

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 16, 2009
POSITION: Oppose

BILL NUMBER: SB 455
AUTHOR: A. Lowenthal

BILL SUMMARY: High-Speed Rail

This bill would exempt the High Speed Rail Authority (Authority) from Department of Finance (Finance) approval for property acquisition and disposal, from State Public Works Board (SPWB) or Finance approval when expending funds for capital outlay purposes, and from Department of General Services (DGS) approval in acquiring rights of way or easements. The bill also indicates that DGS may not maintain an inventory of property owned by the Authority. This is consistent with the exemptions provided for the Department of Transportation (Caltrans) in current law.

Furthermore, this bill requires that the five members of the Authority that are currently appointed by the Governor also be confirmed by the Senate. The bill also requires that members of the Authority, at a scheduled board meeting, prepare an overall project schedule, together with project delivery milestones, on a quarterly basis. Additionally, this bill requires the creation of an overall project schedule, and requires the authority members to approve a written report on the status of contracts and schedules, beginning with the first board meeting after March 1, 2010. This report would be furnished to the Legislature and Legislative Analyst's Office each quarter.

FISCAL SUMMARY

The Senate Appropriations Committee estimates initial costs of \$50,000, increasing to \$100,000 annually thereafter to develop the required quarterly reports.

COMMENTS

While the requirement of an overall project schedule is in the best interests of the state and the high-speed rail project, the Department of Finance is opposed to this bill because the Authority does not have the expertise required to conduct property and right of way acquisition, and capital outlay development. The expertise, efficiencies and economies of scale provided by DGS and SPWB provide a much needed oversight and check and balance critically needed for a megaproject as large as high-speed rail development and implementation. Moreover, requiring Senate confirmation of the Administration's appointees to the Board would inappropriately infringe on the rights and powers of the Executive Branch.

Analyst/Principal (0751) M. Tollefson	Date	Program Budget Manager Mark Hill	Date
--	------	-------------------------------------	------

Department Deputy Director	Date
----------------------------	------

Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

A. Lowenthal

April 16, 2009

SB 455

ANALYSIS

A. Programmatic Analysis

The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, approved as Proposition 1A in 2008, provides \$9.95 billion in general obligation bond authority to develop and implement an intercity high-speed rail system.

Currently, the High-Speed Rail Authority (Authority) board is composed of nine members: five appointed by the Governor, two appointed by the Senate Rules Committee, and two appointed by the Speaker of the Assembly, each serving for a four-year term.

Current law also requires approval by the Department of General Services (DGS) before a state agency may acquire, or dispose of, real property, except for real property purchased for highway purposes by the Department of Transportation (Caltrans). DGS is also required to keep an inventory of state-owned property, except for property owned by Caltrans.

Current law assigns various authorities to the Department of Finance (Finance), DGS, and State Public Works Board (SPWB) related to the approval of capital outlay expenditures and the acquisition of property, but exempts Caltrans and other large state agencies.

This bill would exempt the Authority from Finance approval for property acquisition and disposal, from SPWB or Finance approval when expending funds for capital outlay purposes, and from DGS approval in acquiring rights of way or easements. The bill also indicates that DGS may not maintain an inventory of property owned by the Authority.

This bill also would require that the five members of the Authority that are currently appointed by the Governor also be confirmed by the Senate.

The bill also requires the Authority to prepare an overall project schedule, together with project delivery milestones, to be updated on a quarterly basis. Additionally, the bill would require the creation of an overall project schedule, and require the Authority to approve a written report on the status of contracts and schedules, beginning with the first board meeting after March 1, 2010. This report would be furnished to the Legislature and Legislative Analyst's Office each quarter.

The bill would further require capital outlay projects undertaken by the Authority to be consistent with one or more of the following criteria:

- Provide enhanced railroad access to stations and terminals
- Provide improvements to existing commuter and intercity passenger train services
- Provide for improvement of connections from the San Joaquin Valley to either southern California or the Bay Area
- Require the projects to be capable of conversion or use by high-speed passenger train service

Discussion: The Authority indicates that requiring quarterly reports to be submitted the Legislature and LAO could prove time consuming and costly. However, these reports will provide consistent and continuous information and keep all parties involved apprised of potential problems or cost escalations. All contract changes would be approved at scheduled board meetings. The chief engineer for the Authority indicates that the contract change approval process could result in project delays and increased costs, since the Authority board meets only once a month. Currently, any contract changes are processed and approved by Authority staff or the DGS, Office of Legal Services, depending on the nature of the amendment.

A. Lowenthal

April 16, 2009

SB 455

In addition, the Authority has concerns that this bill establishes additional segment criteria after the passage of Proposition 1A by the voters. The additional project selection criteria may conflict with the criteria outlined in Proposition 1A. The Authority's legal counsel is reviewing this issue.

B. Fiscal Analysis

Finance has identified several concerns with this bill. While certain features of this bill potentially increase the Authority's efficiency in expediting property matters, these same features decrease the accountability and oversight that would be present by involving Finance, SPWB, and DGS. While there are efficiencies from expediting the process, the cost-benefit aspects of having the Authority perform these tasks directly and independently on a unique project of unprecedented size and scope is not estimable.

The Senate Appropriations Committee estimates initial costs of \$50,000, increasing to \$100,000 annually thereafter to develop the required quarterly reports.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO	PROP								
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012		
2665/High Speed	SO	No	C	\$50	C	\$100	C	\$100		6043
<u>Fund Code</u>	<u>Title</u>									
6043	High - Speed Passenger Train Bond Fund									