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Agenda
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Room 4203
Upon Call of the Chair

**INFORMATIONAL HEARING ON THE
HIGH-SPEED RAIL AUTHORITY**

High Speed Rail Project

Background: The California High-Speed Rail Authority (Authority) was created by Chapter 796, Statutes of 1996, to direct development and implementation of inter-city high-speed rail service that is fully coordinated with other public transportation services. Voters approved Prop 1A in 2008, authorizing \$9.950 billion in general obligation bonds for the project. Bond funds must be appropriated by the Legislature for expenditure and the bond act lays out other requirements for reporting and expenditure of bond funds. The project received additional funding in 2009 when the federal American Recovery and Reinvestment Act (ARRA) allocated \$8 billion nationally for high-speed and intercity rail.

Of total Prop 1A bond funds, \$950 million is set aside for capital improvements to intercity, urban, and commuter rail that provide direct connectivity to high speed rail, \$9.0 billion is set aside specifically for the high-speed rail project. Up to \$450 million is available for general administration and up to \$675 million is available for initial construction activities such as environmental studies and preliminary engineering. The remaining roughly \$8 billion is available for construction; however, a non-bond match of at least 50 percent is required for each corridor or segment.

The Authority released its Final 2012 Business Plan on April 2012, which is the key document for review of the Administration's budget proposals. The Governor's plan to implement high speed rail, based on the revised 2012-13 budget proposal would: (1) appropriate \$5.9 billion (\$3.24 billion federal funds, \$2.61 billion Prop 1A bond funds) to construct an initial segment for the high-speed rail project in the Central Valley; (2) appropriate \$253 million (\$48 million federal funds, \$204 million Prop 1A bond funds) for completion of environmental work and preliminary design work for various rail segments in the high-speed rail system; and (3) appropriate \$819 million (Prop 1A connectivity bond funds) for Caltrans and local rail operators to improve existing rail operations to improve connectivity to the future high-speed rail system. The Legislature also proposes to include in the package \$1.1 billion in bond funds for investment in the bookends in northern and southern California regions. The operating costs of the Authority were included in AB 1497, approved by the Legislature, and signed by the Governor.

Proposal: The proposal would appropriate amounts for the acquisition and construction of initial portions of the high-speed rail project. It would also require extensive reporting by the Authority. The components funded under this request

are the following items for the Authority as well as Department of Transportation (Caltrans) components related to the high-speed rail project:

- 1. Appropriations for Initial Construction Segment (Items 2665-306-0890 and 2665-304-6043).** The bill would appropriate to the Authority \$3.24 billion from the Federal Trust Fund and \$2.61 billion from the High Speed Passenger Train Bond Fund for the construction and acquisition of a portion of the initial operating segment. This initial construction segment constitutes the segment running for 130 miles between Madera and Bakersfield. This component was a request of the Administration in the spring in order to begin the initial construction phase of the project.
- 2. Appropriations for Bookend Investments (Item 2665-104-6043).** This appropriation to the Authority would provide \$1.1 billion of Proposition 1A funding as a match for two memorandums of understanding (MOUs) agreed to by the Authority and the Southern California Association of Governments (SCAG) for \$500 million and the Metropolitan Transportation Commission (MTC) for \$600 million. The MOU with MTC would primarily fund the electrification of the Caltrain corridor between San Francisco and San Jose. The MOU with SCAG would fund projects on the Metrolink Antelope Valley line between Palmdale and the San Fernando Valley necessary to improve travel times for Metrolink trains providing service for high-speed rail as part of the blended system, as well as lay the foundation for future, dedicated high-speed rail service on the southern end of the Initial Operating Segment. The projects that make up the SCAG MOU have not been finalized. This funding was not part of the Governor's budget request.
- 3. Appropriations for Environmental Work (Items 2665-304-0890 and 2665-304-6043).** This appropriation to the Authority would provide a total of \$152.4 million Proposition 1A and federal funding to complete environmental review for each of the 10 segments comprising the High-Speed Rail System. This stage of the project includes the draft and final Environmental Impact Reports and Environmental Impact Statements (EIR/EIS) as well as the environmental certification process required by the California Environmental Quality Act (CEQA) and the National Environmental Policy Act. Specific components within the EIR/EIS include the preferred route alignment and associated appraisal map identifying the affected parcels. These components were funded last year and included in the Governor's budget request but removed by the Budget Committee.

- 4. Appropriations for System Design Work (Items 2665-305-0890 and 2665-305-6043).** This appropriation to the Authority would provide a total of \$100.2 million Proposition 1A and federal funding to fund full preliminary design for the Merced to Fresno and Fresno to Bakersfield and partial preliminary design for the remaining segments. In order to complete the EIR/EIS, some design is necessary to determine the environmental effects of the projects which can then be used to select the most efficient path among different possible routes. In order to develop documents necessary to bid the contract, preliminary design needs to be complete to properly define the parameters of the design-build contract. These components were funded last year and included in the Governor's budget request but removed by the Budget Committee.
- 5. Appropriations for Connectivity Investments—Local Transit (Item 2660-104-6043).** This appropriation to Caltrans would provide \$713.3 million for nine local transit projects, as well as future projects, which will provide direct benefits to the high-speed rail system by way of on-system improvements and capacity enhancements to existing local transit systems that directly link to the future high-speed rail system. Some examples of the proposed projects are Positive Train Control on the Caltrain/high-speed rail blended corridor between San Francisco and San Jose, extending San Francisco Municipal Railway (MUNI) service linking high-speed rail with additional areas of downtown San Francisco, building a multi-line connection to Union Station on the Metro system in Los Angeles, and upgrading Bay Area Rapid Transit's (BART's) rolling stock to provide additional feeder service capacity and reliability. This component was part of the Governor's budget request.
- 6. Appropriations for Connectivity Investments—Intercity Rail (Item 2660-304-6043).** This appropriation to Caltrans would provide \$106 million for three intercity rail projects on the Capitol and San Joaquin Corridors that will serve as components of the Northern California Unified Service and provide direct benefits to the high-speed rail system by providing additional feeder service. Specifically, two projects would provide additional double track in the Central Valley and Bay Area allowing trains to run at higher speeds and additional frequencies, allowing for more passengers on the Northern California Unified Service. Additionally, this funding will be used to increase Capitol Corridor train frequencies to Roseville, bringing more riders to the Northern California Unified Service and the future high-speed rail system. This component was part of the Governor's budget request.

- 7. Reporting and Other Budget Bill Language.** The bill includes various language that would restrict expenditures or require reporting to control entities or to the Legislature. The control language stipulates that: connectivity and bookends funding are to be used for the blended system and not to expand the blended system to a four track system; environmental and design work are subject to review by the Public Works Board (PWB) and reporting to Department of Finance (DOF) and the Joint Legislative Budget Committee (JLBC), and other legislative committees; the Authority is to fill, 60 days prior to contracts scheduled to be awarded December 2012, the positions of chief executive officer, risk manager, chief program manager, and chief financial officer; and, capital expenditures for the connectivity, bookends, and Central Valley construction segment are tied.

With respect to the Bookends, this investment: is subject to prior environmental clearances; requires the submission of an accountability plan; is subject to audit; and, requires a project management and funding agreement with the project component sponsors.

Capital funding from federal and bond funds is subject to review by the PWB and requires the following documentation to be provided to the Legislature after review and approval by the Secretary of Business, Transportation, and Housing (or its successor) at the designated times:

- a. Project Update Report biannually on March 15 and November 15, which includes: summary of progress; baseline budget for project phase costs; current and projected budget; expenditures by date; comparison of current and projected work; summary of milestones in prior and current year; issues in the prior year and actions taken; and, discussion of various identified risks.
- b. Staff Management Report by October 1, 2012 (and prior to contracts awarded in September 2013, October 2013, and March 2017) that includes: an organizational chart; detailed description of functions and responsibilities; summary of staffing changes in the preceding year; strategy for filling vacancies; staffing plans for 2012-13, management with respect to number, skill level, position, hiring, retention, of staff and consultants; and proposed steps and procedures to ensure adequate oversight.

- c. Contract Report prior to the awarding of any contract that certifies that the amount awarded under the contract is within the budgeted funding and is consistent with existing completion schedule deadlines.
- d. Risk Assessment Report prior to the contracts scheduled to be awarded December 2013, including: comprehensive risk management plan that defines roles and responsibilities for risk management, addresses the process for risk identification, implement and address response, and monitor and control risks; qualification in financial terms of risks identified; provide documentation for risk identification and mitigation; plans for regularly updating capital and support costs; and plans for reserve assessment and reassessment.
- e. Business Plan components by January 1, 2014, that includes, based on recommendations of the Peer Review Panel and advice from domestic and international rail community and academic review: a proposed approach for improving demand projects, operations and maintenance cost models, and benefit cost analysis for future project decision; and, a copy of the study by the Union Internationale des Chemins de Fer (international union of railways) examining the Authority's operating costs and those of other railways.
- f. Greenhouse Gas Report by June 30, 2013, providing analysis of the net impact of the high-speed rail program on the state's greenhouse gas emissions.
- g. Memoranda of Understanding within ten days of its execution with regional transportation agencies relative to the Northern California Unified Service.

Fiscal Effect: Appropriates approximately \$4.7 billion in state bond funds and \$3.3 billion in federal trust funds for the high speed rail project. Annual debt service would be approximately \$80 million per \$1 billion debt issued for the state bond portion, but dependent on capital market conditions that prevail when the bonds are issued.

Comments: The proposal is the first significant commitment of funds for construction and acquisition of the high-speed rail project. The appropriations include funding for the initial construction segment as well as improvements that would link existing rail lines to high-speed rail.