

August 9, 2025

The Honorable Ben Allen  
Chair, Senate Budget Subcommittee 2  
Resources, Environmental Protection, and Energy

The Honorable Steve Bennett  
Chair, Assembly Budget Subcommittee 4  
Climate Crisis, Resources, Energy and Transportation

**Re: Cap and Trade Reauthorization and Greenhouse Gas Reduction Fund**

Dear Senator Allen and Assemblymember Bennett,

Californians for Electric Rail (CER) strongly supports reauthorizing the Cap and Trade Program and maintaining allocations for rail capital and operations programs. In addition, CER also supports modifying the allocation of GGRF to provide a minimum of at least \$1B to the High-Speed Rail program in times when the 25% allocation would otherwise not provide \$1B. Cap and Trade has been a great success, cementing California's status as a climate leader, and as critical timelines for climate action approach, we must commit to continued leadership.

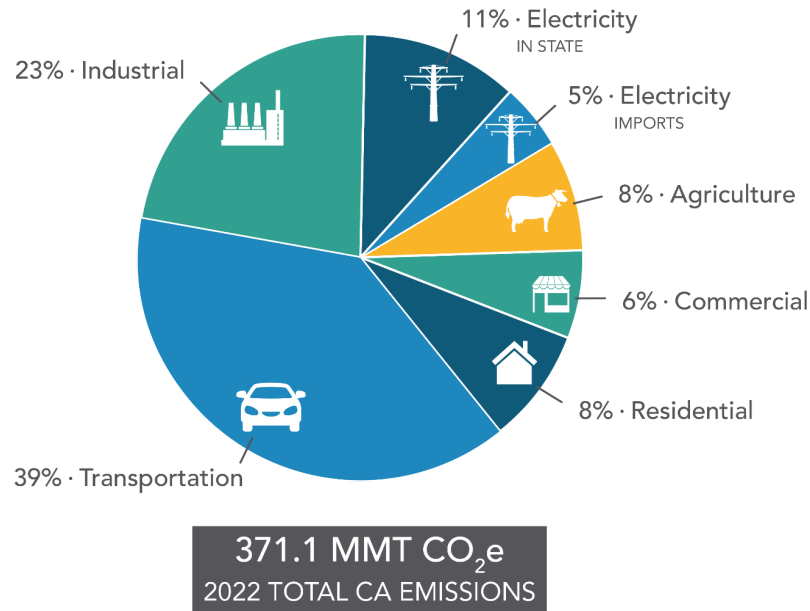
**Recommendations**

- Reserve a portion of transit funds from the GGRF for a pilot program for State Rail Plan implementation (SRPIP) that prioritizes State Rail Plan projects in final design;
- Provide flexibility for transit funding to allow regions to flex funding between capital and operations as regions transition to self-help for transit operations;
- Support Gov. Newsom's 'Cap and Invest' proposal to provide California High Speed Rail a minimum of \$1B/year;
- Eliminate auction credits provided to industry to emit and increase revenues for the Greenhouse Gas Reduction Fund.

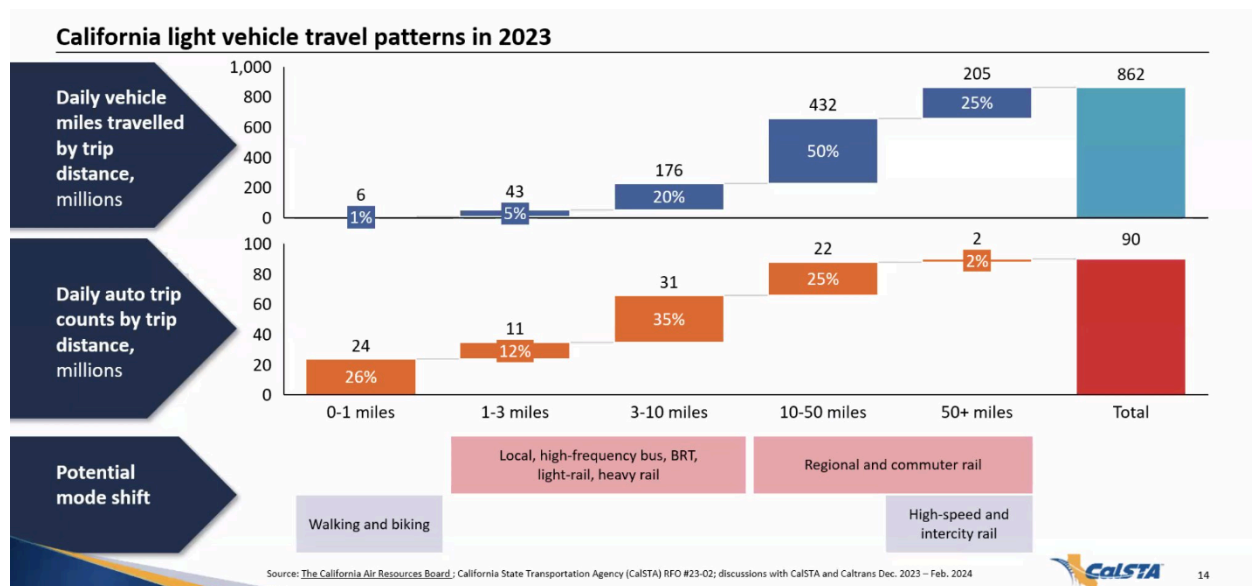
**Rail Investments Are Critical for Emissions Reduction**

Transportation is the largest source of greenhouse gas emissions in California, with car emissions the largest component of the sector, so reducing transportation emissions must be a priority for climate action. Reducing Vehicle Miles Traveled (VMT), and thus car emissions, via mode shift to rail, is critical to reducing transportation emissions. CARB's 2022 scoping plan set goals of VMT reduction to 25% below 2019 levels in 2030, and 30% in 2045, but we are not on track to meet these goals. 75% of California VMT comes from trips longer than 10 miles, so to replace those trips, California must increase ridership on regional and intercity rail. And transit ridership is dependent on transit service being frequent and convenient. Unfortunately, too many

communities lack intercity rail service all together, and frequency on existing routes is too low to support many potential riders' needs. Improving rail service requires capital investments in new track, new rolling stock, signalling, electrification, and other physical infrastructure, supporting thousands of new jobs in the process.



Source: California Air Resources Board

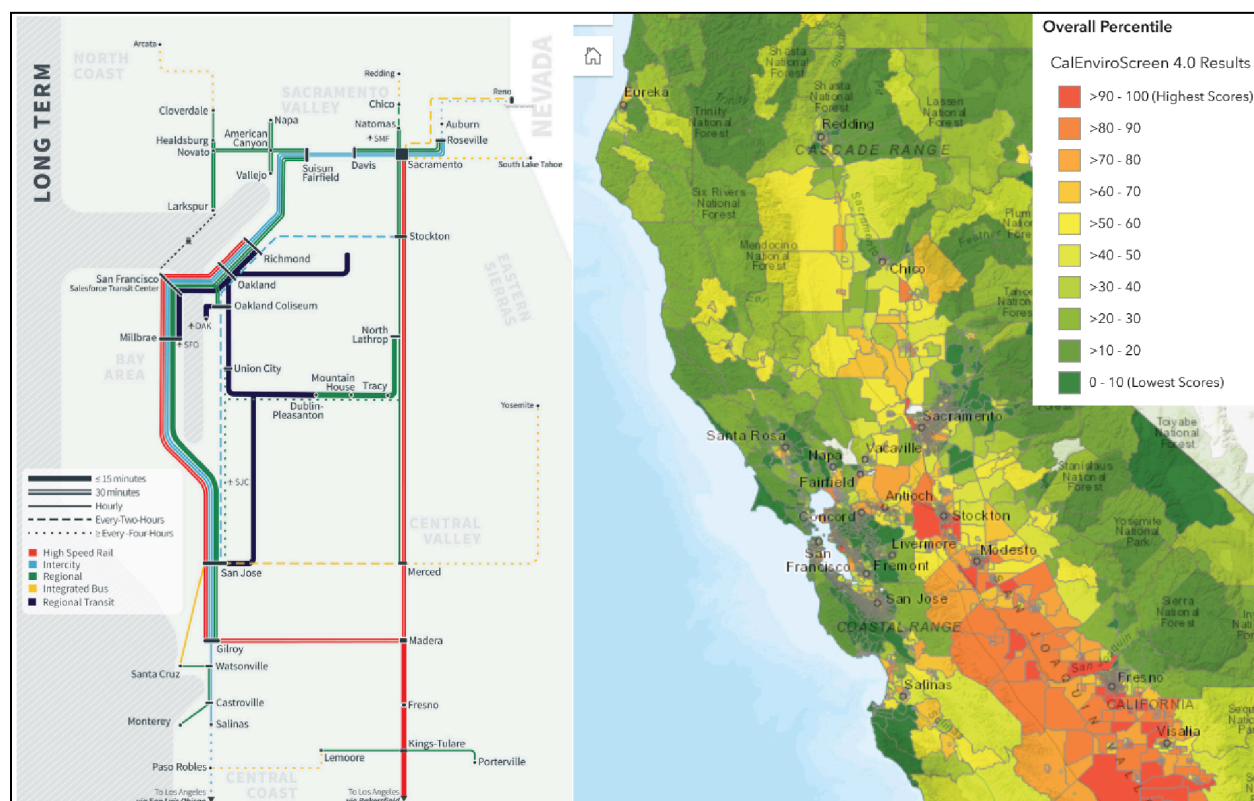


In addition, the fastest growing regions in California are located in the Inland Empire and Central Valley, regions that are underserved by existing transit services, have some of the nation's longest commutes, rank near the bottom nationwide in air quality, and rank disproportionately highly in CalEnviroScreen score. Thus, investments in new and enhanced rail services are

critical to reducing VMT, improving air quality and environmental justice, increasing affordability, and providing quality jobs and job access in California's most disadvantaged communities.

## **State Rail Plan 2024 Implementation**

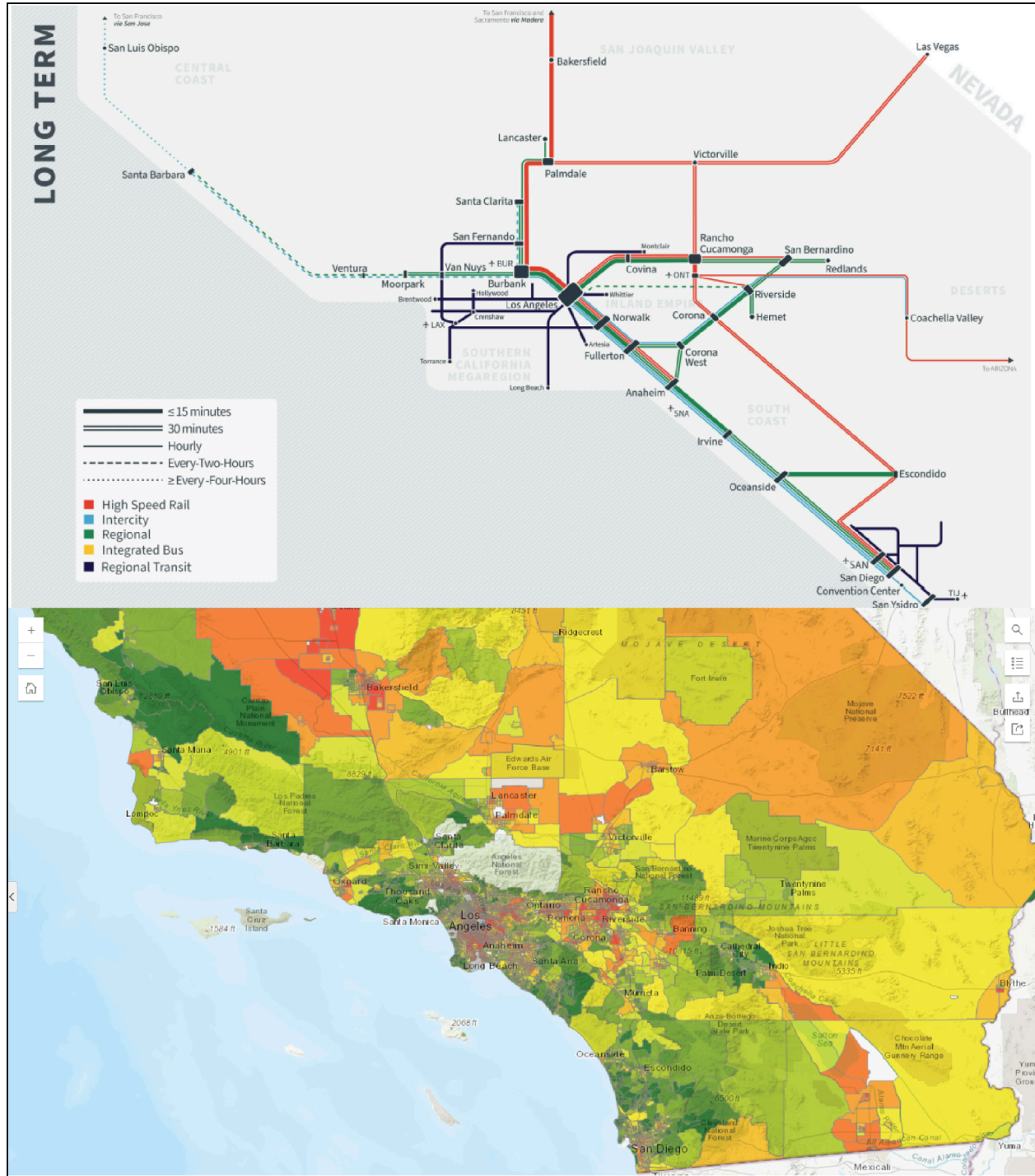
The 2024 California State Rail Plan provides an excellent blueprint for VMT reduction, calling for 15 minute service on most existing regional rail as well as new rail service in the Delta, Central Valley, and Inland Empire. All this will require substantial capital funding, well beyond what has been provided thus far. Though Cap and Trade has provided a total of around \$3 billion since 2013, there needs to be a substantial increase in total investment to be able to quickly advance these projects to completion. In addition, this reauthorization provides an opportunity to implement reforms that will improve cost effectiveness, providing the ability for even more service to come from the money being allocated.



Left: 2024 State Rail Plan long term vision for Northern California. Right: CalEnviroScreen 4.0 for the same area, with higher numbers having higher cumulative environmental and socioeconomic impacts.

Examination of last year's funding allocation shows a majority of the funding going to local projects, such as hydrogen bus infrastructure, that while important, do not improve regional transit service. Projects that support the State Rail Plan struggle to compete against these sorts of local priorities that may rank higher for the local agencies filling applications but do not do as good a job of advancing the connected vision of the State Rail Plan. While California provides

formula funding for highway projects that work against the state's VMT and emissions goals, TIRCP grants that would help meet those goals are awarded on a competitive basis with little prioritization of state plans. This uncertainty drives up costs and project timelines, forcing agencies to cobble together multiple sources of funding. By contrast, countries that have made extensive rail improvements at much lower cost, such as Italy, provide programmatic funding for service improvements. In order to rectify these issues we recommend prioritizing a portion of GGRF revenues specifically for State Rail Plan implementation based on 5 year investment framework agreements. A detailed policy proposal is outlined **Attachment A - State Rail Plan Implementation Plan.**



Top: 2024 State Rail Plan long term vision for Southern California. Bottom: CalEnviroScreen 4.0 for the same area, with higher numbers having higher cumulative environmental and socioeconomic impacts.

Additionally, we recommend that programmatic funding be prioritized for projects that have completed advanced design, and a separate fund established to fund design for transit projects. True construction costs cannot be accurately assessed without progressing to advanced design, yet California routinely awards construction funding at 0% design, leading to inevitable budget



overruns and cascading project delivery problems. For example, the Capital Corridor 3rd track to Roseville project, Metrolink Antelope Valley Line capacity improvements, and California High-Speed Rail were all awarded construction funding at 0% design, and effectively doubled in budget by completion of advance design. Having construction funding on hand gives third parties leverage to demand costly design concessions, while budget overruns lead to delays or reduced scope as agencies scramble to fund the rest of the project. California High-Speed Rail was not only funded before design was complete, but was forced to start construction while in early design stages, resulting in at least \$115 million in change orders resulting from this early start and related funding issues.

### **Certainty for High-Speed Rail**

California High-Speed Rail is a critical component of California's decarbonization strategy, and must be prioritized for continued funding. CAHSR is projected to reduce greenhouse gas emissions by [3 million MT of CO<sub>2</sub>/year](#), about 1% of 2022 emissions, and the equivalent of taking 700,000 cars off the road. While California has lagged behind the rest of the world in rail technology, CAHSR is a leap into the future, and will be one of the fastest trains in the world at 220 mph. Air travel is considered a hard to decarbonize sector, but CAHSR could replace nearly all of the state's 3,000 monthly intrastate airline flights. CAHSR is zero emissions at point of use and will be powered by 100% renewable energy. With the initial operating segment in the Central Valley set to open in 2030, the project will deliver near-term environmental justice benefits by reducing car pollution in one of California's most polluted regions.

Additionally, California High-Speed Rail has already extensively funded regional book end projects, including Caltrain modernization, San Francisco's Central Subway, LA Metro's Regional Connector, and Metrolink and Coaster signal upgrades, among others. Other projects in progress include the Portal in San Francisco, which would connect Caltrain and High Speed Rail to downtown San Francisco, LinkUS in Los Angeles, which would allow through-running and completely new Metrolink service patterns, and the Roseville 3rd track project, which would provide 10 Capitol Corridor trains a day to Roseville.

The State Rail Plan promises even more improvements that are contingent on High Speed Rail extending beyond the Central Valley. High-Speed Rail Phase 2 would provide a rail connection between the rapidly growing Temecula Valley and San Diego, currently lacking any transit connection, and the High Desert Corridor would connect Northern California to Las Vegas via Palmdale and Brightline West. The legislature must prioritize the swift completion of the Initial Operating Segment and progress on Bakersfield-Palmdale and Madera-Gilroy to unlock the full benefits of high speed rail in a timely manner.

California's plan for rail decarbonization and VMT reduction also significantly relies on the completion of California High-Speed Rail. The State Rail Plan calls for 1500 miles of overhead electrified rail, the same technology used by California High Speed Rail. Overhead electrification can unlock faster, more frequent rail service and grow ridership, as seen with Caltrain electrification. On Caltrain, electrification led to increased service, decreased travel time by

25%, and led to an overall ridership increase of 33% (including nearly 90% weekends), one of 2024's highest nationwide. The State Rail Plan envisions CAHSR as the backbone of an integrated statewide electrified network, but without the motivating and coordinating power of CAHSR, it may not happen. Freight railroads are a major obstacle to rail electrification, holding back Capitol Corridor's progress despite a commitment from the agency. But in Los Angeles, the High Speed Rail Authority has successfully negotiated a first-in-state agreement with BNSF to allow overhead wires on BNSF-owned tracks. The California High Speed Rail Authority could negotiate a similar agreement for Capitol Corridor, ACE, and *San Joaquins* if progress is made on Phase 2 to Sacramento. Conversely, if CAHSR does not reach Southern California in a timely manner, Metrolink electrification (identified in the State Rail Plan) could be in jeopardy without a firm commitment from Metrolink and affiliated local governments.

However, all of these benefits depend on continued sustained funding. CA High Speed Rail may need as much as \$6.5 billion in funding by 2026 to complete the Merced-Bakersfield initial operating segment on time. Meanwhile, the FRA is threatening to revoke about \$4 billion in federal funds allocated to CAHSR. High Speed Rail Authority CEO Ian Choudri has a plan for private financing for the project, which would speed up progress, but this depends on both the project reaching Southern California, and consistent state funding and a guarantee of progress on the project. The Bakersfield to Palmdale segment is [projected to cost about \\$17 billion](#). Cap and Trade has provided nearly half of California High Speed Rail's funding to date, to the tune of about \$1 billion annually. However, in order to continue and accelerate progress, the Legislature must increase CAHSR's Cap and Trade allocation, and provide the program with consistent, reliable funding levels. Governor Newsom's 'Cap and Invest' proposal does just that, and we are in strong support.

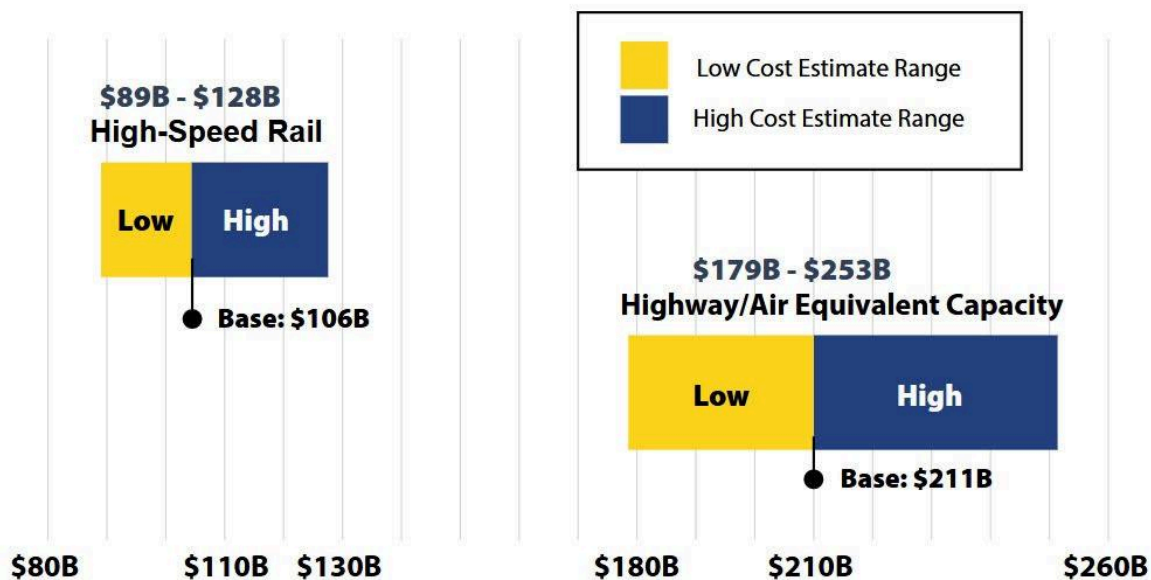
### **Cost-effectiveness of CAHSR and Other Rail Projects**

CAHSR has received considerable criticism for its long construction time and cost increases, but unreliable funding plays a major role in these issues. The legislature can remedy this by guaranteeing funding. Had the Authority been able to access funding from the get-go (lawsuits held up the spending of the voter-approved bond for several years), they may have been able to start construction with a more complete design and avoid some of the overruns caused by the early start to construction. It took CA HSR 15 years to acquire \$12 billion, only about 1/3 of its original budget. By contrast, the Tokaido Shinkansen, which was completed in only seven years, had 65% of its initial budget on hand at the beginning of the project, while Brightline West was able to raise a similar amount of money as [California High-Speed Rail in four years](#). Budget troubles have continually slowed construction, motivating Gov. Newsom's move in 2019 to restrict the initial operating segment to the Central Valley, and driving up costs via inflation. Guaranteeing consistent funding for CAHSR is important to prevent future major cost escalations.

Additionally, after a troubled start, the CAHSR Authority and Legislature have implemented major reforms to improve project delivery and cost effectiveness. Over reliance on private consultants, who have little accountability to the public or incentive to keep costs under control,

was cited in a [2018 audit as a major contributor to budget overruns](#), but by 2022 the Authority had achieved a 55/45 staff to consultant ratio, higher than many local transit agencies. CAHSR also has the ability to self-certify for NEPA, which simplifies the environmental review process and reduces legal risk, though environmental review is already complete from San Francisco to Los Angeles, and the latest budget exempts design changes from CEQA. Finally, CAHSR is also considering plans to right-size the rest of the Central Valley segment through cost-cutting design measures such as standardized station design. We encourage legislators with ongoing cost concerns to engage with the [SB 125 Transit Transformation Task Force](#) on future legislation to comprehensively reduce transit capital project costs.

Finally, CAHSR is considerably more cost-effective than more polluting alternatives. According to the 2024 business plan, building the equivalent capacity in highway and airport infrastructure would cost twice as much as high speed rail, not including the considerable public health and infrastructure costs associated with falling behind on our climate goals. A [2022 report by UC Berkeley professor Ethan Elkind and colleagues](#) estimated that California High Speed Rail costs up to 1.5x times more per mile than European equivalents. While there is certainly room for improvement, American highway and [rail projects routinely cost 2-3x](#) more than European equivalents. Overall, while not without issues, CAHSR provides good value for taxpayers and deserves our continued support.



Source: [California High Speed Rail 2024 Business Plan](#)

California High Speed Rail presents an ambitious vision for our state's future, but it is not pie in the sky. Already, the project has built 119 miles of new rail right of way, including numerous structures critical for 220 mph operations, and environmentally cleared 463 route miles from San Francisco to Los Angeles. The State Rail Plan is a similarly ambitious vision that will make high speed rail work for everyone, with connections around the state. High speed rail has created 15,000 jobs, especially in the economically disadvantaged Central Valley. And while



Cap and Trade is sometimes criticized for negatively impacting the economy, CA High Speed Rail has created more than \$22 billion in economic output. A similar level of investment in regional rail would create lasting growth in disadvantaged communities while connecting the whole state together. Regional, intercity, and high speed rail should be thought of as different facets of an integrated system and all are critical for meeting our climate goals, generating equitable investment and a just transition, and will create a more vibrant, interconnected state economy. While our state faces challenging headwinds, now is the time to lead and finish the job on critical infrastructure projects by funding high speed and regional rail.

### Reducing Auction Credits

Reducing auction credits is critical for reducing climate emissions. Transit is more affordable compared to car ownership but is not usable for too many because of inadequate service and infrastructure. Transit investments fight the cost of living crisis by enabling people to drive less and by providing high quality jobs. Existing funding for transit is not adequate to meet these needs.

California needs to move more aggressively to meet climate goals to combat Trump's assault on the environment - no loopholes for polluters. Eliminating auction credits to industry ("free allowances") cuts back on emissions and keeps California on track to meet climate goals, while also ensuring more funding is available for transit and other key community priorities.

### Recommendations

We hope the legislature will incorporate our priorities while reauthorizing Cap and Trade this session. These priorities add accountability and prioritize cost-effectiveness, while continuing to invest in transportation infrastructure that will reduce both emissions and costs for everyday Californians.

- Prioritize funding for intercity and regional rail projects included in the State Rail Plan, projects that increase transit service, and projects in advanced design.
- Provide flexibility for transit funding to allow regions to flex funding between capital and operations as regions transition to self-help for transit operations.
- Support Gov. Newsom's 'Cap and Invest' proposal to provide California High Speed Rail a minimum of \$1B/year.
- Eliminate auction credits provided to industry to emit and increase revenues for the Greenhouse Gas Reduction Fund

Sincerely,  
Adriana Rizzo  
Californians for Electric Rail

Enclosure  
Attachment A - State Rail Plan Implementation Program

cc:

Governor Gavin Newsom  
President Pro Tem Mike McGuire  
Senator Dave Cortese, Chair, Senate Transportation Committee  
Senator Scott Wiener  
Speaker Robert Rivas  
Assemblymember Lori Wilson, Chair, Assembly Transportation Committee  
Assemblymember Buffy Wicks  
Toks Omishakin, Secretary of Transportation  
Chad Edison, Deputy Secretary Rail and Transit, CalSTA  
Senator Adam Schiff  
Senator Alex Padilla