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California State Senate

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BUDGET AND FISCAL REVIEW

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Agenda
July 5, 2012
Room 4203
Upon Call of the Chair

**INFORMATIONAL HEARING ON THE
HIGH-SPEED RAIL AUTHORITY**

High Speed Rail Project

Background: The California High-Speed Rail Authority (Authority) was created by Chapter 796, Statutes of 1996, to direct development and implementation of inter-city high-speed rail service that is fully coordinated with other public transportation services. Voters approved Prop 1A in 2008, authorizing \$9.950 billion in general obligation bonds for the project. Bond funds must be appropriated by the Legislature for expenditure and the bond act lays out other requirements for reporting and expenditure of bond funds. The project received additional funding in 2009 when the federal American Recovery and Reinvestment Act (ARRA) allocated \$8 billion nationally for high-speed and intercity rail.

Of total Prop 1A bond funds, \$950 million is set aside for capital improvements to intercity, urban, and commuter rail that provide direct connectivity to high speed rail, \$9.0 billion is set aside specifically for the high-speed rail project. Up to \$450 million is available for general administration and up to \$675 million is available for initial construction activities such as environmental studies and preliminary engineering. The remaining roughly \$8 billion is available for construction; however, a non-bond match of at least 50 percent is required for each corridor or segment.

The Authority released its Final 2012 Business Plan on April 2012, which is the key document for review of the Administration's budget proposals. The Governor's plan to implement high speed rail, based on the revised 2012-13 budget proposal would: (1) appropriate \$5.9 billion (\$3.24 billion federal funds, \$2.61 billion Prop 1A bond funds) to construct an initial segment for the high-speed rail project in the Central Valley; (2) appropriate \$253 million (\$48 million federal funds, \$204 million Prop 1A bond funds) for completion of environmental work and preliminary design work for various rail segments in the high-speed rail system; and (3) appropriate \$819 million (Prop 1A connectivity bond funds) for Caltrans and local rail operators to improve existing rail operations to improve connectivity to the future high-speed rail system. The Legislature also proposes to include in the package \$1.1 billion in bond funds for investment in the bookends in northern and southern California regions. The operating costs of the Authority were included in AB 1497, approved by the Legislature, and signed by the Governor.

Proposal: The proposal would appropriate amounts for the acquisition and construction of initial portions of the high-speed rail project. It would also require extensive reporting by the Authority. The components funded under this request

are the following items for the Authority as well as Department of Transportation (Caltrans) components related to the high-speed rail project:

- 1. Appropriations for Initial Construction Segment (Items 2665-306-0890 and 2665-304-6043).** The bill would appropriate to the Authority \$3.24 billion from the Federal Trust Fund and \$2.61 billion from the High Speed Passenger Train Bond Fund for the construction and acquisition of a portion of the initial operating segment. This initial construction segment constitutes the segment running for 130 miles between Madera and Bakersfield. This component was a request of the Administration in the spring in order to begin the initial construction phase of the project.
- 2. Appropriations for Bookend Investments (Item 2665-104-6043).** This appropriation to the Authority would provide \$1.1 billion of Proposition 1A funding as a match for two memorandums of understanding (MOUs) agreed to by the Authority and the Southern California Association of Governments (SCAG) for \$500 million and the Metropolitan Transportation Commission (MTC) for \$600 million. The MOU with MTC would primarily fund the electrification of the Caltrain corridor between San Francisco and San Jose. The MOU with SCAG would fund projects on the Metrolink Antelope Valley line between Palmdale and the San Fernando Valley necessary to improve travel times for Metrolink trains providing service for high-speed rail as part of the blended system, as well as lay the foundation for future, dedicated high-speed rail service on the southern end of the Initial Operating Segment. The projects that make up the SCAG MOU have not been finalized. This funding was not part of the Governor's budget request.
- 3. Appropriations for Environmental Work (Items 2665-304-0890 and 2665-304-6043).** This appropriation to the Authority would provide a total of \$152.4 million Proposition 1A and federal funding to complete environmental review for each of the 10 segments comprising the High-Speed Rail System. This stage of the project includes the draft and final Environmental Impact Reports and Environmental Impact Statements (EIR/EIS) as well as the environmental certification process required by the California Environmental Quality Act (CEQA) and the National Environmental Policy Act. Specific components within the EIR/EIS include the preferred route alignment and associated appraisal map identifying the affected parcels. These components were funded last year and included in the Governor's budget request but removed by the Budget Committee.

- 4. Appropriations for System Design Work (Items 2665-305-0890 and 2665-305-6043).** This appropriation to the Authority would provide a total of \$100.2 million Proposition 1A and federal funding to fund full preliminary design for the Merced to Fresno and Fresno to Bakersfield and partial preliminary design for the remaining segments. In order to complete the EIR/EIS, some design is necessary to determine the environmental effects of the projects which can then be used to select the most efficient path among different possible routes. In order to develop documents necessary to bid the contract, preliminary design needs to be complete to properly define the parameters of the design-build contract. These components were funded last year and included in the Governor's budget request but removed by the Budget Committee.
- 5. Appropriations for Connectivity Investments—Local Transit (Item 2660-104-6043).** This appropriation to Caltrans would provide \$713.3 million for nine local transit projects, as well as future projects, which will provide direct benefits to the high-speed rail system by way of on-system improvements and capacity enhancements to existing local transit systems that directly link to the future high-speed rail system. Some examples of the proposed projects are Positive Train Control on the Caltrain/high-speed rail blended corridor between San Francisco and San Jose, extending San Francisco Municipal Railway (MUNI) service linking high-speed rail with additional areas of downtown San Francisco, building a multi-line connection to Union Station on the Metro system in Los Angeles, and upgrading Bay Area Rapid Transit's (BART's) rolling stock to provide additional feeder service capacity and reliability. This component was part of the Governor's budget request.
- 6. Appropriations for Connectivity Investments—Intercity Rail (Item 2660-304-6043).** This appropriation to Caltrans would provide \$106 million for three intercity rail projects on the Capitol and San Joaquin Corridors that will serve as components of the Northern California Unified Service and provide direct benefits to the high-speed rail system by providing additional feeder service. Specifically, two projects would provide additional double track in the Central Valley and Bay Area allowing trains to run at higher speeds and additional frequencies, allowing for more passengers on the Northern California Unified Service. Additionally, this funding will be used to increase Capitol Corridor train frequencies to Roseville, bringing more riders to the Northern California Unified Service and the future high-speed rail system. This component was part of the Governor's budget request.

7. Reporting and Other Budget Bill Language. The bill includes various language that would restrict expenditures or require reporting to control entities or to the Legislature. The control language stipulates that: connectivity and bookends funding are to be used for the blended system and not to expand the blended system to a four track system; environmental and design work are subject to review by the Public Works Board (PWB) and reporting to Department of Finance (DOF) and the Joint Legislative Budget Committee (JLBC), and other legislative committees; the Authority is to fill, 60 days prior to contracts scheduled to be awarded December 2012, the positions of chief executive officer, risk manager, chief program manager, and chief financial officer; and, capital expenditures for the connectivity, bookends, and Central Valley construction segment are tied.

With respect to the Bookends, this investment: is subject to prior environmental clearances; requires the submission of an accountability plan; is subject to audit; and, requires a project management and funding agreement with the project component sponsors.

Capital funding from federal and bond funds is subject to review by the PWB and requires the following documentation to be provided to the Legislature after review and approval by the Secretary of Business, Transportation, and Housing (or its successor) at the designated times:

- a. Project Update Report biannually on March 15 and November 15, which includes: summary of progress; baseline budget for project phase costs; current and projected budget; expenditures by date; comparison of current and projected work; summary of milestones in prior and current year; issues in the prior year and actions taken; and, discussion of various identified risks.
- b. Staff Management Report by October 1, 2012 (and prior to contracts awarded in September 2013, October 2013, and March 2017) that includes: an organizational chart; detailed description of functions and responsibilities; summary of staffing changes in the preceding year; strategy for filling vacancies; staffing plans for 2012-13, management with respect to number, skill level, position, hiring, retention, of staff and consultants; and proposed steps and procedures to ensure adequate oversight.

- c. Contract Report prior to the awarding of any contract that certifies that the amount awarded under the contract is within the budgeted funding and is consistent with existing completion schedule deadlines.
- d. Risk Assessment Report prior to the contracts scheduled to be awarded December 2013, including: comprehensive risk management plan that defines roles and responsibilities for risk management, addresses the process for risk identification, implement and address response, and monitor and control risks; qualification in financial terms of risks identified; provide documentation for risk identification and mitigation; plans for regularly updating capital and support costs; and plans for reserve assessment and reassessment.
- e. Business Plan components by January 1, 2014, that includes, based on recommendations of the Peer Review Panel and advice from domestic and international rail community and academic review: a proposed approach for improving demand projects, operations and maintenance cost models, and benefit cost analysis for future project decision; and, a copy of the study by the Union Internationale des Chemins de Fer (international union of railways) examining the Authority's operating costs and those of other railways.
- f. Greenhouse Gas Report by June 30, 2013, providing analysis of the net impact of the high-speed rail program on the state's greenhouse gas emissions.
- g. Memoranda of Understanding within ten days of its execution with regional transportation agencies relative to the Northern California Unified Service.

Fiscal Effect: Appropriates approximately \$4.7 billion in state bond funds and \$3.3 billion in federal trust funds for the high speed rail project. Annual debt service would be approximately \$80 million per \$1 billion debt issued for the state bond portion, but dependent on capital market conditions that prevail when the bonds are issued.

Comments: The proposal is the first significant commitment of funds for construction and acquisition of the high-speed rail project. The appropriations include funding for the initial construction segment as well as improvements that would link existing rail lines to high-speed rail.

AMENDED IN ASSEMBLY JULY 3, 2012

SENATE BILL

No. 1029

Introduced by Committee on Budget and Fiscal Review

February 6, 2012

An act ~~relating to the Budget Act of 2012~~; *to amend the Budget Act of 2012 by adding Items 2660-104-6043, 2660-304-6043, 2665-104-6043, 2665-304-0890, 2665-304-6043, 2665-305-0890, 2665-305-6043, 2665-306-0890, and 2665-306-6043 to Section 2.00 of that act, relating to the state budget, and making an appropriation therefor, to take effect immediately, budget bill.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1029, as amended, Committee on Budget and Fiscal Review. Budget Act of 2012.

The Budget Act of 2012 makes appropriations for the support of state government for the 2012–13 fiscal year.

This bill would amend the Budget Act of 2012 by adding items of appropriation relating to a high-speed rail system in the state.

This bill would declare that it is to take effect immediately as a Budget Bill.

~~This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2012.~~

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 *SECTION 1. Item 2660-104-6043 is added to Section 2.00 of*
- 2 *the Budget Act of 2012, to read:*

1 2660-104-6043—For local assistance, Department of Trans-
 2 portation, payable from the High-Speed Passenger Train
 3 Bond Fund..... 713,333,000
 4 Schedule:
 5 (1) 30.10-Mass Transportation..... 713,333,000
 6 Provisions:
 7 1. These funds shall be available for encumbrance or
 8 liquidation until June 30, 2018.
 9 2. The funds appropriated in this item shall be available
 10 for capital improvement projects to intercity and
 11 commuter rail lines and urban rail systems that pro-
 12 vide direct connectivity to the high-speed train system
 13 and its facilities, or that are part of the construction
 14 of the high-speed train system, as adopted by the
 15 California Transportation Commission, pursuant to
 16 Section 2704.095 of the Streets and Highways Code.
 17 4. Any funds appropriated in this item for projects in the
 18 San Francisco to San Jose corridor, consistent with
 19 the blended system strategy identified in the April 2012
 20 California High-Speed Rail Program Revised 2012
 21 Business Plan, shall not be used to expand the blended
 22 system to a dedicated four-track system.
 23 5. The funds appropriated in this item shall only be made
 24 available for expenditure upon the enactment of an
 25 appropriation of \$3,240,676,000 in Item 2665-306-
 26 0890, an appropriation of \$2,609,076,000 in Item
 27 2665-306-6043 for the Initial Operating Segment of
 28 the High-Speed Rail System, and an appropriation of
 29 \$1,100,000,000 in Item 2665-104-6043 for “Bookend”
 30 funding, as articulated in the 2012 High-Speed Rail
 31 Authority Final Business Plan.

32
 33 *SEC. 2. Item 2660-304-6043 is added to Section 2.00 of the*
 34 *Budget Act of 2012, to read:*
 35

36 2660-304-6043—For capital outlay, Department of Transporta-
 37 tion, payable from the High-Speed Passenger Train Bond
 38 Fund 106,000,000
 39 Schedule:
 40 (1) 30-Mass Transportation..... 106,000,000

- 1 Provisions:
- 2 1. These funds shall be available for encumbrance or
- 3 liquidation until June 30, 2018.
- 4 2. The funds appropriated in this item shall be available
- 5 for capital improvement projects to intercity and
- 6 commuter rail lines and urban rail systems that pro-
- 7 vide direct connectivity to the high-speed train system
- 8 and its facilities, or that are part of the construction
- 9 of the high-speed train system, as adopted by the
- 10 California Transportation Commission, pursuant to
- 11 Section 2704.095 of the Streets and Highways Code.
- 12 4. Any funds appropriated in this item for projects in the
- 13 San Francisco to San Jose corridor, consistent with
- 14 the blended system strategy identified in the April 2012
- 15 California High-Speed Rail Program Revised 2012
- 16 Business Plan, shall not be used to expand the blended
- 17 system to a dedicated four-track system.
- 18 5. The funds appropriated in this item shall only be made
- 19 available for expenditure upon the enactment of an
- 20 appropriation of \$3,240,676,000 in Item 2665-306-
- 21 0890, an appropriation of \$2,609,076,000 in Item
- 22 2665-306-6043 for the Initial Operating Segment of
- 23 the High-Speed Rail System, and an appropriation of
- 24 \$1,100,000,000 in Item 2665-104-6043 for “Bookend”
- 25 funding, as articulated in the 2012 High-Speed Rail
- 26 Authority Final Business Plan.

27

28 SEC. 3. Item 2665-104-6043 is added to Section 2.00 of the

29 Budget Act of 2012, to read:

30

31 2665-104-6043—For local assistance, High-Speed Rail Au-

32 thority, payable from the High-Speed Passenger Train

33 Bond Fund 1,100,000,000

- 34 Provisions:
- 35 1. These funds shall be available for early improvement
- 36 projects in the Phase I blended system, consistent with
- 37 the Metropolitan Transportation Commission Memo-
- 38 randum of Understanding, as approved by the High-
- 39 Speed Rail Authority on April 12, 2012, in High-Speed
- 40 Rail Authority Resolution 12-11 and the Southern

- 1 *California Memorandum of Understanding, as ap-*
2 *proved by the High-Speed Rail Authority on April 12,*
3 *2012, in High-Speed Rail Authority Resolution 12-10.*
4 *The funds are available for encumbrance or liquida-*
5 *tion until June 30, 2018.*
- 6 2. *The amount appropriated in this item is available for*
7 *expenditure for state operations, local assistance, or*
8 *capital outlay, and may be transferred to Item 2665-*
9 *004-6043 or Item 2665-306-6043. These transfers*
10 *shall require the prior approval of the Department of*
11 *Finance.*
- 12 3. *Any funds appropriated in this item for projects in the*
13 *San Francisco to San Jose corridor, consistent with*
14 *the blended system strategy identified in the April 2012*
15 *California High-Speed Rail Program Revised 2012*
16 *Business Plan, shall not be used to expand the blended*
17 *system to a dedicated four-track system.*
- 18 4. *Provisions 4 to 11, inclusive, of Item 2665-306-6043*
19 *shall also apply to this item.*
- 20 5. *No funds appropriated in this item shall be encum-*
21 *bered prior to the High-Speed Rail Authority submit-*
22 *ting a detailed funding plan for the project or projects*
23 *in accordance with subdivision (d) of Section 2704.08*
24 *of the Streets and Highways Code to (a) the Depart-*
25 *ment of Finance, (b) the Chairperson of the Joint*
26 *Legislative Budget Committee, and (c) the peer review*
27 *group established pursuant to Section 185035 of the*
28 *Public Utilities Code.*
- 29 6. *No funds appropriated in this item shall be encum-*
30 *bered for construction of a project prior to completion*
31 *of all project-level environmental clearances necessary*
32 *to proceed to construction and the final notices being*
33 *contained in the funding plan for the project.*
- 34 7. *Prior to the obligation of funds to any specific project,*
35 *and subject to the approval of the Department of Fi-*
36 *nance, the High-Speed Rail Authority Board shall de-*
37 *velop an accountability plan, consistent with Executive*
38 *Order S-02-07, to establish criteria and procedures*
39 *to govern the expenditure of the bond funds in this*
40 *appropriation, and the outcomes that such expendi-*

1 *tures are intended to achieve, including a detailed*
2 *project description and project cost. The procedures*
3 *shall ensure that the investments comply with require-*
4 *ments of applicable state and federal laws, and are*
5 *consistent with and advance the state high-speed train*
6 *system.*

7 8. *The High-Speed Rail Authority shall enter into a pro-*
8 *ject management and funding agreement with the local*
9 *sponsor of the funded project, and the agreement shall*
10 *require the local agencies to report to the authority*
11 *on a quarterly basis to ensure that all bond-funded*
12 *activities are within the scope and cost outlined in the*
13 *agreement. Prior to the authority entering into any*
14 *project management and funding agreement pursuant*
15 *to this provision, the agreement shall be approved by*
16 *the Department of Finance.*

17 9. *Expenditures of bond proceeds under this item shall*
18 *be subject to audit to determine whether the expendi-*
19 *tures made from bond proceeds were made according*
20 *to the established criteria and processes, were consis-*
21 *tent with all legal requirements, and achieved the in-*
22 *tended outcomes. The High-Speed Rail Authority shall*
23 *contract with the Office of State Audits and Evalua-*
24 *tions for the performance of these audits unless alter-*
25 *native audit arrangements are made with the concu-*
26 *rence of the Office of State Audits and Evaluations.*

27 10. *The funds appropriated in this item shall only be made*
28 *available for expenditure upon the enactment of an*
29 *appropriation of \$3,240,676,000 in Item 2665-306-*
30 *0890, an appropriation of \$2,609,076,000 in Item*
31 *2665-306-6043 for the Initial Operating Segment of*
32 *the High-Speed Rail System, an appropriation of*
33 *\$106,000,000 in Item 2660-304-6043, and an appro-*
34 *priation of \$713,333,000 in Item 2660-104-6043 for*
35 *Connectivity funding.*

36
37 *SEC. 4. Item 2665-304-0890 is added to Section 2.00 of the*
38 *Budget Act of 2012, to read:*

1	2665-304-0890—For capital outlay, High-Speed Rail Authority,	
2	payable from the Federal Trust Fund	28,310,000
3	Schedule:	
4	(1) 20.15.010—San Francisco to San	
5	Jose—Acquisition.....	5,135,000
6	(3) 20.30.010—Merced to Fresno—Acquisi-	
7	tion.....	2,297,000
8	(4) 20.40.010—Fresno to Bakersfield—Acqui-	
9	sition.....	3,119,000
10	(5) 20.45.010—Bakersfield to Palmdale—Ac-	
11	quisition.....	0
12	(6) 20.50.010—Palmdale to Los Angeles—Ac-	
13	quisition.....	2,566,000
14	(7) 20.60.010—Los Angeles to Anaheim—Ac-	
15	quisition.....	4,299,000
16	(8) 20.99.010—Project Management and	
17	Agency Costs—Acquisition.....	10,894,000
18	Provisions:	
19	1. The projects identified in this item may be managed	
20	by the High-Speed Rail Authority.	
21	2. The projects identified in this item are subject to re-	
22	view by the State Public Works Board.	
23	3. Notwithstanding any other provision of law, each	
24	project in Schedules (1) to (7), inclusive, of this item	
25	shall be the same as the respectively coded project in	
26	Schedules (1) to (7), inclusive, of Items 2665-304-	
27	6043, 2665-305-0890, and 2665-305-6043. For a	
28	given project, funds appropriated in this item may be	
29	transferred to the same project in Item 2665-305-0890.	
30	These transfers shall require the prior approval of the	
31	Department of Finance. The Department of Finance	
32	shall report annually on May 1 to the Joint Legislative	
33	Budget Committee a summary of any transfers that	
34	have been made pursuant to this provision.	
35	4. Notwithstanding any other provision of law, the project	
36	in Schedule (8) of this item shall be the same as	
37	Schedule (8) of Item 2665-305-0890 and Schedule (11)	
38	of Items 2665-304-6043 and 2665-305-6043. Funds	
39	appropriated in Schedule (8) of this item may be	
40	transferred to the same schedule in Item 2665-305-	

1 0890 upon approval of the Department of Finance.
 2 The Department of Finance shall report annually on
 3 May 1 to the Joint Legislative Budget Committee a
 4 summary of any transfers that have been made pur-
 5 suant to this provision.
 6

7 *SEC. 5. Item 2665-304-6043 is added to Section 2.00 of the*
 8 *Budget Act of 2012, to read:*
 9

10 2665-304-6043—For capital outlay, High-Speed Rail Authority,
 11 payable from the High-Speed Passenger Train Bond Fund
 12 124,067,000

13 *Schedule:*

- 14 (1) 20.15.010-San Francisco to San
 15 Jose—Acquisition..... 5,135,000
- 16 (3) 20.30.010-Merced to Fresno—Acquisi-
 17 tion..... 2,297,000
- 18 (4) 20.40.010-Fresno to Bakersfield—Acqui-
 19 sition..... 3,119,000
- 20 (5) 20.45.010-Bakersfield to Palmdale—Ac-
 21 quisition..... 0
- 22 (6) 20.50.010-Palmdale to Los Angeles—Ac-
 23 quisition..... 2,566,000
- 24 (7) 20.60.010-Los Angeles to Anaheim—Ac-
 25 quisition..... 4,299,000
- 26 (8) 20.70.010-Los Angeles to San
 27 Diego—Acquisition..... 37,055,000
- 28 (9) 20.80.010-Merced to Sacramento—Ac-
 29 quisition..... 29,700,000
- 30 (10) 20.90.010-Altamont Pass—Acquisi-
 31 tion..... 20,375,000
- 32 (11) 20.99.010-Project Management and
 33 Agency Costs—Acquisition..... 19,521,000

34 *Provisions:*

- 35 1. The projects identified in this item may be managed
 36 by the High-Speed Rail Authority.
- 37 2. The projects identified in this item are subject to re-
 38 view by the State Public Works Board.
- 39 3. Notwithstanding any other provision of law, each
 40 project in Schedules (1) to (10), inclusive, of this item

1 shall be the same as the respectively coded project in
 2 Schedules (1) to (7), inclusive, of Items 2665-304-
 3 0890, 2665-305-0890, and 2665-305-6043, and
 4 Schedules (8) to (10), inclusive, of Item 2665-305-
 5 6043. For a given project, funds appropriated in this
 6 item may be transferred to the same project in Items
 7 2665-305-6043. These transfers shall require the prior
 8 approval of the Department of Finance. The Depart-
 9 ment of Finance shall report annually on May 1 to the
 10 Joint Legislative Budget Committee a summary of any
 11 transfers that have been made pursuant to this provi-
 12 sion.

13 4. Notwithstanding any other provision of law, the project
 14 in Schedule (11) of this item shall be the same as
 15 Schedule (11) of Item 2665-305-6043 and Schedule
 16 (8) of Items 2665-304-0890 and 2665-305-0890. Funds
 17 appropriated in Schedule (11) of this item may be
 18 transferred to the same schedule in Item 2665-305-
 19 6043 upon approval of the Department of Finance.
 20 The Department of Finance shall report annually on
 21 May 1 to the Joint Legislative Budget Committee a
 22 summary of any transfers that have been made pur-
 23 suant to this provision.

24
 25 SEC. 6. Item 2665-305-0890 is added to Section 2.00 of the
 26 Budget Act of 2012, to read:

27

28	2665-305-0890—For capital outlay, High-Speed Rail Authority,	
29	payable from the Federal Trust Fund	20,044,000
30	Schedule:	
31	(1) 20.15.010-San Francisco to San	
32	Jose—Design.....	74,000
33	(3) 20.30.010-Merced to Fresno—Design....	4,987,000
34	(4) 20.40.010-Fresno to Bakersfield—De-	
35	sign.....	8,246,000
36	(5) 20.45.010-Bakersfield to Palmdale—De-	
37	sign.....	195,000
38	(6) 20.50.010-Palmdale to Los Angeles—De-	
39	sign.....	0

1	(7) 20.60.010-Los Angeles to Anaheim—De-	
2	sign.....	0
3	(8) 20.99.010-Project Management and	
4	Agency Costs—Design.....	6,542,000

5 Provisions:

- 6 1. The projects identified in this item may be managed
- 7 by the High-Speed Rail Authority.
- 8 2. The projects identified in this item are subject to re-
- 9 view by the State Public Works Board.
- 10 3. Notwithstanding any other provision of law, each
- 11 project in Schedules (1) to (7), inclusive, of this item
- 12 shall be the same as the respectively coded project in
- 13 Schedules (1) to (7), inclusive, of Items 2665-304-
- 14 0890, 2665-304-6043, and 2665-305-6043. For a
- 15 given project, funds appropriated in this item may be
- 16 transferred to the same project in Item 2665-304-0890.
- 17 These transfers shall require the prior approval of the
- 18 Department of Finance. The Department of Finance
- 19 shall report annually on May 1 to the Joint Legislative
- 20 Budget Committee a summary of any transfers that
- 21 have been made pursuant to this provision.
- 22 4. Notwithstanding any other provision of law, the project
- 23 in Schedule (8) of this item shall be the same as
- 24 Schedule (8) of Item 2665-304-0890 and Schedule (11)
- 25 of Items 2665-304-6043 and 2665-305-6043. Funds
- 26 appropriated in Schedule (8) of this item may be
- 27 transferred to the same schedule in Item 2665-304-
- 28 0890 upon approval of the Department of Finance.
- 29 The Department of Finance shall report annually on
- 30 May 1 to the Joint Legislative Budget Committee a
- 31 summary of any transfers that have been made in re-
- 32 spect to this provision.

33
34 SEC. 7. Item 2665-305-6043 is added to Section 2.00 of the
35 Budget Act of 2012, to read:

36		
37	2665-305-6043—For capital outlay, High-Speed Rail Authority,	
38	payable from the High-Speed Passenger Train Bond	
39	Fund.....	80,106,000

1	<i>Schedule:</i>	
2	(1) 20.15.010-San Francisco to San	
3	Jose—Design.....	74,000
4	(3) 20.30.010-Merced to Fresno—Design....	4,987,000
5	(4) 20.40.010-Fresno to Bakersfield—De-	
6	sign.....	8,246,000
7	(5) 20.45.010-Bakersfield to Palmdale—De-	
8	sign.....	195,000
9	(6) 20.50.010-Palmdale to Los Angeles—De-	
10	sign.....	0
11	(7) 20.60.010-Los Angeles to Anaheim—De-	
12	sign.....	0
13	(8) 20.70.010-Los Angeles to San	
14	Diego—Design.....	19,068,000
15	(9) 20.80.010-Merced to Sacramento—De-	
16	sign.....	24,176,000
17	(10) 20.90.010-Altamont Pass—Design.....	16,055,000
18	(11) 20.99.010-Project Management and	
19	Agency Costs—Design.....	7,305,000

- 20 *Provisions:*
- 21 1. *The projects identified in this item may be managed*
 - 22 *by the High-Speed Rail Authority.*
 - 23 2. *The projects identified in this item are subject to re-*
 - 24 *view by the State Public Works Board.*
 - 25 3. *Notwithstanding any other provision of law, each*
 - 26 *project in Schedules (1) to (10), inclusive, of this item*
 - 27 *shall be the same as the respectively coded project in*
 - 28 *Schedules (1) to (7), inclusive, of Items 2665-304-*
 - 29 *0890, 2665-304-6043, and 2665-305-0890, and*
 - 30 *Schedules (8) to (10), inclusive, of Item 2665-304-*
 - 31 *6043. For a given project, funds appropriated in this*
 - 32 *item may be transferred to the same project in Items*
 - 33 *2665-304-6043. These transfers shall require the prior*
 - 34 *approval of the Department of Finance. The Depart-*
 - 35 *ment of Finance shall report annually on May 1 to the*
 - 36 *Joint Legislative Budget Committee a summary of any*
 - 37 *transfers that have been made pursuant to this provi-*
 - 38 *sion.*
 - 39 4. *Notwithstanding any other provision of law, the project*
 - 40 *in Schedule (11) of this item shall be the same as*

1 Schedule (11) of Item 2665-304-6043 and Schedule
 2 (8) of Items 2665-304-0890 and 2665-305-0890. Funds
 3 appropriated in Schedule (11) of this item may be
 4 transferred to the same schedule in Item 2665-304-
 5 6043 upon approval of the Department of Finance.
 6 The Department of Finance shall report annually on
 7 May 1 to the Joint Legislative Budget Committee a
 8 summary of any transfers that have been made pur-
 9 suant to this provision.

10
 11 **SEC. 8.** *Item 2665-306-0890 is added to Section 2.00 of the*
 12 *Budget Act of 2012, to read:*

13
 14 2665-306-0890—*For capital outlay, High-Speed Rail Author-*
 15 *ity, payable from the Federal Trust Fund 3,240,676,000*
 16 *Schedule:*

17 (1) *20.01.010-Initial Operating Seg-*
 18 *ment, Section 1—Acquisition and*
 19 *Build..... 3,240,676,000*

20 *Provisions:*

- 21 1. *The project identified in this item may be managed by*
 22 *the High-Speed Rail Authority.*
- 23 2. *The expenditure of funds appropriated in this item are*
 24 *governed by Section 13332.19 of the Government*
 25 *Code. The project identified in this item is subject to*
 26 *review and oversight by the State Public Works Board.*
 27 *The project may be implemented using several design-*
 28 *build contracts, each of which will have its own set of*
 29 *performance criteria or performance criteria and*
 30 *concept drawings. Funds appropriated for the build*
 31 *portion of this project may only be expended after the*
 32 *Department of Finance and the State Public Works*
 33 *Board have approved performance criteria or perfor-*
 34 *mance criteria and concept drawings for the design-*
 35 *build contract. These approvals may be provided for*
 36 *each design-build contract, from time to time, and*
 37 *build funds associated with that design-build contract*
 38 *may be expended at that time.*

- 1 3. *Notwithstanding Section 1.80, the appropriation made*
- 2 *in this item is available for encumbrance until June*
- 3 *30, 2018.*
- 4 4. *Provisions 4 to 11, inclusive, of Item 2665-306-6043*
- 5 *shall also apply to this item.*
- 6 5. *The funds appropriated in this item shall only be made*
- 7 *available for expenditure upon the enactment of an*
- 8 *appropriation of \$106,000,000 in Item 2660-304-6043,*
- 9 *an appropriation of \$713,333,000 in Item 2660-104-*
- 10 *6043 for “Connectivity” funding, and an appropriation*
- 11 *of \$1,100,000,000 in Item 2665-104-6043 for “Book-*
- 12 *end” funding, as articulated in the 2012 High-Speed*
- 13 *Rail Authority Final Business Plan.*

14
 15 *SEC. 9. Item 2665-306-6043 is added to Section 2.00 of the*
 16 *Budget Act of 2012, to read:*

17
 18 2665-306-6043—*For capital outlay, High-Speed Rail Author-*
 19 *ity, payable from the High-Speed Passenger Train Bond*
 20 *Fund 2,609,076,000*

21 *Schedule:*

22 (1) *20.01.010-Initial Operating Seg-*
 23 *ment, Section 1—Acquisition and*
 24 *Build..... 2,609,076,000*

25 *Provisions:*

- 26 1. *The project identified in this item may be managed by*
- 27 *the High-Speed Rail Authority.*
- 28 2. *The expenditure of funds appropriated in this item are*
- 29 *governed by Section 13332.19 of the Government*
- 30 *Code. The project identified in this item is subject to*
- 31 *review and oversight by the State Public Works Board.*
- 32 *The project may be implemented using several design-*
- 33 *build contracts, each of which will have its own set of*
- 34 *performance criteria or performance criteria and*
- 35 *concept drawings. Funds appropriated for the build*
- 36 *portion of this project may only be expended after the*
- 37 *Department of Finance and the State Public Works*
- 38 *Board have approved performance criteria or perfor-*
- 39 *mance criteria and concept drawings for the design-*
- 40 *build contract. These approvals may be provided for*

- 1 *each design-build contract, from time to time, and*
2 *build funds associated with that design-build contract*
3 *may be expended at that time.*
- 4 3. *Notwithstanding Section 1.80, the appropriation made*
5 *in this item is available for encumbrance until June*
6 *30, 2018.*
- 7 4. *On or before March 1 and November 15 of each year*
8 *for which funding appropriated in this item is encum-*
9 *bered, the High-Speed Rail Authority shall provide a*
10 *Project Update Report approved, as consistent with*
11 *the criteria in this provision, by the Secretary of*
12 *Business, Transportation and Housing to the budget*
13 *committees and the appropriate policy committees of*
14 *both houses of the Legislature on the development and*
15 *implementation of intercity high-speed train service*
16 *pursuant to Section 185030 of the Public Utilities*
17 *Code. The report, at a minimum, shall include a pro-*
18 *gramwide summary, as well as details by project seg-*
19 *ment, with all information necessary to clearly de-*
20 *scribe the status of the project, including, but not lim-*
21 *ited to, all of the following:*
- 22 (a) *A summary describing the overall progress of the*
23 *project.*
- 24 (b) *The baseline budget for all project phase costs,*
25 *by segment or contract, beginning with the Cali-*
26 *fornia High-Speed Rail Program Revised 2012*
27 *Business Plan.*
- 28 (c) *The current and projected budget, by segment or*
29 *contract, for all project phase costs.*
- 30 (d) *Expenditures to date, by segment or contract, for*
31 *all project phase costs.*
- 32 (e) *A comparison of the current and projected work*
33 *schedule and the baseline schedule contained in*
34 *the California High-Speed Rail Program Revised*
35 *2012 Business Plan.*
- 36 (f) *A summary of milestones achieved during the*
37 *prior year and milestones expected to be reached*
38 *in the coming year.*
- 39 (g) *Any issues identified during the prior year and*
40 *actions taken to address those issues.*

- 1 (h) *A thorough discussion of various risks to the*
- 2 *project and steps taken to mitigate those risks.*
- 3 5. (a) *With respect to contracts scheduled to be awarded*
- 4 *in December 2012 to commence construction of*
- 5 *the first construction segment of the initial oper-*
- 6 *ating section of the high-speed rail system, as*
- 7 *described in the California High-Speed Rail*
- 8 *Program Revised 2012 Business Plan adopted by*
- 9 *the authority on April 12, 2012 (revised business*
- 10 *plan), the authority shall submit the following*
- 11 *reports approved, as consistent with the criteria*
- 12 *in this provision, by the Secretary of Business,*
- 13 *Transportation and Housing to the Senate Com-*
- 14 *mittee on Transportation and Housing, the Assem-*
- 15 *bley Committee on Transportation, and the Senate*
- 16 *and Assembly committees on budget:*
- 17 (i) *By October 1, 2012, prior to awarding a*
- 18 *contract to commence construction of the*
- 19 *first construction segment or committing*
- 20 *funds for the contract, and prior to advertis-*
- 21 *ing contracts to be awarded for the first*
- 22 *construction segment in September 2013 and*
- 23 *October 2013, a comprehensive staff manage-*
- 24 *ment report that includes:*
- 25 (i) *An organizational chart for the authority,*
- 26 *detailed description of each executive manag-*
- 27 *er's function and responsibilities, summary*
- 28 *of staffing changes in the preceding year, a*
- 29 *strategy for filling vacancies and the recruit-*
- 30 *ment and staffing plans for the 2012–13 fiscal*
- 31 *year.*
- 32 (ii) *The management approach, including num-*
- 33 *ber, skill level, position, and hiring and reten-*
- 34 *tion plan of staff and outside consultants re-*
- 35 *quired to adequately oversee each of the*
- 36 *planned construction contracts funded in this*
- 37 *act.*
- 38 (iii) *Proposed steps and procedures that will be*
- 39 *employed to ensure adequate oversight and*

- 1 *management of contractors involved in the*
2 *construction contracts funded in this act.*
3 (iv) *Procedures to detect and prevent contract*
4 *splitting.*
5 (2) *Prior to awarding a contract to commence*
6 *construction of the first construction segment,*
7 *a report certifying that the amount awarded*
8 *under the contract is within the budgeted*
9 *funding and is consistent with the completion*
10 *schedule deadlines set by the federal Depart-*
11 *ment of Transportation.*
12 (b) *Each of the reports required pursuant to subdivi-*
13 *sion (a) for the contracts described in that subdivi-*
14 *sion shall also be required with respect to the*
15 *contract scheduled to be awarded in March 2017.*
16 *The authority shall submit the reports for those*
17 *contracts no later than 60 days prior to advertis-*
18 *ing for bids on each contract.*
19 7. *Sixty days prior to awarding the contracts scheduled*
20 *to be awarded in December 2012 to commence con-*
21 *struction of the first construction segment of the initial*
22 *operating section, the High-Speed Rail Authority shall*
23 *fill the positions of chief executive officer, risk manag-*
24 *er, chief program manager, and chief financial officer*
25 *and report those hiring to the Joint Legislative Budget*
26 *Committee.*
27 8. *Prior to awarding the contracts scheduled to be*
28 *awarded in December 2012 to commence construction*
29 *of the first construction segment of the initial operating*
30 *section, the High-Speed Rail Authority shall prepare*
31 *and submit a report approved, as consistent with the*
32 *criteria in this provision, by the Secretary of Business,*
33 *Transportation and Housing to the Senate Committee*
34 *on Transportation and Housing, the Assembly Com-*
35 *mittee on Transportation, and the Senate and Assembly*
36 *committees on budget detailing elements of risk in the*
37 *high-speed rail project, including all of the following:*
38 (a) *A comprehensive risk management plan that de-*
39 *finies roles and responsibilities for risk manage-*
40 *ment and addresses the process by which the au-*

- 1 *thority will identify and quantify project risks,*
- 2 *implement and track risk response activities, and*
- 3 *monitor and control risks throughout the duration*
- 4 *of each project.*
- 5 (b) *Quantification of the effect of identified risks in*
- 6 *financial terms.*
- 7 (c) *Development documents to track identified risks*
- 8 *and related mitigation steps.*
- 9 (d) *Plans for regularly updating its estimates of cap-*
- 10 *ital and support costs.*
- 11 (e) *Plans for regularly reassessing its reserves for*
- 12 *potential claims and unknown risks, incorporating*
- 13 *information related to risks identified and quanti-*
- 14 *fied through its risk assessment processes.*
- 15 (f) *Plans for regularly integrating estimates for*
- 16 *capital, support costs, and contingency reserves*
- 17 *in required reports.*
- 18 9. *The High-Speed Rail Authority shall, as part of its*
- 19 *January 1, 2014, Business Plan, include: a proposed*
- 20 *approach for improving (a) demand projections, (b)*
- 21 *operations and maintenance cost models, and (c)*
- 22 *benefit-cost analysis as applied to future project deci-*
- 23 *sions. The authority shall also submit a copy of the*
- 24 *study by the Union Internationale des Chemins de Fer*
- 25 *(the international union of railways) examining how*
- 26 *the authority’s estimated operating costs for high-*
- 27 *speed rail compare to high-speed rail systems in other*
- 28 *countries. These business plan components approved,*
- 29 *as consistent with the criteria in this provision, by the*
- 30 *Secretary of Business, Transportation and Housing*
- 31 *shall be based on recommendations of the authority’s*
- 32 *peer review panel, advice from the domestic and inter-*
- 33 *national rail community, and external academic re-*
- 34 *view.*
- 35 10. *On or before June 30, 2013, the High-Speed Rail Au-*
- 36 *thority shall prepare and submit a report approved,*
- 37 *as consistent with the criteria in this provision, by the*
- 38 *Secretary of Business, Transportation and Housing*
- 39 *that provides an analysis of the net impact of the high-*
- 40 *speed rail program on the state’s greenhouse gas*

emissions. The report shall be submitted to the Senate Committee on Transportation and Housing, the Assembly Committee on Transportation, and the Senate and Assembly committees on budget.

11. Within 10 days of executing a valid memorandum of understanding (MOU) with regional transportation agencies relative to the Northern California Unified Service, the High-Speed Rail Authority shall make a copy of the MOU available to the Senate Committee on Transportation and Housing, the Assembly Committee on Transportation, and the Senate and Assembly committees on budget.

12. The safeguards and oversight rules and processes of Sections 13332.11 or 13332.19 of the Government Code, as appropriate, shall apply to the High-Speed Rail Authority.

13. The funds appropriated in this item shall only be made available for expenditure upon the enactment of an appropriation of \$106,000,000 in Item 2660-304-6043, an appropriation of \$713,333,000 in Item 2660-104-6043 for "Connectivity" funding, and an appropriation of \$1,100,000,000 in Item 2665-104-6043 for "Book-end" funding, as articulated in the 2012 High-Speed Rail Authority Final Business Plan.

SEC. 10. This act is a Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution and shall take effect immediately.

SECTION 1. ~~It is the intent of the Legislature to enact statutory changes relating to the Budget Act of 2012.~~