



California High-Speed Rail BRIEFING: June 16, 2022 Board Meeting Agenda Item: #3

TO: Chairman Richards and Board Members
FROM: Brian Annis, Chief Financial Officer
DATE: June 16, 2022
RE: Federal Grant Strategy

Summary

Due to the scale and national-significance of high-speed rail, the Authority has always planned for significant federal funding to complete the project. With the passage of the recent Bipartisan Infrastructure Law (BIL), the federal government has re-engaged in infrastructure investments, and this creates new opportunities for the project to receive federal support. To maximize these opportunities, the Authority has developed a federal funding strategy that will align federal policy goals with the objectives of California's high-speed rail program. The federal strategy has been built on four key principles:

- Build on previous federal investments.
- Advance and align with federal policy goals.
- Optimize the leveraging of federal and state funds.
- Support both Authority-led projects and components led by partners.

The strategy is designed to elicit the following outcomes for the high-speed rail program:

- Deliver the nation's first true high-speed rail system;
- Prepare for system-wide delivery by advancing project development; and
- Make targeted early investments with near-term benefits.

This memorandum provides a summary of the federal grant strategy for the Authority and outlines the Multimodal Project Discretionary Grant (MPDG) applications that the Authority applied for in May. Additional federal funds will help the Authority complete the first line for passenger service and continue to advance design and construction along the entire route from San Francisco to Los Angeles.

Background

To date, the Authority has received approximately \$3.5 billion in federal funding commitments, which represents around 15% of the current total funding for the project. The funding has been used to complete

environmental review for the Phase 1 system and to construct the 119-mile Central Valley Segment between Madera and Poplar Avenue. Federal funds received include:

- \$2.5 billion awarded from the federal American Recovery and Reinvestment Act of 2009 (ARRA).
- \$929 million awarded by Congress from the Fiscal Year 2010 (FY10) Transportation, Housing and Urban Development funds.
- \$24 million awarded from the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grant.
- \$600 thousand awarded from the US Environmental Protection Agency (EPA) Brownfields program.

These funds were awarded through federal grants and have been instrumental in enabling us to advance the program into construction.

Additionally, the Authority has the following outstanding grant applications under consideration by the federal government which were submitted prior to the MPDG Grant applications:

- \$8.5 million application in the RAISE Program for the Fresno Historic Depot.
- \$25.0 million application in the RAISE Program for Merced Extension Design Project.

Prior Board Action

Adoption of 2022 Business Plan – On April 27, 2022, the Board adopted the 2022 Business Plan, which includes elements of the Federal Funding Strategy covered in this memo. Resolution #HSRA 22-09.

Discussion

Bipartisan Infrastructure Law (BIL) Programs

The recently passed Bipartisan Infrastructure Law creates a new opportunity to secure federal funding for the high-speed rail program. The Authority has identified more than \$75 billion in funding from the BIL for which the Authority is eligible to compete. The plan is to apply to all programs over multiple years, requesting project elements best suited to each grant program. The table below displays the primary federal programs that the Authority has targeted for applications:

Competitive Grants Program	Eligibility/Purpose	Appropriated	Additional Authorization	Total
Federal-State Partnership for Intercity Passenger Rail Grants (F-S PIPR) (excluding the Northeast Corridor set-aside)	High-speed rail and all intercity rail expansion projects Multi-year commitments possible	\$12.0	\$4.1	\$16.1
Consolidated Rail Infrastructure and Safety Improvements (CRISI)	Capital projects that will improve passenger and freight rail transportation systems in terms of safety, efficiency, or reliability	\$5.0	\$5.0	\$10.0
National Infrastructure Project Assistance Program (NIPA) (Megaprojects)	Broad eligibility for different types of infrastructure	\$5.0	\$10.0	\$15.0

Local and Regional Project Assistance Program (L&R) (RAISE Grants)	Invest in roads, rail, transit and port projects to achieve national objectives	\$7.5	\$7.5	\$15.0
Nationally Significant Multimodal Freight and Highway Projects (INFRA Grants)	Fund highway and freight projects of national and regional significance Available for rail/highway crossing projects	\$3.2	\$6.0 (Authorization) and \$4.8 (Contract Authority)	\$14.0
Federal Railroad Administration Railroad Crossing Elimination Program	Highway-rail grade crossing improvement projects that focus on improving the safety and mobility of people and goods	\$3.0	\$2.5	\$5.5

Note, final FY22 federal appropriations fell below amounts authorized for FY22 in the BIL as follows: F-S PIPR (outside NEC) (by \$0.77B), CRISI (by \$0.375B), NIPA (by \$2B), RAISE (by \$0.225B), and FRA RR Crossing Elimination (by \$0.5B). Absent subsequent additional FY22 appropriations, this \$3.87B in funds authorized for FY22 in the BIL cannot be appropriated or “rolled over” in future years.

Authority Strategy for maximizing Bipartisan Infrastructure Law Programs

Each program has been researched and studied with the goal of aligning federal policy initiatives with the initiatives of the high-speed rail program. The result is a federal funding strategy that meets the needs of the federal government, while also making meaningful contributions to the advancement of the California high-speed rail. The table below summarizes our strategy for targeting specific federal programs:

Outcome	Federal Programs	Scope	Cost to Complete	Fed Grant Request
1st Operating HSR System: Merced to Bakersfield	F-S PIPR NIPA/Megaprojects RAISE FRA RR Crossings CRISI	Implement passenger service on HSR infrastructure at true high speeds (up to 220 mph) 171 miles, double-track system backbone All necessary engineering and design US-built HSR trainsets Five initial stations, including intermodal hubs at Merced and Bakersfield Fully electrified, renewable power for system operations Connectivity to existing Amtrak and regional rail services expected to more than double ridership 202,000 job-years of employment created from inception through completion	\$6.0 billion plus contingencies*	\$4.8 billion (Matched with HSR Cap-and-Trade Funds)

System-Wide Advancement / Start Bay Area Connection	F-S PIPR NIPA/Megaprojects RAISE	Silicon Valley - Central Valley connection Post Environmental Clearance, Advance Design SF to Merced ROW Acquisition – Targeted Priorities Shared Caltrain corridor investments that benefit both systems Phase I – Design Post Environmental Clearance, Advance Design on all Phase 1 Segments	\$2.0 billion +	\$1.6 billion + Matched with other State/Local Funds
Early Investments/ Benefits Around the State	F-S PIPR NIPA/Megaprojects RAISE FRA RR Crossings CRISI INFRA FTA Capital Programs (where applicable)	Partnerships/projects in Phase 1 HSR segments Grade Separations with early safety benefits Electric vehicle/bus charging facilities Key connections between transit and HSR stations Stations and multimodal enhancements at stations on Phase 1 route	\$2.0 billion +	\$1.6 billion + Matched with other State/Local Funds

The following will inform the Authority’s grant applications as the Authority seeks to maximize federal awards:

- The United States Department of Transportation (USDOT) understands larger projects may seek grants over multiple years and multiple funding programs. The Authority will therefore apply to all programs for which we are eligible over multiple years requesting project elements best suited to each grant program.
- USDOT may consider a “letter of intent” mechanism whereby an award in year 1, may come with the intent to award additional funds in years 2-5. Therefore, and where applicable, the Authority will be submitting large dollar grant request that have distinct elements that can be funded over multiple years of federal appropriations.
- USDOT is looking at an applicant’s track record and funding commitment. The Authority is successfully working through the challenges of being the first true high-speed rail project in the county and is executing on the delivery of environmental clearances and construction. The successful appropriation of Proposition 1A funds will further demonstrate this commitment.
- USDOT is considering criteria such as addressing climate change, racial equity, and high-wage construction jobs, in addition to other transportation benefits. California’s priorities align with these criteria, and we will speak to them in grant applications.

MPDG Program Applications

The Authority submitted two grant applications that request funding from the MPDG Program. The two applications are as follows:

1. State of California - Inaugural High-Speed Operating Service
2. California High-Speed Rail - San Francisco to Los Angeles Configuration Design

The Authority's first application is to advance design, construction, and equipment elements of the State of California– Inaugural High-Speed Operating Service, a two-track line connecting the cities of Merced, Fresno, and Bakersfield. The requested federal grant funds of approximately \$1 billion (over multiple annual funding cycles) are proposed to be applied to capital costs of the following key elements:

- Completing design for two extensions beyond the current 119 miles of construction to reach 177 miles of true high-speed track and systems in the Central Valley: (1) from Madera to Merced; and (2) from Poplar Avenue to downtown Bakersfield;
- Constructing a second track for the current 119 miles of high-speed rail in the Central Valley;
- Constructing two initial stations at Fresno and Kings/Tulare; and
- Procuring six fully electric trainsets, which will be sufficient for initial testing and future interim operating service between Merced, Fresno, and Bakersfield.

The Authority's second application is for California High-Speed Rail – San Francisco to Los Angeles Configuration Design, to fund the next phase of design on additional segments in Northern and Southern California that have achieved or are about to achieve environmental Records of Decision. The requested federal grant funds of approximately \$223 million (over multiple annual funding cycles) are proposed to be applied to the following segments:

- San Francisco to San Jose
- San Jose to Merced
- Bakersfield to Palmdale
- Burbank to Los Angeles

If awarded these grants and other new federal funding for which California will be submitting complementary grant applications this year, California will be able to accelerate progress toward the nation's first 220 mph, electrified high-speed train system. It also will advance design beyond the current environmental approvals in Northern and Southern California to be ready for future construction when additional funding is available.

Discussion

This information item provides an update to the Board on the High-Speed Rail Authorities federal grant strategy for current and future grant applications.

Legal Approval

The Legal Office has reviewed, and this item complies with Authority policy.

Budget and Fiscal Impact

This is an informational item, and by itself, does not have a budget or fiscal impact.

REVIEWER INFORMATION	SIGNATURE
Reviewer Name and Title: Brian Annis Chief Financial Officer	Signature verifying budget analysis: Signed June 8, 2022
Reviewer Name and Title: Alicia Fowler Chief Legal Counsel	Signature verifying legal analysis: Signed June 8, 2022

Recommendations

This presentation provides background on the federal grant strategy for the Authority. The intent is to inform the Board of the federal funding opportunities available through the recently passed Bipartisan Infrastructure Law (BIL).

There are no recommendations associated with this Board memo; it is for informational purposes only.

Attachments

Powerpoint Presentation