



May 10, 2010

Senator Alan Lowenthal
Chair, Senate Transportation Committee
State Capitol, Room 2032
Sacramento, CA 95814

Dear Senator Lowenthal,

We want to thank you for your ongoing support of the California high speed rail project. It is no easy task to help build the most important infrastructure project in the last 50 years in California. But the rewards, including hundreds of thousands of new jobs, reduced oil consumption, reduced carbon emissions, reduced traffic, and the economic growth that the project will spur are all reasons for the Legislature to press ahead and ensure that the will of the voters as demonstrated in November 2008 is respected and this project completed as envisioned.

We are writing to you in regards to the recent State Auditor report on the high speed rail project, titled "High-Speed Rail Authority: It Risks Delays or an Incomplete System Because of Inadequate Planning, Weak Oversight, and Lax Contract Management." We believe that while the study makes some worthwhile recommendations about the California High Speed Rail Authority's oversight of the project, its core claims are overstated and could jeopardize the high speed rail project if the report is misused.

The report's criticisms of the project's funding situation are fundamentally misguided and flawed. It is normal for transit projects to continue ahead with planning even before federal funding is secured. Doing so is usually never seen as a risky proposition. For example, in November 2008, voters in Los Angeles County approved Measure R to raise nearly \$40 billion in revenue to build light rail and subways. That money isn't enough to build projects like the Westside Subway Extension, and federal funding has not yet been secured to complete those projects. However, that isn't seen as a sign of risk or trouble with the MTA's plan, but instead is part of the normal process.

In fact, the nature of securing federal funding for major infrastructure projects such as this necessitates the Authority to proceed as it has been. In order to win federal funding, projects like this must first identify local funding sources and present a complete plan to the federal government. That means planning and

design work must proceed on the assumption federal funding is coming in order to actually win federal funding. The State Auditor made a serious error in painting this process as somehow risky or problematic.

Instead, were the Authority forced to slow or stop its planning for the California HSR project, it would become nearly impossible to secure further federal funding. However, because Prop 1A was written to require matching federal funds before the bond money can be spent on construction, California taxpayers are protected in the unlikely event no further federal funding is secured.

Further, the State Auditor failed to mention that there are several efforts underway in Congress to provide the funding California's HSR project will need. These include:

1. A \$2.5 billion appropriation in the FY 2010 budget
2. A proposed \$4 billion appropriation in the FY 2011 budget
3. A proposed \$50 billion appropriation over the next six years in the reauthorization of the federal Transportation Bill.

With regard to the latter effort, the House Subcommittee on Highways and Transit approved the \$50 billion for HSR in July 2009. Since then work on the Transportation Bill reauthorization has been stalled, but over 100 members of Congress signed a letter in April 2010 to President Barack Obama asking him to support the \$50 billion request. The president has not responded on that particular point, but has consistently indicated his support for high speed rail, and his administration has further indicated it sees California as one of the primary recipients of federal funding.

The Authority estimated that it needs about \$1.5 billion per year from the federal government over the next ten years to build the project as planned. That is a reasonable sum, especially if the federal government comes through with the \$50 billion amount.

For California to leverage its \$10 billion in voter-approved bond money to receive anywhere between \$17 billion and \$19 billion in federal funding, however, the State Legislature must ensure the project stays on track, and that flawed State Auditor reports and flawed media coverage based on that report do not slow progress on planning the HSR system.

What is needed instead, especially to address the oversight issues the State Auditor identified, is increased funding for the Authority to hire staff to conduct proper planning and project oversight. The problems with contract oversight and other administrative issues identified by the State Auditor stem from the fact that for many years now, the Authority has been understaffed due to the Legislature's

inconsistent funding of the Authority's operations. More staff and a predictable, stable level of operational funding will help the Authority implement these recommendations. We expect the State Senate to support providing those resources.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Cruickshank", is centered below the word "Sincerely,". The signature is written in a cursive style with a long horizontal stroke at the end.

Robert Cruickshank
Chairman, Californians For High Speed Rail
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