

CHAPTER 8 – FUNDING AND FINANCE OPTIONS

8.1 EXISTING FEDERAL FUNDING PROGRAMS

State law requires that Vermont seek federal funding opportunities and the Green Mountain State has been in the forefront of states that have taken advantage of federal funding opportunities. The current federal surface transportation authorization titled the “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)” was signed by President Bush on August 10, 2005. The act authorizes the Federal surface transportation programs for highways, highway safety, and transit for the 5-year period 2005-2009.

These federal programs form the basis of most transportation system capital funding programs across the country. Although one additional rail program (Capital Grants for Rail Line Relocation Projects) was added to the various programs included in the authorization bill, it did not change the overall picture for funding of rail system improvements. Unlike some other transportation modes, rail does not have a dedicated (formula) funding source. The funding programs for rail (freight, transit, or inter-city) are all discretionary programs, which means that projects need to compete with each other, on a national basis, for the limited amount of funds in the program. This is a very different approach to funding than for the Highway system where each State is “guaranteed” an amount of funding and it is up to each State, with some limitation, on which projects to advance.

The following is a brief review of the primary existing federal funding programs authorized (or reauthorized) under SAFETEA-LU as well as a description of the recently enacted tax credit for regional and short line railroads.

SAFETEA –LU

SAFETEA-LU is the latest transportation authorization act, which continues many of the policies and programs that originated in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). The Transportation Equity Act for the 21st Century (TEA-21), which was the authorizing act between ISTEA and SAFETEA-LU was in effect between 1998 and 2005.

SAFETEA-LU continues to include the trademark of flexibility that has characterized the three authorization acts discussed above. This flexibility allows states and metropolitan planning organizations to employ federal funding from various sources in rail projects. Typically federal funding for rail projects has come from Congestion Mitigation and Air Quality Improvement (CMAQ), Transportation Enhancements, Rail-Highway Crossing Program (the so-called Section 130 program), High Speed Rail Development, and other programs. The following sections provide additional detail regarding these federal programs that could be used to help fund rail system investments in Vermont.

CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT (CMAQ)

The Congestion Mitigation and Air Quality Improvement (CMAQ) program funds projects which reduce traffic congestion and help meet Clean Air Act requirements. CMAQ funding may be used for freight and passenger rail projects which accomplish CMAQ goals. Funding is available for areas that do not meet the National Ambient Air Quality Standards (nonattainment areas) as well as former nonattainment areas now in compliance (maintenance areas). For example, Maine is using CMAQ funds for infrastructure investments used to restore passenger rail service between Portland and Boston, and these investments will benefit both passenger and freight rail service in the state.¹ Cincinnati's third main track in the heavily-used Mill Creek Valley freight rail corridor was the first freight rail project funded partly by CMAQ.² Southern Railroad Company of New Jersey built a transload facility and rehabilitated a section of its track with CMAQ funds.³ There are numerous other examples.

TRANSPORTATION ENHANCEMENTS

Ten percent of a state's STP funding is set aside for Transportation Enhancements, which encompass a broad range of environmentally-related activities including rehabilitation and operation of historic transportation buildings, structures or facilities and preservation of abandoned railway corridors.

SECTION 130 (HIGHWAY-RAIL GRADE CROSSING) PROGRAM

The Highway Safety Act of 1973 established the Rail-Highway Crossing Program, which became known as the Section 130 program (from its designation in Title 23 of the United States Code). The goal of this program is to provide federal support in efforts to reduce the incidence of accidents, injuries and fatalities at public railroad crossings. States may utilize the Section 130 program, administered by the Federal Highway Administration (FHWA), to improve railroad crossings using a variety of methods, including installation of warning devices, elimination of at-grade crossings by grade separation, or by consolidation and closing of crossings. ISTEA linked Section 130 with the Section 152 hazard elimination program.

HIGH-SPEED RAIL CROSSING IMPROVEMENT PROGRAM

FRA administers the High-Speed Rail Crossing Improvement Program, funded at \$50 million over the 5 year period (FY 2005 –FY 2009) of the SAFETEA-LU. The program is to reduce or eliminate hazards at highway-rail grade crossings in designated high speed corridors.

¹ "Maine Supports 'Flexibility'", National Association of Railroad Passengers News, October-November 2002, page 3.

² "NS taps ISTEA to relieve Cincinnati congestion", Progressive Railroading, March 1995, page 55.

³ William C. Vantuono, "Short lines dig for dollars", Railway Age, June 1995, page 63.

HIGH-SPEED RAIL CORRIDOR DEVELOPMENT

SAFETEA-LU reauthorized the Swift Act and expanded eligible expenses from 'planning' to 'development' of high-speed rail corridors. \$70 million is authorized annually for corridor development and \$30 million for high-speed rail technology improvements.

CAPITAL GRANTS FOR RAIL LINE RELOCATION PROJECTS

SAFETEA-LU established this new grant program to provide financial assistance for rail line relocation or grade separation of track that is interfering with a community's motor vehicle traffic flow, its quality of life, or its economic development. The program authorizes \$350 million for each of fiscal years 2006 through 2009. At least half of the grants awarded must not be more than \$20 million each and the federal share is not to exceed 90% of the total cost of the project. The rules established for this program were scheduled to be completed in October 2006 however the rulemaking process has been delayed with no projected date of completion.

The grant program outlined in SAFETEA-LU requires that the program is for any construction project for the improvement of the route or structure of a rail line that either (1) is carried out for mitigating the adverse effects of rail traffic on safety, motor vehicle flow, community quality of life or (2) involves a vertical or lateral relocation of any portion of the rail line. States will be considered eligible on the basis of its ability to fund without federal assistance, limit the allocation of funds as provided, effects of the rail line on motor vehicle and pedestrian traffic, safety, community quality of life, and area commerce, effects the rail line on the freight and passenger rail operations on the rail line.

TRANSPORTATION IMPROVEMENTS PROGRAMS (EARMARKS)

The Transportation Improvements provision provides designated funding for specific projects identified in SAFETEA-LU. A total of 466 projects are identified, each with a specified amount of funding over the 5 years of SAFETEA-LU. The funds designated for a project are generally only available for that project. A percentage of the specified funds (ranging from 10% to 25%) will be allocated annually to each project. Vermont rail system related projects include the following:

- Western Corridor Rail Improvements (\$30 million)
- Improvements to East Alburg Railroad Trestle Swing Span (\$5 million)
- Improvement to Green Mountain Rail Line between Rutland and Bellows Falls (\$2.5 million)

HIGH PRIORITY PROGRAMS (EARMARKS)

The High Priority Projects (HPP) Program provides designated funding for specific projects identified in SAFETEA-LU. There are a total of 5,091 projects identified, each with a specified amount of funding over the 5 years of SAFETEA-LU. In essence, the High Priority Projects Program is a list of earmarks for which funds can be appropriated during the annual budgeting process. Inclusion of a project in the list of authorized HPP Program projects does not ensure that funds will be allocated for that particular project in any specific year or at all over the course of the 5 year SAFETEA-LU period.

Vermont rail system related projects include the following:

- ❑ Construction of the St. Albans, VT Intermodal connector roadway with I-89 for the City of St. Albans (\$960,000)
- ❑ St. Lawrence and Atlantic Railroad Upgrades in Northeastern Vermont (\$5 million)
- ❑ Lamoille Valley Rail Trail for the Vermont Association of Snow Travelers (\$5.8 million)
- ❑ Transportation Improvements to Bellows Falls Tunnel (\$2 million)

GATEWAY RURAL IMPROVEMENT PILOT PROGRAM (GRIPP) (SECTION 1946)

The Vermont rail system received specialized benefit in the establishment of a pilot program to demonstrate the benefits to rural rail corridors of a freight transportation gateway program. Similar to the HPP Program, the establishment of the GRIPP pilot project does not ensure future funding of the program. Funding of this program stated as “such sums as may be necessary” shall be appropriated from the General Fund and not the Highway Trust Fund. The language of the program included in the act is as follows.

- (a) In General.--The Secretary shall establish a pilot program in the State of Vermont to be known as the “Gateway Rural Improvement Pilot Program” (referred to in this section as the “program”) to demonstrate the benefits to a rural rail corridor of a freight transportation gateway program.
- (b) Eligible Activities.--Under the program—
 - (1) funding preference shall be given to selecting a corridor in the State of Vermont that includes a border crossing; and
 - (2) individual projects shall provide community and highway benefits by addressing economic, congestion, security, safety, and environmental issues.
- (c) Cost Sharing.--

(1) Federal share.--The Federal share of the cost of a project under this section shall be determined in accordance with section 120 of title 23, United States Code.

(2) Non-federal share.--Project user fees may be used to provide all or part of the non-Federal share of the cost of a project funded under this section.

(d) Authorization of Appropriations.--In addition to such amounts as are otherwise authorized to be appropriated for the Department, there are authorized to be appropriated such sums as may be necessary to carry out this section.

CREDIT ASSISTANCE PROGRAMS

In addition, SAFETEA-LU authorizes two credit assistance (direct loans, loan guarantee) programs.

The Rail Rehabilitation and Improvement Financing (RRIF) program provides direct loans and loan guarantees to state and local governments, government-sponsored authorities and corporations, railroads, and joint ventures that include at least one railroad. Eligible projects include (1) acquisition, improvements or rehabilitation of intermodal or rail equipment or facilities (including tracks, components of tracks, bridges, yards, buildings, and shops), (2) refinancing outstanding debt incurred for these purposes, or (3) development or establishment of new intermodal or railroad facilities. This program, which was established as part of TEA-21, has not been an effective program due to some onerous provisions in the program. Many of these provisions were eliminated under SAFETEA-LU. The current program is also authorized to provide loans to rail shippers with access to only one rail carrier in order to construct rail access to a second carrier, without requiring the project to be part of a railroad joint-venture application. Even with these changes the future of the RRIF program is uncertain. The President's FY 2007 Budget proposes complete elimination of the RRIF program on the ground that it is "unnecessary" and has not been significantly utilized.

The Transportation Infrastructure Finance and Innovation Act (TIFIA) provides credit assistance on flexible terms directly to public-private sponsors of major surface transportation projects to assist them in gaining access to capital markets. TIFIA authorizes the Secretary of Transportation to collect fees from borrowers and fund up to approximately \$26 billion annually of direct loans, loan guarantees, and lines of credit to support up to 33 percent of project costs. The eligibility of projects under SAFETEA-LU has been expanded to include not only highway and capital transit projects, intercity bus and rail projects, and publicly-owned intermodal freight transfer facilities, but also private freight rail facilities that provide public benefit to highway users, intermodal freight transfer facilities and access to these facilities. SAFETEA-LU also reduced the size of eligible projects from \$100 million to \$50 million and allows the grouping of smaller related projects "with the common objective of improving the flow of

goods”. The Secretary of Transportation selects projects based upon factors including national significance, credit-worthiness and private participation.

SAFETEA-LU established a new financial assistance program with direct relevance to railroad projects in establishment of up to \$15 billion in Private Activity Bonds (11-1143). The Private Activity Bond enables loans for specific projects at a lower interest rate since the bond purchaser is not required to pay federal taxes on the incomes they receive. The eligible projects include privately owned or operated highway projects and rail-truck transfer facilities.

NEW STARTS PROGRAM

Federal Transit Administration (FTA) funding for major projects may be available under FTA's New Starts Program. SAFETEA-LU authorized over \$8 billion for New Starts, in order to support transit “guideway” capital investments (heavy and light rail, commuter rail, bus rapid transit). To be eligible for funding, projects must follow the procedures in 49 CFR Part 611 Major Capital Investment Projects. The process to obtain funds is competitive. Although it is theoretically possible to obtain federal funding to the extent of 80 percent, more jurisdictions are lowering the percent federal funding requested in order to be more competitive; now most projects request 50 percent federal funding. FTA evaluates projects based upon "New Starts Criteria", assigning ratings based upon cost effectiveness, local financial commitment, and transit support land use. FTA New Starts funds can be used for capital improvements associated with the project. Operating and Maintenance funds need to come from other federal sources (often the CMAQ program for the first three years of operation) or state/local sources. There are no federal funding programs for the operating or maintenance costs associated with rail transit.

Flexibility of Federal Funding Programs

The flexibility provided by SAFETEA-LU may be illustrated in the area of rail-highway crossings by the following example. SAFETEA-LU directs that states set aside ten percent of their Surface Transportation Program (STP) funding for safety improvements, a portion of which must be reserved for carrying out the Section 130 Rail-Highway Crossing Program. An additional portion of the safety set-aside is also eligible for elimination of crossing hazards, should a state choose to use the funds for this purpose. Funds from other apportionment categories may also be used to improve crossing safety. For example, any repair, construction or reconstruction of roads and bridges affected by a project would be eligible under normal funding categories. (The corridor approach to improving railroad crossing safety promotes greater efficiency in solving the problem and has been encouraged by FHWA.) Other projects eligible for STP funding include railroad relocations and consolidations, intermodal terminals and the acquisition of abandoned railroad rights of way.

It has often been said that “the best opportunity for railroads to get federal funding will lie in including themselves in broader transportation projects.”⁴ The railroad contribution to “high-

⁴ “Railroads Eye TEA-21 Infrastructure Funding”, Rail Business, April 15, 2002, page 1.

speed passenger rail initiatives, pollution-reduction plans and congestion-mitigation projects” can result in federal money to upgrade railroad infrastructure.⁵ Rail rehabilitation can be assisted by highway relocation or grade crossing removal projects

Economic Development Administration Programs

Another federal funding possibility, the Economic Development Administration (EDA) of the Department of Commerce, administers two project grants programs, Grants to Public Works and Economic Development Facilities and Economic Adjustment Assistance, intended, respectively, to promote long-term economic development in areas experiencing substantial economic distress, and to assist states and local interests with strategies to bring about a change in the economy, focusing on areas under serious economic damage.

October 2004 Tax Credit

In October 2004, President Bush signed into law the American Jobs Creation Act of 2004, which includes provisions to provide a tax credit to help regional and short line railroads fund their infrastructure projects. “The tax credit will provide small roads 50 cents for every dollar of qualifying track maintenance expenditures, such as cost to improve track, bridges and signals.”⁶ The tax credit is for a three year period starting in 2005 and is capped by the number of miles owned or leased (by a Class II or Class III railroad) multiplied by \$350,000 for each of the three years.

8.2 INNOVATIVE FINANCE OPTIONS CURRENTLY IN USE.

Rail Enhancement Grant Program

For many years, Vermont has invested in partnership with shippers and carriers in a three-way (state, railroad, and shipper) match program to improve rail infrastructure and to build rail sidings for existing and new shippers. The cost of installing tracks and switches can be a deterrent to potential rail shippers. In order to meet the huge capital demands in the State, this model of public/private partnership would need to be continued and expanded. Vermont budgeted \$200,000 in both 2004 and 2005 for this program, which provides for \$600,000 worth of projects per year.

State Infrastructure Bank (SIB)

State Infrastructure Banks were created by Section 350 of the National Highway System Designation Act of 1995, allowing states to set aside up to 10 percent of their federal transportation funding for public-private investments. State Infrastructure Banks may offer loan and credit options to help finance infrastructure projects. Money for projects may be loaned at

⁵ Ibid.

⁶ “New law drops fuel tax, adds tax credit”, Progressive Railroading, November 2004, page 11.

low rates to private investors, or may serve as capital reserve for bond and debt financing. The loan may be repaid with revenues generated by the project.

Vermont's State Infrastructure Bank, managed by the Vermont Economic Development Authority (VEDA), and has closed on four loans of \$1.8 million for transportation infrastructure improvements. As of 2005 there was \$700,000 in the Bank available for low interest loans. The SIB offers a 4 percent fixed rate for private companies with 10-15 years amortization schedules and a 2.5 percent fixed rate for municipalities. This amount could be supplemented by additional State dollars and made available to shippers and carriers for them to make improvements to a rail line. The availability of this low cost money should be explored by shippers and carriers alike, and should be promoted by VEDA and VTTrans.

8.3 OTHER FINANCE OPTIONS

In addition to the successful programs in other states, Vermont may wish to consider the following ideas to assist in financing Vermont's rail transportation mode.

Grow the Business

Perhaps a key method to finance Vermont railroads is to provide the climate in which they have the ability to expand their business. Act 250 has been mentioned by a number of individuals as inhibiting railroad development, and Vermont may wish to consider the effect of that environmental permitting process on the economic development of railroads in the State. Related is the possibility that Vermont may wish to create a more welcoming environment with regard to railroad-related industry. For example, the Commonwealth of Pennsylvania has created a "Rail Freight Properties Directory: Properties That Have the Potential To be Served by Pennsylvania's Regional and Shortline Railroads", the purpose of which is to identify real properties located along regional or shortline railroads, thereby promoting economic development, potentially increasing the traffic base of small railroads, a serving as a marketing tool to attract prospective businesses. This directory is posted on the Pennsylvania Department of Transportation website (<http://www.dot.state.pa.us/Internet/Bureaus/pdBRF.nsf>).

There are 600 miles of rail line in Vermont. This finite resource should be treated as a non-renewable resource. Vacant buildings along the rail lines could be sold or leased to businesses that will utilize rail service. Increased rail traffic generated by increased marketing of rail use would help fund rail infrastructure improvements. Vermont may wish to make unused property adjacent to rail lines more attractive for rail use. Those policies could include marketing, as mentioned above with regard to Pennsylvania, or an industrial rail access program (utilizing Vermont's Rail Enhancement Grant Program).

As noted in section 5.3 VTTrans has initiated a Transportation Planning Initiative (TPI) with the Regional Planning Commissions and the Metropolitan Planning Commission to identify, catalogue, and map properties along active rail corridors that could be likely sites for development that would be compatible with and enhance rail use.

Providing tax incentives, tax credits, or loans to existing businesses to convert to rail transportation (from truck) would also benefit the railroads and provide them with more capital

to plow back into the rail line. The positive economic benefits of rail transportation would be the rationale for instituting these measures.

Revenue from Leasing Right of Way (ROW)

Vermont owns 305 of the 600 active route-miles of railroad in the State. It is understood that the VTTrans already has an active leasing program. The State collects fees and rents for the use of its rail property; annual revenues are approximately \$500,000.

VTTrans is updating its inventory of State-owned railroad property, and plans to use modern electronic technology and convert existing paper “valuation maps” into electronic form, in order to more productively manage its rail assets. At present only old, paper maps are available, and these maps have not been updated. In addition, VTTrans has begun to identify and resolve “numerous instances of illegal encroachments on all State-owned rail lines.”

VTTrans is currently reviewing the fee schedule (regarding utility crossings, or co-linear use of the railroad right of way by a utility or fiber optic line) and updating it to reflect fair market value. Due to changes in real estate costs and the utility/communication industry since the fee schedule was last reassessed, it is believed that there is a potential for a significant increase in revenue in this area.

In summary, VTTrans should continue to modernize its approach to managing railroad property. To further this effort VTTrans could initiate a complete survey of all of its railroad properties to accomplish these goals.

Revenue from New Construction Rail Projects

A per car charge on major new railroad investments could be utilized to fund such projects or implement infrastructure improvements. A strategy employing this concept should be considered for major rail investments in the future.

Partner with Vermont Economic Development Authority

The Vermont Economic Development Authority (VEDA) was created by statute in 1974 to promote economic prosperity and increase employment through the operation of a variety of financing programs, including those offering direct loans up to \$1.3 million, industrial revenue bonds and the issuance of mortgage loan insurance. VEDA members are nine Vermont residents appointed by the Governor, plus the State Treasurer, the Secretary of the Agency of Development and Community Affairs, and the Commissioner of Agriculture.

It is possible that VTTrans might work with VEDA and Vermont’s railroads and railroad customers in an organized and directed effort to promote and improve Vermont’s economic prosperity that flows from rail transportation. The organization of such an effort appears to be in conformance with legislation which sets Vermont’s railroad policies, and with that which

⁷ In 1898, the U.S. Supreme Court found that railroads were entitled to a “fair return on a fair value”; these maps were subsequently produced in response to the valuation efforts of the Interstate Commerce Commission, to which Congress delegated the fair value determinations.

created VEDA. Furthermore, a joint VTrans-VEDA effort could also include encouraging the diversion of truck traffic to rail. Finally, it appears to be appropriate, and in conformance with Vermont policy objectives, that VEDA financing programs – direct loans, industrial revenue bonds and mortgage loan insurance -- be considered as another funding source for railroad system upgrades, whether the railroad is privately or publicly owned.

Partner with Other States and Canada to Improve the Railroad Trade Corridors

Vermont can position itself to be indispensable for rail movements – freight and passenger -- between Boston, New York and Canada. It is in the State's interest to work with neighboring states and Canada, to develop mutually-beneficial rail corridor strategies, identify bottlenecks and restrictions, and explore opportunities for funding upgrades to rail corridors. It has been noted that principal groups that would facilitate continued partnering efforts would include the Coalition of Northeast Governors and the New England Governors Conference and Eastern Canadian Premiers coalition.

This type of initiative has special relevance in an era of predicted significant expansion of U.S. surface transportation demand (both rail and highway), and of international trade volumes.

Although this initiative may not increase directly the funds available for Vermont rail improvements, since each political jurisdiction would likely confine its funding to its political boundaries, there are related funding benefits: (1) other jurisdictions may have fruitful and innovative methods of funding, providing Vermont some worthy ideas, and (2) the cooperative effort, to eliminate weight and clearance restrictions and improve track speed, hastens improved rail service and improved rail opportunities, and the construction of improvements in other states will expedite realization of the benefits of Vermont's rail funding. It is very important that elimination of weight and clearance restrictions within Vermont be coordinated with corresponding efforts in neighboring states, so as to insure continuity of the cleared route.

Leverage State Owned Rail Lines' Annual Lease Payments

The annual revenue accruing to Vermont from its railroad property leases, including fees and rents for utility crossings as well as rentals from operating railroads, is approximately \$500,000. This revenue goes into the State transportation fund.

A worthwhile proposal for consideration is the direct use of revenues from property management and operating leases for rail infrastructure improvements, rather than directing these revenues into the State transportation fund. This would allow a more direct relation between property maintenance and property revenues.

Alternatively, rental payments could be used to help secure infrastructure improvement loans. This would benefit the State by allowing more funds to go into upgrading rail lines. The idea is to allow leaseholder railroads to use their lease payments to the State as payments towards a loan for infrastructure improvements. The State would forfeit the cash but would see the funds in asset improvements.

Fuel Tax Paid by Railroads

Assuring that all fuel taxes paid by railroads go to the funding of rail improvements may assist in providing justifiable assistance equitably to all modes. Fuel tax is seen as a user tax, except that all fuel taxes, regardless of the user, are paid into the state transportation fund. Creation of a true user tax suggests that all fuel tax paid by railroads be channeled into rail improvements.

Allowing Tax Credit for Rail Improvements.

Leaseholders on state-owned rail lines are not able to capitalize improvements to the rail line since the lines do not belong to the leaseholders but to the state. If these leaseholder railroads were able to take a state tax credit for improvements to the rail line, there would be a greater incentive to perform these upgrades. The state would lose tax revenue, but would see improvements made to state assets. This would be similar to the recently-enacted federal tax credit for infrastructure improvements on regional and short line railroads.

CHAPTER 9 - IMPLEMENTATION PLAN

In order to achieve the goals established in the SR&PP actions will need to be taken to move the State's rail network toward the vision for the system articulated in Chapter 3. Coordination of these actions will be required between different units within the Vermont Agency of Transportation as well as others.

The implementation plan is comprised of three elements

- ❑ Implementation of Project Screening/Analysis
- ❑ Tracking of Performance Measures
- ❑ Specific Actions

In the following sections actions are outlined for each element of the implementation plan. Collectively these actions, although not entirely inclusive of all actions required to meet the performance targets, represent the framework of a plan to achieve the goals established for Vermont's Rail System.

9.1 IMPLEMENTATION PRIORITIZATION PROCESS

Vermont government has a history of investing in its rail system. This history includes purchasing failing rail lines within the State, providing regulatory and financial assistance for efforts to resurrect the use of rail on State owned and privately owned rail lines, and support of specific passenger and freight initiatives. This effort has resulted in a rail system that has become a key component of the transportation network in Vermont and throughout the northeast region.

As the rail industry in Vermont has progressed, and its value has grown, the demand for support of more and larger rail projects has grown. As with most programs, the needs and desires for project funding are expected to be greater than the immediately available funding. As a result, it has become necessary to prioritize the funding requests.

The methodology for prioritization of funding needs is detailed in Chapter 7. The process for implementation of the screening and analysis of projects is to be done annually. The following description of the steps needed to progress the prioritization of projects was initially presented in the Vermont Rail Capital Investment Policy Plan and has been modified to reflect current conditions.

The prioritization of projects is best done as part of the annual budgeting process. This process will begin with three regional meetings conducted by VTtrans rail staff. The meetings will focus on existing projects, potential new projects, and any modifications to the review and ranking system. These meetings are intended to serve as precursor to the submittal of proposed projects to VTtrans. Attendance will be open to the general public, with participation by rail operators, shippers, and other interested parties strongly encouraged. Announcement will be made by direct mailings to railroad operators and industry representatives, notification via the Regional

Planning Commission TAC's, and selected print media notices. VTrans newsletters and web sites will also be used to disseminate the information.

It is the intent of VTrans that applicants seeking State funding for rail project and programs would provide the required data and associated project descriptions to the VTrans' Rail Section by June 30 of the year preceding the year in which funding is sought.

The project descriptions and supporting data will then be reviewed and scored by a committee comprised of VTrans staff. Projects will be ranked and then selected for inclusion in the VTrans Capital Program and Project Development Plan based upon the rankings, availability of funding, and the recommendations of the VTrans ranking committee.

VTrans will notify project proponents as to the scoring of the projects and the status of the projects relative to the budgeting process. Each proponent will be notified, in writing, as to the scoring and funding of its project. VTrans may, at its discretion, discuss the scoring process in more detail within a proponent. However, appeals or modifications to submittals will not be entertained. The Rail Section will consider projects of comparable ranking (i.e., within a range) when making selections for inclusion in the budget for new capital projects. Projects will not necessarily be selected in strict descending sequence based on their numerical ranking.

At the conclusion of the ranking process, the Rail Section representative will discuss the results with the Vermont Rail Advisory Council. Possible modifications to the ranking process would also be reviewed with the Council. Projects which are not included in the annual budget program may be resubmitted for consideration in subsequent years.

The Rail Section does not intend to retain all submittal packages for carry over into the next review cycle. It shall be the responsibility of the project proponent to advise VTrans' Rail that a specific project is being requested for reconsideration. With the request, updated data to support the project will need to be supplied.

It is anticipated that, over time, modifications to the criteria and scoring processes may be warranted. Those modifications would be disseminated to potential project proponents and would be reviewed at the regional meetings, prior to submittal of project applications. Such modifications would, over time, serve to produce a more equitable list of projects or reflect goals and objectives of VTrans in the context of, state, regional and national priorities and trends.

Projects selected for inclusion in the VTrans proposed rail budget and included in the Governor's budget request will be submitted to the Vermont Legislature for approval.

9.2 TRACKING OF PERFORMANCE MEASURES

The performance measures established in Chapter 6 will provide a basis for evaluating the success for the investments in the rail system. The performance measures have been developed to assist measurement of success over a period of time. As can be seen from the performance measure targets, many of the targets are developed on an annual basis and some with a target window of five years. The reason for this is that it was envisioned that results from many of the rail investments could be seen in over a year's time and others would take multiple years to be realized.

As the rail program requires continual efforts to manage and direct, it is anticipated that the progress of the performance measures can be tracked on a regular basis. As an example, the

target for bridge improvements to meet the established requirements for the respective rail line identifies the need to rehabilitate a minimum of three bridges annually. It will be easy to compare progress on an annual basis to this target. Other targets, such as those related to removal of clearance restrictions, are targeted for completion in five years. To accomplish this target, a plan for improvements needs to be developed for implementation of multiple years. Intermediate progress can be evaluated by evaluating the progress of the plan for the respective improvement.

A secondary activity that will need to be progressed is the evaluation of the performance measures and the corresponding targets. Changing conditions within the rail industry or with the State may warrant modification to the performance measures and/or targets. An example is if the Vermonter service is modified to trial diesel multiple locomotive equipment (DMU) consists. If this occurs, then the targets for passenger based performance measures will likely need to be revised.

Additionally, as the existing targets only are projected to a maximum of five years, it is understood that some targets will need to be reconsidered at the end of the initial five year assessment time projection.

It is recommended that annually VTrans staff prepare a summary assessment of the progress on and toward the performance measures and targets contained herein. Also, as part of the annual review, it is recommended that the performance targets be evaluated to determine if any modifications are required.

9.3 SPECIFIC ACTIONS

During the development of the SR&PP, discussions with VTrans rail staff and industries representatives identified a number of ongoing activities or particular issues that we deemed important. Many of these issues are related to the ongoing projects or the planning and administration of the rail program.

Some of these important issues were related to system initiatives discussed in Chapter 5, but it was deemed appropriate to highlight individually. Some of this activities or issues are simply reminders to continue ongoing evaluation efforts and some are specific activities that should be completed.

Identify, Catalogue, and Map Potential Rail Development Sites

Action

In demonstration of its desire to support appropriate intermodal and transload operations, VTrans has initiated a Transportation Planning Initiative (TPI) with the Regional Planning Commissions and the Metropolitan Planning Organization to identify, catalogue, and map properties along active rail corridors that could be likely sites for development that would be compatible with and enhance rail use. This TPI should be progressed for expeditious completion.

Responsible Section: Rail Section

Economic Study of Passenger and Freight Rail Impact

Action

As noted within this document, Vermont's passenger and freight service has been long considered a key element of the transportation system for the State and the region. In section 3.1 it is noted that the rail system should serve to "Foster economic development and benefit the local industry."

The SR&PP has been developed based on the understanding that ongoing financial support by the State for rail service will continue to return positive economic development results. However, as with any program funded by the State, proposals for funding for rail expenditures must compete with other interests within the State. During the annual budget development process VTrans and the State Legislature must weigh the relative value of each funding item. When deciding where to allocate funds, it is always easier to dedicate funds to initiatives that can be clearly seen to have positive impacts.

To clearly identify and quantify the economic impacts of the rail system in Vermont, VTrans has proposed to undertake a study of the economic impacts of railroads to Vermont. It is anticipated that the results of the study will verify the importance of the rail system to the overall transportation system and provide a heightened resolve to expedite the rail improvements and initiatives presented in this document.

Responsible Section: Rail Section

Bridge Conditions

Action

- Complete condition inspection of all State-owned rail bridges
- Maintain a scheduled condition inspection of all State-owned rail bridges
- Develop schedule of bridge rehabilitation/replacement coordinated with priority Rail Carloading system improvements.

Responsible Section: Structures Section

Track Classification

Action

- Many of the State-owned lines require on-going investment in the track structure and right-of-way in order to maintain the track classification. This often is a result of years of deferred maintenance from previous owners. Efforts initiated by the Rail Section staff to identify future needs of the line and the implications of the investment on the remainder of the State-owned line should be completed.

Responsible Section: Rail Section

Property ManagementAction

- Institute an electronic property management system to increase the efficiency and effectiveness of property management efforts
- Review and modify the fee schedule for use of railroad related property

Responsible Section: Rail Section

Grade Crossings ProgramAction

- Continue annual grade crossing inspection program to ensure reassessment of every crossing within the State approximately every five years.
- Develop/modify project development process to incorporate steps for negotiating railroad access/agreements for all VTrans projects that include highway-rail at-grade crossings

Responsible Section: Operations Section

Rail CarloadingsAction

- Complete load rating of all bridges along priority routes
- Develop schedule of bridge improvements on priority routes to enable the upgrade of the routes to 286,000 pounds.

Responsible Section: Structures Section

Clearance ImprovementsAction

- Complete clearance improvements to Bellows Falls tunnel

Responsible Section: Structures Section

- Coordinate with NECR and GMRC to ensure completion of clearance related improvement on the remainder of first priority lines

Responsible Section: Rail Section

Passenger Rail SystemAction

- Develop strategic plan for the future of interstate passenger rail service.

Responsible Section: Rail Section

Intermodal FacilitiesAction

- Identify actions and resources necessary to support intermodal facility improvements.

Responsible Section: Rail Section

Economic DevelopmentAction

- Continue rail enhancement 3-way match grant program

Responsible Section: Rail Section

Project Implementation ProcessAction

The Vermont Agency of Transportation has a project development process that outlines steps necessary for scoping and design of transportation projects. This well defined process facilitates planning partnerships with municipalities and regional planning commissions/metropolitan planning organization, and permits several opportunities for public involvement.

The process is described in the flow diagram shown on Figure 9.1 and utilizes the following primary steps:

- Project Selection
- Authorization to Proceed
- Project Definition
- Project Design
- Construction

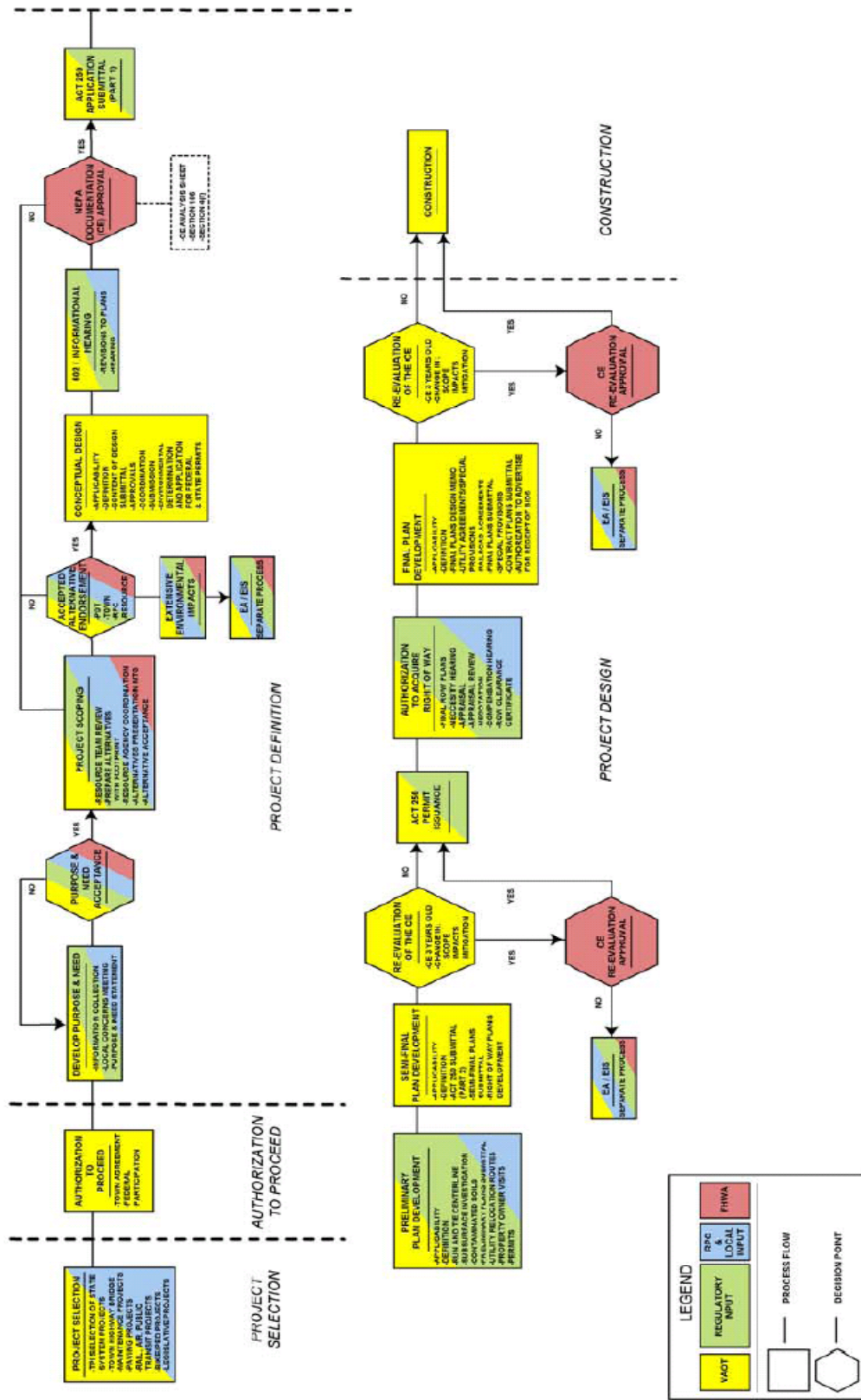
Although railroad issues are included in this process, they are often marginalized and therefore result in a delay to the project. Since railroads maintain a unique standing in the transportation network, regardless of whether they are an operating railroad on a State-owned property or a private railroad on their own property, their needs and requirements should be addressed in a unique manner and throughout the Project Development Process.

It is essential for the VTrans Project Manager to coordinate with railroads early in the project development process as a component of the RPC and local input process. This coordination needs to address issues such as right-of-way access, design standards, construction worker safety protection, track outages, project schedule and project maintenance requirements. These issues are unique to railroad related projects and are not systematically included in the project development process.

It is thus proposed that a Rail Project Development process be created and implemented that modifies the VTrans project development process to incorporate the unique coordination, design and contract issues required for a railroad project.

Responsible Section: Rail Section

FIGURE 9-1 VTRANS PROJECT DEVELOPMENT PROCESS



CHAPTER 10 - PUBLIC INVOLVEMENT

Historically there has been keen citizen interest in rail in Vermont. The Vermont Agency of Transportation actively seeks public input into its rail planning and policy initiatives. Public involvement in the development of the Vermont State Rail and Policy Plan occurred at appropriate milestones during the two year period in which the plan was created. The Agency provided many opportunities to learn about and comment on the Vermont State Rail and Policy Plan through public meetings, the Vermont Rail Advisory Council, VTTrans website, newsletter and press releases.

10.1 PUBLIC MEETINGS

Four rounds of public meetings were held in the development of the Vermont State Rail and Policy Plan. Eight separate meetings were located in seven different communities covering all geographic regions of the State. Initially, public meetings were scheduled as the Vermont Agency of Transportation made preparations to update its State Rail Plan. Meetings were held at Bellows Falls, Middlebury and St. Johnsbury, respectively on August 30, 31 and September 1, 2004. The purpose of these meetings was to advise the public that an update to the State Rail Plan was getting underway, explain the purpose of the update, and to seek public input. Once a draft report was completed, public meetings were held at Burlington, Rutland and White River Junction on April 26, 27 and 28, 2005, respectively, to present and discuss the results of the draft report.

One year later, as VTTrans worked on a new policy plan, a public meeting was held on May 10, 2006 in Rutland to review a proposed vision, role and goals for rail in Vermont. After public comment, VTTrans and its consultant worked on a final draft of the State Rail and Policy Plan and made a presentation on November 29, 2006. For this final public meeting five Vermont Interactive Television sites, covering all regions of the State, were utilized. Sites where people attend the meeting were in Randolph Center, Lyndonville, Springfield, Castleton, and Williston.

Comments at these public meetings were reviewed by the VTTrans project manager and his consultants. Reports of public meetings are in Appendix 3

10.2 VERMONT RAIL ADVISORY COUNCIL

The Vermont Rail Advisory Council, originally created by executive order to provide advice to the Governor and Agency of Transportation on rail issues, has reviewed and commented on the development of the State Rail and Policy Plan. Members of the Rail Council consist of owners of private rail industry, operators on State-owned railroads, freight shippers, environmental and economic development organizations, regional chambers of commerce, regional planning commissions, the House and Senate transportation committees and travel and recreation organizations.

The Vermont Rail Advisory Council reviewed and gave input to the State Rail and Policy Plan at Council meetings in Montpelier on December 16, 2004, April 23, 2005, April 12, 2006 and October 25, 2006. All meetings of the Council are open to the public and often, as occurred at the April 12,

2006 meeting when the State Rail and Policy Plan were discussed, received coverage from the press. Minutes of meeting are in Appendix 3.

10.3 WEBSITE

The Railway Section of the Vermont Agency of Transportation website was utilized to publish news on the development of the State Rail and Policy Plan. The website had notices of meetings, draft reports and plan documents, summaries of public meetings and access to comment forms and contact information.

10.4 NEWSLETTER

A newsletter summarizing the highlights of the State Rail and Policy Plan was published when the final draft was released to the public in November 2006. The newsletter was distributed through the State's Regional Planning Commissions, the VTTrans website and to interested members of the public. A copy of the newsletter is in Appendix 4.

10.5 NEWS RELEASES

The Vermont Agency of Transportation sent numerous press releases to Vermont media throughout the development of the State Rail and Policy Plan. The plan and related public meetings were extensively reported on throughout the State. Copies of news releases are in Appendix 4.

10.6 FINAL PRESENTATION AND COMMENTS

Following the public presentation of the Final Draft of the State Rail and Policy Plan on November 29, 2006, comments on the document were encouraged to be submitted to VTTrans for consideration in developing the Final Report of the State Rail and Policy Plan. Written comments were received from the following individuals or groups. Comments were reviewed and incorporated as appropriate.

- Chittenden County Metropolitan Planning Organization
- Vermonters for a Clean Environment
- Bennington Region Review and Response by:
 - o Rex Burke, Executive Director, Bennington County Regional Commission
 - o Stu Hurd, Town Manger, Town of Bennington
 - o Ron Pembroke, President of Trustees, Village of North Bennington
 - o Pete Webster, Town Manger, Town of Manchester
 - o Robert Stannard, Executive Director, Better Bennington Corporation
 - o Peter Odierna, Executive Director, Bennington County Industrial Corporation

- ❑ Railroad Association of Vermont
- ❑ Gateway Rural Improvement Pilot Association, Inc.
- ❑ Bill Brigham, Randolph
- ❑ Chalmers Hardenbergh, Editor, Atlantic Northeast Rails & Ports