

Topic: **California State Budget October 2010
Impacts to High Speed Rail Project**

Update: **October 13, 2010**

California Governor Arnold Schwarzenegger vetoed important oversights for the High Speed Rail project that were contained in the state budget bill.

The Legislative Analyst Office's review of the CHSRA Business Plan, a State Audit Report, and a review of the ridership forecasts by the University of California's Institute of Transportation Studies all raised significant questions about the California High Speed Rail Authority's operations and future plans.

As a result, state legislators attached certain "strings" to the Authority's funds for the coming year. In short, if they don't address the concerns raised then they don't get the money.

In an unusual twist, the Governor vetoed the "strings" but not any part of the \$9 billion in HSR bond money.

Oversights vetoed by the Governor:

- By order of the Senate Budget Subcommittee on Resources, the Authority must produce a report to be submitted to the Joint Legislative Budget Committee by February 1, 2011 with the following information:
 - A complete legal analysis of the revenue guarantee (which per the LAO "seems to violate the law"(AB3034))
 - A report on contract expenditures for community outreach, including detail on type of expenditure and activity (responding to testimony and news reports that the Authority is doing a poor job of Outreach, and that "artful marketing" does not equal outreach)
 - A financial plan update and alternative funding scenarios (responding to the LAO's concerns that the business plans put forth thus far fail to account for variability that may exist in future levels of federal funding)
 - A copy of the strategic plan (deemed missing by LAO report)
 - A report on the performance of the Program Manager Contractor (reviewing the work to date by Parsons Brinkerhoff related to issues raised by State Audit)
 - A report on how the Authority plans to address other issues brought forward by the State Audit

Budget overview:

The HSRA’s bond funding can be divided into two pots: pure high-speed rail activities as outlined in the \$9 billion portion of Prop 1A (Table 1); and HSR interconnectivity activities as outlined in the \$950 million portion of Prop 1A (Table 2). The \$9 billion pot can be further condensed into three main budget categories which are funded through two sources: state bond funds from Prop 1A and ARRA federal stimulus grants.

Under the Legislature’s budget, money from each of the HSR categories was contingent upon the satisfactory completion of the reports mentioned above (which have now been vetoed).

From the \$9B of the HSR bond			
Budget category	Bond funds	ARRA funds	Total
Support for CHSRA	\$ 57,031,000		\$ 57,031,000
Administration	\$ 6,140,000		\$ 6,140,000
Support Peer Review Group	\$ 100,000		\$ 100,000
Program Management and Oversight Contracts	\$ 39,036,000		\$ 39,036,000
Public Information and Communications Contracts	\$ 1,800,000		\$ 1,800,000
Fiscal and Other External Contracts	\$ 10,055,000		\$ 10,055,000
Ridership and revenue forecasting	\$ 1,000,000		\$ 1,000,000
Capital outlay – property acquisition	\$ 28,345,000	\$ 25,000,000	\$ 53,345,000
Capital outlay – design	\$ 58,405,000	\$ 52,500,000	\$ 110,905,000
Total	\$ 143,781,000	\$ 77,500,000	\$ 221,281,000

High-speed rail bonds are also used to fund the Department of Transportation for enhancing local transit lines as feeder routes to the high-speed rail system. The Governor line-item vetoed the following budget items, directing that approved amounts be used for Positive Train Control (PTC).

From the \$950M of the HSR bond – intercity rail improvements			
Budget category	Legislature	Governor	Difference
Local assistance			
Dept. of Transportation, for allocation by the CTC	\$ 146,126,000	\$ 38,500,000	\$ 107,626,000
Capital outlay			
Dept. of Transportation, for allocation by the CTC	\$ 88,302,000	\$ 62,490,000	\$ 25,812,000
Total	\$ 234,428,000	\$ 100,990,000	\$ 133,438,000

Appropriations which remain intact:

In the category “Support for CHSRA”, there were additional appropriations, which remain intact:

- \$1M for ridership and revenue forecasting
 - Funds are available for expenditure after submitting a report to the Joint Legislative Budget Committee, followed by a 60 day review period.
 - The report is due 30 days after the budget is enacted.
 - The report must address the Berkeley ITS model, and include proposed changes to the ridership and revenue models and how the authority is, or is not, incorporating the findings of the Institute of Transportation Studies into the revised models.
- \$100,000 to support the operation of the Independent Peer Review group

Transportation Trailer Bill:

A budget trailer bill was short-lived, not making it past the Senate Floor. This bill would have:

- Authorized the Governor to appoint 6 CHSRA executives and defined how the compensation would be determined;
- Required the CHSRA to prepare detailed biannual status reports to the Legislature;
- Required that the Independent Peer Review Group be appointed by Nov 1 and designate a chairperson and the CHSRA was to designate a liaison.

Final Comments:

Explaining his veto decisions, Governor Schwarzenegger wrote, in part: “While the Administration supports these reporting requirements, making the appropriation contingent upon receipt and approval of this report by the Legislature could result in project delays, jeopardize the Authority's ability to meet already tight federal deadlines and result in increased state costs.”

Senator Simitian, the Chair of the Senate Budget Subcommittee No. 2 on Transportation, said at a budget hearing earlier this year, “it’s more important to get it done right than to be timely and wrong.” In essence, he explained that poor plans, poorly vetted plans, or a lack of plans put the State at greater financial risk. “The [federal stimulus] dollars are significant but they pale in comparison to the tens of billions of dollars that could be misspent if we make bad decisions.”

This legislative update is sent to city council members, state legislative offices, agencies, local officials and others interested in following high-speed rail's progress. It is a service provided by CARRD, Californians Advocating Responsible Rail Design, to help inform the public of legislative activities related to the HSR project. These updates are available on CARRD's website, www.calhsr.com. To receive regular updates contact Rita Wespi at rwespi@carrdnet.org.

CARRD is a grassroots organization committed to creating public awareness, providing relevant up-to-date information, and assisting local and state representatives in advocating for the best possible outcome of California's high-speed rail project.