CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 31, 2003

H.R. 2571
Rail Infrastructure Development and Expansion Act for the 21st Century

As ordered reported by the House Committee on Ways and Means on October 28, 2003

SUMMARY

H.R. 2571 would authorize the appropriation of $100 million each year over the 2004-2011 period to provide grants to public agencies for developing high-speed-rail corridors, and for improving the technology for high-speed-rail systems. Assuming appropriation of the authorized amounts, CBO estimates that implementing those provisions would cost $253 million over the 2004-2008 period and another $547 million after 2008.

H.R. 2571 also would expand the Railroad Rehabilitation and Improvement Financing (RRIF) program. This program authorizes the Federal Railroad Administration (FRA) to provide direct loans and loan guarantees for the development of railroad infrastructure. H.R. 2571 would raise the ceiling on the total amount of outstanding loans or loan guarantees authorized under the RRIF program from $3.5 billion to $35 billion. CBO estimates that additional direct spending under this provision would be insignificant until after 2013.

H.R. 2571 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform (UMRA) and would impose no costs on state, local, or tribal governments. State and local governments would benefit from using grants, loans, and loan guarantees to finance high-speed-rail projects and any costs they face would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2571 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
SPENDING SUBJECT TO APPROPRIATION [a]						
Spending Under Current Law for High-Speed-Rail Programs						
Budget Authority [b]	30	0	0	0	0	0
Estimated Outlays	25	21	18	15	9	0
Proposed Changes						
Authorization Level	0	100	100	100	100	100
Estimated Outlays	0	14	26	42	71	100
Spending Under H.R. 2571 for High-Speed-Rail Programs						
Authorization Level	30	100	100	100	100	100
Estimated Outlays	25	35	44	57	80	100

a. Enacting the bill also would increase direct spending, but CBO estimates those effects would not be significant over the 2004-2013 period.

b. A full-year appropriation for fiscal year 2004 has not yet been enacted.

BASIS OF ESTIMATE

Implementing H.R. 2571 would increase spending on grants to develop high-speed-rail corridors and improvements in technology for high-speed rail. This spending would be subject to appropriation. Enacting H.R. 2571 also could increase direct spending by expanding the RRIF program; but CBO estimates those effects would not be significant over the 2004-2013 period.

Spending Subject to Appropriation

For this estimate, CBO assumes that H.R. 2571 will be enacted this fall and that amounts authorized will be appropriated for each year. Outlay estimates are based on historical spending patterns for the high-speed-rail assistance program and information from FRA.

High-Speed-Rail Corridors. Under current law, FRA provides grants to public agencies for planning corridors for high-speed-rail projects. H.R. 2571 would authorize the appropriation of $70 million each year over the 2004-2011 period for this program, and the bill would allow agencies to use grants for acquiring locomotives, rolling stock, track, and signal equipment. CBO estimates that extending this grant program would cost $177 million over the 2004-2008 period and another $383 million after 2008, assuming appropriation of the authorized funds.

Technology for High-Speed Rail. H.R. 2571 would authorize the appropriation of $30 million each year over the 2004-2011 period to continue FRA's program aimed at improving high-speed-rail technology. CBO estimates this provision would cost $76 million over the 2004-2008 period and another $164 million after 2008, assuming appropriation of the authorized funds.

Direct Spending

Under the RRIF program, FRA provides direct loans and loan guarantees for the development of railroad infrastructure. H.R. 2571 would increase the total amount of outstanding loans or loan guarantees authorized under the RRIF program from $3.5 billion to $35 billion. CBO estimates that the RRIF program operates at a net cost to the federal government; however, because we expect that the total level of loans and loan guarantees is unlikely to exceed the program's existing authority until after 2013, CBO estimates that enacting H.R. 2571 would not result in any significant additional costs for this program over the next 10 years.

Under the RRIF program, borrowers can pay a premium to the government to cover the estimated subsidy cost of their loans, thus securing a loan or loan guarantee without further appropriation. After borrowers have repaid their loans, current law requires the government to return the amount of premiums that exceeded the actual subsidy cost of their loans and guarantees. The government is not authorized to collect additional money, however, if the premiums do not fully cover the subsidy cost of the loans and loan guarantees. This asymmetry in the program structure is the reason why CBO expects that RRIF is likely to have a net cost to the government over many years. The actual subsidy cost of each loan or loan guarantee made under the RRIF program may be higher or lower than what FRA initially collects from the borrower; however, after the excess premiums have been repaid, some premiums may be lower than the actual subsidy cost, but none will be higher.

The RRIF program was authorized in 1998 by the Transportation Equity Act for the 21st Century. Since 1998, FRA has approved four loans and disbursed $107 million including a $100 million loan to Amtrak. Based on information from FRA, railroad associations, and railroads, CBO does not expect that FRA will disburse more than the

$3.5 billion in loan principal authorized under current law before 2013. The bill would restrict the Administration from requiring applicants to offer collateral or seek financial assistance from other sources before applying for credit under RRIF. Although those changes to the program might increase demand for credit under RRIF, CBO expects that over the next 10 years, railroads are still likely to apply for relatively small loans in comparison to the size of the program under current law.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2571 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. State and local governments would benefit from using grants, loans, and loan guarantees to finance high-speed-rail projects and any costs they face would be incurred voluntarily.

PREVIOUS CBO ESTIMATE

On August 28, 2003, CBO transmitted a cost estimate for H.R. 2571 as ordered reported by the House Committee on Transportation and Infrastructure on June 25, 2003. In addition to the provisions discussed in this estimate, the earlier version of the bill would authorize states to issue tax-exempt and tax-credit bonds to finance infrastructure for high-speed-rail transportation projects. The Joint Committee on Taxation estimated that the bond provisions would lower federal revenues, and CBO's cost estimate included those estimates.

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