

# A Fiscal Approach to High Speed Rail

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*Economic and tourism development through transportation*

**Indiana High Speed Rail Association**



# What is different about a “fiscal” approach?

- Studies to-date, for the most part, have been economic studies
- They **HAVE** clearly identified strong economic benefits for the adoption of high speed rail
- What is the difference between economic analysis and fiscal analysis?



# Economic versus Fiscal

- **Economic analysis**
  - pertaining to the production, distribution, and use of income, wealth, and commodities
  - global inputs and global outputs
- **Fiscal analysis**
  - of or pertaining to the public treasury or revenues
  - specific inputs and specific outputs regarding governmental units



# Estimated economic benefits by city

	<u>Low (\$ millions)</u>	<u>High</u>
Gary	\$400	\$1,170
Lafayette	82	239
Indianapolis	347	1,015
Shelbyville	22	65
Greensburg	21	61
Cincinnati	256	749
Michigan City	39	114
South Bend	60	175
Elkhart	47	137

# Moving from

- **Economic analysis**
  - pertaining to the production, distribution, and use of income, wealth, and commodities
- **Fiscal analysis**
  - of or pertaining to the public treasury or revenues



# Building on completed work

- The fiscal plan for Indiana will build on fine work already completed, including the “Midwest Regional Rail Initiative Benefit Cost & Economic Analysis”
- It will focus on 110 mph service using existing freight railroad right-of-way
- It will update and roll forward the existing analysis for Indiana



# Three routes to be studied

- Chicago through Northwest Indiana to Indianapolis and on to Cincinnati
- Chicago through Northwest Indiana across northern Indiana to Toledo and Cleveland
- Chicago through Northwest Indiana to Detroit



# Features of the study

- Realistic staging of the project
- A list of key assumptions and guiding principles used in the analysis
  - All assumptions must be transparent
- Will include:
  - Economic issues
  - Capital funding
  - Operation issues



# Features (continued)

- Consideration of macroeconomic benefits
  - Economic development
  - Job creation
  - Social and environmental benefits
- Microeconomic benefits such as construction and operations cash flows
  - Revenue and expense pro-forma
    - Capital budgeting
    - Operations



# Features (continued)

- Benefits of the Plan will be monetized with associated assumptions made transparent in the final report
- Unique benefits of bringing high speed rail to Indiana will be identified
- Existing and future problems that this system solves will be identified
- It will address arguments against high speed rail in Indiana



# Features (continued)

- The study will identify the “Public” Role
  - Ownership of infrastructure and other capital investments
  - Operations cost coverage including roles of the public sector and the private sector
  - Sources for financing
    - Operations
    - Debt service
- The plan should include assessment of a DBOM model (Design, Build, Operate and Maintain)
- It will identify how much public and private funding is required

# A Case Study - Florida

- Governor Rich Scott said he “didn’t want the state to be on the hook for future operating costs”
- He returned \$2.4 billion to the Federal government
- He said: “The truth is that this project would be far too costly to taxpayers and I believe the risk far outweighs the benefits.”
- We in Indiana must have such a tight business case that such arbitrary decisions by any governor would be political “suicide.”

# Final thoughts

- Make no little plans; they have no magic to stir men's blood.
- Make big plans; aim high in hope and work, remembering that a noble, logical diagram once recorded will not die.

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