Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington DC 20515

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SUMMARY OF SUBJECT MATTER

TO: Republican Members, Subcommittee on Railroads, Pipelines, and Hazardous Materials
FROM: Majority Staff, Subcommittee on Railroads, Pipelines, and Hazardous Materials
RE: Subcommittee Hearing on "Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service"

PURPOSE

The Subcommittee on Railroads, Pipelines, and Hazardous Materials, will meet on Thursday, June 22, 2017 at 10:00 a.m., in 2167 Rayburn House Office Building, to receive testimony related to "Building a 21st Century Infrastructure for America: Challenges and Opportunities for Intercity Passenger Rail Service". The Subcommittee will hear testimony from the Federal Railroad Administration; Amtrak; representatives of two high-speed rail initiatives, All Aboard Florida and the California High-Speed Rail Authority; and John Porcari, former United States Deputy Secretary of Transportation and interim executive director of the Gateway Program Development Corporation, an organization formed to facilitate a program of rail projects in northern New Jersey and New York City.

BACKGROUND

Amtrak

Since 1971, most intercity passenger rail service in the United States has been operated by Amtrak, formally known as the National Railroad Passenger Corporation, by statute a for-profit corporation. At the time, the private freight railroads were losing money on passenger service. In exchange for being relieved of the obligation to operate the service, Amtrak in now required to provide access to their tracks on an incremental cost basis and to give Amtrak trains priority over freight trains.

Amtrak serves over 500 stations and in fiscal year 2016 carried 31.3 million passengers, including 11.9 million on the Northeast Corridor (NEC) between Washington, DC and Boston, Massachusetts. By comparison, intercity buses carried 604 million passengers in 2016, and 696 million passengers flew domestically. Over its lifespan, Amtrak has received $45 billion in federal subsidies to cover operating losses and support capital investments, including major projects on the NEC. Additional funds have been appropriated to states and other entities for

conventional and high-speed rail projects. And many states also subsidized Amtrak, in fiscal year 2016 paying Amtrak $223 million.

The *Fixing America's Surface Transportation (FAST) Act* (P.L. 114-94) reauthorized Amtrak for five years, from fiscal year 2016 through fiscal year 2020. For fiscal year 2017, the *FAST Act* authorized $1.5 billion, and Amtrak was appropriated $1.49 billion. The *FAST Act* authorized $1.6 billion for Amtrak for fiscal year 2018.

Amtrak operates three principal lines of business, the NEC, state supported routes, and long distance routes.

The Northeast Corridor

The NEC is the backbone of the Nation's intercity passenger rail system, carrying more passengers than any other line. The NEC is host to intercity passenger rail, commuter rail, and freight rail operations. Of the 437 total miles of the NEC, Amtrak owns,[1] maintains, and controls 363 miles, with states controlling portions of the route north of New York City. While Amtrak owns the NEC, it is a minority user, operating about 150 trains daily on the corridor, compared to over 450 trains by the Long Island Railroad (LIRR), 415 train by New Jersey Transit (NJT), and 350 by the Southeastern Pennsylvania Transportation Authority (SEPTA). In total, about 2,153 trains operate on the NEC daily. On an operating basis, i.e., excluding depreciation and interest, the NEC produced a $440 million surplus in fiscal year 2016.

Much of the NEC's infrastructure dates from the eras of the Civil War to the *New Deal.* According to the NEC Commission (Commission), $38 billion in investment is needed to bring the NEC to a state of good repair.[2] The Commission's *Northeast Corridor Capital Investment Plan, Fiscal Years 2018-2022* identifies nine projects costing $22.8 billion as top priorities for the NEC:

Top NEC-Wide Unfunded Priorities*	
	Total Estimated Cost ($ billions)
North Portal Bridge	$ 1.7
Hudson Tunnel Project	$ 10.0
East River Tunnel Rehabilitation	$ 0.8
Sawtooth Bridge Replacement	$ 1.3
Baltimore & Potomac Tunnel Replacement	$ 4.5
Susquehanna Bridge Replacement	$ 1.7
Pelham Bay Bridge Replacement	$ 0.4
Connecticut River Bridge Replacement	$ 0.7
Devon Bridge	$ 1.5
Total	**$ 22.5**

**Source: Northeast Corridor Capital Investment Plan, Fiscal Years 2018-2022*

[1] Through a 1,000-year lease from the federal government.

[2] The NEC Commission was established by Congress as part of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) (P.L. 110-432) to develop a formula for allocation NEC capital and operating costs among the users of the Corridor and to facilitate coordinated planning.

The first four projects are part of the Gateway Program, a group of proposed projects between Newark, New Jersey and Manhattan. A major element of the Gateway Program includes construction of a new Hudson River tunnel to allow the existing North River Tunnel to be rehabilitated and, over the longer term, provide additional train capacity into Penn Station. The Program also includes expanding Penn Station's tracks and platforms, and the creation of new Penn Station concourses and connections to the Farley Post Office, where Amtrak operations will relocate. In New Jersey, Gateway includes replacement of the Portal and Sawtooth Bridges, and expanding the NEC mainline from two to four tracks between Newark and the Bergen Palisades tunnel portals.

Beginning July 7, 2017 and continuing through Labor Day, Amtrak will be conducting major repairs on the track infrastructure at New York's Penn Station. The work had been scheduled to occur on nights and weekends over an extended period, but is being accelerated following two derailments that caused major disruptions for LIRR and NJT commuters this spring. The track work is expected to cause significant delays for both commuters and Amtrak since several tracks will have to be shut down at any given time. Currently, about 1,300 trains use Penn Station on a daily basis, carrying 450,000 passengers.

State-Supported Routes:

Amtrak receives funding from 18 states to operate 24 state-supported routes. These corridors of less than 750 miles, primarily located in the Northeast, Midwest, and Pacific Coast, connect major metropolitan areas and have seen substantial ridership growth over the past decade. State-supported corridor services carried 14.7 million passengers in fiscal year 2016, nearly half of Amtrak's total ridership. Pursuant to Section 209 of the *Passenger Rail Investment and Improvement Act of 2008 (PRIIA 2008)* (P.L. 110-432), Amtrak and the states have developed and implemented a methodology for allocating operating and capital costs associated with the corridor routes, reducing the operating loss on the trains to $149 million in fiscal year 2016. State payments to Amtrak have risen from $179 million to $228 million since 2012.

Long Distance Routes:

Amtrak operates 15 long distance routes over an 18,500-mile network, owned primarily by the freight railroads. In fiscal year 2016, the long distance routes carried a total of 4.65 million passengers and reported a loss of nearly $500 million. Currently, the entire cost of the long distance routes is borne by the federal government. The long distance routes lost an average of $105 per passenger, with the highest losses on the Sunset Limited ($348 per passenger) and the Cardinal ($156 per passenger), excluding depreciation and interest.

The President's fiscal year 2018 budget proposes that federal funding for the long distance routes be terminated, noting that the trains carry only 15 percent of Amtrak riders, but account for 38 percent of operating costs and are responsible for the majority of Amtrak's operating losses.

High-Speed Rail

Amtrak operates the only high-speed rail operation in the United States, the Acela service on the NEC. Acela can reach an operating speed of up to 150 miles per hour (mph) but due to track curvature and speed restrictions, actually reaches 150 mph for only 28 miles of the Washington, DC to Boston route. Acela averages only 83 mph between DC and New York and 72 mph between New York and Boston. Acela falls far short of international high-speed trains, which can average 150 mph and many Nations are upgrading systems to achieve top speeds of 220 mph.

In October 2008, *PRIIA 2008* established the groundwork for what would become the Federal Railroad Administration's (FRA) High-Speed Intercity Passenger Rail (HSIPR) Program, aimed at trains operating at speeds of at least 110 mph. Using that framework, *the American Recovery and Reinvestment Act (ARRA)* (P.L. 111-5), passed in January 2009, allocated $8 billion in federal funding – with no matching requirement – to launch the FRA's competitive HSIPR grant program in June 2009. An additional $2.5 billion was appropriated for high-speed rail in fiscal year 2010 with a required non-federal match of at least 20 percent. Congress has not funded the HSIPR Program since that time, and the fiscal year 2011 Omnibus actually rescinded $400 million of unobligated HSIPR funds. In addition, three states – Florida, Ohio, and Wisconsin -- refused to accept high-speed rail funds for a number of reasons, including the potential future costs to their states.

While termed the "high-speed" passenger rail service program, both high-speed and conventional rail projects were eligible for funding, and the majority of the grants were made to improve conventional Amtrak service, including track infrastructure, equipment, and stations. The FRA made a total of 153 grants to 34 states, the District of Columbia, and Amtrak, ranging from $100,000 to the state of New Mexico to develop a state rail plan to $2.9 billion for the California high-speed rail project. In total, the California project received a total of $3.879 billion in federal funding, which represented almost 39 percent of the total HSIPR grant funding awarded by FRA.

ARRA funds that have not been spent by September 30, 2017, will lapse and be returned to the U.S. Treasury. As of June 2, 2017, $1 billion of the original $8 billion, or 12.5 percent of the funds, had not been spent. Further, while a number of incremental improvements have been made mostly to conventional rail service, not a single new high-speed service has resulted from the sizable federal investments. That said, several high-speed rail projects are under development including projects in California and Florida.

California High-Speed Rail:

As originally proposed in 2000, the California high-speed rail network would have connected all of California's major population centers, including the San Francisco Bay Area, Los Angeles, and San Diego by 2020 along a dedicated, fully grade separated right-of-way with trains operating at speeds of up to 220 mph. The estimated cost at the time was $25 billion.

The plan has changed significantly since. (See Appendix for map of project). Currently, the initial high-speed segment, Stage 1, is planned to extend from San Jose to a point north of

Bakersfield (referred to as the initial operating segment or IOS), a distance of less than 250 miles, at an estimated cost of $20.7 billion. Service on this segment is now scheduled to begin in 2025. The California High-Speed Rail Authority's 2016 business plan states that "[t]he funding authorized by the governor and Legislature, by the federal government and the people of California is sufficient to deliver a high-speed rail line connecting the Silicon Valley to the Central Valley".[3] However, $10.6 billion of the funding, or slightly more than half of the total, is to come from California's cap and trade program. Since proceeds from the cap and trade auctions have varied considerably, the availability of the funds is far from guaranteed. Further, the project plans to borrow $5.2 billion to complete the IOS, using cap and trade funds scheduled to be made available from 2025 – 2050 to pay off the loan. In reviewing the 2016 business plan, the California High-Speed Rail Peer Review Group noted that securitization of the cap and trade funding will depend on an extension of the program beyond 2020 and may require approval by the Legislature to borrow against cap and trade revenues.

To address skyrocketing costs, the California high-speed rail project will no longer be a dedicated high-speed rail line for its entire length. Instead, California high-speed rail will operate over Caltrain's tracks from San Jose to San Francisco, and over Metrolink between Burbank through Los Angeles Union Station to Anaheim. Travel times and train speed will be reduced as a result. A total of $934 million in state funding dedicated to the high-speed rail project will be used to help fund the Caltrain electrification project. (See Appendix, Figure 1.)

The total cost of Phase 1 of the project between San Francisco and Los Angeles is now estimated to be $64.2 billion in year of expenditure dollars and $55.3 billion in 2015 dollars, with an optimistic completion date of 2029. No estimates are being given at this point for the cost of Phase 2 to add connections to Sacramento and San Diego.

In its review of the California High-Speed Rail Authority's 2016 business plan, the California High-Speed Rail Peer Review Group expressed concerns about the funding assumptions and shortfalls. The Group noted that even under the Authority's own assumptions, Phase 1 of the project faces an $18.9 billion shortfall. In addition to its concerns about the cap and trade funds, the Peer Review Group noted that an additional $2.9 billion in new funding, not currently identified, will be needed to complete stage 2 of Phase 1 to extend the IOS south to Bakersfield and north to San Francisco. The 2016 business plan indicates the Authority will seek federal funds or financing to fill the gap. With respect to the final stage of Phase 1, the Peer Review Group noted that $20.9 billion of the assumed funding consists of the net discounted cash flows the project might generate if the Phase 1 rail line is operated through 2060. Even if this optimistic assumption is met, another $10.9 billion remains unfunded.

All Aboard Florida (AAF):

AAF is a $3 billion - $3.5 billion "higher-speed" passenger service that will be privately owned and funded by Florida East Coast Industries. Phase I of the project, scheduled to begin full operations in October 2017, will operate between Miami and West Palm Beach at a speed of 79 mph. Phase II of the project will extend service to Orlando with operating speeds between 110 and 125 mph. Passengers will be able to travel time from Miami to West Palm Beach in one

[3] California High-Speed Rail Authority, Connecting and Transforming California, 2016 Business Plan, p. 9.

hour, and to Orlando in three hours. AAF currently expects Phase II to be fully operational by 2019. The new service has been named Brightline.

With the exception of 40 new miles of track between Orlando and Cocoa, Florida, AAF will operate alongside the Florida East Coast Railway. The use of existing rights-of-way will significantly lower the cost of the project.

The AAF project includes significant real estate development around its Miami, Fort Lauderdale, and West Palm Beach stations. For example, the $200 million Miami station will include 3.5 million square feet of development, including two residential towers. The Miami station will connect with three existing public transit rail systems to create an integrated multimodal transportation hub.

While privately funded, AAF is pursuing low interest federal financing for a portion of the project. AAF has received a $600 million allocation of Private Activity Bonds (PABs)[4] for Phase I, and is expected to apply for a PABs allocation of about $1.15 billion for Phase II of the project. The environmental work for Phase II has been completed and the Army Corps of Engineers is currently preparing a Record of Decision.

WITNESS LIST

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[4] Public Activity Bonds, or PABs are debt instruments authorized by the U.S. Department of Transportation and issued by a State on behalf of a private entity for highway and freight transfer projects, allowing a private project sponsor to benefit from the lower financing costs of tax-exempt municipal bonds.

APPENDIX

Figure 1. California High-Speed Rail Project