Proposition 1A
Safe, Reliable High-Speed Passenger Train Bond Act.

Background

Urban, Commuter, and Intercity Rail. California is served by various types of passenger rail services that include urban, commuter, and intercity rail services. Urban and commuter rail services primarily serve local and regional transportation needs. Examples include services provided by Bay Area Rapid Transit in the San Francisco Bay Area, Sacramento Regional Transit light rail, Metrolink in Southern California, and the San Diego Trolley. These services are generally planned by local or regional governments and are funded with a combination of local, state, and federal monies.

Intercity rail services primarily serve business or recreational travelers over longer distances between cities as well as between regions in California and other parts of the country. Currently, the state funds and contracts with Amtrak to provide intercity rail service, with trains that travel at maximum speeds of up to about 90 miles per hour. There are intercity rail services in three corridors: the Capitol Corridor service from San Jose to Auburn, the San Joaquin service from Oakland to Bakersfield, and the Pacific Surfliner service from San Diego to San Luis Obispo. None of the existing state-funded intercity rail services provide train service between northern California and southern California.

High-Speed Train System. Currently, California does not have a high-speed intercity passenger train system that provides service at sustained speeds of 200 miles per hour or greater. In 1996, the state created the California High-Speed Rail Authority (the authority) to develop an intercity train system that can operate at speeds of 200 miles per hour or faster to connect the major metropolitan areas of California, and provide service between northern California and southern California.

Over the past 12 years, the authority has spent about $60 million for preconstruction activities, such as environmental studies and planning, related to the development of a high-speed train system. The proposed system would use electric trains and connect the major metropolitan areas of San Francisco, Sacramento, through the Central Valley, into Los Angeles, Orange County, the Inland Empire (San Bernardino and Riverside Counties), and San Diego. The authority estimated in 2006 that the total cost to develop and construct the entire high-speed train system would be about $45 billion. While the authority plans to fund the construction of the proposed system with a combination of federal, private, local, and state monies, no funding has yet been provided.

Proposal

This measure authorizes the state to sell $9.95 billion in general obligation bonds to fund (1) pre-construction activities and construction of a high-speed passenger train system in California, and (2) capital improvements to passenger rail systems that expand capacity, improve safety, or enable train riders to connect to the high-speed train system. The bond funds would be available when appropriated by the Legislature. General obligation bonds are backed by the state, meaning that the state is required to pay the principal and interest costs on these bonds.

For more information regarding general obligation bonds, please refer to the section of this ballot pamphlet entitled "An Overview of State Bond Debt."

The High-Speed Train System. Of the total amount, $9 billion would be used, together with any available federal monies, private monies, and funds from other sources, to develop and construct a high-speed train system that connects San Francisco Transbay Terminal to Los Angeles Union Station and Anaheim, and links the state's major population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego. The bond funds may be used for environmental studies, planning and engineering of the system, and for capital costs such as acquisition of rights-of-way, trains, and related equipment, and construction of tracks, structures, power systems, and stations. However, bond funds may be used to provide only up to one-half of the total cost of construction of each corridor or segment of a corridor. The measure requires the authority to seek private and other public funds to cover the remaining costs. The measure also limits the amount of bond funds that can be used to fund certain pre-construction and administrative activities.

Phase I of the train project is the corridor between San Francisco Transbay Terminal and Los Angeles Union Station and Anaheim. If the authority finds that there would be no negative impact on the construction of Phase I of the project, bond funds may be used on any of the following corridors:

- Sacramento to Stockton to Fresno
- San Francisco Transbay Terminal to San Jose to Fresno
- Oakland to San Jose
- Fresno to Bakersfield to Palmdale to Los Angeles Union Station
- Los Angeles Union Station to Riverside to San Diego
- Los Angeles Union Station to Anaheim to Irvine
- Merced to Stockton to Oakland and San Francisco via the Altamont Corridor

The measure requires accountability and oversight of the authority's use of bond funds authorized by this measure for a high-speed train system. Specifically, the bond funds must be appropriated by the Legislature, and the State Auditor must periodically audit the use of the bond funds. In addition, the authority generally must submit to the Department of Finance and the Legislature a detailed funding plan for each corridor or segment of a corridor, before bond funds would be appropriated for that corridor or segment. The funding plans must also be reviewed by a committee whose members include financial experts and high-speed train experts. An updated funding plan is required to be submitted and approved by the Director of Finance before the authority can spend the bond funds, once appropriated.

Other Passenger Rail Systems. The remaining $950 million in bond funds would be available to fund capital projects that improve other passenger rail systems in order to enhance these systems' capacity, or safety, or allow riders to connect to the high-speed train system. Of the $950 million, $190 million is designated to improve the state's intercity rail services. The remaining $760 million would be used for other passenger rail services including urban and commuter rail.

Fiscal Effect

Bond Costs. The costs of these bonds would depend on interest rates in effect at the time they are sold and the time period over which they are repaid. While the measure allows for bonds to be issued with a repayment period of up to 40 years, the state's current practice is to issue bonds with a repayment period of up to 30 years. If the bonds are sold at an average interest rate of 5 percent, and assuming a repayment period of 30 years, the General Fund cost would be about $19.4 billion to pay off both principal ($9.95 billion) and interest ($9.5 billion). The average repayment for principal and interest would be about $647 million per year.

Operating Costs. When constructed, the high-speed train system will incur unknown ongoing maintenance and operation costs, probably in excess of $1 billion a year. Depending on the level of ridership, these costs would be at least partially, and potentially fully, offset by revenue from fares paid by passengers.