

Date of Hearing: March 24, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

AB 377 (Tangipa) – As Introduced February 3, 2025

**SUBJECT:** High-Speed Rail Authority: business plan: Merced to Bakersfield segment

**SUMMARY:** Requires the California High-Speed Rail Authority (CHSRA) as part of the business plan due on or before May 1, 2026, to provide a detailed funding plan for the Merced to Bakersfield segment. Specifically, **this bill:** Requires the updated estimate include:

- 1) An updated estimate of the funding gap for completing the segment.
- 2) A strategy for addressing the funding gap that includes all of the following:
  - a) An itemized list of anticipated funds by source;
  - b) A timeline describing when each source of funds must be received in order to meet the authority's schedule for segment completion;
  - c) The estimated project delays that would result if any funding source fails to materialize, and a discussion of how work could be resequenced to minimize these delays;
  - d) 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; and,
  - e) A description of alternative funding sources that could be used if the planned funding does not materialize, and an assessment of the likelihood for attaining these funds.
- 3) A contingency plan that provides multiple options for completing and using the segment if there is a significant delay in completing the Merced to Bakersfield segment, and an assessment of the relative value to the state of each option.

The detailed funding plan developed pursuant to this section shall exclude funding sources where the likelihood of attaining the funds is low, including the receipt of any new federal funding before January 20, 2029.

**EXISTING LAW:**

- 1) Creates the CHSRA in the California State Transportation Agency with 11 members: five appointed by the Governor, two appointed by the Senate Committee on Rules, two appointed by the Speaker of the Assembly, and one each ex-officio member appointed by the Senate and Assembly. (Public Utilities Code (PUC) Section 185020)
- 2) Requires CHSRA to direct the development and implementation of an intercity high-speed rail service. (PUC 185030)
- 3) Establishes the independent peer review group to review the planning, engineering, financing, and other elements of the CHSRA's plans and issuing analyses of these plans. (PUC 185035)

- 4) Requires CHSRA to submit to the Legislature no later than May 1, 2014, and every two years thereafter, a business plan containing specified information that includes project schedule, scope, and cost, forecast patronage and maintenance and operating costs. (PUC 185033)
- 5) Requires CHSRA to submit to the Legislature no later than March 1, 2017, and every two years thereafter, a project update report containing specified information that includes at a minimum, a program wide summary, as well as details by project segment, including information about the progress of the project, budget projections, expenditures, and project schedule. (PUC 185033.5)
- 6) Establishes the Office of the High-Speed Rail Inspector General (OIG-HSR) and gives it the authority to initiate an audit or review of CHSRA and gives it specific duties and responsibilities relating to reviewing CHSRA business plans and project update reports. (PUC 187030)

**FISCAL EFFECT:** Unknown

**COMMENTS:** Chapter 796 of 1996 (SB 1420, Kopp) established the CHSRA to plan and construct a high-speed rail system that would link the state's major population centers. In November 2008, voters approved Proposition 1A, which authorized the state to sell \$10 billion in general obligation bonds to partially fund the system, as well as related projects. Proposition 1A also specified certain criteria and conditions that the system must ultimately achieve. For example, the measure requires that the system be designed to be capable of specified travel times along certain routes, such as nonstop travel from San Francisco to Los Angeles within two hours and forty minutes. The measure also specifies that passenger rail service operated by CHSRA, or pursuant to its authority, will not require an operating subsidy.

Over the years, the project has faced many challenges largely stemming from a lack of adequate funding to complete the project, or even a useable segment. As of the December 31, 2024, \$13.8 billion has been spent on the project, mostly on work between Merced and Bakersfield.

In early March 2025, the CHSRA released its Project Update Report (PUR). The report does not include updated project cost and schedule estimates as required by state law. The report's transmittal letter states: "A comprehensive review of design, scope, cost methodologies, and construction sequencing has been launched to streamline operations and improve long-term feasibility. This initiative emphasizes design standardization, eliminates over-engineered components, and integrates proven engineering solutions to accelerate project completion and optimize resources. Looking ahead, this effort will refine scheduling, procurement, and financial planning, with an updated project plan and supplemental Project Update Report expected by summer 2025 to guide the next phase of high-speed rail development."

Recent reports from the OIG-HSR examine funding shortfalls, causes for project delay, and raise concerns about a failure to accurately account for current project conditions and risks. In addition, the Legislative Analyst's Office (LAO) completed a report in 2024 and found that there is no clear plan for addressing the multi-billion dollar shortfall the Merced to Bakersfield segment is facing. The LAO stated that "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."

*According to the author, “AB 377 mandates the High Speed Rail Authority to deliver a comprehensive and detailed funding plan for the Merced to Bakersfield segment in its biennial business plan. This requirement is vital to provide long-overdue transparency and accountability to Central Valley residents. Without a clear financial roadmap, the project risks leaving Fresno with an incomplete, unusable infrastructure—a modern-day Stonehenge. By statutorily requiring a funding plan, AB 377 forces accountability before more taxpayer money is wasted on government mismanagement.”*

Despite, the project’s significant challenges, spending on the project has led to positive economic impacts in the Central Valley, with the greatest direct impacts in Madera and Fresno Counties, and indirect employment effects in Merced County and the rest of California. CHSRA states in its PUR that since construction began more than 14,700 jobs have been created with 70 percent of these jobs filled by residents from disadvantaged communities. The project continues to bolster local economies.

*Staff comments:* This bill attempts to address concerns that have been raised by the Legislature and various oversight entities about progress of the high-speed rail project by obtaining more information about funding for completion of the Merced to Bakersfield segment. While more information and oversight is valuable, this bill will not necessarily result in the Legislature receiving more useful information about the project or result in more funding for the project.

Since September 2023, the newly created OIG-HSR is continually examining the project and has been issuing recommendations. These recommendations address the same issues this bill attempts to address.

The OIG-HSR’s review process involves it making recommendations to CHSRA and CHSRA agreeing, partially agreeing, or not agreeing to implement the recommendations. The OIG-HSR is tracking the implementation of these recommendations on its website. It is important to note that while the CHSRA agreed to implement many of the recommendations the OIG-HSR has made in its 2025 PUR, the PUR does not address those recommendations at this time.

Because the OIG-HSR’s process is iterative and on-going, this process is far more likely to be effective in actually getting CHSRA to provide information that is beneficial to the Legislature. While, this bill does not cause harm, it may not necessarily result in any improvements in what information CHSRA provides to the Legislature.

Moreover, the greatest challenge the high-speed rail project faces is a lack of funding. Nearly all of the CHSRA business plans and project update reports have stressed that stabilized, long-term funding is needed to complete the vision of high-speed rail from Northern to Southern California.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

No support on file

**Opposition**

No opposition on file

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