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Background

- Strong support for continuing to provide state assistance to short line rail
- Short lines are vital component to the Kansas economy --- 14.5 million tons of freight transported annually
- Short lines reduce the number of trucks on the highways system saving the state an estimated \$57 million each year in road damage costs



Short line Rail System

- 12 mainline railroads , 2 switching railroads
- 1,957 track miles (41% of Kansas rail line)– 4th in nation
- Serve agricultural and manufacturing/industrial shippers
- 56 counties are served by short lines
- 162,200 carloads transported in 2007 = 648,800 semi truckloads
- Transport grains, feed, fertilizers, cement, aggregates, oil and gas products, ethanol, chemicals, hazmat, and other commodities



CTP: Program Structure

- \$3 million annually
- Loan/Grant program
- 70% loan, 30% railroad share
- Funds for rehabilitation, refinancing and rail car purchase
- Projects must have cost-benefit ratio of at least 1
- Qualified entities— STB recognized railroads and port authorities





CTP Accomplishments

- 41 rehabilitation projects—
 - \$23.4 million (state + matching funds)
- 1,058 miles of key line segment rehab
- \$11.5 million for acquisition assistance to preserve rail service to key grain producing sectors of the state
- 10-year program generated \$1 billion in business earnings, \$425 million in wage income (Parsons Brinckerhoff Study)
- Saves Kansas \$57 million in road damage costs, and another \$21 million in transportation/handling costs (Babcock Study)



Needs & Challenges

- Domestic freight is expected to increase 65-70% by 2020
- Congestion at rail switching yards creates costly delays and blocks crossings
 - Wichita Bottleneck
- More spurs and siding capacity is needed to serve industrial parks and stand alone shippers

“Short line railroads are the opportunity for the future...to leverage the state’s transportation assets at the local, regional and statewide levels.”



Needs and Challenges

- 396 miles 90-pound rail need to be replaced with 115-pound rail to increase operating speed to 25 mph
- 556 miles need major rehab to increase operating speed to 25 mph
- **Total needs estimate: \$20 million annually**





Strengths & Weaknesses of Current Program

Strengths:

- Funding level grows over time
- Many communities across the state have been served
- Requires a cost-benefit analysis

Weaknesses:

- Funds have not kept pace with needs
- Shippers, local govts and industrial parks are not eligible for funds to build spurs or improve sidings
- Funding and project selection is not flexible enough to capture economic opportunities



Local Input: Rail Business Model

- Business Model should:
 - Make shippers, industrial parks, local govts. eligible for rail rehab program
 - Invest strategically across all freight modes
 - Form a rail advisory committee to find solutions to rail transportation issues (efficiency, at grade crossing safety and customer service)



Discussion Points: Business Model

- Should it be a loan program, grant program or loan/grant combination program?
- Should the list of eligible applicants be expanded?
- How/should the state address major issues like the bottleneck in Wichita?

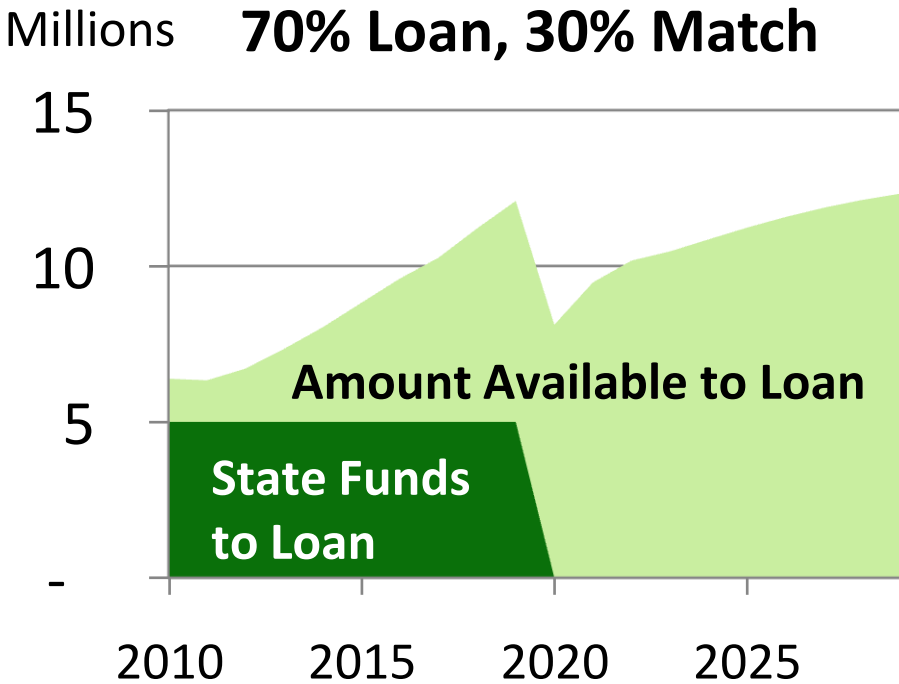


Local Input: Funding

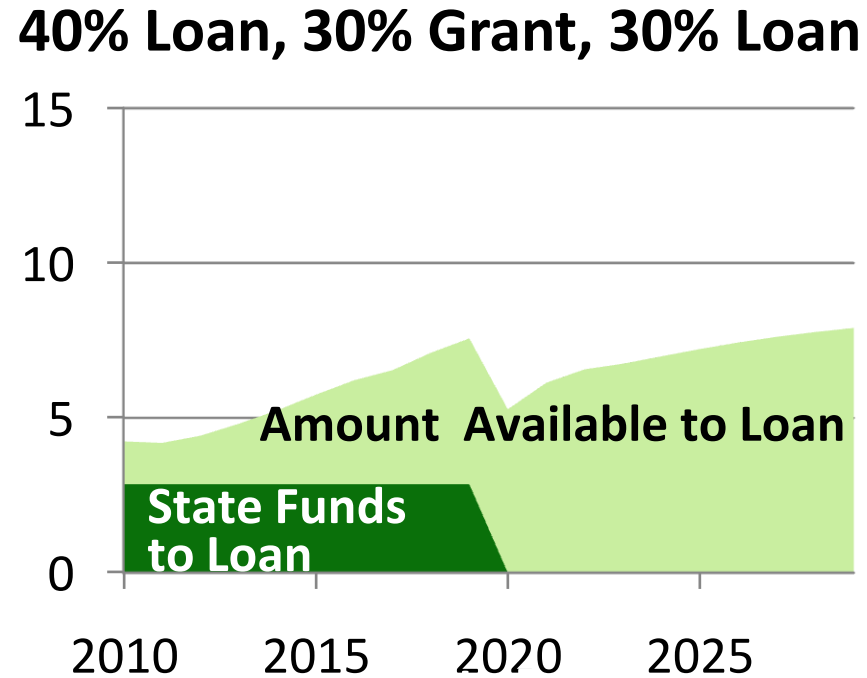
- Funding should be increased and inflation adjusted
- Possible Funding Sources:
 - Develop Kansas Rail Development Corp to gain outside investments
 - Per ton tax
 - Rail car container fee
 - Examine existing sales tax exemptions
 - Federal tax credit: up to \$3,500 per mile rehabilitated



Funding Scenarios: Revenue Growth



\$5 million state funds for loans



**\$3 million in state funds for loans
\$2 million in state funds for grants**

Funding Scenarios 2010-2029

ANNUAL INVESTMENT	70% Loan, 30% Match	40% Loan, 30% Grant, 30% Match
\$3 million		
<i>Miles rehab</i>	600	340
<u>Or</u> <i>Miles relay</i>	120	70
<u>Or</u> <i>Miles siding/spurs</i>	100	60
\$5 million		
<i>Miles rehab</i>	1,000	570
<u>Or</u> <i>Miles relay</i>	200	115
<u>Or</u> <i>Miles siding/spurs</i>	175	100
\$7 million		
<i>Miles rehab</i>	1,400	800
<u>Or</u> <i>Miles relay</i>	280	160
<u>Or</u> <i>Miles siding/spurs</i>	245	140

***Based on 10 years of funding**



Discussion Points: Funding

- What should the annual funding level be?
- Should the annual funding be reduced over time as loan repayments come in?

