



## Chapter 10: Funding Wisconsin’s Rail System Investments

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# Chapter 10: Funding Wisconsin's Rail System Investments

## Introduction

*Wisconsin Rail Plan 2030* presents a set of transportation policies and recommended actions to be achieved over the next 20 years. Implementation will require the continued investment of staff and funding resources to ensure that the state maintains and enhances its multimodal transportation system, while meeting federal and state law.

Decisions regarding transportation priorities and investment needs are considered and addressed during each biennial budget process. The year 2010 saw new funding opportunities for rail planning and investment. Federal policy and funding facilitated improvements to the nation's intercity passenger rail service. This infusion of federal money into intercity passenger rail complements ongoing federal and state efforts to support freight rail.

Funding will be required for Wisconsin to take advantage of opportunities to expand the state's intercity passenger rail network; enhance and improve the freight rail system; and address interest in commuter rail connectivity. The following chapter:

- Presents funding sources used to finance current freight, intercity passenger, and commuter rail projects in the state
- Discusses potential sources of funding and methods for financing future investments, including an assessment of potential future funding sources

In addition, a long-range rail investment program documenting estimated freight and passenger rail infrastructure costs and investments through 2030 is provided in Appendices 10-A and 10-B.

This chapter fulfills requirements contained in the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) regarding having a financial plan as part of the state rail plan.

## Wisconsin's Commitment to Funding Rail Investments

As discussed throughout *Wisconsin Rail Plan 2030*, there are two primary reasons for the state to continue developing and funding rail policies and programs:

- As part of the state's multimodal transportation system, rail is, and will continue to be, important to Wisconsin
- It is in the public interest to preserve essential rail service when the private sector does not have the economic justification or resources to maintain the service

## Wisconsin's Transportation Budget

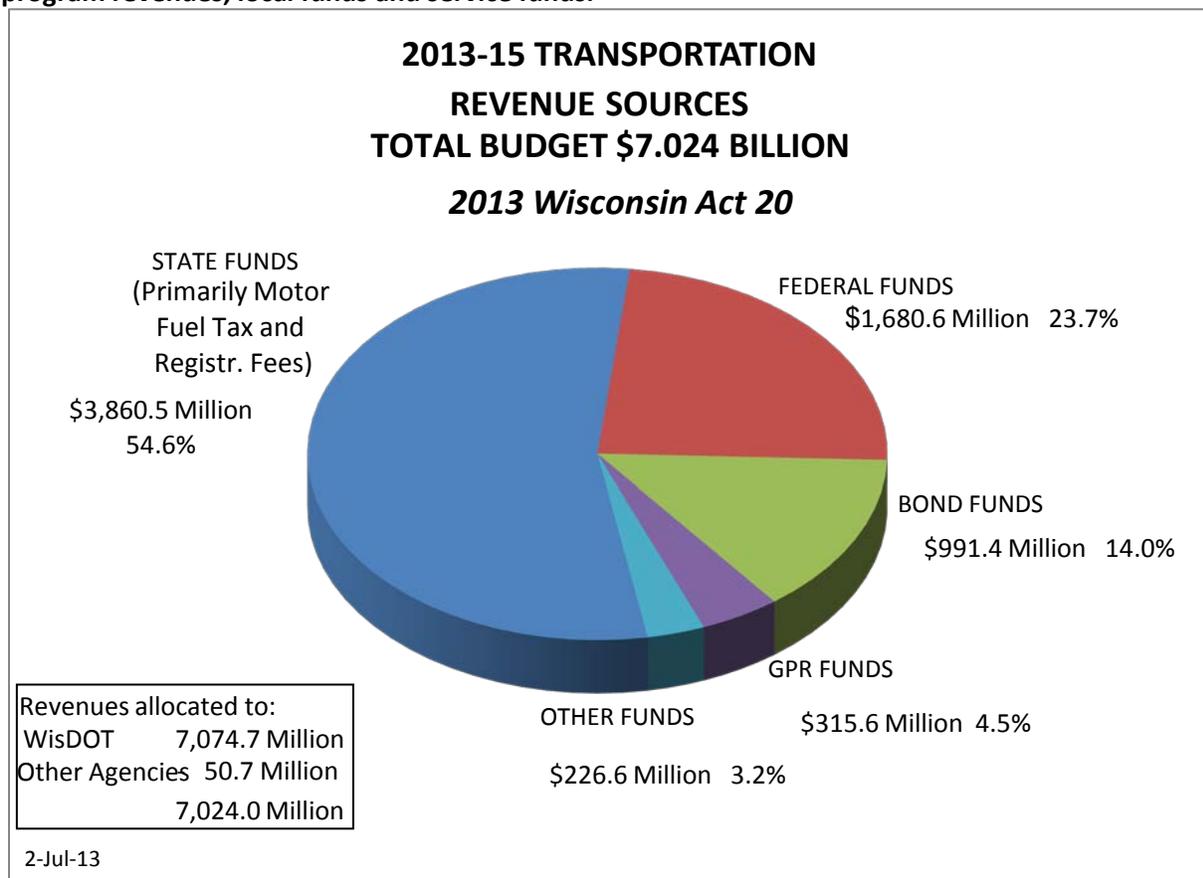
Wisconsin's transportation budget for the 2013-2015 biennium totals \$7.0 billion. Figures 10-1 through 10-3 depict:

- All transportation revenue sources
- Distribution of state revenues
- Distribution of all funds (total transportation budget)
- Rail bonding

### State Transportation Revenue

Funding for Wisconsin's transportation system comes from several sources including: state revenue; federal funds; bond proceeds; local and service funds; program and general purpose revenue; and other funds. Figure 10-1 shows fiscal year 2013-2015 transportation revenue sources.

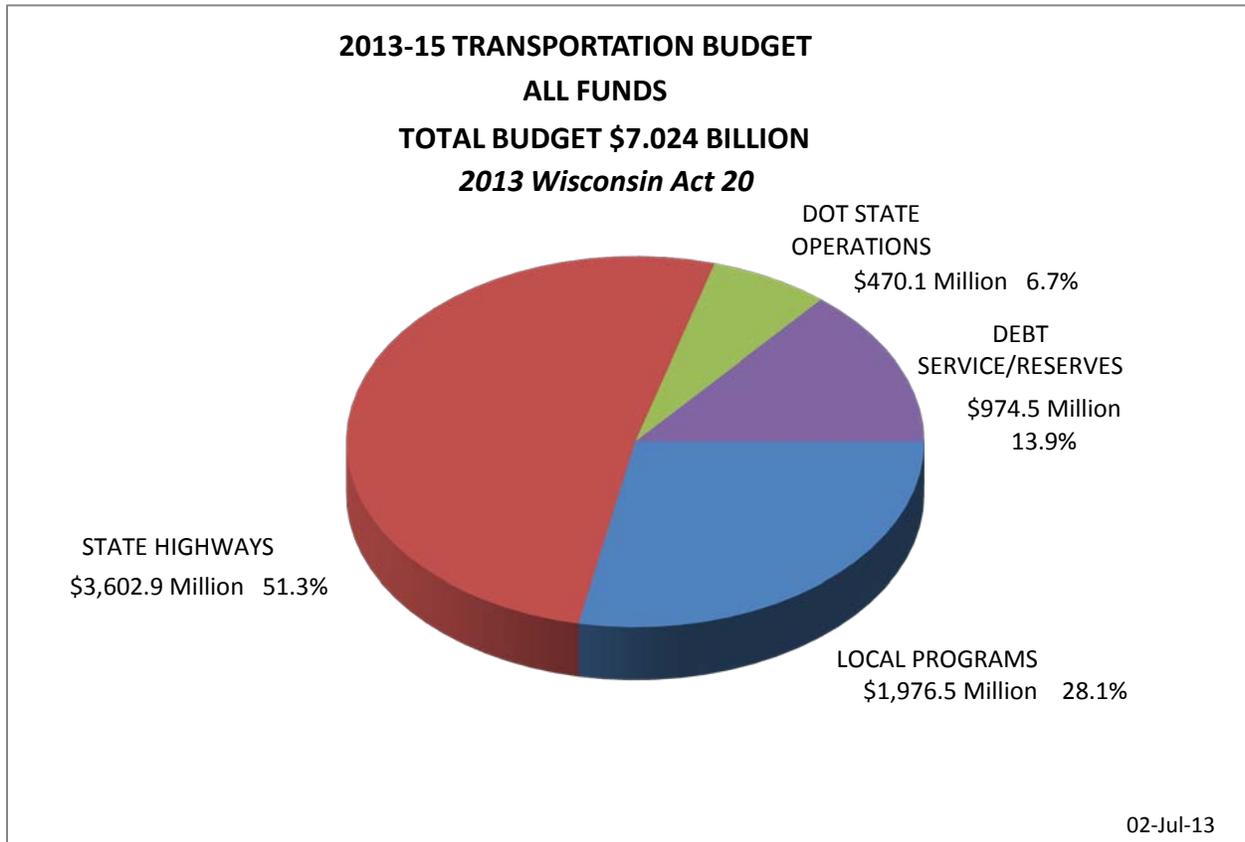
**Figure 10-1: All WisDOT revenue sources (reflects 2013 Wisconsin Act 20). Other funds include: program revenues, local funds and service funds.**



***Distribution of all funds (total transportation budget)***

Wisconsin’s transportation budget for the 2013-2015 biennium totals \$7.0 billion. Figure 10-2 shows the distribution of all funds across the department. The majority of funding is directed at state highways and local programs. A portion of these funds is used to make improvements to rail infrastructure. Many other rail activities are covered under the DOT State Operations category.

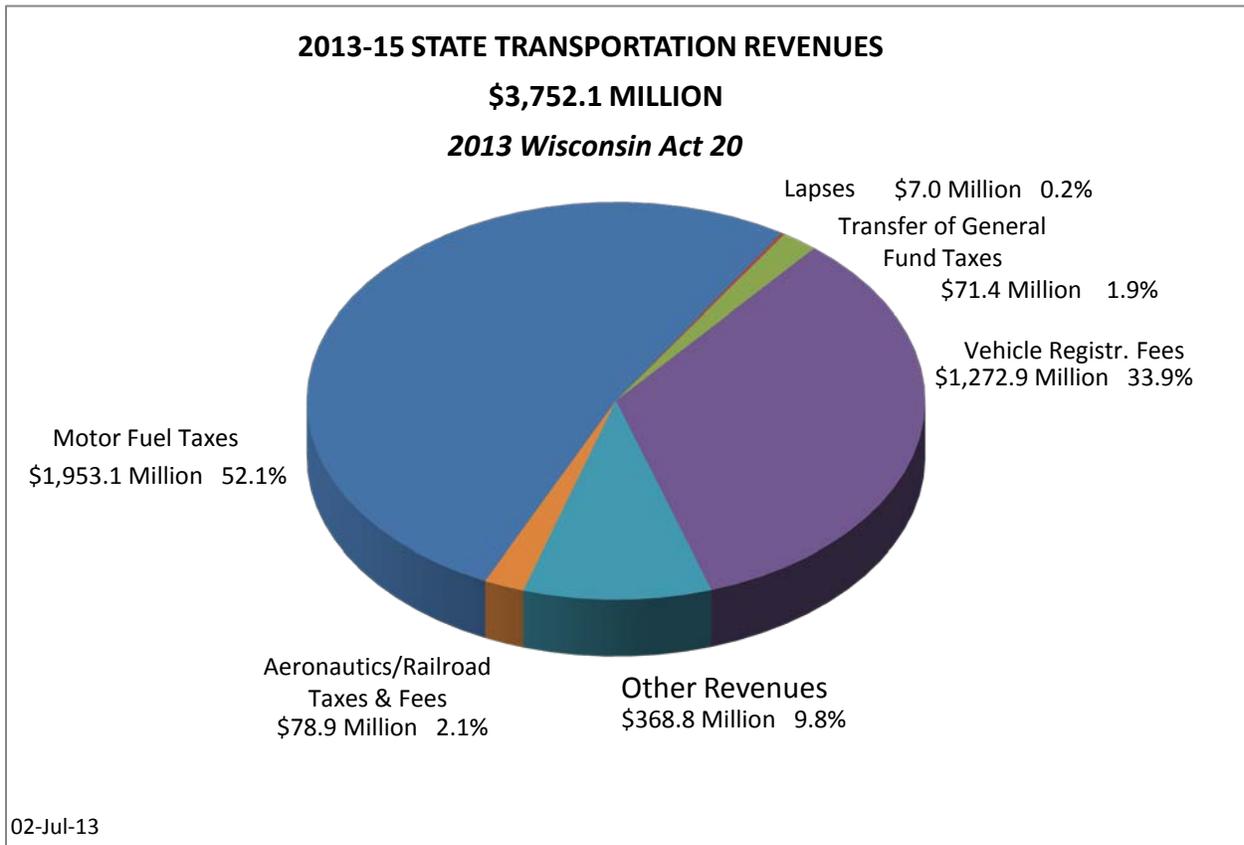
**Figure 10-2: Distribution of all transportation funds (reflects 2013 Wisconsin Act 20)**



***Distribution of state revenue***

As indicated in Figure 10-1, 54.6 percent of the Wisconsin Department of Transportation’s (WisDOT’s) budget revenue – almost \$3.8 billion in the 2013-2015 biennium – is generated from state fees. Figure 10-3 shows the distribution of these funds among WisDOT’s programs. Most rail funding programs are accounted for in the DOT Local Programs category. Rail bond payments are accounted for in the debt service/reserves section.

**Figure 10-3: Distribution of state revenues (reflects 2013 Wisconsin Act 20)**



***Rail bonding***

Wisconsin uses general obligation bonds to fund some rail programs. The state has used general obligation bonds to fund many projects since the late 1960s. Most recently, general obligation bonds helped finance the Marquette Interchange reconstruction project in southeastern Wisconsin; harbor and railroad projects; and various state highway rehabilitation projects. These bonds are repaid from the Transportation Fund or the state’s General Fund. Another type of bonding – transportation revenue bonds that are repaid from specific, pledged Transportation Fund revenue sources – are used to provide funding for the Major Highway Development program.

Freight rail bonding for the 2013-2015 biennium totals \$52 million. These funds are used to pay for the Freight Rail Preservation Program (FRPP). In addition, approximately \$43 million in previously authorized bonding remains available for passenger rail projects.

## WisDOT Rail Programs

A portion of the state's transportation budget is used to fund rail programs. These programs are targeted specifically at rail or rail/highway activities and funding comes from state, federal and local sources. In the 2013-2015 biennium, these funds account for almost \$39.3 million out of the total \$7 billion budget. As mentioned earlier, \$52 million in additional freight rail bonding authority was also included in the 2013-2015 biennial budget. The distribution of the funds, including program budgets and additional bonding authority, in the 2013-2015 biennium is:

- **Railroad crossings** – \$14,468,400
  - 46 percent, or \$6,583,600, is federal funds
  - 54 percent, or \$7,884,800, is state funds
- **Passenger rail service** – \$13,300,000
  - 100 percent is state funds
  - Represents Wisconsin's operating assistance responsibility for Amtrak's *Hiawatha Service* and other passenger rail efforts
- **Freight rail loan repayments (FRIIP program)** – \$8,000,000
  - 100 percent of these funds come from repayments of previous loans, and are considered local funding, as the repayments come from project sponsors (often local government entities)
- **Rail service assistance** – \$3,510,200
  - 3 percent, or \$1,000,000, is federal funds
  - 69 percent, or \$2,410,200, is state funds
  - 28 percent, or \$1,000,000, is local funds
  - Represents the operating budget for the department's rail program section and for some activities that are not covered by one of the primary rail programs
- **Additional freight rail bonding (FRPP)** – \$52,000,000

The following section describes state programs that fund freight, intercity passenger and commuter rail projects.

### ***Wisconsin freight rail programs***

WisDOT has been providing freight rail assistance since 1977. Early efforts focused on assisting community efforts to preserve freight rail service to communities that would otherwise have been negatively affected if service was abandoned. In 1992, Wisconsin voters approved an amendment to the state constitution allowing the state to become directly involved in rail acquisition, rehabilitation and development projects. Two programs operate under this authority: the Freight Rail Infrastructure Improvement Program (FRIIP) and the Freight Rail Preservation Program (FRPP).

#### **Freight Rail Infrastructure Improvement Program**

FRIIP loans enable WisDOT to fund a broad array of improvements to the rail system, particularly on privately owned lines. The program also provides funding for other rail-related projects such as loading

and transloading facilities. Since 1992, \$112 million in loans have been awarded. The available funding is from repayments of prior loans. The program provides loans of up to 100 percent of the cost for rail projects that connect an industry to the national railroad system; make improvements to enhance transportation efficiency, safety, and intermodal freight movement; accomplish line rehabilitation; and help further develop the economy. FRIIP loan repayments will fund another \$8 million in projects in the 2009-2011 biennium.

### **Freight Rail Preservation Program**

FRPP provides grants to industries, railroads and local units of government for the purpose of preserving essential rail lines and rehabilitating them following purchase. Since 1980, under the original Rail Assistance Program and later FRPP, \$155 million in grants have been awarded for rail acquisition and rehabilitation projects. The 2013-2015 biennial budget included \$60 million in bonding authority for the program. The program provides grants of up to 100 percent of the cost to acquire rail lines and 80 percent of the cost to:

- Conduct rail line improvements in an effort to continue freight service, or for the preservation of the opportunity for future rail service
- Rehabilitate facilities, such as tracks or bridges, on publicly owned rail lines

### **Wisconsin Transportation Economic Assistance Program**

In addition to the freight rail preservation and improvement programs, WisDOT manages the Transportation Economic Assistance (TEA) program. It was established by the state legislature in 1986. The program's goal is to attract and retain business firms and create or retain jobs in the state. About 25 percent of the funds have gone to rail projects.

Job creation is an explicit requirement for these grants. Applications are ranked based on cost per job promised, as well as the local unemployment rate and benefits to regional transportation. Recipients must assure that the number of jobs anticipated from the proposed project will be in place within three years from the date of the project agreement and remain after another four years.

From the beginning of the first TEA program cycle in September 1987 through September 2013, 80,595 jobs have been directly and indirectly created or retained through the \$93 million invested in grants awarded to 203 communities, and benefiting 363 businesses. A September 2007 job audit revealed that actual job creation and retention is 6.3 percent higher than promised. The average cost per direct job created or retained statewide is \$2,577.

The program provides 50 percent funding grants, ranging from \$30,000 to \$1 million to eligible communities or private businesses for projects that help attract employers to Wisconsin, or encourage businesses and industries to remain and expand in the state. Recipients are responsible for funding the other 50 percent of the project cost. Funding for the TEA program in the 2013-2015 biennium is \$6.8 million.

## ***Wisconsin passenger rail programs***

WisDOT has supported passenger rail service since 1989. Several funding sources have enabled the department to maintain and enhance passenger rail service in Wisconsin. Wisconsin funds several programs related to passenger rail. The following provides a description of these funding sources, programs and state policies.

### **Rail capital improvement bonding authority**

In 1993, Wisconsin's Legislature enacted bonding authority in the amount of \$50 million to fund capital improvements for intercity passenger rail. This amount was subsequently increased twice to a total of \$122 million. Currently, \$43 million of bonding authority remains. The department has used this bonding authority for various rail-related needs, including the purchase of the Milwaukee Intermodal Station. See Chapter 6, Intercity Passenger Rail, for more information.

### **Passenger rail operating assistance**

Operating assistance is an important component of the overall successful operation of the passenger rail network. At this time, Wisconsin and Illinois contract with Amtrak to provide the *Hiawatha Service* between Chicago and Milwaukee. Since roughly 75 percent of *Hiawatha Service* riders are Wisconsin residents, Wisconsin pays 75 percent and Illinois pays 25 percent of net operating costs (after operating revenues are subtracted). There is a budget of approximately \$13.3 million for the *Hiawatha Service* in the 2013-2015 biennium. In contrast, the *Empire Builder* service is one of Amtrak's long-distance routes; it is part of Amtrak's national network, and does not receive operating support from any state.

Any new corridor services that are implemented will require operating assistance. The exact proportion of costs may change due to factors such as refinements to Amtrak's cost estimate methodology, annual ticket revenues, and changes or decisions made at the national level.

Section 209 of PRIIA requires Amtrak to develop a consistent method for cost sharing to ensure consistency in the way states pay for corridor services. While Wisconsin and Illinois help pay for the *Hiawatha Service*, some other states have not historically paid for their corridor services. The Section 209 cost sharing policy went into effect on October 1, 2013. As Amtrak continues to refine its cost sharing method, some of Wisconsin's costs associated with the *Hiawatha Service* may change.

### **State Rail Station Capital Assistance Program**

To further support passenger rail needs statewide, the Wisconsin Legislature created the State Rail Station Capital Assistance Program. This program is not currently funded, but the structure is in place for future use. Working with local governments and the private sector, the program may be used to:

- Upgrade existing stations
- Build new stations
- Ensure that all stations are accessible to people with disabilities
- Encourage connections with other transportation modes such as airplanes, intercity bus, and local transit and taxi service

See Chapter 6, Intercity Passenger Rail, for more information.

### **Fixed-Guideway Capital and Operating Assistance Program**

Wisconsin has a commuter rail capital program that may cover up to 50 percent of the total non-federal share of capital costs, or up to 25 percent of total costs, whichever is less. The local sponsor will fund the remainder of the costs.

State transit programs receive state operating assistance based on a tiered system. During the 2009-2011 biennial budget, the legislature created a separate funding tier for commuter rail. Established under state statute 85.062(3), Tier A3 may be used to fund commuter or light rail. To date, however, this tier has not been funded.

## **Federal Funding for Rail**

Several federally funded programs support intercity passenger rail, freight rail and commuter rail needs. Federal funding that may be used to support rail comes from:

**Federal Railroad Administration:** Funding is determined annually and is discretionary. Changing priorities from both Congress and different administrations have modified the mix of funding programs at the FRA resulting in the introduction of newer initiatives to the already existing long-term programs.

**Federal Highway Administration:** Funding is from the Highway Trust Fund and is allocated to states and metropolitan planning organizations through formulas.

**Federal Transit Administration:** Funding is provided by the Highway Trust Fund and the federal General Fund. Dollars can be used to support planning and implementation of transit activities, including commuter rail.

The following sections briefly discuss the array of existing federal programs and finance tools available.

### ***Intercity passenger rail***

#### **Passenger Rail Improvement and Investment Act of 2008**

The Passenger Rail Improvement and Investment Act of 2008 (PRIIA) authorized the expenditure of over \$13 billion between 2009 and 2013. The legislation supports passenger rail service and promotes the development of new and improved intercity passenger rail services. It also establishes an Intercity Passenger Rail Capital Grant Program for states. As part of this program, states are required to identify passenger rail corridor improvement projects in their state rail plans.

PRIIA also established three new competitive grant programs for funding high-speed intercity passenger rail improvements. Each of the three programs provides 80 percent federal funding with a required 20 percent non-federal match. Funding for these authorized programs is subject to annual appropriations by Congress. The intercity passenger rail programs created under PRIIA replaced the State Capital Grant

Program as the FRA's key discretionary grant program for intercity passenger rail network development. WisDOT will continue to apply for PRIIA grants as they become available for eligible projects.

### **Intercity Passenger Rail Service Corridor Capital Assistance Program**

This program is intended to create the framework for a new Intercity Passenger Rail Service Corridor Capital Assistance Program. The program authorizes the U.S. DOT to use appropriated funds to issue grants to assist in financing the costs of the facilities, infrastructure, and equipment necessary to provide or improve intercity rail transportation. States or groups of states, interstate compacts, and public intercity passenger rail agencies established by states are eligible for these grants. To be eligible for program funding, projects must be included in an approved state rail plan. Existing or proposed intercity passenger services in Wisconsin are eligible under this program.

### **High-Speed Intercity Passenger Rail Corridor Development**

PRIIA also authorized \$1.5 billion annually to establish and implement the High-Speed Intercity Passenger Rail Corridor Development (HSIPR) Program. Funding focused on projects intended to develop the 11 federally designated high-speed corridors for intercity passenger rail services that may reasonably be expected to reach speeds of at least 110 miles per hour. There is currently one federally designated high-speed rail corridor in Wisconsin (Chicago-Milwaukee-Minneapolis/St. Paul).

### **Congestion Grants**

This program authorizes \$325 million annually for grants to states, or to Amtrak in cooperation with states, for financing the capital costs of the facilities, infrastructure, and equipment for high-priority rail corridor projects necessary to reduce congestion or facilitate intercity passenger rail ridership growth.

### **American Recovery and Reinvestment Act of 2009**

In February 2009, the American Recovery and Reinvestment Act (ARRA) was enacted. It provided funding for three programs with rail project eligibility to states:

- Flexible highway program – provided \$27.5 billion of flexible highway funding for surface transportation improvements, including rail improvements. Eligibility criteria included projects being “shovel ready” for early implementation.
- Intercity passenger rail/high-speed rail program – provided \$8 billion of high-speed intercity passenger rail funding to “jump start” intercity passenger rail improvements authorized under PRIIA. The federal share of costs was up to 100 percent. Proposed projects were not required to be included in a state rail plan.
- Transportation Investments Generating Economic Recovery (TIGER) discretionary grants – provided \$1.5 billion of discretionary grants. Eligible programs included capital investment projects for rail, highways, bridges, public transportation, and ports. Grants were awarded on a competitive basis.

Wisconsin ultimately received \$14 million through HSIPR in 2010 for Chicago-Milwaukee corridor improvements. These funds supported the Truesdell crossover project on Canadian Pacific's C&M Subdivision between Sturtevant and the Wisconsin/Illinois border, and the Milwaukee Airport Rail Station platform extension project.

### **Other Federal Railroad Administration grant programs**

Wisconsin received \$5 million under FRA's Capital Assistance to States – Intercity Passenger Rail Service Program (\$5 million matched by Canadian Pacific Railroad, the owner and operator of the rail line) to support installation of continuously welded rail on the Chicago to Milwaukee corridor, which serves as the corridor for Amtrak's *Hiawatha* service.

### **Federal funding support for Amtrak**

The National Passenger Railroad Corporation, Amtrak, operates the nation's intercity passenger rail service. Passenger rail service includes both long-distance and corridor-level service. Amtrak fully funds long-distance trains such as the *Empire Builder* service that operates in Wisconsin, connecting the Midwest to the West Coast. Amtrak contracts with several states to operate corridor services – including Wisconsin and Illinois for the *Hiawatha Service*. A sizable portion of Amtrak's revenues are derived from ticket fares. In addition to revenues from its own operations, Amtrak receives operating and capital funding through the annual budget appropriations from Congress.

### ***Freight rail***

#### **Rail Line Relocation and Improvement Capital Grant Program**

The Rail Line Relocation and Improvement Capital Grant Program (RLR) provides grants to states and communities for the purpose of "mitigating adverse effects" of railroad operations on safety, congestion or other quality-of-life issues. Most of this program's funds are earmarked for specific projects, with the remainder applied to competitive grants. WisDOT will apply for RLR grants for eligible projects as they become available.

#### **Railroad Rehabilitation and Improvement Financing Program**

This program allows the Federal Railroad Administration to provide direct federal loans and loan guarantees of up to \$35 billion to railroads, state and local governments, government-sponsored authorities and corporations, joint ventures that include at least one railroad, and some freight shippers. The funding may be used to acquire, improve or rehabilitate intermodal or rail equipment or facilities; refinance outstanding debt incurred for the purposes listed above; and develop or establish new intermodal or railroad facilities. Direct loans can fund up to 100 percent of a railroad project with repayment periods of up to 35 years and interest rates equal to the cost of borrowing to the government, but the borrower must also pay a credit risk premium for the loan. Wisconsin does not use this program because loans are not a preferred financial tool for the state.

#### **Railroad Rehabilitation and Repair Program (RRR)**

This program authorizes the secretary of the U.S. DOT to provide \$20 million in grants to states. The program is used to repair and rehabilitate Class II and Class III railroad infrastructure damaged by hurricanes, floods and other natural disasters in areas for which the president has declared a major disaster area. The funds cover 80 percent of a project's cost. WisDOT will apply for RRR grants for eligible projects as they become available.

## ***Commuter rail***

The Federal Transit Administration (FTA) administers capital funding for commuter rail systems primarily through two separate grant programs:

**The State of Good Repair Program** (Section 5337, of Title 49, United States Code) – provides funds to repair and upgrade fixed-guideway transit systems. Funds are distributed through a formula to state and local government authorities in urbanized areas with fixed-guideway systems that are at least seven years old.

**Fixed Guideway Capital Investment Grants Program** (Section 5309, of Title 49, United States Code) – provides funding for new commuter rail and fixed-guideway systems or extensions of existing systems. Funding is allocated at the discretion of the FTA and the program requires project sponsors to undergo a multi-step, multi-year process to be eligible for funding. The proposed Kenosha-Racine-Milwaukee (KRM) and Transport 2020 commuter rail projects are examples of potential Wisconsin projects that may be funded under this program.

**The Urbanized Area Formula Program** (Section 5307, of Title 49, United States Code) makes federal funds available to urbanized areas (incorporated areas with populations over 50,000) and to governors for fixed-guideway transit capital projects, operating assistance and planning activities. Eligible activities include planning, engineering design, studies and capital investments in new and existing fixed-guideway systems including rolling stock, track, signals, communications, and computer equipment. For urbanized areas with populations less than 200,000, operating assistance is an eligible expense and funds are apportioned to governors for distribution. For urbanized areas with 200,000 in population and over, funds are apportioned and flow directly to the designated local sponsor.

Other fund sources that may be used to support commuter rail planning efforts include the **Metropolitan Planning Program** (Section 5303 of Title 49, United States Code) which apportions 80 percent of program funds to states for distribution to metropolitan planning organizations in urbanized areas. A supplemental amount (the remaining 20 percent) is also provided to the states based on an FTA administrative formula to address planning needs in larger, more complex, urbanized areas.

The American Recovery and Reinvestment Act funded an additional \$750 million nationally for these programs in 2009. See Chapter 6, Commuter Rail, for more discussion of commuter rail.

## ***Other federal funding or assistance***

In addition to the programs aimed specifically at funding passenger, freight and commuter rail, there are several programs that also address rail transportation needs. The following provides a brief overview of each program. In general, the funds do not support a specific rail mode (freight, passenger, or commuter); instead they may address an issue such as safety or be used for one or more of the types discussed.

### **Highway-Railway Grade Crossing Program**

Formerly known as Section 130, these federal funds are available to improve safety for highway-railway grade crossing improvements. Funded under the surface transportation authorization – Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21) – the Federal Highway Administration administers the dollars for improvements to grade crossings including design and traffic control devices. WisDOT will continue to utilize Highway-Rail Grade Crossing Program funds to improve safety at grade crossings.

### **Congestion Mitigation and Air Quality Improvement Program**

The Congestion Mitigation and Air Quality (CMAQ) program funds projects that reduce traffic congestion and help meet federal Clean Air Act requirements. Program funding may be used for freight and passenger rail projects that accomplish the program's goals. Funding is generally available for projects located in areas that do not meet the National Air Quality Standards<sup>1</sup> (i.e. non-attainment areas), and in former non-attainment areas now in compliance (i.e. maintenance areas). From 1995 to 2008, Wisconsin used this program to help fund operating costs for the *Hiawatha Service* running between Chicago and Milwaukee. While CMAQ funds are not currently used to fund these operating costs in Wisconsin, they have been used to fund marketing campaigns for Amtrak's *Hiawatha Service*. CMAQ funds were also used to address some of the costs for the Milwaukee Intermodal Station renovation, and have been set aside to pay for some of the costs associated with the Milwaukee Intermodal Station passenger concourse.

### **Local Transportation Enhancements Program**

The Transportation Alternatives Program (TAP) funds projects that increase multimodal transportation alternatives and enhance communities and the environment. Federal funds administered through this program provide up to 80 percent of the costs for a wide variety of projects including rehabilitation of historic transportation buildings and conversion of abandoned railway corridors to non-motorized use. Wisconsin communities have used TAP's predecessor to convert abandoned railway corridors into trails, and have rehabilitated and preserved several historic train depots across the state. These activities not only preserve the state's transportation history, they also have increased tourism and economic opportunities for many Wisconsin communities. WisDOT will continue to work with local governments to administer TAP program funds for eligible projects.

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<sup>1</sup> Allowable ambient concentrations for six "criteria" pollutants: carbon monoxide, nitrogen dioxide, ozone, particulate matter, sulfur dioxide and lead. The U.S. EPA established the standards as part of the Clean Air Act (as amended in 1990).

### **Transportation Infrastructure Finance and Innovation Act of 1998**

The Transportation Infrastructure Finance and Innovation Act allows the U.S. Department of Transportation to fill private financing gaps for major surface transportation projects of national or regional significance by providing direct loans, loan guarantees, and secured lines of credit to state and local governments, transit agencies, and railroad companies. Some intercity passenger rail projects for facilities or rolling stock acquisition are eligible. Assistance is limited to 33 percent of the total project cost. Wisconsin does not use this program, as loans are not a preferred finance tool for the state. Wisconsin prefers grant funding that does not add to the state's debt.

### **Private activity bonds**

Tax-exempt private activity bonds are used to facilitate private investment in eligible projects by granting the private entity tax-exempt status on the bonds. Providing private developers and operators with access to tax-exempt interest rates substantially lowers the cost of capital, thus enhancing investment prospects. WisDOT will monitor use of private activity bonds for potential future use, if appropriate.

### **State infrastructure banks**

In 1996, a pilot program for State Infrastructure Banks (SIBs) was authorized, creating revolving infrastructure investment funds for surface transportation needs that are established and administered by states. SIBs operate like any other bank. Once they are capitalized with federal aid and state funds, these banks can offer loans or other financial assistance to sponsor projects. Wisconsin has not used this program much for rail because neither the state's railroads nor the state want to incur more debt.

As previously discussed, federal funding can take many forms – grants, direct loans, and beneficial tax status or credit assistance such as loan guarantees – and are used for various purposes. The permitted uses of each type of fund are summarized in Table 10-1.

**Table 10-1: Permitted uses of federal funds by type**

Funding Source	Planning	Project Development	Project Management	Capital Improvements	Operations
Fixed Guideway Modernization			X	X	
New Starts		X	X	X	
Amtrak				X	X
High Speed Intercity Passenger Rail	X	X	X	X	
Rail Line Relocation			X	X	
Railroad Rehabilitation and Repair			X	X	
Grade Crossings		X	X	X	
TIGER			X	X	
Railroad Rehabilitation and Improvement Financing		X	X	X	
TIFIA			X	X	
Private Activity Bonds			X	X	

Source: U.S. DOT

**TIGER = Transportation Investments Generating Economic Recovery program**

**TIFIA = Transportation Infrastructure Finance and Innovation Act of 1998**

## Future Funding at the Federal Level

As discussed throughout the rail plan, WisDOT has identified a number of issues and needs, with recommended actions over the next 20 years to address them. Implementation of these actions will require sufficient funding. A number of federal funding programs have been initiated to support rail planning and investment. These will help Wisconsin continue to improve the state’s intercity passenger rail network. In addition, legislative support and approval of program increases to support freight rail preservation activities has also been significant. However, a robust rail network that integrates the state’s overall transportation system will require ongoing funds. Several ideas and concepts have been discussed; some are under consideration at the national level. WisDOT will continue to monitor the discussion of future transportation funding at the federal level and will take appropriate steps to strategically position the state to apply for federal competitive grants.

Sustained federal funding commitments are crucial to achieving planned improvements of the intercity passenger rail network. Likewise, the role the federal government plays in funding commuter rail is crucial to Wisconsin communities’ ability to implement metropolitan commuter rail systems. For freight rail, the federal government will continue to play a role in funding safety programs such as rail-highway crossings and complex multi-jurisdictional freight projects such as the CREATE project in the Chicago area.

## **Future Funding at the State Level**

As discussed throughout the plan, Wisconsin has a long history of investing in rail initiatives. Whether paying for studies of future passenger rail routes, or the state match on federal grants to improve passenger rail infrastructure, or preserving underutilized rail lines for future use, Wisconsin has shown a commitment to funding rail improvements.

As the department implements the recommendations outlined in each of the rail plan chapters, WisDOT will continue to identify funding needs, set priorities and work with the legislature and other stakeholders including the FRA to manage and build upon Wisconsin's quality rail network.

## **Assessing Rail Costs and Benefits**

Justifications for public participation in railroad infrastructure improvements generally focus on the public benefits arising from reduced traffic congestion, economic development, reduced environmental emissions, increased safety and other positive externalities. Benefit-cost analysis is a policy evaluation tool that has been used in a variety of public investment projects to determine whether the social benefits of a public investment project outweigh its social costs, and to rank projects according to their cost effectiveness. The tools necessary to identify externalities and quantify the benefits that may result from railroad infrastructure improvements include demand models that account for shipper responsiveness to changes in prices, quality of service, and economic activity; and supply models that can be used to model the impacts of particular infrastructure investments on capacity.

Unlike highway projects, where public infrastructure is involved, the public funding of railroad projects often involves the commitment of public funds to the infrastructure of private entities. However, given the positive externalities or reductions in negative externalities associated with rail transportation (both freight and passenger), public commitments to railroad infrastructure investment can prove to be socially beneficial. The use of cost-benefit analysis that encompasses global costs and benefits is a key to targeting the most socially desirable projects. WisDOT currently has two different methodologies for analyzing benefits and costs of projects. The benefit-cost analysis done for passenger rail projects includes economic and environmental factors, while the analysis done for freight rail projects includes transportation savings for the project sponsor. WisDOT will explore developing more refined tools to evaluate the relative benefits and costs of projects in a multimodal framework and on a consistent basis among passenger, commuter and freight rail projects.

## **Wisconsin's Long-Range Rail Investment Program**

The Passenger Rail Infrastructure Investment Act requires states to develop a long-range rail investment program as part of its state rail plan development effort. The program must include a list of "any rail capital projects expected to be undertaken or supported in whole or in part by the State." See Appendix 10-A, Wisconsin's Long-Range Rail Investment Program.