

**REPORT OF THE DEPARTMENT OF
RAIL AND PUBLIC TRANSPORTATION**

**Funding Strategies for State
Sponsored Intercity and High
Speed Passenger Rail
[SJR 63 (2010)]**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



SENATE DOCUMENT NO. 14

**COMMONWEALTH OF VIRGINIA
RICHMOND
2010**



COMMONWEALTH of VIRGINIA

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November 23, 2010

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Richmond, Virginia 23219

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Chairman, House Transportation Committee
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Lady and Gentlemen:

Attached for your review is the "Funding Strategies for State Sponsored Intercity and High Speed Passenger Rail" as requested by the 2010 General Assembly session in Senate Joint Resolution 63. This report is provided by the Virginia Department of Rail and Public Transportation on behalf of the Secretary of Transportation, and responds to the General Assembly's direction to:

- i. Assess the most efficient and beneficial method by which high speed and intercity passenger rail operations should be funded.
- ii. Submit a report to the governor and the General Assembly communicating its findings and recommendations.

Sincerely,

A handwritten signature in blue ink that reads "Thelma Drake".

Thelma D. Drake
Director

cc: Honorable Sean T. Connaughton, Secretary of Transportation

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Acronyms, and Abbreviations

<u>Acronym/Abbreviation</u>	<u>Definition</u>
AASHTO	American Association of State Highway and Transportation Officials
ABC	Alcoholic Beverage Control
ARRA	American Recovery and Reinvestment Act
CMAQ	Congestion Mitigation Air Quality
Caltrans	California Department of Transportation
CSX	CSX Transportation (a Class I Railroad)
CTB	Commonwealth Transportation Board
DMV	Virginia Department of Motor Vehicles
DRPT	Virginia Department of Rail and Public Transportation
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
FY	Fiscal Year
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
GAO	Government Accountability Office
HB3202	House Bill 3202
HR6003	House Resolution 6003
HSIPR	High Speed Intercity Passenger Rail
HTF	Federal Highway Trust Fund
MOU	Memorandum of Understanding
MPO	Metropolitan Planning Organization
NCDOT	North Carolina Department of Transportation
NEC	Northeast Corridor
NS	Norfolk Southern (a Class I Railroad)
ODOT	Oklahoma Department of Transportation
PART	Piedmont Area Regional Transportation
PennDOT	Pennsylvania Department of Transportation
PRIIA	Passenger Rail Investment and Improvement Act of 2008
PTA	Public Transportation Account
REF	Rail Enhancement Fund
RF&P	Richmond, Fredericksburg & Potomac Railroad
RIA	Rail Industrial Access Program
RPP	Shortline Railway Preservation and Development Fund "Rail Preservation Program"
RPSA	Rail Passenger Service Act
RSS	Really Simple Syndication
SCORT	Standing Committee on Rail Transportation
SEHSR	Southeast High Speed Rail
SEPTA	Southeastern Pennsylvania Transportation Authority
SJ63	Senate Joint Resolution 63
STARS	Statewide Agencies Radio System
STP	Surface Transportation
TEIF	Transportation Efficiency Improvement Fund

TxDOT	Texas Department of Transportation
USDOT	United States Department of Transportation
VHSR	Virginians for High Speed Rail
VRE	Virginia Railway Express (Commuter Rail Service)
VTA2000	Virginia Transportation Act of 2000
WMATA	Washington Metropolitan Area Transit Authority
WSDOT	Washington State Department of Transportation

Executive Summary

Purpose and Need

In 2009, the Commonwealth initiated its first state subsidized intercity passenger rail service. In addition, Virginia's Department of Rail and Public Transportation (DRPT) continues to grow and expand intercity passenger rail choices as an integral part of the overall transportation system in the Commonwealth. In the forefront, DRPT began service through a three-year demonstration project on the Route 29 and I-95 corridors, utilizing one-time limited resources with expansion of services to Norfolk in three years.

As a result of the passage of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), Virginia must begin subsidizing operations and capital equipment charges for four existing Amtrak Regional trains in the I-95 and I-64 corridors by 2013. Amtrak operates these trains today at no cost to the Commonwealth. In anticipation of these immediate and near term operating and capital needs for intercity passenger rail service, during its 2010 Session, the General Assembly passed Senate Joint Resolution 63 (SJ63) that directed DRPT to study funding of high-speed and intercity passenger rail operations in the Commonwealth. DRPT must identify the most efficient and beneficial method by which high-speed and intercity passenger rail operations should be funded. A stable, predictable source of passenger rail financing would encourage long-term planning and investment strategies to achieve incremental benefits. Reduced travel times, increased frequencies, and modern amenities would build ridership and reduce operating costs. A stable source of funding would also strengthen coordination with the freight community and federal and local government, and these partners would be able to structure their own investments with a greater degree of certainty. Without a source of state funds for the operation and associated capital charges and projects for high speed and regional intercity train services, the Commonwealth should anticipate a major loss of intercity passenger rail services.

Contents

The SJ63 report is structured in the following sections:

- **Section 1:** Introduction and Purpose – provides an overview of the rationale for the report, considerations about rail operations and funding limitations.
- **Section 2:** Passenger Rail in Virginia – profiles current passenger rail service to the Commonwealth and destinations beyond Virginia. It discusses the evolving relationship with Amtrak for the provision of passenger rail services and the current funding sources available for the improvement of intercity passenger rail service in Virginia.
- **Section 3:** Operating and Capital Project Funding – reviews the current state of Commonwealth and Federal funding programs.
- **Section 4:** Peer State Comparison and Public Input – provides an overview of states that provide capital and/or operational funding for intercity passenger rail service, based on a response to Virginia's survey of states as well as a comparison of rental car tax rates by state. A discussion of public comments solicited by the Department before this study began is also reviewed in this section.
- **Section 5:** Proposed Program Structure and Potential Sources of Funding for Intercity Passenger Rail Services – proposes establishing an Intercity Passenger Rail Operating

and Capital Fund and provides a funding options from practices of peer states, input from public comments and discussions

- **Appendix A:** Details the state surveys and responses received, including an annual operations cost, a breakdown of costs per passenger mile and funding sources.
- **Appendix B:** Details the state vehicle rental tax comparison by state and major airport.

Summary and Options

An estimated \$276 million from FY2010 through FY2021 is needed to continue operations of the two state-funded Amtrak regional trains with extension from Richmond's Staples Mill Station to Norfolk by 2013 as well as continue operation of Amtrak's four regional trains that become the responsibility of the state under PRIIA Section 209. Combined current and near term operating and capital needs for intercity passenger rail development is projected at \$629 million from FY2010 to FY2021. The Commonwealth must continue to invest in our rail system to provide intercity passenger rail service in corridors of statewide significance. As a component of the statewide and national transportation network, intercity passenger rail serves a vital public purpose similar to that of the interstate highway system or the aviation network. It does not compete with these modes, but offers a complementary travel option. Passenger rail service provides the opportunity to assist in reducing congestion during peak travel times. Preservation and enhancement of passenger rail service is a public responsibility.

This report documents the fact that the Commonwealth has been, and continues to be, a willing and committed partner in the national intercity passenger rail network. A key factor in providing efficient passenger rail service will be the availability of adequate, predictable funding at both the state and federal levels. The federal government invests billions of dollars each year in other critical transportation systems in partnership with state governments. Similarly, the federal government must be a strong financial partner with states in the provision of future rail passenger service without draining funding from other modes. This report suggests allowing any established state funding source to be utilized as a match for leveraging federal funds. Most importantly, what is needed is a strong federal-funding partnership. The user fee/trust fund financing mechanisms for the other modes of passenger transportation provides a secure, long-term, dedicated source of funding. A similar financing system is needed for intercity passenger rail.

Intercity passenger rail service is a basic element of the Commonwealth's multimodal transportation system, relieving highway and airport congestion in a safe, environmentally responsible way. Based on the research and information presented, DRPT has developed options from practices of peer states, input from public comments and discussions and listed them below for the General Assembly to consider in the development of a program and process to provide for high speed and intercity passenger rail capital project and operations funding:

- Establish a solid basis for passenger rail service partnerships between Virginia, its neighboring states, and the federal government by establishing a funding mechanism for federal grant match
- Set a goal to provide a stable system for funding intercity passenger rail operating and capital project costs
- Create a fund for the continuation and development of intercity and high speed passenger rail operations and capital
 - Establish an Intercity Passenger Rail Operating and Capital Fund

- Establishment of the fund will provide the legal mechanism and conduit for any funds appropriated by the General Assembly for the purposes of providing for intercity passenger rail capital projects and costs of continued and expanded intercity passenger rail operations to be applied to projects and operations
- Establish a funding stream that provides for increased needs for funding intercity and high speed passenger rail operations and capital. With PRIIA Section 209 deliberations ongoing, the General Assembly could provide sufficient funding from available revenues through the Appropriations Act on a biennial basis through the newly created Intercity Passenger Rail Operating and Capital Fund.
 - Appropriate available revenues to support existing service through the biennium
 - Appropriation of funds could be achieved by:
 - Annual allocations from the General Fund
 - Annual allocations from the Transportation Trust Fund (TTF)
 - Create a dedicated revenue source that is sustainable and will provide for the continuation and expansion of intercity and high speed passenger rail in the Commonwealth after review and consideration of the following mechanisms:
 - Evaluate Rental Car Tax Revenues and consider increasing the current 10 percent tax by three percent to a total of 13 percent tax for use as a dedicated revenue source for the new Intercity Passenger Rail Operating and Capital Fund.
 - Evaluate Rental Car Tax Revenues to localities and consider re-direction of three percent of the four percent dedicated to local governments to the new Intercity Passenger Rail Operating and Capital Fund.
 - Evaluate the proportions of the TTF for a potential allocation of 4.3% of the TTF for potential use in funding the Intercity Passenger Rail Operating and Capital Fund. The General Assembly established the same funding level in its passage of House Bill (HB) 3202. Today, intercity passenger rail capital projects and funding for continued and new intercity passenger rail operations are the only mode not provided for in whole or in part through the TTF.
 - Evaluate potential revenue from the privatization of the Alcoholic Beverage Control (ABC) stores for potential use in funding the Intercity Passenger Rail Operating and Capital Fund.
 - Evaluate potential revenue from the addition of a sales tax to be charged in addition to the rental car tax on rental fees for potential use in funding the Intercity Passenger Rail Operating and Capital Fund.
 - Evaluate other mechanisms adopted by other states such as:
 - Assessing additional fees to personalized license plate fees
 - Redirecting tax revenues from the sale of new and used motor vehicles
 - Redirecting vehicle weight fee revenues

1. Introduction and Purpose

1.1 Introduction

Intercity passenger rail has become a key component of the national and Virginia transportation infrastructure. Virginia is improving linkages from its populated metropolitan areas to the Northeast Corridor (NEC) as well as aligning its plans for future destinations to the south in North Carolina and beyond. The continuation of intercity passenger rail is a critical multimodal component of Virginia's transportation system.

Within the past 10 years, Virginia has made significant capital investments in passenger and freight rail infrastructure through public-private partnerships with the two Class I Railroads, Norfolk Southern (NS) and CSX Transportation (CSX). Since 2005, the Rail Enhancement Fund (REF) has provided the Commonwealth with a dedicated source of grant funding to increase capacity and reliability of freight and passenger trains. With the passage of the American Reinvestment and Recovery Act of 2009 (ARRA or Stimulus), the federal government has begun investing in federally designated High Speed Intercity Passenger Rail (HSIPR) corridors through highly competitive grant funding.

With the passage of PRIIA the federal government has transitioned to invest only in long intercity passenger rail routes of greater than 750 miles between endpoints and in Amtrak's NEC that runs between Washington, D.C., and Boston, Mass. Operational funding for expanded intercity regional and new high speed passenger train service for Virginia is challenging now that the federal government has transitioned all existing intercity passenger trains of less than 750 miles and all new high speed rail service operating costs to the states in totality - without a federal grant funding program to subsidize operations. In turn, the federal government has limited its increased investment to capital improvements to infrastructure and rolling stock. This leaves the states to financially support intercity regional (state corridor) passenger rail operations.

The federal government continues to fund Amtrak's long distance and NEC operations, capital infrastructure, and rolling stock for those operations, through a grant funding program to Amtrak. There are 13 Amtrak trains operating in the Commonwealth, of which seven trains fall under the PRIIA 750 mile provision requiring state funds to continue operations. One of those seven trains, the Carolinian, is funded by the North Carolina Department of Transportation (NCDOT) and Virginia does not anticipate the need to fund this train.

For Virginia, PRIIA impacts four regional trains currently provided at no cost to the Commonwealth, in addition to the two state-supported Amtrak Virginia regional trains, as well as any future regional train service to be expanded or enhance services throughout the Commonwealth. A total of six regional trains fall under PRIIA for Virginia and are included in the discussion of this report.

Regional intercity passenger rail is expanding in Virginia with plans for future services to populated and outlying regions of the Commonwealth. In October 2009, the Commonwealth began a three-year demonstration passenger rail service from Lynchburg's Kemper Street Station, connecting to the NEC with destinations as far north as Boston, Mass. In July 2010, the Commonwealth began its second state-funded train as a three-year demonstration service from Richmond to the NEC, providing hourly northbound service from Amtrak's Staples Mill Station.

Plans have also been made for passenger service from Norfolk to Washington D.C., scheduled to begin in 2013.

The future of funding for regional service is changing. Section 209 of PRIIA requires a standardization of “cost sharing of operating and capital costs for the provision of intercity rail passenger service among the States and Amtrak for the trains operated on designated high-speed rail corridors (outside the Northeast Corridor), short-distance corridors, or routes of not more than 750 miles, and services operated at the request of a State, a regional or local authority or another person.” The Commonwealth must decide how to continue to fund its two existing state-funded Amtrak Virginia regional trains and the four Amtrak regional trains currently provided no cost to the Commonwealth. Without a sustainable funding source of state revenues, Virginia should anticipate significant reductions of Amtrak intercity passenger rail service in the near future.

Throughout the context of this document and in discussions of the development of an intercity passenger rail operating and capital fund for Virginia, the following points should be taken into consideration:

- Virginia is in the process of establishing high-speed passenger rail service between Richmond and Washington, D.C., between Richmond and Hampton Roads, and between Richmond and Raleigh, N.C., to advance the federally designated Southeast High Speed Rail (SEHSR) Corridor.
- With Virginia's investment in new regional intercity passenger rail operations between Richmond and Washington, D.C., and Lynchburg and Washington, D.C., Virginia became the 15th state to invest in such operations with Amtrak.
- All of Virginia's Amtrak regional trains connect to the NEC, providing a single ride as far north as Boston, Mass, without transfer of trains or modes.
- With the passage of PRIIA, the federal government set a path that effectively reduced its role in operational funding for intercity passenger rail and shifted four regional trains in the Washington, D.C. – Richmond – Newport News corridor to a state funding responsibility.
- In 2013, when PRIIA is implemented, the Commonwealth will have to support six of thirteen trains (46%) operated in Virginia today, or Amtrak will cancel these services due to lack of funding.
- High speed and intercity passenger rail service provides an alternative to the use of highways for travelers. Passenger rail service provides the opportunity to assist in reducing congestion during peak travel times.
- By decreasing use of highways, increased use of high speed and intercity passenger rail service can reduce highway congestion and improve air quality.
- Increased use of high speed and intercity passenger rail service can also stimulate the economy by creating new jobs and stimulating land use around stations with multimodal linkages in downtown areas and outlying community stations.
- A sustainable, dedicated state revenue source for the continuation and expansion of existing and future regional intercity passenger rail operations and future high speed rail operations in Virginia must be identified or existing regional services could be cut and the potential for expanded new regional services across the Commonwealth and high speed intercity passenger rail operations will not be realized.
- As an interpretation of the Constitution, Virginia cannot own or operate a railroad. This continues to be a challenge as the Commonwealth advances in the development of new intercity passenger rail plans.

1.2 Purpose

This report focuses on funding existing and future regional intercity and high speed intercity passenger rail operations in Virginia.

Currently, the Commonwealth has no dedicated source of operational funding for intercity passenger rail and must identify a sustainable revenue stream to maintain and grow its regional and high speed intercity passenger rail program. This report focuses on the Commonwealth's need to address operational funding for the existing Amtrak routes operating in the Newport News – Richmond – Washington, D.C., corridor impacted by Section 209 of PRIIA, to continue the two demonstration trains from Lynchburg and Richmond, and to support funding to operate the planned Norfolk to Richmond Staples Mill Station service.

More specifically, this report is a response to SJ63, which directed DRPT to study funding of high speed and intercity passenger rail operations in the Commonwealth, and submit findings and recommendations to the Governor and the General Assembly for publication as a House or Senate document.

The remainder of this SJ63 report is structured in the following sections:

- **Section 2:** Passenger Rail in Virginia –profiles current passenger rail service to the Commonwealth and destinations beyond Virginia. It discusses the evolving relationship with Amtrak for the provision of passenger rail services and the current funding sources available for the improvement of intercity passenger rail service in Virginia.
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- **Appendix A:** Details the state surveys and responses received, including an annual operations cost, a breakdown of costs per passenger mile and funding sources
- **Appendix B:** Details the state vehicle rental tax comparison by state and major airport.

2. Passenger Rail in Virginia

Virginia is served by commuter, regional, and long-distance passenger rail services that offer cost-effective travel options for citizens and visitors alike. As these services have grown and matured, the state and its operating partners have developed strong working relationships with its federal funding and operating partners (including the Federal Transit Administration (FTA), the Federal Railroad Administration (FRA) and the freight railroads). The Commonwealth has also been a forerunner in developing dedicated state funding for passenger and freight rail capital projects.

Two passenger rail operators, Amtrak and the Virginia Railway Express (VRE), operate in Virginia on approximately 616 miles of track owned primarily by NS and CSX. These two passenger rail operators serve the Commonwealth with three distinct types of passenger rail: Amtrak intercity regional service, Amtrak intercity long-distance routes and the VRE commuter service. Because VRE's commuter rail services are funded by dedicated federal and state programs and local funding sources, this study report focuses on funding of existing and future regional intercity and high speed intercity passenger rail operations in the Commonwealth.

As depicted in Figure 2-1 below, Virginia, along with rail owners and operators, continues to plan for expanded conventional intercity passenger rail service to serve outlying and heavily populated regions of the Commonwealth and to provide for high speed passenger service operations.

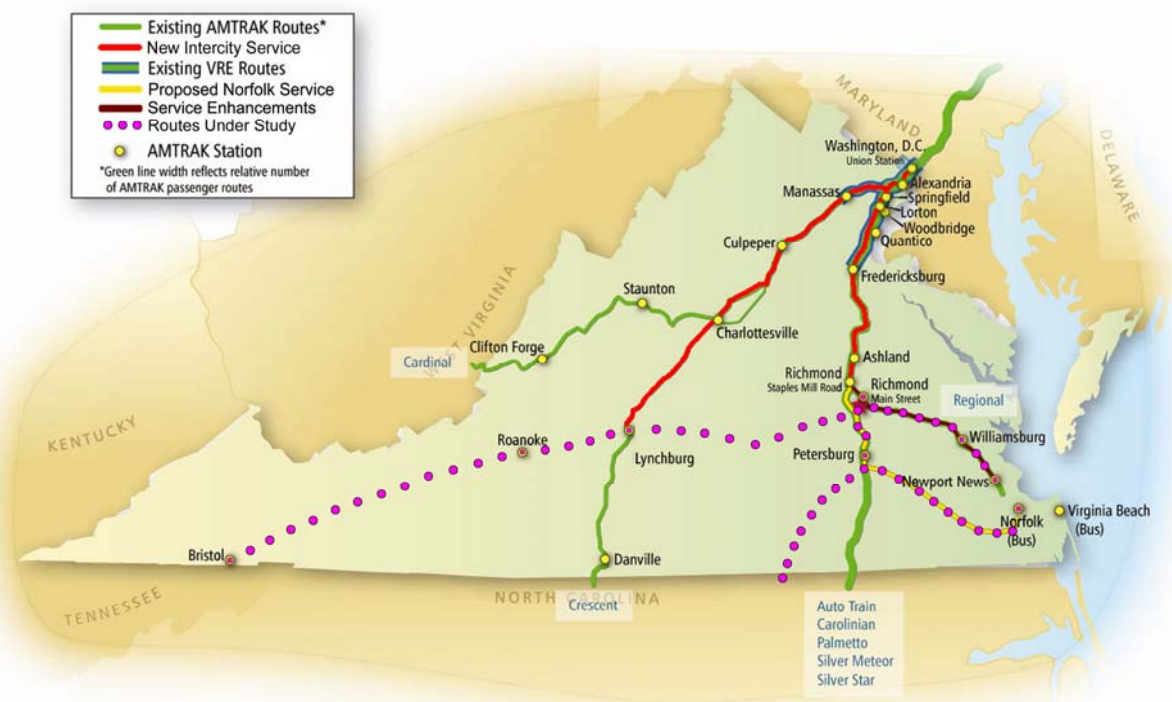


Figure 2-1 Virginia Existing and Proposed Passenger Rail Routes

2.1 Amtrak Intercity Passenger Rail Service

When established in 1971, Amtrak was required to operate a basic system of corridor and long-distance routes designated by the U.S. Department of Transportation. Amtrak's enabling legislation, the Rail Passenger Service Act (RPSA), allowed states to contract for additional

service. Under this provision, known as Section 403(b), the percentage of costs paid by states changed many times. Section 403(b) of the RPSA was repealed in 1997, and subsequent legislative directives and current funding levels precluded Amtrak from operating additional services unless those services are state-supported. Subsequent actions further restricted Amtrak's ability to grow services. It was not until the passage of PRIIA, which set a framework for the sharing of service costs, that Amtrak could again negotiate with states to expand intercity passenger train service. With Virginia's investment in new regional intercity passenger rail operations between Richmond and Washington, D.C., and Lynchburg and Washington, D.C., Virginia became the 15th state to invest in such operations and the first state to do so under Amtrak's re-granted ability to expand services with state partners.

Under PRIIA, Amtrak's current passenger rail services are divided into three basic categories: NEC operations, national long-distance trains and state corridor operations. All intercity trains operating in Virginia provide direct service into the NEC from Washington, D.C., as far north as New York City and Boston, Mass.

Today, 13 Amtrak intercity passenger trains provide services to the Commonwealth. Of these trains, seven are categorized as "regional", or soon to be "state corridor operations," trains with routing less than 750 miles that do not provide dining car and overnight sleeping car accommodations, and six trains are categorized as "long distance" trains offering dining car and overnight sleeping car accommodations. Under PRIIA, four Amtrak supported regional trains will be transferred to Virginia as state corridor operations, which will be added to the two state-supported services. In total, six of the seven regional trains will become the responsibility of the Commonwealth. The seventh, the New York City, NY to Charlotte, N.C., Carolinian route, will remain a North Carolina-funded service.

Train Service	Service Category	Funded by
Washington, D.C. - Richmond – 1 Train	Regional	Virginia
Washington, D.C. - Lynchburg – 1 Train	Regional	Virginia
Washington, D.C. - Richmond– 2 Trains	Regional	Amtrak
Washington, D.C. – Newport News – 2 Trains	Regional	Amtrak
Carolinian – 1 Train	Regional	NCDOT
Silver Meteor – 1 Train	Long-Distance	Amtrak
Silver Star – 1 Train	Long-Distance	Amtrak
Palmetto – 1 Train	Long-Distance	Amtrak
Auto Train – 1 Train	Long-Distance	Amtrak
Cardinal – 1 Train	Long-Distance	Amtrak
Crescent – 1 Train	Long-Distance	Amtrak

Figure 2-2 Existing Virginia Passenger Rail Services

2.1.1 Amtrak Regional Service

Amtrak offers frequent regional service from Virginia into the NEC between Boston and Washington, D.C. Two Virginia state-supported trains, known as Amtrak Virginia, provide service between Lynchburg and Washington, D.C., and between Richmond's Staples Mill Station and Washington, D.C., that continue to Boston, Mass. These trains were developed as Virginia state-supported corridor operations. Four more Amtrak regional trains, developed and funded solely by Amtrak, operate in the Washington, D.C. – Richmond – Newport News corridor, with two of those trains continuing operations to Newport News. All regional trains in Virginia offer single ride service without train or mode transfer as far north as Boston, Mass.

These regional services are highly utilized, and provide excellent direct service or connections between many Virginia cities and points north of Washington, D.C.

Washington, D.C. – Richmond – Newport News Corridor Regional Service – Current and Near Term Funding Need

The Newport News route provides two daily intercity passenger rail trains from Newport News to Boston, Mass. Amtrak regional service stops in the Washington, D.C. – Richmond – Newport News corridor include Newport News, Williamsburg, Richmond (Main Street), Richmond (Staples Mill), Ashland, Fredericksburg, Quantico, Woodbridge, Springfield and Alexandria. This regional train service runs on CSX tracks. There are six daily north/south round trips serving Richmond's Staples Mill Station, including the Virginia state-funded regional train service originating and terminating at Richmond's Staples Mill Station, North Carolina's state-funded Carolinian, and four Amtrak-funded regional trains in this corridor (two overnight in Richmond and one overnights and one turns back in Newport News). The two Richmond round trips continuing to Newport News serve Richmond's Main Street Station and have connecting motor bus service from Newport News to Virginia Beach and Norfolk.

The state-supported service in this corridor began in July 2010. The service offers a 7:00 a.m. departure from Richmond's Staples Mill station and with stops in Ashland, Fredericksburg, Quantico, Woodbridge, Springfield and Alexandria. This is an Amtrak Virginia three-year demonstration train project.



Figure 2-3 NEC Service Area and Virginia Regional Service and Figure 2-4 Lynchburg Kemper Street Station

Washington, D.C. – Lynchburg Corridor Regional Service – Current Funding Need

The Lynchburg route provides daily passenger rail service from Lynchburg to Boston, Mass. Amtrak stops in Virginia include Lynchburg, Charlottesville, Culpeper, Manassas, Burke Center and Alexandria. This new regional service, which began in October 2009, is a state-supported Amtrak Virginia three-year demonstration train, providing one daily regional round trip from Lynchburg. The service has experienced higher than anticipated ridership, and is one of

Amtrak's few routes outside of the NEC that covers its direct costs through its patronage. The success of the Lynchburg route demonstrates that intercity passenger rail service established in multi-mode corridors with competitive and reliable travel times provides an asset to Virginia's transportation system. Amtrak also provides daily long distance service in the corridor.

Expanding Regional Intercity Service in Virginia

Richmond Staples Mill Station to Norfolk – Near Term Funding Needed

Virginia is considering adding frequencies to existing intercity passenger rail corridors, as well as incrementally expanding intercity train services to cities and outlying regions not currently served. Within this goal, and as part of the ongoing effort to bring high speed rail to the Hampton Roads area, DRPT identified the need for the incremental extension of conventional speed passenger rail service to the south Hampton Roads region with a station destination to Norfolk. Because South Hampton Roads currently has no direct intercity passenger rail service, the Department is working with NS and CSX and using state investments to upgrade existing tracks from Petersburg to Norfolk along the NS Route 460 corridor. CSX has also cooperated and agreed to follow an incremental service start approach. Service is anticipated to begin with the extension of the state-supported Richmond route to Norfolk by calendar year 2013.

The General Assembly, in its 2010 session, provided funding for capital improvements for this proposed service, and the Commonwealth Transportation Board (CTB) approved the funds through the Six-Year Improvement Program. No operating funds have been identified for this service, which shows the increasing need for a sustainable and dedicated revenue source of operating funds for passenger train service in the Commonwealth.

Lynchburg to Roanoke – Medium Term Funding Needed

Virginia is studying an incremental new intercity passenger rail service from Lynchburg to Roanoke. Currently, the Commonwealth is working with NS and Amtrak to determine the cost of capital for capacity and station improvements necessary to begin service. In the mean time, DRPT is evaluating a bus connection between Lynchburg and Roanoke to assist in the incremental development of ridership and service demand.

New Frequencies to Newport News and Norfolk from Richmond – Medium Term Funding Needed

Once conventional speed service to Norfolk begins, emphasis in the I-95 and Hampton Roads corridors will include enhancements to the Richmond to Newport News CSX line to improve service reliability and the potential addition of train service. Likewise, new service frequencies between Richmond and Norfolk are also contemplated with emphasis on improvements to the CSX track between Richmond's Staples Mill Station and Petersburg.

Expanding Regional Intercity Service – Long Term Funding Needed

Virginia has studied incremental new intercity passenger rail service between Roanoke and Bristol as well as between Lynchburg and Richmond. As a follow-up to the medium term expansion of service between Lynchburg and Roanoke, the Commonwealth will, along with NS and Amtrak, determine the capacity and station improvements necessary to start the service.

2.1.2 Amtrak Intercity/Long Distance Routes

Amtrak provides long distance service along the I-95, U.S. Route 29 and western end I-64 corridors. Long-distance services in Virginia include the Crescent, tri-weekly Cardinal, Silver Meteor, Silver Star, Palmetto, and the Auto Train. These services, which operate over freight rail lines, are generally not very competitive with other modes and incur significant operating losses. However, they are popular with tourists and provide connections to many underserved rural communities. On-time performance is a significant issue with long-distance trains, adding to their lack of competitiveness. In addition, current labor agreements make it difficult to achieve cost savings by reducing or eliminating service. Thus, while these routes have been the focus of many reform efforts, it is expected that Amtrak will continue providing long distance service on these routes in the future.

2.1.3 Amtrak Northeast Corridor Service

Amtrak's NEC services (Acela and regional trains) compete directly with airlines and automobiles for travelers in the Washington, D.C.-New York-Boston corridor. Acela service in the NEC is the only active high speed route in the US, with speeds up to 150 mph. Amtrak has captured roughly half of the combined air/rail market on the Washington, D.C.-New York segment, and has an even greater market share in shorter segments (e.g., Philadelphia-New York). Significant investments in NEC infrastructure are needed to bring it to a state of good repair and to allow for future capacity enhancements. All regional and long distance trains in Virginia connect to the NEC, providing single ride service without train or mode transfer as far north as Boston, Mass.

2.2 High Speed Intercity Passenger Rail

Virginia has studied incremental new high speed intercity passenger rail service between Richmond and Raleigh, NC, as part of the SEHSR corridor, and Richmond to Hampton Roads, as an extension of SEHSR. Both routes are under federal environmental study and include long term capital and operations costs. The SEHSR service (90-110 mph) from Richmond to Raleigh, N.C., is planned with four round trip trains between the capital cities, with station stops in Raleigh, N.C.; Henderson, N.C.; Lacrosse, Va, Petersburg, Va, and Richmond, Va (Main Street Station and Staples Mill Station), with connections to the NEC. The Richmond to Hampton Roads Passenger Rail project plans for six round trip trains (90 mph) from Richmond to Norfolk, as well as three round trip (79 mph) from Richmond (Staples Mill Station and Main Street Station) to Newport News.

In 2009, the Obama administration announced a plan for developing high speed passenger rail in the United States. This effort is collaborative among the federal government, states, railroads, and other key stakeholders to develop a national network of high speed rail corridors. To this end, FRA was charged with the HSIPR Program in June 2009. Two legislative acts defined the current HSIPR program - PRIIA and ARRA.

The passage of PRIIA on October 16, 2008, made sweeping changes to how intercity passenger rail services will be funded, requiring Amtrak and the states to agree on a system which establishes and standardizes direct and shared costs for intercity passenger routes for distances less than 750 miles.

ARRA made \$8 billion available to the states, soliciting competitive grant applications for the development of high speed rail passenger service in federally designated HSIPR corridors. This

builds on the \$30 million dollar grant program known as Capital Assistance to States – Intercity Passenger Rail Service.

In addition to the PRIIA and ARRA funding, the FRA, in its federal fiscal year (FFY) 2010 Appropriation, issued a notice of funding availability for Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service. For FFY2010, \$2.345 billion was made available to states through a competitive grant program, which required a 20 percent match. The program allocated \$2.1 billion for corridor service development programs and made up to \$245 million available for individual projects, which range from planning and engineering studies to final design and construction projects. Nationwide, 77 applications were filed on August 6, 2010, for a total of \$8.5 billion in requests, over four times the amount appropriated by Congress. Virginia individual project applications included the Richmond Area to Washington, D.C., Preliminary Engineering (PE) and Tier II Environmental Impact Statement (EIS) (\$55.385 million total, \$11.077 million match), and the Appomattox River Bridge PE/Final Design (\$1.5 million total, \$300,000 match).

2.3 Relationships with Amtrak and Freight Railroads

The Commonwealth must work directly with Amtrak and the freight railroads to ensure the successful operation of passenger trains throughout the state. Demands on track capacity for both freight and passenger travel have grown, and funding for rail investments has become more constrained. Political negotiations continue at the national level; relationships among Amtrak, the states and freight rail operators are continuing to evolve.

2.3.1 Virginia Investments in Rail Capital Improvements

Although today Amtrak requires states to reimburse only direct operating losses on corridor routes under contract with states, this arrangement offers states little control over the quality of service provided and offers no support for capital improvements that may be necessary to allow passenger rail service over a freight-owned line. Thus, states are increasingly finding it necessary to collaborate directly with freight railroads to make major capital investments.¹ By agreeing to provide full or partial funding for identified capital capacity projects to preserve existing freight service and provide for additional intercity passenger services, the states are placed in a position to negotiate with the freight railroads for improved performance and/or ownership and control of the capacity purchased by the state funded improvements.

Under the Virginia Transportation Act of 2000 (VTA2000), the General Assembly provided approximately \$65 million for passenger rail improvements in the I-95 corridor from Richmond to Washington, D.C. An additional \$20 million toward these projects was allocated in fiscal year (FY) 2008. Virginia continues to work to complete its commitment to provide track improvements. Utilizing these funds, Virginia developed a memorandum of understanding (MOU) between CSX, VRE, and the Commonwealth for investments in CSX's Richmond, Fredericksburg & Potomac (RF&P) corridor between Richmond and Washington, D.C. In the MOU, the parties identified a set of high-priority capital projects in the corridor to be completed in exchange for four train slots to operate passenger trains in the corridor. Three train slots were designated for commuter rail service with the fourth train slot allowing for one intercity passenger train to operate over CSX tracks from Washington, D.C., to Richmond.

¹ However, some states are constitutionally prohibited from making direct investments in privately owned rail infrastructure, which can complicate their efforts to improve intercity passenger rail service.

Funding for rail infrastructure capital improvements has been established since VTA2000. In 2005, the General Assembly created the REF, Virginia's first dedicated source of capital funding for rail infrastructure, and in 2008, the General Assembly passed House Bill 3202 (HB3202) that established a transportation bond revenue stream with up to 4.3 percent of the bond revenues dedicated to rail infrastructure improvement projects. Today, Virginia enjoys a successful rail infrastructure program for the development of freight and passenger train capacity, but has no funding program for supporting intercity passenger rail operations or matching funds required for federal programs.

2.3.2 Future of Regional/State Corridor Intercity Passenger Rail

State-developed high speed rail operations are seen as the future of the nation's intercity passenger rail network. Under PRIIA, states must provide funding for routes less than 750 miles in length or they will lose the service.

State corridor (regional) services generally operate in corridors within a single state or connect two states and serve intermediate-distance trips, providing a valuable alternative to air or auto travel. Amtrak's statutory right of access over the freight railroads has in the past allowed states to receive these services at relatively low cost. Today, Amtrak provides state-supported passenger rail service in 15 states, generally offering a turnkey operation that may include rolling stock, on-board operating crews, station staff, management and administrative support, maintenance of equipment, maintenance of way (tracks and signals), marketing and advertising, reservation sales, and ticketing. The 1970 RPSA created the framework for individual states to request these additional rail services, and Section 403(b) of the RPSA allowed Amtrak to be reimbursed by the states for these services. This policy establishes that the direct operating losses of a corridor service must be covered through a combination of farebox revenues and state support. However, under the provisions of PRIIA Section 209, Amtrak has proposed far-reaching changes to this funding framework to include all direct and a shared portion of indirect costs, including a capital charge to states for equipment used. Segmentation of Amtrak's national train services and the regional routes affected by Section 209 is shown in Figure 2-5

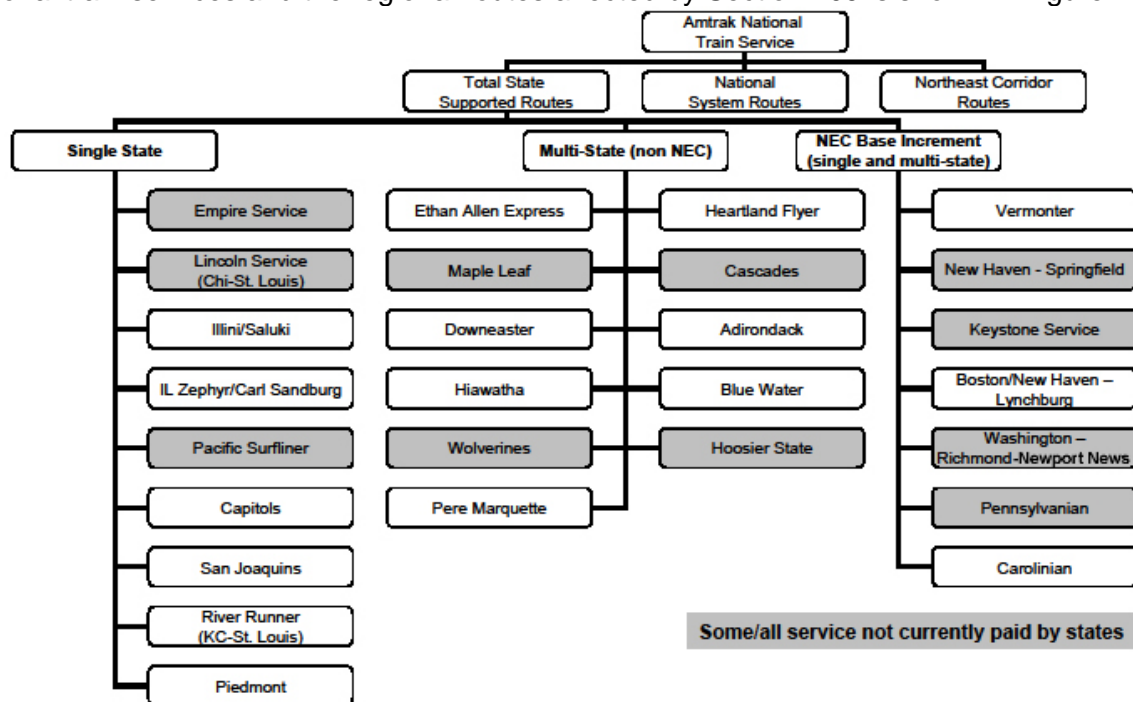


Figure 2-5 Segmentation of Amtrak's Services and State Supported Routes

2.3.3 Passenger Rail Improvement and Investment Act of 2008

PRIIA reauthorized Amtrak and sought to strengthen the national passenger rail network. It also presents policy changes, which could have significant financial impact on states. PRIIA Section 209, which calls for standardization of pricing to states, will have the greatest immediate impact by increasing the cost burden on states for state-supported passenger rail services. Currently, 15 states contract with Amtrak for service. Virginia became the 15th state funding partner with Amtrak in October 2009, with the inauguration of the daily round trip from Lynchburg to Washington, D.C., connecting to destinations in the NEC.

Section 209 of PRIIA tasks the Amtrak Board of Directors, the US Department of Transportation (USDOT), the governors of each relevant state, and the Mayor of Washington, D.C., (or its representatives) to develop and implement a standardized method for establishing and allocating the operating and capital costs of providing intercity rail passenger service among the states and Amtrak for trains operated over designated high speed rail corridors (outside the NEC), short-distance corridors, or routes of not more than 750 miles, and services operated at the request of a state, regional or local authority or person. In Virginia, six existing routes are potentially affected: the state-sponsored Lynchburg service to Washington, D.C., the state-sponsored Richmond service to Washington, D.C., and the two additional Amtrak funded Richmond routes, and two additional routes through Richmond terminating in Newport News. The future operations of the proposed state sponsored passenger rail service to the City of Norfolk would also be affected. Figure 2-6 shows Amtrak's long-distance routes, which will remain Amtrak-funded routes, and the corridor regional routes to be funded by the states under PRIIA.

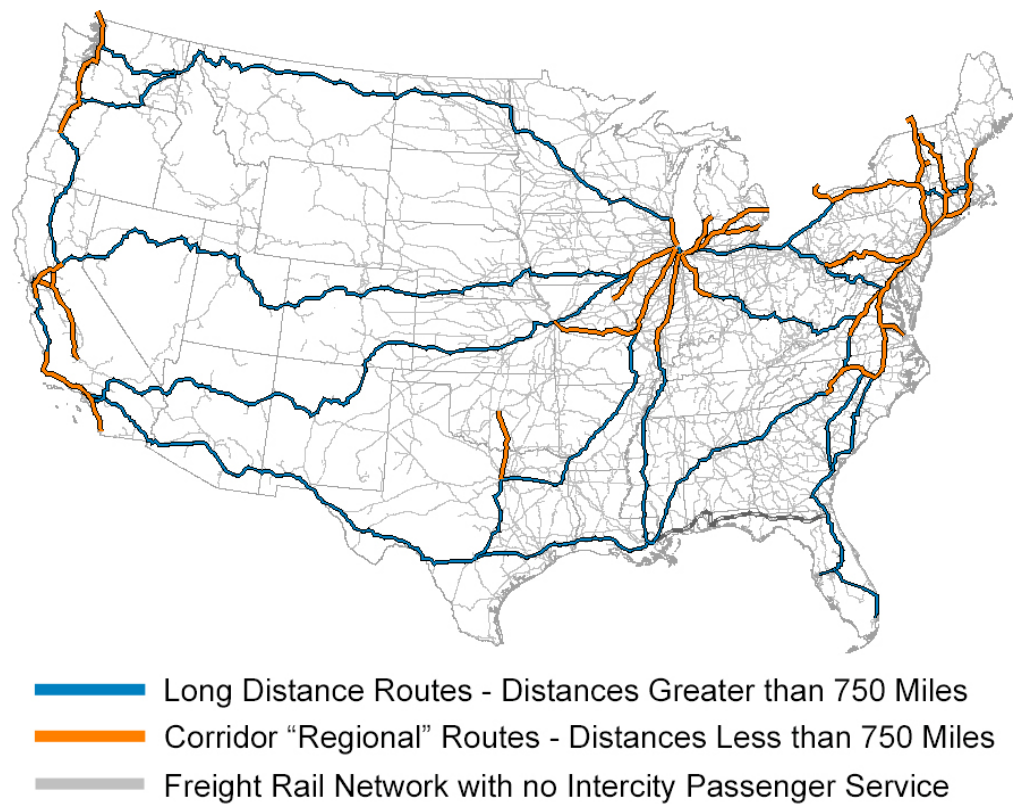


Figure 2-6 Amtrak Long Distance and Corridor Regional Routes

Per Section 209, states will transition to paying an allocation of operating losses (excluding interest and depreciation), plus an equipment charge for all state-supported routes. The change in cost allocation could significantly increase the funding burden on the states. Amtrak envisions this transition in the context of the creation of a federal-state capital matching program, which Amtrak asserts would make it financially worthwhile for the states. Many states have access to capital funds for capacity improvements to start Amtrak service, but lack a dedicated revenue stream to fund continuation of state-funded Amtrak services. Figure 2-7 shows the statutory evolution of state-supported services since Amtrak's inception in 1970.

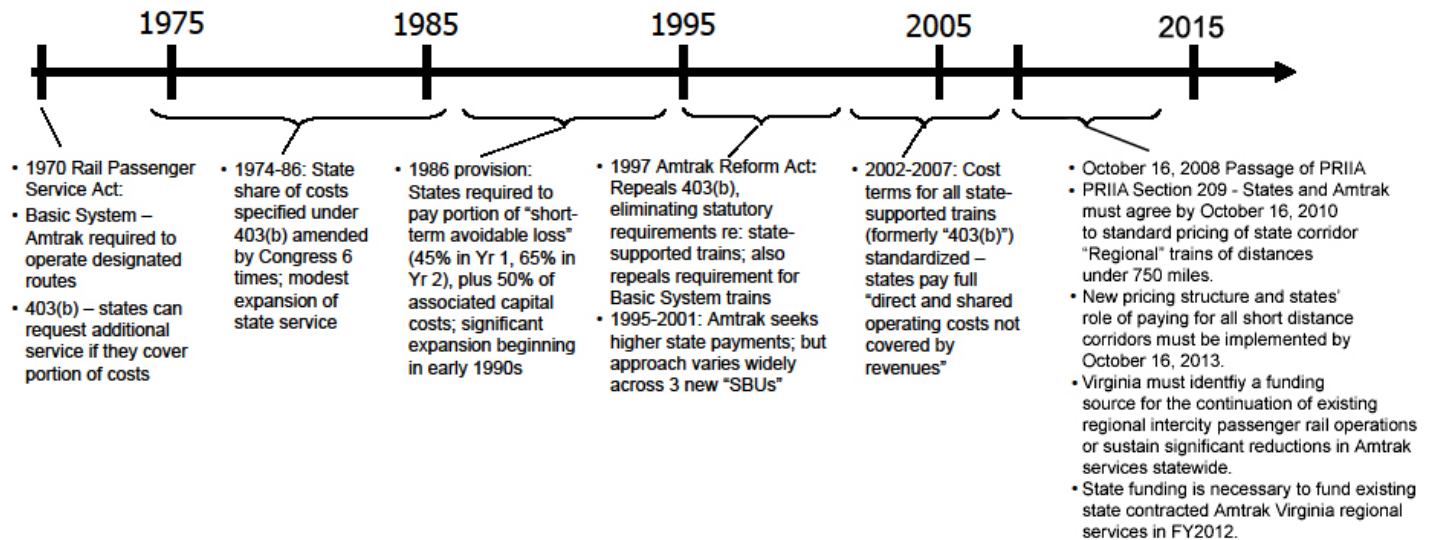


Figure 2-7 Statutory Evolution of State Supported Amtrak Services

2.3.4 PRIIA Section 209 Amtrak Proposed Pricing Policy

In order to satisfy Section 209 of PRIIA, the states and Amtrak must first agree on a policy. Amtrak’s Board of Directors has recommended a policy that states pay 100 percent of the direct costs associated with operation of corridor routes less than 750 miles. Amtrak further proposed sharing capital costs, with 75 percent paid by Amtrak because equipment is shared with Amtrak operated long distance and NEC routes.

At the time this study was conducted, Amtrak and the affected states were working to reach an agreement by October 16, 2010, on the proposed policy and allocation of costs for routes less than 750 miles. The proposed methodology seeks to ensure equal treatment within five years in the provision of intercity passenger rail services of all states and groups of states, including the District of Columbia. However, Amtrak and the states have been unable to agree on a policy or formula for splitting the direct and shared costs of state-sponsored routes. The states submitted a letter to Amtrak requesting that the states and Amtrak continue to negotiate in good faith through the October 16, 2010 deadline and that only when both the states and Amtrak agree; a joint petition will be filed with STB to seek dispute resolution if no agreement is reached.

Below is a summary of the affected states’ issues:

- The significant increase in operation and capital costs resulting from Amtrak’s proposal will force states to cut services just as they complete capital construction projects to increase capacity for passenger rail service.
- Amtrak is currently the sole provider of intercity passenger rail service (although some services may be contracted with other vendors for food service, maintenance, and other

components of service). If states pay 100 percent of the operational costs for state-sponsored corridor routes, Amtrak has little incentive to keep costs low.

- States have minimal control to affect the outcomes and quality of service under the proposed system.
- General and administrative costs are included in the proposed breakdown of shared capital costs, which the states argue should not be shared. These are the costs associated with the operation of a national railroad system.
- The Amtrak Performance Tracking System used to allocate costs between Amtrak and the states has not been verified by the U.S. Inspector General's office.
- States have not been provided with actual numbers to know the full financial impact of Amtrak's proposed policy for allocation of shared costs.
- Some states have proposed splitting operating costs and using the maximum federal subsidy percentage available for transit operators as a baseline to formulate a policy.

As an alternative, the American Association of State Highway and Transportation Officials (AASHTO) and the 15 states which support passenger rail service today, are working with Amtrak to gain consensus on a direct and indirect cost structure. Shared capital costs for equipment used over a state-supported route are also still in discussion. AASHTO has acknowledged in its *Transportation: Invest for the Future* report (published in February 2007) that there is a "widespread conviction that states must play a leadership role" in improving and expanding intercity passenger rail. However, AASHTO also warned that "a national intercity passenger rail system requires action nationally. Without the federal government as a strong investment partner, there is no chance that the nation will have the intercity passenger rail service that is needed." Thus, while Amtrak's operational role and its sources of funding are likely to change in the coming years, the shape of the final outcome of providing conventional or high speed intercity passenger rail service is still very uncertain at a time when states have to work to allocate resources to continue and expand future intercity passenger rail operations.

The states and Amtrak continue to work in negotiations to identify a true cost methodology that is equitable to both parties. Regardless of the outcome, Virginia will be financially impacted by a minimum of four additional regional trains it must support that are currently funded by Amtrak, in addition to the two regional trains currently supported by the Commonwealth, if it wishes to maintain a status quo of existing intercity passenger rail operations. Figure 2-8 shows the impact to Virginia to continue the current and near term expansions of intercity passenger rail operations.

Description of Train Service	Responsible Party Pre-PRIIA	Responsible Party Post-PRIIA	Virginia Responsibility Implementation Date
Washington, D.C. - Richmond VA <i>Funded</i> Regional – 1 Train	Virginia	Virginia	Current FY2010 onward
Washington, D.C. - Lynchburg VA <i>Funded</i> Regional – 1 Train	Virginia	Virginia	Current FY2010 onward
Richmond Staples Mill Station (plus planned Norfolk Extension) Washington, D.C. - Richmond VA <i>Funded</i> Regional – 3 Trains	Virginia	Virginia	Near Term by 2013
Washington, D.C. - Richmond Amtrak Regional – 2 Trains (PRIIA)	Amtrak	Virginia	Near Term October 2013
Washington, D.C. – Newport News Amtrak Regional – 2 Trains (PRIIA)	Amtrak	Virginia	Near Term October 2013
Carolinian	NCDOT	NCDOT	Not Applicable
Silver Meteor	Amtrak	Amtrak	Not Applicable
Silver Star	Amtrak	Amtrak	Not Applicable
Palmetto	Amtrak	Amtrak	Not Applicable
Auto Train	Amtrak	Amtrak	Not Applicable
Cardinal	Amtrak	Amtrak	Not Applicable
Crescent	Amtrak	Amtrak	Not Applicable

Figure 2-8 PRIIA Impact to Virginia Passenger Rail

3. Intercity Passenger Rail Operating and Capital Project Funding

Virginia has an ambitious rail agenda of alleviating congestion and creating a rail system appropriate for future passenger and freight growth. The challenge is finding the resources to implement these goals. Particularly, factors influencing the funding picture for Virginia's passenger rail projects and services are:

- Demand for passenger service is growing statewide, as gasoline prices and less attractive aviation options increase demand for Amtrak service, which operates on tracks owned by freight railroads.
- Freight railroads anticipate greater demand on their systems for freight operations. Capacity expansion and other capital investments will be necessary to preserve freight capacity as passenger service expands.
- Freight rail operates at a profit, and freight railroads have a responsibility to their shareholders to remain profitable. Intercity passenger rail, like transit, requires a subsidy.
- Virginia has several potential funding options for passenger and freight rail. These options vary according to their source, uses and availability.
- Commuter rail capacity improvements between Fredericksburg and Washington, D.C. to replace the capacity used by VRE for service startup.

The Commonwealth is fortunate to have several funding sources for rail capital infrastructure investment, the REF, the Shortline Railway Preservation and Development Fund (Rail Preservation Program or RPP) for shortline railroads, HB3202 Rail Capital Bonds, and the Rail Industrial Access (RIA) Grant program for expanding or new facilities to utilize railroad shipping.

Virginia carefully manages its funding programs, as these funds set minimum partner contributions and require positive project outcomes that protect the Commonwealth's investment. The Heartland Corridor project offers a compelling example of investing REF in future investments in freight rail. Completed in September 2010, the Heartland Corridor project created a direct rail route from the Port of Virginia to Columbus, OH, and Chicago, Ill., for double-stack container trains. The project consists of a number of separate intermodal investments, including heightening clearances in 28 tunnels, future creation of a new intermodal facility in Roanoke and relocation of the Commonwealth Railway into the median of the Western Freeway in Portsmouth. The Heartland Corridor project leveraged federal transportation funds and partnerships between NS, USDOT and multiple states, including Virginia. This approach, which depends on funding from all interested parties, offers a template for future projects such as the NS Crescent Corridor and CSX's National Gateway initiatives.

New capital federal funding is also available in the form of capital grants for passenger rail projects. Virginia has advanced its high speed passenger rail projects and prepared service development plans and financial schedules to submit several applications for capital improvements in the I-95 corridor. In 2010, the Commonwealth was awarded \$75 million for construction of 11 miles of a third track from Arkendale in Stafford County, to Powell's Creek in Prince William County.

On July 28, 2010, the Commonwealth applied for \$44.3 million in FRA funding of a \$55.4 million total project cost for the preliminary engineering and Tier II environmental documentation for the construction of the VA-Maximum Achievable Speed of 90 Miles Per Hour (MAS-90) Richmond Area to Washington, D.C., line segment identified improvements of the SEHSR Corridor. The

Commonwealth also applied for \$1.2 million in FRA funding of a \$1.5 million total project cost for the preliminary engineering and design for the construction of a new Appomattox River Bridge on the SEHSR Corridor between Ettrick and Petersburg. In a collaborative effort, CSX pledged a combined \$3.276 million towards the 20 percent match to these two projects.

Additionally, there potential opportunities to partner with other states for new high speed rail intercity passenger service. Virginia and North Carolina are two of the first states to partner to support the development of high speed rail between the states through the Virginia-North Carolina High Speed Rail Compact. Congress authorized the Compact, which was established through legislation enacted by the Virginia and North Carolina General Assemblies. DRPT and NCDOT held the inaugural meeting of the Virginia-North Carolina High Speed Rail Compact on July 12, 2010. The FRA encourages the relationship, and it will likely improve the competitiveness of future grant applications for the SEHSR Corridor Project.

While many worthwhile projects have been identified, the expansion of intercity passenger rail in Virginia faces both operational and financial challenges. Demand for passenger rail service is growing across the state. Improved intercity passenger rail service is needed along the major corridors within the Commonwealth. The state's freight rail partners are carrying increased volumes of freight traffic and will require capacity expansion and other capital investment before accepting additional passenger service. In order to provide additional intercity passenger rail service, rail capacity must be provided to preserve freight capacity and allow for the new intercity passenger trains to run.

State-supported intercity passenger rail will only be successful if dedicated sources of funding become available for operations and to support the capital improvements necessary to grow those services. A freight and passenger rail joint benefit project developed in a freight and passenger corridor is one possible approach, but intercity passenger rail capacity projects that provide no freight benefit receive little to no participation from the host freight railroad. As Virginia contemplates a new revenue source to sustain existing and future intercity passenger rail operations, it must also consider providing for the capital costs for capacity.

3.1 Intercity Passenger Rail Operating and Capital Project Funding Needs

In order to continue state-funded intercity passenger rail service and support associated capital projects for the development of high speed intercity passenger rail, operating and capital needs must be identified. Beginning in FY2010 through FY2021, an estimated \$276 million will be needed to continue operations of the two state-funded Amtrak regional trains with extension from Richmond's Staples Mill Station to Norfolk by 2013 as well as continue operation of Amtrak's four regional trains that become the responsibility of the state under PRIIA Section 209. In addition to operating needs, Amtrak will pass through to the state a capital charge for the replacement of equipment utilized in the state-funded service. This charge is still under negotiation with Amtrak and the states under the PRIIA deliberations.

Approximately \$353 million in state aid capital needs have been identified for the next step in development of the \$1.8 billion high speed rail corridor project segment in the Commonwealth from Petersburg to Washington, D.C. For current and near term operating and capital needs for intercity passenger rail development, \$629 million for operating and capital expenses is projected from FY2010 to FY2021. Figure 3-1 illustrates the intercity passenger rail operating and capital needs by fiscal year and category.

Figure 3-1 Intercity Passenger Rail Operating and Capital Needs FY2011-FY2021
(\$ in millions)

Operating Needs	Fiscal Year											Total
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
PRIIA Trains (2 Richmond and 2 Newport News)				\$8.6	\$13.3	\$13.7	\$14.1	\$14.5	\$14.9	\$15.4	\$15.8	\$110.2
Lynchburg Train Subsidy	\$2.9	\$3.5	\$3.0	3.9	4.0	4.2	4.3	4.4	4.6	4.7	4.8	44.2
Richmond Train Subsidy	2.1	2.7	2.6	2.9	3.1	3.4	3.5	3.6	3.7	3.8	3.9	35.3
Richmond to Norfolk Train Subsidy (3 trains transition over time).				4.0	4.1	8.5	13.1	13.5	13.9	14.3	14.8	86.2
Total Operating Needs	\$5.0	\$6.2	\$5.6	\$19.4	\$24.5	\$29.7	\$35.0	\$36.0	\$37.1	\$38.2	\$39.3	\$276.0
Capital Needs												
Amtrak Capital Charge for Equipment*				TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
I-95 Corridor Petersburg to Washington, D.C. – Match to Federal funding	.9	25.8	102.4	57.7	38.2	28.3	18.9	29.9	51.1			353.2
Total Capital Needs*	\$.9	\$25.8	\$102.4	\$57.7	\$38.2	\$28.3	\$18.9	\$29.9	\$51.1			\$353.2
Total Operating and Capital Needs*	\$6.0	\$31.9	\$108.0	\$77.0	\$62.8	\$58.0	\$53.8	\$66.0	\$88.2	\$38.2	\$39.3	\$629.2

*Note: Amtrak capital charges for equipment under PRIIA Section 209 costs to states are in negotiations between the states and Amtrak. This amount will be additive to the costs of state-supported Amtrak regional intercity passenger service. The state capital improvements for passenger rail for intercity service will be credited to this charge. In consideration of Virginia's capital investments for Amtrak state-funded services to date, Virginia may have reduced capital charges during the first eight years of operations under the PRIIA Section 209 structure, but these discussions with Amtrak are still ongoing.

3.2 Overview of Existing Sources of Funds

Virginia has many potential funding options for passenger and freight rail. These options vary according to their source (private/railroad or public/state, local and federal funds, as well as fares), their uses (stations, rolling stock, locomotives, right-of-way, operations and maintenance) and their availability (currently in use versus potentially available in the future).

3.2.1 Railroads

The railroads that operate in Virginia have willingly participated in the Commonwealth's programs in numerous public-private partnership projects. These projects have included initiatives focused on reducing truck traffic leaving the Port of Virginia, as well as projects that benefit both freight and passenger rail in the I-95 and I-81 corridors. The Commonwealth's rail programs generally require a 30 percent match from sources other than the Commonwealth or the federal government.

To date, the minimum 30 percent match has not been an issue with respect to freight rail improvement projects that are currently under contract. The expectation is that the railroads will continue to contribute to rail projects at a similar or higher share in the future. A key emphasis moving forward is the development and execution of agreements that provide dual benefits for passenger and freight rail service.

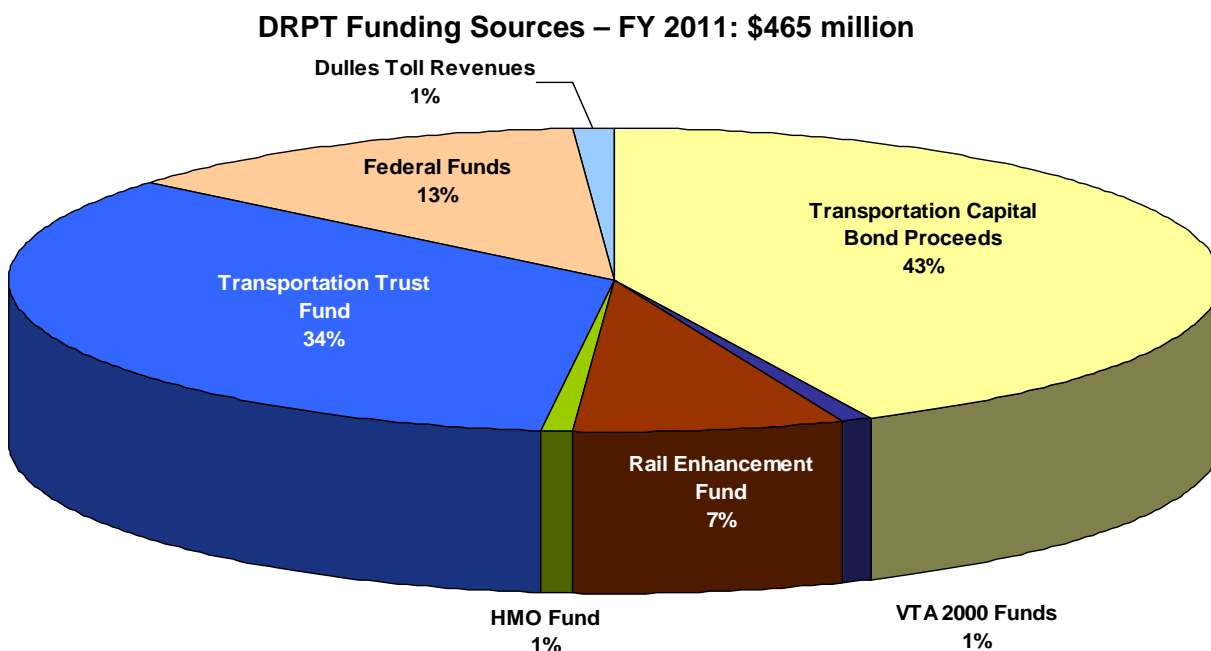
3.2.2 Commonwealth of Virginia

Virginia has made significant advancements in recent years in providing dedicated funding for rail investments, and DRPT's existing funding programs provide a strong foundation for future funding aimed at further expansion of intercity passenger and high speed rail. Four programs provide the bulk of rail funding. These are the REF, the RPP fund, Transportation Capital Project Revenue Bonds and the RIA fund.

In FY2011, the DRPT budget is approximately \$465 million in financial support for operating and capital and maintenance costs of public transportation services and rail projects across the Commonwealth. Federal and state aid is provided to supplement revenues collected from fares and local funds provided in support of public transportation operations. Currently, no dedicated source of operation funding exists in Virginia for intercity passenger rail service. A one-time exception was made in 2010 to allow the REF to provide operational subsidies to the three-year demonstration trains serving Lynchburg to Washington, D.C., and Richmond to Washington, D.C.

As the Commonwealth has taken a multimodal approach to transportation issues, DRPT's funding has increased and the sources of funding have evolved. In FY2011, DRPT's funding is generated from: transportation capital bond proceeds (43 percent), transportation trust funds (34 percent), federal funds (13 percent), REF (seven percent), VTA2000 funds (one percent), Highway Maintenance and Operating Fund (one percent), and local funds (one percent).

Figure 3-2 DRPT Funding Sources for FY2011



Note: The REF is the only dedicated funding source for rail capital projects.

Rail programs comprise 21 percent of the department's total planned expenditures for FY2011. The vast majority of annual funds are allocated to mass transit projects and operations, with the remaining funds allocated to a variety of rail improvement projects. The typical annual expenses noted above do not include special appropriations that have been made for rail improvement projects. The General Assembly, during its 2010 session provided a \$6 million one-time exception to use REF grant funds for the operational expenses of the Virginia-funded Amtrak service and 100 percent full funding of the Richmond to Norfolk intercity passenger rail extension.

3.2.2.1 Rail Enhancement Fund

The REF is a capital infrastructure program based on a public benefit analysis and requires a minimum 30 percent match from non-state sources. It does not provide for subsidizing passenger rail operations. The REF was passed by the General Assembly and signed into law by Governor Warner in 2005. The dedicated source of revenues for the REF is a portion (3 percent) of the vehicle rental tax and the interest earned on cash balances, which totaled approximately \$20.9 million in FY2011. A \$6 million one-time exception to use REF grant funds for the operational expenses of the Virginia funded Amtrak service was provided by the General Assembly during its 2010 session.

3.2.2.2 The Shortline Railway Preservation and Development Fund

The Shortline Railway Preservation and Development Fund was established in 1991 and codified in 2006. The fund provides for state financial support to preserve, continue and increase the productivity, safety and efficiency of shortline railway transportation development in Virginia. Administered as the Rail Preservation Program (RPP), it is a capital rail infrastructure program that does not provide funding for passenger rail operations. The RPP is funded annually through the Appropriations Act, and requires a minimum 30 percent match from the local jurisdictions and/or the shortline railroad.

Through projects funded by the RPP, a freight rail transportation alternative is provided to businesses and industries in areas of the Commonwealth that otherwise would not have these options. This program has become a key component of the Commonwealth's efforts to attract and maintain business in Virginia. This fund receives a \$3 million annual allocation of highway construction funds and the interest earned on cash balances to fund shortline rail improvement projects.

3.2.2.3 Capital Project Bonds

Capital Project Bonds for transit and rail improvements were established by the General Assembly in 2007 through HB3202. The bond package includes a minimum of 4.3 percent of available bond funds specifically for rail transportation. This equated to approximately \$4.3 million in FY2008 and then about \$12.9 million each year afterward until the total of \$3 billion of authorized bonds are fully allocated in FY2018. If these bonds were to be extended or a new source of revenue was added to replace bonds after FY2018 through FY2035, approximately \$220 million in additional revenue would be available for capital projects. The projects funded with capital bond proceeds are administered through the REF or the RPP for rail capital projects and do not provide funding for passenger rail operations.

3.2.2.4 Fund for Construction of Industrial Access Railroad Tracks

The Fund for Construction of Industrial Access Railroad Tracks was created by the General Assembly in 1986. Administered as the RIA program, the fund provides financial support for

projects that provide freight rail access to businesses in Virginia in conjunction with the Virginia Economic Development Partnership, County and Municipal Economic Development Departments, railroads and private industry. It is a capital rail infrastructure economic rail use incentive program that does not provide funding for passenger rail operations.

In 1995, the CTB passed a resolution for the use of the RIA program to serve as an incentive to encourage industrial or commercial development in the Commonwealth. Successful candidate projects will produce significant positive economic impacts. Funding for this program is shared with the road and airport access funds and rail projects are expected to average \$1.5 – \$2.5 million per year for future years.

3.2.2.5 Commonwealth's Transportation Trust Fund

The TTF is a multi-source-funded transportation fund. Currently, there are no dedicated revenues of the TTF for intercity passenger rail capital projects and operations. Currently, the TTF provides funding of the Commonwealth Port Fund, Commonwealth Airport fund, Commonwealth Mass Transit Fund and funding for capital improvements including construction, reconstruction, maintenance, and improvements of highways. **Freight and intercity passenger rail is the only transportation mode that does not receive dedicated funding from the TTF.**

3.2.2.6 Transportation Efficiency Improvement Fund

Each year, the Appropriations Act includes language authorizing the CTB to operate a program entitled the Transportation Efficiency Improvement Fund (TEIF). The purpose of the TEIF program is to reduce traffic congestion by supporting transportation demand management programs and projects designed to reduce the movement of passengers and freight on Virginia's highway system. Using transportation revenues generally available to the Board, funds are apportioned as determined by the CTB to designated transportation projects in addition to funds allocated pursuant to § 33.1-23.1, Code of Virginia. This fund receives around \$4.0 million each year. **The TEIF program could be utilized for supporting intercity passenger rail capital and operations; however, the fund at \$4.0 million is utilized today to support public transit projects that would be severely impacted if these funds were redirected to support intercity passenger rail projects and operations.**

3.2.2.7 Other Commonwealth Sources of Funding – CTB Authority

The Code of Virginia provides latitude to the CTB that following the set aside for administrative and general expenses and prior to the disposition of funds prior to allocation for highway purposes, and after allocation is made for the maintenance of roads within the interstate system of highways, the primary system of state highways, and the secondary system, **the CTB may allocate annually up to 10 percent of the funds remaining for highway purposes for the undertaking and financing of rail projects that, in the its determination, will result in mitigation of highway congestion.** The CTB could use its authority and redirect highway funds to rail programs, but at a fiscal impact to other programs that are currently funded with these transportation revenues.

3.2.2.8 Public Transportation Funding for Commuter Rail and Multi-Modal Connectivity Funding

Virginia provides financial support for public transportation systems in the Commonwealth. State funds are provided to support operating and capital expenses for transit systems and often are used to help provide matching funds for federal grants from the FTA. Several rail projects in Virginia currently receive both federal and state public transportation grants that also benefit

intercity passenger rail operations, including VRE commuter rail service, the Richmond Main Street Station multimodal study prepared by GRTC Transit System and the City of Richmond, and the proposed Caroline County Carmel Church Station study. In 2007, the Commonwealth significantly increased investments to support transit operating and capital expenses through the use of bond funds for capital and recordation taxes to boost operating assistance. The overall funding for these transit programs increased by 45 percent as a result of 2007 action by the Governor and General Assembly. However, these increases have not been fully realized due to greater demand for public transportation, rising fuel costs, and the shortfall of estimated revenues brought about by the downturn in the economy.

The public transportation programs for capital projects and operating subsidy administered by DRPT continue to provide and improve the mobility and transportation choices for all Virginians, and work to reduce traffic congestion in our urban areas. Public transportation services funded by the Commonwealth's Mass Transit Trust Fund include VRE commuter rail in Northern Virginia, Washington Metropolitan Area Transit Authority (WMATA) bus and heavy rail transit, the Tide light rail system in Norfolk, and passenger ferry services in south Hampton Roads. Mass Transit Trust Funds are not available for intercity passenger rail, but fund VRE commuter rail service along with the FTA. In the past six years, the Commonwealth has provided an average of 24 percent annual funding for VRE in Northern Virginia.

3.2.3 Local Jurisdiction and Regional Funding

Local government participation in transportation projects is increasingly important. Such participation may involve a greater cost sharing on projects desired by the local community, but doing so requires that locality to meet those expanded obligations. Local jurisdictions usually prefer to see clear local public benefit and equitable cost sharing before they are willing to invest local revenues in transportation projects. For this reason, passenger rail/multimodal stations represent the best opportunity for utilization of local funding in developing a capital plan for passenger rail expansion. Local funds can be used for the initial purchase or lease of pre-existing stations or land, station construction and renovation, construction of parking and for ongoing station expenses (cleaning and maintenance, security, etc.). Station investment is often more appealing to localities, since the investment stays within the immediate community. Further, through the application of transit-oriented development principles, local investment can spur creative multi-use destinations and additional economic development, as well as offer the potential for the creation of multimodal connections, such as airport stations or the relocation of intercity bus terminals.

Local jurisdictions or regions often need to consider alternatives to city or county general funds, which can be used on many projects, but which are often consumed by competing needs (public safety, health, schools, etc.). For example, some jurisdictions in the Northern Virginia region use local general funds or levy a two percent motor fuels tax to assist in the implementation and ongoing operations of VRE service. The investment of local funds into passenger rail programs is critical as it creates a greater sense of ownership and encourages successful solutions to land use and operational issues related to service frequency and expansion.

Additionally, Virginia jurisdictions may elect to program a portion of their allotments of state highway funds under the Urban or Secondary Roads programs to support passenger rail projects. These programs currently are financially constrained and in most cases are not a likely source for rail project funding. In Virginia's largest urbanized areas, local jurisdictions also play a role in the possible use of certain federal funds that are programmed at the regional level

through Metropolitan Planning Organizations (MPO). The MPO may program certain Federal Highway allocations to help fund rail capital improvements such as station improvements.

3.2.4 Federal Funding

Federal funding for surface transportation projects occurs mostly through the federal aid highway program. Under the program, the federal government distributes money to states for the construction and improvement of urban and rural highway systems and for transit system capital expenditures. The program is funded from proceeds of the federal motor fuel tax, the heavy vehicle use tax, and federal motor carrier excise taxes (on truck and trailer sales and tires) collected in the Federal Highway Trust Fund (HTF) and in the Mass Transit Account within the HTF. The Federal Highway Act of 1956 established the HTF, and subsequent reauthorizations established formulas for apportioning surface transportation funding to the states. To receive federal funds for transportation projects, states must adhere to joint federal planning regulations of the Federal Highway Administration (FHWA) and the FTA; at this time the FRA does not participate in this joint planning effort and therefore does not have a mechanism for combined or flexed funding. Both Virginia and one of its regional MPOs has tried to flex FHWA funds to FRA projects and could not due to the lack of a flex funding agreement between FHWA and FRA.

On the federal side, the nature of a passenger rail service determines its eligibility for federal funding. The USDOT classifies a passenger rail services as a commuter rail service (handled by the FTA), an intercity passenger rail service, or a high speed rail service (both handled by the FRA). Currently, there are no federal operating funds for intercity or high speed passenger rail to states; however, operating funds are provided for commuter rail and rail transit fixed guideway (light rail and heavy rail) service through FTA. In Virginia, VRE is the only service that meets the FTA definition of commuter rail service. Once The Tide light rail system, operated by Hampton Roads Transit, becomes operational, it will be eligible for FTA operational funds just like Metrorail as a rail transit fixed guideway operation. The VRE services are eligible for FTA funds under both the Section 5307 (urbanized area) and Section 5309 (fixed guideway modernization) federal formula programs that are used for capital projects.

3.2.4.1 Capital Assistance to States for Intercity Passenger Rail Projects

Until recently, there was no federal funding program to assist states with intercity passenger rail projects. However, in January 2008, the FRA announced a new Capital Assistance to States - Intercity Passenger Rail Service Program. The program made \$30 million in federal matching funds available directly to states through grants to fund up to 50 percent of the cost of capital investments and planning activities necessary to achieve tangible improvements or to institute new intercity passenger rail service. The program focuses on projects that lead to an on-time performance of 80 percent or greater, reduce travel times, increase service frequency or enhance service quality for intercity rail passengers.

In May 2010, the FRA's FFY2010 Appropriation issued a notice of funding availability for Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service. For FFY2010 \$2.345 billion was made available to states through a competitive grant program, which required a 20 percent match. The program allocated \$2.1 billion for corridor service development programs and made up to \$245 million available for individual projects, which range from planning and engineering studies to final design and construction projects.

3.2.4.2 Passenger Rail Investment and Improvement Act of 2008

Additional federal funding became available with the reauthorization of Amtrak and the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). The act enables operating and capital grants for Amtrak, as well as repayment of Amtrak debt and increasing funding from prior years. PRIIA and House Resolution (HR) 6003 contain a provision that authorizes the USDOT to make grants to states to fund capital improvements to intercity rail. PRIIA changes the funding policies for intercity passenger rail service and places an increased burden on the states for operation of services, as discussed earlier in Section 2.3.3.

3.2.4.3 The American Recovery and Reinvestment Act of 2009

ARRA, passed by Congress, provided Amtrak with additional funding in the emergency economic stimulus bill in February 2009. Amtrak received \$1.3 billion for capital grants (of which \$450 million was specifically for capital security grants). Congress also provided \$8 billion for grants for high speed rail projects, intercity passenger rail projects, and rail congestion relief grants. On January 28, 2010, President Obama announced the first round of grants from the \$8 billion for intercity passenger rail and high speed rail. Virginia received approximately \$75 million for the construction of a third track in the Richmond to D.C., corridor over a stretch of 11 miles from Arkendale in Stafford County to Powell's Creek in Prince William County. All funds must be obligated by September 30, 2012, and spent by September 30, 2017.

3.2.4.4 Other Federal Funding Sources

There are other limited federal funding sources that can support some capital expenses for passenger rail transportation. For example, some federal funds may be available to support station expenses through historic preservation funds and Department of Homeland Security funding for security upgrades. These funding sources generally require a federal earmark. Improvements to grade crossings may also be eligible for federal funding through the FHWA grade crossing program or the FRA Sealed Corridor program.

FHWA's Congestion Mitigation Air Quality (CMAQ) and Surface Transportation Funding (STP) programs both have specific applications to some capital project elements of passenger rail service expansion, and the start-up costs associated with operations in the first three years are eligible under CMAQ. These funds are allocated both to the state and directly to the Northern Virginia, Richmond, Hampton Roads and Fredericksburg urbanized areas, ultimately being programmed by the regional MPO for the area. The Commonwealth generally provides the 20 percent match that is usually required by these federal programs from the Priority Transportation Fund. In order to "flex" funding from FHWA to FRA, the two federal agencies must negotiate an inter agency transfer agreement.

3.2.5 Passenger Fares and Other Revenues

Passenger fares and other revenues are used to defray a portion of passenger rail operating costs. However, as with other transportation modes, both commuter and intercity rail require a subsidy to support capital and ongoing operating costs. The subsidy required ranges based on the type of service desired.

3.3 Summary of Existing Sources of Funds

Virginia is fortunate to have established several dedicated funding sources for its rail capital program (rental car revenues and capital bonds). Any successful rail projects in Virginia will need to bring together multiple funding sources and partners to support various project

elements. The existing programs and funding sources evaluated in this section do not provide for operating funding of intercity passenger rail capital projects and operations. The challenge facing the Commonwealth is the ability to build improvements without an established means to fund the capital projects which are necessary to implement new intercity passenger rail operations and then to fund the intercity passenger service operations. In order to leverage existing funding sources, the framework of existing funding programs would need to be altered. In summary, and from a policy perspective, it is clear that the Commonwealth needs to establish a Passenger Rail Operating and Capital Fund.

4. Peer State Comparison and Public Input

4.1 Peer State Review

DRPT coordinated with AASHTO's Standing Committee on Rail Transportation (SCORT) to conduct a survey on passenger rail operation funding. Surveys were sent to all 50 states, with a sample survey filled out with Virginia's information. Thirty-two states responded, of which nine states provide state-supported passenger rail service. These states include California, Illinois, Michigan, Missouri, New York, North Carolina, Oregon, Pennsylvania, and Texas. A full review of the completed surveys and expressed costs can be found in Appendix A.

The states presented in this section are those that operate state-supported intercity passenger rail service, and the experiences of these states can provide important lessons for Virginia. In addition to summarizing their history and current operating structure, where possible, this survey also focused on their plans for future expansion, and the projected costs and sources of funding for those expansions.

States with Dedicated Revenue Sources for Intercity Passenger Rail Operations

Of the nine responding states that provide state-supported intercity passenger rail service, three states, California, Oregon, and Pennsylvania, provide funding through dedicated revenue sources. Oregon has the most creative source of dedicated revenue provided by an additional assessment to the personalized license plate fee. Oregon also receives intercity passenger rail funds through non-dedicated gas tax revenues. California dedicates intercity passenger rail operating revenues through its Public Transportation Account that is sourced from taxes assessed on diesel fuel, gasoline, and a sales tax on a portion of the excise tax on gasoline. Pennsylvania dedicates a portion of its Transportation Fund Allocation.

States with Non-Dedicated Revenue Sources for Intercity Passenger Rail Operations

Of the nine responding states that provide state-supported intercity passenger operations, six states, Illinois, Michigan, Missouri, New York, North Carolina and Texas, provide funding through non-dedicated revenue sources along with Virginia:

- Illinois and Missouri provide General Funds to support their intercity passenger rail operations.
- Michigan, New York, North Carolina, Texas, and Virginia provide an array of available transportation revenues from taxes on motor fuels to rental cars.

Figure 4-1 shows the financial mechanisms have been identified by the survey states and Virginia that are used to provide for intercity passenger rail operating and capital funds.

Figure 4-1 State Supported Intercity Passenger Service and Sources of Revenue for Operations

State	Number of Routes Supported with State Funds	Intercity Passenger Rail Operation Funding Source	Dedicated or Non-dedicated Funding Source
Virginia	2	Available Commonwealth Transportation Funds and General Assembly Special Budget Language.	Non-Dedicated
California	3	Public Transportation Account <ul style="list-style-type: none"> • diesel fuel tax • portion of gas tax • sales tax on a portion of the excise tax on gas 	Dedicated
Illinois	3	General Fund Allocation	Non-Dedicated
Michigan	2	Transportation Fund Allocation	Non-Dedicated
Missouri	1	General Fund Allocation	Non-Dedicated
New York	1	Transportation Fund Allocation <ul style="list-style-type: none"> • Passenger & Freight Rail Infrastructure capital Program (expires 2010) 	Non-Dedicated
North Carolina	2	Transportation Fund Allocation	Non-Dedicated
Oregon	1	Personalized license plate fees Transportation Operating Fund (gas tax)	Dedicated and Non-Dedicated
Pennsylvania	1	Transportation Trust Fund Allocation	Dedicated
Texas	1	Transportation Fund Allocation Non-Dedicated Revenue Sources (Leases)	Non-Dedicated

4.2 State Tax Rate Comparison

Rental car taxes are frequently utilized to fund state and local projects, such as stadiums, public transportation, and highway improvements. In Virginia, a 10 percent total tax is collected on rental cars. There are several components to the tax. First, four percent of the gross proceeds from the rental of any motor vehicle is directed to the state; a four percent additional tax of the gross proceeds for any daily rental vehicle is collected by the Department of Motor Vehicles (DMV) and distributed to the city, town or county where the daily rental vehicle was delivered to the rental customer. The four percent additional rental tax is in addition to, and not in lieu of, the

four percent rental tax. Finally, the remaining two percent rental fee is collected by DMV and disbursed to the state police for the Statewide Agencies Radio System (STARS). Other states have comparable fees, which include taxes on the sale, daily fees, local use and sales taxes as well as state use and sales taxes. Figure 4-2 compares the rental car tax of several states. Virginia's taxes and fees remain comparable to and in some cases less than other states. Additional detailed data, including code citation and fund disbursement is located in Appendix B.

Figure 4-2 State Rental Car Tax Comparison

State	Total State Tax
Ala.	7%
Alaska	10%
Ark.	16%
Calif.	10.75%
Fla.	\$2/Day + 6.0%
Ga.	10%
Hawaii	\$3/Day + 4.0%
Iowa	11%
Ky.	9%
La.	7%
Mass.	\$.60/ sale + 6.25%
Md.	11.5%
Maine	10%
Mich.	8%
Minn.	13.075%
Mont.	4%
N.C.	10.75%
N.D.	6%
N.H.	8.00%
N.J.	\$5/Day + 7.0%
N.M.	\$2/Day + 10%
Nev.	12.85%
N.Y.	9%
Pa.	\$2/Day + 8%
R.I.	11%
S.C.	11%
Tenn.	11%
Texas	15%
Utah	7.2%
Va.	10%
Wash.	12.4%
Wis.	10%
Wash. DC	10%

Sources: Federation of Tax Administrators, State Sales Tax Rate and Vendor Discounts, February 2010
 National Conference of State Legislatures, NCSL Legisbrief Vol. 6, No. 26, June/July 1998.
 Respective state websites accessed September 22-23, 2010

4.3 Public Input

DRPT solicited public comments on the intercity passenger rail operations funding study. The public comment period began June 3, 2010, and closed July 2, 2010. DRPT advertised the public comment period on the DRPT Web site, added a notice of the comment period to the DRPT's RSS (Really Simple Syndication) feed, and issued a press release to the media and stakeholders. Comments were received via email, online survey, fax, and standard mail. All public comments were supportive of high speed or expanded intercity passenger rail service in Virginia.

4.3.1 Government and Transportation Industry Comments

Written comments were submitted by some of Virginia's transportation companies, advocates and agencies, including: County of Fairfax Virginia, CSX, Greater Norfolk Corporation, Hampton Roads Transportation Planning Organization, NS, Northern Virginia Transportation Commission, Potomac and Rappahannock Transportation Commission, Southern Environmental Law Center, Virginia Beach Vision, VRE and the Virginia Transit Association.

Comments received from the above organizations were varied in their proposals to fund intercity passenger rail service. Common themes include:

- Utilize existing funds, specifically the REF, for intercity passenger rail service
- Do not use existing transit funds such as the TTF, federal funds for VRE track leases, or the recordation tax to fund intercity passenger rail service
- Increase the rental car tax to generate additional revenue for passenger rail service
- Establish a new funding source for intercity passenger rail service, maintaining the REF as a program dedicated to rail infrastructure
- Enable the REF to be used as match to federal grants
- Give the CTB the authority to reduce or waive the mandated 30 percent match for passenger rail projects, including operations and capital improvements
- Specify what constitutes a successful intercity passenger rail program for the Commonwealth

4.3.2 Virginians for High Speed Rail

Virginians for High Speed Rail (VHSR) is a non-profit advocacy group that supports the improvement and expansion of rail service in Virginia to achieve fast, frequent, and reliable rail service. VHSR posted a form letter with pre-populated comments on their website, for use by its members and supporters to submit comments to DRPT. Most comments followed the form letter, which laid out specific strategies for funding passenger rail service, as follows:

- Amend Virginia's REF to allow for the operation of intercity passenger rail service
- If the REF is used for passenger rail operations, the proportion of the REF designated for this purpose should be sufficient to cover the costs of maintaining existing intercity rail services as well as the anticipated costs of expanding intercity rail to cover future needs

- Give the CTB the authority to reduce or waive the mandated 30 percent match for passenger rail projects including operations and capital improvements
- Give the CTB the authority to leverage the REF for the sale of bonds to match federal high speed rail funding
- Increase the car rental tax by at least one percent and direct it into the expanded REF

4.3.3 Intercity Rail Operating Survey

DRPT provided the opportunity to comment via an online survey. The survey provided questions which solicited input on the current issues of rail funding in the Commonwealth and included the potential options considered by DRPT, as well as other railroad transportation stakeholders. A total of 173 respondents took the survey. The following are highlights of the survey's results:

- Sixty-seven percent responded that their destination via Amtrak originating in Virginia was in the NEC
- Respondents preferred utilizing fuel tax revenue as the best source of funds for intercity passenger rail operations. Rental vehicle tax revenue and fee per passenger ticket revenue were ranked the preferred methods after fuel tax. Least favorable revenue sources were tolls, sales tax, and real estate tax.
- Sixty-four percent of respondents favored raising fees and dedicating a portion of new revenues to intercity passenger rail service rather than reallocating existing funds
- Seventy-three percent responded "yes" to dedicated rail capital programs being changed to contribute to intercity passenger rail operation funding if there is no change in the amount of funding available today
- Seventy-eight percent of respondents supported waiving the match requirement for intercity passenger rail capital improvements funded by the REF

4.3.4 Written Public Comments

In addition to the survey, respondents provided written comments. Members of the public were supportive and expressed a range of opinions on how to fund intercity passenger rail service similar to the other results noted previously in this report.

5. Proposed Program Structure and Potential Sources of Funding for Intercity Passenger Rail Services

Intercity passenger rail service is a basic element of the Commonwealth's multimodal transportation system, relieving highway and airport congestion in a safe, environmentally responsible way. Based on the research and information presented, DRPT has developed options from practices of peer states, input from public comments and discussions and listed them below for the General Assembly to consider in the development of a program and process to provide for high speed and intercity passenger rail capital project and operations funding:

- Establish a solid basis for passenger rail service partnerships between Virginia, its neighboring states, and the federal government by establishing a funding mechanism for federal grant match
- Set a goal to provide a stable system for funding intercity passenger rail operating and capital project costs
- Create a fund for the continuation and development of intercity and high speed passenger rail operations and capital
 - Establish an Intercity Passenger Rail Operating and Capital Fund
 - Establishment of the fund will provide the legal mechanism and conduit for any funds appropriated by the General Assembly for the purposes of providing for intercity passenger rail capital projects and costs of continued and expanded intercity passenger rail operations to be applied to projects and operations
- Establish a funding stream that provides for increased needs for funding intercity and high speed passenger rail operations and capital. With PRIIA Section 209 deliberations ongoing, the General Assembly could provide sufficient funding from available revenues through the Appropriations Act on a biennial basis through the newly created Intercity Passenger Rail Operating and Capital Fund.
 - Appropriate available revenues to support existing service through the biennium
 - Appropriation of funds could be achieved by:
 - Annual allocations from the General Fund
 - Annual allocations from the Transportation Trust Fund (TTF)
 - Create a dedicated revenue source that is sustainable and will provide for the continuation and expansion of intercity and high speed passenger rail in the Commonwealth after review and consideration of the following mechanisms:
 - Evaluate Rental Car Tax Revenues and consider increasing the current 10 percent tax by three percent to a total of 13 percent tax for use as a dedicated revenue source for the new Intercity Passenger Rail Operating and Capital Fund.
 - Evaluate Rental Car Tax Revenues to localities and consider re-direction of three percent of the four percent dedicated to local governments to the new Intercity Passenger Rail Operating and Capital Fund.
 - Evaluate the proportions of the TTF for a potential allocation of 4.3% of the TTF for potential use in funding the Intercity Passenger Rail Operating and Capital Fund. The General Assembly established the same funding level in its passage of House Bill (HB) 3202. Today, intercity passenger rail capital projects and funding for continued and new intercity passenger

rail operations are the only mode not provided for in whole or in part through the TTF.

- Evaluate potential revenue from the privatization of the Alcoholic Beverage Control (ABC) stores for potential use in funding the Intercity Passenger Rail Operating and Capital Fund.
- Evaluate potential revenue from the addition of a sales tax to be charged in addition to the rental car tax on rental fees for potential use in funding the Intercity Passenger Rail Operating and Capital Fund.
- Evaluate other mechanisms adopted by other states such as:
 - Assessing additional fees to personalized license plate fees
 - Redirecting tax revenues from the sale of new and used motor vehicles
 - Redirecting vehicle weight fee revenues

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Appendix A

State Profiles

State Profiles

DRPT coordinated with AASHTO's SCORT to circulate a survey on passenger rail operation funding. Surveys were sent to all 50 states, with a sample survey filled out providing Virginia's information. Thirty-two states responded with a total of 9 states indicating they have state-supported passenger rail service. These include California, Illinois, Michigan, Missouri, New York, North Carolina, Oregon, Pennsylvania and Texas. Virginia recently joined this group of states with the beginning of the Amtrak operated passenger service from Lynchburg to Washington, D.C., in October 2009.

The states presented in this section are those that identified state-supported passenger rail service. States that also have state-supported passenger service, but did not respond to the survey include Vermont, Wisconsin and Washington. The experiences of these states provide a benchmark for Virginia.

Each state profile identifies the routes supported with state funds, the total route cost according to Amtrak, the approximate total state contribution to operation of the route, the Amtrak reported "Contribution/(Loss) per passenger Mile, and the approximate Contribution/(Loss) per passenger Mile including interest and depreciation.

This last column with the "Approximate Contribution/(Loss) per passenger Mile including interest and depreciation" was added based on a recommendation by the Government Accountability Office (GAO) in 2005 that Amtrak report the contributions and losses while including depreciation and interest. Depreciation and interest provide a more realistic cost assessment of the subsidy necessary for operational and capital expenses.

DRPT used the following formula to determine the additional contribution/(loss) per passenger mile associated with depreciation and interest:

$$\frac{\$Amount\ 2009\ Depreciation + \$Amount\ 2009\ Interest\ (Other\ expenses)}{Total\ Amtrak\ Passenger\ Miles} = \text{cents/mile}$$

The actual formula used for September 2009 data (from Amtrak's OTP Report):

$$\frac{\$562,584,000 + 109,910,000}{5,897,441\ \text{miles}} = 11.4\ \text{cents/mile}$$

This means an additional 11.4 cents/mile was added in the cost per passenger mile (as reported by Amtrak) to account for depreciation and interest on capital assets used in operation of the state-supported routes.

Virginia

Virginia has two state-supported intercity passenger rail routes:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ¹	Sept 2009 Contribution/ (Loss) per Passenger Mile ¹ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ¹ Includes Depreciation and Interest
Lynchburg Service	Lynchburg to Washington, D.C.	TBD	TBD	TBD
Richmond Service	Richmond to Washington, D.C.	TBD	TBD	TBD

Virginia became the 15th state to contract with Amtrak for state-supported intercity passenger rail service with *Amtrak Virginia's* service from Lynchburg to Washington, D.C in October 2009. This route continues from Washington, D.C., to destinations in the NEC as far north as Boston, Mass. A second state-supported routed from Richmond to Washington, D.C., also continues to destinations in the NEC and began July 2010.

Data is currently unavailable for the annual total cost of the Lynchburg and Richmond state-supported routes because neither has run a full year. Initial ridership and revenues for the Lynchburg route have exceeded projections, and to date revenues have exceeded the costs for operations.

Virginia has allowed for up to \$6 million to be used for intercity passenger rail operations from the Rail Enhancement Fund.

Virginia currently has no dedicated source of revenue for funding passenger rail operations. The Lynchburg and Richmond routes are under contract with Amtrak as three-year demonstration projects with an estimated annual subsidy of \$2.9 million for the Lynchburg service and an annual \$2.1 million for the Richmond service. The CTB granted a one-time exception to allow \$6 million in REF to be used for operational expenses for the two demonstration routes.

DRPT has plans for further expansion of intercity passenger rail service in Virginia by extending the state-supported Richmond route to the City of Norfolk in 2013.

¹ Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

California

California has three state-supported intercity passenger rail routes:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ²	Sept 2009 Contribution/ (Loss) per Passenger Mile ¹ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ¹ Includes Depreciation and Interest
Pacific Surfliner	San Diego-Los Angeles-Santa Barbara-San Luis Obispo	\$99.5 Million	(10.7) Cents	(22.1) Cents
San Joaquin	Oakland/Sacramento-Stockton-Fresno-Bakersfield-(Los Angeles)	\$73.7 Million	(10.4) Cents	(21.8) Cents
Capitol Corridor	Auburn-Sacramento-Oakland-San Jose	\$61.8 Million	(14.7) Cents	(26.1) Cents

The *Pacific Surfliner* route began as a basic system route at the formation of Amtrak in 1971. In 1976, this route was expanded using state funds. Today, the part that is of the original Amtrak system is 70 percent state supported, and 30 percent Amtrak supported. With Section 209 of PRIIA, state support will increase from 70 percent to 100 percent of direct and shared costs for the *Pacific Surfliner*.

The *San Joaquin* route began in 1974, and the state's support began in 1979. The California Department of Transportation (Caltrans) began the *Capitol Corridor* route in 1991. Both the *San Joaquin* and *Capital Corridor* routes are supported with 100 percent state funds for direct and shared operating costs not covered by revenues.

California maintains multiple sources of funding for intercity passenger rail improvements, but only the Public Transportation Account (PTA) provides revenues for operations. Pursuant to the statutes relating to intercity passenger rail service, the Governor includes in the Budget Bill an appropriation from the PTA to subsidize the operating costs of intercity passenger services. The Secretary of Business, Transportation and Housing establishes, through the annual budget process, the level of state funding available for the operation of intercity passenger rail service in each of the corridors supported by the state.

In FY2010, California provided \$90.3 million from the state budget to support their intercity passenger rail operations.

Funds for the PTA come from a portion of sales tax on diesel fuel, a portion of sales tax on gasoline and the sales tax on a portion of the excise tax on gasoline. Under the California

² Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

Public Utilities Code, 25 percent of the PTA goes to a variety of sources specified by the Code, including intercity rail operations. In 2009-10, the state budget provided \$90.3 million for intercity rail operations.

When Section 209 of PRIIA takes effect, increased intercity passenger service operational costs are anticipated. Caltrans plans to request additional funding under the normal state budget process.

Illinois

Illinois has four state-supported intercity passenger rail routes:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ³	Sept 2009 Contribution/ (Loss) per Passenger Mile ² as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ² Includes Depreciation and Interest
The Lincoln Service	Chicago to St. Louis	\$31.3 Million	(10.9) Cents	(22.3) Cents
The Illini/ Saluki Service	Chicago to Carbondale	\$14.8 Million	(8.8) Cents	(20.2) Cents
The Illinois Zephyr	Chicago to Quincy	\$15.2 Million	(20.1) Cents	(31.5) Cents
The Hiawatha	Chicago to Milwaukee	\$25.1 Million	(9.5) Cents	(20.9) Cents

Illinois contracts with Amtrak to support the *Lincoln* service, the *Illini/Saluki* service and the *Illinois Zephyr*. The *Hiawatha* is a state-supported route shared among Amtrak, Illinois and Wisconsin. Illinois' share of costs not covered by revenues for *Hiawatha* is 25 percent, with Wisconsin covering the remaining 75 percent.

In Illinois, intercity passenger rail operational subsidies come from an annual allocation from the General Fund. The FY2010 annual amount for non-dedicated funding is approximately \$28,000,000 which came from the State of Illinois Appropriation Budget.

In FY 2010, Illinois provided \$28 million from the state budget to support their intercity passenger rail operations.

Route	City Destinations	Illinois State Share FY10 ⁴
The Lincoln Service	Chicago to St. Louis	\$11.0 Million
The Illini/ Saluki Service	Chicago to Carbondale	\$ 5.6 Million
The Illinois Zephyr	Chicago to Quincy	\$ 8.0 Million
The Hiawatha	Chicago to Milwaukee	\$ 1.8 Million (25% share)

PRIIA Section 209 will affect all state-supported routes in Illinois.

³ Amtrak Monthly Performance Report for September 2009: C. Route Performance Report.

⁴ As reported from the Survey of States by the Virginia Department of Rail and Public Transportation and AASHTO Standing Committee on Rail Transportation members.

Michigan

Michigan has two state-supported intercity passenger rail routes:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ⁵	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁴ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁴ Includes Depreciation and Interest
Pere Marquette Service	Grand Rapids to Chicago	\$ 6.4 Million	(7.1) Cents	(18.5) Cents
Blue Water Service	Port Huron to Chicago	\$11.8 Million	(10.4) Cents	(21.8) Cents

Michigan supports the *Pere Marquette* from Grand Rapids to Chicago and the *Blue Water* service from Port Huron to Chicago. Both services operate with one round trip per day. In 2009, the state paid \$6.4 Million in support of operations.

In FY2009, Michigan provided \$6.4 million from the state budget to support their intercity passenger rail operations.

There is currently no dedicated state funding source for passenger train operations. Intercity passenger rail operational subsidies come from an annual allocation out of the Transportation Fund. When Section 209 of PRIIA takes effect, the cost of direct and shared costs on both the *Pere Marquette* service and *Blue Water* service will be affected.

⁵ Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

New York

New York has one state-supported intercity passenger rail route:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ⁶	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁵ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁵ Includes Depreciation and Interest
The Adirondack	NYC to Albany-Rensselaer to Montreal	\$13.1 Million	(7.3) Cents	(18.7) Cents

The *Adirondack* connects New York City via Albany to Montreal. In FY2010, the approximate annual cost of the Adirondack passenger train to New York was \$5.3 Million.

The *NEC* runs through New York as does the *Lake Shore Limited* (an Amtrak long-distance route). Although PRIIA legislation pertain to sharing operational cost of long distance routes (more than 750 miles) or routes on the NEC, New York has 12 trains potentially affected when Section 209 of PRIIA takes full effect. This includes 10 *Empire* route trains, which are currently Amtrak supported, and the *Adirondack* route.

In FY2010, New York State provided \$5.3 million from the state budget to support their intercity passenger rail operations.

Route	City Destinations	Annual Cost to the State of New York
The Adirondack (1)	NYC to Albany-Rensselaer to Montreal	\$ 5.3 Million
7 Empire	NYC to Albany-Rensselaer	Amtrak supported
2 Empire	NYC to Western NY	Amtrak supported
1 Empire	NYC to Western NY/Toronto	Amtrak supported

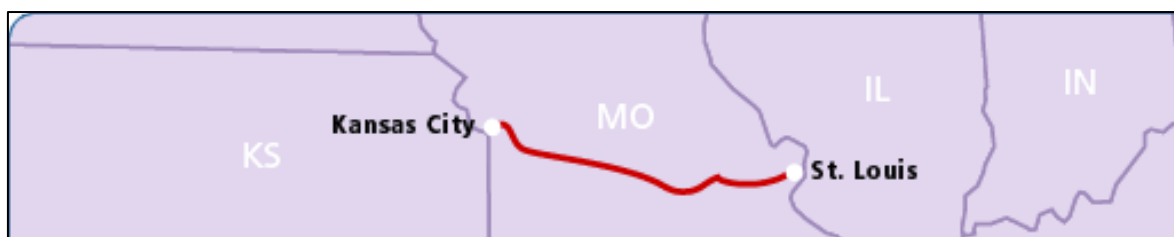
Currently New York has no dedicated source of funding for passenger rail operational subsidies. Funds are allocated from the Transportation Fund.

⁶ Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

Missouri

Missouri has one state-supported intercity passenger rail route:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ⁷	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁶ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁶ Includes Depreciation and Interest
The Missouri River Runner	St. Louis to Kansas City	\$ 12.2 Million	(2.7) Cents	(14.1) Cents



The *Missouri River Runner* is operated by Amtrak and subsidized by the state. It operates two daily round trips between St. Louis and Kansas City. The state subsidizes costs not covered by revenues. Missouri and Illinois are working on potential projects to improve service from St. Louis to Chicago, but there is currently no sharing of costs on the Lincoln Service, subsidized by Illinois.

In FY2010, Missouri provided \$8.4 million from the state budget to support their intercity passenger rail operations.

In FY2010 Missouri provided \$8.4 million to support the *Missouri River Runner* service. Currently the state has no dedicated source of funding for passenger rail operational subsidies. Funds are appropriated from the General Fund each year, and the Department of Transportation includes state-supported passenger rail service as part of the six-year Statewide Transportation Improvement Program.

⁷ Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

North Carolina

North Carolina has two state-supported intercity passenger rail routes:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ⁸	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁷ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁷ Includes Depreciation and Interest
The Carolinian	Charlotte to Washington to Northeast Corridor	\$20.8 Million	(4.3) Cents	(15.7) Cents
The Piedmont	Raleigh to Charlotte	\$ 4.1 Million	(17.2) Cents	(28.6) Cents

North Carolina, through NCDOT, contracts with Amtrak for the operation of the *Carolinian*, which operates one round trip per day as a state-supported train from Charlotte to Washington, D.C., but then becomes a national system train from Washington to New York.

The *Piedmont*, a state-supported regional route operated by Amtrak, runs three round trip trains daily to Raleigh, Greensboro, Charlotte and nine other North Carolina cities. On June 5, 2010, the *Piedmont* began operation of the third daily (mid-day) round trip between Charlotte and Raleigh. Piedmont trains also have bike racks on board, thus allowing for a commuter or leisure style service.

North Carolina provides approximately \$5 million annually to support their intercity passenger rail operations.

To connect Winston-Salem to passenger rail service, NCDOT in conjunction with Piedmont Area Regional Transportation (PART), operates the NC Amtrak Connector Shuttle Service to the High Point train station.

Amtrak and North Carolina have a contract agreement for worth \$20 million for the two Amtrak operated state-supported passenger rail services. The state pays approximately \$5 million annually toward operation subsidies. Funds are provided from a non-dedicated source through an annual allocation from the Highway Fund. Section 209 of PRIIA is not expected to significantly alter the state's current participation.

⁸ Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

Pennsylvania

Pennsylvania has one state-supported intercity passenger rail route:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ⁹	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁸ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁸ Includes Depreciation and Interest
The Keystone Corridor	Philadelphia to Harrisburg	\$38.8 Million	(19.7) Cents	(31.1) Cents

Pennsylvania's state-supported *Keystone Corridor* is operated by Amtrak between New York City and Harrisburg, PA. Operations between Philadelphia and Harrisburg are subsidized by the state with an annual contribution of approximately \$9 million. Funding for operations comes from a dedicated source of funding, the Public Transportation Trust Fund. This source of intercity passenger rail operating funds was created by legislation passed in 2007 allowing operating assistance for programs of statewide significance.

Times and schedules vary daily, but the *Keystone Corridor* service runs 158 trains per week. Similar to the Northeast Corridor, The *Keystone Corridor* is Amtrak owned and serves Amtrak's Keystone and Pennsylvanian service, the Southeastern Pennsylvania Transportation Authority (SEPTA) Paoli-Thorndale commuter rail line and minor freight operations.

Pennsylvania provides \$9 million annually from the Public Transportation Trust Fund to support intercity passenger rail

In 2003, Amtrak initiated a very aggressive FY2004-FY2008 Strategic Plan with a focus on stabilizing the existing railroad and returning it to a state of good repair. Amtrak and the Pennsylvania Department of Transportation (PennDOT) collaborated on the \$145 million cost for the Keystone Corridor Improvement Project between Philadelphia and Harrisburg, during FY2000 - FY2006. The effect was an increase in service frequency and reducing in travel time leading to a ridership increase of 74 percent.

⁹ Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

Texas

Texas has one state-supported intercity passenger rail route:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ¹⁰	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁹ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ⁹ Includes Depreciation and Interest
The Heartland Flyer	Fort Worth, TX to Oklahoma City, OK	\$ 6.1 Million	(18.1) Cents	(29.5) Cents

Beginning in June 1999, Amtrak and Oklahoma initiated intercity corridor service on the 206-mile *Heartland Flyer* route, reinstating passenger rail service in North Texas and Oklahoma for the first time in over 20 years. The *Heartland Flyer*, with service between Oklahoma City and Fort Worth, runs one trip daily in each direction and serves the Texas cities of Fort Worth and Gainesville, providing connections to the Texas Eagle at Fort Worth.

The Oklahoma Department of Transportation (ODOT) approached the Texas Department of Transportation (TxDOT) for assistance in providing operational funding for the *Heartland Flyer* in 2006. Texas approved \$1.8 million in funding for FY2007. TxDOT and ODOT have also partnered to continue providing funding for FY2008 and 2009.

Texas provides \$5 million annually from the Transportation Fund and lease revenues from state owned tracks for intercity passenger rail

State-supported Amtrak intercity corridor service along the *Heartland Flyer* route was introduced in spite of ridership projections that would give rail only a small share of the total travel between markets on this corridor. In the first year of operation, 25,247 total boardings and alighting were made in Texas which jumped to 60,450 by 2000. Annual number of boarding and alighting by FY2009 was over 69,000. By comparison, in 2006 roughly 228,000 air passengers flew between Oklahoma City and Dallas-Fort Worth, so the Heartland Flyer carried more than 24 percent of the number of passengers choosing to travel by air or rail between the two regions.

This route is subsidized by TxDOT in partnership with ODOT, and Texas subsidizes approximately 60 percent of the direct and shared costs not covered by revenues in the Texas portion of the route.

Annual subsidy expenses of approximately \$5 million are covered by allocations from the Transportation Fund as well as revenues from leases for the use of state-owned railroad tracks. No dedicated source of funding exists for operational subsidies. Section 209 of PRIIA is expected to change the amount of subsidy necessary to continue operations of the *Heartland Flyer*; however, the effects are unclear.

¹⁰ Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

Oregon (and Washington)

Oregon has one state-supported intercity passenger rail route:

Route	City Destinations	Annual Total Cost (Excludes Depreciation and Interest) ¹¹	Sept 2009 Contribution/ (Loss) per Passenger Mile ¹⁰ as Reported by Amtrak	Sept 2009 Contribution/ (Loss) per Passenger Mile ¹⁰ Includes Depreciation and Interest
The Cascades	Portland to Vancouver	\$49.9 Million	(9.0) Cents	(20.4) Cents



Oregon supports two daily roundtrips over the 124-mile route between Portland and Eugene as part of the Amtrak operated *Cascades* service that connects Eugene, Ore. and Vancouver, British Columbia via Seattle, Wash. Washington and Amtrak support the roundtrips between Portland and Vancouver.

Direct costs associated with the Eugene to Portland component of the *Cascades* route are \$9.7 million, of which Oregon contributes approximately \$4.9 million (in FY2010). Section 209 of PRIIA is expected to have an impact on the entire funding of operations for the *Cascades* route. Discussions on future 209-related funding have recently begun among Amtrak, Oregon and Washington.

Currently, passenger rail service operations are funded by a dedicated funding source through personalized license plate fees. Historically, Oregon has relied 100 percent on General Fund (income tax) allocations for passenger rail funds. In 2005, this began to transition from General Fund allocations to a dedicated funding source provided by personalized license plate fees revenue. In recent years this revenue has covered approximately 88 percent of the passenger rail service operational subsidies. Revenues

¹¹ Amtrak Monthly Performance Report for September 2009 (December 31, 2009): C. Route Performance Report.

are not anticipated to be sufficient to fund additional roundtrips in the future, even when the economy has recovered.

In order to close the gap, the remaining 12 percent of passenger rail service operational subsidies have been covered by a non-dedicated source of funding from the Transportation Operating Fund, estimated at \$620,000 annually for FY2009 – FY2011. In total, \$5.5 million is available for passenger rail service operations from both dedicated and non-dedicated revenue sources.

Amtrak operates *Cascades* in partnership with the Washington and Oregon Departments of Transportation, with three trains supported by Washington and two by Oregon. In 2008, 774,421 passengers rode Amtrak *Cascades*—a 14.4 percent increase over 2007. Ridership for 2008 was the highest ever since the inception of the service 10 years ago. Ridership for 2007 is the second highest.



Oregon provides approximately \$9.7 million annually from Personalized License Plate Fees and the Transportation Operating Fund to support intercity rail operations.

Amtrak *Cascades* locomotives feature low-emission production, computer-controlled fuel injection, an aerodynamic body style for low drag, and a specially designed cab to insulate the crew from noise and vibration. The European-style trains are sleek, modern, and feature distinctive evergreen and cappuccino hues on a cream background. Panoramic windows and natural tones inside the train are designed to showcase the spectacular Pacific Northwest views. Hidden beneath the 7-foot-tall tail fins at both ends of the train are baggage and service cars.

While Washington did not respond to the survey, it is important to include the route in Washington alongside the Oregon route because the two states have historically partnered together in the *Cascades* service. As far back as 1980, Oregon subsidized experimental passenger rail service in the Willamette Valley (between Eugene and Portland), and Washington funded improvements to passenger rail stations in the late 1980s. The foundation for the current successful system was laid in the early 1990s when the 466-mile Pacific Northwest Rail Corridor from Eugene to Vancouver (British Columbia) was designated as a high speed rail corridor in the United States.

Funding from Washington comes from taxes collected from the sale of new and used motor vehicles, car rentals and vehicle weight fees. These funds are directed to Washington State Department of Transportation's (WSDOT) intercity passenger rail program by the Governor and the state legislature. Some federal grants are also received by WSDOT for rail projects.

Appendix B

State Vehicle Rental Tax Comparison

State Rental Car Tax Comparison

State	Tax Rate	Total State Tax	Project Stadium/Sports Facility Other Civic Facility Transportation General Revenue Other	Bill/Statute/ Ordinance
Ala.	Authorized: 3% of gross proceeds from the lease (for Birmingham and Jefferson County) plus 4% state sales tax	7%	Other Civic Facility	Alabama HB 480
Alaska	Rate: 10% per passenger vehicle rental transaction	10%	General Revenue	Alaska Statutes Title 43, Chapter 43.52.
Ark.	Rate: 10% per rental transaction (two 5% taxes imposed), plus standard 6.0% (State) to 11.0% retail sales tax	16%	Transportation Other	Arkansas Code Sec. 26-52-311
Calif.	Rate: 2.5% per rental transaction, plus standard 8.25% (State) to 10.25% retail sales tax.	10.75%	Other	California Government Code SEC. 11. Section 13995.65.5
Fla.	Rate: \$2 per day, plus standard 6.0% (State) to 7.5% retail sales tax	\$2/Day + 6.0%	Transportation Other	Florida Statute Sec. 212.0606
Ga.	Authorized: 3% per rental transaction (Local), plus standard retail sales taxes (State sales tax 7%)	10%	General Revenue Stadium/Sports Facility	Georgia Code Title 48, Chapter 13 Article 5, Sec. 48-13-90
Hawaii	Rate: \$3 per day, plus standard 4% (State) retail sales tax (increased to \$3 per day from \$2 per day for period between 9/1/99 through 8/31/08)	\$3/Day + 4.0%	General Revenue Other	Hawaii Statute Chapter 251
Iowa	Rate: 5% per rental transaction, plus standard 6% (State) to 7% retail sales tax	11%	Transportation	Iowa Code Sec. 432C
Ky.	Authorized: 3% per rental transaction, plus standard retail sales taxes (State sales tax 6%)	9%	General Revenue	Kentucky Statute Title IX, Chapter 68
La.	Rate: 3% per rental transaction, plus standard 4% (State) to 11% retail sales tax	7%	Other	Louisiana Statute Sec. 47:551
Mass.	Rate: 60 cents per rental transaction, plus standard 6.25% retail sales tax	\$.60/sale + 6.25%	Other Civic Facility	Massachusetts General Law Part I, Title XIV Chapter 90, Section 20E

State	Tax Rate	Total State Tax	Project Stadium/Sports Facility Other Civic Facility Transportation General Revenue Other	Bill/Statute/ Ordinance
Md.	Rate: 11.5% per rental transaction on passenger vehicles (special sales tax rate on rental vehicles: 6.5% incremental difference between 11.5% rental tax rate and standard 5% sales tax) Rate: 8% per rental transactions on pick-up trucks and cargo vans	11.5%	General Revenue	Maryland Code Title 11 Subtitle 1 Sec. 11-104
Maine	Rate: 10% per rental transaction (special sales tax rate on rental vehicles: 5% incremental difference between 10% rental tax rate on short-term rentals and standard 5% sales tax. Rate increased in 1994)	10%	General Revenue	Maine Statute Title 36, Part 3 Chap. 213 Sec. 1811
Mich.	Authorized: 2% per rental transaction, plus standard 6% retail sales tax	8%	Stadium/Sports Facility Other Civic Facility	Michigan Code Sec. 207.751
Minn.	Rate: 6.2% per rental transaction, plus standard 6.875% to 7.5% retail sales tax	13.075%	General Revenue	Minnesota Statute Chapter 297A.64
Mont.	Rate: 4% per rental transaction plus	4%	General Revenue	Montana Code Title 15, Chapter 68
N.C.	Authorized: up to 5% per rental transaction, plus standard retail sales taxes (State sales tax 5.75%)	10.75%	Transportation	North Carolina Statute Article 50, Sec. 105-550
N.D.	Authorized: 1% per rental transaction, plus standard 5% retail sales tax	6%	?	North Dakota Code Chapter 40-57.3
N.H.	Rate: 8% per rental transaction	8.00%	Other	New Hampshire Statute Chapter 78-A
N.J.	Rate: \$5 per day, plus standard 7% (State) retail sales tax (rate increased from \$2 to \$5 in 2006)	\$5/Day + 7.0%	Other General Revenue	New Jersey Statute Appendix A - A:9-78
N.M.	Rate: \$2 per day, 5% per rental transaction plus standard 5% (State) to 7.875% retail sales tax	\$2/Day + 10%	Transportation	New Mexico Statute Chapter 7, Article 14A
Nev.	Rate: 6% per rental transaction, plus standard 6.85% (State) to 7.75% retail sales tax	12.85%	General Revenue	Nevada Statute Title 43, Chapter 482
Nev.	Authorized: ?		Other Civic Facility	Nevada Statute 244A.850
Nev.	Authorized: ?		Stadium/Sports Facility	Nevada Statute 244A.800

State	Tax Rate	Total State Tax	Project Stadium/Sports Facility Other Civic Facility Transportation General Revenue Other	Bill/Statute/ Ordinance
N.Y.	Rate: 5% per rental transaction, plus standard 4% (State) to 19.8750% retail sales tax	9%	Transportation	New York Law Article 28-A, Sec. 1160
Pa.	Rate: \$2 per day, plus standard 6% (State) to 8% retail sales tax	\$2/Day + 8%	Transportation	Pennsylvania Statute Tax Reform Code of 1971 Sec. 2301
Pa.	Authorized: up to 2% (Local) per rental transaction, plus standard retail sales taxes		General Revenue	Pennsylvania Statute Title 16, Chapter 1 Article XXIII
Pa.	Authorized: up to \$2 per day, plus standard retail sales taxes		Transportation	Pennsylvania Statute Title 53, Chapter 86
R.I.	Rate: 6% per rental transaction, plus standard 7% retail sales tax	11%	General Revenue Other	Rhode Island Law Chapter 31-34.1
S.C.	Authorized: 5% per rental transaction, plus standard 6% (State) to 7.5% retail sales tax	11%	General Revenue	South Carolina Code Title 4, Chapter 9, Article 1
Tenn.	Authorized: 1% Surcharge per rental transaction, 3% plus rental car tax, plus standard 7% (State) to 9.75% retail sales taxes	11%	Other Civic Facility	Tennessee Statute 67-4-1908
Texas	Authorized: 5% per rental transaction, plus 10% motor vehicle sales tax	15%	Stadium/Sports Facility General Revenue	Texas Statute Chapter 334
Utah	Rate: 2.5% per rental transaction, plus 7% tourism tax, plus standard 4.7% (State) to 8.1% retail sales tax	7.2%	Transportation	Utah Code Title 59 Chapter 12
Utah	Authorized: 7% tourism tax		Other	Utah Code Title 59 Chapter 12 Sec. 601
Va.	Rate: 10% per rental transaction	10%	Transportation Other	Virginia Code Title 58, Chapter 24
Wash.	Rate: 5.9% per rental transaction, plus standard 6.5% (State) to 9.5% retail sales tax <u>and</u> any other local car rental excise taxes.	12.4%	Transportation	Washington Statutes Title 82 Chapter 82.08.020
Wash.	Authorized: 1992		Stadium/Sports Facility	Washington Code Chapter 82
Wash.	Authorized: 1996		Stadium/Sports Facility	Washington Statute Title 82 Chapter 82.14.360

State	Tax Rate	Total State Tax	Project Stadium/Sports Facility Other Civic Facility Transportation General Revenue Other	Bill/Statute/ Ordinance
Wis.	Rate: 5% per rental transaction, plus standard 5.0% (State) to 6.0% retail sales tax (Increased from 3% to 5% in 2005)	10%		Wisconsin Statute Section 77.995(2)
Wis.			Transportation	Wisconsin Statute Chapter 77.971
Wash. DC	Rate: 10% per rental transaction (special sales tax rate on rental vehicles: 4.25% is incremental difference between 10% rental tax rate and standard 5.75% sales tax)	10%	General Revenue Other	District Of Columbia Code Section 47-2002

Sources: Federation of Tax Administrators, State Sales Tax Rate and Vendor Discounts, February 2010
National Conference of State Legislatures, NCSL Legisbrief Vol. 6, No. 26, June/July 1998.
Respective state websites accessed September 22-23, 2010

Airport Rental Car Tax Comparison

City, State (Airport)	Rental Car Rate (3 days)	Taxes, Surcharges and Fees Total	Percentage of Taxes per Rental Rate
Birmingham Airport, AL	\$ 178.95	\$ 35.79	20.00%
Louisville Airport, KY	\$ 211.35	\$ 43.69	20.67%
Green Bay Airport, WI	\$ 80.97	\$ 19.28	23.81%
Norfolk Airport, VA	\$ 69.39	\$ 18.27	26.33%
Orlando Int'l Airport, FL	\$ 165.12	\$ 44.88	27.18%
St.Louis Int'l Airport, MO	\$ 55.14	\$ 15.68	28.44%
Washington Reagan Airport, DC	\$ 127.65	\$ 37.42	29.31%
Milwaukee Airport, WI	\$ 83.97	\$ 25.02	29.80%
Denver Airport, CO	\$ 211.74	\$ 66.37	31.35%
Richmond Int'l Airport, VA	\$ 70.02	\$ 21.98	31.39%
Newport News Airport, VA	\$ 115.47	\$ 36.36	31.49%
Charleston Airport, WV	\$ 78.03	\$ 25.49	32.67%
Charleston Airport, SC	\$ 112.32	\$ 37.18	33.10%
New York/JFK Airport, NY	\$ 229.44	\$ 76.16	33.19%
Philadelphia Airport, PA	\$ 56.97	\$ 19.93	34.98%
San Francisco Airport, CA	\$ 187.17	\$ 67.00	35.80%
Charlottesville Airport, VA	\$ 94.95	\$ 34.61	36.45%
Nashville Airport, TN	\$ 93.87	\$ 37.95	40.43%
Charlotte Airport, NC	\$ 107.97	\$ 44.45	41.17%
Los Angeles Int'l Airport, CA	\$ 64.17	\$ 26.74	41.67%
Chicago O'hare Airport, IL	\$ 130.65	\$ 55.84	42.74%
Atlanta Airport, GA	\$ 73.14	\$ 34.19	46.75%
Indianapolis Airport, IN	\$ 69.87	\$ 33.21	47.53%
Columbus Airport, OH	\$ 54.87	\$ 26.54	48.37%
Baltimore-Washington Airport, MD	\$ 62.67	\$ 34.69	55.35%
Boston Int'l Airport, MA	\$ 92.37	\$ 51.52	55.78%
Dallas/Ft.Worth Airport, TX	\$ 78.45	\$ 48.19	61.43%

Source: National Car Rental, www.nationalcar.com, accessed September 22, 2010.

Assumptions: 3 day rental of Nissan Versa with no additional items requested.

