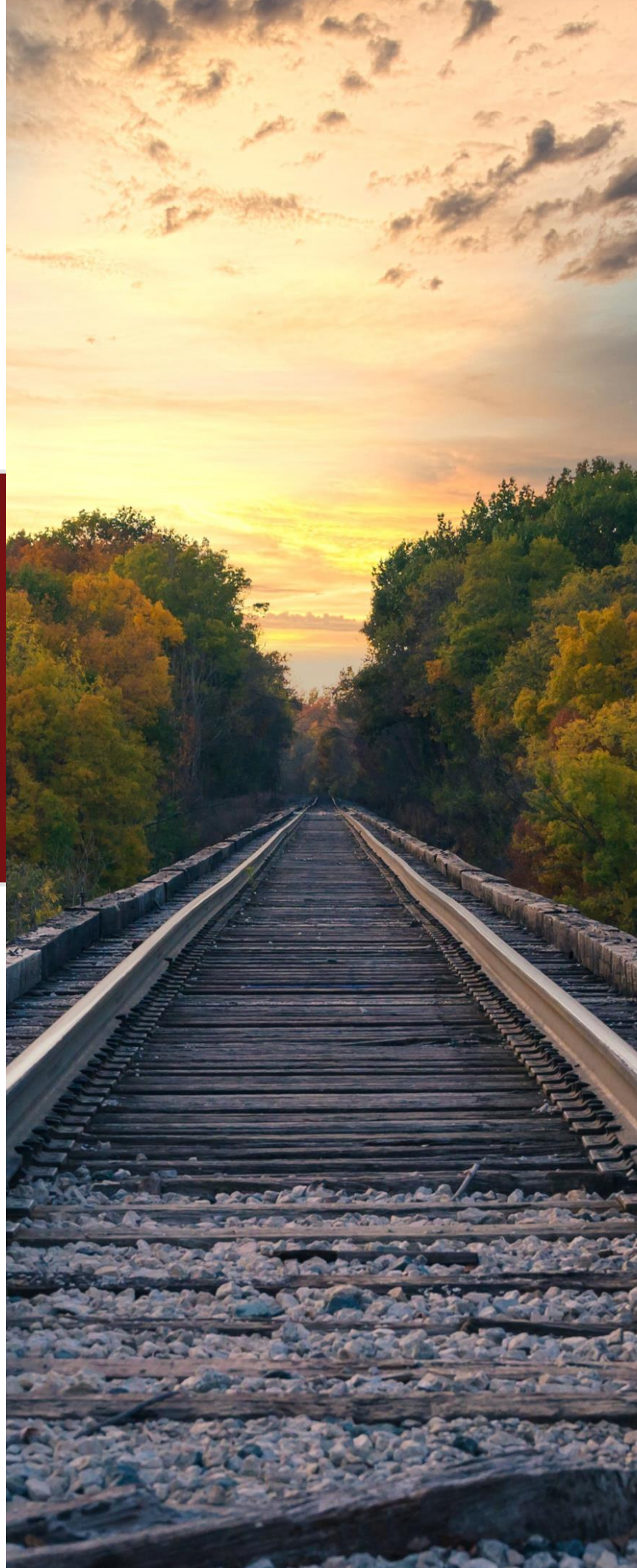
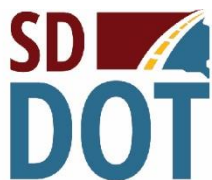


South Dakota Rail Investment Guide

South Dakota Department of Transportation

November 2022



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1.0 INTRODUCTION

1.1 PURPOSE

This Rail Investment Guide (RIG) is a strategy document for South Dakota Department of Transportation (SDDOT) to help guide and structure decision-making related to future investments in rail infrastructure. The RIG identifies and evaluates State priorities for investment, based on existing policy considerations and market conditions. It will distinguish between short- and long-term infrastructure goals, and suggest management strategies accordingly, to inform the project identification and prioritization in current and future State Rail Plan (SRP) updates.

1.2 STRATEGIC GOALS

The goals of the RIG are anticipated to be consistent with the ongoing South Dakota rail program goals:

- 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

2.0 BACKGROUND

2.1 CURRENT INSTITUTIONAL GOVERNANCE STRUCTURE OF RAIL PROGRAMS IN SOUTH DAKOTA

This section will discuss the current institutional governance structure of rail programs in South Dakota.

2.1.1 SOUTH DAKOTA DEPARTMENT OF TRANSPORTATION

SDDOT is led by Secretary of Transportation, who reports directly to the Governor of South Dakota. The Office of Air, Rail, and Transit within the Division of Finance and Management administers a variety of railroad programs and is the SDDOT's liaison to the South Dakota State Railroad Authority, South Dakota State Railroad Board, and the South Dakota Transportation Commission.

Planning functions of the Office of Air, Rail, and Transit include monitoring rail traffic and commodity flows on State-owned lines, performing detailed analyses on lines threatened by abandonment or in need of financial assistance, evaluating changes in status, condition, and service on rail lines, and analyzing State-owned rail operations. The Office of Air, Rail, and Transit also handles the management of all real and personal property acquired by the State for railroad purposes, including leasing of property, utility installation, track rehabilitation, industrial track expansion, and construction.

Per 1-44-18 of the South Dakota Codified Laws, the SDDOT shall conduct research on basic railroad problems, plan and assist in the development of rail transportation, develop and maintain a Federal-State

relationship of programs relating to railroads, assist any public or private agency or corporation in coordinating railroad services with those of other transportation modes, recommend, prepare, and review plans and specifications for any project undertaken by the South Dakota Railroad Authority, and arrange for and coordinate rail service over any properties and facilities acquired, leased, or controlled by the State of South Dakota Railroad Authority.

Per 1-44-20 of the South Dakota Codified Laws, the SDDOT, with the approval of the South Dakota State Railroad Board and the written consent of the Governor, may enter into agreements, contracts, leases (as lessor or lessee), or other arrangements with any corporation, partnership, individual, agency, or authority, on such terms and conditions as the department shall determine, including providing for the acquisition, operation, maintenance, and improvement of public rail lines, and the acquisition and disposition of any and all rights-of-way, land, facilities, fixtures and appurtenant structures, services and equipment, determined by the department to be necessary or appropriate.

2.1.2 STATE RAILROAD BOARD

The South Dakota State Railroad Board approves matters related to operation, management, finance, marketing, and development of rail service over all properties and facilities acquired, leased, or controlled by the State. The Board also may, upon written approval of the Governor, make loans from the Railroad Trust Fund.

Per 1-44-25 of the South Dakota Codified Laws, the South Dakota State Railroad Board consists of seven members to be appointed by the Governor. Members shall serve a three-year term. No more than five members may be of the same political party. No person may be appointed to the board who is an elected official of the State of South Dakota or any subdivision thereof. Any member appointed to fill a vacancy arising from other than the natural expiration of a term shall serve only for the unexpired term but may be reappointed to a full term. The board shall annually choose from its membership a chair, a vice chair, and a secretary-treasurer. No member may be removed from office except for cause.

Per 1-44-26 of the South Dakota Codified Laws, at least one member, in the opinion of the Governor, shall be a person experienced in or having a favorable reputation for skill, knowledge, and experience in business management. At least one member, in the opinion of the Governor, shall be a person experienced in or having a favorable reputation for skill, knowledge, and experience in the operation of railroad service. At least one member, in the opinion of the Governor, shall be a person experienced in or having a favorable reputation for skill, knowledge, and experience in private or public finance. At least one member, in the opinion of the Governor, shall be a person experienced in or having a favorable reputation for skill, knowledge, and experience in marketing. At least one member of the commission shall be, in the opinion of the Governor, a person who is a user of rail service. Two members shall be from the public at large.

Per 1-44-27 of the South Dakota Codified Laws, the Department of Transportation shall obtain the approval of the Railroad Board in the matters of operation, management, finance, marketing, and development of rail service over all properties and facilities acquired, leased, or controlled by the State.

2.1.3 STATE RAILROAD AUTHORITY

The South Dakota State Railroad Authority was authorized when the State purchased the “Core System” and has the power to acquire property and to construct, maintain, and equip railroad facilities as the Legislature declares to be in the public interest. The Authority also may conduct planning studies to determine the full scope of rail system needs. There are seven members on the Authority that are appointed to three-year terms by the Governor. Today, the State Railroad Authority and the State Railroad Board are one and the same, though the Authority and the Board retain their unique responsibilities and are still called to order separately during official meetings.

2.1.4 REGIONAL RAILROAD AUTHORITIES

In 1978, the South Dakota Legislature allowed two or more subdivisions to unify to establish Regional Rail Authorities (RRA). An RRA may plan, establish, acquire, develop, construct, purchase, enlarge, improve, maintain, equip, operate, regulate, and protect railroads and railroad facilities used or useful in the operation of the railroad. They also may have taxing power through the subdivisions through which the RRA was established. The RRA serves as a legal entity to accept State Railroad Trust Fund dollars on behalf of a private railroad recipient.

2.2 CURRENT STATE FUNDING PROGRAMS IN SOUTH DAKOTA

There are two primary State-level funding sources available to support rail-related projects in South Dakota: the Railroad Trust Fund and the Governor’s Office of Economic Development (GOED) Future Fund. These two funding sources are described in this section.

2.2.1 STATE RAILROAD TRUST FUND

For the purpose of planning, enlarging, maintaining, equipping, and protecting railroads and railroad facilities, the State has a special fund known as the South Dakota Railroad Trust Fund. The South Dakota State Railroad Board may make loans from the Railroad Trust Fund to regional railroad authorities, based on terms and conditions set by the State Railroad Board. These funds may be used to match federal railroad rehabilitation funds, and also can be spent directly on State-owned rail lines.

The Railroad Trust Fund was established in 1981 and primarily sustains itself through loan repayments; however, dollars have entered the Railroad Trust Fund in several other ways over the years. For example, when BNSF Railway purchased a significant portion of the State-owned track it operated on in 2005, \$40+ million was infused into the Fund. Later in 2006, the Legislature diverted \$38 million to the State’s Property Tax Reduction Fund, leaving a balance of \$14 million to allocate to railroad improvement projects.

The South Dakota State Railroad Board continuously receives numerous worthy applications for Trust Fund dollars. As a result, in 2012 the South Dakota Legislature appropriated \$4 million for the Trust Fund from General Funds as part of Senate Bill 48. This raised the balance of the Trust Fund to \$7 million; however in March 2012, the South Dakota State Railroad Board approved \$6,615,600 in loans, significantly reducing the balance. The balance was again increased in 2021 by the sale of the Sioux Valley rail line to D&I Railroad, and the sale of the MRC Line to Ringneck and Western LLC. There are no State taxes currently in place to directly support the Railroad Trust Fund.

The South Dakota Railroad Board loan program allows Regional Railroad Authorities to apply for loan(s) from the Railroad Trust Fund for the rehabilitation, expansion and construction of industrial sidings or main line track. SDDOT is currently evaluating potential strategies to provide a more prescriptive loan program structure for the Railroad Trust Fund, which are presented later in this document.

2.2.1.1 CURRENT PROCESS FOR AWARD AND DISBURSEMENT OF FUNDS

Applications for grants and loans from the Railroad Trust Fund are submitted to the State Railroad Board for review. Applicants typically present their candidate projects to the Board at a monthly Board meeting and answer any questions the Board members may have. The Board may choose to go into executive session to discuss the applications privately. The Board currently has a great deal of flexibility to exercise its sole discretion in establishing priorities, evaluating project merits, and selecting projects for funding.

2.2.2 LOCAL INFRASTRUCTURE DEVELOPMENT PROGRAM¹

The Local Infrastructure Development Program (LIDP) offered by the South Dakota GOED provides grants to local development corporations, tribal governments, municipalities, counties, or other political subdivisions to construct or reconstruct public infrastructure associated with an economic development project.

The Local Infrastructure Improvement Program is open to any political subdivision in South Dakota, tribal government, or local development corporation.

Applicants must identify an economic development project and then work with their area planning district to submit a completed application before funding is considered.

If the board approves the application, the applicant must comply with the conditions of approval to remain eligible for the grant. GOED will issue payment within 30 days of the receiving the required compliance documentation.

¹ South Dakota Governor's Office of Economic Development, Local Infrastructure Improvement. Retrieved from: <https://sdgoed.com/partners/financing-incentives/local-infrastructure-improvement/>

2.3 CURRENT FEDERAL RAIL RELATED PROGRAMS AND FUNDING SOURCES

2.3.1 FEDERAL RAILROAD ADMINISTRATION GRANT PROGRAMS

The FRA administers rail-specific funding programs, including competitive discretionary grants and other targeted funding sources. The current FRA-administered funding sources are described in this section.

2.3.1.1 CONSOLIDATED RAIL INFRASTRUCTURE AND SAFETY IMPROVEMENTS PROGRAM²

The Consolidated Rail Infrastructure and Safety Improvements (CRISI) program provides funding for capital projects that will improve passenger and freight rail transportation systems in terms of safety, efficiency, or reliability.

ELIGIBLE APPLICANTS

- A state;
- A group of states;
- An Interstate Compact;
- Public agencies or publicly chartered authorities established by one or more states;
- A political subdivision of a state;
- Amtrak or another rail carrier that provides intercity rail passenger transportation;
- A Class II railroad or Class III railroad or a holding company of a Class II or Class III railroad;
- Any rail carrier or rail equipment manufacturer in partnership with at least one of the entities described above;
- The Transportation Research Board (TRB) together with any entity with which it contracts in the development of rail-related research, including cooperative research programs;
- A university transportation center engaged in rail-related research; or,
- A non-profit labor organization representing a class or craft of employees of rail carriers or rail carrier contractors.

ELIGIBLE PROJECTS

- Deployment of railroad safety technology;
- Capital projects, as defined in 49 U.S.C. § 24401(2) for intercity passenger rail service, except that a project under this program is not required to be in an SRP;
- Capital projects that:
 - Address congestion challenges affecting rail service
 - Reduce congestion and facilitate ridership growth along heavily traveled rail corridors
 - Improve short-line or regional railroad infrastructure

² Federal Railroad Administration, Consolidated Rail Infrastructure and Safety Improvements Program. Retrieved from: <https://railroads.dot.gov/grants-loans/competitive-discretionary-grant-programs/consolidated-rail-infrastructure-and-safety-2>

- Highway-rail grade crossing improvement projects;
- Rail line relocation and improvement projects;
- Regional rail and corridor service development plans and environmental analyses;
- Any project necessary to enhance multimodal connections or facilitate service integration between rail service and other modes;
- The development and implementation of a safety program or institute;
- Any research that the Secretary of Transportation considers necessary to advance any particular aspect of rail-related capital, operations, or safety improvements; or,
- Workforce development and training activities, coordinated to the extent practicable with the existing local training programs supported by the Department of Transportation, the Department of Labor, and the Department of Education.

2.3.1.2 SPECIAL TRANSPORTATION CIRCUMSTANCES³

The purpose of the Special Transportation Circumstances (STC) Program is to provide directed grant funding under the CRISI program and the Restoration and Enhancement Grant program to certain states that lack intercity passenger rail service or are not connected to the national rail system.

STC was authorized in Section 11301 of the FAST Act, Pub. L. No. 114-94 (2015); 49 U.S.C. § 22907(l). The STC authorization directs the Secretary of Transportation to allocate to certain states an appropriate portion of the amounts available to the other programs described in 49 U.S.C. § 229.

ELIGIBLE RECIPIENTS

- Alaska
- South Dakota
- Wyoming

ELIGIBLE PROJECTS

- For South Dakota and Wyoming, eligible projects must be freight rail capital projects in those states that are on an SRP developed under Chapter 227, and that provide public benefits as defined in 49 U.S.C. § 22701(2).
- The federal share of total costs for an STC project must not exceed 80 percent of the total cost of a project. The required 20 percent non-federal share may be composed of public sector (State or local) and/or private sector funding.

³ Federal Railroad Administration, Special Transportation Circumstances. Retrieved from: <https://railroads.dot.gov/grants-loans/directed-grant-programs/special-transportation-circumstances>

2.3.1.3 RAILROAD CROSSING ELIMINATION PROGRAM

The Railroad Crossing Elimination (RCE) Program is a new, competitive discretionary grant program established under the IIJA that provides funding for highway-rail or pathway-rail grade crossing improvement projects that focus on improving the safety and mobility of people and goods.

ELIGIBLE APPLICANTS

- States, including the District of Columbia, Puerto Rico, and other U.S. territories and possessions;
- A political subdivision of a state;
- A federally recognized Indian Tribe;
- A unit of local government or a group of local governments;
- A public port authority;
- A metropolitan planning organization; or,
- A group of the entities described above.

ELIGIBLE PROJECTS

- Highway-rail grade separation or closure, including through the use of a bridge, embankment, tunnel, or any combination thereof;
- Track relocation;
- Improvement or installation of protective devices, signals, signs, or other equipment at crossings;
- Measures to improve safety related to a separation, closure, or track relocation project;
- Other means to improve the safety if related to the mobility of people and goods at highway-rail grade crossings (including technological solutions); or,
- The planning, environmental review, and design of any other eligible project type.

2.3.2 USDOT FEDERAL MULTIMODAL DISCRETIONARY GRANT PROGRAMS

The USDOT administers several multimodal competitive discretionary grant programs, which are described in this section. For rail-focused projects receiving federal grant funding, the FRA is typically the lead agency that will administer the grant at the federal level.

2.3.2.1 MULTIMODAL PROJECT DISCRETIONARY GRANT

The Multimodal Project Discretionary Grant (MPDG) Program is a combined Notice of Funding Opportunity (NOFO) that allows the use of one application to apply for up to three separate USDOT funding opportunities:

- Mega: known statutorily as the National Infrastructure Project Assistance program (49 U.S.C. 6701)
- INFRA: known statutorily as the Nationally Significant Multimodal Freight and Highway Projects program (23 U.S.C. 117)
- Rural Surface Transportation Grant: (23 U.S.C. 173)

THE MEGA GRANT PROGRAM⁴

The Mega Program (known statutorily as the National Infrastructure Project Assistance program) will support large, complex projects that are difficult to fund by other means and likely to generate national or regional economic, mobility, or safety benefits. Mega is a new program created under the Bipartisan Infrastructure Law enacted in 2021 targeting projects with total costs of at least \$100 million.

A total of \$5 billion is available from fiscal year (FY) 2022 through FY 2026.

Eligible Applicants for the Mega Grant Program include:

- A state or a group of states;
- A metropolitan planning organization;
- A unit of local government;
- A political subdivision of a state;
- A special purpose district or public authority with a transportation function, including a port authority;
- A Tribal government or a consortium of Tribal governments;
- A partnership between Amtrak and one or more other types of entities described in this list; or,
- A group of entities described in this list.

Eligible Projects under the Mega Grant Program include:

- A highway or bridge project carried out on—
 - the National Multimodal Freight Network
 - the National Highway Freight Network
 - the National Highway System
- A freight intermodal (including public ports) or freight rail project that provides a public benefit;
- A railway-highway grade separation or elimination project;
- An intercity passenger rail project; or
- Certain public transportation projects that are eligible for Federal Transit Administration funding under Title 49, U.S.C., and is a part of another eligible project types listed above.

INFRASTRUCTURE FOR REBUILDING AMERICA⁵

Infrastructure for Rebuilding America (INFRA)—known statutorily as the Nationally Significant Multimodal Freight and Highway Projects—awards competitive grants for multimodal freight and highway projects of

⁴ U.S. Department of Transportation, The Mega Grant Program. Retrieved from: <https://www.transportation.gov/grants/mega-grant-program>

⁵ U.S. Department of Transportation, Infrastructure for Rebuilding America. Retrieved from: <https://www.transportation.gov/grants/infra-grants-program>

national or regional significance to improve the safety, efficiency, and reliability of the movement of freight and people in and across rural and urban areas.

INFRA is an existing program that was recently updated to include new eligibilities, set-asides, and other programming changes in the Bipartisan Infrastructure Law enacted in 2021 that are substantive changes from the FAST Act of 2015: 23 U.S.C. 117.

A total of \$7.25 billion is available from 2022 through 2026.

Eligible Applicants for the INFRA program include:

- A state or a group of states;
- A metropolitan planning organization that serves an urbanized area (as defined by the Bureau of the Census) with a population of more than 200,000 individuals;
- A unit of local government or a group of local governments;
- A political subdivision of a state or local government;
- A special purpose district or public authority with a transportation function, including a port authority;
- A federal land management agency that applies jointly with a state or group of states;
- A Tribal government or a consortium of Tribal governments;
- A multistate corridor organization; or,
- A multistate or multijurisdictional group of entities described in this list.

Eligible projects under the INFRA program are those that improve safety, generate economic benefits, reduce congestion, enhance resiliency, and hold the greatest promise to eliminate freight bottlenecks and improve critical freight movements.

RURAL SURFACE TRANSPORTATION GRANT PROGRAM⁶

The Rural Surface Transportation Grant Program will support projects to improve and expand the surface transportation infrastructure in rural areas to increase connectivity, improve the safety and reliability of the movement of people and freight, and generate regional economic growth and improve quality of life. Rural is a new program created under the Bipartisan Infrastructure Law enacted in 2021.

A total of \$1 billion is available over from 2022 through 2026.

Eligible applicants for the Rural program include:

- States;
- Regional transportation planning organizations;
- Local governments; or,

⁶ U.S. Department of Transportation, The Rural Surface Transportation Grant. Retrieved from: <https://www.transportation.gov/grants/rural-surface-transportation-grant>

- Tribal governments.

Eligible projects under the Rural program include:

- Highway, bridge, or tunnel projects eligible under the National Highway Performance Program, Surface Transportation Block Grant Program, or the Tribal Transportation Program;
- Highway freight project eligible under the National Highway Performance Program;
- Highway safety improvement project;
- A project on a publicly-owned highway or bridge improving access to certain facilities that support the economy of a rural area; and,
- Integrated mobility management system, transportation demand management system, or on-demand mobility services.

2.3.2.2 REBUILDING AMERICAN INFRASTRUCTURE WITH SUSTAINABILITY AND EQUITY⁷

The Rebuilding American Infrastructure with Sustainability and Equity (RAISE) program, formerly known as Transportation Investment Generating Economic Recovery (TIGER) and later as Better Utilizing Investments to Leverage Development (BUILD), provides a unique opportunity for the USDOT to invest in road, rail, transit, and port projects that promise to achieve national objectives. Congress has dedicated over \$9.9 billion for 13 rounds of National Infrastructure Investments to fund projects that have a significant local or regional impact.

Eligible applicants for RAISE include:

- States and the District of Columbia;
- Any territory or possession of the U.S.;
- A unit of local government;
- A public agency or publicly chartered authority established by one or more states;
- A special purpose district or public authority with a transportation function, including a port authority;
- A federally recognized Indian Tribe or a consortium of such Indian Tribes;
- A transit agency; or,
- A multistate or multijurisdictional group of entities that are each separately eligible

Capital projects eligible under RAISE include:

- Highway, bridge, or other road projects eligible under Title 23, U.S.C.;
- Public transportation projects eligible under Chapter 53 of Title 49, U.S.C.;
- Passenger and freight rail transportation projects;
- Port infrastructure investments (including inland port infrastructure and land ports of entry);

⁷ U.S. Department of Transportation, RAISE Grants. Retrieved from: <https://www.transportation.gov/RAISEgrants/about>

- The surface transportation components of an airport project eligible for assistance under Part B of Subtitle VII of Title 49, U.S.C.;
- Intermodal projects;
- Projects to replace or rehabilitate a culvert or prevent stormwater runoff for the purpose of improving habitat for aquatic species while advancing the goals of the RAISE program;
- Projects investing in surface transportation facilities that are located on Tribal land and for which title or maintenance responsibility is vested in the federal government; or,
- Any other surface transportation infrastructure project that the Secretary of Transportation considers to be necessary to advance the goals of the RAISE program.

Planning projects eligible under RAISE include:

- Development of master plans, comprehensive plans, integrated land use and transportation plans, or corridor plans;
- Planning activities related to the development of a multimodal freight corridor, including those that seek to reduce conflicts with residential areas and with passenger and non-motorized traffic;
- Development of port and regional port planning grants, including statewide or multi-port planning within a single jurisdiction or region; or,
- Risk assessments and planning to identify vulnerabilities and address the transportation system's ability to withstand probable occurrence or recurrence of an emergency or major disaster.

2.3.3 OTHER FEDERAL FUNDING SOURCES

Other rail-related non-grant funding programs exist at the federal level. Examples include the Railway-Highway Crossings Program (Section 130) and the Railroad Rehabilitation and Improvement Financing (RRIF) Program, described in this section.

2.3.3.1 RAILWAY-HIGHWAY CROSSINGS PROGRAM (SECTION 130)⁸

South Dakota receives approximately \$2.6 million annually from the Federal Highway Administration (FHWA) in Railway-Highway Crossings Program (Section 130) funding under the Highway Safety Improvement Program for the implementation of safety improvements at locations where a public roadway intersects with active railroad tracks. Currently, approximately 1,749 public at-grade intersections statewide are eligible for this financial assistance. Depending upon the cost of the improvements, approximately 12 projects are typically programmed annually in the South Dakota Statewide Transportation Improvement Program (STIP).

RCIP projects may include:

- Installation of new or upgraded highway-rail grade crossing signal systems and active warning devices (e.g., installation of train-activated gates with flashing lights)

⁸ Federal Highway Administration, Highway Safety Improvement Program. Retrieved from: <https://safety.fhwa.dot.gov/hsip/xings/>

- Interconnection of highway-rail grade crossing signals with a roadway traffic signal
- Highway-rail grade crossing approach and surface improvements
- Highway-rail grade crossing visibility and roadway geometry improvements
- Signing and pavement markings
- Lighting at highway-rail grade crossings
- Improvements for interface between pedestrian/bicycle paths and railroad grade crossings
- Highway-rail grade crossing elimination or consolidation
- Highway-rail grade separation or replacement of grade separation

Each State is entitled to use its sole discretion in selecting projects to receive Section 130 funding. Many States use a stakeholder-driven approach, a data-driven approach, or a combination of these two approaches to identify and prioritize projects. SDDOT has historically taken a stakeholder-driven approach and continues to solicit stakeholder input in identifying potential Section 130 projects.

2.3.3.2 RAILROAD REHABILITATION & IMPROVEMENT FINANCING⁹

The RRIF program was established by the Transportation Equity Act for the 21st Century (TEA-21) and amended by the Safe Accountable, Flexible and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), the Rail Safety Improvement Act of 2008, and the Fixing America's Surface Transportation (FAST) Act. Under this program the Department of Transportation is authorized to provide direct loans and loan guarantees up to \$35.0 billion to finance development of railroad infrastructure. Not less than \$7.0 billion is reserved for projects benefiting freight railroads other than Class I carriers.

RRIF funding may be used to:

- Acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of track, bridges, yards, buildings and shops, and including the installation of positive train control systems;
- Develop or establish new intermodal or railroad facilities;
- Reimburse planning and design expenses relating to activities listed above;
- Refinance outstanding debt incurred for the purposes listed above; and
- Finance transit-oriented development.

Direct loans can fund up to 100 percent of a railroad project with repayment periods of up to 35 years and interest rates equal to the cost of borrowing to the government.

Eligible borrowers include railroads, State and local governments, government-sponsored authorities and corporations, limited option freight shippers that intend to construct a new rail connection, and joint ventures that include at least one of the preceding.

⁹ U.S. Department of Transportation, Railroad Rehabilitation & Improvement Financing (RRIF). Retrieved from: <https://www.transportation.gov/buildamerica/financing/rrif>

2.4 HISTORY OF STATE OWNERSHIP AND MANAGEMENT OF RAIL ASSETS IN SOUTH DAKOTA

This section summarizes the history of the State of South Dakota’s ownership and management of rail assets from 1980 to present. This includes discussion of previous rail line acquisitions, divestments, operating leases, and how the State has issued grants or loans through the Railroad Trust Fund.

2.4.1 PREVIOUS STATE ACQUISITION OF RAIL ASSETS

The State of South Dakota undertook a proactive and valiant effort to preserve freight rail service during the rail crisis in the early 1980s. The Chicago, Milwaukee, St. Paul and Pacific Railroad (MILW), commonly referred to as “The Milwaukee Road”, embargoed service over nearly all of its route mileage in South Dakota as part of a bankruptcy reorganization and route rationalization strategy to save the underperforming railroad. These State-owned lines were then leased to privately owned railroads for continued operation.

Since then, large portions of the State-owned network have been gradually transferred or sold back into private railroad ownership. The Ortonville, Minnesota to Terry, Montana “Main Line” was sold to the BN in 1991 for \$30.4 million. Later, the “Core System” was sold to BN’s successor, BNSF, in November 2005 for \$42.5 million. Finally, The Sioux Valley rail line which runs between Elk Point and Canton, South Dakota, was sold to D & I Railroad in April 2021 for \$10 million, and the Mitchell-Rapid City (MRC) rail line was sold to Ringneck & Western LLC in May 2021 for \$13 million.

The line segments that have been acquired by the State since 1981 are listed in **Table 1** below.

Table 1: History of State of South Dakota Rail Line Acquisitions Leases, and Divestments (1981-2021)

Segment	Length (Miles)	Previous Owner	Year Acquired	Lease Operator	Year Sold	Sold To
Ortonville, MN -Terry, MT	479.9	MILW	1982	BN	1991	BNSF
Sioux Falls-Canton	24.0	MILW	1981	BN	2005	BNSF
Canton-Mitchell	82.8	MILW	1981	BN	2005	BNSF
Mitchell-Wolsey	54.4	MILW	1981	BN	2005	BNSF
Wolsey-Aberdeen	72.0	MILW	1981	BN	2005	BNSF
Mitchell-Sioux City, IA	130.8	MILW	1981	BN	2005	BNSF
Track in Mitchell	1.0	MILW	1981	BN	2005	BNSF
Mitchell-Chamberlain	67.5	MILW	1981	DSRC	2021	RWRR
Chamberlain -Rapid City	217.6	MILW	1981	DSRC	2021	RWRR
Track in Sioux City, IA	7.0	MILW	1981	DAIR	1982	DAIR
Sioux Falls-Trent	23.3	MILW	1981	DAIR	1982	DAIR
Canton-Elk Point	49.4	MILW	1981	DAIR	2021	DAIR
Beresford - Hawarden	18.6	CNW	1981	DAIR	2021	DAIR

Segment	Length (Miles)	Previous Owner	Year Acquired	Lease Operator	Year Sold	Sold To
Napa-Platte	83.3	MILW	1981	DSRC	N/A	N/A
Britton-Jarrett Jct.	4.8	MILW	1981	DMVW	N/A	N/A
Aberdeen-Geneseo Jct.	76.7	BNSF	2001	DMVW	N/A	N/A
Huron-Yale	15.3	DME	2008	RCPE	N/A	N/A

2.4.2 HISTORY OF DISBURSEMENTS FROM RAILROAD TRUST FUND

2.4.2.1 GRANTS

Periodically, grants have been issued from the Railroad Trust Fund to support major objectives, such as the rehabilitation of the State-owned MRC Line. In some cases, loans issued previously were forgiven and effectively converted into grants.

MRC RAILROAD REHABILITATION

In 2012, the State Railroad Board issued a grant in the amount \$9,239,381.96 to the MRC RRA as matching funds to support the TIGER II project to rehabilitate the State-owned MRC Line between Mitchell and Chamberlain.

Loans in the amount \$2.7 million (Loan 714336) and \$3.5 million (Loan 715514) had been issued to the MRC RRA also to support the rehabilitation of the State-owned MRC Line between Mitchell and Chamberlain and between Chamberlain and Presho respectively. These loans were later forgiven.

In 2016, an additional \$1.3 million grant was issued to the MRC RRA to support the ongoing TIGER VI project to rehabilitate the State-owned line between Chamberlain and Presho.

2.4.2.2 LOANS

Loans are the primary investment tool leveraged by the State Railroad Board to support projects that help the State of South Dakota achieve its rail goals. Loans are preferred because they allow the opportunity for funds to be repaid and subsequently redeployed.

Table 2 lists loans issued by the South Dakota State Railroad Board from the Railroad Trust Fund over the years 2011-2022.

Table 2: South Dakota Railroad Trust Fund Loans (2011-2022)

Year	Amount	Purpose
2011	\$1,548,268.00	Loan issued to Sully County RRA to construct an additional 6,014-foot track extension at Oahe Grain Corporation elevator located in Onida, SD to enable 110-car unit grain trains.
2011	\$3,000,000.00	Loan issued to Aberdeen-Brown County RRA to construct an additional 12,770-foot track extension at South Dakota Wheat Growers elevator near Roscoe, SD to enable 110-car unit grain trains.
2011	\$1,500,000.00	Loan issued to Day County RRA to construct 10,365-foot extension at South Dakota Wheat Growers elevator near Andover, SD to enable 110-car unit grain trains.
2011	\$2,700,000.00	Loan 714336 issued to MRC RRA for Mitchell-Chamberlain project. \$460,850 was repaid.
2013	\$964,040.00	Loan issued to Brookings County RRA to construct 3,190 feet of yard track at South Dakota Soybean Processors.
2013	\$1,440,000.00	Loan issued to Aberdeen-Brown County RRA to construct a 10,620 foot industrial loop track at Ochsner's new grain facility near Aberdeen, SD.
2014	\$3,500,000.00	Loan 715514 issued to MRC RRA for Chamberlain-Presho project
2014	\$1,950,888.50	Loan issued to Sioux Valley RRA for rehabilitation of 12 bridges on State-owned Elk Point to Canton line.
2015	\$696,000.00	Loan issued to Hughes County RRA to construct a new industrial siding near Harrold, SD.
2016	\$4,455,523.69	Loan issued to DMVW to replace 24.5 miles of rail on Britton Rail Line.
2017	\$3,550,000.00	Loan issued to Sully County RRA to construct 13,455 track-feet of industrial track at new ethanol plant in Onida, SD.
2017	\$250,000.00	Loan issued to Marshall County RRA for Richland-Sargent box culvert replacement in Sargent County, ND
2019	\$216,572.37	Loan issued to MRC RRA for 2019 flood repairs. Loan not to exceed \$3,000,000.00. FEMA funds were be applied to reduce loan balance.
2022	\$625,000.00	Conditional loan issued to Roberts County RRA for use as matching non-Federal funds to support a federal RAISE grant request for the Sisseton Milbank Railroad Modernization Project.

2.5 CURRENT STATE-OWNED RAIL ASSETS IN SOUTH DAKOTA

The State of South Dakota currently owns three principal line segments, one spur line, and an interchange track. These segments, described below, are summarized in **Table 3**.

Table 3: South Dakota State-Owned Line Segments (2022)

Line Segment	Length (Miles)	Current Leaseholder	Current Lease Expiration Date	Active Shippers
Aberdeen-Geneseo Jct.	76.7	DMVW	2025	Yes
Britton-Jarrett Jct.	4.8	DMVW	2025	Yes
Huron-Yale	15.3	RCPE	2026	Yes
Napa-Platte	54.5	DSRC	2026	No
Wolsey Interchange	4.2	RCPE	2026	N/A

2.5.1 ABERDEEN-GENESEO JCT. LINE (BRITTON LINE)

The State of South Dakota continues to retain ownership of the Aberdeen-Geneseo Jct. Line which BNSF Railway had donated to the State in 2001, along with the Britton spur, which had been a State-owned Local Option line acquired from the Milwaukee Road in 1981. These contiguous lines are together leased to the Dakota, Missouri Valley and Western Railroad (DMVW) for operation. The line has two primary active shippers: the Ag Processing soybean oil plant in Aberdeen and the Wheaton-Dumont Coop shuttle elevator in Britton. DMVW provides its shippers with access to both the BNSF Railway in Aberdeen and the Canadian Pacific Railway at Geneseo Jct., enhancing rail freight rate competition in the region.

2.5.2 NAPA-PLATTE LINE

The State of South Dakota continues to retain ownership of the Napa to Platte Line, which is currently leased to Dakota Southern Railway (DSRC) for operation, though Ravinia to Platte is currently railbanked. The segment between Napa and Tabor is currently used for railcar storage, and the segment between Tabor and Ravinia is currently out of service. There are no active shippers on this segment.

2.5.3 HURON-YALE LINE

The State of South Dakota continues to retain ownership of a segment of the former BNSF Watertown Subdivision between Huron and Yale. This line adjoins with the remainder of the current BNSF Watertown Subdivision at Yale. The Huron-Yale line is currently leased to RCPE.

2.5.4 WOLSEY INTERCHANGE

The State of South Dakota continues to retain ownership of the Wolsey Interchange, consisting of siding tracks at the intersection of the BNSF Aberdeen Subdivision and the RCPE Pierre Subdivision in Wolsey, South Dakota. The interchange tracks were constructed using State funds for the purpose of enhancing carload and unit train interchange between the two railroads. The Wolsey Interchange is leased to RCPE and is used jointly by both BNSF and RCPE for interchange purposes.

3.0 PRINCIPLES OF STATE INVOLVEMENT AND INVESTMENT

3.1 EXAMPLES OF OTHER STATE-MANAGED RAIL FUNDING PROGRAMS

3.1.1 MICHIGAN

3.1.1.1 STATUTORY REQUIREMENTS AND GOVERNANCE¹⁰

According to the State Transportation Preservation Act of 1976, Section 474.65, the Michigan Department of Transportation (MDOT) may spend sums appropriated and other available funds for the construction, modernization, rehabilitation, rebuilding, and relocation of rail property and may perform or contract for maintenance or improvements on rail property owned by the State, a person, a public or private corporation, a local or regional transportation authority, a local governmental unit, a private carrier, a group of rail users, or a combination of these entities, including, but not limited to, a street railway, as is necessary in the public interest as determined by the department.

3.1.1.2 STATE PARTICIPATION

PASSENGER RAIL¹¹

MDOT provides capital and operating assistance, technical support, and safety oversight of Michigan's passenger rail system. The department also sponsors three separate intercity passenger rail routes that are operated by Amtrak and serves 22 station communities. All routes are expected to have new equipment by 2022.

In addition, MDOT owns a segment of the accelerated rail corridor that connects Chicago and Detroit/Pontiac and the communities in between. It funds all capital and maintenance work on the segment of the corridor between Kalamazoo and Dearborn.

STATE-OWNED RAIL¹²

MDOT manages 665 miles of State-owned rail lines. These five lines are operated under contract by five freight railroads. Intercity passenger rail service is also provided by Amtrak on a 135-mile State-owned line between Kalamazoo and Dearborn.

¹⁰ Michigan Legislature, State Transportation Preservation Act of 1976. Retrieved from:

<https://www.legislature.mi.gov/documents/mcl/archive/2021/July/mcl-Act-295-of-1976.pdf>

¹¹ Michigan Department of Transportation, Passenger Rail. Retrieved from: https://www.michigan.gov/mdot/0,4616,7-151-22444_56481---,00.html

¹² Michigan Department of Transportation, State-Owned Rail. Retrieved from: https://www.michigan.gov/mdot/0,4616,7-151-22444_56505---,00.html

ECONOMIC DEVELOPMENT¹³

MDOT has two programs that were established to help preserve and provide access to Michigan's rail system, the Michigan Rail Loan Assistance Program and the Freight Economic Development Program.

MICHIGAN RAIL LOAN ASSISTANCE PROGRAM

The Michigan Rail Loan Assistance Program (MiRLAP) provides no-interest loans to railroads for infrastructure preservation and improvements. As outlined in statute, eligible projects include preserving, rebuilding, rehabilitating, or constructing facilities or improvements on railroad property. Funds awarded through the program may also be used as a non-federal match for any federal rail infrastructure project and, under certain circumstances, to acquire property to preserve or improve freight rail service.

- Loans are specifically intended to cover material, labor and/or equipment costs associated with permanently-affixed track materials and related structures within railroad right of way, including track structure, bridges, train control and drainage projects. Engineering and design costs are not eligible project costs.
- Loan recipients will be responsible for following all State and federal environmental laws/regulations, including necessary permits, etc. For projects on MDOT-owned property, MDOT will provide the operator with the preliminary review of potential Archaeological, Historic, and Threatened and/or Endangered Species impacts. Any additional surveys or regulatory involvement deemed necessary as a result of that review will be the responsibility of the operator.
- Loans are limited to \$1 million per project and \$1 million per applicant for each year of the program. Loans can reimburse up to 90% of eligible project costs. The loan repayment period may not exceed 10 years. Loan recipients must provide appropriate collateral, unless the project is on MOOT property.
- Railroads, local governments, economic development corporations, and current or potential users of freight railroad services are eligible to apply.
- Applications are evaluated in comparison to loan program goals. Loans are awarded on a competitive basis to projects that best meet program goals and provide a measurable benefit to public safety; efficiency; accessibility; capacity; and/or condition.
- It takes approximately 90 days to award most contracts. Proposed projects on State-owned property may require additional time for environmental clearance. Any costs incurred prior to the contract award are not eligible project costs. Projects should be constructed within one year of award.

¹³ Michigan Department of Transportation, Economic Development. Retrieved from: https://www.michigan.gov/mdot/0,4616,7-151-22444_56500---,00.html

FREIGHT ECONOMIC DEVELOPMENT PROGRAM

The Freight Economic Development Program (FEDP) assists new or expanding rail customers with grants funding up to 50 percent of the costs associated with rail infrastructure on their property, such as new rail spurs. Applications are accepted at any time. Projects are evaluated based on the public benefits, such as increased rail volumes and job creation, relative to costs. The program's goal is to enhance the viability of Michigan's rail system by facilitating its use by shippers.

FEDP can cover up to 50% of material, labor and equipment associated with the installation or rehabilitation of rail-customer infrastructure up to a maximum of \$2 million. Eligible costs include, but are not limited to: turnouts, track, ties, ballast, and related permanently affixed loading/unloading fixtures. Ineligible work items include engineering and mobile railcar movers. Not all eligible costs will necessarily be approved as part of an FEDP project.

MDOT provides one grant payment for up to 45% of the eligible project costs after actual costs are reported and verified. A second grant payment for up to 5% of the eligible costs is made after actual carloads are reported annually over a five-year period (1% credited for each report provided). For purposes of FEDP, new carloads should reflect the increased volume to the statewide rail system as a result of the project.

Applicants must own; hold an easement; have a long-term lease; or otherwise control the property on which improvements are proposed. Applicants can be either rail customers or other entities, such as local units of governments or railroads, that control the property and are undertaking the project to provide access to a rail customer.

3.1.2 LOUISIANA

3.1.2.1 STATUTORY REQUIREMENTS AND GOVERNANCE¹⁴

Louisiana State law provides the Louisiana Secretary of Transportation with the authority to qualify and disburse federal rail funding, and to establish a State program from which it can make rail loans and grants to qualified entities within the state.

Title 48, §388 provides the Louisiana Department of Transportation & Development (LaDOTD) the powers necessary for the State to qualify for federal rail service assistance pursuant to the provisions of the Railroad Revitalization and Regulatory Reform Act of 1976 or any other applicable federal act as follows:

- Administer and coordinate or modify the SRP as required by federal Public Law 94- 210, as amended.

¹⁴ Louisiana Department of Transportation, State Rail Plan, August 25, 2020. Retrieved from: http://wwwsp.dotd.la.gov/Inside_LaDOTD/Divisions/Multimodal/Marine_Rail/Misc%20Documents/2020%20Louisiana%20Rail%20Plan.pdf

- Provide satisfactory assurances on behalf of the State that such fiscal control and fund accounting procedures will be adopted by the State as may be necessary to assure proper disbursement of an account for federal funds paid to the State.
- Provide financial assistance, within the limits of the funds appropriated for this purpose, for the preservation of operations and maintenance of any railroad within the state as provided for in relevant federal legislation. LaDOTD may act as the agent in cooperation with any railroad of any local or regional transportation authority, local government units, or any person, and the federal government in any rail freight service assistance program.
- Cooperate with other states in connection with the preservation of any rail freight services within the state. In carrying out the authority conferred by this section, the LaDOTD may enter into general contractual arrangements with other states.
- Contract with any person, firm, corporation, agency or government to provide, maintain or improve rail freight service within the state.
- To promulgate rules and regulations consistent with and for the purpose of adequately implementing this act.

A ban on the use of State funds for rail projects was lifted in 2016. LaDOTD is setting up an institutional structure for the management and use of any funds that may come from federal grants, public-private partnerships, or other sources. State funds may be used for financial assistance to any private or public person or corporation, provided the department submits a report to the House and Senate committees on transportation, highways, and public works prior to application for federal funds.

Other State laws relevant to rail oversight include: Rail grade crossings (49§382-394); and financing through the Louisiana Economic and Port Development Infrastructure Fund (39§100.36); and for the Public Service Commission to participate in rail safety inspection (45§561).

3.1.2.2 STATE PARTICIPATION¹⁵

A Rail Infrastructure Improvement Program Act (HB 394) was authorized in the 2019 State legislative session for rail infrastructure improvements, primarily to upgrade short line railroads to the standard 286,000-pound carload capacity or to extend tracks to serve additional industries. However, no dedicated funding source was provided.

Specific rail projects are funded from the State's annual capital construction program which provides funding for transportation projects around the state.

¹⁵ Ibid.

3.1.3 IOWA

3.1.3.1 STATUTORY REQUIREMENTS AND GOVERNANCE¹⁶

Title VIII Chapter 327H of the Iowa Code¹⁷ allows Iowa DOT to administer a Railroad Revolving Loan and Grant Program (RRLG) for the following purposes:

- To provide assistance for the restoration, conservation, improvement, and construction of railroad main lines, branch lines, switching yards, sidings, rail connections, intermodal yards, highway grade separations, and other rail-related improvements.
- For rail economic development projects that improve rail facilities, including the construction of branch lines, sidings, rail connections, intermodal yards, and other rail-related improvements that spur economic development and job growth.

Title VIII Chapter 327J of the Iowa Code created a Passenger Rail Service Revolving Fund to be used to pay the costs associated with the initiation, operation, and maintenance of passenger rail service.

IOWA TRANSPORTATION COMMISSION

The Iowa Transportation Commission (ITC) was created for the purpose of developing comprehensive transportation policy and planning within the State of Iowa. The ITC has final approval authority on funding allocations, including the Railroad Revolving Loan and Grant Program (RRLG), federally funded highway-railroad grade crossing safety projects, and highway-railroad grade crossing surface repair projects in Iowa.

ITC membership is comprised of seven transportation commissioners, who are appointed by the Iowa Governor and confirmed by the Iowa Senate. The ITC hosts monthly meetings, with eight held in Ames and four held in various other locations around the state annually.

3.1.3.2 STATE PARTICIPATION

RAILROAD REVOLVING LOAN AND GRANT PROGRAM¹⁸

The Railroad Revolving Loan and Grant (RRLG) Program provides financial assistance to improve rail facilities that will create jobs, spur economic activity, and improve the rail transportation system in Iowa. Industries, railroads, local governments or economic development agencies are eligible to apply.

¹⁶ Iowa Department of Transportation, Iowa State Rail Plan, December 2021. Retrieved from: https://iowadot.gov/iowainmotion/railplan/2017/iowaSRP2017_Complete.pdf

¹⁷ Iowa Legislature, Chapter 822 Railroad Revolving Loan and Grant Fund Program. Retrieved from: <https://www.legis.iowa.gov/docs/iac/chapter/07-04-2018.761.822.pdf>

¹⁸ Iowa Department of Transportation, Railroad Revolving Loan and Grant Program. Retrieved from: <https://iowadot.gov/iowarail/financial-assistance/rrlgp>

Assistance is available in the following three categories:

- **Targeted Job Creation** – These rail projects are those that provide immediate, direct job opportunities. Loans and grants are available. Grant funding is contingent on job creation and retention commitments by the applicant and loans can supplement grants if the project cost exceeds that available in grant funding. A local match is required for both grants and loans.
- **Rail Network Improvement** – These rail projects are those that support existing rail lines and service or improve industrial access when no direct job creation is involved. Only loans are available in this category. Loans will be offered at 0 percent for a ten-year term. Loan requests require a 20 percent matching contribution.
- **Rail Port Planning and Development** – Grants of up to \$100,000 are available for planning studies that enable a community, county or region to make fact-based decisions concerning the location, design or funding requirements for a rail port facility. The end result of a planning study should help decision makers evaluate rail development options that support industrial and business progress and economic growth in the community and region. Grant requests require a 20 percent matching contribution.

The RRLG program is funded from loan repayments and State appropriations. The amount of funding availability varies. Projects are approved by the Iowa Transportation Commission.

4.0 SDDOT INVESTMENT OBJECTIVES AND PRIORITIES

4.1 EXISTING SDDOT PLANNING DOCUMENTS

4.1.1 STATE RAIL PLAN (2014)

The previous South Dakota SRP (2014) identified and illustrated South Dakota’s commitment to the following goals:

- 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

The 2022 update to the SRP does not propose any modification to the existing rail goals.

4.2 INPUT FROM UPDATED STATE RAIL PLAN

Multiple stakeholders expressed the sentiment that economic development projects (such as the construction of new rail spurs to provide direct rail access to new shippers) should be given priority equal to that of projects focused on state-of-good-repair for existing rail lines.

Railroad stakeholders have expressed that rail replacement projects yield the most value in terms of the benefits of improved operational reliability, increased operating speeds, and reduced maintenance costs relative to the cost of the investment. For a regional or short line railroad, a one-time investment in new heavy continuous welded rail today can provide operational resiliency for decades – perhaps even a century – as evidenced by the age of current rail still in place and in daily use on some lines. However, railroad stakeholders also see the value in investments that will increase freight traffic on their lines and thus increase ongoing revenue to help sustain ongoing operations and maintenance costs.

Community stakeholders have recently expressed renewed interest in the development of railroad whistle quiet zones (QZ's) at highway-rail grade crossings in urban areas. QZ projects are mainly considered pertinent to quality-of-life rather than safety, though necessary highway-rail grade crossing upgrades to conform with FRA's QZ requirements may offer some safety benefits through engineering improvements. QZ projects are typically community-initiated and community-funded, though they can be implemented on a more systematic basis at the corridor level in collaboration with regional partners.

5.0 SOUTH DAKOTA'S RIG VISION

This section will describe South Dakota's RIG vision and establish the policies and procedures necessary to achieve that vision.

5.1 MERITS OF A COMPREHENSIVE RAIL INVESTMENT STRATEGY

5.1.1 RELATIONSHIP TO OTHER STATE PLANNING DOCUMENT GOALS

The RIG is intended to act as an internal companion document to the SRP that will assist users, including SDDOT and the State Railroad Board, in identifying, evaluating, and making State funding-related decisions for rail projects in South Dakota.

The State Railroad Board has broad discretion in the administration of the Railroad Trust Fund. Projects and partnership opportunities completed to date have generally been approached on a case-by-case basis, without the use of formal program guidance. The State has indicated that creating a more structured program to guide the administration of the Railroad Trust Fund would be beneficial, and serve to enhance program transparency, ease administrative burdens, and create standardized expectations for rail industry partners.

It follows that, in establishing program guidance in the RIG, the State has discretion to focus or otherwise prioritize funding objectives associated with Railroad Trust Fund capital towards projects that it determines best meet State priorities, align with the State's rail vision, and coordinate with the SRP goals and objectives.

As such, the RIG intends to establish principles to support State investment in potential rail projects, and can help implement the priority objectives for the current SRP by helping the State to evaluate and prioritize projects that:

- 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

The purpose of the RIG is to create a program that will enhance the long-term sustainability of the Railroad Trust Fund with a focus on identifying and honoring State resource planning considerations and identifying, evaluating, and promoting public benefits associated with various State capital investments in the rail system. Emphasis is also placed on identifying projects and appropriate partnerships that can help leverage additional investment, such as through other State or federal funding programs, as this helps to achieve expressed stakeholder objectives to maximize available funding opportunities.

Specific Railroad Trust Fund administration goals and outcomes include:

- Yield meaningful partnership opportunities by creating an identified pool of potential partners with the legal and technical ability to implement projects that support SRP goals and objectives.
- Produce potential rail projects that will result in measurable public benefits that flow past the project partners, providing economic or other benefits, in furtherance of the goals and objectives identified in the SRP.
- Be able to be administered sustainably, with limited staff and program management resources, on a recurring annual basis.

Projects that implement rail improvements to further these priorities and demonstrate quantifiable public benefits are ideal candidates for partnership and can be evaluated to determine what type of Railroad Trust Fund partnership--grant, loan, or State-offered match-- best supports project implementation objectives and cost/benefit assumptions for State capital funds.

5.1.2 EVALUATION PROCESS FOR USE OF STATE CAPITAL FUNDS

Projects that can reasonably show evidence of likely achievement of one or more of the SRP goals and objectives are presumed to establish a basis for investment of State funds, though an objective project identification/intake process and evaluation tool could assist the State in performing partnership inquiries and increasing program transparency.

While quantitative cost-benefit analysis tools (such as those required for some federal grant programs) can provide the most direct evidence of public benefits, the analysis effort can be burdensome to potential partners and can establish a high “cost of entry” for State partnership. Appropriate evaluation

also typically requires resources be present at the State level in order to review and validate cost-benefit assumptions and outcomes. Stakeholders routinely cited the ease of working with the State, which is considered a key strength of the current Railroad Trust Fund administration and governance. As such, the State is interested in creating a balanced project identification, intake, and evaluation process that will assist the State with meeting its program goals and performing necessary due diligence, but not create a perceived barrier to potential partnership opportunities.

Creating a standardized ‘project intake’ form would assist the State in ensuring that complete, consistent, and relevant project and project partner information is gathered to support project selection during each funding opportunity. This would help enhance consistent project documentation and help address the State’s articulated concern about demonstrating “due diligence” in the partnership process, at the project identification stage.

Depending on the complexity of the form and State priorities, an intake form can also solicit qualitative or quantitative information to identify and explain the benefits to be derived from the project. A standardized intake process is currently used by several states to assist in establishing baseline information on which to base decision-making, including Kansas, Iowa and Michigan.

In the evaluation phase, the use of a multiple account evaluation matrix, relying on information provided through the intake form and process, would assist the State in establishing a quantifiable evaluation/scoring metric for potential projects. Such an evaluation matrix also supports the State’s desire to engage in appropriate due diligence by providing a process the State can use to help identify, document and evaluate specific project benefits related to the investment opportunities.

One distinct advantage of a multiple account evaluation matrix is the ability to tailor the criteria upon which the project proposals will be evaluated to the State’s specific priorities. Multiple account evaluation matrixes are also uniquely helpful in evaluating a variety of different project types because a variety of criteria can be integrated and weighted to contribute to an overall composite score. Examples of factors aligning with stakeholder and State goals include:

- Creation of economic development opportunities for new or expanded business
- Contribution to state of good repair
- Creation of environmental benefits
- Additional freight capacity
- Reduction of highway impacts
- Enhanced safety
- Job creation
- Leveraging federal funding
- Environmental class of action (relevant for federal partnership)

An intake form and a multiple account evaluation matrix have been developed for South Dakota in parallel with this RIG document. **Appendix A** provides a companion user guide for the use of the proposed Project Intake Form. **Appendix B** provides a companion user guide for the use of the proposed Evaluation Matrix.

5.1.3 VALUATION PRINCIPLES FOR STATE-OWNED ASSETS

Project intake documentation and multiple account evaluation matrix tools could be equally useful in assisting the State with determining how and whether to partner for investment in State-owned assets.

Investment in State-owned assets could contribute to marketability of the assets, enhancing potential revenues from lease or eventual sale. However, the remaining State-owned rail lines at this time would generally require significant improvements before the State could realize any return on investment. There is no expressed interest or evidence that suggests strategic increases in rail load capacity on State-owned lines would attract more shippers. South Dakota has not expressly communicated a desire to prioritize investments in State-owned assets over other potential opportunities. Therefore, it is recommended that the potential opportunities on State-owned lines be evaluated using the same evaluation matrix as other potential opportunities.

5.2 PROJECT PRIORITIZATION

A total of 34 presently unfunded project concepts were identified by stakeholders during the development of the 2022 South Dakota SRP, including 17 potential short-term projects and 17 potential long-term projects.

Appendix C provides project prioritization rankings for the current (2022) inventory of short-term and long-term future projects proposed by stakeholders.

Using conceptual project information provided by stakeholders, the proposed projects have been scored in a binary (yes/no) fashion based on whether or not they could conceivably satisfy each of the following nine individual public benefit merit scoring criteria:

- Enable Economic Development
- Generate Additional Carloads
- Reduce Slow Order Miles
- Improve FRA Track Classification
- Increase Weight Capacity
- Reduce Truck Impacts
- Reduce Crashes / Derailments
- Improve Resiliency and Maintain / Replace Existing Assets
- Located on State-Owned Rail Line Network

Project concepts have been assigned a score out of 9 possible points based on how many public benefit scoring criteria they could potentially satisfy. This exercise may be repeated periodically, as needs and opportunities will change over time and new project concepts may be identified during future stakeholder outreach to support future plan updates.

5.3 FUNDING STRATEGIES TO ENHANCE AND SECURE REVENUE RETURN ON INVESTMENT USING RAILROAD TRUST FUND

5.3.1 PROCEDURES FOR ISSUING GRANTS

The State has expressed a desire to continue its ability and capacity to make direct grants from the Railroad Trust Fund to eligible partners to fund rail improvements. In some instances, issuance of a State grant from the Railroad Trust Fund may be distinctly preferable compared to other available funding opportunities, or there may be the opportunity to the use of the Railroad Trust Fund to provide a non-federal match for a federal grant. Examples include projects where typically smaller funding amounts will provide benefits, since federal programs have a comparatively high 'point of entry' that includes administrative/oversight resource considerations and costs to complete environmental review requirements. federal funding also typically extends the project delivery timeline, sometimes significantly, to account for the time to create and execute a federally acceptable grant agreement. Establishing a 'threshold' for when a State grant would be preferable to federal grant opportunities recognizes the limited administration resources available to the State, and would help preserve State oversight resources for larger, priority projects where federal investment is particularly necessary or beneficial.

Considerations that may indicate a project is a strong candidate for a State grant include:

- Total Project Cost
- Match Percentage
- Project Delivery Timeline
- Environmental complexity
- Emergency considerations
- Project oversight needs
- Available oversight capacity

Likewise, establishing typical State terms and conditions associated with State grant agreements would provide predictability for project delivery conditions. Typical terms associated with a grant of State funds include:

- Funding mechanism, including whether the grant is reimbursable based on progress
- Duration of project performance period
- Maintenance requirements, to help preserve State supported outcome
- Reporting requirements, to support reimbursements and/or project benefits

- “Claw back” provisions available to the State if terms and conditions are not met or project benefits are not achieved

Once terms for a State grant program are established, creation of a simple grant agreement template integrating fields for necessary project information and incorporating terms and conditions is also recommended.

5.3.2 PROCEDURES FOR ISSUING LOANS

Under the current structure, the South Dakota State Railroad Board continuously receives numerous worthy applications for Railroad Trust Fund dollars, particularly those seeking loans.

The South Dakota Railroad Board loan program allows Regional Railroad Authorities to apply for loan(s) from the Railroad Trust Fund for the rehabilitation, expansion and construction of industrial sidings or main line track. Project partners typically partner with the Regional Railroad Authorities for the repayment of the loan. The program does not have standardized terms and conditions; and each loan is considered on a case-by-case basis primarily influenced by need.

Enacting strategies to provide a more prescriptive loan program structure for the Railroad Trust Fund could help provide predictability in funding levels, due diligence in request evaluation, and long-term sustainability of Railroad Trust Fund assets. The following list includes a sampling of program guidelines to support a structured loan program:

- Identify Trust Fund maintenance levels: prescribe any minimum balance to be maintained in the Trust Fund to enhance preservation of assets and long-term predictability of funding options, given the multiple uses. For example, in March 2012, the South Dakota State Railroad Board approved \$6,615,600 in loans, significantly depleting then available balance of \$7 million and limiting the ability to use Railroad Trust Fund assets for other purposes.
- Identify any minimum or maximum available loan amounts, for instance by project type or by funding available.
- Create standard loan program terms and conditions (as opposed to project-specific terms and conditions), This will create consistency and standardize expectations among potential borrowers and ease the administration of the program for South Dakota. Such an approach helps to minimize risk to the State, enhances program transparency, and contributes to a sustainable administration of Railroad Trust Fund assets. The State can identify a set of loan terms, such as:
 - Lending term and repayment provisions, including frequency
 - Interest rate
 - Recommended minimum of standard treasury rate
 - Premiums on top of any standard rate may be assessed based on evaluation of creditworthiness of borrower
- Procedures in the event of default, including potential loan forgiveness.

5.3.3 PROCEDURES FOR ISSUING LOAN GUARANTEES

In addition to the ability to make loans and grants directly from the Railroad Trust Fund, and offer Railroad Trust Fund assets as program match, the State Railroad Board could also leverage Railroad Trust Fund assets to offer a loan guarantee, where the project partner is pursuing a railroad improvement loan through an independent entity.

Provision of a loan guarantee could help some potential partners access the federal Railroad Rehabilitation and Improvement Financing (RRIF) loan program, administered by the Build America Bureau (the Bureau) within the U.S. Department of Transportation. USDOT has authority to lend up to \$35 billion for eligible rail projects/applicants through RRIF. Eligible borrowers include railroads, State and local governments, government-sponsored authorities and corporations, some freight shippers seeking to build a new connection to rail, and joint ventures/partnership including at least one eligible entity.

RRIF loans typically offer a comparatively low interest rate and other favorable terms when compared to private lending options, though the RRIF loan application process can be lengthy, and RRIF loans are federal actions triggering federal regulatory requirements including completion of NEPA.

Eligible project applicants are subject to a review of creditworthiness, quantified through the credit risk premium, in establishing the overall interest rate. Methods that can bolster the application creditworthiness evaluation include partnering with the State as co-applicants, or having the State offer a guarantee, in case of applicant default, wherein the Railroad Trust Fund assets could be accessed to repay any remaining balance on the RRIF loan.

6.0 DIVESTMENT OF STATE-OWNED RAILROAD ASSETS

6.1 EXPLANATION OF DIVESTMENT

Railroads in the United States have historically been financed by private investors (with the exception of early federal land grants) and subsequently operated as for-profit businesses. Federal, State, and local government agencies have typically only acquired rail assets for one of four reasons:

- To develop passenger transportation corridors
- Urban renewal
- To develop recreational trails
- To preserve freight rail access for current or potential future local shippers

In South Dakota, rail has historically been purchased for the latter reason, to preserve freight rail access for local shippers. The State Railroad Authority and SDDOT have not engaged in the operation of railways; rather, State-owned lines have been leased or sold to private operators.

It has historically been the policy of SDDOT to seek to divest itself of State-owned rail assets once they have reached a point of operational viability for the private sector.

6.2 DIVESTMENT VERSUS ECONOMIC DEVELOPMENT OF STATE-OWNED RAILROAD LINES

This section will evaluate the relative advantages and disadvantages of divestment compared to alternative investment or retention strategies.

6.2.1 POTENTIAL LEGISLATIVE ACTION

6.2.1.1 OPPORTUNITIES FOR PRESERVATION OF SEGMENTS CRITICAL TO FUTURE PASSENGER RAIL SERVICE

At this time, no future commuter or intercity passenger rail service is planned in South Dakota.

Existing State-owned lines in South Dakota are not principal main lines, nor do they connect major population centers within or outside of the state. It is unlikely that any of the three remaining State-owned rail line segments will be needed for potential future passenger rail service.

6.2.1.2 OPPORTUNITIES FOR RAILBANKING AND INTERIM TRAIL USE

There is considerable public interest in converting some of the railbanked portion of the Napa-Platte line between Platte and Ravinia into a recreational trail. The costs and benefits of this proposal must be considered thoroughly before a decision is made.

6.2.2 ENCOURAGING INDUSTRY EXPANSION/LOCATION ON RAIL-SERVED SITES

DMVW has noted additional opportunities for industrial development on its leased State-owned line between Aberdeen and Geneseo Jct. (Britton Line).

Economic development opportunities appear sparse on the State-owned Napa-Platte Line and Huron-Yale Line. There had previously been interest in developing an ethanol facility in Wagner on the Napa-Platte Line; this opportunity appears to have passed.

Small-scale carload grain elevators on all three State-owned lines, such as those in Amherst, Tabor, and Yale, no longer have cost-effective rail shipping options due to Class I railroad freight rate structures which favor larger (110+ car) unit/shuttle trains. Numerous such large-scale facilities have been constructed in South Dakota in recent decades, including one in Britton and one at Napa Junction.

6.3 EXAMPLES OF OTHER STATE RAIL DIVESTMENT EFFORTS

6.3.1 OKLAHOMA – SOONER SUBDIVISION

6.3.1.1 CONTRIBUTING FACTORS TO STATE ACQUISITION

Like South Dakota, Oklahoma had an over-developed rail network by the mid-twentieth century. Route rationalization strategies of major Class I railroads in the state, including the Atchison, Topeka, and Santa Fe Railway and the St. Louis-San Francisco Railway, as well as the bankruptcy and liquidation of the Chicago, Rock Island and Pacific Railroad (much akin to the bankruptcy of the Milwaukee Road), contributed to the potential for a large portion of Oklahoma’s rail route miles to be abandoned.

The Sooner Subdivision was constructed by the St. Louis-San Francisco Railway and formed one of three “branches” of that railroad radiating from Tulsa, Oklahoma. This branch reached through Oklahoma City, Oklahoma and on to Quanah, Texas. The other two branches led to Avard, Oklahoma and to Dallas, Texas, respectively, and continue to serve as principal main lines of the BNSF Railway network today.

In 1998, BNSF Railway sought to abandon the 97.5-mile Sooner Subdivision between Sapulpa and Midwest City, Oklahoma (roughly corresponding to Tulsa and Oklahoma City, respectively).

The Oklahoma Department of Transportation (ODOT) purchased the Sooner Subdivision from BNSF Railway on February 12, 1998. The Sooner Subdivision was then leased to Stillwater Central Railroad, L.L.C. (SWLC), a Class III short line railroad.

6.3.1.2 CONTRIBUTING FACTORS TO STATE DIVESTMENT

Like South Dakota, Oklahoma had acquired several rail corridors with strategic foresight and intended to return each segment to private ownership once local rail traffic had rebounded to the point where there would be adequate operating revenue to support ongoing private operations.

Because the line connected Oklahoma’s two largest cities (Oklahoma City and Tulsa), ODOT envisioned that this corridor could one day become an intra-state regional passenger rail corridor. The lease agreement included a stipulation that future passenger service be accommodated on the line.

Effective August 4, 2014, the Sooner Subdivision was sold to Stillwater Central Railroad for \$75 million with a number of stipulations, detailed in the next section.

6.3.1.3 BEST PRACTICES

ODOT requested bids from prospective buyers, which were then reviewed by the State’s Secretary of Finance, Secretary of Agriculture, Secretary of Commerce, Secretary of Energy, and Secretary of Transportation. An economic impact assessment was also conducted.

The sale agreement included the following stipulations¹⁹:

- Buyer will improve the main line track to FRA Class 3 condition.
- Buyer will make additional capital improvements specified in buyer’s proposal:
 - Buyer will construct new rail line into or near Cushing, Oklahoma (“Cushing Line”) and infrastructure improvements to associated terminals and facilities located on or near the Sooner Sub or Cushing Line, totaling \$101,800,000.00.
 - Buyer will perform additional capital expenditures necessary to provide passenger service, totaling \$2,185,000.00.
- Buyer will continue to serve existing customers.
- Buyer will continue existing connections to other railroads.
- Buyer will provide or arrange for a pilot program of regular passenger service to be provided, between Tulsa and Oklahoma City, or between Sapulpa and Del City if access to Tulsa and Oklahoma City are not available on agreeable conditions to the passenger service provider, at least twice per day, seven (7) days per week, for a period of at least six (6) months, in order that feasibility of regular passenger service can be evaluated. Such pilot program of passenger service must be commenced on or before the fifth (5th) anniversary of the Closing.

6.3.1.4 LESSONS LEARNED

While SLWC did upgrade the track from Class 2 to Class 3 condition, SLWC defaulted on its obligation to develop and provide passenger service and paid the specified penalty in lieu of providing the service. The line continues to have freight service, but prospects for future passenger service are effectively lost.

Critics note that the alignment of the route is not conducive to competitive passenger rail service due to the amount and severity of curvature compared to the relatively much straighter path of the parallel Interstate 44 “Turner Turnpike” toll road.

6.3.2 COLORADO – TOWNER LINE

6.3.2.1 CONTRIBUTING FACTORS TO STATE ACQUISITION

The Towner Line is a segment of former Missouri Pacific Railroad track between N.A. Junction, Colorado (near Pueblo) and the Colorado/Kansas state line near Towner, Colorado.

Through freight rail traffic on this line had been robust until the late 1990s, when owner Union Pacific Railroad (UP) discontinued through freight service on the adjoining Tennessee Pass Subdivision between Pueblo, Colorado and Dotsero, Colorado. As a result, the eastward connection from Pueblo, Colorado to Herington, Kansas was rendered redundant.

¹⁹ Passenger Rail Oklahoma, Sooner Sub Sale Agreement. Retrieved from:
[http://passengerrailok.org/memberfiles/odotsooner/sub/16-FINAL%20Sale%20Agreement%20\(2014\).pdf](http://passengerrailok.org/memberfiles/odotsooner/sub/16-FINAL%20Sale%20Agreement%20(2014).pdf)

During the 1998 Colorado Legislative Session, HB-98-1395 was passed by the Colorado Legislature and signed by the Governor. That bill allocated \$10.4 million to the State Rail Bank Fund to purchase the Towner Line from UP for the purpose of subsequently leasing or selling the line to a short line operator. The line was purchased from UP in July 1998 and subsequently advertised for sale. Since that time the State has leased the line to short line operators.²⁰

6.3.2.2 CONTRIBUTING FACTORS TO STATE DIVESTMENT

In March 2000, the Colorado Department of Transportation (CDOT) leased the Towner Line to the Colorado Kansas and Pacific Railway Company (CKP) for five years with an option to buy. CKP operated rail service on the line from April 2000 until June 2004.

In 2005, CDOT signed a lease-purchase agreement with Victoria & Southern Railway (V&S). Details of the purchase agreement specify that V&S Railway would operate the line for six years in adherence with State and federal regulations. The lease specifies that CDOT has the first right to repurchase should V&S Railway be unwilling or unable to continue to operate the line post-purchase agreement.

In January 2006, the V&S began rehabilitation and improvements of the Line which included: track repair, track replacement, repair of active crossing equipment, and returning the track to Class II operating standards. The first train on the rehabilitated line operated in September 2006, hauling grain.

V&S exercised its right to purchase the line on October 4, 2011. On this date, V&S presented CDOT with certified funds of \$9,356,000. This money was deposited into the State Rail Bank. These funds were transferred by the legislature into the general fund.

6.3.2.3 LESSONS LEARNED

On December 1, 2011, CDOT received formal notice of intent from the Victoria and Southern Railway to abandon 79.5 miles of the Towner Line, from N.A. Junction to Eads, Colorado. As required by 43-1 Part 13, CDOT notified the legislature of the availability of the line. The legislature chose not to exercise the State's right of first refusal. In December 2012, V&S notified CDOT of its intent to abandon the remaining 39.5 miles of the line from Eads, Colorado to Towner, Colorado.

On May 14, 2014, V&S filed a notice of Exemption Abandonment with the STB to abandon the remaining 39.5 miles from Eads to Towner, Colorado. The STB rejected the petition on June 17, 2014 "because this transaction requires further scrutiny," based on filings made by interested parties claiming V&S has failed to meet all required legal requirements.

²⁰ Colorado Department of Transportation, *Report to the Transportation Legislation Review Committee on Rail Abandonments and the Potential for Rail Line Acquisitions*, October 2017. Retrieved from: <https://www.codot.gov/programs/transitandrail/assets/plans-studies-reports/report-to-the-transportation-legislation-review-committee-on-rail-abandonments-and-the-potential-for-rail-line-acquisitions/sb-37-report-for-2017>

On July 28, 2014, KCVN LLC notified V&S, CDOT, and others of an offer to purchase the Towner Line from V&S for \$10.0 million and transferred \$1.0 million in earnest money to V&S for that purpose.

In mid-August 2014, V&S began removal of track between NA Junction and Haswell. V&S asserted the 2012 discontinuance of service entitled V&S the legal right to remove track. KCVN challenged that assertion. The case between the two companies went before an Administrative Law Judge with the Surface Transportation Board. On June 2, 2016, CDOT submitted a letter of support to the STB in support of KCVN's proposed acquisition of the line.

On July 31, 2017, the STB issued a decision ordering the sale of the line from V&S to KCVN. The parties chose to participate in STB-sponsored arbitration to determine the net liquidation value of the line.

The sale of the Towner Line to V&S had nearly resulted in loss of rail service and abandonment of the line. KCVN has subsequently restored service on the line and has reopened the previously disused interchange with BNSF at NA Junction.

6.4 OPPORTUNITIES FOR DIVESTMENT OF RAIL ASSETS IN SOUTH DAKOTA

6.4.1 ABERDEEN – GENESEO JCT. LINE

The Aberdeen-Geneseo Jct. Line (Britton Line) is currently leased to the Dakota, Missouri Valley & Western Railroad (DMVW) for operation and has multiple active rail shippers, including a soybean processing plant in Aberdeen and a large grain elevator in Britton.

DMVW has expressed that the time is not yet right to acquire the line from the State of South Dakota as freight volumes, though currently growing, are not yet yielding sufficient revenue to cover the cost of ownership. The potential opportunity for DMVW to acquire the line may yet arise in the future.

6.4.2 HURON-YALE LINE

The Huron-Yale Line is currently leased to the Rapid City, Pierre & Eastern Railroad (RCPE) and is used for railcar storage and periodic grain shipment from Yale. There is no through traffic on this line connecting with the adjoining BNSF Watertown Subdivision.

While there is some revenue freight movement on this segment, volumes are currently low and RCPE has not indicated an interest in acquiring the line.

6.4.3 NAPA-PLATTE LINE

The Napa-Platte Line is currently leased to the Dakota Southern Railway (DSRC) and is only used for railcar storage between Napa Junction and Tabor.

DSRC has not indicated an interest in acquiring the line. With no active shippers, the line currently has little utility beyond car storage potential, but could have value in the future if a need for freight movement arises.

6.4.4 WOLSEY INTERCHANGE

The Wolsey Interchange is a section of State-owned track located in Wolsey, South Dakota that was constructed using State funds for the purpose of enhancing carload and unit train interchange between BNSF and RCPE where the two railroads intersect. The Wolsey Interchange is currently leased to RCPE. This facility provides significant operational utility and benefits to both the BNSF and RCPE, as well as their customers throughout the region. However, the facility does not directly generate revenue for either railroad through direct connections to active shippers or through transloading.

Transfer of the Wolsey Interchange to RCPE ownership would have little or no effect on current operations, but there is currently little incentive for RCPE to seek to acquire the property.

7.0 SUPPLEMENT TO THE COMMODITY FLOW ANALYSIS

7.1 EXISTING FREIGHT DEMAND ON STATE-OWNED RAIL LINES

This section expands on the rail commodity flow analysis conducted as part of Chapter 2 of the SRP to provide an indication of current freight demand on State-owned lines.

7.1.1 DATA SOURCES

This analysis relies on data provided in the 2019 Surface Transportation Board (STB) Carload Waybill Sample. The Carload Waybill Sample is a representative sample of shipment data reported by railroads that terminate (deliver) more than 4,500 rail cars per year. Freight railroads that terminate fewer than 4,500 rail cars annually do not contribute directly to this dataset; however, shipments originating or terminating on non-reporting railroads may still be reported by a connecting railroad interchange partner. The data are considered representative of all rail freight moved and provide insight into inbound, outbound, internal, and through movements.

Each individual waybill record describes the origin and destination stations, the commodity type, the number of carloads, and the tonnage of an individual shipment.

Because the Carload Waybill Sample is not an all-inclusive dataset, an estimated expansion factor is provided and is applied to estimate the total annual number of carloads and annual tonnage that each sample waybill record is representative of.

7.1.2 SUMMARY OF FREIGHT MOVEMENT ON STATE-OWNED LINE SEGMENTS

Table 4 provides a summary of the estimated tonnage and carloads that originated or terminated on each State-owned line segment in 2019.

Table 4: South Dakota Freight Rail Movement by State-Owned Line Segment, 2019

State-Owned Line Segment	Total Annual Expanded Tonnage	Total Annual Expanded Carloads	Tons per Carload
Aberdeen-Geneseo Jct. Britton-Jarrett Jct.	299,762	2,800	107.1
Huron-Yale	10,016	100	100.1
Napa-Platte	0	0	0
Wolsey Interchange	703,964	6,741	104.4
Total	1,013,742	9,641	105.0

Source: 2019 STB Carload Waybill Sample

7.1.2.1 ABERDEEN – GENESEO JCT. LINE

According to the 2019 STB Carload Waybill Sample, freight handled on the Aberdeen-Geneseo Jct. Line in 2019 consisted of outbound unit trains loaded with corn and soybeans from Britton and inbound carload shipments of lumber delivered to Britton.

7.1.2.2 HURON-YALE LINE

According to the 2019 STB Carload Waybill Sample, small amounts of freight originated on the Huron-Yale line in 2019, and consisted of outbound carload shipments of soybeans. No freight was terminated on the Huron-Yale Line.

7.1.2.3 NAPA-PLATTE LINE

According to the 2019 STB Carload Waybill Sample, no originating or terminating freight was handled on the Napa-Platte Line in 2019.

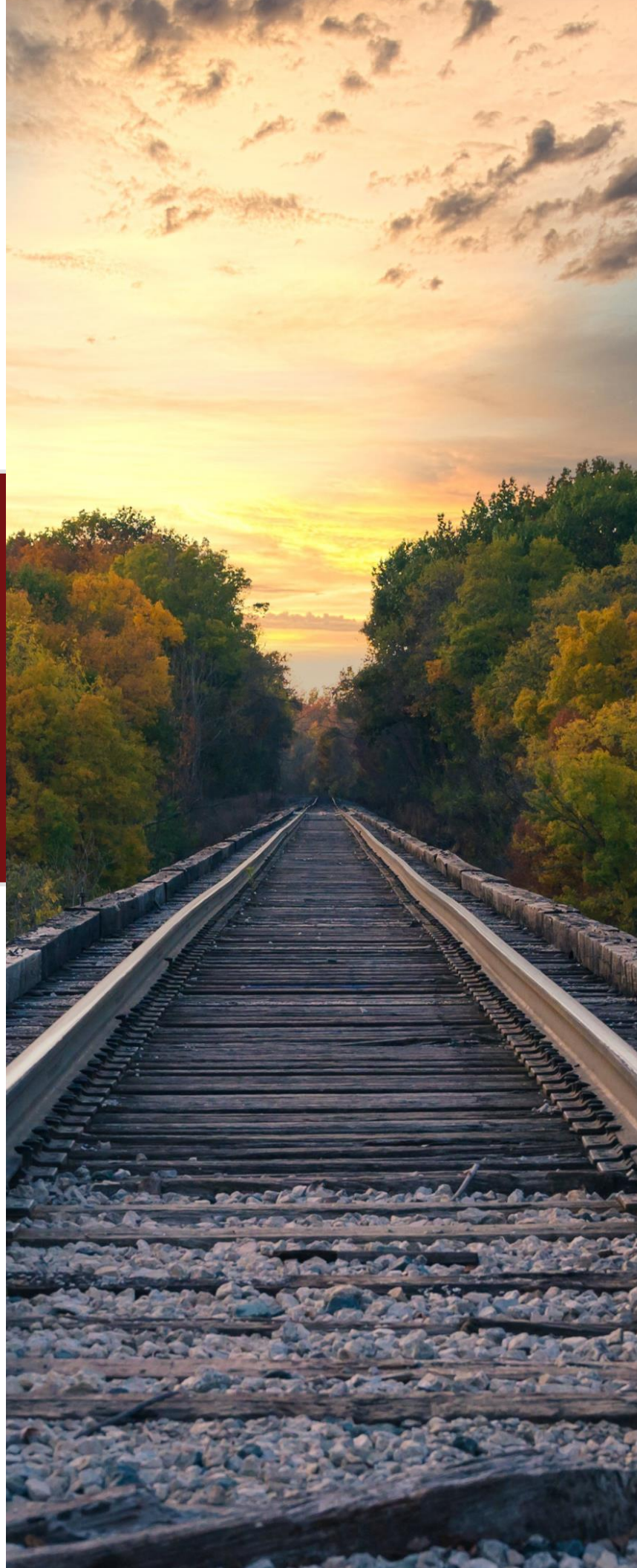
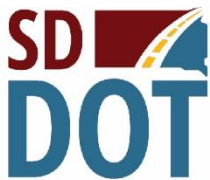
7.1.2.4 WOLSEY INTERCHANGE

According to the 2019 STB Carload Waybill Sample, freight handled through the Wolsey Interchange in 2019 consisted of approximately 30 outbound unit train shipments of corn, soybeans, and ethanol along with additional carload shipments of cement and bentonite, all originating on the RCPE network.

Appendix A: Intake Form User Guide

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1. APPLICANT INFORMATION

a. Entity:

Provide the legal name of the business/organizational entity seeking to partner with SDDOT.

b. Point of Contact

Provide the name and contact information for the Applicant entity point of contact, including title. This information will be used to establish a primary point of contact for SDDOT communications regarding the proposed project.

- c. Address Line 1
- d. Address Line 2
- e. City
- f. State
- g. Zip Code
- h. Phone Number
- i. Email Address

2. PROJECT LOCATION

Describe the geographic location of the proposed project, including identification of rail line segments, mileposts, facility locations, or other relevant information.

If there are multiple project components, please identify and locate each major project component in relation to the segments and milepost locations. This information will be used to support project identification mapping.

Please also indicate specifically whether the project is located on the State-owned rail network.

3. PROJECT DESCRIPTION

Describe, in general terms, the purpose and need for the proposed project, including identification of any challenges the project will address, or benefits that the project seeks to provide, and explain how the proposed project can address those needs/benefits.

Provide a general description the process or planning used to identify and develop the project to date.

Describe the work to be performed. If there are multiple project components, include a specific description of each project component necessary to support the project's purpose and need. This information will be used to help define project scope and enable evaluators to assess the project's merits

4. PROJECT FUNDING

Please indicate whether the applicant is seeking a loan from the State Railroad Trust Fund.

Please provide an estimate of the anticipated total project cost, inclusive of all project components.

Please fill out the enclosed project funding table identifying requested funding amounts from federal and/or state partners. If applicable, provide an estimate of the available funding to be provided by the Applicant and/or any other contributing parties to support project implementation.

Please indicate specifically the percentage share of private funding (not from federal, state or local governmental sources) contributing to the project as proposed, and the percentage share being sought from State grant or loan, as applicable.

5. ANTICIPATED BENEFITS

Information from this section will be used to evaluate the types of anticipated project benefits a project is expected to produce and assist with aligning the project with various potential state and federal funding priorities.

a. Economic Development Opportunities?

Please identify whether the project is intended to create new or support existing economic development opportunities. If yes, please provide a description of the new/existing economic opportunity, and provide an explanation of how the project will support rail dependent businesses or facilities in the creation of new or enhanced employment opportunities, new market opportunities, etc.

b. Additional Freight Carloads?

Please identify whether the project is anticipated to generate additional freight carloads on the affected/involved rail segment(s). If yes, please provide an estimate of the number of additional freight carloads and expected frequency of carloads compared to existing freight volume levels expected as a result of the project.

c. Reduction of Slow Order Miles?

Please identify whether the project will reduce the number of slow order miles currently in place on the affected segment(s). If yes, please indicate the total number of slow order miles currently

in place as a percentage of the railroad's total overall route miles, and the expected reduction of slow order miles as a result of the project.

d. FRA Track Classification Upgrade?

Please identify whether the project will result in an upgrade to the existing FRA Track Classification for the affected segment(s). If yes, please identify the current FRA Track Classification(s) in the project area(s), the new anticipated FRA Track Classification as a result of the project, and identify the total track miles, including milepost boundaries, of rail anticipated to be upgraded as a result of the project.

e. Accommodating 286,000 lb. Carload Capacity?

Please identify whether the project will deliver improvements that result in the ability of rail infrastructure to accommodate 286,000 carload capacity. If yes, please indicate the current capacity constraints of the rail and/or other involved infrastructure and identify the specific improvements that will result in the upgraded carload capacity (i.e., bridge replacements, heavier rail, etc.). Please also indicate how many rail miles will be upgraded and provide the milepost boundaries as applicable.

f. Diversion of Truck Traffic to Rail?

Please indicate whether an outcome of the project will be a diversion of existing or future truck traffic off highways and onto rail. If yes, please identify the projected diversion and indicate which highways will be primarily affected by the diversion. Provide an estimate of the distance any new freight captured or generated will need to travel via truck to a rail transload facility, if applicable.

g. Grade Crossing or Pedestrian Safety Benefits?

Please indicate whether the project will make improvements to existing at-grade crossings (including elimination) or whether the project will implement pedestrian related safety improvements. If yes, please identify the crossing (if applicable) and describe how the improvements are expected to result in enhanced safety, providing an estimate in the anticipated reduction in accidents if possible.

h. Supporting State of Good Repair or Preserving an Existing Railroad Corridor for Continued Rail Use?

Please indicate whether the project is intended to bring railroad assets into a state of good repair, supporting continued use, or intended to preserve a current railroad corridor for further use by

preventing abandonment or discontinuance of rail service? If yes, please explain the current state of the railroad asset and identify how the project improvements will enhance state of good repair, including longevity, resiliency and reliability, or continued rail use. Please also identify, as applicable, whether the project improvements are being implemented in an area prone to climate or weather-related risks such as flooding.

6. PROJECT READINESS

- a. **If seeking federal funding for construction, explain the status of any Preliminary Engineering (PE) supporting project development.**

Please explain, as applicable, the status of project preliminary engineering. Identify any conceptual engineering, cost estimates, etc., that have been completed to date and that would inform evaluation of the engineering readiness of the project as planned and documented to date.

- b. **If seeking federal funding for construction, identify the status of appropriate National Environmental Policy Act (NEPA) documentation supporting project development.**

Please explain, as applicable, the status of any NEPA documentation and/or environmental evaluations, including any environmental studies and/or applicable FRA Class of Action determinations or environmental decisions under NEPA. If possible, for projects seeking federal funds, please provide the anticipated FRA Class of Action (CE, EA, or EIS), if NEPA activities have not commenced, and provide an estimated timeline to initiate environmental analysis activities to support an eventual NEPA decision.

- c. **Please indicate if this project has been documented in any of the following planning documents:**

- i. **South Dakota State Rail Plan**

The South Dakota State Rail Plan will be published in 2022; amendments to the State Rail Plan may be published as needed to include new rail projects.

- ii. **South Dakota State Freight Plan**

The most recent South Dakota State Freight Plan was published in 2017.

- iii. **South Dakota Long Range Transportation Plan**

The most recent South Dakota Long Range Transportation Plan was published in 2021.

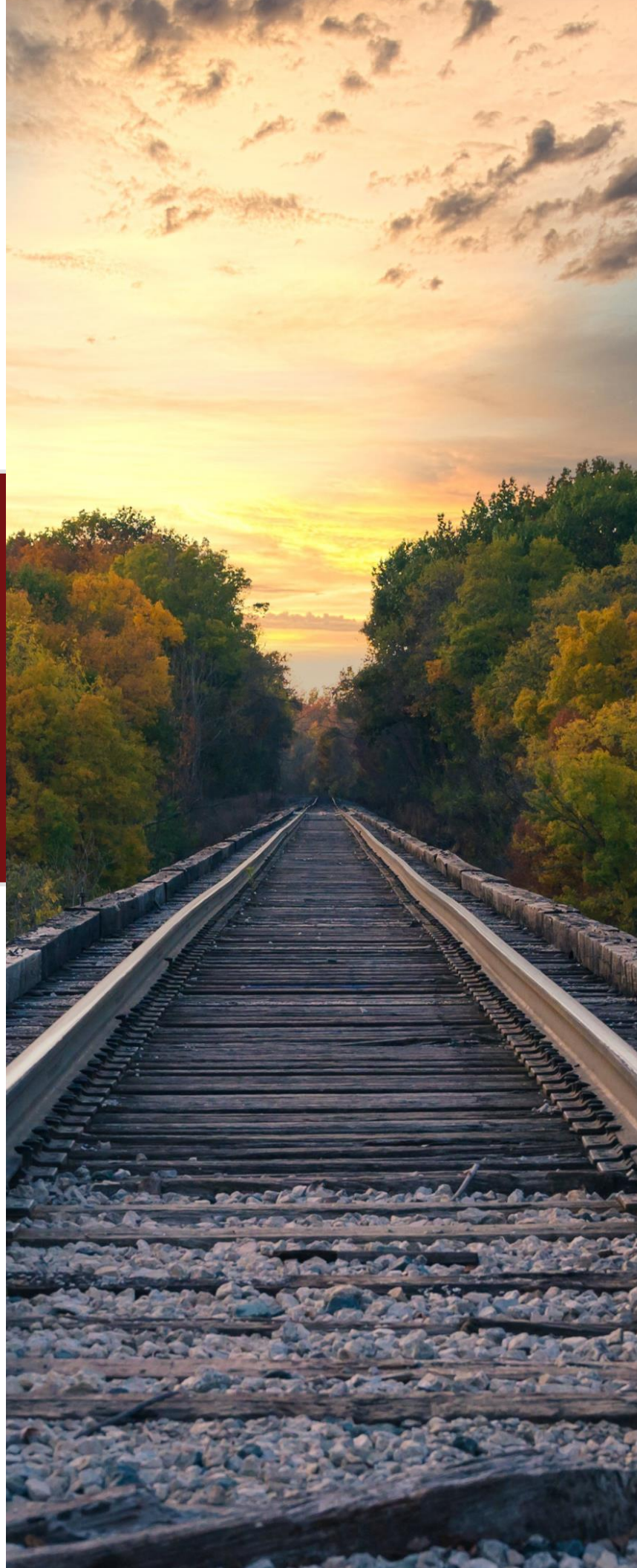
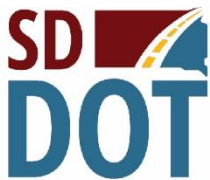
- iv. **Local/Regional Planning Documents**

Identify the name of the plan and year of publication, as applicable.

Appendix B: Evaluation Matrix User Guide

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1. PURPOSE

The Evaluation Matrix is intended to establish objective scoring criteria aligned with the South Dakota State Rail Plan goals and objectives, and other administration priorities, to aid in the evaluation of potential partnership opportunities presented to the South Dakota of Transportation's Office of Air, Rail and Transit and the State Railroad Board.

2. BACKGROUND

The Evaluation Matrix identified scoring criteria that align with State Rail Plan goals. Each of the Criteria are designed to be numerically scored on a scale of 1-5, with appropriate indicators supporting scoring ranges as stated for the applicable criteria. Due to the variety of goals and supporting criteria, it is likely that not all criteria directly apply to a proposed project. Most scoring criteria carry a weighted score of 1 (though this weight can be adjusted to better align with specific priorities at any given time); some criteria carry a higher weighted score to align with stated SDDOT funding and/or administrative priorities. Applicants are asked to indicate whether a project will produce a variety of benefits that align with the evaluation criteria, and it is not necessary for projects to score highly in all scoring criterions in order to remain competitive in the evaluation process. Applicants are also asked to provide information related to project readiness, provide comprehensive proposed funding information, and indicate directly whether a project is located on the State-owned railroad network. Evaluators are encouraged to review the information provided by the applicant and use independent judgement when applying the criteria to produce a numeric score.

3. SCORING CRITERIA

a. Criterion: Economic Development

Metric: evaluated by the number of anticipated new jobs at rail-dependent facilities opportunities.

A high-scoring project will directly support rail-dependent businesses by producing or sustaining quality job opportunities. This metric is primarily targeted for economic development projects, such as the introduction of rail access to an otherwise unserved facility.

b. Criterion: Freight Transportation

Metric: evaluated by the anticipated new number of freight rail carloads to be generated as a result of the project. Applicants are asked to provide existing freight volumes and predict how many additional carloads would be handled as a result of the project.

A high-scoring project would present evidence of consistent high carload volumes anticipated as a result of the project, occurring regularly. This metric is primarily targeted to evaluate industrial access and expansion projects by correlating industrial output into increased freight rail traffic for the transportation of those output commodities.

c. Criterion: State of Good Repair

Metrics: Recognizing the State of Good Repair for railroad assets can be evaluated in different manners, the metrics evaluate:

- Whether a project would result in a reduction of slow order miles. Applicants are asked to indicate whether slow order restrictions exist on the affected line segment, and provide information on how the project would reduce those slow orders, if applicable, based on percentage of the affected track segment.
- Whether the project will result in an anticipated upgrade to the FRA Track Classification for the affected segments. Applicants are asked to indicate the applicable FRA Track Classification and indicate how the project will result in an upgrade, such as removal of Excepted track status, as applicable.
- Whether the project will allow for the affected rail segment to accommodate 286,000-lb. modern loading capacity. Applicants are asked to provide information on current infrastructure capacity and indicate the type of improvements that would result in the line's accommodation of 286,000-lb. capacity, as applicable.

A high-scoring project would present evidence that because of the improvements, there is a quantifiable change to state-of-good-repair benchmark metrics that generally result in faster, more reliable rail shipments accommodating more capacity and facilitating ease in operations and minimizing the risk of product loss for shippers. These metrics could potentially be subject to certification, through appropriate inspection, after the completion of the project.

d. Criterion: Highway Safety

Metrics: Recognizing that enhanced freight rail operations can contribute to safer highways both directly and indirectly, the metrics evaluate:

- The potential to impact total truck miles traveled for affected shippers, based on anticipated truck travel distance to a transload facility or through business districts. Applicants are asked to indicate, if applicable, how trucking will be involved in the end supply chain for the particular project, and what is the anticipated routing of those trucks. A freight project that requires 'first-mile/last-mile' trucking from a rail-served site

is not disqualified from scoring highly in this sub-criterion. However, the SDDOT does wish to promote rail in such a way that it minimizes impacts on rural roads and urban streets that are not designed to handle high volumes of truck freight.

- The potential for reduction of accidents, injuries, or fatalities, including those at highway-rail grade crossings. Applicants are asked to provide information explaining how the project improvements will help enhance safety and provide an estimate of the reduction in accidents that can be anticipated as a result of the project.

e. **Criterion: Improve Railroad Safety, Security and Resiliency**

Metric: Whether the project will result in more resilient and reliable infrastructure that can better resist failure, compromise, or abandonment and support ongoing continued rail service.

Applicants are asked to indicate whether the project is being undertaken in an area subject to climate or weather-related threats such as flooding, and describe how the project will increase reliability of the rail line for continued rail use.

A high scoring project would present evidence that the project will result in improvements that will quantifiably reduce the number of accidents, or enhance infrastructure reliability by making it more resilient against environmental factors that could potentially contribute to future rail service disruptions.

f. **Criterion: Project Readiness**

Metrics:

- The level of preparedness of Preliminary Engineering (PE) documentation for those projects that are seeking federal funding opportunities. Applicants are asked to provide information about level of design efforts completed to date to evidence sufficient project development. A project demonstrating significant engineering activities complete would score highly.
- The level of preparedness of National Environmental Policy Act (NEPA) documentation, including associated environmental studies, for those projects that are seeking federal funding opportunities. Applicants are asked to provide information about that environmental analysis completed to date to support an ultimate NEPA decision, and are asked to anticipate the appropriate NEPA Class of Action (CE, EA or EIS) if a determination has not yet been made. A project demonstrating that NEPA is complete or that ongoing environmental analysis supports a CE would score higher than a project where limited or no environmental analysis has been undertaken.

g. Criterion: Private Funding Leverage

Metric: how much private funding (not federal, state or local government funding) is being proposed to support the project, in terms of percentage of the estimated total project cost. Applicants are asked to provide a funding estimate breakdown that indicates how much federal, state, and private funding would support the estimated total project cost.

High-scoring projects offer a higher percentage of private funding investment in the project, relying less on federal or state contribution to the total estimated project cost.

h. Criterion: State Railroad Trust Fund Loan Utilization

Metric: Whether the applicant is seeking a loan from the State Railroad Trust Fund, as compared to a grant from either the State Railroad Trust Fund or federal sources. Applicants seeking a State Railroad Trust Fund Loan will score highly under this criterion, recognizing that loan repayment provides a revenue source for the State Railroad Trust Fund.

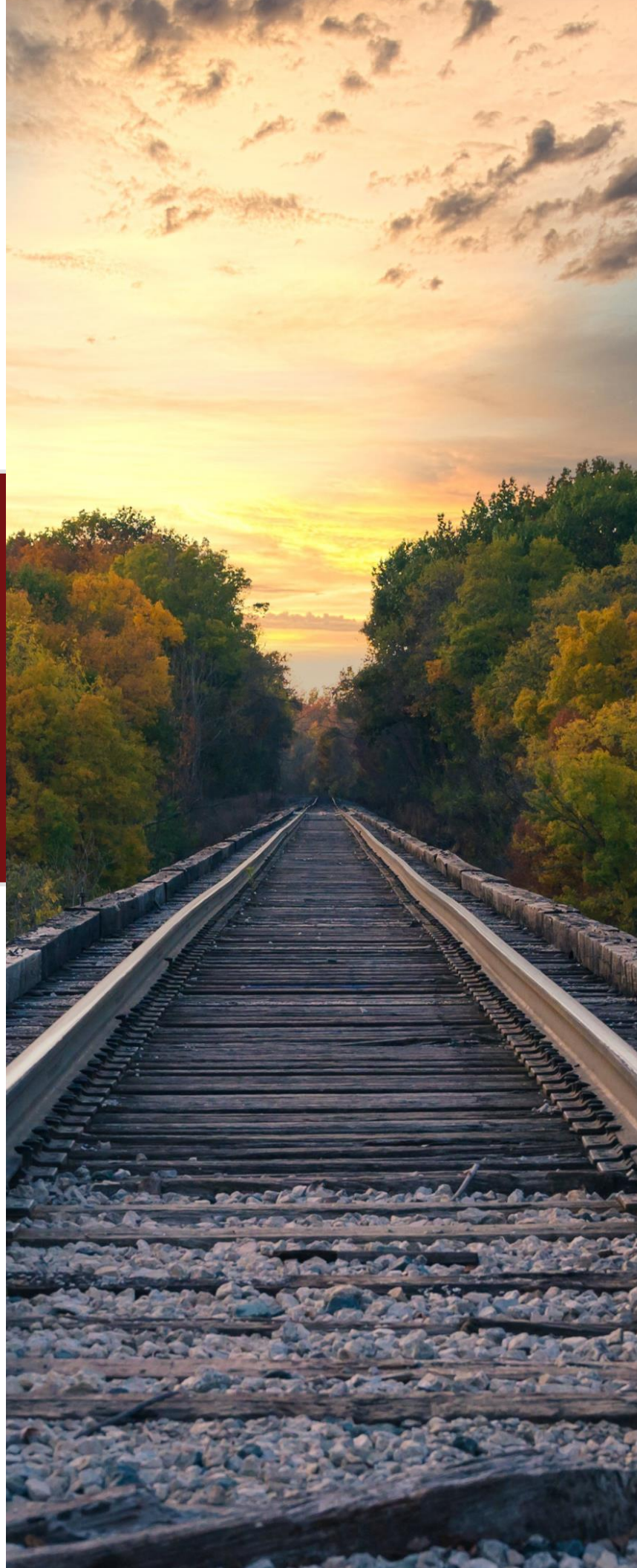
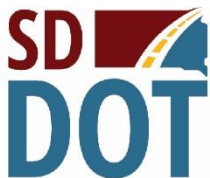
i. Criterion: State Ownership

Metric: Whether the project is located on State-owned railroad network. Applicants are specifically asked to indicate whether the project is located on any of the State-owned rail lines. Projects located on the State-owned rail network will score highly, representing the State's prioritization of investment in State-owned assets.

Appendix C: Prioritization of Proposed Projects (2022)

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November 2022



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PROJECT PRIORITIZATION

This appendix provides project prioritization rankings for the short-term and long-term future projects proposed by stakeholders during the development of this South Dakota State Rail Plan.

Using conceptual project information provided by stakeholders, the current inventory of proposed projects have been scored in a binary (yes/no) fashion based on whether or not they could conceivably satisfy each of the following nine individual public benefit merit scoring criteria:

- Enable Economic Development
- Generate Additional Carloads
- Reduce Slow Order Miles
- Improve FRA Track Classification
- Increase Weight Capacity
- Reduce Truck Impacts
- Reduce Crashes / Derailments
- Improve Resiliency and Maintain / Replace Existing Assets
- Located on State-Owned Rail Line Network

Project concepts have been assigned a score out of 9 possible points based on how many public benefit scoring criteria they could potentially satisfy.

Table 1 lists the projects identified with a short-term timeline, to be advanced over the next 1-4 years as funding allows.

Table 2 lists the projects identified with a long-term timeline, to be advanced over the next 5-20 years as funding allows. Long-term projects may be moved to the short-term prioritization list in future iterations of the South Dakota State Rail Plan, to be determined through future stakeholder outreach and coordination

Detailed project descriptions for projects listed in **Table 1** and **Table 2** are provided in **Chapter 4** of the State Rail Plan.

Table 1: Short-Term Project Prioritization Ranking

Rank	Stakeholder	Project Name	Estimated Total Project Cost	Enable Economic Development	Generate Additional Carloads	Reduce Slow Order Miles	Improve FRA Track Classification	Increase Weight Capacity	Reduce Truck Impacts	Reduce Crashes / Derailments	Improve Resiliency and Maintain / Replace Existing Assets	State-Owned Rail Line	Total Score out of 9
1	SMRR	Sisseton Milbank Railroad Modernization	\$31.25 million	Y	Y	Y	Y	Y	Y	Y	Y		8
2	EE	Restore Rail Service to Ellis	\$2.5 million	Y	Y	Y	Y	Y	Y		Y		7
3	RCPE	Upgrade Black Hills North Subdivision	\$7.5 million			Y	Y	Y	Y		Y		5
4	EE	Bridge P-136 Rehabilitation	\$0.4 million			Y	Y	Y			Y		4

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Rank	Stakeholder	Project Name	Estimated Total Project Cost	Enable Economic Development	Generate Additional Carloads	Reduce Slow Order Miles	Improve FRA Track Classification	Increase Weight Capacity	Reduce Truck Impacts	Reduce Crashes / Derailments	Improve Resiliency and Maintain / Replace Existing Assets	State-Owned Rail Line	Total Score out of 9
5	BFDC	Belle Fourche Development Corporation Rail Park Improvements	\$0.5 million	Y	Y				Y				3
6	BFDC	Belle Fourche Development Corporation Additional Rail Park Opportunity	\$1.8 million	Y	Y				Y				3
7	SDSBP	Mitchell Soybean Processing Plant	\$13.8 million	Y	Y				Y				3

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Rank	Stakeholder	Project Name	Estimated Total Project Cost	Enable Economic Development	Generate Additional Carloads	Reduce Slow Order Miles	Improve FRA Track Classification	Increase Weight Capacity	Reduce Truck Impacts	Reduce Crashes / Derailments	Improve Resiliency and Maintain / Replace Existing Assets	State-Owned Rail Line	Total Score out of 9
8	DMVW	State-Owned Britton Line Track Rehabilitation	\$14.0 million			Y					Y	Y	3
9	RCPE	Huron Locomotive Maintenance Facility	\$23.3 million	Y							Y		2
10	DAIR	Sioux Valley Subdivision Modernization	\$50.0 million			Y					Y		2
11	DAIR	Dell Rapids Subdivision Modernization	\$15.0 million			Y					Y		2
12	EE	Sioux Falls Rail Relay Project	\$0.7 million								Y		1



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Rank	Stakeholder	Project Name	Estimated Total Project Cost	Enable Economic Development	Generate Additional Carloads	Reduce Slow Order Miles	Improve FRA Track Classification	Increase Weight Capacity	Reduce Truck Impacts	Reduce Crashes / Derailments	Improve Resiliency and Maintain / Replace Existing Assets	State-Owned Rail Line	Total Score out of 9
13	EE	City of Sioux Falls Crossing Closures	\$0.4 million							Y			1
14	DAIR	Sioux City Yard Operations Enhancement	\$2.5 million										0
15	RCPE	Downtown Rapid City Rail Improvements	\$4.0 million										0
16	City	Sioux Falls Whistle Reduction Effort	\$5.4 million										0
17	City	Rapid City Railroad Quiet Zone	\$6.0 million										0

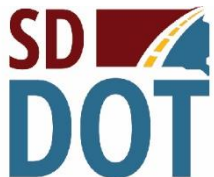


Appendix C: Prioritization of Proposed Projects (2022)

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Table 2: Long-Term Project Prioritization Ranking

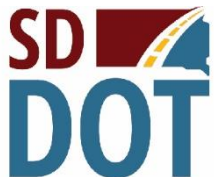
Rank	Stakeholder	Project Name	Estimated Total Project Cost	Enable Economic Development	Generate Additional Carloads	Reduce Slow Order Miles	Improve FRA Track Classification	Increase Weight Capacity	Reduce Truck Impacts	Reduce Crashes / Derailments	Improve Resiliency and Maintain / Replace Existing Assets	State-Owned Rail Line	Total Score out of 9
1	DSRC	State-Owned Napa-Platte Line Rehabilitation	TBD	Y	Y	Y	Y	Y	Y		Y	Y	8
2	EE	Ellis Siding Rehabilitation	\$0.3 million	Y	Y				Y		Y		4
3	EE	Improvements to Existing Valley Springs Siding	\$0.3 million	Y	Y				Y		Y		4
4	RCPE	Upgrade Black Hills South Subdivision	\$90.0 million			Y	Y	Y			Y		4
5	EE	Encore Rail Park	TBD	Y	Y				Y				3



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Rank	Stakeholder	Project Name	Estimated Total Project Cost	Enable Economic Development	Generate Additional Carloads	Reduce Slow Order Miles	Improve FRA Track Classification	Increase Weight Capacity	Reduce Truck Impacts	Reduce Crashes / Derailments	Improve Resiliency and Maintain / Replace Existing Assets	State-Owned Rail Line	Total Score out of 9
6	EE	Construct a New Spur into Potential Industrial Site West of Ellis	\$1.0 million	Y	Y				Y				3
7	EE	Construct New Commercial Transload Siding in Valley Springs	\$0.3 million	Y	Y				Y				3
8	EE	Construct a New Siding for Potential Industrial Site Between Valley Springs and Brandon	\$0.8 million	Y	Y				Y				3



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Rank	Stakeholder	Project Name	Estimated Total Project Cost	Enable Economic Development	Generate Additional Carloads	Reduce Slow Order Miles	Improve FRA Track Classification	Increase Weight Capacity	Reduce Truck Impacts	Reduce Crashes / Derailments	Improve Resiliency and Maintain / Replace Existing Assets	State-Owned Rail Line	Total Score out of 9
9	EE	Construct a New Team Track Between Sioux Falls and Ellis	\$1.5 million	Y	Y				Y				3
10	-	Future Rail Intermodal Terminal	TBD	Y	Y				Y				3
11	-	Future Large-Scale Mega Development	TBD	Y	Y				Y				3
12	EE	Relocate Quarry Spur	TBD								Y		1
13	-	Napa-Platte Rail Trail	\$3.2 million									Y	1
14	RCPE	Huron Yard Expansion	\$7.0 million										0

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Rank	Stakeholder	Project Name	Estimated Total Project Cost	Enable Economic Development	Generate Additional Carloads	Reduce Slow Order Miles	Improve FRA Track Classification	Increase Weight Capacity	Reduce Truck Impacts	Reduce Crashes / Derailments	Improve Resiliency and Maintain / Replace Existing Assets	State-Owned Rail Line	Total Score out of 9
15	DAIR	Fairview Meet-Pass Siding	\$2.5 million										0
16	DAIR	North Sioux City Meet-Pass Siding	\$2.5 million										0
17	-	Utica Meet-Pass Siding	\$2.5 million										0