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MEMORANDUM



**DATE:** September 27, 2011  
**TO:** House Committee on Appropriations  
**FROM:** William E. Hamilton  
**RE:** Michigan's High Speed Intercity Passenger Rail Projects

In a September 8, 2011 letter, the State Budget Office requested a \$398.1 million increase in FY 2010-11 appropriations for the Michigan Department of Transportation to allow the expenditure of certain federal rail passenger grants, including grants provided under the American Recovery and Reinvestment Act of 2009 (ARRA). This memo provides additional information on the state's intercity passenger rail program and on recent federal high speed rail passenger grants.

**Background/History**

The National Railroad Passenger Corporation (AMTRAK) provides rail passenger service along three routes in Michigan: *The Wolverine* (Pontiac – Detroit – Chicago), *The Pere Marquette* (Grand Rapids – Chicago), and *The Blue Water* (Port Huron – Chicago). AMTRAK began its *Wolverine* service in 1971, *Blue Water* in 1974, and *Pere Marquette* in 1984.

The state of Michigan provides operating assistance for the *Blue Water* and *Pere Marquette* service. In effect AMTRAK provides the service at the request of the state of Michigan under terms of an operating contract with the state. Over the last seven years that operating assistance has ranged from \$7.1 million to \$6.1 million per year using the state restricted Comprehensive Transportation Fund. Historically, AMTRAK has operated the *Wolverine* service as part of its core national service at no cost to the state.

The *Wolverine* service corridor is part of a designated high-speed rail corridor. In 1992, the U.S. Secretary of Transportation selected the Midwest High Speed Rail Corridor, subsequently redesignated as the *Chicago Hub High Speed Rail Corridor*, as one of five in the nation with the potential for high speed rail development; the Detroit - Chicago route is a segment of that corridor.

Since 1996, Michigan has been working with 7 other state departments of transportation (Illinois, Indiana, Iowa, Minnesota, Nebraska, Ohio, and Wisconsin), Amtrak, and the Federal Railroad Administration (FRA) to develop the Midwest Regional Rail Initiative (MWRI), a plan for an improved and expanded passenger rail system in the Midwest. In addition, Michigan has been working with nine other Midwest states on the development of high speed rail in the region through the Midwest Rail Compact. Member states work to advance common objectives through participation in the Midwest Interstate Passenger Rail Commission (MIPRC).

Michigan formally entered the Midwest Rail Compact in 2006 through enactment of 2006 PA 173 (House Bill 5638 of the 2005-2006 Legislative Session). Michigan is currently represented on the MIPRC by Representative Wayne Schmidt, Senator Mike Kowall, Tim Hoeffner, of the Michigan Department of Transportation, and former Michigan Congressman and State Senator Dr. John “Joe” Schwarz, of Battle Creek, who serves as the private sector member.

Since 1992, the state, federal government, and AMTRAK have dedicated funds to development of high speed rail service on the Detroit-Chicago rail corridor. The stated goal has been to reduced route time from 6 hours to 4 hours through increased train speeds (up to 110 mph) and reduction in bottlenecks. Program goals also included increased trip frequency. Combined state, federal, and AMTRAK capital expenditures for improvements to track, signals, train sets, and safety on the Detroit-Chicago corridor exceed \$50 million for the 1992 to 2007 period.

### **Increased Federal Support for Intercity High Speed Passenger Rail Michigan Projects**

Federal support for the expansion and improvement of high speed rail passenger corridors, including the Detroit-Chicago corridor, increased substantially from 2008 through 2010 with the enactment of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), the American Recovery and Reinvestment Act of 2009 (ARRA), and FY 2009 and 2010 federal appropriations for the U.S. Department of Transportation. Among other things, these acts authorized and provided funding for the federal High-Speed Intercity Passenger Rail Service program (HSIPR). In February 2009, \$8.0 billion was authorized for HSIPR capital and planning grants through enactment of ARRA. FY 2009 and FY 2010 federal appropriations provided an additional \$2.1 billion for the program.

The HSIPR is a discretionary, competitive grant application program; the Michigan and Midwest corridor's share of these non-formula discretionary programs is dependent on projects being submitted and approved for funding. The funds authorized in the ARRA provided 100% of project cost; there was no non-federal matching requirement. Funds provided under authority of FY 2009 and FY 2010 appropriations did have matching requirements.

A series of three announcements in 2010 and 2011 identified over \$400.7 million in direct HSIPR grants to Michigan. Projects include:

- \$346.5 million for acquisition and rehabilitation of 135 miles of Norfolk Southern (NS) track between Kalamazoo and Dearborn
- \$40.3 million to complete construction of two new stations (Dearborn, Troy-Birmingham) and renovation of one station (Battle Creek)
- \$2.8 million for preliminary engineering and environmental clearance for new Ann Arbor station
- \$7.9 million for track improvements at the West Detroit Track Connection
- \$3.2 million planning grant to update the corridor investment plan

Of the \$400.7 million in direct federal grants to Michigan, \$198.6 million represented ARRA funds redistributed in May 2011 after Florida rejected a previously announced ARRA grant.

[In addition to these grant announcements, a separate \$3.8 million grant for new Grand Rapids rail passenger station and related track relocation was included in the 2009 federal transportation appropriations act. Part of the funding for this project was already appropriated; an additional \$412,000 in local funds is included in the September 8, 2011 State Budget Office supplemental request.]

### **Other Corridor Improvements**

In addition to grants made directly to Michigan, over \$204.4 million in announced ARRA/HSIPR grants to Illinois and Indiana will also improve service along the Detroit-Chicago corridor. The **Indiana Gateway** (grant award of \$71.4 million) represents eight separate projects intended to reduce conflicts between rail passenger and freight service between Porter Indiana and the Illinois state line. The Illinois **Englewood Flyover** (grant award \$133.0 million) is a grade separation project intended to reduce conflicts between rail passenger and rail freight service in the Chicago area.

**AMTRAK** was also the direct recipient of \$32.9 million in ARRA grants to for service improvements to the Detroit-Chicago corridor. Projects include: \$166,967 for various AMTRAK facility upgrades; \$798,383 to improve station handicap accessibility; \$6.9 million to install new fiber optic cable from Kalamazoo to Porter Indiana; \$25.0 million to extend Incremental Train Control Systems – required to extend 110 mph train speeds along the entire 97 mile AMTRAK-owned segment from Kalamazoo, Michigan to Porter, Indiana.

Rail passenger service in Michigan will also benefit from \$268.2 million in ARRA funding for a **Next Generation Passenger Rail Equipment** purchase. This grant will provide for 48 new passenger cars and 7 new

locomotives for use in eight Midwest rail corridors, including the Detroit-Chicago corridor. Illinois is the lead state for this grant.

A summary list of HSIPR grants is shown as Exhibits **A** and **B** at the end of this memo.

### **Track Ownership of Pontiac-Detroit-Chicago Route AMTRAK-Owned Track**

Of the 304 mile Wolverine line, from Pontiac to Chicago Union Station, 97 miles is on the AMTRAK-owned segment from Kalamazoo, Michigan to Porter, Indiana. This is the largest AMTRAK-owned track segment outside the Northeast corridor of the United States. Since 1992, this segment has been the focus of capital improvements (track improvements, crossing improvements including crossing eliminations, and train control systems), with the aim of increasing train speeds. AMTRAK currently operates at 95 mph on this track segment, and, once announced system improvements are completed, plans to increase train speeds to 110 mph.

### **Norfolk Southern Track Acquisition/Rehabilitation**

The longest track segment on the *Wolverine* route is the 135.7 mile segment between Kalamazoo and Dearborn owned by Norfolk Southern (NS). NS has indicated to both AMTRAK and the Michigan Department of Transportation that due to a reduction in freight business on the corridor, maintaining the track to 79 mph standards was not warranted. In July 2010 NS issued a *slow order* reducing authorized train speeds from 79 mph to 60 mph on 41.2 miles of the segment. NS has indicated that it anticipates extending the slow order to the entire NS-owned corridor. NS has also indicated that its freight business requires a track standard of only 25 mph. The department has indicated that the gradual downgrading of this line threatens the reliability of rail passenger service on the route and could offset improvements in train speed made to the AMTRAK-owned segment of the route.

The largest single HSIPR-funded project in Michigan would address these issues involving the potential downgrade of NS track. A total of \$346.5 million in federal funds has been committed for the acquisition and rehabilitation of the 135.7 mile NS track segment between Kalamazoo and Dearborn.<sup>1</sup> In October 2009, the department and NS signed a memorandum of understanding (MOU) indicating the intention to negotiate an ownership agreement. This MOU was subsequently reaffirmed in August 2010. The department is currently in negotiations with NS. Once the two parties come to an agreement, an ownership agreement would be subject to approval by the Surface Transportation Board, a federal oversight agency.

The department's grant application indicates that the estimated gross cost of the project, \$385.3 million, represents estimated acquisition and track rehabilitation costs. The acquisition costs were based on a November 2009 appraisal. The track rehabilitation costs were based on cost estimates developed by NS and AMTRAK as part of a 2010 joint high speed rail improvement study.

The department indicates that planned improvements 135.7 million Kalamazoo-Dearborn track segment have the potential of increasing train speeds on that corridor to 110 mph. Combined with the 97 mile segment from Kalamazoo to Porter, Indiana, over 232 miles – 76% of the Wolverine route – would be at the 110 mph standard.

### **High Speed Rail Projects in State Appropriations**

Of the \$400.7 million in federal HSIPR competitive grants awarded to Michigan in 2010 and 2011, only the initial January 28, 2010 award announcement, \$40.3 million for three station construction projects, has been *specifically* recognized in state appropriations to date. The \$40.3 million was part of a State Budget Office ARRA supplemental request dated March 18, 2010 subsequently authorized in appropriations act 2010 PA 92

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<sup>1</sup> As shown in the table on page 5 of this memo, the \$346.5 million granted to this project consists of two separate announcements: \$150 million announced in October 2010, and \$196.5 million announced May 2011. The \$196.5 million grant was made available as a result of Florida's rejection of previously announced ARRA grants.

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(Senate Bill 928 of the 2009-2010 Legislative Session). Spending authorization for the balance of the federal grant awards, as well as related state, local, and private funding, was requested by the State Budget Office on September 8, 2011.

The total requested for rail passenger programs in the September 8, 2011 State Budget Office letter is different from the HSIPR grant announcement amounts. The differences are due to the fact that some projects will be funded using baseline spending authority from current and prior year's *Rail passenger service* appropriations. In addition, the State Budget Office September 8, 2011 request includes funding for a Grand Rapids track relocation project which was not part of the \$400.7 million in competitive grant awards. Spending authority for that project was already included, in part, in the FY 2009-10 transportation budget. As a result, we have provided a crosswalk between grant awards, total project costs, and state appropriations, shown as Exhibit C at the end of this memo.

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## Exhibit A

Michigan High Speed Intercity Passenger Rail Grant Awards				
2010-2011				
	Amount of		Federal	
	Federal Award	Project Description	Share	Notes on Funding
<b>First Round ARRA announcements 1/28/2010</b>				
Battle Creek Station	3,620,552	Final design and construction; renovation of building and passenger service facilities at AMTRAK station.	100.00%	
Troy-Birmingham Intermodal	8,485,212	Final design and construction of new platform and passenger service facility at Troy AMTRAK station.	100.00%	In addition to ARRA funding for the station project, a related transit-center project is being developed using \$350,000 in state funds, \$2.0 million from the cities of Troy and Birmingham, and an in kind contribution of land by private developer.
Dearborn Station	28,204,450	Final design and construction of new AMTRAK station building, platform, and passenger services facility adjacent to Greenfield Village.	100.00%	
Subtotal	\$40,310,214			\$40,310,300 appropriated in FY 2009-10 ARRA Supplemental, 2010 PA 92 (SB 928)
<b>Second Round announcements 10/28/2010</b>				
"Service Development Plan"	150,000,000	Proposed purchase and incremental restoration of 135 miles of track currently owned by Norfolk Southern between Kalamazoo and Dearborn.	80.00%	This is an 80% federal participating project with non-federal sources to provide \$37.5 million of the estimated \$187.5 million total cost; NS has indicated it will contribute 10% of cost or 50% of match. The department is currently in negotiation with NS.
Corridor Investment Plan/EIS	3,200,000	Planning grant	80.00%	Michigan is the lead state for this corridor planning grant. Of the \$4.0 million total cost; 20% non-federal match provided as follows: Michigan, \$200,000; Indiana, \$200,000; Illinois, \$200,000; NS, \$200,000.
West Detroit Track Connection	7,912,773	Replace bridge, .86 mile new track, upgrade to TCS, 5 crossovers.	50.00%	Federal share represents 50% of \$15,825,546 project application; 50% to be provided by state funds. Total project cost estimate \$18,325,238; additional funds provided by \$1,475,893 in Federal Transit Administration grant; \$1,023,799 state funds.
Subtotal	\$161,112,773			
<b>Florida Funding Reallocation 5/8/2011</b>				
Upgrade/Rehab NS Track	196,503,208	Upgrade to Class 6 = 110 MPH	100.00%	
Ann Arbor Rail Station	2,806,400	PE/EIS	80.00%	Of the \$3,508,000 project cost, \$701,600 to be provided by city of Ann Arbor.
Subtotal	\$199,309,608			
Total HSIPR Grants to Michigan	\$400,732,595			

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**Exhibit B**

<b>Michigan High Speed Intercity Passenger Rail Grant Awards</b>				
<b>2010-2011</b>				
<b>Other Improvements to the Detroit-Chicago Corridor</b>				
Indiana Gateway (Indiana)	71,364,980	Eight separate projects to reduce conflicts between rail passenger and rail freight between Porter Indiana and Indiana/Illinois state line.	100.00%	ARRA Funding January, 2010
Englewood Flyover (Illinois)	133,000,000	Grade separation to reduce conflicts between passenger rail and rail freight in Chicago area.	100.00%	ARRA Funding January, 2010
AMTRAK	32,876,791	AMTRAK facility upgrades, station accessibility, new fiber optic cable and Incremental Train Control Systems extended from Kalamazoo to Porter Indiana.	100.00%	ARRA Funding January, 2010
Midwest Equipment Pool	268,201,084	Next Generation Passenger Rail Equipment purchase; will provide for 48 new passenger cars and 7 new locomotives for use in eight Midwest rail corridors, including the Detroit-Chicago corridor.	100.00%	Illinois is the lead state for this project; Florida fund redistribution, May, 2011

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## Exhibit C

FY 2010-11 Transportation Supplemental Request Dated September 8, 2011

### Reconciliation of High Speed Rail Supplemental Request and Project Detail

Line Item	SBO 9/8/2011 Request	Previously Authorized	Project Total	
<b>Rail passenger service</b>				
<b>NS track purchase and rehabilitation</b>				
DOT- FRA	150,000,000		150,000,000	
Comprehensive transportation fund	18,750,000		18,750,000	
Private (Norfolk Southern)	18,750,000		18,750,000	
Project Total	187,500,000		187,500,000	
<b>Corridor Investment Plan</b>				
DOT- FRA	200,000	3,000,000	3,200,000	The \$3.0 million FRA, and \$200,000 CTF represent original FY 2010-11 appropriation.
Comprehensive transportation fund		200,000	200,000	
Private (Norfolk Southern)	200,000		200,000	
Local (Illinois, Indiana)	400,000		400,000	
Project Total	800,000	3,200,000	4,000,000	
<b>West Detroit Connection</b>				
DOT - Federal Transit Administration	1,475,900		1,475,900	The \$1.476 million FTA grant had been previously appropriated in FY 2008-09 in Bus Capital line; spending authority lapsed. Encumbered from prior fiscal year appropriations Bond proceeds are not appropriated; shown here to balance to project total.
DOT- FRA	7,912,800		7,912,800	
CTF		8,422,801	8,422,801	
CTF - Bonds		513,771	513,771	
Project Total	9,388,700	8,936,572	18,325,272	
<b>Grand Rapids AMTRAK Station</b>				
DOT- FRA		3,800,000	3,800,000	The \$3.8 million FRA (Congressional earmark) and \$380,000 Local were part of FY 2009-10 appropriation. See SBO Transfer letter dated February 23, 2010.
Local (Grand Rapids)	412,000	380,000	792,000	
Total project	412,000	4,180,000	4,592,000	
Line Item Total	<b>\$198,100,700</b>			
<b>High Speed intercity passenger rail (ARRA)</b>				
<b>NS track purchase and rehabilitation</b>				
DOT- FRA (ARRA)	196,503,300		196,503,300	Redistributed to Michigan from Florida
<b>Ann Arbor Rail Station</b>				
DOT- FRA (ARRA)	2,806,400		2,806,400	
Local (Ann Arbor)	701,600		701,600	
Project Total	3,508,000	0	3,508,000	
Line Item Total	<b>\$200,011,300</b>	0	200,011,300	
<b>Total Supplemental Request</b>	<b>\$398,112,000</b>			
<b>Summary of Supplemental Request by Fund Source:</b>				
DOT- FTA	1,475,900			
DOT - FRA	158,112,800			
DOT - FRA (ARRA)	199,309,700			
Local funds (Inc. Indiana and Illinois)	1,513,600			
Private funds	18,950,000			
Comprehensive transportation fund	18,750,000			
Supplemental Request Total	<b>\$398,112,000</b>			