



CAPITOL REPORT

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## High-speed rail slowly leaves the station

### Stimulus funds depart soon, but burden on states is big

By [Robert Schroeder](#), MarketWatch

**WASHINGTON (MarketWatch) -- President Barack Obama's plan for a high-speed railway network in the U.S. is leaving the station, albeit slowly and with states that want seats on the funding express in dire fiscal straits.**

On June 17, the Department of Transportation will issue guidance to states on how to apply for a share of the \$8 billion in federal funds for investment into the new railway system. After an intensive bidding process, grants are to go out by the end of September. Obama has also pledged an extra \$1 billion a year for the next five years, adding up to a total federal commitment of \$13 billion.



Reuters

Shanghai's magnetic-levitation bullet train is putatively the world's fastest, traveling at speeds approaching 300 mph.

Obama announced plans for the network in April, saying it would create jobs, cut dependence on automobiles and conserve energy.

With federal funds in hand, states would upgrade existing rail lines so that trains can travel faster. A high-speed train is one that goes 110 miles per hour or more, according to the Federal Railroad Administration. There's only one such line in the U.S. now, running between Boston and Washington, a densely populated corridor sometimes identified as the BosWash megalopolis.

But the catch for strapped states is that they'll also need to chip in -- a point Vice President Joe Biden, an avid rail passenger, underscored in a meeting with governors Wednesday.

That could slow down Obama's high-speed plans.

"We know your state budgets are strained," Biden told governors, including Pennsylvania's Ed Rendell and Michigan's Jennifer Granholm, in an understatement.

A recent report from the National Governors Association and the National Association of State Budget Officers found that state general-fund expenditures in fiscal 2009 saw their first decline since 1983, falling 2.2%, and recommended budgets for fiscal 2010 represent a 2.5% decrease in spending -- which would be the first time actual state spending has fallen two consecutive years.

Ponying up funds for trains might seem unrealistic in such an environment, but Biden said the payoff of investment in high-speed rail will be significant, and at least some seemed to agree.

"I see this as a means of creating jobs -- jobs building the system and jobs building those railcars, which right now are predominantly made in Europe," Granholm told reporters after the White House meeting Wednesday, according to

Reuters. "Let me just say we have lots of capacity in Michigan and workers that are hungry and know how to make things."

But if Michigan and others are to sate workers and lay high-speed tracks, it's clear the states will need to come up with a lot of money on their own. The White House says the \$13 billion for railways will "jump-start" what could become a world-class passenger rail system.

Consider California, where the first phase of a high-speed corridor between Los Angeles and San Francisco is slated to cost \$34 billion -- well more than double the entire federal purse up for grabs.

And California is but one state vying for the money.

In April, Obama identified 10 corridors that have the greatest potential for high-speed rail. Each of them is 100 to 600 miles long. Included are an east-west line in New York and a Gulf Coast line from eastern Texas to western Alabama. Chicago is to be another hub.

### **A lot for a few?**

Whichever states' favored projects get the money, though, many prospective high-speed-rail riders face a long wait. The federal government's money has to be spent by September 2017. By that measure, progress on some high-speed projects could be eight years away.

Meanwhile, as governors look for money in their tight budgets, critics say Obama's high-speed-rail plans will sock taxpayers at the expense of few users.

Randal O'Toole of the libertarian Cato Institute said White House plans leave out 17 states and regions centering on the major cities Denver, Las Vegas and Phoenix.

"Reaching additional areas could push costs close to \$1 trillion," O'Toole wrote this week. "While all taxpayers will share these costs, no more than 1% of American travel is ever likely to be by high-speed rail."

And yet, despite the costs required of states and the lengthy timelines involved in getting high-speed systems up and running, Obama and Biden are apparently winning some converts.

Georgia Gov. Sonny Perdue, a Republican who reportedly had been a high-speed-rail skeptic, is now more enthusiastic, according to a report in the Atlanta Journal-Constitution.

"He was certainly very pleased with the discussion ... and I think he was heartened to hear that there is seemingly a commitment from [Transportation] Secretary [Ray] LaHood and Vice President Biden for the feds to take a lead here," Perdue spokesman Bert Brantley told the newspaper.

To make high-speed rail a reality in the U.S., though, states will have to be as much the engine as the caboose. And in bleak fiscal times, state executives will have a lot of work to do to convince taxpayers how they stand to benefit by funding the train to the future.

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