California High-Speed Rail

From $33 Billion to $128 Billion: How the Ballot Promise Became a Case Study in Megaproject Cost, Scope and Schedule Change

PIA-INV-016 | Billion Dollar Failures | Published 2026-08-12

Key Facts

Cost: $33bn (2008 promise) -> $88.5-127.9bn range (2024 Business Plan); ~$13bn spent, no service

Date: 2026-08-12

Category: Billion Dollar Failures

Executive Summary

In November 2008, California voters approved Proposition 1A: $9.95 billion in bonds towards a $33 billion high-speed railway from San Francisco to Los Angeles, promised for 2020. Seventeen years later, not a single passenger has boarded, the full line is estimated at up to $128 billion, and the programme has been cut back to a single-track Central Valley segment targeting 2033. State and federal oversight bodies have documented major problems involving planning, funding, land acquisition, contract management, schedule and delivery.: construction started before land, utilities and funding were secured. This investigation traces the collapse and what it teaches about ballot-box megaproject promises.

Executive Lessons

- Never Let a Grant Deadline Choose Your Construction Start

The Authority began Central Valley construction in 2013 principally to satisfy the 2010 federal grant's deadline, before land acquisition, utility relocation agreements or third-party consents were in place - the State Auditor traced billions in overruns directly to that decision. Money with a deadline is still a choice: decline it if the project is not ready.

- A Bond for a Third of the Cost Is a Promise You Cannot Keep

Prop 1A funded $9.95 billion of a $33 billion system on the assumption of federal and private money that never arrived at scale. An underfunded mandate does not reduce cost; it converts a funding gap into a decade of redesign, litigation and delay claims.

- Acquire the Right of Way Before You Pour Concrete

Starting construction with unacquired parcels and unresolved utility conflicts handed contractors priced-in delay claims; by March 2023 the Authority had approved over 1,000 change orders. Design-build cannot transfer site risk the sponsor has not retired.

- Statutory Constraints Are Design Inputs, Not Fine Print

Prop 1A hard-wired the 2h40 SF-LA time, the no-operating-subsidy rule and corridor alignments into law. As rising costs led to blending onto shared tracks, those legal promises became unachievable - the LAO notes the current plan's service would breach them. Legislated performance targets deserve costed feasibility evidence before the vote.

- Independent Oversight Only Works If Someone Acts On It

The LAO warned in 2009, the State Auditor in 2010, 2012 and 2018, the inspector general in 2025 and the FRA the same year - each early enough to change course, each substantially unheeded. Oversight without enforcement is decoration.

- Scope Reduction Is a Cost, Not a Saving

The draft 2026 plan's 'optimisation' - a shorter, mostly single-track segment with basic stations - is presented as savings. It is the abandonment of the approved scope at 25 times the original per-mile cost. Sponsors should report scope-adjusted cost performance, or the metric rewards shrinkage.

- Sunk Cost Is Not a Strategy

Roughly $13 billion has been spent with no serviceable railway to show. The LAO's 2026 analysis shows a funding gap even for the truncated segment under heroic assumptions. The decision to continue deserves the same rigour as the decision to start - and an honest wind-down option on the table.

Timeline

- 1996: California legislature creates the High-Speed Rail Authority to plan a statewide system.
- 2008-11-04: Voters approve Proposition 1A (52.7%): $9.95bn in bonds towards a system costed at $33bn, SF-LA in 2h40, service by 2020.
- 2009-05: LAO finds the Authority's business plan lacks specifics on funding, ridership, risk and schedule; state audit (2010-04) cites inadequate planning and weak oversight.
- 2010-10: Federal ARRA grant of about $2.25bn awarded with a Central Valley construction requirement and 2017 deadline - later extended to 2022.
- 2011-11: Draft 2012 Business Plan reveals a $98.6bn Phase 1 cost estimate - triple the figure sold to voters three years earlier.
- 2012-04: Revised plan cuts the estimate to $68.4bn by adopting a 'blended' approach sharing existing urban tracks; legislature appropriates first bond funds that July.
- 2013-08: First construction package (Fresno) awarded; construction proceeds without complete right-of-way or utility agreements - later singled out by the State Auditor.
- 2018-03: 2018 Business Plan raises Phase 1 estimate to $77.3bn and pushes initial operating segment to 2029.
- 2018-11-15: State Auditor report 2018-108: 'flawed decision making and poor contract management' have added billions; $600m overrun on active packages with $1.6bn more needed; up to $3.5bn of federal funds at risk.
- 2019-02-12: Governor Newsom's State of the State narrows the near-term commitment to a Merced-Bakersfield Central Valley segment.
- 2022-02: 2022 Business Plan estimates Phase 1 at up to $105bn; the 2024 plan (April 2024) gives a range of $88.5-$127.9bn.
- 2025-02: CHSRA Office of Inspector General finds a ~$7bn funding gap for the Merced-Bakersfield segment with no credible plan to close it.
- 2025-06-04: FRA compliance review finds over 1,000 change orders, no viable path to 2033 completion and substantially overrepresented ridership; ~$4bn of federal grants terminated.
- 2026-02-28: Draft 2026 Business Plan shortens the initial segment to 162 miles (144 single-tracked) with basic stations; LAO finds funding still insufficient and statutory requirements unmet.

Sources

- Report 2018-108: California High-Speed Rail Authority - Its Flawed Decision Making and Poor Contract Management Have Contributed to Billions in Cost Overruns and Delays (California State Auditor, 2018-11-15)
- High-Speed Rail Draft 2024 Business Plan (oversight hearing handout) (California Legislative Analyst's Office, 2024-03)
- High-Speed Rail 2025 Project Update Report (oversight hearing handout) (California Legislative Analyst's Office, 2025-03)
- Oversight of the California High-Speed Rail Project (Assembly Transportation Committee handout) (California Legislative Analyst's Office, 2026-03-02)
- High-Speed Rail Draft 2026 Business Plan (Senate Transportation Committee handout: funding gap and scope reduction analysis) (California Legislative Analyst's Office, 2026-04-27)
- AB 3034 (2008) - Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A statute text) (California Legislative Information, 2008)
- 2009-10 Budget Analysis: High-Speed Rail Authority - Business Plan Lacks Specific Information (California Legislative Analyst's Office, 2009)
- California Proposition 1A, High-Speed Rail Bond (2008) - ballot measure record (Ballotpedia, 2008)