Key Issues for FY 2019 – FY 2024 CIP

Key Issue A: State funding beyond FY 2018: Changes to the level of and allocation method for state transit funds will exacerbate VRE’s capital funding challenges.

The FY 2018 to FY 2023 CIP illustrated the funding challenges VRE faces, since currently identified funding falls short of the system’s capital needs. One major factor is the uncertainty of available levels of future state funding for capital needs, which is expected to drop off sharply in FY 2019 and FY 2020 when bond funding supporting the state contribution to capital projects is no longer available. VRE’s FY 2018 Budget was based on $10.6M of state transit capital funds used as match for federal formula funds and an additional $5.7M to support track access fees, based on a “tiered” percentage funding system that has been in place since FY 2014.

The Transit Capital Revenue Advisory Board (RAB) was created to identify possible sources of replacement revenue and to develop a methodology for project prioritization, with technical support provided by the Transit Service Delivery Advisory Committee (TSDAC). The current proposals to develop a statewide prioritization process for the allocation of state capital funds for state of good repair projects will mean that VRE cannot depend on consistent state support for our highest priority projects and could well have significant difficulties in meeting federal grant match requirements.

Key Issue B: Midday Storage: The construction of alternate midday storage facilities will require a significant funding commitment over the next several years.

The current agreement with Amtrak includes provisions for Amtrak to reclaim VRE’s midday storage space at the Ivy City yard for their own use during the next several years. As a result, VRE must proceed expeditiously to replace the storage yard now used at Ivy City. Work done on the project thus far indicates that it will require a substantial portion of available federal formula funds over the term of the FY 2019 to FY 2024 CIP and may require the identification of other funding sources.

In addition to the replacement of the current storage tracks, VRE needs to increase midday train storage beyond what is currently available in order to provide for downtown storage of all existing trains. This will be accomplished with the completion of storage tracks north and south of the L’Enfant station during FY 2018.

The new storage yard is expected to have the capacity to accommodate future growth as well as replace the current storage slots.
**Key Issue C: Capital costs at Washington Union Terminal (WUT):** VRE’s future required contribution to capital investments at WUT is dependent on the cost sharing mechanism being developed by the Northeast Corridor Commission.

The FY 2018 to FY 2023 CIP included $45M to fund track, signal, platform and passenger facility upgrades and re-alignments at Washington Union Terminal. Some of these funds will be used for interim improvements at the terminal, as agreed to between Amtrak and VRE. The more significant costs will be the result of the allocation of infrastructure improvements to all users of the terminal based on a formula that is currently being developed by the Northeast Corridor (NEC) Commission. At this time, we do not know whether the amount programmed is higher or lower than the amount that will be required.

The NEC Commission was created under a provision of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) in order to develop consistent methodologies for the equitable sharing of operating costs and infrastructure investments within the Northeast Corridor for commuter and intercity rail services. The Commission is comprised of members from each of the NEC states, Amtrak and the U.S. DOT with non-voting representatives from freight railroads and states, such as Virginia, which connect to the NEC. The Commission approved a cost allocation policy for operating costs in September 2015; for VRE this policy now determines the cost of our access to WUT. The Northeast Corridor Capital Investment Plan for Fiscal Years to 2018 to 2022 outlines $38B of backlog or improvement projects needed to support the Corridor. The Commission is currently working on a method for allocating these capital costs to the users of NEC assets.

**Key Issue D: Resources needed to implement the capital program:** Capital improvements needed to support the current level of VRE service, to increase railroad infrastructure capacity in the VRE service territory or to grow the system to meet future expected demand require the identification and commitment of funds beyond those currently available to VRE.

Each of the existing sources of capital funding that VRE relies on has inherent limitations. Federal funding has increased considerably over the last several years, but the limitations on the use of our major source of federal funds, the 5337 or State of Good Repair program, will further complicate our capital funding picture. NVTA regional funding continues to be available on a discretionary basis for certain VRE capital projects, but only for those that provide new capacity and are located within the NVTA jurisdictions; this has created an imbalance of funding sources within VRE. Local sources of funding are limited and must compete with other jurisdictional funding priorities. The limitations of state funding are noted above.

VRE was recently approved for a Smart Scale funding for $92M in FY 2022 dollars. While this funding fills a crucial funding gap for numerous VRE projects at the construction phase, it creates a funding lag as these projects are scheduled to start this phase earlier than when the funds will be available in FY 2022.