STATEMENT

OF

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BEFORE THE

PENNSYLVANIA HOUSE OF REPRESENTATIVES
TRANSPORTATION COMMITTEE

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SAINT JOSEPH'S UNIVERSITY, MANDEVILLE HALL
TELETORIUM
54TH STREET AND CITY AVENUE
PHILADELPHIA, PA

Good morning, Chairman Markosek, Minority Chairman Geist, and members of the committee. Thank you for the invitation to testify today on Pennsylvania's transportation funding needs and specifically issues affecting the southeast portion of the state.

Amtrak and the Commonwealth jointly benefit from a longstanding partnership to sustain and improve intercity passenger rail service. We operate 120 daily trains in Pennsylvania, which represents the second-highest number of daily Amtrak services offered in the country – exceeded only by New York – and encompasses almost every type of equipment and service we offer. The fastest and most frequent services are, however, overwhelmingly concentrated on the Northeast Corridor, which links Philadelphia with New York, Boston, and Washington, and the Keystone Corridor, which currently links Philadelphia with Harrisburg.

Pennsylvania has made significant capital investments in Amtrak infrastructure, and since 1980 has also provided some level of funding to support operations west of Philadelphia. The most notable capital investment was the recent and highly successful joint investment with Amtrak to improve the Keystone Corridor. In 2004 and 2005, Amtrak and the Commonwealth jointly invested more than $145 million into the corridor to improve track and signaling and restore electrified service. As a result of the Keystone Corridor Improvement Project, Amtrak introduced 110 mph electrified service on October 30, 2006. We were able to reduce the trip time by 15 or more minutes, and that allowed us to expand the number of daily trips from 11 to 14. Ridership subsequently grew by 20 percent in FFY 2007, and we added another 19.8 percent in FFY 2008. This

is a major achievement, and represents the type of collaboration we would like to replicate not only in Pennsylvania, but around the country. It is therefore important that we discuss the recent legislation that will make similar partnerships possible.

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) establishes a framework for partnership between states, the federal government and Amtrak for the development and operation of intercity passenger rail. It authorizes both direct Federal funding for Amtrak as well as a capital matching program designed to support state investment. Under the PRIIA framework, the states plan and provide both operating funds as well as at least 20 percent of the capital costs associated with new or improved service; the Federal Government provides up to 80 percent of such capital funding; and Amtrak operates the national network and helps design and operate new corridor services.

An initial round of funding to jumpstart this program was provided by the American Recovery and Reinvestment Act of 2009 (ARRA), which appropriated $8 billion for grants to states in what became the Federal Railroad Administration's (FRA) High-Speed Intercity Passenger Rail program (HSIPR). Because this funding was made available as a part of economic recovery legislation, State matching funds were not a prerequisite for receiving a federal grant under the initial $8 billion. However, an additional $2.5 billion was appropriated for Federal Fiscal Year 2010, and state applicants will be required to provide a 20 percent match in order to access these and future grant funds.

In addition to capital matching requirements, the new Federal-State partnership established by PRIIA also requires state applicants to commit to funding the operating

and maintenance costs of projects receiving grant funds. Specifically, PRIIA requires that funding recipients have "the legal, financial and technical capacity to carry out the project, satisfactory continuing control over the use of the equipment or facilities, and the capability and willingness to maintain the equipment and facilities" associated with a federal grant. The FRA guidance for the initial round of funding further specified that applicants must develop a Financial Plan that details the sources and uses of both capital and operating funding, and specifically prohibits the use of Federal funds for operating expenses. Additionally, the guidance stipulates that grant recipients will be required to ensure the maintenance of assets receiving funding for a period of at least 20 years from the date the asset was placed into service.

Furthermore, Section 209 of PRIIA requires Amtrak, in consultation with States, to develop a single, nationwide methodology for establishing and allocating among Amtrak and States the capital and operating costs associated with short-distance "corridor" trains serving distances of 750 miles or less, as well as trains serving Federally-designated high-speed rail corridors. Amtrak generally receives some financial support from states for the operational and capital costs of providing service in these corridors; however, the amounts that states pay vary widely, and some short-distance routes receive no state support at all. The intent of Section 209 is to eliminate this discrepancy so that States pay like amounts for like services. For some states, including Pennsylvania, implementing this law will require additional funding commitments.

These requirements place significant demands on states and will be an important consideration in coming years, not only for the sustainment of new and improved services, but for the availability of capital funding, as any evaluation of the potential for

success of a proposed capital grant will depend on a state's willingness to fund the required operating and maintenance support. Any program of capital investment will require an ongoing state commitment to funding support for operating and maintenance costs beyond merely the non-Federal capital match for the initial grant. This is an important point, and I would recommend that any assessment of transportation funding needs in Pennsylvania take these factors into account.

That being said, there are significant returns that Pennsylvania stands to receive from its investment in Amtrak service. At the end of Fiscal Year 2009, Amtrak employed over 2,600 Pennsylvania residents with total wages of nearly $185 million. Additionally, Amtrak expended over $192 million for goods and services in Pennsylvania in Fiscal Year 2009. We also provide infrastructure and electric traction power for SEPTA's commuter rail operations.

The opportunities before the Commonwealth for further intercity passenger rail service growth and improvement are bright. Pennsylvania has played a leadership role by investing in the 110 mph Keystone Corridor, and the route's resulting ridership growth illustrates the wisdom of that decision. There are enormous opportunities for the expansion or improvement of what is already a considerably high level of service in Pennsylvania, and Amtrak is very interested in continuing and building on our successful partnership. We enjoy an excellent relationship, and the passage of PRIIA and subsequent appropriations have provided states with a new and historic opportunity to access Federal capital funding for intercity passenger rail development in a manner that is similar to what is available for other modes. These are important advantages and incentives, and we look forward to leveraging them in the coming years as we work to

build a relationship and a railroad that will provide the people of Pennsylvania with the service they desire and need. Thank you and I would be glad to take any questions you might have.