

January 13, 2017

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Members of the California Legislature
State Capitol
Sacramento, CA 95814

Dear Members of the California Legislature:

We are writing to correct some serious mischaracterization and misrepresentation of information related to the California high-speed rail program in the media. An article in today's *Los Angeles Times*, "California's bullet train is hurtling toward a multibillion-dollar overrun, a confidential federal report warns" fundamentally misrepresents the document it purported to report on, as well as the status of the program. The article misuses deliberative information to suggest cost overruns, delays and potential lapses of funds that are not borne out by facts.

First, with regard to cost, the article ignores the fact the original grant funding was for basic civil construction and did not include stations, electrification, systems and other features necessary to achieve high-speed rail operations. Those additional features – which are not overruns but necessary additions – are being funded with available state funding, as detailed in the funding plan approved by the Authority's Board of Directors in December 2016. That plan provides extensive details, estimating the cost at \$7.8 billion, not \$9.5 or \$10 billion; further, the \$7.8 billion includes over \$900 million in contingencies to cover increases.

As has been detailed in the Authority's 2016 Business Plan, the capital costs for the overall program have decreased, not increased, something not reported in the article. While overall capital costs have declined, we also reported to the legislature risks to schedule and costs associated with specific construction packages and we will continue to do so, with our next project update to be provided to the legislature in March 2017.

Second, the article overstates the risk of California losing federal funds dedicated to the project. Our progress toward full expenditure of the federal American Recovery and Reinvestment Act (ARRA) funds is reported every month to the Board of Directors and public. The facts show that we are on pace to meet all requirements and fully expend the funds by the September 30, 2017 deadline. This was reinforced by the Federal Railroad Administration (FRA) to the *LA Times*, but not reported on in the article. The full statement provided to the media by the FRA included this portion, which was omitted from the article: *"Is California on track to spend down the Recovery Act funds at this moment? Yes. Will it? With continued focus and hard work, likely so."*

Third, the article also references audit reports, implying that issues identified in those audits persist. In fact, in 2012, the Bureau of State Audits made a number of findings – some 23 recommendations – that concerned the Authority and its management. We have worked hard to address those, and interestingly, the California State Auditor just yesterday released its annual [report](#) on statewide issues and reported that the outstanding issues have been resolved and/or fully implemented.

EDMUND G. BROWN JR.
GOVERNOR



Risk analysis is an ongoing, iterative process; factors are discussed, assessed for their potential impact, and determinations are made as to whether they are applicable and to what degree. As part of our ongoing work with the FRA, we discuss program risks and what is being done to manage those risks. The “confidential federal report” cited in the article did not make new estimates, and in no way was a conclusion about any aspect of the program. It was marked “deliberative” because it is just that – part of that ongoing work among staff to determine what risks might be applicable and how to manage them. In fact, some of the factors identified and included in the risk analysis were already determined to be inapplicable or overstated.

In addition to misrepresenting the FRA risk analysis document, the article ignored other key federal findings directly relevant to this project’s status and success. First, the [U.S. Department of Transportation reported](#) the results and benefits of transportation investments through ARRA, including the California high-speed rail program and described how ongoing construction work is providing tremendous benefits to the region’s economy, creating thousands of job-years of employment and stimulating economic growth through investment in small businesses. Second, the U.S. Department of the Treasury [evaluated 40 major projects nationwide](#) for their economic benefits and independently concluded they would generate an estimated \$800 billion of net economic benefits to the nation of which California high-speed rail contributed \$195 billion. Again, leaving out these critical federal reports denies readers an accurate portrayal of this project’s status.

The progress we have made with the strong support of the Legislature has brought significant and tangible benefits in California communities. While the challenges of implementing a major infrastructure investment can be daunting, the value to the progress and growth of our state and economy demand that those challenges are met—and the evidence shows we are meeting them.

We and everyone at the Authority take our responsibility to deliver this landmark program seriously, and are committed to continuing transparency and oversight in carrying out those responsibilities. We believe it is critical to correct the record when misrepresentations occur, and are available to discuss further with you. Please do not hesitate to contact us or Barbara Rooney, Deputy Director of Legislation, at (916) 330-5636 or Barbara.Rooney@hsr.ca.gov.

Sincerely,



DAN RICHARD
Chairman
California High-Speed Rail Authority



JEFF MORALES
Chief Executive Officer
California High-Speed Rail Authority