

Gov. Brown looks to global warming fees to pay for high-speed rail

Mike Rosenberg and Paul Rogers, Bay Area News Group, 4-3-12

With a lower price tag and speedier plan to start zipping bullet trains up and down California, Gov. Jerry Brown's ambitious new high-speed rail proposal is still wobbly on one vital ingredient: billions and billions of dollars.

The state still has no guarantee on where it will come up with about 80 percent of the funding needed for a project that high-speed rail leaders announced Monday will cost at least \$68 billion. But bullet train backers are now touting a new wild card that could provide a major contribution courtesy of the state's big polluters.

Anywhere from \$2 billion to \$14 billion a year could be in play for high-speed rail, thanks to a new proposal to use money from a pollution auction established by the state's landmark global warming law.

The money -- expected to start flowing to the state in November, when it begins selling permits that allow industry to emit greenhouse gases -- could either be a brilliant savior for the cash-strapped rail project or a disappointing enigma that disappears under legal scrutiny and opposition from businesses.

At a news conference Monday in Fresno, rail leaders did little to play up the new funding possibility, nor did they return calls seeking more detail. But critics said it is likely to set off a massive legal showdown between business interests and the state.

"It's the winning-the-lottery scenario," said Dorothy Rothrock, vice president of the California Manufacturers and Technology Association. "Counting on cap-and-trade revenues might not be the wise thing to do if it is so legally suspect that the money will never show up."

The state's new 212-page business plan released Monday begins with the phrase "Better, faster, cheaper," a mantra supporters repeated throughout the day. It lowers the project cost from \$98 billion, but is still double what voters were told when they approved \$9 billion in bonds in 2008.

The cost is going down from the recent estimate because leaders will electrify the existing Caltrain line between San Francisco and San Jose, beef up commuter lines in Southern California and build new tracks connecting the two metro areas, instead of the prior strategy to construct an entirely new, 520-mile line from end to end.

"We need to do big things to maintain our place as one of the world's leading economies," said Dan Richard, chairman of the High-Speed Rail Authority. "This plan is about more than just high-speed rail as a stand-alone system or a cool train, if you will. It's an overall approach to building tomorrow's transportation system."

Overall, the new plan was initially received as more appealing than past strategies. But there remain significant doubts from analysts and even supporters over whether the new strategy is financially feasible or politically viable. It concludes by asking the Legislature in the next two months to start building the project even with a \$55 billion funding shortfall. The plan is banking on the federal government to provide \$42 billion and private investors to contribute \$13 billion in hypothetical funding -- or else risk losing existing federal grants and seeing the project fold altogether.

"There are still an awful lot of questions to be asked and answered and a lot of work to be done. I really don't see a decision by June 15 being practical," said state Sen. Joe Simitian, D-Palo Alto, who is leading oversight of the project in the Legislature.

A new feature in Monday's plan is a "backstop" in case financing never materializes: a cap-and-trade program in which big polluters buy credits in electronic auctions to offset greenhouse gas emissions, with the revenue going to programs that reduce greenhouse gases. It remains unclear whether that money can be spent on high-speed rail.

The funding is part of California's global-warming law known as AB 32, signed in 2006 by Gov. Arnold Schwarzenegger. It requires the state to emit the same levels of greenhouse gases by 2020 as it did in 1990 -- a drop of about 15 percent when population growth is factored in.

Environmental groups said Monday that they don't oppose the idea of spending global warming auction proceeds on rail, since the project could reduce auto and airplane trips, cutting pollution. But they need to see whether the money would yield more benefits on other projects, such as solar power subsidies.

"We don't have enough information yet to put our support behind the proposal," said Alex Jackson, an attorney with the Natural Resources Defense Council in San Francisco. "But assuming the greenhouse gas reduction benefits can be clearly documented, high-speed rail is a key feature of our push to lower carbon from transportation."

At issue is whether the global warming money is a "fee" or a "tax" that can be spent on the rail project, or whether 30 years of case law and ballot measures dating back to Proposition 13 forbid it. Critics said the Brown administration knows the issue is likely to be tied up in court for years and is simply trying to keep the project alive long enough to start construction.

"If this was a private sector project, responsible business managers would know we've long since passed the point where we are throwing good money after bad," said Jon Coupal, president of the Howard Jarvis Taxpayers Association.

The other half of the financing equation is cost, and the scaled-down version was called for by leaders, including Simitian. Die-hard supporters, though, don't see it as true high-speed rail.

"They fooled the voters," said Quentin Kopp, who chaired the bullet train board before retiring last year. "The voters didn't vote to borrow money for two commute train services, they voted money for a high-speed statewide system. It's dizzying to think about this scheme."