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# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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April 9, 2012

Mr. Dan Richard  
Chairman  
California High-Speed Rail Authority  
770 L Street, Suite 800  
Sacramento, CA 95814

Dear Mr. Richard:

The House Committee on Oversight and Government Reform (“the Committee”) is examining the California High-Speed Rail Authority’s (CHSRA) operations and use of federal funds. The Committee is focused on questions regarding the appropriate use of these funds; allegations concerning possible conflicts of interest and mismanagement; and how these factors might impact taxpayers. The Committee is also seeking to understand how the obligation of funds to CHSRA might prohibit use of federal funds for other ongoing transportation infrastructure projects.

Two years ago, the White House announced a \$2.34 billion allocation to the CHSRA under the American Recovery and Reinvestment Act (ARRA)<sup>1</sup>. In October 2010, the Federal Government provided an additional \$715 million to fund a section of the high-speed rail project in the Central Valley region of the line.<sup>2</sup> In December of 2010, the U.S. Department of Transportation (DOT) redirected \$624 million of high-speed rail funds originally intended for Wisconsin and Ohio to California.<sup>3</sup> DOT provided an additional \$300 million for California high-speed rail on May 9, 2011.<sup>4</sup> Total project costs have fluctuated between \$68 and \$100 billion.<sup>5</sup> It is predicted that the Federal Government will need to provide *half* of the total estimated project costs.<sup>6</sup>

<sup>1</sup> Press Release, *Fact Sheet: High Speed Intercity Passenger Rail Program: California*, The White House, Jan. 27, 2010, available at <http://www.whitehouse.gov/the-press-office/fact-sheet-high-speed-intercity-passenger-rail-program-california>.

<sup>2</sup> Press Release, *California High-Speed Rail Awarded \$715 Million*, California High-Speed Rail Authority, Oct. 28, 2010, available at [http://www.cahighspeedrail.ca.gov/pr\\_715\\_Million.aspx](http://www.cahighspeedrail.ca.gov/pr_715_Million.aspx).

<sup>3</sup> Press Release, *U.S. Department of Transportation Redirects \$1.195 Billion in High-Speed Rail Funds*, U.S. DOT, Dec. 9, 2010, available at <http://www.dot.gov/affairs/2010/dot20810.html>.

<sup>4</sup> Press Release, *U.S. Transportation Secretary LaHood Announces \$2 Billion for High-Speed Intercity Rail Projects to Grow Jobs, Boost U.S. Manufacturing and Transform Travel in America*, U.S. DOT, May 9, 2011, available at <http://www.dot.gov/affairs/2011/dot5711.html>.

<sup>5</sup> Alian Enthoven, et. al, *California High-Speed Rail Authority’s 2012 Draft Business Plan, Assessment: Still Not Investment Grade*, at 14, available at <http://www.cc-hsr.org/assets/pdf/stillnotinvestmentgrade.pdf>; Jim Christie, *1-*

Of particular concern to the Committee is how CHSRA has already spent or plans to spend the nearly \$4 billion in federal taxpayer money already authorized for its high-speed rail project. Questions remain about the ridership model used by CHSRA to determine the number of passengers that will actually use the high-speed rail system.<sup>7</sup> Questions have also arisen regarding the project's route, as well as compliance with the ballot initiative language originally authorizing the project and its publicly backed finances.<sup>8</sup> Understanding these factors as well as assessing the potential risk CHSRA activities might pose for overall federal transportation investment is essential for Congress as it works to manage competing budget interests and spending needs.

In addition, since 2010, allegations of conflicts of interest have surfaced regarding the board members of CHSRA.<sup>9</sup> CHSRA received and spent federal taxpayer money at the time of these alleged conflicts. I understand that these conflicts may have contributed to a pattern of weak oversight and mismanagement of the project.<sup>10</sup> The ability of CHSRA to evaluate properly these contractors is incredibly important for the protection of taxpayer money.

Congress must also understand how State-led efforts meet national transportation goals, and the appropriate role of financiers, consultants, board members and other State officials in crafting and implementing an infrastructure plan of this scope, especially when it is underwritten with federal support. CHSRA has earned high-profile support from the Obama Administration, but this praise has yet to be matched with tangible results.<sup>11</sup>

To enable the Committee to understand the actions of the California High-Speed Rail Authority, the Committee requests that all documents and communications that may reasonably be considered relevant to your involvement in and CHSRA's use of federal funds and consideration for use of these funds be preserved, including any documents and communications sent or received using a personal (non-CHSRA) e-mail account. So that a full and complete record of all relevant documents can be produced to Congress in response to future document requests, please:

1. Preserve all documents and records, including e-mail, electronic documents, and other electronic data (electronic records), created since January 1, 2009, that refer or relate to

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*Plan Cuts California High-Speed Rail Plan Cost*, Reuters, Apr. 2, 2012, available at <http://www.reuters.com/article/2012/04/02/california-highspeedrail-plan-idUSL2E8F2G0720120402>.

<sup>6</sup> Enthoven, *supra*, note 5.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> Dan Weikel & Rich Connell, *Watchdog Group Alleges Conflicts of Interest on High-speed Rail Board*, LOS ANGELES TIMES, Sept. 29, 2010, available at <http://articles.latimes.com/2010/sep/29/local/la-me-high-speed-rail-conflicts-20100929>.

<sup>10</sup> California State Auditor, High-Speed Rail Authority Follow-Up, Jan. 2012 Report 2011-504 (on file with author).

<sup>11</sup> Spencer Michels, *California Grapples with High-Speed Rail Debate*, PBS, Mar. 1, 2012 (Quoting Secretary LaHood, "California is going to become a model for the nation. We are a thousand percent committed to high-speed rail in America. This is the president's vision...there's no backing off...that's why I'm spending three days here."); Press Release, *Remarks by the President in the State of Union Address*, The White House, Jan. 25, 2011 (Quoting President Obama, "Within 25 years, our goal is to give 80 percent of Americans access to high speed rail. As we speak, routes in California and the Midwest are already underway.").

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DOT (or other federal agency) funding for high-speed rail planning, development, stakeholder communications, CHSRA operations, CHSRA board operations and related purposes. For the purposes of this request, "preserve" means taking reasonable steps to prevent the partial or full destruction, alteration, testing, deletion, shredding, incinerations, wiping, relocation, migration, theft, or mutation of electronic records, as well as negligent or intentional handling that would make such records incomplete or inaccessible.

2. Exercise reasonable efforts to identify and notify former employees and contractors, subcontractors, and consultants who may have access to such electronic records that they are also to be preserved. A list of persons meeting these criteria should be provided to the Committee.
3. If it is the routine practice of any company division, component, employee, or contractor to destroy or otherwise alter such electronic records, either halt such practices immediately, or arrange for the preservation of complete and accurate duplicates or copies of such records, suitable for production if requested. In the event such practices are in place by affected parties, a list of those persons should be provided to the Committee.

Please notify my office of such compliance no later than April 16, 2012. I appreciate your prompt attention to and cooperation with this request. If you have any questions regarding this request, please contact Joseph Brazauskas or Mike Whatley of Committee Staff at (202)-225-5074.

Sincerely,



Darrell Issa  
Chairman

cc: The Honorable Elijah E. Cummings, Ranking Minority Member