eunice Roh, Fiscal & Policy Analyst, Legislative Analyst's Office
- Benjamin Pollack, Finance Budget Analyst, Department of Finance

**BACKGROUND**

**Freight Policy.** In California, responsibility and authority for freight transportation is spread among three departments: (1) The California Department of Transportation (Caltrans); (2) CARB; and, (3) The Governor's Office of Business and Economic Development (GO-Biz):

- Caltrans oversees the Office of Freight Planning (OFP), which is charged with development of the California Freight Mobility Plan and with all issues related to freight transportation, such as conducting the studies and coordinating the projects funded under the CA Proposition 1B bond program.
- CARB is responsible for regulating freight transportation, and Chapter 728, Statutes of 2008 (SB 375) extends its regulatory power to Regional Transportation Plans. CARB is also the authority for the Low Carbon Fuel Standard and the enforcement agency for the California Sustainable Freight Action Plan (CSFAP). The CSFAP establishes clear targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California's freight system.
- GO-Biz administers the economic competitiveness portion of the CSFAP.



The current freight policy oversight structure among Caltrans, CARB, and GO-Biz results in several challenges. Under the current State organizational structure, freight does not have sufficient visibility. In addition, there is no formal mechanism for cooperation among the agencies and departments that have responsibility. Outside of long-term planning and programming of infrastructure projects, the existing state freight organizational structure does not respond quickly or coordinate effectively with stakeholders to address emerging freight industry issues. CalSTA requires dedicated resources to effectively oversee and coordinate freight policy.

**Transportation Research Funding.** CalSTA is actively involved in developing and implementing transportation policy, including but not limited to freight, transit, rail, autonomous vehicles, safety, and transportation equity.

In addition to CalSTA-led research, CalSTA is frequently statutorily required to provide evaluations on pilot programs, task forces, and policies, where no funding is appropriated to the agency. Occasionally, CalSTA will contract with consultants to assist with evaluations, studies and reports to comply with statutory requirements. These instances require CalSTA to obtain funding from departments to comply with statutory obligations.

**Rent Costs.** Prior to December 2021, CalSTA's headquarters was located at the Jesse Unruh building in downtown Sacramento, California. However, this building is currently undergoing a renovation, which required CalSTA to move its headquarters and enter into a new lease agreement with increased costs.

<b>STAFF COMMENTS</b>
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The Subcommittee may wish to ask the Agency the following:

- Freight Policy. How will the freight unit interact with the freight position currently housed at GO-Biz?
- With this new structure, will there be better coordination with ports and a clear structure of who is the lead for Port issues?
- What positions at CalSTA currently handle research, and evaluate programs, task force and policies? How much funding did CalSTA spend on contracting with consultants last year to help with this work?

Other agencies have all moved out of the Jesse Unruh building due to the renovation. This part of the request appears reasonable.

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**Staff Recommendation: Hold Open.**

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**2660 DEPARTMENT OF TRANSPORTATION**

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**ISSUE 5: FUEL EXCISE TAX CONSUMER PRICE INFLATION (CPI) ADJUSTMENT**

The January budget includes a proposal for a one-year reduction in fuel excise tax rates relative to current law. The amount of this reduction would offset the inflation adjustment currently scheduled for July 1, 2022. The annual inflation adjustment will be resumed by 2023-24, including both the 2022 and 2023 inflation adjustments.

The administration estimates that the 2022 inflation adjustment will be 5.6 percent. As a result, under the Governor's proposal, the gasoline excise tax would be roughly 3 cents per gallon lower than it would be under current law. The reduction in the diesel excise tax would be roughly 2 cents per gallon. The Administration estimates that the resulting revenue loss would be \$523 million. The Administration proposes to backfill the local share of reduced revenues with the State Highway Account funds.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Carlos Quant, Deputy Secretary for Budget and Administration, CalSTA
- Steve Wells, Principal Program Budget Analyst, Department of Finance
- Seth Kerstein, Economist, Legislative Analyst's Office

**BACKGROUND**

The state collects excise taxes from gasoline and diesel suppliers before they deliver fuel to retail stations. In 2021-22, the tax rates are 51.1 cents per gallon on gasoline and 38.9 cents per gallon on diesel.

Under current law, the state adjusts its fuel excise tax rates on July 1 every year. Each adjustment reflects a 12-month change in the California Consumer Price Index (CA CPI)—a broad measure of the prices California households pay for goods and services. For example, the rate adjustment scheduled for July 1, 2022 will reflect the 12-month change in the CA CPI from November 1, 2020 to November 1, 2021.

The Administration estimates that the state's fuel excise taxes will raise \$8.8 billion in 2021-22. Roughly two-thirds of these revenues remain at the state level. Most of this funding supports state highway maintenance, rehabilitation, and improvements, with a smaller amount supporting state programs that fund both state-led and local-led highway and transit improvements. The remaining one-third goes directly to cities and counties to support local street and road maintenance and rehabilitation.

In addition to state excise tax revenues, the state receives federal fuel excise tax revenue for transportation. In recent years, the state typically has received roughly \$4 billion per year for this purpose. Roughly 60 percent remains at the state level to support state highway maintenance and rehabilitation, and 40 percent goes to local governments.

#### LAO COMMENTS

**Key Tradeoff: Lower Fuel Prices Now or More State Highway Projects Later?** The LAO notes that lower fuel taxes provide benefits for fuel purchasers but reduce funding for state programs (primarily state highway projects). As a rough guideline, for every \$175 million in revenue that the state forgoes, it can “buy” a one-cent per gallon reduction in gasoline tax rates (and a 0.7-cent per gallon reduction in diesel tax rates). The key question for the Legislature is what balance to strike between reducing fuel expenses and funding state highway projects. The connection between this fundamental policy choice and the annual inflation adjustment is tenuous at best, so we encourage the Legislature to regard the Governor’s proposal as just one among a wide range of options.

**Who Gains, and Who Loses?** Lower fuel taxes would help people who buy fuel. Future highway projects would help people who drive on highways. These two groups overlap heavily, but there are some key differences. The people who likely would gain the most from a fuel tax holiday are those who purchase a lot of fuel relative to their use of state highways—because they mostly use surface streets, or their vehicles consume a lot of fuel, or both. The people who likely would lose the most are those who use state highways extensively but purchase relatively little fuel—because they drive electric vehicles (or fuel-efficient vehicles more generally).

**One-Year Holiday Would Make 2023 Increase Steeper.** A one-year tax holiday would not change 2023-24 fuel tax rates. Consequently, such a holiday would result in a larger tax rate increase in 2023 than the one scheduled under current law. For example, the Governor’s proposal effectively would combine the increases currently scheduled for 2022 and 2023 into a single, larger increase in 2023. Alternatively, the Legislature could consider making these adjustments in a few steps between July 2022 and July 2023.

#### STAFF COMMENTS

Gas tax holidays are gaining support in various states across the nation to provide relief as gas prices soar and inflation rises. For California, the gas tax holiday will have negligible effects on prices with this proposal estimating a 3 cent savings at the pump. In order to have any impact, it may take some time. With that said, right when motorists are starting to see the impact, the state will end the holiday and motorists will see a 6 cent increase at the pump unless future action is taken. If that is the case, this may set up the Legislature for yearly votes on whether to continue the holiday or end it. It also jeopardizes future transportation funding if the local portion is backfilled by the SHA as proposed.

The Subcommittee may wish to ask the following:

- How much does the Administration anticipate that the average driver will receive a year?
- Can the Administration explain why they are backfilling with the SHA versus the General Fund?
- How does the gas tax holiday align with the state's climate change goals?

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**Staff Recommendation: Hold Open.**

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**ISSUE 6: CLEAN CALIFORNIA INITIATIVE**

The Governor's budget proposes \$100 million (General Fund) to continue the Clean California Local Grant Program (CCLGP) into 2023-24. This would provide an additional year of funding after the budget year.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Steven Keck, Chief Financial Officer, Caltrans
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- James Moore, Staff Finance Budget Analyst, Department of Finance

**BACKGROUND**

The 2021-22 budget package included a total of about \$1.1 billion (General Fund) over a three-year period for the Clean California Initiative—specifically, \$475 million in 2021-22 and 2022-23 and \$146 million in 2023-24. The primary goal of the initiative is to increase litter abatement efforts by Caltrans and local entities and to support state and local beautification projects.

Budget trailer legislation adopted as part of the 2021-22 budget package—Chapter 81 of 2021 (AB 149, Committee on Budget)—requires Caltrans to report to the Legislature on the outcomes of program projects, as well as state beautification projects, as part of the 2022-23 and 2023-24 budgets. The reports shall include information on the amount of litter collected, the locations of projects, and the types of activities funded.

**LAO COMMENTS**

***Reject Additional Funding for CCLGP Until More Data on Project Outcomes Are Available.*** The LAO recommends the Legislature reject the Governor's proposal to provide an additional \$100 million in 2023-24. The program already will receive \$196 million in the budget year. Expanding the program an additional year before data on project outcomes are available is premature. Based on the reported outcomes, the Administration could request the additional funding proposed for 2023-24 as part of the budget process for that year.

**STAFF COMMENTS**

The Subcommittee may wish to ask the Department about the implementation of the program so far. How much litter has been removed, where this has taken place statewide, and whether the litter has returned to any sites that were cleared?

Last year there was a robust discussion about collecting data for this program in order to

evaluate the effectiveness the funding would have. The Subcommittee may want to evaluate the program before adding additional funding to the program.

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**Staff Recommendation: Hold Open.**

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**ISSUE 7: FLEET REPLACEMENT**

The California Department of Transportation requests \$176 million annually for two years from the State Highway Account (SHA) to begin replacing its aging fleet and to install zero emission vehicle (ZEV) infrastructure and fast fueling infrastructure to meet state mandates and regulations.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Steven Keck, Chief Financial Officer, Caltrans
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst’s Office
- James Moore, Staff Finance Budget Analyst, Department of Finance

**BACKGROUND**

This proposal addresses the first two years of a longer-term plan. Caltrans will replace the vehicles removed from service due to collisions or inability to repair, vehicles in the worst condition, vehicles with the highest mileage, and vehicles that generate the most emissions. Caltrans will continue to assess its plan over the next two years and then reevaluate necessary future resources. The resources requested will be used to replace approximately 3,000 vehicles over the two-year period, most of which have far exceeded the state’s recommended criteria for fleet vehicle replacement.

Currently, Caltrans operates the largest and most diverse fleet in California with more than 12,000 vehicles ranging in size from light (8,500 Gross Vehicle Weight Rating [GVWR]) and below which includes half-ton pick-ups and sport utility vehicles; medium & heavy (over 8,500 GVWR) which includes F450s (class 4 truck) and heavy-duty diesel trucks; and off-road (over 25 horsepower) which includes diesel-fueled construction equipment. These vehicles are responsible for providing safety barriers for field crews from live traffic, plowing snow-covered roads, performing vegetation control to reduce the risk of catastrophic wildfires, striping roadways to improve visibility, and are operated by field crews for the maintenance of repairing guardrails, removing hazardous debris and litter, and clearing dead and dying trees.

Over 8,000 vehicles in the Caltrans fleet are eligible for replacement under current state fleet management guidelines, including approximately 600 vehicles that have been permanently removed from service and over three thousand vehicles with over 150,000 miles. These vehicles are essential to improve and maintain California’s transportation network. This has contributed to Caltrans’ increased fleet equipment rentals and leases needed to deliver on transportation projects across the state. Currently, Caltrans rents over 3,000 vehicles annually at a cost of more than \$20,000,000, which further impacts the ability to purchase and replace vehicles.

Specialty equipment such as snow blowers, plow trucks, cone trucks, digger derricks, and bridge inspection vehicles are not available for rental. Unreliable older equipment contributes to longer equipment downtimes and costs more to repair than newer equipment.

Caltrans' old and polluting fleet is not in alignment with the Governor's executive orders for reducing fleet emissions, nor will it be compliant with current CARB requirements on emissions without the requested additional funding.

According to the 2016 Mercury and Associates report, ZEV implementation will require a substantial increase (about 600 percent) in capital than the State historically allocates to replacing vehicles. Caltrans estimates the initial costs to transition to a ZEV fleet will be as high as twice the cost of vehicles using traditional fuel based on current market value. For example, a diesel-fueled sweeper costs \$295,055 per unit, while a ZEV sweeper costs \$650,000 per unit—not including the cost of fast-charging infrastructure. In preparation for the procurement of additional ZEV fleet units, Caltrans must add to its existing infrastructure of Level 2 chargers, as well as install DC Fast Charging Systems, capable of charging medium and heavy-duty vehicles. Caltrans currently has 536 Level 2 chargers either functioning or in development for its fleet. Current industry recommendations are one Level 2 charging port per vehicle or piece of equipment, plus one DC Fast Charging port for every two to three medium and heavy-duty vehicles or pieces of equipment.

#### STAFF COMMENTS

The Subcommittee may wish to ask the following:

- Is Caltrans working with the Energy Commission on this proposal since they have been working in this space for a number of years?
- With supply issues being a significant concern, will Caltrans be able to acquire the clean vehicles to spend all the funding included in this proposal? How is Caltrans addressing this challenge and will Caltrans be competing for clean vehicles with other departments and businesses that must comply with the California Air Resources Board's Clean Bus and Truck Rule that requires that by January 1, 2023, nearly all trucks and buses have 2010 or newer model year engines to reduce particulate matter (PM) and oxides of nitrogen (NOx) emissions?
- With respect to the charging infrastructure, where will Caltrans build the new charging infrastructure and who will be able to access the infrastructure?

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**Staff Recommendation: Hold Open.**

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**ISSUE 8: OFFICE OF UNMANNED AIRCRAFT SYSTEMS**

The Governor’s budget includes \$414,000 (State Highway Account) for Caltrans for two permanent positions, software, and ongoing training to establish the Unmanned Aircraft System (UAS) Program.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Steven Keck, Chief Financial Officer, Caltrans
- Eunice Roh, Fiscal & Policy Analyst, Legislative Analyst’s Office
- James Moore, Staff Finance Budget Analyst, Department of Finance

**BACKGROUND**

According to the Caltrans, UAS is a new tool that is revolutionizing field work. The incorporation of UAS in field operations increases efficiency and safety while dramatically reducing costs. UAS has been recognized as an innovation by the Department of Transportation, the Federal Highway Administration (FHWA), and by the California Transportation Commission as a source of savings and efficiency. Caltrans currently funds two studies through the University of California Merced and California State University, Fresno on UAS implementation at Caltrans.

Starting in 2017, the Division of Aeronautics has been overseeing Caltrans UAS operations and working on incorporating UAS technology into Caltrans business activities to improve safety, increase operational efficiency, and decrease project delivery and maintenance inspection costs. In 2019, FHWA provided seed money to support the acquisition of drones and training in the amount of \$50,000. UAS is gradually becoming an essential tool for Surveyors, Construction Inspections, Bridge Inspections, Environmental Studies, and Maintenance. North Region Surveys begun limited UAS implementation reported savings of nearly \$500,000 in 2020-21. As UAS becomes ubiquitous across Caltrans, additional Districts and Programs will realize those savings as well.

The Division of Aeronautics is seeking to implement a real-time fleet management system/solution for its UAS Program for use by Caltrans employees (internal users) and consultants/contractors (external users) working for/or on behalf of Caltrans. This tool will: (1) allow both desktop and remote users (on a tablet or smartphone) to enter and submit their drone operations; and, (2) allow the Aeronautics to track drone activities (users, drones, missions) in a relational database that will house the data and information that is being entered by users as well as data tracked by systems such as GPS. The system should have the capability to generate dashboards, reports, and analytics from this data. This tool would not track or store any imagery or data collected by the drone, however, it will have the capability to log a flight plan that is entered and to retain that information in the record for the operation. While a final product has not been selected or approved, the cost of a fleet management system is estimated at \$60,000 for the first year and increasing along with number of UAS and operations each subsequent per

year. Along with additional training software and other hardware and software associated with this technological advancement, it is estimated that \$100,000 is needed for the fleet management system.

**STAFF COMMENTS**

The Subcommittee may wish to ask the following:

- With the two studies that Caltrans funded, what was the scope and findings on UAS implementation?
- Can Caltrans provide examples of how jurisdictions are currently using this technology?
- How is Caltrans addressing any privacy issues associated with the UAS program?

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**Staff Recommendation: Hold Open.**

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**ISSUE 9: PEDESTRIAN AND BICYCLIST SAFETY INVESTIGATION**

The Governor’s budget includes \$2,256,000 (\$2,147,000 in Personal Services and \$109,000 in Operating Expenses) (State Highway Account) for Caltrans to permanently establish the Pedestrian and Bicyclist Safety Investigations Program.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Steven Keck, Chief Financial Officer, Caltrans
- Eunice Roh, Fiscal & Policy Analyst, Legislative Analyst’s Office
- Benjamin Pollack, Finance Budget Analyst, Department of Finance

**BACKGROUND**

Caltrans, in partnership with the University of California Berkeley, developed the 2016 Pilot Pedestrian Collision Monitoring Program and the 2018 Pilot Bicyclist Collision Monitoring Program to identify and address high concentrations of pedestrian and bicyclist collisions. Additional resources are needed to permanently add the Pedestrian Collision Monitoring Program and the Bicyclist Collision Monitoring Program to the existing permanent traffic safety programs, such as Run Off Road, Wrong Way, Cross Over Collision, High Collision Concentration and High Wet Collision Concentration Programs.

The 2016 Pilot Pedestrian Collision Monitoring Program resulted in 129 traffic safety investigations. The 2018 Pilot Bicyclist Collision Monitoring Program resulted in 252 traffic safety investigations. These safety investigations resulted in recommended improvements, which will be implemented either by maintenance staff or via traffic safety projects.

The 2019 Pedestrian Safety Improvement Monitoring Program was released on July 31, 2020. It identified 150 locations for investigation. As of April 30, 2021, 72 of these investigations have been completed with 64 percent recommending improvements. The 2019 Bicyclist Safety Improvement Monitoring Program is anticipated to be released this fall.

According to the FHWA-published rules, California is required to establish statewide targets annually for reducing pedestrian and bicyclist fatalities and serious injuries and show progress towards meeting the targets to continue to receive Federal HSIP funds. In a letter dated March 25, 2021, FHWA notified Caltrans that California failed to meet the Safety Performance Target for Number of Non-Motorized Fatalities & Serious Injuries.

The Transportation System Network indicates pedestrian and bicyclist fatalities accounted for approximately 21 percent of traffic fatalities on the State Highway System (SHS) in California between 2014 and 2018. Available data indicates that these fatalities are trending higher.

2018 Collision Data on California State Highways

Program Budget	2014	2015	2016	2017	2018	2019
Vehicle Miles Traveled (in Billions)	178.32	183.22	186.94	190.65	190.90	192.51
Pedestrian Fatalities	227	196	271	297	276	297
Bicyclist Fatalities	16	21	26	21	26	31
Vehicle Fatalities	887	992	1092	1112	1060	993

<b>STAFF COMMENTS</b>
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The Subcommittee may wish to inquire about reporting progress to the Legislature if this program is made permanent?

How will the results of these investigations be incorporated into Active Transportation projects funded by the state to improve the safety of these investments?

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**Staff Recommendation: Hold Open.**

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**ISSUE 10: TECHNOLOGY BUDGET CHANGE PROPOSALS**

This item summarizes the 5 budget change proposals related to technology for Caltrans.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Steven Keck, Chief Financial Officer, Caltrans
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst's Office
- James Moore, Staff Finance Budget Analyst, Department of Finance

**BACKGROUND**

1. **Advantage Management System Augmentation:** The budget includes a one-time augmentation request of \$8,000,000 to upgrade the department's Financial Management System to a supported version of the CGI Advantage software.

Approval of this request would upgrade Caltrans' financial management system to provide a stable, functional, and secured system to meet the financial and reporting requirements of the State Controller's Office, the Department of Finance, the Department of General Services, and FI\$Cal. An upgraded financial management system would support Caltrans during the FI\$Cal onboarding period and provide a secure financial management system to perform Caltrans' mission critical activities while serving and providing critical financial and project information to Caltrans' stakeholders.

2. **Enterprise Data Governance Technology Solution:** The budget requests a one-time increase of \$535,000 State Highway Account to complete Project Approval Lifecycle stage 3 for the Enterprise Data Governance Technology Solution project. The resources will be used to procure and implement a suite of enterprise data governance-related tools for data stewards and data custodians.
3. **Enterprise Data Storage:** The budget requests \$18,640,000 in 2022-23, \$16,749,000 in 2023-24, and \$937,000 in 2024-25 and ongoing from the State Highway Account. The request includes six permanent positions, contract resources, and equipment to increase data storage and protection.

Existing data storage capacity and related Information Technology (IT) infrastructure cannot meet Caltrans program needs for effective project delivery. There has been an increased number of transportation projects since the 2017 passage of SB 1, which has increased the volume of very large data set collection. In addition, there has been an increasing use of evolving technology to more safely collect the data needed for efficient transportation project delivery and ancillary processes. This collection technology is growing more sophisticated and has the capability of collecting more detailed data points and images that create very large data sets.

4. **Traffic Operations System Network (TOSNet) Cybersecurity Enhancements:** The budget includes \$8,251,000 in 2022-23, \$8,901,000 in 2023-24, and \$4,469,000 in 2024-25 and ongoing State Highway Account for 26 permanent positions and Traffic Operations Systems Network cybersecurity enhancements.

This request is in alignment with the newly required cyber response activities based on the increased cyberattacks against critical infrastructure, the expanding operational technology cybersecurity guidance, and President Biden’s May 12, 2021 Executive Order on Improving the Nation’s Cybersecurity. The Presidential Executive Order calls for, “bold changes and significant investments in order to defend the vital institutions that underpin the American way of life” in both information technology (IT) and operational technology (OT).

5. **Transportation System Replacement Project Funding for Year 2:** The budget includes ten positions and resources totaling \$6,858,000 in 2022-23 for Transportation System Network Replacement (TSNR) Year 2 project costs. This request is supported by Caltrans TSNR implementation plan as part of the California Department of Technology’s (CDT) Project Approval Lifecycle (PAL) process.

The TSNR system development and implementation effort has been identified as a high priority project in the CalSTA TRS Roadmap and is one of the main goals of the TRCC’s California Strategic Traffic Safety Data Plan. The requirement to comply with the federal mandates correlates directly with the “Safety First” strategic goal described in the Caltrans 2020 – 2024 Strategic Plan.

<b>STAFF COMMENTS</b>
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These five budget change proposals address an array of technology programmatic needs for Caltrans to successfully implement its programs. Data storage and cyber security requests align with requests from other departments that have been approved over the past couple of years.

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**Staff Recommendation: Hold Open.**

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**2600 CALIFORNIA TRANSPORTATION COMMISSION  
2660 DEPARTMENT OF TRANSPORTATION**

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**ISSUE 11: ROAD USAGE CHARGE PILOT (SB 339)**

The California Department of Transportation (Caltrans) requests an augmentation of \$6,010,000 in State Highway Account (SHA) over two years and 6 two-year, limited-term positions to conduct the road charge revenue collection pilot authorized by Senate Bill 339 (Chapter 308, statutes of 2001, Wiener).

Additionally, the Department of Motor Vehicles (DMV) requests \$171,000 SHA and one two-year, limited-term position and the California Transportation Commission (CTC) requests \$200,000 in one-time funding to support the pilot.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

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

**BACKGROUND**

Senate Bill 339 (Wiener, Chapter 308, Statutes of 2021) was signed by the Governor on September 24, 2021 to continue the state’s exploration into the feasibility of transportation revenue from a fee charged per mile of vehicle travel (a road charge). SB 339 directs CalSTA to implement a pilot that assesses two different mileage rate options and collects actual road charge revenue into state funds.

An interim report to the Legislature is due July 1, 2024, with the final report no later than December 31, 2026. The final report will evaluate the road charge collection effort and the potential of a road charge for sustainable and equitable transportation funding.

Caltrans estimates a group of 750 participants would be needed to provide a relevant research sample size that tests behavior choices and public opinion during the road charge collection process.

To implement the pilot project, Caltrans requests the following resources:

- \$4,000,000 for Caltrans to procure consultant services to perform the pilot study.
- \$1,005,000 for 6 limited-term staff for Caltrans to manage the project and interdepartmental coordination work required by this legislation.

- \$171,000 for 1 limited-term position for the DMV to support the SB 339 pilot and interdepartmental coordination work. This position will assist in developing a process to collect the road charge revenue into state systems.
- \$200,000 consultant service dollars for the CTC to support the bill’s requirements for the Road Charge Technical Advisory Committee to provide recommendations on pilot design criteria by July 1, 2023.

**STAFF COMMENTS**

The cost estimates outlined in the Assembly Appropriation analysis estimate the consultant costs to be about \$5 to \$10 million based on the pilot program. Additionally, the analysis estimates the cost for CTC to be about \$450,000 one time. The Subcommittee may wish to ask why the budget change proposal provides lower resources than the analysis and whether those resources will be sufficient to successfully implement the program.

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**Staff Recommendation: Hold Open.**

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**2600 CALIFORNIA TRANSPORTATION COMMISSION**

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**ISSUE 12: IMPLEMENTATION OF SB 671 – CLEAN FREIGHT CORRIDOR EFFICIENCY ASSESSMENT**

The Governor’s budget includes an increase in the CTC’s budgetary authority in the amount of \$320,000 for two limited-term positions for three years and \$450,000 for a one-time consultant contract to implement the provisions of SB 671 (Chapter 769, Statutes of 2021) relating to the development of the Clean Freight Corridor Efficiency Assessment.

**PANEL**

The following individuals will participate virtually in the discussion of this issue:

- Mitch Weiss, Executive Director, California Transportation Commission
- Frank Jimenez, Fiscal & Policy Analyst, Legislative Analyst’s Office
- Benjamin Pollack, Finance Budget Analyst, Department of Finance

**BACKGROUND**

SB 671 (Gonzalez, Chapter 769, Statutes of 2021) establishes the Clean Freight Corridor Efficiency Assessment (Assessment), to be developed by the Commission in coordination with other state agencies. This bill codifies parts of the Commission’s Trade Corridor Enhancement Program (TCEP) guidelines that deem eligible for funding projects that employ advanced and innovative technology to improve the flow of freight and environmental and community mitigation of freight movement impacts.

**STAFF COMMENTS**

According to the appropriation analysis for SB 671, the estimated one-time costs to implement this bill is approximately \$900,000 for a consultant contract for the performance of research and data analysis necessary to identify the freight corridors and infrastructure needed. Additionally, the analysis estimated the ongoing CTC administrative costs to be approximately \$323,000 for three years and \$178,000 annually thereafter for two staff (one three-year limited term, one permanent) to oversee the consultant contract.

The Subcommittee may wish to ask the Department of Finance to explain the difference in funding for the consultant contract from the appropriation analysis. Also explain why there is no funding for ongoing staffing?

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**Staff Recommendation: Hold Open.**

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