



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 30, 2005

S. 1516

Passenger Rail Investment and Improvement Act of 2005

*As ordered reported by the Senate Committee on Commerce, Science, and Transportation
on July 28, 2005*

SUMMARY

S. 1516 authorizes the appropriation of about \$9.2 billion over the 2006-2010 period, and another \$1.5 billion in 2011, for grants to Amtrak to cover operating expenses, capital projects, debt repayment, security improvements, and a study required by the bill. The legislation also would authorize the appropriation of about \$1 billion over the 2006-2010 period, and another \$411 million in 2011, to the Secretary of Transportation for a new grant program for state railroad projects, a new research program, a new grant program for Amtrak and participating states to share railroad equipment, and a study on screening the baggage of Amtrak passengers. Assuming appropriation of the specified amounts, CBO estimates that implementing those provisions would cost \$9.6 billion over the 2006-2010 period, and another \$2.6 billion after 2010.

In addition to those authorizations of appropriation, S. 1516 would increase the requirements of the Federal Railroad Administration (FRA) and the Inspector General of the Department of Transportation (DOT) to oversee Amtrak. Assuming appropriation of the necessary amounts, CBO estimates that those provisions would cost about \$5 million each year beginning in 2006.

S. 1516 would affect direct spending by authorizing the Surface Transportation Board (STB) to charge penalties to freight railroads for delaying Amtrak trains and provide those penalties to Amtrak. The bill also would authorize the Secretary of Treasury to repay Amtrak debt if the Secretary chooses to negotiate with Amtrak's creditors to restructure the debt. CBO expects that the impact on direct spending would be insignificant because STB would spend whatever it collects in penalties and because we do not expect that the Treasury would seek to restructure and repay Amtrak's debt. If, however, the Treasury does repay Amtrak's debt, that provision would increase direct spending by over \$2 billion over the next several years. Enacting S. 1516 would not affect revenues.

S. 1516 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA); any costs to state, local, and tribal governments would result from participation in a voluntary federal program. Other provisions of the bill would benefit states by authorizing about \$1.5 billion in new grants for states to improve intercity passenger rail service.

S. 1516 would impose various private-sector mandates, as defined in UMRA, on Amtrak. CBO estimates that the direct costs of those mandates would fall below the annual threshold established by UMRA for private-sector mandates (\$123 million in 2005, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1516 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

BASIS OF ESTIMATE

S. 1516 would authorize the appropriation of \$12.2 billion over the 2006-2011 period; CBO assumes that the amounts specified in the bill would be appropriated near the beginning of each fiscal year. S. 1516 also increases the responsibilities of FRA and the DOT Inspector General for overseeing Amtrak. CBO assumes that the amounts necessary to increase oversight—about \$5 million a year—would be appropriated. Estimates of outlays are based on historical trends for Amtrak spending and other programs similar to the ones that S. 1516 would authorize.

Spending Subject to Appropriation

Amtrak. S. 1516 would authorize the appropriation of \$10.7 billion for grants to Amtrak over the 2006-2011 period. This total includes \$3.3 billion for operating expenses, \$4.9 billion for capital projects, \$1.7 billion for the repayment of the principal and interest on its debt, \$794 million for security improvements, and \$500,000 to develop a plan to address the needs of families of passengers involved in a rail accident. CBO expects that Amtrak spending under this bill would be primarily for short-term capital projects and operating expenses. Currently, the Secretary of Transportation makes appropriations immediately available to Amtrak for such expenses. Assuming appropriation of the amounts specified, CBO estimates those grants to Amtrak would cost \$9.2 billion over the 2005-2010 period, and another \$1.5 billion in 2011.

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Amtrak						
Budget Authority ^a	1,207	0	0	0	0	0
Estimated Outlays	1,235	10	10	0	0	0
Proposed Changes:						
Amtrak						
Authorization Level	0	1,936	1,934	1,967	1,705	1,627
Estimated Outlays	0	1,936	1,934	1,967	1,705	1,627
Grants to States for Rail Projects						
Authorization Level	0	24	100	246	274	369
Estimated Outlays	0	4	22	72	139	205
Rail Research						
Authorization Level	0	5	5	5	5	5
Estimated Outlays	0	3	5	5	5	5
Train Equipment Pool						
Authorization Level	0	5	0	0	0	0
Estimated Outlays	0	1	1	1	1	1
Study on Screening Amtrak Baggage						
Authorization Level	0	1	0	0	0	0
Estimated Outlays	0	1	0	0	0	0
DOT Oversight of Amtrak and State Rail Plans						
Estimated Authorization Level	0	5	5	5	5	5
Estimated Outlays	0	5	5	5	5	5
Total Changes						
Estimated Authorization Level	0	1,976	2,044	2,223	1,989	2,006
Estimated Outlays	0	1,950	1,967	2,050	1,855	1,843
Spending Under S. 1516						
Estimated Authorization Level ^a	1,207	1,976	2,044	2,223	1,989	2,006
Estimated Outlays	1,235	1,960	1,977	2,050	1,855	1,843

a. The 2005 level is the amount appropriated for that year.

Grants to States for Rail Projects. S. 1516 would authorize the Secretary of Transportation to make grants to states for capital projects that would improve intercity rail service. For those grants, the bill would authorize the appropriation of \$1.4 billion over the 2006-2011 period. Assuming appropriation of the specified amounts, CBO estimates those grants would cost about \$1 billion over the 2006-2010 period and just over \$400 million after 2010.

Rail Research. S. 1516 would authorize the appropriation of \$30 million over the 2006-2011 period to the Secretary of Transportation to improve models for understanding railroad transportation, and study ways in which railroad transportation could be improved. Assuming appropriation of the specified amounts, CBO estimates this research would cost \$23 million over the 2006-2010 period and another \$7 million after 2010.

Train Equipment Pool. S. 1516 would direct FRA, Amtrak, and interested states to form a committee that would develop standards for rail corridor equipment. Under the bill, Amtrak and participating states could also enter into agreements or establish a corporation for acquiring such equipment. For these activities, the bill would authorize the appropriation of \$5 million to the Secretary of Transportation. Assuming appropriation of the specified amount, CBO estimates this program would cost \$5 million over the 2006-2010 period.

Study on Screening Amtrak Baggage. S. 1516 would authorize the appropriation of \$1 million in 2006 to the Secretary of Homeland Security for a study on screening the baggage and cargo on Amtrak trains. Assuming appropriation of the authorized amount, CBO estimates this study would cost \$1 million in 2006.

DOT Oversight. S. 1516 would require the Federal Railroad Administration to develop ways to measure Amtrak's performance, organize two commissions to oversee Amtrak's Northeast Corridor, review state rail plans, create a national rail plan, and report on passenger rail security. The legislation would also require DOT's Inspector General to review Amtrak's financial statements and five-year plans. Assuming appropriation of the necessary amounts, CBO estimates those provisions would cost about \$5 million each year beginning in 2006.

Direct Spending

S. 1516 would authorizing the Surface Transportation Board to charge penalties to freight railroads provide those penalties to Amtrak, and the bill would authorize the Secretary of Treasury to repay Amtrak debt. CBO, however, expects that the impact on direct spending of those provisions would be insignificant.

Freight Railroad Penalties. S. 1516 would direct the STB to investigate Amtrak's failure to meet certain performance measures, and determine when the performance failure is due to a freight rail carrier's refusal to provide Amtrak preference over its tracks. The bill would authorize the STB to charge penalties to freight rail carriers for refusing to give Amtrak such preference, and the bill would direct STB to provide those penalties to Amtrak. Collecting the penalties and providing them to Amtrak would affect direct spending, but CBO estimates that the net impact on the federal deficit would be insignificant. CBO estimates that such penalties would total less than \$500,000.

Repayment of Amtrak Debt. S. 1516 would authorize the Secretary of the Treasury to negotiate with Amtrak's creditors to restructure Amtrak's long-term debt with the goal of reducing costs to Amtrak and the government. The Secretary's authority to initiate such negotiations would expire on January 1, 2007. The bill also would direct the Secretary to repay whatever debt the Secretary is able to restructure if the government and Amtrak would realize savings. Based on information from Amtrak, the Department of Transportation, and the Treasury, CBO does not expect that the Secretary of the Treasury would opt to negotiate with Amtrak's creditors, and as a result, would not repay any of Amtrak's debt under this bill. Thus, CBO does not estimate that this provision would affect direct spending. Amtrak currently holds about \$3.7 billion in long-term debt. Of this total, almost \$1 billion is held in an escrow account for repayment, leaving \$2.7 billion available for restructuring under S. 1516. If the Treasury does restructure and repay this debt, CBO estimates that the repayment would increase direct spending by more than \$2 billion over the next several years.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1516 contains no intergovernmental mandates as defined in UMRA. Provisions of the bill would either benefit states or impose costs on them as a result of their participation in a voluntary federal program.

Title I of the bill would authorize about \$1.5 billion over the 2006-2011 period for grants to states to improve intercity rail service. This provision would generally benefit intergovernmental entities. Grants to states would require matching funds from nonfederal sources, but such costs would be incurred voluntarily.

Title II would require certain states with Amtrak routes to agree on a formula for the distribution of capital and operating costs. The federal government—via Amtrak—currently subsidizes these routes, so any requirement on states would be a condition of receiving federal assistance. The bill effectively would increase the price of the federal service, and CBO views these types of relationships as voluntary federal programs.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 1516 would impose various private-sector mandates, as defined in UMRA, on Amtrak. The bill includes reforms related to financial reporting that would require Amtrak to submit an annual budget and a five-year fiscal plan for Amtrak to the Secretary of Transportation and DOT's Inspector General and implement a modern financial accounting and reporting system, subject to review by DOT. The bill also would require Amtrak to evaluate the performance of each long-distance passenger rail route annually and the improvements necessary to make all existing stations readily accessible to and usable by persons with disabilities. The bill would require that Amtrak:

- Develop new or improve existing metrics and minimum standards for measuring performance and service quality of intercity train operations;
- Develop and implement a plan to improve on-board service within one year after those metrics and minimum standards are established; and
- Submit a plan to the Chairman of the National Transportation Safety Board and the Secretary of Transportation for addressing the needs of families of passenger involved in fatal rail accidents involving Amtrak intercity trains.

Most of the requirements in the bill are already being met by Amtrak. For those requirements that may require additional effort or changes to current efforts, the cost to make such changes would be small. CBO estimates that the aggregate cost of the private-sector mandates included in S. 1516 would fall below the annual threshold established by UMRA for private-sector mandates (\$123 million in 2005, adjusted annually for inflation).

ESTIMATE PREPARED BY:

Federal Costs: Rachel Milberg

Impact on State, Local, and Tribal Governments: Sarah Puro

Impact on the Private Sector: Selena Caldera

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis