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ITEMS FOR DISCUSSION

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

Issue 1: Fleet Replacement

Governor’s Proposal. The Governor’s budget includes \$225 million from the State Highway Account to continue replacing its aging fleet and installing zero-emission vehicle (ZEV) infrastructure.

Background. In the 2022 Budget Act, the California Department of Transportation (Caltrans) received \$176 million for two years to implement the first two years of a multiyear fleet replacement plan. During the initial years, Caltrans primarily focused on replacing its light-duty fleet. Thus far, Caltrans has placed purchase orders for 2,200 vehicles, including over a thousand electric vehicles, to replace the oldest and highest mileage vehicles of all types, with a focus on vehicles most at risk for failure. Specifically, Caltrans replaced 399 aging sedans with battery electric vehicles. In addition, Caltrans has placed a purchase order for 600 electric vehicle light-duty trucks. Caltrans expects to be able to replace 2,782 vehicles/equipment and install 2,180 charging ports in total with this initial funding.

In the 2024 Budget Act, Caltrans received \$279.1 million for two years to continue the fleet replacement plan, particularly for its medium-duty, heavy-duty, and off-road fleet. Across two budget years, Caltrans have purchased or plan to purchase a total of 3,211 vehicles, of which 2,370 or 74 percent are medium- and heavy-duty vehicles. Examples of medium-duty vehicles include delivery vans, pickup trucks, and chassis. Examples of heavy-duty vehicles include dump trucks, sweepers, and transport tractors. In addition, the \$45 million went to electric vehicle charging infrastructure—Caltrans has committed \$19.3 million in 2024-25 and \$25.7 million in 2025-26. With these funds, Caltrans has developed plans at 103 locations with multiple DC Fast Charging (DCFC) at each location, totaling over 200 chargers. Caltrans also purchased and deployed 106 EV-ARC/mobile chargers and 61 level 2 and level 3 charging ports.

This request is a continuation of these prior fleet replacement appropriations. Caltrans requests \$193.3 million to replace approximately 1,120 vehicles. Compared to the prior requests, this is a one-year funding request, to provide more opportunities to adjust funding levels accordingly. Of the 1,120 vehicles, 172 are projected to be light-duty and 948 are projected to be medium- and heavy-duty.

Fleet Equipment Replacement Plan (FY 2026/27)		
<i>(\$ in 000's)</i>		
Equipment Category	Quantity	Costs
Farm and Construction	35	\$ 13,516
Heavy Duty Vehicles	290	\$ 87,610
Light Duty Offroad Equipment	28	\$ 3,215
Light Duty Vehicles	144	\$ 10,478
Medium Duty	473	\$ 51,468
Motorized Boats/Watercraft	-	\$ 484
Outdoor Forklift	5	\$ 530
Personnel Lift	21	\$ 7,887
Trailers (3,000 GVWR or above)	31	\$ 3,738
Unanticipated	93	\$ 14,337
Total	1,120	\$ 193,264

In addition, Caltrans requests \$25 million to initiate 43 installations of chargers, all at level 3 (DCFC), including 20 mobile chargers, 18 infrastructure projects (10 by Department of General Services and eight by Caltrans), and five infrastructure hardware purchases, which will result in roughly 150 to 200 total DCFC charging ports.

Zero Emission Vehicle Charging Infrastructure Installation Plan				
(\$'s in 000's)				
Item	Plan and Strategy	Quantity*	Responsible Caltrans Party	Cost
1	Deploy mobile chargers: <i>Support field offices, main and sub shops with an immediate but not long-term solution.</i>	20	Division of Equipment	\$ 1,000
2	Contract with DGS for ZEV Infrastructure Development for Level 3/DCFC Charging Locations: <i>Maximize DGS capacity.</i>	10	Division of Equipment	\$ 4,000
3	Purchase charging infrastructure hardware: <i>Support District installation projects.</i>	5	Division of Equipment	\$ 4,000
4	Install infrastructure for Level 3/DCFC Charging Locations: <i>Utilize Project Delivery methods while leveraging low- and no-cost utility programs when and where available to upgrade and install infrastructure.</i>	8	Division of Maintenance	\$ 15,000
5	Maintain and repair installed EV charging stations.		Division of Equipment	\$ 1,000
*Quantity represents number of locations installed at Statewide Transportation-Related Facilities (TRF), including in underserved, low income, priority communities.		43	Total	\$ 25,000

Caltrans requests the remainder of the request—\$6.7 million—for staff to support the administrative procurement processes and engineering work for technical specifications for the fleet replacement efforts.

Staff Comments. Caltrans operates a large and diverse fleet of 12,271 vehicles—including light-duty, medium- and heavy-duty, and off-road. Currently, about half of the Caltrans fleet needs to be replaced due to age and wear and tear of the vehicles. Fleet replacement is part of the ongoing maintenance and operations for Caltrans, but in recent years, the transition to zero-emission vehicles has added additional cost and complexity. Caltrans follows a ZEV First policy—meaning the department prioritizes ZEV first, pug-in hybrid second, hybrid-electric third, and internal combustion engine (ICE) fourth. This is aligned with other state policies, such as Advanced Clean Fleets (ACF), which require, among other things, state and local government fleets to ensure 50 percent of vehicle purchases are zero-emissions beginning in 2024 and 100 percent of vehicle purchases are zero-emissions by 2027. As Caltrans navigates the ZEV transition and compliance with ACF regulation, the Legislature may want to provide oversight over this significant capital investment, particularly on its cost-efficiency, climate and health benefits, as well as labor and workforce implications.

AB 173 (Committee on Budget, Chapter 53, Statutes of 2024) requires Caltrans to submit an annual report to the Legislature on October 1 of each year, beginning in 2025 regarding the zero-emission vehicles that the department purchases, owns, or leases. However, Caltrans has not yet submitted this report for 2025. The department expects the report to be released this May. The Legislature may want to consider withholding action on this item until this report is submitted. In 2024, the California State Association of Counties, California Cities, and California Special Districts Association requested a requirement for Caltrans to report data on the types, number, and costs of the zero-emission vehicles and charging infrastructure to learn best practices, assess reasonable procurement timelines and determine realistic delivery estimates for charging infrastructure projects as well as vehicle and equipment procurement. In particular, the report could help provide additional information for planning for smaller or medium-sized entities who may not have the resources or buying power as a state department, such as Caltrans.

Staff Recommendation. Hold open.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION 7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

Issue 2: SB 150 Trailer Bill Language

Governor’s Proposal. The Governor’s budget includes trailer bill language that amends SB 150 (Durazo, Chapter 61, Statutes of 2023), which required Caltrans reserve \$50 million to be allocated over four years from the federal Infrastructure Investment and Jobs Act (IIJA) for the High Road Construction Careers (HRCC) Program in partnership with the California Workforce Development Board (CWDB). The proposal changes the requirement from \$50 million in federal funds to \$30 million in state funds.

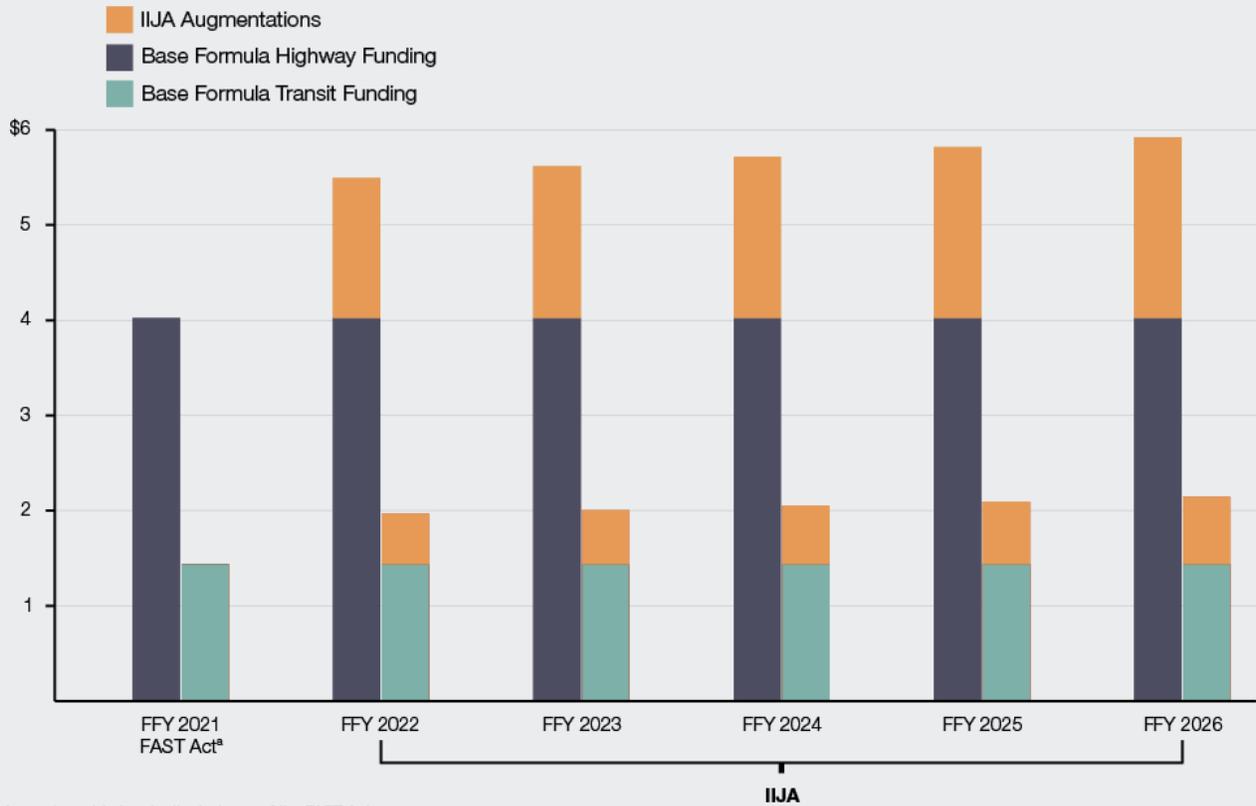
Background. According to the LAO:

In November 2021, the federal government enacted Infrastructure Investment and Jobs Act (IIJA), which authorized \$1.2 trillion across federal fiscal years 2022 to 2026 for various types of infrastructure, such as transportation, water, and energy. Within IIJA, a new five-year federal surface transportation reauthorization replaced the expired Fixing America’s Surface Transportation (FAST) Act. In total, IIJA authorized \$567 billion in spending for federal transportation programs over the five-year period. Funding will go towards both existing and new federal transportation programs (formula and competitive) that support highways, transit, rail, and freight.

As shown in Figure 3, IIJA will provide the state with a significant increase in formula transportation funding when compared to FAST Act levels—with funding steadily increasing each year over the five-year period. Specifically, the state is expected to receive a total of \$28.6 billion in formula highway funding over the five-year period, or about \$5.7 billion annually. This represents an average annual increase of \$1.7 billion, or \$8.5 billion more across the five years, compared to FAST Act levels. Formula highway funding is allocated through the state budget process through the California Department of Transportation (Caltrans). Of this amount, 60 percent is used for state activities—such as highway maintenance and rehabilitation—and 40 percent is apportioned to local agencies to address local transportation system needs.

Figure 3

Federal IJA Increases Formula Highway and Transit Funding to California
(In Billions)



^a Amount provided under the last year of the FAST Act.

IJA = Infrastructure Investment and Jobs Act; FFY = federal fiscal year; and FAST = Fixing America's Surface Transportation.



SB 150 was a part of a legislative bill package aimed at accelerating and streamlining critical infrastructure projects as well as optimizing the use of federal funds to address climate, transportation, and workforce development goals in the state. SB 150 specifically required the inclusion of community benefits in project labor agreements entered by a state agency for projects of \$35 million and above in construction costs; required the Labor and Workforce Development Agency (LWDA), Government Operations Agency and Transportation Agency to develop and provide contractual and procurement model recommendations that maximize benefits to disadvantaged communities by March 30, 2024; and required Caltrans to reserve \$50 million from IJA funds to support the High Road Construction Careers program (HRCC), which provide a range of supportive services and career placement assistance to underserved and underrepresented populations.

According to Caltrans, the HRCC program activities do not constitute eligible uses of IJA funds, according to the Federal Highway Administration. IJA funds are required to support federally funded projects. Given this program is a general statewide program not associated with specific federally funded projects, IJA funds cannot be used. As such, the administration proposes to replace federal funds with state funds from the State Highway Account. The department anticipates the interagency agreement to provide state funds to CWDB is anticipated to be completed by May 2026.

With the proposed \$30 million for HRCC, Caltrans and CWDB projects the following outcomes for the program: 2,250 participants across 14 regions statewide, 1,688 graduates, and direct pipeline into state-approved registered apprenticeship programs. The CWDB will deliver funding to existing regional collaboratives that will deliver Multi-Core Craft Curriculum (MC3) pre-apprenticeship training; provide apprenticeship readiness preparation and placement assistance; provide supportive services and case management to reduce participation barriers; and lead regional partnership coordination to ensure alignment with industry demand.

Staff Comments. In 2023, when the Legislature considered and ultimately passed SB 150, the federal policy and budget climate vastly differed compared to the current landscape. Since then, the Trump administration has consistently threatened and withdrawn federal funds for various programs, including for infrastructure. For example, the Federal Motor Carrier Safety Administration (FMCSA) is withholding approximately \$160 million in transportation funding from California with regards to concerns over commercial driver licenses held by immigrants. (The state has since sued the federal government over this decision.) Given these dynamics, the Legislature may want to consider its priorities for remaining federal funds—and the state funds that could backfill these federal funding disputes—for transportation and whether this proposed amendments to the funding level and fund source for the HRCC program aligns with current legislative priorities.

Staff Recommendation. Hold open.

2720 CALIFORNIA HIGHWAY PATROL

Issue 3: Equipment and Operating Cost Budget Augmentation

Governor’s Proposal. The Governor’s budget includes \$15.7 million from the Motor Vehicle Account (MVA) in 2025-26 and \$44.4 million from the MVA in 2026-27 for California Highway Patrol (CHP) to address rising costs and to procure law enforcement equipment.

Background. According to the CHP, the department has historically used salary savings to absorb the costs of replacing equipment. However, in recent years, CHP has improved their recruitment and lowered their vacancy rate. For example, from 2021 to 2023, CHP vacancy rate has hovered roughly around 9 percent. Most recently, the CHP vacancy rate dropped to 6.6 percent in 2024 and 6.2 percent in 2025. The department further expects the vacancy rate to drop in 2026, as more cadets graduate from the CHP academy.

This low vacancy rate has led the department to no longer be able to absorb these costs. As such, CHP requests \$15.7 million in 2025-26, including \$4.1 million for increased Attorney General (AG) cases and fees, \$3.1 million for increased utility costs, \$7.1 million for increased vehicle insurance, and \$1.4 million for law enforcement materials. In addition, CHP requests \$44.4 million, including \$22.2 million for equipment, such as weapons, vehicles, tablet devices, tasers, and law enforcement materials (i.e. K9 supplies, ammunition, soft body armor, ballistic shields), as well as \$22.3 million for operating costs, such as AG fees, communication costs, utility costs, fuel costs, and vehicle insurance premiums.

LAO Assessment.

Concerning MVA Condition Raises the Bar for Approving New Spending. Despite the MVA’s projected near-term stable condition, the account’s surplus margins remain slim and the administration estimates it will become insolvent in 2028-29. These projected out-year shortfalls likely will make it challenging for the account to fund core expenses such as CHP salaries and could increase pressure to raise fees on drivers. For this reason, every new expenditure from the account—especially those that are comparatively large—should be well justified and clear a high bar for approval.

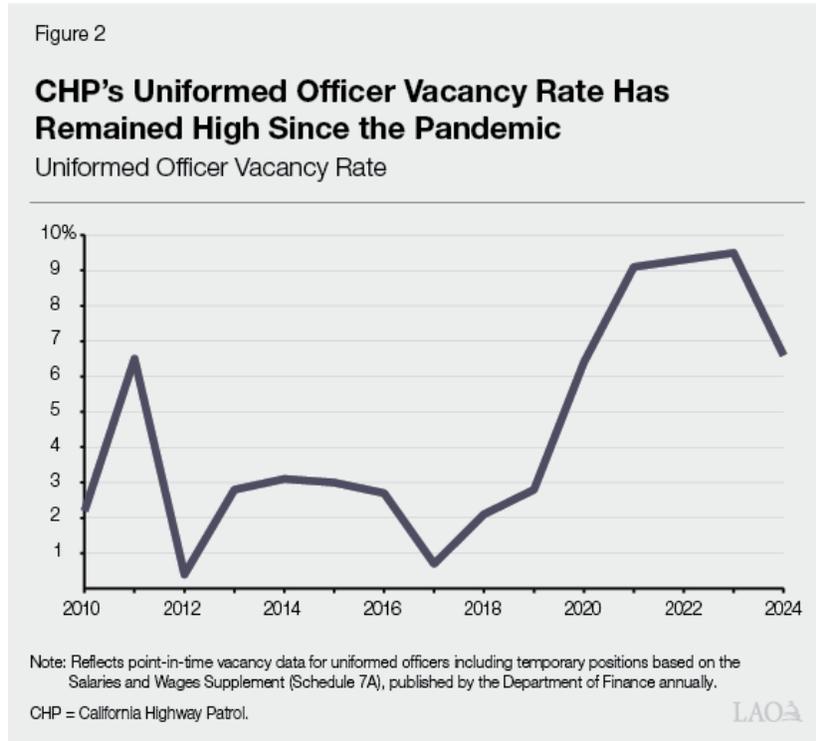
Historically, CHP Has Funded Equipment and Operational Costs Through Its Base Budget. As displayed in Figure 1, the types of costs for which CHP is requesting additional funding represent equipment and activities that support the basic, core functions of the department. These include costs related to vehicles, weapons, technology, and utilities. In previous years, the department has not typically come forth with specific, discrete budget requests to support these types of expenses—even when costs have risen due to inflation. Rather, with a few exceptions (such as for [purchasing tablets](#) in 2019), it has typically covered such expenses through the funding in its base budget using two methods. First, several of the augmentation categories requested in the proposal are supported with dedicated funding (\$95.7 million in total) within the department’s annual budget. Second, the department reports that it historically has used salary savings from vacancies to help cover additional operational costs.

Department States That High Costs and Low Vacancy Rates Have Created Unique Cost Pressures... CHP states that it cannot depend on its historical approach to fund these activities—and therefore needs the proposed supplemental augmentation—because (1) inflation and other costs like technology upgrades have led to uniquely higher costs, and (2) it has comparatively lower officer vacancy rates now and thus cannot depend on salary savings to help cover equipment and operational costs as it typically has.

...However, Data Do Not Support This Assertion. We have two concerns with the rationale CHP provided for its request.

- **Cited Cost Increases Are Not Out of the Ordinary.** The department has *always* faced costs related to inflation, replacement of old equipment, and increases in gas prices—these are not anomalous events. As such, why the department needs an augmentation for covering baseline costs this year rather than accommodating them through relying on its historical practice is unclear.
- **Unclear Why the Department Is Unable to Use Salary Savings.** Data do not seem to support the department’s explanation for why it is unable to use salary savings to cover some costs as it has in the past. As shown in Figure 2, the department’s uniformed officer vacancy rate including temporary positions, is still well above the pre-pandemic levels. Specifically, while the vacancy rate was 2.8 percent in 2019, it then rose to over 9 percent in 2021, and remained at 6.6 percent as of 2024, per the most recent data available. (The total number of authorized officer positions for the department has remained roughly the same since 2012.) A different data source—the state [Position Vacancy Report](#), which calculates the average annual vacancy rate across all types of staff in the department excluding temporary positions—reports an even higher vacancy rate: 13.6 percent as of 2024.

While the department anticipates that its officer vacancy rate will drop further as new cadets graduate from its academy, as of this writing, available evidence on actual vacancies suggests that its existing budget should still have capacity from salary savings to help cover baseline costs consistent with its historic practice. Moreover, if the department generally was able to cover most operating and equipment costs within its baseline budget when its officer vacancy rate was at roughly 3 percent or below (as it was from 2012 through 2019), it is unclear why it cannot do the same when its vacancy rate is notably higher.



LAO Recommendation.

Reject Proposed Equipment and Operating Costs Augmentation. We recommend that the Legislature reject this proposal. Despite the MVA’s stability in the short term, pressure on the account remains high, and we recommend the Legislature preserve funding only for essential activities. In our assessment, CHP has not provided compelling evidence for why it is unable to cover its equipment and operating expenses using its existing operations budget and salary savings from vacancies, as it traditionally has.

Staff Recommendation. Hold open.

Issue 4: Highway Violence Task Force

Governor’s Proposal. The Governor’s budget includes \$885,000 ongoing from the Motor Vehicle Account for seven positions to analyze highway violence crime data and conduct highway violence criminal research.

Background. The primary mission of CHP is to ensure safety and enforce traffic laws on state highways and county roads in unincorporated areas. When a violent crime occurs on state highways, CHP officers in the near vicinity—who generally are on road patrol duty—get called to the scene. These officers often become the primary investigators of the crime that occurred, and lead in collecting evidence, investigating criminal offenses, and submitting associated reports. If the investigating officer needs additional support or resources, or if the investigation requires in-depth or lengthy examination to complete, CHP’s Investigative Services Unit can provide investigative support, depending on the circumstances. In response to the rising incidence of highway shootings, CHP established the Highway Violence Task Force in 2022, aiming to deter highway violence and bolster investigative resources.

CHP originally received funding for the Highway Violence Task Force in the 2022 Budget Act, which included three-year limited-term funding: \$4 million in 2022-23, \$3.3 million in 2023-24, and \$3.3 million in 2024-25. In last year’s budget, CHP received one-time funding—\$4.9 million from the Motor Vehicle Account in 2025-26—to continue this effort, largely continuing the original funding request of crime data and analytics staff, overtime costs, training costs, and equipment, such as the Automated License Plate Recognition cameras.

CHP now requests \$885,000 in 2026-27 to narrow these efforts to just the crime data and analytics staff and related operating expenses, due to the limited capacity of the Motor Vehicle Account. Specifically, all seven analysts are assigned different geographic divisions—with the exception of the analyst responsible for both Valley and Northern divisions, due to a smaller case load in Northern—and responsible for analyzing data pertaining to criminal activity and identifying crime patterns, trends, correlations. (The operations of CHP are divided across eight geographic divisions throughout the state.)

According to the CHP, the prevalence of highway violence has increased in recent years. In particular, violent crime seems to have spiked in 2024 and 2025.

Incident Type	2020	2021	2022	2023	2024	2025
Homicide: Non-shooting*	1	6	7	6	6	14
Freeway Shooting-Firearm	417	477	401	357	332	179
Brandishing	23	15	33	149	342	269
Violent Crime**	82	331	340	364	622	650
Freeway Shooting-BB/Pellet Gun	6	72	69	61	51	33
Homicide: Shooting	2	4	2	12	4	8
Object Thrown	68	94	194	242	647	445
Totals	599	999	1046	1191	2004	1598

**Homicide non-shooting: Includes crimes where a weapon (not a firearm) was used and the victim sustained fatal injuries because of the weapon’s use, including knives, baseball bats, body parts (fists, feet, etc.), strangulation, sharp objects*

***Violent crime: Includes crimes related to assault and battery, assault with a deadly weapon using a vehicle, domestic violence, and sexual assault that does not result in death, including human trafficking and kidnapping.*

CHP reports that this increase in highway violence in 2024 is a result of a change in data collection. Specifically, CHP required all eight divisions to follow a more consistent reporting practice in 2024. Previously, some divisions were including all highway violence that CHP received calls on, even if the individuals did not want to file charges, whereas other divisions were not. As a result, there was underreporting of highway violence in certain divisions. This particularly impacted the “Object Thrown” and “Violent Crime” categories. Moving forward, CHP now includes all highway violence they receive a call on, regardless of outcome.

In addition, CHP reports that the Highway Violence Task Force was particularly focused on reducing firearms-related highway violence, as these are the types of incidents that cause serious injury or death. CHP data shows that these types of incidents involving a firearm have declined from its peak in 2021 to 2025. According to CHP, all incidents of highway violence crime could have further declined from 2024 to 2025, in part because of the decrease in vacancy rate, meaning an increased number of officer presence in the field.

These trends are varied across different geographic regions, however. For example, whereas the Golden Gate division, which encompasses the greater San Francisco Bay Area, highway violence seems to have peaked in 2022, the Central (which primarily includes the Central Valley) and Coastal (which includes the central coast area) have peaked later in 2024. This is primarily due to the change in data collection practices.

Division	2020	2021	2022	2023	2024	2025
Northern Valley	0	17	11	6	11	9
Golden Gate	138	256	325	268	128	182
Central	60	78	69	71	728	484
Southern	121	268	217	307	354	218
Border	32	67	120	146	169	167
Coastal	137	78	111	149	395	361
Inland	70	256	148	171	131	118

Staff Comments. Highway violence is a serious issue that is at the core of CHP responsibilities over the state highway system. However, it is difficult to assess whether the Highway Violence Task Force has been effective in the last several years that it has been funded, because of changes in data reporting and collection practices. This makes it difficult to compare year-to-year trends. In addition, it is difficult to narrow down the singular impact of the Task Force on rates of highway violence, as other factors matter, such as the vacancy rate of CHP officers. Moreover, this ongoing request is a much narrower scope than prior years, as it does not include overtime costs or an expansion of equipment, such as Automated License Plate Recognition cameras. So, it is unclear whether maintaining the analytical positions will have the same effect as the prior budget proposals. If the Legislature wants to continue funding the Highway Violence Task Force, it may want to consider extending limited-term funding to ensure the effectiveness of the program prior to providing ongoing funding. Additional time can also help CHP further evaluate the usefulness of the analytical team at the core of this budget request.

Staff Recommendation. Hold open.

2740 CALIFORNIA DEPARTMENT OF MOTOR VEHICLES**Issue 5: State-to-State Verification System (S2S) Project and Trailer Bill Language**

Governor's Proposal. The Governor's budget includes \$56 million from the Motor Vehicle Account in 2026-27 to develop and implement the State-to-State solution and to address the additional workload anticipated in both 2026-27 and 2027-28.

Background. The State-to-State Verification System (S2S) project would allow DMV to upload its driver license and identification card data to the American Association of Motor Vehicle Administrators (AAMVA) electronic verification and history exchange. Through this system, DMV would be able to check with all other states to determine if an applicant currently holds a DL or ID card from another state prior to issuing a REAL ID compliant DL card or ID. This is required to prevent identification fraud and maintain REAL ID compliance with the federal Department of Homeland Security. Without it, the Department of Homeland Security might not allow California REAL IDs to be used to board domestic flights or enter federal facilities.

California's deadline to implement S2S is February 16, 2027. This is the last date on AAMVA's calendar for a state to implement S2S. Forty-three (43) states have actively implemented S2S with six (6) states coming onboard in the next twelve months. California is the fiftieth (last) state to join S2S.

To meet this deadline, DMV requests \$56 million in total, which includes funding for temporary staff to develop the system, resolve duplicate records and other errors, as well as investigate identity fraud cases that may arise. It also includes \$25 million in consultant/professional services and software resources.

- **Information Technology Resources.** \$4.8 million for staff to work with the vendor in the design and development of the system, as well as support the maintenance and operations in the longer-term.
- **S2S Program Workload Resources.** \$18.6 million for staff to resolve duplicate record resolution that results from initial S2S implementation, as well as the ongoing workload of resolving records as people move in and out of the state. DMV estimates that approximately 10 percent, or 3.2 million, DL/ID cardholders may have duplicate records in other states.
- **Identity Fraud Casework.** \$8 million to work on increased identity fraud cases. DMV expects S2S implementation will lead to increased DL/ID fraud cases, including identity theft, avoiding actions on a driving record (i.e. driving under the influence and suspensions), avoiding exposure of a criminal history, and for financial gain. The funding provided for these purposes will support these investigations.
- **Consultant/Professional Services and Software Resources.** \$25 million for contracted services, including \$15.5 million for contracted services and \$9.5 million for IT services and software, such as for automation.

In addition, DMV requests trailer bill language to authorize the department to share driver license and identification card applicants' Social Security Numbers (SSN) with the AAMVA for purposes of participating in the S2S Verification Service. Currently, Vehicle Code §1653.5 specifies that DMV may share an SSN only for the following purposes:

- Responding to a request for information from an agency operating pursuant to, and carrying out the provisions of, Part A (Block Grants to States for Temporary Assistance for Needy Families), or Part D (Child Support and Establishment of Paternity), of Subchapter IV of Chapter 7 of Title 42 of the United States (U.S.) Code.
- Implementation of Government Code §12419.10, which authorizes the State Controller's Office to use any refunds or payments that the state owes an individual to collect any unpaid fines or penalties from them.
- Responding to information requests from the Franchise Tax Board for the purpose of tax administration.
- Responding to information requests from the Employment Development Department for purposes relating to tax administration and ensuring compliance with family temporary disability insurance, unemployment compensation disability, and unemployment compensation benefit requirements.

According to the DMV, the AAMVA S2S Governance Committee has informed DMV there are no alternative options and DMV must provide the required SSN data to participate in S2S and comply with the federal REAL ID Act.

Currently, the DMV anticipates data would be shared as part of the State-to-State system in the following manner. California will initially provide limited data elements to the S2S system, including driver license or ID number, full name, date of birth, full SSN for commercial driver records and last five digits of SSN for non-commercial records, and credential type and REAL ID indicator. Then, when another state queries the S2S system, to ensure that individual does not already hold a driver license or REAL ID elsewhere, the S2S system performs matching. This means the system compares demographic information (such as name and date of birth) and SSN elements to determine whether a potential match exists. At minimum, each state must query with a full name and date of birth. If a match is confirmed, then the records, including driver history, are exchanged through the S2S system. This is limited to the last five digits of SSN for non-commercial drivers. The individual must then terminate the prior credential before a new REAL ID may be issued. This is to ensure driver history follows individuals, and to limit duplication across states. However, if there are duplicate records and a match is not confirmed, full SSN may be shared with inquiring states to verify duplicate records.

Staff Comments. The DMV requested a similar trailer bill proposal in last year's budget process. Ultimately, the Legislature did not include the trailer bill language due to concerns regarding privacy, particularly over sharing the SSNs of Californians, given the current federal government and political climate. As currently written, the proposed trailer bill language would authorize DMV to share the social security number of Californians as part of the State-to-State verification service, "for the purposes of verifying and exchanging driver's license, identification card, and driver history records with participating jurisdictions." According to the DMV, the exchange is solely limited to the driver's license and identification card administrative processes between participating state motor vehicle agencies, and federal agencies do not have access to the data. The Legislature may want to consider whether these safeguards are sufficient, or if further amendments are needed to ensure the privacy of Californians while balancing the federal requirements under the REAL ID Act.

Staff Recommendation. Hold open.

Issue 6: Digital eXperience Platform (DXP) Project

Governor’s Proposal. The Governor’s budget includes \$94.1 million from the Motor Vehicle Account and 109 temporary positions in 2026-27 to continue maintenance and operations activities for Occupational Licensing (OL) and Disabled Persons Placard (DPP); Vehicle Registration (VR), Control Cashiering (CC), and Inventory Management (IM), and start the Driver Licensing (DL) phase of the DXP Project.

Background. DXP is a multi-year incremental technology project to ensure continuity of the OL, CC, VR, DL, and Identification (ID) cards, and Customer Flow Management functions for the public by replacing all obsolete legacy applications and systems. The DXP Project will replace the current obsolete legacy applications and systems with flexible technology to meet business processes and services as well as to comply with changing legislation and new mandates in a timely manner.

The 2021 Budget Act provided \$193.5 million over a three-year period to implement the OL, VR, and DL components of the DXP Project. DMV also received funding of \$60.3 million in 2024-25 for the VR phase and to begin transitional work for the DL phase in preparation of the System Integrator (SI). In addition, the DMV received funding of \$53.1 million in 2025-26 to continue the VR phase of the project.

Thus far, DMV completed the OL and DPP phase of DXP. Both have yielded efficiencies—these upgrades have allowed customers to apply, renew, or update occupational licenses as well as disabled persons placards online; enabled streamlined paper applications review with character reading technology; simplified field inspections by using mobile devices to access and record information; among other benefits.

DMV is in progress in the design and development of the second phase of DXP—vehicle registration. This phase is expected to be completed September 2026. The department expects the following improvements for customers as this phase is completed: more transactions from home, without needing to visit a DMV office, faster verification and shorter processing times for customers by using a streamlined system, and greater transparency for customers to see where they are in a transaction, understand next steps, and know what to expect as their request moves forward.

DMV requests \$94.1 million to begin the DL phase. In this phase, the department proposes following a flexible, modular approach to updating the legacy system, using phased implementation and pilot projects. That way, DMV should be able to progressively modernize the system while the existing system remains operational. 90 of the 109 temporary staff requested are continuation or evolution of staffing from earlier DXP phases as workload shifts from OL and VR towards DL. There are 19 additional positions being requested to begin the DL Phase. The DL phase is expected to be completed September 2029. According to DMV, customers should be able to experience similar improvements as the DL phase is completed compared to the VR phase—more streamlined processes, faster and more transparent transactions, and reduced office visits.

The original overall DXP project cost was estimated to be \$388.9 million over a five-year period. DMV's original costing of the DXP project was completed in 2020. Since then, one-time project costs have increased an average of 60% over what was planned. DMV reports that the updated estimated total project cost is \$767.1 million and the project is expected to be completed March 2029. Several factors have contributed to this, including market conditions (higher demand and limited supply of technology professionals), inflation, and increased risk premiums due to the complexity of the solutions. According to the DMV, the department aims to control costs through scope prioritization, strict change control governance, leveraging existing assets, and phased implementation to spread costs over multiple fiscal years.

Staff Comments. DXP has the potential to vastly improve customer experience at the DMV—making processes more efficient and streamlined, as well as more flexible, in response to customer needs, legislative requirements, and department efficiencies. However, it is an expensive IT project, at \$767.1 million in total costs. Therefore, given the significant state funds—from a special fund that has continually faced structural deficits—that this project will require, the Legislature may want to ensure the DMV will deliver an IT system that will provide tangible benefits to Californians requiring services at the DMV and improve the efficiency of department processes, to potentially save money and time in the longer-term. As such, the Legislature may want to request DMV to provide additional information on how the department plans to control costs of this project, despite difficult economic conditions, how this project will improve customer experience, and how this project could reduce administrative and IT burdens and make department operations leaner and more efficient.

Staff Recommendation. Hold open.

ITEMS FOR PUBLIC COMMENT

0521 SECRETARY FOR TRANSPORTATION AGENCY

Issue 7: CalSTA Enterprise IT Portfolio Management Office

Governor’s Proposal. The Governor’s budget includes \$860,000 across the State Highway Account, Motor Vehicle Account, and Public Transportation Account on an ongoing basis for three positions to establish its Enterprise IT Portfolio Management Office (EPMO), which will be tasked to improve project governance, performance monitoring, and strategic alignment across eight transportation-related departments and organizations. Currently, EPMO is staffed by borrowed and temporary staff from the California Department of Transportation (Caltrans), California Highway Patrol (CHP), and the Department of Motor Vehicles (DMV). CalSTA requests three IT Portfolio Manager positions to meet both internal oversight needs and external compliance requirements established by the CDT.

Staff Recommendation. Hold open.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

Issue 8: FISCal Onboarding Planning

Governor’s Proposal. The Governor’s budget includes \$19.1 million from the State Highway Account (SHA) in 2026-27 to support the continued transition and on-boarding to the Financial Information System for California (FISCal) System.

Background. This request is a continuation of requests for resources that were approved in 2022-23, 2023- 24, 2024-25, and 2025-26 to onboard onto the FISCal System. Resources received in 2022-23 supported 10 positions (seven in Accounting and three in IT) which completed the pre-planning onboarding phase. Resources received in 2023-24 started the onboarding process, reviewed, prioritized, and detailed functional and technical gaps with the FISCal Team; completed the first phase of configuration testing; and drafted Summary Design Solutions for 9 of the 18 critical gaps identified. Resources approved for 2024-25 continue reviewing, updating, and modifying 74 interfaces of 26 legacy systems and begin reviewing system modifications that are being developed to solution critical gaps. Resources approved for 2025-26 supports increased workload over the onboarding period in reviewing, analyzing, and updating business and technical gaps, business requirements and business processes, developing system interfaces, data conversion, testing, training, reporting (including review of data warehouse requirements), cybersecurity, communication, and organizational change management.

The requested resources for FY 2026-27 will be used to continue reviewing, updating, and modifying 74 interfaces of 26 legacy systems and begin reviewing system modifications that are being developed to solve critical gaps. Resources requested for FY 2026-27 are needed to support increased workload over the onboarding period in reviewing, analyzing, and updating business and technical gaps, business requirements and business processes, developing system interfaces, data conversion, testing, training, reporting (including transformation of historical data into Caltrans Data Warehouse), cybersecurity, communication, and organizational change management. These resources will support administrative services positions in Accounting, Budgets, IT, DPAC, and Equipment.

Staff Recommendation. Hold open.

Issue 9: Increased Local Assistance Staff

Governor’s Proposal. The Governor’s budget includes \$7.6 million from SHA to address a sustained rise in workload. This request would be considered a net-zero request because the funding would be sourced from a transfer of local federal funding to Caltrans so the associated funding from the State Highway Account (SHA) would be exchanged to fund this additional support need, which would result in a net-zero impact on state transportation funding. While this adjustment will result in less federal funding initially being available to local agencies, the amounts deducted from each region represent a nominal share of the total and, in most cases, are not sufficient to fund a single project.

Caltrans’s Division of Local Assistance (DLA) supports the administration of federal and state transportation programs by ensuring that local transportation projects comply with all applicable laws, regulations, and policies. In recent years, federal highway funding for local transportation projects have increased substantively—\$700 million in the last five years. However, DLA staffing has not increased proportionally to the program’s growth. Caltrans requests additional resources to sustain the increased level of oversight and technical support required to assist local and regional agencies in delivering projects effectively.

Staff Recommendation. Hold open.

Issue 10: Independent Office of Audits and Investigations (IOAI) – Investigations Workload

Governor’s Proposal. The Governor’s budget includes \$1.2 million from the State Highway Account on an ongoing basis for seven positions to increase the number of investigations the IOAI’s investigations unit can perform. IOAI conducts audits and investigations to ensure Caltrans and external entities that receive state and federal transportation funds from Caltrans are spending those funds efficiently, effectively, economically, and in compliance with applicable state and federal requirements. The Investigations Unit is currently made up of 14 positions. However, the unit’s current staffing resources are inadequate to effectively handle the workload due to a steady growth in Caltrans’ size in recent years. Due to the growth and size of Caltrans’ number of employees combining with the proactive approach of working with Caltrans’ management to notify IOAI of any potential instances of staff misconduct, the IOAI’s Investigations Unit has experienced a significant increase in the number of complaints it has received. Since 2022-23, the number of complaints IOAI’s investigations staff must review has more than tripled. To enhance its oversight of complaints and to properly investigate complaints containing serious misconduct allegations and increase its capacity to conduct timely investigations, IOAI is requesting seven additional positions.

Staff Recommendation. Hold open.

Issue 11: Maintenance Reimbursement Authority

Governor’s Proposal. The Governor’s budget includes \$7.4 million in 2026-27, \$5.7 million in 2027-28, \$1.8 million in 2028-29, and \$1.4 million ongoing to fund maintenance operations that will be reimbursed by local agencies. This increase will support reimbursed maintenance work for new agreements with tolling partners in Orange County and the California High-Speed Rail Authority (CHSRA) in Kern County. Caltrans has committed to maintaining toll facilities in Orange County and a 22-mile stretch of the High-Speed Rail (HSR) Project in Kern County. These commitments require dedicated staffing, equipment, and operational resources. Specifically, Caltrans requests nine permanent positions to maintain tolling facilities in Orange County and eleven two-year limited-term positions to maintain a 22-mile segment of the High-Speed Rail corridor until track installation begins, which is scheduled for 2026. In addition, Caltrans requests operational expenses to purchase, rent, maintain, and fuel equipment and materials for maintenance.

Staff Recommendation. Hold open.

Issue 12: Outdoor Advertising Displays Permit (SB 364)

Governor’s Proposal. The budget includes a one-time increase of \$139,000 in 2026-27 from the State Highway Account to implement SB 364 (Strickland, Chapter 313, Statutes of 2025). SB 364 directs Caltrans to update Title 4, California Code of Regulations (CCR), Division 6 – Outdoor Advertising. Specifically, it mandates that Caltrans may not deny or delay permit applications for outdoor advertising displays adjacent to highway realignment projects once the roadway segment within 1,000 feet of the proposed display is open to vehicular traffic. Current regulations (CCR § 2242 and § 2422) hold these applications until project acceptance, which often occur after the plant establishment period, typically one to three years after physical completion. This blocks approval of otherwise conforming display locations even when nearby construction has concluded. Caltrans requests one limited-term position to implement SB 364—specifically. To carry out the Office of Administrative Law rulemaking process, which typically spans two years and includes public notice, comment, hearings, and coordination with the California State Transportation Agency (CalSTA) and the Department of Justice (Legal Division).

Staff Recommendation. Hold open.

Issue 13: State Highway System Safety Enhancements Report (SB 78)

Governor’s Proposal. The Governor’s budget includes \$1.1 million one-time from the State Highway Account in 2026-27 to implement SB 78 (Seyarto, Chapter 743, Statutes of 2025) to evaluate efforts and opportunities to streamline the delivery of safety enhancement projects on the State Highway System. SB 78 requires Caltrans to prepare and submit a comprehensive report to the Legislature by January 1, 2027, and to evaluate existing departmental practices, statutory authorities, and procedural opportunities to streamline the delivery of safety enhancement projects on the State Highway System (SHS). Caltrans requests these resources to examine administrative, regulatory, and procedural barriers; evaluate alternative delivery methods such as design-build, progressive design-build, job-order contracting, and construction manager/general contractor; assess statutory authority needs; recommend improvements in interagency coordination; and summarize ongoing departmental initiatives to streamline project delivery of safety enhancement solutions.

Staff Recommendation. Hold open.

Issue 14: Telecommunication for Traffic Management Network

Governor’s Proposal. Caltrans requests \$9 million in 2026-27, \$10 million in 2027-28, and \$10.5 million in 2028-29 for telecommunications utility costs to operate the State Highway System’s Traffic Management Network.

Background. Caltrans operates 12 Transportation Management Centers (TMCs) that coordinate traffic oversight, incident response, and traveler communication. Using commercial telecom carriers, these centers connect to approximately 16,800 Traffic Management System (TMS) field elements, including closed-circuit television (CCTV) cameras, detectors, ramp meters, traffic signals, changeable message signs (CMS), and other data feeds. Real-time data enables operators to adjust signals and ramp metering, dispatch response crews, and communicate with partner agencies and the public.

Caltrans lacks dedicated funding for essential telecom services, including leased circuits, wireless data, and landline/mobile connections, resulting in forced redirection of approximately \$11 million per year. These costs include \$4 million for wireless TMS data services (cellular data plans supporting field devices), \$2 million for carrier circuits/backhaul (connections from field cabinets, hubs, and corridors to TMCs), \$3 million for dedicated landline data links (point-to-point wireline connections serving individual field assets), and \$1 to 2 million for other related telecom utility charges, such as minor continuity costs and service adjustments. These costs are utilities-only payments to CALNET and regulated carriers (e.g., AT&T, Verizon, T-Mobile, and select regional providers), consisting solely of monthly telecommunications invoices.

Caltrans requests three-year limited-term funding so that the department can monitor and validate the statewide telecommunications expenditures trends used to develop this funding request, while also taking account the expected increase in connected TMS elements inventory as SHOPP projects wrap up construction and new telecommunications needs come online. The department will likely return with an ongoing funding request in a future budget.

Staff Recommendation. Hold open.

Issue 15: Traffic Operations Support Network (TOSNet) Cybersecurity Enhancements

Governor’s Proposal. The Governor’s budget includes \$7.2 million in 2026-27 and \$8.3 million ongoing from the State Highway Account to sustain and enhance cybersecurity protections for the Traffic Operations Support Network (TOSNet). Previously, Caltrans received \$4.5 million ongoing funding in the 2022 Budget Act for similar purposes—this initial funding supported initial statewide deployment of a Network Access Control (NAC) solution, a security mechanism, which provided visibility and security for over 11,000 devices (e.g. ramp meters, Closed-Circuit Television cameras, message signs) and helped isolate unauthorized devices, strengthen traffic safety, and supported compliance with state cybersecurity requirements. Caltrans requests this additional funding to continue the implementation of the NAC solution. Specifically, this proposal will go towards software licensing for the NAC system, expansion of processing capacity, and proactive replacement strategy for devices to have up-to-date cybersecurity measures.

Staff Recommendation. Hold open.

Issue 16: Climate Resiliency (SB 695)

Governor’s Proposal. The Governor’s budget includes \$364,000 from the State Highway Account for two permanent positions to implement SB 695 (Cortese, Chapter 781, Statutes of 2025), which requires Caltrans to create and maintain a list of priority climate adaptation projects and to submit a report on such a list of projects for the Legislature each year. One position will work with Caltrans Asset Management to develop climate adaptation information for the State Highway System Management Plan, which will inform the prioritization of projects and help connect priority projects to funding. In addition, this position will lead the development of the prioritized list of climate adaptation projects. The second position will work with the twelve Caltrans districts to collect information needed for the project list, to coordinate with freight, safety, maintenance, operations, delivery, and design staff to ensure all aspects of the projects are incorporated and considered, as well as to maintain the various spreadsheets and technical information needed to support the list.

Staff Recommendation. Hold open.

Issue 17: Continuation of Proposition 1B Administrative Support

Governor’s Proposal. The Governor’s budget includes \$1.3 million in 2026-27 and 2027-28 from Proposition 1B bond proceeds 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 represents a decrease of three positions from prior resource levels of 11 positions in 2025-26 for performing Proposition 1B administrative workload for this next two-year cycle. Proposition 1B was approved by voters on November 7, 2006, and is the transportation component of the infrastructure bond package that includes four separate general obligation bond measures supporting roads, schools, housing, and flood control projects. Proposition 1B allocates a total of \$19.925 billion specifically for state transportation-related investments. Caltrans requests funding for administration of the remaining Proposition 1B funds—specifically, about 100 projects, or four percent, of total bond allocated projects are still in the implementation phase and will require monitoring for several more years before they are complete. As Caltrans nears the end of the Proposition 1B program, the requested positions will also conduct project close-out and final audit activities as the number of projects are completed.

Staff Recommendation. Hold open.

Issue 18: Continuation of Road Charge Research

Governor’s Proposal. The Governor’s budget includes \$978,000 from the State Highway Account on a two-year limited-term basis to continue the road charge research program at Caltrans. Over a decade ago, Caltrans began researching future alternatives to a gas tax as a sustainable long-term funding source for transportation, due to the increasing adoption of fuel-efficient and alternative fuel vehicles. Several pieces of legislation in recent years have required pilot studies on road charge. Most recently, SB 339 (Wiener, Chapter 308, Statutes of 2021) required actual payments by participants and supports testing of state administrative systems. The final report is due to the Legislature by December 2026. However, the staff position funding for this pilot effort will expire in June 2026. As such, Caltrans requests the continuation of resources for staff to perform road charge research for a two-year term to (1) continue coordinating input from the Department of Motor Vehicles, the Department of Tax and Fee Administration, and other state agencies that could be impacted by a potential road charge and (2) to continue the research of potential implementation options for a road charge in California.

Staff Recommendation. Hold open.

Issue 19: California High Speed Rail – Reimbursement Authority

Governor’s Proposal. The Governor’s budget includes \$2.7 million in reimbursement authority in 2026-27 and 2027-28 for services rendered on behalf of the California High Speed Rail Authority (CHSRA). The request will provide ongoing legal services to the CHSRA in real property acquisition and management for the Central Valley Madera to Shafter segment. The CHSRA entered a reimbursement agreement with the Caltrans Legal Division to utilize their expertise in eminent domain and to take advantage of the cost-effective attorney billing rate of \$162 per hour, compared to \$483 per hour for private sector firms with similar expertise. Previously, the 2024 Budget Act included \$3.1 million in reimbursement authority for similar purposes. Approximately 144 parcels remain on the Madera to Shafter segments. As the cases for the Madera to Shafter segments enter the trial phase, an extension of existing resources is requested to complete the process and secure the parcels based on court timelines and the availability of judicial resources. Caltrans requests reimbursement authority to support eight limited-term positions as well as \$1 million in additional operating expenses for expert witness contracts, travel, and court filing fees.

Staff Recommendation. Hold open.

2667 HIGH-SPEED RAIL AUTHORITY OFFICE OF INSPECTOR GENERAL**Issue 20: Inspector General Whistleblower Complaint and Audit Management Systems**

Governor’s Proposal. The Governor’s budget includes \$1.3 million in 2026-27 from the Public Transportation Account to continue two IT projects: the first IT project will establish a system for confidentially receiving and investigating whistleblower complaints consistent with OIG-HSR’s statutory responsibilities, and the second project is to develop a software solution to document, track, and manage the audits, inspections, and reviews performed by the OIG-HSR in its oversight of the high-speed rail project.

The OIG-HSR initiated the first project in Fall 2024 and received \$434,000 in one-time funding in its 2025-26 budget to complete PAL. Consequently, the OIG-HSR received approval of its Stage 2 Alternatives Analysis in August 2025 and is on schedule to complete PAL by the end of fiscal year 2025-26 as planned. The OIG-HSR requires a budget augmentation of \$652,000 in 2026-27 to implement the project including purchasing the software and equipment in question and contracting with consultants to meet CDT requirements, and to cover the costs of CDT oversight of that implementation.

The OIG-HSR initiated the second project in Fall 2024 and received \$502,000 in one-time funding in its 2025-26 budget to complete PAL. The OIG-HSR received approval of its Stage 2 Alternatives Analysis in August 2025 and is on schedule to complete PAL by the end of fiscal year 2025-26 as planned. The OIG-HSR requires a budget augmentation to fund the project in 2026-27 during its implementation phase.

Staff Recommendation. Hold open.

Issue 21: HSR-OIG Confidentiality Trailer Bill Language

Governor’s Proposal. The Governor’s budget includes a trailer bill language proposal that would require the OIG-HSR to produce publicly available reports of its reviews and investigations, subject only to limited exceptions. In instances where OIG-HSR needs to communicate sensitive findings to external bodies in position take corrective action, the ability to do so securely is critical to protecting the interests of the state. More broadly, this trailer bill would also create a clear statutory framework for the retention and protection of OIG-HSR workpapers and other communications—a framework that is standard to other IG offices but absent from the enabling statutes of the OIG-HSR.

Staff Recommendation. Hold open.

2670 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN (BOPC)**Issue 22: Board of Pilot Commissioners’ Operations Support**

Governor’s Proposal. The Governor’s budget includes \$158,000 in 2026-27, \$226,000 in 2027-28, and \$285,000 in 2028-29 and ongoing from the Board of Pilot Commissioner’s Special Fund for increased operations and trainee costs to enable BOPC to maintain baseline operations and support mission critical programs and statutory mandates. This request would allow BOPC to pay for various costs for the department that have risen, including contracts with other government agencies and private organizations, pilot trainee training stipends, and pilot continuing education.

Staff Recommendation. Hold open.

2720 CALIFORNIA HIGHWAY PATROL**Issue 23: Budget Augmentation for Security at State Capitol Swing Space, and New Capitol Annex Building (NCAB)**

Governor’s Proposal. The budget includes \$6.8 million from the Motor Vehicle Account to fund two lieutenants and eight sergeant positions along with rent and facility costs for the Capitol Protection Section to provide protection and security at the State Capitol, State Capitol Swing Space, and the new State Capitol Annex. The CHP is required to provide 24-hour safety and security for the State Capitol, NCAB, the State Capitol Swing Space, the Legislature, Executive Branch, staff, and visitors of the State Capitol. The 2022 Budget Act included four-year limited-term funding for protection and security of the new swing space and annex—however, this funding ends in 2025-26. As such, CHP requests continued funding of the mandatory posts currently in place, as well as the CHP specialty units, to ensure security and service is maintained at all locations during the construction of the Annex.

Staff Recommendation. Hold open.

Issue 24: Capital Outlay Projects

Governor’s Proposal. The Governor’s budget includes the following capital outlay proposals:

- **CHPERS Replace Towers and Vaults—Sawtooth Ridge Site.** CHP requests \$1.3 million General Fund for the incremental preliminary plans and full working drawing phases for the Sawtooth Ridge site of the CHP Enhanced Radio System (CHPERS). This request is necessary to address deteriorating radio communications infrastructure and improve radio interoperability in the eastern San Bernardino County region among various public safety agencies. This project consists of a new 120-foot self-supporting tower, vault with generator room, propane fuel system, solar power system, and associated support infrastructure and site improvements on 640 acres. Acquisition of the site is expected to be completed in April 2026.
- **Statewide: Advanced Planning and Site Identification.** CHP requests \$1 million General Fund to identify suitable parcels for replacing up to three additional area offices and to develop studies for those sites. CHP has aging infrastructure that is often space deficient and rates poorly for seismic safety. However, replacing and/or reconstructing area offices is frequently a time-intensive endeavor, given the specific needs of the CHP for their area offices. As such, this initial funding will allow the department to streamline the facility replacement program to continue updating CHP offices to modern day needs.

Staff Recommendation. Hold open.

2740 CALIFORNIA DEPARTMENT OF MOTOR VEHICLES

Issue 25: Capital Outlay Projects

Governor’s Proposal. The Governor’s budget includes the following capital outlay proposals:

- **Oxnard: Field Office Reconfiguration—Revert and Fund New.** DMV requests to revert \$15.5 million in lease revenue bonds and to appropriate instead \$21.2 million in lease revenue bonds to continue reconfiguring the Oxnard field office project. The Project is currently in the working drawing phase, with design awaiting final approval from oversight entities like the State Architect, State Fire Marshal, and Department of Finance. The project deficit of \$5.7 million is primarily from the determination that many of the building systems, such as electrical service; sewer; and heating, ventilation, and air conditioning; no longer meet code requirements and need replacing. This drove an extended design period and costs associated with project delay such as project escalation and increased fees for architectural/engineering, construction inspection, project management, and State Fire Marshal services. Bidding for the project is anticipated to occur from July 2026 through November 2026, and the construction phase is estimated to begin in December 2026 and end in June 2028.

- **San Francisco Field Office Lease Project.** DMV requests \$9.8 million from the Motor Vehicle Account to relocate its San Francisco field office. The funds will support leasing a space for the field office from 2026-27 through 2029-30. DMV requests funding to lease a new space for the San Francisco field office because the original state-owned field office site is being transitioned to an affordable housing development project. The department anticipates starting lease negotiations in February 2026 with lease execution anticipated in August 2026. DMV is requesting \$4.6 million in one-time costs and anticipates \$1.7 million in annual ongoing lease and maintenance costs beginning in 2027-28. The department may return for ongoing costs in a subsequent request after 2029-30.

Staff Recommendation. Hold open.