



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

February 25, 2015

H.R. 749
Passenger Rail Reform and Investment Act of 2015

*As ordered reported by the House Committee on Transportation and Infrastructure
on February 12, 2015*

SUMMARY

CBO estimates that H.R. 749 would authorize appropriations totaling \$7.2 billion over the 2016-2020 period for rail programs. That amount includes \$5.3 billion for grants to Amtrak, \$1.2 billion for grants to states for intercity rail projects, and \$625 million to renegotiate and prepay a portion of Amtrak's nonfederal debt. Assuming appropriation of the amounts specified and estimated to be necessary, CBO estimates that implementing the legislation would cost \$7.0 billion over the 2016-2020 period.

Pay-as-you-go procedures do not apply to this legislation because it would not affect direct spending or revenues.

H.R. 749 would impose intergovernmental and private-sector mandates, as defined in the Unfunded Mandates Reform Act (UMRA), by requiring some state and local governments and Amtrak to create plans and submit reports about the capital assets of intercity passenger rail systems. The bill also would place new administrative and operational requirements on Amtrak. CBO estimates that the cost to both public and private entities of complying with those mandates would be small and would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates (\$77 million and \$154 million in 2015, respectively, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 749 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					2016- 2020
	2016	2017	2018	2019	2020	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Capital and Operating Grants to Amtrak						
Estimated Authorization Level	1,287	1,313	1,340	1,370	0	5,310
Estimated Outlays	1,041	1,273	1,333	1,363	298	5,307
Cost to Renegotiate and Prepay Amtrak's Nonfederal Debt						
Estimated Authorization Level	125	125	125	125	125	625
Estimated Outlays	125	125	125	125	125	625
Grants to States for Rail Projects						
Authorization Level	300	300	300	300	0	1,200
Estimated Outlays	30	150	225	270	270	945
Amtrak Inspector General						
Authorization Level	23	24	24	25	0	96
Estimated Outlays	21	23	24	25	3	96
Other Provisions						
Estimated Authorization Level	2	2	1	0	0	5
Estimated Outlays	1	2	1	1	0	5
Total Changes						
Estimated Authorization Level	1,737	1,764	1,790	1,820	125	7,236
Estimated Outlays	1,217	1,573	1,708	1,784	696	6,978

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted by the end of fiscal year 2015 and that the amounts authorized and estimated to be necessary will be appropriated each year. Spending is based on historical patterns of spending for rail programs.

Capital and Operating Grants to Amtrak

H.R. 749 would restructure the federal government's funding support for Amtrak and would authorize the appropriation of \$5.8 billion for grants to Amtrak over the 2016-2019 period. That amount includes specified amounts for the rail network between Boston, Massachusetts, and Washington, DC, and for the rail network in other parts of the country. Amtrak received a grant of \$1.4 billion for fiscal year 2015 for activities similar to those authorized in H.R. 749. As directed by the legislation, the specified authorization levels in H.R. 749 for this activity have been reduced by \$500 million to account for the estimated cost to renegotiate and prepay a portion of Amtrak's debt over the 2016-2019 period (as discussed in the next section). Assuming appropriation of the remaining authorized amounts, CBO estimates those provisions would cost \$5.3 billion over the 2016-2020 period.

Cost to Renegotiate and Prepay Amtrak's Nonfederal Debt

Subject to the availability of appropriated funds, section 209 would require the Secretary of the Treasury to negotiate with Amtrak's creditors to prepay Amtrak's debt with the goal of reducing Amtrak's debt-service costs. Under the assumption that the federal government will continue to provide Amtrak with grants to pay a portion of its debt-service costs—as it has since 2006—those prepayments also would reduce future discretionary costs to the federal government.

According to Amtrak, it has about \$1 billion in nonfederal debt—but, based on information from the Department of the Treasury, not all of that debt could be favorably renegotiated to result in savings to Amtrak. Much of Amtrak's nonfederal debt is for lease payments it makes for railcars and locomotives. In some of those leases, Amtrak has the option, at times specified in the lease contracts, to buy out the remainder of the lease term and take ownership of the rail equipment. In such cases, the Treasury would calculate the net present value of the stream of future lease payments compared to the cost to buy out the lease term to determine if savings would accrue from buying out the lease. Other debt includes a mortgage on New York's Penn Station and tax-exempt bonds that are not callable until fiscal year 2022. Based on information about the components of Amtrak's debt, CBO estimates that \$625 million would be authorized to be appropriated to prepay Amtrak's debt over the 2016-2020 period, leading to estimated costs of that amount.

Under provisions of the bill, any amounts appropriated to Amtrak to renegotiate and prepay its debt would reduce the amounts authorized to be appropriated by the bill for Amtrak's Capital and Operating Grants. Although CBO estimates that \$625 million would be authorized to be appropriated to prepay Amtrak's debt over the 2016-2020 period, the amounts authorized to be appropriated for Capital and Operating Grants have been reduced

by only \$500 million because those grants would be authorized only through 2019 under H.R. 749.

Over the next five years, CBO estimates that Amtrak's debt-service costs would be reduced by about \$20 million a year. However, over the next couple of decades, Amtrak's debt service would be reduced by more than \$625 million. If the federal government continues to provide Capital and Operating Grants to Amtrak, those lower costs could be used to reduce the amount of grants to Amtrak in the future or could be used for other Amtrak priorities, including capital spending.

Grants to States for Rail Projects

Over the 2016-2019 period, the bill would authorize the appropriation of \$1.2 billion in grants to states for capital costs related to facilities, infrastructure, and equipment necessary for intercity passenger rail service. No amounts were appropriated for such grants in 2015. Assuming appropriation of the authorized amounts, CBO estimates that spending for those grants would total \$945 million over the 2016-2020 period.

Amtrak Inspector General

H.R. 749 would authorize the appropriation of \$96 million for the operations of the Amtrak Inspector General over the 2016-2019 period. Amtrak's Office of the Inspector General received appropriations of \$23 million for fiscal year 2015 for activities similar to those authorized in H.R. 749. Assuming appropriation of the authorized amounts, CBO estimates that implementing these provisions would cost \$96 million over the 2016-2020 period.

Other Provisions

H.R. 749 would require the Federal Rail Administration (FRA) to establish a working group to assess the feasibility of restoring rail service between New Orleans, Louisiana, and Orlando, Florida. The bill also would require the FRA to complete a rulemaking to revise how federal reviews of planned freight and commuter rail projects are conducted in order to adjust how the agency complies with the Historic Preservation Act. Based on information from FRA, CBO estimates that implementing those provisions would cost \$5 million over the 2016-2020 period.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 749 would impose intergovernmental and private-sector mandates as defined in UMRA by placing new requirements on public entities and Amtrak. CBO estimates that the cost for those entities to comply with the mandates would be small and would fall below the annual thresholds established in UMRA for intergovernmental and private-sector mandates (\$77 million and \$154 million in 2015, respectively, adjusted annually for inflation).

Mandates That Apply to Public and Private Entities

H.R. 749 would impose an intergovernmental and private-sector mandate by requiring some state and local governments and Amtrak to create plans and submit reports about the capital assets of intercity passenger rail systems. CBO estimates the cost to both public and private entities of complying with the reporting requirement would be small.

Mandates That Apply to Private Entities Only

The bill would impose several additional mandates on Amtrak. It would require the Amtrak Board of Directors to consider options to improve boarding procedures, to evaluate proposals for development projects around Amtrak stations, and to evaluate requests to use an Amtrak right-of-way for other business activities. The bill also would require Amtrak to establish certain financial controls and submit to the Congress various reports, including a report on options to enhance development around Amtrak stations. Finally, the bill would modify Amtrak's role on certain rail advisory committees. CBO estimates that the aggregate cost of complying with those mandates would be small.

Other Effects

Other provisions of the bill would benefit states by authorizing grants to improve intercity rail passenger service. CBO estimates states would receive \$945 million over the 2016-2020 period, and any costs would be incurred voluntarily as a condition of federal assistance.

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