

MARCH 12, 2024

High-Speed Rail Draft 2024 Business Plan

PRESENTED TO:

Senate Committee on Transportation
Hon. Dave Cortese, Chair



LEGISLATIVE ANALYST'S OFFICE

Introduction

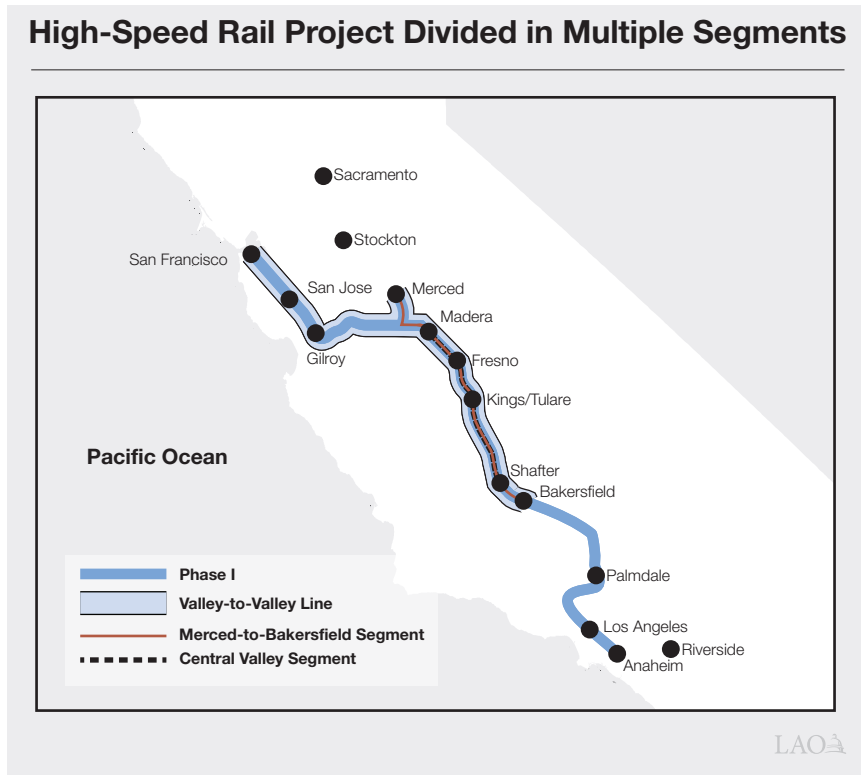
Statutory Reporting Requirements. State law requires the High-Speed Rail Authority (HSRA) to prepare a business plan every even year and a project update report (PUR) every odd year. These reports are required to provide key information about the planned high-speed rail system, such as related to funding, costs, and schedule. For example, under statute, business plans are required to provide an estimate and description of the total anticipated federal, state, local, and other funds HSRA intends to access to fund the construction and operation of the system and the level of confidence for obtaining each type of funding. Business plans also are required to provide the expected schedule for completing the construction for each segment or combination of segments of Phase 1.

Draft 2024 Business Plan Released in February. On February 9, 2024, HSRA released a draft of its 2024 business plan (draft 2024 plan). The authority must adopt a final business plan by May 1, 2024, following public review and comment on the draft.

Overview of Handout. This handout (1) provides background information on the planned high-speed rail system, (2) describes the major features of the draft 2024 plan, (3) identifies issues for legislative consideration, and (4) provides some recommendations for near-term legislative actions.



Project Delivery Plan



Phase I Consists of Multiple Segments. Phase I would provide service for about 500 miles from San Francisco to Anaheim. As shown in the figure, the delivery of Phase I is divided into segments.

- The first segment to be completed is the Central Valley Segment (CVS), which extends for 119 miles through the Central Valley from Madera (about 25 miles north of Fresno) to Poplar Avenue in Shafter (about 20 miles north of Bakersfield). This segment is also referred to as the Initial Construction Segment.
- After the construction of the CVS, the project is planned to be extended north to Merced and south to Bakersfield. This 171-mile segment is referred to as the Merced-to-Bakersfield segment.
- Ultimately, the project is envisioned to then be extended first to San Francisco and then to Anaheim. The segment between San Francisco and Bakersfield is referred to as the Valley-to-Valley line.



Project Delivery Plan

(Continued)

State Also Supporting Bookend and Connectivity Projects. In addition, HSRA and state and local partner agencies have initiated a variety of projects on commuter rail lines. These include “bookend projects” along the proposed high-speed rail alignment in the San Francisco Bay Area and Southern California. For example, a significant bookend project is the electrification of the Caltrain Corridor in the San Francisco Bay Area. Various partner agencies also have initiated “connectivity projects” intended to provide benefits to existing commuter rail systems that are planned to connect to the high-speed rail system.



Project Funding and Expenditures to Date

Proposition 1A Bonds

Voters Approved Bonds Over 15 Years Ago. Proposition 1A (2008) 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 connectivity projects. (Of the \$9 billion, HSRA has set aside \$1.1 billion to contribute to locally administered bookend projects.)

Proposition 1A Dollars Fully Appropriated, but Not Fully Expended. The Legislature appropriated the last \$2.2 billion of the Proposition 1A monies as part of the 2022-23 budget process. As part of the agreement to provide this appropriation, the Legislature adopted Chapter 71 of 2022 (SB 198, Committee on Budget and Fiscal Review). Among other provisions, Chapter 71 (1) created the HSRA Office of the Inspector General (OIG) to improve oversight of the high-speed rail project, (2) expressed legislative intent to prioritize funding for planning and constructing the Merced-to-Bakersfield segment, (3) imposed certain limitations on the use of state funds beyond the Merced-to-Bakersfield segment, and (4) conditioned the availability of the \$2.2 billion Proposition 1A appropriation on the OIG's review of the HSRA's PUR.

To date, HSRA and partner agencies have spent about \$6.8 billion of the Proposition 1A funds—\$5.9 billion on the high-speed rail project (including bookend projects) and about \$842 million on connectivity projects. As such, about \$3.2 billion remains to be expended.

Greenhouse Gas Reduction Fund

Project Receives Continuous Appropriation From the Greenhouse Gas Reduction Fund (GGRF). In 2014, the state began providing cap-and-trade auction proceeds—which are deposited into the GGRF—for the high-speed rail project. Since 2015-16, the project has received a continuous appropriation of about 25 percent of annual GGRF revenues. Through November 30, 2023, the project has received about \$6.4 billion from GGRF, of which HSRA has spent about \$3.5 billion. The cap-and-trade program currently is authorized to continue through 2030.



Project Funding and Expenditures to Date

(Continued)

Federal Grant Awards

Federal Government Provided Grants Totaling \$3.5 Billion in 2009 and 2010. First, the state received \$2.6 billion in American Recovery and Reinvestment Act funds in 2009, which HSRA has fully expended. Second, the state received a \$929 million grant from the federal High-Speed Passenger Rail program in 2010 (“FY 10 Federal Grant”). The federal grant agreements included certain conditions, including that the state (1) use the funds to support the construction of a segment useable for intercity passenger rail, (2) complete all environmental reviews for Phase I, and (3) meet certain project deadlines.

Federal Government Terminated Then Subsequently Restored One of These Grants. In May 2019, the federal government terminated the FY 10 Federal Grant, arguing that the project had failed to meet grant requirements and make reasonable progress. However, the state challenged this decision in court. In June 2021, the federal government announced a settlement with the state to restore this funding. As part of this settlement, HSRA entered into a revised agreement with the federal government, which included certain modified conditions, such as specifying that the CVS track be electrified.

Federal Government Provided Grants Totaling \$3.3 Billion Over the Past Few Years. Over the past few years, HSRA has received several additional grant awards from federal grant programs supported by the Infrastructure Investment and Jobs Act (IIJA), including:

- **Federal-State Partnership for Intercity Rail (Fed-State).** In 2023, HSRA received a \$3.1 billion Fed-State grant to (1) purchase six trainsets, (2) design and construct trainset facilities, (3) design and construct the Fresno station, (4) complete the final design and acquire right-of-way for the Merced and Bakersfield extensions, and (5) construct civil works and track and systems for a 13-mile portion of the Bakersfield extension.
- **Consolidated Rail Infrastructure and Safety Improvements (CRISI).** In 2023, HSRA received a \$202 million CRISI grant for the construction of six grade separations in the City of Shafter.



Project Funding and Expenditures to Date

(Continued)

- ***Rebuilding American Infrastructure With Sustainability and Equity (RAISE).*** Over the past few years, HSRA received three RAISE grants totaling a combined \$69 million—\$24 million in 2021 for improvements near the city of Wasco, \$25 million in 2022 for the design of the Merced extension, and \$20 million in 2023 for improvements to the historic Fresno station.
- ***Corridor Identification and Development Program (Corridor ID).*** In 2023, HSRA received a \$500,000 Corridor ID grant to develop the San Francisco to Los Angeles/Anaheim service development plan.



Project Status

Central Valley

Right-of-Way Acquisitions for CVS Nearly Complete and Utility Relocations Are in Progress. As of December 2023, HSRA had (1) acquired about 98 percent of the parcels necessary for the construction of the CVS (2,258 of 2,295) and (2) completed about two-thirds of utility relocations (1,225 of 1,836) planned for the CVS.

Construction of CVS Civil Works Is Well Underway. HSRA has completed a number of major structures, such as overpasses and viaducts, as well as the realignment of a portion of State Route 99. Overall, HSRA reports that, as of December 2022, roughly three-quarters of the CVS structures were either in progress or complete. HSRA estimates it will complete the civil works for the CVS in 2026.

Major Procurements Planned and in Progress. In October 2022, HSRA pulled back a solicitation for a contractor to construct the track and associated systems (such as overhead contact and signal systems), as well as provide 30 years of infrastructure maintenance. Since then, HSRA reports that based on industry feedback and additional study, it has restructured its track and systems and trainset procurements. Under its revised approach, HSRA will rely on multiple phased contracts for various components. HSRA initiated some of these procurements—such as for the acquisition of trainsets and the design of track and overhead contact systems—in 2023 and expects to make contract awards in 2024 and 2025.



Project Status

(Continued)

Phase I

Environmental Reviews Nearing Completion. HSRA continues to work towards completing the environmental reviews for Phase I, consistent with the federal grant requirement. HSRA has completed the environmental reviews for about 85 percent of the Phase I alignment (422 out of 494 miles). The authority expects to complete the remaining environmental reviews for (1) Palmdale to Burbank by mid-2024 and (2) Los Angeles to Anaheim by December 2025.

Continues to Plan for Other Segments of Phase I. HSRA intends to advance design for each section of Phase I as it is environmentally cleared to improve its understanding of potential engineering and construction issues, as well as potential risks and costs. In 2023, HSRA submitted a grant application to help fund some of these planning activities. While this application was not ultimately funded, HSRA reports that it continues to seek grant funding to advance design and geotechnical work in the San Francisco Bay Area and Southern California.



Project Status

(Continued)

Office of the Inspector General

Inspector General (IG) Has Been Appointed. In August 2023, the Governor announced the selection of the first IG to lead the OIG from among three candidates selected by the Joint Legislative Audit Committee. Since the appointment, the IG has begun hiring staff and submitted a budget proposal to support the launch of a fully functioning OIG.

OIG Prepared Analysis of 2023 PUR. As required for the release of the \$2.2 billion Proposition 1A appropriation, the OIG reviewed the 2023 PUR. Overall, the OIG found that the 2023 PUR generally included all of the statutorily required elements and HSRA appears to have a reasonable basis and adequate support for the information included. However, the OIG noted that stakeholders—including the Legislature—would benefit from greater specificity regarding when additional funds need to be provided for the unfunded segments of the Merced-to-Bakersfield segment. Accordingly, the OIG recommended that HSRA provide additional information in future plans, such as including (1) an assessment of the prospects and timing of obtaining federal funds for each currently unfunded component and (2) an identification of the timing and amount of any residual need for state funding to keep the segment on schedule. The OIG also recommended that HSRA seek board approval of an official policy on when cost estimates are to be updated. HSRA indicated it agreed with the OIG’s recommendations and would implement them along with the adoption of the final 2024 business plan in April 2024.



Major Features of the Draft 2024 Plan

Key Features of the Project Delivery Plan Remain Unchanged

Continues Focus on Merced to Bakersfield. The draft 2024 plan continues the approach first presented in 2019 of focusing the state's efforts on the construction of the Merced-to-Bakersfield segment. This focus is consistent with legislative direction, as articulated in Chapter 71.

Continues to Plan for Double Track. HSRA plans to proceed with double tracks rather than a single track. (Under a single-track option, passing tracks would be constructed to allow approaching trains to go by each other.) HSRA assumes it will receive additional federal funds in the future to support the construction of the second track on the CVS, as it has not yet identified any specific source of funding for this project element.

Plans to Break Up Major Track and Systems and Trainset Contracts. As mentioned, HSRA intends to move forward with multiple, phased contracts for track and systems, as well as for trainsets. Specifically, in 2024, HSRA now plans to award three major contracts—(1) track and overhead contact systems; (2) signaling, train control, and other systems; and (3) trainsets—as well as various supporting service contracts. In 2025, HSRA plans to award another major contract for depots and facilities. HSRA plans to use various alternative delivery methods—including progressive design-build—for some of these contracts.

Continues Intent to Use Third-Party Operator for Interim Service. Consistent with recent plans, HSRA does not anticipate operating the service between Merced and Bakersfield. Instead, it expects to lease the right to use its track to a third party—likely the San Joaquin Joint Powers Authority, which (along with the San Joaquin Regional Rail Commission) currently oversees the Altamont Corridor Express and San Joaquins services.



Major Features of the Draft 2024 Plan

(Continued)

Project Schedule Remains Largely the Same

Merced-to-Bakersfield Service Still Planned to Launch Between 2030 and 2033. Consistent with the 2023 PUR, HSRA proposes to launch interim high-speed passenger service on the Merced-to-Bakersfield segment sometime between 2030 and 2033.

Phase I Schedule Not Updated. The draft 2024 plan does not provide a revised schedule for the Valley-to-Valley segment or Phase I (previously planned to be completed in 2031 and 2033, respectively). These activities likely are significantly behind the previously planned schedule.

Cost Estimates Not Updated

Does Not Revise Cost Estimates. The draft 2024 plan does not update any of the cost estimates included in the 2023 PUR, such as for cost escalation or additional changes that may be needed to address community concerns. As shown in the figure on the next page, the draft 2024 plan continues to estimate the total cost to construct the Merced-to-Bakersfield segment and meet other local and federal obligations at \$35.3 billion. It also continues to estimate base costs to complete all of Phase I at \$107.6 billion.

Discusses Some Additional Cost Pressures. While the draft 2024 plan does not update any cost estimates, it does include a discussion of some of the cost pressures on the project. For example, the draft 2024 plan identifies four major CVS change orders that were resolved in 2023 at a total cost of \$121 million more than was estimated in the 2023 PUR. HSRA indicates that it did not update the cost estimates to reflect these change orders as it still expects to be able to stay within the budgeted contingency.

Cites Higher Costs for Two Segments Under Environmental Review. Additionally, the draft 2024 plan notes that the environmental documents for the Palmdale-to-Burbank and Los Angeles-to-Anaheim segments both reflect higher costs than are assumed in the draft plan. For example, the draft environmental document for the Palmdale-to-Burbank segment estimates costs at roughly \$24 billion, roughly \$7 billion higher than the base cost estimate in the draft 2024 plan. HSRA indicates that it expects to update the cost estimates for these segments when these environmental documents are approved.



Major Features of the Draft 2024 Plan

(Continued)

Capital Cost Estimates for Phase I Under HSRA's 2024 Draft Business Plan (In Billions)

Segment/Activity	Amount ^a
Merced to Bakersfield	\$35.3
Central Valley Segment	\$18.3
Merced extension	4.5
Bakersfield extension	3.3
Trainsets	0.6
Bookend commitments	1.3
Other ^b	7.5
Other Northern California	\$27.1
San Francisco to San Jose	\$5.0
San Jose to Gilroy	6.0
Gilroy to Carlucci Road	13.6
Central Valley Wye balance	2.2
Advance design costs	0.2
Southern California	\$40.2
Bakersfield to Palmdale	\$17.1
Palmdale to Burbank	16.8
Burbank to Los Angeles	2.9
Los Angeles to Anaheim	2.9
Advance design costs	0.4
Other System Costs^c	\$5.1
Total Costs	\$107.6

^a For Merced to Bakersfield, HSRA has modeled that there is a 65 percent chance that the costs will remain within this budgeted amount. For other segments, the amounts displayed represent HSRA's base cost estimate.

^b Includes project development and support, stations, track and systems balance (including Central Valley Segment second track), solar and utility interconnection, maintenance facility and driving simulator, and contingency balance.

^c Includes solar power generation balance, heavy maintenance facility balance, and trainset balance.

HSRA = High-Speed Rail Authority.



Major Features of the Draft 2024 Plan

(Continued)

Funding Plan Revised to Reflect New Federal Grants

Revises Funding Estimates Mostly to Incorporate Additional Federal Grants. The draft 2024 plan updates the project funding estimates to reflect the receipt of the \$3.3 billion in additional federal grants. The draft 2024 plan also assumes that the project will receive \$1 billion annually from GGRF (rather than a range of \$750 million to \$1 billion, as the 2023 PUR had assumed).

Assumes Available Funding Sources Will Provide Almost \$29 Billion. After including these additional grant awards and revised GGRF assumptions, HSRA estimates that available funding sources will provide a total of \$28.7 billion for the Merced-to-Bakersfield segment.

Includes \$4.7 Billion Target for Additional Federal Funds. The draft 2024 plan identifies a target of attaining \$4.7 billion of additional federal funds (beyond those already awarded) from various competitive grant programs authorized by IIJA. (Because the state has not yet attained these funds, they are not reflected in the figure on the next page.) HSRA assumes the project will rely on additional federal funds to complete various key activities, such as the construction of the CVS's second track, the construction of the Merced extension, and the construction of part of the Bakersfield extension.

Mentions Potential Options for Other State Funding Sources. The draft 2024 plan mentions some revenue and financing options that could be considered to help address the project's funding gap including:

- Making high-speed rail a priority for General Fund dollars allocated for infrastructure under Proposition 2 (which occurs if the state's general-purpose budget reserve exceeds a specified threshold).
- Prioritizing existing and potential future rail-related transportation funding for projects that benefit high-speed rail.
- Extending the cap-and-trade program to 2050 and exchanging the GGRF revenues that would go to HSRA for another revenue source that is more stable (such as truck weight fees). This would make it possible for HSRA to receive more funding up front by allowing it to borrow against future revenues. (HSRA indicates that borrowing against a stable revenue stream could enable the project to receive between \$6.4 and \$8 billion up front.)



Major Features of the Draft 2024 Plan

(Continued)

Does Not Identify Specific Funding Sources for the Remainder of Phase I. The draft 2024 plan continues to suggest that the state’s goal is to complete Phase I. However, it does not identify specific sources of funding to construct any portion of Phase I beyond Merced to Bakersfield.

2024 Draft Business Plan Estimated Merced-to-Bakersfield Segment Funding and Costs

(In Billions)

Projected Funding	Amount
Federal Funds	
Fed-State grant	\$3.1
ARRA grant	2.6
FY 10 federal grant	0.9
CRISI, RAISE, and other grants	0.3
Subtotal, federal funds	(\$6.9)
State Funds	
Proposition 1A	\$8.5
GGRF	6.4 ^a
Future GGRF	7.0 ^b
Subtotal, state funds	(\$21.9)
Total Funding Available	\$28.7
Merced to Bakersfield Costs	Amount
Central Valley Segment	\$18.3
Merced and Bakersfield extensions	7.7
Other	9.3
Total Costs	\$35.3

^a Received through November 2023.

^b Assumes GGRF revenues of \$1 billion annually.

Fed-State = Federal-State Partnership for Intercity Rail;
ARRA = American Recovery and Reinvestment Act;
FY 10 = High-Speed Passenger Rail program in 2010;
CRISI = Consolidated Rail Infrastructure and Safety Improvements;
RAISE = Rebuilding American Infrastructure with Sustainability and
Equity; and GGRF = Greenhouse Gas Reduction Fund.



Major Features of the Draft 2024 Plan

(Continued)

Includes Modest Changes to Ridership Estimates

Revises Ridership Estimates Modestly. The draft 2024 plan revises high-speed rail ridership estimates modestly compared to those presented in the 2023 PUR. It now estimates the Valley-to-Valley segment will have ridership of 12.2 million annual passengers by 2040, up from the previous estimate of 11.5 million (6 percent increase). HSRA also estimates Phase I will have ridership of 28.4 million annual passengers by 2040, compared to the previous estimate of 31.3 million (9 percent decline).



Key Issues for Legislative Consideration

Despite Federal Grant Awards, Large Funding Gap Remains for Merced-to-Bakersfield Segment

Federal Grants Improved Funding Picture but \$7 Billion Gap Remains for Merced to Bakersfield. The receipt of \$3.3 billion in federal grants provided a significant infusion of funding to the project. However, even with this additional funding, the draft 2024 plan estimates a funding gap of close to \$7 billion for completing this interim operating segment.

Unclear if \$4.7 Billion Target for Additional Federal Funds Is Attainable. HSRA has set a target of attaining \$4.7 billion in additional funding from the federal government. However, the amount of additional federal funding the state might receive is highly uncertain. In particular, HSRA has not provided a plan identifying which specific grants it expects to pursue to meet this goal, the prospects for securing those grants, and when it expects they would be received. This lack of a specific plan makes it difficult to assess whether HSRA's target for federal funds is realistic. Additionally, this omission is somewhat inconsistent with the statutory requirement that business plans discuss HSRA's level of confidence for obtaining federal funds.

No Clear Plan for Addressing the Remainder of the Funding Gap. Even if the HSRA is ultimately successful at reaching its goal of attaining \$4.7 billion in additional federal funding, the project still will face a funding gap of roughly \$2 billion under HSRA's estimates. At this point, HSRA has not put forward a specific plan for how it proposes to meet this gap.

Absence of a Detailed Funding Plan Presents Challenges. The absence of a detailed plan for how and when HSRA proposes to address the funding gap for the Merced-to-Bakersfield segment is problematic. This is because a credible funding plan is necessary to give the project, and its stakeholders and contractors, certainty. Additionally, agreement on a funding plan would reduce the likelihood that HSRA will start to undertake work on project segments that ultimately cannot be fully funded, which would be costly and disruptive to the project, local communities, and the state.



Key Issues for Legislative Consideration

(Continued)

Significant Risk That Funding Gap Could Grow. The funding gap for the Merced-to-Bakersfield segment is at a significant risk of growing for a few reasons, including:

- **Actual Costs Could Be Even Higher.** Inherent cost risks are associated with large and complex construction projects, and the project has a history of cost increases. Also, while the CVS is well underway, the Merced and Bakersfield extensions still are in the early planning stages and thus subject to additional uncertainty.
- **Some Expected GGRF Monies May Not Materialize.** The draft plan assumes that the higher cap-and-trade revenues the state has received over the past couple of years will continue through 2030. We caution, however, that these revenues are subject to notable uncertainty and this lack of clarity grows substantially the further into the future they are projected. Accordingly, the project could receive a smaller amount from GGRF than the draft 2024 plan assumes.

Draft Plan Does Not Include Details on the Timing of Funding Needs.

As pointed out by the OIG, it will be important for stakeholders—including the Legislature—to understand the timing of when additional state funding will be needed to fill the funding gap and avoid negatively impacting the project's schedule. HSRA has indicated it will work to provide such information in the final version of the 2024 business plan. However, the absence of this information in the draft 2024 plan means that it cannot inform the Legislature and public's review of the document before board adoption.



Key Issues for Legislative Consideration

(Continued)

No Funding Plan Beyond Merced-to-Bakersfield Segment

Roughly \$80 Billion Funding Gap for Phase I Likely to Grow. Based on HSRA's current estimates, the project has a funding gap of about \$80 billion to complete Phase I. However, estimates for portions of Phase I beyond Merced to Bakersfield are subject to substantial uncertainty and therefore could ultimately be much higher. Some reasons include (1) many of these segments are in the early planning stages and additional changes to scope may be necessary as designs are refined, (2) some segments involve relatively complex and unpredictable work (such as tunneling), and (3) the state has experienced significant construction cost escalation since some of these costs were last comprehensively updated. Notably, as mentioned previously, the environmental documents for two segments already estimate higher costs than are reflected in the draft 2024 plan.

No Plan for Addressing the Phase I Funding Gap. At this time, HSRA has not identified how the construction costs for the portions of Phase I beyond the Merced-to-Bakersfield segment would be funded. HSRA indicates that the project will need ongoing state and federal funding to implement its long-term goals. However, it has not identified a specific, credible plan for (1) how much funding it would secure from each specific source or (2) how it plans to obtain such funds. Absent such a plan, the path to completing Phase I is unclear.



Key Issues for Legislative Consideration

(Continued)

Project Oversight Continues to Be Important

OIG Has the Potential to Greatly Improve Project Oversight. With the passage of Chapter 71, the Legislature created a strong framework for additional project oversight, such as by establishing an independent OIG. The benefits of these actions should start to become apparent as the OIG becomes fully operational over the coming year.

Grant Agreements Planned for 2024 That Could Benefit From Robust Real-Time Oversight. In the coming months, HSRA expects to enter into grant agreements for expending the \$3.3 billion in additional federal funding. As it does so, ensuring that these agreements are well-aligned with legislative priorities and expectations will be important, such as related to the timing and scope of work. This is particularly critical because in the past HSRA has entered into grant agreements with the federal government that have constrained legislative choices, such as by requiring the electrification of the CVS.

Important Contracts Planned for 2024 That Could Benefit From Robust Real-Time Oversight. Over the next year, HSRA expects to enter into major contracts, including those related to the construction of track and systems and the acquisition of electrified trainsets. These contracts are anticipated to be complex and utilize alternative project delivery methods in many cases. Accordingly, ensuring that these contracts are structured in ways that do not expose the state to unnecessary costs or risks and are consistent with legislative priorities will be important.



Recommendations for Key Near-Term Legislative Actions

We recommend that the Legislature consider undertaking the following near-term steps to address the various issues we have identified:

- ***Begin to Develop a Funding Plan for Merced-to-Bakersfield Segment.*** The Legislature likely will need to identify billions of dollars of additional funding within the next few years to fill the funding gap for the completion of the Merced-to-Bakersfield segment. We recommend the Legislature begin to formulate its preferred funding approach soon to allow it more time to fully evaluate and weigh the difficult trade-offs associated with each option. Some factors for the Legislature to consider include:
 - ***Financial Approach.*** Could use cash to pay up front or borrow, such as by seeking voter approval for another general obligation bond, issuing revenue bonds, or pursuing federal financing programs.
 - ***Fund Source.*** Examples of potential fund sources for up-front or debt service payments include the General Fund, additional GGFR, or truck weight fees (which currently offset General Fund costs associated with repaying transportation-related general obligation bonds). All of these sources come with trade-offs, given other legislative priorities and uses of the funds—particularly in light of the state’s very significant current and forecasted out-year budget problems.
 - ***Existing or New Revenues.*** Could use existing revenues (such as by reducing spending in other areas) or raise new revenues (such as by increasing an existing tax or establishing a new tax).



Recommendations for Key Near-Term Legislative Actions

(Continued)

- ***Require Additional Information From HSRA to Inform the Development of Legislative Funding Plan.*** To assist the Legislature in developing its funding plan, we recommend the Legislature direct HSRA—such as through Supplemental Report Language or provisional budget language—to provide additional details regarding the following:
 - HSRA’s plan for securing \$4.7 billion of additional federal funding, including specifying the federal grants it expects to pursue for each unfunded project component; assessing the likelihood of receiving each grant; and identifying the timing for when it expects to receive each grant, if awarded.
 - HSRA’s assessment of the timing for when additional funding—including from the state—will be needed to prevent project delays (if this information is not provided adequately in the final 2024 business plan).

This additional information will be critical to enabling the Legislature to (1) assess whether HSRA has a credible plan for securing additional funds, (2) determine the size of the residual funding gap that must be met with state funds, and (3) plan for the expected timing of when those state funds are likely to be needed.



Recommendations for Key Near-Term Legislative Actions

(Continued)

- **Support a Strong and Independent OIG.** The OIG has the potential to play a critical role in project oversight, such as by conducting independent, self-initiated reviews and analyses. As such, we recommend the Legislature take steps to ensure the effectiveness of the OIG, such as by ensuring the office can attract and retain qualified staff and has strong budgetary independence. We discuss our specific recommendations related to the OIG in our February 2024 analysis, [*The 2024-25 Budget: Establishing the Office of the Inspector General for the High-Speed Rail Authority*](#).
- **Focus on Robust Ongoing Oversight of Key Upcoming Actions.** We recommend the Legislature focus on supporting strong oversight on a real-time basis, such as related to the structure and terms of upcoming contracts and federal grant agreements. We think the OIG should be well-suited to performing this type of oversight, which is consistent with the responsibilities tasked to the office under Chapter 71. If the Legislature wants to ensure the OIG prioritizes these activities, it could provide specific direction to the office to do so, such as through a formal request.

