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# Assembly California Legislature



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### Assembly Transportation Committee Oversight Hearing on the California High-Speed Rail Project March 2, 2026 Background Paper

#### Summary

California has been constructing a high-speed rail line since voters passed a bond in 2008 to partially fund the project. The project is making progress on construction in the Central Valley between Merced and Bakersfield, albeit at a much slower pace than originally anticipated. In 2024, the new Chief Executive Officer proposed significant changes to actions the Legislature previously took. These proposed changes are intended to reduce costs and better ensure the projects' delivery, but these changes would have significant impacts and carry significant risks. The Legislature demonstrated continued support for the project by reauthorizing funding of \$1 billion annually through 2045. The recently created independent Office of the Inspector General has ramped up its oversight of the project and made recommendations to strengthen the delivery of the project. Criticisms and concerns about adequate funding to complete a viable segment of rail persist.

#### Project Background

Chapter 796 of 1996 (SB 1420, Kopp) established the California High-Speed Rail Authority (HSRA) 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 and 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 HSRA, or pursuant to its authority, will not require an operating subsidy.

SB 198 (Committee on Budget and Fiscal Review), Chapter 71, Statutes of 2022 specified the following:

- Legislative intent to (1) prioritize funding for planning and construction of the Merced-to-Bakersfield segment until the segment is completed, and (2) complete Phase 1, which extends from San Francisco to Anaheim.
- Prohibits HSRA from entering into new commitments of Greenhouse Gas Reduction Funds (GGRF, also known as cap-and-trade funds recently renamed cap and invest) outside of the Merced-to-Bakersfield segment, except as specified. This prohibition is in effect until the Merced-to-Bakersfield segment is fully funded or through June 30, 2030, whichever occurs sooner.
- Establishes an independent HSRA Office of the Inspector General (OIG).
- Requires HSRA to notify the Legislature before submitting federal grant applications and before releasing a request for proposals for certain contracts, such as for acquisition of trainsets.

Most recently, under SB 840 (Limon), Chapter 121, Statutes of 2025, starting in 2026-27, HSRA will receive \$1 billion annually through 2045 rather than the 25% of annual revenues it had been receiving.

To date, the project has obtained full environmental clearance from Los Angeles to San Francisco. Along the 119-mile segment in the Central Valley, more than 99% of the needed parcels have been obtained, 90% of utilities have been relocated, 67% of the guideway has been completed, and 63% have been structures built. The project has created over 109,000 job-years, generated \$8 billion in labor income, and contributed \$22 billion to the state's total economic output according to the Department of Finance. Of the \$13 billion expended, 97% has gone directly to California firms and workers.

### **2025 Supplemental Project Update Report**

State law requires HSRA to release a Project Update Report (PUR) to the Legislature every odd-numbered year and an updated Business Plan every even-numbered year. Due to the CEO recently being hired, the initial PUR HSRA released in March 2025 did not provide a complete update for the project, and as a result, a subsequent report providing a more thorough update was released in August 2025. This report is called the Supplemental Project Update Report or SPUR.

The OIG's assessment of the report found that the SPUR contains the information required by state law that the HSRA had not included in the initial PUR. Specifically, the supplemental report includes an updated cost estimate, schedule, and benefit-cost analysis for the Merced-to-Bakersfield (M-B) segment, as well as other scenarios within the larger alignment between Gilroy and Palmdale. They also found that, with few exceptions, the information reviewed was accurate and adequately supported.

The SPUR included \$4 billion in federal funds that are no longer available to the state. The SPUR identified a \$6 billion surplus, including these funds. However, without the \$4 billion and the additional risks identified by the OIG, there may not be enough funding to complete the Merced to Bakersfield segment. Some uncertainties that could erode the \$2 billion surplus include: 1) the cost of financing to keep the project on schedule; 2) the HSRA's decision to reduce the cost estimate contingency from levels federal guidance supports; and 3) significant risks to the project, such as delays in acquiring right of way and utility relocations.

### **Updates Since the Project Update Report's Release**

Since HSRA released the SPUR, the CEO has made statements about the project, suggesting that significant changes are needed to the requirements the Legislature imposed on the project to help ensure that a segment that has utility and provides benefits to Californians is completed within the financial resources that are available. HSRA has repeatedly asserted that the requirements in SB 198 limits its ability to deliver the project and attract external financial support.

The CEO, in a November 20, 2025 presentation to the HSRA Board, outlined conditions and changes he believes are critically needed to maintain the program's cost and timelines.

These include:

***Encroachment Permitting Authority.*** Would allow the Authority, like Caltrans and the Department of Water Resources, to issue encroachment permits for activities within its right-of-way.

***Prioritized System for Right-of-Way Court Cases.*** Dedicated procedural tracks for infrastructure-related acquisitions to reduce delays. This could include dedicated court resources in the counties where the properties are located.

***Utility Relocation Streamlining/ Third-party Management.*** A more structured and accountable framework with third parties such as railroads, utility providers, and local agencies to ensure that all parties are operating under clear, enforceable expectations.

***CEQA Exemption for Clean Power Facilities.*** To help streamline the project's energy procurement, reduce delays associated with environmental review, accelerate the integration of clean energy solutions, the Legislature could enact legislation for a CEQA exemption for clean power interconnection.

***Boosting Land Use Authority and Value Capture Mechanisms.*** To provide regulatory tools around station areas and along the corridor and allow the Authority to capture value generated by transit-oriented development.

***Sales Tax Exemption on Purchasing Materials.*** To reduce overall costs and schedule for construction and incentivize in-state procurement.

***Creation of a High-Speed Rail Fund and Bonding Provisions.*** To provide additional funding for the project.

***SB 198 Modifications.*** To supplement existing revenues, expand construction beyond the Central Valley, attract private capital, and enable service into population centers where operating surpluses will strengthen long-term financial sustainability.

### **2026 Draft Business Plan**

The draft Business Plan is statutorily required to be released 60 days prior (March 2, 2026) to the final business plan which is required to be released on May 1 of each even year. At the time this paper was prepared, the HSRA had not released the draft plan.

### **Office of the Inspector General-High-Speed Rail (OIG)**

The OIG is tasked with improving oversight and accountability of the California high-speed rail project by conducting independent, objective reviews and investigations of the HSRA's planning, delivery, and operation of the project. The OIG is an independent office that is not a subdivision of any other governmental entity, including the HSRA.

The first IG was appointed in September 2023. Since that time, the office has completed four reviews of reports HSRA is statutorily required to produce and four operational reviews of the project. Consistent with state law, the OIG maintains a list of identified findings and the status of the Authority's efforts to address them and publishes the list on the office's website. The most recent list of OIG-HSR findings and recommendations, and the status of implementation, is posted on the Committee's website along with other hearing materials. HSRA has not implemented most of the OIG's recommendations.

### **Legislative Considerations**

A key challenge the High-Speed Rail project has faced since its inception is a lack of funding to complete a segment that could be used for passenger rail service. While the continuous appropriation of \$1 billion annually through 2045 from Cap and Invest is helpful, this amount of funding is inadequate, and the timing of the flow of funds does not align with construction needs.

There are actions the Legislature could take to help advance the project. However, those actions will have different and significant consequences for impacted parties. To help the Legislature assess what may be useful actions for it to take in the future regarding the project, it may wish to ask the following questions:

- When is additional funding needed to ensure completion of the Merced-to-Bakersfield segment is not delayed, and what would need to be done to secure additional funding?
- What real indicators of private sector interest in funding the project have there been?

- What alternative rail projects that would improve mobility in the Central Valley could be built in the absence of there being sufficient funding to fully construct and electrify the Merced-to-Bakersfield segment?
- What current and future contracts pose the greatest risk to the state if there is not enough funding to complete Merced to Bakersfield?
- What accountability measures has the Authority implemented to prevent further project delays?