

INFRASTRUCTURE

In 2021, historic infrastructure investments were made at both the state and federal levels. These investments will make the state more resilient to climate change, expand access to broadband for all Californians, improve the affordability of housing, and enhance the state's transportation system for the 21st century.

The Governor's Budget builds on the historic infrastructure investments with an additional \$20 billion to accelerate the transition to zero-emission vehicles, modernize the state's transportation system, spur clean energy innovation, advance the state's housing goals, reduce wildfire risk to communities, and support drought resilience and response. Furthermore, California will receive an estimated \$14 billion of additional funding from the federal Infrastructure Investment and Jobs Act over the next five years, with potentially billions more in additional formula funding allocations and competitive grant opportunities still to be determined.

See the 2022 Five-Year Infrastructure Plan for more details.

HISTORIC INVESTMENTS IN 2021

FEDERAL INFRASTRUCTURE INVESTMENT AND JOBS ACT

The federal Infrastructure Investment and Jobs Act (IIJA) makes investments across several key categories which will be distributed to/through the state directly to local government entities, or directly to households in California over a five-year period.

Many IIJA grants build upon existing programs California has established, from transportation to water infrastructure, which will facilitate efficient implementation of this unprecedented amount of funding.

Based on pre-existing formula allocations, the Administration currently estimates that California will receive roughly \$14 billion in new formula funding above existing funding levels to/through the state over the five-year period, as shown in the chart. In addition to this amount, there are additional formula funding allocations that have not yet been determined that California will receive, such as those for electric grid resiliency, energy efficiency, and cybersecurity improvements.

**Federal Infrastructure Investment and Jobs Act
5-year Total for New Formula Funding To/Thru the State**
(Dollars in Millions)

Category	Intended Use	5-year Total Formula Funding To/Thru State
Transportation*	Federal-aid highway apportioned programs, bridge replacement and repair, and improvements to public transit and the state's electric vehicle charging network	\$9,868
Clean Water and Drinking Water	Improve local water infrastructure	\$3,725
Weatherization and Energy Assistance Programs	Weatherization assistance and energy efficiency programs	\$136
Broadband	Expand statewide broadband coverage	\$100
Cybersecurity	Cybersecurity grants to state and local governments	\$39
TOTAL		\$13,868

** The \$9.8 billion amount for transportation reflects federal highway formula funds that flow through the state. This funding represents both new formula programs and augmentations to existing formula programs. This figure does not include \$2.4 billion in federal transit formula funds that flow to recipients in the state, but not through the state.*

Beyond the formula funding grants, California will compete for a share of tens of billions of dollars in competitive grant opportunities available nationwide over the next five years. Although the allocation timeline and guidance for the implementation of these funds is still forthcoming, the Administration is working proactively to identify the new funding opportunities in the IIJA, and is coordinating across departments to best position the state to secure competitive grants. Recognizing that the application and award timelines for tens of billions of dollars worth of IIJA funding have not yet been clearly designated by the federal government, the Administration is seeking administrative flexibility so matching fund requirements for unanticipated formula or

competitive programs can be provided in a timely manner to bolster the state's competitiveness when applying for these programs.

CLIMATE RESILIENCE

The 2021 Budget included approximately \$15.1 billion (\$13.1 billion General Fund) over three years to support various climate resilience and natural resources investments, including:

- **Wildfire and Forest Resilience**—\$988 million (\$758 million General Fund) in 2021-22 for a broad set of investments that support a statewide strategy on forest health and fire prevention including but not limited to, funding to create resilient wildlands, support wildfire fuel breaks, advance science-based management and streamlined permitting, and support community hardening. This builds on the \$536 million included in the 2021 early action package that was designed to start critical projects before the 2021 fire season and launch several new programs.
- **Water and Drought Resilience**—\$5.2 billion (\$4.7 billion General Fund) over three years to support immediate drought response and long-term water resilience, including funding to support drought response; drinking water, wastewater, and water supply reliability; water recycling and groundwater clean-up; flood management; restoration of natural areas and ecosystems; Salton Sea; groundwater sustainability; water conveyance; and water and habitat improvement for environmental flows.
- **Climate Resilience**—\$3.7 billion General Fund over three years to support investments that address the state's multi-faceted climate risks, including funding to support multi-benefit and nature-based solutions, address impacts of extreme heat, build ocean and coastal resilience, and deliver community resilience and capacity where resources are most needed.
- **Zero-Emission Vehicles**—\$3.9 billion (\$2.9 billion General Fund) over three years for investments in zero-emission vehicles and infrastructure to accelerate the state's progress toward meeting its climate and transportation goals established in Executive Order N-79-20 and advance California's Zero-Emission Vehicle Market Development Strategy.
- **Sustainable Agriculture**—\$1.1 billion (\$863 million General Fund) over two years for sustainable agriculture investments that support the agriculture sector and create a healthy, resilient, and equitable food system; support climate smart agriculture to

further long term sustainability and resilience; and promote economic recovery and high-road job growth.

- **Circular Economy**—\$270 million (\$130 million General Fund) over two years to support a circular economy that recognizes waste as a resource, shifting the state's focus to a more resilient and renewable economy. These funds will support implementation of goals to reduce short-lived climate pollutants, including advancing organic waste infrastructure, edible food recovery, and composting opportunities; and supporting other non-organic recycling opportunities.

Collectively, these investments will help protect Californians and critical habitats from the impacts of climate change. The Budget includes approximately \$4.3 billion in 2022-23 associated with the second year of investments from these 2021 Budget packages. See the Climate Change Chapter for additional detail.

BROADBAND

The 2021 Budget provided \$6 billion over three years as part of a statewide plan to expand broadband infrastructure, increase affordability, and enhance access to broadband for all Californians.

The 2021 Budget Act included \$3.25 billion State Fiscal Recovery Fund to the California Department of Technology (CDT) for the purpose of building an open-access middle-mile network in unserved and underserved areas of California. Estimates produced by CDT, the Department of Transportation (Caltrans), and the California Public Utilities Commission (CPUC) indicate a need for approximately 8,100 miles of middle-mile broadband infrastructure for unserved and underserved communities.

- In November 2021, CDT announced the selection of 18 initial projects identified by the CPUC to begin building the open-access middle-mile network. The initial list of locations was developed by CPUC and the third-party administrator (TPA), and included public comment.
- In December 2021, CPUC provided updated mapping information to CDT, including updated data for unserved communities and public comment received by CPUC.
- CDT will continue to build and develop the statewide open-access middle-mile broadband network in collaboration with the TPA and Caltrans as CPUC recommends additional locations for middle-mile buildout.

To complement the middle-mile network, the 2021 Budget provided \$2 billion over three years for CPUC to build last-mile infrastructure to provide Californians with access to high-speed broadband service, and \$750 million for a Loan Loss Reserve Fund to support costs related to the financing of local broadband infrastructure development. CPUC anticipates making new last-mile project grants available in 2022 utilizing both state funding from the California Advanced Services Fund and federal funds. CPUC also anticipates releasing a staff proposal related to the Loan Loss Reserve Fund in the first quarter of 2022.

HOUSING

The 2021 Budget provided \$10.3 billion across several departments to promote and maintain stable housing, including funding focused on aligning housing investments with more affordable housing built near jobs, services, and transit. This investment, among other things, expanded the availability of low-income housing tax credits; increased funding available for mixed-income construction loans and infill infrastructure grants; created a new housing development program on state excess lands; and provided down payment assistance for first-time homebuyers. The Budget continues the momentum of these recent investments by proposing an additional \$9 billion for affordable housing. This includes roughly \$1.5 billion for infill projects, sustainable communities, affordable housing preservation, and adaptive reuse projects, among others. See the Housing and Homelessness Chapter for more detail.

Furthermore, the 2021 Budget Act appropriated \$500 million one-time General Fund as the initial installment of a \$2 billion investment planned over a three-year period to expand access to affordable student housing. The 2021 Budget Act appropriation will support grants to California Community Colleges, the California State University, and the University of California for the construction of low-cost student housing or the acquisition and renovation of commercial properties into low-cost student housing. Of the \$500 million appropriated in 2021-22, up to \$25 million was available for affordable student housing planning grants for California Community Colleges. The Budget includes an additional \$750 million one-time General Fund to support affordable student housing. See the Higher Education Chapter for more detail.

ADDITIONAL 2022 INFRASTRUCTURE INITIATIVES

PREPARING AND PROTECTING CALIFORNIA COMMUNITIES

California has a unique opportunity to both confront the climate crisis and simultaneously invest in building a more resilient, just, equitable, and thriving future, especially for communities that have been too often left out and left behind. Building on the state's history of climate leadership and the historic \$15 billion climate resilience investment in the 2021 Budget, California will continue to advance an equitable program of climate solutions that will prepare and protect California communities.

The Budget includes \$20 billion over five years across various infrastructure investments in transportation, energy, housing, wildfire resilience, and drought to advance the state's climate and opportunity agenda. (See the Climate Change Chapter for additional details).

CLEAN ENERGY

The Budget includes a total of \$2 billion over two years for a Clean Energy Investment Plan that will spur additional innovation and deployment of clean energy technologies in the energy system.

- Major investments include:
 - \$962.4 million to provide resources—in the form of installed equipment, labor, rebates, education, and technical assistance—to accelerate decarbonization of existing buildings and improve occupants' quality of life, particularly for low- to moderate-income Californians.
 - \$380 million for long duration storage projects throughout the state to support grid reliability.
 - \$240 million over two years to build a temperature management project to address temperature issues at the Oroville Dam that will allow the state to expand the use of this generating facility.
 - \$210 million to accelerate industrial sector decarbonization.
 - \$100 million to advance the use and production of green hydrogen.
 - \$85 million to accelerate the adoption of energy technologies at California food production facilities.

- \$45 million for activities to advance the development of offshore wind energy in federal waters off California.
- In addition, the Budget proposes \$100 million for the tax credit described in the Economic Growth, Job Creation, and Expanded Opportunity Chapter.
- The Budget also includes proposals to expedite and streamline permitting in Lithium Valley to fully realize the state's potential for geothermal energy.

WILDFIRE AND FOREST RESILIENCE

The 2021 early action package and 2021 Budget Act included a combined \$1.5 billion one-time investment to restore the state's resilience to wildfires by increasing the pace and scale of forest and fuel management practices.

The Budget includes an additional \$1.2 billion (\$800 million General Fund and \$400 million Greenhouse Gas Reduction Fund) over two years to build on similar commitments in 2021 and sustain critical investments in forest health and fire prevention to continue to reduce the risk of catastrophic wildfires. This includes funding to support resilient forest and landscapes; wildfire fuel breaks; community hardening; regional capacity; science-based management; and economic development of the forest sector (see the Emergency Response Chapter for additional detail).

DROUGHT

While recent storms have brought needed rain and snowfall, California remains at risk of a continued serious state of drought with near-record low reservoir storage and negative impacts on fish and wildlife. The state continues to invest in innovative drought preparedness and response to preserve water supplies and advance long-term resilience.

The 2021 Budget included an investment of \$5.2 billion over three years to advance water resilience and drought response. This investment provides immediate assistance to struggling communities and prepares for more severe, climate-induced drought and flood conditions in the long term.

The Budget builds on this historic investment in California water infrastructure and includes an additional \$750 million one-time General Fund to support drought resilience and response, including water conservation, groundwater recharge, and assistance for small farmers whose needs have grown more acute with extended dry conditions (See the Climate Change Chapter for additional detail).

ZERO-EMISSION VEHICLES (ZEV) ACCELERATION

The Budget invests an additional \$6.1 billion (\$3.5 billion General Fund, \$1.5 billion Proposition 98, \$676 million Greenhouse Gas Reduction Fund, and \$383 million Federal Funds) over five years for ZEV acceleration, with a focus on communities that are most impacted, bringing the total investment to \$10 billion over six years to decarbonize California's most polluting sector and improve public health. The Budget proposes targeted investments in disadvantaged and low-income communities, including tribal communities, to increase access to the benefits of clean transportation and more than doubles the money targeted for heavy-duty market acceleration (See the Climate Change Chapter for additional detail).

TRANSPORTATION

The Budget proposes to accelerate \$4.2 billion Proposition 1A in the current year for the High Speed Rail Authority to continue construction of the 119-mile Central Valley Segment from Madera to just north of Bakersfield, as part of a larger transportation package. In addition, the Budget proposes \$10.6 billion (\$6.1 billion General Fund) in new transportation investments in 2022-23, including:

- \$4.5 billion two-year increase of base federal funding from the federal Infrastructure Investment and Jobs Act for highways, roads, transit, safety, research and other transportation activities.
- \$1.2 billion General Fund over two years for projects that improve goods movement on rail and roadways at port terminals, including railyard expansions, new bridges, and zero-emission modernization projects.
- \$3.3 billion General Fund for high-priority transit and rail infrastructure. These projects will improve rail and transit connectivity between state and local/regional services and are designed to reduce traffic congestion and greenhouse gas production.
- \$750 million General Fund for Active Transportation Program projects, the Highways to Boulevards Pilot, and bicycle and pedestrian safety projects.
- \$500 million General Fund for grade separation projects that support critical safety improvements and expedite the movement of traffic and rail by separating the vehicle roadway from the rail tracks.
- \$400 million General Fund for climate adaptation projects that support resiliency and reduce the risks from climate impacts.

Caltrans will continue delivering over \$20 billion worth of planned state highway repair and rehabilitation projects in the State Highway Operations and Protection Program (SHOPP) over the next five years.

Additionally, Caltrans and local partners will invest over \$3 billion in State Transportation and Improvement Program (STIP) projects through the plan period. This program supports the implementation of regional Sustainable Community Strategies (75 percent), as well as interregional travel (25 percent). An additional \$1.3 billion to address congested corridors and \$1 billion for partnerships with local transportation agencies is also included in the 2022 Five-Year Infrastructure Plan, which can be found on the Department of Finance's website.

EDUCATION

The state's education system is a critical part of the state's infrastructure from cradle to career. These facilities provide the setting where the state's workforce is trained and the state's future prosperity is ultimately determined. It is critical that investments are made in the state's educational facilities to improve the climate resilience of these critical assets. The Budget includes investments in modernized and resilient K-12 facilities, and the state's higher education system.

K-12 EDUCATION STATE SCHOOL FACILITY PROGRAM

Since 1998, California voters have approved more than \$42 billion in statewide General Obligation bonds to construct or renovate public school classrooms used by the state's approximately six million K-12 students. The Budget includes \$2.5 billion General Fund to support the debt service costs associated with these bonds. In addition to state General Obligation bonds, school districts may use developer fees, local General Obligation bonds, and Mello-Roos bonds to construct additional classrooms or renovate existing classrooms. Since 2002, local voters have approved over \$120.1 billion in local General Obligation bonds to support their school facility needs.

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (Proposition 51)—approved by voters in November 2016—authorized \$7 billion in state General Obligation bonds to support K-12 school facilities construction. These funds have supported new construction, modernization, retrofitting, career technical education, and charter school facility projects. The Budget allocates the remaining Proposition 51 bond funds—approximately \$1.4 billion—to support school construction projects. Additionally, because Proposition 51 bond authority is expected to be

exhausted in 2022-23, the Budget proposes approximately \$1.3 billion one-time General Fund in 2022-23 and \$925 million one-time General Fund in 2023-24 to support new construction and modernization projects through the School Facility Program.

HIGHER EDUCATION

The UC and CSU currently fund capital projects from within their annual support budgets. This provides the universities with the flexibility to factor infrastructure development costs and priorities within their comprehensive fiscal plans. In accordance with statute, both the UC and the CSU submit annual capital outlay proposals for legislative review and Department of Finance approval. The UC submitted one capital proposal totaling \$21.9 million General Fund-supported financing. The CSU submitted capital proposals totaling \$1.6 billion (\$1.4 billion Statewide Revenue Bonds and \$193 million campus funds). Preliminarily approved project lists for both UC and CSU will be submitted to the Legislature in February 2022.

The Budget includes \$100 million one-time General Fund to address UC deferred maintenance needs and energy efficiency projects. Additionally, the Budget proposes \$100 million one-time General Fund to address CSU deferred maintenance needs.