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The Role of Innovative Finance in Intercity Passenger Rail

July 9, 2013

Chairman Denham, Ranking Member Brown, and Members of the Committee, thank you for inviting me to appear before you today to discuss innovative financing for rail projects.

I thank the Committee for its interest in getting rail projects completed using a variety of tools and funding sources. This is a high priority for me and for this Administration. Like all of you, at the Department of Transportation (DOT) we are keen on making the best use of the tools available to us to create and add to public value.

Since 2009, we have improved or are improving 6,000 corridor miles of track and 40 intercity rail stations and begun the procurement process to acquire 260 next generation passenger rail cars and 106 lighter, faster rail locomotives. We have leveraged Federal resources with our grantee partners and loan recipients to lay a sustainable foundation for a rail network that will be safer, more reliable and more efficient.

Today, we have an $18 billion portfolio of grants and loans to help fuel the development of America's passenger and freight rail network. Although this level of Federal investment in rail is impressive and unprecedented, it is only a starting point. We must continue to invest Federal resources and leverage those with other public sector and private partners to fully realize the potential of rail.

Today's discussion is appropriate leading up to the legislative work necessary to reauthorize both the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) and the Rail Safety Improvement Act of 2008 (RSIA) this year. In my testimony, I will explain why rail infrastructure and service is so important; highlight our selective achievements in innovative financing at DOT; and describe some of our proposals for dedicated rail funding to improve those financing options in the future.

Rail is a critical piece of our nation's infrastructure, and its importance is only going to grow as Americans continue to choose it as the mode of opportunity for moving people and goods.

The American People Want Rail Investment

Americans are choosing rail in record numbers—Demand for passenger rail is surging across the United States. Ridership levels have set new records in nine of the past ten years. In Fiscal Year (FY) 2012, Amtrak carried a record 31.2 million passengers—a 3.5 percent increase from the year before—and also achieved its highest on-time performance in 12 years (83 percent).[1] These ridership levels are being achieved even before the substantial service improvements funded in recent years begin to come online. Once Amtrak adds new trains and reduces trip times and delays, it will attract even higher levels of ridership.

Americans' travel habits are changing—Reports show that since 2004, the average American has been driving fewer miles each year. In 2011, the average American drove six percent fewer miles than in 2004. What's even more significant is that studies show the trend away from driving is being led by younger Americans. Between 2001 and 2009, Americans ages 16 to 34 decreased their average number of vehicle-miles traveled by 23 percent and increased their passenger miles traveled on trains and buses by 40 percent. Factors causing these changes may include new communication technology, shifts in driving laws, and higher fuel prices. And while the Great Recession had some role in influencing habits, research indicates that travelers will continue to look for transportation alternatives even as the economy continues to recover.[2]

Rail is a vital part of a multimodal transportation network—The American Road & Transportation Builders Association (ARTBA) has written: "The U.S. public transportation, rail transit, intercity passenger rail, and freight rail systems are integral and vital components of the nation's intermodal transportation network … These systems must be expanded to meet public demand, and continue to be integrated into the overall surface transportation planning process."[3]

Communities across the nation are competing for rail investment dollars—Almost every region in the U.S. has demonstrated demand for investments in passenger rail services. Between August 2009 and April 2011, the Federal Railroad Administration (FRA) evaluated nearly 500 applications submitted by 39 states, the District of Columbia, and Amtrak, requesting more than $75 billion for rail projects. Over five rounds, the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program has received more than 115 applications requesting over $4.1 billion for intercity passenger rail projects, and more than $4.7 billion in funding has been requested for freight rail-related projects.

Public support for infrastructure investment is high—A 2011 Harris Poll survey revealed that nearly two-thirds of Americans (62 percent) support using Federal funds to develop high-speed rail.[4] The National Association of Realtors' *2009 Growth and Transportation* study showed only 20 percent of Americans favored building new roads to deal with congestion, while 47 percent believe that improvements in public transportation would better mitigate congestion and accommodate future U.S. population growth.[5] Additionally, polls show that almost 19 of 20

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1 Amtrak, Amtrak Sets New Ridership Record, October 10, 2012.

2 U.S. Public Interest Research Group and Frontier Group, Transportation and the New Generation: Why Young People Are Driving Less and What It Means for Transportation Policy. April 5, 2012.

3 American Road & Transportation Builders Association (ARTBA), Railroad/Transit Policy, June 2010

4 Harris Poll survey conducted between January 17, 2011, and January 24, 2011.

5 National Association of Realtors and Transportation for America, *2009 Growth and Transportation Survey*. Hart Research Associates, Jan. 5 to 7, 2009.

people are concerned with the state of America's infrastructure, and approximately 84 percent support infrastructure investments.[6]

Rail has demonstrated public benefits, domestically and internationally—Strengthening passenger rail services can help balance the Nation's transportation network, as demonstrated on the Northeast Corridor (NEC). Since the introduction of the *Acela* service 10 years ago, Amtrak has almost tripled its air/rail market share on the NEC, carrying 75 percent of travelers between New York and Washington.[7] These changing travel patterns can free airport capacity for more cost-efficient long-distance flights.

Accomplishments in Innovative Finance for Rail

Federal funding has been and continues to be a catalyst for private investment and growth of the Nation's rail network.

Today, the FRA has more than $18 billion invested in rail throughout the country. All of these investments are market-based rail improvements, including: grants for rail line relocations and disaster assistance; the High-Speed and Intercity Passenger Rail Program (HSIPR); the Railroad Rehabilitation and Improvement Financing Program; the TIGER program; research and development and operating and capital programs for Amtrak. Each of these grant and loan programs are designed to enable the safe, reliable and efficient movement of people and goods for a strong America now, and in the future.

Rail transportation is intrinsically linked with the private sector

The HSIPR program is like few others in the Federal government, in that much of the underlying infrastructure for the U.S. passenger rail system is owned by private corporations. While the rail industry's ownership structure is unique, FRA was able to draw lessons from established grant management best practices, apply them with ingenuity and creativity, and create innovative mechanisms to safeguard project benefits.

As part of this process, FRA has helped facilitate critical multi-party, performance-based agreements with host railroads that are effective and enforceable. These agreements ensure that HSIPR projects will protect taxpayer investments by delivering real and lasting public benefits while also recognizing the core business needs of the freight railroads.

In prioritizing these stakeholder agreements as a critical pre-requisite to obligating major HSIPR grants, FRA relied heavily on recommendations from the Government Accountability Office (GAO) and the U.S. Department of Transportation's Office of the Inspector General (OIG) from previous studies. GAO and OIG have repeatedly emphasized performance metrics and accountability as an essential element of grant program success. FRA embraced this perspective as it implemented HSIPR and used it to shape and focus its activities.

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6 U.S. Department of the Treasury and Council of Economic Advisers, An Economic Analysis of Infrastructure Investments, October 11, 2010, quoting survey from The Building America's Future National Survey, Luntz et al., 2009.

7 Amtrak, "State-Supported Corridor Trains, FY2011-12," April 2012.

It is difficult to overstate just how critical these agreements were to meeting Congress' objectives in PRIIA and the American Recovery and Reinvestment Act (ARRA). These agreements established an entirely new set of relationships and commitments among States, freight railroads, Amtrak, and the federal government, and as such needed to be done carefully and in a way that allowed for adequate discussion among all stakeholders on a variety of complex topics.

HSIPR investments leverage market-based improvements

The HSIPR Program is a collaborative, competitive, grant program meant to transform America's transportation system through the creation of a national network of high-speed rail corridors. Established by Congress in 2008, the program began with an initial appropriation of $8 billion through ARRA. Congress continued to build upon that progress by making available an additional $2.1 billion through annual appropriations for FY 2009 and FY 2010, using the framework initially established by the PRIIA, bringing the total program funding to $10.1 billion.

The HSIPR Program was created to address Nation's transportation challenges by making strategic investments in passenger rail corridors across the Nation. The program has three key objectives:

1. Build new high-speed rail corridors that expand and fundamentally improve passenger transportation in the geographic regions they serve;
2. Upgrade existing intercity passenger rail corridors to improve reliability, speed, and frequency of existing services; and
3. Lay the groundwork for future high-speed rail services through corridor and state planning efforts.

Implementing these corridor projects and programs will serve as a catalyst for growth in regional economic productivity and expansion by stimulating domestic manufacturing, promoting local tourism, and driving commercial and residential development. The program increases mobility by creating new choices for travelers in addition to flying or driving while reducing our national dependence on oil and fostering livable urban and rural communities.

Through HSIPR, the FRA has partnered with 32 states to invest in more than 150 high-speed and higher-performing intercity passenger rail projects. One hundred percent of ARRA-funded HSIPR projects have been obligated and 52 projects worth $3.6 billion in funding are currently completed, under construction, or will soon start construction in 19 states and the District of Columbia.

CREATE in Illinois - *A public-private partnership designed to bolster reliability and performance*

Chicago is the largest rail hub in the country with more than 1,200 trains passing through the city daily, carrying 75 percent of the Nation's freight rail, worth approximately $350 billion. Moving this freight through Chicago creates a host of conflicts on the freight rail system and between freight and commuter trains, intercity passenger rail, automobiles, bicycles, and pedestrians.

The Chicago Region Environmental and Transportation Efficiency Program, known as "CREATE", is a first-of-its-kind partnership among DOT, the State of Illinois, the City of Chicago, Metra, Amtrak, and the Nation's largest freight railroads. The approximately $1.5 billion program includes 70 projects that will restructure, modernize and expand existing rail facilities to improve freight and passenger mobility in and through Chicago while reducing negative environmental and social impacts.

DOT has awarded CREATE $110 million TIGER funds to complete top priority projects. The federal funding leveraged $14 million in State and local funding and $48 million in funding from the private railroads. Collectively, the projects will add capacity and reduce delays for freight and commuter trains, reduce delays to motorists using at-grade crossings, as well as improve roadways, sidewalks, and curbs under railroad viaducts to enhance safety and security for motorists, bicyclists, and pedestrians.

The FRA, through the HSIPR Program and in cooperation with the Illinois Department of Transportation, funded the Englewood Flyover Project, also a part of the CREATE Program. The $132.6 million federal investment will fund the design and construction of a grade separation between the Metra Rock Island District Line and the Norfolk Southern Chicago Line. The project will raise the existing two-track Metra Line approximately 29 feet to fly over the existing three-track Norfolk Southern alignment.

The existing at-grade crossing of these two rail lines is one of the Chicago area's major rail junctions and is a significant cause of current congestion in the Chicago area rail network. The project will eliminate significant delays between Metra trains, Amtrak passenger trains, and Norfolk Southern freight trains, and will ultimately result in improved schedule reliability for current Amtrak and Metra trains as well as provide needed capacity for future Midwest Regional Rail System passenger trains.

While the Englewood project was funded entirely through public investment, the larger CREATE program is a first-of-its-kind partnership expected to lead to billions of dollars in private investment. When the project is completed, FRA expects those investments to enhance the quality of life for Chicago-area residents and have a marked impact on the national rail network since six of the seven major railroads operating in North America pass through Chicago.

Rail Line Relocation partnerships drive efficiency and community mitigation

In order to assist State and local governments in mitigating the adverse effects created by the presence of rail infrastructure, Congress authorized the Rail Line Relocation and Improvement Capital Grant Program in 2005 through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). However, Congress first appropriated funding for the program FY 2008. SAFETEA-LU also directed the FRA to issue regulations to establish and implement the program. That final rule was published in the Federal Register on July 11, 2008.

Only States, political subdivisions of States (such as a city or county), and the District of Columbia are eligible for grants under the program. Grants may only be awarded for construction projects that improve the route or structure of a rail line and (1) are carried out for the purpose of mitigating the adverse effects of rail traffic on safety, motor vehicle traffic flow, community quality of life, or economic development; or (2) involve a lateral or vertical relocation of any portion of the rail line.

From FY 2008 through FY 2011, Congress appropriated a total of $90,104,200 for the program. Funding has been provided to grantees through both Congressionally-directed spending and competitive grant opportunities. Congress did not appropriate any funding for the Rail Line Relocation program in FY 2012 or 2013 and all available funding has been awarded. There was no competition in FY 2012.

Railroad Rehabilitation and Improvement Financing Program

The Railroad Rehabilitation and Improvement Financing (RRIF) program provides direct federal loans and loan guarantees to finance the development of railroad infrastructure. To date, FRA has awarded nearly $1.73 billion in more than 30 RRIF loans, for projects in 26 states across the country. While most RRIF loans have been awarded to Class II and III railroads, RRIF plays a role in larger projects as well. As one example Amtrak will acquire 70 new American-made electric locomotives and upgrade maintenance facilities for Northeast Corridor services, all possible due to a recent RRIF loan.

In July of 2010, the Denver Union Station Project Authority (DUSPA) received just over $300 million in federal loans through a financing arrangement using the Department's RRIF program and the Transportation Infrastructure Finance and Innovation Act (TIFIA).

The loans financed new intermodal transportation facilities which include an underground bus terminal with 22 bays, a light rail terminal consisting of three tracks and two platforms for existing and planned routes and an intercity and commuter rail facility consisting of eight passenger tracks, platforms and service and storage improvements. Also included are the extension of the 16th Street Mall and the Shuttle service, accommodation of the Downtown Circulator service, as well as the pedestrian improvements and improved street and replacement parking and utility infrastructure. Integration of these services will provide travelers seamless connections and access to public spaces. The project is expected to be complete next year.

Preceding the loan issuance, Downtown Denver had averaged 6.6 percent annual growth. Once complete, the project will have an immediate positive benefit on the economy and it is estimated that the Denver Union Station public sector investments have or will create over 7,000 new jobs during construction. Together, the TIFIA and RRIF loans constituted approximately 58 percent of all funding sources for the project. Under the financing plan, a Regional Transportation District bond as well as a tax increment revenues pledged to DUSPA will be used to repay the debt. The financing arrangement was historic and innovative given that the project was the first to combine credit assistance from both programs and for the RRIF program, it was the first to use tax increment financing.

The FY 2014 Budget does not propose changes to the RRIF program. However, as FRA looks forward to reauthorization, the agency is exploring ways to improve project and program administration, as well as to better integrate the program with the goals and objectives of the NHPRS program. FRA works to ensure that all financial assistance programs (both grants and loans) work together in a cohesive and comprehensive manner to improve the Nation's passenger and freight rail networks through an integrated investment portfolio. FRA is ensuring borrowers can more readily take advantage of the RRIF program by reviewing eligibility requirements, application processes, administrative provisions, technical assistance, or other program elements, consistent with the priorities set forth in Section 502(c) of Title V of the Railroad Revitalization and Regulatory Reform Act of 1976, as amended.

TIGER

RRIF and TIFIA, as well as other Departmental programs such as Private Activity Bonds, constitute an enormous opportunity to partner with the private sector to invest in our rail system. These tools are greatly enhanced when matched with merit-based, competitive grant dollars, such as we have seen with TIGER. Not coincidentally, all of these programs also form the backbone of the President's Partnership to Rebuild America. The future of federal rail infrastructure investment will be a blend of public and private dollars targeted at those projects which demonstrably produce the most benefits, both public and private.

Thanks to the flexibility permitted by Congress, TIGER was designed with some unique features. When we began the program in 2009, we instituted a mode-neutral, merit-based selection process to evaluate projects on a number of factors, including our departmental goals such as economic competitiveness, safety, state of good repair, and environmental sustainability. We also looked at project readiness, economic analysis of benefits and costs, innovation, partnership and ability to bring non-Federal dollars to the table. And while the vast majority of federal transportation funding can only be accessed by states and transit agencies, the TIGER application process is open to any public project sponsor.

Four rounds of the TIGER program have provided $3.1 billion to 218 projects in all 50 states, the District of Columbia and Puerto Rico, and we are currently evaluating proposals for the 2013 round. We wanted TIGER to be multi-modal and focus on project outcomes, but we came with no particular vision for exactly how the funds would be awarded. Once again we are seeing strong demand for passenger and freight rail projects. Out of the nearly 600 applications we have received requesting more than $9 billion in funding, 85 applications requesting more than $1.3 billion are focused on rail infrastructure improvements.

As we evaluated project proposals, we discovered that rail projects competed extremely well. Across four rounds we've awarded over $750 million to more than 45 projects primarily addressing passenger and freight rail mobility. Although the use of benefit-cost analysis is still wildly uneven in the U.S. transportation field, it became obvious to us through TIGER that many rail projects scored off the charts, especially multi-state freight rail networks like CREATE, National Gateway, and the Crescent Corridor, which leveraged significant private investment.

TIGER helps us fill the gaps in the national transportation system that traditional formula funding does not always reach. We are making significant upgrades to major intercity passenger rail nodes through TIGER, including Moynihan Station, St. Paul Union Depot, Raleigh Union Station, Sacramento Valley Station, and the Minneapolis Interchange.

And with the encouragement of multimodal and other non-traditional project scopes and applicant coalitions through TIGER, we have convened FRA and the Maritime Administration to work together implementing intermodal rail improvements at major ports around the country, including the Ports of Los Angeles, Long Beach, Miami, Vancouver, Oakland, and New Orleans. These complex projects require complex analysis of public and private benefits and costs, and we have appreciated the opportunity to work with transportation agencies around the Nation on advancing the practice.

As we look towards the next authorization, we feel that TIGER offers an important model for not only data-driven and merit-based project selection in a no earmark era, but also for better leveraging federal dollars in a difficult budget climate by ensuring a maximum return on federal funds.

However, at current funding levels TIGER is a drop in the bucket when compared to the need for predictable, sustainable, federal investment in our national rail infrastructure network.

Research and Development

Since 2007, 114 rail accidents were caused by joint bar failures due, in part, to difficulties with manual inspection. These manual inspections were time intensive, somewhat cumbersome, and subject to human error.

To address this critical safety concern, FRA's Office of Research and Development program invested $1.3 million in the development of a technology for automatically inspecting rail joint bars. FRA initially contracted with a private engineering company for the initial stages of this project. As the technology began to demonstrate potential and the freight railroads started to show interest, the private company invested its own funds to convert the prototype to a production system. FRA does not know how much was invested, but is certain that those funds were not available from its own budget. The successful implementation of the automatic joint bar inspection system would not have been possible without FRA funding the initial, high-risk stages and private industry commercializing the final product.

Following a feasibility study and proof of concept, a prototype system was manufactured and tested. Since 2008, the system has been commercialized and several have been bought and operated by the freight railroads. There has been a 65 percent reduction in annual accidents caused by joint bar failures since the first commercial system was sold.

Grants to Amtrak

In October 2011, Amtrak began a multi-year project to fully replace the track in all four tunnels under the East River connecting New York City to New England and Long Island along the Northeast Corridor (NEC).

When completed, the project will provide a significant infrastructure improvement that affects the whole NEC, Amtrak operations, Metropolitan Transportation Authority (MTA)-Long Island Railroad (LIRR) operations, and New Jersey Transit (NJT) operations. The total track renewal will provide enhanced reliability, allow for increased train speed and efficiency, permit increased operations, provide greatly needed drainage improvements, and bring the track into a state of good repair.

The program is slated to take 5 years at a total cost of approximately $72 million. The cost of the program is shared by Amtrak, the MTA, and NJT with the approximate cost sharing at 35 percent Amtrak funded through the FRA-administered Annual General Capital Program with the remaining costs covered by NJT, and MTA-LIRR. Although MTA-LIRR, NJT, and Amtrak have agreements that dictate maintenance and operation cost sharing, this program is based on a unique cost sharing agreement to fully renew the track infrastructure. Without a renewal, the state of the infrastructure would continue to decline resulting in increased maintenance costs and negative impacts to operational performance. Amtrak would not be able to cover the full cost of a track renewal by itself and continued deterioration would have strained Amtrak's resources into the future.

A Proposal for Predictable, Sustainable Funding

The Administration's FY 2014 Budget request lays out a detailed blueprint for a five-year reauthorization proposal. That is the kind of predictable, sustainable funding that the risk-averse private sector desires prior to investment.

National High-Performance Rail System

The National High-Performance Rail System (NHPRS) proposes a new, coordinated approach to rail investments. The NHPRS would replace and consolidate existing rail programs (including the Amtrak grants and capital assistance for high-speed rail, among others) with two interlinked programs: the Current Passenger Rail Service—focused on *maintaining* the current rail network serviced by Amtrak—and the Rail Service Improvement Program—focused on *expanding and improving* the passenger and freight rail networks to accommodate growing travel demand. Additionally, the Research, Development, and Technology program will invest in people, businesses, and technology, ensuring that America's rail industry is the world's most innovative and state-of-the-art. The NHPRS is the centerpiece of this reauthorization vision.

The President's FY 2014 Budget requests $6.4 billion—and $40 billion over the next five years—for the NHPRS program. The Administration proposes Congress fund the program through mandatory authorizations from a new rail account of a broader Transportation Trust Fund. The trust fund would initially be funded through the General Fund transfers that are offset from savings generated by capping Overseas Contingency Operations activities and would not require new taxes or fees.

National High-Performance Rail System
FY 2014 to FY 2018 Investment Proposal ($M)

Account	FY 14	FY 15	FY 16	FY 17	FY 18	TOTAL
Investment Programs	**6,360**	**8,045**	**7,700**	**8,550**	**8,945**	**39,600**
Current Passenger Rail Service	2,700	3,225	2,550	2,650	2,075	13,200
Rail Service Improvement Program	3,660	4,820	5,150	5,900	6,870	26,400
Research, Development, & Technology	**55**	**43**	**43**	**38**	**38**	**217**
Research & Development	**35**	**37**	**37**	**37**	**37**	**183**
TOTAL	**6,450**	**8,125**	**7,780**	**8,625**	**9,020**	**40,000**

Current Passenger Rail Service: The objective of this program area is to maintain public rail assets in a state of good repair so that they continue producing public benefits for generations to come, while continuing to support the Nation's long-distance passenger rail services. The program will be organized according to the primary "business lines" of current passenger services:

- **Northeast Corridor:** bring Northeast Corridor infrastructure and equipment into a state of good repair to enable future growth and service improvements.
- **State Corridors:** facilitate efficient transition to financial control to States for short-distance State-supported corridors, as required by PRIIA. This program will be phased out within the five year period once States are transitioned.
- **Long-Distance Routes:** continue operations of the Nation's important long-distance routes.
- **National Assets**: improve efficiency of the Nation's "backbone" rail facilities, further implement positive train control (PTC) on Amtrak routes, and bring stations into compliance with requirements of the Americans with Disabilities Act (ADA).

This approach is a major policy change from how Federal support for current service is provided today, which is through separate Operating and Capital/Debt Service grants to Amtrak. This new structure increases transparency and better aligns Federal resources to the public benefits and services in which we are investing.

CURRENT PASSENGER RAIL SERVICE (FY 2014 Request - $2.7 billion)			
Program Area and FY 2014 Request	**Objectives**	**Eligible Activities**	**Eligible Recipients**
Northeast Corridor $675 million	Bring infrastructure and equipment into a state of good repair to enable future growth and service improvements.	• Ongoing state of good repair capital needs. • Backlog of state of good repair capital needs. * • Replacement of legacy/obsolete equipment. *	Amtrak**
State Corridors (transitional) $300 million	Facilitate efficient transition to State financial control over State-supported corridors.	• Transitional capital and operating assistance to support phase-in of PRIIA Section 209.***** • Replacement of legacy/obsolete equipment.*	States
Long-Distance Routes $800 million	Continue operation of the Nation's long-distance routes.	• Long-distance route capital – equipment overhauls and replacement, stations, maintenance facilities, etc. • Long-distance route operations.	Amtrak
National Assets $925 million	Improve efficiency of the Nation's "backbone" rail facilities, support implementation of positive train control on Amtrak routes, and bring stations into compliance with the requirements of the ADA.	• Operating and capital needs for national reservations system; security and policing; rolling stock/infrastructure engineering, design services, and support facilities; training centers; and other national backbone systems. • Support implementation of PTC on Amtrak routes.* • Capital to upgrade Amtrak-served stations to be ADA compliant.* • Legacy debt service and principal.*	Amtrak

Notes:
* Temporary activities that will phase-out upon completion.
**Funding provided through this program will be based on a five-year Northeast Corridor capital asset plan. This plan will be prepared by Amtrak in coordination with the Northeast Corridor Infrastructure and Operations Advisory Commission, which includes States and other NEC infrastructure owners and users, and will be approved by FRA. For specific capital projects, this plan may identify other appropriate lead agencies or recipients for these funds, such as States, in which case grants could be directed to those entities.

Rail Service Improvement Program: The objective of this program is to substantially improve the Nation's passenger and freight rail systems to accommodate population growth and the increasing demand for rail transportation across the country. This program will comprehensively address the investment needs of both passenger and freight rail systems, which are tightly interwoven. The program will make competitive, discretionary investments based on analyses of the business and public investment cases for each proposal – no projects are "pre-designated" to receive any of these funds. The program will also address the needs of local communities, through funding for station areas, mitigation of the local safety, environmental, and noise impacts generated by the presence of rail, and for rail line relocation activities.

The program will have four main areas of focus:

- **Passenger Corridors:** develop high-performance passenger rail networks through construction of new corridors or substantial improvements to existing corridors, and to implement positive train control systems on commuter railroads.

- **Congestion Mitigation:** address major bottlenecks and congestion issues that reduce freight and passenger train reliability on shared-use infrastructure.
- **Freight Capacity:** improve the competitiveness of the Nation's intermodal freight rail by upgrading facilities, adding capacity, and implementing community mitigation strategies.
- **Planning:** develop comprehensive plans that will guide future investments.

RAIL SERVICE IMPROVEMENT PROGRAM (FY 2014 Request - $3.66 billion)			
Program Area and FY 2014 Request	**Objective**	**Eligible Activities**	**Eligible Recipients**
Passenger Corridors $3,250 million	Build regional networks of passenger rail corridors through construction of new corridors or substantial improvements to existing corridors; support implementation of PTC on commuter railroads.	• Environmental studies • Right-of-way acquisition • Preliminary engineering • Design and construction • Rolling stock acquisition • Support implementation of PTC on commuter railroads*	• States and multi-State entities • Amtrak • Equipment entity • Commuter railroads**
Congestion Mitigation $150 million	Address major bottlenecks and congestion issues that reduce freight and passenger train reliability on shared-use infrastructure.	• Capital for addressing congestion projects identified by the Surface Transportation Board or DOT • Capital for improving infrastructure in shared-use terminal areas	• States and multi-State entities • Amtrak • Freight railroads • Rail terminal companies
Freight Capacity $190 million	Improve the competitiveness of the Nation's intermodal freight rail system by upgrading facilities and adding capacity.	• Capital upgrades to intermodal freight corridors and connection points • Capital upgrades to short-line freight railroads • Rail line relocation and community mitigation	• States and multi-State entities • Freight railroads • Rail terminal companies • Ports • Local governments
Planning $70 million	Develop comprehensive plans that will guide future investments in the Nation's passenger and freight rail systems.	• National, multi-state, and state rail planning • Corridor and terminal area planning/environmental analyses • Northeast Corridor FUTURE*	• States and multi-State entities • Metropolitan planning organizations • FRA

Notes:
* Temporary activities that will phase-out upon completion.
** For PTC implementation only.
± For rail line relocation only.

In recognition of America's transportation needs and the demand for rail nationwide, DOT submitted a transformative budget proposal for FY 2014. That proposal encourages innovative funding solutions to our Nation's infrastructure challenges through predictable and sustainable federal funding levels drawn from a broader Transportation Trust Fund, which would add a rail account to its existing highway and transit accounts putting rail on par with other modes. This is a key component in leveraging private dollars, enabling taxpayer dollars to create greater public value.

Other Important Policy Considerations for Rail Projects in Reauthorization:

- **Northeast Corridor governance—**The NEC is one of the most important transportation assets in the nation, carrying more than 250 million people per year and an average of 50 freight trains per day. As the backbone to the highest concentration of population and economic activity in the country, there is naturally a large number of stakeholders with a vested interest in the future of the corridor, including the states, Amtrak, local commuter authorities, freight railroads, local governments, business, and others. Through the Northeast Corridor Infrastructure and Operations Advisory Commission established under PRIIA, the FRA has worked with these varied stakeholders to develop an inclusive planning process to establish the framework for future investment in the corridor. Moving forward, FRA will continue working with all stakeholders to develop policy ideas for addressing NEC governance issues.

- **Next generation rail equipment—**With FRA's participation, the Next Generation Equipment Committee has developed and approved specifications for single- and bi-level passenger cars, diesel locomotives, train sets and diesel multiple units. In turn, these specifications have been or will be used in several procurements by States and Amtrak that will result in increased interoperability and lower unit costs. FRA is committed to continuing to explore options to pool equipment in order to improve flexibility and performance of passenger rail services, further lower costs, and ultimately stimulate domestic manufacturing and supply industries.

- **Multi-state rail development—**The Administration's goal for a modern passenger rail system that connects communities within America's "megaregions" will inevitably require corridors to cross several state boundaries. Development and implementation of these corridors can be a challenge due to the number of state and local jurisdictions involved in the process. FRA, in consultation with key stakeholders, is exploring various institutional options for efficiently planning and coordinating the implementation of multi-state corridors. Additionally, FRA will encourage groups of States to develop unified plans for rail networks that connect and integrate their regions.

- **Other planning analyses—**FRA is undertaking a variety of analytical studies and evaluations that will help states and industry stakeholders better integrate passenger and freight rail projects into regional transportation networks. For example, FRA has been leading an intensive multi-state rail study in the Southwest that is yielding important tools and best practices for regional rail development plans. This study is developing ways to analyze market potential for various classifications of rail investments, as well as assessing different institutional models for planning and developing multi-state rail networks.

Conclusion

The Administration remains fully committed to providing the improved rail transportation that the American people want and need. DOT looks forward to working with Congress and all stakeholders to ensure we find the most innovative, cost-effective, and practical policies for building a world-class rail network. Rail deserves the predictable and sustainable funding offered to other modes so it can reach its potential for the American public.

Thank you again for the opportunity to testify, and I will be happy to answer any of your questions.

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