

MARCH 26, 2025

# High-Speed Rail 2025 Project Update Report

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PRESENTED TO:

Assembly Budget Subcommittee No. 4 on Climate  
Crisis, Resources, Energy, and Transportation  
Hon. Steve Bennett, Chair



LEGISLATIVE ANALYST'S OFFICE

# Background

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**State Law Requires Annual Plans.** State law requires the High-Speed Rail Authority (HSRA) to prepare a business plan every even year that provides certain key information about the planned high-speed rail system. State law also requires HSRA to prepare a project update report (PUR) by March 1 of every odd year that provides certain updated information, such as related to costs and schedule.

**Legislature Added Additional PUR Requirements in 2022.** Chapter 71 of 2022 (SB 198, Committee on Budget and Fiscal Review) expanded the required elements of the PUR to include additional information, such as specified updates on the cost and schedule for the Merced-to-Bakersfield segment. Chapter 71 also made various other statutory changes, such as creating a new High-Speed Rail Office of the Inspector General (HSR OIG) to oversee the project.

**2025 PUR Released in March 2025 but Defers Some Statutory Requirements to Summer Update.** HSRA released its most recent PUR on March 1, 2025 (2025 PUR). In the 2025 PUR, HSRA indicates that it is in the midst of a comprehensive review of the project. Accordingly, the department indicates it will provide a supplemental document upon the completion of its review in summer 2025. This supplemental document is anticipated to include some statutorily-required information, such as updated estimates of the Merced-to-Bakersfield segment's cost and schedule.



## Major Features of the 2025 PUR

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**2025 PUR Largely Unchanged From 2024 Business Plan.** The 2025 PUR is largely the same as the 2024 Business Plan. Specifically, the 2025 PUR:

- **Does Not Update Project Schedule.** The 2025 PUR does not provide any updates to the project’s schedule. In the 2024 Business Plan, HSRA proposed to launch interim high-speed passenger service on the Merced-to-Bakersfield segment sometime between 2030 and 2033.
- **Does Not Update Project Costs.** The 2025 PUR does not update any of the cost estimates included in the 2024 Business Plan (which were the same as the cost estimates included in the 2023 PUR). As shown in the figure on the next page, the 2024 Business Plan estimated the total cost to construct the Merced-to-Bakersfield segment and meet other local and federal obligations at \$35.3 billion.
- **Makes Minor Updates to Anticipated Funding.** The 2025 PUR updates the project’s funding assumptions to reflect actual Greenhouse Gas Reduction Fund (GGRF) revenues through November 2024 and the receipt of a \$90 million federal grant that was awarded in January 2025. With these updates, as shown in the figure on the next page, the 2025 PUR estimates total funding available to the project to be \$28.2 billion. (This estimate assumes the project will retain all awarded federal grants, including roughly \$700 million of federal funds that have not yet been obligated. It also assumes the project will receive \$1 billion annually from GGRF through 2030.)
- **Mentions New Financial Strategy, but Does Not Provide Details.** The 2025 PUR indicates HSRA plans to pursue a new financial strategy that includes: “(1) long-term sustained investment, (2) innovative financing to drive construction momentum, and (3) public-private partnerships to leverage state funds.” The PUR does not include details on this proposed strategy.



# Major Features of the 2025 PUR

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## Estimated Merced-to-Bakersfield Segment Funding and Costs

(In Billions)

Projected Funding	Amount
<b>Federal Funds</b>	
Fed-State grant	\$3.1 <sup>a</sup>
ARRA grant	2.6
FY 10 federal grant	0.9
CRISI, RAISE, RCE, and other grants	0.4
Subtotal, federal funds	(\$7.0)
<b>State Funds</b>	
Proposition 1A	\$8.3
GGRF	7.4 <sup>b</sup>
Future GGRF	5.5 <sup>c</sup>
Subtotal, state funds	(\$21.2)
<b>Total Funding Available</b>	<b>\$28.2</b>
<b>Merced to Bakersfield Costs<sup>d</sup></b>	
Central Valley Segment	\$18.3
Merced and Bakersfield extensions	7.7
Other	9.3
<b>Total Costs</b>	<b>\$35.3</b>

<sup>a</sup> Includes roughly \$2.4 billion in obligated funds and \$700 million in unobligated funds.

<sup>b</sup> Received through November 2024.

<sup>c</sup> Assumes GGRF revenues of \$1 billion annually through 2030.

<sup>d</sup> Not updated in 2025 Project Update Report.

Fed-State = Federal-State Partnership for Intercity Rail;  
 ARRA = American Recovery and Reinvestment Act;  
 FY 10 = High-Speed Passenger Rail program in 2010;  
 CRISI = Consolidated Rail Infrastructure and Safety Improvements;  
 RAISE = Rebuilding American Infrastructure with Sustainability and Equity; Railroad Crossing Elimination = RCE; and GGRF = Greenhouse Gas Reduction Fund.



## Key Issues for Legislative Consideration

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***No Detailed Plan to Meet Roughly \$7 Billion Funding Gap for Merced to Bakersfield.*** The information in the 2024 Business Plan and 2025 PUR suggests that there is a funding gap of roughly \$7 billion for completing the Merced-to-Bakersfield segment. HSRA has not put forward a specific plan to meet this funding gap.

***Risk That Funding Gap Could Grow.*** HSRA indicates it is in the process of implementing strategies to control costs and is conducting a full program review in an attempt to identify further cost savings. These efforts might result in some cost savings. However, at this point, the level of any such potential savings is unclear. Additionally, other factors could drive growth in the project's funding gap, including: (1) potential loss of federal funds, such as those that have not yet been obligated; (2) inflation and other construction cost increases; (3) uncertainty related to assumed future GGRF revenues.

***Legislature Faces Key Decisions Soon.*** The Legislature may need to make decisions on the project soon. This is because:

- ***HSRA OIG Has Indicated Funding Could Be Needed as Soon as 2026.*** In an October 2024 report, the HSRA OIG indicated that HSRA needs to secure funds to meet most of its identified funding gap before June 2026 to avoid negative impacts on the Merced-to-Bakersfield segment schedule. We note that the current federal administration has signaled a lack of support for the project, making additional federal grants unlikely, at least over the next four years.
- ***Decisions on Cap-and-Trade Reauthorization Might Be Made in Near Term.*** The Legislature is considering the potential reauthorization of the state's cap-and-trade program beyond its current sunset of 2030. As part of that reauthorization, the Legislature may want to consider whether it would like to retain or make changes to HSRA's continuous appropriation of 25 percent of GGRF revenues.



## Key Issues for Legislative Consideration

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***Aligning Funding Availability and Needs Will Be Important.*** To the extent the Legislature is interested in providing additional funding to the project, considering how to best align the timing of that additional funding with the timing of the project's funding needs will be important. Timing considerations are especially critical for GGRF, as it is a funding source that is not well-suited to securitization.

***Legislature Would Benefit From Additional Information for Upcoming Decisions.*** Having access to the most accurate, up-to-date project data—including related to cost estimates and schedules—is important to inform legislative decision making. The Legislature also should be apprised of details on HSRA's new proposed financial strategy—including the trade-offs associated with any innovative or traditional financing approaches HSRA is considering—as it weighs its options for proceeding.

