

**Agency:** 405 Department of Transportation  
**Decision Package Code/Title:** YA State Support for Amtrak Cascades  
**Budget Period:** 2016 Supplemental Budget  
**Budget Level:** ML – Maintenance Level

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**Program Y – Rail - Operating**

**Recommendation Summary**

The department requests a \$407,000 increase in appropriation in the 2015-17 biennium for the state subsidy to the Intercity Passenger Rail service. The additional costs in the current biennium are due to an increase in the Amtrak service contract for equipment capital charges resulting from the update to Amtrak’s five-year Capital Investment Plan. The updated plan is for the period covering federal fiscal years 2016 through 2020.

**Fiscal Detail**

	FY 2016	FY 2017	2015-17 Total	2017-19	2019-21
Washington State Department of Transportation (WSDOT) Total					
218-1 MMA-State	0	407,000	407,000	0	0
Total	0	407,000	407,000	0	0
Staffing FTEs	0.0	0.0	0.0	0.0	0.0
Program Y - Operating					
218-1 MMA-State	0	407,000	407,000	0	0
Total by Fund	0	407,000	407,000	0	0
Staffing FTEs	0.0	0.0	0.0	0.0	0.0

**Package Description**

The Rail Operating budget for the 2015-17 biennium consists of \$58.7 million in state appropriation, not including separate appropriations for staff compensation changes. Amtrak Cascades service and Talgo maintenance contracts make up more than 90 percent of the state Rail Operating budget, totaling \$53.1 million. Currently, state-sponsored Amtrak service consists of three round trips between Portland and Seattle, one round trip between Portland and Vancouver, B.C., and one round trip between Seattle and Vancouver, B.C.

Section 209 of the federal Passenger Rail Investment and Improvement Act took effect October 1, 2013. As required in the new law, Amtrak transferred to the state financial responsibility for two trains (one round trip) between Seattle and Portland. The cost includes route and support costs that were not charged to WSDOT before. This change resulted in an increased state subsidy of the service.

The estimates in this decision package include expected charges based on the Amtrak federal fiscal year (FFY) 2016 forecast and the update to the five-year Capital Investment Plan. Amtrak provides cost estimates each April for the following federal fiscal year. WSDOT refines its forecast when it receives those estimates. The current Amtrak service cost estimates (FFY 2016) are updates based on Amtrak’s forecast of October 28, 2015. Amtrak and the state members of the SAIPRC (States and Amtrak Intercity Passenger Rail Committee) approved the update of the five-year Capital Investment Plan for the period of federal fiscal years 2016-2020 on October 27, 2015.

Amtrak will charge states for a share of capital investments and other fixed assets that Amtrak has in service within each corridor. The anticipated increase in Washington state's Amtrak costs for the 2015-17 biennium is \$407,000 for equipment capital usage charges. This usage charge is based on the estimated cost of overhauling the Amtrak equipment that is used in the Washington and Oregon corridor. Because WSDOT and Oregon Department of Transportation (ODOT) own train sets, the impact of the new capital costs assigned to the Cascades corridor is smaller, compared to other regions.

### **Narrative Justification and Impact**

#### **What specific performance outcomes does the agency expect?**

Approval of this decision package will allow WSDOT to continue the services in the 2015-17 biennium without any service reduction or elimination.

In addition, approval of the request for the incremental increase in costs for existing service will allow the state to fulfill its commitment to provide additional service between Seattle and Portland, which is needed to satisfy ARRA program investment commitments, and requirements in the state's Service Outcome Agreement.

#### **Performance Measure Detail**

N/A

#### **Is this decision package essential to implement a strategy identified in the agency's strategic plan? If so, please describe.**

Yes. The request supports the department's strategic plan, Results WSDOT, Goal 2 Modal Integration. Specifically, it contributes to aligning the operation of all modes in corridors to optimize throughput capacity.

#### **Does this decision package provide essential support to one or more of the Governor's Results Washington priorities? If so, please describe.**

This decision package contributes to the Governor's strategic plan, Results Washington, Goal 2: Prosperous Economy. Specifically, it contributes to a sustainable, efficient transportation infrastructure.

#### **Identify important connections or impacts related to this proposal.**

The increased funding for passenger rail service will maintain service for Amtrak Cascades. In addition, under a grant received through the American Recovery Reinvestment Act (ARRA) for funding of high-speed rail projects, Washington committed to increasing current levels of service between Portland and Seattle. Completion of the high-speed rail capital improvement projects is expected by the close of the 2015-2017 biennium.

#### **What alternatives were explored, and why was this alternative chosen?**

Service reduction options are limited because of the requirements in the Service Outcome Agreement (SOA) for ARRA High Speed Rail funds, which obligate the state to maintain and expand service between Portland and Seattle in 2017. If the SOA is not met, the federal government could require the department to pay back a portion of the nearly \$800 million in federal ARRA funds that it received.

WSDOT is actively pursuing options to reduce Amtrak service fees at this time. The Rail Division's Action Plan for 2014-2015 identifies several strategies under consideration to reduce Amtrak costs. For example, WSDOT has:

- Modified its approach to providing additional holiday service to achieve cost recovery;
- Published a Request for Information seeking cost management and revenue generation ideas from industry; and
- Is initiating a Lean process improvement for the Amtrak Cascades food and beverage service.

WSDOT, together with other states and with support from the FRA, is working with Amtrak to negotiate lower service fees and implement cost-management strategies.

**What are the consequences of adopting this package?**

Approval of this request will support the department's fulfillment of its commitment to manage state-owned assets effectively for two additional round trips between Seattle and Portland. If the commitments are not met, the department could be required to pay back federal ARRA funds. Payback of the ARRA funds would be calculated on a pro-rata share based on the 20-year goals outlined in the SOA.

**What is the relationship, if any, to the state capital budget?**

N/A

**What changes would be required to existing statutes, rules or contracts to implement the change?**

The department could be penalized financially if it is unable to meet the SOA as required for the use of ARRA funds.

**Expenditure Calculations and Assumptions**

This decision package requests additional appropriation authority for increased costs associated with the equipment capital usage charge.

The initial baseline for the equipment capital usage charge was \$3.7 million for the 2015-17 biennium. With the update to the Capital Investment Plan, the estimate for Washington state's share of the biennial cost is \$4.1 million. The department requests difference between the two totals, rounded to dollars in thousands – or \$407,000 for the remainder of the biennium.

	<b>Federal Fiscal Years</b>			
	<b>FFY 2015</b>	<b>FFY 2016</b>	<b>FF2017</b>	<b>Total</b>
Cascades Corridors	2,629,025	2,506,137	2,589,016	5,095,153
WA St Share (81.03%)	2,130,299	2,030,723	2,097,880	4,128,602
	<b>State Fiscal Years</b>			
	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>Total</b>
Conversion from FFY to SFY 25% from the prior year plus 75% from the current year.		2,055,617	2,081,091	4,136,708
	<b>2015-17 Biennium</b>			
		<b>Original</b>	<b>Updated</b>	
Baseline		3,729,226	4,136,708	
Difference			407,482	
<b>Rounded (Budget Request)</b>			<b>\$407,000</b>	

As the eight new, ARRA funded, locomotives come on line in early 2017 there will be a decrease in the use of the Amtrak locomotives. This is expected to result in a decrease in the capital equipment usage charge in the out years for Washington state. However, the potential savings that offset the costs in the 2017-19 biennium and beyond will be determined in the next budget request after further analysis on the components of costs.

**Which costs and functions are one-time versus ongoing? What are the budget impacts in future biennia?**

It is assumed that the costs are one-time.

**Objects of Expenditure**

<b>Object of Expenditure Detail</b>					
<b>Object of Expenditure</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>2015-17</b>	<b>2017-19</b>	<b>2019-21</b>
E. Goods and Services	0	407,000	407,000	0	0
Total	0	407,000	407,000	0	0
Program Y - Operating					
E. Goods and Services	0	407,000	407,000	0	0
Total	0	407,000	407,000	0	0