



Ohio Rail Development Commission

50 West Broad Street, Suite 1510, Columbus, Ohio 43215
614-644-0306 (telephone) • 614-728-4520 (fax) • www.dot.state.oh.us/ohiorail

September 26, 2008

Dear Commissioners:

Enclosed please find relevant information to the **Thursday, October 2, 2008** Commission retreat. The following documents are enclosed:

- ORDC FY 2010-2011 Budget Request: Director's Summary Letter and Budget Spreadsheet
- ORDC Annual Report: FY 2007-2008
- Ohio Department of Development Strategic Plan: Executive Summary
- Ohio Department of Transportation 2008-2009 Business Plan

Our retreat will be held at the Cedar Ridge Lodge at the Battelle Darby Metro Park. If you haven't already done so, please contact Susan Arduini to confirm your attendance. You may reach her at 614/644-0307 (telephone) or by e-mail at susan.arduini@dot.state.oh.us.

We look forward to seeing you.

Sincerely,

Jolene M. Molitoris
Chairwoman

enclosures



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September 15, 2008

Director J. Pari Sabety
Ohio Office of Budget and Management
30 West Broad Street, 34th Floor
Columbus, Ohio 43215

Dear Director Sabety,

I am pleased to submit the Ohio Rail Development Commission's budget request for the 2010-2011 biennium. The total request of \$21.36 million in FY 2010 is a decrease of 0.9% from FY 2009 and the total request of \$21.36 million in FY 2011 is unchanged from the FY 2010 amount. The total GRF request of \$3,481,750 in each fiscal year is 95% of the adjusted FY 2009 appropriation.

Recent years have brought substantial interest in multi-modal transportation and in rail transportation, specifically. With the high price of diesel fuel and gasoline, shippers and travelers alike are looking for alternatives to highway transportation. Instead of tearing up and abandoning underutilized tracks, railroads are investing in infrastructure and increasing traffic. The ORDC has been working to develop resources that promote and enhance rail transportation within the constraints of the state's budget environment.

Despite the difficulties of the budget, the ORDC is excited about a number of opportunities during the upcoming biennium. This request:

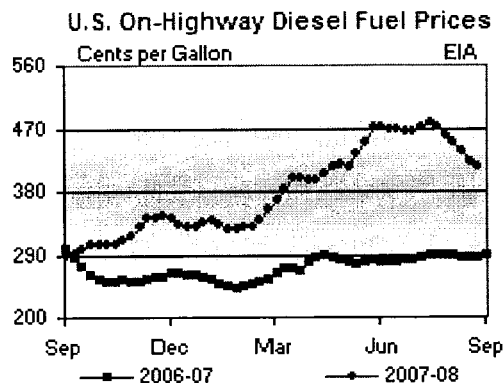
- Encourages private investment in Ohio by providing short-line rehabilitation grants that preserve rail service to shippers around the state and allowing ORDC to participate in economic development projects that create and retain jobs, such as spur and lead track construction. ORDC's funds provide the public leverage for Public-Private Partnerships that foster new investments in Ohio.
- Improves safety at railroad-highway grade crossings throughout the state by installing lights and gates, improving circuitry, and seeking closures of redundant crossings.
- Continues development of intercity passenger service, the high-speed Ohio Hub plan, and Ohio's participation in multi-state passenger and high-speed rail coalitions. ORDC will continue working with Amtrak to determine the expected outcomes of intercity passenger service in the Cleveland-Columbus-Dayton-Cincinnati corridor. ORDC is working with partners including OBM and ODOT to make funds available for the capital costs (improvements and equipment) that will be necessary. In addition, ORDC will consider expansion of initial start-up service levels and work toward a road map to move from today's very limited passenger rail offerings to the full build-out of the Ohio Hub system.

Current situation

The ORDC's mission is "to plan, promote and implement the improved movement of goods and people faster and safer on a rail transportation network connecting Ohio to the nation and the world." To achieve this mission, the ORDC focuses on freight rail assistance, passenger rail planning and implementation, and railroad-highway grade crossing safety improvements. The ORDC's current situation is a challenging one, due to demand for assistance for freight rail, demand for passenger rail service, and demand for enhanced safety at railroad-highway grade crossings. The ability to address these differing demands is challenged by the resources available, in terms of staff and budget.

Demand for freight assistance

The business of freight railroading is one of the most capital intensive in the world. Not only do railroads own the locomotives and cars with which they haul goods from coal to corn to automobiles to military tanks, but they also own and maintain their infrastructure. The trucking and aviation industries bear no such burden. As operating costs and maintenance costs continue to rise, railroads are under pressure to maintain their tracks and their grade crossings. At the same time, cost increases encourage shippers to investigate shifting from truck to rail. The graph below shows the escalation of diesel fuel prices since September 2006.



Source: <http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp> (8/31/2008)

Ohio plays a critical role for the freight railroad industry, and the industry is critical to Ohio. Ohio ranks sixth in the nation in the number of operating railroads (36), fourth in total miles of rail (5,275), eighth in rail tons originated (67.6 million), and fourth in rail tons terminated by state (101.0 million). In terms of specific commodities, Ohio ranks in the top ten in the country in tons of nonmetallic minerals (mainly stone and sand), chemicals, mixed freight (predominantly intermodal), food products, metallic ores, and primary metallic products. Ohio is also in the top ten in tons of coal, petroleum products, and glass and stone products terminated in

the state. Freight railroads employ nearly 8,000 Ohioans with total wages estimated at \$498.2 million in 2006 (an average of \$62,000 per job). Ohio is also the home of nearly 28,000 railroad retirement beneficiaries who receive payments of \$425.5 million per year. (Source: www.aar.org)

ORDC previously identified over \$800 million in freight rail infrastructure projects to ease congestion and improve Ohio's rail network, however the freight railroads and the state have limited funds available to address these needs. Short-line and regional railroads, the most likely to request assistance from ORDC, operate 37.5% of the rail miles in the state.

Demand for passenger service

Like diesel fuel, retail gasoline prices have risen significantly since the turn of the century. Ohioans are looking for viable options to personal vehicles and are asking for passenger rail service. Nationwide, passenger rail (Amtrak) ridership is up significantly. Amtrak reports that, for the federal fiscal year to date (October 2007 through July 2008), ticket revenue is up 14.1% and ridership is up 11.3% over the previous year to date. Overall ridership in July 2008 was 2.75 million, "the most passengers carried in any single month in Amtrak's 37 year history." (www.amtrak.com)

On February 26, 2008, Governor Strickland asked Amtrak President Alexander Kummant to study the implementation of new intercity service in the Cleveland-Columbus-Dayton-Cincinnati (3-C) Corridor. The Governor described this service as the first step of an incremental approach to a vibrant intercity passenger rail system in Ohio. Fourteen states already sponsor intercity passenger rail service in partnership with Amtrak. In addition to being years ahead of Ohio in terms of transportation options, these states are also better-positioned to take advantage of scarce federal funding for passenger rail. As federal programs come on-line, it will be critical for Ohio to have a system up and running to effectively compete for funds.

Demand for safety

ORDC's safety program is also under pressure to complete projects. Approximately 49% of Ohio's 6,100 public, at-grade crossings are equipped with flashing lights and roadway gates, however due to construction cost increases and a flat funding level, the buying power of ORDC's safety program is decreasing. In addition, ORDC has identified projects that, due to site conditions, are complex and much more costly than average. While a standard gate and light installation project averages \$190,000, a single project currently in development is being estimated at \$1.5-\$2.0 million.

An additional demand on the safety section is the reports that ORDC receives via a safety advocacy organization from motorists who identify grade crossings that they feel are dangerous. The ORDC investigates all of these reports, but the volume has increased from 50 or so per year to 50 or more per month over the last two years. While the ORDC feels that these reports

provide valuable information and we have identified several errors in the highway-grade crossing database, the investigation process takes significant staff time.

FY 2008-2009 Developments

Along with many other state agencies, the ORDC has been subject to budget reductions during the FY 2008-2009 biennium. Due to ORDC's improved relationship with the Department of Transportation (ODOT) and Director Beasley's commitment to a multi-modal transportation system, the impact of the reductions was minimized to the extent possible. When the reductions were sought, the impact on ORDC's GRF grant program would have been devastating. ODOT mitigated those impacts by making federal funds available to the public transportation program and absorbing GRF cuts that in past practice would have been ORDC's responsibility. This shift resulted in the GRF grant program being held harmless. ORDC did absorb a reduction in the operating budget which has limited travel to training and conferences, and subscriptions to publications.

ORDC is also working closely with other state agencies in a number of areas. Staff is actively working with ODOT district office staff on a number of projects, including the construction of a major intermodal terminal in North Baltimore. ORDC has actively participated in ODOT's 21st Century Transportation Priorities Task Force by making presentations to committees and providing data regarding the rail industry and ORDC's activities. The ORDC also is working with the Office of the Governor and the staff of the Governor's Washington Office on specific issues related to rail transportation.

In addition to ongoing interagency cooperation, there are several positive developments in the rail investment funding situation. Several events during the current biennium brought additional resources to the development of rail transportation in Ohio.

- **GRF Grant Program:** A funding increase of \$1 million from FY 2007 to FY 2008, an increase of 37%, enabled the ORDC to participate in projects that facilitate economic development activity. In FY 2008, the Commission participated in 6 projects, in which grants totaling \$815,000 were matched by \$2.4 million in rail infrastructure investments. In total, the projects ORDC assisted are investing \$234.7 million in Ohio, as well as creating an estimated 730 new jobs, retaining 390 jobs, and generating 12,050 rail carloads per year. In addition, the ORDC was able to fund 12 rehabilitation projects that benefited 11 railroads in the rehabilitation of 58.9 miles of track, 8 crossings, three bridges, and one tunnel, and leveraging \$3.0 million in railroad investment.
- **Diesel Emission Reduction Grant Program:** The ORDC served as the public sponsor for railroads that applied for funding through the Diesel Emission Reduction Grant (DERG) Program. In the recently-announced awards, 4 railroads received approval for 5 projects totaling up to \$4.9 million in funding to accompany \$1.2 million in private investment. The approved projects are expected to reduce nitrous oxide (NOx) and PM2.5 pollutant emissions by 302.3 and 6.6 tons per year, respectively.

- **Ohio Enterprise Bond Fund:** The ORDC received approval to pledge repayments to the revolving loan fund for bonds issued by the Department of Development through the Ohio Enterprise Bond Fund. This pledge by ORDC will help rail projects qualify for assistance and makes available state assistance for projects in the \$2-8 million range with repayment periods of 5-15 years. State assistance of this magnitude is not available through ORDC's revolving loan fund, where loans are held to \$500,000-\$700,000 maximums and 5-7 year repayment periods.

In addition, the logistics and distribution component of the Jobs Stimulus Package will target multi-modal transportation and has the potential to encourage investments by Ohio's railroads.

Challenges for the 2010-2011 fiscal biennium

The ORDC will continue to be challenged by the interest in rail transportation and the ensuing workload. Due to the ORDC's limited staff and substantial workload, down from 29 to 16 since 1994, the GRF budget reduction in 2010 and 2011 must be taken from the grant program. The current staff level is barely sufficient for the existing workload, and as new demands are added, the difficulty of balancing multiple priorities increases. The ORDC is committed to minimizing operating costs in order to maximize project funding, as the demand for project funding continues to outpace appropriations.

The impact of a reduction in FY 2010-2011 on ORDC's project funding, particularly the GRF grant program, will be significant. At 90% of current year adjusted appropriations, the grant program will be reduced by \$861,000 over the biennium. This reduction translates into foregone opportunities to fund 5-6 projects, which would in turn create 231 new jobs, retain 123 existing jobs, support 3,823 rail carloads per year, attract matching funds of \$1.7 million, and leverage \$74.46 million in total investment. Even at 95% of the current year adjusted appropriations, the grant program will be reduced by \$494,000 over the biennium. This reduction still results in a loss of 3-4 projects that would create 133 new jobs, retain 71 existing jobs, support 2,196 rail carloads per year, attract matching funds of \$984,000, and leverage \$42.78 million in total investment. The chart on the next page illustrates these impacts based on the anticipated outcomes of ORDC's GRF grant program in 2008.

What the 10-11 budget limitations mean to ORDC's grant program outcomes (base: 2008 results)			
	FY 2008 results	FY10-11 reductions (A only)	FY 10-11 reductions (A+B)
Amount of reductions		(\$861,319)	(\$494,819)
Amount of economic develop. grants*	\$815,000	(\$258,602)	(\$148,564)
Amount of rehab grants*	\$1,899,500	(\$602,717)	(\$346,255)
# of economic development grants	6	(1.90)	(1.09)
\$/Grant	\$135,833		
\$/new job	\$1,116	(232)	(133)
\$/retained job	\$2,090	(124)	(71)
\$/carload	\$68	(3,824)	(2,197)
match (\$match/\$1 ORDC)	\$2.94	(\$761,527)	(\$437,490)
leverage (\$private/\$1 ORDC)	\$287.98	(\$74,471,015)	(\$42,782,840)
# rehabilitation projects	12	(3.81)	(2.19)
\$/project	\$158,292		
rehab match (\$match/\$1 ORDC)	\$1.58	(\$951,909)	(\$546,862)
total loss of projects		(5.71)	(3.28)
total loss of match (\$match/\$1 ORDC)		(\$1,713,436)	(\$984,352)

*Projected split of economic development vs. rehabilitation grants based on proportion in FY 2008.

As identified in the chart above, a budget at the reduced request levels permitted for FY 2010-2011 will significantly decrease the outcomes of ORDC's GRF grant program.

While there are no **known** federal funding changes that will affect the ORDC, that in itself is a challenge. The federal transportation bill is due to be reauthorized during the biennium and there is much speculation that the bill will focus on alternative modes of transportation, including both freight and passenger rail. ORDC is working with ODOT, the Governor's Washington Office and Ohio's Congressional delegation to build awareness of the transportation needs in Ohio. ORDC will discuss the need for federal funding programs to assist freight and passenger rail development and will push for streamlined approval processes to bring projects to fruition more quickly.

Setting Priorities

The ORDC will continue to prioritize efforts across its varied program areas.

1. The freight rail program directly contributes Governor Strickland's goals to build on Ohio's regional economies and globally competitive industries and to retain, create, and attract jobs for Ohio workers. The ORDC focuses on economic development opportunities that have regional impact, target high-priority industries such as bioproducts and polymers, and that above all retain, create, and attract jobs to Ohio. Often ORDC is the funder of last resort – making resources available where no other funding streams exist to cover the gaps between a project happening or not. The program also focuses on the rehabilitation of existing branch lines where historical revenues are less than the investments and the operational and financial needs are high. There is a direct regional benefit to a viable network of short-line railroads that connect Ohio shippers to the nationwide rail network.
2. The passenger rail program will focus on start-up Amtrak service in the 3C corridor and on planning for bridging the gap between start-up service and full build-out of the Ohio Hub system, with a particular eye toward developments at the federal level. ORDC is working with ODOT, OBM, and other entities to identify financing options for the trackside improvements and equipment purchases that will be needed for start-up service. ORDC is targeting a starting date of 2010 for service; it is imperative that funds be made available in the very near future to meet that schedule. In order to advance the Ohio Hub Plan into the Programmatic Environmental Impact Statement process, ORDC has been actively seeking federal allocations. Senator Sherrod Brown's office recently announced approval of \$500,000 by the Senate Appropriations Committee to conduct this analysis for the Cleveland-Columbus corridor. The ORDC will continue to work with ODOT and the Governor's Office to ensure that matching funds are available if and when the allocation receives final approval.
3. The safety program will focus on warning device and circuitry installations and upgrades at hazardous crossings. Safety staff will continue to seek partnerships with railroads and communities to share costs and improve safety for the motoring public.
4. The Commission will assist staff in setting priorities by providing clear direction and assessment of on-going work. To assist in this effort, the Commission is adding a second meeting each year to focus on the broad picture of the Commission's work – policy, goals, and priorities.

Operational Changes

The ORDC has made a number of operational changes to improve the agency's operations and enhance accountability.

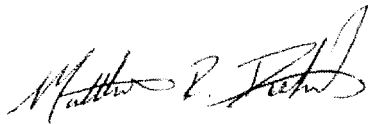
- First, the ORDC upgraded an existing position to improve project tracking and reporting. The Commission expects to develop reports that compare costs across projects and ensure that grantees, and therefore the state, are getting the most for their money.
- Second, an Assistant Manager position was added in the safety section. The individual hired for that position will assist with standardizing contracting, reviewing invoices, and

reporting. Staffing reductions in past years have placed additional demands on the field staff and the Safety Manager, and this position was created to assist with the workload and ensure that project managers can be in the field inspecting warning device installations as needed.

- Finally, the ORDC is using college intern positions to conduct research and planning work. In addition to providing educational and work opportunities to future professionals, the ORDC receives valuable staff assistance in the areas of passenger rail and grade crossing safety.

While the ORDC faces many challenges related to resources and workload, it is an exciting time for railroading in Ohio. Governor Strickland and ODOT leadership have supported the efforts of the Commission during difficult financial times. During the FY 2010-2011 biennium, ORDC will continue to work towards its mission to plan, promote and implement the movement of goods and people quickly and safely on a network that connects Ohio to the world. Thank you for the opportunity to present this request, and I look forward to working with you to develop the FY 2010-2011 Executive Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew R. Dietrich". The signature is fluid and cursive, with the first name "Matthew" being the most prominent.

Matthew R. Dietrich, Executive Director

Ohio Rail Development Commission
 FY 2008-2009 Budget History
 FY 2010-2011 Budget Request

Fund	Account	Description	2008	2009	FY08-09 Total	2010	2011	FY10-11 Total
GRF	4651	Payroll	\$ 773,952	\$ 726,000	\$ 1,499,952	\$ 780,000	\$ 801,000	\$ 1,581,000
GRF	4652	Maintenance	\$ 177,570	\$ 178,736	\$ 356,306	\$ 185,000	\$ 185,000	\$ 370,000
GRF	4653	Equipment	\$ 625	\$ 300	\$ 925	\$ -	\$ -	\$ -
GRF	465M	Contracts	\$ -	\$ 63,608	\$ 63,608	\$ 45,000	\$ 45,000	\$ 90,000
	Total		\$ 952,147	\$ 968,644	\$ 1,920,791	\$ 1,010,000	\$ 1,031,000	\$ 2,041,000

4.01 Rail Operating

4.02 Rail Development Grants & Loans

GRF	4FA5	Grants	\$ 2,722,843	\$ 2,696,356	\$ 5,419,199	\$ 2,288,500	\$ 2,267,500	\$ 4,556,000
GRF	4FA7	Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4N40	6111	Payroll	\$ 174,424	\$ 182,964	\$ 357,388	\$ 205,000	\$ 212,000	\$ 417,000
4N40	6112	Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4N40	6FC1	Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4N40	6FC9	Loans	\$ 2,237,076	\$ 1,928,536	\$ 4,165,612	\$ 1,906,500	\$ 1,899,500	\$ 3,806,000
4N40	6FD9	PRL Reserve	\$ 762,500	\$ 763,700	\$ 1,526,200	\$ 763,700	\$ 763,700	\$ 1,527,400
3890	8FB5	Grants	\$ 10,000	\$ 10,000	\$ 20,000	\$ -	\$ -	\$ -
	Total		\$ 5,906,843	\$ 5,581,556	\$ 11,488,399	\$ 5,163,700	\$ 5,142,700	\$ 10,306,400
GRF	4FA5	Grants	\$ -	\$ -	\$ -	\$ 183,250	\$ 183,250	\$ 366,500
	Total		\$ 5,906,843	\$ 5,581,556	\$ 11,488,399	\$ 5,346,950	\$ 5,325,950	\$ 10,672,900

4.02 TABLE B REQUEST

4.03 Rail Highway Grade Crossing Safety

7002	4FN7	Surfaces	\$ 1,464,742	\$ 1,331,200	\$ 2,795,942	\$ 1,315,000	\$ 1,305,000	\$ 2,620,000
7002	4FP1	Payroll	\$ 535,258	\$ 668,800	\$ 1,204,058	\$ 685,000	\$ 695,000	\$ 1,380,000
7002	4FP7	Lights & Gates	\$ 13,000,000	\$ 13,000,000	\$ 26,000,000	\$ 13,000,000	\$ 13,000,000	\$ 26,000,000
	Total		\$ 15,000,000	\$ 15,000,000	\$ 30,000,000	\$ 15,000,000	\$ 15,000,000	\$ 30,000,000

4.04 Railroad Transload

	6TL5	Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	6TL7	Loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

4.05 Passenger Rail Studies

7002	6711	Contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TOTAL REQUEST AMOUNTS

GRF	General Revenue	\$ 3,674,990	\$ 3,665,000	\$ 7,339,990	\$ 3,481,750	\$ 3,481,750	\$ 6,963,500
7002	Federal Highway	\$ 15,000,000	\$ 15,000,000	\$ 30,000,000	\$ 15,000,000	\$ 15,000,000	\$ 30,000,000
4N40	State Special Revenue	\$ 3,174,000	\$ 2,875,200	\$ 6,049,200	\$ 2,875,200	\$ 2,875,200	\$ 5,750,400
3890	Federal Funds	\$ 10,000	\$ 10,000	\$ 20,000	\$ -	\$ -	\$ -
TOTAL		\$ 21,858,990	\$ 21,550,200	\$ 43,409,190	\$ 21,356,950	\$ 21,356,950	\$ 42,713,900
					-0.9%	0.0%	-1.6%

The State of Rail Safety in the State of Ohio.

Approximately 6,100 public, at-grade crossings

- 49% equipped with flashing lights and roadway gates
- 13% equipped with flashing lights only
- 8% are passive

Crashes at grade crossings in Ohio have leveled off in recent years after experiencing a consistent decline since the 1970's. In 2007 there were 113 crashes with 40 injuries, up just slightly from 108 crashes and 30 injuries the previous year. Fatalities were down to 8 after reaching 15 the year before. 58% of all crashes occur at locations with active warning devices.

FY 2008 Activities:

Active Grade Crossing Equipment Installation/Upgrade	53	\$18,545,666.79
Roadway Geometry Improvements	8	\$1,140,927.66
Grade Crossing Elimination	4	\$437,312.55
		\$20,123,907.00

MAJOR INITIATIVES FY 2008

Priority Warning Device Program:

- 17 crossings were identified by PUCO hazard index, plus an additional two crossings identified because of their close proximity to a priority crossing.
- These crossings account for over \$4 million from FY 2007/2008 budget, with an average cost of approximately \$225,000 each.

Rail Corridor Program: Successful Partnerships with CSX, NS, W&LE, OC and Rail America.

Example: Norfolk Southern corridor, Columbus to Cincinnati, CJ-Line.

➤ City of Springfield

- 12 circuitry upgrades, 4 four quadrant gate installations and 2 standard light and gate installations
- Five closures

➤ City of Miamisburg (Phase two)

- Norfolk Southern began surface improvements on this segment early this year at their own cost.
- Negotiations are under way with the City for three closings.

Fatal Crash Upgrade Program: Four fatal crashes resulted in the ORDC funding five (5) installations of flashing lights and roadway gates for just over \$1 million in FY 2008.

Grade Crossing Consolidation Program: In FY 2008, the ORDC closed four (4) crossings. In exchange for these closures, three (3) flashing lights and roadway gate installations and two (2) grade crossing surface reconstruction projects were funded.

County Task Force/Constituent Initiated:

- Eight warning device installations funded in partnership with PUCO and railroads.
- Nine crossings were upgraded as a result of reports received through The Angels on Track Foundation.
- ORDC has received 375 dangerous crossing reports to date.

UPCOMING CHALLENGES

- ODOT/ORDC Traffic Signal Preemption Evaluation
- Stop/Yield Crossbuck Program
- Evaluation of crossings in 3-C