INTRODUCTION

As president of the American Short Line and Regional Railroad Association (ASLRRA), the trade association representing the more than 600 Class II and III freight railroads (commonly known as short line railroads or short lines) and hundreds of suppliers that make up the country’s short line freight rail economy, I appreciate the opportunity to provide testimony for this hearing.

The short line industry is a great American success story, and members of the industry are tremendously proud of their vital role in the country’s economy. I look forward to discussing that story as I answer your questions, especially how competitive federal grant opportunities have bolstered our industry’s ability to serve customers in the thousands of rural and urban communities where we operate, to drive local economies forward, and to increase the fluidity and efficiency of the national freight rail network and the overall supply chain. We appreciate this committee’s focus on providing successful grant programs and ensuring they are efficient and properly administered. We look forward to continuing to work with you on this topic as well as advancing smart, sensible and bipartisan goals we all share, like improving safety throughout the transportation network, creating economic opportunities and supporting well-paying jobs, ensuring an efficient supply chain, and harnessing the very real environmental benefits of moving freight by rail.

THE SHORT LINE FREIGHT RAIL INDUSTRY

Short line railroads and the national network. Short lines have been serving customers for well over a century and occupy a significant place in the country’s freight supply chain network. Short lines are small businesses: the typical short line employs about 30 people, operates about 80 route miles, and earns about $8 million in revenue per year. Our significance is not our size but who and where short lines serve. For large areas of rural and small-town America, short lines are the only connection to the national rail network. As Caren Kraska, president and chairman of the Arkansas & Missouri Railroad in Arkansas and Missouri and who appeared before this committee three years ago would say, “For our grain, animal feed, frozen poultry and other shippers, you can’t get there from here without short line
Our industry’s first-mile/last mile service touches one in five railcars on the national rail system, ensuring that businesses in small towns and rural communities have access to markets across the country and to the ports that reach global markets.

**Short lines’ history and investment needs.** The short line industry as we know it is the product of the Staggers Act of 1980, which made the sale or long-term lease of light-density lines from Class I railroads to local entrepreneurs possible, thankfully avoiding the abandonment of those lines and the ripping up of their track for scrap. These lines were spun off from Class I networks for a reason: they faced high hurdles to continued business operations, were burdened with decades of deferred maintenance, and often had few customers. To bring these businesses back from the brink, these small railroads focused like a laser on world class customer service, relentlessly marketed the service and knocked on every door they could find, and frequently spend up to a third of their annual gross revenues on maintenance and improvements, making short line railroading one of the most capital-intensive industries in the country. Despite the challenges, the short line industry has emerged as a great American success story. Short lines have revived those marginal lines they inherited, turned them into thriving enterprises that preserve service for thousands of customers and jobs for thousands of employees, and emerged as a pivotal link in the economy. Short lines now manage one-third of the freight rail network and touch one-fifth of all carloads while still only accounting for six percent of the freight rail industry’s total revenue. Short lines are prevalent in the districts represented by members of this committee, and I know many of you have visited those properties over the years and have heard from short line customers about how important rail service is to their businesses.

**Short lines are economic engines for localities, particularly small-town and rural America.** Together, our members are tied to an estimated 478,000 jobs nationwide, $26.1 billion in labor income and $56.2 billion in economic value-add—providing a service that 10,000 businesses nationwide rely upon to get goods and products to market. Our members ship all types of commodities and serve industries essential to our country’s economic health—like the manufacturing, agricultural, energy, and chemical sectors that are particularly reliant on short line service. The availability of rail service provided by short lines is often the tipping point for manufacturers and shippers in deciding where to grow and expand, driving new, well-paying jobs particularly in rural and small-town America where job creation is often the most difficult. Short lines proved their flexibility during the pandemic, responding to customers’ and the nation’s needs.

**Short lines’ personnel live and work in the communities they serve.** Short lines are managed and staffed by individuals who are part of the fabric of their local communities. Because short lines run relatively short distances, employees live near their job—and their customers. This local focus makes for a strong customer orientation, greatly reinforced by the fact that the loss of one primary customer on a short line can easily make the difference between a successful operation and severe financial difficulties. Many short lines are family-run businesses—providing safe, efficient, flexible, and cost-effective service is personal to them.

**Short lines are environmental stewards.** The freight rail industry is inherently a sustainable, environmentally friendly mode of transportation. No other surface mode of freight transportation comes close to the efficiency of a steel wheel on a steel rail. U.S. Environmental Protection Agency (EPA)
data show freight railroads account for only 0.6 percent of total U.S. greenhouse gas emissions and only 2.1 percent of transportation-related sources. On average, freight railroads move one ton of freight 480 miles on a single gallon of diesel fuel, approximately four times as far as our over-the-road competition. Short line service alone keeps 31.8 million heavy trucks off highways and public roads, saving lives, preventing costly wear and tear on the roads, and relieving congestion, in addition to improving our air quality. Short lines are committed to doing their part and then some to help the environment, by working to move more heavy freight off trucks and onto trains and continuously seeking ways to reduce their environmental impact with the implementation of technology and operating practices that reduce emissions.²

**SHORT LINES AND FEDERAL GRANT OPPORTUNITIES**

**Competitive federal grants are critical for strengthening the short line rail network.** In 2015, Congress recognized the outstanding rebuilding needs of the short line industry and acted, creating the Consolidated Rail Infrastructure and Safety Improvements (CRISI) program. Congress wisely made Class II and Class III short line railroads directly eligible recipients of competitive funds. Since the first CRISI grants were awarded in 2017, short lines have used CRISI program resources to replace track and crossties, add and extend sidings, rehabilitate bridges, improve drainage and roadbeds, replace rail and upgrade and replace motive power, among many other investments. An important achievement of many of these projects has been to enable these lines to handle the industry-standard 286,000-pound railcars, ensuring national network interoperability. With federal grant support, short lines have revitalized significant sections of the rail network, allowing for greater volume of service, elimination of bottlenecks, and reduction of congestion as well as harnessing the significant environmental benefits of moving freight by rail. Perhaps most important, every dollar invested in improving rail infrastructure is a dollar invested in rail safety.

Below are a few examples from previous rounds of CRISI awards:

- An $8 million CRISI award in FY2022 in Missouri will fund the rehabilitation of 52 miles of Missouri Eastern Railroad track in a rural area, increasing operational safety and capacity and making the infrastructure more resilient to future flooding events.

- The state of Washington received a $73 million CRISI award for an ambitious rural project to upgrade short line railroad infrastructure, improving the infrastructure of all three branches of the Palouse River & Coulee City Rail System, operated by three different short lines. This project will improve the weight capacity of the lines, increase track speeds, and enhance resiliency to weather events such as flooding. Another CRISI award in the state will enable the replacement of two older diesel switching locomotives with zero-emission battery electric models by Tacoma Rail.

- A $7 million CRISI award will fund track rehabilitation and bridge replacement on the Texas North Western Railroad in a rural area of the northern Panhandle of Texas. This project will improve safety

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² ASLRRA is currently partnering with the FRA and short line railroads to test locomotive emissions by studying fuel injectors and additives. Products like these that increase fuel economy may also yield emissions benefits. This is a two-year project that will give ASLRRA a better understanding of how small railroads can utilize cost effective methods for reducing their impact on the environment.
and enable the railroad to handle industry-standard 286,000-pound railcars and larger modern locomotives, which are important benefits for the agricultural shippers served by this line.

Even with these vital investments made to date, our industry estimates more than $12 billion is still needed to allow short line railroads to fully modernize and meet the country’s freight needs. Of course, the ultimate beneficiaries of railroad infrastructure improvements are short line shippers, and they will tell you that the benefits are real and substantial. We have collected and will continue to collect shipper accounts in this regard and have attached to this testimony a national cross section of comments from those who benefitted from CRISI projects. (See attached addendum.) These are but a sample selection, but collectively they demonstrate the importance of these projects from the front lines of local economic activity.

It is not just CRISI. Other federal grant opportunities can also have an outsized impact on our members’ ability to serve their customers. Short lines work with public entities to access these other important programs, including the Railroad Crossing Elimination program (RCE), which recently made a $2 million dollar award to fund a planning project to eliminate three busy railroad highway at-grade crossings in Kansas City. Similarly, the RCE program provided $37 million for the first phase of the West Belt Improvement Project that will create a sealed corridor along a line of the Houston Belt & Terminal Railroad, replacing seven busy at-grade crossings with vehicle underpasses. And there are other programs, like the Nationally Significant Multimodal Freight and Highway Projects program (INFRA), the National Infrastructure Project Assistance program (Mega), the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program, the Rural Surface Transportation grant program, and the Port Infrastructure Development Program (PIDP). CRISI remains the Infrastructure Investment and Jobs Act (IIJA) program with the broadest eligibility for almost all types of short line projects and the one easiest for small railroads to access.

IIJA bolstered competitive grant opportunities for short line railroads. In 2021, Congress passed the IIJA, recognizing many unmet needs facing our national rail network and parts of the nation’s transportation system.

- **CRISI.** IIJA dramatically expanded CRISI’s scale, providing advance appropriations of $1 billion per year for five years and authorizing up to an additional $1 billion per year. An emphasis on eligibility for upgrading locomotives to achieve significant reductions in emissions was also added to the statute. We strongly urge Congress to continue working to meet this vision, appropriating the full authorized $1 billion in each fiscal year. We appreciate the leadership of everyone on this committee who has fought for strong funding levels, as those have been reflected in some recent spending bills.

  o Fiscal Year 2022’s budget law brought the first full year of IIJA’s implementation—and, with it, new and significant investments in short line freight rail projects. The Federal Railroad Administration (FRA) selected 47 projects that were advanced by short line railroads or short line partners. These projects improved safety, strengthened network efficiency for

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3 PWC report.
shippers, further minimized short line rail’s environmental footprint, and built new economic opportunities, many in rural areas and small towns across the country. Of these, 13 projects included grade crossing safety and trespassing mitigation elements. 14 projects invested $300 million to upgrade track to move industry-standard railcars weighing up to 286,000-pounds. Twenty projects upgraded or repaired bridges. Six short line projects upgraded or replaced more than 30 locomotives, which will result in significant reductions in emissions. In all, short line projects in 48 states have received awards via CRISI.

- Fiscal Year 2023’s budget agreement was a continued show of strong, bipartisan support for the CRISI program and a testament to all in Congress who back this important effort. In carrying out the spending legislation and IIJA, we understand FRA plans to announce a funding opportunity in the coming weeks that would provide nearly $2.4 billion for competition. This will combine Fiscal Year 2023 discretionary funds and advance appropriations with Fiscal Year 2024 advance funds. Short lines are absolutely thrilled by the opportunity to continue putting forward smart, resourceful and competitive grant applications, and partnering with FRA and states, localities and communities nationwide to bolster the country’s freight rail backbone.

- Fiscal Year 2024’s budget agreement – now swiftly on its way to becoming law – continues the important, bipartisan work of providing additional funding for CRISI beyond the guaranteed advance appropriation. The overall CRISI funding amount in the deal, while not at the level that Congress funded for the first two years of IIJA and disappointingly below the initial levels produced in either the House or the Senate, is still appreciated and reflects tough choices Congress must make. Of course, we think funding CRISI at the highest level is very compelling, and ASLRRA looks forward to working with this panel, the Appropriations Committee and your colleagues in Congress to ensure CRISI gets the resources it needs so it can keep investing in the many rural and urban communities represented by the entire panel today.

- **Other critical programs at USDOT (RCE, INFRA, Mega, RAISE, Rural Surface Transportation, and PIDP, among others):** CRISI was not the only meaningful improvement in IIJA, so too were several other major programs that received significant new resources. While short lines are not directly eligible applicants in these programs, short lines have successfully partnered with other entities to advance key program goals. For example, in the recently announced INFRA and Mega awards, short lines and their customers stand to benefit from sizeable awards for bridge replacements and major upgrades in and around several busy ports. In advancing rail-related projects, U.S. Department of Transportation (USDOT) recognized rail’s ability to reduce greenhouse gas emissions when there is a modal shift in moving freight via rail instead of truck.

- **RCE:** IIJA took an especially important step forward for rail safety with the creation of the new Railroad Crossing Elimination (RCE) Program. This is a tremendous policy achievement, providing new resources to eliminate dangerous crossings. Moreover, the creation of this as a separate new program allowed CRISI to focus on tackling even more rail safety challenges. For example, CRISI—with the robust funding levels unleashed in IIJA—can now advance
even more projects like repairing worn-out track, the leading cause of derailments on Class II and III railroads. While short line railroads are not directly eligible for RCE grants, ASLRRA has encouraged its members interested in advancing an RCE project to coordinate with eligible public applicants. In the most recent round of awards announced in June 2023, of the 63 projects funded, ten involved Class II or III railroads—or about $72 million of the $573 million in awards. We understand the funding notice for Fiscal Year 2023 funds will be released in the coming months, and we are excited about any possibilities for this program to help address crossing safety in the communities we serve. We urge Congress to keep momentum for this program going strong as it makes funding decisions for Fiscal Years 2025 and 2026 and beyond, providing as much in resources as possible beyond the guaranteed appropriations already set in IIJA.

More resources may be needed by short lines to face new challenges. Earlier this year, a new rule went on the books in California that threatens to impose drastic new financial obligations on short line railroads. Implementing the rule, the California Air Resources Board (CARB) even admits some short lines “would be eliminated” due to “the costs of the Proposed Regulation” (emphasis added). Should this rule stand (and even worse proliferate nationwide) and California be granted the inappropriate waiver that it has requested from the EPA, short lines would require ever more resources to ensure they can make investments in their network while simply trying to keep their business afloat. We calculate that this rule could force California short lines to try to make nearly half a billion dollars in motive power fleet investments over only a few years. That would be a steep change by multiple orders of magnitude above historical short line locomotive capital investment levels. We expect the next round of the CRISI program will see several applications for funding for locomotive projects from California short lines as they attempt to respond to this huge and problematic unfunded mandate.

SHORT LINES’ PERSPECTIVE AND SUGGESTED REFORMS: CRISI AND OTHER GRANT PROGRAMS

The administration’s efforts to advance CRISI and other programs of importance have been commendable: USDOT’s team has been collaborative, dedicated and consistently willing to engage and ensure short line stakeholders are informed. Likewise, Congress has been very eager to collaborate and work in a bipartisan way to strengthen CRISI and other programs important to short lines. While ASLRRA and the short line industry are ever appreciative of the commitment from Congress and the administration to CRISI and other programs that invest in the rail network, there are areas where continued diligence is especially necessary and otherwise where these programs can be further strengthened or improved.

Protect CRISI’s ability to bolster the freight rail network. ASLRRA strongly discourages set-asides within CRISI for passenger rail projects or expansions of the program to include major new eligible applicants such as commuter railroads. With so many challenges facing our supply chain, short lines ought to remain viable competitors for these limited funds. While we have no opposition to passenger rail, IIJA already provides Amtrak and passenger rail applicants with a massive amount of funding, well beyond

what is available through CRISI. Likewise, commuter rail already has access to substantial, well-established, and dedicated funding programs administered through the Federal Transit Administration (FTA), such as formula funding and the Capital Investment Grant (CIG) program. Commuter entities are also eligible for department-wide competitive grant programs, like Mega and RAISE, and federal loan programs such as RRIF, another federal funding source utilized in the past to support Amtrak service. It would be unfair, unnecessary and against Congressional intent reflected in IIJA to divert limited funds that would otherwise be open to short lines toward passenger and commuter rail activities that have so many other federal programs that they may access.

Ensure flexibility in size of awards. ASLRRA encourages grant-making agencies to recognize that a series of smaller awards spread across a diversity of smaller railroad projects can have the same, if not more, positive impact as an award to a single major corridor. While short lines’ experience on this front is largely CRISI-related, it applies to all grants. While larger projects understandably appear an easier way to deploy CRISI funding, this needs to be balanced with the realization that small railroads by nature will often have smaller projects, however no less important to the communities they serve.

- Upcoming FY23/24 CRISI NOFO: Avoid preference for high-dollar projects: ASLRRA’s concern is especially prominent in the CRISI space as FRA will soon unveil the combined FY23/FY24 funding opportunity. We understand that FRA plans to release a very sizeable funding opportunity for CRISI in late March 2024. Short lines are confident they will continue to put forward competitive projects nationwide. ASLRRA is, however, concerned that the massive amount of funding in the NOFO could be challenging to administer and could lead to decisionmakers choosing a handful of higher dollar projects instead of a perhaps larger number of small dollar applications. Just a few large-scale passenger rail projects could easily consume most funding available. This dilemma is exacerbated by the timeline we understand FRA has set for itself to announce awards, which would be around October. Having so little time to award such a large amount of funding could lead to difficulties in giving the expected large amounts of short line-related applications proper, equitable review. In other words, the NOFO could attract many applications for very large projects from large project sponsors, and potentially be inadvertently tilted against making smaller projects and rural awards as big of a portion of CRISI as they have been seen in past cycles. It is important for CRISI to be balanced, not only geographically but also on the size of the project. Congress could, for example, include report language in an appropriations measure encouraging FRA to continue their past (and very much appreciated) practice of supporting many small project awards, and clearly communicating that intent in the upcoming NOFO and their public engagement materials.

Ensure realistic match requirements. We understand there may appear to be rationale at times to favor grant applications that “over-match,” or that pay more of their cost share than necessary, but this could come at the serious detriment of important short line projects that simply cannot provide an overmatch in funds. We appreciate efforts to ensure recognition of this, and, furthermore, to help level the playing field and provide a significant federal cost share for applicants with smaller projects, in rural areas, and

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5 Fiscal Year 2023 passenger rail funding includes funds for Amtrak and the Northeast Corridor ($1.1 billion authorized, $1.2 billion in advance appropriations), which could benefit commuter rail; Amtrak’s national network ($2.2 billion authorized, $3.2 billion in advance appropriations), and the Federal-State Partnership for Intercity Passenger Rail Grant Program ($1.5 billion authorized and $7.2 billion in advance appropriations).
with severely limited resources for any sort of match, much less the resources needed for major upgrades of expensive supply chain infrastructure.

**Ensure sufficient opportunities to compete.** We generally discourage efforts to limit state departments of transportation in the number of grant submissions they are allowed in a round of funding. For programs that short lines cannot directly apply for, short lines must partner with other entities to advance rail investments. Limits in the application number can force pre-application competition between smaller short line projects and other major projects, often putting the smaller project at a disadvantage. We appreciate efforts to ensure that short lines are not inadvertently restrained in project opportunities. We further appreciate efforts to ensure that in programs like CRISI, short line projects are not at any disadvantage simply because they are made by the railroad directly.

**Advance transparency wherever possible.** We encourage efforts to make more of the application process open and public to ensure applicants – including future potential applicants – gain clarity that can facilitate their project development and future application efforts.

**Provide consistent and more detailed explanation of awarded CRISI grants.** With the announcement of CRISI awarded projects, ASLRRA recommends FRA release a robust explanation of each award. This should include high level financial metrics of the project (total cost, CRISI award, amounts and sources of matching funds), scope of work, environmental readiness, and proposed grant project performance metrics. In the initial CRISI awards associated with FY22, announced in 2023, FRA made a good step forward in this by consistently posting the matching funds to the award. Continuing enrichment of this information in a reasonable way will take some of the pressure off debriefing on unsuccessful applications and provide clearer understanding of why specific projects were awarded CRISI funding.

**Aim for regularity in calendar of grant application timing.** We strongly support efforts to bring predictability to the timing of funding opportunities and application cycles, i.e., knowing when each year’s application window generally opens and closes – like a football season. While we understand the outside forces that can lead to highly variable application windows, knowing generally when to expect a funding window is critical for short line railroads and other small businesses, who could use this certainty to ensure they are ready and able to put their best and most competitive foot forward in the application process.

**Advance appropriations = predictability.** IJJA’s provision of advance appropriations was a significant game changer; ASLRRA strongly encourages Congress to include similar advance appropriations in future reauthorization bills so that grant-making agencies can move forward with funding opportunities regardless of year-to-year political dynamics, giving short lines and other small businesses the ability to plan for funding rounds. Government investment in long-term infrastructure is much more effective if all stakeholders can realistically plan for it – unpredictable, highly variable funding is an inefficient way to invest finite resources.

**Continue to build out USDOT and FRA’s monitoring and reporting of grants status.** We appreciate FRA’s effort to provide critical information on grant program activity, such as FRA’s Fiscal Year 2022 CRISI, Fed-State Partnership, RCE, and Restoration & Enhancement Grants Reports, as required by Congress. These reports provide useful, high-level reporting of the progress of grant awards by program and fiscal year through achievement of obligation and closeout. We encourage efforts like these to include more information on individual projects and performance obligations. This data will support
development of enhanced performance objectives for the CRISI program and other programs, improving the exchange of relevant data with Congress for performance monitoring and oversight.

**Support FRA staffing, engagement, and outreach needs.** ASLRRA appreciates USDOT’s efforts to engage with stakeholders like the short line rail community. These efforts, both before and after the submission of grant applications, whether at a high level of detail or deep into the weeds of application details, greatly improve the project development process. We appreciate these efforts, and we recognize they require precious time. We support efforts to provide permanent staffing at stable funding levels and for all levels of program managers, administrators, and other experts, especially on complicated environmental matters. Permanent staffing signifies proper resourcing to establish a stable core of civil servants to handle the myriad tasks associated with grant programs management. This should be a workforce that develops significant subject matter expertise and consistent practices and procedures. Ideally this workforce should be authorized and funded reliably over time, as contrasted with approaches that might seek to use “takedowns” that can fluctuate from year to year or those that might encourage heavy use of contracted support services.

**Streamline and standardize processes where possible.** In reviewing applications, we encourage efforts to improve technical analysis processes at FRA and throughout USDOT. We suggest a review effort in which applicants simply provide structured inputs for technical analysis, with the review process using a standardized process to analyze these inputs. This will provide multiple benefits: remove variances on how projected project outcomes are valued in the application, provide a clear basis of expectations for project performance if an award is made, and ease processing of applications. Likewise, we encourage USDOT – whether in CRISI, RCE or other programs – to only require information mandated by the program’s governing statutes; requiring applicants to put forward additional, extraneous information can be unduly burdensome on time-starved entities. After awards are announced, short line grant winners consistently express frustration with the time it takes from the announcement of an award to the execution of a grant agreement and actual project work beginning. We recognize FRA aims to move quickly, and we encourage any efforts to streamline this process through standardized agreement templates. We also encourage efforts to improve and simplify the Benefit-Cost Analysis (BCA) process for grant applicants, ensuring they are as straightforward as possible and only required when truly necessary.

**Improve elements of the NEPA process.** Short lines are an environmentally beneficial means to move goods and freight. We encourage efforts to ensure National Environmental Policy Act (NEPA) requirements reflect this sustainable way to move freight and do not undermine it.

Specifically, we believe there could be room within USDOT’s NEPA implementing regulations to expand definitions of selected categorical exclusions (CEs) without risking significant environmental impacts. One area is for bridge rehabilitation projects and for construction of smaller railroad facilities. The definitions for these CEs have some fixed elements – such as ground coverage and watercourse definitions – that could be adjusted to grant the agency more discretion and flexibility to make its class of action determination. The definitions built into these CEs have arbitrary elements that can force certain projects into costlier and more time-consuming environmental assessments that may not be justified by the environmental impacts of the project. We encourage USDOT and FRA to explore their regulations in this area and seek to increase their flexibility.
We appreciate the efforts of USDOT, and especially FRA, to continue to standardize their NEPA review procedures and to improve the guidance and documentation they provide to grant applicants. Clarifying guidance documentation that is unclear or may cause confusion is helpful, as is the provision of clearer guidance on analyses and permitting requirements associated with different environmental impact areas. Examples of environmental impact area analyses products or awarded permits can be especially helpful to applicants and awardees that are new to NEPA. NEPA compliance is a complex topic. By providing clarity for applicants on exactly what needs to be done and when during pre- and post-award periods, there could be fewer delays in getting to grant agreement.

**Build America, Buy America.** As recipients of federal funds, ASLRRA’s members are keenly interested in requirements regarding the production of materials used in construction. We appreciate any efforts to ensure that these mandates come with the recognition that they may be exceedingly difficult to satisfy, and thus the waiver process should be fast, fair and efficient.

**CONCLUSION**

ASLRRA appreciates the committee’s close attention to the items we have noted in our statement, and we welcome future opportunities to work together on these matters.