

2012 Special Committee on Transportation

PASSENGER RAIL

Conclusions and Recommendations

The Special Committee on Transportation expresses its support for current and potential expansion of passenger rail service in Kansas.

The Committee recommends the 2013 Legislature pursue private, local, state, and federal funding strategies to allow maintenance of the current route of the *Southwest Chief* through southwest Kansas.

The Committee recognizes and appreciates the efforts of communities along the current route of the *Southwest Chief*, the efforts of officials from Wichita and other cities, and the efforts of other groups to further passenger rail in Kansas. The Committee encourages KDOT to continue to work cooperatively with the communities in Kansas and transportation agencies in nearby states on passenger rail issues including maintaining the current route of the *Southwest Chief* and extending the *Heartland Flyer* into Kansas.

The Committee recommends the 2013 Legislature direct \$3 million toward a National Environmental Protection Act study needed before further work could proceed or federal funding pursued for the extension of the *Heartland Flyer*.

Proposed Legislation: None.

BACKGROUND

The charge to the Special Committee on Transportation was to review the passenger rail section of the State Rail Plan; evaluate the feasibility of developing the *Northern Flyer* route; determine what costs to the state will be necessary to improve the tracks in western Kansas in order to maintain the *Southwest Chief* Amtrak service on its current route; and to study the maintenance and development of passenger rail, specifically to review a plan for development of passenger rail from Kansas City to Dallas, a more limited extension of *Heartland Flyer* service from Oklahoma City to Newton to connect with the *Southwest Chief* service, and the viability of the *Southwest Chief* service connecting Chicago with Los Angeles through Kansas.

The topic was requested by the House Transportation and Public Safety Budget Committee and assigned to the Special Committee by the Legislative Coordinating Council.

COMMITTEE ACTIVITIES

The Committee met October 29, 2012. The agenda was divided into three main categories: general information, information related to the viability of the route of the *Southwest Chief* through southwest Kansas, and information related to possible extension of the *Heartland Flyer* route. The *Heartland Flyer* currently operates between Oklahoma City and Fort Worth. After hearing that information, the Committee discussed its conclusions and recommendations.

General Information

Staff reviewed the Committee's charge and legislative bills and reports on the topic since 2000, including 2010 SB 409 (KSA 2011 Supp. 75-5089), which authorizes the Secretary of Transportation to establish and implement passenger rail service and make loans or grants to passenger rail service providers for certain purposes and which establishes the Passenger Rail Service Revolving Fund. Although expenditures from that Fund are to be made in accordance with appropriations, none have been made thus far.

Former Lieutenant Governor Shelby Smith testified on the positive economic impact of expanded passenger rail service.

Laura Kliewer, Director of the Midwest Interstate Passenger Rail Commission (MIPRC), Council of State Governments, provided information on the purposes of the MIPRC: to promote development and implementation of improvements and plans for intercity passenger rail service in the Midwest, to coordinate and promote Midwestern interests regarding passenger rail development, and to support state department of transportation (DOT) passenger rail plans. In 2010, Kansas joined Illinois, Indiana, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, and Wisconsin as an MIPRC member state (KSA 2011 Supp. 75-5090). She outlined information about the current passenger rail network in these states and federal funding used to improve that network. Ms. Kliewer also discussed factors influencing the increasing ridership seen in passenger rail and regional economic development related to passenger rail.

Southwest Chief

The current route of the *Southwest Chief* runs from Chicago to Los Angeles through Kansas City, Newton, Dodge City, Garden City, southeast Colorado, and northwest New Mexico. It uses mostly BNSF Railway (BNSF) track in Kansas, Colorado, and New Mexico. Because of deterioration of the line, Amtrak is considering a change in the route from Newton to south of Albuquerque to go through Wichita and Amarillo, instead of through southwest Kansas.

Staff provided a review of public documents from Colorado and New Mexico related to passenger rail development. In 2010, BNSF told Amtrak that Amtrak would be responsible for additional maintenance costs for the line. Colorado's State Rail Plan, released in 2012, states its DOT should work with New Mexico and Kansas to determine whether a strategy can be developed and presented to Amtrak and BNSF to maintain the existing route; it estimated the cost at \$200 million. The Colorado General Assembly also passed a joint resolution stating the Assembly asks Amtrak to continue routing the *Southwest Chief* through Colorado. In 2005, BNSF and New Mexico officials signed agreements for New Mexico to buy BNSF line from Trinidad to Belen, south of Albuquerque. The sale of the northern portion of that line, used by the *Southwest Chief*, was to close in 2008; New Mexico officials told BNSF in 2011 the state does not intend to acquire the line. BNSF does not use that portion of the line for freight traffic.

Ray Lang, Amtrak's Chief of National State Relations, Government Affairs Department, presented information on issues Amtrak faces on the *Southwest Chief's* current route and on the proposed alternative. He stated BNSF does not use the line between LaJunta and Albuquerque for freight, and by 2016 all maintenance in New Mexico will fall to Amtrak. Amtrak is responsible for costs to maintain the track above the costs the freight railroad would incur to keep the line at freight standards, and its contract with BNSF for the current route expires in 2016. Amtrak's analysis of data provided by BNSF led to estimates of annual maintenance costs of \$10 million starting in January 2016 at the latest and one-time capital needs of approximately \$100 million within the next ten years. He stated decisions and financial commitments will be needed by the end of 2014 and, if they are not in place, steps will be taken to move the route away from southwest Kansas. He said existing federal grant opportunities to address capital costs may require a match, are highly competitive, and are subject to appropriations. He noted the federal transportation bill will be up for reauthorization in less than two years and passenger rail provisions could be added.

Mr. Lang said 15 states currently pay Amtrak to operate passenger trains, including Oklahoma

and Texas for operation of the *Heartland Flyer*. He also stated passenger train ridership is increasing. He commended the efforts of local entities along the current route and said Mike King, Secretary of the Kansas Department of Transportation (KDOT), has met with the head of Amtrak on this issue. Partnerships will be needed with all three states, he said.

Jerry Younger, Deputy Secretary and State Transportation Engineer, KDOT, said Secretary King and KDOT staff will continue to be active in discussions with Amtrak, BNSF, and affected stakeholders. He provided a copy of a letter sent to Mr. Lang in July 2012 from the heads of all three state DOTs which stated "all three states are facing budgetary challenges that prevent us from taking on additional commitments at this time."

Representatives of the *Southwest Chief* Rural Rail Partnership, which includes the cities of Newton, Hutchinson, Dodge City, and Garden City and cities in Colorado and New Mexico, presented testimony supporting the current route. They stated the Partnership is working to bring this matter to the attention of federal and Amtrak officials, including the congressional delegations of Colorado and New Mexico; requested the state support the group's efforts; and said the state of Kansas will need to participate. They made additional points, including the following: rail travel is cost-effective; passenger rail requires regional interaction; passenger rail requires long-term commitment; regional residents need travel options; the current route brings passengers from across the nation to southwest Kansas; businesses along the route rely on a high quality rail line to be competitive in national and global markets; the state should protect investments it already has made in western Kansas; needed repairs and upgrades must be identified and their costs estimated; and local communities also face financial constraints. Those presenting testimony were Matthew Allen, City Manager, Garden City; Reynaldo Mesa, President, Garden City Area Chamber of Commerce; Robert Tempel, WindRiver Grain, Garden City; Ken Strobel, City Manager, Dodge City; and Barbara Burns, Community Advancement Coordinator, Newton. John Deardoff, City Manager, Hutchinson, submitted written testimony.

A representative of the Kansas Star Casino stated in written testimony that the Casino supports efforts to extend passenger rail service along the I-35 corridor and proposed a stop in Mulvane. Also in written testimony, the Director of Sumner County Economic Development requested passenger rail through Sumner County with at least one stop in the county, at least in part to allow passengers to take advantage of the Casino's entertainment venue.

Extension of the *Heartland Flyer*

The *Heartland Flyer* began its service, which is between Oklahoma City and Fort Worth, in 1999. It is the only passenger rail service sponsored by two states.

Staff reviewed summaries of information previously presented to legislators on estimates of costs to extend the service of the *Heartland Flyer* from Oklahoma City to Newton and from Oklahoma City through Newton to Kansas City, for ridership on the projected routes, and for benefit-cost ratios related to those extension scenarios. The Kansas City-Wichita-Oklahoma City-Fort Worth Corridor Passenger Rail Service Development Plan (Plan) done for KDOT and the Oklahoma Department of Transportation and released in 2011 showed total estimated costs of \$136.5 million to extend the *Heartland Flyer* service from Oklahoma City to Newton and \$436 million to extend the service to Kansas City during the daytime. Staff noted Oklahoma officials had stated that determining additional amounts needed to maintain a track at the standards required for passenger service (which are more stringent than those for freight service, to allow safe operation at higher speeds) is not a science and requires considerable negotiation between the parties. Additional factors may affect the estimates. For example, staff said the Federal Railroad Administration determines which studies are required under the National Environmental Protection Act (NEPA) and is in the process of updating its criteria. Also, the 2008 Passenger Rail Investment and Improvement Act requires changes to the method Amtrak must use to allocate its costs to the states to provide service on state-sponsored trains such as the *Heartland Flyer*, to be in effect in 2013.

Estimates for ridership in the Plan were 89,200 riders on the current *Heartland Flyer* route in 2012; 111,300 or 175,600 with an extension to Newton, depending on the stops; and 255,700 – 270,500, depending on the stops, with an extension to Kansas City and daytime service.

Benefit-cost ratios previously presented ranged from 0.83 using a conservative methodology based on Federal Railroad Administration guidelines, in the Plan from 2011 to an estimate of 3.58 over ten years in a study produced in 2009 by The University of Kansas School of Business Consulting. In 2005, Oklahoma reported a ratio of 2.02 for the *Heartland Flyer* using the income method. It was noted that the estimates used in benefit-cost ratio studies change as additional information becomes available and that different methodologies produce different results, *e.g.*, whether the method includes anticipated economic activity related to a new stop.

Staff also reviewed selected passenger rail developments in Oklahoma, taken primarily from its Statewide Freight and Passenger Rail Plan released in May 2012. Those developments include establishment of a rail tax in 1978, buying lines from bankrupt railroads in the early 1980s, directing a portion of gasoline taxes to rail in 1993, receiving a \$23 million federal grant in 1997 used to establish the *Heartland Flyer*, official designation of the Tulsa-Oklahoma City-Dallas high-speed corridor by the USDOT in 2000, and work since 2010 on planning for a passenger line from Tulsa to Oklahoma City. It also was noted that the Texas DOT in October 2012 began a two-year study to explore the best options for passenger rail to connect Oklahoma City to Austin and San Antonio through Dallas/Fort Worth.

KDOT Secretary King told the Committee he has talked with his counterpart in Oklahoma and that Oklahoma places a higher priority on establishing a Tulsa-Oklahoma passenger rail line than an Oklahoma City-Wichita line. He said the next step in developing the *Heartland Flyer* extension project would be to conduct required NEPA analyzes for the service and track improvement projects plus complete some preliminary engineering work. The estimated cost for the analysis and preliminary engineering work is \$5.3 million, \$3 million of it Kansas' share. He

provided estimates from May 2012 of costs for an extension of the *Heartland Flyer* of \$102 million and of \$187 million for daytime service from Kansas City to Fort Worth; those service options were estimated to add \$5.5 million and \$14.5 million in additional annual Kansas wages, respectively.

Representatives of the City of Wichita testified on points including these: the I-35 corridor, expected to grow significantly in population and commerce, includes a gap in passenger rail service between Kansas City and Oklahoma City; ridership on passenger trains has been increasing, and demographic changes point to further increases in demand for passenger rail; the Wichita area is responsible for more than 50 percent of the state's exports; investments of \$3 million in the new downtown arena have resulted in \$60 million in economic benefits and increasing demand for coordinated travel; a passenger rail stop in Wichita, perhaps at the Union Terminal which will be renovated, could be coordinated easily with Wichita Transit and connected with expanding air service in Wichita; rail improvements for passenger also increase freight capacity; and the state must take steps to go forward on passenger rail to prevent passenger rail from bypassing the state. They also stated they were working with their city counterparts in Oklahoma to increase support in that state for the extension of the *Heartland Flyer*. Those presenting were Pete Meitzner, Wichita City Council member; Jeff Fluhr, President, Wichita Downtown Development Corporation; Gary Schmitt, Executive Vice President, Intrust Bank; and Gary Oborny, Chief Executive Officer, Occidental Management.

Deborah Fischer Stout, President, *Northern Flyer* Alliance, presented that organization's recommended next steps to move passenger rail forward in Kansas. She stressed the importance of funding and completing NEPA studies necessary to make the corridor shovel-ready and therefore more likely to be eligible for federal funding for rail infrastructure improvements. The organization also recommended the state create a passenger rail task force to identify stakeholders, who could include state DOTs, cities along the route, universities and the Alliance, to learn from and coordinate with passenger rail activities in other states, to ensure the NEPA studies are conducted in a timely manner, and to recommend funding for

state match and for operating expenses. She stressed the importance of regional coordination on the issue. She also stated Kansas could be bypassed in the national passenger rail network if it does not take action soon. She noted the extension of the *Heartland Flyer* likely would increase ridership on the *Southwest Chief*, additional information makes earlier studies outdated, and anticipated costs are comparable to costs for single major highway interchanges.

In response to Committee questions, KDOT staff stated federal support for passenger rail often is in appropriations bills and the current federal transportation bill, Moving Ahead for Progress in the 21st Century (known as *MAP-21*), does not directly address passenger rail but will be up for reauthorization within two years.

CONCLUSIONS AND RECOMMENDATIONS

The Special Committee on Transportation expresses its support for current and potential expansion of passenger rail service in Kansas.

The Committee recommends the 2013 Legislature pursue funding strategies to allow maintenance of the current route of the *Southwest*

Chief through southwest Kansas. The Committee recognizes that this will mean working with Amtrak and BNSF and could mean directing state dollars toward this effort. The Committee encourages the pursuit of moneys available from the federal government for improved rail service.

The Committee recognizes and appreciates the efforts of communities along the current route of the *Southwest Chief* to maintain service on that route, including community leaders' work with their counterparts in Colorado and New Mexico. Similarly, the Committee recognizes and appreciates the efforts of the City of Wichita and others to work with their counterparts in Oklahoma to extend passenger rail service in Kansas. The Committee encourages KDOT to continue to work cooperatively with the communities in Kansas and transportation agencies in nearby states on passenger rail issues including maintaining the current route of the *Southwest Chief* and extending the *Heartland Flyer* into Kansas.

The Committee recommends the 2013 Legislature direct \$3 million toward a National Environmental Protection Act study needed before further work could proceed or federal funding pursued for the extension of the *Heartland Flyer*.