California State Assembly

TRANSPORTATION

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INFORMATIONAL HEARING

California High-Speed Rail Authority's Draft 2020 Business Plan

Wednesday, May 27, 2020
California State Capitol
Assembly Chambers

***NOTE**: This May hearing represents the new date for the postponed informational hearing originally scheduled for March 16th, 2020. The postponement was triggered by the unprecedented COVID-19 pandemic crisis, which has subsequently severely impacted the state's budget. Given the uncertain fiscal impacts of the current crisis, it is more critical than ever that the committee have a candid conversation of the state's priorities in transportation and the expenditure of finite resources. For continuity, this background paper is the same as the one released for the March hearing.*

Background

Introduction and Purpose of Hearing

The state of California has invested billions of dollars pursuing the development and implementation of a high-speed train service. The California High-Speed Rail Authority (HSRA), assigned this task, released its statutorily-required biennial Draft 2020 Business Plan on February 12, 2020.

HSRA is required to adopt and submit a final business plan to the Legislature on May 1st every two years. At least 60 days prior to the plan's adoption, HSRA is required to release a draft for legislative and public review and comment. The business plan details funding, financing, and ridership estimates for the entire project. Each business plan is also supposed to include a robust discussion of risks and strategies to mitigate those risks. This most recent plan reflects Governor Newsom's new vision for the high-speed rail program, shifting the focus of the Initial Operating Segment (IOS) from a line connecting the Silicon Valley to the Central Valley outlined in the 2018 Business Plan, to completing a high-speed rail line from Merced to Bakersfield, the so-called "Central Valley Line."

HSRA remains committed to completion of a high-speed rail operating segment, despite the fact that the scope of the project continues to shrink, costs continue to increase, and schedules continue to slip.

The purpose of today's hearing is to provide an opportunity for Assemblymembers and the public to provide comments to HSRA on the Draft 2020 Business Plan.

HSRA Background

Development of high-speed rail in California began more than 20 years ago. SB 1420 (Kopp), Chapter 796, Statutes of 1996, created HSRA to direct development and implementation of intercity high-speed rail service that would be fully coordinated with other public transportation services. HSRA reports to the California State Transportation Agency (CalSTA) and is governed by an eleven-member Board of Directors. The Governor appoints five members of the board, the Senate Rules Committee appoints two, and the Assembly Speaker appoints two. Additionally, the board includes two ex-officio, non-voting members, one member of the Assembly and one member of the Senate.

Assembly Bill 3034 (Galgiani), Chapter 267, Statutes of 2008, placed before the voters the Safe, Reliable High Speed Passenger Train Bond Act for the 21st Century (Proposition 1A) in the fall of 2008. California voters approved the initiative, which authorized $9.9 billion in general obligation bonds for two distinct purposes: $9 billion to develop and construct a high-speed rail system connecting San Francisco Transbay Terminal to Los Angeles Union Station and Anaheim; and $950 million for connecting intercity and commuter rail systems that would enhance those systems' capacity, safety, or connectivity to the high-speed rail system.

Proposition 1A prescribes specific route and design requirements for the high-speed rail system, although subsequent court decisions have affirmed that the state does not have to meet many of these requirements. Some of the requirements include that it must be electrified, be capable of sustaining speeds of no less than 200 miles per hour, and have the capacity to achieve travel times between San Francisco and Los Angeles of 2 hours and 40 minutes. Additionally, Proposition 1A requires a 50 percent match of all bond funds and lays out specific requirements HSRA must meet in order to access and spend the bond funds, including submission of detailed funding plans to the Legislature and Department of Finance. Furthermore, Proposition 1A requires high-speed rail to operate without government subsidies.

Overall, Proposition 1A directs HSRA to build the project in two phases, with Phase I covering roughly 500 miles from San Francisco to Anaheim. Phase II would extend the system to Sacramento in the north and San Diego in the south. HSRA has since broken the delivery of the project into segments, beginning with the IOS, which over the years has changed from a southern-focused route to Los Angeles, to a northern-focused route from San Francisco to Bakersfield, to the current intraregional Central Valley Line between Merced and Bakersfield.

Paying for the Project

HSRA's 2008 Business Plan, released after the passage of Proposition 1A, estimated the cost to complete the entire system to be $33 billion, and proposed to finance the project with a mix of state bond funds, federal, local, and private funds.

In July 2012, the Legislature approved SB 1029 (Committee on Budget and Fiscal Review), Chapter 152, Statutes of 2012, that appropriated nearly $8 billion in federal and state funds to begin construction on a segment of the project between Madera and Bakersfield. SB 1029 funded three components of the project, including:

1) Initial Construction Segment: SB 1029 provided $5.8 billion to fund construction of the high-speed rail "backbone" in the Central Valley with approximately 119 miles of right-of-way and track bed from south of Madera to the northern outskirts of Bakersfield. Of this amount, $3.2 billion is federal

grants (both American Recovery and Reinvestment Act (ARRA) funds and a Fiscal Year (FY) 2010 grant), and $2.6 billion is Proposition 1A bond funds.

2) Connectivity: SB 1029 appropriated $819 million of Proposition 1A bonds for "connectivity" projects on existing regional and inter-city rail systems throughout California to improve the connectivity to the future high-speed rail system.

3) Bookends: SB 1029 also appropriated $1.1 billion of Proposition 1A funds for improvements in the Los Angeles Basin and in the San Francisco Peninsula, referred to as the "bookends." These funds were for near-term improvements to these existing rail segments that will facilitate the eventual use of the segment for high-speed rail and also improve service for existing riders. Of this amount, $500 million was dedicated to fund projects in the Los Angeles Basin as reflected in the 2012 Memorandum of Understanding (MOU) signed with the Southern California Association of Governments and its regional transportation members, and $600 million for electrification of the Caltrain commuter rail system in the San Francisco Bay Area.

The remainder of the appropriated funds were authorized for ongoing administrative, planning and environmental work on the project.

A 2014-15 state budget trailer bill [SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014], continuously appropriated 25 percent of the revenues derived from the state's Cap-and-Trade program to the project. Additionally, in July 2017, the Legislature extended the state's cap-and-trade program through 2030, with the enactment of AB 398 (E. Garcia), Chapter 135, Statutes of 2017. HSRA estimates that this equates to a range of $500 to $750 million annually in funding for the program.

In 2015, HSRA broke ground on the first construction segment in the Central Valley, starting work on 119 miles from Madera to Poplar Avenue outside of Shafter. This work was reflected in HSRA's grant agreement with the Federal Railroad Administration (FRA) and was funded with the federal and state monies appropriated in SB 1029. However, HSRA faced ongoing litigation on the issuance and expenditure of the Proposition 1A bonds. To begin construction work in the Central Valley and move forward on the other project sections, HSRA negotiated its funding agreement with FRA to allow a "tapered match"-i.e., to allow federal dollars to be spent first and state matching dollars to be spent later. The FRA grant agreements require HSRA to complete construction of this section by December 2022.

Business Plan Roller Coaster

As previously noted, HSRA is required to prepare, publish, adopt, and submit to the Legislature a business plan every two years, including a number of prescribed elements such as forecasts and description of services, alternative financial scenarios, expected schedule, and a discussion of all reasonably foreseeable risks. When adopting the plan, HSRA must take into consideration public comments and any comments provided at hearings that the Legislature may hold prior to adoption of the plan.

Over the years, the information in each business plan has tended to change dramatically. In 2008, HSRA proposed a project from San Francisco to Anaheim that would cost $33 billion, be operational by 2020, and carry 90 million riders per year. In the 2012 Business Plan, the project costs had escalated to $68 billion, the full Phase I would now be operational by 2028, and it would expect 26 million riders per year. The 2012 Plan also introduced the concept of the IOS, beginning operation prior to having the complete San Francisco-to-Anaheim system complete. In 2012, the IOS was going to be from the Central Valley to the Los Angeles Basin. The 2016 Business Plan, on the other hand, reimagined the IOS as an interim system connecting the Central Valley to the Bay Area. By 2016 the cost of completing Phase I was estimated to be $64 billion, it was expected to be operational in 2029, and to carry 40 million riders per year.

In June 2018, HSRA approved the 2018 Business Plan detailing an implementation and delivery strategy for the IOS from San Francisco to Bakersfield, or the Silicon Valley to Central Valley (Valley to Valley) Line at a cost of $29.5 billion. This IOS (the Valley to Valley Line) would be completed by 2029, with the entire Phase I completion date of 2033. HSRA acknowledged the funding gap to complete Valley to Valley, specifically the tunnels through the Pacheco Pass, which is estimated to cost roughly $12.6 billion. The updated cost estimate for full implementation of Phase I of the system in the 2018 Plan was $77.3 billion.

In addition to the changing estimates for the full system and direction of the IOS, each business plan has reported on the growing cost of the Central Valley segment between Madera and Bakersfield. When the Legislature appropriated funds for the 119-mile "backbone" rail line in 2014, HSRA estimated the total cost to be $5.8 billion and the completion date to be December 2022. HSRA now estimates, with a 70 percent certainty, that the cost of completing this backbone rail line will not exceed $12.4 billion. While the completion date remains the same, HSRA still has over 400 parcels of land to purchase, hundreds of overpasses and structures to begin constructing, and a track and systems contract to award, calling into question how realistic that date could be.

Changes with a New Administration

In February 2019, Governor Newsom delivered his first State of the State address and he appeared to signal a change in the project, shifting emphasis to completing a workable rail line in the Central Valley, but casting doubt over the completion of the full Phase I. Specifically, Newsom noted, "the project, as currently planned, would cost too much and take too long. There's been too little oversight and not enough transparency." He outlined a new Central Valley construction plan, including extending the line currently under construction north to Merced and south to Bakersfield.

In response to Governor Newsom's address, FRA issued a letter stating that it planned to "de-obligate $929 million in federal funding for the project." HSRA responded with a rebuttal letter in March 2019, reaffirming Governor Newsom's commitment to the full Phase I project and detailing HSRA's progress and its compliance with the FRA grant agreement. On May 16, 2019, FRA sent a letter formally de-obligating the $929 million, stating that the letter provided a final decision on the matter. The State of California is currently engaged in litigation with the federal government over this action.

On May 1, 2019, HSRA released its 2019 Project Update Report (PUR). The PUR, required every year that a business plan is not published, is not normally as extensive of a document as a business plan, but is intended to simply be an update on estimates and schedule dates. The 2019 PUR took on special significance, however, as it was the first detailed public plan of the Newsom Administration. To help realize his vision for the high-speed rail program, Governor Newsom appointed a new Chairman of the HSRA Board of Directors, his chief economic advisor, Mr. Lenny Mendonca. Chair Mendonca stated very clearly in the PUR that, "this report focuses the limited resources the state has identified to get a working section that can demonstrate the viability of the broader project." The 2019 PUR put forth a plan to fund and deliver a high-speed rail line in the Central Valley alone.

Central Valley Line

The proposed Central Valley Line is a 171-mile high-speed rail line from Merced to Bakersfield, with stations planned for Merced, Madera, Fresno, Kings/Tulare (future), and F Street in Bakersfield. The Central Valley Line includes all of the current Central Valley construction, with extensions to Merced and Bakersfield. The 2019 PUR outlined updated cost estimates for the current Central Valley construction contracts and the new Central Valley Line. Specifically, the 2019 PUR estimated that this Central Valley Line would cost $18.3 billion and be operational by 2029. The Central Valley Line cost estimate includes the additional scope in the north and south, all track and systems, new high-speed trains, and several maintenance facilities. The new line would be operated by an interim passenger rail operator and HSRA anticipates the Central Valley Line would require an operating subsidy. Together with completion of all of Phase I environmental work, as required by the FRA grant agreement, and construction of the bookend projects, the 2019 PUR outlined a total cost of $20.4 billion to complete these "building blocks."

How Did We Get to a Central Valley High-Speed Rail Line?

In 2017, HSRA hired a new consultant called the "Early Train Operator" (ETO), DB Engineering and Consulting USA, to assist in analyzing the operations and financing of possible early interim service prior to full build out of the Valley to Valley Line. The ETO was tasked with studying two options for interim service, a Central Valley Line with various station options and Bay Area service on the peninsula sharing tracks with the Caltrain system going from San Francisco to Gilroy.

The ETO concluded that the best scenario to pursue for interim service is a high-speed line from Merced to Bakersfield. The line would connect, cross platform, with the existing San Joaquins intercity passenger rail (Amtrak) service and the Altamont Corridor Express (ACE) at Merced. While the high-speed trains would be on dedicated tracks, the San Joaquin and ACE trains would continue to share tracks with freight rail. In the south, the high-speed rail line would connect with Amtrak bus service to Southern California. The ETO at the time calculated possible ridership in this corridor and concluded that revenues would be 2.8 times higher than what are currently forecasted for the San Joaquins and ACE, and that travel times would be reduced by up to roughly 90 minutes.

This scenario first depends on the completion of the current existing Central Valley construction contracts as well as the design and construction of extensions north to Merced and south to Bakersfield. Additionally, the plan relies on the completion of the current construction and service plans envisioned by the San Joaquins/ACE Valley Rail Plan. Specifically, the Valley Rail Plan is an extension of ACE between San Jose and Merced and implements two new daily round-trips for the San Joaquins Amtrak service to better connect the Central Valley with Sacramento. The Valley Rail Plan anticipates the ACE extension to Ceres would be completed in 2023 and the ACE extension to Merced would be completed by 2026. According to the San Joaquin Regional Rail Commission (SJRRC), who operates both the San Joaquins and ACE, the Valley Rail Plan is fully funded, but work will still be required to reach agreements with freight railroad operators to authorize increased travel on the corridors they own.

The 2019 PUR envisions that SJRRC could be the operator of the new high-speed service and that it would no longer operate "competing" Amtrak rail service south of Merced. It is unclear whether this type of interim service would violate Proposition 1A, which requires any "planned passenger train service to be provided by HSRA, or pursuant to its authority," to operate without a subsidy. Currently, the San Joaquin rail corridor is one of the busiest Amtrak routes in the United States, connecting the Central Valley to Sacramento and Oakland, with bus connections south to Los Angeles. In addition, ACE connects nearly 1.5 million commuters per year to the Bay Area.

Draft 2020 Business Plan

To continue the business plan roller coaster, the Draft 2020 Business Plan estimates the full Phase I cost to be a little more than $80 billion and, that it will be fully operational by 2033, and will draw 40 million riders per year. The figure below compares the changing estimates in business plans over time.

	Phase I Cost	***Operational Date***	***Riders/Year***
2008 Proposal	$33 billion	2020	90 million
2012 Business Plan	$68 billion	2028	26 million
2016 Business Plan	$64 billion	2029	40 million
2018 Business Plan	$77.3 billion	2033	40 million
2020 Business Plan	$80.3 billion	2033	40 million

Central Valley Line Redux

The Draft 2020 Business Plan doubles down on the Central Valley Line operating segment, clearly making HSRA's case for the decision to spend every remaining dollar to connect Bakersfield to Merced with high-speed, electrified trains.

According to a Side-by-Side Study completed by the ETO, the high-speed rail investment in the Central Valley corridor "provides the highest benefits, requires the least additional system investment and reduces, rather than increases, the operating subsidy of the system, including regional rail operators." The figure below, from the Draft Plan, describes the ETO comparison between corridors from San Francisco to Gilroy, Merced to Bakersfield, and Burbank to Anaheim.

Table 3.0: Early Train Operator Side-by-Side Comparison, Summary of Quantitative Findings*

Evaluation Criteria	Northern California Peninsula Corridor	Central Valley Corridor	Southern California Burbank to Anaheim Corridor
Corridor Statistics			
Length of Corridor (in miles)	77	171	44
Highest Speed Attainable (in mph)	110	220	125
Service Results			
Ridership Increase (in millions)	1.9	4.8	2.5
Revenue Increase (in $ millions)	25.9	117.2	30.0
Additional Annual Passenger Miles Traveled (in millions)	91	340	108
Congestion Relief			
Annual Vehicle Miles Traveled Reduction (in millions of miles)	75.7	283.6	90.0
Annual Vehicle Reduction (in thousands)**	4.5	21.0	6.7
Air Quality Benefits			
Greenhouse Gas Emissions Reduction (in thousands metric tons of CO2)	36.8	50.6	19.3
Schedule Horizon			
High-Speed Rail Operation Within 10 Years	Possible	Yes	Unlikely

*Comparison between Funded Regional Investments (Scenario 2) and HSR Investment (Scenario 4)
**Assumes average mileage per car of 13,476 miles per year

Based on the ETO's assumptions, operating a high-speed train in the Central Valley will result in 8.8 million systemwide riders per year (2 million riders on the high-speed line and 6.8 million on the connecting bus and rail services), representing a 4.8 million rider increase over not building anything in the Central Valley. Alternatively, if funds were spent in the Southern California corridor between Burbank Airport and Anaheim, the ETO estimates 19 million riders in the corridor per year, which only represents 2.5 million more riders than would otherwise be the case without high-speed rail investments.

Of note, the ETO's Southern California estimate seems to conflict with the information the Southern California Regional Rail Authority (Metrolink) provided HSRA upon request last year. Metrolink identified approximately $9.4 billion in capital projects and rolling stock deployments needed for the Burbank to Anaheim corridor. According to Metrolink's report to HSRA, a phased delivery strategy reduces that need in the short term to $3.5 - $5.5 billion by 2024, which would allow the Burbank to Anaheim corridor to initiate a high-speed rail ready service and enhance connectivity with multiple existing services throughout Southern California.

The benefits from these investments were estimated as follows:

	Today	***Tomorrow***
Annual Ridership	11.9 million	20 million +
Annual VMT Reduced	335 million	500 million +
Time Saved vs. Driving I-5	Up to 54 minutes	Up to 84 minutes
Annual GHG Reduction	130,000 metric tons	207,000 metric tons +

Funding and Cost Estimates
The Draft 2020 Business Plan identifies total funding available to the project of between $20.6 and $23.4 billion, depending on how much future auction revenue is generated by the state's Cap-and-Trade program between now and 2030. This estimate includes all of the $9 billion in Proposition 1A bond funds, the $3.5 billion in federal funding ($929 million of which is currently de-obligated and unavailable to the state), with the remaining $8-11 billion attributable to current and future Cap-and-Trade revenues.

The $20.4 billion cost to complete and begin operating the Central Valley Line by 2029, complete the Phase I environmental work, and finish funding the bookend projects, which was outlined in the 2019 PUR, remains unchanged in the Draft 2020 Business Plan.

To complete the Valley to Valley segment, the Draft 2020 Plan estimates a cost of $34.5 billion, with a range of $27-39 billion, assuming an operational date of 2031. This date is important, because any delays would increase the cost. Finally, assuming a project delivery and operational date of 2033, the Draft 2020 Business Plan estimates the full Phase I cost to be $80.3 billion with a range of $63-98 billion. According to the Plan, the Phase I estimate increase (from $79.1 billion in the 2019 PUR) is almost exclusively due to the extension of the Central Valley Line to Merced.

All of these estimates are highly dependent on a number of assumptions that are highly unpredictable at this time, including the fact that many of the rail segments are not environmentally cleared and therefore the alignments are uncertain, and the fact that it is totally unknown when these extensions will be delivered. Nevertheless, even in HSRA's best case scenarios it is very clear there is nowhere near the amount of funding available necessary to complete any segment beyond the Central Valley Line.

HSRA describes in the Draft Plan a number of alternatives for securing additional funding in order to continue its progress toward interregional high-speed rail service, such as extending the Cap-and Trade program to 2050 and financing against future revenues as well as the hope for additional federal funding dedicated to the project.

Major Contracts in the Fall
According to the Draft 2020 Business Plan, HSRA intends to award a contract for Track and Systems (the rail, rail ballast and/or slab, signaling, overhead catenary system, and communications technology for high-speed rail) in September of this year. According to KPMG, HSRA's financial consultant, the Track and Systems contractor is envisioned to be the key long-term contractor of HSRA over a period of 40 or more years and will be responsible for ensuring the entire high-speed rail system is available to the operator. As a result, it will be HSRA’s most important contract and includes a significant amount of risk transfer, including interface risk with other contractors and additional scope of future segments. Capital costs associated with this contract may amount to as much as $3.7 billion for the Valley to Valley Line depending on the number of segments completed and associated price inflation.

HSRA argues that it must enter into this contract as soon as possible in order to meet the federal grant agreement deadlines. In fact, in order to meet the ARRA grant deadline, HSRA plans to start Track and Systems work before the civil contractors have achieved substantial completion on the Central Valley contracts. HSRA plans to renegotiate the existing design-build contracts to allow for early handover and shared access of completed work in non-contiguous five-mile segments. KPMG states that the potential for cost escalation associated with these interfaces both on the Track and Systems contract and the existing design-build contracts is significant and needs to be considered carefully.

In addition, HSRA is planning to enter into a procurement contract for electrified train sets before the end of this year. The Draft Business Plan budgets roughly $700 million for the design and procurement of the six train sets planned for the operation of the high-speed rail line in 2029. According to the Draft Plan, HSRA is expecting the design and manufacture of the train sets to take 5 years, and testing of the technology to take another 3 years, which is why they are focused on procuring the trains 9 years before their planned service. In contrast, the operator of the Virgin high-speed train between Victorville and Las Vegas is just now beginning the procurement process for trains and is expecting to begin operations in 2023.

Once these contracts are signed, it will become exceedingly difficult to change the course of the project. In fact, KPMG argues that the inter-related nature of the various civil and procurement contracts will make reducing scope very challenging, and termination costs could be very high, leaving the only option for resolving issues moving forward to dedicate more state funding to the project.

Discussion of Risks
As previously mentioned, statute requires the business plan to include a discussion of all reasonably foreseeable risks the project may encounter, as well as a description of HSRA's strategies, processes, and other actions it intends to utilize to manage those risks. The short chapter in the Draft 2020 Business Plan dedicated to identified risks touches on a few potential challenges to the project.

First, the Draft Plan discusses risks to current project funding. HSRA identifies the risk of the Legislature not appropriating the remaining $4.2 billion in Proposition 1A bond funding, as well as the potential for Cap-and-Trade funding to come in lower than projected. In addition, the Draft Plan considers the possibility of the federal government not only succeeding in de-obligating the $929 million in FY10 funding but potentially reclaiming the $2.6 billion ARRA grant funding should the state not meet the requirements of the FRA grant agreement. The Draft Plan contains very little discussion of ways to mitigate these risks other than continuing conversations and monitoring.

More specifically, the Draft 2020 Plan discusses within the “Program Delivery Risks” subsection the steps HSRA is taking to ensure it meets the federal grants deadlines. Apparently HSRA staff has developed a comprehensive project risk register that identifies various direct cost risk items associated with the construction work underway in the Central Valley. In this way, HSRA is hoping to meet all the federal deadlines and therefore will not need to mitigate the potential loss of billions of federal dollars.

Not discussed in the Draft Business Plan, but thoroughly considered in a supplementary report by HSRA's financial consultant, KPMG, are the risks related to the proposed interim service in the Central Valley. KPMG argues that nearly all the risk for operating the envisioned interim service will fall on the state and other partners. Despite stating that “One of the key lessons learned from the CVS (Central Valley Segment or 119-mile “backbone”) contracts was the risk associated with entering into contracts too early," HSRA is incentivized to take additional risk with the Track and Systems contract by issuing a notice-to-proceed prematurely in order to secure a lower price. KPMG concludes:

> *Due to the interdependency of high-speed service with other rail services, risks associated with the operation and delivery of the Merced to Bakersfield Interim Service are intended to primarily lie with SJJPA/SJRRC and CalSTA. While there is a significant almost 10-year period in which to prepare for Interim Service, the Authority is about to make long-term commitments and should ensure that it has the requisite formal agreements in place with the other relevant stakeholders as to the potential use and management of the high-speed infrastructure and associated costs prior to signing the Track and Systems and Trainsets contracts.*

Neither the Draft 2020 Business Plan nor any of the supplemental reports discuss a timeline for formal agreements with relevant stakeholders on the operation of the interim service. This may be because, as KPMG points out, the risks associated with the operation lie with these stakeholders and not with HSRA.

Potential Alternatives

For more than a decade, the Legislature has largely been supportive of the concept of high-speed rail in the state. Recently, however, it has become abundantly clear that the promise to voters of Proposition 1A is simply undeliverable. Every year, the project costs rise and the scope shrinks. Meanwhile, outside a one-time investment of federal funds, it appears the state alone is going to have to pay for building the project and private funding will not materialize until the project is complete and service is proven. The original plan to connect all the major regions in the state for $33 billion has expanded to a cost of $80 billion to just deliver service from San Francisco to Los Angeles.

In his State of the State Address, many agreed with Governor Newsom when he stated that the planned system would cost too much and take too long. Staff at HSRA have since proposed a new plan to build a short, electrified line between Bakersfield and Merced and have claimed this would both massively increase ridership in this area and stay within the forecasted revenues available for the project.

Many Assembly members have become skeptical of HSRA's proposal. Some argue that, in order to buy into HSRA's new plan, one must suspend disbelief and accept that HSRA will successfully deliver projects and maintain its current budget, neither of which it has demonstrated an ability to do. Further, all of the uncertainty surrounding the new plan, including cost projections for portions of a system that have yet to be designed or routes that have yet to be determined, must be dismissed. Finally, one has to believe that a fast, short train ride will induce immense ridership growth in an area without large population centers. The Assemblymembers paying attention to this new proposal are suggesting that this no longer seems reasonable.

Some suggest that there are many other unconsidered options available. For example, without significantly impacting the real benefits possible from completing a grade-separated, dedicated passenger rail line in the Central Valley, the state could forego the electrification of the line for now and use the several billion dollars saved for projects in the population centers north and south of the trunk line. Those savings can be redirected to accomplish significant improvements in existing systems, while delivering a one-seat ride from the Central Valley to both Sacramento and the Bay Area. By choosing different "building blocks" to fund along Phase I of the system, the state could provide significant service improvements where the people are, and still move toward the promise of future high-speed rail as envisioned by Proposition 1A.

These Assemblymembers believe that alternative projects would significantly improve rail service, increase ridership, help with traffic congestion, and provide more economic value statewide and in the Central Valley than the most recent proposed plan.

Conclusion

Unquestionably, HSRA's task - to build a high-speed passenger rail system - is a daunting one. The sheer size of the program combined with uncertain funding, rigidly prescribed design criteria, constant legal threats, weighty environmental concerns, and difficult engineering challenges seemingly jeopardize accomplishment of the task at every turn.

The Draft 2020 Business Plan continues to propose the vision of the new Administration, to build a workable line with the funding available and hope to demonstrate both the technology and the benefits of high-speed rail. However, this approach still raises many questions that the Legislature must consider:

- Does the plan serve the transportation needs of the state?
- Can the Central Valley Line be built at the current cost and schedule?
- Will all of the other pieces, such as the ACE/San Joaquins build out, come together on time and provide the level of service anticipated?
- Would the envisioned interim high-speed service conform to state and federal requirements?

It appears that in 2021 HSRA will request that the Legislature appropriate the remaining Proposition 1A bond funds for the development of the system. At that point, the Legislature will have one last opportunity to weigh in on the direction of this project. This opportunity for changing direction may be much more difficult by that time if HSRA goes ahead and awards the Track and Systems contract and Trainset Procurement. This hearing is the next step in clarifying the Administration's proposal and an important part of the Legislature's oversight responsibilities for what may eventually be the most critical infrastructure investment in California history.