

Date of Hearing: April 20, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1087 (Grove) – As Introduced February 27, 2015

SUBJECT: Greenhouse Gas Reduction Fund: high-speed rail

SUMMARY: Specifies that the cap and trade funds continuously appropriated to the High-Speed Rail Authority (Authority) are to be spent on specified components of the initial operating segment and Phase 1 Blended System of the high-speed train system as described in the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century.

EXISTING LAW:

- 1) Establishes the Authority and vests with it the responsibility to develop and implement a high-speed rail system in California.
- 2) Authorizes the sale of \$9 billion in general obligation bonds to partially fund the development and construction of the high-speed rail system.
- 3) Authorizes the expenditure of an additional \$950 million in general obligation bonds for capital projects on other passenger rail lines to provide connectivity to the high-speed rail system, as well as for capacity enhancements and safety improvements to those lines.
- 4) Continuously appropriates, beginning in the 2015-16 fiscal year, 25% of the annual proceeds of the Greenhouse Gas Reduction Fund (cap and trade funds) to the Authority for the following components of the initial operating segment and Phase I Blended System as described in the Authority's 2012 business plan:
 - a) Acquisition and construction costs of the project.
 - b) Environmental review and design costs of the project.
 - c) Other capital costs of the project.
 - d) Repayment of any loans made to the Authority to fund the project.

FISCAL EFFECT: Unknown

COMMENTS: In 2008, voters approved Proposition 1A, the Safe, Reliable High-Speed Passenger Train Bond Act, 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 San Francisco through the Central Valley into Los Angeles and Orange County (Phase 1) with service eventually extended to Sacramento, the Inland Empire, and San Diego.

When voters approved the bonds in 2008, the Authority estimated the cost for the entire project to be \$45 billion, to be paid by a mix of state bonds, federal grants, and private investments. Since then, estimated costs for the project have risen markedly. The Authority's most recent business plan estimates costs for just Phase 1 to be \$68 billion using a "blended approach" - relying in part on existing tracks - rather than a fully built-out system of dedicated rail lines. Federal contributions to date have been limited to \$3.3 billion and there have been no private investments.

In 2012, the Legislature passed and the Governor signed SB 1029 (Committee on Budget and Fiscal Review), Chapter 152, Statutes of 2012, to appropriate \$8 billion (\$4.7 billion in Proposition 1A bond funds and \$3.3 billion in federal funds) to the Authority to initiate construction of the high-speed rail project. This amount included \$1.1 billion of Proposition 1A bond funding for bookend projects on the San Francisco Peninsula and in the Los Angeles Basin. Additionally, last year's Budget allocated \$250 million in cap-and-trade revenues to high-speed rail for the 2014-15 fiscal year and dedicated 25% of all cap-and-trade revenues to the project on an ongoing basis.

AB 1087 specifies that the cap and trade revenues continuously appropriated to the Authority must be spent on the initial operating segment and Phase 1 Blended System as described in the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century. According to the author, "this bill merely clarifies the Legislature's intent that the Authority construct one high-speed train system. As long as the Authority plans to use Proposition 1A bond funds, the cap-and-trade funds must support the same project."

Committee concerns: It is not clear why this bill is needed. The Authority is already restricted to using the cap and trade revenues on the initial operating segment and Phase 1 Blended System as described in its 2012 business plan, which was explicitly designed around compliance with Proposition 1A. As the author points out in background materials submitted to the committee, "So long as the [Authority] is planning to use any Proposition 1A bond money for construction, the entire project is required to comply with the performance requirements laid out in Proposition 1A." If the entire project is already required to comply with the performance requirement laid out in Proposition 1A and cap and trade funds are supporting the project, then those funds inherently will be spent on a system that complies with the requirements of the bond act.

Related legislation: AB 6 (Wilk) prohibits the sale of any additional bonds for high-speed rail and redirects the remaining bonding authority to fund the construction of school facilities for K-12 and higher education. AB 6 is set for hearing in this committee on April 20, 2015.

AB 397 (Mathis) prohibits the sale of any additional bonds for high-speed rail and redirects the remaining bonding authority to fund the construction of water-related infrastructure. AB 397 is set for hearing in this committee on April 20, 2015.

AB 1138 (Patterson) prohibits the Authority, or the State Public Works Board acting on behalf of the Authority, from commencing an eminent domain proceeding to acquire property for the high-

speed rail system unless it identifies the sources of all funds to be invested in the corridor the property is needed for and certifies that it has completed all project-level environmental clearances necessary to proceed to construction. AB 1138 is set for hearing in this committee on April 20, 2015.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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