

VICE CHAIR
ROGER W. NIELLO

MEMBERS
BENJAMIN ALLEN
BOB ARCHULETA
JOSH BECKER
CATHERINE BLAKESPEAR
DAVE CORTESE
BRIAN DAHLE
BILL DODD
LENA GONZALEZ
MONIQUE LIMON
JOSH NEWMAN
JANET NGUYEN
ANTHONY PORTANTINO
KELLY SEYARTO
THOMAS J. UMBERG



CHIEF CONSULTANT
RANDY CHINN
PRINCIPAL CONSULTANT
MELISSA WHITE

CONSULTANT
JACOB O'CONNOR

COMMITTEE ASSISTANT
MADISON HINOJOSA

SCIENCE FELLOW
BENJAMIN O'BRIEN-HOKANSON

STATE CAPITOL, ROOM 405
SACRAMENTO, CA 95814
TEL (916) 651-4121

SENATE TRANSPORTATION COMMITTEE
INFORMATIONAL HEARING
REVIEW OF THE CALIFORNIA HIGH-SPEED RAIL AUTHORITY
2024 DRAFT BUSINESS PLAN
MARCH 12, 2024
BACKGROUND PAPER

Introduction

The purpose of the hearing is to review the California High-Speed Rail Authority's (Authority) 2024 Draft Business Plan (2024 Draft Plan) and assess the state of the project. Hearing panelists include representatives from the Authority, the Legislative Analyst's Office (LAO), the independent High-Speed Rail Peer Review Group (PRG), and for the first time, the independent California High-Speed Rail Authority Inspector General.

The 2024 Draft Plan serves as a minor update to the extensive 2023 Project Update Report (PUR), on which this committee conducted a hearing in March 2023. The Authority is continuing to advance the project to meet the cost and schedule estimates contained in the PUR. The major achievement for the project in 2023 is the Authority's receipt of \$3.3 billion in federal grant funding, described as bringing the project needed momentum with a solid vote of confidence. Overall, the last two years have brought a renewed focus for the project and the 2024 Draft Plan serves to highlight ongoing progress and the continuing challenges.

Specifically, as part of the 2022-2023 State Budget, the Legislature approved a \$10.8 billion transportation package, which included funding for transit, freight related infrastructure, active transportation, and climate adaptation projects. The package also included an appropriation of the remaining \$4.2 billion Proposition 1A bonds for the high-speed rail project. Additionally, the Legislature approved SB 198 (Committee on Budget and Fiscal Review, Chapter 71, Statutes of 2022), which required the Authority to focus its resources on finishing a usable high-speed segment from Merced to Bakersfield, which is defined as 171-mile electrified dual-track segment with a new combined station in downtown Merced. SB 198 also created a California High-Speed Rail Authority Office of the Inspector General (OIG) to not only oversee audits and investigations of the Authority and its contractors, but to provide independent fiscal estimates and reviews of the Authority's business plans and project updates. In 2023, Benjamin Belnap was named the inaugural Inspector General.

The PUR fully incorporated the required information from SB 198, and the 2024 Draft Plan continues these estimates. As noted, the 2024 Draft Plan is a minor update to the PUR. The 2024 Draft Plan does not contain updated estimates of costs and schedules. Ridership estimates for the Valley-to-Valley Line show a slight increase from last year. The Authority reports the high-speed program has made significant progress in the Central Valley since the PUR, including receiving a \$3.3 billion federal grant; substantial completion of one of the three construction packages; achieving 30 percent design on the Merced and Bakersfield extensions; launching the procurement processes for both train sets, and train track and operational systems; and completed concept designs for the four Central Valley stations. Additionally, the Authority is close to environmentally clearing the entire 494 mile-Phase I system.

However, major challenges remain. Due to many factors, including inflation, the costs of achieving a usable segment from Merced to Bakersfield has significantly increased, and the Authority does not have enough funding to complete it. Even with the new federal influx in funding, the Authority is anticipating successfully competing for roughly \$4.7 billion more to help fill the gap. The high-speed rail project is the largest public works project in the country and has a major impact on the economy, especially in the Central Valley. As of March 2024, high-speed rail investments have generated roughly 92,000 job-years of employment, with over \$7 billion in labor income, and \$18 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 costs associated with delivering a usable segment; the existing and potential funding sources; and its value in meeting the state's infrastructure, environmental, and economic goals.

Background

The 2024 Draft Business Plan provides minor updates to the 2023 PUR

The Authority is statutorily required to prepare, publish, and adopt a Business Plan every two years 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.

Additionally, SB 198 added requirements for the Business Plan, including a set of specific delivery schedules for various components of the Central Valley project; updates to costs 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.

Due to the COVID-19 pandemic, the annual schedule and requirements for the Authority's Business Plans and Project Update Reports have been skewed. In past years, the PUR has been the less detailed document, with the Business Plan serving as the major update. However, the 2023 PUR updated the estimates of costs, schedules, and ridership from the numbers in previous Business Plans, and included the new requirements from SB 198. The 2024 Draft Plan reflects milestones since the PURs.

History of High-Speed Rail in California

Development of high-speed rail in California began more than 25 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 reports to the California State Transportation Agency 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.

Assembly Bill 3034 (Galgiani), Chapter 267, Statutes of 2008, placed before the voters the Safe, Reliable High Speed Passenger Train Bond Act for the 21st Century (Proposition 1A) in November of 2008. California voters approved the initiative, which authorized \$9.9 billion in general obligation bonds for two distinct purposes: \$9 billion to develop and construct a high-speed rail system connecting San Francisco Transbay Terminal to Los Angeles Union Station and Anaheim; and \$950 million for connecting intercity and commuter rail systems that would enhance those systems' capacity, safety, or connectivity to the high-speed rail system.

Proposition 1A prescribes 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 requires a one to one match of all bond funds from other sources and lays 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 requires high-speed rail to operate without government subsidies. At the time of the passage of Proposition 1A, estimates for the cost of the system varied. 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 high-speed rail 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 federal grants and \$2.6 billion 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.

Further, a 2014-15 state budget trailer bill SB 862 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014), continuously appropriated 25 percent of the revenues derived from the state's Cap-and-Trade program to the project. In July 2017, the Legislature extended the state's Cap-and-Trade program through 2030, in AB 398 (Garcia, Chapter 135, Statutes of 2017). The Authority estimates that this equates to a range of \$750 million to \$1.25 billion annually in funding for the program.

In 2015, the Authority broke ground on the first construction segment in the Central Valley, starting work on 119 miles from Madera to Poplar Avenue outside of Shafter. This work was reflected in the Authority's grant agreement with the Federal Railroad Administration (FRA) to spend the federal and state monies appropriated in SB 1029.

Evolution of the Project

Overall, the project is to be built in two phases, with Phase I covering roughly 494 miles from San Francisco to Los Angeles/Anaheim. Phase II would extend the system to Sacramento in the north and San Diego in the south. The delivery of the project was broken into segments, including an Initial Operating Segment (IOS), which over the years has changed from a southern-focused route to Los Angeles, to a northern-focused route from San Francisco to Bakersfield, the so-called Silicon Valley to Central Valley Line (Valley to Valley).

Specifically, the 2016 Business Plan unveiled this new northern-focused route defining the Valley to Valley Line to run from 4th and King Streets in San Francisco south through the Silicon Valley turning east across the Pacheco Pass to Madera and then south to Bakersfield. At that time, the funding plan for the Valley to Valley segment included existing sources of Proposition 1A bonds, federal funds, continued Cap-and-Trade pay-as-you-go funding and a Cap-and-Trade financing plan to 2050.

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, stating, "High-Speed Rail is much more than a train project. It's about economic transformation and unlocking the enormous potential of the Valley."

The statement caused serious confusion about the future of the project and created a public schism with the Trump Administration over the federal funding agreement and ongoing federal participation and commitment to the project. Specifically, the FRA moved to de-obligate \$929 million awarded to California stating that the Authority "failed" to comply with the terms of the agreement, and has failed to make reasonable progress on the project." Additionally, the FRA stated that they would possibly attempt to claw back, the remaining \$2.6 billion in federal grants which had already been expended. Subsequently, the State of California sued the FRA over the

de-obligation. The Biden Administration settled the court case with the state, and the Authority renegotiated the grant agreement with the FRA for the \$929 million. This new agreement extends the period of the grant and added electrification of the Central Valley segment to the required scope of work.

Newsom's Valley Vision

Governor Newsom's new focus on the Valley construction was detailed in the 2019 PUR and continues in the 2023 PUR and the 2024 Draft Plan. The 2019 PUR committed the Authority to completing an initial "building block" of a high-speed 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 F Street. The Central Valley (CV) 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. At that time, the Central Valley Line scope included the extensions in the north and south, double track and systems, new high-speed trains, and several maintenance facilities. The new line would be operated by an interim passenger rail operator, likely a partnership with the existing San Joaquins service.

2024 Draft Business Plan

The Legislature focuses in on the Central Valley

As noted, the 2024 Draft Plan is informed by new, additional requirements approved by the Legislature as part of the funding package that appropriated the remaining \$4.2 billion in Proposition 1A bonds. The Legislature expressed its intent that the Authority prioritize use of its funds to complete the Merced to Bakersfield segment. As mentioned, the Merced to Bakersfield segment is 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."

Additionally, the Legislature put restrictions on what can be funded outside of the Merced to Bakersfield segment, including fulfilling requirements of the federal grant agreement such as the completion of statewide environmental clearances.

Costs are the same as 2023 PUR which reflected an increase from prior plans

As discussed, the Authority did not update capital cost estimates as part of the 2024 Draft Plan. The 2024 Draft Plan, as the 2023 PUR, details the Central Valley Segment as 119 miles from Madera to Shafter with a single track, no stations, to begin train testing by 2028. The total cost is estimated at \$18.3 billion, up from \$14.5 billion in 2022 Business Plan. The full Central Valley Line is detailed as a 171 mile electrified high-speed rail line from Merced to Bakersfield, double tracked, stations (platforms) at Merced, Fresno, Kings/Tulare, and Bakersfield, maintenance and energy facilities, and the purchase of trainsets to be completed by the 2030 -2033. The Central Valley Line is estimated to cost \$32.9 billion, with an additional \$2.3 billion for bookends

projects and program wide support for a total of \$35.3 billion. This is up from \$25.7 billion in 2022 Business Plan. These estimates reflect a so-called P65 level, meaning it reflects a 65 percent probability of delivering the project within the cost estimates, which aligns with guidance from the federal government for risk. However, the 2024 Draft Plan did provide estimates at a P30 and P50 level as well, and the Authority has stated its desire to manage within the P50 estimate for all projects.

The Authority cites numerous reasons for the increase in costs and schedules of both the 119-mile segment and the full Central Valley Line. These include the impact of inflation; expanded scope, including full double tracking, fully built out stations and operating facilities; higher contingency reflecting the P65 level; and agreements with third parties, such as cities and counties.

Ridership estimates are down

After the completion of the Central Valley Line, the Authority envisions an independent operator for the interim high-speed service. An approach they refer to as an “infrastructure owner” approach. This will likely be the San Joaquin Regional Rail Commission (SJRRRC), which currently operates the San Joaquins intercity passenger rail (Amtrak) service in the Central Valley and the Altamont Corridor Express (ACE) to the Bay Area. It is unclear how this agreement would work in practice and how much it may cost the state. Proposition 1A requires “planned passenger train service to be provided by the Authority, or pursuant to its authority,” to operate without a subsidy. The Authority believes that by leasing the state rail asset to the SJRRRC to provide service as a “universal operator” that they would not be in violation. However, SJRRRC may need additional subsidies from the state if revenue from the farebox does not cover operating expenses. In November 2020, the Authority entered into a Memorandum of Understanding with the California State Transportation Agency and San Joaquin JPA for the “cooperation and coordination in the development of an interim service plan.” The 2024 Draft Plan lays out a timeline for specific “sub-agreements” under development that are necessary to detail the operating relationships and requirements for each agency for asset leasing and operating cost responsibilities. Final agreements would need to be completed by 2031.

The planned line would connect at a new multi-modal station in downtown Merced with the existing San Joaquins and ACE service. In the south, the high-speed rail line would connect with Amtrak bus service to Southern California. There are also plans to increase transit connectivity between Kings/Tulare and Bakersfield stations to destinations such as Yosemite. The San Joaquins is one of the busiest Amtrak routes in the United States, connecting the Central Valley to Sacramento and Oakland, with bus connections south to Los Angeles. Prior to COVID-19, ACE connected nearly 1.5 million commuters per year to the Bay Area.

The Authority envisions the service running 18 trains per day providing two-way hourly service between Merced and Bakersfield, which would reduce passenger trip time by more than an hour and a half. The 2023 PUR updated ridership estimates from the 2020 and 2022 Business Plans. As part of this work a new forecasting model, the California Rail Ridership Model, was used. The new model incorporates revised population data and employment growth forecast. Specifically, 6.6 million annual trips are estimated to occur on the CV system (including connecting rail and intercity bus service) by 2030, with 2.3 million trips traveling on the high-

speed segment. This represents a 25 percent decrease from the 2020 Business Plan. For all of Phase I, ridership estimates included in the 2024 Draft Plan are down to 28.4 million riders by 2040 versus 38.6 million in the 2022 Business Plan.

The Authority outlines that after the release of the PUR, they worked to further update the ridership modeling for the Central Valley Service. This will focus on service plans and fare models, integration of operational and maintenance cost drivers, and a final calibration of the new ridership model. The 2024 Draft Plan indicates that the Authority will provide refinements to these outcomes in the Final Plan.

Where will the money come from?

The Authority identifies numerous existing and planned sources of funding needed to complete the **Central Valley Line**.

Federal Funds:

- \$3.5 billion ARRA + FY 2010
- \$3.3 billion IJIA Grants (*Fed-State, RAISE, CRISI and Corridor ID*)

State Funds:

- \$8.5 billion Proposition 1A (*including book-ends*)
- \$6.4 billion Cap-and-Trade received through November 2022
- \$5.3 — \$8.9 billion Cap-and-Trade future revenue through 2030 (*assumes \$750 million - \$1.25 billion estimate*)

\$27.0 — \$30.6 billion total funding available (including \$1.1 billion for book-ends)

\$35.3 billion estimated cost

\$4.7 -- \$8.3 billion in additional funding needed to complete Central Valley Line

The 2024 Draft Plan estimates the Authority's portion of Cap-and Trade revenue at \$750 million, \$1 billion, and \$1.25 billion/annually. The \$1 billion per year assumptions are based upon the annualized Cap-and-Trade auction proceeds from the last eight quarters. The \$1.25 billion high-end forecast is based upon the annualized Cap-and-Trade auction proceeds from the last two quarters in 2023. In the past, the LAO has expressed concerns over using the assumption of higher Cap-and-Trade revenue out to 2030. Additionally, the PRG remains concerned about whether the Authority will be able to complete the 119 miles as required by the federal grant. The 2024 Draft Plan makes it clear that the Central Valley Line cannot be completed without additional funding. Depending on the range of estimates, the identified funding gap could be between \$4.8 --\$6.8 billion. The Authority reiterates the benefits of the extension of the Cap-and-Trade to 2050, as they have since the 2016 Business Plan.

Specifically, the Authority details a few new state revenue financing options that could help the project. First, as mentioned, the Authority recommends extending the Cap-and-Trade program

through 2050, but in a new twist they suggest an exchange of a portion of the Authority's funding with "other state funding" to reduce fluctuations. They contend that this could provide an ongoing funding stream of \$1 billion or more that could enable securitization and possible financing through federal financing mechanisms such as the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Railroad Rehabilitation and Improvement Financing (RRIF). The Authority outlines that \$1 billion annual revenue stream over 20 years would advance \$6.4 billion to \$8.0 billion for near term expenditures.

Second, the Authority suggests making high-speed rail a priority for Proposition 2 Budget Stabilization Account or "Rainy Day" infrastructure funds. Proposition 2 requires that a certain amount of funds be directed to infrastructure investments when the Rainy Day Fund is at the constitutional maximum of 10 percent of General Fund revenues. The Authority would plan to advance additional segments to construction when receiving these funds.

Finally, the Authority suggests the state prioritize other transportation funding dedicated for rail improvements for joint benefit projects or investments that benefit regional or local operators and advance the state's priority to get high-speed rail operational. The 2024 Draft Plan does not include specifics, but this could mean the Transit and Intercity Rail Capital Program (TIRCP), which funds large transit and rail capital projects and is derived from both Cap-and-Trade and state vehicle fees.

Some federal funding received, more desperately needed

In 2021, Congress passed the Infrastructure Investment and Jobs Act (IIJA, P.L. 117-58), otherwise known as the Bipartisan Infrastructure Law (BIL), which will provide over \$550 billion in funding for infrastructure including roads, bridges, transit, rail, water infrastructure, and broadband over the next five years. The Authority has identified over \$75 billion in the BIL for which the Authority could compete. The idea being to break down component parts of the project and apply for specific pots of federal funding.

In the 2023 PUR, the Authority set a goal of \$8 billion of federal funds needed for the Central Valley Line. This amount would bring the federal funding total to 35 percent of the project, with the state paying for 65 percent. The Authority has been successful in vying for these federal grants. In 2023, 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 (Fed-State Partnership). The grant award is for work on the Merced and Bakersfield extension, signaling the first federal funds to be used outside of the original 119 miles. Specifically, the grant award calls 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 (not all of the way to F Street Station), design and construction of the Fresno Station, and design and procurement of trainsets.

The 2024 Draft Plan notes that the Authority will continue to target roughly \$4.7 billion in additional federal funding to hit the \$8 billion target. As noted, the largest pot of federal funds is the Federal-State Partnership program. In 2023, the FRA awarded over \$8 billion to projects across the nation. The total program has funding already appropriated by Congress totaling \$12

billion. This does not leave much more room for large grant awards. The program is authorized for an additional \$4 billion, however those funds are subject to a future Congressional appropriation.

Even with the \$3.3 billion in grants this year, the gap to complete an Early Operating Segment from Merced to Bakersfield remains roughly \$4.7 to \$8.3 billion depending on Cap-and-Trade. The 2024 Draft Plan outlines a Merced to Bakersfield passenger service phased approach for grant applications. This would prioritize the work that is underway and is critical to meeting the 2030-2033 service goal. Other parts of the Central Valley Line would be completed as federal grants are awarded. The updated phased approach included in the 2024 Draft Plan now lists the 2nd track for the 119 miles to be funded by future federal grants. SB 198 defines Merced to Bakersfield line as a 171-mile electrified dual-track segment. According to the Authority, the Fed-State Partnership award requires the Authority to build the partial extension to Bakersfield, and therefore they do not have the funding to complete the double tracking of the 119 miles.

The Next Big Step – Valley to Valley and Phase I

As noted, the 2024 Draft Plan continues the costs estimates from the 2023 PUR for the Central Valley Line and the remainder of the system, however nothing outside the Central Valley can be estimated with the same level of confidence as only a small portion of the design work has been completed. As the Legislature has required the Authority to focus on completing the Central Valley Line prior to doing much work beyond the 171 miles, the Authority continues to plan for the next possible steps. The next big step would be the completion of the Valley to Valley Line connecting the Central Valley with Silicon Valley. In the 2016 Business Plan the project was estimated to cost \$20.7 billion and be completed by 2025. The Authority did not update cost estimates for Valley to Valley specifically, but did break out the costs for the remaining segments of Phase I, which could put Valley to Valley at between roughly \$59 billion (base) to \$68 billion (high). This is up from roughly \$40 billion in the 2022 Business Plan.

As the Authority builds in the Central Valley, they continue to do work in planning, design, and environmental clearance throughout the entire San Francisco to Los Angeles, full Phase I system. When the Legislature took action on SB 1029 in 2012 Phase I was estimated to cost \$68 billion and be up and running by 2029. The 2022 Business Plan estimated the Phase I cost to be roughly \$92 billion and the 2024 Draft Plan estimates are a range between \$106 billion (base) to \$127 billion (high).

To move forward with the next steps of the program, the Authority would need a large amount of additional dedicated and stable funding. Options could include the possible financing of Cap-and-Trade revenues, which has been proposed repeatedly since 2016; additional state resources; or even more federal funding. The PRG has recommended numerous state funding options over the years, such as a state sales tax or gasoline tax, to provide stable funding for the project.

Bookends – Partners in Bay Area and LA

As previously described, the so-called bookend projects were defined and funding was appropriated by SB 1029 in 2012. Specifically, the Authority has committed a total of \$714

million to the Northern California project, the electrification of Caltrain, with \$600 million in Proposition 1A bond funds and the remainder in state Cap-and-Trade funds. The Caltrain electrification project, which is scheduled to be completed this year, will electrify and upgrade Caltrain's commuter rail service between San Francisco and San Jose. The total cost of the Caltrain project is estimated at \$2.44 billion. Additionally, the Authority contributed \$84 million of \$180 million total to the San Mateo Grade Separation project on the Caltrain corridor.

In Southern California, two projects have been identified for funding from the \$500 million in Proposition 1A bond funds appropriated in SB 1029. \$76.7 million was approved for the Rosecrans/Marquardt grade separation project, which is in Santa Fe Springs on the BNSF mainline tracks at the intersection of Rosecrans and Marquardt Avenues. The intersection is also on the Los Angeles/San Diego/San Luis Obispo (LOSSAN) corridor, which is utilized by Amtrak and Metrolink. The intersection sees more than 112 freight and passenger trains per day and has been rated by the California Public Utilities Commission (CPUC) as the most hazardous grade crossing in California. The project is expected to be completed by 2025.

The remainder of the Proposition 1A bond funds for Southern California, \$423.3 million, is dedicated to Los Angeles Union Station (LAUS) for the Link Union Station (Link US) project in downtown Los Angeles. The Link US project will extend up to 10 rail tracks at LAUS to the south of the station over U.S. Highway 101, including platforms and tracks for use by future high-speed rail. The project allows trains at LAUS to "run through" the station rather than head in and back out through a single entrance. The project is planned for two phases of construction. The 2024 Draft Plan notes that there is an increase in cost of the project, which is typical of major capital projects since the pandemic. The Authority is working with LA Metro to address ways to optimize the design and construction process. The ultimate beneficiaries of the project, High Speed Rail, Metrolink, and Amtrak are working to arrive at a scope, funding plan, and construction process to deliver the project.

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; rigid 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 for a time, a federal government not interested in being a full partner.

The 2024 Draft Plan, which serves as a minor update to the 2023 PUR, paints a difficult picture. The Legislature recommitted the Authority to delivering a usable segment in the Central Valley before moving to other areas of the state. The Merced to Bakersfield segment, which is defined as 171-mile electrified dual-track segment with a new combined station in downtown Merced, cannot be completed with the funding the Authority currently has. The Authority is anticipating successfully competing for more federal funding from a dwindling pot to help fill the gap.

Additionally, there is no funding plan beyond Merced to Bakersfield to complete either Valley to Valley or Phase I.

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?
- Will the state need to help subsidize initial operations in the Central Valley?
- Can the Authority deliver the 119-mile segment to fulfill the federal grant agreement?
- Will the Authority be successful in obtaining more federal grant funding to fill the gap?

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