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Background Paper for Senate Transportation Committee INFORMATIONAL HEARING

REVIEW OF THE CALIFORNIA HIGH-SPEED RAIL AUTHORITY 2026 DRAFT BUSINESS PLAN

Monday, April 27, 2026

Introduction

The purpose of the hearing is to review the California High-Speed Rail Authority's (Authority) 2026 Draft Business Plan (2026 Draft Plan) and assess the state of the project. Hearing panelists include representatives from the Authority, the Legislative Analyst's Office (LAO), and the independent California High-Speed Rail Authority Inspector General.

The 2026 Draft Plan serves as an update to the spring 2025 Project Update Report (PUR) and fall 2025 Supplemental Project Update Report (SPUR). Between the SPUR and 2026 Draft Plan the Authority is envisioning a restructuring of their approach to the project. This approach involves a complete bottoms-up cost review, potential scope changes to the project, a set of new legislative asks, and shifting focus to private partnership opportunities.

However, even with this new approach, the project faces numerous challenges. On the funding side, the project has recently lost roughly \$4 billion in federal funds. In 2025, with the renewal of Cap-and-Invest, the Authority did secure a \$1 billion annual appropriation from the Greenhouse Gas Reduction Fund (GGRF); however, this funding is dependent on available GGRF revenues, which may fall short in coming years. On the timing side, the project continues to face delays and has the difficulty of aligning future cash flow with projected construction schedules.

Despite these challenges, the high-speed rail project remains the largest public works project in the country and has a major impact on the economy, especially in the Central Valley. As of April 2026, high-speed rail investments have generated roughly 122,000 job-years of employment, with roughly \$9.5 billion in labor income, and over \$24 billion in economic activity.

Today's hearing is an opportunity for Legislators and the public to focus on and gain a better understanding of the current project being built in the Central Valley, the proposed scope changes, the costs associated with

delivering a usable segment, the existing and potential funding sources, the possible risks associated with private sector partnership and financing, and the project's value in meeting the state's infrastructure, environmental, and economic goals.

Background

The Authority Must Publish Detailed Plans

The Authority is statutorily required to prepare, publish, and adopt a Business Plan every even numbered year outlining key required elements of the high-speed rail project. Those elements include project development information, including a description of the type of service being developed; the timing and sequencing of project phases and segments; estimated capital costs; ridership estimates; and a discussion of reasonable foreseeable risks and strategies to manage those risks. Additionally, the Business Plan is required to contain estimates and descriptions of the total anticipated federal, state, local, and other funds the Authority intends to access for the construction and operation of the system. The Business Plan is required to be published in draft form for public comment and submitted to the Legislature for review. For the years without a Business Plan, the Authority is required to prepare a PUR to provide an update on the development and implementation of the project, including a baseline budget for all project phase costs, expenditures to date, and a projected work schedule.

Additionally, SB 198 (Committee on Budget and Fiscal Review, Chapter 71, Statutes of 2022) added new requirements for the Business Plan and the PUR, including a set of specific delivery schedules for various components of the Central Valley project; updates to cost estimates with a stated probability level; an updated funding plan for Merced to Bakersfield, including any new funding awards; and any additional milestones required for the completion of the Merced to Bakersfield segment. Finally, in 2025, the Legislature approved AB 377 (Tangipa, Chapter 81, Statutes of 2025), which required the 2026 Business Plan to include a detailed funding plan for the Merced to Bakersfield segment that includes certain information, including an updated estimate of the funding gap for completing the segment, a stagey for addressing the funding gap, and a timeline describing when each source of funds must be received in order to meet the Authority's schedule for segment completion.

It is important to note that the High-Speed Rail Inspector General (IG) submitted a preliminary review of the 2026 Draft Plan as required by SB 198. The IG noted the serious concerns with the 2026 Draft Plan and the direct noncompliance with existing law. Specifically, the IG states, "In the past, we have fulfilled this duty by publicly issuing the results of our reviews to stakeholders alongside or following the Authority's own final document. However, our initial review of this draft business plan has found that it is generally missing statutorily required elements. In our judgement, the extent of these omissions makes the draft plan objectively incomplete and, if not addressed, noncompliant with state law. These omissions mask the true cost and timeline for completing the project's initial operating segment as defined in statute. Consequently, we are taking the additional step of providing these written comments directly to the Authority's Board of Directors (Board), which PUC 185033 (b)(2) requires the Board to take into consideration prior to adopting the plan. Our purpose in doing so is to encourage the Board to direct Authority staff to include the required information in its final business plan. If the Authority fails to do so, we further encourage the Board not to adopt the plan."

History of California High-Speed Rail

Development of high-speed rail in California began nearly 30 years ago. SB 1420 (Kopp, Chapter 796, Statutes of 1996), created the Authority to direct development and implementation of intercity high-speed rail service that would be fully coordinated with other public transportation services. The Authority is part of the California State Transportation Agency (CalSTA) and is governed by an eleven-member Board of Directors. The Governor appoints five members of the board, the Senate Rules Committee appoints two, and the Assembly Speaker appoints two. Additionally, the board includes two ex-officio, non-voting members, one member of the Assembly and one member of the Senate.

In 2008, Assembly Bill 3034 (Galgiani, Chapter 267, Statutes of 2008), placed before the voters, and voters approved, Proposition 1A, the Safe, Reliable, High-Speed Passenger Train Bond Act. This approved a \$9.95 billion general obligation bond to fund the proposed California high-speed rail project and related improvements. As envisioned at the time of the ballot measure, the project was to consist of an 800-mile dedicated high-speed passenger rail system capable of speeds up to 220 miles per hour, initially serving the major metropolitan market of San Francisco through the Central Valley into Los Angeles and Anaheim (Phase I), with service eventually extending to Sacramento, the Inland Empire, and San Diego (Phase II). From the bond, \$9 billion was obligated develop and construct the high-speed rail system connecting San Francisco Transbay Terminal to Los Angeles Union Station, and \$950 million was obligated for connecting intercity and commuter rail systems that would enhance those systems' capacity, safety, or connectivity to the high-speed rail system.

Proposition 1A prescribed specific route and design requirements for the high-speed rail system including that it must be electrified, be capable of sustaining speeds of no less than 200 miles per hour, and have the capacity to achieve travel times between San Francisco and Los Angeles of 2 hours and 40 minutes. Additionally, Proposition 1A required a one-to-one match of all bond funds from other sources and laid out specific requirements the Authority must meet in order to access and spend the bond funds, including submission of detailed funding plans to the Legislature and Department of Finance. Furthermore, Proposition 1A required high-speed rail to operate without government subsidies. At the time, the analysis by the LAO that accompanied the ballot measure referenced a 2006 estimate from the Authority that the total cost to develop and construct the entire Phase I system would be approximately \$45 billion.

In July 2012, the Legislature approved SB 1029 (Committee on Budget and Fiscal Review, Chapter 152, Statutes of 2012), that appropriated nearly \$8 billion in federal and state funds to begin the construction between Madera and Bakersfield. SB 1029 funded three components of the project, including \$5.8 billion (\$3.2 billion from federal grants and \$2.6 billion from Proposition 1A) to fund the construction of the high-speed rail "backbone" in the Central Valley; \$819 million of Proposition 1A bonds for "connectivity" projects on existing rail and transit systems throughout the state; and \$1.1 billion for the "bookends" projects in the Bay Area and Southern California (\$600 million for the electrification of Caltrain and \$500 million for projects in the Los Angeles Basin) to improve existing rail corridors for eventual use by the high-speed rail system. Specifically, to date, the funding for the bookends have been allocated as follows: \$714 million for Caltrain electrification, \$423 million for Los Angeles Union Station (LinkUS) project, \$84 million for the San Mateo grade separation, and \$77 million for the Rosecrans/Marquardt grade separation. All of these projects are completed except for the LinkUS project, which has not started construction.

At the time, Phase I was estimated to cost \$68 billion and be up and running by 2029. Further, the 2014-15 state budget trailer bill, SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014), continuously appropriated 25% of the revenues derived from the state's Cap-and-Trade program to the project.

Following these appropriations, the project began to undergo a number of scoping changes, particularly related to the so-called Initial Operating Segment (IOS). Initially, this segment was a southern-focused route emanating from Los Angeles. However, the 2016 Business Plan unveiled a new northern-focused route from San Francisco to Bakersfield. The so-called Silicon Valley to Central Valley Line, or Valley to Valley line, was to be funded with Proposition 1A bonds, federal funds, continued Cap-and-Trade pay-as-you-go funding and a Cap-and-Trade financing plan to 2050. At the time, this Valley to Valley was estimated to cost \$20.7 billion and be completed by 2025.

In February 2019, Governor Newsom delivered his State of the State address and he appeared to signal a change in the project, shifting emphasis to completing a workable rail line in the Central Valley, but casting doubt over the completion of the full Phase I. Specifically, Newsom noted, "the project, as currently planned, would cost too much and take too long. There's been too little oversight and not enough transparency." He outlined a new Central Valley construction plan, including extending the current line north to Merced and south to Bakersfield.

This new focus on the Valley construction was detailed in the 2019 PUR and continued in the 2023 PUR and the 2024 Business Plan. The 2019 PUR committed the Authority to completing an initial "building block" of a high-speed rail system in the Central Valley. Specifically, the new Central Valley Line was described as a 171 mile high-speed rail line from Merced to Bakersfield, with stations planned for Merced, Madera, Fresno, Kings/Tulare, and Bakersfield. The Central Valley Line included all of the current Central Valley construction (119 miles), with extensions to Merced and Bakersfield. In 2019, the Central Valley construction was estimated to cost \$12.4 billion and the complete new Central Valley Line was estimated to cost \$20.4 billion to be completed by 2028. By 2024 the Authority estimated the cost of the Valley to Valley line at between roughly \$59 billion and \$68 billion. The entire cost of Phase I was estimated to be between \$106 billion to \$127 billion.

To support this work, in the 2022-23 State Budget, the Legislature approved a \$10.8 billion transportation package that also included an appropriation of the remaining \$4.2 billion Proposition 1A bonds for the high-speed rail project. Additionally, as part of the budget package, the Legislature approved SB 198, which codified this new shifted focus on the Merced to Bakersfield segment. Specifically, the Legislature expressed its intent that the Authority prioritize use of its funds to complete the Merced to Bakersfield segment. Furthermore, this segment was officially defined as "the 171-mile electrified dual track segment that is usable for high-speed rail service in the Central Valley from Merced to Bakersfield, with a new combined station in downtown Merced, and connections to the Amtrak San Joaquins and that Altamont Corridor Express." SB 198 also limited spending outside of the Merced to Bakersfield line and created a California High-Speed Rail Authority Office of the Inspector General (OIG). This office is tasked with overseeing audits and investigations of the Authority and its contractors and providing independent fiscal estimates and reviews of the Authority's business plans and project updates. In 2023, Benjamin Belnap was named the inaugural Inspector General.

In August of 2024, the Authority announced the hiring of a new CEO, Ian Choudri. Mr. Choudri aimed to undertake a complete re-examination of the project, implementing a new “bottoms-up” cost review and looking for ways to bring in additional sources of revenue to complete the project. Since then, the Authority has included in its business plans and PURs a focus on looking at public-private partnerships to bring private capital in to help support the project. These documents have also looked at ways to potentially re-scope the project, including moving the Merced and Bakersfield stations, reducing the amount of dual-track across the line, and investigating so-called blended approaches, running service on existing rail lines. Finally, these reports have also introduced the concept of “ancillary revenue sources,” various forms of value-capture, aiming to produce additional revenues based on the overall economic growth facilitated by the project itself.

At the same time as this re-evaluation of the project, the project’s overall funding situation also faced significant changes. Namely, in 2025, through AB 1207 (Irwin, Chapter 117, Statutes of 2025) and SB 840 (Limon and McGuire, Chapter 121, Statutes of 2025), the Legislature extended the Cap-and-Trade program through 2045, renaming it Cap-and-Invest. SB 840 also allocated, if funds are available, \$1 billion of Cap-and-Invest funds annually to the Authority through 2045.

Furthermore, in early 2026, the project lost roughly \$4.2 billion in federal grant money. This came after many years of disagreements with the federal government and alternating postures towards the project based on differing administrations. Initially, in 2016, the Federal Railroad Administration (FRA), under the first Trump Administration, moved to de-obligate \$929 million awarded to California stating that the Authority “failed” to comply with the terms of the agreement, and had failed to make reasonable progress on the project.” The State sued the FRA, and the case was subsequently settled under the Biden Administration. At this time, the Authority renegotiated the grant agreement with the FRA for the \$929 million. This new agreement extended the period of the grant and added electrification of the Central Valley segment to the required scope of work.

During the Biden Administration the Authority was also able to secure additional funding through the Infrastructure Investment and Jobs Act (IIJA, P.L. 117-58), otherwise known as the Bipartisan Infrastructure Law (BIL). In 2023 specifically, the Authority received roughly \$3.3 billion in grant awards from various BIL grants, with the largest, \$3.1 billion, coming from the Federal-State Partnership for Intercity Rail Grants. The grant award was for work on the Merced and Bakersfield extensions and called for final design and right-of-way acquisition for the Merced and Bakersfield extensions, civil, track, and systems construction for 13 miles of the Bakersfield extension, design and construction of the Fresno Station, and design and procurement of trainsets.

Following the start of the second Trump Administration, the FRA again sought to revoke the now roughly \$4.2 billion in federal grant money awarded to the project but not yet spent. Specifically, FRA initiated a compliance review of the project and determined that the Authority “will not be able to deliver the operation of a Merced-to Bakersfield corridor by the end of 2033.” California once again sued. The Authority later announced that they had arrived at an agreement with FRA so that the funds could not be reallocated to other projects unless a new Notice of Funding Opportunity (NOFO) was released. In September 2025, FRA issued a NOFO which included \$2.4 billion in funding previously awarded to the Authority. Subsequently, the state asked the court for an injunction to prevent the reallocation of funds. However, in December 2025, the Authority announced the state was withdrawing their lawsuit and giving up the federal funds. The Authority has stated that they ended the litigation after it became clear that the current federal administration is not a reliable partner.

Current Status and the Draft 2026 Business Plan

In 2015, the Authority broke ground on the first construction segment in the Central Valley, starting work on the 119-mile Central Valley Segment. Although no actual high-speed rail track has yet been laid, in early 2026 some track was laid for a rail depot intended to serve as a construction hub for the Central Valley segment.

As of April 2026, the Authority reports having completed 58 structures and 80 miles of guideway. This is a 63% and 68% structure and guideway completion rate respectively for the Central Valley Segment. The Authority also reports a 86% utility relocation completion rate, and a 99.7% parcel delivery rate for the segment. Additionally, the Authority stated that it has completed its Draft Environmental Impact Report (EIR) and Environmental Impact Statement (EIS) for the 30 mile segment between Los Angeles and Anaheim, which completes the environmental review for the entirety of Phase I.

According to the Authority, high-speed rail investments have generated roughly 122,000 job-years of employment, with roughly \$9.5 billion in labor income, and over \$24 billion in economic output since inception. Specifically, since construction began in the Central Valley, the project has created more than 16,000 good paying jobs. In 2025, an average of 1,400 workers reported to high-speed rail construction sites across the Central Valley each day.

While construction has been continuing, since August 2024 the Authority has been looking at revamping the high-speed rail project. As a result, when the Authority released the 2025 PUR, it did not contain numerous required elements, noting “The Authority is undergoing a comprehensive effort to update its design criteria, scope, cost, procurement strategy, ridership and schedule. These updates will be submitted to the Legislature later this year.” These updates were submitted in August 2025 when the Authority released the SPUR.

With the release of the 2026 Draft Plan, the Authority states that it has finalized its revamping of the project. As mentioned above, this revamp envisions numerous potential changes to the project. Namely, the Authority envisions a number of scope changes, 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 revamped project also envisions a future shift towards looking at alternative methods of raising money in the long-term for the completion of full Phase I. This approach is proposed through two primary mechanisms. The first are so-called “P3s”, or public-private partnerships, 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.

Despite this uncertainty, the Authority has made initial steps towards implementing P3 agreements. 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.”

The second proposed funding mechanism is the use of ancillary revenue sources. These include a wide variety of mechanisms meant to capture value from the Merced to Bakersfield segment once it is operational. The Authority has provided only very rough funding estimates for these revenue sources, but between the SPUR and 2026 Draft Plan they lay out a variety of options. Most notably, these include advertising, baggage fees, parking fees, station retail, sponsorship deals, telecommunications infrastructure, and ground leases.

In order to implement this revamped approach, 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: (1) CEQA exemptions for renewable power generation facilities to streamline environmental approvals and accelerate delivery of renewable energy sources needed to power the system; (2) 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; (3) Dedicated court resources for right-of-way cases to ensure timely adjudication of property acquisitions and avoid costly delays in construction sequencing; (4) 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; (5) Sales tax exemption on purchasing materials to reduce overall costs and schedule of construction and incentivize efficient in-state procurement; (6) Encroachment permit authority to allow the Authority to issue encroachment permits to allow third-parties to access its right-of-way; and (7) SB 198 Changes to remove the limitations related to spending outside the Central Valley, provide flexibility for project sequencing and unlock private sector engagement, and allow the Authority to invest new funds back into the system to continue building.

Current Funding

The 2026 Draft Plan includes the final results of the Authority’s bottoms-up cost review. This review altered the Authority’s entire financial modeling process for the project, moving away from the previously used

parametric modeling. Based on the new review, the Authority estimates the cost of the Merced to Bakersfield segment at \$34.8 billion, with a completion date of 2032. The estimated cost for the entire Phase I remains essentially unchanged at \$126 billion, however the Authority notes that under its original modeling the price would have risen to \$230 billion since the 2024 Business Plan. The Authority estimates Phase I to be completed by 2040.

In terms of funding, the 2026 Draft Plan states that the Authority has secured a total of roughly \$40 billion for the project to date. This includes approximately \$3 billion of federal funds that have already been spent and were not part of the 2026 recession, roughly \$8 billion in Proposition 1A funds, and roughly \$29 billion of past and future GGRF funds. Of this money, the Authority reports having spent roughly \$14.8 billion to date, leaving slightly more than \$24.5 billion remaining in secured funds. However, the majority of this funding is set to come in slowly between now and 2045 via the Authority’s \$1 billion annual allotments in GGRF funding.

Based on this analysis, the Authority projects that they currently have the funds to complete the Merced to Bakersfield segment. However, this funding does not mean that they have cash on hand to align with planned construction schedules. Due to the reliance on promised GGRF funds, this assessment relies on the Authority’s ability to secure near-term funds through financing based on these ongoing appropriations. However, given restructuring in the Cap-and-Invest program, and high-speed rail’s placement as a Tier 2 allocation, it is possible that in future years the project may not receive its full \$1 billion allocation. It is thus unclear to what extent this increased risk may affect the Authority’s ability to finance based on GGRF funds. This in turn risks delaying the timely availability of funds.

This issue of cash flow is illustrated in the table below. It shows the difference between the funds the Authority projects to have available, and the Authority’s estimated total cost for both the Merced to Bakersfield segment and all of Phase I. These differences are shown at key times in the Authority’s projected project schedule. All values are in billions of dollars.

Date	Total Funds Received	Merced-Bakersfield Cost Gap (Estimated \$34.8 B)	Phase I Cost Gap (Estimated \$126 B)
2026 (Today)	19.3	-15.5	-107
2032 (M-B Estimated Completion)	25.3	-9.5	-101
2040 (Phase I Estimated Completion)	33.3	-1.5	-93
2045 (End of GGRF Allocation)	39.3	0	-87

Furthermore, the above financial outlook requires that the Legislature approves the aforementioned scope changes to the project currently mandated in SB 198. As noted, these changes include controversial decisions, including relocating the Merced station outside of the downtown area. Currently, the only legislation introduced to directly address these requests is a proposal to grant the Authority encroachment permit authority. Additionally, another legislative proposal is pending that would make changes to SB 198, but not to

the extent the Authority is requesting. Thus, large amounts of risk remain that some of the Authority's asks may not be implemented.

Overall, the Authority's longer term plans for mitigating these financial risks, as well as securing the funding to complete the full Phase I, rely heavily on the shift towards P3s and ancillary revenue sources. However, as discussed above, it is unclear what types of P3s the Authority may pursue in the future. Regarding financing through a P3, a recent report by the 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 same report noted concerns about the true revenue potential of ancillary revenue sources, noting that the Authority currently does not have the legal authority to implement many of its plans.

Overall, the LAO called into question whether even the sum total of all of these efforts will be sufficient to finish construction of the Merced to Bakersfield segment, let alone close the Phase I funding gap.

Conclusion

The Authority is charged with planning, designing, building, and operating the nation's first high-speed rail system. It is a daunting task. The sheer size of the program, coupled with inadequate, unstable funding, fluctuating design criteria, constant legal threats, environmental and geological concerns, and difficult engineering challenges make success seem impossible. Additionally, the project has been plagued with cost increases and project delays, internal restructuring and staffing issues, and more recently, a federal government not interested in being a project partner.

Between the 2026 Draft Plan and the 2025 SPUR, the Authority lays out their new vision for the project to tackle these issues. By adjusting the project scope, shifting their cost estimation methods, and focusing on alternative funding sources, they hope to be able to get back on schedule and start initial high-speed rail operations. However, the overall funding picture remains uncertain and the Authority's new plan comes with key challenges of its own. Namely, the Authority lacks statutory authority to implement the new project scope, and they have yet to provide key details about their plans to attract private investment.

For the hearing, the Legislature may want to consider:

- Does the proposed project serve the transportation needs of the state? At what point will the state see the benefits of the project?
- Can the Central Valley Line be built at the current cost and schedule? If not, what will the state need to commit to provide to complete the work?
- What are the risks to costs and schedule if the Authority's legislative asks do not materialize?
- What are the risks in pursuing a P3? What protections should the Legislature consider to safeguard the state as part of these investment proposals?
- Regarding the concerns of the IG, why did the Draft 2026 Business Plan not include legally required elements? Will those elements be added to the final 2026 Business Plan?

Today's witnesses will share their expertise and insights on these and other questions.