

Date of Hearing: April 1, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1167 (Mathis) – As Amended March 13, 2019

SUBJECT: Greenhouse Gas Reduction Fund: high-speed rail: forestry and fire protection

SUMMARY: Eliminates the allocation of 25% of Greenhouse Gas Reduction Fund (GGRF) annual proceeds to the California high-speed rail program and redirects the funding to the Department of Forestry and Fire Protection (CalFIRE) for firefighting and prevention activities and grants to firefighters who lost their primary residence due to a wildfire or natural disaster. Specifically, **this bill:**

- 1) On, January 1, 2021, eliminates the continuous appropriation of 25% of the GGRF annual proceeds to the California High-Speed Rail Authority (Authority) for the construction of components of the Initial Operating Segment (IOS) and Phase I of the system.
- 2) Beginning in the 2021-2022 fiscal year, allocates 25% of GGRF annual proceeds to CalFIRE with:
 - a) 20% to be expended for the purchase of new engines and equipment, the hiring of new firefighters, and the cleaning of overgrowth or tree mortality; and
 - b) 5% to be expended for the Firefighter Home Relief Trust Fund Program.
- 3) Creates the Firefighter Home Relief Trust Fund in the State Treasury and requires the deposit of 5% of GGRF funds.
- 4) Creates the Firefighter Home Relief Trust Fund Program, administered by CalFIRE, to provide grant funding for resident firefighters who lost their primary residence in the last five years from the time of applying due to a wildfire or natural disaster.
- 5) Authorizes cities, counties or a state firefighter who lost their primary residence in the last five years from the time of applying due to a wildfire or natural disaster to apply for the grant funds.
- 6) Restricts the amount of a grant to not exceed the primary residence's fair market value at the time the residence was destroyed.
- 7) Requires CalFIRE to develop guidelines for application forms and grant distribution timelines.
- 8) Authorizes 5% of the moneys in the Firefighter Fund to be used for CalFIRE's administrative costs.

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 California's 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) Appropriates \$1.1 billion of the \$9 billion in high-speed rail bonds for use on bookend projects, including projects in the San Francisco Bay Area (Caltrain), and the Los Angeles region.
- 5) Requires the California Air Resources Board (ARB) to develop a plan of how to reduce statewide GHG emissions to 1990 levels by 2020. Authorizes ARB to include the use of market-based mechanisms to comply with these regulations (cap and trade).
- 6) Requires ARB to adopt a statewide GHG emissions reduction target of 40% below 1990 levels by 2030.
- 9) Establishes the GGRF in the State Treasury and requires all money collected pursuant to cap and trade, with limited exceptions, be deposited into the fund and makes the GGRF funds available for appropriation by the Legislature.
- 10) Allocates 25% of the GGRF annual proceeds to the Authority for the construction of components of the IOS and Phase I of the system, including:
 - a) Acquisition and construction costs of the project;
 - b) Environmental review and design costs of the project;
 - c) Other capital costs of the project; and
 - d) Repayment of any loans made to the Authority to fund the project.
- 11) Requires that a certain minimum amount of funds, as specified, from cap and trade are allocated to projects in and benefiting disadvantaged and low-income communities.
- 12) Creates CalFIRE, including the Office of the State Fire Marshal, and vests it with the responsibility for the fire protection, fire prevention, maintenance, and enhancement of the state's forest, range, and brushland resources, contract fire protection, associated emergency services, and assistance in civil disasters and other nonfire emergencies. Additionally, CalFIRE coordinates programs of fire protection, fire prevention, pest control, and forest and range maintenance and enhancement.

FISCAL EFFECT: According to the Authority, the Authority has been allocated \$2.42 billion in cap and trade funds to date. Of that total, the Authority has spent \$614 million on the high-speed rail program and \$123 million on book-end projects.

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 the major metropolitan market of San Francisco through the Central Valley into Los Angeles and Anaheim (Phase I), with service eventually extending to Sacramento, the Inland Empire, and San Diego (Phase II). When the bonds were approved in 2008, costs for the entire project were estimated 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 estimate for Phase I is \$77.3 billion using the blended approach of relying in part on existing tracks in the Bay Area and parts of Los Angeles. Furthermore, federal contributions to date are limited to \$3.3 billion and there have been no private investments.

In 2012, the Legislature passed and Governor Brown signed into law SB 1029 (Committee on Budget and Fiscal Review), Chapter 152, Statutes of 2012, to appropriate \$8 billion to the Authority (\$4.7 billion in Proposition 1A state bond funds and \$3.3 billion in federal funds) to initiate construction of the high-speed rail project. This amount included \$1.1 billion of Proposition 1A bond funding for the bookend projects in the San Francisco Peninsula and the Los Angeles region.

Additionally, as part of the 2014-15 state budget, SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, 60% of the proceeds of the state's cap and trade program continuously appropriated, of which 25% is allocated to the high-speed rail program. The cap and trade program is a market based regulation aimed at reducing GHG from multiple sources. Funding from cap and trade support programs and projects that facilitate in-state GHG emissions reductions and deliver major economic, environmental, and public health benefits for Californians, including meaningful benefits to the most disadvantaged communities, low-income communities, and low-income households. To date, the Authority has been allocated \$2.42 billion in cap and trade funds. Of that total, the Authority has spent \$614 million on the high-speed rail program and \$123 million on book-end projects.

In June 2018, the Authority approved the 2018 Business Plan which continues the commitment to a northern oriented and expanded IOS from the Silicon Valley to the Central Valley, the so-called "Valley to Valley" line. Additionally, the plan reflects work directed by the Authority's Board of Directors in 2017 for a comprehensive review of the current Central Valley construction contracts and cost estimates for the Valley to Valley Line and full Phase I of the system. This new cost review was first unveiled in November 2017, when the Authority revealed that costs for the Central Valley segment had risen over \$2.8 billion from previous estimates, due primarily to right-of-way acquisition delays and so-called third party agreements with freight railroads and utilities. The new cost estimates are reflected in the plan. The updated cost for full Phase I of the system is \$77.3 billion.

In November 2018, the State Auditor released a comprehensive audit of the high-speed rail program and found that flawed decision making and poor contract management contributed to billions in cost overruns and construction delays. The auditor reiterated that the Authority does not have the funding to complete the system, and highlighted concerns over possible future cost increases. Additionally, the auditor made numerous recommendations to increase oversight of the project, focusing on the delivery of the Central Valley segment currently under construction, by strengthening internal Authority controls, such as contract management. The auditor also recommended increasing transparency and reporting. Specifically, one of the recommendations

was for the Authority to develop a quarterly update to the Legislature on progress in the Central Valley to better inform policymakers and the public.

In February 2019, Governor Newsom delivered his State of the State address and he appeared to signal a change in project, shifting emphasis to completing a workable rail line in the Central Valley, but casting doubt over the completion of full Phase I. He outlined a new Central Valley construction plan, including extending the current line north to Merced and south to Bakersfield.

In response to Governor Newsom's address, the Federal Railroad Administration (FRA) issued a letter stating that it plans to "de-obligate \$929 million in federal funding for the project." The letter details what the FRA contends are the Authority's failure to comply with the terms of federal grant agreement. The Authority responded with a rebuttal letter in March 2019, and the situation remains unresolved. It is unclear what impact the FRA action could have on the project. The Authority will submit a Project Update Report to the Legislature on May 1, 2019, which will detail the Governor's new extended Central Valley plan and any cost estimate changes since the 2018 Business Plan.

AB 1167 would, starting in the 2021-22 fiscal year, redirect the 25% of GGRF annual proceeds from the high-speed rail program to CalFIRE for firefighting and prevention activities and grants to firefighters who lost their primary residence due to a wildfire or natural disaster. Specifically, the bill would direct 20% these funds to CalFIRE for the purchase of new engines and equipment, the hiring of new firefighters, and the cleaning of overgrowth or tree mortality. The remaining 5% would be allocated to the newly created Firefighter Home Relief Trust Fund, to provide grant funding for resident firefighters who lost their primary residence in the last five years from the time of applying due to a wildfire or natural disaster.

According to the author, "leaving forests unmanaged is no longer a safe option. We can and must do a better job of protecting both the forests and the communities on the urban-wildland interface. Too many lives and homes were lost during recent fire seasons. Rather than continuing the patchwork funding currently offered to CalFIRE to combat these devastating disasters, we should offer an ongoing funding source to both mitigate fire fuel and damages, along with the resulting GHGs. AB 1167 achieves this end by severing the funding that the high-speed rail project receives from the GGRF and instead directs the funds to CalFire for the purposes of supplemental funding."

Committee comments: In 2018, this committee held two oversight hearings of the California high-speed rail program. In March, the committee thoroughly discussed the 2018 Business Plan and the issues facing the Authority, including lack of full funding for the IOS. The High-Speed Rail Peer Review Group clearly laid out options for the future of the high-speed rail project, including reconfirming the state's commitment to the completion of the IOS and Phase I, completing parts of the system to provide independent utility, or ending the project. In November, the committee heard from the State Auditor and the Authority following the release of the high-speed rail audit, including the auditor's recommendations for reform and increased oversight of the Authority.

Governor Newsom's State of the State address outlined a project change for the Central Valley and potentially Phase I. Details of the new plan, including updated cost and ridership estimates, as well as plans for possible interim service in the Central Valley are expected in the Project Update Report due to the Legislature on May 1, 2019. It is clear that the project is at a

crossroads, and as funding partners for the project the Legislature will need to consider all of the options in the near future in a deliberative manner, with stakeholder input. Stopping the project now by redirecting cap and trade funds, a major source of state funding, would cause billions of dollars of work to be wasted and leave stranded, unusable assets. The Legislature should continue its strident oversight of the project and work on a long term solution.

Double Referral: This bill will be referred to the Assembly Natural Resources Committee should it pass out of this committee.

Related legislation: AB 435 (Fong) requires the Secretary of State to place an initiative on the ballot for the next statewide general election to stop the issuance of high-speed rail bonds and redirect any outstanding bond proceeds to the Department of Water Resources for Central Valley waster infrastructure projects. AB 435 is set for hearing in this committee on April 1, 2019.

AB 553 (Melendez) requires the Secretary of State to place an initiative on the ballot for the next statewide general election to stop the issuance of high-speed rail bonds and redirect any outstanding bond proceeds to the Department of Housing and Community Development's Multifamily Housing Program. AB 553 is set for hearing in this committee on April 1, 2019.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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