How are state-supported passenger rail routes funded?

By Laura Kliewer [1]
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Today’s system of state-supported passenger rail is based on the federal legislation passed in 1970 that created Amtrak. That measure allowed states to request additional passenger rail service if they agreed to pay a portion of the costs.

Currently, 15 states subsidize one or more Amtrak corridor routes, including Illinois, Michigan, Missouri and Wisconsin in the Midwest. (Missouri is included here because it is part of the Midwest Interstate Passenger Rail Compact.)

There are 27 Amtrak routes that travel less than 750 miles from start to end. Sixteen of these are entirely state-supported, while five have some state support. States pay for these shorter-distance routes through a variety of means. During the first three years of new service, startup costs for these operations can be funded through the federal Congestion Mitigation Air Quality (CMAQ) program. After that time has elapsed, many states (including Illinois, Missouri and Wisconsin) have paid for service via general fund allocations.

However, there are instances in which states use transportation trust funds, either dedicated or non-dedicated revenue. (Dedicated revenue means that the funds, by law, must go to the rail routes.)

In Michigan, state-supported passenger rail service receives a non-dedicated allocation of revenue from the transportation fund.

In Iowa, which is looking to establish new passenger rail service between Chicago, the Quad Cities and Iowa City (the line would also eventually link to Omaha, Neb.), the state has developed a multi-tiered business plan to fund operations for the first 10 years of service. Its plan calls for using a combination of CMAQ funds and contributions from municipalities that will benefit from the service. The plan would not use money from the state general fund or transportation-specific funds.

States outside the Midwest rely on a variety of revenue sources to fund intercity passenger rail. For instance, California’s Public Transportation Account is funded with a portion of state taxes on diesel fuel and gasoline. Pennsylvania has a public transportation trust fund whose revenue sources include the state lottery, a portion of the state’s sales tax, and annual payments from the state’s Turnpike Commission. And passenger rail service in Oregon is funded primarily from a dedicated source —
personalized or “vanity” license plate fees.

There has never been a strict definition determining which Amtrak routes states should pay for and how much they should pay. But Section 209 of the Passenger Rail Investment and Improvement Act [3] (passed in 2008) requires Amtrak and the states to establish a system for allocating operational and capital costs for routes under 750 miles.

State and Amtrak officials have been working on a funding model to meet this new requirement. The final agreement is expected to be built around the principles of a fair, equitable and transparent allocation of operating and capital charges to states that are supporting Amtrak routes under 750 miles. he recent economic downturn has pushed states to find ways of attracting new businesses, retaining old ones and encouraging job creation, but at the same time, the fiscal crisis has put a premium on getting the most out of the grants and tax incentives that are offered to companies.

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