



**Office of Inspector General, High-Speed Rail (OIG-HSR)**  
**Analysis of the 2026 Draft Business Plan**

<b>Table 1. Summary of Statutory Requirements per Public Utilities Code §185033</b>	<b>Requirement Met</b>
(b)(1) The business plan shall include, but need not be limited to, all of the following elements:	
(A) A description of the type of service the Authority is developing and the proposed chronology for the construction of the statewide high-speed rail system, and the estimated capital costs for each segment or combination of segments.	Partially <sup>1</sup>
(B) A forecast of the expected patronage, service levels, and operating and maintenance costs for Phase 1 and by each segment or combination of segments for which a project level environmental analysis is being prepared. The forecast shall assume a high, medium, and low level of patronage and a realistic operating planning scenario for each level of service.	Yes
(C) Alternative financial scenarios for different levels of service, based on the patronage forecast, and the operating break-even points for each alternative.	Yes
(D) The expected schedule for completing environmental review and initiating and completing construction for each segment or combination of segments of Phase 1.	Yes
(E) An estimate and description of the total anticipated federal, state, local, and other funds the Authority intends to access to fund the construction and operation of the system, and the level of confidence for obtaining each type of funding.	Partially <sup>2</sup>
(F) Any written agreements with public or private entities to fund components of the high-speed rail system, including stations and terminals, and any impediments to the completion of the system.	No <sup>3</sup>
(G) Alternative public-private development strategies for the implementation of Phase 1.	Yes
(H) A discussion of all reasonably foreseeable risks the project may encounter, and the Authority's strategies, processes, or other actions it intends to utilize to manage those risks.	Yes

Source: Analysis of the 2026 Draft Business Plan.

<sup>1</sup> The project segment cost estimates exclude some "shared benefit" costs that the Authority could incur if not funded by other entities. Because of the lack of funding agreements described in footnote #3, we assess those cost estimates as incomplete.

<sup>2</sup> The 2026 Draft Business Plan addresses each type of funds, but for local and private sources it does not provide an estimate or state a level of confidence for obtaining those funds.

<sup>3</sup> The draft excludes from the overall project cost estimate some costs for "shared benefits," but it does not discuss any written agreements with the other entities expected to pay those costs. The Authority confirmed it has no such agreements but did not disclose that in the draft, so we assessed the requirement as not being met.



Table 2. Summary of Statutory Requirements per Public Utilities Code §185033.7 (SB 198 Requirements)	Requirement Met
(b)(1)(A-G) Schedule related to the delivery of each of the following:	
• 119-mile dual track segment from Madera to Poplar Avenue	No*
• Right-of-way, planning, and advance engineering for the Merced and Bakersfield extensions	No*
• Agreements between the Authority, the State, the San Joaquin Joint Powers Authority, and the San Joaquin Regional Rail Commission related to the planning, funding, and operation of the initial operating segment	No <sup>4</sup>
• Updated cost estimate related to the Merced and Bakersfield extensions	No*
• Funding plan for the M-B segment	No <sup>5</sup>
• Additional milestones required to complete the M-B segment	No <sup>6</sup>
• Additional milestones required for the remainder of Phase 1	Yes
(c)(1) (A-E) Estimated and actual costs for the M-B segment, including but not limited to the following:	
• Civil works	No*
• Right-of-way, acquisitions, utilities, and other third-party agreement costs	No*
• Rolling stock, interim use, and stations	No*
• Contract costs, including contingencies to cover change orders (estimates only)	No*
• Costs reported in a manner that can be comparable across reports	No*
(c)(1)(F) Updates on progress achieving project milestones	Yes
(c)(1)(G) Funding commitments, sources, and spending beyond the M-B segment	Yes

Source: Analysis of the 2026 Draft Business Plan.

\* The draft business plan provides cost, schedule, and related information for an initial operating segment that is shorter than the statutorily defined M-B segment, is largely single- instead of dual-track, and does not include a station in downtown Merced. These elements of the plan are not compliant with state law and consequently fail to convey an estimate of the cost and timeline for completing the M-B segment. We indicate requirements that would have been satisfied, if not for the limited project scope, with an asterisk (\*) in Tables 2 and 3.

<sup>4</sup> The draft business plan references work with the San Joaquin Joint Powers Authority as one of several rail partnerships, but it does not provide details on when any agreement might come to fruition or the intended roles of each partner in planning, construction and funding the ultimate rail system.

<sup>5</sup> The draft business plan purports to include a funding plan for the M-B segment but is missing critical elements, including requirements outlined in Table 3 and any details on financing. Because the business plan acknowledges that financing is necessary to advance the funding needed to maintain the M-B schedule, the funding plan should also include discussion of the financing approach, timing, and cost.

<sup>6</sup> The draft business plan does not provide complete information about milestones that are needed to complete the M-B segment. Specifically, it does not comprehensively present procurement milestones, and it does not provide milestones for revising existing third-party agreements that are needed to complete the segment.



Table 3. Summary of Statutory Requirements per Public Utilities Code §185033.8 (AB 377 Requirements)	Requirement Met
(a)(1) A detailed funding plan for the M-B segment that includes an updated estimate of the funding gap for completing the segment	No <sup>7</sup>
(a)(2)(A-D) A strategy for addressing the funding gap that includes all of the following:	
<ul style="list-style-type: none"> <li>• An itemized list of anticipated funds by source</li> </ul>	No*
<ul style="list-style-type: none"> <li>• A timeline describing when each source of funds must be received in order to meet the Authority’s schedule for segment completion</li> </ul>	No
<ul style="list-style-type: none"> <li>• The estimated project delays that would result if any funding source fails to materialize</li> </ul>	No*
<ul style="list-style-type: none"> <li>• A discussion of how work could be sequenced to minimize these delays</li> </ul>	No
<ul style="list-style-type: none"> <li>• An assessment of the likelihood that each proposed source of funding will materialize, including the identification of any major risks for obtaining the funding and a plan for mitigating those risks</li> </ul>	No*
(a)(3) Options for initiating service on the 119-mile dual track segment and the estimated schedule and costs associated with the service.	No

Source: Analysis of the 2026 Draft Business Plan.

<sup>7</sup> We conclude that the draft business plan does not include a detailed funding plan for the M-B segment because of the missing elements described in the table above, as well as a lack of information on needed financing. As we state in footnote 5 on Table 2, the draft business plan acknowledges that financing is necessary to advance the funding needed to maintain the M-B schedule but does not include the cost of that financing in the M-B cost estimate. Absent information about the cost of financing, the Authority cannot be certain that currently identified funding is sufficient and no funding gap exists.



Table 4. OIG Recommendations	Status
Provide a description of the actions the Authority has taken, or needs to take, to secure financing to complete the M-B segment as scheduled, including the cost and timing of such financing.	Not Implemented
Provide a description of the actions it has taken, or needs to take, to engage lawmakers to put in place mitigations it has identified as critical to ensuring the schedule is achievable.	Implemented
Provide a description of significant design changes that affect the cost estimate.	Not Implemented
Provide ridership and service planning information that includes the ACE rail line.	Not Implemented
Provide information on whether and when additional funds must be identified to keep the M-B segment on schedule.	Not Implemented
Update funding plan with information about when and how much funding it needs to meet the earliest and latest dates for completing the M-B segment according to the most current schedule envelope. To the extent the Authority includes funding dates that account for its schedule contingency, it should disclose and explain those considerations.	Not Implemented
Provide information about feasibility of loans, including the results of its consultations with federal lenders, anticipated timeframe, and interest costs for potential loan amounts and any changes to the project's state funding necessary to qualify.	Not Implemented
Conduct a risk analysis of the M-B schedule and publish the results, including the Authority's confidence level in its target date for completing the M-B segment and how it determined the amount of contingency time added to establish an envelope for uncertainty and risk.	In progress <sup>8</sup>
Present the new procurement timeline established by incorporating its reconsidered procurement strategy, along with a discussion of the likely impacts on the M-B schedule.	Not Implemented <sup>9</sup>
Provide information on the implementation status of recommendations stemming from the independent review of its construction quality assurance and quality control processes.	Not Implemented

Source: Analysis of 2026 Draft Business Plan.

<sup>8</sup> The Authority stated in the draft business plan that it is conducting a schedule risk analysis that it will include in the final business plan.

<sup>9</sup> The draft business plan includes some procurement milestones for 2026 but does not provide a comprehensive procurement timeline for completing the M-B segment or discuss schedule impacts of the reconsidered procurement strategy.