

# SUBCOMMITTEE NO. 2

# Agenda

S. Joseph Simitian, Chair  
Jean Fuller  
Alan Lowenthal



## Agenda

Day: Wednesday, April 18, 2012  
Time: 2:30 p.m. or upon adjournment of Rules Committee  
Room 112

Consultant: Brian Annis

## High-Speed Rail Informational Hearing

### Issues:

- Final 2012 Business Plan..... 1
- Budget Requests related to the Final 2012 Business Plan ..... 9

### Attachments:

- Summary table of the Governor's Budget for Rail and Mass Transit ..... 14
- Map from HSRA of early investments – from the 2012 Business Plan ..... 18

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## High-Speed Rail Final 2012 Business Plan

The High-Speed Rail Authority released its Final 2012 Business Plan (Final Plan) on April 2, 2012, in draft form. The draft became final on April 12, 2012, when it was adopted by the HSRA Board. The Final Plan describes the HSRA Board's vision for implementing high-speed rail service in California including how the Board would propose to use bond funds approved by voters in Proposition 1A of 2008. Among other requirements, Prop 1A bond funds can only be expended if the funds are authorized for expenditure by a legislative appropriation.

**The Final Business Plan is the key document for review of the Administration's budget proposals.** The document presents the Governor's plan to implement high-speed rail, and the revised 2012-13 budget proposal would: (1) appropriate \$5.9 billion (\$3.2 billion federal funds, \$2.6 billion Prop 1A bond funds) to construct an initial segment for the high-speed rail project in the Central Valley; (2) appropriate \$253 million (\$48.4 million federal funds, \$204.2 million Prop 1A bond funds) for completion of environmental work and preliminary design work for the remainder of the rail segments in the high-speed rail system; and (3) appropriate \$812 million (all 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.

**Prior Hearings and Committee Summaries:** The Budget Subcommittee, as well as the Transportation and Housing Committee and the Select Committee on High-Speed Rail, have had multiple hearings on prior business plans and the Draft 2012 Business Plan. The most recent hearing was held March 13 in Mountain View. The agenda for that hearing is available on the Budget Committee's website and offers additional summary information on the project and the draft plan.

**Summary of the Final Business Plan and Key Changes.** The Final Plan includes significant changes relative to the draft plan that the HSRA indicates are a result of input received from the public, legislators, and other interested parties. The largest change in terms of dollars is to down-scope the project to make "blended" operations in the San Francisco/San Jose and Los Angeles/Anaheim segments the final project instead of interim phases on the path to full build out – this change and others reduce costs from \$98 billion to \$68 billion. "Blended operations" is defined as shared use of tracks with existing regional rail providers. The plan to initiate construction on a \$6 billion, 130 mile segment in the Central Valley is unchanged. Other significant changes include accelerated investment of \$1.1 billion in the Caltrain and Metrolink "bookend" corridors and moving forward with \$812 million in Prop 1A "connectivity" bond funds for regional and urban rail agencies. The Administration believes the revisions greatly improve the plan by reducing costs and risk, and by accelerating investment that will support high-speed rail service. These and other components of the plan are discussed in more detail on the following pages.

**Summary Chart of Construction Waves including Connectivity Funds.** The table below ties to the Final Plan and displays the Administration's proposed timeline for initiating work in various waves on different segments of the project. The various funding sources for each wave are also displayed. (Dollars are in billions)

		Prop 1A	Federal Funds*	Private Capital	Other / Undesignated	Net Proceeds	<b>TOTAL COST</b>
Start Construction in 2013	Initial Construction Segment (Merced to Bakersfield) 2013 – 2017	\$2.7	\$3.3	\$0	\$0	\$0	<b>\$6.0</b>
	Early Investment in Bookends 2013 to 2022**	1.1	0.6	0	0.5	0	<b>2.2</b>
	Connectivity funds for regional and urban rail 2013-2018	0.8	0	0	0	0	<b>0.8</b>
Start Const in 2017	Bakersfield to Palmdale priority segment 2017 – 2021	2.2	10.2	0	0.4	0	<b>12.7</b>
	Remainder of Initial Operating Segment (Merced to San Fernando Valley) 2017 – 2021	2.2	10.2	0	0.4	0	<b>12.7</b>
Start Const in 2020's	Remainder of San Jose to the San Fernando Valley 2021 – 2026	0	8.4	10.1	1.2	0.2	<b>19.9</b>
	Remainder of San Francisco to Anaheim 2023 – 2028	0	10.0	3.0	2.0	0	<b>15.0</b>
	<b>TOTAL COST</b>	<b>\$9.0</b>	<b>\$42.6</b>	<b>\$13.1</b>	<b>\$4.4</b>	<b>\$0.2</b>	<b>\$69.2***</b>

\* AB 32 Cap-and-Trade revenues are designated as a backstop if federal funding is insufficient.

\*\* No funds requested for 2012-13 budget, anticipate request for 2013-14 budget.

\*\*\* Total is \$812 million above the Final Plan because that total does not include the "connectivity" funds.

### Detail on the Key Components and Changes in the Final Business Plan:

- Blended Operations with Regional Rail on the Bookends.** Adopts a blended approach on the urban “bookends” of San Francisco/San Jose and Los Angeles/Anaheim as the final project instead of as an interim step. Adjusts project-level environmental document accordingly. The proposed blended system for the San Francisco Peninsula is primarily a two-track system where high-speed rail trains would share tracks with Caltrain. Early investment in Caltrain electrification would provide infrastructure usable to high-speed rail when that service connects to San Jose. Since the Metrolink system does not include plans for electrification, the blended system in the Los Angeles/Anaheim segment would not include high-speed rail trains on that segment – instead passengers would transfer to Metrolink or Amtrak Surfliner trains for travel in that segment. The “one-seat-ride” on the same train would apply from San Francisco’s Transbay Terminal to the Los Angeles Union Station. While the adopted Final Plan does not include high-speed trains (the one-seat ride) to Anaheim, the HSRA Board approved a resolution at the April 12, 2012, hearing to pursue other avenues to electrify that segment and ultimately achieve that one-seat ride all the way the from the San Francisco Transbay Terminal to Anaheim.
- Cost Decrease.** Largely as a result of the bullet above, the baseline cost estimate for San Francisco to Anaheim (Phase I) falls from \$98 billion to \$68 billion. As the table below indicates the “Phase I Blended” costs also falls between plans from \$78.2 million to \$68.4 million – this is due to (1) lower inflation assumption through 2015, and (2) cost savings from accelerating certain infrastructure investments. The increased construction cost scenario falls from \$117 billion to \$80 billion. While the Final Plan drops the concept of “full build” and adopts blended operations, it notes the revised “full build” price would be revised to \$91.4 billion. The table below shows the cost change from the November draft plan to the April Final Plan by phase. (Dollars in billions)

	Business Plan Cost in November 2011	Year of Completion November Business Plan	Business Plan Cost in April 2012	Year of Completion April Business Plan
Madera to Bakersfield Segment	\$ 6.0	2017	\$ 6.0	2017
Initial Operating Segment (IOS)	33.2	2021	31.3	2021
Bay to Basin	54.3	2026	51.2	2026
Phase I Blended	78.2	2030	68.4	2028
Phase 1 Full Build	98.1	2033	Not applicable	Not applicable

Notes:

1. Cost data is year of construction
2. IOS is referred to as IOS South in November Business Plan

- **Selection of Initial Operating Segment (IOS).** Selects Merced to the San Fernando Valley as the Initial Operating Segment (instead of the alternative option of San Jose to Bakersfield) and cites the Bakersfield to Palmdale segment as a high-priority to complete a north-south rail link. The Final Plan indicates the decision to construct the southern segment first was based on a combination of factors, including environmental approvals, revenue and ridership estimates, and statewide system benefits. However, the plan also notes that if the southern extension is prevented for a significant time as a result of environmental or other delays, the Authority could proceed with extending the northern extension to San Jose. The Bakersfield to Palmdale segment is considered high priority because it would close the existing gap in passenger rail service between northern and southern California – that gap is currently bridged with bus service.
- **Early “Bookend” Investment.** Directs \$1.1 billion in high-speed rail bond funds (separate from regional and urban rail connectivity bond funds) to initial investments on the bookends to improve regional service in the short term, and to make initial investments in the blended system for high-speed rail. No appropriation is proposed for this purpose in the 2012-13 budget; however, funding would likely be requested during the 2013-14 budget process. At the April 12, 2012, Authority Board meeting, the Board approved a revised Memorandum of Understanding (MOU) with the Southern California Association of Governments and a new MOU with the Bay Area’s Metropolitan Transportation Commission. Generally, the MOUs outline funding commitments from each party and criteria to select investments that would benefit regional rail in the short term and both regional and intercity high-speed rail in the long term. Individual projects would be selected through future action. Prop 1A requires at least a one-to-one match for high-speed rail bonds and the MOUs would achieve this with federal, local, and other funds.
- **Connectivity Funds.** Supports allocation of \$812 million in remaining Proposition 1A “connectivity” funds for the California Department of Transportation (Caltrans) intercity rail service and for regional and urban rail operators. Prop 1A includes a formula for allocation of these dollars but directs the California Transportation Commission (CTC) to develop a program of specific projects. The CTC performed this selection of projects in 2010, and the Legislature appropriated funds to support this program in both the 2010 and 2011 budget acts, but in both years, the Governor vetoed all funds except those directed to positive-train control investments. Last year’s veto message suggested the selected projects were not sufficiently integrated with high-speed rail or an integrated rail plan. The CTC indicates they will initiate a new selection process consistent with the Governor’s request, and that a new program of projects – selected in coordination with the High-Speed Rail Authority - could be approved as early as June, 2012. As detailed later in this agenda, the Governor proposes an appropriation of these funds in the 2012-13 budget, but only supports this appropriation, if the Legislature also approves funds for the Central Valley segment. The table below details the formula allocation to rail operators, the total allocated to date for positive train control, the amount remaining for allocation. (Dollars in millions)

**Prop 1A Bonds Funds Remaining for Connectivity Projects**

Eligible Recipient Agency	Prior allocations for positive train control	Remaining formula allocations*
California Dept of Transportation (Caltrans)	\$83.3	\$102.9
Altamont Commuter Express (ACE)	0	15.0
Los Angeles County Metropolitan Transportation Authority (LAMTA)	0	114.9
Peninsula Corridor Joint Powers Board (Caltrain)	0	41.0
Sacramento Regional Transit District	0	30.2
San Diego Trolley, Inc.	0	57.9
North Coast Transit District (NCTD)	10.5	7.3
Bay Area Transit District (BART)	0	256.6
San Francisco Municipal Railway Transit System (MUNI)	0	61.3
Santa Clara Valley Transportation Authority (VTA)	0	26.4
Southern California Regional Rail Authority (Metrolink)	35.0	88.7
<b>TOTAL</b>	<b>\$128.8</b>	<b>\$802.2</b>

\* May be recalculated based on updated administrative costs.

- Increased Stand-alone Utility for the Central Valley Segment.** Identifies interim service improvement and increased utility to be achieved by expanding existing intercity and regional rail service to link to the initial Central Valley segment. The Authority intends to negotiate memorandums of understanding (MOUs) with the San Joaquin Regional Rail Commission, Caltrans, the Capitol Corridor Joint Powers Authority, and Sacramento Regional Transit to develop a “Northern California Unified Service Concept.” This concept would include higher service speeds of up to 125 miles per hour on the Madera to Bakersfield segment upon completion of initial construction, but prior to completion of the Initial Operating Segment and initiation of high-speed rail service. The plan would also call for positive train control investments and other investments on existing routes to increase speeds elsewhere in the region. Finally, the concept calls for increased service coordination and options for passengers. Unlike the MOUs for the Bay Area and Southern California, this MOU is still under development.

- **Cap and Trade Revenue.** Identifies “cap and trade” revenue from AB 32 implementation (the Global Warming Solutions Act of 2006) as backstop funding to complete the initial operating segment from Merced to the San Fernando Valley, if federal funds are insufficient. AB 32 established the goal of reducing greenhouse gas (GHG) emissions statewide to 1990 levels by 2020. The California Air Resources Board (ARB) adopted regulations to achieve this goal including the establishment of a cap-and-trade system of market-based carbon allowances that entities can buy and sell. Credits will be sold by ARB annually and the first sale is expected in August 2012. According to a recent Legislative Analyst’s Office (LAO) report, the 2012-13 credit sales are expected to generate roughly \$660 million to \$3 billion in revenue. The Governor scores \$1.0 billion in his January budget. Out-year forecasts have even greater variability – the LAO indicates the 2015-16 revenue could range somewhere between \$2 billion and \$14 billion. The LAO report suggest the revenue from cap-and-trade are “mitigation fees” that must be only to mitigate the harms caused by GHG emission. The Administration believes expenditures on high-speed rail is a legally allowable use of these cap-and-trade funds.
- **Ridership and Revenue forecast adjustments.** Adjusts the ridership and revenue forecasts to include a lower-gas price scenario (\$2.60 per gallon) and other adjustments. Tests the model results against actual results for the Acela Amtrak service in the Northeast Corridor and found the model output was similar to actual data. The HSRA indicates these revisions to the modeling have been taken to respond to questions and comments and to continue to improve the reliability of the forecasts. The Final Plan models three scenarios for ridership – a low ridership scenario based on low gas prices, lower population growth, etc; a high scenario based on high gas prices, higher population growth, etc; and finally a medium scenario in the middle. For example possible gas prices are \$2.60 per gallon, \$4.23 per gallon, or \$6.11 per gallon. The ridership estimates vary with each scenario, but for example for 2025 would range from 5.8 million riders in the low scenario to 10.5 million riders in the high scenario. The Final Plan suggests that even in the low-ridership scenario, service would be able to cover all operations and maintenance costs, thereby not requiring an operating subsidy.

**Peer Review Group:** Statute establishes an independent Peer Review Group to review the planning, engineering, financing and other elements of the Authority’s plans and issue an analysis of the appropriateness and accuracy of the Authority’s assumptions and an analysis of the viability of the Authority’s financing plan. The Peer Review Group was critical of the November Draft Plan and indicated it could not endorse the project at that time. At the time this agenda was finalized, the Peer Review Group’s analysis of the Final Plan was still pending; however, it should be released soon and provide additional analysis for the Legislature’s consideration.

**Suggested questions and issues for discussion.** Based on prior hearings and issues raised by Legislators, the Legislative Analyst, the Peer Review Group, and the public, the Authority should be prepared to discuss the following issues.

**1. Funding.** In reviewing the November Plan, the Peer Review Group mentioned the uncertainty over future federal funds as a fundamental flaw in the program. The Final Plan attempts to mitigate this in two ways, first by reducing the overall project cost from \$98 billion to \$68 billion, and second, by identifying cap-and-trade funds as a backstop funding source if federal funds are not fully available.

- *How does the Final Plan address funding risks for early phases and for the entire segment? Is this mitigation sufficient to address the risk?*

**2. Reasonableness of Estimates.** The November Plan included updated revenue and ridership estimates that were generally deemed more credible than prior estimates, but concerns were still raised about the assumptions and over the transparency of the model. The Final plan makes some modeling updates. The cost to build the system was increased substantially between the 2010 and 2012 plans, but the Peer Review Group still cited significant risk in this area.

- *How does the Final Plan improve the quality of estimates?*
- *Have the model inputs and assumptions been reviewed by outside parties in a transparent fashion – how so?*

**3. Benefit and Cost.** As with the Draft Plan, the Final Plan describes high-speed rail investment with a benefit exceeding its cost, and moreover, with greater benefit-to-cost gains than similar dollar investment in highways and airports.

- *Assuming all the funding and cost estimates are determined to be reasonable, has the Authority made the case for investment in high-speed rail?*

**4. Independent Utility of Early Phases.** At prior hearings, the HSRA was asked to better articulate and define the independent utility of a stand-alone Central Valley investment. The Final Plan includes additional interim benefits from a “Northern California Unified Service Concept” and from priority investment in the Bakersfield to Palmdale segment to close the existing intercity rail gap.

- *How has the stand-alone independent utility of the Central Valley segment changed with the Final Plan? Does independent utility sufficiently mitigate the uncertainty over future federal funding – or should cap-and-trade revenue be seen as the mitigation?*
- *Assuming further investment closes the Bakersfield to Palmdale passenger rail gap – what is the stand-alone independent utility of the Central Valley plus Bakersfield/Palmdale segment? Does independent utility sufficiently mitigate the uncertainty over future federal funding – or should cap-and-trade revenue be seen as the mitigation?*

- 5. Blended Operations and Compliance with Prop 1A.** Some of the components of the Final Plan – such as blended operations, and interim investment on the “bookends” – were not explicitly described in the language of Prop 1A.
- *Is the Final Plan fully compliant with Prop 1A? Or, does the Administration believe any changes are sufficiently minor to be considered within the scope and purpose of the measure?*
  - *Why is the Los Angeles to Anaheim Phase I segment being re-scoped to exclude the operation of HSRA trains?*
- 6. Private Sector Participation.** The Peer Review report on the November Plan cited a lack of specificity with the business model and questioned whether the operator should be brought aboard earlier to assist the design-build contractors and to ensure integration of design across different contractors.
- *How does the Final Plan address the business model and ensure integration of design across the system?*
- 7. Cap-and-Trade Revenue.** The amount of cap-and-trade revenue and allowable expenditures under a “mitigation fee” framework involve some uncertainty.
- *What assumptions is the Administration making about the total amount of cap-and-trade revenue and what share might reasonably be directed to high-speed rail?*
- 8. California Environmental Quality Act (CEQA).** The Authority’s environmental work to-date has followed the CEQA process.
- *Will the Administration continue toward completion of the full CEQA process, or are proposals to exempt this project from CEQA, or streamline CEQA for this project, under consideration?*

<b>Detail on the Capital Outlay Budget Requests</b>
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In April 1 Finance Letters, the Governor requests new budget funding that totals \$6.9 billion for three areas of rail investment related to high-speed rail. The funding requests that relate directly to the design and construction of high-speed rail would appear in the budget of the High-Speed Rail Authority. The funding request that would fund connectivity projects for regional, urban, and traditional intercity rail operators would appear in the budget for Caltrans.

**1. Funding for the Central Valley Initial Construction Segment.** The Governor requests funding of \$5.9 billion (\$2.6 billion Prop 1A and \$3.2 billion federal funds) to construct a 130 mile segment from Madera to just north of Bakersfield. Note, the Final Business Plan refers to \$6.0 billion for this segment, but includes some costs already incurred for environmental and design work. Upon completion, the segment would be ready for high-speed rail in terms of being fully grade separated, independent use (not shared with freight lines), and with curves and grades appropriate for high-speed rail. It would not be fully ready for high-speed rail in terms of electrification and positive train control. The funds would support the multi-year construction of the project and be available through June 30, 2018.

**Detail:** The Authority intends to split the Madera to Bakersfield segment into four sub-segments with “construction packages 1 to 4” that will go out for a separate bid. Construction package 5 would come later and cover the entire segment and add the track to the infrastructure completed by the other contractors. The November 2011 agreement with the Federal Railroad Administration (FRA) indicates dates to advertise each contract. The FRA agreement also targets January 2013 as the date for contractor selection for the first package. According to HSRA, the remaining construction packages would be signed on the following timeline:

Construction Package	General Location	Contract Implementation Date
1	Madera to Fresno	January 2013
2	Fresno to Tulare	September 2013
3	Tulare to Delano	September 2013
4	Delano to Bakersfield	October 2013
5	Madera to Bakersfield (rail)	March 2017

**Staff Comment:** The Subcommittee may want to hear from the Administration on the following issues related to the budget appropriation for the Central Valley Construction:

- *What is the status of the environmental reviews on the Central Valley segment, and what is the current estimate for construction start for each of the five design-build contracts – is it unchanged from the November 2011 FRA agreement?*

- *What is the benefit of appropriating the full \$5.8 billion now, versus appropriating annually based on the cash need or based on the contracts to be signed in a given year?*
- *The budget language describes the funds as available for the “Initial Operating Segment” without a description in law of what that is – if the intent is to use the funds only for the Central Valley, should additional budget bill language or trailer bill language be added to define the term “Initial Operating Segment” as the Madera to Bakersfield segment?*

**2. Funding for Regional and Urban Rail Connectivity to High-Speed Rail.**

Proposition 1A of 2008 also includes \$950 million in bond funds for existing intercity, regional, and urban rail systems to connect to high-speed rail. The Legislature has previously funded these connectivity projects, but the Governor vetoed most of the funding citing the need for a California Transportation Commission plan that is more integrated with high-speed rail. With the Final Plan and release of April 1 Finance Letters, the Governor is now requesting \$812 million to be available to move forward with this program, but only after the CTC, in coordination with the Authority, has adopted a new program of projects. Pursuant to the allocation formula in Prop 1A and funds allocated to date, the remaining funds would be split with \$106 million for Caltrans intercity rail and \$713 million for regional and urban rail operators. Specific allocations by recipient were listed on page 5 of this agenda.

**Detail:** The Administration requests that several restrictions be added to budget bill language, such that funds cannot be expended unless the conditions are met. The language is copied below:

*Provisions:*

1. *These funds shall be available for allocation by the California Transportation Commission until June 30, 2014, and available for encumbrance or liquidation until June 30, 2018.*
2. *The funds appropriated in this item shall be available for capital improvement projects to intercity and commuter rail lines and urban rail systems that provide direct connectivity to the high-speed train system and its facilities, or that are part of the construction of the high-speed train system, pursuant to Section 2704.095 of the Streets and Highways Code.*
3. *The funds appropriated in this item shall only be made available for expenditure upon the enactment of a \$3.2 billion appropriation in Budget Act Item 2665-306-0890 and a \$2.6 billion appropriation in Item 2665-306-6043 for the Initial Operating Segment of the High Speed Rail System.*
4. *Funds appropriated in this item shall be available for expenditure no sooner than 30 days after all of the following conditions are met:*
  - a. *The California Transportation Commission, in consultation with the California High-Speed Rail Authority, updates and adopts program guidelines to ensure eligible projects are consistent with the early investment in the Phase 1 blended system strategy identified the April 2012 California High-Speed Rail Revised 2012 Business Plan.*
  - b. *The Commission, in consultation with the Authority, develops a draft program of projects consistent with the guidelines developed pursuant to (a).*
  - c. *Commission staff presents the draft program of projects to the Authority, at a scheduled board meeting, for review and comment. Commission staff shall address and incorporate comments in the program presented to the Commission for adoption.*
  - d. *Upon adoption of the program of projects by the Commission, the Department of Finance shall review the program of projects and*

*notify the Joint Legislative Budget Committee in writing of a list of projects to be funded and the amount of funds to be expended.*

**Staff Comment:** The Subcommittee may want to hear from Administration on the following issues related to the connectivity funds. Representatives from Caltrans and the California Transportation Commission have also been asked to attend the hearing to be available for questions:

- *What is the process and timeline for the selection of a new program of projects?*
- *What did the Administration find objectionable with the CTC's original program of projects, and how will the new program of projects be different?*
- *Why does the Administration support connectivity funding only if \$5.8 billion is appropriated for the Central Valley?*

- 3. Completion of Environmental Documents and Preliminary Engineering on all Segments.** The Governor requests an appropriation of \$253 million (\$48.4 million federal funds, \$204.2 million Prop 1A bond funds) for completion of environmental work and preliminary design (at least 15-percent design) on all segments in the high-speed rail system. The budget also reflects that about \$50 million from prior appropriations will remain unexpended at the end of 2011-12 and carryover for expenditure into 2012-13. This budget category funds the regional engineering contractors as well as the statewide program management contract. In prior years, the statewide management contract funding was scheduled by segment, but beginning in 2012-13, the Administration requests to separately schedule that contract. The table below shows expenditures by segment since 2010-11, when the budget began to be scheduled by segment. The prior and future costs to complete this work will total about \$563 million, with \$185 million from federal funds and \$378 million from Proposition 1A bond funds. (Dollars in millions).

Segment/Item Number	Expenditures in 2010-11 & 2011-12	Carryover Authority	New Budget Request	Grand Total
<b>PHASE I SEGMENTS</b>				
San Francisco - San Jose	\$37.7	\$11.6	\$10.4	\$59.7
San Jose - Merced	36.4	14.2	0.0	\$50.6
Merced - Fresno	39.2	0.9	14.6	\$54.7
Fresno - Bakersfield	62.5	0.0	22.7	\$85.2
Bakersfield - Palmdale	14.9	13.8	0.4	\$29.1
Palmdale - Los Angeles	36.8	3.9	5.1	\$45.7
Los Angeles - Anaheim	18.9	0.6	8.6	\$28.1
<b>PHASE II SEGMENTS</b>				
Los Angeles - San Diego	3.1	4.6	56.1	\$63.8
Merced - Sacramento	4.5	0.5	53.9	\$58.9
Altamont Pass	5.7	0.3	36.4	\$42.4
STATEWIDE CONTRACT			44.3	\$44.3
<b>Total</b>	<b>\$259.6</b>	<b>\$50.4</b>	<b>\$252.5</b>	<b>\$562.5</b>

**Issues for prehearing:**

- *Last year, the Governor did not include funding for Phase II segments in his budget; however, when funding was added by the Legislature for this purpose, the Governor sustained the augmentation. What is the current view of the Administration on the benefit of completing environmental work and 15-percent design on the Phase II segments?*
- *In the past, funds have been appropriated based on the funding need in the budget year, but this year, the Administration is requesting multi-year funding to complete the contract work over several years. Why does this Administration wish to change the prior practice and instead provide a multi-year funding appropriation?*

## Attachment I

### Summary of the Governor's Budget for Rail and Mass Transit

The table below, and those on the following pages, summarize the Governor's overall proposed budget for rail and mass transportation. When all budget areas are included, total funding of \$9.4 billion is proposed, with \$6.1 billion for the High Speed Rail Authority (HSRA), \$2.1 billion for the California Department of Transportation (Caltrans), and \$1.3 billion for State Transit Assistance. Note, the funding for high-speed rail connectivity is budgeted in the Caltrans budget instead of HSRA. The requested funding for state operations for HSRA and Caltrans is generally baseline funding, with adjustments for continuing contracts and workload adjustments. The funding requested for capital outlay is significantly above what has been requested in prior years due to the Administration's plan to move forward with high-speed rail in the Central Valley and to support allocation of connectivity funds.

#### California High-Speed Rail Authority Proposed Budget

Issue		Amount (in millions)	Source*	Comment
<b>State operations</b>				
1	Baseline budget for staff and operations	\$9.3 (\$8.6 Prop 1A bonds, \$0.660 federal funds)	January Governor's Budget	Supports salary and benefits for 54 positions, and other baseline administrative and operations expenses.
2	Staffing Increase	\$1.9 (Prop 1A bonds)	BCP #2	Augments funding and adds 19 new positions to support the following areas: governmental affairs, legal, environmental, human resources, business services, grant administration, information technology, communications, and accounting.
3	Internal Contracts with other State Departments	\$0.670 (Prop 1A bonds)	BCP #6	Augments baseline of \$1.5 million for Department of Justice and Department of General Services interdepartmental contracts.
4	External Contract for Communication	\$0.500 (Prop 1A bonds)	BCP #7	Funds a reduced level of external communications as 6 positions are now proposed for in-house work. Funds meetings support, web and paper publications, and strategy development.

5	External Contract for Program Management Oversight	\$3.0 (Prop 1A bonds)	BCP #8	Funds the ongoing TY Lin contract for program management oversight.
6	External Contract for Financial Consulting Services	\$2.5 (Prop 1A bonds)	BCP #9 and Apr FL #1	Funds the ongoing KPMG contract for financial consulting related to design-build contracts, and private and federal funding.
<b>TOTAL State Operations</b>		<b>\$17.9</b>	<b>(\$17 million Prop 1A and \$660,000 federal funds)</b>	
<b>Capital Outlay</b>				
7	Right-of-way purchase and Construction for Central Valley segment	\$5,849.8 (\$3.2B federal funds, \$2.6B Prop 1A funds)	Apr CO FL #1	Funds multi-year cost to complete right-of-way purchase and construction for the 130 mile Central Valley segment from Madera to just north of Bakersfield.
8	Environmental review and preliminary design for all segments	\$252.5 (\$204 Prop 1A funds, \$48.3 federal funds)	Apr CO FL #2	Funds multi-year cost to complete environmental review and preliminary design for all segments, including "phase 2" segments of Sacramento/Merced, Los Angeles/San Diego, and Altamont Corridor.
<b>TOTAL Capital Outlay</b>		<b>\$6,102.3</b>	<b>(\$2.8 billion Prop 1A &amp; \$3.3 billion federal funds)</b>	
<b>GRAND TOTAL HSRA</b>		<b>\$6,120.2</b>	<b>(\$2.8 billion Prop 1A &amp; \$3.3 billion federal funds)</b>	

\* Key: BCP = Budget Change Proposal; FL = Finance Letter

**Department of Transportation Proposed Budget for Rail & Mass Transit**

Issue	Amount (in millions)	Source	Comment	
<b>State Operations</b>				
1	Internal Contracts with High-Speed Rail for support of right-of-way acquisition workload	\$3.1 (reimbursed from Prop 1A funds)	BCP #15	Funding would allow Caltrans to provide legal and other advice and services to HSRA as they acquire right-of-way for the Central Valley segment (budgeted in Caltrans Legal Program).
2	Adjusted Baseline budget for Intercity Passenger Rail Program	\$136.0 (mostly Public Transportation Account (PTA))	January Governor's Budget, BCP #16 BCP #3 Apr FL #2	Supports operating subsidy for 3 routes operated in cooperation with Amtrak (Capitol Corridor, San Joaquin, and Pacific Surfliner). Includes workload adjustment to decrease \$1.1 million and 13 positions for zero-based workload (part of BCP 16). Also includes the withdrawn BCP #3 (via April FL #2) – the request to augment funding by \$13.9 million for Amtrak contract was withdrawn due to Amtrak delaying the increase until 2013-14.
3	Adjusted baseline budget for State and Federal Mass Transit Program	\$9.7 (various, mostly state)	January Governor's Budget & BCP #16	Supports state and federal mass transportation programs, including development/support of mass transportation capital projects in the State Transportation Improvement Program (STIP). Includes workload adjustment to decrease \$3.9 million and 45 positions for zero-based workload (part of BCP 16).
<b>TOTAL State Ops</b>		<b>\$148.8</b>	<b>(various funds, mostly Public Transportation Account)</b>	
<b>Capital Outlay/Local Assistance for Intercity, Regional, and Urban Rail</b>				
4	Prop 1A High-Speed Rail Connectivity projects	\$812.0 (Prop 1A bond funds)	Apr FL #8	Appropriates remainder of \$950 million Prop 1A set-aside for rail connectivity to high-speed rail, including \$106 million for Caltrans Intercity Rail and \$706 million for local agency rail. Budget language makes expenditure contingent on HSRA funding for Central Valley. Excludes \$7.3 million Prop 1A in the baseline budget for positive train control.

5	Prop 1B and federal funds for Caltrans Intercity Rail	\$628.4 (various funds, including Prop 1B transit funds)	January Governor's Budget	Funds projects on the three intercity routes operated in coordination with Amtrak.
6	Prop 1B, other state funds, and federal funds for local agency rail and other mass transit.	\$465.4	January Governor's Budget & Apr FL #1	Supports state and federal mass transportation programs, including mass transportation capital projects in the State Transportation Improvement Program (STIP) and Prop 1B bond programs. Some are rail capital projects. Includes railroad grade separation projects funded from Prop 1B in the Highway Program.
<b>TOTAL Capital Outlay / Local Assistance</b>		<b>\$1,906</b>	<b>(various funds, incl Prop 1A and Prop 1B)</b>	
<b>GRAND TOTAL Caltrans</b>		<b>\$2,055</b>	<b>(various funds, incl Prop 1A and Prop 1B)</b>	

### State Transit Assistance (STA)

Funding budgeted for local transit agencies in item 2640 (separate from Caltrans)

Issue	Amount (in millions)	Source	Comment	
<b>Local Assistance</b>				
1	Transit funds available for either operations or capital.	\$420.4 (Public Transportation Account (PTA))	January Governor's Budget	Funding is the statutory allocation of revenue from the sales tax on diesel fuel and is associated with the fuel tax swap of 2010. Some of the funding supports local rail.
2	Prop 1B transit funds	\$829.8 (Prop 1B)	January Governor's Budget.	Funding is from prior budget act appropriations and available for 2012-13. From the Public Transportation Modernization, Improvement & Service Enhancement Account Prop 1B program. Some of the funding supports rail capital.
<b>GRAND TOTAL Caltrans</b>		<b>\$1,250</b>	<b>(Public Transportation Account and Prop 1B)</b>	

# Attachment II

## High-Speed Rail Map from the Final Business Plan

