High Speed Rail

**EXECUTIVE OFFICE OF THE PRESIDENT**
**OFFICE OF MANAGEMENT AND BUDGET**
**Washington, D.C. 20503**

**April 26, 1993**

**LEGISLATIVE REFERRAL MEMORANDUM**

**LRM #D-171**
**DRAFT #196**

TO: Legislative Liaison Officer -

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FROM: JAMES J. JUKES (for) Jj
Assistant Director for Legislative Reference

**OMB CONTACT: Jim BROWN (395-3473)**
**Secretary's line (for simple responses): 395-3454**
Alice DAVIS (395-3101)

SUBJECT: TRANSPORTATION Draft Bill High speed rail funding

**DEADLINE: 11:00 A.M. April 27, 1993**

**COMMENTS: This draft legislation is scheduled to be announced on Wednesday. Proposed testimony regarding this draft bill is also attached. If we do not hear from you by the deadline, we will assume that you have no comment.**

OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

**Please advise us if this item will affect direct spending or receipts for purposes of the the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

CC:
Ken Schwartz
Roger Adkins
Alice Davis
David Tornquist
Ed Rea
Art Stigile
Bob Damus
Rob Fairweather
Bruce Long
Carol Rasco
Mike Nelson

LRM #D-171

**RESPONSE TO LEGISLATIVE REFERRAL MEMORANDUM**

If your response to this request for views is **simple** (e.g., concur/no comment) we prefer that you respond by **faxing** us this response sheet. If the response is **simple** and you prefer to call, please **call the branch-wide line** shown below (NOT the analyst's line) to leave a message with a secretary.

You may **also respond** by (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); (2) sending us a memo or letter; or (3) if you are an OASIS user in the Executive Office of the President, sending an E-mail message. Please **include** the LRM number shown above, and the **subject** shown below.

TO: Jim BROWN
Office of Management and Budget
Fax Number: (202) 395-3109
Analyst/Attorney's Direct Number: (202) 395-3473
Branch-Wide Line (to reach secretary): (202) 395-3454

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

SUBJECT: TRANSPORTATION Draft Bill High speed rail funding

The following is the response of our agency to your request for views on the above-captioned subject:

_______ Concur

_______ No objection

___✓___ No comment

_______ See proposed edits on pages ____________

_______ Other: ______________________

_______ FAX RETURN of _____ pages, attached to this response sheet

by phone 4/27/93

4/26
DRAFT

A BILL

To establish a program to facilitate development of high-speed rail transportation in the United States and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the High-Speed Rail Development Act of 1993.

**SECTION 1. FINDINGS**

The Congress finds that--

(1) high-speed rail passenger transportation (high-speed rail) offers a safe and efficient alternative for intercity transportation in certain corridors linking major metropolitan areas in the United States;

(2) high-speed rail has environmental advantages over other forms of intercity transportation;

(3) Amtrak's Metroliner service between Washington, District of Columbia, and New York, New York, the United States' only high-speed rail service, has shown that Americans will use high-speed rail when that transportation option is available;

(4) high-speed rail can help relieve the congestion presently experienced by other forms of intercity transportation in densely travelled corridors;

(5) high-speed rail should be developed in those intercity corridors where such service is appropriate;

(6) high-speed rail should not receive Federal subsidies for operating and maintenance expenses;

(7) the States and localities should take the prime responsibility for the implementation of high-speed rail service;

(8) the private sector should participate in funding the development of meritorious high-speed rail systems;

(9) in some intercity corridors, Federal financial assistance is required to supplement the financial commitments of State and local governments and the private sector to ensure the development of the infrastructure required by meritorious high-speed rail systems;

(10) New technologies will facilitate the development of high-speed rail in the United States;

(11) The development of these technologies will expand the competitiveness of U.S. industry in the development of high-speed rail systems in this country and overseas; and

(12) Federal assistance is required for research, development and demonstration of these technologies.

**SECTION 2. NATIONAL HIGH-SPEED RAIL ASSISTANCE PROGRAM**

The Railroad Revitalization and Regulatory Reform Act of 1976 (45 U.S.C. 801 et seq.) is amended by adding at the end thereof the following:

"TITLE X HIGH-SPEED RAIL ASSISTANCE

SEC. 1001. DESIGNATION OF CORRIDORS

(a) The Secretary is authorized to designate as a high-speed rail corridor (HSR Corridor) any corridor that serves two or more major metropolitan areas in the United States where the Secretary determines that high-speed rail offers the potential for cost effective intercity public transportation as part of the

Nation's transportation system.

(b) Designations made by the Secretary under subsection (a) of this section shall be in response to a petition from the governor(s) of a State or States that substantially encompass the proposed corridor.

(c) Any petition submitted pursuant to subsection (b) of this section shall include such information as the Secretary determines to be necessary to evaluate the merits of that corridor, including designation of a public agency legally able to enter into financial assistance agreements under sections 1002(c) and 1003(a) of this title to be responsible for coordination of activities under this title.

(d) A decision by the Secretary to designate a HSR Corridor under subsection (a) of this section shall be based on such criteria as the Secretary deems appropriate, including--

(1) the integration of the HSR Corridor into Statewide and metropolitan area transportation planning;

(2) the connectivity of the proposed high-speed rail service with other parts of the Nation's transportation system, including the relationship of the proposed service to multimodal terminals;

(3) the support and participation in the proposed development of the HSR Corridor of the cities which it would serve;

(4) the effect of the proposed high-speed rail service on the congestion of other modes of transportation;

(5) the financial commitments of the State and local governments and the private sector;

(6) the effect of the proposed service on State and local governments' efforts in attaining compliance with the Clean Air Act;

(7) the anticipated level of ridership;

(8) the estimated capital cost of the proposed system;

(9) the ability of the net revenues of the proposed service, including any financial commitments of the State or local governments, to cover capital costs and operating and maintenance expenses;

(10) the support of the owners and operators of an existing rail facility proposed for improvement in developing high-speed rail service;

(11) the award and active implementation of a franchise to develop a high-speed rail system including the involvement and support of the holders of that franchise if the State or States propose to develop the HSR Corridor through the award of a franchise to construct and operate a proposed high-speed rail system; and

(12) the effect of the proposed high-speed rail service on other public transportation services in operation or under development.

(e) The Secretary shall, upon application of the governor(s) of a State or States, designate as a HSR Corridor any intercity rail corridor designated as a high-speed rail corridor by the

Secretary under section 1010 of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 104(d)(2)).

(f) The Secretary shall, upon application of the governor(s) of the State or States in which such corridor is located, designate as a HSR Corridor any intercity rail corridor which includes a significant segment where regularly scheduled rail passenger service operates at speeds in excess of 100 miles per hour on the date of enactment of the High-Speed Rail Development Act of 1993.

SEC. 1002. CORRIDOR MASTER PLANS

(a) A public agency designated under subsection 1001(c) of this title seeking financial assistance for development of a HSR Corridor designated by the Secretary and eligible for funding under section 1003 of this title shall prepare and submit for the Secretary's approval a corridor master plan for that corridor.

(b) The corridor master plan prepared under subsection (a) of this section shall identify a coordinated program of improvements to permit the establishment of high-speed rail service in the corridor, including those improvements necessary to achieve high-speed service and not eligible for financial assistance under section 1003(c) of this title.
Such plan shall include--

(1) an identification of how the proposed high-speed rail service relates to the Statewide and metropolitan area transportation plans for the affected State(s) and

metropolitan areas;

(2) an identification of the specific elements that comprise the program to achieve the high-speed service, including their estimated costs, schedules, timing and relationship with other projects;

(3) an identification of those elements that would comprise increments to be undertaken to achieve high-speed service and how these increments fit into a plan to achieve high-speed service;

(4) an identification of the transportation benefits that would be derived from each increment including reductions in trip times and increases in average speeds;

(5) an identification of specific improvements that comprise each element, the eligibility of such improvements for financial assistance under section 1003(c) of this title, and a proposed allocation of financial responsibility for specific improvements, including proposed sources of funding;

(6) an identification of anticipated levels of ridership and projections of revenues and expenses associated with the proposed high-speed rail service when completed and for each major increment undertaken to achieve high-speed service including estimates of any operating subsidies that would be required and the sources of such subsidies;

(7) an operating plan for the project, as designed, identifying the proposed schedule and frequency of the

proposed high-speed service and showing the coordination of the service with any other rail operations on the corridor; and

(8) such other information as may be required by the Secretary.

(c) The Secretary is authorized to enter into an agreement with the public agency preparing a corridor master plan to fund up to 80 percent of the eligible costs associated with preparation of such plan, provided however, that at least 20 percent of such eligible costs shall be funded with State or local funds.

(d) Eligible costs associated with preparation of a corridor master plan shall include design, environmental and route selection analysis, preliminary engineering necessary to support such analyses, and any other analyses that the Secretary determines are required to prepare such a plan.

(e) Approval by the Secretary of a corridor master plan shall not constitute a commitment to fund any element or improvement contained in such corridor master plan.

SEC. 1003. FINANCIAL ASSISTANCE FOR HIGH-SPEED RAIL CORRIDORS

(a) The Secretary may enter into financial assistance agreements with a public agency designated under subsection 1001(c) of this title to fund eligible improvements to the infrastructure of a HSR Corridor designated under section 1001(a) of this title for the purpose of facilitating the development of high-speed rail service, provided however, that no financial assistance shall be provided under this title for improvements to a corridor improved under Title VII of the Railroad Revitalization and Regulatory Reform Act of 1976 (45 U.S.C. 851 et seq.) or for improvements to a corridor in a State where the State by law, regulation, or order prohibits the use of State and/or local funds for the construction and/or operation of such improvements.

(b) The Secretary shall establish appropriate terms, conditions, and procedures for the provision of financial assistance under this section.

(c) Improvements eligible for financial assistance under subsection (a) of this section shall be those improvements to the infrastructure of a HSR Corridor not eligible for funding under other Federal transportation programs including--

(1) final engineering and design;

(2) site specific environmental analyses;

(3) acquisition of right-of-way and related property;

(4) acquisition, construction, rehabilitation or replacement of roadbed, structures, track, guideway, signal and communications systems, electric traction systems, propulsion or guidance systems incorporated as part of a guideway, maintenance-of-way facilities, maintenance-of-equipment facilities, public and private highway-rail grade crossings (including payments to property owners to close crossings where appropriate) not eligible for funding under

23 U.S.C. 130 and 23 U.S.C. 133(b)(4), those portions of terminals and stations directly related to the operation of the high-speed rail intercity service, and environmental mitigation associated with development of high-speed rail service.

(d) Any agreement entered into under subsection (a) of this section shall provide for the completion of an element of a program to achieve high-speed rail service including portions thereof not eligible for financial assistance under subsection (c) of this section.

(e) In entering into any agreement to provide financial assistance under subsection (a) of this section, the Secretary shall ensure that such agreement includes the maximum practicable private funding for any element of a program to achieve high-speed rail service that is the subject of such agreement. The total cost of any element that is the subject of such an agreement minus the maximum practicable private funding for such element shall be referred to as the public share of the element funding.

(f) In entering into any agreement to provide financial assistance under subsection (a) of this section, the Secretary may provide financial assistance for up to 80 percent of the cost of specific eligible improvements to be funded under the agreement, provided however, that no less than 20 percent of the cost of such improvements shall be provided by State and/or local funds and that the financial assistance provided by the Secretary under the agreement shall not exceed 50 percent of the public share of the element funding.

(g) A State may undertake with funds apportioned to it under 23 U.S.C. 104(b)(3) and allocated under 23 U.S.C. 133(d)(1), any highway-rail grade crossing improvement that is part of an element subject to a financing agreement under subsection (a) of this section only if such highway-rail grade crossing improvement has the highest priority for improvement in the State.

(h) In determining whether to enter into a financial assistance agreement to fund an element of a program to improve a HSR Corridor, the Secretary shall consider how the element to be funded under such agreement meets the criteria identified in subsection 1001(d) of this title, the information contained in the corridor master plan, the transportation benefits to be derived from the element, the level of financial commitments by the State and/or local governments and/or private entities to fund the subject element, commitments by the State and/or local governments and/or private entities to ensure completion of the element, commitments by State and/or local governments to fund any increases in the operating subsidy of the National Railroad Passenger Corporation that result from operation over the HSR Corridor after the element is completed, and such other information that the Secretary deems appropriate.

(i) The Secretary shall not provide financial assistance under subsection (a) of this section for any element not contained on an approved corridor master plan prepared under section 1002 of this title unless a financial assistance agreement for such improvement is entered into prior to 30 months from the date of enactment of the High-Speed Rail Development Act of 1993.

(j)(1) Except as provided in paragraph (2) of this section, any person receiving financial assistance, directly or indirectly, pursuant to an agreement entered into under subsection (a) of this section shall, for the purposes of implementing such agreement, purchase only--

(A) unmanufactured articles, materials, and supplies which have been mined or produced in the United States; and

(B) manufactured articles, materials, and supplies which have been manufactured in the United States substantially all from articles, materials, and supplies mined, produced, or manufactured, as the case may be, in the United States.

(2) The Secretary may exempt a person subject to paragraph (1) of this subsection from the requirements of paragraph (1) with respect to the purchase of particular articles, materials, or supplies, if the Secretary determines that--

(A) imposing such requirements with respect to such articles, materials, or supplies is inconsistent with the public interest;

(B) the cost of imposing such requirements with respect to such articles, materials, or supplies is unreasonable;

(C) such articles, materials or supplies or the articles, materials or supplies from which they are manufactured are not mined, produced or manufactured, as the case may be, in the United States in sufficient and reasonably available commercial quantities and of a satisfactory quality; or

(D) such articles, materials or supplies cannot be purchased and delivered in the United States within a reasonable time.

(3) The provisions of this subsection shall not apply in any case in which the cost of the articles, materials, or supplies purchased is less than $1,000,000.

(4) For purposes of this subsection, the term "United States" shall mean the several States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

SEC. 1004. HIGH-SPEED RAIL TECHNOLOGY DEVELOPMENT

(a) The Secretary is authorized to undertake research, development and demonstration of steel-wheel-on-rail technologies that can facilitate the introduction of high-speed rail service in the United States.

(b) In carrying out activities authorized in subsection (a) of this section, the Secretary may enter into financial assistance agreements with any U.S. business, educational institution, State or local government, public authority or agency of the Federal Government.

SEC. 1005. DEFINITIONS

(a) The term "rail" as used in this title shall have the same meaning as the term "railroad" as defined in section 202(e) of the Federal Railroad Safety Act of 1970 (45 U.S.C. 431(e))

(b) The term "high-speed rail" shall mean rail passenger transportation capable of operating at sustained speeds in excess of 125 miles per hour.

(c) the term "element" as used in sections 1002 and 1003 of this title shall mean a discrete portion of a HSR Corridor that has a demonstrable intercity ground transportation benefit independent of other improvements to such corridor.

(d) The term "State or local funds" as used in this title shall not include payments or contributions to State and/or local governments or authorities from holders of a franchise or other parties with an interest in the development or operation of the high-speed rail system.

(e) The term "financial assistance agreement" shall include grants, contracts or cooperative agreements."

**SECTION 103. AUTHORIZATION OF APPROPRIATIONS**

(a) There are authorized to be appropriated to the Secretary for the National High-Speed Rail Assistance Program authorized under sections 1002 and 1003 of Title X of the Railroad Revitalization and Regulatory Reform Act of 1976, such sums as may be necessary for each of fiscal years 1994, 1995, 1996. 1997, and 1998.

(b) There are authorized to be appropriated to the Secretary for high-speed rail technology development authorized under section 1004 of Title X of the Railroad Revitalization and Regulatory Reform Act of 1976, such sums as may be necessary for each of fiscal years 1994, 1995, 1996, 1997, and 1998.

(c) Of the amounts appropriated under subsections (a) and (b) of this section, the Secretary may reserve the funds necessary for payment of the administrative expenses incurred by the Secretary in carrying out the Secretary's responsibilities under this title.

(d) Of the amounts appropriated under subsection (a) of this section, the Secretary may reserve up to 1 percent for the purpose of providing financial assistance to the States eligible for funding under sections 1002 and 1003 of this title for up to 80 percent of costs deemed eligible by the Secretary which are incurred by the States in carrying out the States' responsibilities under such sections, such sums to be apportioned among the eligible States through a formula established by the

Secretary.

(e) Financial assistance provided under subsection (d) of this section shall be provided only pursuant an agroement between the Secretary and a State which encompasses in whole or in part a HSR Corridor designated as such by the Secretary and eligible for financial assistance under sections 1002 and 1003 of this title.

(f) Funds made available under this section shall remain available until expended.

SECTION-BY-SECTION ANALYSIS OF

THE HIGH-SPEED GROUND TRANSPORTATION DEVELOPMENT ACT OF 1993

**Program Overview:** This section establishes a financial assistance program to facilitate the implementation of high-speed rail (HSR) systems in the U.S. The mission of the National High-Speed Rail Assistance Program (Program) is to aid State, local and private sector efforts to improve intercity mobility through development of HSR in appropriate intercity corridors.

The program provides financial assistance to supplement -- not replace -- State, local and private funds to undertake the infrastructure investments required for meritorious HSR systems. In addition to expanding the impact of the Federal investment, the requirement for a substantial level of funding from other sources will serve as one means to identify those projects that offer significant transportation benefits.

The first goal of the Program is to attract the maximum practicable share of private funds for the infrastructure investments required by a HSR system. The total cost of the infrastructure improvement minus the maximum practicable private share of the infrastructure costs, is referred to as the public share of costs.

Federal funds available under the Program can provide for up to 80% of the of the cost of specific eligible improvements and for up to 50 percent of the public share of the cost of an approved program of HSR infrastructure improvements. Assistance provided under the Program is required to be matched by State or local public funds.

In addition, it is expected that, in most cases, States and local governments will undertake other improvements not eligible for funding under this program but essential for introduction of HSR in a specific intercity corridor.

Up to this time, efforts to bring HSR to the U.S. have been led by the States and, to a lesser extent, local governments, rather than the Federal Government. States and local governments will continue to play a leading role under the Program. HSR Corridors that seek funding must be an integral part of Statewide and metropolitan area transportation plans. The governor of a State(s) must apply to the Secretary to have a HSR project made eligible for funding, only a designated public agency can apply for funding and any Federal funding must be matched by the States and local governments. Requiring the active participation of the States and local governments in the Program will ensure that projects receiving assistance under the Program become an integral part of State and local transportation systems and that these projects have substantial public support.

Section 1. Findings

Section 2. National High-Speed Rail Assistance Program. The Act amends the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act, 45 U.S.C. 801 et seq.) to create a new title, Title X -- High-Speed Rail Assistance. The 4R Act is the source of the Secretary's other authority to directly undertake capital investments in HSR infrastructure. Title V authorizes the Secretary to issue loan guarantees for rail capital improvements, including high-speed rail. Title VII authorizes the Secretary to undertake the Northeast Corridor Improvement Project.

**Section 1001** This section authorizes the Secretary to designate as high-speed rail corridors (HSR Corridors) those corridors that serve two or more major metropolitan areas where the Secretary determines that HSR offers the potential for cost-effective intercity public transportation. Designation as a HSR Corridor establishes the eligibility of a specific HSR project for Federal financial assistance.

Specific corridors may only be designated by the Secretary in response to a petition from a State or group of States. A designation by the Secretary will be based upon a review and evaluation of information submitted by a State or group of States. The State or group of States must demonstrate that the development of the proposed corridor is a high priority to the State(s) and local governments, has been incorporated in State and local planning, that there is substantial State, local and private commitment to the development of the corridor, and that, when developed, the proposed service will be economically viable and not require Federal subsidies for its operation and maintenance.

A decision by the Secretary to designate a corridor as a HSR Corridor will be based on objective criteria established by the Secretary including--

- the integration of the high-speed rail service in Statewide and metropolitan area transportation planning;
- the connectivity of the proposed high-speed rail service with other parts of the national transportation system, including the relationship of the proposed service to multimodal terminals;
- the active involvement and support of the cities that would be served by the proposed corridor;
- the effect of the proposed system on the congestion of other modes of transportation;
- the financial commitments of the State and/or local governments and the private sector;
- the effect of the proposed service on State and local governments' efforts in attaining compliance with the Clean Air Act;
- the anticipated level of ridership;
- the estimated capital cost of developing the proposed service;
- the ability of the net revenues of the proposed service, including any financial commitments of the State or local governments, to cover capital costs and operating and maintenance expenses;
- the support of the owners and operators of an existing rail facility proposed for improvement in developing high-speed rail service;
- the award and active implementation of a franchise to

develop a high-speed rail system including the involvement and support of the holders of that franchise if the State or States propose to develop the HSR Corridor through the award of a franchise to construct and operate a proposed high-speed rail system; and

o the effect of the proposed high-speed rail service on other public transportation services in operation or under development.

The Program will not provide funds for States to produce the information required to support a petition for designation. State and metropolitan transportation planning authorized and funded under the Federal-aid highway and Federal Transit programs require States to consider all modes of transportation in their planning activities. The States and metropolitan areas can choose to use funding available under these programs to produce such information, which would be an indicator of the their commitment to the development of HSR service.

Subsections (e) and (f) require the designation of certain specific intercity corridors where planning for HSR is advanced. Subsection (e) confirms that the high-speed rail corridors selected by the Secretary in October 1992 pursuant to section 1010 of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) are also designated as HSR Corridors for the purposes of this program. Subsection (f) provides that upon an application from the governor of the appropriate State or States any intercity rail corridor which presently has scheduled intercity rail passenger service operating at speeds in excess of 100 mph will be designated as a HSR Corridor.

**Section 1002.** This section requires that a corridor master plan be developed for each designated HSR Corridor by the public agency responsible for the development of that corridor. This corridor master plan is analogous to the Program Master Plan required for the north end of the Northeast Corridor by section 708 of the 4R Act (45 U.S.C. 856), and will become the basis for identifying the efforts to receive financial assistance under the Program.

This plan will be divided into elements which may become the subject of specific financing agreements. Each element will represent a discrete portion of the master plan that, when completed, will provide improved intercity rail passenger transportation, either through the increase in speeds or reductions of trip times on an existing intercity rail passenger line, or through the development of a new intercity rail passenger corridor.

Each element, in turn, will be divided into specific "improvements" which are discrete parts of the element. As an example, an element may be all the activities necessary to permit increased speeds on a segment of track. This element would then be broken down into such discrete improvements as cross tie replacement and track surfacing, acquisition and installation of signals, improvements to highway-rail grade crossings, and construction of a multimodal terminal.

The Secretary will establish the information and level of detail to be incorporated in the plan and it will form the blueprint of how the corridor will be improved to achieve high-speed service. In some corridors, the high-speed service will develop through incremental improvements to existing infrastructure. The various increments of improvements and how they fit into a plan to achieve high-speed service will be identified as elements in the master plan.

Development of the master plan will also require analyses of the economics of the proposed HSR service, including projections of ridership, revenues and costs, any requirements for operating subsidies and identification of the parties responsible for such subsidies.

The plan will be comprehensive and include items not eligible for funding under the program but that are necessary for development of a HSR system, such as grade crossing improvements eligible under 23 U.S.C. 130 and the development of multimodal terminals.

The corridor master plan will also require identification of the various parties which will have the financial responsibility for improvements to the entire corridor, including improvements not eligible for funding under the Program. The plan will indicate which improvements the State may propose for funding under the Program and which will be funded by others. Approval by the Secretary of a corridor master plan will not constitute a commitment to fund any specific improvement. Rather, it is an finding by the Secretary that the plan developed by the public agency represents a comprehensive program for developing high-speed rail service in a specific corridor and that the program has been organized in such a manner as to permit the public agency to apply for financial assistance under section 1003.

The public agency responsible for developing a HSR Corridor will prepare the plan and submit it to the Secretary for approval. The Secretary is authorized to fund up to 80 percent of the eligible costs associated with preparation of the plan, which will be defined in an agreement between the Secretary and the public agency. Such costs would include preliminary engineering and environmental studies.

Corridor master plans will not be static and it is anticipated that they will be updated or revised periodically.

**Section 1003.** This section provides that the Secretary may enter into agreements with a public agency to provide financial assistance for eligible improvements on a designated HSR Corridor.

This section also provides that any rail line that has been improved under Title VII of the 4R Act (the Northeast Corridor Improvement Project (NECIP)) is not eligible for funding under this program. NECIP will continue to be funded as a separate program.

This section also provides that the Program will not fund improvements on corridors in a State where a State by law, regulation, or order prohibits the use of State and/or local funds for the construction or operation of such corridor. The underlying principle of the Program is that the public role in development of high-speed rail service will be accomplished through a partnership between the Federal, State and local governments. If a State believes that it is not in the State's interest that State and/or local funds should be used to support the construction or operation of a HSR Corridor, then it would be inappropriate for the Federal Government to provide financial assistance for improvements on that corridor.

The definition of improvements eligible under the Program is established under the program philosophy that the Program will fill in the gaps of existing programs. In general, if an improvement is eligible under an existing Federal program, such as the Federal-aid highway program, it is not eligible under this program. Eligible improvements to the infrastructure of a corridor include:

- final engineering and design;
- site specific environmental analyses;
- acquisition of right-of-way;
- acquisition, construction, rehabilitation or replacement of roadbed, structures, track, guideway, signal and communications systems, electrification or propulsion systems incorporated as part of the guideway, maintenance of way facilities, maintenance of equipment facilities, highway-rail grade crossings not eligible for funding under other transportation programs, those portions of terminals

and stations directly related to the operation of the high-speed intercity service and not eligible for funding under other transportation programs, and environmental mitigation associated with development of high-speed rail service not eligible for funding under other Federal transportation programs.

To obtain funding, a public agency responsible for development of a HSR Corridor applies for funding of an element of a program to implement high-speed rail service as described in the corridor master plan. This element would comprise a specific discrete operable segment or improvement of a proposed HSR Corridor which might include improvements which are not eligible for funding under this program.

For corridors using the incremental approach, an element might be the track work or acquisition and construction of a signal system on a specific corridor segment that, combined with grade crossing improvements, will result in reduced running times. For corridors proposing construction on a new right-of-way, this might be construction of one leg of a multileg system.

The Secretary is required to first determine the maximum practicable level of private funding for that element of infrastructure improvement. The total cost of the improvement, less the private funding, is the public share of the element.

Federal financial assistance provided under this program will be matched by State or local funds. The State/local match is required, in part, as an indication of the State and local governments' commitment to the project and its ultimate success.

The Federal assistance provided under the Program will fund up to 80 percent of the cost of specific eligible improvements with State or local funds used to meet the remainder of the cost of that improvement. In addition, the Federal assistance available under the Program will fund no more than 50 percent of the public share of a element.

In funding that portion of the public share not funded by the Federal assistance available under this program, State or local governments may undertake improvements not eligible under this program but eligible under other Federal transportation programs, such as highway-rail grade crossing improvements or development of multimodal urban terminals. As long as such improvements meet all of the eligibility, State or local match, and other provisions of these other programs, then Federal funding available under these programs could be used for the public share of a project.

Some States developing HSR systems through a State-issued franchise require the franchise holder to pay all State costs associated with the project. Such payments would not be eligible as the State and/or local match since they would serve to reduce the "private" funding available for a project. To the extent that private funds are available for a project, they will go to reduce the total public share.

At the start of the Program, there will be a transition period while corridor master plans are developed. In the cases of the initially designated HSR corridors that will achieve high-speed service through incremental improvements, certain improvements can proceed during the transition period while the master plans for these corridors are being developed. FRA's experience in managing the Northeast Corridor Improvement Project has shown that certain specific improvements required for developing high-speed rail service can be identified fairly easily, without the need to complete the comprehensive master plan. Such improvements include elimination of deferred maintenance in the track and other structures, highway-rail grade crossing elimination, and installation of a basic level of signals and communications. Subsection (g) of this section provides that during the start-up of the Program, certain improvements such as those identified above may be funded. However, after 30 months, every new financial assistance agreement will be limited to improvements listed upon an approved corridor master plan.

HSR projects are expensive and the funds available are limited. As a consequence, it will not be possible to fund all eligible improvements in any specific year. The Secretary will decide how the available funding will be allocated among eligible corridors and improvements to ensure that the maximum benefit is derived from the Federal investment. In deciding how to allocate resources among specific proposed improvements, the Secretary will consider such things as the level of State, local and private funding commitments, the transportation benefit to be realized from the improvement, the ability for service on the improved corridor to operate without a subsidy for operations and maintenance, commitments to complete the proposed improvement, and how the proposed improvements compare in relation to the criteria used for determining whether to designate a corridor as a HSR Corridor.

The following scenarios offer two examples of how specific improvements might be funded under the Program. In the first example, a State proposes to undertake element A of corridor Y which has a total cost of $130 million. This element is comprised of the following improvements: $35 million of program eligible track work, $35 million of program eligible signal and communications, $42 million of grade crossing improvements not eligible under the program and $18 million of station improvements not eligible under the program.

A private developer is involved in the station improvement and agrees to fund that improvement as part of the financing agreement. The public share is $112 million ($130 - $18 million).

The Program can provide financial assistance for up to 80 percent ($28 million) of the eligible track work and for up to 80 percent ($28 million) of the eligible signals for a maximum possible funding under the program of $56 million. The Program funds would be required to be matched by at least 20 percent (a total of $14 million) in State or local funds.

The financial assistance provided by the Program is further limited in that the total program funds cannot exceed 50 percent of the public share of $112 million or $56 million. In this case, the Program can provide the maximum possible funding of eligible improvements because 50 percent of the public share equals the 80 percent of the cost eligible improvements.

The State also undertakes the $42 million in grade crossing improvements ineligible under this program but eligible under the Surface Transportation Program (STP). Under STP, the Federal Highway Administration pays for 80% of the grade crossing improvements ($33.6 million) with the State paying the 20% match ($8.4 million). In summary, the $130 million element of this high-speed rail program is funded from the following sources:

<u>PROJECT FUNDING SOURCES -- TOTAL PROJECT</u>

| | | |
|---|---|---|
| National High-Speed Rail Assistance Program | $56.0 million | (43%) |
| Other Federal Funds (STP) | $33.6 million | (26%) |
| Non-Federal Funds | $40.4 million | (31%) |
| Total | $130.0 million | (100%) |

<u>PROJECT FUNDING SOURCES -- PUBLIC SHARE</u>

| | | |
|---|---|---|
| National High-Speed Rail Assistance Program | $56.0 million | (50%) |
| Total Federal Funds | $89.6 million | (80%) |
| State Matching Funds | $22.4 million | (20%) |
| Total | $112.0 million | (100%) |

If Element A included $20 million of eligible maintenance facilities in addition to the improvements identified above, the public share would increase to $132 million ($112 million + $20 million). The 50 percent limitation on program funding of the public share would limit the total program funds to a maximum of $66 million. This in turn would limit the program share of the maintenance facility's cost to $10 million or 50 percent of that eligible improvement. The average program share for all eligible improvements would then be 73 percent, slightly less than the maximum of 80 percent allowable under the program.

PROJECT FUNDING SOURCES -- TOTAL PROJECT

| | | |
|---|---|---|
| Federal High-Speed Rail Assistance Program | $66.0 million | (44%) |
| Other Federal Funds (STP) | $33.6 million | (22%) |
| Non-Federal Funds | $50.4 million | (34%) |
| Total | $150.0 million | (100%) |

PROJECT FUNDING SOURCES -- PUBLIC SHARE

| | | |
|---|---|---|
| Federal High-Speed Rail Assistance Program | $66.0 million | (50%) |
| Total Federal Funds | $89.6 million | (75%) |
| State Matching Funds | $32.4 million | (25%) |
| Total | $132.0 million | (100%) |

In the second example, a State awards a franchise to a private firm to develop a high-speed rail system on a new right-of-way between City A and City B. The total cost of the high-speed rail line, which in this case is the element, is $1 billion of which $925 million is for work eligible under the Program and $75 million is for the non high-speed rail portion of multimodal terminals not eligible under the Program. The private firm will finance $800 million of the element cost. The resulting public share is $200 million.

The Program can provide up to 80 percent of the cost of eligible improvements up to a maximum of 50 percent of the public share. In this case, the 80 percent of the eligible improvements ($740 million) would far exceed 50 percent of the public share ($100 million), so the latter limit would govern.

Under this scenario, the Program could provide up to $100 million with these funds matched by $25 million from State or local funds. In addition, City A and City B could develop their terminals using $60 million of Federal funds available under Surface Transportation or Federal Transit programs matched by $15 million in city funds. In summary, the $1 billion element of this high-speed rail project could be funded from the following sources:

**PROJECT FUNDING SOURCES -- TOTAL PROJECT**

| | | |
|---|---|---|
| National High-Speed Rail Assistance Program | $100.0 million | (10%) |
| Other Federal Funds (STP) | $60.0 million | (6%) |
| City and State Funds | $40.0 million | (4%) |
| Private Funds | $800.0 million | (80%) |
| Total | $1,000.0 million | (100%) |

**PROJECT FUNDING SOURCES -- PUBLIC SHARE**

| | | |
|---|---|---|
| National High-Speed Rail Assistance Program | $100.0 million | (50%) |
| Total Federal Funds | $160.0 million | (80%) |
| City and State Matching Funds | $40.0 million | (20%) |
| Total | $200.0 million | (100%) |

**Section 1004.** This section authorizes the Secretary to undertake research, development and demonstration of steel wheel on rail technologies that can facilitate the introduction of high-speed rail service in the United States.

Section 3. Authorization of Appropriations

Subsection (a) authorizes appropriations for fiscal years 1994 through 1998 for the National High-Speed Rail Assistance Program authorized under sections 1002 and 1003.

Subsection (b) authorizes appropriations for fiscal years 1994 through 1998 for the high-speed rail technology development authorized under section 1004.

Subsection (c) provides that the Secretary may reserve a portion of the funds appropriated under subsections (a) and (b) to pay the administrative costs incurred by the Department in administering the programs covered by this Act.

Subsections (d) and (e) provide that the Secretary may reserve up to 1 percent of the funds appropriated for the National High-Speed Rail Assistance Program and make these funds available on an apportionment basis to the States participating in the program to finance up to 80 percent of the States' cost associated with management of activities funded under the program. The purpose of this financial assistance to the States is to ensure that the States have adequate resources, including staff, to effectively carry out the States' responsibilities under the Program.

**DRAFT** 4/26

TESTIMONY OF FEDERICO F. PENA
SECRETARY OF TRANSPORTATION
BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION AND HAZARDOUS MATERIALS
OF THE
COMMITTEE ON ENERGY AND COMMERCE
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 29, 1993

Mr. Chairman, distinguished members of the Committee, it is my privilege to appear before this Subcommittee to discuss the Clinton Administration's proposal to make high-speed rail transportation a part of this Nation's intermodal transportation system.

I know that many people will ask themselves why, at a time when the Administration and the Congress are making significant cuts across a broad range of Federal programs, should we create a new program that promises new Federal outlays over the next several years?

The answer to that question goes to the core of the purpose of the Department of Transportation. In establishing the Department in 1966, the Congress declared that the general welfare, the economic growth and the stability of the Nation require development of national transportation policies and programs conducive to the provision of fast, safe, efficient and convenient transportation.

What the Congress recognized in 1966, and what is brought home to the Department every day, is that you cannot separate fast, safe, efficient and convenient intercity transportation from the health of our economy and the general welfare of our country. It is basic to the nature of our economic system that people travel between cities to transact business, to negotiate deals, to purchase goods, and to interact with others. It is clear that, as the economy grows, the demand for intercity travel will also grow. Conversely, the lack of a fast, safe, efficient and convenient intercity transportation capability will serve as a hindrance to economic growth.

That leaves us with the question of what the future will hold for our intercity transportation system. Will it support economic growth and America's international competitiveness in the next century or will it serve as a millstone around the economy's neck, resisting growth and relegating this country to second class status?

The history of intercity transportation in the United States is a history of change. Evolving priorities, technological innovation, and the Federal and State governments have periodically remade the face of the Nation's transportation system, and with it the very character of the Nation itself.

The Clinton Administration has recognized that a new era is beginning where new technologies and new priorities will once again remake the face of American transportation. A major part of the Administration's vision is that this renewal of the Nation's transportation system will include intercity high-speed rail transportation. Before getting into the specifics of our proposal, I wish to share with you our vision of high-speed rail -- why it is part of our plan to rebuild America.

High-speed rail is not a cure for all of our transportation needs. But it will be a component to an intermodal approach to meeting our transportation needs. High-speed rail is an extremely safe, fast and efficient means of moving large numbers of people between cities that are between 100 and 500 miles apart. In addition, high-speed rail can provide service to intermediate points and, in urban and suburban areas, its infrastructure can be shared with commuter type service. In selected intercity corridors, high-speed rail will provide an effective alternative means of transportation that provides superior access to the urban economic centers.

High-speed rail will have substantial public benefits as well, such as an improved environment and a reduced dependence on imported petroleum. High-speed rail will be fuel efficient and the electrified high-speed rail and maglev systems will be independent from petroleum fuels. With energy efficiency comes a reduction in the air pollutant emissions associated with the use of fossil fuels. In areas that have difficulty with air quality, such as southern California, high-speed rail may be able to sustain the travel densities needed for their growing economies while attaining their air quality goals at reasonable cost. Besides minimizing harmful emissions, the high-speed rail systems will be environmentally beneficial by using less land than alternatives such as more highway construction and by influencing future land development in positive ways.

Another important part of our vision of high-speed rail in the United States is that American industries will become major beneficiaries of the substantial opportunities for the design, development, manufacture and deployment of high-speed rail technologies both here and abroad. The first American industrial revolution was fueled by the construction of the railroads in the last century and development of high-speed rail can help fuel a new economic expansion. And, while many of the companies participating in the development of high-speed rail will be traditional railroad suppliers, there will be substantial opportunities for refocusing traditional defense industries into civilian pursuits

High-speed rail will be the first new transportation initiative of the intermodal era. Unlike the Interstate Highway System or the aviation system, which developed as independent transportation networks in competition with other forms of transportation, our vision of high-speed rail is of a component of an integrated intercity transportation system that includes aviation and high-speed rail in complementary roles. Each will serve where the particular technology is most efficient in meeting the Nation's priorities within a national transportation system in which intercity modes of transportation are efficiently connected to each other and to intracity systems.

When fully integrated into the total transportation system, the potential for high-speed rail is quite large. The cities being served by high-speed rail will be major beneficiaries from the economic stimulus associated with increased intercity ridership. Over time, urban terminals for high-speed rail operations will attract commercial activities which seek to take advantage of the superior access afforded by high-speed rail. In addition, such high-speed rail operations can also be expected to lead to increases in tourism and other discretionary travel to the city centers.

An excellent example of what high-speed rail can mean to an older downtown section of a city is just a few blocks away at Washington's Union Station. That station anchors the south end of our only current high-speed rail system. The renovation of Union Station into a modern multimodal terminal has been the catalyst of privately financed urban redevelopment that radiates several blocks from the station in all directions.

High-speed rail may very well assist in the task of addressing congestion in certain parts of the air system. High-speed rail service can be competitive in terms of time and price with short haul air service. Moreover, when the time and cost of access to and from terminals are added, high-speed rail will be faster and cheaper for some categories of trips. In such circumstances, high-speed rail can assume a role as a regional and local feeder and distributor of airline passengers.

High-speed rail systems will also be fully integrated with intercity bus and intracity rail, bus, and transit systems (which would feed the high-speed rail system). Intercity travel by common carrier will become relatively seamless from the traveler's perspective.

Diversions to high-speed rail from short haul air service in some corridors could free scarce airport capacity which could then be used by the airlines for the more profitable longer hauls. This, in turn, may help eliminate the need for costly investments in the aviation system. For example, Boston and Chicago may be saved the cost of new airports.

High-speed rail may also help address highway congestion by diverting a portion of highway trips. Surveys of passengers on Amtrak's existing service indicate that between 45 percent and 65 percent of intercity rail passengers would have used automobiles if the rail service had not been available.

The great potential for high-speed rail has been recognized for some time. The question has always been what can we do to realize that potential. I have shown you our vision, now I will briefly outline the Clinton Administration's plan to permit this Nation to realize the potential of high-speed rail.

## The President's High-Speed Ground Transportation Initiative

It is clear from recent experience that high-speed rail will not develop in this country without some measure of investment of Federal financial resources. The Administration proposes a comprehensive program of Federal investment in high-speed rail.

The challenge for the Department is to develop a program that promotes development of high-speed rail in those corridors where it offers the most efficient transportation option. Such a program must focus on the technical and economic performance characteristics of the various alternative modes of transportation together with their costs and benefits to identify where and under what circumstances high-speed rail should be developed.

The program then must use the resources available for Federal assistance to encourage the States and local governments and the private sector to develop the technologies and build the systems necessary to make high-speed rail a reality. The challenge of making high-speed rail a reality in the U.S. will be met in the President's initiative through financial assistance, technology development and applied research in support of high-speed ground transportation.

**Financial Assistance for High-Speed Rail Corridor Development:** The first element of the President's Initiative is Federal investment in the development of high-speed rail systems in specific intercity corridors.

For the first time, the Administration proposes to establish a separate program of Federal financial support to the States and local governments to assist the implementation of high-speed rail systems outside the Northeast Corridor. As with aviation, highways and transit, the new program will be a partnership among the Federal, State and local governments. The Northeast Corridor will not be eligible for assistance under this program -- the Administration proposes to fund completion of the Northeast Corridor Improvement Project separately to bring high-speed rail service throughout the corridor between Washington, D.C., and

Boston.

The program will also harness the energy, know-how and financial resources of the private sector to improve intercity transportation. To accomplish this goal, the Administration proposes elimination of the current limitations on the use of tax-free bonds to encourage private investment in high-speed rail.

The new financial assistance program that will aid development of high-speed rail outside the Northeast Corridor will leverage private investment and State and local matching funds. In addition, States and local governments will be encouraged to use those aspects of existing transportation programs that can be used to support high-speed rail development. By crafting a program that takes advantage of all these opportunities, the impact of the proposed Federal investment under the program of approximately $1 billion over the next five years will be dramatically expanded.

The key link in the program will be between the Department and the States and local governments. The Department will look to the States and localities to undertake the necessary planning and feasibility analysis. Based upon that analysis, a State or States may propose to implement high-speed rail service in a specific intercity corridor. The Department will work with designated public agencies to develop the plans and financing necessary to implement the proposed service. The commitment of State and local governments to a project will be a strong indication of the project's prospects for success.

In the short term, the initiative will primarily support ongoing efforts to achieve high-speed service through incremental improvements to existing infrastructure. The initiative will also lay the groundwork for implementation of very high-speed service on new infrastructure later this decade.

**Technology Development:** The second element of the President's initiative is the development and demonstration of new high-speed technologies to provide increased options for transportation decision makers, to improve the economics of high-speed ground transportation and to enhance the competitiveness of U.S. industry in the transportation market place. The Administration proposes to spend approximately $300 million in this area over the next five years.

The initiative will support development of technologies that will aid the implementation of high-speed rail service on existing rail infrastructure, thereby permitting us to take advantage of this valuable and under-utilized national resource. Development of a high-speed non-electric locomotive is a salient example of the work to be undertaken.

The initiative will also support development of advanced high-speed technologies, specifically the development of a prototype of a maglev system far superior to the technologies being developed overseas. This element of the initiative is not included in the bill before this Committee today.

**Applied Research:** Finally, the Administration's initiative includes an applied research element. In this effort, the initiative will be addressing such issues as the incorporation of recent advances in science, such as composite materials or high temperature superconductivity into the designs of high-speed rail systems. This research will be designed to keep American industry at the cutting edge of this aspect of transportation technology.

## Conclusion

Fast, safe, efficient and convenient intercity travel is essential to the health of our economy and the general welfare of our country. Growing transportation demand and the inability of existing transportation programs to meet this demand has led to the point where, once again, the Nation's transportation system must evolve beyond its present capabilities.

It is the mission of the Department of Transportation to promote improved intercity transportation through incorporating into the Nation's transportation system those evolutions in transportation that best meet the Nation's changing priorities. And this will now include high-speed rail.

Mr. Chairman, this concludes my prepared remarks. I will be happy to answer questions from you or the members of the Subcommittee.