

Senate Transportation and Housing Committee

Informational Hearing

Overview of the High-Speed Rail Program in California

Prepared by the Senate Transportation and
Housing Committee

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Sacramento, California

The California high-speed rail project is among the largest infrastructure projects undertaken by the state. When this project is fully constructed, it will provide Californians with a mode of surface transportation that will serve as an alternative to flying or driving long distances between Northern and Southern California.

Proposition 1A passed by the voters last November authorizes a \$9 billion bond issue and established a high-speed rail line from Anaheim-Los Angeles Union Station to San Francisco Transbay Terminal via Fresno and San Jose as the initial phase of the eventual statewide system. The High-Speed Rail Authority (HSRA) has established the cost of the initial phase to be \$34 billion. A more accurate estimate will be possible for the first phase after the HSRA completes the environmental analysis and preliminary engineering for the five segments. A map of the proposed high-speed rail system with each of the corridor segments and the contractors working on each segment can be found in the appendix.

The Senate Transportation and Housing Committee is today conducting its fourth oversight hearing on the California high-speed rail project. The previous hearings have provided an overview of the HSRA's efforts to develop a high-speed rail service for California and to examine the agency's business plan. This hearing will focus on the Legislative Analyst's Office's analysis of the HSRA's proposed \$125.4 million budget for 2009-2010, and state government's response to the \$8 billion provided for high-speed rail by the federal stimulus program, the American Recovery and Reinvestment Act of 2009.

The HSRA will respond to the Analyst's budget analysis and discuss its plans for securing stimulus funds. In addition, the director of the California Department of Transportation (Caltrans) will testify as to what Caltrans' Division of Rail is proposing in response to the stimulus legislation. Testimony will also be provided by the executive director of the Transbay Joint Powers Authority. The Transbay Terminal was identified in Proposition 1A as the Northern California terminus of Phase I of the high-speed rail project.

Overview of LAO's Analysis

The Legislative Analyst's Office (LAO) will testify about the LAO's critique of the HSRA's business plan, its findings from the review of the HSRA's proposed budget, and an overview of the federal rail stimulus program.

AB 3034 (Galgiani), Chapter 267, Statutes of 2008, required the HSRA to prepare and publish a business plan by September 1, 2008. HSRA actually released that plan on

November 7, 2008. According to the HSRA the delay in the plan's publication was the result of the delay in the adoption of the state budget. The LAO's findings are summarized in Exhibit 1.

Exhibit 1

Business Plan Fails to Provide Many Details

Statutory Requirements	Sample of Missing Details
Description of the anticipated system	What are the expected service levels? What is the assumed train capacity?
Forecast of patronage, operation & capital costs	How are ridership estimates projected? What is the operating break-even point? How will costs be distributed by segment route?
Estimate of necessary federal, state, and local funds	How would funds be secured? What level of confidence is there for receiving each type of funding?
Proposed construction timeline for each segment	What is the proposed schedule, by segment, for completing design/environmental clearance? For beginning/completing construction
Discussion of risks and mitigation strategies	How would each type of risk impact the project? What specific mitigation strategies are planned to be deployed?

Source: Legislative Analyst's Office

In addition to its critique of the business plan, the LAO will report to the committee on other recommendations, including:

- Requiring the HSRA to adopt project selection criteria.
- Requiring the HSRA to submit an annual report to the Legislature that would include an annual work plan, funding status by project segment, future contract obligations, scope, schedule and budget for each segment, assumptions used in system planning and financing and changes from prior years, and periodic independent financial and performance audits.

In regard to the budget request for the 2009-10 fiscal year, the LAO reports that the Governor's budget is seeking \$125.2 million in Proposition 1A bond revenues.¹ Of that

¹ Proposition 1A allocates up to 10 percent of the bond proceeds for environmental studies, planning, and preliminary engineering. Up to 2.5 percent of the bond proceeds may be used for administrative purposes.

amount, \$2.2 million is for administrative costs and the remaining \$123 million is for contract consultants. The philosophy of the HSRA has been that it should avoid developing a large permanent organizational staff because the project is a one-time endeavor, requires highly specialized skills, and will require limited on going support. On the basis of this approach to project management, the HSRA is relying upon outside consultants to provide both technical and managerial services.

To facilitate the development of the project, the high-speed rail corridors have been divided into eight segments and technical consulting teams have been retained to conduct the project level environmental reviews and the preliminary engineering designs for each segment. The HSRA estimates that these services will require \$95 million in the next fiscal year.

A separate firm, Parsons Brinkerhoff, is under contract to provide project management services. This firm is essentially the HSRA's staff, and it is for these services that the HSRA is seeking \$22.6 million. In the more typical approach to project management of state infrastructure projects, state employees would perform this work. The HSRA is also seeking \$2 million for a ridership and revenue forecast. This will be the third forecast in ten years.

Exhibit 2

**Proposed 2009-10 Contracts for
High-Speed Rail Authority
(\$s in millions)**

Project design and environmental review	\$ 95.0
Program management services	22.6
Financial plan and public private partnership program	2.0
New ridership and revenue forecasts	2.0
Other miscellaneous contracts	1.4
Total	\$123.0

Source: Legislative Analyst's Office

The LAO is withholding any recommendations on the request for consultant services until the HSRA provides further detail. Similarly, the LAO is withholding recommendations on a request for two structural engineers. The Analyst points out the HSRA could contract Caltrans for these services.

High-Speed Rail Elements of the Federal Stimulus Legislation

The recently enacted American Recovery and Reinvestment Act of 2009, more commonly referred to as the stimulus program, appropriates \$8 billion for high-speed rail. The funds can be expended in 11 high-speed rail corridors throughout the country identified by the Federal Railroad Administration (FRA). The north-south corridor being developed by the HSRA is among the 11 eligible corridors. The stimulus law identifies as eligible applicants for high-speed rail funds a state, a group of states, an Interstate Compact, and a public agency established by one or more states responsible for providing high-speed rail.

The federal law defines high-speed rail as any passenger service that may have a sustained operating speed above 110 miles per hour (mph). Under California law, Caltrans is responsible for developing intercity passenger rail service with speeds up to 125 mph. Any service above that speed is the responsibility of the HSRA. There are corridors in California in which state sponsored Amtrak services or even regional rail service might be capable of achieving speeds above 110mph but less than 125mph. This means that both Caltrans and the HSRA are likely eligible to apply for stimulus funds.

The federal stimulus program allocates \$8 billion for high-speed rail projects under the terms and conditions of existing federal law. In the case of the high-speed rail funds, the money will be allocated through program categories established by the *Passenger Rail Investment and Improvement Act of 2008* (PRIIA). There are three categories of funding in PRIIA:

- High-speed rail corridor development grants
- Intercity passenger rail service corridor capital assistance
- Congestion grants for corridors in which Amtrak service operate.

To ensure there is a consistency between the policies of PRIIA and the stimulus act, Congress directed the Secretary of Transportation to prepare a strategic plan. The plan is to demonstrate how the US Department of Transportation will give priority to projects that support high-speed rail development and use the stimulus funds. **This report is due April 18, 2009.**

According to the FRA, which is preparing the Strategic Plan, it intends to provide guidance on the interpretation of high-speed rail in the plan. For agencies intending to submit applications for funding, the FRA suggests that the following performance characteristics should be used when defining high-speed rail systems projects:

- It provides service that is time-competitive with air and/or auto on a door-to-door basis for trips in the approximate range of 100 to 500 miles;

- Its component subsystems (track, equipment, communications, control, and all others) are capable of sustained top speeds of 110 mph or more where the alignment and environmental considerations permit; and
- The system meets or exceeds all applicable safety standards.²

The stimulus bill places an emphasis on ready-to-go projects. The FRA offers the following definition for this type of project:

“Ready-to-go” projects are those for which planning, environmental and preliminary engineering activities have been completed – thus allowing grant recipients to immediately begin final design and construction and/or enter into design-build contracts. Projects that have not reached this stage of development may still be eligible for grant funding under ARRA.

By June 17, 2009, the FRA will issue interim guidelines that will outline the selection criteria and other conditions governing the submittal of applications for stimulus funds for high-speed rail. Projects that are awarded grants must be under contract by 2012.

In addition to the \$8 billion in stimulus funds dedicated to high-speed rail, President Obama has proposed in his budget plans an \$1 billion annually for the next five years.

High-Speed Rail Authority’s Response to the Stimulus Legislation

The HSRA has *no* ready-to-go projects of its own. The segment between Los Angeles and Anaheim, which may be environmentally cleared by July 2010, is the most advanced of the eight segments undergoing environmental analyses and preliminary engineering. Nevertheless, the HSRA has an interest in the activities of the local agencies that operate and oversee existing rail services in corridors through which high-speed trains are expected to operate. In the Los Angeles-Anaheim corridor, as well as and in other corridors, it is likely that both high-speed and conventional rail services will operate.

Prior to the enactment of the federal stimulus act, the HSRA’s chair sent a letter to Senator Dianne Feinstein identifying projects that may be ready for funding, although the projects have not been developed by the HSRA. A revised list of projects, with a total value of \$3.6 billion was circulated at the HSRA’s March meeting and the board expects to discuss the list at its April meeting. Exhibit 3 is the revised list of projects prepared by its staff. The projects are the same as in the chair’s letter except with the addition of the ARTIC rail terminal in Anaheim. At least two Los Angeles County projects on the list, the Valley View Avenue and Passons Boulevard/Serpis Street grade separation projects, are scheduled for construction next year.

² Rail Programs Funded Under the American Recovery and Reinvestment Act (ARRA) of 2009, Public Law 111-5, February 23, 2009, no page.

It is unclear how the list of projects was developed for both the Feinstein letter and the list in Exhibit 3. There has been no public review process for determining the list and there does not appear to have been a collaborative technical review process among the stakeholder agencies. Because of the lack of a transparent, inclusive process for selecting projects, the reasons for including some ready-to-go projects and excluding others are unclear. While at least two ready-to-go Southern California projects are on the list, the ready-to-go San Francisco Transbay Terminal project, which is identified in Proposition 1A as the Northern California high-speed rail terminus and could benefit from stimulus funds to ensure that it is capable of accommodating high-speed trains, is not on the list.

Because the FRA Strategic Plan defining the policies governing the high-speed rail stimulus program is scheduled for publication in April and the guidelines for submitting an application for funding will not be available until June, there is time to develop an open process for vetting candidate projects sponsored by the HSRA, Caltrans, and local agencies that have read-to-go projects that may be eligible for stimulus funding. If this process is not coherently managed, California risks submitting two competing applications for high-speed rail stimulus funds. This would be disastrous.

Exhibit 3

Proposed Federal Stimulus List

Category 1—Statewide High-Speed Rail Projects	
Projects	Estimated Cost
Planning & Engineering	\$500,000,000.00
Heavy Maintenance and Layover Facilities	\$200,000,000.00
Right-of-Way	\$800,000,000.00
Total Category 1 Projects	\$1,500,000,000.00
Category 2—Regional Projects Complementing High-Speed Rail	
Projects	Estimated Cost
Grade Separations – Los Angeles to Anaheim	
Passons Boulevard/Serpis Street	\$ 43,400,000.00
Pioneer Boulevard	45,000,000.00
Norwalk Boulevard	150,000,000.00
Lakeland Road	40,000,000.00
Rosecrans Avenue/Marquardt Avenue	150,000,000.00
Valley View Avenue	72,000,000.00
Subtotal	\$500,400,000.00
San Bruno Construction	
	\$250,000,000.00-- \$300,000,000.00
<i>This includes:</i>	
✓ <i>Street crossings at San Bruno Avenue, San Mateo Avenue and Angus Street</i>	
✓ <i>Pedestrian Crossings at Euclid Avenue and Sylvan Avenue</i>	
✓ <i>Elevated Station</i>	
Caltrain Corridor Electrification	
	\$1,100,000,000.00
<i>This includes:</i>	
✓ <i>Electrification of the system from San Jose to San Francisco</i>	
✓ <i>Train Controls</i>	
Subtotal	\$250,000,000 to \$1,400,000,000
High-Speed Rail Infrastructure at ARTIC Station	
	\$200,000,000.00
Total Category 2 Projects	\$2,100,400,000.00

Source: California High-speed Rail Authority, Revised Federal Stimulus List 3-6-09.

Appendix