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Amtrak: Budget and Reauthorizat

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Amtrak: Budget and Reauthorization

SUMMARY

Amtrak was created by Congress in 1970 to provide intercity passenger railroad service. It operates approximately 44 routes over 22,000 miles of track, 97% of which is owned by freight rail companies. It runs a deficit each year, and requires federal assistance to cover operating losses and capital investment. Without a yearly federal grant to cover operating losses, Amtrak would not survive as presently configured. The crux of the public policy issue facing Congress has been succinctly stated by Kenneth Mead, the Department of Transportation Inspector General (DOT IG): “The mismatch between the public resources made available to fund intercity passenger rail service, the total cost of maintaining the system that Amtrak continues to operate, and proposals to restructure the system comprise the dysfunction that must be resolved in the reauthorization process of the nation’s intercity passenger rail system.”

During the 107th and 108th Congresses, Amtrak policy became stalemated and no consensus could be reached on what kind of passenger rail system to fund. Congress failed to endorse Amtrak’s strategy of maintaining its full current network while restoring its infrastructure to a state of good repair. In the 109th Congress, the Administration and Amtrak have both presented proposals for “reform.”

Appropriations. The Administration’s FY2006 Budget requests no funding for Amtrak: “With no subsidies, Amtrak would quickly enter bankruptcy, which would likely lead to the elimination of inefficient operations and the reorganization of the railroad through bankruptcy procedures.” In a letter to Amtrak employees, Amtrak president David Gunn stated “the [Administration] proposal is

irresponsible and a surprising disappointment.” Secretary of Transportation Mineta has since suggested that, with reform, the Administration will be willing to provide some as yet unspecified higher level of funding.

Amtrak is requesting \$1.82 billion in federal assistance for FY2006, and has emphasized that it cannot continue to operate at the \$1.2 billion current level of funding. With Acela service problems, Amtrak has announced that “it is increasingly likely that our available working capital will be exhausted by the end of FY2005.”

Reauthorization. Amtrak’s authorization expired in December 2002. Reauthorization issues include Amtrak’s funding level, the size of its network, the introduction of competition for routes, and Amtrak restructuring. Efforts to reauthorize Amtrak are underway in the 109th Congress. On April 14, 2005, the Bush Administration sent its Amtrak restructuring proposal, the Passenger Rail Investment Reform Act (introduced as H.R. 1713), to Congress. That bill is essentially similar to legislation introduced during the 108th Congress, which shifts responsibility for intercity passenger rail to the states, establishes a 50-50 match for state/federal investments in passenger rail infrastructure, phases out federal support for Amtrak operating costs, and transfers Amtrak’s Northeast Corridor infrastructure to a consortium of states.

On April 27, 2005, the House Committee on Transportation and Infrastructure approved an Amtrak reauthorization bill (H.R. 1630) that provides \$2 billion a year to Amtrak for FY2006-08. That bill does not include provisions to restructure Amtrak.

MOST RECENT DEVELOPMENTS

On April 27, 2005, the House Committee on Transportation and Infrastructure considered and reported a bill to the House to reauthorize Amtrak through FY2008 (H.R. 1630). The Amtrak Reauthorization Act of 2005 would authorize appropriations of \$2 billion per year for FY2006-2008 for Amtrak. H.R. 1630 would not restructure Amtrak.

On April 21, 2005, Amtrak presented a set of strategic reform initiatives that differs significantly from the Administration's proposal. Amtrak's proposal calls on the federal government to eliminate Amtrak's \$3.5 billion debt burden, provide funding for railway labor costs that result from discontinuing routes or restructuring, develop passenger rail corridors based on an 80-20 federal-state capital matching program, and bring the Northeast Corridor (NEC) into a good state of repair; Amtrak would continue to operate the Northeast Corridor and there would be no separation of operations and infrastructure in the Corridor. At the same time, Amtrak requested \$1.82 billion for FY2006.

On April 15, 2005, Amtrak's fleet of troubled Acela trains was pulled from service on the Northeast Corridor after Federal Railroad Administration inspectors found cracked brake rotors on the passenger cars. Amtrak's supplier and the builder of the train, Bombardier, did not have enough replacement rotors in stock and, as a result, the trains will not be operating until new rotors can be manufactured. In 2002, Acela locomotives were found to have cracks and service was suspended until repairs could be made. In 1999, the introduction of the Acela was delayed a year due to mechanical problems.

On April 13, 2005, the Administration submitted the Passenger Rail Reform Act to Congress. Introduced by request as H.R. 1713, the bill proposes a significant restructuring of passenger rail service in the United States and is similar to legislation introduced in the 108th Congress. It would transition Amtrak to a pure operating company, establish a multi-state compact to manage all rail operations in the Northeast Corridor, provide for a phased reduction of operating subsidies to Amtrak's 15 long-distance routes, and establish a permanent Federal program of grant assistance for capital projects for infrastructure investments in rail.

On February 7, 2005, the President presented his budget proposal to Congress. The proposal contained no funding for Amtrak, and stated that without subsidies, Amtrak would quickly enter bankruptcy, thus hastening its reorganization. The Administration requested \$360 million for the Surface Transportation Board to support the operation of commuter trains on the Northeast Corridor in the event Amtrak ceases operations. This appears to be intended to preempt a complete closure of commuter rail traffic on the Northeast Corridor should Amtrak suddenly shut its system down.

On December 8, 2004, the President signed P.L. 108-447, the Omnibus Appropriations Act of FY2005, which provided \$1.2 billion in funding for Amtrak for FY2005.

On November 18, 2004, the Department of Transportation's Inspector General (DOT IG) issued a report noting that Congress has not bought into Amtrak's strategy of maintaining the current system size, and warning that Amtrak's postponement of needed maintenance increases the risk of a serious accident on its network. On April 21, 2005, the DOT IG

reiterated his warning, stating that “the limp-along status quo system comes closer to a major failure, but no one knows where or when such a failure may occur.”¹

BACKGROUND AND ANALYSIS

Amtrak — officially, the National Railroad Passenger Corporation — is the nation’s only provider of intercity passenger rail service. Amtrak is structured as a private company, but virtually all its shares are held by the United States Department of Transportation (DOT). Amtrak was created by Congress in 1970 to maintain a minimum level of intercity passenger rail service, while relieving the railroad companies of the financial burden of providing that money-losing service. Although created as a for-profit corporation, Amtrak, like intercity passenger rail operators in other countries, has not been able to make a profit. During the last 35 years, federal assistance to Amtrak has amounted to approximately \$29 billion.²

Amtrak’s approximately 20,000 employees operate trains and maintain its infrastructure. The company operates approximately 44 routes over 22,000 miles of track. More than 97% of that track is owned by freight rail companies; Amtrak owns about 730 route miles of track.³ The section it owns — the Northeast Corridor (NEC) — includes some of the most heavily used segments of track in the nation. Amtrak “is distinctly a minority user on certain portions of the NEC. By far, the greatest volume of NEC traffic is represented by” commuter and freight trains.⁴ Amtrak operates corridor routes (covering distances under 400 miles) and long-distance routes (over 400 miles in length). Some of Amtrak’s corridor routes are supported in part by assistance from the states they serve. Amtrak also operates commuter service under contract with state and local commuter authorities in various parts of the country.

The Amtrak Reform and Accountability Act of 1997 (P.L. 105-134; 111 Stat. 2570) authorized Amtrak for the period December 1997 through December 2002. It required that Amtrak operate without federal operating assistance after 2002; this was not accomplished. During the period leading up to this operational self-sufficiency deadline, Amtrak’s then-president, George Warrington, repeatedly assured Congress that Amtrak was on a ‘glide-path’ to profitability. However, in FY2002 Amtrak proved to be in worse financial shape than in 1997, and Amtrak’s debt increased from \$1.7 billion in 1997 to \$4.8 billion in 2002. Warrington resigned in April 2002.

¹ Mead, Kenneth M. *Reauthorization of Intercity Passenger Rail and Amtrak*. Testimony before the Senate Committee on Commerce, Science, and Transportation, Subcommittee on Surface Transportation and Merchant Marine. April 21, 2005. p. 1.

² Executive Office of the President. *Budget of the United States Government, FY2006*. Washington, DC: U.S. GPO, 2005. p. 242.

³ Amtrak. Testimony of David L. Gunn before Senate Commerce Subcommittee on Surface Transportation and Merchant Marine. July 10, 2002.

⁴ Amtrak. *Annual Report to Congress*. February 17, 2005. p. 3.

In May 2002, David Gunn took over as Amtrak's new president. In June 2002, Mr. Gunn and the Amtrak Board announced that Amtrak's was in danger of running out of money and that the railroad faced an imminent shutdown if Amtrak did not receive \$200 million to keep the company operating through September 2002. After tense negotiations, the Department of Transportation provided a \$100 million loan and Congress approved a \$100 million grant to Amtrak.⁵

Although Amtrak's FY2005-2009 Strategic Plan calls for more than \$8 billion in federal assistance over five years, Congress has thus far declined to provide the requested funding; Amtrak's annual appropriation has been \$1.2 billion since FY2003, enough to keep the system operating, but not enough to prevent the deferral of some significant maintenance projects. Although short of the funding required to accomplish Amtrak's strategic vision, Amtrak has resisted reorganizing the system and, according to the DOT IG, "it appears that Amtrak's management plans to continue operating the status quo system."⁶ The DOT IG has stated that a new federal intercity passenger rail strategy is needed.⁷ More fundamentally, the DOT IG characterizes the public policy conundrum in the following way: "The mismatch between the public resources made available to fund intercity passenger rail service, the total cost of maintaining the system that Amtrak continues to operate, and proposals to restructure the system comprise the dysfunction that must be resolved in the reauthorization process of the nation's intercity passenger rail system."⁸

In the 2005 Annual Report to Congress, David Laney, Chairman of the Amtrak board of directors, has noted that

Prospects for America's intercity passenger rail service have reached a critical crossroads. At current funding levels, existing operations and capital investment will have to be severely curtailed or discontinued beyond FY2005; conversely, without meaningful reform Amtrak cannot reasonably expect to attract levels of funding from any combination of federal, state, local, or private sources at levels adequate and predictable enough to sustain passenger rail service in this country.⁹

In April 2005, Mr. Laney again warned that Amtrak "cannot continue to operate at Amtrak's current funding level of \$1.2 billion significantly, if at all, beyond FY2005."¹⁰

⁵ Rogers, David. "House Approves Treasury Bill That Eases Tourist Trips to Cuba," *Wall Street Journal*, July 25, 2002. p. A4.

⁶ DOT. Office of the Inspector General. *Assessment Report on Amtrak's 2003 and 2004 Financial Performance and Requirements*. CR-2005-013. November 18, 2004. p. 2.

⁷ Ibid., pp. 1-2.

⁸ Ibid., p. 5.

⁹ Laney, David M. Testimony. Senate Committee on Commerce, Science, and Transportation, Subcommittee on Surface Transportation and Merchant Marine. April 21, 2005. p. 1.

¹⁰ Ibid., p. 9.

Federal Oversight of Amtrak

In response to Amtrak's inaccurate descriptions of its financial condition between 1998 and 2002, Congress has included provisions in Amtrak's recent appropriations, beginning in FY2003 (P.L. 108-7; 117 STAT. 11), intended to bring greater transparency to Amtrak's finances and to increase DOT's control over Amtrak's use of its appropriation. Amtrak is required to submit a Strategic Plan to Congress, updated annually, and is prohibited from making expenditures not programmed in the Strategic Plan without advance notice to Congress. Amtrak is also required to submit a monthly financial statement to Congress. Also, Congress changed the way Amtrak receives its funding; the funding no longer goes directly to Amtrak, but is allocated to the Secretary of Transportation, who makes quarterly grants to Amtrak. Amtrak is required to submit grant applications to DOT for each route to receive this funding.

Finances

Amtrak runs a deficit of over a billion dollars each year. Since 2001, Amtrak's annual operating losses have exceeded \$1 billion and annual cash losses have exceeded \$600 million.¹¹ Capital depreciation (not a cash loss, but the estimated cost of repairing the wear and tear to equipment and infrastructure) expenses amount to approximately \$600 million annually, most of which is incurred on the Northeast Corridor. A third significant expense is debt service (principal and interest payments on Amtrak's accumulated debt is forecast to be \$278 million in 2006), which will amount to nearly \$300 million annually for the foreseeable future.¹²

Virtually all Amtrak's 44 or so routes lose money. According to the DOT IG, "in 2004, long-distance trains cumulatively incurred operating losses of more than \$600 million (excluding interest and depreciation)."¹³ By his calculation, eliminating long-distance service will reduce operating losses by about \$300 million, far too little to make Amtrak profitable. In congressional testimony, the DOT IG stated that long distance trains accounted for only 15% of total intercity rail ridership and that 77% of long-distance train passengers traveled along only portions of the routes, not end-to-end trips. Trips mostly ranged from 500-700 miles, slightly longer than corridor trips.¹⁴

Only Amtrak's signature 'high-speed' service on the Northeast Corridor, the Acela, and its companion Metroliner service, consistently earn more than their operating costs. However, the annual maintenance cost of the Northeast Corridor dwarfs the operating profit generated by Acela and Metroliner service. Additionally, the Acela was taken out of service on April 15, 2005 after cracks were found in disc brakes on the axles of passenger cars. It

¹¹ Mead. Congressional Testimony. April 21, 2005. p. 3. The DOT IG attributes growing cash losses primarily to rising interest expense.

¹² Ibid.

¹³ Ibid., p. 6.

¹⁴ Ibid.

is too early to know what the financial and political impact of this latest problem will be for Amtrak, but the Acela may be out of service until summer 2005.¹⁵

In addition to its annual deficit, Amtrak has major liabilities due to deferred maintenance and accumulated debt. Lacking money to complete all its capital repair and maintenance projects, Amtrak has deferred many maintenance projects. This has led the DOT IG to observe that Amtrak's continued deferral of maintenance increases the risk of a major failure on its system. Amtrak has an estimated \$6 billion in backlogged capital maintenance needs.¹⁶ These include replacement of aging bridges, signal equipment, and catenary (the power source for the Northeast Corridor trains), improvements to tunnels and track, repair of wrecked equipment, and overhaul of aging equipment. The IG's report criticizes some of the capital spending choices Amtrak has made, such as refurbishing sleeper cars instead of replacing aging bridges. Amtrak's president, David Gunn, in a October 4, 2004 letter to the DOT IG, wrote: "Management agrees with a number of conclusions reached in your report.... Deferred capital investment has reached critical levels and continued deferral brings Amtrak closer to a major failure somewhere in the system. We are playing Russian roulette."¹⁷

The Amtrak Reform Council and the DOT IG have both estimated that Amtrak requires around \$1.5 - \$2 billion in federal operating and capital support annually.¹⁸ This is a higher level of federal funding than Amtrak has ever consistently received. In FY1998 and FY1999 Amtrak received around \$1.7 billion annually in federal assistance, through a combination of appropriations and an exceptional one-time funding provision of \$2.3 billion (divided equally between FY1998 and FY1999) in the Taxpayers Relief Act of 1997.¹⁹

In recent years Amtrak has stopped borrowing, trimmed its workforce, and cut its expenses, while at the same time achieving increases in ridership. However, the cuts in expenses have been small relative to Amtrak's annual deficit, and increases in ridership have been relatively modest as well. In this context, the DOT IG has observed that Amtrak cannot "save its way to financial health."²⁰

¹⁵ Dao, James. "Acela, Built to Be Rail's Savior, Bedevils Amtrak at Every Turn," *New York Times*, April 24, 2005. p. 1.

¹⁶ Testimony of DOT Inspector General Kenneth M. Mead, before the Senate Committee on Commerce, Science, and Transportation, *The Future of Intercity Passenger Rail Service and Amtrak*, 108th Cong., 1st Sess., October 2, 2003, CC-2003-155, 3.

¹⁷ DOT. IG Report, Appendix, Management Comments. p. 29.

¹⁸ The Amtrak Reform Council was created by the Amtrak Reform and Accountability Act of 1997 to recommend improvements to Amtrak and to draw up a new policy for intercity passenger rail service. While acknowledging the structural aspects of Amtrak's deficit, both the Reform Council and the DOT IG have also been critical of Amtrak's management, as have the Government Accountability Office and other observers.

¹⁹ CBO. *An Economic Analysis of the Taxpayer Relief Act of 1997*. CBO Paper. April 2000. pp. 2, 10.

²⁰ DOT. IG Report, Nov. 2004. p. 3.

Amtrak's internal options for significantly reducing its annual deficit in the short term are limited. As noted, its two major cost categories are the operating losses of the long-distance trains and maintenance costs of the Northeast Corridor. Reducing the size of its system could, in the long run, significantly reduce Amtrak's deficit and the long-run cost to the Federal Government, although Amtrak would still run a short-term deficit even if it eliminated all its long-distance trains, because of severance payments to employees. Additionally, the costs of maintaining the Northeast Corridor would remain, whatever the fate of long-distance service. Amtrak interprets 49 U.S.C. 24701 to require it to provide service nationwide, which it takes to mean service that spans the nation, rather than service in different parts of the nation. Thus, Amtrak is unlikely to eliminate or restructure long-distance routes without explicit direction from Congress. Many Members of Congress continue to support a nationwide Amtrak network.

Nor can Amtrak increase its revenues enough to eliminate its deficits. Although Amtrak's ridership has grown slightly over the past few years, Amtrak's level of service and on-time performance have declined, due at least in part to the postponement of maintenance work. On-time performance declined from 74.1% in FY2003 to 70.7% in FY2004. More significantly, while Amtrak ridership increased in FY2003 and again in FY2004, its total passenger and non-passenger revenues declined each year. (FY2003: ridership up 2.7% to 24 million, revenues down by 10% or \$230 million; FY2004: ridership up by 4.3% to 25 million passengers, revenues declined by 7.8% or \$161 million)²¹ Thus, increases in ridership are not guaranteed to increase revenue and, in all likelihood, a sustained rise in the number of Amtrak riders would require a significant increase in Amtrak's level of service and on-time performance, which would require significant increases in funding.

Appropriations

The President's FY2006 budget proposal requests no money for Amtrak: "With no subsidies, Amtrak would quickly enter bankruptcy, which would likely lead to the elimination of inefficient operations and the reorganization of the railroad through bankruptcy proceedings."²² It is not at all clear what the outcome of an Amtrak bankruptcy proceeding would be, except that the outcome would be determined by the courts rather than by Congress or the Administration. The DOT IG has testified that "the bankruptcy option would be an extraordinarily complex and risky undertaking— ...one not to be relied upon if the objective is to promote a more rational and reliable national passenger rail system."²³

Amtrak has submitted a request to Congress for \$1.82 billion for FY2006. Amtrak's estimated operating and capital needs are \$560 million and \$787 million, respectively, or a grant of \$1,347 million for FY2006. In addition to operating and capital grants, Amtrak is also requesting \$278 million for debt service, \$20 million for restructuring (this expense is associated with Amtrak's Strategic Reform Initiatives), and a \$175 million one-time infusion

²¹ Amtrak. *Monthly Financial Report, September 2004*. pp. A-5.3 and A-6.1; DOT. IG Report. pp. 4, 9-10.

²² *Budget of the United States, FY2006*. p. 243.

²³ Mead testimony, April 21, 2005. p. 1.

of working capital to manage cash flow. The key elements of this request are shown in Table 1.

The FY2006 budget resolution (H.Con.Res. 95/S.Con.Res. 18) is neutral on Amtrak funding. The consequence of this is that funding for Amtrak can only be raised from FY2005 levels by reducing spending elsewhere in the transportation portion (Function 400) of the budget. Neither the House nor the Senate Appropriations Committees have acted yet on either the President's request or Amtrak's request.

Table 1. Amtrak's FY2006 Federal Funding Request
(\$ millions)

Business Line	FY06 Grant Request
Infrastructure management	479
NEC operations	(28)
State corridor operations	166
National long-distance service	537
Ancillary businesses	(61)
System support and security	254
Business Lines Total	1,347
Debt Service Payment	278
Restructuring Costs	20
Working capital	175
Total Federal Grant	1,820

Figures in parentheses represent income attributable to the business line and reduce the overall funding request.

Source: Amtrak, *Strategic Reform Initiatives and FY06 Grant Request*, pp. 37-42.

Amtrak Reauthorization

Amtrak's previous authorization expired in December 2002. Since then, reauthorization of Amtrak has been stalled by disagreement over the future of U.S. passenger rail policy. Although numerous bills were introduced in the 107th and 108th Congresses and various approaches have been advanced, Congress has thus far been unwilling either to provide Amtrak with the level of funding that it has requested or to require an Amtrak restructuring that would be consistent with the level of funding that Congress has been willing to provide. Since 2002, Congress has essentially reached a stalemate with respect to Amtrak. During the 107th and 108th Congresses, it was unable to reauthorize Amtrak or to reach a consensus on what kind of passenger rail system it would be willing to fund. It failed to endorse Amtrak's

strategy of maintaining its full current network while restoring its infrastructure to a state of good repair or to provide the funding that would have allowed that strategy to be executed by Amtrak.

As Congress once again considers Amtrak reauthorization, the range of options for passenger rail include (1) providing higher levels of funding to support an expanded passenger rail system; (2) providing funding for operating and maintaining the current system; (3) focusing available resources on providing service only to those corridors that can be justified on economic grounds; (4) reducing Amtrak funding and eliminating much of the present passenger rail network; (5) eliminating funding for Amtrak and reorganizing passenger rail service in the United States. Although various combinations of the above options are possible, the DOT IG has concluded that the 'status quo' option is unsustainable and that federal funding for Amtrak of between \$1.4 billion and \$1.5 billion would be necessary to prevent cuts in service, but "would not be sufficient to move the system to a state-of-good-repair, let alone permit investment in new corridor development." The DOT IG notes that "Congress and the Administration have a very difficult decision to make in determining the appropriate level of funding for intercity passenger rail."²⁴ In his own analysis, he suggests that the level of Federal funding necessary for passenger rail service should rise from a suggested level of \$1.6 billion in FY2006 to an annual level of \$2.0 billion in FY2010 and beyond.²⁵

In April 2005, three very different reauthorization proposals were put forward by the Bush Administration, Amtrak, and the House Committee on Transportation and Infrastructure.

On April 27, 2005, the House Transportation and Infrastructure Committee reported out a reauthorization bill, the Amtrak Reauthorization Act of 2005 (H.R. 1630), that would provide \$2 billion per year for FY2006-2008, with funds set aside for retirement and commuter rail obligations. The bill does not propose Amtrak restructuring, but according to Committee Chairman Don Young, it "will allow Amtrak to continue with critical work under its current five-year plan."²⁶

The Bush Administration proposal, the Passenger Rail Investment Reform Act (H.R. 1713), would restructure Amtrak, splitting it into three functionally independent entities: (1) a corporate entity that would oversee Amtrak restructuring and manage residual responsibilities, including specifically Amtrak's legal right of access to other railroads; (2) a pure passenger rail operating company; and (3) an infrastructure management company. The bill also provides for the establishment of an interstate compact that will operate the Northeast Corridor. Members of the compact include all of the states and the District of Columbia that constitute the NEC. The proposal also gives states greater decision-making authority with respect to provision of rail service and capital improvements; it also requires a state matching contribution (of 50%) for capital projects that qualify under planning and other criteria for federal assistance. The bill also phases out operating subsidies for long-

²⁴ Mead Testimony. April 21, 2005. p. 11.

²⁵ Ibid.

²⁶ *Daily Report for Executives*. "House Panel Rejects Administration Plan, OKs Bill to Fund Amtrak at \$2 Billion Yearly," April 28, 2005.

distance trains, opens routes to competition, and authorizes buyouts for current employees. The Administration bill calls for an annual appropriation of “such sums as necessary” to accomplish the reforms specified in the bill. The Administration proposal (H.R. 1713) has been referred to the Transportation and Infrastructure Committee.

The Amtrak proposal outlines a series of initiatives that would leave Amtrak as a single integrated entity. Unlike the Administration proposal, the Northeast Corridor infrastructure would not be split from operations. Amtrak has also proposed state matching contributions for capital projects, but unlike the Administration’s 50/50 match, Amtrak recommends a state match of 20%, with a federal contribution making up the remaining 80%. In terms of long-distance routes, Amtrak “continues to believe that these trains play a valuable role, including [1] serving as a foundation of a future rail development program; [2] forming the basis for, and connections to, emerging state-supported corridors; and [3] providing an important transportation link for many underserved rural communities and regions across the country.”²⁷ To achieve this, Amtrak is requesting continuing “limited” federal operating and equipment support. Amtrak’s initiative also includes a pilot project on one state-supported route by 2007. Amtrak has stated that it “would cooperate fully in providing any requested services – but those services would be provided on a full cost basis consistent with any future competitive environment for rail services.”²⁸ Amtrak has also requested “labor flexibility,” which would require all intercity passenger rail operators be subject to the same labor law; allow Amtrak’s labor contracts to terminate at expiration; and transition all new intercity passenger rail employees out of the Railroad Retirement system into Social Security, with a possible 401(k) option. Amtrak has also requested federal funding for debt service payments or the elimination of Amtrak’s debt burden. Amtrak has requested \$1.82 billion for FY2006, but has not yet disclosed the amounts that it will seek in future years.

In testimony before the Senate Committee on Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine, the DOT IG also addressed the subject of reauthorization. Specifically, he recommended that reauthorization “should focus on improving mobility in short distance corridors around the country – not just in the Northeast Corridor – and in restructuring long-distance services to complement corridor services.”²⁹ He also stated that this will entail creating “new relationships or partnerships between the Federal Government and the states and among the states, Amtrak, and the freight railroads.”³⁰ He concurred with the Administration in recommending that states be given much greater authority and control over intercity passenger rail decisions and recommended that competition in passenger rail service be considered as part of reauthorization. In significant disagreement with the Administration’s proposal to split rail operations and the Northeast Corridor infrastructure, the DOT IG also stated that he believes that such a proposal is “too premature.”³¹

²⁷ Amtrak. *Amtrak Strategic Reform Initiatives and FY06 Grant Request*. April 2005. p. 25.

²⁸ *Ibid.*, pp. 25-26.

²⁹ Mead, Testimony, April 21, 2005, p. 1.

³⁰ *Ibid.*

³¹ *Ibid.*, p. 11.

With respect to funding, the DOT IG recommended that the Federal funding levels will need to grow from \$1.6 billion in FY2006 to \$2 billion per year in FY2010 and beyond. This includes operating and capital subsidies that decline from \$570 million in FY2006 to \$374 million in FY2010 to an annual grant of \$337 million thereafter. Using the DOT IG's budget construct, about \$500 million will be available to the states to match for new or improved corridor development when Federal funding levels reach \$2 billion; and once a "state-of-good-repair" is attained for the system as a whole, Federal funding for state capital matches will amount to \$1.3 billion per year. He has also suggested that a "reasonable" state match for capital projects should range from 15 to 30 percent. To restore the NEC infrastructure to a state-of-good-repair will require a federal commitment of \$575 million per year between FY2006-2010. The DOT IG has also recommended that policymakers consider paying off Amtrak's legacy debt and restricting Amtrak's ability to incur long-term debt.

Amtrak Legislation

On April 27, 2005, the House Committee on Transportation and Infrastructure considered and reported a bill to the House to reauthorize Amtrak through FY2008 (H.R. 1630). The Amtrak Reauthorization Act of 2005 would authorize appropriations of \$2 billion per year for FY2006-2008 for Amtrak. H.R. 1630 would not restructure Amtrak. The bill is similar to legislation introduced in the 108th Congress (108th: H.R. 2572) that was reported out of committee but saw no further action.

On April 13, 2005, the Bush Administration sent a bill to Congress that would significantly restructure passenger rail service in the United States. Introduced on April 20, 2005 as H.R. 1713, by request, the Passenger Rail Reform Act was referred to the House Committee on Transportation and Infrastructure.

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