

Remarks by Louis S. Thompson  
Chair, California High-Speed Rail Peer Review Group  
Before California Assembly Budget and Transportation Committees  
Sacramento, CA  
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Chair Friedman and Chair Bennett, members of the committees, I appreciate the opportunity to speak to you today. As you know, the Peer Review Group (PRG) was created by Proposition 1A and charged to report to you on matters of interest. To date we have covered 8 Business Plans, issued 18 letters of comments and have testified before the Legislature or U.S. Congressional committees 15 times.

Helen Kerstein's excellent remarks are comprehensive, and they are accurate. We and the Legislative Analyst's Office (LAO) are in close agreement. I can say exactly the same about the briefing paper the staff prepared for your hearing. The papers parallel many of the comments in our letter of March 23, 2023. As we have all said, project costs continue to rise, schedules are stretching out, demand estimates have fallen, and financing is inadequate and unstable. There is no point in belaboring what you already know.

I would like instead to focus on the increasingly urgent **DILEMMA** that emerges from these facts. As I will discuss, the proposal to build a high-speed, fully electrified segment from Merced to Bakersfield makes no sense without a commitment to build the entire Phase I system: there would be a much more reasonable approach available for this market by itself. **BUT**, a commitment to build the entire system must be based on a commitment to secure funding far beyond the funding available from existing or reasonably predictable sources.

I do not intend to criticize the current HSRA staff. The project has always been overpromised and underfunded. It got off to a rough start, partly due to inexperience and partly because the allure of seemingly free federal money led the Authority to award contracts before they were properly prepared. Managers have learned a lot and I do agree that the 2023 Project Update Report (PUR) is the most accurate, and **honest**, picture of the project that we have seen to date. That is both the good and the bad news.

From the 2023 PUR, we now know that Phase I will cost about 3 times what was expected when Proposition 1A was passed, and this is certain to rise further (for

example, the Southern California work was not re-estimated for inflation, and this would add \$8 billion or so). Addition uncertainty is due to the fact that costs estimated for major elements of the projects (50 miles of tunnels, trackwork, electrification, signaling, rolling stock) are not yet based on actual bids, but only on engineering estimates. Phase I will also take 15-20 years longer, will not realistically meet the trip times specified in Proposition 1A, and is now predicted to carry only 75% of the passengers. These results are significantly below the expectations promised by Proposition 1A, and this should encourage the Legislature and the Governor to reassess the viability and priority of the project given the other financing needs the State faces.

The Legislature may want to request an **independent**, updated analysis of the benefits and costs of the project. I understand that the Authority is conducting such an analysis in support of grant requests to the U.S. DOT, so one way to accomplish this would be to commission an independent review of the Authority's submission by one of the State's universities and ask them to report findings to the legislature. The LAO and PRG would also report on the results of the review, as would the HSRA Office of Inspector General, who I hope will be appointed soon.

At the same time, the legislature could request an analysis by LAO or other agency of ways to fill the financing gaps that now are apparent:

- First, the gap, if any, in the 119-mile section (Madera to Poplar Ave). The Authority argues that this section is adequately funded, and there is a reasonable chance they are right.
- Then, there is the \$2.5 to \$10.5 billion gap in the proposed 177-mile Merced to Bakersfield section, depending on the award of \$8 billion in Federal grants hoped for. If the Federal money falls short, there will be a corresponding gap.
- Similarly there is a gap of **\$93 to \$103 billion** in Phase I. Let me repeat: there is an unfunded gap of between \$93 and \$103 billion if Phase I is to be completed. There is no possibility that the private sector will make a significant contribution, and there is no existing federal program anywhere near the scale or sustaining level needed. There will need to be significant and sustained additional **State** funding on a predictable and adequate level.
- Any funding plan **must** be **adequate, credible** and **stable**. **Anything less is a guaranteed continuation of the instability and managerial**

**problems of the last 14 years.** Anything less also leaves local agencies such as Caltrain and city and county governments in decisional limbo: they are in the position of spending money to retain the option of HSR access when it is not clear that HSR will ever arrive. **The pressing need for a credible funding approach is the most important message we can deliver**, and it has been a common theme in many of our statements.

We have also pointed out that the Legislature has options short of the full Phase I. This may be especially important if Phase I does not emerge favorably from an analysis of benefits and costs or if it cannot credibly be financed given the State's competing needs.

- If there is no commitment to the full Phase I, then it is **clear** that the current \$35.3 billion plan for MCD to BKF **cannot be justified**. This would imply spending about \$17 billion extra to generate an extra 2.7 million passengers annually. The legislature should request the Authority to develop an alternative plan in the absence of a commitment to Phase I. Such a plan might, for example: use existing connections to Merced and to Bakersfield; eliminate electrification but purchase better diesel (or other) rolling stock to eliminate the San Joaquin transfers at Merced; and complete the station work in Merced and possibly Bakersfield.
- If there is a commitment to Phase I, then the Legislature should begin seriously to address the added funding issues involved.
- Limiting work to the bare bones 119-mile section from Madera to Poplar Avenue, with a single track and no electrification, **also** remains an option, though it might require U.S. DOT approval. The legislature may want to request an analysis from HSRA of how this could be done and what it would cost.

I fully realize that this is not a welcome message, but the results of the 2023 PUR, and the financial implications it has, make it urgent that the State review its commitment to the full Phase I **if it can** find a way to pay for it, or start the process of defining and considering the alternatives.

I will be happy to try to answer any questions you may have.