



Committee on Transportation and Infrastructure
U.S. House of Representatives

Bill Shuster
Chairman

Washington, DC 20515

Nick J. Rahall, III
Ranking Member

December 3, 2013

Christopher P. Bertram, Staff Director

James H. Zoia, Democrat Staff Director

The Honorable Calvin L. Scovel III
Inspector General
United States Department of Transportation
1200 New Jersey Ave. S.E., 7th Floor
Washington, DC 20590

Dear Inspector General Scovel:

Congress has appropriated, and FRA has obligated, over \$10.1 billion in High Speed and Intercity Passenger Rail (HSIPR) grant funds—\$3.9 billion of which were awarded to the California High-Speed Rail Authority (Authority) for Phase 1 of the California High Speed Rail (California HSR) project. The California State Auditor has raised serious concerns regarding the financial and oversight risks associated with the California HSR project.¹ Furthermore, the project has had several recent setbacks, including an unfavorable state court ruling on the project's conformance to requirements outlined in California Proposition 1A,² which authorized the sale of bonds to support the project.

In a December, 2012, amendment to FRA's grant agreement with the Authority, FRA agreed to provide the Authority with payment in advance of the State's matching funds. Given the size of the project and its uncertainty, we are concerned about the FRA's stewardship of Federal funds in California and elsewhere. It is of particular concern that the Agency executed grant agreements with the Authority and subsequently amended those agreements to allow the expenditure of Federal funds in advance of State matching funds. As a result, taxpayer funds may be at significant risk with questionable likelihood of recovery if the Authority fails to comply with the terms of the agreement. We are also concerned about the extent to which FRA has amended agreements with other state grantees.

In light of these facts and the concerns raised, we request that you:

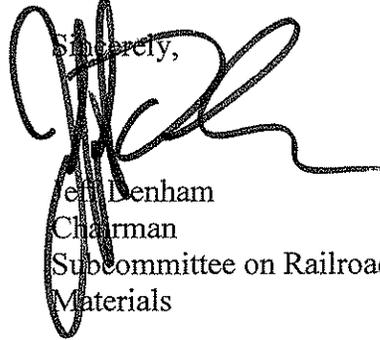
1. Assess the FRA's policies and procedures for negotiating and amending HSIPR grant agreements, and

¹ January 24, 2012, *High Speed Rail Authority Follow-Up: Although the Authority Addressed Some of Our Prior Concerns, Its Funding Situation Has Become Increasingly Risky and the Authority's Weak Oversight Persists*, California State Auditor

² 2011, *Tos, Fukuda, County of Kings v. CHSRA et. al.*

2. Evaluate FRA's oversight procedures for ensuring grant agreement terms are met.

If you have any questions about this request, please contact Mike Friedberg at (202) 226-0727.



Sincerely,
Bill Denham
Chairman
Subcommittee on Railroads, Pipelines, and Hazardous
Materials