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January 27, 2016

California Assembly Budget Subcommittee-3 Resources and Transportation

P.O. Box 942849, Room 2003

Sacramento, CA 94249-0050

916-319-2050

Attention: **Richard Bloom, Chair**

Regarding: **Paper-1: Population Growth and the Need for High-Speed Rail**

Dear Assembly Budget Subcommittee-3 Members,

There must be more oversight applied to the California High-Speed Train Project.

The project has not been planned well enough to be successful and is grossly lacking the capital needed to overcome its deficiencies.

The California High-Speed Rail Authority and its Board have routinely misled the public and the Legislature in an effort to justify funding and the need for the project to proceed with construction.

The Authority's most recent hype touting the need for high-speed rail, a June 2015 brochure entitled ***California High-Speed Rail Big Picture***, makes indefensible claims about population growth, airport capacity constraints, thousands of miles of new freeway lanes that will be needed if high-speed rail is not built, California's geography being perfect for high-speed rail, and high-speed rail's effect on greenhouse gas emissions.

Predicting population growth correctly is critical in terms of planning for new infrastructure and so attached is a well-cited analysis that focuses on this issue. The work of the California Department of Finance's Demographic Research Unit (DRU) is solely responsible for estimating and predicting California's population and is used throughout the analysis.

Going back nearly 40 years the analysis traces how underestimating population growth in the 1980's resulted in a vast over prediction of population growth in DRU's reports of the early 1990's. Within two months of DRU's issuance of its May 1993 Report, which predicted California's population would expand by 19 million between 1990 and 2020 and would more than double between 1990 and 2040, the State Legislature authorized a commission to begin studying high-speed rail and to develop a twenty-year plan for its implementation; work which has been carried on since 1997 by the Authority.

Pushing Back on the California High-Speed Rail Authority's Myths About High-Speed Rail

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Ensuing reports issued by the DRU over the last 22 years have consistently revised downward the estimated population growth of California.

DRU's latest report, issued in December 2014, now predicts a population growth of only 10.7 million between 1990 and 2020 and a growth to only 47.2 million in the year 2040, more than 16 million below the 63.3 million envisioned in the May 1993 Report.

The attached analysis documents this trend and illustrates how the Authority has been slow to accept the newer findings of the DRU while preferring to use older DRU reports to create a perceived need for high-speed rail.

We would gladly compare this analysis against any documents that the Authority has produced to date on this subject.

Proper oversight of the Authority would prevent the Authority from manipulating the public and Legislature out of billions of dollars that could be more effectively used elsewhere.

Sincerely,

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Attachment: Pushing Back on the California High-Speed Rail Authority's Myths About High-Speed Rail
Paper-1: Population Growth and the Need for High-Speed Rail

Pc: Edmund Gerald Brown, Governor State of California
Toni G. Atkins, California Speaker or the Assembly
Media
Mark Powell
File

Pushing Back on the California High-Speed Rail Authority's Myths About High-Speed Rail

Paper 1

Population Growth and the Need for High-Speed Rail

by Mark R. Powell
October 5, 2015

Paper 1-Population Growth and the Need for High-Speed Rail

Abstract

The Authority's most recent hype touting of the need for high-speed rail, a June 2015 brochure entitled *California High-Speed Rail Big Picture*, makes indefensible claims about population growth, airport capacity constraints, thousands of miles of new freeway lanes that will be needed if high-speed rail is not built, California's geography being perfect for high-speed rail, and high-speed rail's effect on greenhouse gas emissions.

Predicting population growth correctly is critical in terms of planning for new infrastructure and so Paper 1 in this series focuses on this issue. The work of the California Department of Finance's Demographic Research Unit, solely responsible for estimating and predicting California's population, is used throughout the paper. Going back nearly 40 years the paper traces how underestimating population growth in the 1980's resulted in a vast over prediction of population growth in DRU's reports of the early 1990's. Within two months of DRU's issuance of its May 1993 Report, which predicted California's population would expand by 19 million between 1990 and 2020 and would more than double between 1990 and 2040, the State Legislature authorized a commission to begin studying high-speed rail and to develop a twenty-year plan for its implementation; work which has been carried on since 1997 by the California High-Speed Rail Authority.

Ensuing reports issued by the DRU over the last 22 years have consistently revised downward the estimated population growth of California. DRU's latest report, issued in December 2014, now predicts a population growth of only 10.7 million between 1990 and 2020 and a growth to only 47.2 million in the year 2040, more than 16 million below the 63.3 million envisioned in the May 1993 Report. This paper documents this trend and illustrates how the California High-Speed Rail Authority has been slow to accept the newer findings of the DRU while preferring to use older DRU reports to create a perceived need for high-speed rail.

Paper 1- Population Growth and the Need for High-Speed Rail

California High-Speed Rail Authority Myth #1

“Over the next 30 to 40 years, California will add the current population of New York state to its current 38 million residents. Meeting the transportation demands associated with that growth will require major infrastructure investments. The question is not if those investments need to be made, but how those investments can provide the greatest benefits. It’s clear that California cannot provide an effective transportation system for 50 million to 60 million residents with a ‘more of the same’ approach.”¹ (Source: CHSRA’s *California High-Speed Rail Big Picture* brochure dated June 2015)

Background

For decades the California Department of Finance (DOF) has been charged with estimating the state’s population annually, statewide and by county, to fairly allocate state funds, and with making long term population projections for state planning and budgeting (see table on next page). The Demographic Research Unit (DRU) of the DOF is designated as the single official source of this demographic data². The DRU publishes long term projections every few years beginning with the last official U.S. Census. In the 1980’s their projections went out as far as 40 years from the last census. The 1980’s saw California’s population rise sharply at more than 2%/year and DRU began seeing a trend develop where their model underestimated population in the near term while remaining unaware that it did predict population fairly accurately in the distant years.

In 1993 DRU over corrected their model causing it to over predict population even in the near term and to unknowingly vastly over predict population in the distant years. Simultaneously, DRU began for the first time to project out 50 years from the most recent census. In the more than two decades that have passed since 1993 the DRU has continually refined their model and brought downward the predicted population in the decades to come. For instance, the 1993 model’s prediction of 49.0 million and 63.3 million souls residing in California in the years 2020 and 2040 has plummeted by more than 8 million in 2020 and by more than 16 million in 2040. Two months following DRU’s 1993 report, Senate Concurrent Resolution 6, citing that the “population of the state and the travel demands of its citizens are expected to continue to grow at a rapid rate” was approved by the State’s Assembly and Senate in July 1993 giving birth to the Intercity High-Speed Rail Commission.

Year Issued	1980	1990	2000	2010	2020	2030	2040	2050	2060
Sept 1983	23.8	28.0	31.4	34.2	36.9				
Dec 1986	23.8	28.8	32.9		39.6				
Nov 1989					39.6	43.2			
May 1993	30.0	36.4	42.4	49.0	56.1	63.3			
April 1997			34.7	40.9	47.5				
Dec 1998	29.9	34.7	40.0	45.4	51.9	58.7			
June 2001		34.5	40.3	45.8					
May 2004		34.0	39.2	43.9	48.1	51.5	54.8		
July 2007		34.1	39.1	44.1	49.2	54.3	59.5		
May 2012		34.0	37.3	40.8	44.6	48.0	51.0		
Jan 2013			37.3	40.6	44.3	47.7	50.4	52.7	
Dec 2014			37.3	40.6	44.1	47.2	49.8	51.7	

Projected State Population (millions)³

Per Reports Issued by California Department of Finance, Demographic Research Unit

High-Speed Rail Agencies Use of Population Projections

The Intercity High-Speed Rail Commission, the precursor to the California High-Speed Rail Authority, worked from 1993 through 1996 and was tasked with creating a 20 year plan for high-speed rail development and assessing whether such a plan was economically feasible. Using the most recent DRU report, the Commission's *Summary Report and Action Plan* published in December 1996 stated, "California's population is projected to grow from the current 32.7 million to 48.8 million by 2020, representing a 49 percent increase."⁴ It is worth noting that even with this rapid growth in expected population of 1.68%/year the Commission found that only the statewide system of high-speed rail estimated to cost \$18.2 billion (1996 dollars) was economically feasible and it could not justify what the Commission termed the "Basic System" merely connecting the Bay Area to the Los Angeles Basin⁵.

The California High-Speed Rail Authority in publishing its 2000 Business Plan in December 1999 appeared to be looking at the same population growth as had the Commission when it wrote about meeting "the intercity travel needs of 45 to 50 million Californians in 2020"⁶ even though two more recent reports had the 2020 population prediction trending down to only 45.4 million.

With DRU reports trending downward in terms of projected population growth, the Authority chose to use DRU's 1998 report rather than its May 2004 report in its November 2005 certified statewide *California High-Speed Train Final Program EIR/EIS*. By using older data the Authority could claim that statewide population was expected to grow by about 54% between 2002 and 2035⁷ or from 35.7 million to 55.3 million while the newer DRU report predicted only 49.9 million residents in 2035.

Using DRU's most recent report the Authority's 2008 Business Plan cited California Department of Finance forecasts showing the state's population would grow by 40% to 50 million by 2030⁸ in line with a DRU report issued in July 2007 predicting 49.2 million residents in 2030.

In its 2012 Business Plan the Authority would have still been accessing the DRU's 2007 report when it wrote "to put this additional demand in perspective, by 2050 California will add more people than now live in New York state."⁹ In making this statement the Authority was claiming that California's population would exceed 57.7 million in 2050. This is in line with the 2007 DRU report predicting 59.5 million Californians in 2050. DRU's 2007 report, issued in the year prior to passage of Proposition 1A, can now be seen as being at odds with the previous report and with subsequent reports where the projected population in 2050 dropped to 51.0 million, 50.4 million , and 49.8 million in DRU's May 2012, January 2013, and December 2014 reports respectively. It is worth noting that state agencies can request timely reports from the DRU and this appears to be done somewhat routinely by the Department of Water Resources. It appears the Authority chose to use the old 2007 DRU report in its 2012 Business Plan because of the ongoing downward trend in DRU's predictions of population growth.

The Authority's 2014 Business Plan, which could have referenced the 2013 DRU report, was silent on the issue of population growth. Other promotional literature published by the Authority is not silent, but today still uses DRU's 2007 report when in their *California High-Speed Rail Big Picture* brochure dated June 2015 they again claim that "over the next 30 to 40 years, California will add the current population of New York state (20 million) to its current 38 million residents."¹⁰

The table on the following page summarizes all of these claims about population growth and notes by how many years each claim precedes the date most recently predicted by the DRU of when that population will be reached. For example, the first row of data details how the Intercity High-Speed Rail Commission in their *High-Speed Rail Summary Report and Action Plan* issued in December 1996 anticipated a state population of 48.8 million in the year 2020 whereas the Demographic Research Unit of the California Department of Finance now predicts that a population of 48.8 million will not be reached until the year 2046, twenty-six years later than anticipated by the Commission.

<u>Agency/Document</u>	<u>Population(M)</u>	<u>Agency Assumption</u>	<u>Current DRU Prediction</u>	<u>Difference (Yrs.)</u>
		<u>Year</u>	<u>Year</u>	
Commission/Summary Report 1996	48.8	2020	2046	26
Authority/2000 Business Plan	45-50	2020	2033-51	13-31
Authority/2005 Program EIR	55.3	2035	2081*	46*
Authority/2008 Business Plan	50	2030	2051	21
Authority/2012 Business Plan	57.7	2050	2093*	43*
Authority/2015 Big Picture Brochure	58	2045-2055	2095*	40-50*

Agency Over-Prediction of California's Population

*Beginning in the year 2020 the DRU of the California Department of Finance predicts a declining growth rate down to .33% annually in the last 5 year period predicted (2055-2060). Years marked with an asterisk are beyond the DRU's last predicted year and assume growth rate holds steady at .33% annually. If the growth rate is allowed to trend down in the years 2060-2100 as it does in the years 2020-2060 the population prediction would never be reached. California would reach a maximum population of 54 million in the year 2080. See table below.

<u>5 Year Period</u>	<u>Annual Growth Rate</u>
2010-2015	.82
2015-2020	.87
2020-2025	.85
2025-2030	.80
2030-2035	.75
2035-2040	.64
2040-2045	.56
2045-2050	.49
2050-2055	.41
2055-2060	.33

Annual Growth Rates Calculated from
California Department of Finance December 2014 Report P-1 State and County Total Population
Projections for the period 2010-2060 (5-year increments)¹¹

It is now a near certainty that California will only realize 8 million of the 16 million persons envisioned by the Commission in 1996 to be added to California's population by 2020. Likewise, it is now predicted that only about 10 million of the additional 20 million persons predicted in the Authority's *California High-Speed Train Final Program EIR/EIS* will actually be living in California in 2035. In other words, the population envisioned by the Commission to exist in 2020 is now not likely until 2046. Worse yet, the most current DRU report indicates that the population envisioned by the Authority in 2005 in its statewide *California High-Speed Train Final Program EIR/EIS* to exist in 2035 may never materialize. It is no wonder that the future infrastructure needs of Californians as envisioned by the Authority in their *California High-Speed Train Final Program EIR/EIS* have not materialized. This new infrastructure, exaggerated by the Authority in the first place, is now clearly not needed in California because many of the people once expected to live in California are now, or will soon be, living elsewhere. Paper 2 in this series builds on this paper and exposes the Authority's myth about new highway lane miles that would be needed in the absence of a high-speed rail alternative.

Endnotes

¹ California High-Speed Rail Authority brochure dated June 2015 entitled *California High-Speed Rail Big Picture* http://www.hsr.ca.gov/docs/newsroom/fact%20sheets/Big_Picture_FINAL_060515.pdf

² California Department of Finance website

<http://www.dof.ca.gov/research/demographic/dru/index.php>

³ California Department of Finance, Demographic Research Unit Reports

⁴ Intercity High-Speed Rail Commission *High-Speed Rail Summary Report and Action Plan*, December 1996, Executive Summary, page ES-4

⁵ Intercity High-Speed Rail Commission *High-Speed Rail Summary Report and Action Plan*, December 1996, Section 7 Economic Impact of High-Speed Rail, Benefit Cost Comparison, pages 7-24 and 7-27

⁶ 2000 Business Plan, Cover Letter addressed to Governor Davis

http://www.hsr.ca.gov/docs/about/business_plans/BPlan_2000_FullRpt.pdf

⁷ *California High-Speed Train Final Program EIR/EIS*, Summary section, page S-16

http://www.hsr.ca.gov/docs/programs/eir-eis/statewide_final_EIR_vollsummary.pdf

⁸ 2008 Business Plan, page 6

http://www.hsr.ca.gov/docs/about/business_plans/BPlan_2008_FullRpt.pdf

⁹ Revised 2012 Business Plan, Chapter 1High-Speed Rail's Place in California's Future, page 2

http://www.hsr.ca.gov/docs/about/business_plans/BPlan_2012_rpt.pdf

¹⁰ *California High-Speed Rail Big Picture* brochure June 2015

http://www.hsr.ca.gov/docs/newsroom/fact%20sheets/Big_Picture_FINAL_060515.pdf

¹¹ California Department of Finance December 2014 Report P-1 State and County Total Population Projections for the period 2010-2060 (5-year increments)

http://www.dof.ca.gov/research/demographic/reports/projections/P-1/documents/P-1_Total_CAProj_2010-2060_5-Year.xls