INITIATIVE FINANCIAL INFORMATION STATEMENT (REVISED AUGUST 18, 2004)

REPEAL OF HIGH SPEED RAIL AMENDMENT

SUMMARY OF INITIATIVE FINANCIAL INFORMATION STATEMENT

In 2000, voters approved an amendment to the state Constitution requiring development and operation of a high speed ground transportation system capable of achieving a minimum speed of 120 miles per hour and linking the state's five largest urban areas as determined by the Legislature. The proposed amendment would eliminate the constitutional requirement for such a system.

In order to determine the impact of repealing the high speed rail constitutional requirement, the Financial Impact Estimating Conference held public workshops. Presentations were given by Derail the Bullet Train (DEBT), the Florida High Speed Rail Authority, the Division of Bond Finance, and the Department of Transportation. The Conference concluded that the direct financial impact of the proposed amendment is related to savings the state would experience by not developing and operating the mandated high speed rail system.

This impact required four major assumptions to be made:

- Because there are currently no federal programs which provide direct assistance for the actual construction of a high speed passenger rail system, the state would be responsible for all construction costs and would finance construction from the sale of state tax-supported bonds;
- The scope of the service area comprising the high speed rail system project would not be the statewide system as defined in statute, but a more narrow system consistent with the Constitution, using the five largest urban areas as defined by the U.S. Bureau of the Census: Miami-Ft. Lauderdale-Palm Beach, Orlando, Tampa-St. Petersburg, Jacksonville, and Sarasota;
- Because the project is envisioned to require many years to develop, the period of the analysis should be long enough to reflect the full implementation of the system; and
- If the amendment passes and the requirement to develop and operate a high speed rail system is removed from the Constitution, the Legislature will also repeal the law which provides for the system.

From these major assumptions, the Conference developed a probable system cost ranging between $20 billion and $25 billion over the next 30 years.

Elements of consideration in the cost calculation included the route; the construction, maintenance, financing and operational costs for each phase; and associated revenues. The Conference agrees that if federal or private sector funding can be obtained, the cost to the state to build the system would be reduced. The Conference acknowledged that if the system is not built, some positive economic benefits would not materialize; however, the state may choose to fund transportation or other infrastructure projects which would provide similar benefits to Florida's economy.

The Conference also considered the implications to the state's overall financial health. Current law establishes a target ceiling on debt service payments as a share of state revenues at 7 percent. A sale of bonds large enough to pay for the construction of just phases 1 and 2 (Tampa-Orlando-Miami), in

addition to already existing state programs financed from the sale of bonds, would raise the share beyond the target ceiling, to 7.2 percent.

FINANCIAL IMPACT STATEMENT *revised August 12, 2004*

The probable financial impact of passage of this amendment is a state cost savings ranging from $20 billion to $25 billion over the next 30 years. This estimate assumes the repeal of associated laws, the use of state bonds to finance construction, and could be reduced by federal or private sector funding.

I. SUBSTANTIVE ANALYSIS

A. Proposed Amendment

Ballot Title:
Repeal of High Speed Rail Amendment

Ballot Summary:
This amendment repeals an amendment in the Florida Constitution that requires the Legislature, the Cabinet and the Governor to proceed with the development and operation of a high speed ground transportation system by the state and/or by a private entity.

Full Text of Amendment:
Article X, Section 19, Florida Constitution, is hereby repealed in its entirety.

B. Effect of Proposed Amendment

Article X, Section 19, Florida Constitution, currently requires the development and operation of a high speed ground transportation system, capable of achieving a minimum speed of 120 mph, and linking the state's five largest urban areas as determined by the Legislature. The proposed amendment would repeal Article X, Section 19, Florida Constitution, thereby eliminating the constitutional requirement for a high speed rail system.

Background

In the November 2000 General Election, Florida voters approved an amendment to the state Constitution requiring the development and operation of a high speed ground transportation system capable of achieving a minimum speed of 120 mph, and linking the state's five largest urban areas as determined by the Legislature. The amendment specified construction was to begin on or before November 1, 2003. The Legislature in 2001 created a 10-member Florida High Speed Rail Authority (the Authority) to start the work of planning and developing the system. Later that year, the Authority adopted a long-term vision plan that contemplates a statewide high speed rail system serving communities throughout the state.[1] In November 2003, the Authority selected an Orlando-to-Tampa route as the first phase of the system. The Authority is currently negotiating a contract with Fluor-Bombardier to design, build, operate, and maintain that first phase.[2]

[1] Florida High Speed Rail Authority, 2002 Report to the Legislature
[2] Florida High Speed Rail Authority, 2004 Report to the Governor and the Legislature.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

Section 100.371, Florida Statutes, requires the Financial Estimating Conference to "…complete an analysis and financial impact statement to be placed on the ballot of the estimated increase or decrease in any revenue or costs to state or local governments resulting from the proposed initiative."

In determining the fiscal impact of the proposed amendment, the Financial Impact Estimating Conference (Conference) held several public workshops in June and July 2004. The Conference heard testimony on the fiscal effects of this amendment. At the June 22, 2004 Conference meeting, speaking in opposition to the amendment were: C.C. "Doc" Dockery, member of the High Speed Rail Authority; Tim Lynch, PhD., Director of the Center for Economic Analysis, Florida State University; John Bottcher, General Counsel for the High Speed Rail Authority; Mitchell Lester, Project Manager for Fluor-Bombardier; and George Biediger, Senior Financial Director for Fluor-Bombardier. No one spoke in favor of the amendment at the June 22, 2004 meeting.

The July 8, 2004 meeting of the Conference included a presentation by Brian Campbell, Ph.D., a proponent of the amendment. Speaking for informational purposes were: Nazih Haddad, Staff Director of the High Speed Rail Authority; Lowell Clary, Department of Transportation, Assistant Secretary for Transportation Support; Charles Hungerford, analyst with the Legislative Committee on Intergovernmental Relations; Tom Biggs, HNTB Corporation; Ben Watkins, State Division of Bond Finance; and Matt Barkley, Fluor-Bombardier.

During the July 13, 2004 meeting the Conference discussed the wording of the Financial Impact Statement. Answering questions at the meeting were Nazih Haddad, Staff Director of the High Speed Rail Authority and John Bottcher, General Counsel for the High Speed Rail Authority.

After the Supreme Court remanded the original financial impact statement to the Conference, participants met on August 12, 2004 to revise the statement.

A. FISCAL ANALYSIS

Based on the information provided through public workshops, presentations by Derail the Bullet Train (DEBT), the Authority, and the Department of Transportation (DOT), the Conference expects that by not requiring the state to build a high speed rail system, there would be significant avoided cost to the state. The probable cost savings range from $20 billion to $25 billion over the next 30 years.

Major factors driving this cost calculation included the route to be constructed, the costs for each phase and associated revenues, financing alternatives, the feasibility of operating revenues materializing as projected, and the likelihood of federal assistance. Other factors considered were the economic impact of building the system and whether the state's overall financial health would be impacted if significant state debt were required to build the system.

The Fluor-Bombardier plan to finance Phase 1 of the high speed rail system provides for diesel fueled gas turbine trains operating on a track located in the median of Interstate 4 from Tampa to the Osceola/ Orange County line, and from there along the Greeneway median to the Orlando International Airport. Fluor-Bombardier proposed a firm fixed price of $2.056 billion for the construction of the project and would absorb the risk of any construction cost overruns. However,

this figure is still being negotiated and the Authority estimates the costs at $2.383 billion when contingencies such as right-of-way, environmental mitigation, impacts to the Orlando Orange County Expressway Authority toll revenues, and impacts to car rental revenues at the Orlando International Airport are included The Authority is also negotiating double tracking for the Tampa to Disney section and electrifying the trains which would add approximately $290 to $325 million to the projected costs of the project.[3] . Including the contingencies and the additions to the plan under negotiation, the total cost of the Tampa-Orlando route would approximate $2.6 billion.

A critical assumption in Fluor-Bombardier's plan of finance is the use of federal tax credit bonds currently not authorized by law. Without the federal tax credit bonds, the cost to the state for Phase 1 increases from $75 million to approximately $133 million a year for 35 years.[4]

1. Potential Federal Assistance for High Speed Rail

Since 2001, the Authority has been awarded $9.15 million in federal grants for planning activities associated with rail development.

Federal assistance in the form of tax credit bonds for high speed rail capital costs does not currently exist; however, there are some high speed rail funding tax credit bond initiatives pending in Congress. These include the House initiative RIDE 21 which was filed in the House Transportation and Infrastructure Committee by Representative Young. The House Ways and Means Committee has so far refused to consider the financial provisions of the bill, including the tax credit bond provisions.

Similar bills have been introduced in previous years and have not moved forward. Further, U.S. Secretary of the Treasury, John H. Snow, has recommended a veto of any legislation contemplating tax credit bonds.

There are other federal financing programs available such as the Railroad Rehabilitation Improvement and Financing Program and the Transportation Infrastructure Finance and Innovation Act. These are loan programs that have interest rates set at taxable rates and, for Florida, would not be preferable to the sale of state tax exempt bonds as a funding mechanism.

While federal participation could reduce the cost to the state, no federal grant programs specific to high speed rail projects currently exist, with the exception of the planning dollars referenced earlier.

2. Issues Relating to Route

The constitutional amendment requires the five largest urban areas of the state "as determined by the Legislature" to be linked by a high speed rail system. Currently, Phase 1 of the system has been defined as the 84 mile segment between Tampa and Orlando, and Phase 2 has been defined as the 226 mile segment between Orlando and Miami. Subsequent segments are referenced in section 341.827, Florida Statutes, to include connections to the metropolitan areas of Port Canaveral/Cocoa Beach, Ft. Pierce, West Palm Beach, Ft. Lauderdale, Daytona Beach, St. Augustine, Jacksonville, Ft. Myers, Naples, Sarasota/Bradenton, Gainesville/Ocala, Tallahassee and Pensacola. These subsequent segments would add 962 miles to the system for a total high speed rail system of approximately 1,272 miles. Current law provides for the prioritization of these segments according

[3] Florida High Speed Rail Authority 2004 Report to the Governor and Legislature
[4] Florida High Speed Rail Authority – updated Financing Analysis, October 17, 2003

to feasibility, but does not provide for the elimination of any segment that proves not feasible. The Conference estimated that the net cost of this statewide system would range between $42 billion and $51 billion.

It is likely that, if not repealed, the Legislature would redefine the total system as feasibility estimates are established. The Conference viewed a system more narrow in scope that still meets the constitutional requirements as more probable than the statewide system currently defined in the law. For the purposes of this analysis, it was presumed that the feasible service area would be limited to the five largest urban areas as defined by the U.S. Bureau of the Census. These urban areas are comprised of Miami-Ft. Lauderdale-Palm Beach, Orlando, Tampa-St. Petersburg, Jacksonville, and Sarasota. A rail system connecting these urban areas would require the extension of Phase 1 from Tampa to Sarasota, Phase 2 as it is currently defined, and an additional phase from Orlando to Jacksonville. This system would be 495 miles in length.

3. Issues Relating to Ridership Estimates

Ridership estimates play a key role in determining the net cost savings to the state because system operating revenues depend largely on ridership. In evaluating the probable system revenues the Conference estimated a range of revenues. The "high" revenue alternative used ridership/revenue estimates produced by Fluor-Bombardier (FB). The "low" revenue alternative assumed lower ridership and inflation estimates based on a combination of adjustments suggested by consultants to the Authority and research gathered by Conference participants. The decision to deviate from the FB assumptions reflects a low level of confidence that they will materialize as projected. This conclusion is based on a "peer review" of the ridership study supporting the FB estimates.

The Authority conducted an Investment Grade Ridership Study in November 2002 for the Tampa to Orlando segment (Phase 1), and subsequently selected and commissioned a Peer Review Panel to perform an independent assessment of the study. The panel did not have a high degree of confidence in the results of the study. In particular, key survey data from travelers in the region was inadequate to provide the needed precision regarding likely choices of travelers between the competing modes of transportation (i.e., rail and auto). As a result, alternative methods had to be employed that depended on results from other contexts that were not necessarily comparable to the Tampa-Orlando region. The panel further questioned the market share prediction because of the minimal time savings of the high speed rail system compared to travel by car (a four minute savings during off-peak travel time and a 16 minute savings during peak travel time). The panel also questioned the acceptance of high speed rail by the public based on Florida intercity travel characteristics.[5]

4. Potential Impact on the State Transportation Work Program

A potential source of state funding for this project is the State Transportation Trust Fund. Should funds currently programmed for new transportation capacity (additional lanes and new roads) be diverted to fund the high speed rail system, DOT's ability to meet future capacity needs could be negatively affected. According to the DOT, if funding was diverted from the transportation work program to fund phases 1 and 2, approximately 40%-45% of funding for new capacity projects would be lost.

[5] Report From the Peer Panel to the Florida High-Speed Rail Authority, Orlando to Tampa Travel Demand Forecasts, January 27, 2003.

5. Issues Relating to Economic Impact

The Conference recognized that major transportation projects can produce economic benefits such as increased employment, income and government revenues; however, if the assumption is made that the high speed rail is funded from funds diverted from other state programs such as the transportation work program, an economic impact analysis would also need to account for the loss relating to programs no longer funded.

Information included in the Florida High Speed Rail Economic Impact Analysis[6] indicates that there would be a substantial positive economic impact from building a high speed rail system. Specifically, the report states that through the year 2030, not proceeding with Phases 1 and 2 of the high speed rail will cost Floridians 41,267 jobs, $11.7 billion in wages and salaries, $34.1 billion in additional economic activity and $5.7 billion in other economic benefits.

The Department of Transportation produced an analysis of the economic impact of all aspects of the FDOT Work Program, including routine maintenance, resurfacing, new capacity and public transportation improvements. This study showed that over a 25 year period, for every $1 spent in the Work Program, the return is $5.50[7].

The Conference was unable to ascertain whether the economic benefit from the construction of a high speed rail system was materially different from other types of public transportation projects. The Conference agrees that if the high speed rail system is not built, some positive economic benefits would not materialize; however, the state could choose to fund other transportation or infrastructure projects which would provide similar benefits to Florida's economy.

6. Impacts to State's Financial Health

Florida law (s. 215.98, F.S.) requires an ongoing analysis of the state's actual debt position. This requirement enables lawmakers to consider the impact of future bond issuances on the state's credit rating during the decision-making process. If the state has too much debt relative to its expected revenues, additional debt becomes very costly. In this regard, the statutes set up a 6% target, as well as a 7% maximum cap. To exceed the target, the Legislature must determine that the additional debt is in the best interests of the state. To exceed the cap, a declaration of critical state emergency must be made by the Legislature.

The Division of Bond Finance responded to a request from the Conference to analyze the impact of issuing long-term debt to fund phases 1 and 2 of the system. Depending on the magnitude and timing of debt incurred, and the debt levels required to fund other ongoing state programs, the state's credit rating could be negatively impacted if it is not able to maintain a reasonable debt ratio. Based on calculations done by the Division of Bond and Finance, if bonds are sold just for phases 1 and 2 (Tampa to Orlando to Miami), the state's percentage of debt payment could increase from the current 5.38 percent to 7.20 percent.

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[6] Florida High Speed Rail Economic Impact Analysis, by Tim Lynch, PhD, Center for Economic Analysis, Florida State University - August 2002

[7] Florida Department of Transportation (February 2003). *Macroeconomic Impacts of the Florida Department of Transportation Work Program.* Prepared by Cambridge Systematics, Inc.

B. FISCAL IMPACT ON STATE AND LOCAL GOVERNMENTS:

1. State Revenues/Expenditures:

The cost savings resulting from the passage of this amendment are the costs avoided due to the elimination of the state government's constitutional requirement to develop and operate the high speed rail system.

The estimating conference took the view that the avoided costs will be the "net costs" of the system. The net costs are the costs of construction, financing, operation, and maintenance, of the system minus any revenues that the system generates. The state, by virtue of the Florida Constitution, bears the ultimate responsibility for system development and operation. Consequently, the net costs of the system can reasonably be assumed to ultimately fall to the state. Some level of private sector funding might eventually be committed to the system, as evidenced by current negotiations relating to Phase 1. Such a commitment could reduce the net savings to the state, but the extent of such funding can not be determined at this time.

In developing its estimates, the Conference attempted to use conservative assumptions in order to avoid overstating net cost savings. The high speed rail system will be very large and complex, with a wide array of variables that could affect costs and revenues over long periods of time. Under these circumstances the Conference felt it prudent to use assumptions that could be construed as conservative in the estimation of net costs.

The overall logic of the Conference's analysis can be seen in Table 1 below. A single estimate for outlays is reduced by a high and low estimate of revenues, resulting in a low and high estimate of net costs to the state (or net savings should this amendment pass). Also, by dividing the thirty-year cost savings by the average number of Florida households between 2005 and 2035 (see Table 2) cost savings per household can be determined. The conference included these calculations in the analysis to facilitate understanding of the estimates.

The components of the "outlay" estimates displayed in Table 1 are detailed in Table 3 below. Numbered descriptions of the source or assumptions for each element of Table 3 are listed below the table. The "outlays" are all forms of expenditure related to the rail system, including spending for fixed capital (e.g., rails, bridges, crossings, stations), financing, rolling stock (i.e. the trains), maintenance, and day-to-day operations (e.g., personnel, fuel/energy, insurance).

The components of the revenue estimates displayed in Table 1 are detailed in Table 4 below. Numbered descriptions of the source or assumptions for each element of Table 4 are listed below the table.

Table 1

High Speed Rail Net Cost to the State: 2005 - 2034

(Millions of Dollars)

	Outlays	Revenues		Net Costs to State		
Phase	**Total**	**High**	**Low**	**Low**	**High**	**Miles**
1	**8,192**	3,742	2,223	4,450	5,969	84
2	**18,315**	7,954	4,852	10,361	13,463	226
Other phases	**7,385**	2,537	1,677	4,848	5,709	185
Total	**33,892**	**14,233**	**8,752**	**19,659**	**25,140**	**495**
		Per Household =		**$2,199**	**$2,812**	

Table 2
Florida Households
(millions)

	2005	2010	2015	2020	2025	2030	2035	Avg
Level	7.054	7.713	8.361	8.999	9.612	10.175	10.669	**8.940**
% Chng		9.33%	8.41%	7.63%	6.80%	5.86%	4.86%	

Source: 2005 - 2030--Florida Demographic Estimating Conference, February 2004; 2035--extrapolation from 2030 based on decelerating growth rates.

Table 3
High Speed Rail Outlays: 2005 - 2034
Millions of Dollars

	Nonrecurring (including financing)				Recurring						Total Project Costs	
					Infrastructure Maintenance (9)			Day-to Day Operations				
Phase	Infrastructure (4)		Equipment (5)		Annual	30 Years		Annual	30 Years		30 Years	Miles
1	5,462	(1)	533	(6)	20	496	(10)	68	1,701	(13)	8,192	84
2	12,909	(2)	472	(7)	50	1,110	(11)	174	3,824	(14)	18,315	226
Other	5,458	(3)	79	(8)	36	427	(12)	118	1,422	(15)	7,385	185
Total	23,828		1,084		106	2,033		360	6,947		33,892	495

(1) This is the total debt service estimated to be paid during the 2005-2034 period on state bonds issued to fund $2.638 billion in infrastructure costs for Phase 1. The infrastructure costs, expressed in 2003 dollars, are based on the Authority's adopted option plus $327 million added by the Authority for impacts of contingent and excluded items (Florida High Speed Rail Authority, 2004 Report to the Governor and Legislature, p. 13). The infrastructure costs do not reflect inflation over the building period[8].

The financing is achieved by issuance of tax exempt bonds, pledging state funds as the source of repayment, with a 30-year level debt service structure, a 5.5751% aggregate interest rate, and costs of issuance equal to 1% of par. Bonds are assumed to be issued in 2005 as construction begins.

(2) This is the total debt service estimated to be paid during the 2008-2034 period on state bonds issued to fund $7.18 billion in infrastructure costs for Phase 2. The infrastructure costs used here were developed for the Authority based on an I-95 route, and are in 2002 dollars (See July 22, 2004 presentation by Tom Biggs to the Conference, p. 3). The costs include $280 million for right-of-way acquisition not included in the original estimate. The infrastructure costs do not reflect inflation between 2002 and the actual building period several years later.

The financing is achieved by issuance of tax exempt bonds, pledging state funds as the source of repayment, with a 30-year level debt service structure, a 6% aggregate interest rate, and costs of issuance equal to 1% of par. Bonds are assumed to be issued in 2008 as construction begins.

(3) This is the total debt service estimated to be paid during the 2018-2034 period on state bonds issued to fund $4.35 billion in infrastructure costs for other phases. The infrastructure costs are based on Phase 1 costs increased in proportion to phase miles. The resultant cost was then reduced by 25%, as construction costs in the more rural and less congested regions of the state should be lower than in Phase 1. The infrastructure costs do not reflect inflation between 2003 and the actual building period several years later.

[8] Note that the Florida Department of Transportation estimates increases of 10% on land acquisition and 3.3% on construction for each year.

The financing is achieved by issuance of tax exempt bonds, pledging state funds as the source of repayment, with a 30-year level debt service structure, a 6% aggregate interest rate, and costs of issuance equal to 1% of par. Phases 3 through 8 were treated as one phase for purposes of analysis, with the bonds being issued in 2018.

(4) "Infrastructure" means "capital" (construction of path, stations, rail, fencing, noise walls, etc.), right-of-way, environmental mitigation, etc.

(5) "Equipment" means trainsets and other capital.

(6) This is total debt service estimated to be paid between 2010 and 2034 on revenue bonds issued to fund $243 million in equipment costs. The debt service payments were taken from the Fluor-Bombardier (FB) financial plan presented to the conference, June 22, 2004. The FB financing plan assumes that debt service is paid from system operating revenues. Financing costs could be lower if the financing utilizes state tax-supported bonds.

(7) This is total debt service estimated to be paid between 2013 and 2034 on revenue bonds issued to fund $324 million in equipment costs for Phase 2. The equipment cost estimate, expressed in 2002 dollars, is from the Authority's Orlando-Miami Planning Study. The amount and pattern of debt service mimics that for the Phase 1 plan, scaled up in proportion to the increase in equipment costs. Financing costs could be lower if the financing utilizes state tax-supported bonds. Equipment costs upon which they are based do not reflect inflation between 2002 and when operations are assumed to begin for Phase 2 in 2013.

(8) This is total debt service estimated to be paid between 2023 and 2034 on revenue bonds issued to fund equipment costs for other phases. Equipment costs and total debt service for the period are based on Phase 2 costs increased proportional to phase miles. Consequently, equipment costs are expressed in 2002 dollars. Financing costs could be lower if the financing utilizes state tax-supported bonds. Equipment costs do not reflect inflation between 2002 and when operations are assumed to begin for Phases 3 through 8.

(9) These are costs of non-routine maintenance and replacement & refurbishment over 30 years (e.g., track replacement, stations, rolling stock, etc).

(10) Taken from the FB Finance Plan, presented to the Conference, June 22, 2004. Full operations of Phase 1 are assumed to begin in 2010.

(11) These are the Phase 1 costs increased in proportion to phase miles. Full operations of Phase 2 are assumed to begin in 2013.

(12) These are the Phase 1 costs increased in proportion to phase miles. Full operations of Phases 3 through 8 are assumed to begin in 2023.

(13) Taken from the FB plan presented to Conference, June 22, 2004. These costs increase annually by an average of 3 percent.

(14) These are the Phase 1 costs increased in proportion to phase miles and have the same growth pattern as for Phase 1. Note that this methodology implicitly assumes that the intensity of usage of every mile of track will be the same for Phase 2 as it is for Phase 1. This is a simplifying assumption. Different intensity of use can be expected in different phases of the rail system, so that

operating costs might increase more or less than in proportion to phase miles. Any errors in net state costs arising from this simplifying assumption will tend to be offset by the methodology (described below) of increasing operating revenues in proportion to phase miles.

(15) These are the Phase 1 costs increased in proportion to phase miles and have the same growth pattern as for Phase 1. The methodology discussion in note (14) also applies here.

Table 4

High Speed Rail Operating Revenues: 2005 - 2034

(Millions of Dollars)

Phase	High		Low		Middle
1	3,742	(1)	2,223	(3)	2,982
2	7,954	(2)	4,852	(4)	6,403
Other phases	2,537	(2)	1,677	(4)	2,107
Total	**14,233**		**8,752**		**11,492**

(1) These are Fluor-Bombardier (FB) estimates provided to the Conference, June 22, 2004. Fully operational revenues increase by an average of 5.9 percent each year.

(2) These are the Phase 1 revenues provided by FB increased in proportion to phase miles. Fully operational revenues increase by an average of between 5.6 percent and 5.8 percent each year.

(3) These are revenues revised by HNTB for the Authority (see October 17, 2003 memo from PFM, page 3), further adjusted downward by approximately 25% to reflect analysis by Dr. Brian Campbell on behalf of amendment proponents[9]. The estimate in Table 4 assumes a similar adjustment for all years. Fully operational revenues increase by an average of 4.8 percent each year.

(4) These are HNTB adjusted revenues [see note (3)] increased proportional to phase miles. Fully operational revenues increase by an average of 4.8 percent each year.

[9] Dr. Campbell argued in Chart 4 of his presentation that, for various reasons, the 2010 ridership revenues forecasted in the "Investment Grade Ridership Study" should be reduced by $16.85 million, which would be a reduction of 25 percent of the HNTB-revised revenues for that year. The Conference made this adjustment, but did not adopt the additional adjustments made by Dr. Campbell. In Chart 7 of his presentation he used the results from Chart 4 to reduce average annual revenues for Phase 1 by $63 million, an 84 percent reduction.