

**Senate Bill No. 1029**

CHAPTER 152

An act to amend the Budget Act of 2012 by adding Items 2660-104-6043, 2660-304-6043, 2665-104-6043, 2665-304-0890, 2665-304-6043, 2665-305-0890, 2665-305-6043, 2665-306-0890, and 2665-306-6043 to Section 2.00 of that act, relating to the state budget, and making an appropriation therefor, to take effect immediately, Budget Bill.

[Approved by Governor July 18, 2012. Filed with Secretary of State July 18, 2012.]

LEGISLATIVE COUNSEL’S DIGEST

SB 1029, Committee on Budget and Fiscal Review. Budget Act of 2012. The Budget Act of 2012 makes appropriations for the support of state government for the 2012–13 fiscal year.

This bill would amend the Budget Act of 2012 by adding items of appropriation relating to a high-speed rail system in the state.

This bill would declare that it is to take effect immediately as a Budget Bill.

Appropriation: yes.

*The people of the State of California do enact as follows:*

SECTION 1. Item 2660-104-6043 is added to Section 2.00 of the Budget Act of 2012, to read:

2660-104-6043—For local assistance, Department of Transportation, payable from the High-Speed Passenger Train Bond Fund..... 713,333,000

Schedule:

(1) 30.10-Mass Transportation..... 713,333,000

Provisions:

1. These funds shall be available for encumbrance or liquidation until June 30, 2018.
2. The funds appropriated in this item shall be available for capital improvement projects to intercity and commuter rail lines and urban rail systems that provide direct connectivity to the high-speed train system and its facilities, or that are part of the construction of the high-speed train system, as adopted by the California Transportation Commission, pursuant to Section 2704.095 of the Streets and Highways Code.

- 4. Any funds appropriated in this item for projects in the San Francisco to San Jose corridor, consistent with the blended system strategy identified in the April 2012 California High-Speed Rail Program Revised 2012 Business Plan, shall not be used to expand the blended system to a dedicated four-track system.
- 5. The funds appropriated in this item shall only be made available for expenditure upon the enactment of an appropriation of \$3,240,676,000 in Item 2665-306-0890, an appropriation of \$2,609,076,000 in Item 2665-306-6043 for the Initial Operating Segment of the High-Speed Rail System, and an appropriation of \$1,100,000,000 in Item 2665-104-6043 for “Bookend” funding, as articulated in the 2012 High-Speed Rail Authority Final Business Plan.

SEC. 2. Item 2660-304-6043 is added to Section 2.00 of the Budget Act of 2012, to read:

2660-304-6043—For capital outlay, Department of Transportation, payable from the High-Speed Passenger Train Bond Fund ..... 106,000,000

Schedule:

(1) 30-Mass Transportation..... 106,000,000

Provisions:

- 1. These funds shall be available for encumbrance or liquidation until June 30, 2018.
- 2. The funds appropriated in this item shall be available for capital improvement projects to intercity and commuter rail lines and urban rail systems that provide direct connectivity to the high-speed train system and its facilities, or that are part of the construction of the high-speed train system, as adopted by the California Transportation Commission, pursuant to Section 2704.095 of the Streets and Highways Code.
- 4. Any funds appropriated in this item for projects in the San Francisco to San Jose corridor, consistent with the blended system strategy identified in the April 2012 California High-Speed Rail Program Revised 2012 Business Plan, shall not be used to expand the blended system to a dedicated four-track system.
- 5. The funds appropriated in this item shall only be made available for expenditure upon the enactment of an appropriation of \$3,240,676,000 in Item 2665-306-0890, an appropriation of \$2,609,076,000 in Item 2665-306-6043 for the Initial Operating Segment of the High-Speed Rail System, and an appropriation of

\$1,100,000,000 in Item 2665-104-6043 for “Bookend” funding, as articulated in the 2012 High-Speed Rail Authority Final Business Plan.

SEC. 3. Item 2665-104-6043 is added to Section 2.00 of the Budget Act of 2012, to read:

2665-104-6043—For local assistance, High-Speed Rail Authority, payable from the High-Speed Passenger Train Bond Fund ..... 1,100,000,000

Provisions:

1. These funds shall be available for early improvement projects in the Phase 1 blended system, consistent with the Metropolitan Transportation Commission Memorandum of Understanding, as approved by the High-Speed Rail Authority on April 12, 2012, in High-Speed Rail Authority Resolution 12-11 and the Southern California Memorandum of Understanding, as approved by the High-Speed Rail Authority on April 12, 2012, in High-Speed Rail Authority Resolution 12-10. The funds are available for encumbrance or liquidation until June 30, 2018.
2. The amount appropriated in this item is available for expenditure for state operations, local assistance, or capital outlay, and may be transferred to Item 2665-004-6043 or Item 2665-306-6043. These transfers shall require the prior approval of the Department of Finance.
3. Any funds appropriated in this item for projects in the San Francisco to San Jose corridor, consistent with the blended system strategy identified in the April 2012 California High-Speed Rail Program Revised 2012 Business Plan, shall not be used to expand the blended system to a dedicated four-track system.
4. Provisions 4 to 11, inclusive, of Item 2665-306-6043 shall also apply to this item.
5. No funds appropriated in this item shall be encumbered prior to the High-Speed Rail Authority submitting a detailed funding plan for the project or projects in accordance with subdivision (d) of Section 2704.08 of the Streets and Highways Code to (a) the Department of Finance, (b) the Chairperson of the Joint Legislative Budget Committee, and (c) the peer review group established pursuant to Section 185035 of the Public Utilities Code.
6. No funds appropriated in this item shall be encumbered for construction of a project prior to completion of all

- project-level environmental clearances necessary to proceed to construction and the final notices being contained in the funding plan for the project.
7. Prior to the obligation of funds to any specific project, and subject to the approval of the Department of Finance, the High-Speed Rail Authority Board shall develop an accountability plan, consistent with Executive Order S-02-07, to establish criteria and procedures to govern the expenditure of the bond funds in this appropriation, and the outcomes that such expenditures are intended to achieve, including a detailed project description and project cost. The procedures shall ensure that the investments comply with requirements of applicable state and federal laws, and are consistent with and advance the state high-speed train system.
  8. The High-Speed Rail Authority shall enter into a project management and funding agreement with the local sponsor of the funded project, and the agreement shall require the local agencies to report to the authority on a quarterly basis to ensure that all bond-funded activities are within the scope and cost outlined in the agreement. Prior to the authority entering into any project management and funding agreement pursuant to this provision, the agreement shall be approved by the Department of Finance.
  9. Expenditures of bond proceeds under this item shall be subject to audit to determine whether the expenditures made from bond proceeds were made according to the established criteria and processes, were consistent with all legal requirements, and achieved the intended outcomes. The High-Speed Rail Authority shall contract with the Office of State Audits and Evaluations for the performance of these audits unless alternative audit arrangements are made with the concurrence of the Office of State Audits and Evaluations.
  10. The funds appropriated in this item shall only be made available for expenditure upon the enactment of an appropriation of \$3,240,676,000 in Item 2665-306-0890, an appropriation of \$2,609,076,000 in Item 2665-306-6043 for the Initial Operating Segment of the High-Speed Rail System, an appropriation of \$106,000,000 in Item 2660-304-6043, and an appropriation of \$713,333,000 in Item 2660-104-6043 for Connectivity funding.

SEC. 4. Item 2665-304-0890 is added to Section 2.00 of the Budget Act of 2012, to read:

2665-304-0890—For capital outlay, High-Speed Rail Authority, payable from the Federal Trust Fund .....	28,310,000
Schedule:	
(1) 20.15.010-San Francisco to San Jose—Acquisition.....	5,135,000
(3) 20.30.010-Merced to Fresno—Acqui- sition.....	2,297,000
(4) 20.40.010-Fresno to Bakersfield—Ac- quisition.....	3,119,000
(5) 20.45.010-Bakersfield to Palmdale—Ac- quisition.....	0
(6) 20.50.010-Palmdale to Los Ange- les—Acquisition.....	2,566,000
(7) 20.60.010-Los Angeles to Anaheim—Ac- quisition.....	4,299,000
(8) 20.99.010-Project Management and Agency Costs—Acquisition.....	10,894,000

Provisions:

1. The projects identified in this item may be managed by the High-Speed Rail Authority.
2. The projects identified in this item are subject to review by the State Public Works Board.
3. Notwithstanding any other provision of law, each project in Schedules (1) to (7), inclusive, of this item shall be the same as the respectively coded project in Schedules (1) to (7), inclusive, of Items 2665-304-6043, 2665-305-0890, and 2665-305-6043. For a given project, funds appropriated in this item may be transferred to the same project in Item 2665-305-0890. These transfers shall require the prior approval of the Department of Finance. The Department of Finance shall report annually on May 1 to the Joint Legislative Budget Committee a summary of any transfers that have been made pursuant to this provision.
4. Notwithstanding any other provision of law, the project in Schedule (8) of this item shall be the same as Schedule (8) of Item 2665-305-0890 and Schedule (11) of Items 2665-304-6043 and 2665-305-6043. Funds appropriated in Schedule (8) of this item may be transferred to the same schedule in Item 2665-305-0890 upon approval of the Department of Finance. The Department of Finance shall report annually on May 1 to the Joint Legislative Budget Committee a summary of any transfers that have been made pursuant to this provision.

SEC. 5. Item 2665-304-6043 is added to Section 2.00 of the Budget Act of 2012, to read:

2665-304-6043—For capital outlay, High-Speed Rail Authority, payable from the High-Speed Passenger Train Bond Fund..... 124,067,000

Schedule:

(1) 20.15.010-San Francisco to San Jose—Acquisition.....	5,135,000
(3) 20.30.010-Merced to Fresno—Acquisition.....	2,297,000
(4) 20.40.010-Fresno to Bakersfield—Acquisition.....	3,119,000
(5) 20.45.010-Bakersfield to Palmdale—Acquisition.....	0
(6) 20.50.010-Palmdale to Los Angeles—Acquisition.....	2,566,000
(7) 20.60.010-Los Angeles to Anaheim—Acquisition.....	4,299,000
(8) 20.70.010-Los Angeles to San Diego—Acquisition.....	37,055,000
(9) 20.80.010-Merced to Sacramento—Acquisition.....	29,700,000
(10) 20.90.010-Altamont Pass—Acquisition.....	20,375,000
(11) 20.99.010-Project Management and Agency Costs—Acquisition.....	19,521,000

Provisions:

1. The projects identified in this item may be managed by the High-Speed Rail Authority.
2. The projects identified in this item are subject to review by the State Public Works Board.
3. Notwithstanding any other provision of law, each project in Schedules (1) to (10), inclusive, of this item shall be the same as the respectively coded project in Schedules (1) to (7), inclusive, of Items 2665-304-0890, 2665-305-0890, and 2665-305-6043, and Schedules (8) to (10), inclusive, of Item 2665-305-6043. For a given project, funds appropriated in this item may be transferred to the same project in Items 2665-305-6043. These transfers shall require the prior approval of the Department of Finance. The Department of Finance shall report annually on May 1 to the Joint Legislative Budget Committee a summary of any transfers that have been made pursuant to this provision.

- 4. Notwithstanding any other provision of law, the project in Schedule (11) of this item shall be the same as Schedule (11) of Item 2665-305-6043 and Schedule (8) of Items 2665-304-0890 and 2665-305-0890. Funds appropriated in Schedule (11) of this item may be transferred to the same schedule in Item 2665-305-6043 upon approval of the Department of Finance. The Department of Finance shall report annually on May 1 to the Joint Legislative Budget Committee a summary of any transfers that have been made pursuant to this provision.

SEC. 6. Item 2665-305-0890 is added to Section 2.00 of the Budget Act of 2012, to read:

2665-305-0890—For capital outlay, High-Speed Rail Authority, payable from the Federal Trust Fund .....	20,044,000
Schedule:	
(1) 20.15.010-San Francisco to San Jose—Design.....	74,000
(3) 20.30.010-Merced to Fresno—Design....	4,987,000
(4) 20.40.010-Fresno to Bakersfield—Design.....	8,246,000
(5) 20.45.010-Bakersfield to Palmdale—Design.....	195,000
(6) 20.50.010-Palmdale to Los Angeles—Design.....	0
(7) 20.60.010-Los Angeles to Anaheim—Design.....	0
(8) 20.99.010-Project Management and Agency Costs—Design.....	6,542,000

Provisions:

- 1. The projects identified in this item may be managed by the High-Speed Rail Authority.
- 2. The projects identified in this item are subject to review by the State Public Works Board.
- 3. Notwithstanding any other provision of law, each project in Schedules (1) to (7), inclusive, of this item shall be the same as the respectively coded project in Schedules (1) to (7), inclusive, of Items 2665-304-0890, 2665-304-6043, and 2665-305-6043. For a given project, funds appropriated in this item may be transferred to the same project in Item 2665-304-0890. These transfers shall require the prior approval of the Department of Finance. The Department of Finance shall report annually on May 1 to the Joint Legislative

Budget Committee a summary of any transfers that have been made pursuant to this provision.

4. Notwithstanding any other provision of law, the project in Schedule (8) of this item shall be the same as Schedule (8) of Item 2665-304-0890 and Schedule (11) of Items 2665-304-6043 and 2665-305-6043. Funds appropriated in Schedule (8) of this item may be transferred to the same schedule in Item 2665-304-0890 upon approval of the Department of Finance. The Department of Finance shall report annually on May 1 to the Joint Legislative Budget Committee a summary of any transfers that have been made in respect to this provision.

SEC. 7. Item 2665-305-6043 is added to Section 2.00 of the Budget Act of 2012, to read:

2665-305-6043—For capital outlay, High-Speed Rail Authority, payable from the High-Speed Passenger Train Bond Fund..... 80,106,000

Schedule:

(1) 20.15.010-San Francisco to San Jose—Design.....	74,000
(3) 20.30.010-Merced to Fresno—Design....	4,987,000
(4) 20.40.010-Fresno to Bakersfield—Design.....	8,246,000
(5) 20.45.010-Bakersfield to Palmdale—Design.....	195,000
(6) 20.50.010-Palmdale to Los Angeles—Design.....	0
(7) 20.60.010-Los Angeles to Anaheim—Design.....	0
(8) 20.70.010-Los Angeles to San Diego—Design.....	19,068,000
(9) 20.80.010-Merced to Sacramento—Design.....	24,176,000
(10) 20.90.010-Altamont Pass—Design.....	16,055,000
(11) 20.99.010-Project Management and Agency Costs—Design.....	7,305,000

Provisions:

1. The projects identified in this item may be managed by the High-Speed Rail Authority.
2. The projects identified in this item are subject to review by the State Public Works Board.
3. Notwithstanding any other provision of law, each project in Schedules (1) to (10), inclusive, of this item shall be the same as the respectively coded project in



Schedules (1) to (7), inclusive, of Items 2665-304-0890, 2665-304-6043, and 2665-305-0890, and Schedules (8) to (10), inclusive, of Item 2665-304-6043. For a given project, funds appropriated in this item may be transferred to the same project in Item 2665-304-6043. These transfers shall require the prior approval of the Department of Finance. The Department of Finance shall report annually on May 1 to the Joint Legislative Budget Committee a summary of any transfers that have been made pursuant to this provision.

- 4. Notwithstanding any other provision of law, the project in Schedule (11) of this item shall be the same as Schedule (11) of Item 2665-304-6043 and Schedule (8) of Items 2665-304-0890 and 2665-305-0890. Funds appropriated in Schedule (11) of this item may be transferred to the same schedule in Item 2665-304-6043 upon approval of the Department of Finance. The Department of Finance shall report annually on May 1 to the Joint Legislative Budget Committee a summary of any transfers that have been made pursuant to this provision.

SEC. 8. Item 2665-306-0890 is added to Section 2.00 of the Budget Act of 2012, to read:

2665-306-0890—For capital outlay, High-Speed Rail Authority, payable from the Federal Trust Fund ..... 3,240,676,000  
 Schedule:

- (1) 20.01.010-Initial Operating Segment,  
 Section 1—Acquisition and Build.... 3,240,676,000

Provisions:

- 1. The project identified in this item may be managed by the High-Speed Rail Authority.
- 2. The expenditure of funds appropriated in this item are governed by Section 13332.19 of the Government Code. The project identified in this item is subject to review and oversight by the State Public Works Board. The project may be implemented using several design-build contracts, each of which will have its own set of performance criteria or performance criteria and concept drawings. Funds appropriated for the build portion of this project may only be expended after the Department of Finance and the State Public Works Board have approved performance criteria or performance criteria and concept drawings for the design-build contract. These approvals may be provided for each

design-build contract, from time to time, and build funds associated with that design-build contract may be expended at that time.

- 3. Notwithstanding Section 1.80, the appropriation made in this item is available for encumbrance until June 30, 2018.
- 4. Provisions 4 to 11, inclusive, of Item 2665-306-6043 shall also apply to this item.
- 5. The funds appropriated in this item shall only be made available for expenditure upon the enactment of an appropriation of \$106,000,000 in Item 2660-304-6043, an appropriation of \$713,333,000 in Item 2660-104-6043 for “Connectivity” funding, and an appropriation of \$1,100,000,000 in Item 2665-104-6043 for “Book-end” funding, as articulated in the 2012 High-Speed Rail Authority Final Business Plan.

SEC. 9. Item 2665-306-6043 is added to Section 2.00 of the Budget Act of 2012, to read:

2665-306-6043—For capital outlay, High-Speed Rail Authority, payable from the High-Speed Passenger Train Bond Fund ..... 2,609,076,000

Schedule:

- (1) 20.01.010-Initial Operating Segment,
  - Section 1—Acquisition and Build.... 2,609,076,000

Provisions:

- 1. The project identified in this item may be managed by the High-Speed Rail Authority.
- 2. The expenditure of funds appropriated in this item are governed by Section 13332.19 of the Government Code. The project identified in this item is subject to review and oversight by the State Public Works Board. The project may be implemented using several design-build contracts, each of which will have its own set of performance criteria or performance criteria and concept drawings. Funds appropriated for the build portion of this project may only be expended after the Department of Finance and the State Public Works Board have approved performance criteria or performance criteria and concept drawings for the design-build contract. These approvals may be provided for each design-build contract, from time to time, and build funds associated with that design-build contract may be expended at that time.

3. Notwithstanding Section 1.80, the appropriation made in this item is available for encumbrance until June 30, 2018.
4. On or before March 1 and November 15 of each year for which funding appropriated in this item is encumbered, the High-Speed Rail Authority shall provide a Project Update Report approved, as consistent with the criteria in this provision, by the Secretary of Business, Transportation and Housing to the budget committees and the appropriate policy committees of both houses of the Legislature on the development and implementation of intercity high-speed train service pursuant to Section 185030 of the Public Utilities Code. The report, at a minimum, shall include a programwide summary, as well as details by project segment, with all information necessary to clearly describe the status of the project, including, but not limited to, all of the following:
  - (a) A summary describing the overall progress of the project.
  - (b) The baseline budget for all project phase costs, by segment or contract, beginning with the California High-Speed Rail Program Revised 2012 Business Plan.
  - (c) The current and projected budget, by segment or contract, for all project phase costs.
  - (d) Expenditures to date, by segment or contract, for all project phase costs.
  - (e) A comparison of the current and projected work schedule and the baseline schedule contained in the California High-Speed Rail Program Revised 2012 Business Plan.
  - (f) A summary of milestones achieved during the prior year and milestones expected to be reached in the coming year.
  - (g) Any issues identified during the prior year and actions taken to address those issues.
  - (h) A thorough discussion of various risks to the project and steps taken to mitigate those risks.
5. (a) With respect to contracts scheduled to be awarded in December 2012 to commence construction of the first construction segment of the initial operating section of the high-speed rail system, as described in the California High-Speed Rail Program Revised 2012 Business Plan adopted by the authority on April 12, 2012 (revised business plan), the authority shall submit the following reports

approved, as consistent with the criteria in this provision, by the Secretary of Business, Transportation and Housing to the Senate Committee on Transportation and Housing, the Assembly Committee on Transportation, and the Senate and Assembly committees on budget:

- (1) By October 1, 2012, prior to awarding a contract to commence construction of the first construction segment or committing funds for the contract, and prior to advertising contracts to be awarded for the first construction segment in September 2013 and October 2013, a comprehensive staff management report that includes:
    - (i) An organizational chart for the authority, detailed description of each executive manager's function and responsibilities, summary of staffing changes in the preceding year, a strategy for filling vacancies and the recruitment and staffing plans for the 2012–13 fiscal year.
    - (ii) The management approach, including number, skill level, position, and hiring and retention plan of staff and outside consultants required to adequately oversee each of the planned construction contracts funded in this act.
    - (iii) Proposed steps and procedures that will be employed to ensure adequate oversight and management of contractors involved in the construction contracts funded in this act.
    - (iv) Procedures to detect and prevent contract splitting.
  - (2) Prior to awarding a contract to commence construction of the first construction segment, a report certifying that the amount awarded under the contract is within the budgeted funding and is consistent with the completion schedule deadlines set by the federal Department of Transportation.
- (b) Each of the reports required pursuant to subdivision (a) for the contracts described in that subdivision shall also be required with respect to the contract scheduled to be awarded in March 2017. The authority shall submit the reports for those contracts no later than 60 days prior to advertising for bids on each contract.

7. Sixty days prior to awarding the contracts scheduled to be awarded in December 2012 to commence construction of the first construction segment of the initial operating section, the High-Speed Rail Authority shall fill the positions of chief executive officer, risk manager, chief program manager, and chief financial officer and report those hiring to the Joint Legislative Budget Committee.
8. Prior to awarding the contracts scheduled to be awarded in December 2012 to commence construction of the first construction segment of the initial operating section, the High-Speed Rail Authority shall prepare and submit a report approved, as consistent with the criteria in this provision, by the Secretary of Business, Transportation and Housing to the Senate Committee on Transportation and Housing, the Assembly Committee on Transportation, and the Senate and Assembly committees on budget detailing elements of risk in the high-speed rail project, including all of the following:
  - (a) A comprehensive risk management plan that defines roles and responsibilities for risk management and addresses the process by which the authority will identify and quantify project risks, implement and track risk response activities, and monitor and control risks throughout the duration of each project.
  - (b) Quantification of the effect of identified risks in financial terms.
  - (c) Development documents to track identified risks and related mitigation steps.
  - (d) Plans for regularly updating its estimates of capital and support costs.
  - (e) Plans for regularly reassessing its reserves for potential claims and unknown risks, incorporating information related to risks identified and quantified through its risk assessment processes.
  - (f) Plans for regularly integrating estimates for capital, support costs, and contingency reserves in required reports.
9. The High-Speed Rail Authority shall, as part of its January 1, 2014, Business Plan, include: a proposed approach for improving (a) demand projections, (b) operations and maintenance cost models, and (c) benefit-cost analysis as applied to future project decisions. The authority shall also submit a copy of the study by the Union Internationale des Chemins de Fer (the international union of railways) examining how the au-

thority's estimated operating costs for high-speed rail compare to high-speed rail systems in other countries. These business plan components approved, as consistent with the criteria in this provision, by the Secretary of Business, Transportation and Housing shall be based on recommendations of the authority's peer review panel, advice from the domestic and international rail community, and external academic review.

10. On or before June 30, 2013, the High-Speed Rail Authority shall prepare and submit a report approved, as consistent with the criteria in this provision, by the Secretary of Business, Transportation and Housing that provides an analysis of the net impact of the high-speed rail program on the state's greenhouse gas emissions. The report shall be submitted to the Senate Committee on Transportation and Housing, the Assembly Committee on Transportation, and the Senate and Assembly committees on budget.
11. Within 10 days of executing a valid memorandum of understanding (MOU) with regional transportation agencies relative to the Northern California Unified Service, the High-Speed Rail Authority shall make a copy of the MOU available to the Senate Committee on Transportation and Housing, the Assembly Committee on Transportation, and the Senate and Assembly committees on budget.
12. The safeguards and oversight rules and processes of Sections 13332.11 or 13332.19 of the Government Code, as appropriate, shall apply to the High-Speed Rail Authority.
13. The funds appropriated in this item shall only be made available for expenditure upon the enactment of an appropriation of \$106,000,000 in Item 2660-304-6043, an appropriation of \$713,333,000 in Item 2660-104-6043 for "Connectivity" funding, and an appropriation of \$1,100,000,000 in Item 2665-104-6043 for "Book-end" funding, as articulated in the 2012 High-Speed Rail Authority Final Business Plan.

SEC. 10. This act is a Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution and shall take effect immediately.

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