

# **CALIFORNIA EYES PLAN TO SPEED BULLET TRAIN**

## **Proposed Line Would Be Funded With Proceeds From Cap-and-Trade Program**

Five months after a judge in Sacramento halted state financing for California's bullet train dead in its tracks, Democrats are eyeing a plan that would fund the high-speed-rail line with proceeds from the state's cap-and-trade program on carbon emissions.

As envisioned, California's \$68 billion bullet-train system, the nation's first, would take passengers from Los Angeles to San Francisco at speeds of more than 200 miles an hour. The project, though, has been beset by planning delays, fluctuating cost estimates and court challenges that have threatened to kill or delay it indefinitely.

Gov. Jerry Brown has proposed using one-third of funds raised annually through cap-and-trade auctions to help pay for high-speed rail. State Senate President Pro Tem Darrell Steinberg has proposed using one-fifth of those funds. If some version of those proposals passes the Democrat-dominated legislature in coming months, the state says it will use the guaranteed funding to leverage various new sources of financing to quicken the pace of construction.

"An ongoing revenue stream is very important to us, because that would allow us to use financing, whether it is some type of revenue bond or some other financing mechanism," said Dan Richard, chairman of the California High-Speed Rail Authority. "We could build simultaneous sections, and when you are looking at a project that is of this magnitude...anything you can do to shorten that time frame or do things in parallel as opposed to in sequence is going to mean big savings."

The state's cap-and-trade program, created in 2006, requires businesses that emit more than 25,000 metric tons of carbon dioxide to purchase credits for excess pollution. Through auctions, the state has sold more than \$1.5 billion worth of carbon credits, raising \$663 million for the state's Greenhouse Gas Reduction Fund, set aside for projects that reduce pollution and other goals.



As the auctions grow, and more businesses are required to take part, they could raise anywhere between \$12 billion and \$45 billion through 2020, according to the state legislative analyst's office. That office, however, has raised questions about using cap-and-trade dollars for the train, pointing out that during construction, the project would generate emissions rather than reduce them. Mr. Brown, a Democrat, has said using cap-and-trade dollars on the train is "very appropriate." The High-Speed Rail Authority this past week outlined possibilities for putting cap-and-trade dollars to use. The state said it could tap federal loans through the Transportation Infrastructure Finance and Innovation Act or the Railroad Rehabilitation and Improvement Financing program. The state also said it could use private activity bonds, issued by a state for a public project for private users, as well as private sources such as bank loans, taxable bonds and equity investment.

Securing cap-and-trade dollars for the project could give the state's high-speed rail authority an important boost by providing a stable source of funding, experts said. Critics have assailed the authority for not identifying how the line would be paid for.

"It would give the authority more credibility and, at least up to the amount guaranteed, they wouldn't have to go begging the legislature for money every year," said Louis S. Thompson, chairman of the California High-Speed Rail Peer Review Group, an independent overseer of the project.

Opponents of the project argue the cap-and-trade dollars wouldn't provide anywhere near the amount of money the project will require. "It sounds nice, but this is their only alternative," said Michael Brady, an attorney representing plaintiffs challenging the train in court. "They have been cut off by the federal government...they have raised no money from private investors, and no local government has even put up a dime."

High-speed rail has been a goal of Mr. Brown's since his first go-round as California governor more than three decades ago. Before Mr. Brown was elected governor again in 2010, voters approved \$9.95 billion worth of bonds for the train in 2008. The Obama administration contributed \$3.3 billion in stimulus dollars.

But the state's ambitions have been stymied by opposition from farmers in the state's rural Central Valley, who don't want the project built across their land. Access to the state bond money has been blocked by a Sacramento Superior Court judge who ruled last year that the state had to rescind its 2012 draft business plan and couldn't issue \$8 billion worth of bonds.

The Brown administration has appealed those decisions at the state's Third District Court of Appeal, and oral arguments are expected to be scheduled soon. A trial in a lower court is also expected this summer over whether the train can deliver passengers between Los Angeles and San Francisco fast enough, and whether the train can operate without a subsidy.

No order to halt work on the project has been issued, however, so the administration is moving forward on plans to start construction of an initial 30-mile stretch of track in the Central Valley.