



**House
Legislative
Analysis
Section**

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AMTRAK: STATE SUBSIDY

**House Bill 4343 (Substitute H-1)
First Analysis (4-1-03)**

**Sponsor: Rep. Lauren Hager
Committee: Transportation**

THE APPARENT PROBLEM:

The National Railroad Passenger Corporation—Amtrak—was created by the federal government in 1971 to take over the country’s unprofitable passenger rail service. The company operates many trains within the high-speed corridor of the Northeast, including the highly traveled rail lines that link Boston, New York City, and Washington, D.C. In addition, Amtrak operates 17 long-distance trains, sometimes referred to by the company as ‘Amtrak system trains,’ and these include the train that runs between Detroit and Chicago. Finally, Amtrak also contracts with 13 states to run some or all of those states’ rail passenger lines. Since 1979, Michigan has been one of the states that contracts with Amtrak to provide its passenger service on two routes: one that runs from Port Huron to Chicago, and a second that runs from Grand Rapids to Chicago.

Until 1995, the federal transportation budget provided states with funds to cover the operating costs of their rail passenger service. Specifically, the federal government provided 80 percent of the operating costs for any state’s ‘contract passenger rail service’, while each state matched that amount with the remaining 20 percent. Between 1979 and 1995, the state of Michigan relied upon the federal matching program to fund the operating costs of its two ‘contract passenger rail’ routes—the International line carrying travelers to and from Port Huron and Chicago (a line originating in Toronto, Canada), and the Pere Marquette line, carrying travelers to and from Grand Rapids and Chicago. However, in 1995, the federal government eliminated the ‘contract passenger rail’ matching program in the transportation budget, and since that time all states that have Amtrak contracts have been moving to 100 percent state funding.

The two ‘contract passenger rail’ lines in Michigan do not have enough riders to break even, so the state Comprehensive Transportation Fund (CTF) has included a subsidy for the two lines since the mid-1990s. See *BACKGROUND INFORMATION* below.

Further, in 1997, the U.S. Congress passed the Amtrak Reform Act, which eliminated most federal operating assistance to Amtrak after 2002, and since that time the railroad company has been eliminating routes where operating costs exceed revenue. For example, in April 2000, Amtrak notified the state Department of Transportation of its intention to discontinue service on the International route between Port Huron and Battle Creek. At the time, Amtrak was proposing additional service from Detroit to Chicago with no subsidy, in lieu of the subsidized Port Huron to Battle Creek route. The proposal was rejected by the state. About the same time the state’s subsidy for its two Amtrak routes increased significantly—from \$2.05 million in fiscal year 1999-2000 to \$5.7 million in fiscal year 2000-2001.

In November 2002, Amtrak and the state Department of Transportation agreed to a six-month contract for the period October 1, 2002 through March 31, 2003. The contract provided for a subsidy of \$2.85 million—half of the \$5.7 million that was appropriated in the fiscal year 2002-2003 budget for “rail passenger service.” However, Amtrak’s contract proposal for the last six months of this year (beginning April 1 and continuing through September 30) was \$5.02 million, an amount that was reduced to \$4.25 million after the company eliminated staff at East Lansing, Flint, and Port Huron. [These stations run without ticketing agents on site.] Overall, then, the total subsidy that has been proposed by Amtrak during this fiscal year would be \$7.1 million.

However, current law ‘caps’ the state’s subsidy at \$5.7 million. Specifically, this year’s appropriation act for the state Department of Transportation—Public Act 561 of 2002—sets a limit for the total Amtrak subsidy in section 711. There, the state’s “rail passenger service” contribution is limited to \$5.7 million from the Comprehensive Transportation Fund. In order to continue the Amtrak passenger service contract through the end of the fiscal year, legislation is need to remove the “cap.”

House Bill 4343 (4-1-03)

THE CONTENT OF THE BILL:

House Bill 4343 would amend Public Act 561 of 2002, which makes appropriations for the Department of Transportation for fiscal year 2003-2004, in order to revise the provision that sets the amount of the state subsidy for the railroad service between Grand Rapids and Chicago, and also between Port Huron and Chicago. Currently under the law, the subsidy (which can only provide for direct operating costs in Michigan) cannot exceed \$5,700,000. The bill would delete the reference to that cap, while retaining the language that provides for a subsidy of Michigan operating costs.

within the Comprehensive Transportation Fund—a sufficient amount of revenue to fund AMTRAK’s proposal for an additional 6-month subsidy that would amount to \$7.1 million. (3-18-03)

The Department of Transportation has noted that work on some capital projects would have to be deferred, if a substantial portion of this line-item were to be used to maintain rail passenger service on the International and Pere Marquette routes.

BACKGROUND INFORMATION:

During fiscal year 2001-2002, more than 148,628 passengers used the two AMTRAK routes that that state supports. According to committee testimony, ridership on the International line has declined substantially since the explosion of the World Trade Center on September 11, 2001, as security at the border between Canada and the United States has increased. All trains stop for inspection by the U.S. Customs Office and the Immigration and Naturalization Service (INS) at Port Huron, Michigan where they are now routinely delayed 1½ hours. In contrast, ridership on the Pere Marquette line is on the rise, the focus of a regional marketing campaign that is funded by the state transportation budget at \$100,000, and matched locally with \$12,000. The regional marketing campaign is coordinated by Westrain, an arm of the Macatawa Area Coordinating Council in Holland, Michigan.

ARGUMENTS:

For:

The legislature should act soon to extend the state’s contract with Amtrak, set to expire on May 15. The two rail lines the state supports—the International route between Port Huron and Chicago, and the Pere Marquette route between Grand Rapids and Chicago—are important transportation assets that can re-vitalize the economies of the Michigan communities they serve. Michigan needs a balanced transportation system—a good viable road system, and a good non-motorized network. Passenger rail is an important part of that system. Rail passenger service is especially helpful to those without automobiles—students, the elderly, handicapped people—since it enables them to travel, and also to travel affordably. In addition, the rail passenger service helps to reduce traffic congestion and the pollution index within high density urban regions.

Against:

As an editorial published by the *Detroit News* (3-18-03) notes, this legislation would raise the state’s Amtrak subsidy from \$5.7 million to \$7.1 million (up from \$2.1 million four years ago), at a time when the number of passengers using the affected Michigan routes has declined. Further, the editorial notes that Amtrak, founded in 1971, has a monopoly over U.S. long-distance passenger service, yet the line runs on red ink. In 1998 the General Accounting Office, an investigative arm of Congress, reported that Amtrak spent \$2 for very \$1 earned on inter-city passenger traffic. The 270-mile route between Pontiac and Chicago, for example, lost \$66 for very person who boarded. Policymakers should be wary of increasing the state’s subsidy, especially during these times when tax dollars are scarce.

Fiscal Year	International Route Riders	Pere Marquette Riders
1995-96	109,436	52,210
1996-97	121,528	63,386
1997-98	114,732	64,503
1998-99	113,702	68,091
1999-00	107,878	63,002
2000-01	104,674	57,995
2001-02	89,739	58,889

Source: House Fiscal Agency

FISCAL IMPLICATIONS:

The House Fiscal Agency notes that there is \$8.3 million in the “rail passenger service” line-item

POSITIONS:

The Department of Transportation supports the bill but notes that capital projects will have to be deferred. (3-28-03)

Amtrak supports the bill. (3-28-03)

The Macatawa Area Coordinating Council supports the bill. (3-27-03)

Westrain supports the bill. (3-27-03)

RailAmerican Tours supports the bill. (3-27-03)

The Michigan State AFL-CIO supports the bill. (3-27-03)

The Michigan Council of the Blind supports the bill. (3-27-03)

The Michigan Association of Railroad Passengers supports the bill. (3-27-03)

Transportation Riders United supports the bill. (3-27-03)

The Capital Area Rail Council supports the bill. (3-27-03)

SMART opposes the bill. (3-28-03)

Analyst: J. Hunault

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.