

Date of Hearing: July 7, 2025

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

SB 545 (Cortese) – As Amended May 23, 2025

SENATE VOTE: 27-9

SUBJECT: High-speed rail: economic opportunities

SUMMARY: Requires the Governor’s Office of Business and Economic Development (GO-Biz) to study economic opportunities along California high-speed rail project corridor and other high-speed rail projects in California that are planned to directly connect to the California high-speed rail project and submit a report to the appropriate policy and fiscal committees of the Legislature by January 1, 2028. Specifically, **this bill:**

- 1) Requires GO-Biz on or before January 1, 2027 to commission a study on economic opportunities along the corridor of the California high-speed rail project and other high-speed rail projects in California that are planned to directly connect to the California high-speed rail project, and submit a progress report to the chairpersons of the Senate Committee on Transportation and the Assembly Committee on Transportation for input.
- 2) On or before January 1, 2028, the study described in paragraph shall be completed and a report on the study’s findings and recommendations shall be submitted to the appropriate policy and fiscal committees of the Legislature.
- 3) The study shall:
 - a) Assess funding potential across a variety of funding mechanisms that can support the high-speed rail capital program or discrete system elements;
 - b) Explore potential development opportunities associated with expanded authorities within specific areas that accelerate development and maximize associated value;
 - c) Explore methods that will result in a direct community benefit to parcels adjacent to stations and parcels in communities along the corridor of the California high-speed rail project, including, but not limited to, creation joint power agreements, density bonuses, permitting and environmental review efficiencies, and exemptions that help expedite development and increase property values;
 - d) Identify incentives for public-private partnerships;
 - e) Identify opportunities to secure federal funds, including federal loans;
 - f) Establish a specific radius or radii of contiguity with any portion of the corridor of the California high-speed rail project within which all properties would be eligible for participation in any identified infrastructure district that will maximize value and development potential;
 - g) Identify publicly owned parcels within the corridor of the California high-speed rail project, including surplus real property that can be combined to increase their feasibility for development and opportunity for value capture;
 - h) Determine the feasibility of establishing an unlimited timeframe for the operation of any infrastructure district established corridor of the California high-speed rail project;

- i) Identify available air rights around stations and other high-speed rail system structures for potential development and value capture opportunities; and,
- j) Explore all of the following strategies to support development and maximize public benefit along the corridor of the California high-speed rail project:
 - i. Identify methods to finance infrastructure and development near stations and throughout the corridor of the California high-speed rail project by forming infrastructure districts using existing tools, including, but not limited to, enhanced infrastructure financing districts and neighborhood infill finance and transit improvement areas;
 - ii. Evaluate opportunities for revenue-generating land uses in and around station areas and throughout the corridor of the California high-speed rail project that enhance public benefits and access to amenities on publicly owned land or infrastructure, including opportunities to support housing, commercial activity, transportation services, community facilities, and sustainable infrastructure;
 - iii. Assess opportunities for goods movement along the corridor of the California high-speed rail project, including, but not limited to, linked parcel-carrying train cars or other cargo delivery arrangements;
 - iv. Survey local cities and counties along the corridor of the California high-speed rail project to identify what economic incentives would motivate them to participate in a state-local partnership; and,
 - v. Quantify increases to the cost of housing, if any, and cost reductions that at least offset those cost increases, as determined by a survey of homebuilders and land developers who are members of the California Building Industry Association.
- 4) The study shall consider both of the following:
 - a) Land value, development incentives, value creation, infrastructure districts, governance models, and methods that provide new revenue and produce the outcomes necessary for the completion of the high-speed rail project while more effectively connecting communities to existing modes of transportation and providing a direct benefit to local communities; and,
 - b) The integration of adjacent rail services and the development opportunities that can help advance the construction of the high-speed rail system.
- 5) The study shall also analyze the corridor of the California high-speed rail project against several boundaries to evaluate the effectiveness of a range of opportunities for value creation and value capture activities.
- 6) An infrastructure district that uses its revenue to finance the construction of the high-speed rail project shall dedicate at least a majority of its revenue to infrastructure projects within the jurisdiction of the local agencies that establish the infrastructure district.
- 7) Defines the following:
 - a) “California high-speed rail project” means Phase 1 of the high-speed train project described in Section 2704.04 of the Streets and Highways Code;
 - b) “Infrastructure district” means any of the following:

- i. An enhanced infrastructure financing district created pursuant to Chapter 2.99 (commencing with Section 53398.50) of Part 1 of Division 2 of Title 5 of the Government Code;
- ii. A community revitalization and investment authority created pursuant to Division 4 (commencing with Section 62000) of Title 6 of the Government Code;
- iii. A community facilities district created pursuant to Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code; and,
- iv. Any other district, joint powers authority, or other agency established by a local agency for the primary purpose of financing infrastructure projects, including those with a state agency member, such as the authority.

EXISTING LAW:

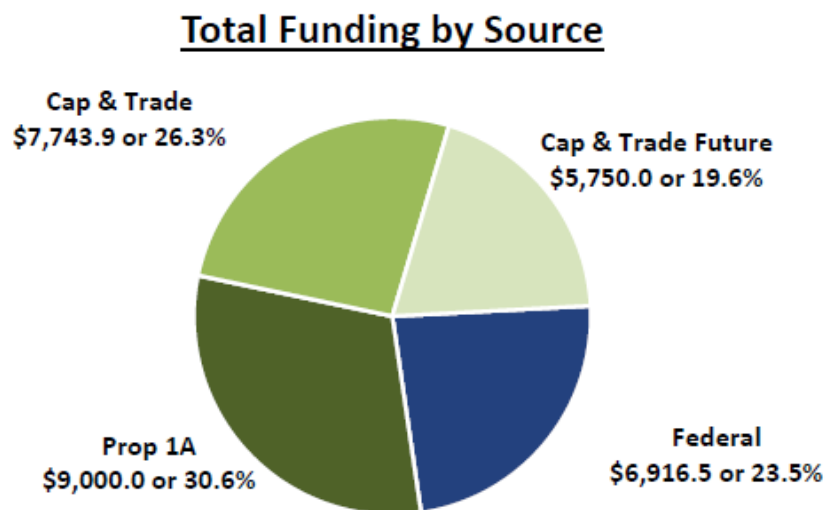
- 1) Creates the California High-Speed Rail Authority (CHSRA) in the California State Transportation Agency with 11 members: five appointed by the Governor, two appointed by the Senate Committee on Rules, two appointed by the Speaker of the Assembly, and one each ex-officio member appointed by the Senate 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) 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)
- 4) 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)
- 5) Continuously appropriates 25% of the state Greenhouse Gas Reduction funds for the high-speed rail project. (Health and Safety Code Section 39719)
- 6) Establishes the Governor's Office of Business and Economic Development or (GO-Biz) as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. (Government Code 12096, et seq.)

FISCAL EFFECT: This bill has been amended since the Senate analysis, but according to the Senate Committee on Appropriations "the Governor's Office of Land Use and Climate Innovation estimates costs of in the range of \$550,000 in 2026-27 and \$209,000 in 2027-28, including \$300,000 - \$350,000 in one-time contract costs and 1.0 PY of staff time for two years."

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. \$9 billion of the

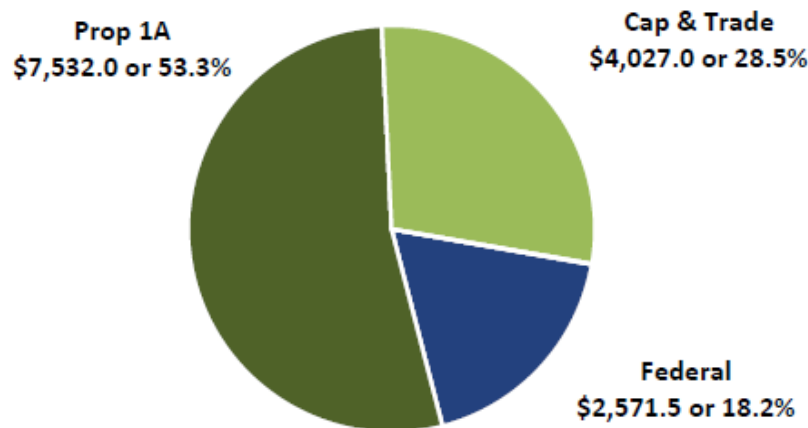
\$10 billion is available for the construction of the high-speed rail line. Proposition 1A also specified certain criteria and conditions that the system must ultimately achieve. For example, the measure requires that the system be designed to be capable of specified travel times along certain routes, such as nonstop travel from San Francisco to Los Angeles within two hours and forty minutes.

In addition to state bond funds, the project has received nearly \$7 billion in federal funds from various grant awards over the years. The project also receives 25% of the revenue generated by the state's Cap and Trade program also known as Greenhouse Gas Reduction Funds (GGRF). As of March 31, 2025 CHSRA has received about \$7.7 billion GGRF. Further, the CHSRA assumes the state will receive approximately \$1 billion GGRF through December 2030 for a total of \$5.8 billion as shown in the figure below.



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 March 31, 2025, CHSRA has spent \$14.1 billion from various fund sources mostly on work between Merced and Bakersfield, as shown in the figure below. CHSRA estimated project costs of between \$106 billion to \$127 billion for Phase 1 serving San Francisco through the Central Valley and into Los Angeles and Anaheim in its 2024 Business Plan.

Total Expenditures by Funding Source¹



In early March 2025, the CHSRA released its Project Update Report (PUR). However, the report is incomplete and does not include updated project cost and schedule estimates as required by state law. CHSRA has committed to providing an updated project plan and supplemental Project Update Report by late in the summer of 2025.

Recent reports from the Office of the Inspector General-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 faces. The LAO has found that "HSRA needs to secure funds to meet most of its identified funding gap for the Merced-to-Bakersfield portion of the project before June 2026 to avoid negative impacts on its schedule. Based on recent information we have reviewed from HSRA, we estimate this funding gap has grown to roughly \$10 billion (assuming the project retains its federal funding and \$1 billion annually from GGRF through 2030)."

Most recently, on June 4, 2025 the US Department of Transportation, Federal Railroad Administration issued a determination that CHSRA has not met its commitments under various grant agreements and states that it intends to withhold \$3.07 billion in federal funds previously awarded to the state and to take back \$929 million in federal funding already given to the state. This would reduce funds available for the project by approximately \$4 billion, increasing the funding gap for completion of the rail line between Merced and Bakersfield and making it more challenging to complete a segment of the rail project. CHSRA is challenging these findings.

Without the federal funds that the CHSRA has been anticipating, the funding gap for Merced to Bakersfield could potentially be \$14-15 billion assuming the state continues to receive \$1 billion in GGRF through 2030. However, recent auctions from the Cap and Trade program have resulted in lower auction revenues than anticipated, which will further increase the funding gap. In addition, reauthorization of the Cap and Trade program is being discussed and changes to the structure of the program would impact future revenues.

Economic benefits of high-speed rail lines. Recent studies have found that high-speed rail can have a positive economic impacts and spur business productivity along corridors. Economic development along rail corridors is likely and common in other countries. The UCLA Institute of

Transportation Studies completed an analysis in April 2024 suggesting that HSR could bring economic development to the state and stimulate population growth, but might eventually lead to gentrification in certain locations. Not all station-cities experience the same impacts, and certain conditions may foster greater economic development. Station location and connectivity to downtown areas would be particularly important in influencing these impacts, while peripheral stations would be less able to attract land use development and relocation of activities. The availability of rail service to larger cities (and connections to other major markets) and the coordination with urban planning and policy are key to determining the development of areas around HSR stations. The study indicates that for HSR to bring about desired economic development, the planning and design of stations and services must be integrated with the vision and urban plans of each station-city.

Notably, since California's first rail segment would be completed between Merced and Bakersfield, a 2024 study of a high-speed rail line in Southern Italy found mixed results when evaluating the rail line's ability to promote rural development and underscores that for rural economies the supportive development networks are crucial.

A 2025 study examining the spillover impacts of high-speed rail development found that high-speed rail can create competition for resources among urban areas and that stations in urban areas can have a positive impact on local economic development in both urban and non-urban areas.

Staff comments. Studying economic opportunities along the California high-speed rail corridor and other high-speed rail projects in CA that would connect to the state's project is valuable. Given the continuing and increasing financial challenges the project faces, examining and identifying any additional revenue sources is critical.

This bill requires GO-Biz to submit a progress report to the Assembly and Senate Transportation Committees for input. It is unclear what benefit this would provide and the cost of this study may be reduced slightly by eliminating this requirement.

The California Building Industry Association has removed its "opposed unless amended" position with the amendments made on June 27, 2025.

According to the author. "California is building the nation's first 220 mph, fully electrified high-speed rail system powered by 100% renewable energy. There will be massive development potential along the nearly 500-mile corridor. This transformative project has already created over 15,372 high-quality jobs, engaged 908 small businesses, and will prevent 142.6 million metric tons of carbon emissions through 2079. This study will help guide the state and local cities to examine opportunities for major residential and commercial development in the High Speed Rail corridor, synergy that can help boost local communities' economy and pay for the infrastructure itself."

Arguments in support. According to the State Building and Construction Trades Council, "SB 545 sets the foundation for leveraging commercial and residential development along the high-speed rail corridor to create jobs, attract businesses, and generate new revenue streams that will help fund construction, operations, and long-term maintenance. By requiring the state's Office of Land Use and Climate Innovation to, on or before July 1, 2026, examine strategies such as land value capture, development incentives, and public-private partnerships along the High-Speed

Rail corridor, SB 545 will ensure California maximizes the economic potential of this transformative infrastructure investment.

Revenue generated from the economic activities along this corridor will boost the economy of local communities and help pay for the construction as well as the on-going maintenance and operations of the high-speed rail system.”

Double referral. This bill is double referred to the Assembly Local Government Committee and will be heard in that committee on matters under its jurisdiction.

Prior legislation: SB 1260 (Niello of 2024) – Would have required the Inspector General of the High-Speed Rail Authority to conduct two independent reviews related to the high-speed rail project. SB 1260 failed passage in the Senate Transportation Committee.

SB 198 (Committee on Budget and Fiscal Review) Chapter 71, Statutes of 2022 appropriated the remaining \$4.2 billion Proposition 1A bonds for the high-speed rail project, and created the High-Speed Rail Inspector General.

SB 862 (Committee on Budget and Fiscal Review) Chapter 36, Statutes of 2014 continuously appropriated 25% of the revenues derived from the state’s Cap-and-Trade program to the project.

SB 1029 (Committee on Budget and Fiscal Review) Chapter 152, Statutes of 2012 appropriated nearly \$8 billion in federal and state funds to begin the construction between Madera and Bakersfield.

AB 95 (Committee on Budget and Fiscal Review, 2015) Requires CHSRA to prepare a biennial report to the California State Legislature on the status of the program, and on or before March 1, and every two years thereafter, CHSRA provide a project update report, approved by the Secretary of Transportation, to the budget committees and the appropriate policy committees of both houses of the Legislature.

AB 29 (John A. Pérez), Chapter 475, Statutes of 2011 creates within the Governor’s office, the Governor’s Office of Business and Economic Development, which would be administered by a director appointed by the Governor.

REGISTERED SUPPORT / OPPOSITION:

Support

American Council of Engineering Companies
Associated General Contractors of California
California Alliance for Jobs
California Construction & Industrial Materials Association
California State Association of Electrical Workers
California State Council of Laborers
California State Pipe Trades Council
Climate Action California
Engineering & Utility Contractors Association DBA United Contractors
Fresno County Economic Development Corporation

Green Policy Initiative
Housing Action Coalition
International Union of Operating Engineers
International Union of Operating Engineers, Cal-Nevada Conference
Jerry Dyer, Mayor of City of Fresno
Move LA
Rebuild So-Cal Partnership
Southern California Contractors Association
State Building & Construction Trades Council of California
Streets for All
Transportation California
U.S. High Speed Rail Association
Western States Council Sheet Metal, Air, Rail and Transportation

Opposition

None on file

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