

SUBCOMMITTEE NO. 2

Agenda

S. Joseph Simitian, Chair
Jean Fuller
Alan Lowenthal



Hearing Outcomes

Agenda – Part A

Day: Thursday, May 12, 2011
Time: upon adjournment of Budget and Fiscal Review
Rose Ann Vuich Hearing Room (2040)

Consultant: Brian Annis

Transportation

2665	High-Speed Rail Authority	1
	Attachment I – Statement on High-Speed Rail.....	3

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

2665 High-Speed Rail Authority

Department Overview: The California High-Speed Rail Authority (HSRA or 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. The cost to build "Phase I" (from San Francisco to Anaheim) is currently estimated by the HSRA at \$43 billion (in year-of-expenditure dollars). Of the \$43 billion cost, about \$12.2 billion is currently "in hand" – \$9 billion from Proposition 1A of 2008 (Prop 1A) and \$3.2 billion in federal funds. The HSRA 2009 Business Plan indicates the remainder of project funding will come from the federal government (about \$14.8 billion), local governments (about \$4.5 billion) and private investment through selling the concession (about \$11 billion). The majority of work on the project is performed by contractors – there are approximately 604 contractors (full-time equivalents) and 37 State staff. Most of the State positions were authorized last year, and due to the hiring freeze and other factors, only about 19 positions are currently filled.

January 10 Budget Overview: The January Governor's Budget proposed funding of \$192 million for the HSRA (\$102.4 million Prop 1A and \$89.7 million federal funds). This compares to 2010-11 funding of \$221 million. The 2011-12 budget included 37.1 funded positions for HSRA, which is unchanged from the adjusted 2010-11 level.

Current Budget Status: The Legislature retained the Authority's baseline budget, but rejected all the Budget Change Proposals (BCPs) without prejudice to allow for further review. The BCPs rejected totaled \$186 million and \$6.0 million was retained in the budget to cover the base funding for HSRA staff and inter-agency contracts. The High Speed Rail Authority typically receives detailed workload proposals from its contractors in the spring, and that detail is still pending. The Legislature approved, and the Governor signed, the transportation budget trailer bill, AB 105, which includes reporting requirements and makes one-quarter of the 2011-12 budget authority contingent on submittal and review of the reports. AB 105 also included new authority for HSRA to establish up to six exempt positions.

Events this Week: In a May 9, 2011, press release, the federal government announced that the California High-Speed Rail Authority has been awarded another \$300 million for a 20-mile extension along the Central Valley Corridor. This brings total federal funds awarded to California HSRA to \$3.5 billion. On May 10, 2011, the Legislative Analyst's Office (LAO) released its recommendations on high-speed rail. At the time this agenda was finalized, staff was still reviewing the LAO recommendations. As time allows, the Subcommittee may want to receive an update from HSRA on the federal funds, and an overview from the LAO on its recommendations.

Staff notes that the Select Committee on High Speed Rail, which Senator Lowenthal chairs, and on which Senator Simitian sits, has a hearing scheduled for May 11, 2011, and the topic is review of the California High-Speed Rail Peer Review Group Report. The LAO report and other issues may also be discussed.

Issues Suggested for Discussion

- 1. Statement on HSRA by Congresswoman Anna G. Eshoo, Senator S. Joseph Simitian, and Assemblyman Richard S. Gordon:** On April 18, 2011, the Senate Budget Subcommittee #2 Chair issued a joint statement on HSRA with Assembly Budget Subcommittee #3 Chair Assemblyman Gordon, and Congresswoman Eshoo. The complete statement is “Attachment A” at the end of this agenda.

Summary of Statement: The three signers state the following: “We call on the High-Speed Rail Authority and our local CalTrain Joint Powers Board to develop plans for a blended system that integrates high-speed rail with a 21st Century CalTrain.

To that end:

- We explicitly reject the notion of high-speed rail running from San Jose to San Francisco on an elevated structure or “viaduct”; and we call on the High-Speed Rail Authority to eliminate further consideration of an aerial option;
- We fully expect that high-speed rail running from San Jose to San Francisco can and should remain within the existing CalTrain right of way; and,
- Third and finally, consistent with a project of this more limited scope, the Authority should abandon its preparation of an EIR (Environmental Impact Report) for a phased project of larger dimensions over a 25 year timeframe. Continuing to plan for a project of this scope in the face of limited funding and growing community resistance is a fool’s errand; and is particularly ill-advised when predicated on ridership projections that are less than credible.”

April 28, 2011, and May 5, 2011, Hearings: At the two recent hearings, the Subcommittee and HSRA discussed the joint statement and legal issues – primarily, the design requirements in Proposition 1A and the requirements of the California Environmental Quality Act (CEQA). At the April 28, 2011, hearing HSRA agreed – indicating “*yes, that’s correct*” – to the statement: “*You can, in fact, make it in one-half hour from San Francisco to San Jose without building a viaduct and still staying substantially within the right of way*” (minute 56). The HSRA also agreed that the project could be reduced in scope, and still could comply with CEQA - specifically HSRA indicated “*Yes, the key, of course, is whether or not the definition of that project would meet the design characteristics for the system that are set forth in the law*” (minute 61). Note, should the project be down-scoped, it would not preclude a new project in some future year that would further invest in rail infrastructure, but that new project would require a new CEQA analysis.

Staff Comment: The HSRA should be prepared to continue discussion on the joint statement.

Action: No action taken – issue held open.

2. Budget Change Proposals: The Administration submitted the following Budget Change Proposals:

- **Program Management Contract (Part of COBCPs #1-7):** The Administration requests a total of \$41.5 million from Prop 1A bond funds and federal funds for the 2011-12 cost of the program-management contract. The funding request is \$4.5 million higher than the amount provided for 2010-11.
- **Program Management Oversight Contract (BCP #1):** The Administration requests a total of \$3.0 million from Prop 1A bond funds for the 2011-12 cost of the program-management oversight contract. The funding request is \$1.0 million higher than the amount provided for 2010-11.
- **Public Information and Communication Services Contract (BCP #3).** The Administration requests a total of \$1.8 million from Prop 1A bond funds for the 2011-12 cost of specialty contracts with a private vendor in the areas of communications. The amount of the funding request is the same as the funding provided for 2010-11.
- **Financial Plan and Public Private Participation Contracts (BCP #4).** The Administration requests a total of \$750,000 from Prop 1A bond funds for the 2011-12 cost of financial consulting services, including development of a Public Private Partnership Program (P3) plan. A total of \$1.0 million was provided in the 2010-11 budget for this same purpose.
- **Interagency Contracts for DOJ and DGS (BCP #7).** The Administration requests an augmentation of \$1.1 million in Prop 1A bonds to add to base funding of \$359,000 for inter-departmental legal and general services performed by the Department of Justice (DOJ) and the Department of General Services (DGS).
- **Engineering contracts for preliminary design and environmental impact reports (Part of COBCPs #1-7):** Excluding the amount for the Program Management Contract (which is discussed separately as issue #4 in this agenda), the Administration requests a total of \$137.9 million for the 2011-12 cost of multiple contracts to continue work on the project-level environmental impact reports and preliminary design. The cost would be funded 50-percent Prop 1A funds and 50-percent federal stimulus funds.

Staff Comment: Additional detail on the vendors' 2011-12 workplans is still pending. Upon completion of the workplans, HSRA indicates there will probably be adjustments to the budgeted expenditures by segment via a May Revision Finance Letter. The financial consultant is not yet under contract, but HSRA hopes to sign this contract over the next few weeks and indicates the October 14, 2011, fiscal reporting deadline will be met.

Staff Recommendation: Hold open all BCPs pending additional detail.

Action: No action taken – issues held open.

Attachment A

Statement on California High-Speed Rail by:

Congresswoman Anna G. Eshoo

Senator S. Joseph Simitian

Assemblyman Richard S. Gordon

April 18, 2011

Since the passage of Proposition 1A in 2008, each of us has expressed our support for “high-speed rail done right,” by which we mean a genuinely statewide system that makes prudent use of limited public funds and which is responsive to legitimate concerns about the impact of high-speed rail on our cities, towns, neighborhoods and homes.

To date, however, the California High Speed Rail Authority has failed to develop and describe such a system for the Peninsula and South Bay. For

that reason, we have taken it upon ourselves today to set forth some basic parameters for what “high-speed rail done right” looks like in our region.

We start with the premise that for the Authority to succeed in its statewide mission it must be sensitive and responsive to local concerns about local impacts. Moreover, it is undeniable that funding will be severely limited at both the state and national levels for the foreseeable future.

Much of the projected cost for the San Jose to San Francisco leg of the project is driven by the fact that the Authority has, to date, proposed what is essentially a second rail system for the Peninsula and South Bay, unnecessarily duplicating existing usable infrastructure. Even if such a duplicative system could be constructed without adverse impact along the CalTrain corridor, and we do not believe it can, the cost of such duplication simply cannot be justified.

If we can barely find the funds to do high speed rail right, we most certainly cannot find the funds to do high speed rail wrong.

Accordingly, we call upon the High-Speed Rail Authority and our local CalTrain Joint Powers Board to develop plans for *a blended system that integrates high-speed rail with a 21st Century CalTrain.*

To that end:

- We explicitly reject the notion of high-speed rail running from San Jose to San Francisco on an elevated structure or “viaduct”; and we call on the High-Speed Rail Authority to eliminate further consideration of an aerial option;
- We fully expect that high-speed rail running from San Jose to San Francisco can and should remain within the existing CalTrain right of way; and,

- Third and finally, consistent with a project of this more limited scope, the Authority should abandon its preparation of an EIR (Environmental Impact Report) for a phased project of larger dimensions over a 25 year timeframe. Continuing to plan for a project of this scope in the face of limited funding and growing community resistance is a fool's errand; and is particularly ill-advised when predicated on ridership projections that are less than credible.

Within the existing right-of-way, at or below grade, a single blended system could allow high-speed rail arriving in San Jose to continue north in a seamless fashion as part of a 21st Century CalTrain (using some combination of electrification, positive train control, new rolling stock and/or other appropriate upgrades) while maintaining the currently projected speeds and travel time for high-speed rail.

The net result of such a system would be a substantially upgraded commuter service for Peninsula and South Bay residents capable of accommodating high-speed rail from San Jose to San Francisco.

All of this is possible, but only if the High-Speed Rail Authority takes this opportunity to rethink its direction.

Over the course of the past 18 months the Authority has come under considerable criticism from the California Legislative Analyst's Office, the Bureau of State Audits, the California Office of the Inspector General, the Authority's own Peer Review Group and the Institute of Transportation Studies at the University of California at Berkeley. The Authority would do well to take these critiques to heart, and to make them the basis for a renewed and improved effort.

Frankly, a great many of our constituents are convinced that the High-Speed Rail Authority has already wandered so far afield that it is too late

for a successful course correction. We hope the Authority can prove otherwise.

An essential first step is a rethinking of the Authority's plans for the Peninsula and South Bay. A commitment to a project which eschews an aerial viaduct, stays within the existing right-of-way, sets aside any notion of a phased project expansion at a later date, and incorporates the necessary upgrades for CalTrain - which would produce a truly blended system along the CalTrain corridor - is the essential next step.