November 1, 2010

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 2012-2013 biennium. The total request of $20.2 million in each fiscal year is unchanged from FY 2011 appropriations. Of that total, the General Revenue Fund request is $2.3 million each fiscal year, also unchanged from the FY 2011 appropriation.

The Ohio Rail Development Commission (ORDC) is an independent agency within the Department of Transportation. Its creation in 1994 consolidated all non-regulatory rail functions in state government into a single agency. 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 advance this mission, the ORDC partners with federal and state agencies, railroads, private companies, and local public safety and economic development agencies to support the safety and prosperity of Ohioans.

The Commission’s structure supports economic development in Ohio in four keys ways: flexibility, responsiveness, representation, and perspective.

- Flexibility: ORDC’s broad statutory authority enables the Commission to partner with private sector, public sector, and non-profit entities and to contract with nearly anyone on any type of project as long as there is a rail nexus and demonstrated public benefit.
- Responsiveness: The Commission’s structure allows staff to identify and commit to participation in projects with demonstrated public benefits according to the project needs rather than a set meeting schedule. This enables staff to react to urgent economic development opportunities and respond quickly to Ohio’s businesses and citizens.
- Representation: ORDC’s structure provides consistency and continuity with bipartisan, appointed, volunteer Commissioners whose backgrounds include shipping, logistics, business, labor, engineering, economic development, railroading, and transportation planning. These varied perspectives provide accountability and transparency of the Commission’s activities.
- Perspective: The Commission’s independent nature allows it to participate in rail transportation matters it believes are important to Ohio’s economy. The Commission recently commented to the Federal Railroad Administration that the National Rail Plan should maintain the priority of the railroad-highway grade crossing safety programs, support the standardization of federal environmental policies across modal agencies, provide more guidance for quantifying public benefits, and promote flexibility in federal project selection so that system decisions can be made based on the needs of the economy.

Building Markets, Linking Cities and Securing Ohio’s Future
The Ohio Rail Development Commission’s 2012-2013 budget request:

- Improves safety at railroad-highway grade crossings throughout the state by installing lights and gates, improving circuitry of existing warning devices, and seeking closures of redundant crossings.
- Encourages and leverages private investment in Ohio in two ways: by providing short-line rehabilitation grants that preserve rail service to shippers around the state and by funding ORDC’s participation 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.
- Continues ORDC’s participation in the development of intercity passenger service and future high-speed passenger service that complements the existing freight network.

Current situation

With flexibility, resources, and support from the General Assembly and the Governor, ORDC has been able to capitalize on many rail development opportunities in Ohio. We are completing rail projects in Ohio that are part of a holistic multimodal approach to transportation, while many around the country are still just discussing the benefits of such projects.

The Springfield Quiet Zone Project improved safety at railroad-highway grade crossings by eliminating five crossings, upgrading four crossings with 4-quadrant gate installations, and upgrading signal technology and installing wayside horns at 14 other crossings. This public-private partnership between Norfolk Southern, ORDC, and the City of Springfield invested a total of $6,500,000 in public and private funds for public safety and allowed the City to apply to the Federal Railroad Administration for a Quiet Zone designation.

The Heartland Corridor connects the Port of Virginia and the $70 million Rickenbacker Intermodal Facility in Columbus for double-stacked container trains. This public-private partnership between Norfolk Southern and federal and state agencies increased vertical clearances in 28 tunnels and 24 overhead obstructions. The project was funded by the federal government, the Commonwealth of Virginia, ORDC, and Norfolk Southern. After three years of construction, the first double-stacked intermodal container train arrived at Rickenbacker on September 10, 2010. The public benefits for Ohioans include economic development around the Rickenbacker Terminal and reductions in highway congestion, fuel consumption, and greenhouse emissions.

ORDC’s budget is often the only source of public financing for rail infrastructure necessary to support development in Ohio. The value of the ORDC extends far beyond our budget, including the ability to enter into public-private partnerships that do not normally exist in traditional state government structures. With our in-house rail expertise helping companies with rail-related issues and our strong partnerships built over the years with the various freight railroads, ORDC has a documented record of responsiveness to the needs of Ohio’s businesses and citizens.

Grade Crossing Safety Programs

Approximately 51% of Ohio’s approximately 6,100 public, at-grade crossings are equipped with flashing lights and roadway gates. The crashes occurring at public grade crossings in Ohio have shown a steady decline and leveling off since the early 1970s. Ohio experienced a reduction in total crashes for 2009 of 33% below the previous year. There were 55 crashes in 2009, resulting in 18 injuries and 6 fatalities, the
lowest number in decades. In the last ten years, there were 1,095 crashes, resulting in 344 injuries and 127 fatalities.

The ORDC’s Railroad Grade Crossing Safety Programs are primarily supported by federal highway funds. The ORDC also assists ODOT and Metropolitan Planning Organizations (MPOs) with the administration of all grade crossing safety improvement programs and administers federal set-asides for grade crossing projects. The beneficiaries of these programs are members of the general public, particularly motorists, pedestrians, and bicyclists. They benefit by the installation/upgrade of active grade crossing equipment, improvement of roadway geometry, and the elimination of hazardous and redundant railroad-highway grade crossings.

ORDC and ODOT partnered last year to launch the statewide railroad preemption project to evaluate and prioritize improvements to railroad-highway grade crossings and nearby highway traffic signals that are or should be properly interconnected in order to avoid vehicles becoming “trapped” in the railroad crossing. This safety initiative is a result of the Fox River Grove train-school bus crash in Illinois that killed seven students at an intersection where highway traffic signals and railroad signal systems were not appropriately timed to give vehicles in the railroad crossing area enough time to clear the crossing prior to the arrival of a train.

The ORDC has been an active supporter of the Rail Grade Separation Program, a 10-year program to address safety, mobility, and economic development concerns in local communities. ORDC provided $20 million over ten years in support of that program.

**Freight Rail Assistance**

Ohio plays a critical role for the freight railroad industry, and the industry is critical to Ohio. Freight railroads employ about 7,800 Ohioans with total wages estimated at $523.3 million in 2008 (an average of almost $66,900 per job). The Association of American Railroads (AAR) estimates that each freight rail job supports 4.5 jobs elsewhere in the economy. Ohio is also the home of nearly 27,000 railroad retirement beneficiaries who receive payments of $446.1 million per year. Ohio ranks sixth in the nation in the number of operating railroads (36), third in total miles of rail (5,318), eighth in rail tons originated (61.5 million), and fourth in rail tons terminated by state (86.6 million). (Source: [www.aar.org](http://www.aar.org))

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. In fact, the AAR indicates that “railroads invest 40 cents out of every revenue dollar right back into the national rail network, more than twice the rate of other industries.”

Many Ohio employers are dependent on the continued availability of rail transportation. ORDC’s freight rail rehabilitation projects help to keep branch lines in service as a safe, affordable transportation option for Ohio’s businesses. ORDC’s GRF funded grant programs are geared toward Ohio’s short line and regional railroads. These 33 railroads operate 37% of the 6,549 miles of railroad operated by all Ohio railroads. (Source: [Ohio State Rail Plan](http://www.aar.org))

ORDC also assists business attraction, retention, and expansion projects. Staff independently, and in close consultation with colleagues at the Ohio Department of Development, local officials, and private developers, works to identify and support economic development projects with a rail nexus. Given ORDC’s flexibility and structure, staff can respond quickly to assist with projects that create and retain jobs for Ohioans and generate traffic on Ohio’s railroads.
In FY 2010, the Commission participated in 6 economic development projects that are expected to leverage investments of $21.9 million in Ohio, as well as create an estimated 140 new jobs, retain 220 jobs, and generate 900 rail carloads per year. In addition, the ORDC was able to assist 10 projects in the rehabilitation of 45.8 miles of track, two crossing surfaces, and ten bridges, and leveraging $1.6 million in railroad investment.

Passenger Rail Development

Until President Bush signed the Passenger Rail Investment and Improvement Act in 2008, which outlined a set of state requirements for rail plans and appropriated $30 million for intercity passenger rail projects, there was no systematic federal participation in states’ passenger rail development activities. With the 2009 enactment of the American Recovery and Reinvestment Act (ARRA), $8 billion was allocated toward the development and construction of projects to develop intercity passenger rail, high speed passenger rail service, and congestion mitigation projects.

The ORDC and its predecessors have a long history of state-level planning for passenger rail, and as a result, Ohio was well-positioned to compete for a portion of the ARRA funds allocated for passenger rail project. ORDC and ODOT partnered with numerous state and local agencies and the freight railroads along Ohio’s Cleveland-Columbus-Dayton-Cincinnati corridor to successfully compete for $400 million in federal funds. With ODOT as the formal recipient of funds, ORDC continues to play a role in the development of the “3C” corridor, focusing on many of the railroad-specific elements such as the negotiations with the host railroads regarding use of the privately-owned infrastructure, the selection of equipment, and the selection of an operator. The project is designed to develop passenger service that complements and enhances Ohio’s freight rail system.

In addition, ORDC is supporting ODOT’s work on a Programmatic Environmental Impact Statement for future high-speed passenger rail development. The current work will further planning efforts by making route determinations along four Ohio corridors.

Operational Changes

ORDC and OBM have a long-standing agreement in which operating expenses are minimized in order to maximize the funding and assistance available for the safety and grant programs. ORDC remains committed to this agreement, which in FY 2010 resulted in the transfer of over $50,000 from the operating budget to the GRF grant program.

Additionally, ORDC made a significant operational change in FY 2010 in relocating from privately-owned, leased space in the LeVeque Tower to the ODOT Headquarters building. This relocation enabled savings in several areas: eliminated rent costs of approximately $90,000 per year, reduced downtown parking costs, reduced ODOT’s information technology costs by $10,000 by eliminating a networked location. The relocation also afforded ORDC with immediate access to ODOT staff, whose assistance has been critical to the development and execution of ORDC-administered ARRA stimulus projects and the submission of the 3C Passenger Rail application.

ORDC continues to use 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 project tracking and grade crossing safety.
Challenges for the 2012-2013 fiscal biennium

The ongoing economic situation faced by Ohio businesses is a challenge for all public and private entities involved in economic development. Ohio’s railroads, especially short line railroads, are challenged to meet the needs of existing and potential customers on an infrastructure that is expensive to maintain while facing a decline in their own business volumes and capital budgets. As a result, ORDC is challenged to allocate its budget resources in a way that best meets the needs of Ohio industries. While there is a substantial need to rehabilitate existing infrastructure that serves Ohio businesses, ORDC also needs to maintain the ability to develop and respond to new economic development opportunities that attract, retain, and expand businesses and job opportunities. ORDC’s staff works to manage the agency’s portfolio of projects in a way that balances the needs of industry and railroads for both rehabilitation and new project assistance.

ORDC is administering $75 million in ARRA-funded Federal-aid projects that respond to economic development opportunities and improve existing rail lines and grade crossings. In addition, ORDC is the lead agency, and Ohio the lead state, in a $98 million Transportation Investment Generating Economic Recovery (TIGER) Award from the US Department of Transportation for the National Gateway Initiative. With the opportunity to invest funds in these rail-related projects comes the responsibility of administering additional projects, additional funds, and additional requirements. ORDC is taking advantage of partnerships, particularly with the Department of Transportation, to execute these projects effectively.

Setting Priorities

To continue our success into the next biennium, ORDC’s focus must be on the following:

Safety must continue to be a priority for all of our work. Our highway-rail grade crossing safety staff will continue to seek partnerships with railroads and communities to improve safety for the public. Beyond our grade crossing program, safety will remain our number one priority for all of our programs.

The freight rail program will continue its work to build on Ohio’s regional economies and globally competitive industries and to retain, create, and attract jobs for Ohio workers. 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. There is a direct regional and statewide benefit to a viable network of short-line railroads that connects Ohio shippers to the nationwide rail network.

In addition to ORDC’s state budget resources, we are managing $75 million in federal stimulus projects and $98 million for the National Gateway. As stewards of public funds, we must bring these projects to a successful conclusion.

The success of the 3C Passenger Rail Project cannot just be measured by establishing passenger rail service, but rather in demonstrating that passenger rail can be developed to successfully coexist with and enhance freight rail capacity in Ohio.
During the FY 2012-2013 biennium, ORDC will continue its work 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 share the ongoing work of the ORDC.

Sincerely,

Matthew R. Dietrich, Executive Director