

ITEMS FOR DISCUSSION

2665 HIGH-SPEED RAIL AUTHORITY

Issue 1: Project Update

Governor’s Proposal. The Governor’s budget includes two proposals to reappropriate funds for the High-Speed Rail project:

- ***Blended System Early Improvements – Reappropriation of High-Speed Passenger Train Bond Fund (Proposition 1A).*** The High-Speed Rail Authority requests a reappropriation of \$423.3 million in High-Speed Passenger Train Bond Fund (Proposition 1A) funding through June 30, 2028. This funding is specifically for one of the bookend projects in the Los Angeles Union Station (LinkUS), which was approved in 2022 for a total of \$423.3 million.

The LinkUS Project is a major regional transportation gateway, served by numerous transportation services, including Metrolink commuter rail service, Amtrak intercity and long-distance rail services, Metro Rail services (heavy and light rail), Metro Bus service, municipal bus operators, shuttles, and taxis. The Los Angeles Union Station is an aging and capacity constrained facility that is rapidly approaching maximum operational capacity. The LinkUS Project is being constructed by the Los Angeles County Metropolitan Transportation Authority (LACMTA). Among other provisions, the Project Management and Funding Agreement between the Authority and LACMTA grants the Authority access to two platforms and four tracks at the Los Angeles Union Station, and rights to build and operate on the shared rail corridor owned by LACMTA.

- ***Initial Operating Segment, Section 1 – Reappropriation.*** The High-Speed Rail Authority requests a reappropriation of \$246.3 million in Federal Trust Fund authority through June 30, 2034. The funds are intended to complete the Merced-to-Bakersfield segment. Specifically, it includes \$201.9 million from the Consolidated Rail Infrastructure and Safety Improvements grants; \$24 million from the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grants for Wasco; \$20 million from RAISE for the Fresno Historic Depot; and \$488,000 from RAISE for the Merced extension. Specifically, the funding are for the following:
 - *Rebuilding American Infrastructure with Sustainability and Equity (RAISE) – Wasco: \$24,000,000.* RAISE Grant awarded in November 2021 provided \$24 million in federal funding to be used for crucial safety, efficiency and construction projects in and around the City of Wasco. (Obligated May 6, 2024). The Authority is a First Tier subrecipient and managed by Caltrans.
 - *RAISE – Merced Extension: \$488,000.* This \$25,000,000 federal grant’s purpose was to fund design for the Merced Extension of the California High-Speed Rail project. The project will design civil infrastructure, track and systems and station platform from Madera to Merced, on the Merced-Fresno-Bakersfield early operating segment. (Obligated January 4, 2024). This grant is moving toward closeout with the Period of Performance ending March 31, 2026 and the amount listed above is the total remaining federal funding outstanding for this grant.

- *RAISE – Fresno Historic Depot: \$20,000,000.* The grant will fund the Fresno Historic Depot Renovation Project, as well as Park and Plaza, and Zero Emissions Vehicle Infrastructure. (Obligated September 18, 2024).
- *Consolidated Rail Infrastructure and Safety Improvements (CRISI): \$201,851,000.* The grant will fund the design, right-of-way purchases and construction of the six grade separations in the city of Shafter (Kern County) that will separate car and pedestrian traffic from current freight trains and future high-speed rail trains. (Obligated September 13, 2024).

In addition, the Governor’s budget includes trailer bill language to amend section 39719.4 of the Health and Safety Code and other areas of statute for the Greenhouse Gas Reduction Fund (GGRF) and the programs it supports. Specifically, for HSRA, the proposed language would authorize funding of state operations costs from the \$1 billion allocated to the High-Speed Rail Authority.

Background. The California High-Speed Rail Authority (HSRA)—an independent authority consisting of a nine-member board appointed by the Legislature and Governor—is responsible for planning and constructing an intercity high-speed train system that would link the state’s major population centers. State law requires HSRA to prepare a business plan every even year that provides certain key information about the planned high-speed rail system. State law also requires HSRA to provide a project update report (PUR) every odd year that provides certain updated information, such as on costs and schedule. The HSRA released its draft 2026 business plan on February 28, 2026.

The High-Speed Rail project is primarily funded from three sources: (1) Proposition 1A Bond, a \$10 billion general obligation bond approved by voters in 2008, (2) federal funds, and (3) the Greenhouse Gas Reduction Fund.

- *Proposition 1A Bond.* Proposition 1A authorized the state to sell about \$10 billion in general obligation bonds—\$9 billion for the high-speed rail system itself, with the remainder to support the connectivity projects. (Of this \$9 billion, HSRA has set aside \$1.1 billion as contributions to locally administered bookend projects.) To date, the Legislature has appropriated \$9 billion to the project, \$8.4 billion of which has been spent. There is roughly \$624 million remaining.
- *Federal Funds.* The federal government has awarded HSRA several grants, totaling \$6.8 billion across several programs. However, of this amount, the U.S. Department of Transportation withdrew \$4 billion from the project in July 2025. Though the authority initially filed a lawsuit, HSRA has since dropped the lawsuit in December 2025. To date, the project has spent \$2.6 billion and \$245.9 million remains.
- *Greenhouse Gas Reduction Fund.* SB 840 (Limón, Chapter 121, Statutes of 2025) and AB 1207 (Irwin, Chapter 117, Statutes of 2025) extended the Cap-and-Trade program and extended a continuous appropriation to the High-Speed Rail project. Specifically, these bills provided HSRA a continuous annual appropriation of \$1 billion until 2045. To date, the project has received \$8.2 billion in GGRF, of which \$4.5 billion has been spent. \$3.7 billion remains.

According to the most recent business plan, the Authority estimates the total cost to build from San Francisco to Los Angeles/Anaheim is \$126.2 billion. However, this estimate is based on a reduced project scope, including moving the Merced and Bakersfield stations away from their SB 198 defined locations, reducing the length of dual-tracked route segments to a total of roughly 20 miles, concentrated around stations, and adopting a blended approach outside of the Central Valley, allowing high-speed rail trains to utilize existing rail corridors to connect the segment to San Francisco via Gilroy in the north and Los Angeles via Palmdale in the south.

The draft business plan also includes capital cost estimates for the 119-mile Central Valley segment (\$20.1 billion) and Merced to Bakersfield (\$34.8 billion). The Authority projects to begin passenger service on the Merced-to-Bakersfield segment in 2033 and San Francisco to Los Angeles/Anaheim in 2040. However, this assumes the project has full funding, which it currently does not, and statutory changes that the Authority has requested.

Specifically, the Authority has also laid out an array of legislative proposals. The Authority states that these proposals are all necessary statutory changes that would allow it to implement its new plan and complete delivery of the project. These asks include:

- CEQA exemptions for renewable power generation facilities – to streamline environmental approvals and accelerate delivery of renewable energy sources needed to power the system.
- Streamlined permitting for utility relocation and third-party management – to establish enforceable timelines, accountability, and cost controls for utility providers and other third parties where associated delays currently threaten projects schedules.
- Dedicated court resources for right-of-way cases – to ensure timely adjudication of property acquisitions and avoid costly delays in construction sequencing.
- Boosted land use authority and value capture mechanisms – to provide regulatory tolls around station areas and along the corridor and allow the Authority to capture value in the form of sales and property tax increment, generated by transit-oriented development. This would include zoning, land use, and permitting controls over land it owns and land within a one-half mile radius of high-speed rail stations.
- Sales tax exemption on purchasing materials – to reduce overall costs and schedule of construction and incentivize efficient in-state procurement.
- Encroachment permit authority – to allow the Authority to issue encroachment permits to allow third-parties to access its right-of-way.
- SB 198 (Committee on Budget and Fiscal Review, Chapter 71, Statutes of 2022) Changes – remove the limitations related to spending outside the Central Valley, to provide flexibility for project sequencing and unlock private sector engagement, allowing the Authority to invest new funds back into the system to continue building.

The estimates in the plan also include a number of cost-saving measures identified during a new “bottom-up cost review” that adjusted the Authority’s overall financial assumptions. This review further included explicit and implicit scope changes to the project, such as moving the Merced and Bakersfield stations outside of the downtown area, projected to save roughly \$1.1 billion, and reducing the amount of dual-track rail to 20 miles across the entire segment. This outlook requires that the Legislature approve the aforementioned scope changes to the plan that is currently outlined in SB 198. These changes include controversial decisions, including relocating the Merced station outside of the downtown.

In addition to major scope changes, the Plan’s cost and schedule estimates assume that all of the statutory changes requested are achieved. It is unclear how much cost and time would be added to the estimates if any or all of the requests of the Legislature are not achieved. The Authority has also laid out plans to explore what they call ancillary revenue sources. These are various forms of value capture, aiming to produce additional revenues based on the overall economic growth facilitated by the project itself. Some of these proposed revenue sources include advertising, baggage fees, station retail, sponsorship deals, telecommunications infrastructure, and ground leases, among others. These ancillary revenues are also included in the Plan’s estimates.

The Authority projects that they currently have the funds to complete the Merced-Bakersfield segment. Specifically, the Plan identifies the available funding at \$39.3 billion. Again, this total includes an estimated \$15 billion from the state’s Cap-and-Invest program through 2045. As mentioned above, this funding does not mean that they have cash on hand to align with planned construction schedules. As with SPUR, the Authority’s most recent financial outlook assumes that they are able to secure these near-term funds through financing based on their ongoing Cap-and-Invest appropriations. It is unclear what the Authority would need to facilitate this kind of borrowing and how much it would cost. As Cap-and-Invest proceeds are volatile and the Authority is not guaranteed a so-called “first call” on the funds for their \$1 billion annual allocation, it may not be attractive to the potential investors for financing. The Authority may seek more guarantees, such as the state agreeing not to make major changes in the program or the state may have to pay a higher interest rate to compensate for the risk that revenues may not materialize.

In addition to needing to borrow or finance the Cap-and-Invest funds to complete the Merced to Bakersfield segment by 2032, the Authority is looking for P3 opportunities, or public-private partnerships, to help fund segments outside the Central Valley and the remaining parts of Phase I. “P3s” are primarily anchored on the concept of Track Access Charges (TACs). This model is based on high-speed rail projects globally and represents a blending of risk and capital between government entities and private companies. In general, these agreements work by splitting the ownership of the rail infrastructure from the operation of the rail service. The entity which operates the rail service then pays a TAC to the infrastructure owner for the right to use the rail. Under this setup the government can take the role of either the operator or the infrastructure owner, or play a partnering role in either entity. A wide mix of models are used across the globe, and it is currently unclear what exact model the Authority envisions using for high-speed rail in California.

In June 2025, the Authority released a Request for Expressions of Interest (RFEI), to seek detailed feedback from industry participants on the commercial, financial, and technical aspects of upcoming procurement and potential project delivery models. The Authority received 30 submittals, with some common recommendations regarding efficient delivery, attracting investment, and streamlined processes and procurement. Regarding attracting investment, almost all respondents expressed concerns over the volatility of Cap-and-Invest revenues, emphasizing the need for long-term, stable, and predictable revenue streams to attract private investment and support program financing.

In December 2025, the Authority released a Request for Qualifications (RFQ) for a Co-Development Partner (CDP) who would initiate a process to try to bring on private investors and developers. According to the Authority, the CDP would “evaluate opportunities to for a private sector partner to leverage innovation, expertise and efficiency in design construction, systems integration, finance, operations and maintenance of one or more selected project segments and elements. This could result in one or more P3 development agreements.”

It is unclear what types of P3, if any, the Authority may pursue in the future. Regarding financing through a P3, a recent report by the Legislative Analyst’s Office (LAO) states that the Authority, “could pursue financing through a P3, but this has the potential to be a relatively expensive approach, as the P3 would need to be compensated for access to its equity and any risks it absorbs. Ensuring the state gets the lowest price in P3 procurements is also difficult, as the agreements can be complex, and firms do not directly compete on price.” The LAO called into question whether even the sum total of these efforts will be sufficient to close the Phase I funding gap.

Staff Comments. In the last year, the financial circumstances of the High-Speed Rail project have significantly changed—on one hand, the project received a continuous appropriation of \$1 billion for the next 20 years from the Cap-and-Invest (formerly known as Cap-and-Trade) program, and on the other hand, it lost \$4 billion in federal funds. Given these changes, the Legislature may want to consider how the authority has changed its funding approach. For example, in December 2025, the authority initiated a process to potentially bring private investors and developers to the Authority by summer 2026. A public-private partnership is a novel approach, and one that could deliver the project faster but also could expose the project and state funds to undue risk. Prior to the authority taking action on this, the Legislature may want to better understand this strategy and the potential benefits and/or tradeoffs of using private funds in a state infrastructure project of this scale.

The authority has also publicly discussed potential legislation to streamline processes, reduce costs, and expedite the project, as detailed above. However, none of these proposals have been introduced in the legislative policy or budget process to date. The Legislature may want to request additional information regarding these proposals, to better evaluate whether these ideas align with legislative priorities for the project. In addition, the Legislature may want to ask the authority whether (and if so, to what extent) the authority incorporates these legislative tools in project timelines and cost estimates provided in the most recent business plan.

Staff Recommendation. Hold open.