

## SIX YEAR FINANCIAL PLAN

### SPRINGFIELD RAIL CORRIDOR PROJECT

#### Federal Strategy Alternatives:

Uncertainties abound about future federal high speed rail financing as concerns about high speed rail are being raised in several states. Additionally, the future of earmarks is being questioned. In developing a financial plan for the Springfield Rail Corridor project two federal strategies were considered to “bracket” the likely availability of federal aid. If in fact there is a significant investment in the next transportation bill in high speed rail, IDOT, the city and the county should be prepared to take advantage of that opportunity by maximizing high speed rail funding for eligible costs of the Springfield project. However if high speed rail funding were limited, a backup plan relying on the Federal Railroad Administration’s (FRA) Rail Relocation Program would be advisable.

- **Maximize High Speed Rail Participation** – The High Speed Rail Program (HSRP) would be used to fund 80% of eligible costs to improve 3<sup>rd</sup> Street or relocate the UPRR to 10<sup>th</sup> Street. The Federal Rail Relocation Program (RRP) would be used to fund 80% of eligible costs to relocate the CNRR to 10<sup>th</sup> Street. IDOT Rail funds will match all High Speed Rail and Rail Relocation Program funds except for eligible grade separations, which would be matched by the IDOT highway program. Quiet zone costs on 19<sup>th</sup> Street would be funded 100% by the city.
- **Minimize High Speed Rail Participation** – The High Speed Rail Program would be used to fund 80% of track and at-grade crossing costs to improve 3<sup>rd</sup> Street and 40% of track and at-grade crossing costs to relocate the UPRR to 10<sup>th</sup> Street. The Rail Relocation Program would be used to fund 40% of the track and at-grade crossing costs to relocate the UPRR to 10<sup>th</sup> Street and 80% of the track and grade crossing costs to relocate the CNRR to 10<sup>th</sup> Street. IDOT Rail funds would match all High Speed Rail and Rail Relocation Program funds. Grade separations on State highways would be 95% IDOT Highways and 5% Railroad. Grade separations on city streets would be 60% Illinois Commerce Commission Grade Crossing Protection Funds (ICC GCPF), 5% RR, 17.5% IDOT highways and 17.5% City. Quiet zone costs on 19<sup>th</sup> Street would be funded 100% by the city. This will significantly lower the total federal investment needed and keeps HSRP funding relatively constant across all alternatives.

#### FRA Funding Needed (2011 \$'s Millions)

Alternative	Maximize HSRP Participation			Minimize HSRP Participation		
	HSRP	RRP	FRA Total	HSRP	RRP	FRA Total
1A	\$78	\$0	\$78	\$78	\$0	\$78
1B	\$208	\$0	\$208	\$72	\$0	\$72
1C	\$208	\$0	\$208	\$72	\$0	\$72
2A	\$213	\$0	\$213	\$84	\$67	\$151
2B	\$251	\$0	\$251	\$79	\$63	\$142
3A	\$214	\$125	\$339	\$91	\$138	\$229
3B	\$216	\$167	\$383	\$87	\$132	\$219

### **Financial Feasibility:**

All of the alternatives being considered are financially feasible – it will just take longer for some than it will for others. For purposes of this analysis six years was chosen as a reasonable expectation for obligating the funds. Completion of construction will take a few years longer. Six years was chosen as it provides a reasonable target since it is the likely length of a new transportation authorization bill. This legislation will be key to funding the project.

In order to test the financial feasibility of each alternative the amount of reasonably available funding within a six year period has been determined and compared to the funding needed under the two different federal strategies. If an alternative does not pass this test of feasibility it does not mean that the alternative is not financially feasible – only that it is unlikely to be completely funded within a six year period. Implementation will take longer than six years. Six year funding feasibility will be estimated for FRA funding, ICC GCPF, IDOT, railroads and city of Springfield funds.

### **FRA Funding Estimate:**

The high six year estimate for the HSRP is \$50 billion based on Congressional discussions this year of high speed rail funding targets for the new authorization bill. Those targets would require additional revenue sources for the transportation program. The low six year HSRP estimate is \$6 billion based on current funding proposals assuming no new revenue. The middle six year HSRP estimate is \$28 billion – half way between the low and high estimate.

The high six year estimate for the RRP is \$2.1 billion based on the annual amount authorized (but not appropriated) for the RRP in SAFETEA-LU. The low six year estimate for the RRP is \$210 million based on the amount actually appropriated for the RRP in FY2010. The middle six year estimate for the RRP is \$1.16 billion – half way between the low and high estimate.

Illinois received \$1.2 billion (12.5%) of the \$8 billion awarded last year for high speed rail. This financial plan estimates Illinois will receive 10% of available nationwide high speed rail funds over the next six years. Further, the plan estimates that 10% of all funds received by Illinois would be available for the Springfield project. IDOT applied for \$3.1 billion last year for the Chicago to St. Louis double track high speed rail project. This application included \$357 million for the Springfield project - 11.4% of the total request. Actual funding for the Springfield project could be more or less over the six year period but this provides a useful method to test financial feasibility.

Illinois has received \$7.5 million through 2010 from the RRP. This is 12.2% of the total funds either earmarked or awarded so far under SAFETEA-LU. This financial plan assumes Illinois will receive 10% of the of nationwide rail relocation funds and Springfield will receive 75% of the funds coming to Illinois.

**Estimated FRA Funds Available  
Springfield Rail Corridor Project  
\$ Millions**

	<u>HSRP</u>	<u>RRP</u>	<u>FRA Total</u>
<b>Low</b>	<b>\$60</b>	<b>\$16</b>	<b>\$76</b>
<b>Middle</b>	<b>\$280</b>	<b>\$87</b>	<b>\$367</b>
<b>High</b>	<b>\$500</b>	<b>\$158</b>	<b>\$658</b>

**Illinois Commerce Commission Grade Crossing Protection Fund Funding Estimate (GCPF):**

The Grade Crossing Protection Fund receives a statutory transfer of \$42 million annually from the IDOT Road Fund. Of this amount \$39 million is available annually for crossing protection and 60% of eligible costs for grade separation projects on local government jurisdiction streets and highways. State jurisdiction highways are not eligible for funding from the GCPF. While the GCPF is currently fully programmed, many projects get deferred and there are opportunities for the Commission to make significant program adjustments annually. Alternatives 2A, 2B, 3A, and 3B would be high priority for significant funding as the large number of at grade crossing closures is unprecedented.

The high estimate of funding for the Springfield Rail Corridor project is \$17 million annually for a total of \$102 million over six years. \$17 million is the largest grade separation project approved by the Commission as of this writing. This level would require the largest number of existing projects to be deferred.

The Commission's policy would normally limit participation in a grade separation to \$12 million. \$12 million annually was assumed for the middle funding level resulting in \$72 million being available for the Springfield project over six years.

One half of the \$12 million policy limit was used for the low estimate of \$36 million over six years for the Springfield project. This level would require the smallest number of existing projects to be deferred.

**ICC GCPF Funding Needed (2011 \$'s Millions)**

<u>Alternate</u>	<u>Maximize HSRP Participation</u>	<u>Minimize HSRP Participation</u>
<b>1A</b>	<b>\$0</b>	<b>\$0</b>
<b>1B</b>	<b>\$0</b>	<b>\$74</b>
<b>1C</b>	<b>\$60</b>	<b>\$134</b>
<b>2A</b>	<b>\$22</b>	<b>\$51</b>
<b>2B</b>	<b>\$23</b>	<b>\$87</b>
<b>3A</b>	<b>\$14</b>	<b>\$69</b>
<b>3B</b>	<b>\$14</b>	<b>\$112</b>

**City of Springfield Funding Estimate:**

Recently Springfield increased the lodging tax by 1% and the sales tax by ¼% and dedicated these new revenues for infrastructure improvements. The Lodging tax is estimated to yield \$1.2 million annually and the sales tax \$4.5 million annually. This financial plan suggests some or all of these new revenues could be used to cover the city's share of the Springfield Rail Corridor project.

The high estimate assumes all of these new revenues are bonded providing \$57 million for the Springfield Rail Corridor project. The middle estimate assumes ¾ths of the new revenues are bonded providing \$43 million. Finally the low estimate assumes ½ of these new revenues are bonded providing \$29 million for the project.

**City of Springfield Funding Needed (2011 \$'s Millions)**

<u>Alternate</u>	<u>Maximize HSRP Participation</u>	<u>Minimize HSRP Participation</u>
1A	\$0	\$0
1B	\$0	\$21
1C	\$44	\$65
2A	\$24	\$32
2B	\$24	\$42
3A	\$3	\$30
3B	\$6	\$42

**IDOT Funding Estimate:**

The IDOT FY2011-2016 Highway Program totals over \$12 billion and could accommodate the funding needs of any of the alternatives if IDOT places a high enough priority on the Springfield project. The IDOT Rail Program has an appropriation for \$400 million although the entire amount is not yet completely authorized. This plan assumes IDOT will not allow FRA money to lapse by failing to provide matching funds.

**IDOT Funding Needed (2011 \$'s Millions)**

<u>Alternate</u>	<u>Maximize HSRP Participation</u>		<u>Minimize HSRP Participation</u>	
	<u>IDOT Rail</u>	<u>IDOT Highways</u>	<u>IDOT Rail</u>	<u>IDOT Highways</u>
1A	\$19	\$0	\$19	\$0
1B	\$52	\$0	\$18	\$65
1C	\$52	\$17	\$18	\$82
2A	\$53	\$7	\$38	\$43
2B	\$63	\$6	\$36	\$53
3A	\$57	\$31	\$57	\$53
3B	\$55	\$45	\$55	\$66

**Railroad Funding Estimate:**

**Capital Programs (\$ Billions)**

<u>Railroad</u>	<u>2008</u>	<u>2009</u>
CNRR	\$1.4	\$1.5
I&MRR*	\$0.1	\$0.09
NSRR	\$1.6	\$1.4
UPRR	\$3	\$2.5

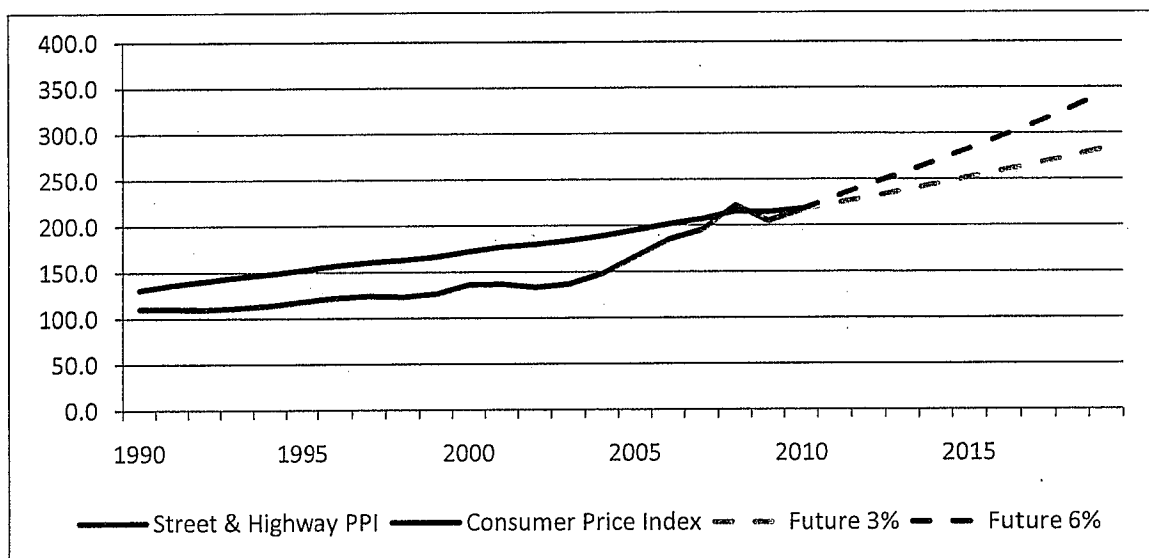
\*The I&MRR is owned by the Genesee & Wyoming Railroad.

Review of the capital programs for the various railroads indicates sufficient funding could be made available if the railroads place a high enough priority on the project.

**Railroad Funding Needed (2011 \$'s Millions)**

<u>Alternate</u>	<u>Maximize HSRP Participation</u>				<u>Minimize HSRP Participation</u>			
	<u>UPRR</u>	<u>NSRR</u>	<u>CNRR</u>	<u>I&amp;MRR</u>	<u>UPRR</u>	<u>NSRR</u>	<u>CNRR</u>	<u>I&amp;MRR</u>
1A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1B	\$0	\$0	\$0	\$0	\$8.1	\$0	\$0	\$0
1C	\$0	\$4.1	\$1.0	\$1.0	\$8.1	\$4.1	\$1.0	\$1.0
2A	\$0	\$0.7	\$0.9	\$0.5	\$2.3	\$2.2	\$0.9	\$0.5
2B	\$0	\$0	\$1.0	\$0	\$4	\$3	\$1.0	\$0
3A	\$0.2	\$1.1	\$0.2	\$1.1	\$2.6	\$2.2	\$2.4	\$0.6
3B	\$0.3	\$0.6	\$0.3	\$0.6	\$4	\$3.5	\$3.8	\$0.6

**Future Cost Increases:**



The table on the preceding page shows the Street and Highway PPI as well as the Consumer Price Index for the last 20 years. As can be seen, the CPI and PPI both grew at about the same rate (3%) from 1990 to 2003. From 2003 to 2008 the CPI continued its steady 3% growth but the CPI grew at 10% annually. Since 2008 the CPI and averaged about 1% annually while the PPI decreased 8% in 2009 and increased 6% in 2010. In order to compare the various alternatives relative financial feasibility, the estimated funds available from the FRA, ICC GCPF and city of Springfield were discounted by 3% annually as well as 6% annually to provide a reasonable allowance for future cost increases.

**Federal Funding Strategy:**

The following table shows the annual authorization/appropriation level required to provide sufficient resources to fund the Springfield alternatives assuming the worst case scenario of 6% annual cost growth.

**Annual Federal Authorization Levels Required to Fund Alternatives Over Six Years At 6% Cost Growth  
(\$ Millions)**

<u>Alternate</u>	<u>Maximize HSRP Participation</u>		<u>Minimize HSRP Participation</u>	
	<u>HSRP</u>	<u>RRP</u>	<u>HSRP</u>	<u>RRP</u>
1A	\$1,605	\$0	\$1,605	\$0
1B	\$4,280	\$0	\$1,481	\$0
1C	\$4,281	\$0	\$1,482	\$0
2A	\$4,384	\$0	\$1,729	\$184
2B	\$5,165	\$0	\$1,626	\$173
3A	\$4,404		\$1,873	
3B	\$4,446		\$1,791	

The ARRA program provided \$8,000 million for the High Speed Rail Program. \$1,000 million is proposed for this year. Over \$8,000 million was proposed for the HSRP by the administration for the next transportation bill. \$35 million was appropriated for the Rail relocation Program in FY2010 and \$350 million per year was authorized in SAFETEA-LU. It does not appear feasible to achieve the RRP funding levels for alternates 3A and 3B over six years.

**Other Fund Impacts:**

Minimizing HSRP funding while an attractive federal strategy, will increase funding need from other project participants. The amount of increase in IDOT and railroad funding are small enough they can be handled in the normal capital programming processes of these agencies if they believe the project provides sufficient benefit to be made a priority. GCPF and city funds are a much greater issue as the project will require significant shares of available dollars. The following table shows the average amounts of GCPF funds needed for each alternative assuming HSRP funding is minimized and costs grow at the worst case of 6% annually.

**Average Annual GCPF Fund Required To Fund Alternatives Over Six Years At 6% Cost Growth  
(\$ Millions)**

<u>Alternate</u>	<u>Maximize HSRP Participation</u>		<u>Minimize HSRP Participation</u>	
	<u>Annual Need</u>	<u>% Total Funds</u>	<u>Annual Need</u>	<u>% Total Funds</u>
1A	\$0	0%	\$0	0%
1B	\$0	0%	\$15	39%
1C	\$12	32%		
2A	\$5	12%	\$10	27%
2B	\$5	12%		
3A	\$3	7%	\$14	36%
3B	\$3	7%		

The red shaded cells do not appear reasonable to fund over six years with GCPF.

The city of Springfield increased the hotel and general sales tax for infrastructure recently. If the city felt the Springfield Rail Corridor project was of sufficient priority, it could reprioritize the use of those funds. The following table shows the average annual amount of city funding needed for each alternative and the % of these new revenues that would be required to fund the corridor project over six years using pay as you (PAYGO) go as well as bonding. For a worst case scenario 6% annual cost growth was used.

**Average Annual City Fund Requirement To Fund Alternatives Over Six Years At 6% Cost Growth  
(\$ Millions)**

<u>Alternate</u>	<u>Maximize HSRP Participation</u>			<u>Minimize HSRP Participation</u>		
	<u>Annual Need</u>	<u>% New Rev. PAYGO</u>	<u>% New Rev. Bonds</u>	<u>Annual Need</u>	<u>% New Rev. PAYGO</u>	<u>% New Rev. Bonds</u>
1A	\$0	0%	0%	\$0	0%	0%
1B	\$0	0%	0%	\$3.5	61%	37%
1C	\$9.1		95%	\$13.4		
2A	\$4.9	86%	51%	\$6.6		69%
2B	\$4.9	87%	52%	\$8.6		91%
3A	\$0.6	11%	6%	\$6.2		65%
3B	\$1.2	22%	13%	\$8.6		91%

The red shaded cells do not appear reasonable to fund over six years with the new city infrastructure revenues.

**Conclusion:**

There are two reasons to develop a funding plan that minimizes federal high speed rail funding:

- Future HSRP funding could be significantly lower than the \$8 billion ARRA level because of deficit concerns and the unwillingness of Congress to raise new revenues for transportation funding.
- The Springfield Rail Corridor project alternatives that shift the UPRR to 10<sup>th</sup> Street, while eligible for HSRP funding, are really not high speed rail projects. Concerns could be raised by IDOT, UPRR, and FRA that there are other higher priority expenditures for HSRP funds to improve service between Chicago and St. Louis - causing delays in implementation of the Springfield project.

If HSRP funding is increased significantly higher than expected, additional funding options would be available for the Springfield project.

If HSRP funding is minimized, Alternates 1C, 2B and 3B are not feasible over a six year period as GCPF is unlikely to be available in sufficient amounts. Additionally Alternate 3A is not feasible over a six year period as RRP funding in sufficient amounts is unlikely to be available – this is also the case even under the maximize HSRP option.

While Alternate 1B may be theoretically achievable over a six year period using GCPF it may be difficult for ICC to give the Springfield project high enough priority with no crossing closures (except where the new grade separation will be constructed).

In summary, this leaves Alternate 1A and 2A that can be realistically funded over a six year period. This does not mean the other alternatives are not financially feasible, only that it will likely take longer than six years to let all of the contracts to implement the project.

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