



# California's Crony Corruption High-speed Rail Fiasco

By [Thomas Lifson](#)

Tens of billions of dollars are being wasted on what should go down in history as "Brown's Folly," the utterly impractical plan to connect the Bay Area with the Los Angeles Basin via "high-speed rail" of the variety first developed in Japan in the 1960s – half a century ago. Finally, a disinterested outside party – the U.S. Department of Transportation inspector general – will audit federal funding of the project. Inspectors general are [the heroes](#) of federal spending and probity, as DOJ [I.G. Horowitz](#) is demonstrating in real time now.



*The shiny object that will connect Merced to Bakersfield...maybe.*

[ABC](#) reports:

California's high-speed rail project is facing an audit from the U.S. Department of Transportation's as costs continue to climb.

The inspector general's audit, announced Thursday, will examine the Federal Railroad Administration's oversight of nearly \$3.5 billion in federal grant money awarded to the project.

It comes as the plan to bring travelers between Los Angeles and San Francisco in less than three hours faces growing scrutiny.

A business plan released in March shows the state does not have the roughly \$30 billion needed to complete the first phase of the project between the Central Valley and San Francisco. The entire project, meanwhile, is expected to cost \$77 billion. State auditors are also conducting a review.

As faithful AT readers know, the project has repeatedly failed to deliver on promises, and there is no realistic prospect of ever completing it in the form that was promised to California taxpayers when they approved a huge bond issue (\$9.95 billion) to "fund" it. That funding is hopelessly inadequate, especially since the new estimate of \$77 billion will certainly continue to escalate. The game, as every disinterested observer of major California construction projects knows, is to bid low to capture contract and then discover contingencies that require amending the contract and escalating costs. This process saw the total cost of constructing the new Eastern Span of the Bay Bridge rise from the [early estimate of \\$1 billion](#) to over \$6

billion and, counting the cost of the bonds floated to pay for it, a genuine total of roughly \$12 billion that must be repaid from tolls.

There are state audits as well for the high-speed rail project, which still has no plan to complete the new trackage into the L.A. Basin through dozens of miles of mountain tunnels, and into the Bay Area, where land acquisition prices make new tracks too expensive to contemplate.

[Dan Walters](#), the dean of California State Capitol, reporters wrote last week:

While the latest version of the plan, drafted by the latest of several management teams, appears to be more realistic about cost and construction schedules than its predecessors, it's still sorely deficient, as its official reviewers pointed out last week during a legislative hearing.

After a decade-plus of cogitation, they said, the state still doesn't have a complete scenario for raising the tens of billions of dollars it would take to extend the San Joaquin section into the San Francisco Bay Area via San Jose and southward to Los Angeles.

The plan suggests that the northward extension, which is the first priority, might be built with a bond issue backed by the project's dedicated share of revenues from the state's "cap-and-trade" auctions of greenhouse gas emission allowances. ...

However, the plan contains caveats for the scheme to work, such as extending cap-and-trade from its current end date,

2030, to 2050, and offering lenders some guarantees to back up the notoriously volatile emission auctions. ...

Legislative Analyst Mac Taylor's staff said there are multiple "issues" such as potentially higher costs than the current \$77.3 billion estimate (twice what voters were told in 2008 when they passed a \$9.95 billion bond issue), "significant uncertainties" about the bond issue proposal and finally, the lack of a "complete funding plan."

Bringing in the feds raises the possibility of real trouble – as in potential demands for refunding of misspent federal funds – and may well dash dreams that the feds will step in and fund the tens of billions of dollars that would be necessary to actually build more of the line "from nowhere to nowhere" currently under construction in the Central Valley.

*Photo credit: Jack Snell via [Flickr](#).*