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BROWN'S FOLLY ROLLS ON

"It's horrifying when you look at the amount of money we're going to have to reinvest to make this program work," Ernest Camacho, Board member, California High-Speed Rail Authority

Back in the 2008, California voters approved \$10 billion in bonds to help finance a high-speed train to take people from Los Angeles to San Francisco in less than three hours. Then, the voters were told the cost would be \$33 billion for the first 520 miles. Today, the cost is nearly \$68 billion and rising.

The segment from Madera to Bakersfield was initially targeted as it appeared to be the easiest to build. Rural land was cheap, flat and seismically stable for quake prone California. But what was promised to be built for \$7.8 billion in 2016 has now ballooned to \$10.6 billion. That's a 36 percent increase in two years!

According to WSP, the lead consulting contractor, cost increases were mainly driven by problems including higher costs for land acquisition, issues in relocating utility systems, the need for safety barriers where the bullet trains would operate near freight lines and demands by stakeholders for the mitigation of myriad issues. Is it unreasonable to ask why the 2016 estimate did not reasonably forecast these costs? Ultimate accountability (are government agencies accountable?) rests with the California High-Speed Rail Authority (CHRA).

The sharp increase in projected costs may require the CHRA to return to the Legislature for a supplemental appropriation from the bonds that voters approved in 2008. This may partly deplete funds for further construction beyond the Central Valley.

According to a report by the Los Angeles Times, the Federal Rail Authority (FRA) prepared a confidential risk analysis in January, 2017 of the first rail segments. The FRA's analysis projected that building bridges, viaducts, trenches and track from Merced to Shafter, just north of Bakersfield, could cost \$9.5 billion to \$10 billion, compared with the original budget of \$6.4 billion. The FRA outlined far-reaching management problems: significant delays in environmental planning, lags in processing invoices for federal grants and continuing failures to acquire needed property.

The FRA is tracking the project because it has extended \$3.5 billion in two grants to help build the Central Valley segment. It has an obligation to ensure that the state complies with the terms, including a requirement that the state has the funding to match the federal grants.

With the costs of Brown's Folly rising, will the state have enough money to pay for his legacy project? Can Democrat's raise taxes even higher? Per the Sacramento Bee, the one percent highest earners already pay 48 percent of the state's income tax? Will they be willing to pay more for a dubious project? Moody's Investor Service rates California as dead last in its stress test of big states to withstand a recession. Texas rates first. Moody's reason is that California's budget is highly dependent upon income taxes.

A new Legislative Analyst's Office (LAO) report shows the riskiness of counting heavily on funding for Brown's Folly from the state's cap-and-trade program. The LAO warned that it was "highly uncertain" how much cap-and-trade might generate for the state and that the amounts could vary wildly from year to year.

Some who originally supported the high-speed rail project have had a change of heart. Quentin Kopp, a former state senator and CHRA chairman, is now vigorously opposed, noting that "this is not what the voters approved." The San Jose Mercury News/East Bay Times ran an editorial entitled, "Stop the California Bullet Train in its Tracks."

"When it comes to large infrastructure investments, it is not unusual for public authorities trying to justify their effort to understate the costs and overstate the benefits," said James Moore, director of the transportation engineering program at University of Southern California. "It is in my opinion overly deceptive. We have seen on transportation projects this militant defense that is meant to cause the public to remain calm." Moore said the surge in costs is likely to foreshadow even greater future increases. On the horizon are more difficult segments, such as the long underground passage through the Tehachapi and San Gabriel Mountains and the route into the urban San Francisco Bay Area.

The Legislature is finally showing concern. They authorized a nonpartisan review of the CHRA by State Auditor Elaine Howle. All 14 members of the joint legislative audit committee voted to direct State Auditor Howle and her staff to conduct a full financial and operational review. Ms. Howle previously performed the financial audit of the University of California showing the management failings of its President, and former Obama Secretary of Homeland Security, Janet Napolitano.