

**California High-Speed Rail Authority**  
**Briefing: August 17-18, 2022, Board Meeting**  
**Agenda Item #4**

**TO:** Board Chair Richards and Authority Board Members

**FROM:** Brian Annis, Chief Financial Officer

**DATE:** August 17, 2022

**RE:** Fiscal Year 2022-23 Budget

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**Recommended Actions**

In accordance with existing Board Policy HSRA11-001, which directs Board approval of the budget, Staff recommends Board approval of:

- The 2022-23 fiscal year Capital Budget of \$2.303 billion.
- The 2022-23 fiscal year Administrative Budget of \$93.3 million.

**Background**

In June 2022, the Legislature and the Governor reached a budget agreement on a transportation funding package, which included new appropriations for the Authority. The following three bills include the provisions related to High-Speed Rail:

Senate Bill 154 – Budget Bill (Chapter 43, Statutes of 2022):

- This is the 2022 Budget Act, and includes the Administrative Budget appropriation for 2022-23.
- These appropriations, and the continuously appropriated Cap-and-Trade funding, provide \$93.3 million for 2022-23. The Department of Finance may make technical adjustments to this budget amount as it makes broad-based adjustments for issues such as employee compensation.

Assembly Bill 180 – Budget Bill Junior (Chapter 44, Statutes of 2022):

- This budget bill amends the 2021 Budget Act (or fiscal year 2021-22 levels of appropriation).
- This bill includes the new Proposition 1A (Prop 1A) capital outlay appropriation to spend the remaining \$4.2 billion of bond authority.

Senate Bill 198 – Budget Trailer Bill (Chapter 71, Statutes of 2022):

- This is the budget trailer bill that amends statutory provisions related to Budget Act appropriations in the transportation area.
- This bill:
  - Specifies the \$4.2 billion Prop 1A appropriation is authorized only for Merced to Bakersfield work;
  - Adds new legislative reporting requirements, including new schedule and cost estimates in the 2023 Project Update Report;
  - Establishes an Inspector General to provide independent oversight of the high-speed rail program; and

- Specifies Cap-and-Trade dollars are to be prioritized on the Merced to Bakersfield work, existing Bookend projects, and up to \$500 million in other commitments that are cost-effective for the program.

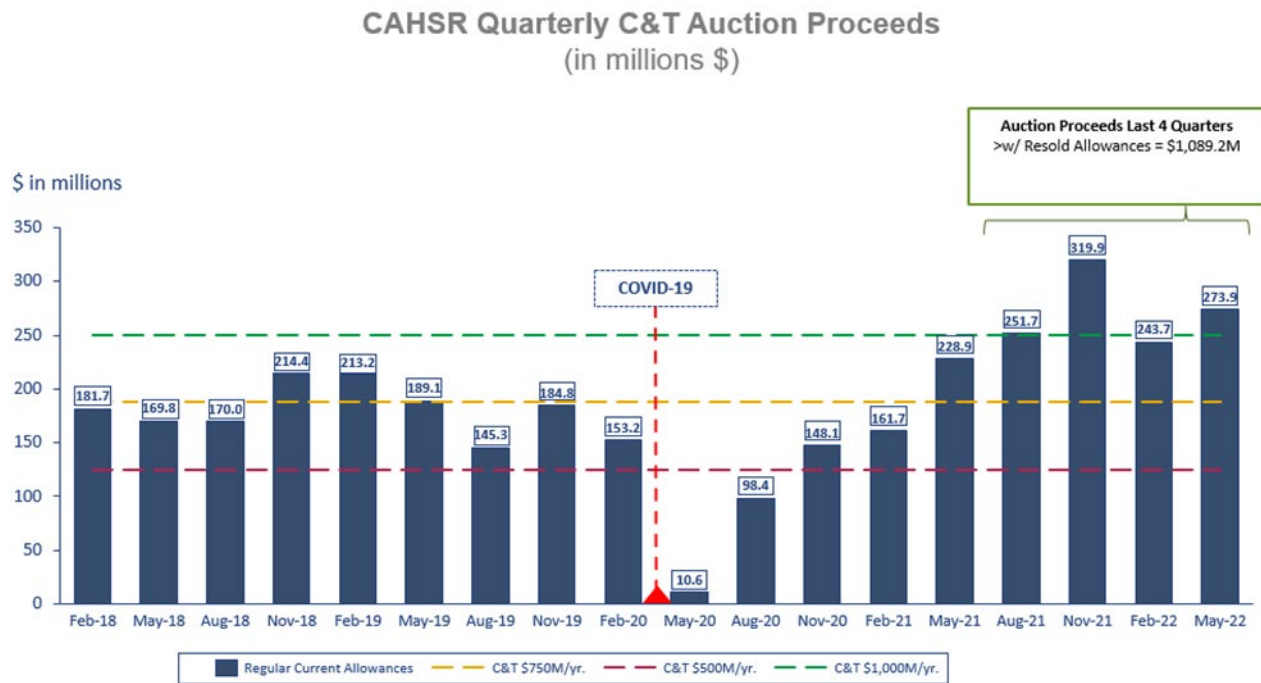
The Budget request presented to the Board is consistent with the budget passed by the Legislature and signed by the Governor.

Proposition 1A requires multiple steps to access bonds funds and two of the three steps are now fully complete:

- The Authority presents an initial Funding Plan (also called a “part c” Funding Plan”) to the Board and Legislature prior to requesting an appropriation – this was completed in February 2021.
- The Legislature appropriates the bond funds – this was completed in June 2022 through AB 180.
- The Authority presents a final Funding Plan (also called a “part d” Funding Plan”) to the Board and the Legislature prior to committing any proceeds of the appropriated bonds. The Authority anticipates bringing this Funding Plan to the Board for approval at the September Board meeting. This will make the \$4.2 billion available for Authority expenditures in 2022-23 and beyond.

The Authority is working with the Department of Finance and the Treasurer’s Office to include the sale of Prop 1A bonds in the Fall 2022 bond sale, so proceeds will be available for expenditure in 2022-23.

In addition to the new Prop 1A funding outlined above, the 2022-23 budget also utilizes Cap-and-Trade auction revenue. Revenue from this funding source has been robust over the past year, with proceeds of \$1,089 million for the Authority. The Cap-and-Trade cash balance as of June 30, 2022, is \$2,104.7 million, which includes auction proceeds through the May 2022 auction. The chart below shows the history of Cap-and-Trade proceeds from the February 2018 auction.



**Prior Board Action**

At the September 23, 2021, meeting, the Authority’s Board adopted the annual budget for FY 2021-22 of \$2.313 billion for the Capital Budget and \$97.2 million (as adjusted for the enacted State budget) for the Administrative Budget.

At its December 16, 2021 meeting, the Authority’s Board accepted a total Expenditure Authorization or Interim Program Baseline Budget of \$17.937 billion, which was an increase of \$2.301 billion relative to the Program Baseline Budget of \$15.636 billion adopted in June 2020, consisting of: \$1.359 billion to complete the 119-mile Central Valley Segment and for the federal grant award for the Wasco State Route 46 Project; and \$942 million in Enhanced Scope for ongoing program wide support – primarily the re-procurement of the Rail Delivery Partner contract, and for advancing design work on the Merced and Bakersfield extensions. The Interim Program Baseline advances specific program elements.

On April 27, 2022, the Authority’s Board adopted the 2022 Business Plan. In the 2022 Business Plan, the Interim Program Baseline Budget of \$17.937 billion is unchanged.

**Legal Approval**

The Legal Office has reviewed this item and has no legal concerns with it.

**Budget and Fiscal Impact**

The 2022-23 budgets reflect programmed and funded projects necessary to progress the Authority’s commitments and priorities. This fiscal-year slice of planned expenditures is consistent with the multi-year Interim Program Baseline Budget adopted by the Board in December 2021. The tables below reflect the proposed 2022-23 budgets for capital outlay and administration.

<b>Capital Outlay Budget (\$ in millions) - FISCAL YEAR 2022-23 PROGRAM BUDGET</b>					
	FY2021-22 Budget	FY2021-22 YTD Expenditures as of June 2022	FY2022-23 Budget	<b>FY21-22 to FY22-23 Budget</b>	
	A	B	C	\$ Change increase/ (decrease) (C-A)	% Change increase/ (decrease) (C-A)/A
Bond Fund (Prop 1A) - Project Dev. Phase I	\$ -	\$ -	\$ -	\$ -	0.0%
Federal Trust Fund (Brownfields) - Project Dev	\$ 0.17	\$ 0	\$ 0	\$ (0)	(39.0%)
Cap and Trade - Project Dev	\$ 145	\$ 53	\$ 177	\$ 32	22.1%
<b>PROJECT DEVELOPMENT SUBTOTAL</b>	<b>\$ 145</b>	<b>\$ 54</b>	<b>\$ 177</b>	<b>\$ 32</b>	<b>22.0%</b>
Bond Fund (Prop 1A) - Construction	\$ -	\$ -	\$ 1,876	\$ 1,876	100.0%
Cap and Trade - Construction	\$ 2,085	\$ 1,006	\$ 7	\$ (2,078)	(99.7%)
<b>CONSTRUCTION SUBTOTAL</b>	<b>\$ 2,085</b>	<b>\$ 1,006</b>	<b>\$ 1,883</b>	<b>\$ (202)</b>	<b>(9.7%)</b>
Bond Fund (Prop 1A) - Bookends (Local Assistance)	\$ 79	\$ 147	\$ 243	\$ 164	208.0%
Cap and Trade - Bookends (Local Assistance)	\$ 4	\$ 5	\$ -	\$ (4)	(100.0%)
<b>BOOKEND PROJECTS SUBTOTAL</b>	<b>\$ 83</b>	<b>\$ 152</b>	<b>\$ 243</b>	<b>\$ 161</b>	<b>193.9%</b>
<b>Budget</b>	<b>\$ 2,313</b>	<b>\$ 1,212</b>	<b>\$ 2,303</b>	<b>\$ (10)</b>	<b>(0.4%)</b>

Administrative Budget (\$ in millions) - FISCAL YEAR 2022-23 BUDGET						FY21-22 to FY22-23 Budget	
	FY2021-22 Budget	FY2021-22 YTD Expenditures as of June 2022	FY2022-23 Budget		\$ Change increase/ (decrease)	% Change increase/ (decrease)	
	A	B	C		(C - A)	(C - A)/A	
Executive Office	\$ 3.4	\$ 1.7	\$ 3.4	\$	(0.0)	(1.2%)	
Administration Office	\$ 10.0	\$ 8.0	\$ 10.0	\$	(0.0)	(0.3%)	
Strategic Communications Office	\$ 2.0	\$ 1.7	\$ 2.0	\$	(0.0)	(0.3%)	
Financial Office	\$ 9.0	\$ 6.5	\$ 9.3	\$	0.3	3.4%	
Legal Office	\$ 4.2	\$ 3.5	\$ 4.2	\$	0.0	0.7%	
Program Delivery Office	\$ 45.5	\$ 30.3	\$ 41.6	\$	(3.9)	(8.7%)	
Northern California Region Office	\$ 1.2	\$ 1.0	\$ 1.2	\$	(0.0)	(2.1%)	
Central Valley Region Office	\$ 1.2	\$ 1.0	\$ 1.2	\$	(0.0)	(2.0%)	
Southern California Region Office	\$ 1.0	\$ 0.8	\$ 1.0	\$	0.0	4.4%	
Audit Office	\$ 2.0	\$ 1.9	\$ 1.9	\$	(0.1)	(2.8%)	
Legislative Office	\$ 0.9	\$ 0.7	\$ 0.7	\$	(0.2)	(18.4%)	
Information Technology Office	\$ 16.8	\$ 10.2	\$ 16.8	\$	(0.0)	(0.1%)	
<b>Budget</b>	<b>\$ 97.2</b>	<b>\$ 67.5</b>	<b>\$ 93.3</b>	<b>\$</b>	<b>(3.9)</b>	<b>-4.0%</b>	
POSITIONS	429		429		0	0.0%	

Staff is not requesting any updates to the multi-year Program Baseline Budget at this time. It should be noted that inflation is impacting infrastructure projects across the nation, and higher material costs are getting factored into change orders for existing contracts at the Authority. Staff will continue to monitor inflation and bring any adjustments to Program Baseline Budget to the Board as needed.

As required by SB 198, the Authority will comprehensively update Central Valley cost estimates with the 2023 Project Update Report (2023 PUR).

REVIEWER INFORMATION	
Reviewer Name and Title: <b>Brian Annis</b> <b>Chief Financial Officer</b>	Signature verifying budget analysis: <b>Signed 8/9/2022</b>
Reviewer Name and Title: <b>Alicia Fowler</b> <b>Chief Counsel</b>	Signature verifying legal analysis: <b>Signed 8/9/2022</b>

### Recommendations

In accordance with existing Board policies, Staff recommends Board approval of the fiscal year 2022-23 budget as follows:

#### Budgets:

- The fiscal year 2022-23 Capital Budget is \$2.303 billion.
- The fiscal year 2022-23 Administrative Budget is \$93.3 million (subject to adjustments by the Department of Finance to the enacted State budget)

#### Attachments

- Powerpoint Presentation
- Draft Board Resolution