



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

Bill Shuster
Chairman

Washington, DC 20515

Peter A. DeFazio
Ranking Member

December 11, 2017

Mathew M. Sturges, Staff Director

Katherine W. Dedrick, Democratic Staff Director

The Honorable Calvin L. Scovel III
Inspector General
United States Department of Transportation
1200 New Jersey Ave. SE
Washington, DC 20950

Dear Inspector General Scovel:

I write concerning the California High-Speed Rail Program (HSR) and the significant risks it poses to taxpayers of the federal government and state of California. In my interpretation, these risks have not been fully analyzed by the Department of Transportation (DOT) and continue to provide a liability. Therefore, I request an audit of the DOT's oversight of HSR regarding expended federal dollars, and an analysis of risks such as the reasonableness of the California High-Speed Rail Authority's (Authority) business plans and financial reports.

California has received \$2.55 billion in funding from the *American Recovery and Reinvestment Act* (ARRA) and an additional \$1 billion in the FY10 *Consolidated Appropriations Act* (FY10) for HSR. ARRA imposed a deadline of September 30, 2017, for expending the grant. The Authority released a report this month detailing the expenditure of the full \$2.55 billion grant. The deadline provided a dangerous incentive for expending dollars on a project that is behind schedule. I am concerned that DOT has not exerted proper oversight over these expenditures and request a thorough review of such expenditures and, specifically, whether they comply with federal law.

In addition, the Authority has determined questionable sources for non-federal matching funds for both ARRA and FY 2010 grant monies. According to current plans, the state matching funds are to be expended on Phase I alone through 2029. The state sources of funding, however, including the California Proposition 1A bond funds and Cap-and-Trade program proceeds, are currently oversubscribed and unavailable. This creates uncertainty about the ability of the Authority to match federal dollars, which places taxpayers at risk of funding a project that may not be completed. I request your office review DOT assessed risk, including availability of non-federal matching dollars, from the time of obligation of the grant funds by DOT through September 30, 2017, for this project.

HSR consists of periodic business plans and financial reports. Much of the data in the plans and reports are projections and estimates but they are reflected in the plans and reports as facts in the

alternative. This provides confusion in analyzing the reasonableness of the business plans and financial reports. I request a thorough audit of DOT's analysis of risk in reviewing HSR business plans and financial reports, which must occur to understand taxpayer vulnerability regarding this project.

The American people deserve a full and honest review of HSR and the Authority's finances. I look forward to working with your office on this request and providing additional information about my concerns for taxpayers in the Central Valley and nationwide. If you or your staff have any questions or need further information, please contact Dennis Wirtz, Staff Director, Subcommittee on Railroads, Pipelines, and Hazardous Materials, at (202) 226-0727.

Sincerely,



Jeff Denham
Chairman

Subcommittee on Railroads,
Pipelines, and Hazardous Materials