



Department of Transportation

Division of Secretariat

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TO: Requesters for Special Transportation Circumstance (STC) Grant applications

FROM: Joel Jundt, Deputy Secretary

DATE: September 20, 2019

SUBJECT: Proposals and supporting information regarding potential STC Grant applications

U.S. Department of Transportation's (USDOT) Federal Railroad Administration (FRA) has informed the state of South Dakota of Special Transportation Circumstance (STC) grant funds that are available the State. The STC Grants provides directed grant funding out of the sums appropriated to the Consolidated Rail Infrastructure and Safety Improvements (CRISI) and Restoration and Enhancement (R&E) Grant Programs. We have been notified there is approximately \$12.7 million of grant funds available to the state with the federal share of funding not to exceed 80 percent of an STC project's total cost. The required 20 percent non-federal share may be composed of public sector (state or local) or private sector funding, or both. In making the selection decisions, the factors USDOT considered included supporting economic vitality; leveraging federal funding; accounting for life-cycle costs; using innovative approaches to improve safety and expedite project delivery; and holding grant recipients accountable for achieving specific, measurable outcomes.

The October 16, 2019 State Railroad Board meeting is an opportunity for the Board to review written reports and supporting information from interested parties desirous of the State submitting a STC grant on behalf of the party and/or desirous of receiving potential expenditures from the State Rail Trust Fund to support proposed STC Grant applications. The written report should include information identifying how the project will adhere to the goals established under the State Rail plan. These goals are as follows:

- **Support Economic Growth and Development**
South Dakota business, industry, and government leaders continue to emphasize the importance of statewide economic growth and development activities. The State's rail plans, investments, and policies should support these local and regional economic development efforts by seeking to increase local freight handling capacity and capabilities, developing and promoting local freight connections, and linking rail investments to actions that support economic development.
- **Ensure Connectivity for Critical Industries**
Provide competitive, efficient, and reliable rail connections to existing and emerging industries helps lower the cost of doing business in the State, broadens the market reach for South Dakota products, and is a critical component of business attraction and

retention strategies. Through competitive rail access, targeted infrastructure investments, coordination with neighboring states, and rail-focused policy development, South Dakota should ensure that key State industries have competitive and efficient links to the transcontinental freight rail network, a reliable network, and have access to all domestic and international markets.

- **Maintain State Railroad Assets in a State of Good Repair**

Over the years, the State of South Dakota has acquired numerous small rail lines that primarily provide local service and serve as last-mile connections for local industries to the transcontinental freight rail network. The State purchased these lines as they were threatened for abandonment, and today many have significant capital and ongoing maintenance needs. The State of South Dakota should ensure that rail-focused asset management programs are in place and rail investments are made to preserve these assets and increase their public value.

- **Reduce Highway Impacts**

Rail service across the state reduces impact to the state highway system. Enhancement of critical segments that maintain this valuable reduction in truck traffic represent worthwhile investment opportunities. Conversely, there are areas within South Dakota described as “transportation disadvantaged” due to their lack of rail service. This situation results in two key outcomes: the lack of access to rail and rail-served facilities (e.g., grain elevators) leads to higher transportation costs for producers in the region who must rely on trucks to get product to market; and the use of truck transportation in lieu of rail places a higher burden on the highway system, both in terms of weighted load and truck vehicle miles traveled. The State should support investments and policies that encourage local economic development and reduce the use of the highway system for long-distance freight movements whether that be by investment in existing lines or investment in new lines.

- **Improve Railroad Safety, Security and Resiliency**

Ensuring the safety, security, and resiliency of South Dakota’s railroads goes hand in hand with the goal of supporting economic growth and development. The State’s rail policies should seek to improve railroad operations by developing and implementing rail safety measures, conducting rail safety public awareness programs, improving the safety of highway-rail grade crossings, assessing the system for external vulnerabilities, and protecting the security of rail technology, assets, and people.

The written report should also include information identifying the statewide benefit achieved for the project. The narrative is to include details, in economics terms, of the merits of investing in the proposed project and provide supporting benefit cost calculations to demonstrate economic vitality of the proposed expenditure of funds. If State funds are being requested as part of the funding for the STC grant, the written report should emphasize the projects overall benefit to the public and the state.

The written report will include the following information:

- Narrative describing how the project will:
 - Support Economic Growth and Development
 - Ensure Connectivity for Critical Industries
 - Maintain State Railroad Assets in a State of Good Repair

- Reduce Highway Impacts
- Improve Railroad Safety, Security and Resiliency
- Project Information Describing:
 - Project Summary (project location, scope, and schedule)
 - Proposed Project Funding (Federal, State, Other)
 - Project Readiness
 - Plans Readiness
 - Environmental Readiness
 - Overall Benefit with accompanying BCA ratio
 - Proposed responsible party tasked with developing the application
 - Proposed funding for creating the application

Send all written reports to the Department of Transportation by 5:00 p.m. October 7, 2019. The written reports should be 10 pages or less. The State Railroad Board will provide an opportunity for presentations at the October 16, 2019 Railroad Board Meeting.

Note: the State Railroad Board placed a condition on grant applicants that they must guarantee that if selected, the applicant will provide a fully completed grant application to the Department by November 5, 2019. If you are unable to commit to the deadline, you are encouraged not to submit a grant request.