

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 22, 2010
POSITION: Oppose

BILL NUMBER: SB 964
AUTHOR: E. Alquist

BILL SUMMARY: High-Speed Rail Authority: Appropriation for Training

This bill would appropriate \$500,000 for the High-Speed Rail Authority (HSRA) to contract with the Employment Development Department (EDD) to develop a labor market assessment of the workforce and identify the education and skills needed for the construction, operation and maintenance of the high-speed train system.

This bill would require the EDD to create an advisory committee to determine both the skills required for the project, and the availability of those skills within the state's workforce. The HSRA would also be required to complete an assessment of the labor market which would be submitted to the Legislature and incorporated into its biennially revised business plan.

FISCAL SUMMARY

This bill would appropriate \$500,000 from the High-Speed Passenger Train Bond Fund (bond fund) to the HSRA to fund a labor market assessment, and a related advisory committee.

The Governor's Budget includes \$958 million for 2010-11. Of this amount, \$583 million is from the bond fund and \$375 million is from the \$2.25 billion in federal funding recently awarded from the American Recovery and Reinvestment Act (ARRA).

A spending cap of 2.5 percent for administrative expenses is prescribed in the High-Speed Rail Bond Act.

COMMENTS

Finance is opposed to this bill because the \$500,000 appropriation redirects funding from an already substantially underfunded project without any justification and without having gone through the budget development review process. Most of the equipment likely to be used by the system will be custom-designed and proprietary, and training on its installation, operation, and maintenance will have to be provided by, or in conjunction with, equipment vendors. It is not clear that EDD is the appropriate entity to assess the skills and availability of training with respect to a singular unprecedented project of such magnitude. Moreover, this activity is premature by many years, because no segment of the system has yet been started or will be operational for a number of years.

Analyst/Principal (0753) R. Grimaldi	Date	Program Budget Manager Mark Hill	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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

E. Alquist

April 22, 2010

SB 964

ANALYSIS**A. Programmatic Analysis**

Current law provides for the High-Speed Rail Authority (HSRA) to plan, construct and operate a high-speed train system to serve California's major metropolitan areas. In 2008, Proposition 1A was passed, providing \$9.95 billion in general obligation bonds to fund the planning and construction of a high-speed passenger train system and complementary improvements to connecting rail systems and corridors in the state, subject to appropriation by the Legislature.

This bill would require appropriate \$500,000 for the HSRA to contract with the EDD to develop a labor market assessment of the workforce and to identify the education and skills needed to construct, operate and maintain a high-speed rail network in California.

The Authority and the EDD would also be required to form an advisory committee to advise on the availability of skilled labor, by region, and perform the tasks related to the construction, operation and maintenance of the high-speed rail network. The suggested participants include: (1) the HSRA, (2) educational entities such as the Community College Chancellor's Office, the University of California, and the California State University, (3) the California Workforce Investment Board, (4) the California Department of Education, and (5) labor organizations with expertise in apprenticeship programs.

Discussion: The Bond Act specifies that no more than 2.5 percent of the bond proceeds may be spent for administrative activities. Of the \$9 billion available for the high-speed train system, up to \$225 million may be used for these activities over the life of project development and implementation. Earmarking \$500,000 for developing a labor market assessment would use constrained bond proceeds for administrative activities, and these activities would be premature by quite a few years.

B. Fiscal Analysis

This bill would appropriate \$500,000 from the High-Speed Passenger Train Bond Fund (bond fund) to the HSRA to fund a labor market assessment, and a related advisory committee.

The Governor's Budget includes \$958 million for 2010-11. Of this amount, \$583 million is from the bond fund and \$375 million is from the \$2.25 billion in federal funding recently awarded from the American Recovery and Reinvestment Act (ARRA).

A spending cap of 2.5 percent for administrative expenses is prescribed in the High-Speed Rail Bond Act.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
		LA	PROP	2009-2010		2010-2011		2011-2012	
	CO	98	FC	FC	FC	FC			
2665/High Speed	SO	No		--	A	\$500		--	6043
<u>Fund Code</u>	<u>Title</u>								
6043	High - Speed Passenger Train Bond Fund								