

FINAL REPORT  
RAIL LINE ASSISTANCE STUDY COMMITTEE

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Copies of the minutes of the meetings of the Rail Line Assistance Study Committee are available from the Legislative Service Bureau

F I N A L R E P O R T  
RAIL LINE ASSISTANCE STUDY COMMITTEE

January 1989

MEMBERSHIP

The Rail Line Assistance Study Committee was established by the Legislative Council with the following membership:

Senator Donald Gettings, Co-chairperson  
Representative Deo Koenigs, Co-chairperson  
Senator C. Joseph Coleman  
Senator Richard Drake  
Senator John Jensen  
Senator Jean Lloyd-Jones  
Representative Clifford Branstad  
Representative Kenneth De Groot  
Representative Emil Pavich  
Representative Dennis Renaud

CHARGE OF COMMITTEE

The charge of the Rail Line Assistance Study Committee was to review the current status of branch rail lines in Iowa and to develop recommendations for a branch line assistance program.

MEETINGS

The Rail Line Assistance Study Committee conducted three meetings. In the meeting held on August 30, 1988, the Study Committee heard presentations and received testimony from Mr. Les Holland, Director, Rail and Water Division, Iowa State Department of Transportation; Professor Phil Baumel, Iowa State University; Mr. Mike Payette, Assistant Vice President of Governmental Affairs, Chicago Northwestern Transportation Company; and Mr. Paul Eckhoff, President, Iowa Rail Users Association.

In testimony before the Committee, Mr. Holland noted that the basic rationale for rail line assistance is that the state needs to be competitive and needs to have an efficient railroad network to help the state compete effectively in foreign markets. Mr. Holland reviewed the expenditures under the Iowa Rail Assistance Program conducted by the State Department of Transportation and expenditures by the Iowa Railway Finance Authority. Professor Baumel reviewed grain shipment data for the state of Iowa and

emphasized the advantages of having financially strong core railroads. Mr. Payette reviewed the use of the Rail Line Assistance Program by the Chicago Northwestern Transportation Company. Mr. Eckhoff explained the membership of the Iowa Rail Users Association and emphasized the concerns the organization had about the deteriorating rail system in Iowa. Mr. Eckhoff stated that his organization suggests that the state consider the following: (1) acknowledge that loss of rail is a real economic threat and give this issue more priority in legislative and policy areas; (2) establish a realistic and viable rail plan for Iowa in conjunction with other intermodal transportation systems; (3) call for a moratorium in cooperation with Class I railroads on pending and proposed abandonments while a rail plan can be formulated; (4) create an environment within the Iowa State Department of Transportation which enables the Department to be proactive rather than reactive relative to rail issues; (5) provide adequate, less restrictive state funds to enable private industry to have the ability to procure and rehabilitate economically viable rail lines while the state rail system is formulated; (6) create a more workable rail banking program for rail lines that are to be abandoned; (7) overcome the psychology of funding a private versus a state-owned transportation system in that the two can complement each other and make cost-effective use of tax dollars.

At the September 26, 1988, meeting the Study Committee received testimony and comments from Mr. Lyle Cook, Treasurer, Iowa Corn Growers Association; Mr. Raymond Repp, State Director, Iowa Soybean Association; Mr. Wayne Seaman, General Manager, West Central Cooperative of Ralston, Iowa; Mr. Jerry Shepler, Iowa Farm Bureau Association; Ms. Marcia Mason, Attorney General's Office; and Mr. Art Beenken, Iowa Institute of Cooperatives. Mr. Cook emphasized the heavy reliance the corn industry of Iowa has upon the state's rail system; posed several questions which the Governor's Rail Transportation Task Force had encountered; noted that rail service in the state of Iowa results in economic benefit to all of its citizens and thus the preservation and maintenance of the current rail system is of utmost importance; and expressed the opposition of the Iowa Corn Growers Association to any effort to finance public support of the rail system through a grain check-off. Mr. Raymond Repp emphasized the critical importance to the soybean industry of having a viable rail system within the state of Iowa; noted the policy position of the Iowa Soybean Association which recommends that the present railroad structure be based on providing the most economical transportation to serve farmer and industry needs; and stated the Association's belief that all consumers must support the revitalization of the rail systems. Mr. Seaman emphasized the importance of rail line assistance, and noted that one segment of society should not be required to pay for an industry in which everyone benefits and thus any tax to raise funds for rail line assistance should come from the general fund. Mr. Shepler noted that since the 1970's the abandonment and bankruptcy of rail lines have reduced the amount of trackage by 3,600 miles in Iowa; indicated that preliminary reports from the Farm Bureau's

membership show that a large majority believe Iowa should attempt to preserve branch rail lines; and suggested that state assistance should be limited to capital expenditures. Mr. Beenken noted that the preservation of the state's rail system also aids in preserving the state's highway system and suggested the following: (1) the state should establish a fund to assist in ownership in abandoned rail lines if the rail line is viable; (2) the state should develop a plan to retain right-of-way for a time period if the rails are taken out of abandoned railroads; (3) the state should create a board consisting of representatives of shippers, industrial complex and state government to make decisions on pending and proposed abandonment plans by railroads; (4) the state should develop a unified approach on the entire railroad complex in Iowa and should be aware that too much emphasis should not be placed on branch line assistance only; (5) the state should take an active role as an advocate in railroad labor issues which would help make railroads more financially healthy; (6) the state should promote and advertise to its citizens the valuable asset which railroads are to the economic health of Iowa; (7) the branch line assistance should be continued, however not through the use of grants, but through loans; and (8) the state should promote and improve the Iowa rail structure and make it attractive to one or more "mega railroads" to develop an improved direct access to world markets. Ms. Marcia Mason reviewed Trailor Train Company vs. Bair, which overturned the Iowa railway mileage tax and Atcheson, Topeka and Santa Fe Railway Company vs. Bair, which overturned the railway vehicle fuel tax, and noted that under the Railroad Revitalization and Regulatory Reform Act of 1976 (4-R Act) states are prohibited from imposing a tax which results in discriminatory treatment of a common carrier by railroad.

At the December 16, 1988, meeting, the Study Committee received testimony and comments from Mr. Gene Eich, Department of Revenue and Finance; Mr. Raymond Kassel, Chairperson, Governor's Working Group on Railroad Policy; Mr. Fred Tomlinson, Board Member, Iowa Grain and Feed Association; and Mr. C. J. Stoffer, Iowa Northern Railway. Mr. Eich reviewed the procedure of valuing railroad property for purposes of assessing property taxes. Mr. Kassel presented the report of the Governor's Working Group on Railroad Policy; emphasized the need for a comprehensive two-year study of intermodal transportation plans; reviewed possible funding sources for rail programs; and reviewed recommendations of the Governor's Working Group on Railroad Policy to the Legislature, which include: (1) the Legislature consider requiring the development of a continuing long-range intermodal plan to develop and rationalize equitably the opportunities, burdens, and relationships among all modes of transportation; (2) the Legislature consider creation of a consolidated state intermodal transportation development fund to allow the state the flexibility to choose the best modal alternatives to meet state transportation needs; (3) the Legislature evaluate possible changes in the Iowa State Department of Transportation and other state agencies to accomplish these goals; (4) the Legislature consider removing legislative

restrictions on state rail capital assistance programs which severely limit most funds for these programs to branch line use only; (5) the Legislature identify or consider financial inducements or assistance to make more likely the location of new business on viable railroad lines, or the relocation of existing businesses to viable railroad lines; (6) the state increase state grade crossing surface and safety assistance programs, which help to ease burdens placed on railroads by the highway system; and (7) the Legislature require that the property tax assessment of any railroad property not be increased during the period of payback of any state financial assistance, the proceeds of which were used to improve that property. Mr. Fred Tomlinson noted that the Iowa Grain and Feed Association generally supports the Governor's Working Group and the goals they have set out; emphasized the importance of recognizing the intermodal character of transportation needs in Iowa; and noted the following positions of the Iowa Grain and Feed Association: (1) the state must better understand railroad problems as a whole before implementing the goals of the Governor's Working Group; (2) the state should not support direct subsidy, without repayment, of any rail carrier within Iowa; (3) the organization supports increased funding in Congress for rail help programs; (4) the organization fully supports foreign Class I carrier's investigation of merger possibilities, or purchase, of Iowa rail trackage; and (5) in areas where no rail lines exist now, or will cease to exist, the state should work with Congress to revive federal legislation which provides matching funds for mainline-jointly owned grain loadout facilities. Mr. Stoffer gave a brief history of the Iowa Northern Railway and reviewed the items that must be considered by a short line operator before starting a short line railroad.

#### INFORMATIONAL MATERIALS

The following informational materials were distributed to the members of the Rail Line Assistance Study Committee:

1. Chapter 307B, Iowa Code, on the Railway Finance Authority.
2. Rules of the Iowa Railway Finance Authority.
3. Chapter 327H, Iowa Code, Tax Aid for Railroads.
4. Rules of the State Department of Transportation, Chapter 830, Rail Assistance Program.
5. House File 2269 including an explanation and a copy of the Governor's veto message.
6. Chapter 324A, Iowa Code, Railway Vehicle Fuel Tax.

7. Atchison, Topeka and Sante Fe Railway Company vs. Bair, which overturned chapter 324A.
8. Chapter 435, Iowa Code, Railway Mileage Tax.
9. Trailer Train Company vs. Bair, which overturned chapter 435.
10. Report of Governor's Working Group on Railroad Policy, Volume I: Recommendations for State of Iowa Railroad Transportation Policy.
11. Report of Governor's Working Group on Railroad Policy, Volume II: Background Information on Goals.
12. Comparison of Iowa Rail Assistance Program and the Iowa Railway Finance Authority (IRFA).

#### RECOMMENDATIONS

The Rail Line Assistance Study Committee made the following recommendations:

1. Moneys credited to the Iowa Railway Finance Authority under section 307E.26, 1989 Code, be repaid from the general fund to the road use tax fund. (A bill draft that implements this recommendation is attached to this Final Report.)
2. The Legislative Council be allowed to authorize an intermodal transportation study to consider requiring the development of a continuing long-range state intermodal transportation plan to develop and rationalize equitably the opportunities, burdens, and relationships among all modes of transportation.

RAIL 11971C  
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APPENDIX

Legislative Bill Proposal

LSB 1496SI-An Act relating to transportation programs by requiring certain moneys credited to the Iowa railway finance authority to be repaid from the general fund to the road use tax fund and authorizing the creation of an intermodal transportation study.

SENATE FILE \_\_\_\_\_  
BY (PROPOSED RAIL LINE ASSISTANCE  
STUDY COMMITTEE BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to transportation programs by requiring certain  
2 moneys credited to the Iowa railway finance authority to be  
3 repaid from the general fund to the road use tax fund and  
4 authorizing the creation of an intermodal transportation  
5 study.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 307B.26, Code 1989, is amended to read  
2 as follows:

3 307B.26 APPROPRIATION TO AUTHORITY.

4 Notwithstanding section 423.24 and prior to the application  
5 of section 423.24, subsection 1, paragraph "b", there is  
6 appropriated to the authority from revenues derived from the  
7 operation of section 423.7 the amounts certified by the  
8 authority under section 307B.25. However, the total amount  
9 credited to the Iowa railway finance authority under this  
10 section shall not exceed two million dollars annually. Moneys  
11 credited to the Iowa railway finance authority under this  
12 section are appropriated only for the payment of principal and  
13 interest on obligations or the payment of leases guaranteed by  
14 the authority as provided under section 307B.25. Moneys  
15 credited to the authority under this section shall be repaid  
16 from the general fund to the road use tax fund.

17 Sec. 2. The legislative council may authorize an  
18 intermodal transportation study to consider requiring the  
19 development of a continuing long-range state intermodal  
20 transportation plan to develop and rationalize equitably the  
21 opportunities, burdens, and relationships among all modes of  
22 transportation.

23 EXPLANATION

24 This bill requires that moneys credited to the Iowa railway  
25 finance authority under section 307B.26 be repaid from the  
26 general fund to the road use tax fund. Without the operation  
27 of section 307B.26, the moneys would have been credited to the  
28 road use tax fund under section 423.24.

29 This bill also allows the legislative council to authorize  
30 an intermodal transportation study to consider requiring the  
31 development of a continuing long-range state intermodal  
32 transportation plan to develop and rationalize equitably the  
33 opportunities, burdens, and relationships among all modes of  
34 transportation.

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