

# **Washington State Shortline Rail Inventory and Needs Assessment Study Progress Report**

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**January 2015**

The Legislature, under Engrossed Substitute Senate Bill (ESSB) 6001, Sec. 222 (4), provided \$150,000 to the Washington State Department of Transportation (WSDOT) to conduct a study of the condition and needs of the state's shortline rail infrastructure to support a data-driven approach to identifying system needs. The study will include:

- A high-level inventory of the condition of the shortline railroads' infrastructure.
- Three case studies illustrating how shortline rail systems support regional economic development goals.
- An analysis of the economic rationale to locate new and/or expand current shortline rail load centers in Washington State.
- An analysis of other states' freight rail programs and funding sources, to inform policy recommendations in Washington State.

WSDOT is working with the Washington State University Freight Policy Transportation Institute to develop the information. They began by surveying the 27 shortline owners and operators in Washington State in fall 2014. The survey results show that:

- There are diverse shortline railroad ownership structures and operations in Washington State, and therefore diverse missions. Structures vary from public utility districts, to privately-held operations, to publicly-traded holding companies.
- Shortline railroads are closely tied to specific industry sectors located in the region where they operate. Rural shortlines may serve a single commodity, such as lumber or wheat. Urban shortlines serving large ports carry a higher volume and diversity of products.
- Shortline owners and operators believe that their ability to provide an alternative to truck delivery, thereby reducing the impact of trucks on roads, is a public benefit.
- There is a sharp difference between current shortline rail system conditions and infrastructure needs. Rural owners and operators serving limited markets that ship lower volumes said that their greatest need is to overcome large amounts of deferred maintenance.
- Track conditions that force them to operate at slow speeds are a prevalent concern, as is their inability to run modern, heavier 286,000 pound railcars.
- Many said that the greatest system weakness in the state lies in the amount of capital upgrades needed without sufficient revenue streams to make improvements.
- Some said that if their rail line closed, the industries they serve would fail as the cost of trucking is too high to maintain viability.
- Car availability was mentioned as a significant issue by several respondents.

An initial review of other states' models show that some use innovative financial mechanisms to support shortline railroads. For example the Tennessee Shortline Equity Fund provides grants for track and bridge rehabilitation for shortline railroad authorities who have been accepted into the Shortline Railroad Program. Funding is

generated by a sales tax on fuel paid by aeronautics, railroads and towboats; \$14 million was available in 2013. Funds are granted annually and recipients may use the funds immediately or choose to defer use of funds up to three years in order to complete a larger project. The state asked for industry input to identify and prioritize needs. They are considering a revenue model to set a sustainability threshold for participation in the program, and life-cycle-based costing versus a focus on upfront costs. Other state examples are shown in the table below.

<b>Funding/Support Mechanism</b>	<b>Disbursement Strategy</b>	<b>Sample of States Using Mechanism</b>
<b>Tax Incentives</b>	Credits	KY
	Exempt (e.g. Property Taxes)	NJ, CT, MA
<b>Bonds</b>	Lottery-Backed; Competitive	OR
	Competitive Grants; Obligated Allocations	NY, CA, NM, UT, VA, WI
<b>Tax Collection (e.g. Real Property Transfer, Fuel, Sales, Rail Car Earnings, Car Rental)</b>	Appropriated/Allocation Based on Prioritized and Assessed Need	TN, OH, OK, VA
	Local Authority Decisions (Competitive or Allocative Basis)	CA, FL,
<b>Revolving Loan Programs</b>	Competitive	KA, OH, WI, IA, NH
<b>General Funds</b>	Annual Appropriation/Subsidy	NY, OK
<b>Grants</b>	Competitive	OH, WI, NJ

The findings of this progress report will become part of a preliminary report that WSDOT will submit by March 1<sup>st</sup>. WSDOT will submit the final report by June 30, 2015.