California High-Speed Rail Authority

Update on Funding Strategies

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Federal Funding: Update

The American Recovery and Reinvestment Act (ARRA) established critical funding support for high-speed rail (HSR) development

- ARRA and the President's FY 2010 budget request demonstrate that HSR development in the US is a priority
- Legislative and policy foundation includes:
  - ARRA funding of $8 B for intercity and HSR
  - Administration's FY 2010-14 proposed appropriations of $5 B for HSR
  - Passenger Rail Investment and Improvement Act of 2008 ("PRIIA")

Federal Funding: Strategy Update

The financial plan team has generated a multi-faceted strategy to develop federal support:

- Pursue ARRA funding to maximize California's share
- Support enactment of $1 B HSR annual appropriations
- Develop a transportation reauthorization plan to further support the long term development of high speed rail:
  - Grant availability
  - Non-grant support including HSR tax-exempt bonds and tax credit bonds

Federal Funding: ARRA grant provisions

ARRA provides $8 B in capital assistance for HSR corridors and intercity passenger rail service

- Funds are available through three separate programs authorized in PRIIA including:
  - Capital Assistance for Intercity Passenger Rail Service
  - Congestion Grants
  - High-Speed Rail Corridor Program
- USDOT determination on grant awards
  - "Shall give priority to projects that support the development of intercity high-speed rail service"
  - Must submit strategic plan to Congress on 4/18/09 with "interim guidance" by 6/17/09
- Funding is available through 9/30/12

Federal Funding: ARRA eligibility and potential selection criteria

Eligible applicants for ARRA funds includes States and Authorities. Criteria for USDOT selection of grantees has yet to be established, however based on recent FRA publications we believe the criteria may include:

- Readiness: placing a relative emphasis on projects that can focus on aspects of implementation rather than planning
- Environmental clearance
- Improved travel time
- Transportation benefits & other benefits: energy efficiency, reduced emissions, and mitigating congestion
- Job creation or preservation benefits
- Minimizing or mitigating project risk
- Funding: while legislation does not require local match, state or other matching funds establishes local support for the project and any cost overruns

Federal Funding: ARRA non-grant provisions

In addition to grant funds, ARRA includes expansion of tax credit bonds and high-speed rail bonds

Build America Bonds:

- State and local governments are provided the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond
- State or local governments may elect to receive a direct payment from the federal government equal to the subsidy that would have otherwise been delivered through the federal tax credit for bonds
    - Limited to capital expenditures
    - Restricts bonds to obligations incurred by 1/1/11

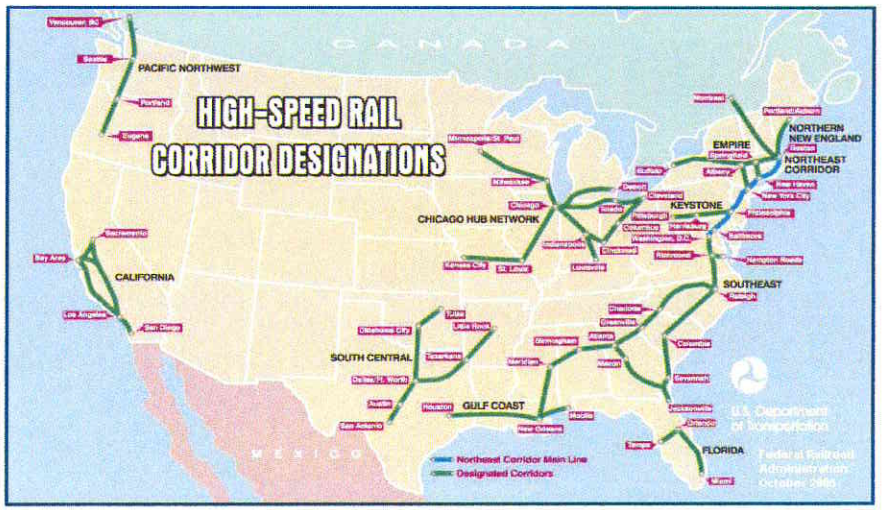
High-Speed Rail Bonds:

- Exempt facility bonds can be issued for HSR intercity facilities
- Legislation changed the speed requirement to vehicles capable of attaining "a maximum speed in excess of 150 mph"

Financial Plan Team: Challenges

Although strong funding support from both state and federal sources has been established, some challenges need to be addressed:

- Competition for ARRA funding from other federally designated HSR corridors and intercity rail initiatives
- Ensuring long-term federal funding in the amounts required
- Timing for transportation reauthorization
- Promoting outreach and ensuring Congressional champions



Federal Funding Strategy: Longer term implementation

The Finance Team will focus on several steps to advance the Authority's federal funding pursuit:

- Maximize California's share of ARRA:
  - Identify and pursue discrete project applications for $8 B rail programs
  - Pursue $1.5 B in discretionary funds also included in ARRA
  - Advocate for enactment of $1 B FY 2010 HSR appropriations request and seek higher levels in out-years
- Support the Authority in developing, promoting and enacting a surface authorization request for a sustained ***national*** HSR program, including sufficient funding to launch construction in California

Federal Funding Strategy: Near Term Implementation

Advancing the Authority's federal funding strategy (cont'd)

- Facilitate outreach meetings in March with members of the California delegation and relevant committee chairs and staff
- Assert CA perspective in USDOT/FRA issuance of ARRA strategy and guidance
  - Develop with the Authority and propose to USDOT illustrative grant selection criteria promoting HSR in the US *including* California
- Work with the Authority on funding priorities for ARRA funds
- Outreach to other HSR corridors and advocates to facilitate consensus approach for a national HSR program
- Establish the Authority as a leader in the HSR appropriations and surface transportation authorization dialogue ahead