

**Amtrak Conference Call
Monday, September 8, 2008,
3:00 to 4:00 p.m.**

The Kansas Department of Transportation (KDOT) hosted this conference call with Kansas legislators, Amtrak, and members of the Northern Flyer Alliance. The purpose of the call was to learn about the experiences of other states regarding startup funding and operating support for their state-supported Amtrak services.

The following people participated:

1. Ray Lang, Amtrak Senior Director for Government Affairs
2. Kansas state senators Les Donovan, Greta Goodwin, and Marci Francisco
3. Northern Flyer Alliance members Evan Stair, Mark Corrison, and Matt Zimmerman
4. KDOT staff members John Maddox and Ron Kaufman

Kansas state senator Carolyn McGinn was unable to participate as planned. The Northern Flyer Alliance invited representatives from the Oklahoma Department of Transportation and Oklahoma legislators but no one from either group participated.

KDOT sent Mr. Lang a set of questions several days in advance so he could be prepared with information. They are detailed in the following notes. Since it isn't possible to speculate on the outcome of the Kansas study, the questions pertained to the experiences of the 14 states with state-supported services.

- A. Mr. Lang prefaced his remarks with an overview of Amtrak services nationwide. He noted Amtrak operates three major types of service:
1. A network of 13 overnight cross-country trains (such as the Southwest Chief that runs through Kansas)
 2. Intercity trains such as the Acela in the northeast part of the nation
 3. State-supported corridor trains serving 14 states (He noted that Amtrak expects to add another state partner in the near future and add more frequent service for a current partner)

QUESTIONS:

1. **What are the funding sources other states use for their operating support?**
 - a. Up to this point, there have not been any federal matching funds to assist states with operating support. Generally, states use one or a combination of state general revenue funds or state fuels taxes.
 - i. Oregon uses a combination of general revenue funds, fuels taxes, and a fee from customized license plates
 - ii. Washington uses a combination of general revenue funds and rail car taxes
 - iii. Michigan uses transportation funds supported by fuels taxes

- iv. Illinois uses general revenue funds and some sales tax revenue
 - v. Maine currently uses federal Congestion Mitigation/Air Quality (CMAQ) funds under a one-time exemption. The exemption will expire in 2009 and will not be available thereafter. Other states have attempted to use federal CMAQ funds without success.
- 2. What is Amtrak's annual income from state support, nationwide?**
- a. States pay direct operating costs that exceed annual ticket revenues. The payments are negotiated annually (by state fiscal year) based on the actual revenues from the previous year.
 - b. Amtrak's FY 08 income from state support is projected to be \$167 million
 - c. Amtrak's FY 08 ticket revenue from state operations is expected to be \$200 million
- 3. What is the range of annual support payments?**
- a. Payments range from about \$2.5 million for Vermont to \$85 million for California. Mr. Lang will provide a list of the state support payments. *Later, he noted that it isn't possible to use the support payments of other states as a basis to estimate what Kansas would pay for its support payment.*
- 4. When routes cross state lines, how do states apportion their support payments?**
- a. Three pairs of states have shared services. Each pair negotiates their respective shares differently.
 - i. Wisconsin and Illinois split the payment 75/25 based on an estimate of ridership origin. Wisconsin generates more riders than Illinois.
 - ii. Washington and Oregon calculate their split based on train miles in each state. Mr. Lang estimated that Washington pays about \$13 million and Oregon pays about \$4.5 million.
 - iii. Oklahoma and Texas split the cost 50/50. Oklahoma originally paid for the entire service until the OK legislature capped the state's support payments. At that time the OK DOT approached the TX DOT for assistance to keep the service in operation and TX agreed to pay 50 percent. No formula is used.
- 5. When routes cross state lines, how is oversight handled? Do the states have agreements or contracts for oversight of the service?**
- a. Oversight is spelled out in the individual contracts. Amtrak provides a variety of daily and monthly reports to each state. Amtrak also hosts twice-yearly group meetings of its state partners to address updates, questions, and concerns.
- 6. What has been the range or average length of time from when service is approved by the legislative body to the inaugural run?**
- a. For new services on existing routes, it can take as little as 4 to 5 months to start a new service. Staff training time is required for each new service, accounting for much of the time.
 - b. For entirely new routes, it could take as little as two construction seasons, depending on infrastructure improvement needs. Infrastructure improvements could include track, ties, ballast, rail beds, sidings, crossings and signals. As an example, it could take one season for preliminary engineering (designing the improvements) and one season for building the improvements. Concurrently, negotiations could take place with the host railroad (BNSF in Kansas).

7. For multi-state routes, did the legislatures create a legislative agreement?

- a. The DOTs entered into the necessary agreements. This doesn't mean that legislatures couldn't get involved, however.

8. What is the general cost of rehabilitating passenger rail cars?

- a. The mothballed Amtrak fleet is generally 50-60 years old. 40-50 cars may be candidates for rehabilitation. Amtrak plans to rehabilitate 5-10 per year. They recently sent Illinois Senator Derek Durbin information indicating the cost to rehabilitate a car ranges from \$800,000 to \$1.2 million. The rehabilitation work includes new wheel trucks, interiors, and restroom facilities.

9. What are other sources of new or rehabbed passenger rail cars?

- a. There are manufacturers in Europe to serve the foreign market. Bombardier and Talgo are two examples. Since Amtrak hasn't been able to afford to purchase new equipment, there hasn't been much interest domestically to produce it for Amtrak (*Ed. note: Colorado Railcar Manufacturing, Ft. Lupton, Colorado, produces passenger rail cars for the commuter and scenic rail industries*). If Kansas decides to support expanded service (or even before), KDOT can expect to be approached by equipment suppliers.
- b. Some states have or are considering buying cars for use by their Amtrak services. Mr. Lang noted there is a need for a common set of specifications for such use.

10. When states support multiple services, are the support payments billed per service or is it a sum of the services?

- a. There is one contract payment, but the contract itemizes the amount for each service.

11. What funding sources have other states used for start-up costs?

- a. Except for Oklahoma which received a federal earmark and Maine which used federal CMAQ funds (see 1. a. v.), there hasn't been any federal assistance for startup costs. The states have generally used general revenue funds.
- b. Mr. Lang noted that California has invested heavily in its passenger rail systems since they are limited in how much highway expansion is possible. California owns its equipment and light maintenance facilities. The state has invested heavily in improving the infrastructure of the host railroads (Union Pacific and Burlington Northern Santa Fe), but the state does not own the tracks.

- B. Mr. Lang explained the potential for future federal funding. He expressed optimism that there would be \$300 million to \$450 million in capital funding included for states in the pending Amtrak reauthorization bill. He said the states will need to have an intercity passenger rail plan and that the funds would probably be targeted toward improving on-time performance and expanding or starting services. He expected the funds would be awarded competitively on a 50/50 matching basis and would be administered by the Federal Railroad Administration.

He also expected the FRA to announce shortly its selection of successful applicants for the \$30 million in matching grant money already made available in previous legislation.

C. The call concluded with questions and answers.

1. Senator Goodwin:

- a. Are states' contracts negotiated annually?
 - i. Yes, although Amtrak prefers multi-year contracts because they make it easier to estimate future cash flow.
- b. Would the Oklahoma support payment would be similar to what Kansas could expect?
 - i. No, each state situation is unique and it isn't possible to use the payments of other states as a base to estimate what Kansas would pay for its support payment.

2. Senator Donovan:

- a. How are ridership estimates determined?
 - i. Amtrak uses sophisticated models run by AE Comm, a company which provides reliable figures for Amtrak nationwide.
- b. Senator Donovan mentioned that Kansas is facing a shortfall in federal highway funds.
 - i. Mr. Lang remarked that Amtrak hasn't been affected by the economic downturn as severely as other sectors because travelers have increased their demand for passenger rail.

3. Senator Francisco:

- a. The senator noted California's investment in their own maintenance facilities and asked if Kansas and Oklahoma would share maintenance.
 - i. Equipment undergoes major overhauls every three years in Amtrak facilities. California built its own facilities for lighter maintenance occurring about every 90 days.
 - ii. The KS study would look at where maintenance would occur and whether a new facility would be needed.

4. Evan Stair:

- a. What is the relationship between Kansas and Oklahoma and how would decisions would be made regarding sharing payments?
 - i. Ron Kaufman and John Maddox remarked that KS and OK have a good working relationship and that any negotiations about shared service would probably start at the staff level. If something couldn't be worked out, then the Secretary's might be asked to get involved. Ultimately, the two Secretaries are responsible for any decisions made on behalf of the DOTs.

The call concluded at 4:05 p.m.

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