Proposition 1

Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century.

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 Rail. Currently California does not have a high-speed intercity passenger rail 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 rail 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 rail 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 rail 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.

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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 rail system in California, and (2) capital improvements to passenger rail systems that expand capacity and/or enable train riders to connect to the high-speed rail 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 Rail System. Of the total amount, $9 billion would be used, together with any available federal monies and funds from other sources, to develop and construct a segment of the high-speed train system from the San Francisco Transbay Terminal to Los Angeles Union Station. The bond proceeds from this measure may be used to acquire right-of-way, trains, and related equipment, and to construct tracks, structures, power systems, and stations. However, bond proceeds may be used to provide only up to one-half of the total cost of construction of tracks and stations. The measure requires the authority to seek private and other public funds to cover the remaining costs.

After construction of the San Francisco to Los Angeles segment is fully funded, any remaining bond funds may then be used to plan and construct any of the following additional segments:

- Oakland to San Jose
- Sacramento to Merced
- Los Angeles to Inland Empire (San Bernardino and Riverside Counties)
- Inland Empire to San Diego
- Los Angeles to Irvine

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 and/or allow riders to connect to the high-speed rail 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. The state would make principal and interest payments from the state's General Fund over a period of

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about 30 years. If the bonds are sold at an average interest rate of 5 percent, the 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 rail 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 offset by revenue from fares paid by passengers.