

**California High-Speed Rail Authority**  
**BRIEFING: August 28, 2025, Board Meeting**  
**Agenda Item #2**

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

**FROM:** Jamey Matalka, Chief Financial Officer

**DATE:** August 28, 2025

**RE:** Budget Update and Approval of Budget

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**Summary**

In accordance with existing Board Policy HSRA24-1135, which directs the Authority to update capital cost estimates in annual plans, and Board Policy HSRA11-001, which directs Board acceptance of the Program Baseline and Budget and the Fiscal Year Budgets, staff recommends Board acceptance of:

- The 2025 Program Baseline and Budget of \$36.750 billion.
- The 2025-26 fiscal year Capital Budget of \$2.697 billion.
- The 2025-26 fiscal year Administrative and Capital Support Budget of \$117.5 million.

In January 2024, the Board last approved the Program Baseline and Budget when it approved an Expenditure Authorization of \$26.094 billion. In June 2024, the Board approved the 2024-25 Fiscal Year Budgets (Capital Budget of \$2.629 billion and Administrative and Capital Support Budget of \$111.9 million).

Staff recommends Board acceptance of the 2025 Program Baseline and Budget of \$36.750 billion that aligns spending with expected program revenues and spending priorities outlined in the 2025 Supplemental Project Update Report.

Furthermore, the staff recommends Board acceptance of the fiscal year 2025-26 Capital Budget of \$2.697 billion and the fiscal year 2025-26 Administrative and Capital Support Budget of \$117.5 million that aligns spending for the next year with expected program revenues and spending priorities.

**Starting Point**

The January 2024 Expenditure Authorization is \$26.094 billion. It reflects the cost estimates presented in the 2024 Business Plan to deliver the 119-mile Central Valley Segment (CVS), Phase 1 system environmental clearance from San Francisco to LA/Anaheim, Bookend/Local Assistance projects, and federal grant funded scope in Merced Extension (right-of-way acquisition and final design), Bakersfield Extension (right-of-way acquisition, final design, and civil works to northern Bakersfield), and high-speed rail trainsets and maintenance facilities. The table on the next page reflects scope and budget detail of the January 2024 Expenditure Authorization relative to the 2024 Business Plan capital estimates for the Merced to Bakersfield Early Operating Segment (EOS) program highlighting the scope differences.

## 2024 Business Plan Capital Cost Estimates – January 2024 Expenditure Authorization vs. Merced to Bakersfield Early Operating Segment (EOS) Program (in \$ billions)

Scope	Jan-24 Exp. Authorization	M-B EOS Estimate	Variance	Note
Central Valley Segment (PD, Civils, T&S, PW Support)	18.262	18.262	-	The 2024 Business Plan outlined the Authority's plan to fund the additional scopes not included in the January 2024 Expenditure Authorization with Infrastructure Investment and Jobs Act (IIJA) grants.  The Authority's total IIJA grant fund award target was \$8.0 billion.  The Authority's uncommitted program funding was \$2.639 billion.
Project Development (PD) Balance	0.127	0.127	-	
Merced Extension ROW and Design (Civils excl.)	0.754	4.462	3.708	
Bakersfield Extension ROW Design Civils (Civil Downtown excl.)	1.874	3.258	1.384	
Station Fresno (Merced, Kings/Tulare, Bakersfield excl.)	0.225	1.237	1.012	
Track & Systems Bakersfield (Merced excl.)	0.458	3.025	2.567	
Solar & Utility Interconnection	0.025	0.230	0.205	
High-Speed Rail Trainsets (6 total)	0.561	0.561	-	
Maintenance Facility and Driving Simulator	0.418	0.418	-	
Program Wide Support and Contingency Balance	1.043	1.396	0.353	
<b>Subtotal: Merced to Bakersfield Segment</b>	<b>23.747</b>	<b>32.976</b>	<b>9.229</b>	
Program Wide Support and PD Balance (Phase 1)	1.049	1.049	-	
Bookend Investments	1.298	1.298	-	
<b>TOTAL</b>	<b>26.094</b>	<b>35.323</b>	<b>9.229</b>	

### Project Update – Cost Estimates

As outlined in the March 2025 PUR, the Authority took a fresh look at our Design Criteria Manual (DCM), which is the basis of design for the project. During the review of the DCM, the Authority identified the following main areas where design efficiency could be achieved:

- » Aligning the operational speed with the design speed;
- » Increasing the absolute maximum gradient;
- » Reducing the vertical clearance required above trackways and trackway widths;
- » Allowing the use of seismic isolation devices and rail expansion joints in the design of bridge structures; and
- » Reducing minimum culvert cover thickness.

In the 2025 Supplemental PUR the Authority's cost estimate for the cost of the 2025 Program Baseline and Budget is approximately \$36.75 billion.

- » The Authority used a bottom-up methodology to create more certainty in the cost estimate (before risk and inflation).
- » It employed more precise engineering estimates of build quantities, unit costs related to geographical areas of construction, and clearer definitions of work scopes from advanced designs.
- » The Authority identified design improvements and sequencing changes, leading to significant cost savings of about \$14.28 billion, which significantly offset the increased costs identified through advancing design

## 2025 Merced to Bakersfield Program Baseline – Capital Estimate Build-up (in \$ billions)

Description	Incremental		Cumulative	Notes
	Amount (\$)	Percent (%)		
<b>2023 Project Update Report (PUR) / 2024 Business Plan (BP) – Program Baseline Budget</b>	-	-	<b>35.32</b>	
Inflation	1.76	5.0%	37.08	PUR23\$ TO PUR25\$ (2 years of price absorption)
Escalation	1.07	3.0%	38.15	Updated Schedule (December 31, 2031 Completion)
Closing Out the Central Valley Segment	1.97	5.6%	40.12	Central Valley Segment scope
Completed 30% Designs @ 2024\$	10.91	30.9%	<b>51.03</b>	Design Advanced for Extensions and Stations and 2024 Pricing
Impact of Design and Execution Optimizations	<b>(14.28)</b>	<b>(40.4%)</b>	36.75	Offsetting Elements: <ul style="list-style-type: none"> <li>• Design Criteria Manual (DCM) updates</li> <li>• Design optimizations</li> <li>• Sequencing of scope</li> </ul>
<b>TOTAL</b>			<b>36.75</b>	

### **Project Update – Funding**

Proposition 1A: The remaining \$4.2 billion out of the total \$9.0 billion Prop 1A funds were secured and appropriated with the passing of Senate Bill 198 in 2022.

Federal Funds: The Authority assumes it will retain \$4 billion in federal grant funding that is currently in litigation with the FRA, and the Authority is confident the state will prevail and retain these funds. In addition, the FRA and the Authority have agreed to preserve the impacted funds while litigation is pending, preventing them from being obligated to another grantee unless a new competitive award notice was issued.

Cap-and-Trade / Cap-and-Invest: The Cap-and-Trade program has stood resilient for the past decade, even with legal challenges, a tough negotiation on extension of the program in 2017 (which set the 2030 end date), and the 2020 economic downturn. A snapshot of the volatility is provided below:

### **Cap-and-Trade / Cap-and-Invest Auction Revenues – Actual versus Plan (in \$ millions)**

	FY15-16	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	TOTAL
<b>Plan</b>	500	500	500	750	750	750	750	750	1,000	1,000	<b>7,750</b>
<b>Actual</b>	459	221	708	787	494	637	1,089	906	1,181	769	<b>7,250</b>
<b>Variance</b>	<b>(41)</b>	<b>(279)</b>	<b>208</b>	<b>37</b>	<b>(256)</b>	<b>(113)</b>	<b>339</b>	<b>156</b>	<b>181</b>	<b>(231)</b>	<b>-</b>

To address the volatility, the Governor’s FY2025-26 budget proposal includes extending the Cap-and-Invest program through 2045 with at least \$1.0 billion in annual funding for the Authority. This would provide a stable and consistent funding level of at least \$15.0 billion in additional funding for the program.

### **Next Steps**

The project will continue to progress without delay with activity focused on the delivery of schedule critical path activities and other commitments as outlined in the 2025 Supplemental Project Update Report.

The budget will be continuously monitored with status reports provided monthly at the Finance & Audit (F&A) Committee meetings.

- The Authority's current total available cash is approximately \$4 billion.
- The Authority's current total remaining contracted commitments total approximately \$3.1 billion.
- As the program commitments expand, the Authority will control contractual commitments through (1) established governance procedures to ensure no contracts are made without identified and projected funds, (2) Notice-to-Proceed mechanisms in future contracts to ensure capital expenditures do not exceed available cash, and (3) adherence to the delegation of authority established by the Board.
- The Authority will front-load use of FSP Grant State Match (\$0.678 billion) to fund High-Speed Rail Trainsets, Merced Extension and Bakersfield Extension Early Works (Geotech/Design, ROW, Utilities Relocation) activities to keep the projects moving during litigation.
- The Authority is collaborating with the Administration and Legislature to explore options to address future cash needs in the event we project a cash shortfall.

### **Prior Board Action**

At the January 18, 2024, Board meeting, the Board approved an updated Expenditure Authorization of \$26.094 billion which was an increase of \$6.084 billion from the previously approved Expenditure Authorization of \$20.010 billion. The increase was primarily due to the award of about \$3.3 billion in new federal grants in 2023.

At its June 26, 2024, meeting, the Authority's Board adopted the fiscal year 2024-2025 Capital Outlay Budget of \$2.629 billion. At the June 26, 2024, meeting, the Board also adopted an Administrative and Capital Support Budget of \$111.9 million (that budget was subsequently decreased by the Department of Finance to \$108.9 million due to statewide budget adjustments).

### **Legal Approval**

The Legal Office has reviewed this item and finds that it meets the legal requirements for the action sought.

### **Budget and Fiscal Impact**

The **2025 Program Baseline and Budget** reflects expected program revenues \$44.3 billion (\$1.2 billion reserved for Administrative and Capital Support) and a capital cost estimate of \$36.750 billion for the Early Operating Segment as outlined in the 2025 Supplemental Project Update Report.

As the program commitments expand, the Authority will control contractual commitments through (1) established governance procedures to ensure no contracts are made without identified and projected funds, (2) Notice-to-Proceed mechanisms in future contracts to ensure capital expenditures do not exceed available cash, and (3) adherence to the delegation of authority established by the Board.

### **The Fiscal Year 2025-2026 Capital Outlay Budget and Administrative & Capital Support Budgets**

reflects the spending for the fiscal year 2025-26 with expected program revenues and spending priorities.

The capital fiscal year budget excludes the use of FY10 grant and FSP grant funds. But if litigation results are that funds become available, the Authority will submit already prepared reimbursement packages.

The proposed administrative and capital support budget this year is about \$117.5 million, an increase of \$8.6 million. This increase is primarily due to several administrative adjustments in employee compensation and benefits, and three Budget Change Proposals (BCP):

1. BCP is for general reimbursement for the Authority's Office of the Inspector General in the amount of \$0.1 million.
2. BCP is for the National Environmental Policy Act (NEPA) Assignment Support in the amount of \$2.5 million and associated reimbursement authority.
3. BCP is for Operational Technology and Data Integration in the amount of \$1.2 million.

The administrative and capital support fiscal year budget aligns with the 2025 California Budget Act (SB 101) signed by Governor Newsom on June 27, 2025. However, the administrative and capital support budgets are subject to adjustments by the enacted state budget, currently there is a proposed statewide austerity measure that could result in a reduction of \$2 million and 6 positions to the Authority pending outcome of discussions between the Administration and the Legislature (not reflected in the table on the next page).

The table below provide detail for the proposed fiscal year 2025-2026 Capital Outlay Budget, while the table on the next page provide detail for the proposed fiscal year 2025-2025 Administrative & Capital Support Budget.

<b>FISCAL YEAR 2025-2026 CAPITAL OUTLAY BUDGET (in millions)</b>					
	FY2024-2025 Budget	FY2024-2025 Expenditures as of June 2025	FY2025-2026 Budget	\$ Change increase/ (decrease)	% Change increase/ (decrease)
	A	B	C	(C-A)	(C-A)/A
Bond Fund (Prop 1A) - Phase I	-	-	-	-	0.0%
Bond Fund (Prop 1A) - Phase II	-	-	-	-	0.0%
Cap-and-Trade - Project Development	\$162	\$103	\$94	-\$68	(41.8%)
Federal Trust Fund (ARRA)	-	-	-	-	0.0%
Federal Trust Fund (Brownfields EPA Grant)	-	-	-	-	0.0%
Federal Trust Grant – (RAISE Merced Extension)	\$6	\$6	\$0	-\$6	(91.9%)
<b>PROJECT DEVELOPMENT SUBTOTAL</b>	<b>\$168</b>	<b>\$108</b>	<b>\$95</b>	<b>-\$73</b>	<b>(43.6%)</b>
Bond Fund (Prop 1A)	\$1,448	\$1,140	\$315	-\$1,133	(78.3%)
Cap-and-Trade - Construction	\$623	\$189	\$2,210	\$1,587	254.5%
Federal Trust Fund (ARRA)	-	-	-	-	0.0%
Federal Trust Fund (FY10))	-	-	-	-	0.0%
Federal Trust Fund (RAISE SR-46))	\$2	-	\$9	\$7	354.6%
Federal Trust Fund (Federal-State Partnership))	\$278	\$1	-	-\$278	(100.0%)
Federal Trust Grant (CRISI Shafter Grade)	\$18	\$0	\$16	-\$3	(14.7%)
Federal Trust Grant (RAISE Fresno Historic Depot)	-	-	\$3	\$3	0.0%
Federal Trust Grant (Corridor ID)	\$1	-	-	-\$1	(100.0%)
<b>CONSTRUCTION SUBTOTAL</b>	<b>\$2,370</b>	<b>\$1,331</b>	<b>\$2,552</b>	<b>\$182</b>	<b>7.7%</b>
Bond Fund (Prop 1A) - Bookend Projects	\$91	\$53	\$50	-\$40	(44.5%)
Cap-and-Trade - Bookend Projects	\$0	-	-	-\$0	(100.0%)
<b>LOCAL ASSISTANCE SUBTOTAL</b>	<b>\$91</b>	<b>\$53</b>	<b>\$50</b>	<b>-\$40</b>	<b>(44.5%)</b>
<b>TOTAL</b>	<b>\$2,629</b>	<b>\$1,492</b>	<b>\$2,697</b>	<b>\$68</b>	<b>2.6%</b>

<b>FISCAL YEAR 2025-2026 ADMINISTRATIVE &amp; CAPITAL SUPPORT BUDGET (in millions)</b>					
	FY 2024-2025 Budget	FY 2024-2025 Expenditures as of June 2025	FY2025-2026 Budget	\$ Change increase/ (decrease)	% Change increase/ (decrease)
	A	B	C	(C-A)	(C-A)/A
Executive Operations Office	\$2.9	\$2.4	\$2.2	-\$0.7)	(24.6%)
Administration Office	\$14.6	\$11.4	\$14.5	-\$0.1	(0.7%)
Audit Office	\$2.2	\$2.1	\$2.3	\$0.1	4.9%
Contract Administration Office	\$8.1	\$6.1	\$8.4	\$0.3	4.1%
Construction Office	\$7.3	\$3.2	\$8.1	\$0.8	11.6%
External Affairs Office	\$1.6	\$1.2	\$2.6	\$1.0	59.2%
Financial Office	\$10.7	\$8.3	\$11.7	\$1.0	9.7%
Information Technology Office	\$19.3	\$15.3	\$22.0	\$2.7	13.8%
Infrastructure Maintenance Office	\$0.9	-	\$1.3	\$0.4	50.4%
Legal Office	\$5.4	\$3.9	\$6.0	\$0.6	11.9%
Legislative Affairs Office	\$0.7	\$0.7	\$0.8	\$0.1	7.2%
Planning and Engineering Office	\$12.2	\$8.9	\$15.4	\$3.2	26.5%
Program Safety and Security Office	\$0.8	\$0.3	\$0.8	\$0.0	5.8%
Project Controls Office	\$1.8	\$1.2	\$0.8	-\$0.9	(53.3%)
Rail Operations Office	\$2.0	\$1.4	\$1.6	-\$0.4	(19.3%)
Statewide Regional Office	\$15.3	\$10.8	\$16.6	\$1.3	8.3%
Strategic Communications Office	\$3.2	\$2.2	\$2.3	-\$0.9	(27.5%)
<b>TOTAL</b>	<b>\$108.9</b>	<b>\$79.3</b>	<b>\$117.5</b>	<b>\$8.6</b>	<b>7.9%</b>
POSITIONS	496.0		514.0	18.0	3.6%

<b>REVIEWER INFORMATION</b>	
Reviewer Name and Title: <b>Jamey Matalka</b> <b>Chief Financial Officer</b>	Signature verifying budget analysis: <b>Original signed on 8/19/2025</b>
Reviewer Name and Title: <b>Thomas Fellenz</b> <b>Acting Chief Counsel</b>	Signature verifying legal analysis: <b>Original signed 8/19/2025</b>

### **Recommendations**

In accordance with existing Board Policy HSRA24-1135, which directs the Authority to update capital cost estimates in annual plans, and Board Policy HSRA11-001, which directs Board acceptance of the Multi-Year Program Baseline and the Fiscal Year Budgets, staff recommends Board acceptance of:

- The 2025 Program Baseline and Budget of \$36.750 billion.
- The 2025-26 fiscal year Capital Budget of \$2.697 billion.
- The 2025-26 fiscal year Administrative and Capital Support Budget of \$117.5 million.

### **Attachments**

- PowerPoint Presentation
- Draft Board Resolution