



**U.S. Department of
Transportation**
Office of the Secretary
of Transportation

Under Secretary for Policy

1200 New Jersey Avenue, S.E.
Washington, DC 20590

May 25, 2011

Mr. Roelof van Ark
Chief Executive Officer
California High Speed Rail Authority
770 L Street, Suite 800
Sacramento, CA 95814

Dear Mr. van Ark:

It was a pleasure to meet with you last week while I was in Sacramento. As we discussed, the California Legislative Analyst's Office report released on May 10, 2011 suggested that you inquire of the U.S. Department of Transportation (U.S. DOT) with regard to the expenditure deadline for funds awarded to the California high-speed rail project, the ability to use federal funds as upfront funding, as well as the decisions that have been memorialized in agreements between the Federal Railroad Administration (FRA) and the Authority regarding the initial construction segment in the Central Valley.

As to the expenditure deadline, you should know this is a matter of law prescribed by both the Recovery Act and general appropriations law. Most Recovery Act funds provided by U.S. DOT to its state and local partners had a period of availability not to exceed Fiscal Year (FY) 2010. Fortunately, Congress recognized the unique, start-up nature of high-speed rail projects in this country and granted these funds a period of availability period through 2012, which together with 5 additional fiscal years for adjustment and liquidation (pursuant to 31 U.S.C §§ 1552 and 1553) creates the 2017 final deadline for expenditures.

This was one of the most lenient deadline for transportation funding in the Recovery Act, which was primarily designed to stimulate the economy in the short term during one of the country's most challenging economic times. We believe the time allowed is more than reasonable, and that deadlines are necessary to ensure that Recovery Act funds are used with all due speed. U.S. DOT has no administrative authority to change this deadline, and do not believe it is prudent to assume Congress will change it. We recommend that policy makers in California proceed on the basis that this deadline will remain fixed and make every effort to move the project forward accordingly.

On the matter of using federal funds up front to postpone use of the State's matching funds, we hope you will understand why this is not feasible. Both the fiscal year 2010 appropriations law and the FRA grant commitments require matching funds as a prerequisite for this project to go forward. California was awarded funding based in part on the impressive state match promised in the grant applications. Withholding these matching funds would put the California's high-speed rail project in serious jeopardy.

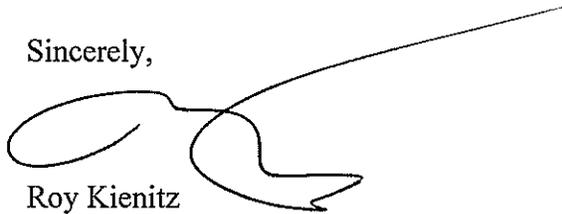
Mr. Roelof van Ark

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On the matter of the initial construction segment, we view the Central Valley as a logical place to begin building the core line to connect the San Francisco Bay Area with the Los Angeles Basin. We believe the decision to begin there was and remains a wise one. This selection was based on careful consideration of the options put forward by California through a competitive application process. First and foremost, construction can begin and be completed in the Central Valley more quickly than in other places. With this central piece built, more complex construction can extend north, south or simultaneously in both directions as additional sections of the project are ready to be built.

When construction of the Interstate Highway System began, the first segments to be completed were not in major population centers. The interstate began in the middle of the country, with the very first sections laid in Kansas and Missouri, allowing this core to extend to more populated areas and over more challenging terrain as the system grew. The Central Valley line is the essential core of any viable high-speed rail plan for California. It will support top speeds of 220 mph and will deliver jobs and future access to a part of the state that could use a serious economic boost. Once major construction is underway and approvals to complete other sections of the line have been obtained, the private sector will have compelling reasons to invest in further construction.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy Kienitz". The signature is stylized and includes a long, sweeping horizontal line that extends to the right, crossing over the text below.

Roy Kienitz
Under Secretary for Policy
U.S. Department of Transportation