

1 ROB BONTA
2 Attorney General of California
3 PAUL STEIN
4 Supervising Deputy Attorney General
5 SHARON L. O'GRADY (SBN 102356)
6 CHRISTOPHER J. KISSEL (SBN 333937)
7 Deputy Attorneys General
8 455 Golden Gate Ave., Suite 11000
9 San Francisco, CA 94102
10 Telephone: (415) 510-3834
11 Fax: (415) 703-1234
12 E-mail: Sharon.OGrady@doj.ca.gov
13 *Attorneys for Plaintiff California High-Speed Rail*
14 *Authority*

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IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA

13 **CALIFORNIA HIGH-SPEED RAIL**
14 **AUTHORITY,**

Case No.

15 Plaintiff,

16 v.

17 **COMPLAINT FOR DECLARATORY**
18 **AND INJUNCTIVE RELIEF**

19 **UNITED STATES DEPARTMENT OF**
20 **TRANSPORTATION; SEAN DUFFY, in his**
21 **official capacity as Secretary of the**
22 **Department of Transportation; THE**
23 **FEDERAL RAILROAD**
24 **ADMINISTRATION; DREW FEELEY, in**
25 **his official capacity as Acting Administrator of**
26 **the Federal Railroad Administration,**

27 Defendants.

INTRODUCTION

1. The California High-Speed Rail Authority (“Authority”) brings this action for declaratory and injunctive relief challenging the Federal Railroad Administration’s (“FRA”) decision to terminate more than \$4 billion in federal grant funding for the California high-speed rail program. The high-speed rail program is the first project of its kind in the history of the United States: an all-electric railway on which trains will travel over 200 miles per hour across one of this Country’s largest and most economically vital States. It is also a crucial part of California’s long-term strategic planning, not only to address critical transportation needs, but also greenhouse gas emissions and climate change, as well as to spur economic growth in California’s Central Valley and across the State.

2. The Authority and FRA have collaborated for more than 15 years on this historic program, and the State has committed more than \$22 billion to it. After initial federal grant awards in 2009 and 2010 totaling about \$3.5 billion, federal grant funding ceased for several years. That changed in 2022. Between August 2022 and January 2025, FRA awarded additional grants totaling about \$3.4 billion to the Authority for the section of the project in the Central Valley extending from Merced to Bakersfield. The 171-mile Merced-to-Bakersfield section, also called the Early Operating Segment or EOS, will be the first part of the system to commence revenue service, carrying passengers between Bakersfield, Fresno, Madera and Merced.

3. California has performed its obligations under the terms of the federal grants, and construction is well-advanced, furthering the goal of the Congressional appropriations that fund the grants. In the initial 119-mile First Construction Segment (FCS), 55 major structures (viaducts, bridges, overpasses and undercrossings) have been completed and 30 more are under construction, with only eight not yet under construction. Seventy miles of guideway for the laying of track have been completed, with 27 more underway; 99.3 percent of the parcels needed for right-of-way have been acquired; and 86 percent of utility relocations have been completed. The Authority is on schedule to commence passenger revenue service by 2033.

4. President Trump has long expressed personal animus toward the California high-speed rail program. On February 19, 2019—one day after California and fifteen other States filed

1 suit to invalidate President Trump’s declaration of emergency at the southern border to advance
2 his proposed border wall—President Trump took to Twitter to denigrate California, which led the
3 suit, as “the state that has wasted billions of dollars on their out-of-control Fast Train, with no
4 hope of completion.” One minute later, he posted that the “failed Fast Train project in California
5 . . . is hundreds of times more expensive than the desperately needed Wall.” Later that same day,
6 in a curt, three-page letter, FRA abruptly notified the Authority of its intent to terminate a
7 cooperative agreement granting \$929 million to California for the project (the “FY10 Cooperative
8 Agreement”), described in more detail below. On March 4, 2019, the Authority responded with a
9 detailed, point-by-point refutation of the assertions in FRA’s notice.

10 5. Nevertheless, on May 16, 2019, FRA carried out its threat and announced its “final
11 decision” to terminate the FY10 Cooperative Agreement and deobligate the grant funds. FRA
12 signaled its intent to reallocate the money to other inter-city rail projects.

13 6. On May 21, 2019, the State of California and the Authority sued, seeking to set
14 aside the termination decision and to enjoin FRA and the U.S. Department of Transportation from
15 re-obligating the grant funds to another grantee or otherwise transferring the funds. That lawsuit
16 was ultimately resolved through a June 2021 settlement agreement re-obligating the full amount
17 of the FY10 Cooperative Agreement and amending some of its terms.

18 7. Since then, FRA and the Authority have entered into new Cooperative Agreements
19 to help fund construction of the EOS. The largest of them, the FSP Cooperative Agreement
20 (described in more detail in paragraphs 46-48 below), was executed 10 months ago, in September
21 2024. Under the FSP Cooperative Agreement, FRA has obligated \$2.4 billion to the project, and
22 the Agreement provides for an additional \$680 million that FRA has not yet obligated.
23 Additionally, just eight months ago, in November 2024, FRA and the Authority agreed to amend
24 the FY10 Cooperative Agreement, extending its end date from December 31, 2026, to January 31,
25 2030.

26 8. Until now, at no time before or since FRA’s abrupt termination decision in 2019
27 (which FRA itself later reversed) has FRA ever found the Authority to be in material breach of its
28 obligations under any of the Cooperative Agreements. FRA completed its last annual monitoring

1 review of the high-speed rail project on October 28, 2024, and at that time made no findings for
2 which corrective measures were needed, let alone major or persistent compliance lapses.

3 9. Just days after President Trump began his second term, however, the President
4 began to attack the project once again. The President's assertions included statements that were
5 obviously untrue—he stated, for example, that the project was "hundreds of billions of dollars
6 over budget" (the total program budget is about \$106 billion dollars, and the budget for the EOS
7 is about \$27 billion) and that he had "read where you could take every single person that was
8 going to go in the train and get the finest limousine service in the world and take them back and
9 forth with limousines and you'd have hundreds of billions of dollars left over." He added, "[Y]ou
10 take an airplane, it costs you two dollars. It costs you nothing, you take an airplane. . . . [A]nd if
11 you have to drive, you can drive." The President stated that he intended to initiate an investigation
12 of the California high-speed rail project.

13 10. On February 20, newly confirmed U.S. Department of Transportation Secretary
14 Sean Duffy stated that, in response to President Trump's call for an investigation, he would direct
15 FRA to initiate a review of the Authority's compliance with the terms of its federal funding
16 agreements. "And we're going to look at whether California High-Speed Rail has actually
17 complied with the agreements they've signed [and whether] they [are] spending it per the
18 agreements that they made with the federal government." He insinuated, without evidence, that
19 the project was riddled with fraud, waste or abuse, positing: "Who got rich? What consultants?
20 What politicians? What politicians' husbands got rich off this money?" The same day, the Chief
21 Counsel for FRA advised the Authority by letter that FRA intended to initiate a compliance
22 review of the FY10 Cooperative Agreement and the FSP Cooperative Agreement—even though
23 FRA had just completed an audit of the project and issued a clean report less than four months
24 earlier.

25 11. On June 4, 2025, FRA sent the Authority a Notice of Proposed Determination
26 stating its intent to terminate the FY10 Cooperative Agreement and the FSP Cooperative
27 Agreement, which together total over \$4 billion, and attaching a Compliance Review Report
28 dated June 2025. *See Exhibit A attached hereto.* Although the Cooperative Agreements do not

1 require initiation of revenue service on the EOS until December 31, 2033—more than eight years
2 from now—FRA conjectured that the Authority would be unable to make that target. FRA also
3 stated that the Authority has no credible plan to address an approximately \$7 billion shortfall in
4 funding needed to complete the EOS. In support of the latter conclusion, FRA grossly
5 mischaracterized statements that the High-Speed Rail Authority’s Inspector General made in a
6 recent report. Indeed, after FRA sent its notice, the Inspector General (or OIG-HSR) publicly
7 disavowed FRA’s characterization of those statements, writing that OIG-HSR has “never
8 concluded that the lack of funding for certain components of the Merced-to-Bakersfield segment
9 would prohibit the Authority from meeting its . . . commitments to the FRA” and that “we have
10 identified no citations by the FRA supporting its assertion that the OIG-HSR ever made this
11 conclusion.”¹ FRA also gave no credence to the Governor’s May 2025 Budget Revision, which
12 proposed a stable funding source of \$1 billion per year for the high-speed rail program. FRA
13 simply assumed that the Legislature would not approve the request. FRA demanded a response
14 from the Authority within seven days.

15 12. On June 11, 2025, the Authority provided an initial response in which it disputed
16 the asserted grounds for termination. *See Exhibit B attached hereto.* As permitted by the
17 Cooperative Agreements, the Authority also timely provided a more detailed supplemental
18 response with supporting documentation on July 7, 2025. *See Exhibit C attached hereto.*

19 13. Just hours after the Authority produced its detailed supplemental response and
20 documentation, and before any meaningful review of the submission would have been possible,
21 the President stated that he told Secretary Duffy to “do whatever you can to stop it,” and
22 Secretary Duffy told reporters to “probably give us five days—and you’ll have an answer on
23 what’s gonna happen with the 4 billion dollars that we have potentially on a train that’s gonna go
24 nowhere.”

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27 ¹ OIG-HSR Letter to Governor Newsom, President pro Tempore of the Senate McGuire,
28 and Speaker of the Assembly Rivas (June 10, 2025), available at: <https://hsr.ca.gov/wp-content/uploads/2025/06/OIG-HSR-June-2025-FRA-Report-Response-Letter-A11Y.pdf> (“OIG Response Letter”).

1 14. On July 16, 2025, FRA notified the Authority that it was terminating the
2 Cooperative Agreements effective that day, based on its cursory conclusion that the Authority
3 “will not be able to deliver operation of a Merced-to-Bakersfield by the end of 2033,” and “this
4 failure constitutes a Project Material Change under the FSP Agreement, and that the statutes
5 under which the FY10 Agreement is authorized or funded would not be adequately served by the
6 continuation of the federal contribution.” *See* Exhibit D attached hereto.

7 15. FRA's sudden decision to terminate the FY10 Cooperative Agreement and the
8 FSP Cooperative Agreement was arbitrary and capricious, an abuse of discretion, and contrary to
9 law, and threatens to wreak significant economic damage on the Central Valley, the State, and the
10 Nation.

11 16. For these reasons, and those discussed below, the Court should vacate and set
12 aside FRA’s action terminating the grants and deobligating more than \$4 billion in federal
13 funding for the project. The Court also should enjoin Defendants from re-obligating and
14 distributing these funds to any other recipient, or from otherwise transferring the funds.

JURISDICTION, VENUE, AND INTRA-DISTRICT ASSIGNMENT

17. This Court has subject matter jurisdiction under 28 U.S.C. sections 1331 and 2201.

17 18. An actual, present, and justiciable controversy exists between the parties within the
18 meaning of 28 U.S.C. section 2201(a), and this Court has authority to grant declaratory and
19 injunctive relief under 28 U.S.C. sections 2201 and 2202.

19. Venue is proper in this judicial district under 28 U.S.C. section 1391(e), because
20 this is a civil action in which Defendants are agencies of the United States or officers of such an
21 agency, no real property is involved in this action, and Plaintiff the California High-Speed Rail
22 Authority resides in this judicial district.
23

PARTIES

25 20. Plaintiff the California High-Speed Rail Authority (the “Authority”) is an
26 instrumentality of the State of California and is responsible for developing and constructing a
27 high-speed rail system in California. The Authority is also the grantee under Cooperative

1 Agreements with FRA for constructing new intercity high-speed rail corridors and planning
2 future high-speed rail services.

3 21. The Authority has standing to bring this action due to the loss of federal grant
4 funds caused by Defendants' wrongful conduct and the resulting delay in development of the
5 California high-speed rail system.

6 22. Defendant United States Department of Transportation (“DOT”) is the federal
7 agency to which Congress has appropriated the grant funds at issue in this case.

8 23. Defendant Sean Duffy is the Secretary of DOT, oversees DOT, and is responsible
9 for the actions and decisions challenged in this action. Defendant Duffy is sued in his official
10 capacity.

11 24. Defendant Federal Railroad Administration (“FRA”) is an agency within DOT
12 which Congress has charged with disbursing and overseeing the grant funds at issue in this case.

13 25. Defendant Drew Feeley is the Acting Administrator of FRA and is responsible for
14 the actions and decisions challenged in this action. Defendant Feeley is sued in his official
15 capacity.

BACKGROUND

I. CALIFORNIA'S HIGH-SPEED RAIL PROGRAM

18 26. Developing a high-speed rail system has been a long-term strategic goal of
19 California, supported by both Republican and Democratic Governors for more than three decades.

20 27. In 1993, under Governor Pete Wilson, the California Intercity High Speed Rail
21 Commission was established to investigate the feasibility of high-speed rail in California, and
22 concluded that a high-speed rail system in California was technically, environmentally and
23 economically feasible. Three years later, in 1996, the Legislature passed, and Governor Pete
24 Wilson signed into law, the High-Speed Rail Act, which established the Authority to continue the
25 Commission's work in planning and developing a high-speed rail system. Cal. Pub. Util. Code
26 § 185000 et seq.

27 28. In 2008, the Legislature passed, Governor Arnold Schwarzenegger signed, and the
28 voters approved Proposition 1A (titled “the Safe, Reliable High-Speed Passenger Train Bond Act

1 for the 21st Century”). Proposition 1A envisions a system of high-speed rail trains stretching
2 from San Francisco through Los Angeles to Anaheim, and eventually extending to Sacramento
3 and San Diego. Proposition 1A divides this system into two phases, the first of which connects
4 San Francisco to Los Angeles and Anaheim on a route through the Central Valley. Proposition
5 1A also contemplates that the first phase will be built in corridors and smaller “usable segments.”
6 Cal. Sts. & High. Code §§ 2704.04(b)(2), 2704.08(a), (c)(1), (d).

7 29. Proposition 1A authorized the issuance of \$9.95 billion in general obligation bonds
8 to initiate construction of the high-speed rail system. Cal. Sts. & High. Code § 2704.04(b).

9 30. In 2014, the California Legislature provided the Authority with a continuing
10 source of revenue for the high-speed rail system by allocating to the system 25 percent of the
11 revenues from the State’s auction of greenhouse gas emissions allowances (“cap-and-trade
12 revenue”). Cal. Health & Safety Code § 39719.

13 31. The high-speed rail system contemplated by these enactments is a critical element
14 of the State’s efforts to meet its growing transportation demand, and particularly the demand for
15 an intercity transportation system. Interstate highways, commercial airports, and conventional
16 passenger rail are operating at or near capacity. In many California regions, freeway and airport
17 expansion is not viable because of land-use constraints. Even where freeway and airport
18 expansion may be viable in other parts of the State, it would require enormous public investments
19 that far exceed the cost of high-speed rail.

20 32. California’s high-speed rail system is also critical to the State’s environmental and
21 climate change goals. The train will be powered by electricity, in contrast to airplanes and most
22 automobiles. The system will improve air quality by reducing vehicle miles traveled by
23 automobiles and airplanes, reducing criteria pollutant emission from the transportation sector. As
24 the California Legislature found, the high-speed rail system “will contribute significantly toward
25 the goal of reducing emissions of greenhouse gas and other air pollutants” and provide “the
26 foundation for a large-scale transformation of California’s transportation infrastructure.” 2014
27 Cal. Stat. ch. 36, p. 96 (S. Bill 862).

28 33. California’s high-speed rail system is also an essential strategy for efficient

1 transportation energy use. Per passenger, a trip on the high-speed rail system will use one-third
2 the energy of a similar trip by air and one-fifth the energy of a trip by car.

3 34. The economic benefits from high-speed rail construction are significant. An
4 analysis prepared for the U.S. Treasury Department estimated net economic benefit from the
5 California high-speed rail project of between \$130.3 and \$260.6 billion. Much of the initial
6 economic benefit will flow to California's historically disadvantaged Central Valley. As of
7 March 31, 2025, high-speed rail project construction in the Central Valley has generated over
8 13.4 million hours of work for 11,489 workers, with an average of over 1,600 workers dispatched
9 daily to more than 35 active construction sites. It will also make the Central Valley more
10 accessible to the State's major metropolitan areas, further stimulating the economy.

11 35. The initial segment of the system originally was to run from north of Bakersfield
12 through Fresno to Madera. As discussed further below, in 2021 the Authority extended the initial
13 segment to run from downtown Bakersfield at the south end to Merced at the north end,
14 connecting three major cities in the Central Valley.

15 **II. STATUTORY SOURCES OF GRANT FUNDING**

16 36. In February 2009, Congress enacted the American Recovery and Reinvestment
17 Act, Public Law 111-5 ("ARRA"). ARRA provided \$8 billion for high-speed rail and intercity
18 passenger rail projects, but required that FRA obligate the funds no later than September 30,
19 2012, Pub. L. No 111-5, 123 Stat. at 208, and required that grant monies be expended by
20 September 30, 2017.

21 37. In 2009, Congress passed the Consolidated Appropriations Act, 2010, Pub. Law
22 111-117, 123 Stat. 3057 ("2010 Appropriations Act"), which provided additional funding for the
23 development of segments or phases of intercity or high-speed rail corridors.

24 38. In 2021, Congress enacted the Infrastructure Investment and Jobs Act ("IIJA"),
25 (Pub. L. No. 117-58, Nov. 15, 2020 ("IIJA")), funded by the March 15, 2022, Consolidated
26 Appropriations Act, 2022, Div. L Tit. I (Pub. L. No. 117-03 (Mar. 15, 2022) and the December
27 29, 2022, Consolidated Appropriations Act, 2023 (Pub. L. 117-328 (Dec. 29, 2022). The IIJA
28 made \$711.8 billion available for grants to tribes, States, localities and territories to support

1 transportation, clean energy, broadband and other infrastructure projects. DOT received 74
2 percent of these funds. Among other programs, the IIJA provided a source of funds for the
3 Federal-State Partnership for Intercity Passenger Rail Grant Program.

4 **III. THE AUTHORITY'S FEDERAL GRANTS**

5 39. Since the inception of the high-speed rail program, the Authority has been awarded
6 approximately \$6.9 billion in FRA grants, and out of that amount FRA and the Authority have
7 executed Cooperative Agreements totaling about \$6.1 billion. Each Cooperative Agreement calls
8 for reimbursement of State monies spent according to each Cooperative Agreement's federal and
9 grantee contribution formula. Reimbursement requests must be approved by FRA. Under the
10 terms of the Cooperative Agreements, certain funds are allocated to specific tasks or projects over
11 the course of the grant term.

12 40. To date, FRA has approved and disbursed \$2,570,900,000 under the Cooperative
13 Agreements. Almost all of this money was disbursed before 2018. Since then, FRA has
14 approved and disbursed only \$26.6 million, mostly for the design of the Madera-to-Merced
15 extension.

16 41. California is responsible for all project costs in excess of the federal grant funds,
17 including but not limited to the State's matching obligations under those grants. To date, the
18 State has provided nearly 77 percent of the funding for the project. It has expended \$11.8 billion
19 to date, dwarfing the approximately \$2.57 billion FRA has contributed, and the State has
20 committed additional funds from cap-and-trade revenues of about \$9.46 billion to the project.

21 **A. The Grants at Issue in This Action**

22 **1. The FY10 Cooperative Agreement**

23 42. In 2010 and 2011, FRA awarded the Authority two grants under the 2010
24 Appropriations Act, totaling \$928,620,000: an award of \$715 million requiring a 30 percent State
25 match, and an award of a little more than \$213 million requiring a 20 percent match.

26 43. Pursuant to these awards, on November 18, 2011, FRA and the Authority executed
27 the FY10 Cooperative Agreement, Cooperative Agreement No. FR-HSR-0118-12. The FY10
28 Cooperative Agreement was amended in June 2021, as a result of the settlement in *California v.*

1 *U.S. Department of Transportation*, Case No. 3:19-cv-2754-JD (N.D. Cal.), discussed below. It
2 was amended again in November 2024.

3 44. The FY10 Cooperative Agreement covers preliminary engineering and
4 environmental work in support of the entire 520-mile segment between San Francisco, Los
5 Angeles and Anaheim. It provides construction funding for only an initial 119-mile portion of
6 infrastructure and track on the FCS in the Central Valley, spanning from North of Bakersfield to
7 Fresno.

8 45. The end of performance and end of funding date for the FY10 Cooperative
9 Agreement is January 31, 2030. No funds have been disbursed to date under the FY10
10 Cooperative Agreement, and no funds are currently owing to the Authority under the FY10
11 Cooperative Agreement.

12 **2. The FSP Cooperative Agreement**

13 46. In 2023, FRA awarded the Authority a grant totaling \$3,073,600,000 under the
14 FRA Fiscal Year 2022 Federal-State Partnership for Intercity Passenger Rail Grant Program.
15 This grant was authorized under the IIJA. The award called for phased funding, with initial
16 funding of \$1,711,980,267, a second round of \$680,809,867, and a third round of \$680,809,866.

17 47. On September 23, 2024, FRA and the Authority executed the FSP Cooperative
18 Agreement, Cooperative Agreement No. 69A36524521070FSPCA, obligating the first round of
19 funding of \$1,711,980,267. On November 11, 2024, FRA and the Authority executed
20 Amendment 1 to the FSP Cooperative Agreement, obligating the second round of funding of
21 \$680,809,867.

22 48. The end of performance and end of funding date for the FSP Cooperative
23 Agreement is July 31, 2034. FRA has disbursed \$1.4 million under the FSP Cooperative
24 Agreement, and FRA has approved \$400,000 in state matching funds the Authority has expended
25 on this project. No monies are currently owed to the Authority under the FSP Cooperative
26 Agreement.

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1 **IV. THE STATE AND FEDERAL GOVERNMENTS' COLLABORATIVE APPROACH (2008-
2 2016)**

3 49. Major infrastructure projects require the sustained cooperation of numerous
4 agencies and entities. For the high-speed rail program, this includes not just FRA, but also the
5 Surface Transportation Board, the Environmental Protection Agency, the California State
6 Transportation Agency, the California Public Utilities Commission, providers of commuter rail
7 like Caltrain, the cities and counties through which the system will run, and BNSF and Union
8 Pacific Railway (UPRR), which operate freight trains in California.

9 50. Under earlier administrations, the Authority and FRA cooperated and collaborated
10 effectively toward achieving their common goal of constructing the first true high-speed rail
11 system (i.e., one operating at speeds up to 220 miles per hour) in the United States.

12 51. Recognizing the need for flexibility, FRA grants explicitly permit amendments to
13 deal with evolving circumstances. In fact, the FY10 Cooperative Agreement has been amended
14 five times, under two Presidential administrations.

15 52. As an example, in 2012, after the filing of litigation challenging California's
16 ability to use Proposition 1A bond proceeds on the Project, FRA and the Authority amended an
17 earlier \$2.5 billion Cooperative Agreement funded by ARRA (the "ARRA Cooperative
18 Agreement") to allow a tapered match payment arrangement whereby federal funds would be
19 used first until fully expended, after which the State would spend its funds until the federal
20 expenditures are fully matched.

21 53. In late 2013, while the same litigation was on appeal, FRA and the Authority
22 further agreed to slow down project construction, pending the results of the appeal or access to
23 alternative state matching funds. And in 2014, with Proposition 1A bond proceeds still tied up in
24 litigation, the California Legislature allocated to the Authority 25 percent of the State's cap-and-
25 trade revenues so that the Authority would have another source of State funds available for
26 matching the federal grant funds.

27 54. The Authority officially broke ground and commenced construction on the project
28 in the Central Valley in January 2015.

1 **V. UNDER PRESIDENT TRUMP, FRA CEASES ALL COOPERATION AND**
2 **COLLABORATION, ULTIMATELY LEADING TO LITIGATION (2018-2020)**

3 55. After President Trump first took office, things changed dramatically. Beginning in
4 2018, FRA effectively ceased cooperating on the ARRA Cooperative Agreement and the FY10
5 Cooperative Agreement, as well as on the critical environmental review process. As a result, the
6 Authority's efforts to obtain National Environmental Policy Act (NEPA) environmental
7 clearances ground to a halt.

8 56. By mid-February 2019, FRA had cancelled all previously scheduled meetings with
9 the Authority, declined to attend any meetings scheduled by the Authority, and stopped
10 responding to the Authority's communications.

11 57. On February 13, 2019, one day after Governor Newsom announced that two-thirds
12 of the California National Guard forces currently on the border would be redeployed to assist the
13 California Department of Forestry and Fire Protection in preparing for fire season and to boost the
14 National Guard's statewide Counterdrug Task Force, President Trump inaccurately tweeted that
15 “California has been forced to cancel the massive bullet train project” and that “[t]hey owe the
16 Federal Government three and a half billion dollars. We want that money back now.”

17 58. That same day Governor Newsom stated that the high-speed rail project had not
18 been “cancelled,” and affirmed that California is “building high-speed rail, connecting the Central
19 Valley and beyond.”

20 59. Five days later, on February 18, 2019, California led a coalition of 16 states in
21 filing a lawsuit challenging President Trump’s declaration of an emergency at the border and his
22 announcement that he would use funds that had not been appropriated by Congress to construct
23 portions of the border wall for which Congress had denied appropriations requests.

24 60. The following morning, the President tweeted a response directly linking the
25 border wall litigation to California’s high-speed rail project: “As I predicted, 16 states, led mostly
26 by Open Border Democrats and the Radical Left, have filed suit in, of course, the 9th Circuit!
27 California, the state that has wasted billions of dollars on their out-of-control Fast Train, with no
28 hope of completion, seems in charge!”

1 61. One minute later, President Trump tweeted that “[t]he failed Fast Train project in
2 California, where the cost overruns are becoming world record setting, is hundreds of times more
3 expensive than the desperately needed Wall.”

4 62. Later that day, in a three-page letter, FRA notified the Authority of its intent to
5 terminate the FY10 Cooperative Agreement effective March 5, 2019, and to deobligate the funds
6 immediately after that.

7 63. The Authority timely responded to FRA’s notice of intent to terminate on March 4,
8 2019, rebutting in detail each and every asserted ground for termination. Nevertheless, without
9 any further process, on May 16, 2019, FRA sent a letter to the Authority announcing its final
10 decision to terminate the FY10 Cooperative Agreement. FRA did not make any of the efforts at
11 conciliation or compliance required by its own procedures and policies, and its 25-page
12 termination letter set out a raft of detailed allegations about the Authority’s supposed non-
13 compliance with the Cooperative Agreement that it had not included in its notice of intent to
14 terminate or elsewhere, and that the Authority had no opportunity to rebut before FRA acted.

15 64. On May 21, 2019, the Authority and the State filed suit seeking a declaration that
16 the FY10 Cooperative Agreement termination decision was arbitrary, capricious, an abuse of
17 discretion, or otherwise not in accordance with law, for a judgment setting aside the termination
18 decision, and for an injunction preventing the federal government from re-obligating the grant
19 funds to another grantee or otherwise transferring the funds. *State of California et al. v. U.S.*
20 *Department of Transportation et al.*, Case No. 3:19-cv-02754-JD (N.D. Cal.) (hereafter,
21 “*California v. DOT*”).

22 65. After Plaintiffs threatened to file an application for a temporary restraining order
23 preventing re-obligation of the funds, Defendants stipulated that no portion of the grant funds
24 would be re-obligated, transferred, or awarded to any other program or recipient except through a
25 new Notice of Funding Opportunity and award issued in accordance with applicable rules and
26 regulations and standard practices and procedures. The practical result of the stipulation was that
27 Plaintiffs would have sufficient time to seek a preliminary injunction if Defendants took steps to
28 re-obligate the grant monies. Defendants did not issue a new Notice of Funding Opportunity

1 during the pendency of the litigation.

2 66. While the litigation was pending, the Authority's plans for building the initial
3 segment in the Central Valley expanded. Originally, it planned to construct (and the FY10
4 Cooperative Agreement contemplated) only the FCS. The location, topography and length of that
5 section made it suitable for the necessary testing of trains prior to the initiation of passenger
6 service, but not suitable for revenue passenger services.

7 67. After President Biden took office, in April 2021, the Authority adopted and
8 submitted to the Legislature a business plan expanding the original segment in the Central Valley
9 from 119 miles to 171 miles, extending from downtown Bakersfield though Fresno and Madera to
10 Merced, and planning early passenger service on that expanded segment (the Early Operating
11 Segment or EOS). It determined this was the best way to get high-speed rail up and running as
12 quickly as possible; the segment will tie together three of the largest cities in the Central Valley,
13 three major universities, and three of California's fastest growing counties, and also will provide
14 transit connectivity to the north (via the Altamont Corridor Express and Amtrak trains traveling to
15 Sacramento and the Bay Area) and the south (with bus services from Bakersfield to Los Angeles).

16 68. In June 2021, the parties settled the *California v. DOT* litigation. Under the terms
17 of the settlement, the FY10 Cooperative Agreement was amended, and the FY10 grant funds
18 were re-obligated to the California high-speed rail project.

19 **VI. THE AUTHORITY'S COMPLIANCE WITH THE COOPERATIVE AGREEMENTS AND
20 SUBSTANTIAL PROGRESS ON THE PROJECT**

21 69. Construction across the 119 miles in the Central Valley is well-advanced. As of
22 February 2019, the Authority had completed four major structures: one viaduct, one bridge and
23 two overhead crossings. Since then, the Authority has completed construction of 51 additional
24 major structures: five viaducts, two bridges and 44 overhead crossings or underpasses. Each of
25 these completed structures was a significant project. The San Joaquin River viaduct is 4,741 feet
26 long, 43 feet wide and 210 feet tall at its highest point. Construction is underway on 29 major
27 structures, with only 8 major structures not yet under construction. The Hanford Viaduct in
28 Kings County, scheduled for completion in December, is over a mile long and is comprised of

1 286 columns and 978 pre-cast concrete girders. In addition to all of these major structures, the
2 Authority has constructed hundreds of irrigation crossings and wildlife crossings.

3 70. The Authority has completed 70 miles of guideway for the laying of track, with an
4 additional 27 miles under construction. And the Authority is in the process of constructing a
5 railhead, or depot, for delivery of track to the project, due for completion this year.

6 71. The Authority has had to engage in extensive utility relocation work (moving
7 electric, gas, telecommunications, water, sewer and irrigation), which has required the
8 cooperation of dozens of utility owners within the 119 miles under construction. Some of these
9 relocations are very complicated, requiring construction of new facilities. Moreover, because
10 utilities must maintain services to their customers, the work often must be scheduled months in
11 advance, or during specific windows of time. Some relocations require the cooperation of
12 multiple utilities. Despite these difficulties, the Authority has relocated 1,572 of 1,826 utilities to
13 date that are necessary to construct the initial 119-mile FCS, and an additional 102 utility
14 relocations are underway.

15 72. In addition to this extensive construction, the Authority has also accomplished
16 much of the planning, design, legal and environmental work required by the project. Notably, the
17 Authority has completed all programmatic and project-level environmental reviews under both
18 NEPA and the California Environmental Quality Act for the entire alignment from downtown San
19 Francisco to downtown Los Angeles. It has also reached agreements with cities on station design
20 and other issues, as well as agreements with BNSF and Union Pacific, which have freight rail
21 lines that are impacted by the high-speed rail system. Ninety-nine percent of the parcels needed
22 for the FCS have been acquired; this time-consuming process of land acquisition required the
23 Authority to reach agreements with property owners for 1,567 parcels and to bring lawsuits to
24 acquire 781 more. Design of the Merced extension is also well-advanced.

25 73. The Authority's work has not been confined to the EOS. Four hundred and sixty
26 three of the 494 miles of the San Francisco to Los Angeles/Anaheim system are environmentally
27 cleared and construction ready. Among other things, the Authority provided \$714 million to fund
28 the successful California Electrification Project between San Francisco and San Jose, which will

1 become part of the blended high-speed rail system, in which high-speed trains will share track
2 and infrastructure with Caltrain commuter trains. Salesforce Transit Center—the multimodal hub
3 that will serve as the Authority’s Northern California terminal station—began operations in
4 downtown San Francisco in 2018.

5 74. In South Los Angeles County, monies from the State high-speed rail bond funds
6 contributed to the \$137.2 million cost of building a vehicle overpass at the intersection of
7 Rosecrans and Marquardt Avenues in Santa Fe Springs, crossing over BNSF’s freight tracks and
8 future high-speed rail tracks, which has replaced an at-grade crossing rated by the California
9 Public Utilities Commission as the most hazardous rail crossing in the State.

10 75. FRA has closely monitored the Authority’s performance under the Cooperative
11 Agreements. Among other things, the Authority has provided regular reports and updates
12 allowing FRA to verify that the Authority is in compliance with a variety of grant requirements.²
13 The Authority and FRA meet monthly (at the staff level) and quarterly (at the executive level) to
14 discuss the project. In addition, FRA conducts Site Monitoring Reviews designed to provide the
15 Authority and FRA an opportunity to review issues that have arisen over the previous year and
16 address any ongoing or anticipated needs and concerns.

17 76. When a Site Monitoring Review discloses a need for corrective action for a
18 project, FRA issues a “Significant Finding” in its Site Monitoring Review Report demanding
19 corrective action. In the entire history of the project, FRA has only once issued a finding
20 demanding corrective action. This was more than a decade ago, in 2014, in connection with the
21 ARRA Cooperative Agreement, and the Authority promptly implemented a corrective action plan
22 that resolved the matter. Indeed, the “Significant Findings” section of the most recent Monitoring
23 Report, issued on October 21, 2024, states: “FRA did not identify any fraud, waste, abuse or other
24 significant findings that would impact project compliance or compliance with the terms and

25 ² Pursuant to the Cooperative Agreements, the Authority provides FRA with regular
26 reports about every aspect of the Project, including but not limited to: quarterly contingency
27 management plans, financial reports, project progress reports, funding contribution plans,
28 quarterly budget updates, quarterly progress reports, quarterly right-of-way acquisition reports,
and quarterly summary schedule updates. Semi-annually, the Authority submits a detailed Base-
Line Construction Schedule. And annually the Authority provides a Work Plan, and a Central
Valley Project Financial Plan.

1 conditions of the cooperative agreements.”

2 77. In addition, the Authority performs periodic risk assessment analyses, including
 3 but not limited to risks associated with funding uncertainty and schedule monitoring and
 4 management. These analyses are prepared by Authority personnel with training, expertise and
 5 experience in assessing risk associated with projects like this one. These risk assessments use a
 6 model prescribed by FRA and available on FRA’s website. *See*
 7 <https://www.transit.dot.gov/regulations-and-guidance/risk-and-contingency-review-op4>. The risk
 8 analyses set forth the modeling, assumptions and exceptions used in the analyses, so that a
 9 reviewer can appropriately evaluate the assessment. FRA periodically reviews the Authority’s
 10 risk assessment analyses, selecting specific aspects of the project for that review. In 2023, FRA
 11 conducted such a review, including meetings with the Authority. That review identified no
 12 significant concerns.³ Among its observations, FRA indicated that the Authority has “a robust
 13 process and tracking system for design risk” and that the Authority “has a thorough risk
 14 register.”⁴

15 78. FRA has also demonstrated its satisfaction with the Authority’s progress on the
 16 high-speed rail system and its performance under the Cooperative Agreements through its
 17 conduct, including awarding additional grants to the Authority and entering into new Cooperative
 18 Agreements. Here are a few examples:

19 a. On January 4, 2024, FRA and the Authority executed a Cooperative Agreement in the
 20 amount of \$25 million from the Rebuilding America Infrastructure with Sustainability
 21 and Equity (RAISE) program to fund the design of the Madera-to-Merced extension of
 22 the EOS (the “Merced Extension Cooperative Agreement”). The Authority has agreed
 23 to provide matching funds of \$16 million for this project. The end of performance and
 24 end of funding date for the Merced Cooperative Agreement is March 31, 2026. FRA
 25 has disbursed \$24.4 million under the Merced Cooperative Agreement, and FRA has
 26 approved \$15.6 million in state matching funds the Authority has expended.

27
 28 ³ See FRA Risk Review California High-Speed Rail Project, July 31, 2023.

⁴ See FRA Risk Review California High-Speed Rail Project, July 31, 2023.

- b. On September 12, 2024, FRA and the Authority executed a Cooperative Agreement in the amount of approximately \$202 million from the 2022 Consolidated Rail Infrastructure and Safety Improvements (2022 CRISI) program (the “Shafter Grant Cooperative Agreement”) to complete design, purchase right-of-way, and construct six grade separations in Shafter for both the existing BNSF freight-train track and for future high-speed rail alignment at Poplar Avenue, Fresno Avenue, Shafter Avenue, Central Avenue, Lerdo Highway and Riverside Street. Grade separations dramatically improve safety for cars, bicycles, pedestrians and wildlife by using underpasses or overpasses instead of at-grade crossings. The Authority has agreed to provide matching state funds of \$89,873,197 for the project. The end of performance and end of funding date for the Shafter Cooperative Agreement is March 31, 2031. FRA has disbursed \$100,000 under the Shafter Cooperative Agreement.
- c. On September 18, 2024, FRA and the Authority executed a Cooperative Agreement in the amount of \$20 million for the Historic Depot Renovation and Plaza Activation Project (the “Fresno Cooperative Agreement”). The project will restore a nationally registered historic passenger rail depot building for the Fresno high-speed rail station and create a neighboring park and plaza. The Authority agreed to provide \$13.2 million in State matching funds for the project. The end of performance and end of funding date for the Fresno Cooperative Agreement is July 31, 2028. All federal funds have been disbursed under the Fresno Cooperative Agreement and FRA has approved all \$13.2 million of the Authority's matching obligation.
- d. In January 2025, FRA awarded the Authority a grant of \$89,650,000 to construct an overcrossing at Le Grand Road in the Madera-to-Merced extension (the “Le Grand Overcrossing Grant”). As of July 2025, FRA and the Authority were in the process of finalizing the terms of the cooperative agreement for this project.

26 79. In addition, in 2023 the Authority was selected for the Corridor Identification and
27 Development Program. The program is phased, with an initial grant of \$500,000. Projects
28 selected for the program became entitled to funding under FRA's financial assistance program

1 and receive priority for grants under the Federal-State Partnership for Intercity Passenger Rail
 2 Grant Program. Considerations for selection to the program included the following criteria,
 3 among several other things:

- 4 a. projected ridership, revenues, capital investment, and operating funding requirements;
- 5 b. anticipated positive economic and employment impacts, including development in the
 areas near passenger stations, historic districts, or other opportunity zones;
- 6 c. committed or anticipated State, regional transportation authority, or other non-Federal
 funding for operating and capital costs; and
- 7 d. whether the corridor connects at least two of the 100 most populated metropolitan
 areas.⁵ 49 U.S.C. § 25101(c),

11 80. Each of these grants was issued long after the Authority decided to focus on
 12 implementing revenue-generating high-speed rail service on the EOS in the Central Valley, and
 13 FRA was well aware that construction of the north and south ends of the Los Angeles-to-San
 14 Francisco high-speed rail corridor would be deferred until additional funding was available.

15 **VII. THE CHALLENGES INHERENT IN LARGE INFRASTRUCTURE PROJECTS**

16 81. The U.S. government's financial investment in high-speed rail has been
 17 exceedingly small in relation to other modes of transportation. Between 1949 and 2017, the U.S.
 18 government invested \$10 billion in high-speed rail. During that same period, it invested over \$2
 19 trillion in highways and \$777 billion in aviation. By contrast, China opened up its first high-
 20 speed rail line in 2008. It has invested over \$1.4 trillion to build its high-speed rail network,
 21 spanning nearly 28,000 miles.

22 82. Major infrastructure projects face challenges at every stage—from planning,
 23 funding, environmental review, coordination with municipalities, and acquisition of private
 24 property, to the physical challenges of construction—that cannot be fully predicted or addressed
 25 until they occur.

26 83. For example, in 1972, the Bay Area Rapid Transit System (BART) opened its

27 28 ⁵ The Fresno and Bakersfield metropolitan areas are among the 100 most populous
 metropolitan areas in the United States.

1 initial 28 miles of rail for service (in the East Bay, not yet extending into San Francisco) after 15
2 years of planning, eight years of construction and more than \$1.6 billion spent (\$12.7 billion in
3 2025 dollars). Today, the network has more than 131 miles of track and 50 stations across the
4 Bay Area.

5 84. Plans for the East Side Access project in New York City were proposed in 1963
6 and then revived in the late 1990s. That project received federal funding in 2006. The project,
7 which extended the Long Island Railroad just two miles, was originally scheduled to open in
8 2009, but was delayed by more than a decade, finally opening for service in 2023. The final cost
9 of \$11.6 billion was substantially higher than the original estimated cost of \$3.5 billion, even
10 excluding billions of dollars in support projects not yet completed.

11 85. New York's Second Avenue subway line was originally proposed in 1920. In 1942
12 and 1955, elevated lines were demolished to accommodate it. Construction finally started in
13 1972, but was halted for lack of funds in 1975. The project was revived in 2007 and construction
14 began on Phase 1 of four planned phases. That first phase, which included only three stations and
15 1.8 miles of tunnel, took ten years to complete and cost \$4.6 billion. New York is planning a
16 second phase of just over one mile, which is anticipated to cost least \$6 billion and is not yet
17 under construction.

18 86. London's Crossrail project added new stations and 118 kilometers (73 miles) of
19 tunnel and additional stations to the London Underground. Construction began in 2009, and the
20 line ultimately opened in 2022 at a cost of £18.8 billion, or approximately \$24.3 billion at today's
21 exchange rate.

22 87. The Loma Prieta Earthquake in 1989 weakened the eastern span of the Bay Bridge
23 between San Francisco and Oakland. Original plans to repair the span were changed to a plan to
24 replace the structure. A bid for \$1.43 billion for the construction was accepted on March 2006.
25 The 2.2-mile span was finally completed in 2013—24 years later—at a total cost of about \$6.5
26 billion.⁶

27
28

⁶ <https://mtc.ca.gov/news/san-francisco-oakland-bay-bridge-self-anchored-suspension-sas-span-contract-awarded>

1 88. President Trump's border wall with Mexico is yet another example of how final
 2 costs and timelines for large infrastructure projects often far exceed original estimates. President
 3 Trump initially stated that the wall along the border between the United States and Mexico would
 4 cost \$12 billion, and that it would be paid for by Mexico. Within months, the estimated cost had
 5 increased to \$21.6 billion.⁷ To expedite construction of the border wall, federal agencies used
 6 "their statutory authorities to waive or disregard laws that they otherwise would have been
 7 required to comply with when undertaking such construction projects," including the National
 8 Historic Preservation Act of 1966, NEPA, and other cultural and natural resource-related laws.⁸⁹
 9 Still, progress has been slow. From January 2017 through January 2021, the federal government
 10 built only 458 miles of the pledged 1,000 mile border wall at a cost of approximately \$10.6
 11 billion (none of it paid for by Mexico).¹⁰ Only about 69 miles of that stretch were for completed
 12 wall systems.¹¹ And only about 87 miles consisted of new construction; the bulk of it replaced
 13 existing border structures erected under the administrations of George W. Bush and Barack
 14 Obama.¹² In addition, only about 16 miles of new construction was on private property, meaning
 15 that most of the construction did not require the time and expense of acquiring right-of-way.¹³ By
 16 January 2020, the anticipated cost had increased to \$20 million per mile, making it the most
 17 expensive border wall in the world.¹⁴ In 2025, Congress appropriated an additional \$46.5 billion

18 ⁷ <https://www.reuters.com/article/world/exclusive-trump-border-wonlyall-to-cost-216-billion-take-35-years-to-build-idUSKBN15O2ZY/>

19 ⁸ See GAO-23-105443 at 2.

20 ⁹ Negative impacts from the project included irreparable damage to historic sites and sites
 21 sacred to Tribes; disruption of natural water flows, exacerbating flooding risk; and damage to
 22 wildlife habitat. See GAO-23-105443 at 22-25.

23 ¹⁰ GAO Report GAO-23-105443 to Committee on Natural Resources, House of
 24 Representatives, *Southwest Border Additional Actions Needed to Address Cultural and Natural
 25 Resource Impacts from Barrier Construction* (Sept. 2023) (hereafter, "GAO-23-105443"); GAO
 26 Report GAO-21-372 to Congressional Requesters, *Southwest Board Schedule Considerations
 Drove Army Corps of Engineers' Approaches to Awarding Construction Contracts Through 2020*
 (hereafter, "GAO-21-372") 14. \$4.3 billion was awarded in non-competitive contracts. *Id.*
 (Highlights).

27 ¹¹ GAO-21-372 at 33-34.

28 ¹² See GAO-23-105443; John Burnett, NPR, *\$11 Billion and Counting: Trump's Border
 29 Wall Would Be the World's Most Costly* (Jan. 19. 2020). 650 miles of border structures were
 erected during the Bush and Obama administrations.

30 ¹³ See GAO-23-105443 at 17 & n.42, 60.

31 ¹⁴ See *\$11 Billion and Counting*. In contrast, the border structures built during President
 32 George W. Bush's administration cost about \$3.9 million per mile. Israel's wall on the West
 (continued...)

1 to complete the border wall. Assuming no further cost increases, the total cost to complete the
 2 wall will be roughly \$57.5 billion, a nearly five-fold increase since its announcement in 2016.

3 **VIII. FRA'S COMPLIANCE REVIEW AND THE GRANT TERMINATIONS**

4 89. On February 4, 2025, shortly after President Trump began his second term, he
 5 issued a statement indicating that he intended to start an investigation of the California high-speed
 6 rail project. The President wrongly asserted that the project was “hundreds of billions of dollars
 7 over budget,”¹⁵ and that it would be cheaper to take passengers between San Francisco and Los
 8 Angeles by limousine.

9 90. On February 20, 2025, Secretary Duffy announced he was going to direct FRA to
 10 initiate a compliance review of funding to the Authority. “And we’re going to look at whether
 11 California High-Speed Rail has actually complied with the agreements they’ve signed [and
 12 whether] they [are] spending it per the agreements that they made with the federal government.”
 13 He suggested that the project was riddled by fraud, waste or abuse, positing: “Who got rich?
 14 What consultants? What politicians? What politicians’ husbands got rich off this money?” The
 15 same day, the Chief Counsel for FRA advised the Authority by letter that FRA intended to initiate
 16 a compliance review of the Authority’s federal grants, including the FY10 Cooperative
 17 Agreement and the FSP Cooperative Agreement—despite the fact that FRA had just completed a
 18 monitoring review of the project in October 2024, just four months earlier, which concluded that
 19 “FRA did not identify any fraud, waste, abuse or other significant findings that would impact
 20 project compliance or compliance with the terms and conditions of the cooperative agreements.”

21 91. To date no monies have been disbursed under the FY10 Cooperative Agreement
 22 and only about \$1.4 million has been distributed under the FSP Cooperative Agreement—which
 23 disbursement was approved by FRA. That did not stop Secretary Duffy from announcing on
 24 April 29, 2025, “We are also investigating how California spent roughly \$4 billion from Biden,

25 _____
 26 Bank—the second most expensive border wall in the world—cost \$1 million to \$5 million per
 27 mile.

28 ¹⁵ President Trump’s statement that the project is “hundreds of billions of dollars over
 29 budget” exemplifies how untethered from the facts the administration’s efforts to stop
 California’s high-speed rail project has been. The total cost of the project to date is about \$14.37
 30 billion. And approximately 77% of that has been funded by the State.

1 only to get no results.”

2 92. At the same time that the President and Secretary Duffy were disparaging
3 California’s high-speed rail project, Secretary Duffy was extolling the Brightline West Las Vegas
4 to Victor Valley Project (“Brightline West”), a complementary high-speed rail project planned to
5 run from Las Vegas to the outskirts of the Los Angeles metropolitan area. Like all large
6 infrastructure projects, Brightline has had its challenges. Brightline West is a private project,
7 which Secretary Duffy has inaccurately praised as being “on time and on budget.” The Brightline
8 project dates back to 2005, when it was branded the DesertXPress High-Speed Passenger Train
9 Project. In 2012 it was rebranded XPress West, and then again rebranded as Brightline West Las
10 Vegas to Victor Valley Project in 2022. In September 2024, Brightline West received a \$3 billion
11 federal grant under the Federal-State Partnership for Intercity Passenger Rail Grant Program. As
12 planned, Brightline West will run for virtually all of its 218 miles on the existing, relatively flat,
13 Interstate 15 right of way—meaning that, unlike California high-speed rail, it has no need to
14 acquire large swaths of private property, build overpasses and undercrossings, or find the
15 financing for costly tunneling. Despite these logistical advantages, Brightline West did not break
16 ground until 2024, and actual construction on the project has not begun. Earlier this year,
17 Brightline West announced that it does not expect to be open for service in time for the 2028
18 Olympics, as previously planned.

19 93. Secretary Duffy has also incorrectly described Brightline West as “going from LA
20 to Las Vegas.” In fact, Brightline West will not extend into the City of Los Angeles itself. It is
21 currently planned to run from Las Vegas to Rancho Cucamonga, about 40 miles east of Los
22 Angeles. A MetroLink commuter rail line from Rancho Cucamonga to L.A. Union Station runs
23 hourly and takes 1 hour and 20 minutes.

24 94. The compliance review ordered by Secretary Duffy began with a February 27,
25 2025, letter from FRA’s chief counsel requesting vast amounts of information and thousands of
26 documents touching on virtually every aspect of California’s high-speed rail project. FRA gave
27 the Authority only 30 days to provide those materials. Then, after receiving the Authority’s
28 initial response, FRA requested more. The Authority nevertheless worked diligently and quickly,

1 providing all the requested information on time. The Authority completed its production of
2 documents, totaling some 80,000 pages, on May 2, 2025.

3 95. Also on May 2, Ian Choudri, the Authority's Chief Executive Officer, wrote to
4 Drew Feely, Acting Administrator for FRA, requesting a meeting to discuss any questions or
5 concerns FRA may have, and stating that the Authority "would be prepared to address those
6 concerns forthrightly."

7 96. But of course, as demonstrated by the President's and the Secretary's prior
8 statements, the Administration had already decided to terminate the Cooperative Agreements,
9 regardless of the results of the compliance review. On May 6, before FRA had completed its
10 review, President Trump launched into an Oval Office diatribe about the high-speed rail project,
11 announcing that he had already told Secretary Duffy that "we're not going to pay for" the project.

12 97. On June 4, 2025, FRA sent the Authority a Notice of Proposed Determination
13 stating its intent to terminate the FY10 Cooperative Agreement and the FSP Cooperative
14 Agreement—representing more than \$4 billion in total funding—and attaching a Compliance
15 Review Report dated June 2025. (Exhibit A.) FRA asserted two bases for terminating the grants:
16 First, FRA asserted that the Authority would be unable to complete the EOS within the budget
17 and schedule set forth in the FSP Cooperative Agreement. In other words, FRA concluded that
18 the Authority will be unable to begin fare-paying passenger service on the EOS by December 31,
19 2033. Second, FRA claimed that the Authority has no credible plan to address an approximately
20 \$7 billion funding gap to complete the EOS. The Notice also mentioned that the Authority
21 "cannot support representations it made when applying for Federal funds under the Cooperative
22 Agreement," but without specifying any particular representations or when they were made. It
23 also vaguely alluded to "mismanagement of [the Authority's] commitment to deliver high-speed
24 rail service," without noting that termination of a Cooperative Agreement on grounds of
25 persistent non-compliance requires a specific notice and opportunity to cure procedure.

26 98. In support of its proposed decision, FRA purported to rely on its Compliance
27 Review Report. The Compliance Review Report was provided to the Authority for the first time
28 when the Notice of Proposed Determination was issued. Contrary to past practice, the final

1 Compliance Review Report was not preceded by a meeting with the Authority to discuss the
2 proposed findings. Such a meeting would have at least given the Authority an opportunity to
3 provide input and offer corrections.

4 99. Importantly, the Compliance Review Report disclosed no wrongdoing in
5 connection with the project, despite Secretary Duffy's prior statements about waste, fraud and
6 abuse. FRA simply concluded that the Authority "is not likely to achieve its commitment to
7 deliver the EOS by 2033," and that the Authority "has no credible plan" for bridging an estimated
8 \$7 billion funding shortfall "beyond seeking additional federal funds."¹⁶

9 100. FRA did not explain why it reached a different conclusion than it had just months
10 before, in its October 21, 2024 Monitoring Report. In that report, FRA concluded that "FRA did
11 not identify any fraud, waste, abuse or other *significant findings that would impact project*
12 *compliance or compliance with the terms and conditions of the cooperative agreements.*"
13 (Emphasis added.)

14 101. The Compliance Review Report attached a Schedule and Cost Risk Analysis
15 ("FRA Risk Analysis.") The document was ostensibly prepared to bolster FRA's termination
16 decision. The Authority was not informed that FRA intended to prepare a risk analysis, and
17 therefore had no opportunity to provide input into the process. The FRA Risk Analysis is not a
18 complete, credible or reliable risk analysis for the following reasons:

- 19 a. FRA apparently did not use documents and information prepared in the ordinary
20 course of the Project, including risk assessment analyses prepared by the Authority's
21 experienced risk management team. Indeed, the document was prepared without
22 advising the Authority or giving the Authority the opportunity to provide any
23 consultation or input.
- 24 b. The FRA Risk Analysis is incomplete because it did not utilize comprehensive and up-
25 to-date information, even though that information was available to FRA. A key
26 element of any competent risk assessment is a risk register—a complete list of the
27 various risks that may hinder the completion of project goals at any given time. The

28

¹⁶ Compliance Review Report at 1-2.

1 Authority provided FRA with a complete risk register, excluding commercially
2 sensitive and confidential business information that the Authority offered to allow
3 FRA to review in person, as is the parties' customary practice. FRA declined to
4 review the register in person, even though FRA was on site at the Authority's offices
5 for the parties' Quarterly Meeting on May 5, 2025.

6 c. The FRA Risk Analysis omits information critical to any risk assessment, including a
7 complete risk register, an adequate description of the model used, and the underlying
8 assumptions and exceptions of FRA's model. It fails even to disclose the persons who
9 prepared it, much less their qualifications. Such information is needed to allow the
10 Authority—or any independent reviewer—to adequately evaluate and respond to the
11 alleged outcomes.

12 102. The Authority has a highly qualified risk-management team. The Authority
13 provides the background, education, and experience of its risk professionals when updating FRA
14 on risk assessments. The Authority is transparent about its risk-analysis methodology and shares
15 information onsite with FRA. Its risk analysis process has historically been a collaborative
16 process. As recently as 2023, FRA conducted a review of the Authority's risk analysis process
17 consisting of document reviews and meetings, and FRA's report found the Authority's risk-
18 analysis process to be "robust" and thorough.

19 103. In contrast, the FRA Risk Analysis was not the product of collaboration. It
20 contains no indication of who conducted the risk review or their qualifications. Nor did FRA
21 explain why the Authority's risk assessment analysis, which FRA reviewed just two years ago,
22 was suddenly inadequate.

23 104. The Notice of Proposed Determination gave the Authority seven days, pursuant to
24 Article 9.3(b) of the FSP Cooperative Agreement, to respond by either disputing that the
25 Authority was in default or proposing corrective action to cure the alleged default. *See* Exhibit A
26 at 5. In the event the Authority disputed default, the Notice of Proposed Determination stated that
27 the Authority could provide documentation supporting its compliance within 30 days. Although
28 the FSP allows the parties to extend the period for providing supporting documentation by an

1 additional 15 days, FRA denied the Authority's request for this modest 15-day extension.

2 105. The Authority timely responded to the Notice of Proposed Determination,
3 disputing that it was in default under the Cooperative Agreements, by letter dated June 11, 2025.

4 Exhibit B.

5 106. On June 18, well before the Authority's 30-day deadline to provide additional
6 detail and supporting documentation lapsed, President Trump criticized the project again, stating
7 that "we're not going to fund that anymore, it's out of control." The President also wrongly
8 asserted that the project is "one hundred times over budget" and claimed (again incorrectly) that
9 "they've spent, what is it, thirty or forty times more than they were supposed to spend."

10 107. On July 7, 2025, the Authority timely provided additional detail and supporting
11 documentation in support of its dispute. Exhibit C.

12 108. In these submissions, the Authority responded point-by-point to the findings made
13 in the FRA Compliance Review Report and demonstrated, *inter alia*, that it remains on schedule
14 to timely commence revenue service on the EOS. The deadline for commencing revenue service
15 on the EOS is December 2033, *more than eight years from now*. The Authority's project
16 schedule shows it meeting that commitment. FRA's assumption to the contrary rests on nothing
17 more than speculation that the Authority will be unable to resolve issues commonly encountered
18 in large projects, such as resolving third-party disputes and project change order requests, and the
19 fact that the Authority delayed finalizing its acquisition of train cars—called "rolling stock" or
20 "trainsets"—to reassess their technical specifications. Although identified as an interim
21 milestone, rolling-stock acquisition is not an event of default or persistent noncompliance under
22 the Cooperative Agreements, and thus not a proper basis for termination. The trainset
23 procurement milestone also is not a target that impacts final project completion. Trainset testing
24 is several years away under the schedule, such that acquiring trainsets under the interim milestone
25 would mean only that the trainsets will sit idle before testing, so the delay in procurement does
26 not materially impact the overall project schedule.

27 109. The Authority also demonstrated that FRA's assertions about a \$7 billion funding
28 gap ignore both the project's history and concrete evidence to the contrary. Absent future grants

1 to the Authority, the federal government's investment in the project is fixed. Any shortfall in
2 project expenses will come from other sources. Throughout the project, the State has covered
3 funding gaps, initially through a \$9 billion bond act, and later through providing the project with
4 cap-and-trade revenue, which has provided \$7.7 billion in funding to the project to date, with a
5 further \$5.75 billion committed to the project. The State has repeatedly demonstrated its financial
6 commitment to the project.

7 110. The Authority also has a concrete plan, set out in the Governor's May 2025
8 Budget Revision and supported by leaders in the Legislature, to end any uncertainty associated
9 with the current cap-and-trade funding by providing a stable, continuing funding level of
10 \$1 billion per year and extending the cap-and-trade program from 2030 to 2045. The stability
11 that plan will afford is also expected to attract private investment. The Authority explained in its
12 July 7 submission that it has issued a Request for Expressions of Interest to private sector
13 investors.

14 111. Moreover, the existence of this funding gap is not a new development. Among
15 other things, it was clearly disclosed in the Authority's FSP grant application, which FRA
16 approved, notwithstanding the funding gap. And in January 2025, the Authority's Office of
17 Inspector General noted that the Legislative Analyst Office had concluded that, given existing
18 uncertainties, including the uncertainty of further federal grants, "the Legislature will likely need
19 to identify billions in additional project funding within the next few years to help complete the
20 [EOS] segment."

21 112. In short, FRA's asserted grounds for terminating the Cooperative Agreements
22 were baseless and pretextual.

23 113. Indeed, just hours after the Authority submitted the July 7 supplemental
24 response—before FRA could have meaningfully reviewed it—President Trump and Secretary
25 Duffy made clear that termination was a foregone conclusion. On July 8, Secretary Duffy
26 indicated that FRA would terminate the agreements within about five days, stating, "The
27 boondoggle will end up costing \$120 billion and will never connect L.A. to San Francisco." At
28 the same time, President Trump claimed that "not one track has been laid. \$15 billion, and we're

1 16 years into the project. Not one track.” The President’s assertion ignored the fact that failure to
2 lay track is not one of FRA’s asserted grounds for termination. Moreover, track laying is one of
3 the *final* steps of the construction process and can commence only after planning, land
4 acquisition, environmental clearances, construction of supporting structures (e.g., bridges,
5 viaducts, and overpasses) and construction of guideway. The Cooperative Agreements do not
6 require tracklaying to be completed until December 31, 2029 (in the case of the first 119 miles of
7 the section) and June 30, 2032 (in the case of the remaining 52 miles).

8 114. On July 16, 2025, FRA notified the Authority that it was terminating the
9 Cooperative Agreements effective that day. It asserted that the decision was based on its
10 conclusion that the Authority “will not be able to deliver operation of a Merced-to-Bakersfield by
11 the end of 2033.” *See Exhibit D at 1.* It stated that “the mere promise of delivering the EOS
12 *someday* and at *some cost* was not the bargain struck.” *Id.* at 12 (emphasis in original). But the
13 Authority has never indicated that it plans to deliver the EOS *someday*. It remains committed to
14 delivering the EOS by the end of 2033, as required under the FSP Cooperative Agreement, and it
15 is on schedule to do so. FRA’s speculation that “on average, CHSRA is expected to miss the
16 required EOS start date,” *id.* at 2, a date more than eight years away, based an opaque and
17 unreliable “risk analysis,” is arbitrary and capricious and blatantly insufficient to justify
18 termination of the Cooperative Agreements, one of which was executed just ten months ago. In
19 short, FRA’s actions now—just like its actions six years ago—are entirely unjustified by the facts
20 on the ground. They reflect prejudging the outcome prior to (and regardless of) consideration of
21 the record. And they are a product of President Trump’s extreme antipathy toward California.
22 Indeed, the same hour that FRA informed the Authority of its final termination decision, the
23 President posted on Truth Social that “[t]hanks to Transportation Secretary Sean Duffy, not a
24 SINGLE penny in Federal Dollars will go towards this Newscum SCAM ever again.”

25 **IX. FRA’S DEPARTURE FROM ORDINARY AGENCY PRACTICE**

26 115. FRA’s final decision to abruptly terminate the Cooperative Agreements, rather
27 than work with the Authority and impose graduated sanctions, if appropriate, was a sharp
28 departure from ordinary agency practice over many years.

1 116. At the time the FY10 Cooperative Agreement was executed, DOT regulations
2 provided that the remedies imposed for non-compliance with a grant or cooperative agreement
3 should be “appropriate in the circumstances” and range from “[t]emporarily withholding cash
4 payments pending correction of the deficiency” to more serious measures such as disallowing the
5 use of funds and matching credit for “all or part of the cost of the activity not in compliance,”
6 “wholly or partly suspend[ing] the current award” or “withholding future awards.” 49 C.F.R.
7 § 18.43(a)(1)-(5).

8 117. DOT’s Financial Assistance Guidance Manual, issued March 2009, similarly
9 provided that “[e]nforcement measures should match the seriousness of the problem” and that the
10 agency official “should apply sound judgment in determining what enforcement measures are
11 appropriate for a situation,” and suggested escalating sanctions to secure compliance rather than
12 termination.

13 118. Effective December 26, 2014, the federal government adopted uniform remedies
14 for DOT and other agencies that administer federal grants. 2 C.F.R. § 1.105(c). Under these
15 regulations, when a grantee fails to comply with the terms and conditions of an award, the
16 awarding agency “may implement specific conditions,” 2 C.F.R. § 200.339, such as “[r]equiring
17 additional project monitoring,” requiring the recipient obtain technical or management assistance,
18 and “[e]stablishing additional prior approvals,” 2 C.F.R. § 200.208(c). If the agency subsequently
19 “determines that noncompliance cannot be remedied by imposing specific conditions,” the agency
20 may then take additional corrective actions, including, among other things, suspending or
21 terminating the award “in part or in its entirety.” 2 C.F.R. § 200.339(c).

22 119. In 2016, DOT published a Financial Assistance Manual, applicable to FRA, which
23 states that, after identifying a material violation of a grant or cooperative agreement and
24 attempting resolution, DOT should work with “Senior Management” and specified others within
25 the agency “to determine the appropriate course of action.” The Manual further states that if
26 preliminary measures fail to bring a recipient into compliance, the recipient generally will not be
27 terminated immediately; instead, it will be suspended and given an opportunity to take
28 appropriate corrective action. According to that Manual, “[i]f the deficiencies are not corrected

1 during the suspension period, or when the deficiencies are so egregious that an end to the grant is
2 the only appropriate option, the [agency] should determine whether to proceed with termination.”

3 120. In 2019, DOT published a Guide to Financial Assistance, effective January 1,
4 2020. It describes remedies when an agency determines that a grant recipient is not complying
5 with the terms and conditions of a grant. “In the event that recipients do not comply with Federal
6 award requirements,” it provides, “the [Operating Administration/Office of the Secretary] may
7 consider the use of a remedial action(s) to protect the integrity of Federal funds. A remedial
8 action should be used only after other actions to improve a recipient’s compliance or performance
9 have not been successful, or the OA/OST determines that other actions are unlikely to improve
10 compliance or performance.”

11 121. DOT practice, consistent with the DOT Manual and Guide and its regulations, is to
12 address grant compliance issues with escalating sanctions. That process starts with providing
13 assistance, and if such assistance does not resolve the problem, notifying the grant recipient of a
14 need for corrective action. Only if these measures are not successful, and the grantee fails to take
15 corrective action, is the harsher remedy of grant *suspension* considered. The draconian measure
16 of grant *termination* is appropriate only in the most egregious circumstances.

17 122. None of these required steps happened here. Neither the notice of proposed
18 determination nor the final termination letter explains why FRA decided to depart from ordinary
19 agency practice in terminating the FY10 Cooperative Agreement and the FSP Cooperative
20 Agreement without imposing lesser sanctions first. Nor do they explain why the FRA is
21 terminating the grants now, (1) without waiting to see what action the California Legislature will
22 take with respect to the proposed extension of the cap-and-trade program to 2045 and the \$1
23 billion in stable, annual funding for the program, and (2) more than eight years prior to the
24 deadline for completion of the EOS, during which time other Federal and State funding could
25 become available even if the current cap-and-trade program is not changed by the California State
26 Legislature this summer.

27
28

CLAIM FOR RELIEF

Administrative Procedure Act

123. Plaintiff incorporates the allegations of the preceding paragraphs by reference.

124. The Administrative Procedure Act (APA), 5 U.S.C. § 706, authorizes this Court to set aside final agency action that is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law. FRA's decision to terminate the FY10 and FSP Cooperative Agreements constitutes final agency action under the APA.

125. FRA's decision to terminate the Cooperative Agreements and de-obligate the funds awarded under the Cooperative Agreements is contrary to its policies, procedures, and regulations, as well as its ordinary practices, which require that FRA first work with a grantee to address any non-compliance, and if that fails, proceed to issue a demand for corrective action, before it considers suspension—much less termination—of a Cooperative Agreement. FRA failed to follow that course here. Moreover, FRA's termination letter failed to provide any explanation for departing from its policies and ordinary practices.

126. Defendants' rationale for terminating the Cooperative Agreements is also inconsistent with their prior actions, including but not limited to the fact that, prior to the change in presidential administrations, FRA had consistently determined that the Authority was in compliance with the Cooperative Agreements, including in a Monitoring Report issued less than nine months ago.

127. Plaintiff is informed and believes and thereupon alleges that Defendants' termination decision was not based on an examination of the relevant data, and that Defendants did not provide or articulate a satisfactory explanation for their action, including a rational connection between the facts found and the choice made. Rather, the decision was predetermined and precipitated by President Trump's overt hostility to California and its Governor, its challenge to his border wall initiative and other policies, and what he has called the "green disaster" high-speed rail project.

128. Defendants' unilateral decision to terminate the FY10 Cooperative Agreement and the FSP Cooperative Agreement and to refuse to continue the cooperative work on the EOS also

1 is directly contrary to the statutory requirement and congressional mandate that the Secretary
2 “make grants for high-speed rail projects . . . and capital investment grants to support intercity
3 passenger rail service,” Pub. Law 11-117, 123 Stat. at p. 3056 (Dec. 16, 2009), and to the
4 congressional authorization of grants to “project[s] to expand or establish new intercity passenger
5 rail service,” with preference for projects that have been selected for the Corridor Identification
6 and Development Program. 49 U.S.C. § 24911(c), (d). FRA’s termination of the FY10
7 Cooperative Agreement and the FSP Cooperative Agreement will cause significant damage to
8 California’s high-speed rail program.

9 129. The funds appropriated by Congress and obligated to the Authority in the FY10
10 Cooperative Agreement and the FSP Cooperative Agreement are a specific *res*. Should
11 Defendants be allowed to re-obligate or transfer those funds to another grantee or project, this
12 case may become moot, resulting in irreparable harm to the Authority.

13 130. Accordingly, the Court should set aside FRA’s termination decision and
14 preliminarily and permanently enjoin Defendants from re-obligating or otherwise transferring the
15 funds to other activities, programs, or recipients.

16

17 **PRAYER FOR RELIEF**

18 WHEREFORE, the Authority respectfully requests that this Court enter judgment in its
19 favor, and grant the following relief:

20 1. That the Court issue a judicial declaration that Defendants’ decision to terminate
21 the FY10 Cooperative Agreement and the FSP Cooperative Agreement was arbitrary, capricious,
22 an abuse of discretion, or otherwise not in accordance with law;

23 2. That the Court enter a judgment setting aside the termination decision;

24 3. That the Court enter a preliminary injunction, followed by a permanent injunction,
25 enjoining Defendants from re-obligating the grant funds to another grantee or otherwise
26 transferring the funds; and

27 4. That the Court grant such other relief as the Court may deem just and proper.

28

1 Dated: July 17, 2025

2 Respectfully submitted,

3 ROB BONTA
4 Attorney General of California
5 PAUL STEIN
6 Supervising Deputy Attorney General
7 CHRISTOPHER J. KISSEL
8 Deputy Attorney General

9
10 /s/ Sharon L. O'Grady
11 SHARON L. O'GRADY (SBN 102356)
12 Deputy Attorney General
13 455 Golden Gate Avenue, Suite 11000
14 San Francisco, CA 94102
15 Telephone: (415) 510-3834
16 Fax: (415) 703-1234
17 E-mail: Sharon.OGrady@doj.ca.gov
18 *Attorneys for California High-Speed Rail*
19 *Authority*