

Why Include Short Line Railroad Infrastructure in a Stimulus Bill

America's 545 short line and regional railroads operate 50,000 miles of track or approximately one third of the national rail network. They operate in vast areas of the country no longer served by the seven large Class I railroads and keep tens of thousands of small businesses and communities connected to the national main line rail system.

Today's short lines were the abandonment candidates of a Class I railroad industry that could no longer make a profit operating these light density lines. As such, every new short line company began its existence with track that had received little investment under previous owners. Short lines invest nearly 30 percent of their gross revenues in infrastructure repairs and maintenance, a figure several times greater than the national average for business reinvestment. Eliminating deferred maintenance is a particular challenge because short lines serve smaller customers which do not ship the large volumes needed to generate the extra revenue needed for capital investment.

Using Existing Authorizations to Fund Short Line Capital Projects

- Appropriate \$100 million over two years for capital grants for Class II and III railroads, as authorized by the Energy Independence and Security Act of 2007 (49 USC 22301; as amended by Pub.L. No. 110-140).
- Extend the short line rehabilitation tax credit (26 USC 45G) through 2015 and raise the credit cap from \$3,500 per mile to \$10,000 per mile (credit currently expires Dec. 31, 2009).
- Appropriate \$500 million to reduce the interest rate to one percent on Railroad Rehabilitation and Improvement Financing for eligible projects. This subsidy would support over \$1 billion in loans. The RRIF program is currently authorized at \$35 billion (45 USC 822).
- Allow RRIF principal payments to be deferred for up to six years.

What is the Stimulus Impact?

- The majority of short line capital projects require no additional engineering or other lead time. Short lines are constantly installing new rail and ties and the scope of work is limited only by funding availability.
- The majority of short line capital investment is made on existing company owned rights-of-way, requiring no regulatory or environmental delay.
- The majority of short lines do not have the in-house manpower to undertake these projects and must hire contractors and laborers to do the work. The Federal Railroad Administration estimates that nearly 50 percent of every railroad capital dollar goes to labor.
- Rail projects require the purchase of large quantities of materials such as timber and steel, almost all of which is manufactured in America, and are currently experiencing a downturn.
- The short line tax credit requires the railroad to spend two dollars for every one dollar in credit, thus leveraging substantial additional private infrastructure spending.
- RRIF is a loan program where the federal government will be repaid in full. Since the program's inception in 1998 not a single one of the current short line RRIF recipients have missed a single quarterly payment.