Statement of
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A Review of the Challenges Facing California High Speed Rail

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Chairman Denham, Ranking Member Brown and members of the Committee: It is my honor to represent President Obama and Secretary of Transportation Anthony Foxx before you today to discuss the California high-speed rail project. This testimony will explain why we believe high-speed rail is a critical component of the transportation network in both the United States and the State of California, provide an update on recent events and those aspects of the project that my agency is carefully assessing as we move forward, and conclude with a description of next steps.

The Mode of Opportunity for California

When FRA Administrator Joe Szabo last testified on this project in December 2011, he laid out an analysis of why this project is important for both California and the nation. To reiterate some key points:

- California is the world's 9th largest economy and is known across the globe for its innovative and entrepreneurial spirit, top-tier educational institutions, and thriving communities. With 12 percent of the nation's population and 13 percent of GDP, California's success is critical to the nation's economic vitality.

- By 2050, California is expected to have 60 million people. This growth is equivalent to adding the entire population of New York State. The Central Valley is expected to more than double in size, to 13.2 million people by 2050[1]—equivalent to *adding* more people to this region of the state than the entire population of Massachusetts.

- California's roads and airports are among the most congested in the country. Los Angeles-to-San Francisco is the busiest and most delay-prone short-haul air market in the U.S., with approximately one of every four flights late by at least an hour. Many of the most congested highway segments can also be found in California.

[1] California Department of Finance, "Population Projections for California and its Counties 2000-2050," Table: Population Projections, July 2007. http://www.dof.ca.gov/research/demographic/reports/projections/p-1/.

- Connected to the congestion challenge, California has very serious air quality issues. According to the U.S. Environmental Protection Agency, four of the five metropolitan areas with the worst air quality are in California, with two Central Valley areas (Bakersfield and Fresno) ranking second and third.[2]

Since Administrator Szabo last testified, these challenges have grown even more pressing. Between 2011 and 2013, California gained nearly 700,000 people—more than the entire populations of the District of Columbia, Vermont, or Wyoming. California—and the nation—will suffer if these challenges are not addressed. The question we must answer is not *if* investments need to be made in California, but *how* – what is the best mix of investments from transportation, cost-effectiveness, and public benefits perspectives?

We agree with the State of California that high-speed rail must be a key part of their transportation network. High-speed rail will add a tremendous level of transportation capacity to the congested State, helping to alleviate the pressures on California's runways and highways. This, in turn, will yield substantial public benefits through economic development that spurs regional productivity and competitiveness, improved safety (rail is among the safest ways to travel), reduced emissions of greenhouse gas and other pollutants, and a reduction of wear-and-tear on other infrastructure in the State.

Phasing and implementation approach

The California High Speed Rail Authority (Authority) is pursuing a phased approach to implementation of the California High-Speed Train (HST) System. This approach was outlined in the Revised 2012 Business Plan, and we expect the Authority to further refine its plans for delivering world class high-speed rail in its upcoming 2014 Business Plan. This phased approach is consistent with how other major infrastructure projects have been implemented, both in the U.S. and across the globe.

Each interim phase is projected to turn an operating profit and generate substantial public benefits, even using new, more conservative cost and ridership forecasts. This strategy will allow the appropriate level of flexibility for a project of this magnitude and complexity, enabling the Authority, the State, and other stakeholders to adapt to changing conditions and challenges during the course of implementing the project. The Federal Railroad Administration (FRA) will continue to work closely with the Authority throughout the business planning, environmental analysis, and project development period to identify opportunities for operational and engineering efficiencies and additional interim phasing. This phased implementation starts with the completion of first segments to be constructed in California's Central Valley, and will continue with the crossing of the Tehachapis to Palmdale. There are six key reasons why the Authority is starting this project in the Central Valley:

[2] U.S. Environmental Protection Agency, "Number of Days with Air Quality Index Values Greater than 100 at Trend Sites, 1990-2010, 2010 Trend Sites," 2011. http://www.epa.gov/air/airtrends/aqi_info.html.

1. *Backbone of the System*: The Central Valley segment will provide the core north-south infrastructure, allowing options for the next segments (either north to the Bay Area or south to Palmdale and the Los Angeles Basin) based on project readiness, funding availability, and other factors. As discussed further below, the Central Valley segment will also provide early connectivity and improved transportation options through planned connections with regional commuter rail operations, including the San Joaquins and ACE, and once the project reaches Palmdale, to Metrolink.

2. *Maximize Funding*: The land-use patterns and flat terrain found in California's Central Valley allow for lower acquisition costs, less complex system designs, and the highest prospective speeds.

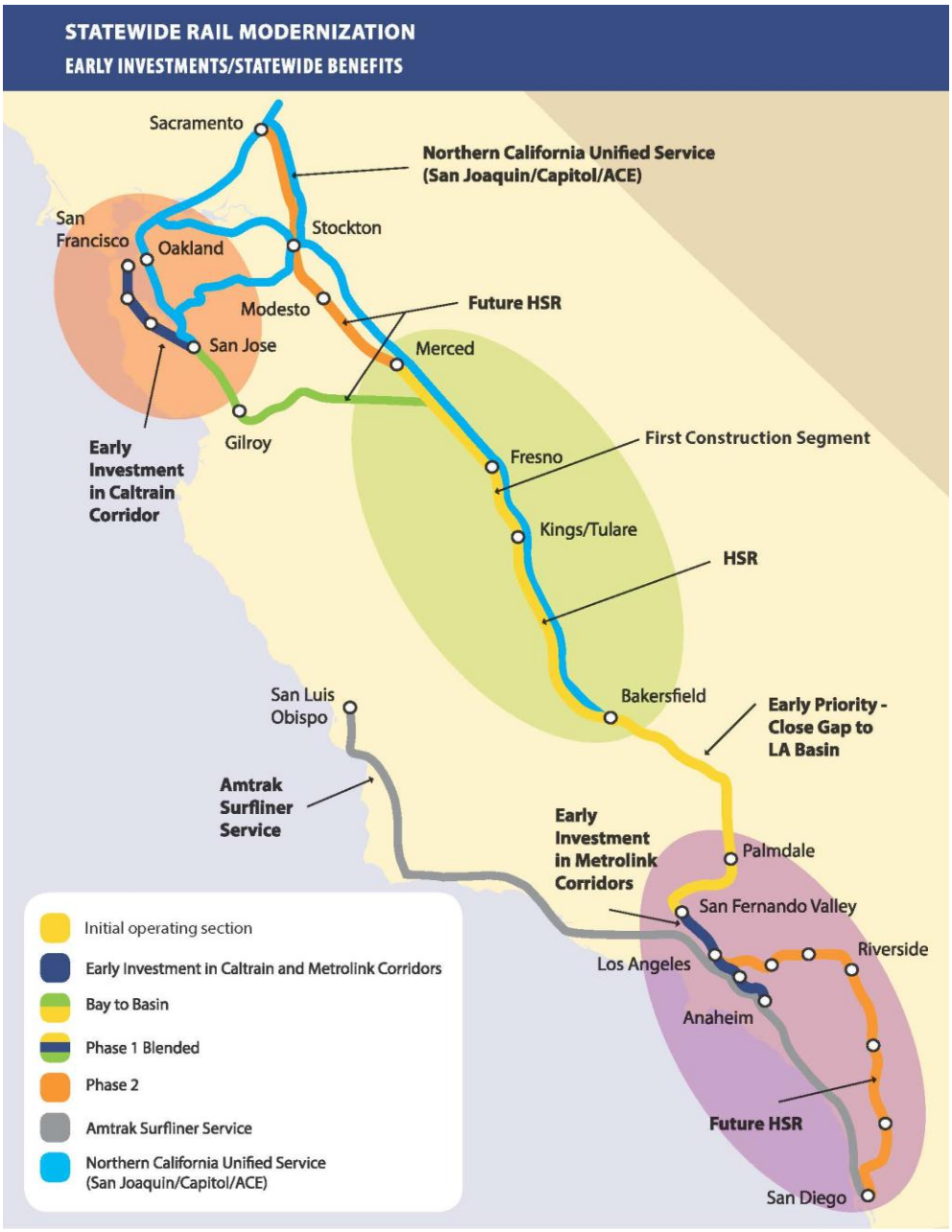
3. *Advanced Technology Demonstration*: The Authority has the opportunity to demonstrate America's capacity to design, build, and operate world-class high-speed rail service through the Central Valley. This segment will demonstrate the American rail industry's technological and operational capabilities.

4. *Project Readiness and Funding Availability*: The readiness of this segment to begin construction—as well as the statutory requirement for Recovery Act funding to be expended by the end of FY 2017—was a major factor in this decision. The environmental documents for all of the Central Valley segments will be complete in mid-2014.

5. *Growth and Environment*: By 2050, the Central Valley will have more than 13 million people; if it was its own state, it would rank 5th in the nation, more populous than the current populations of Illinois, Pennsylvania, or Ohio. The region is already showing signs of strain on area highways, and the existing airports are ill-equipped to deal with the surge in intercity travel demand that will be created by this growth. As I mentioned, the Central Valley suffers from some of the worst air pollution in the nation—Bakersfield, Fresno, Hanford, and Visalia all rank within the top 10 worst metro areas for every pollutant category analyzed in a recent air quality report.[3]

6. *Proposition 1A:* When California voters approved bonds to fund the high-speed rail system, the law they passed mandated the system connect the major cities of California, including those in the Central Valley (Fresno and Bakersfield).

[3] American Lung Association, *Most Polluted Cities: State of the Air, 2011*. http://www.stateoftheair.org/



Statewide Network Integration Service Development Planning

The phased development of the California High-Speed Rail Project is consistent with FRA's philosophy of integrated service planning. Integrated service planning includes multiple transportation modes such that passengers, when planning a trip, can move easily between modes in transit from their origin to their destination. In the California context, this principle involves integration of the extensive state-supported intercity passenger rail network, the heavily-used commuter rail networks in California's metropolitan areas, and the nation's leading thruway bus network (already integrated with intercity passenger rail service). As a result, the phased implementation of the California High-Speed Rail Project, as it grows, will be fed not only by

people traveling to terminal points, but also by an extensive integrated passenger transportation network, that will cast a wide net of origin and destination points.

In our corridor investments and planning efforts, FRA has promoted the development of passenger rail that is integrated with existing rail capacity and other transportation modes, maximizing the user and public benefits at every phase of implementation. In California, FRA is working with rail partners to plan an integrated system beginning with the first section to be constructed in the Central Valley. It will include planned funding for investments in existing commuter corridors, and future investments in intercity passenger and freight rail corridors.

Recent Project Activity

Significant progress has been made on this important infrastructure investment in the last few years. Of course, major infrastructure projects involve a certain amount of risk, which is why as good stewards of federal funds we use our grant agreements and a rigorous oversight regime to protect the federal investment in the California project. FRA continues to believe that this project will result in substantial benefits for California and the nation as a whole. The following is a summary of some of the recent activity relevant to delivery of this project.

Procurement

In June 2013, following an evaluation and selection process designed to obtain the best overall value, the Authority approved the award of the design-build contract for first construction package (CP1) to the California-based Joint Venture, Tutor Perini/Zachary/Parsons. This first Design/Build Contract was executed in August 2013.

CP1 extends from Madera to Fresno. Since contract award the Design Build Contractor has been finalizing design, and preparing for initial construction activities such as utility relocation, building demolition and clearing and grubbing. Heavy construction activities are expected to begin in the spring of 2014 with construction of the Fresno Trench, the Tulare Underpass and foundations for the Fresno River crossing.

Environmental Reviews

FRA and the Authority continue to work diligently on meeting their environmental responsibilities including the environmental analysis and documentation required under the National Environmental Policy Act (NEPA) and other environmental laws. As mentioned above, the Board is now a cooperating agency on all project-level EISs moving forward. The U.S. Army Corps of Engineers is also a cooperating agency on most NEPA reviews since it will be responsible for making permit decisions on those portions of the project that impact waters of the U.S. under Section 404 of the Clean Water Act (33 U.S. C. § 1344) and under 33 U.S.C § 408 for the proposed projects being analyzed in those EISs.

It is important to note that FRA and the Authority have been planning the HST system and analyzing its potential environmental impacts, both beneficial and adverse, for over a decade. FRA and the Authority have adopted a tiered approach to environmental clearance for the HST

system. As part of this process, FRA and the Authority published two Program-level environmental documents in 2005 and 2008. All subsequent project-level documents "tier" off of the analyses and decisions made at the program-level.

At the project-level, we continue to advance the environmental reviews for the individual sections of the HST system. Focusing on the Central Valley, in August 2011 FRA and the Authority published the draft environmental impact reports/environmental impact statements (EIR/EISs) prepared under the California Environmental Quality Act (CEQA) and NEPA for the Merced to Fresno and Fresno to Bakersfield sections of the HST system for public review and comment. Comments on the draft EIR/EISs were accepted until October 2011.

The Merced to Fresno Final EIR/EIS was published in December 2011 and FRA issued its Record of Decision in September 2012. However, in response to public comments and to minimize project impact, new alternatives were added to the Fresno to Bakersfield Section and a Revised Draft EIR/Supplemental Draft EIS was released for public review and comment in July 2012. The public comment period ended in October 2012. The Fresno to Bakersfield EIS is ongoing with a Final EIR/EIS planned for early this year and an agency decision in the spring.

FRA and the Authority are also working on the required CEQA and NEPA environmental reviews for the other Phase 1 sections of the California HST system.

Surface Transportation Board Proceeding

In March 2013, the Authority filed a Petition for Exemption and a Motion to Dismiss the Petition for Exemption to the Surface Transportation Board (Board) for the construction of the Merced to Fresno line segment of the California HST System. In April and June 2013 the Board issued decisions finding that it has jurisdiction over the project and granting the Authority's Petition for Exemption. The Board also authorized construction activities between Merced and Fresno subject to the Authority's compliance with the mitigation measures identified in the Final Environmental Impact Statement (EIS), which are designed to minimize and avoid the adverse impacts of the project.

On September 26, 2013, the Authority filed another Petition for Exemption, this time covering the Fresno to Bakersfield line segment. In its petition, the Authority also requested that the Board make its decision before the Fresno to Bakersfield environmental review process is completed. In December 2013, the Board denied the Authority's request for an expedited decision on the petition for the Fresno to Bakersfield and extended the period for public comment. However, the Board did not deny the Authority's Petition for Exemption and public comments will be accepted until February 14, 2014.

We understand the Board's desire for a fully transparent proceeding appropriately allowing for full public participation. We will continue to work with the Board in its role as a cooperating agency on the remaining FRA led project-level EISs.

State Litigation

The Sacramento County Superior Court recently issued two decisions regarding the high-speed rail project. First, in *Tos vs. California High-Speed Rail Authority,* Kings County, California and two private citizens brought suit against the Authority alleging that it had violated the terms of Proposition 1A, the state statute providing $8 billion in bond funds for the HST System, when it approved a funding plan required by the statute. Though the court found that the November 3, 2011 funding plan required by Proposition 1A was inconsistent with the statute's requirements, the court did not permanently prohibit the Authority from accessing Proposition 1A funds or enjoin the Authority from continuing with the project. The Authority has informed FRA that it can and will take the necessary steps to respond to the ruling.

Second, in what is commonly referred to as the "validation action", the Authority and the California Finance Commission commenced an action against all interested parties asking the court to find that the State of California can validly issue Prop. 1A bonds. In November 2013, the court issued a decision denying the validation judgment because it found the record of proceedings did not contain certain required information. Like the judgment in *Tos*, the Authority has informed FRA that it can and will take the necessary steps to respond to the court's ruling.

Next Steps

- *Monitoring and Oversight*: FRA's primary role is to ensure that the federal High-Speed Intercity Passenger Rail program grants result in projects delivered on-time and on-budget. We have a comprehensive grants monitoring plan in place, and will use contractors for additional oversight and technical assistance as the project moves to construction, similar to the approach used by other DOT agencies.

- *Environmental Studies*: FRA will continue to work with the Authority, the Board, and the U.S. Army Corps of Engineers in the development of the Federal and state environmental reviews to support and inform permit decision-making for the California High-Speed Rail System.

- *Finalization of the 2014 Business Plan:* The Authority is currently in the process of developing a 2014 Business Plan, with an expected release of the Draft Plan in the spring.

- *Initial Construction*: Construction is scheduled to begin in the Fresno area in the spring of 2014.

Conclusion

In closing Mr. Chairman, the Administration continues to believe that the business and public investment case for this project is strong. FRA takes its role of overseeing public rail investments seriously, and we will continue to work with the Authority, Congress, and other stakeholders to ensure that the project moves forward in a responsible and efficient manner. We understand there will be many challenges in implementing such a complex project, but strongly

believe that high-speed rail is vital to California's future and to the future of the nation. Secretary Foxx and I look forward to working with you to make this historic project another in a long line of proud examples of America's ingenuity and innovation. I would be happy to address any questions the Committee might have.

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