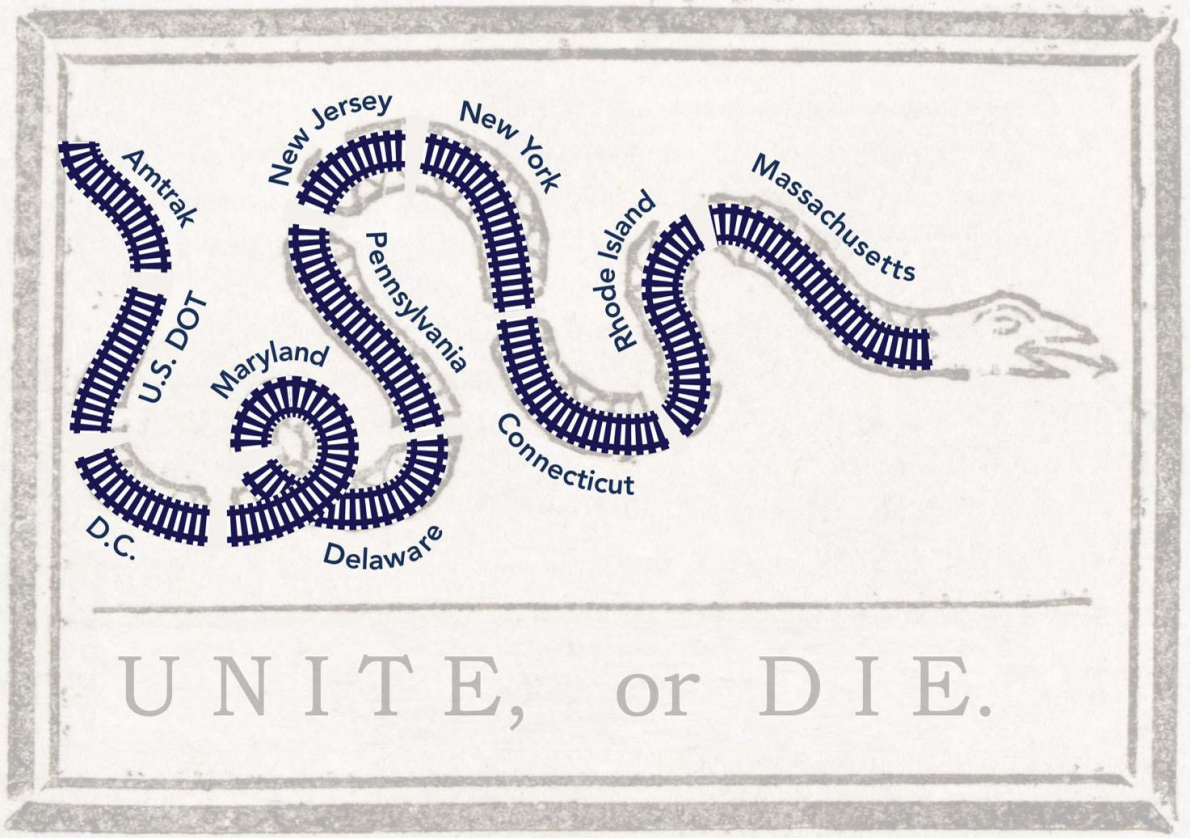
Northeast Corridor Commuter and Intercity Rail Cost Allocation Policy



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Policy Document Changelog

Action Date *(Effective[1])*	Amendment #	Resulting Version	Section/Topic Affected	Action
2014-12-17	2014-A-01 2014-A-02 2014-A-04 2014-A-08 2014-A-10 2014-A-11 2015-A-15a	v01.00	*Consolidated Policy Amendment:* • Project Delivery • Annual Performance Review • Electric Traction Propulsion Power • Liability • NEC Federal Investment Program • Labor Provisions	• Revise § 4.2.2 • Add § 2.2.1 • Revise § 5.3.4 • Revise § 4.4 • Revise § 3.1.2 • Revise § 3.2.3 **Interim Policy adopted**
2015-06-17	2015-A-21 2015-A-23	v02.00	*Consolidated Policy Amendment:* • Environmental Remediation • Process and Schedule for Allocation and Review • Dispute Resolution	• Revise § 5.8 • Revise A[2] 1.4.2 • Revise § 2.7
2015-09-17	2015-A-27 2015-A-28 2015-A-29	v03.00	*Consolidated Policy Amendment:* • Annual Performance Review • Schedule for Early Action Provisions • Other Capital Projects • Capital Payments • NEC Five-Year Capital Plan • Treatment of Capacity • One Year Spend Plan	• Revise § 2.2.1 • Revise § 2.5 • Revise § 5.5.3 • Revise § 6.3 • Revise § 4.2.1.2 • Revise § 4.3.1 • Revise § 4.2.1.3 **Final Policy adopted**
2015-12-07	2015-A-33 2015-A-34	v04.00	• Calculation of Monthly Operating Charges • Unanticipated Service Changes • Process and Schedule for Allocation and Review • Financial Obligation Adjustments • Reconciliation Schedule Options • Master Schedule	• Revise § 6.1 • Add § 6.4 • Revise A 1.4.2 • Add A 1.4.3 • Add A 1.4.4 • Add A 1.8
2016-06-15	2016-A-35 2016-A-36 2016-A-37 2016-A-38	v05.00	• Station Operating Plans • Other Capital Projects • Treatment of Freight • Process and Schedule for Allocation and Review • Master Schedule	• Revise § 5.4.2 • Revise § 5.5.3 • Revise § 5.9 • Revise A 1.4.2 • Revise A 1.8
2017-10-13	2017-A-39	v06.00	• Capital Payments • Definitions	• Revise § 6.3 • Revise A 1.1
2018-03-18	2018-A-40	v07.00	• Other Capital Projects • Master Schedule	• Revise § 5.5.3 • Revise A 1.8
2019-03-05	2017-A-41	v08.00	• Other Capital Projects • Master Schedule	• Revise § 5.5.3 • Revise A 1.8
2019-06-17 *(2019-10-01)*	2019-A-42	v09.00	• Prioritization of Baseline Capital Charges • Other Capital Projects (updated to "Project-Based Cost Allocation Method")	• Revise § 5.5.2.1 • Revise § 5.5.3
2020-10-08 *(2020-10-01)*	2020-A-43	v10.00	All	• Amendment in the nature of a substitute to replace Policy text **Start of 2nd Policy term**

Action Date *(Effective[1])*	Amendment #	Resulting Version	Section/Topic Affected	Action
2022-06-29	2022-A-44 2022-A-45	v11.00	• Asset Assessment and Stations BCCs • Technical Corrections	• Revise § 3.4.2 • Revise § 3.5.2 • Revise § 4 • Revise A 1.1 • Revise A 1.5 • Revise A 1.6 • Revise A 1.7
2023-06-21	2023-A-46	v12.00	• Operation-Specific Cost Differentiation	• Remove § 2.6.3.4
2024-06-26	2024-A-47	v13.00	• Allocation Process (Inflation)	• Revise § 3.4.1.3 • Revise § 3.4.3.4.1
2024-12-17 *(2025-10-01)*	2024-A-48	v14.00	• All	• Amendment in the nature of a substitute to replace Policy text • **Start of 3rd Policy term**

Table Note 1: Added when Effective Date is different than Action Date.
Table Note 2: Appendix

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1.0 Introduction

The Northeast Corridor Commission was established by Section 212 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), codified at 49 U.S.C. § 24905[1] (Section 24905), to facilitate collaborative planning and decision making for the Northeast Corridor (NEC, or the corridor). The NEC rail network includes the main line from Washington, D.C., to Boston, Massachusetts, and branch lines connecting to Harrisburg, Pennsylvania, Springfield, Massachusetts, and Spuyten Duyvil, New York. In addition to Amtrak's intercity service, eight Commuter Authorities and six freight operators travel on the NEC.

PRIIA directed the Commission to develop a standardized cost-sharing formula for NEC infrastructure used by commuter and intercity rail services. The Commission fulfilled this directive through the development of the Northeast Corridor Commuter and Intercity Rail Cost Allocation Policy (the Policy). The Policy was initially approved by the Commission in September 2015 and went into effect on October 1, 2015. In December 2024, the Commission approved the Policy for a new five-year term effective October 1, 2025, through September 30, 2030.

The Policy establishes the required cost-sharing approach and partnership framework needed among state, local, and federal stakeholders to promote accountability, collaboration, and transparency. It represents unprecedented collaboration among NEC partners and is essential to ensuring the corridor continues to serve as the backbone of the region's transportation system and as a catalyst for economic growth.

1.1 Section 24905 Cost Sharing

As a result of the FAST Act,[2] Section 24905 now requires the Commission to "develop a standardized *policy* for determining and allocating costs, revenues, and compensation" that ensures each NEC intercity and commuter rail service is responsible for the costs associated with its use of Sole-Benefit NEC Infrastructure and a proportional share of costs resulting from its use of Common-Benefit NEC Infrastructure. In addition, the statute mandates "no cross-subsidization of commuter rail passenger, intercity rail passenger, or freight rail transportation."

Prior to the Policy's implementation, Operators individually negotiated the cost-sharing terms and provisions of their access and services agreements with Owners. This resulted in disparate arrangements, policies, and business practices, which often served short-erm, parochial interests over the corridor's longer-term, regional interests. In contrast, the Policy requires consistency, transparency, and accountability that incentivizes parties to act in the NEC's long-term interest and a standardized approach to cost sharing that streamlines business practices. A fundamental assumption in reaching agreement and implementing the

[1] See Appendix 1.2 for the complete text of Section 24905.

[2] Fixing America's Surface Transportation Act, Pub. L. No. 114-94, § 11305, 129 Stat. 1312, 1656 (2015).

Policy is that Operators' increased financial contributions should leverage higher levels of federal, state, local, and private investment. The cooperation and coordination of NEC Commission member agencies—as evidenced through the implementation of this Policy—was foundational to the NEC receiving an historic level of funding provided through the Infrastructure Investment and Jobs Act (IIJA),[3] also referred to as the Bipartisan Infrastructure Law.

1.2 NEC Cost Allocation Policy Partnership Framework

Early negotiations to develop the statutory cost allocation formula made clear a formula alone would not unite stakeholders and transform the corridor. As a result, the Commission developed a partnership framework that consists of three pillars:

1) Operator Cost Sharing;
2) Transparency, Collaboration, and Accountability; and
3) Federal Partnership.

Together, the pillars support NEC stakeholder efforts to better overcome long-standing issues that have resulted in suboptimal asset condition and utilization. Rather than each Operator viewing its service independently, the partnership framework calls on stakeholders to treat the corridor as a unified system and work together for its success.

1.2.1 Pillar 1: Operator Cost Sharing

Operator Cost Sharing is the first pillar of the Commission's partnership framework. Chapter 3 describes the cost-sharing approaches the Commission developed in response to its statutory mandate. The approaches include cost sharing via the NEC Cost Allocation Model, which produces annual financial obligations (operating and capital) paid by Operators, and cost sharing via the Project-Based Cost Allocation Method, which applies to common-benefit capital investments not funded by the annual capital obligations. Pillar 1 ensures each Operator covers costs associated with its NEC passenger rail service and supports reliable and predictable funding streams for NEC infrastructure renewal, which are necessary for service quality and reliability and effective capital planning and project delivery.

1.2.2 Pillar 2: Transparency, Collaboration, and Accountability

Transparency, Collaboration, and Accountability is the second pillar of the partnership framework. As described in Chapter 4, the Commission collaborates annually to develop a five-year NEC Capital Investment Plan and prepare reports that monitor and analyze train performance and capital program delivery. In addition, the Commission facilitates a long-term (15-year) planning process, referred to as CONNECT NEC, and supports the implementation of NEC plans by gathering and sharing information about project schedule risks and

[3] Infrastructure Investment and Jobs Act, div. B, tit. II, 135 Stat. 429, 694 (2021) (also known as the Passenger Rail Expansion and Rail Safety Act of 2021).

funding progress. Pillar 2 ensures NEC stakeholders share data and information with each other and the public that were not routinely shared prior to this Policy.

1.2.3 Pillar 3: Federal Partnership

The third and final pillar of the Commission's partnership framework is Federal Partnership. Chapter 5 describes long-standing investment and regulatory challenges that have hampered the NEC and potential policy recommendations for overcoming these challenges. In recognition of the initial Cost Allocation Policy, Congress created the Federal-State Partnership for State of Good Repair (FSP) program[4] in the FAST Act to reduce the corridor's SOGR backlog through increased federal investment. Funding for this program increased significantly thanks to the IIJA with $24 billion being made available to the NEC between FY2022 and FY2026. The IIJA was a breakthrough for the corridor and for the first time provided substantial guaranteed federal funding to advance major SOGR backlog projects through construction. Continued guaranteed funding for the corridor is critical to future success.

1.3 Northeast Corridor Background

No other railroad corridor in North America rivals the NEC's density of traffic and complexity of ownership and operations. Each day, the NEC's 457-mile main line between Boston, Massachusetts, and Washington, D.C., carries approximately 550,000 commuter rail passengers and 447,000 Amtrak passengers on over 2,000 trains.[5] It supports the transportation needs of a regional workforce that contributes $50 billion annually to the United States gross domestic product. It provides reliable access to core employment centers that contain one of every three jobs in the larger NEC region—a region that, if it were its own country, would have the sixth largest economy in the world.

The NEC also plays an important role in supporting the broader transportation system—a one-day loss of the NEC could cost the nation $100 million in additional highway congestion, productivity losses, and other transportation impacts.[6] In addition, traveling by rail offers environmental benefits over traveling by car (or airplane).[7] For example, passenger rail achieves the highest per-passenger fuel economy when compared to other travel modes.

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[4] 49 U.S.C. § 24911 (2018).

[5] *FY2023 Northeast Corridor Annual Report: Infrastructure and Operations,* available at https://nec-commission.com/app/uploads/2024/04/NEC-Annual-Report-FY23.pdf.

[6] *The Northeast Corridor and the American Economy* (Northeast Corridor Infrastructure and Operations Advisory Commission, 2014), available at http://nec-commission.com/app/uploads/2018/04/NEC-American-Economy-Final.pdf.

[7] U.S. Department of Energy, Alternative Fuels Data Center, *Average Per-Passenger Fuel Economy by Travel Mode*, https://afdc.energy.gov/data/10311 (last updated October 2022).

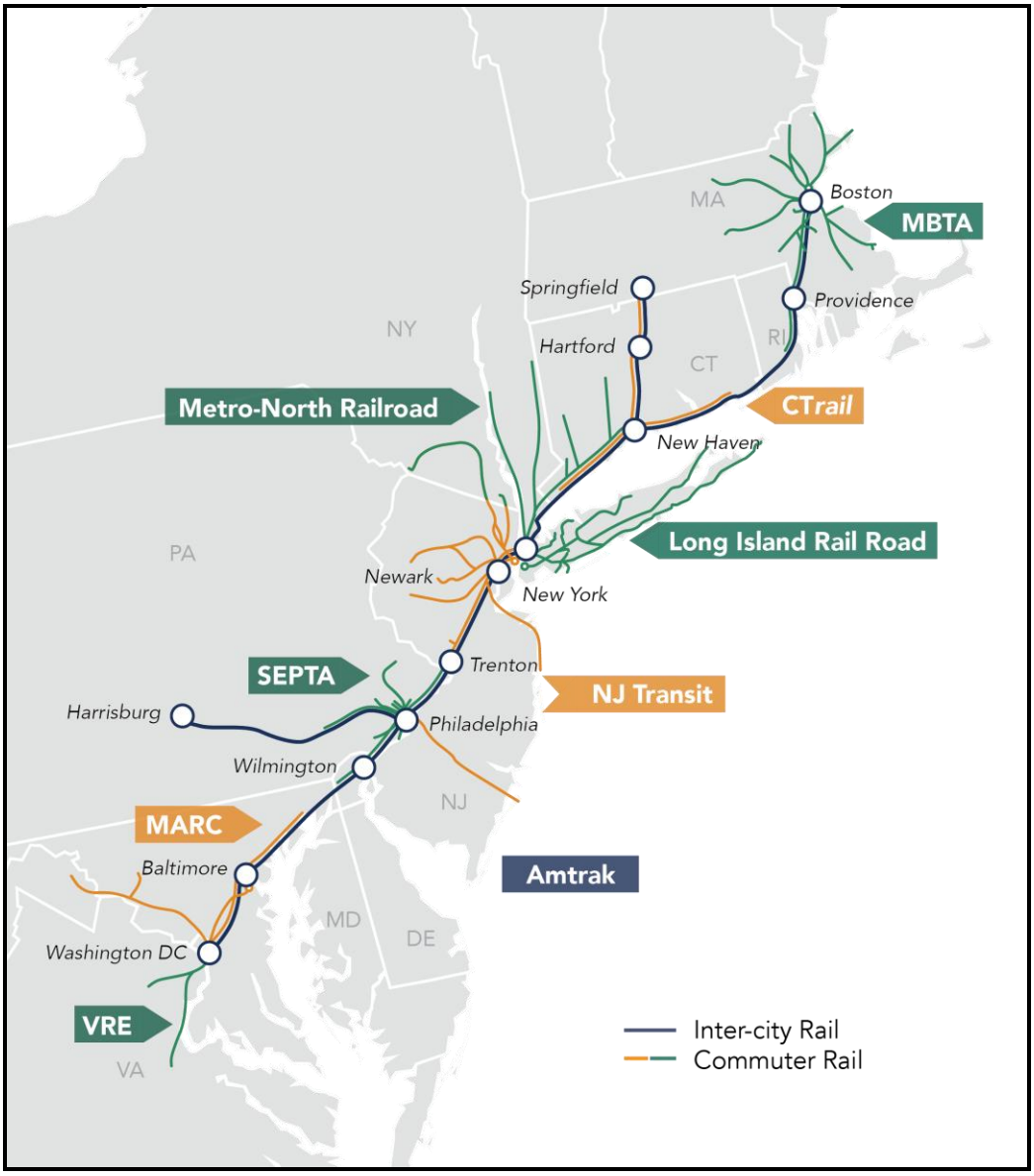
Traveling on the NEC with Amtrak results in 83% less emissions per person than driving alone and as much as 73% less than flying.[8]

The NEC is a shared asset with a complex history and ownership structure (see Appendix 1.9 for more information). The corridor consists of four Right-of-Way Owners and multiple station owners and service providers. Amtrak is the only service provider that operates from end-to-end, though eight Commuter Authorities and six freight carriers also use the NEC rail network. The following commuter rail services operate on the NEC (as shown in Figure 1):

1) Massachusetts Bay Transportation Authority (MBTA)—MBTA also operates service south of Providence under contract for the Rhode Island Department of Transportation (RIDOT).
2) CT*rail*—The Connecticut Department of Transportation (CTDOT) contracts with TransitAmerica Services and Alternate Concepts (TASI/ACI) to operate the Hartford Line and Amtrak to operate Shore Line East.
3) Metro-North Railroad (MNR)
4) Long Island Rail Road (LIRR)
5) New Jersey Transit (NJT)
6) Southeastern Pennsylvania Transportation Authority (SEPTA)—SEPTA also operates service under contract for Delaware Transit Corporation (DTC) in Delaware.
7) Maryland Area Regional Commuter (MARC)—Amtrak operates MARC service under contract to the Maryland Transit Administration.
8) Virginia Railway Express (VRE)

[8] Amtrak, *FY 2022-2027 Service and Asset Line Plans* 9 (2021), available at https://www.amtrak.com/content/dam/projects/dotcom/english/public/documents/corporate/business-planning/Amtrak-Service-Asset-Line-Plans-FY22-27.pdf.

Figure 1: The NEC Rail Network



Amtrak owns the right of way between Washington, D.C., and New Rochelle, New York, and between New Haven, Connecticut, and the Rhode Island–Massachusetts border. The New York Metropolitan Transportation Authority (NYMTA) and CTDOT own the right of way in their respective states for the New Haven Line, which is operated and controlled by MNR. The MBTA owns the right of way from the Massachusetts–Rhode Island border to Boston South Station, known locally as the Attleboro Line. Amtrak dispatches and maintains the right of way in Massachusetts under an agreement with the MBTA. A map illustrating corridor ownership is shown in Figure 2. Station ownership varies and includes Amtrak, Commuter Authorities, states, local governments, and other entities.

Figure 2: Ownership of the NEC Rail Network

1.4 The Northeast Corridor Commission

Congress established the Commission to promote cooperation and planning and to advise Congress on corridor policy. The Commission is composed of one member from each of the NEC states (Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, and Maryland) and the District of Columbia; four members from Amtrak; and five members from the U.S. Department of Transportation (USDOT). The Commission also includes non-voting representatives from freight railroads operating on the NEC, states with feeder corridors that connect to the NEC, and Commuter Authorities not directly represented by a Commission member.

The Commission conducts most of its work through its committees, which can establish working groups to address individual tasks. The committees oversee work activities and make recommendations for the Commission's consideration. Commission staff support the committees and work groups and manage all administrative matters.

1.4.1 Mission Statement

The Northeast Corridor Commission's mission is to bring the states, Commuter Authorities, Amtrak, and U.S. DOT together to modernize and improve the Northeast Corridor rail system through increased collaboration, transparency, and accountability. Through this partnership, the Commission's members can achieve more together than by working alone.

1.4.2 Commission Milestones

Since its formal establishment in 2010, the Commission has become a critical forum for developing strategies for collaboration, crafting policy, determining shared costs, planning capital investments, reporting performance, and conducting research.

Table 1: Commission Milestones

Date	Milestone
October 2008	Passenger Rail Investment and Improvement Act (PRIIA) creates the framework for establishing national and regional policy for the NEC through the creation of the NEC Commission, charged with establishing cost-sharing requirements.
2010	Northeast Corridor Commission is stood up. Initially staffed by USDOT consultants, dedicated staff is hired starting in 2011.
April 2015	Commission approves the first ever five-year capital plan for the Northeast Corridor (the FY2016-20 NEC Capital Investment Plan).
September 2015	Adoption of the Northeast Corridor Commuter and Intercity Rail Cost Allocation Policy The Commission approves the first set of annual financial obligations produced by the NEC Cost Allocation Model.
December 2015	Fixing America's Surface Transportation Act (FAST Act) is signed into law. The act incorporated many of the Policy's recommendations including a collaborative corridor-wide, five-year Capital Investment Plan and the Federal-State Partnership for State of Good Repair program.
May 2018	Last of the bilateral agreements, revised to incorporate the Policy, signed between Owners and Operators
October 2018	Commission approves the FY2019 One-Year Implementation Plan, which includes significant improvements from previous years. Owners provide more geographically specific scopes, schedules, and budgets for their projects and programs, allowing for better tracking of plans in quarterly capital program delivery reports. Commission approves BCC funding level increase to 90% normalized replacement for FY2019.
June 2019	Commission approves Project-Based Cost Allocation Method for capital cost sharing above BCC levels.

Date	Milestone
October 2019	Commission approves the FY2020 One-Year Implementation Plan, which includes enhanced scope, schedule, and budget detail for all projects and programs. Commission approves BCC funding level increase to 100% normalized replacement for FY2020.
October 2020	Commission approves the Policy for a new five-year term effective October 1, 2020, through September 30, 2025.
July 2021	Commission approves CONNECT NEC 2035, the corridor's first-ever 15-year capital and service development plan.
November 2021	Through a bipartisan vote, Congress passes the Infrastructure Investment and Jobs Act providing a historic level of funding to the U.S. passenger rail industry, including $30 billion specifically for the Northeast Corridor.
June 2022	Commission approves updated right-of-way asset data and new stations asset data for use in the Cost Allocation Model thereby improving the accuracy and completeness of the data underlying agencies' capital obligations.
November 2022	FRA publishes the first NEC Project Inventory, a predictable project pipeline that assists Amtrak, States, and the public with long-term capital planning and provides guidance to FRA to make consistent selections.
December 2024	Commission approves the Policy for a new five-year term effective October 1, 2025, through September 30, 2030.

2.0 Policy Implementation

This section describes how Amtrak and Commuter Authorities will implement the Policy.

2.1 Policy Term

The Policy term is five years, beginning October 1, 2025, until September 30, 2030 (FY2026-FY2030). The Policy remains in effect until the Commission replaces or annuls it.

2.2 Staffing and Resources

Successful implementation of the Policy may require stakeholders to alter business practices and invest in staffing and other resources (software, systems, etc.) to execute unique functions necessitated by the Commission partnership framework. Experience to date suggests that significant involvement and sustained cooperation is needed from agency staff responsible for the following types of functions: capital planning, engineering and project delivery, finance and accounting, operations, and legal. Agencies should closely monitor resources as they pertain to this policy framework and inform the Commission when risks to its successful implementation arise. In certain circumstances, Commission resources can be used to support work activities associated with Commission objectives.

2.3 Policy Implementation via Agreements

Amtrak and Commuter Authorities implement the Policy requirements via individual agreements, including any agreements for recapitalizing Common-Benefit Infrastructure. Parties are responsible for promptly amending agreements to remain in compliance with the Policy. The agreements might cover periods different than the Policy term. Agreement terms should be consistent across the NEC to promote standard implementation of the Policy.

2.3.1 Compensation

Provided that compensation agreements do not impair the ability of Amtrak or Commuter Authorities to fulfill their obligations under the Policy, the parties may:

1) Implement compensation agreements for assets or services not addressed within the Policy, and
2) Agree to terms that exceed compensation due under the Policy. (Any agreement must not result in cross-subsidization of commuter rail passenger, intercity rail passenger, or freight rail transportation.)

2.3.2 Sharing Agreements

No later than 60 business days after execution of each agreement or amendment that implements the Policy, Amtrak will provide the agreement or amendment to the Commission.

Amtrak or a Commuter Authority may agree to redact the agreement or amendment but only to prevent disclosure of confidential or sensitive information that does not relate to the Policy.

2.4 Dispute Resolution

Consistent with the Policy's partnership framework, the Commission strongly prefers resolving disputes within the Commission's ordinary business practices.

To resolve disagreements related to the interpretation and application of the Policy, Operators may take these steps after notifying the Commission in writing:

1) Request that the Commission establish an ad-hoc committee composed of three members to interpret the Policy and make a recommendation to resolve the issue within 60 days. The ad-hoc committee will include, at minimum, one representative from USDOT. None of the committee members shall be party to the dispute.
2) If the recommendation from the ad-hoc committee does not resolve the issue, Operators may:
    a) Request mediation from the Surface Transportation Board (STB), or any other means of alternative dispute resolution; or
    b) Request that the STB resolve the dispute; or
    c) Seek resolution through litigation in the federal courts.

For issues not related to the Policy, dispute resolution provisions within existing agreements will continue to apply. The processes described in this Policy do not supersede or replace any legal remedies available to the parties.

As appropriate, the Commission may amend the Policy to facilitate the uniform implementation of issues subject to dispute resolution.

2.5 Master Non-Disclosure Agreement

In November 2015, the Commission developed a Master Non-Disclosure Agreement (NDA).[9] The NDA enables the Commission to share information among its members, while ensuring that confidential information is available only to authorized individuals.

The NDA remains in effect for as long as a Policy is in place.

2.6 Policy Evaluation and Amendments

The Policy will be evaluated on a periodic basis and amended as needed, as described below.

[9] The Commission has adopted one amendment to the NDA dated September 6, 2016.

2.6.1 Policy Evaluation

The Commission will complete a Mid-Term Policy Performance Review (Term #3) no later than **March 31, 2028**. The review will document Commission members' views on the Policy's effectiveness and progress towards the implementation of key objectives, including (but not limited to) cost sharing, collaborative planning and reporting, improved train performance, and federal funding to support the corridor. In addition, the review will identify any necessary changes to the Policy to incorporate new information.

The Commission will coordinate transmission of the Mid-Term Policy Performance Review, with supporting documentation, to the Committee on Transportation and Infrastructure of the House of Representatives and the Senate committees on Commerce, Science, and Transportation and Banking, Housing, and Urban Affairs, the appropriations committees of each chamber, the Secretary of Transportation, and others as the Commission deems appropriate.

Any Commission member may request that the Commission undertake an annual policy performance review. The Commission shall vote on any such requests at the Commission meeting following the request.

2.6.2 Policy Amendments

A Commission member may propose to amend the Policy at any time. Any amendments must be accompanied by a schedule for implementation.

2.6.3 Ongoing Policy Development

During the term of this Policy, the Commission will pursue additional policy development for the topics and issues identified in this section. Amendments to the Policy will be considered, as appropriate, based on the findings and outcomes resulting from its efforts.

2.6.3.1 Costs Associated with Freight Activity

The NEC carries freight traffic in addition to intercity and commuter trains. Section 24905 requires the Policy to be implemented by "Amtrak and public authorities providing commuter rail transportation" only. However, the statute also prohibits cross-subsidization among intercity, commuter, and freight rail services.

Methods of accounting for, and charging, freight carriers for use of the NEC are not uniform. In general, Amtrak sets freight rates that approximate fully allocated operating costs. Other Right-of-Way Owners may establish access fees that support other policy goals, such as providing rail access for shippers at reasonable rates to prevent diversion of rail freight to trucks. In other instances, compensation from freight carriers is governed by trackage rights agreements. In FY2023, approximately 5% of total NEC operating costs were recovered through freight railroad payments. The Policy does not prevent Right-of-Way Owners from establishing their own policies and rates for freight carriers, as informed by each state's goods movement objectives and regulated by STB, but Right-of-Way Owners may not pass the costs of these subsidies to Non-Owner Operators.

In 2019, Commission staff used sample data from the Surface Transportation Board (STB) to perform a preliminary analysis of potential cross-subsidization between freight and passenger railroads. This analysis, which involved estimating NEC allocation statistics for freight rail operators for use in the Cost Allocation Model, indicated that some cross-subsidization likely exists. However, STB's confidentiality requirements prevent Commission staff from making the data available to all NEC RoW Owners and Operators for verification purposes. In addition, the Commission is unable to obtain NEC allocation statistics for freight rail operators from NEC Right-of-Way Owners because of at least one confidentiality agreement.

To allow the Commission to address any cross-subsidization of freight railroads within its Policy framework, Congress would need to enable the Commission to obtain data necessary to calculate NEC allocation statistics for freight rail operators.

Until or unless the Commission develops an alternative approach, Right-of-Way Owners' freight revenues will be accounted for in the Policy's cost-sharing framework as described in Section 3.4.1.1.6.

2.6.3.2 Capacity

In certain segments, the corridor has reached the practical limits of its capacity. This means that, without investment in infrastructure or changes in operating patterns, no more train trips can be added to serve additional customers. The corridor's capacity constraints also mean that routine—let alone major—construction often requires taking tracks out of service. As part of CONNECT NEC—the collaborative long-range planning process outlined in Section 4.1.1—the Commission analyzes how capacity expansion projects will improve overall network capacity once completed and estimates the impacts of associated track outages during construction on anticipated service levels. The FRA's NEC Inventory, which identifies priority projects eligible for FSP grant funding, also includes capacity expansion projects from Commission planning documents within its "Improvements" project category.

2.6.3.3 Liability

Arrangements to allocate operating (tort) liability costs between Owners and Operators are not uniform across the corridor. In some cases, the parties share tort liability costs. But in most cases, Owners require Operators to accept "but-for" indemnification terms. This is true for six operators on Amtrak territory and for Amtrak on Metro-North territory.

In 2015, the Commission established the following goals for liability provisions in existing and new agreements:

1) Eliminate "but for" liability and indemnity provisions and adopt "no fault" liability provisions so that each party takes responsibility for costs associated with their own equipment, employees, and passengers. "No fault" arrangements are beneficial because they limit litigation.
2) Allocate liability associated with Common-Benefit Infrastructure and third-party claims.

Commission stakeholders have made good-faith efforts to achieve the Policy's goals, including a 2018 study that defined a hypothetical bilaterial no-fault arrangement (borrowed from freight railroad agreements), articulated its potential benefits, and suggested pathways for achieving it.

Stakeholders reported to the study team that they were financially unwilling or, in at least one case, legally unable to provide the indemnifications that would be necessary to achieve the hypothetical arrangement. In addition, the study concluded that while the hypothetical arrangement might modestly reduce overall costs, it would likely only redistribute costs among stakeholders.

At present, no consensus exists on whether or how to advance this issue within the Commission, although some stakeholders remain supportive of the goals set out in 2015. With the Commission at an impasse, achieving a new approach for allocating liability costs—that ensures no cross-subsidization of commuter rail passenger, intercity rail passenger, or freight rail transportation—might require changes to federal and state law to address the financial and legal barriers.

Prior to implementation of a corridor-wide approach and to the extent permitted by state law, operators may amend existing liability arrangements through negotiated agreements consistent with the Policy's overall intent.

3.0 Operator Cost Sharing

This section describes the Commission's Operator cost-sharing framework, which includes cost sharing via (1) the NEC Cost Allocation Model, and (2) the Project-Based Cost Allocation Method. Key concepts underlying the cost-sharing framework include:

1) **Benefit.** Common-benefit costs, which are shareable under this Policy, are associated with Common-Benefit Infrastructure or NEC assets mutually agreed to provide benefit and utility to more than one Operator. Sole-benefit costs, which are not shareable under this Policy, are associated with Sole-Benefit Infrastructure or NEC infrastructure mutually agreed to provide benefit and utility to only one Operator.

2) **Relative use.** The cost-sharing framework is driven by allocation statistics that reflect proportional use of NEC infrastructure, such as gross ton miles and train movements. The statistics are based on timetables and train manifests, calculated periodically, and include revenue and non-revenue train operations.[10] Table 2 displays these statistics.

3) **Segments.** To support the consistent allocation of costs, the NEC is divided into geographic segments. Each cost is assigned to a segment and the allocation statistics collected reflect train operations in each segment.
   - *Operating Segments*. Used in operating cost allocation and project-based cost allocation. These segments are listed in Appendix 1.7.3.
   - *Terminal Zones*. Used in operating cost allocation and project-based cost allocation. Some operating segments are considered terminal zones. These zones and their associated segments are defined in Appendix 1.7.4.
   - *Capital Segments*. Used in capital normalized replacement allocation. These segments are defined in Appendix 1.7.1.

[10] Unscheduled special and test trains are not captured in the allocation statistics collected for Operator cost-sharing purposes. Compensation related to the operation of unscheduled special and test trains shall be agreed upon bilaterally by the affected parties.

Table 2: NEC Allocation Statistics

Statistic	Description	Used to Allocate
Gross Ton Miles	The movement of a ton of transportation equipment and contents one mile	Costs associated with activities that are driven primarily by the **weight** of the vehicle traveling over the infrastructure, such as track and bridge maintenance in non-terminal zones
Train Miles	The total distance in miles traveled by a train (revenue and non-revenue)	Costs associated with activities that are driven primarily by the **time and distance** of train operations, such as dispatching in non-terminal zones
Unit Miles	The scheduled number of individual cars, locomotives, or multiple units (MUs) multiplied by the number of miles in an operating segment. A consist scheduled with 1 locomotive and 5 cars, travelling through a 10-mile segment, is counted as 60 unit miles.	Costs associated with activities that are primarily driven by the **volume** of train operations, such as right-of-way policing activities in non-terminal zones
Train Moves	The scheduled movement of a train as a singular unit through a designated geographic location	Costs associated with activities that are directly correlated to the **frequency** of train operations, such as maintenance and testing of communication and signal systems Costs incurred along the right of way in terminal zones (excluding electric traction infrastructure costs). Slower speeds and infrastructure complexity in these zones mean train frequencies reflect costs more accurately than weight or volume
Electric Unit Miles	Unit Miles for equipment powered by electric locomotives or multiple units	Costs associated with activities that are driven primarily by the **volume** of **electrified** train operations, such as catenary system maintenance in non-terminal zones
Electric Train Moves	Train Movements for equipment powered by electric locomotives or multiple units	Costs associated with activities that are directly correlated to the **frequency** of **electrified** train operations, such as catenary system maintenance in terminal zones
50/50 Passengers & Train Stops	A single allocation statistic that combines annual ridership and annual train stops, such that half of common-benefit costs at a station are allocated proportionally by ridership and half of common-benefit costs are allocated proportionally by train stops	Costs associated with stations
Kilowatt-hour	Consumption of electricity in kilowatt-hours	Costs associated with electric traction propulsion power, as payments made to utility and electric generation companies that supply electricity for train operations are primarily based on a rate per kilowatt hour consumed

3.1 Cost Allocation Principles

3.1.1 Costs and Metrics

(1) Costs subject to this Policy are linked to specific activities, based on sound data and verifiable statistics, where practicable.
(2) Costs reflective of work physically occurring along the right of way should be assigned to the specific geography (e.g., operating segment) where the work took place.
(3) Costs reflective of work that does not physically occur along the right of way and/or benefits multiple segments should be distributed to the relevant segments, as needed, using an appropriate allocation statistic.
(4) It is recommended that wherever practicable within their accounting systems, Owners track costs eligible for allocation by service type (e.g., intercity, commuter, freight).

3.1.2 Primary Use

Determining whether costs are sole-benefit or common-benefit should reflect the Principle of Primary Use, under which costs for providing facilities or services are not allocable if the facilities and services meet all the following criteria:

(1) Provided by an Operator for the use of its own passengers or for other sole-benefit purpose;
(2) Used primarily by the Operator's passengers or other sole-benefit purpose;
(3) Used only incidentally by other Operators or their passengers; and
(4) Does not result in significant additional cost to the Operator providing them, when other Operators or their passengers use them.

3.1.3 Cost Effectiveness of Data Precision

When modifications are needed to an agency's existing systems and practices to provide more precise data for cost allocation purposes, the agency must balance achieving the desired level of precision and the costs associated with improving precision.

3.2 Standard Cost Treatments

3.2.1 Treatment of Revenues

Provided that the costs associated with activities that generate revenue are borne exclusively by or allocated to the Operator responsible for the activity, revenues are excluded from allocation. However, if costs associated with activities that generate revenue are allocated—other than infrastructure costs related to train service allocated under this policy—the corresponding revenues must also be allocated.

3.2.2 Treatment of Section 209 Costs

PRIIA Section 209 required that a standardized methodology be developed and implemented to allocate the costs of state-supported Amtrak routes (not including the NEC main line)

among the States and Amtrak.[11] Under PRIIA Section 212, the costs allocated to Commuter Authorities may not include any portion of costs allocated to states for state-supported Amtrak routes under PRIIA Section 209.

In 2021, the Commission undertook a special study that examined key differences between the PRIIA Section 209 and Section 212 cost allocation methodologies. The study determined that the costs allocated to Commuter Authorities under PRIIA Section 212 do not include any portion of costs allocated to states under PRIIA Section 209.

3.2.3 Treatment of Liability and Insurance Costs

Existing agreements between Owners and Operators specify how liability, insurance, and other risk-related costs are allocated. These agreements have been negotiated over time and under differing legal environments, resulting in a patchwork of arrangements.

There may be conflicts between costs allocated by the Policy and existing contractual liability arrangements. To reduce these conflicts, the following principles apply for liability and insurance costs:

1) Liability related costs will not be allocated to any party that has a contractual indemnification for such costs.
2) Payments made to third parties are not allocable, whether paid for out of a deductible or using insurance. This includes, for example, payments resulting from claims related to train incidents, capital projects or maintenance activities, or trespasser incidents.
3) Bilateral risk arrangements may affect the exposure of a third Operator that is not party to the bilateral arrangement. In such cases, the Owner shall advise the operator of any new arrangement and the potential impact on its exposure.
4) In some agreements, parties have agreed to pay risk fees in exchange for another party agreeing to take responsibility for certain liabilities. These arrangements are not modified by the Policy, and risk fees are not subject to cost allocation.
5) All Operators incur insurance costs. In many cases, agreements require the parties to purchase a certain level of insurance. Because these insurance arrangements are inextricably linked with the liability provisions, the cost of purchasing such insurance (e.g., insurance premiums) will not be allocated to other Operators (either directly, or as overhead) unless otherwise agreed to between the parties. Likewise, insurance payments resulting from an insured loss will not be shared with other Operators, unless otherwise agreed to between the parties.
6) This policy does not preclude parties from making bilateral arrangements to jointly purchase insurance and distribute claims payments (e.g., when undertaking a common-benefit capital project).

[11] Pub. L. No. 110–432, div. B, title II, § 209(a), 122 Stat. 4848, 4917 (2008).

3.3 Exclusions

Unless otherwise specified, costs associated with the following infrastructure, equipment, services, and functions are not shareable under this policy:

- Maintenance and recapitalization of Sole-Benefit Infrastructure;
- On-board train services;
- Revenue rolling stock;
- Rolling stock equipment maintenance and storage, switching, and staging;
- Other services that may be provided upon request, such as equipment rental, ticketing and cross-honoring of tickets, training, course development, claims handling, and policing, engineering, and other professional services;
- Infrastructure access, property acquisition unrelated to allocable activities under this policy, and train slot sales and purchases;
- Certain liability, insurance, and risk-related costs as described in Section 3.2.3;
- Any portion of costs of common-benefit capital projects paid for or recovered by federal disaster relief funds, in accordance with Section 3.5.4.
- Loading, unloading, and storage of baggage and parcels on trains or in stations;
- Selling, storing, receiving, and accounting for instruments used to collect Passenger Revenue on trains or in stations;
- Assisting passengers boarding and alighting trains, including baggage handling, for trains;
- Unfunded liabilities related to GAAP and GASB valuation standards for Pension and OPEB long-term liabilities; and
- Depreciation of fixed assets.[12]

Appendix 1.4 "G&A Rate Exclusions" identifies costs that are not shareable under this Policy as part of G&A rate numerators. This appendix should also be used as a resource to identify exclusions not explicitly enumerated in this section.

3.4 Model-based Cost Sharing

Model-based cost sharing refers to the calculation of agencies' annual operating and capital financial obligations as implemented through the NEC Cost Allocation Model. This section describes the processes and procedures underlying the model and the Commission's approach to model-based cost sharing. The model's financial obligations represent each agency's minimum annual contribution to NEC infrastructure and operations and are supplemented as necessary by project-based cost sharing described in Section 3.5.

[12] Depreciation of common-benefit fixed assets is excluded except for depreciation/amortization associated with common-benefit capitalized leased assets. Depreciation of common-benefit movable assets (e.g., non-revenue maintenance of way equipment) is shareable under this policy as long as (1) the asset's cost is appropriately split between operating and capital, and (2) the asset is not paid for by BCCs or through project-based cost sharing (Section 3.5).

3.4.1 Operating Obligations

Operating obligations calculated for a given fiscal year are based on: (1) actual operating costs incurred for the three most recent and available fiscal years and (2) allocation statistics reflective of the fiscal year for which the obligations are calculated. Table 3 below summarizes the operating costs eligible for allocation in the model and the standard allocation statistic applied to each in non-terminal and terminal zones.

3.4.1.1 Eligible Operating Costs

This section describes the types of operating costs eligible for allocation in the model. The descriptions are intended to capture direct costs (i.e., costs that can be completely attributed to the production of specific goods or services, such as material and labor). Operating cost submission requirements, including requirements for indirect costs and overhead rates, can be found in Appendix 1.3.

3.4.1.1.1 Maintenance-of-Way

Maintenance-of-Way (MoW) costs means those costs associated with the maintenance of the NEC right of way, including costs for inspection, testing, repair, and protection support. Eligible MoW costs include:

- **Track, Bridges, Structures, Facilities, and Support Activities:** Includes track and bridge maintenance and inspection, track geometry car inspection, ditching, grading, surfacing, brush cutting, grinding, welding, spot-tie replacement, protection support (i.e., watchman/flagging), and related structures maintenance. Support activities include information systems, roadway machinery, and vehicles.
- **Communication and Signals:** Includes the inspection and testing of signals, relays, switches, cable and wiring, moveable bridge components, road crossing components, track circuits, signal lines, solid state equipment, and control house equipment; the maintenance and repair of signal and communication equipment; and maintenance and inspection of cables, ducts, voice systems, radio systems, PBX (private branch exchange), and other communication network components.
- **Electric Traction Infrastructure:** Includes inspection, testing, maintenance and repair (including activities performed using catenary inspection vehicles and wire trains) of the catenary system, transmission system, catenary structure, third-rail system, electrical substations, and railroad-owned frequency converters.

Table 3: Allocation Statistics by Cost Area and Functional Activity

Cost Area	Functional Activity	Allocation Statistic	
		Non-Terminal Zone	Terminal Zone
Maintenance of Way	• Track • Bridges[13] • Facilities • Equipment • Freight Credit	Gross Ton Miles	Train Moves
	• Communication systems • Signals & Interlockings	Train Moves	Train Moves
	• Electric Traction System	Electric Unit Miles	Electric Unit Moves
Dispatching	• Control & Dispatch • Blocks & Towers • Freight Credit	Train Miles	Train Moves
Police	• Road • Yard • Freight Credit	Unit Miles	Train Moves
	• Stations	50% Passengers / 50% Train Stops	
Stations	• Maintenance • Operations • Stationmasters & Ushers • Utilities		
Electric Traction Propulsion Power	• Electric Traction Power • Power Directors & Load Dispatchers	Kilowatt-hours (kWh) / Special Studies[14]	

3.4.1.1.2 Dispatching

Eligible costs include labor expenses associated with Centralized Electrification and Traffic Control (CETC) and block tower operations.

3.4.1.1.3 Police

Eligible costs include labor and other costs incurred for police officers engaging in routine patrols and responding to incidents on the right of way and in yards. For stations, eligible costs include patrolling and protecting stations, platforms, and station facilities. Common-benefit policing costs associated with the agency that has primary jurisdiction (i.e., RoW or station owner) are deemed eligible for allocation, together with any common-benefit policing costs incurred by other Operators' policing forces that have: (a) an agreement with the agency

[13] Bridges that support structures other than common-benefit railroad tracks must assign an appropriate portion of the costs to those structures.

[14] See Appendix 1.6.1.1 for more information about the allocation of electric traction propulsion power costs through use of special studies.

that has primary jurisdiction for routine patrols of the RoW segment or station in question, and/or (b) a permanent physical presence (e.g., office or booth) with minimum staffing levels at the station in question.

3.4.1.1.4 Stations

Eligible stations costs include:

- **Station Operations:** Costs of station operations including cleaning, trash removal, rent, and station services.
- **Station Maintenance:** Costs of basic maintenance of stations, including labor for maintenance personnel, materials, and snow removal.
- **Utilities:** Costs of electric power, heating fuel, and/or steam used for station operation purposes.
- **Ushers:** Costs of announcing track assignments of arriving and departing trains and directing passengers to and from station platform entrance gates. In recognition that ushers may spend a portion of their time undertaking sole-benefit activities, Operators must use best available data to estimate the amount of time that ushers are available to patrons of all railroads. Times when ushers are unavailable to patrons of all railroads (e.g., boarding a train) will be considered sole-benefit. A special study will be completed no later than **September 30, 2028,** to aid in the interpretation of agencies' best available data and/or develop a standardized approach to determining sole- and common-benefit usher functions.

This policy is not intended to assign costs to service that is not subject to Section 24905.

3.4.1.1.5 Electric Traction Propulsion Power

Eligible costs include electricity for train operations (billed by utility companies and electric generation suppliers); labor costs for load dispatchers and power directors; professional energy consulting costs for provision of on-going analysis, procurement support, tariff assistance, and contractual assistance; and legal costs for other initiatives requiring external legal support.

3.4.1.1.6 Freight Revenues

Until more granular freight carrier data can be collected, the Policy treats Right-of-Way Owners' freight revenues as eligible costs (included as a negative monetary value in the model) that serve as an offset to only the total operating costs in each operating segment by cost area, with all remaining operating costs allocated among Operators. Total freight revenues for each Right-of-Way Owner are applied to each segment based on the relative share of freight traffic on that Right-of-Way Owner's segments (not to exceed the total operating cost of any segment).

3.4.1.2 Indirect Costs and Overhead Rates

Indirect costs eligible for allocation under this Policy are those costs that cannot be assigned to a unique objective and whose benefits can be reasonably assignable to costs allocated under the Policy. Indirect costs related to sole-benefit activities are not allocable per this policy.

Federal guidelines, such as those appearing in Titles 2, 23, and 48 of the Code of Federal Regulations, allow the recovery of indirect costs associated with work performed under those regulations.

To distribute indirect costs to the cost objectives served via overhead rates, cost pools representing distinct areas of activity must be identified. These cost pools usually include indirect costs associated with a specific unit or corporate area. The cost pools (i.e., numerator costs) are then divided by a representative allocation cost base (i.e., denominator costs), such as total costs or direct labor, resulting in an overhead rate. The cost base chosen must allow for the equitable and reasonable distribution of the indirect costs to the cost objectives being supported.

Overhead rates calculated for General and Administrative (G&A) expenses[15] will be consistently developed across agencies with a denominator (i.e., cost base) that consists of all operating and all capital costs less the numerator costs.

A list of exclusions from G&A overhead rates is included in Appendix 1.4.

3.4.1.3 Allocation Process

The process for calculating operating costs and allocating these costs among Amtrak and Commuter Authorities (excluding electric traction propulsion power, which is addressed in Appendix 1.6.1.1) is as follows:

1) Actual operating expenses, including overhead rates, for the three most recent available fiscal years will be collected.
2) Stations operating expenses will reflect spatial analysis[16] percentages, as appropriate.
3) All expenses from each fiscal year will be adjusted for inflation in three steps and reflect the revised AAR index values[17] introduced during the FY2025 model cycle:

[15] G&A expenses are those unrelated to a specific business unit or function, which may be incurred as a benefit to the company as a whole.

[16] Spatial analysis refers to the process of determining the portion of square footage within a station (as a percent) that is sole- and common-benefit. Station costs pertaining to both sole- and common-benefit station areas will be apportioned using the percentages determined through spatial analysis. Stations maintenance, operations, and utilities costs are eligible for spatial analysis.

[17] The AAR index for the fourth quarter of 2022 was adjusted to mitigate the large increase in that quarter. This was done by multiplying the AAR index from the fourth quarter of 2021 by the year-over-year change due to inflation in the approved FY2024 operating obligations (10.5%) to produce a revised AAR FY22Q4 index for the fourth quarter of 2022.

- **Step 1:** Revised AAR index values will be calculated for 2023 and beyond by multiplying the revised AAR index values—first calculated for the fourth quarter of 2022—by the actual quarter over quarter change from the AAR Index.
- **Step 2:** The expenses will be adjusted based on the percentage change in the revised annual AAR Index for the fiscal year to the most recently available revised adjusted annual AAR Index.
- **Step 3:** The Moody's Analytic inflation rate will be applied to adjust costs to the mid-point of the prospective fiscal year.

4) The resulting value will be divided by three to determine the three-year inflated and averaged cost.
5) The expected prospective year's allocation statistics (identified in Table 2 and Table 3 above) will be applied to these inflated and averaged costs, resulting in an annual operating obligation owed by each Operator.

Additional information regarding annual operating obligations, including the model schedule and payment procedures, is provided in Section 3.4.3 and Appendix 1.6.1 respectively.

3.4.2 Capital Obligations

Capital obligations, or Baseline Capital Charges (BCCs), calculated for a given fiscal year are based on: (1) the Normalized Replacement Amount for Right-of-Way Basic Infrastructure and Stations Basic Infrastructure assets, and (2) allocation statistics reflective of the fiscal year for which the obligations are calculated. Table 4 below summarizes the right-of-way and station asset categories for which normalized replacement amounts are calculated and the allocation statistic applied to each.

Table 4: Allocation Statistics by Right-of-Way and Stations Asset Category

Asset Category	Example Asset Type	Allocation Statistic
Track	• Rail • Ties • Ballast (undercutting and surfacing) • Turnouts	Gross Ton Miles
Structures	• Undergrade bridges • Tunnel and movable bridge maintenance • Bridge ties • Retaining walls and fences	Gross Ton Miles
System	• Maintenance-of-way vehicle overhauls • Equipment • System design investments	Gross Ton Miles
Communication and Signals	• Signals • PTC • Switch machines	Train Moves
Electric Traction	• Catenary structure • Catenary • Substations	Electric Unit Miles
Electric Traction – Third Rail	• Third rail	NYP Joint Fac[1]

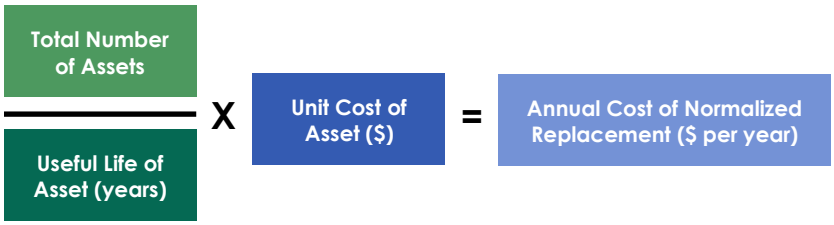
Asset Category	Example Asset Type	Allocation Statistic
Stations	• Platforms • Building systems	50% Passengers / 50% Train Stops

Table note 1: This statistic is applied to Operating Segment 3199 only.

3.4.2.1 Normalized Replacement Amount Calculation

The Normalized Replacement Amount estimates the annual cost of sustaining basic infrastructure assets in a state of good repair and is based on (1) the population of each asset type, (2) the average useful life of each asset type, and (3) the unit cost for each asset type, as shown in Figure 3.

Figure 3: Normalized Replacement Amount Formula



Specifically, the Normalized Replacement Amount is calculated for each asset data source as follows:

1) For each asset type, the **asset population** is divided by the **average useful life** of the asset, resulting in an average number of assets to be replaced each year.
2) The average number of assets to be replaced each year is then multiplied by the **average unit replacement cost** of the asset, resulting in a Normalized Replacement Amount for that asset type.
3) Steps 1 and 2 are repeated across all asset types for each of the relevant segments identified in Appendix 1.7.
4) Normalized Replacement Amounts for each asset type are then summed by asset category for each segment.
5) The sum of the Normalized Replacement Amounts calculated for each asset category across all segments equals the (total) Normalized Replacement Amount for the corridor.
6) The Normalized Replacement Amount is adjusted annually for inflation using the method for inflating operating costs set forth in Section 3.4.1.3.

The concept of normalized replacement presumes that assets are maintained in a state of good repair, which is not the case across the NEC. However, this approach provides an objective, data-driven method for determining a required level of annual investment in

maintenance and recapitalization of capital assets to establish a formula charge. The benefits of this approach are as follows:

- Assets can be monitored through field inspection, unit costs can be verified, and useful life estimates can be determined by technical experts;
- The components of the BCC provide a link between the assets and the required investment amount to sustain a state of good repair;
- Funding contributions correlate to actual use of the infrastructure; and
- Administrative and transaction costs are minimized.

Additional details regarding normalized replacement calculations and the underlying data sources can be found in Appendix 1.5.

3.4.2.2 *Baseline Capital Charges*

Each Operator's BCC is determined as a percentage of the corridor's Normalized Replacement Amount by applying the prospective fiscal year's allocation statistics (identified in Table 4 above) to the normalized replacement amounts calculated for each asset category and Capital Segment combination. The sum of an Operator's allocated share of applicable Normalized Replacement Amounts equals that Operator's BCC, or annual capital obligation.

Additional information regarding annual capital obligations/BCCs, including the model schedule and payment procedures, is provided in Section 3.4.3 and Appendix 1.6.2 respectively.

3.4.2.2.1 BCC Eligible Uses and Restrictions

BCCs may be used during the year they are provided to fund the capital renewal (i.e., routine repair or replacement) of Right-of-Way Basic Infrastructure, Stations Basic Infrastructure, and right-of-way safety mandates. In general, for each Operator, BCCs are used to fund eligible investments within the Operator's service territory involving assets the Operator uses or benefits from. BCCs, however, may be used to fund other types of capital investments if certain criteria are met, including:

- *Environmental remediation investments:*
    - Standalone environmental projects. These projects can be funded with BCCs so long as Owners obtain written consent from any Non-Owner Operator whose BCCs are intended to be used.
    - Environmental work (i.e., investigative, removal, or remediation work within the footprint of a non-environmental project). No more than 5% of an operator's BCC can be applied to environmental work without the Operator's written consent.
    - Third-party claims. These claims will not be funded with an Operator's BCC without that Operator's written consent.
- *System-wide Investments:* Only Right-of-Way Owners may make System-wide Investments. Right-of-Way Owners will make every reasonable effort to first apply Non-Owner Operators' BCCs to eligible investments physically located and occurring

within their service territories before applying BCCs to System-wide Investments[18] that benefit their service territories. No more than 12% of a Non-Owner Operator's BCC Amount Paid can be applied to System-wide Investments, unless otherwise agreed to in a bilateral agreement. Further, BCCs must be assigned to System-wide Investments based on relative use using train miles (or electric unit miles for electric traction-related investments) as the default allocation statistic if no other statistic is more relevant.

As BCCs are intended to fund Owners' annual capital renewal programs, every effort should be made by Owners and Operators to source new funding for local matching towards federal grants. However, there may be circumstances where using BCCs to fund a local match for a federal grant helps leverage federal investment in priority projects. Recognizing these circumstances should be limited given the importance of maintaining funding for annual capital renewal programs, an Owner may use its own BCCs or an Operator's BCCs to fund the local match for a federal grant, provided that the following conditions are met:

1. The grant is being provided to the Owner for a project that—either wholly or primarily—includes BCC-eligible components (i.e., the capital renewal of Basic Infrastructure, right-of-way safety mandates, or some combination thereof);
2. Both the Owner and the Operator agree on the use of the Operator's BCCs for this purpose;
3. The total BCC contribution from both the Owner and Operator(s) for one or more years is equal to or less than the cost of the project's BCC-eligible component(s); and
4. No more than 20% of the Owner's BCC Amount Paid and no more than 20% of the Operator's BCC Amount Paid per year are used to fund local matches.

Although allowed by this Policy, federal grant program provisions ultimately govern the eligibility and use of matching funds.

Additionally, in lieu of expiring unspent BCCs, per Appendix Section 1.6.2.1, Station Owners who are not Right-of-Way Owners may invest BCCs in assets that they do not own, provided that the infrastructure owner agrees and the investment is for the capital renewal of basic infrastructure.

All use restrictions, including thresholds and percent caps, apply on a fiscal year basis.

3.4.2.2.2 BCC Variances

Owners and Operators may agree, subject to Commission approval, to use BCCs to fund common-benefit investments not otherwise eligible for BCCs per Section 3.4.2.2.1 above. For BCC variance requests, the following will apply:

[18] System-wide Investments are investments that benefit one or more BCC segments beyond the immediate segment in which they are located (e.g., substations), or are located off the right of way and therefore do not incur territory-specific costs (e.g., asset management software).

- Owners and Operators will prepare a variance analysis showing the effects of expending BCCs for the proposed use. This will include:
    - The benefits of the proposed use;
    - The opportunity costs of diverting the funds;
    - The project's financial plan, as applicable; and
    - Any additional relevant factors.
- Variance requests and supporting analyses will be shared with the Commission and highlighted during the capital planning process described in Section 4.1.2.
- Investment components that are eligible for BCCs per Section 3.4.2.2.1 do not require a variance and costs associated with such components should not be included in the BCC variance request.
- The Commission's approval of BCC variance requests will not be unreasonably withheld.
- The Commission may approve the variance outright, or it may approve the variance as a cash flow management measure to assist an Operator with an allocated cost share for a project that is at risk (e.g., of not being fully funded, falling behind schedule, or losing funding).
- If the Commission approves a variance to assist with cash flow, it may include terms that the Operator will have an increased BCC in future years equivalent to the amount of the variance, with an appropriate interest charge.

3.4.2.3 Asset Data Updates

Aside from technical corrections, which can be addressed during the Model Issues process referenced in Section 3.4.3, updates to the asset data and assessments used to derive normalized replacement amounts require the Commission's approval and must include a timetable for implementing any adjustments to BCCs. The timetable for implementing adjustments to BCCs during the current Policy term is included in Appendix 1.8. Such adjustments to BCCs must be applied to all Owners and Operators. Appendix 1.5 describes the asset data sources used in the calculation of the Normalized Replacement Amount until the Commission approves an asset data update. At minimum, the Commission will evaluate the need for an asset data update as part of the Mid-Term Policy Performance Review (see Section 2.6.1).

3.4.3 Model Governance

Operators must provide their cost submissions, including all data supporting documentation, and allocation statistics for the upcoming fiscal year to the Commission by **January 31**. Each Operator's financial obligations will be calculated for the upcoming fiscal year by **March 15** in Model-v1. Operators will have the opportunity to document any issues or concerns with the calculations in Model-v1 until **April 15** through the Commission's Model Issues process. Model Issues will be prioritized based on whether the issue involves potential Policy violations, the magnitude of cost impacts, and the ease of addressing the issue. All issues and concerns must be addressed by **May 15** to be reflected in Model-v2.

The Commission will adopt the financial obligations calculated in Model-v2 by **June 30**. As necessary, the resolution to adopt the financial obligations will include an addendum of

unresolved Model Issues that may result in modifications to the approved financial obligations, if subsequently resolved. Any issue raised during the execution of the Cost Allocation Model may be addressed per the dispute resolution process in Section 2.4. The schedule for developing financial obligations each year is set forth in Table 5.

3.4.3.1 Inclusion of New Costs After Model-v1

Between Model-v1 and Model-v2, agencies may not introduce new costs, including those accidentally or mistakenly omitted, or change the designation of a cost from sole- to common-benefit unless affected Operators agree to the change for inclusion in Model-v2.

Table 5: Cost Allocation Model Schedule (Illustrative Years FY2027 and FY2028)

Milestone	FY27 Model	FY28 Model	Deadline
Draft Model Implementation Assessment complete	X		December 31, 2026
Model data submissions due (costs and allocation statistics)		X	January 31, 2027
Commission comments on Draft Model Implementation Assessment due	X		March 1, 2027
Model-v1 financial obligations released		X	March 15, 2027
Final Model Implementation Assessment distributed	X		April 1, 2027
Model Issues due		X	April 15, 2027
Initial responses to Model Issues due, including identification of new costs		X	May 1, 2027
Mid-year revisions to allocation statistics due (if needed for Model-v3)	X		
Final allocation statistics due		X	
Deadline to resolve Issues for inclusion in Model-v2		X	May 15, 2027
Model-v3 financial obligations released (if needed)	X		June 1, 2027
Model-v2 financial obligations released		X	June 15, 2027
Model-v2 financial obligations adopted by Commission		X	June 30, 2027
Model-v3 financial obligations adopted by Commission (if needed)	X		
Deadline to confirm Agreed-Upon Procedures Review scope (if needed)		X	
Draft Model Implementation Assessment complete		X	September 15, 2027

3.4.3.2 Anticipated Service Changes

To be incorporated into Model-v1, Owners and Operators must identify and submit anticipated service changes for the upcoming fiscal year on or before January 31. To be incorporated into Model-v2, service changes must be submitted by May 1.

If an Operator anticipates proposing a service change after May 1, it will notify the Owner and the Commission as soon as possible (if the Operator is also an Owner, it will notify Operators using its territory and the Commission). Operators may submit service changes that were not identified prior to the May 1 deadline at any time. However, to be incorporated in Model-v3, service changes must be submitted by May 1 of the current fiscal year and meet the criteria outlined in Section 3.4.4.1 below.

An Operator may request guidance on the financial impacts of an anticipated or proposed service change at any time.

3.4.3.3 Inflation Adjustments

If, in a given year, the application of the NEC inflation protocol (described in Section 3.4.1.3) produces a 5% year-over-year increase or decrease in the operating and/or capital obligations as compared to the application of the NEC inflation protocol in the prior year's model, notification will be provided to the Commission no later than March 15 and a decision regarding any adjustments related to inflation will be made by the Commission no later than June 30.

3.4.3.4 Model Evaluation

The Cost Allocation Model will be subject to two forms of evaluation, including an:

1) Implementation Assessment (conducted annually); and
2) Agreed-Upon Procedures Review (conducted annually or periodically as determined by the Commission).

This Policy and these evaluations do not supersede any agencies' contractual right to independently audit.

3.4.3.4.1 Model Implementation Assessment

The Commission will contract with a qualified firm for a Model Implementation Assessment to ensure the accuracy of the Cost Allocation Model from a data-processing and calculation standpoint and verify that the Policy's key cost allocation provisions (e.g., the assignment of costs to segments and the application of relative use statistics) have been adhered to.

Assuming full cooperation from all Operators that have submitted costs, the draft assessment will be completed each year by **September 15**, responses will be due by **November 15**, and a revised assessment incorporating responses will be completed by **December 15**. To meet the deadlines established herein, the scope of the assessment must presume that all cost submissions and statistics submitted by Operators are accurate and complete.

The Commission will determine the most appropriate manner to address each finding, including whether any adjustments to the financial obligations are warranted.

3.4.3.4.2 Agreed-Upon Procedures Review

To supplement the annual Model Implementation Assessment, the Commission may also contract with a qualified firm for an Agreed-Upon Procedures Review to (1) review a specific set of issues or concerns identified by the Commission regarding Operator cost submissions, and (2) identify improvements, as appropriate, that can be implemented to improve the accuracy and/or completeness of future submissions. Any improvements to cost submissions and/or agencies' underlying systems or practices identified through this review process are not intended to be implemented retroactively.

The Commission will determine no later than **June 30** whether an Agreed-Upon Procedures Review is needed and what issues or concerns shall compose its scope. The scope will allow for the review to be completed within two years from the date the Commission decides to undertake the review.

The Commission may determine that there is a need to undertake an Agreed-Upon Procedures Review each year; however, no more than one such review shall be underway at one time.

3.4.4 Mid-year Revisions to Financial Obligations

Unless the Commission decides to make an exception, financial obligations will only be re-approved mid-year via a Model-v3 due to:

1) Resolved Model Issue(s) that were listed in the financial obligation resolution addendum as described in Section 3.4.3;
2) Identified findings from the Model Implementation Assessment required under Section 3.4.3.4.1; and/or
3) Unanticipated service changes meeting the criteria established in Section 3.4.4.1.

3.4.4.1 Unanticipated Service Changes

Operating obligations can be revised mid-year to reflect unanticipated service increases experienced during ordinary corridor operations for the duration(s) the service change(s) are in effect, if one of the following thresholds is met:

1) An Operator's allocated costs, calculated on a cumulative basis for the portion(s) of the year in which the change(s) are in effect, increases by $500,000 or more; or
2) An Operator's total annual scheduled gross ton miles, calculated on a cumulative basis for the year in which the change(s) are in effect, increases by 5% or more.

Any mid-year revisions to operating obligations will not include adjustments for unanticipated service increases that do not meet the above thresholds.

Operating obligations will not be revised mid-year due to:

- Seasonal or ad-hoc schedule adjustments; and/or

- Unanticipated service reductions during ordinary corridor operations.

However, unanticipated service changes (increases or reductions) due to extraordinary events may be considered separately by the Commission on a case-by-case basis.

The Commission will consider developing procedures for revising capital obligations (BCCs) due to unanticipated service changes.

3.5 Project-Based Cost Sharing

The Project-Based Cost Allocation Method described in this section applies to all common-benefit capital projects within PRIIA Section 212 territory that are not funded entirely by Baseline Capital Charges (BCCs) determined through the NECC Cost Allocation Model.

Common-benefit capital projects are defined as projects involving Common-Benefit Infrastructure that have a definitive start and end date and adhere to an agreed-upon set of objectives (i.e., scope, schedule, and budget) and expected outcomes.

Capital projects can include stations projects, right-of-way projects, mandated projects, capital renewal/normalized replacement projects for which BCCs are not available, major backlog and improvement projects as defined by the Commission, and any combination thereof.

As detailed in Chapter 5 of the Policy, federal-state funding partnerships will remain an essential component of critical NEC projects. Additionally, the Commission affirms its commitment to identifying opportunities to establish public-private partnerships and obtain financing from third-party private entities and federal programs—such as the Railroad Rehabilitation and Improvement Financing program—particularly for transit-oriented development and station improvement projects. It also encourages Project Sponsors/Owners to provide competitive opportunities for private firms that are qualified to perform maintenance and construction projects on the NEC.

3.5.1 Project-Based Cost Allocation Method Steps

The project-based allocation method should be applied to common-benefit capital projects jointly by affected agencies (i.e., those presumed to benefit from a project) using the best available information and updated as needed as project plans and cost estimates are refined. When this method is applied to ongoing projects, agencies should consider past spending/costs incurred for all phases of the project. When this method is applied to individual project phases instead of an entire project, the resultant agency cost shares can be unique to each phase.

The method includes the following steps, which may be completed in the order shown below, or in a different order as appropriate:

1) Identify the project's component parts such that:
    a) Sole-benefit components are separated from common-benefit components.

b) Each common-benefit project component can be assigned to a primary cost area[19] (e.g., MoW-Track, or Station); and
c) Each common-benefit project component can be identified as either:
    i. Replacement, which includes the installation of upgraded or modernized assets that generally serve the same purpose, provide the same basic functionality, and/or reside within the same footprint as the existing assets; or
    ii. Improvement, which includes the replacement of existing assets with markedly superior ones or the introduction of new assets above and beyond existing NEC infrastructure, facilities, and equipment to improve reliability, increase capacity, reduce travel time, or improve the customer experience.

2) Assign an allocation statistic to each common-benefit project component based on the designation agreed to in step 1b. Table 4 identifies the standard allocation statistics for RoW/MoW and stations related project components.
3) Determine whether the allocation statistic(s) should reflect current service levels, future service levels, or some combination thereof.
4) Determine whether any additional adjustments to the allocation statistic(s) are necessary to ensure a fair and reasonable allocation of costs and benefits, including adjustments related to freight operations.
5) Allocate costs based on the agreed-upon statistic(s).

3.5.2 Project Identification, Planning, and Development

Agencies should share information about potential new projects with one another on an ongoing basis. At minimum, these projects should be included as part of agency submissions to the NECC's Capital Investment Plan, as applicable, for review and comment by other affected agencies. Including a project in an approved NECC plan does not represent a non-sponsoring agency's intention or commitment to fund a project absent a project-specific agreement.

Project planning and development should be undertaken jointly by all affected agencies. Expectations for joint project planning and development conducted in good faith include, but are not limited to, the following:

- The Project Sponsor/Owner must engage project partners/affected agencies—through an exchange of information—during all project phases, including:
    - Initial scope, schedule, budget, and service plan development;
    - Federal, state, and local environmental review and regulatory and statutory compliance activities;
    - Preliminary engineering;
    - Final engineering, design, and permitting processes; and
    - Construction and project implementation.

[19] Table 4 identifies the standard cost areas for RoW/MoW project components.

- At the outset of each phase, agencies should document their objectives regarding the project's scope, schedule, budget, and service outcomes, along with anticipated resource needs and other support requests.
- Early in the project planning process, agencies are encouraged to reach agreement and document:
    - The anticipated funding sources as well as all regulatory requirements of the funding sources;
    - How cost and schedule risk will be shared among parties; and
    - Need for staffing resources and plan for hiring and training.
- Agencies are encouraged to respond to one another in a timely and clear manner regarding agreement on and/or discrepancies over documented objectives and anticipated resource needs.
- Agencies should aim to agree to the parameters (e.g., scope, schedule, budget) and cost shares of one project phase before moving to the next phase.
- Project Sponsors/Owners should engage with all affected agencies before making significant changes to the agreed-upon scope, schedule, or budget for a project or project phase.
- For projects that create additional service capacity, the agencies will determine how to allocate the usage of additional capacity, considering how best to maximize utilization of the corridor by commuter and intercity passenger rail service, consistent with the existing agreements between Owners and Operators, while working toward a state of good repair (see also Section 2.6.3.2). Factors to consider include, but are not limited to capital cost share, useful life of assets in question, and future service plans.

3.5.3 Payment/Repayment Options

Payment/repayment terms will be determined on a bilateral or multilateral basis and are not limited to the types of options outlined below. In general, payments will be made to the Project Sponsor/Owner through one or more of the following options:

- Direct, lump sum payment;
- Direct payment over pre-determined time period;
- In-kind contribution (e.g., paying for the capital costs associated with another common-benefit project); and/or
- Capital user fee (i.e., ongoing payments based on use of the asset).

Payments will be provided to the agency undertaking the project or project phase consistent with the cost allocation resulting from the method's application and the funding requirements associated with the project's schedule. Payment/repayment terms will take into account regulations of the funding sources being used for payment/repayment.

3.5.4 Treatment of Third-Party Funding

Third-party funding contributions are not determined by the project-based allocation method described in this section. Affected agencies are strongly encouraged to pursue additional sources of funding and financing for common-benefit capital projects, including funding

provided by private entities, federal grant and financing programs, local and other government entities, additional transportation providers, and other third parties who may benefit from a project.

The treatment of any third-party funding and financing secured for a project will be determined by affected agencies on a project-by-project basis, with the exception of federal disaster relief funds.[20] For example, in some cases, a federal discretionary grant may offset the total project cost, with the remaining costs shared among the affected agencies. In other cases, a discretionary grant may be treated as the contribution of a single agency or directed at specific project components or phases.

3.5.5 Form of Agreement

Capital projects requiring project-based cost allocation will be planned for and executed through bilateral or multilateral agency agreements. Agencies should endeavor to develop a letter agreement to guide the agreement development and approval process. This should be followed by a Master Project Agreement (MPA), or mutually agreed equivalent, to guide and document the project's development and completion.

To ensure transparency regarding the implementation of this Policy, for each common-benefit capital project subject to this method, agencies must share information with the Commission from the project agreement—including the initial agreement and any subsequent updates—that identifies, at minimum:

- The roles and responsibilities of the agencies in carrying out the project;
- How the Project-Based Cost Allocation Method was applied/implemented;
- The resultant cost-shares for affected agencies;
- The payment/repayment terms and conditions; and
- Any project funding provided by federal grant and financing programs, including FTA/FRA ongoing funding sources, private entities, or other third parties.

3.5.6 Agency Non-Participation

If an agency expected to benefit from a common-benefit capital project is unwilling to engage in joint project planning and development and/or the application of the cost-sharing method described in this section, the Project Sponsor/Owner could seek recourse through one or more of the following means:

- Engaging in executive-level bilateral or multilateral agency discussions;
- Requesting that the Commission initiate its dispute resolution procedures outlined in Section 2.4;

[20] To the extent federal disaster relief funds are made available for Common-Benefit Infrastructure on the NEC, these will be applied against total project costs, rather than as a credit to any one agency's allocated share. As a consequence, any costs of common-benefit capital projects covered by federal disaster relief funds are not allocable.

- Petitioning the Surface Transportation Board; and/or
- Utilizing other legal or contractual means.

These means of recourse may also be available to affected agencies who can demonstrate that the principles and methods contained within this section are/were not being applied appropriately or in good faith by the Project Sponsor/Owner.

4.0 Transparency, Collaboration, and Accountability

The following section describes the processes that support greater transparency, collaboration, and accountability regarding NEC investment priorities, funding needs, operations, and project and program delivery. Through participation in NEC-wide planning, reporting, and implementation processes, the Commission can establish a uniform understanding of network activities, goals, and progress towards goals. These processes are not meant to replace, or duplicate, existing regulatory obligations or oversight responsibility.

Two main workstreams fall within the Commission's transparency, collaboration, and accountability framework. These are:

(1) ***NEC Planning***– which includes the CONNECT NEC long-term planning process, the five-year Capital Investment Plan (CIP), and the Year-One component of the CIP that serves as the baseline for reporting capital program delivery and tracking BCC investment levels.
(2) ***NEC Reporting***– which includes the NEC Annual Report and Quarterly Reports on train operations and capital program delivery.

A third workstream—*NEC Program Implementation*—has been under development since the passage of the IIJA and publication of CONNECT NEC 2035 (i.e., the program). The objectives of this workstream are to support early identification of program schedule risks, ongoing coordination and communication to overcome those risks, and program monitoring—particularly for schedule and funding progress.

The sections that follow describe these processes and their objectives in greater detail, including any statutory requirements that underpin Commission workstreams. Commission requirements for data submissions seek to minimize administrative burdens on member agencies while enabling the Commission to meet its Policy and statutory requirements. In general, deadlines other than those required by Policy and/or statute are subject to change and will be communicated by Commission staff as part of ongoing coordination and captured in standard operating procedure documents. Commission member agencies will be notified when new data types are collected and if those data are expected to be made public.

4.1 NEC Planning Process

Since 2016, Commission member agencies have produced annual and five-year capital planning documents that promote transparency and accountability among Commission members and external stakeholders. In 2021, the Commission completed the first iteration of CONNECT NEC, a long-term planning process that includes a 15-year capital investment roadmap and integrated service delivery plan. Focusing on different time horizons ensures stakeholders understand the long-term vision and needs for the corridor and the near-term implementation plans that support progress towards this vision.

4.1.1 CONNECT NEC

The Commission is required by statute[21] to provide a coordinated and consensus-based service development plan (SDP) covering a 15-year period no less than every 5 years. CONNECT NEC 2035, the first iteration of the Commission's SDP and long-term planning process, was published in July 2021, just prior to the passage of the IIJA. In addition to meeting the Commission's statutory requirement to develop an SDP, the CONNECT NEC process provides a blueprint for advancing NEC FUTURE—FRA's long-term vision[22] for the NEC.

CONNECT NEC 2035 established a new standard for collaborative planning, which reflects an analysis-based framework for integrating agencies' capital and service plans. While the specific areas of focus and messaging may vary in each iteration of the plan, all CONNECT NEC plans incorporate the following key elements:

- Provide a business case for sustained investment by highlighting the corridor's economic, mobility, and environmental benefits
- Identify agencies' planned capital projects—including SOGR, capacity expansion, and improvement projects
- Identify agencies' future service objectives
- Ensure planned capital projects individually and collectively support agencies' intended future service levels
- Develop a financial strategy that identifies funding needs and potential funding sources
- Provide a delivery strategy that provides an efficient sequencing of capital investment phasing, considers workforce and track outage constraints, evaluates resource needs, and mitigates construction impacts on operations
- Establish and track progress towards achievement of NEC-wide goals, such as achieving a state-of-good repair on the corridor

Given the time horizon of CONNECT NEC plans, the Commission's analysis framework requires assumptions and projections for workforce, equipment, and track outage availability as well as inflation and cost escalation.

4.1.2 Capital Investment Plan

The Commission is required by statute[23] to prepare a Capital Investment Plan (CIP) by November 1 each year. The CIP integrates individual capital plans developed by all NEC Operators and identifies the projects and programs being undertaken over the next five federal

[21] The Northeast Corridor Service Development Plan (CONNECT NEC) is required by 49 U.S.C. § 24904(a).

[22] The FRA issued the Record of Decision (ROD) for NEC FUTURE in July 2017. The ROD marked the completion of the Tier 1 environmental review process for FRA's Selected Alternative to "grow the role of rail" within the transportation system of the Northeast while prioritizing bringing the existing NEC to a state of good repair.

[23] The Capital Investment Plan is required by 49 U.S.C. § 24904(a).

fiscal years to advance CONNECT NEC—reflecting refinements to the life-of-project schedules and delivery strategy in CONNECT NEC, as appropriate. The CIP will be developed through an iterative and collaborative data gathering and review process that includes identifying and resolving issues with the plan's data and/or contents. CIP data will be transmitted to FRA as needed to inform the NEC Project Inventory, which determines eligibility for the FSP grant program.

The primary focus of the CIP is anticipated investments during the five-year period based on available funding.[24] The CIP will also identify needed and desired capital investments that could occur with additional funding in years two through five. For all investments, agencies must provide a scope of work, cost and budget information, schedule and timeline for major milestones, funding and financing sources, and the status of any cost-sharing agreements.[25] In addition, the CIP should be resource-constrained such that both funded and unfunded investments are included in the plan only if they are feasible within the constraints of available workforce, track outages, and design review personnel (for projects in pre-construction phases).

4.1.2.1 CIP Year One

Information gathered for the first year of the five-year period (Year One) will serve as an implementation plan for NEC stakeholders that reflects their collective fiscal and resource constraints. This information will also serve as the baseline against which capital program delivery progress will be assessed in the corresponding NEC Annual Report (i.e., Year One of the FY2025–2029 CIP will serve as the baseline for the FY2025 NEC Annual Report).

As part of their Year One submissions, Right-of-Way and Station Owners should provide capital plans that include sufficient geographic specificity and scope, schedule, and budget detail to demonstrate whether each Operator's BCC will be expended in its territory. In addition, Right-of-Way Owners should provide preliminary track outage plans as part of their submission. Right-of-Way and Station Owners should solicit input from Operators with enough notice to inform the development of their Year One capital plan submission. Once preliminary capital and track outage plans become available each planning cycle, Owners should offer Operators a meeting to review these plans and discuss their decision making regarding investment priorities for the upcoming fiscal year.

4.2 NEC Reporting Process

The Commission's transparency, collaboration, and accountability framework includes two reporting processes undertaken on a quarterly basis as well as an annual report to Congress that summarizes train operations and performance and capital program delivery on the NEC

[24] Available funding may include state or Commuter Authority capital budgets, special federal grants, federal formula grants, third-party agreements, and BCCs.

[25] Project-based cost allocation (described in Section 3.5) applies to all common-benefit capital projects within PRIIA Section 212 territory that are not funded entirely by BCCs.

during the prior federal fiscal year. Data collected and analyzed through the NEC reporting process allows the Commission and its stakeholders to monitor trends over time and identify recommendations for improvement, as appropriate.

4.2.1 Quarterly Reporting

The Commission's quarterly reporting process compiles information for Commission member agencies on capital program delivery and train operations and performance trends within and across fiscal years. Quarterly reporting data are aggregated and summarized in the NEC Annual Report, which is described in further detail in Section 4.2.2 below.

4.2.1.1 Capital Program Delivery Reporting

Through capital program delivery reporting, the Commission monitors the implementation of CIP Year One. This reporting serves two key purposes: (1) documenting how planned capital investments are progressing with respect to their approved life-of-project scopes, schedules, and budgets; and (2) documenting any plan adjustments (i.e., changes to approved scopes, schedules, and budgets and new, cancelled, or indefinitely delayed investments), which stakeholders recognize may occur given the dynamic and complex nature of the corridor. Capital program delivery reporting also allows the Commission to monitor spending levels and investment progress for BCC-eligible investments during the fiscal year. (See Section 3.4.2.2.1 for more information on BCC eligibility.)

4.2.1.2 Train Operations and Performance Reporting

Train operations and performance reporting supports the Commission's statutory requirement[26] to monitor the operations and performance of intercity, commuter, and freight rail service and recommend improvements. Table 6 below identifies the data provided by NEC Operators that are compiled for each quarterly report[27]. This data allows the Commission to monitor trends within and across fiscal years for NEC ridership, train volumes, and train performance, including delay causes and NEC major incidents.[28]

Table 6: Train Operations and Performance Reporting Data Elements

Data Element	Timeframe/Due Date
1.) Endpoint train performance of all late trains, including: a. Train Symbol b. Date c. Status (late, annulled, terminated, cancelled, etc.) d. Minutes late at endpoint	Due 15 days after the end of the quarter

[26] 49 U.S.C. § 24905(b).

[27] Freight data are not currently included in these reports.

[28] Major incidents are identified based on an initial screen of reporting data for days with 5,000 minutes of total delay or 1,500 mins of infrastructure delay.

2.) Descriptive information about each train delay as reported in the agency's data systems, including: a. Train Symbol b. Date c. Delay cause code d. Delay location (if available) e. Minutes of delay (including for trains considered on-time) f. Descriptive information about delay	
3.) General Transit Feed Specification (GTFS) schedule data if not available through public sources	
4.) Daily reports of train operations at the division or agency level that are produced and used by the agency and describe the conditions affecting the prior day's performance	Daily
5.) Monthly ridership reports (required if ridership is not reported to the National Transit Database)	Due 15 days after the end of the quarter
6.) Share of ridership occurring on weekdays and weekends	Due Annually (Commission staff to provide deadline)
7.) Station-level ridership for the operator's entire NEC system	

4.2.2 NEC Annual Report

The Commission is statutorily[29] required to produce an NEC Annual Report by March 31 each year that summarizes activity on the corridor during the prior fiscal year, including:

- Train operations and performance;
- Ridership trends and service;
- Capital program delivery; and
- Progress in assessing and eliminating the NEC SOGR backlog.

The report may include recommendations for improvements on these subjects. Information provided through the quarterly reporting processes described in Sections 4.2.1.1 and 4.2.1.2 will form the basis for the NEC Annual Report with the following additional information collected from each agency:

1. Right-of-Way and Station Owners will identify the specific capital renewal investments to which each Operator's BCCs were applied.
2. Right-of-Way Owners will provide asset counts, age and/or condition, and agreed-upon useful life and/or condition score that necessitates replacement for each asset type.
3. All agencies will identify fiscal year accomplishments and deviations from plan, as applicable, for capital investments included in CIP Year One and any new investments identified in the Quarterly Capital Program Delivery Reports.
4. As required by the FAST Act, Amtrak will provide an accounting of how its NEC operating surplus was expended.[30]

[29] The NEC Annual Report is required by 49 U.S.C. § 24905(b).

[30] Fixing America's Surface Transportation (FAST) Act, Pub. L. No. 114-94, § 11201, 129 Stat. 1312, 1625 (2015) (codified at 49 U.S.C. § 24317(c)(1)(C)).

4.3 NEC Program Implementation

Following the passage of the IIJA, publication of CONNECT NEC 2035 in 2021, and historic levels of funding made available to the NEC, the Commission endorsed the establishment of an Implementation Coordination Program (ICP) to support implementation of CONNECT NEC with an emphasis on schedule adherence. Early efforts under the Implementation workstream included developing an ICP Plan that documented key interagency coordination steps during each FRA capital project life cycle stage and identifying agencies' primary coordination challenges that impact project delivery. In 2022, the Commission initiated a pilot program to apply the ICP Plan to a variety of projects and help members further assess the Commission's role in coordinating capital program implementation. Although additional areas of focus and member engagement are still being explored, as of 2024, the Implementation workstream consists of the following two main elements:

(1) ***NEC FSP Public Dashboard*** – a publicly available dashboard that summarizes schedule progress and funding status for projects receiving IIJA FSP funding.

(2) ***Program Schedule Risk Tool*** – an internal tool that aggregates project schedules and provides early warnings of schedule risks based on estimated supply and demand of key resources (e.g., workforce, track outages, and design review staff).

4.3.1 NEC FSP Public Dashboard

The Commission was directed[31] to develop a dashboard on its website for projects receiving funding from the FSP grant program. The dashboard summarizes key performance indicators (KPIs) for schedule progress and funding status. As agreed to by the Commission, the schedule KPI characterizes project schedules as "On Track," "Minor Delay," or "Delayed" and the funding KPI depicts projects as either "Fully Funded" or "Partially Funded." The dashboard will be updated quarterly to reflect the schedule and funding information in agencies' planning/reporting data submissions. Any additional information regarding project grant status and requests for proposals will be collected each quarter from agencies, as applicable. Project sponsors and partners are provided one week to review dashboard updates before they are published. The Commission may consider expanding the scope of the public dashboard to include additional NEC projects.

4.3.2 Program Schedule Risk Tool

With unprecedented levels of investment planned and underway on the NEC thanks to the IIJA, it is crucial for agencies to understand projects' individual and collective resource requirements and whether demand for resources exceeds supply at any given time and/or location so that they can appropriately mitigate these risks. To aid in this understanding, the Commission maintains a Program Schedule Risk Tool that aggregates project schedules and provides early warning of schedule risks based on estimated supply of and demand for key

[31] Staff of the H. Comm. on Appropriations, 118th Cong., Consolidated Appropriations Act, 2024 (Comm. Print 2024).

resources such as force account, track outages, and design review staff. Member agencies can access and use the tool to supplement their internal planning and coordination processes. In addition, to promote cross-agency coordination, the Commission will review resource constraints and schedule conflicts with member agencies on a periodic basis and track actions to address or mitigate identified schedule risks until resolved.

Projects included in CONNECT NEC with full or partial funding available are the primary focus of the Schedule Risk Tool. Other projects may be incorporated to develop a complete picture of corridor activities. Each quarter, agencies will provide the start and end dates of key design milestones (30%, 60%, and 90% design) for projects included in the tool. The Commission will seek input from agencies to develop and maintain estimates of resource supply and demand and ensure projections are as accurate as possible.

5.0 Federal Partnership

Since World War II, through private and then public ownership, the Northeast Corridor has consistently suffered from underinvestment and deferred maintenance. This created a state-of-good repair backlog that includes sixteen 100+-year-old bridges and tunnels, as well as aging basic infrastructure assets such as electric, power, and signal systems; track infrastructure; and undergrade bridges.

Beginning in FY2016, through the Commission's Cost Allocation Policy, Operators have raised the level of funding available for capital renewal of NEC infrastructure above historic amounts to a level estimated to be nearly sufficient to keep the NEC in a state of good repair—if it were already in a state of good repair. As of FY2025, this amount was approaching $1 billion per year, with another $800+ million paid in shared operating expenses. This funding stream has been essential to establishing a proactive capital renewal program to stem the growth of the SOGR backlog.

In 2021, the Infrastructure Investment and Jobs Act was approved and signed into law. This legislation provided the Northeast Corridor with its first-ever federal source of dedicated, multi-year funding, providing the predictability needed to effectively deliver a major capital program.

5.1 Federal Funding History and Challenges

5.1.1 Decades of Insufficient Capital Investment

The NEC had already experienced decades of underinvestment when it was conveyed from the private sector to various government entities in the 1970s after the Penn Central Transportation Company bankruptcy. As the railroad industry declined and struggled to remain profitable following the Second World War, railroads had limited capital to maintain the condition of their infrastructure.

After the NEC was converted to public sector ownership, it continued to suffer from a lack of sustained investment in renewing and replacing its aging infrastructure. However, there were two notable but brief eras of significant reinvestment by the federal government: the Northeast Corridor Improvement Project (NECIP), which was funded during the late 1970s and early 80s, and the electrification of the NEC's north end during the 1990s in preparation for Amtrak's Acela service. In addition, CTDOT began an aggressive capital campaign for its portion of the New Haven Line in the 2000s but still has a significant backlog.

Outside these targeted programs, Amtrak's annual federal appropriation and past contributions from commuter authorities generated enough capital for only limited investments. As a result, many assets (e.g., expansive signal and electric power systems, fifteen major bridges and tunnels, and hundreds of smaller road and river bridges) continued to age beyond their useful life. While owners had to delay making the investments needed to maintain a state of good repair, NEC service has grown to where the corridor lacks sufficient capacity in many areas to rebuild as quickly or efficiently as may be desired without disrupting existing service.

Amtrak, in particular, relied primarily on annual federal appropriations from Congress, which have fluctuated over the years. Uncertainty in Amtrak's year-to-year funding contributed to annual capital investment plans that largely consisted of reactive capital maintenance activities and "life support" investments for critical major capital assets. As a result, Amtrak often struggled to develop and follow a clearly articulated multi-year capital plan.

5.1.2 The Infrastructure Investment and Jobs Act of 2021

The corridor first received a reliable source of annual funding outside of the appropriations process through the Cost Allocation Policy, approved in September 2015. This version of the Policy represents its third five-year term, and it continues to provide a reliable source of annual capital renewal funding.

In 2021, the IIJA provided the Northeast Corridor with its first secure source of funding for major projects. The $24 billion provided through the Federal-State Partnership (FSP) grant program and the $6 billion provided to Amtrak's Northeast Corridor Account have ushered in a new era, providing essential planning, design, and construction funding to a number of the corridor's critical bridge and tunnel projects that will finally begin to address the backlog of major state of good repair projects. These programs have also provided funds to support the capital renewal of the corridor's basic infrastructure, projects that support capacity expansion and trip-time reduction, and the general improvement and modernization of the railroad.

5.2 NEC Funding Priority: Predictable and Consistent Federal Funding

The Commission is advancing work on the latest version of the 15-year CONNECT NEC plan, which relies on long-term guaranteed funding being provided.

The Commission's highest priority in the next transportation reauthorization bill is to continue the advance appropriations the IIJA provided for the Federal-State Partnership program and Amtrak's Northeast Corridor Account. Continued guaranteed funding for the Federal Transit Administration's Capital Investment Grant program and FTA's formula grant programs, especially the formula portion of the Section 5337 State of Good Repair Grants program, is also critical for commuter railroad investments.

The five years of guaranteed funding from FY2022 through FY2026, combined with the Federal Railroad Administration's use of phased funding agreements, were essential to providing agencies the certainty needed to hire thousands of new workers, purchase needed equipment, advance planning and design work, and enter into major construction contracts. These funding guarantees are helping to advance seven major backlog projects through the construction phase over the next decade. Another round of funding beyond FY2026 is necessary to advance the remaining eight projects through construction, as well as critical capital renewal, capacity, and other modernization and improvement projects.

As a result of the guaranteed funding in the IIJA, the rail sector in the United States is maturing—a larger, more diverse, workforce is being hired and trained; new right-of-way

equipment and rolling stock is being purchased; steel and concrete is being ordered; and planning and implementation processes are being improved and professionalized. We are creating new jobs, establishing new manufacturing markets, attracting international investment, and, for the first time since construction was largely completed in the 1930s, rebuilding the Northeast Corridor. This momentum is real and continued progress requires guaranteed funding beyond FY2026.

Sustained capital investment levels are needed to eliminate the state-of-good-repair backlog over the long term. Without this investment, aging infrastructure will cause more delays, frustrating passengers and putting the region's economy at risk.

Of course, these advance appropriations must be matched by strong annual appropriations to be effective.

One important aspect of the FSP program is that it tied funding to the Commission's CONNECT NEC planning process by creating a project inventory and requiring that projects must be included in the Commission's latest plan. This connection to the overall plan is essential. Capital projects undertaken in one location have implications for projects undertaken elsewhere, due to factors such as required outages and workforce availability. As a result, grants must respect the plan's integrity and sequencing analysis and projects should not be funded without respect to the overall comprehensive plan agreed to by the Commission.

5.3 Federal Oversight and Regulatory Challenges

Federal policy does not treat NEC commuter and intercity passenger rail as a unified system. Even though both services operate over the same tracks, often stopping at the same stations, they are legislated, regulated, and funded differently by the federal government. Separate congressional committees write legislation for intercity and commuter rail policy and programs. Commuter rail service is considered public transit and primarily regulated and funded by the Federal Transit Administration (FTA). Amtrak is regulated and funded by the Federal Railroad Administration (FRA). Only safety oversight, which resides with FRA, is consistently applied to both service types.

This fragmentation sometimes creates challenges in operating coordinated multimodal services and implementing capital projects and programs. Stakeholders struggle with inconsistent federal oversight of NEC planning and multiple sets of rules when applying both FTA and FRA funding to a project. Efforts to address these challenges require both administrative and statutory changes. If harmonization of federal laws and regulations pertaining to intercity and commuter rail takes place, Commission members could focus energy on ensuring state-level laws and regulations conform with federal provisions to the greatest extent possible.

The different treatment of commuter and intercity rail under federal law means there is no single set of rules or point of contact at the federal level when NEC projects involving multiple participants are proposed. Action to harmonize the requirements that come with the use of federal dollars from different federal programs is necessary.

5.4 Harmonization of Federal Requirements

Since the Cost Allocation Policy was adopted in 2015, USDOT has made efforts to streamline the application of rules and procedures of its various modes for NEC projects. This section describes some of the harmonization efforts completed by USDOT to date and areas where additional changes could benefit project delivery.

5.4.1 Harmonization Efforts Completed to Date

FRA and FTA established joint standard operating procedures (SOPs) for Project Management Oversight and Engineering. Grantees will benefit from a coordinated approach to simplify processes and reduce or eliminate duplicative requirements through clarified agency roles and responsibilities in performing engineering reviews and project management oversight of multimodal-funded projects, including the process to identify a Lead Federal Oversight Agency. FRA and FTA also established joint SOPs for Real Property Acquisition Oversight for multimodal projects, which harmonize FRA and FTA reviews of relocation assistance and real property acquisition.

The National Environmental Policy Act (NEPA) is a single federal statute covering all federal funds. FRA, FTA, and FHWA have joint procedures for implementing the National Environmental Policy Act (NEPA), which covers all federal programs. The NEPA rule also allows a project sponsor to request that the Secretary of Transportation designate a lead Federal agency when project elements fall within the expertise of multiple USDOT agencies. In addition, USDOT recently issued interim guidance to permit USDOT operating administrations to apply Categorical Exclusion NEPA classes of action across modal administrations.

5.4.2 Opportunities for Further Harmonization

Harmonization among DOT modes alone cannot resolve all the inefficiencies and complexities project sponsors face. Further harmonization in the following areas may be achieved with legislative action.

Pre-Award Authority. Currently, discretionary grant programs have different pre-award authority rules, including varying periods of time when pre-award costs are considered eligible for reimbursement. Consistent rules for the earliest date eligible costs may be incurred may permit project sponsors to advance projects more quickly.

Funding Flexibility for Multimodal Funded Projects. Many NEC projects involve funds from multiple sources, which means sponsors must comply with multiple sets of requirements. Allowing a project sponsor to follow a single set of rules regardless of the funding source would streamline and speed project delivery. For example, such challenges could be alleviated if modes were able to more easily transfer funds among each other.

Buy America Requirements. Projects commonly use a combination of FRA, FTA, or FHWA grant funds and other financial assistance and must comply with those agencies' differing Buy America requirements for iron, steel, and manufactured products. Adding to the complexity, Amtrak projects are subject to other Buy America requirements. FTA and FRA have

harmonized Buy America differences on a project-by-project basis, but early predictability and common requirements for project sponsors in this area would help avoid both delays and cost increases.

Disaster Relief Funds. Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act),[32] Amtrak is not eligible to receive federal disaster relief. But, like all infrastructure, the NEC is vulnerable to natural disasters and other disruptions. Amending the Stafford Act to make federal disaster relief funds provided by the Federal Emergency Management Agency (FEMA) available to Amtrak to restore NEC infrastructure, facilities, and equipment would increase NEC Owners' and Operators' ability to improve NEC resiliency.

[32] 42 U.S.C. § 5121 et seq.

1.0 Appendix

1.1 Definitions

AAR Index: Refers to Table C: Quarterly Index of Chargeout Prices and Wage Rates, EAST (1997=100): Materials prices, wage rates and supplements combined (excluding fuel).

Backlog: Northeast Corridor infrastructure assets that are no longer functioning as designed and/or are in service beyond their expected useful life. The NEC backlog is composed of both basic infrastructure assets and major backlog as defined by this Policy.

Baseline Capital Charge (BCC): The capital charge assigned to each Operator determined as a percentage of the corridor's Normalized Replacement Amount by applying the prospective fiscal year's allocation statistics to the normalized replacement amounts calculated for each asset category and segment combination. The sum of an Operator's allocated share of applicable normalized replacement amounts equals that Operator's BCC, or annual capital obligation.

Capital Renewal: the routine repair or replacement of existing basic infrastructure assets.

Commission: Means the body of the Commission, composed of voting members–1 member from each of the States (including the District of Columbia) that constitute the Northeast Corridor as defined in Section 24102, designated by, and serving at the pleasure of, the chief executive officer thereof; members representing the Department of Transportation; members representing Amtrak; and any non-voting representatives.

Common-Benefit Infrastructure: NEC assets mutually agreed to provide benefit and utility to more than one Operator. Common-Benefit Infrastructure may also be referred to as Shared-Benefit or Joint-Benefit Infrastructure.

Commuter Authority: Means the same as the term defined in 49 U.S.C. § 24102(2) ("a State, local, or regional entity established to provide, or make a contract providing for, commuter rail passenger transportation"). Commuter Authorities on the Northeast Corridor must implement the Policy and include the Massachusetts Bay Transportation Authority, the Rhode Island Department of Transportation, the Connecticut Department of Transportation, the New York Metropolitan Transportation Authority, Metro-North Railroad, Long Island Railroad, New Jersey Transit Corporation, the Southeastern Pennsylvania Transportation Authority, the Delaware Department of Transportation, the Maryland Department of Transportation, Maryland Transit Administration, Virginia Railway Express, any successor agencies, and any entity created to operate, or to contract for the operation of, commuter or intercity passenger rail service.

Fiscal Year: Refers to the federal fiscal year, beginning on October 1 and ending September 30.

Improvement: The replacement of existing assets with markedly superior ones or the introduction of new assets above and beyond existing NEC infrastructure, facilities, and equipment to improve reliability, increase capacity, reduce travel time, or improve the customer experience.

Incremental/Avoidable Cost: Method to assign costs that presumes a dominant user and assigns to minority user(s) only the costs that could be directly avoided, but for the existence of the minority user.

Major Backlog: projects necessary for achieving a state of good repair, but are not undertaken on a routine basis, such as rehabilitation or replacement of major bridges and tunnels. Major Backlog projects on the NEC are:

1. Connecticut River Bridge Replacement Project
2. DEVON Bridge Replacement
3. SAUGATUCK River Bridge Replacement (TIME-4)
4. WALK Bridge Replacement
5. COS COB Bridge Replacement (TIME-8)
6. Pelham Bay Bridge Replacement Project
7. East River Tunnel Rehabilitation Project
8. Hudson Tunnel Project (part of Gateway Program)
9. Highline Renewal and State of Good Repair (part of Gateway Program)
10. Sawtooth Bridges Replacement Project (part of Gateway Program)
11. Portal North Bridge (part of Gateway Program)
12. Dock Bridge Rehabilitation Project (part of Gateway Program)
13. Susquehanna River Bridge Replacement Program
14. Bush River Bridge Replacement Program
15. Gunpowder River Bridge Replacement Project
16. Frederick Douglass Tunnel Program

These projects include capital renewal components and may include improvement components where replacement as defined by the Policy is impossible or undesirable. When replacing a major structure, it makes sense to scope all contemplated work into a single project to save both time and money.

Mandated: Capital projects required by law or regulation or to protect public health. These include environmental remediation, right-of-way fencing, infrastructure and station resiliency and security systems, Positive Train Control (PTC), and station access improvements.

New Haven Line: The Metro-North Railroad operated and dispatched Northeast Corridor service territory between New Rochelle, NY and New Haven, CT, owned by the New York Metropolitan Transportation Authority for the segment within the State of New York and owned by the Connecticut Department of Transportation within the State of Connecticut.

Normalized Replacement Amount: A concept used in the calculation of Baseline Capital Charges that estimates the annual cost of sustaining basic infrastructure assets in a state of

good repair and is based on (1) the population of each asset type, (2) the average useful life of each asset type, and (3) the unit cost for each asset type.

Northeast Corridor: The segment of the continuous railroad line between Boston, Massachusetts, and Washington, District of Columbia, which is part of the national rail transportation system, as defined in 49 U.S.C. § 24102(5)(A) and the branch lines: New Haven, CT to Springfield, MA; New York – Penn Station to New York – Spuyten Duyvil; and Philadelphia, PA to Harrisburg, PA.

Non-Owner Operator: Means an entity responsible for, or established to provide, commuter or intercity passenger rail transportation subject to the Policy, but in the context used is not the right-of-way, station, or infrastructure owner.

Operating Segment: Set forth in Appendix 1.7.3.

Operator: Means an entity responsible for, or established to provide, commuter or intercity passenger rail transportation subject to the Policy. This includes Amtrak, the New York Metropolitan Transportation Authority, the Connecticut Department of Transportation, the Delaware Department of Transportation, the Maryland Department of Transportation, the Rhode Island Department of Transportation, the Southeastern Pennsylvania Transportation Authority, New Jersey Transit Corporation, the Massachusetts Bay Transportation Authority, Virginia Railway Express, any successor agencies, and any entity created to operate, or contract for the operation of, commuter or intercity passenger rail service.

Owner: Means an entity required to implement the Policy that owns NEC right of way, an NEC station, or other NEC infrastructure. See also Right-of-Way Owner and Station Owner.

Pre-Existing: Unless the context indicates otherwise, means prior to the date the Policy was adopted (i.e., September 17, 2015).

Project Sponsor: Means an entity required to implement the Policy responsible for the delivery of a capital project or program. A Project Sponsor may or may not be the same as the Owner and is not necessarily the same as the FTA or FRA project sponsor.

Repair: Fixing or mending a damaged or aged existing asset which remains in place.

Replacement: The installation of upgraded or modernized assets that generally serve the same purpose, provide the same basic functionality, and/or reside within the same footprint as the existing assets.

Right-of-Way Basic Infrastructure: Means the infrastructure components that require annual renewal to keep the NEC's structures and systems functioning properly and in a state of good repair for safe train operations. It includes rails, ties, ballast, communication systems, electric traction power systems, under-grade bridges and other similar items.

Right-of-Way Owner (RoW Owner): Means an entity required to implement the Policy that owns NEC right of way. NEC Right-of-Way Owners include the Massachusetts Bay

Transportation Authority, the Connecticut Department of Transportation, the New York Metropolitan Transportation Authority, and Amtrak.

Sole-Benefit Infrastructure: NEC assets mutually agreed to provide benefit and utility only to one Operator.

State of Good Repair (SOGR): The conditions in which existing physical assets, individually and as a system, a) are functioning as designed within their expected useful lives; and b) are sustained through regular maintenance and normalized replacement programs.

Station Owner: Means an entity required to implement the Policy that owns or has maintenance responsibility for station assets included in an NEC intercity station. NEC station owners include Amtrak, the Massachusetts Bay Transportation Authority, the Rhode Island Department of Transportation, the Connecticut Department of Transportation, the New York Metropolitan Transportation Authority, New Jersey Transit Corporation, the Southeastern Pennsylvania Transportation Authority, the Delaware Department of Transportation, and the Maryland Department of Transportation.

Stations Basic Infrastructure: Means the infrastructure components that require annual renewal to keep NEC stations functioning properly and in a state of good repair for passenger comfort and safety and safe train operations. It includes platform structures; escalators, elevators, and corridors required for access to trains; lighting and signage; Passenger Information Display systems; restrooms; CCTV and security communication systems; fire and life safety equipment/systems; and building systems and structures that support these assets, such as electrical and HVAC systems.

System-wide Investments: Investments that benefit one or more BCC segments beyond the immediate segment in which they are located (e.g., substations), or are located off the right of way and therefore do not incur territory specific costs (e.g., asset management software).

Terminal Zones: Those operating segments defined in Appendix 1.7.4 whose segment length and train speeds are sufficiently low as to suggest that costs are best allocated among the parties by train moves as opposed to other allocation statistics such as gross ton miles.

1.2 Statute

49 U.S.C.
United States Code, 2023 Edition
Title 49 - TRANSPORTATION
SUBTITLE V - RAIL PROGRAMS
PART C - PASSENGER TRANSPORTATION
CHAPTER 249 - NORTHEAST CORRIDOR IMPROVEMENT PROGRAM

§ 24905. Northeast Corridor Commission

(a) Northeast Corridor Commission.—

(1) Within 180 days after the date of enactment of the Passenger Rail Investment and Improvement Act of 2008, the Secretary of Transportation shall establish a Northeast Corridor Commission (referred to in this section as the "Commission") to promote mutual cooperation and planning pertaining to the rail operations, infrastructure investments, and related activities of the Northeast Corridor. The Commission shall be made up of—

(A) members representing Amtrak;

(B) members representing the Department of Transportation, including the Office of the Secretary, the Federal Railroad Administration, and the Federal Transit Administration;

(C) 1 member from each of the States (including the District of Columbia) that constitute the Northeast Corridor as defined in section 24102, designated by, and serving at the pleasure of, the chief executive officer thereof; and

(D) non-voting representatives of freight and commuter railroad carriers authorities using the Northeast Corridor selected by the Secretary.

(2) The Secretary shall ensure that the membership belonging to any of the groups enumerated under paragraph (1) shall not constitute a majority of the Commission's memberships.

(3) The Commission shall establish a schedule and location for convening meetings, but shall meet no less than four times per fiscal year, and the Commission shall develop rules and procedures to govern the Commission's proceedings.

(4) A vacancy in the Commission shall be filled in the manner in which the original appointment was made.

(5) Members shall serve without pay but shall receive travel expenses, including per diem in lieu of subsistence, in accordance with sections 5702 and 5703 of title 5.

(6) The members of the Commission shall elect co-chairs consisting of 1 member described in paragraph (1)(B) and 1 member described in paragraph (1)(C).

(7) The Commission may appoint and fix the pay of such personnel as it considers appropriate.

(8) Upon request of the Commission, the head of any department or agency of the United States may detail, on a reimbursable basis, any of the personnel of that department or agency to the Commission to assist it in carrying out its duties under this section.

(9) Upon the request of the Commission, the Administrator of General Services shall provide to the Commission, on a reimbursable basis, the administrative support services necessary for the Commission to carry out its responsibilities under this section.

(10) The Commission shall consult with other entities as appropriate.

(b) Statement of Goals and Recommendations.—

(1) Statement of goals.—The Commission shall develop and periodically update a statement of goals concerning the future of Northeast Corridor rail infrastructure and operations based on achieving expanded and improved intercity, commuter, and freight rail services operating with greater safety and reliability, reduced travel times, increased frequencies and enhanced intermodal connections designed to address airport and highway congestion, reduce transportation energy consumption, improve air quality, and increase economic development of the Northeast Corridor region.

(2) Recommendations.—The Commission shall develop recommendations based on the statement developed under this section addressing, as appropriate—

(A) short-term and long-term capital investment needs;

(B) future funding requirements for capital improvements and maintenance;

(C) operational improvements of intercity passenger rail, commuter rail, and freight rail services;

(D) opportunities for additional non-rail uses of the Northeast Corridor;

(E) scheduling and dispatching;

(F) safety and security enhancements;

(G) equipment design;

(H) marketing of rail services;

(I) future capacity requirements; and

(J) potential funding and financing mechanisms for projects of corridor-wide significance.

(3) Submission of statement of goals, recommendations, and performance reports.—The Commission shall submit to the Committee on Commerce, Science, and Transportation of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives—

(A) any updates made to the statement of goals developed under paragraph (1) not later than 60 days after such updates are made; and

(B) annual performance reports and recommendations for improvements, as appropriate, issued not later than March 31 of each year, for the prior fiscal year, which summarize—

(i) the operations and performance of commuter, intercity, and freight rail transportation, including ridership trends, along the Northeast Corridor;

(ii) the delivery of the first year of the capital investment plan described in section 24904; and

(iii) progress in assessing and eliminating the state-of-good-repair backlog.

(c) Allocation of Costs.—

(1) Policy.—The Commission shall—

(A) develop and maintain the standardized policy first approved on September 17, 2015, and update, as appropriate, for determining and allocating costs, revenues, and compensation for Northeast Corridor commuter rail passenger transportation, as defined in section 24102 of this title, on the Northeast Corridor main line between Boston, Massachusetts, and Washington, District of Columbia, and the Northeast Corridor branch lines connecting to Harrisburg, Pennsylvania, Springfield, Massachusetts, and Spuyten Duyvil, New York, that use Amtrak facilities or services or that provide such facilities or services to Amtrak that ensures that—

(i) there is no cross-subsidization of commuter rail passenger, intercity rail passenger, or freight rail transportation;

(ii) each service is assigned the costs incurred only for the benefit of that service, and a proportionate share, based upon factors that reasonably reflect relative use, of costs incurred for the common benefit of more than 1 service; and

(iii) all financial contributions made by an operator of a service that benefit an infrastructure owner other than the operator are considered, including but not limited to, any capital infrastructure investments and in-kind services;

(B) develop timetables for implementing and maintaining the policy;

(C) submit updates to the policy and timetables developed under subparagraph (B) to the Surface Transportation Board, the Committee on Commerce, Science, and Transportation of

the Senate, and the Committee on Transportation and Infrastructure of the House of Representatives;

(D) support the efforts of the members of the Commission to implement the policy in accordance with the timetables developed pursuant to subparagraph (B); [1]

(E) with the consent of a majority of its members, petition the Surface Transportation Board to appoint a mediator to assist the Commission members through nonbinding mediation to reach an agreement under this section.

(2) Implementation.—

(A) In general.—In accordance with the timetables developed pursuant to paragraph (1)(B), Amtrak and commuter authorities on the Northeast Corridor shall implement the policy developed under paragraph (1) in their agreements for usage of facilities or services.

(B) Effect of failure to implement or comply with policy.—If the entities referred to in subparagraph (A) fail to implement the policy in accordance with paragraph (1)(D) or fail to comply with the policy thereafter, the Surface Transportation Board shall—

(i) determine the appropriate compensation in accordance with the procedures and procedural schedule applicable to a proceeding under section 24903(c), after taking into consideration the policy developed under paragraph (1); and

(ii) enforce its determination on the party or parties involved.

(3) Revisions.—The Commission may make necessary revisions to the policy developed under paragraph (1), including revisions based on Amtrak's financial accounting system developed pursuant to section 203 of the Passenger Rail Investment and Improvement Act of 2008.

(4) Request for dispute resolution.—If a dispute arises with the implementation of, or compliance with, the policy developed under paragraph (1), the Commission, Amtrak, or commuter authorities on the Northeast Corridor may request that the Surface Transportation Board conduct dispute resolution. The Surface Transportation Board shall establish procedures for resolution of disputes brought before it under this paragraph, which may include the provision of professional mediation services.

(d) Authorization of Appropriations.—There are authorized to be appropriated to the Secretary for the use of the Commission and the Northeast Corridor Safety Committee such sums as may be necessary to carry out this section during fiscal years 2022 through 2026, in addition to any amounts withheld under section 22101(e) of the Passenger Rail Expansion and Rail Safety Act of 2021.

[Subsection (e) relating to the Northeast Corridor Safety Committee has been omitted.]

(Pub. L. 103–272, § 1(e), July 5, 1994, 108 Stat. 935; Pub. L. 110–432, div. B, title II, § 212(a), Oct. 16, 2008, 122 Stat. 4921; Pub. L. 114–94, div. A, title XI, § 11305(a)–(d)(1), Dec. 4, 2015,

129 Stat. 1656, 1657; Pub. L. 115–420, §§ 4(a), 6(a), Jan. 3, 2019, 132 Stat. 5444, 5445; Pub. L. 117–58, div. B, title II, § 22302, Nov. 15, 2021, 135 Stat. 716.)

1.3 Operating Cost Submission Requirements

Any Operator submitting operating costs for allocation and reimbursement must adhere to the requirements described in this section and provide all applicable data and information to the Commission.

Operators must submit their allocable operating costs and supporting documentation no later than **January 31**. For agencies on a calendar year fiscal year, costs should be submitted by January 31 of the next year. (For example, an Operator with a fiscal year ending December 31 must submit costs incurred between January 1, 2025 – December 31, 2025, by January 31, 2027) Expense data must be submitted in a prescribed format.

1.3.1 General Requirements

(1) Provide a Chart of Accounts that identifies and describes each of the management centers and/or accounts relevant to the submission.

(2) Submit general ledger line item detail, or the most detailed documentation available that can be audited. If general ledger line-item detail is not available, the Operator submitting costs for allocation will provide a written explanation regarding why general ledger data is not available and how the applicable costs were determined. All Operators to be allocated costs must concur that the alternative detailed documentation is acceptable prior to being allocated such costs.

(3) Submit only those costs for which an Audited Consolidated Financial Statement has been completed and issued by the agency's independent auditor. If this is not possible, the agency must notify the Commission, and upon completion of the audit, identify any findings that are material to the cost submission. Additionally, Owners should submit only those costs for which they can reasonably assure that payments have been made to the applicable parties at the time of submission, other than the non-cash accruals described below.

(4) Provide the cost submission in a format that allows reviewers to trace all costs from the general ledger to the format prescribed by the Commission. At minimum, this includes showing how costs were: (1) assigned to Operating Segments, (2) assigned to functional activities, and (3) identified as sole- or common-benefit. The Commission may impose more detailed format standards, as necessary, to ensure that cost submissions can be reviewed effectively and in a timely manner by all Operators.

(5) Identify costs that represent long term, non-cash accruals, together with a rationale for why these accruals are being included for cost allocation purposes.

(6) Provide a summary of any changes made to the two years of costs that were included in the Operator's cost submission from the previous model year. For example, any changes to an agency's FY2023 and FY2024 costs between the FY2026 model cycle and the FY2027 model cycle must be identified as part of the agency's FY2027 cost submission. Changes may be necessitated by the resolution of model issues, new

business practices, audit findings, general ledger corrections/adjustments, and other circumstances.

1.3.2 Requirements for Indirect Costs and Overhead Rates

Operators submitting direct costs for allocation and reimbursement are not required to submit indirect costs via overhead rates; however, Operators submitting costs for allocation that also wish to include their indirect costs via overhead rates as part of the allocation process are required to share the following with the Commission:

(1) A list and general description of the overhead rates applied.
(2) For each identified overhead rate, provide a calculation specific to each of the three years that compose the cost submission.
(3) For each rate calculation, submit supporting general ledger line item detail and documentation that identifies:
    - The direct costs that the rate has been applied to;
    - The allocation base (i.e., denominator costs) chosen in the rate's calculation;
    - The cost pools (i.e., numerator costs) chosen in the rate's calculation;
    - What costs have been excluded from the cost pool(s) with special attention paid to costs that can be clearly linked to the core passenger train operation function or other sole-benefit activities (e.g., marketing, information systems supporting ticket sales, etc.); and
    - The applicable regulation that has been followed in calculating the overhead rates prior to any modifications made to ensure compliance with Commission exclusions.

1.4 G&A Rate Exclusions

In general, indirect costs that should be excluded from a G&A rate numerator are related to:

- Activities or functions that directly support generation of revenue;
- Activities of functions that directly support operation of trains;
- Activities or functions that are separately funded elsewhere; and,
- All other activities or functions that are sole-benefit to the agency submitting costs.

Section 3.3 "Exclusions" identifies costs that are not shareable under this Policy. These costs should also be excluded from G&A rate numerators. Other examples of costs that should be excluded from G&A rate numerators include:

- Sales and sales support
    - Ticketing-related costs
    - Credit card fees
    - Armored car fee
    - Bank deposit supplies fees
    - Telephone/data allocation cost related to reservation system
    - Passenger inconvenience expenses
- Advertising/marketing
    - Included IT-related costs
    - Advertising
    - Market research
- Lobbying
- Customer service
    - Customer quality evaluation
- Operations
    - Passenger revenue operations
    - Tariffs & timetables
    - Bus & transfer services
    - Subsidiaries operating activities
- Financial
    - Bad debts
    - Fines, penalties and other financial services expense
    - Interest costs of borrowed capital or governmental unit's own funds
    - Interest attributed to a fully depreciated asset
    - Depreciation & amortization[33]
    - Fund raising and investment management costs
    - Pension liability (unfunded)
    - Contributions or donations rendered
    - Capital expenditures

[33] Depreciation & amortization is excluded from the G&A rate except for depreciation/amortization associated with common-benefit capitalized leased assets.

- Liability
    - Injury claims
    - Damage claims to property-other
    - Claims handling service fee
    - Expense recovery medical
    - Insurance recovery
    - Purchased insurance
- Real estate
    - Real estate administration
    - Garage operating expense
    - Land/air rights Acquisitions
    - Lease termination fees
- Miscellaneous
    - Gain/loss-equip disposal
    - Recovery of overhead cost
    - Equipment recovery
    - Exp Recovery-Other Railroad (Freight)
    - OPEB liability (unfunded)
    - Cost of idle facilities
    - Patent costs
    - Alcoholic beverages and other commissary Supplies
    - Entertainment costs

1.5 Additional Details Regarding the Calculation of Normalized Replacement

The following information regarding the calculation of the Normalized Replacement Amount will pertain to calculations in the Cost Allocation Model as outlined in Section 3.4.2. Asset data related to the structural replacement of major overhead bridges and tunnels is not included. Until an asset data source is removed, the Commission will determine the proper proportion of asset data sources in its annual capital financial obligations.

1.5.1 Right of Way Basic Infrastructure Asset Data Sources

Right of Way Basic Infrastructure asset data sources were last updated in 2019. Agency-specific asset counts, unit cost, and useful life assumptions were provided by Amtrak (for Amtrak and MBTA owned portions of the NEC), CTDOT (for the Connecticut owned portion of the New Haven Line), and MNR (for the NYMTA owned portion of the New Haven Line. Asset counts were collected by the more geographically specific BCC Segments as defined in Appendix 1.7. Unit costs were generally calculated using actual costs. Within each agency's submission, ROW owners presumed constant unit cost and useful life assumptions across BCC segments.

The data was collected for the assets within the disciplines outlined in Table 4 of Section 3.4.2. In addition, the following will apply:

- An amount of $28M is added to Amtrak's data to account for the cost of capital investments that support the entire program. These systemwide costs are spread proportionally across all Amtrak owned segments based on the total NR amount of the other disciplines for each BCC segment.
- Each RoW Owner's most recent and available G&A rate as calculated in accordance with this Policy will be applied to their asset assessment data. Except for G&A, all overheads are already embedded in these data. For the purposes of the asset assessment data sources, MBTA utilizes Amtrak's G&A rate and CTDOT utilizes Metro-North's G&A rate. No G&A rate is applied to NYMTA data.
- A gross-ton mile cost index is applied to normalized replacement amounts for the track asset category to account for greater density of use in certain areas. The index adjusts the base normalized replacement amounts by BCC segment based on the normalized gross ton miles per track mile in the segment. Segments with greater density of use see an increase in the normalized replacement amounts for allocation while those with lower density see a decrease.

1.5.2 Stations Basic Infrastructure Asset Data Sources

Stations Basic Infrastructure asset data sources were last updated in 2020. Asset data for stations basic infrastructure were compiled from various public and agency sources. Unit cost and useful life information was generally drawn from publicly available sources including transit asset management plans, industry standard guides, and from Stations Basic Infrastructure projects. Asset counts were generally drawn from agency sources, existing Commission Operator Cost Sharing sources, and publicly available information.

1.6 Payment Procedures

The following payment provisions will apply unless an Owner and Operator agree on an alternative arrangement:

(1) Each Operator with allocable costs will issue an invoice to other Operators. In an instance where two Owners are invoicing each other, the parties may agree to credit the smaller payment against the larger payment resulting in fewer invoices, provided that all gross transaction amounts are included on the invoices and in their respective general ledgers for record keeping purposes. Invoicing provisions will be in accordance with individual contracts, unless otherwise specified in this policy.
(2) Payments are due on or prior to the 15th day of each service month.
(3) Interest may be charged on late payments, in accordance with individual contracts.

1.6.1 Operating Obligation Payments

Each agency's annual operating obligation is divided by twelve, resulting in a flat Monthly Operating Charge paid by each Operator. After the prospective year has ended, actual costs from the prospective year will be rolled forward into the calculation for the next three years of Monthly Operating Charges, constituting the reconciliation of actual costs.

1.6.1.1 Electric Traction Propulsion Power

For electric traction propulsion power, each Right-of-Way Owner will provide estimated costs for the prospective fiscal year. Percentages from the most recent power studies will be applied to these estimates to determine estimated monthly payments by each Operator. On a monthly basis, estimated costs will be compared to actual costs, and the difference will be reflected in a credit or an added charge in the next monthly estimated payment.

Any Operator that will no longer require electric traction propulsion power or plans to require it in the future will provide notice to the Commission six months in advance. The allocation among Owners and Operators will be recomputed to represent the change effective on the date that the Operator will no longer use electric traction propulsion power.

Special studies for electric traction propulsion power will be performed no less than every three years. The calculation of kWh usage for each Operator will be based on service plans and statistics agreed to by the affected parties as part of the special study. Because the study is not necessarily updated every year, the service plans and related statistics may be based on a different time period from those used for the allocation of other cost categories. Amtrak or a Commuter Authority may request an interim update to the study, in which case the results will supersede the results of the prior study at the beginning of the next fiscal quarter. The Operator requesting the interim update will be responsible for paying the full cost of the interim update to the study.

1.6.2 Capital Obligation Payments

For capital obligation payments (i.e., BCC payments), the following procedures will be followed unless the Operators agree on an alternative payment schedule that is transparent and adheres to the Policy's intent.

1.6.2.1 General Procedures

(1) Owners will identify the expected expenses that are eligible for each Operator's BCC during the upcoming fiscal year as described in Section 4.1.2.
   a) Each Non-Owner Operator's payment will be the lesser of the Non-Owner Operator's BCC (as calculated in the cost allocation model and approved by the Commission for that fiscal year) or the Owner's expected expenses that are eligible for the Non-Owner Operator's BCC during the upcoming fiscal year. The resulting payment is called the **BCC Amount Paid**.
   b) In every year where a Non-Owner Operator's BCC Amount Paid is less than its BCC, an obligation of the Non-Owner Operator to the Owner of the amount of the difference shall carry over for three years as long as the Policy is in effect. Operators will use the capital planning process described in Section 4.1.2 to program the carryover obligation within the required timeframe.
   c) The requirement for Owners to spend their BCCs on BCC eligible activities does not expire. After completing the steps in Appendix 1.6.2.2 End-of-Year Procedures, Station Owners who are not Right-of-Way Owners may notify the Commission that unspent BCCs will be expired.

(2) Payments will be made to Owners monthly at one-twelfth of the BCC Amount Paid.

(3) If an Operator pays its BCC Amount Paid using a funding source that must be associated with a discrete set of capital projects, such as a bond, Owners and Operators will cooperate to comply with all legal obligations associated with the funding source.

(4) In any year, Owners may program and/or spend up to 10% more than their BCC obligation in their operating territory and apply any overage against their BCC obligations in the subsequent three years, unless the Commission selects a higher threshold.

(5) Consistent with Section 24905, Owners and Non-Owner Operators may, with Commission approval, agree that an Operator may fund all or part of its BCC with an in-kind capital contribution, provided the contribution is linked to an approved NEC Capital Investment Plan. If an in-kind capital contribution is proposed, the method for its valuation will be included in the agreement between the Owner and Non-Owner Operator.

1.6.2.2 End-of-Year Procedures

After the close of each fiscal year, each Non-Owner Operator's BCC Amount Paid will be compared to the actual amount expended in or assigned to its territory and the following will apply:

(1) Any expenses in the Non-Owner Operator's territory exceeding the BCC Amount Paid, up to the amount of any unpaid capital obligation/BCC, will be added to the following year's BCC Amount Paid in equal monthly payments.

(2) When determining whether any portion of a Non-Owner Operator's BCC Amount Paid remains unspent after the close of the fiscal year, the Owner must first ensure that, for each common set of segments, its own BCCs and other Non-Owner Operators' (combined) BCCs derived from the segment have been applied proportionally to the common segments, unless an Owner and Non-Owner Operator have mutually agreed otherwise or the Owner's share is greater. Common set of segments is defined as all segments with allocation statistics for both the Owner (operating as Owner) and Non-Owner Operator as defined in the relevant capital asset data source.
(3) Any BCC Amount Paid by a Non-Owner Operator but not spent in or assigned to the Non-Owner Operator's territory will be handled as follows:
    a) If the Owner has demonstrated in the most recent Capital Investment Plan that the difference between the BCC Amount Paid and the actual amount expended can be spent during the current fiscal year in addition to that year's capital obligations, no credit will be given.
    b) If the Owner has not demonstrated in the most recent Capital Investment Plan that the difference can be spent during the current fiscal year in addition to that year's capital obligations, the Non-Owner Operator will be credited the difference between the BCC Amount Paid and the actual amount expended on the next monthly invoice.

1.6.3 Payment Reconciliation Options

Mid-year reconciliations for operating obligation payments will be made according to, at the payer's option, schedules (1) or (2), unless the parties mutually agree to (3):

(1) Settle Immediately. No later than the fiscal year's end, pay or credit the difference.
(2) Settle During the Following Fiscal Year. At the fiscal year's close, add or credit the inflation-adjusted difference (divided by 12) to the Monthly Operating Charges for the following year.
(3) Settle Over a Longer Period. Repay over a longer period by adding or crediting the difference divided by the number of years in the repayment period to each year's financial obligation calculation, adjusted for inflation, as necessary.

If Operators make budget requests before financial obligations are approved by the Commission, the most recently available financial obligation estimates may be used to inform these requests. Operators will inform the Commission and Owners of requested budget amounts. If budgeted payments represent an over- or under-payment, Operators will agree to a reconciliation schedule.

1.6.4 Failure to Meet Payment Obligations

Payments obligated under this policy are subject to funds being available. If a party fails to meet its required financial commitment under the Policy, some Operators could bear more than their proportionate share of costs. This will be addressed specifically within individual agreements and may include remedies such as:

- Financial penalties, including appropriate interest charges for late payments.

- Reimbursement of costs and fees associated with the termination or restoration of service.
- Other arrangements consistent with the Policy's overall intent.

1.7 NEC Geographic Segments

1.7.1 Capital Segments

Table 7: Capital Segments

Segment Name	Segment Description	Owner	Operators
NEC Spine – MA	Boston, MA – MA/RI State Line	MBTA	Amtrak, MBTA
NEC Spine – Amtrak	MA/RI State Line – New Haven, CT; and New Rochelle, NY – Washington, DC	Amtrak	Amtrak, RIDOT, CT*rail*, LIRR, NJT, SEPTA, DelDOT, MARC, VRE
Springfield Line	Springfield, MA – New Haven, CT	Amtrak	Amtrak, CT*rail*
Empire Connection	Spuyten Duyvil, NY – New York Penn Station, NY	Amtrak	Amtrak
Harrisburg Line	Harrisburg, PA – Philadelphia, PA	Amtrak	Amtrak, SEPTA
New Haven Line – CT	New Haven, CT – CT/NY State Line	MNR	Amtrak, MNR
New Haven Line – NY	CT/NY State Line – New Rochelle, NY	CTDOT	Amtrak, MNR (CTDOT)

1.7.2 Baseline Capital Charge Segments

Table 8: Baseline Capital Charge Segments

Capital Segment	Seg ID	BCC Segment Description	Owner	Operators
NEC Spine – MA	1	Boston South Station to MA/RI State Line	MBTA	Amtrak, MBTA
NEC Spine – Amtrak	2	MA/RI State Line to Providence	Amtrak	Amtrak, MBTA
NEC Spine – Amtrak	3	Providence to Wickford Junction	Amtrak	Amtrak, MBTA (RIDOT)
NEC Spine – Amtrak	4	Wickford Junction to New London	Amtrak	Amtrak
NEC Spine – Amtrak	5	New London to New Haven	Amtrak	Amtrak, CT*rail* Shore Line East
New Haven Line – CT	6	New Haven to CT/NY State Line	CTDOT	Amtrak, MNR (CTDOT)
New Haven Line – NY	7	CT/NY State Line to New Rochelle	MNR	Amtrak, MNR
NEC Spine – Amtrak	8	New Rochelle to Harold	Amtrak	Amtrak
NEC Spine – Amtrak	9	Harold to F Interlocking	Amtrak	Amtrak, LIRR
NEC Spine – Amtrak	10	F Interlocking to Penn Station New York	Amtrak	Amtrak, LIRR, NJT
NEC Spine – Amtrak	11	Penn Terminal	Amtrak	Amtrak, LIRR, NJT
NEC Spine – Amtrak	12	Penn Station New York to Trenton	Amtrak	Amtrak, NJT
NEC Spine – Amtrak	13	Trenton to Morris	Amtrak	Amtrak, NJT, SEPTA
NEC Spine – Amtrak	14	Morris to Holmes	Amtrak	Amtrak, SEPTA
NEC Spine – Amtrak	15	Holmes to Shore	Amtrak	Amtrak, SEPTA
NEC Spine – Amtrak	16	Shore to Girard	Amtrak	Amtrak, NJT, SEPTA
NEC Spine – Amtrak	17	Girard to Philadelphia 30th Street	Amtrak	Amtrak, NJT
NEC Spine – Amtrak	18	Philadelphia 30th Street to Arsenal	Amtrak	Amtrak
NEC Spine – Amtrak	19	Arsenal to Marcus Hook	Amtrak	Amtrak, SEPTA
NEC Spine – Amtrak	20	Marcus Hook to Bacon	Amtrak	Amtrak, SEPTA (DelDOT)
NEC Spine – Amtrak	21	Bacon to Perryville	Amtrak	Amtrak
NEC Spine – Amtrak	22	Perryville to WAS	Amtrak	Amtrak, MARC

Capital Segment	Seg ID	BCC Segment Description	Owner	Operators
NEC Spine – Amtrak	23	Washington Union Terminal	Amtrak	Amtrak, MARC, VRE
NEC Spine – Amtrak	24	WAS to CP Virginia	Amtrak	Amtrak, VRE
Springfield Line	25	Springfield to New Haven	Amtrak	Amtrak, CT*rail* Hartford Line
Albany Line	26	Poughkeepsie - Spuyten Duyvil[1]	MNR	Amtrak, MNR
Albany Line	27	Spuyten Duyvil to Penn Station New York	Amtrak	Amtrak
Harrisburg Line	28	Penn to 36th Street	Amtrak	Amtrak
Harrisburg Line	29	36th Street to Thorndale	Amtrak	Amtrak, SEPTA
Harrisburg Line	30	Thorndale to Harrisburg	Amtrak	Amtrak
n/a	31	Amtrak System-wide	Amtrak	Amtrak

Table note 1: Exempt from plan

1.7.3 Operating Segments

Table 9: Operating Segments (and Corresponding BCC Segments)

Capital Segment	Seg ID	Segment Description	Miles	MP Fr	MP To	State	BCC Seg
NEC Spine - MA	1	South Station - Tower 1	0.2	228.7	228.5	MA	1
NEC Spine - MA	2	Tower 1 - Cove	0.5	228.5	228	MA	
NEC Spine - MA	3	Cove - Plains	3.7	228	224.3	MA	
NEC Spine - MA	4	Plains - Read	4.7	224.3	219.6	MA	
NEC Spine - MA	5	Read - Transfer	1.1	219.6	218.5	MA	
NEC Spine - MA	6	Transfer - Canton Junction	4.6	218.5	213.9	MA	
NEC Spine - MA	7	Canton Junction - Mansfield	9.9	213.9	204	MA	
NEC Spine - MA	8	Mansfield - Attleboro	7.1	204	196.9	MA	
NEC Spine - MA	9	Attleboro - MA/RI State Line	6.1	196.9	190.8	MA	
NEC Spine - Amtrak	10	MA/RI State Line - Orms	5.2	190.8	185.6	RI	2
NEC Spine - Amtrak	11	Orms - Providence	0.5	185.6	185.1	RI	
NEC Spine - Amtrak	12	Providence - Wickford	19.4	185.1	165.7	RI	3
NEC Spine - Amtrak	13	Wickford - RI/CT State Line	24.6	165.7	141.1	RI	4
NEC Spine - Amtrak	14	RI/CT State Line - New London	18.2	141.1	122.9	CT	
NEC Spine - Amtrak	15	New London - Old Saybrook	17.8	122.9	105.1	CT	5
NEC Spine - Amtrak	16	Old Saybrook - Mill River Jct	31.5	105.1	73.6	CT	
Springfield Line	701	Springfield - MA/CT State Line	6.2	62	55.8	MA	25
Springfield Line	702	MA/CT State Line - Hartford	19.2	55.8	36.6	CT	
Springfield Line	71	Hartford - Mill River Jct	35.1	36.6	1.5	CT	
NEC Spine - Amtrak	17	Mill River Jct - Metro North Div Post	0.7	73.6	72.9	CT	5
New Haven Line – CT	18	Metro North Div Post - State Street	0.2	72.9	72.7	CT	6
New Haven Line – CT	19	State Street - New Haven	0.4	72.7	72.3	CT	
New Haven Line – CT	20	New Haven - CP 261 (Devon)	11.6	72.3	60.7	CT	
New Haven Line – CT	21	CP 261 (Devon) - CP 257 (Central)	3.9	60.7	56.8	CT	

Capital Segment	Seg ID	Segment Description	Miles	MP Fr	MP To	State	BCC Seg
New Haven Line – CT	22	CP 257 (Central) - CP 255 (Port)	1.5	56.8	55.3	CT	
New Haven Line – CT	23	CP 255 (Port) - CP 241 (Walk)	14	55.3	41.3	CT	
New Haven Line – CT	24	CP 241 (Walk) - CP 234	8	41.3	33.3	CT	
New Haven Line – CT	25	CP 234 - NY/CT State Line	7.2	33.3	26.1	CT	
New Haven Line – NY	26	NY/CT State Line - CP 223	2.6	26.1	23.5	NY	7
New Haven Line – NY	27	CP 223 - CP 216 (Shell)	7.2	23.5	16.3	NY	
NEC Spine - Amtrak	28	CP 216 (Shell) - Harold (Hell Gate Line)	15.2	18.9	3.7	NY	8
NEC Spine - Amtrak	29	Harold - F	0.7	3.7	3	NY	9
NEC Spine - Amtrak	30	F - JO/C	2.9	3	0.1	NY	10
Albany Line	72	Empire Connection – NYP-CP12 (Spuyten Duy-vil)	10.8	0.0	10.8	NY	27
NEC Spine - Amtrak	31	Penn Station New York	0.3	0.1	0.2	NY	11
NEC Spine - Amtrak	32	A - NY/NJ State Line	1	0.2	1.2	NY	
NEC Spine - Amtrak	33	NY/NJ State Line - Swift	6	1.2	7.2	NJ	
NEC Spine - Amtrak	34	Swift - Hudson	1.1	7.2	8.3	NJ	
NEC Spine - Amtrak	35	Hudson - Dock	1.3	7.2	8.5	NJ	
NEC Spine - Amtrak	36	Penn Station Newark	0.3	8.5	8.8	NJ	12
NEC Spine - Amtrak	37	Dock - Hunter	1.7	8.8	10.5	NJ	
NEC Spine - Amtrak	38	Hunter - Union	9.2	10.5	19.7	NJ	
NEC Spine - Amtrak	39	Union - County	13.1	19.7	32.8	NJ	
NEC Spine - Amtrak	40	County - Trenton	23.9	32.8	56.7	NJ	
NEC Spine - Amtrak	41	Trenton - NJ/PA State Line	1	56.7	57.7	NJ	13
NEC Spine - Amtrak	42	NJ/PA State Line - Morris	0.6	57.7	58.3	PA	
NEC Spine - Amtrak	431	Morris - Holmes	18.9	58.3	77.2	PA	14
NEC Spine - Amtrak	432	Holmes - Shore	4.9	77.2	82.1	PA	15
NEC Spine - Amtrak	44	Shore - Lehigh	3	82.1	85.1	PA	
NEC Spine - Amtrak	45	Lehigh - Girard	2.6	85.1	87.7	PA	16
NEC Spine - Amtrak	94	Girard - ZOO 34th/Mt.Ver	0.3	87.7	88	PA	
NEC Spine - Amtrak	46	Girard - No. Penn	1.1	87.7	0.8	PA	17
NEC Spine - Amtrak	47	30th Street Lower Level	0.6	0.8	1.4	PA	
Harrisburg Line	81	Penn - D1 (36th St. Branch)	0.9	0.9		PA	28
Harrisburg Line	462	ZOO 34th/Mt.Ver - 36th St.	0.9	0	0.9	PA	29
Harrisburg Line	82	D1 / JO - Valley	2.1	1.9	4	PA	
Harrisburg Line	83	Valley - Bryn Mawr	6.1	4	10.1	PA	
Harrisburg Line	84	Bryn Mawr - Paoli	9.8	10.1	19.9	PA	
Harrisburg Line	85	Paoli - Frazer	4	19.9	23.9	PA	29
Harrisburg Line	86	Frazer - Glen	1.4	23.9	25.3	PA	
Harrisburg Line	87	Glen - Thorn	9.7	25.3	35	PA	

Capital Segment	Seg ID	Segment Description	Miles	MP Fr	MP To	State	BCC Seg
Harrisburg Line	88	Thorn - Thorndale	0.3	35	35.3	PA	
Harrisburg Line	89	Thorndale - Park	8.6	35.3	43.9	PA	30
Harrisburg Line	90	Park - Cork	24.2	43.9	68.1	PA	
Harrisburg Line	91	Cork - Roy	26.2	68.1	94.3	PA	
Harrisburg Line	92	Roy - State	10.3	94.3	104.6	PA	
Harrisburg Line	93	State - Division Post	0.6	104.6	105.2	PA	
NEC Spine - Amtrak	48	South Penn - Arsenal	1.3	1.4	2.7	PA	18
NEC Spine - Amtrak	49	Arsenal - Phil (Sig 18S)	0.9	2.7	3.6	PA	19
NEC Spine - Amtrak	50	Phil (Sig 18S) - Chester	9.8	3.6	13.4	PA	
NEC Spine - Amtrak	51	Chester - Marcus Hook	3.7	13.4	17.1	PA	
NEC Spine - Amtrak	52	Marcus Hook - PA/DE State Line	1.1	17.1	18.2	PA	20
NEC Spine - Amtrak	53	PA/DE State Line - Wilmington	8.6	18.2	26.8	DE	
NEC Spine - Amtrak	54	Wilmington - Newark	12.1	26.8	38.9	DE	
NEC Spine - Amtrak	55	Newark - DE/MD State Line	2.5	38.9	41.4	DE	
NEC Spine - Amtrak	56	DE/MD State Line - Bacon	9.6	41.4	51	MD	
NEC Spine - Amtrak	57	Bacon - Perryville	8.4	51	59.4	MD	21
NEC Spine - Amtrak	58	Perryville - Baltimore	36.3	59.4	95.7	MD	22
NEC Spine - Amtrak	59	Baltimore - MD/DC State Line	35.9	95.7	131.6	MD	
NEC Spine - Amtrak	60	MD/DC State Line - C Interlocking	3.4	131.6	135	DC	
NEC Spine - Amtrak	61	C Interlocking - Union Station	1	135	136	DC	23
NEC Spine - Amtrak	62	Union Station - CSX Div Post (CP Virginia)	1.1	136	137.1	DC	24
NEC Spine - Amtrak	3111	Penn Station New York - Zone 1A				NY	11
NEC Spine - Amtrak	3112	Penn Station New York - Zone 1B				NY	
NEC Spine - Amtrak	3121	Penn Station New York - Zone 2A				NY	
NEC Spine - Amtrak	3122	Penn Station New York - Zone 2B				NY	
NEC Spine - Amtrak	3123	Penn Station New York - Zone 2B (LIRR only)				NY	
NEC Spine - Amtrak	3124	Penn Station New York - Zone 2C				NY	
NEC Spine - Amtrak	3130	Penn Station New York - Zone 3				NY	9,10
NEC Spine - Amtrak	3140	Penn Station New York - Zone 4				NY	
NEC Spine - Amtrak	3141	Penn Station New York - Zone 4 (LIRR only)				NY	
NEC Spine - Amtrak	3099	Sunnyside Yard				NY	
NEC Spine - Amtrak	3199	Penn Station New York - 3rd Rail				NY	9,10,11,27

1.7.4 Terminal Zones

Table 10: Terminal Zones

Terminal Zone	Capital Segment	Seg ID	Segment Description
Boston South Station	NEC Spine - MA	1	South Station - Tower 1
New York Penn Station[1]	NEC Spine - Amtrak	30	F - JO/C
		31	Penn Station New York1
		32	A Interlocking - NY/NJ State Line
		3111	Penn Station New York - Zone 1A
		3112	Penn Station New York - Zone 1B
		3121	Penn Station New York - Zone 2A
		3122	Penn Station New York - Zone 2B
		3123	Penn Station New York - Zone 2B (LIRR only)
		3124	Penn Station New York - Zone 2C
		3130	Penn Station New York - Zone 3
		3140	Penn Station New York - Zone 4
		3141	Penn Station New York - Zone 4 (LIRR only)
		3099	Sunnyside Yard
		3199	Penn Station New York - 3rd Rail
Washington Union Station	NEC Spine - Amtrak	61	C Interlocking - Union Station

Table Note 1: The terminal zone statistics shown in Table 3 apply to Segments 30, 31, and 32 only. Due to the complexity of operations at New York Penn Station, alternate statistics may be used for Segments 3111, 3112, 3121, 3122, 3123, 3124, 3130, 3140, 3141, 3099, and 3199 as agreed to by affected Operators.

1.7.5 Stations

Intercity train stations may be considered an NEC Geographic Segment.

1.8 Timetable for Implementing Adjustments to BCCs

With the original 2011 asset data fully phased out in the FY2026 model, the Commission has established the following timetable for reaching 100% of the normalized replacement amount for capital obligations reflecting the 2019 RoW asset data and 2020 stations asset data.

Table 11: Timeframe for Implementing Adjustments to BCCs

Model Year	Model Completion Date	2019 RoW Asset Data Model Obligations % NR	2020 Stations Asset Data Model Obligations % NR
FY2026[1]	June 30, 2025	90%	80%
FY2027	June 30, 2026	95%	100%
FY2028	June 30, 2027	100%	100%

Table Note 1: The FY2026 model was completed prior to this Policy term.

1.9 Northeast Corridor History

For over 100 years, the Northeast Corridor has been vital to the regional and national economies. Today, despite decades of underinvestment, the corridor continues to be a major contributor to interstate commerce—facilitating daily commutes and intercity trips for hundreds of thousands of passengers every day. The NEC also plays an important role in the national freight rail network, connecting manufacturers throughout the Midwest and Great Plains to international markets via East Coast ports. Since the 1970s, when Congress created Amtrak and placed most of the severely neglected corridor under the company's control, Congress has viewed the NEC as an indispensable national asset and recognized the need for federal support, including federal financial assistance.[34]

But only recently has the corridor received adequate federal funding to meet its capital renewal needs. In 2015, Congress created the Federal-State Partnership for State of Good Repair program (now the Federal-State Partnership for Intercity Passenger Rail), and the program began to receive meaningful funding in FY2018. With the unprecedented levels of support Congress provided in the IIJA, Amtrak and the Commuter Authorities have begun to address the corridor's state-of-good-repair backlog. For example, replacement or rehabilitation of critical NEC assets—including Portal Bridge, the North River Tunnel, East River Tunnel, the Susquehanna River Bridge and the Baltimore and Potomac Tunnels—is underway.

To ensure the corridor will serve the nation's needs for another hundred years and beyond, continued federal support—both guaranteed multiyear funding and sustained annual appropriations—are needed.

1.9.1 Amtrak Establishment

The NEC's ownership and operations stem from the failure of the Penn Central Transportation Company (Penn Central), which had formed through the merger of the Pennsylvania Railroad, the New York Central Railroad, and the New York, New Haven and Hartford Railroad. The combination unified most of the rail lines that today comprise the NEC.

By the 1960s, Penn Central and the majority of other privately-owned railroads had found providing passenger service unprofitable. Though decades of poor business decisions played a considerable role in the company's failure, the railroad industry as a whole was burdened by excessive regulation and taxation. Moreover, competition to transport freight using the new federally subsidized Interstate Highway System (IHS) had decreased the railroads' market share and caused railroads to defer maintenance of capital assets. By the time Penn

[34] Regional Rail Reorganization Act of 1973, Pub. L. No. 93-236, § 101(a), 87 Stat. 985, 986 (1974) ("The Congress finds and declares that … the public convenience and necessity require adequate and efficient rail service[;] continuation and improvement of essential rail service [in the northeast] … is necessary to preserve and maintain adequate national rail services and an efficient national rail transportation system[; and] these needs cannot be met without substantial action by the Federal Government.").

Central declared bankruptcy, the NEC and much of the territory served today by Commuter Authorities had been starved of capital investment for years.

Penn Central's bankruptcy in 1970 triggered legislative and regulatory actions to consolidate and reform an industry near collapse. To preserve intercity passenger service, Congress created the National Railroad Passenger Corporation (Amtrak).[35] Amtrak assumed responsibility for intercity passenger service from private railroads and in return received priority access rights to tracks at incremental cost.[36] Four private railroads contributed facilities, equipment, and capital in exchange for Amtrak common stock, and their successor companies continue to be Amtrak shareholders.[37]

The federal government—through the Secretary of the U.S. Department of Transportation—continues to be Amtrak's majority shareholder, owning all issued and outstanding preferred stock.[38] The USDOT holds a non-interest-bearing mortgage note[39] equal to the cost of acquisition for this property, plus amounts invested by the federal government. No payments on the note are due until its maturity date on December 31, 2975.

1.9.2 Conrail Establishment

Other federal action was required to stabilize the industry. Congress established another government-funded private company, the Consolidated Rail Company (Conrail), to take over the potentially profitable lines of bankrupt rail carriers and made Conrail responsible for the commuter rail operations of its predecessor railroads. The Regional Rail Reorganization Act of 1973 (3R Act) provided modest funding to prevent the further deterioration of the railroad facilities and equipment that would be eventually transferred to Conrail[40]—and then later acquired by Amtrak[41]—after the industry's reorganization was complete.

1.9.3 Transfer of NEC Ownership

The Railroad Revitalization and Regulatory Reform Act (4R Act)[42] and the Amtrak Improvement Act[43] enabled Amtrak to acquire NEC territory and facilities. As a result, Amtrak

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[35] Rail Passenger Service Act of 1970, Pub. L. No. 91-518, § 301, 84 Stat. 1327, 1330.

[36] *See* 49 U.S.C. § 24308(a)(2)(B).

[37] U.S. General Accounting Office, *Intercity Passenger Rail: Issues Associated with a Potential Amtrak Liquidation* 14 (RECD-98-60, 1998); National Railroad Passenger Corporation and Subsidiaries (Amtrak), Consolidated Financial Statements 24 (2023).

[38] Amtrak Consolidated Financial Statements at 10.

[39] 49 U.S.C. § 24907.

[40] Regional Rail Reorganization Act of 1973, Pub. L. No. 93-236, § 215, 87 Stat. 985, 1004 (1974).

[41] Federal Railroad Administration, *Privatization of Intercity Rail Passenger Service in the United States* 9 (1998) ("Most Amtrak facilities in the Northeast … were acquired by Amtrak as part of the creation of Conrail in 1976.").

[42] Railroad Revitalization and Regulatory Reform Act of 1976, Pub. L. No. 94-210, 90 Stat. 119.

[43] Amtrak Improvement Act, Pub. L. No. 94-555, §§ 101-108, 90 Stat. 2613, 2613-16 (1976).

became responsible for maintaining and improving most of a rail line already in disrepair.[44] When Congress established the company, it acknowledged that it would require the federal government's support—at least for a time—to address the NEC's SOGR backlog and ongoing renewal needs.[45]

1.9.4 Northeast Corridor Improvement Project

The 4R Act also created a Northeast Corridor Program Office and provided $1.75 billion over five years to the Northeast Corridor Improvement Project (NECIP), which funded enough basic work to allow the corridor to continue moving passengers. After a few years of robust funding under NECIP, capital funding virtually disappeared for the rest of the 1980s. Modest NECIP dollars returned in the 1990s to assist with electrification on the north end but the NECIP program was never sufficient to return the corridor a state of good repair much less achieve the performance goals set forth in the 4R Act.[46]

NECIP initially had two deadlines—one for the corridor's north end and one for the corridor's south end. Though the north end goal was not met, NECIP made enough progress in 1983 for Amtrak to offer express service between Washington, D.C. and New York City in 2 hours and 40 minutes.[47] Federal funds were also used toward electrification of the north end in the late 1990s to support high-speed rail service. This improvement reduced the trip time between Boston and New York City from 4 hours and 30 minutes to 3 hours and 40 minutes.

1.9.5 Infrastructure Investment and Jobs Act

With the passage of IIJA in 2021, the Northeast Corridor received its first significant investment during its era of public ownership. In the coming years, the historic level of support will result in faster and more reliable service for travelers and commuters. With continued guaranteed funding beyond IIJA, the corridor could complete its transformation to a modern, state-of-the-art system that offers more frequent, world-class passenger rail service to the United States.

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[44] Concurrent with Amtrak's formation in 1971, the NYMTA and CTDOT had arranged to acquire the New Haven Line. And, in 1973, the MBTA purchased the NEC infrastructure in Massachusetts. See Christopher T. Baer, *A General Chronology of the Pennsylvania Railroad Company Predecessors and Successors and Its Historical Context*, available at http://www.prrths.com/new-prr_files/Hagley/PRR1973.pdf (last modified January 20, 2013).

[45] *See* Rail Passenger Service Act § 601-602, 84 Stat. at 1338 (providing $40 million to assist Amtrak with start-up costs and authorizing the Secretary of Transportation to guarantee up to $100 million in loans to finance right-of-way upgrades, rolling-stock acquisition and rehabilitation, and other purposes).

[46] *See* 4R Act § 703, 90 Stat.121-22.

1.10 Master Schedule of New Deadlines

Table 12: Master Schedule of New Deadlines

Policy Reference	Task	Completion Date
Appx. 1.8	Capital obligations (including RoW and Stations) reach 100 percent Normalized Replacement level	June 30, 2027
Sec. 2.6.1	Prepare Mid-Term Policy Performance Review	March 31, 2028
Sec. 3.4.1.1.4	Conduct a Special Study to examine usher sole- and common-benefit functions	September 20, 2028
Sec. 2.1	Current Policy term ends; update Policy (as needed) for subsequent term	September 30, 2030

NORTHEAST CORRIDOR COMMISSION