



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 30, 2013

Joint Committee on Finance

Paper #648

Passenger Rail Service (DOT -- Local Transportation Assistance)

[LFB 2013-15 Budget Summary: Page 460, #4]

CURRENT LAW

The State of Wisconsin, in cooperation with the State of Illinois, contracts with Amtrak for the provision of passenger rail service on the Hiawatha route between Chicago and Milwaukee. Base funding for passenger rail service is \$7,198,800 SEG and \$4,488,700 FED. The federal funds are allocated from the state's federal highway aid.

GOVERNOR

Reduce funding by \$4,488,700 FED annually to eliminate base funding in the FED appropriation for passenger rail service.

DISCUSSION POINTS

1. The bill would eliminate base FED funds for passenger rail service, based on an assessment that the base SEG funds (\$7,198,800) would be sufficient to fund the costs of the state's contract with Amtrak for the Hiawatha service.
2. Since the time of the introduction of the bill, Amtrak has provided its estimate of Wisconsin's contract cost for 2013-14. Although the contract payment may vary depending upon fuel prices and host railroad charges, the Department believes that the maximum payment will be \$6.5 million in that year. The bill could be amended to reduce the SEG appropriation by \$698,800 in 2013-14 to provide sufficient funds for the estimated maximum contract cost (Alternative 2).
3. The state currently enters into one-year contracts with Amtrak for the Hiawatha service. Contract costs are estimated based on actual costs incurred and ticket revenues collected in

previous years. Although a contract estimate has not been prepared for 2014-15, the maximum payment in that year would likely be below the amount provided in the bill, even if it is assumed that the maximum payment increased because of higher fuel, labor, and capital costs. Using historical growth rates for Amtrak contract estimates would yield a maximum payment of \$6.8 million in that year. In this case, SEG funding could be reduced by \$398,800 in 2014-15 (Alternative 2).

4. If the bill is not modified to reduce SEG funding based on a reestimate of Hiawatha contract costs, the Department would have more funding available for passenger rail program costs. Those other costs may include improvements to passenger stations or studies to assess the feasibility of adding service on the Hiawatha route. The Department is currently assessing the costs of making improvements to the passenger loading area at the downtown Milwaukee Amtrak station to comply with federal disability access requirements. Although funding has been set aside from federal and state sources for those improvements, it is not yet known if those funds will be sufficient to cover the improvement costs. Any funds that are not used for the Amtrak contract or other rail program costs in any year carry over into the next fiscal year.

ALTERNATIVES

1. Approve the Governor's recommendation to reduce funding by \$4,488,700 FED annually to eliminate base funding in the FED appropriation for passenger rail service.

2. Modify the Governor's recommendation by reducing funding by \$698,800 SEG in 2013-14 and \$398,800 SEG in 2014-15, in addition to the FED reduction, to provide funding based on a reestimate of Hiawatha contract costs in the 2013-15 biennium.

ALT 2	Change to Bill Funding
SEG	- \$1,097,600

3. Delete provision.

ALT 3	Change to Bill Funding
FED	\$8,977,400

Prepared by: Jon Dyck