



April 5, 2013

The Honorable Mark DeSaulnier, Chair  
Senate Transportation and Housing Committee  
California State Senate  
State Capitol, Room 2209  
Sacramento, CA 95814

The Honorable Bonnie Lowenthal, Chair  
Assembly Transportation Committee  
California State Assembly  
1020 N Street, Room 112  
Sacramento, CA 95814

The Honorable Mark Leno, Chair  
California State Senate  
Senate Budget and Fiscal Review Committee  
State Capitol, Room 5019  
Sacramento, CA 95814

The Honorable Bob Blumenfield, Chair  
California State Assembly  
Assembly Budget Committee  
State Capitol, Room 6026  
Sacramento, CA 95814

**Board Members:**

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Vice-Chairperson

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**Jeff Morales**  
Chief Executive Officer

Dear Senator DeSaulnier, Assembly Member Lowenthal, Senator Leno and Assembly Member Blumenfield:

On April 4, 2013, the High-Speed Rail Authority (Authority) Board of Directors voted to approve two contract amendments for environmental and design work on the Fresno to Bakersfield and San Jose to Merced segments of the high-speed rail program. Because of your important roles in conducting oversight of the program, I want to correct erroneous press reports regarding these amendments. Most importantly, contrary to what was reported, these amendments do not represent an increase in program costs. They will allow the Authority to carry out tasks already budgeted and accounted for within the cost estimates presented in the Authority's 2012 Business Plan.

The detailed cost estimates developed for the program include the projected costs of segments and activities, as well as contingencies to account for unforeseeable or unquantifiable changes. As we move forward to implement the program in accordance with our Business Plan and the provisions of SB 1029, the Authority will enter into multiple contracts for the delivery of various components. The cost of any given contract is based on scope and duration for specific assignments within those components. In this case, the additional time and resources will enable timely completion of the planning, environmental and preliminary engineering work necessary to certify the preferred alternative for the Fresno to Bakersfield segment of the project, as well as the certification of the Wye in the Chowchilla area as part of the San Jose to Merced project segment. The amounts of contract amendments are well within the cost estimates for these segments.

The need to provide additional resources for work on the San Jose to Merced and Fresno to Bakersfield project segments was identified in the Authority's March 1 Project Update Report to the Legislature and is driven primarily by the Authority's work with local communities and stakeholder groups to identify alternatives for consideration as part of the environmental process. To date, approximately \$540 million in state funding has been appropriated by the Legislature for these purposes for the entire planning program, with approximately \$194 million in additional funding contributed by the federal American Recovery and Reinvestment Act (ARRA).

JERRY BROWN  
GOVERNOR



As you are aware, the Safe, Reliable High-Speed Passenger Train Bond Act for the 21<sup>st</sup> Century (Proposition 1A) provides \$9 billion for the high-speed rail project. Of the funds provided for the project by Proposition 1A, not more than 10 percent, or \$900 million, shall be used for “environmental studies, planning, and preliminary engineering activities.” The Authority’s projected budget of \$684 million using Proposition 1A funding is well within the limits of bond act and the costs identified for these activities in the 2012 Business Plan. Furthermore, the Authority’s current projection of 1.3 percent for environmental work and preliminary engineering is significantly below the 10 percent authorized by Proposition 1A for these activities if applied to the overall estimated cost of construction.

The Authority is committed to a transparent process as we work to plan, design, build, and operate the high-speed rail project. If you have any questions or comments, please do not hesitate to contact me at (916) 324-1541.

Sincerely,



Jeff Morales  
Chief Executive Officer

cc: The Honorable Darrell Steinberg, President pro Tem, California Senate  
The Honorable John Pérez, Speaker, California Assembly  
The Honorable Ted Gaines, Vice Chair, Senate Transportation and Housing Committee  
The Honorable Bill Emmerson, Vice Chair, Senate Budget and Fiscal Review Committee  
The Honorable Eric Linder, Vice Chair, Assembly Transportation Committee  
The Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee  
Ms. Carrie Cornwell, Chief Consultant, Senate Transportation and Housing Committee  
Ms. Janet Dawson, Chief Consultant, Assembly Transportation Committee  
Ms. Keely Bosler, Staff Director, Senate Budget and Fiscal Review Committee  
Mr. Christian Griffith, Chief Consultant, Assembly Committee on the Budget  
Mr. Ted Morley, Senate Republican Caucus  
Ms. Heather White, Senate Republican Caucus  
Mr. Daniel Ballon, Assembly Republican Caucus  
Mr. Chris Holtz, Assembly Republican Caucus