
MEMORANDUM



DATE: July 13, 2005
TO: Interested Parties
FROM: William E. Hamilton
RE: AMTRAK Service in Michigan and State Operating Subsidy

Summary

For a number of years, the state of Michigan has provided an operating subsidy to AMTRAK for rail passenger service on the Pere Marquette (Grand Rapids – Chicago) and International (Port Huron – Chicago) lines. The terms of the subsidy, including the amount of the subsidy, are governed by a contract between the state and AMTRAK. The most current contract is for the twelve months ending September 30, 2005. The total amount of the contract subsidy is \$7.1 million. This funding is provided from state-restricted Comprehensive Transportation Fund revenue in the FY 2004-05 state transportation budget (PA 361 of 2004).

Section 711 of PA 361 sets legislative boilerplate restrictions on any state rail passenger subsidy between Grand Rapids and Chicago and Port Huron and Chicago. The section indicates that the state subsidy shall be limited to the direct operating costs of rail passenger service for the two lines. The section indicates that direct operating costs include the costs necessary to provide staffing at passenger service kiosks at Port Huron, Flint, and East Lansing stations. The section limits the total amount of state subsidy to \$7.1 million.

The funds used to provide the AMTRAK subsidy come from the Comprehensive Transportation Fund (CTF), a state-restricted transportation fund. CTF funds are restricted for public transportation purposes. No state General Fund/General Purpose revenue is used to support AMTRAK service.

The House-passed and Senate-passed transportation appropriations bills for FY 2005-06 would limit the state operating subsidy to \$6.1 million (See Section 711 of HB 4831, as passed the House, and Section 711 of Senate Bill 281, as passed the Senate). AMTRAK has indicated that it would not continue the current service for less than the current \$7.1 million operating subsidy.

Background

For a number of years the Michigan Department of Transportation (MDOT) has paid the National Railroad Passenger Corporation (AMTRAK) an annual operating subsidy to provide rail passenger service on the Pere Marquette (Grand Rapids – Chicago) and International (Port Huron – Chicago) lines.¹ AMTRAK also provides rail passenger service between Detroit and Chicago as part of its core national service. AMTRAK does not require state operating assistance for the Detroit – Chicago service. See Table 1 below for a history of the state subsidy and ridership.

The state operating subsidies for the Grand Rapids – Chicago and Port Huron – Chicago routes are appropriated from the state-restricted Comprehensive Transportation Fund (CTF) in the *Rail passenger service* line item in state transportation budget acts. The total appropriation for this line item in the current year budget (PA 361 of 2004) is \$8.2 million - \$7.2 million CTF, and \$1.0 million in federal funds.

The federal funds appropriated in the *Rail passenger* line item are used to support AMTRAK capital projects – including projects related to high-speed rail service along the Detroit to Chicago corridor. Federal funds in the

¹ The complete service description is as follows: The Pere Marquette service is Grand Rapids, Holland, Bangor, St. Joseph/Benton Harbor, New Buffalo, and Chicago. The International service is Port Huron, Lapeer, Flint, Durand, Lansing/East Lansing, Battle Creek, Kalamazoo, Dowagiac, Niles, and Chicago.

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line are used exclusively for capital projects. Since 1992 the state and federal government have spent over \$40.0 million in total on rail capital projects – primarily on improvements to track, signals, and train sets.

Note that the funds in the state transportation budget are in addition to federal funds provided to support AMTRAK core program operating costs and capital programs. The FY 2004-05 federal appropriation for AMTRAK is \$1.2 billion. AMTRAK has requested \$1.82 billion for FY 2005-06.

In April 2000, AMTRAK notified the state of its intention to discontinue service on the International route between Port Huron and Battle Creek. At the time, AMTRAK indicated that it wanted to reroute the International service to the Detroit – Chicago route without state operating assistance. In effect, AMTRAK was proposing additional service for Detroit – Chicago with no state subsidy, in place of the subsidized Port Huron to Battle Creek route.

Service was maintained on the International and Pere Marquette routes. However, the total state subsidy increased significantly – from \$2.05 million in FY 1999-2000, to \$5.7 million in FY 2000-01. In FY 2002-03 the annual state subsidy increased to \$7.1 million. The increase in the state subsidy did not reflect increased AMTRAK operating costs. The increase in state subsidy was primarily due to the end of a federal subsidy for state rail passenger service. AMTRAK has indicated that it would continue service in FY 2005-06 for the same contracted amount as the current year, \$7.1 million.

The House-passed and Senate-passed transportation appropriations bills for FY 2005-06 would limit the state operating subsidy to \$6.1 million (See Section 711 of HB 4831, as passed the House, and Section 711 of Senate Bill 281, as passed the Senate). AMTRAK has indicated that it would not continue the current service for less than the current \$7.1 million operating subsidy.

Because the International service originated in Toronto, service and ridership on that route was significantly affected by the events of September 11, 2001. The tightening of security at the Sarnia-Port Huron border crossing caused frequent delays. In an effort to improve service and ridership, the Michigan Department of Transportation and AMTRAK agreed to change the Port Huron – Chicago service effective April 26, 2004. The connection to Canada was dropped, the schedule was changed, and the name of the service was changed to "The Blue Water." Since this change, the route has recorded increased ridership.

AMTRAK indicates that Michigan is one of 13 states which provide operating assistance for rail passenger service. This state assistance is provided under contract in order to purchase rail passenger service in a state beyond what AMTRAK provides as part of its core service. AMTRAK indicates that it provides contracted service to states under the same terms; operating subsidies are based on direct operating costs not including depreciation or overhead.

Table 1
State Operating Subsidy for AMTRAK
FYs 1995/96 – 2004-05

Fiscal Year	International/Blue Water Subsidy/Riders		Pere Marquette Subsidy/Riders		Total AMTRAK Subsidy
1995/96	\$1,010,000	109,436	\$687,500	52,210	\$1,897,500
1996/97	\$1,162,500	121,528	\$687,500	63,386	\$2,050,000
1997/98	\$1,300,000	114,732	\$750,000	64,503	\$2,050,000
1998/99	\$1,300,000	113,702	\$750,000	68,091	\$2,050,000
1999/00	\$1,300,000	107,878	\$750,000	63,002	\$2,050,000
2000/01	\$3,500,537	104,674	\$2,200,020	57,995	\$5,700,557
2001/02	\$3,500,000	91,714	\$2,200,000	60,127	\$5,700,000
2002/03	\$3,500,000	80,890	\$2,200,000	73,392	\$5,700,000
2003/04	\$4,500,000	94,378	\$2,600,000	87,767	\$7,100,000
2004/05	\$4,500,000		\$2,600,000		\$7,100,000

In FY 1999-2000 an additional \$250,000 was contracted for marketing in FY 2000-01.
 In FY 2001-02 and additional \$112,000 was contracted for marketing the Pere Marquette.
 Effective 4/26/2004, the International service to Canada ended, and the Blue Water began service on a different schedule.
 "Riders" represents each boarding and does not consider the length of each trip.

Source: MDOT, Bureau of Multimodal Transportation Services, AMTRAK