The National Conference of State Legislatures (NCSL) is the nonprofit, bipartisan organization regarded as the leading authority on state legislative issues. NCSL serves the legislators and legislative staff of the nation’s states, commonwealths and territories, assisting states on numerous public policy issues—including high-speed and intercity passenger rail—through expert testimony, responses to requests for information, and in-depth research and analysis. NCSL’s role at the USA Rail 2010 conference is to offer a state-level, public-sector, cross-jurisdictional perspective on the sustainability of high-speed rail in the U.S., with a focus on public funding and capacity issues.

The unprecedented amount of recent federal funds for high-speed, intercity passenger rail suddenly has made high-speed rail a high-profile issue. In this atmosphere of tangible excitement, state policy makers are considering whether and how to pursue such projects. Although states have long recognized that viable passenger rail is an essential component of a balanced intermodal transportation system, limited public funds and institutional capacity pose real challenges to the sustainable, long-term development of high-speed rail in this country.

One oft-posed concern in the high-speed rail debate is whether such systems in the U.S. can be financially self-sustaining in the long run, or even profitable. Some say yes, based on optimistic ridership forecasts for proposed U.S. projects. Others say no, pointing to huge subsidies and unprofitable routes around the world. Yet others claim the question is irrelevant, and that the real issue is whether the potential public benefits of high-speed rail—including energy efficiency, alleviation of road and air congestion, and increased overall travel safety—merit ongoing public investment, as is the case with other transportation modes in the U.S.

Regardless, there is general consensus that any long-term effort to establish new high-speed rail service in the U.S.—or to make “higher-speed” improvements—will require, among other things, ongoing and stable public investment in the form of federal capital and state operating funds. “Without long-term public funding commitments,” states a recent GAO report,¹ “projects may not be completed and the intercity passenger rail market may not stabilize.”

Clearly, however, there is little public money to be had, especially in comparison to the estimated costs of these systems. Secretary LaHood recently estimated the costs of a nationwide high-speed rail network at $500 billion; individual projects could cost from $1.9 million per mile to improve...

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existing services in Pennsylvania to up to $91.6 million per mile for the San Francisco-to-Anaheim portion of the proposed new California system.\(^2\)

Meanwhile, the federal government faces a well-documented transportation funding crisis—falling gas tax revenues, an insolvent highway trust fund, and a projected annual funding gap of $46 billion simply to maintain current highway and transit systems—as do the states. State governments contribute 46 percent of the $90 billion spent on surface transportation annually, and would be expected to contribute 20 percent of capital costs and all operating funds for high-speed rail projects. Falling transportation revenues, however, forced about half the states to make or consider transportation program cuts in 2009.\(^3\) As the economic recession continues, states face an overall shortfall of $83.9 billion in developing their FY 2011 budgets.\(^4\)

Besides the general funding crisis, another obstacle is the lack of dedicated, stable funding sources. With no dedicated funding source for passenger rail at the federal level, high-speed rail must compete annually with other national needs and may give way to other policy priorities in the future.\(^5\) Already, each round of federal funding for high-speed rail since the Recovery Act is less than the last. Likewise, few states have dedicated rail funding. More than half, in fact, restrict the use of gas tax revenues to highway and road purposes only.\(^6\)

Despite the scarcity of public funds, many states have nevertheless continued to see intercity passenger rail as a spending priority. About half the states directly fund passenger rail service in partnership with local and federal governments and private freight railroad companies, and 15 support Amtrak service. Some states—such as California, Florida and Illinois—have provided state funds specifically for high-speed rail. States’ ongoing funding for passenger rail, however, is often at a different order of magnitude than what is required for high-speed projects. For example, starting in 2014, the Florida Rail Enterprise will receive $60 million per year;\(^7\) this amount would build less than two miles of the state’s proposed high-speed system and is also meant to meet other passenger rail needs in the state.

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\(^3\) James B. Reed, “Transportation Funding Outlook 2009,” *LegisBrief* (National Conference of State Legislatures) 17, no. 10 (February 2009).


\(^5\) For this reason, the NCSL state-federal policy on high-speed rail states that “the availability of direct and permanent federal financial support of high-speed rail projects, as well as indirect support, is imperative for the development and sustainment of these rail systems” and urges the federal government to “guarantee a sustainable funding source for high-speed and intercity passenger rail development.” For more details, see the policy online at [http://www.ncsl.org/Default.aspx?TabID=773&tabs=855,30,674#HighSpeed_Rail](http://www.ncsl.org/Default.aspx?TabID=773&tabs=855,30,674#HighSpeed_Rail).


A further challenge is the states’ limited institutional capacity to pursue high-speed rail projects. The state role in passenger rail can include infrastructure planning, development, and funding and financing. States, too, conduct studies and analyses, secure rights-of-way, test materials, construct facilities, do site inspections, purchase rolling stock, invest in freight rail for passenger services, determine where rail systems interface with state transportation facilities, and/or fund transit feeder systems. Under the Passenger Rail Investment and Improvement Act (PRIIA) of 2008, states also must develop state rail plans in order to receive federal funds.

For decades, states have shown leadership in rail governance and planning. At least four states already require in statute the development of a state rail plan with a passenger component, and several—including California, Florida, Illinois, New York, North Carolina, Pennsylvania, Texas, Virginia and Washington—have established rail governance structures.

Many states, however, lack the needed capacity for passenger rail planning and development. Only about half the states had dedicated rail offices in their transportation departments as of 2005, and some of those handled only freight rail. In the absence of a federal funding partner, several have had limited or no passenger rail programs for decades. And, as I emphasized in a recent article in NCSL’s State Legislatures magazine, “with scarce state funds, few in-country rail experts and no existing high-speed rail industry, states that want these systems may find it challenging to develop the capacity and expertise to do their part.”

The sustainability of high-speed rail in the U.S., then, is challenged by limitations in public funding and institutional capacity. What must be weighed against these very real obstacles, though, is the strong interest in the states for pursuing high-speed rail as a transportation alternative that offers potentially valuable public benefits. In addition to the demonstrated commitment of many states to provide funding and governance structures for passenger rail, another indicator of state interest is the demand for federal high-speed rail funds, which continues to far exceed the available resources. Last month, for example, 25 states submitted 77 applications to the Federal Railroad Administration asking for a total of more than three times the $2.3 billion available for high-speed rail grants.

Nevertheless, it is unknown whether the current enthusiasm for high-speed rail will translate into the long-term political and institutional support needed to ensure its continued development. Even in the best case scenario of stable, ongoing federal leadership, support and funding, the process would take many years and a concerted, cooperative effort from all levels of government. The sustainability of high-speed rail in the U.S., then, will finally be determined by state and federal policy makers, who find themselves in the familiar position of having to make difficult choices in light of competing priorities, scarce resources, and political and economic uncertainty.

For up-to-date information about NCSL’s high-speed rail activities, see [http://www.ncsl.org/?tabid=19767](http://www.ncsl.org/?tabid=19767). This page includes publications, links, and updates about the NCSL High-Speed Rail Working Group, which was formed in 2009 to provide state legislators and legislative staff with a forum to discuss their concerns, goals and strategies for the development of high-speed rail in their states and regions.