

APPENDIX D: FEDERAL FUNDING PROGRAMS



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PASSENGER RAIL INVESTMENT AND IMPROVEMENT ACT CAPITAL ASSISTANCE PROGRAMS

In 2008, the Passenger Rail Investment and Improvement Act (PRIIA) and related appropriation bills provided funds directly to states for intercity rail passenger investments. In early 2009, the American Recovery and Reinvestment Act (ARRA) also provided flexible transportation funding to states for rail capital projects as well as funding for passenger rail development.

PASSENGER RAIL INVESTMENT AND IMPROVEMENT ACT

This legislation authorized over \$13 billion between 2009 and 2013 for Amtrak and promoted the development of new and improved intercity rail passenger services. The act also established an intercity passenger rail capital grant program, the High Speed Intercity Passenger Rail Program (HSIPR) for states. States were required to identify passenger rail corridor improvement projects in their state rail plans. The FY 2009 US Department of Transportation Appropriations Act provided \$90 million to states. No appropriations for high-speed rail grants were included in subsequent federal budgets, and PRIIA authorizations expired on September 30, 2013.

AMERICAN RECOVERY AND REINVESTMENT ACT

As a result of the economic recession of 2008, the federal government approved the ARRA (Public Law 111-5) in February 2009 to stimulate the economy partly through the funding of infrastructure projects that could be initiated in the short term.

Grants awarded to the Virginia Department of Rail and Public Transportation (DRPT) through ARRA included:

- A grant of \$74.8 million under the HSIPR Program for the Arkendale to Powell's Creek Third Track project. This would fund the construction of a third mainline track near Quantico, Virginia to improve capacity, schedule reliability, and service quality for freight, commuter and passenger trains on the CSX-owned railroad corridor between Washington, D.C. and Richmond, Virginia. (FY 2010)

HIGH SPEED INTERCITY PASSENGER RAIL

The HSIPR Program was created to help address the nation's transportation challenges by making strategic investments in an efficient network of passenger rail corridors that connect communities across the country. In 2009, the FRA began awarding funds to high-speed rail projects nationwide.

- A grant of \$44.3 million was awarded to DRPT for completion of the Washington, D.C. to Richmond Southeast High Speed Rail Tier 2 Environmental Impact Statement, preliminary engineering and Service Development Plan. This grant has an 80/20 percent federal/state match. (FY 2010)

FASTLANE PROGRAM

Fostering Advancements in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) grants provides dedicated, discretionary funding for projects that address critical freight and highway projects across the country. This \$4.5 billion program is authorized for FY 2016 through FY 2020, with \$800 million allocated in FY 2016 and another \$850 million for FY 2017. Grants awarded to Virginia (joint VDOT/DRPT application) through FASTLANE include:

- A grant of \$165 million for the Atlantic Gateway project to unlock the economic potential of the Eastern Seaboard by accelerating key highway and rail projects to provide a long-term, multimodal network for freight and passenger transportation between the Northeast and Southeast. (FY 2016)

FEDERAL SURFACE TRANSPORTATION RAIL-RELATED PROGRAMS

HIGHWAY SAFETY IMPROVEMENT PROGRAM

The Highway Safety Improvement Program (HSIP) is a core federal-aid funding program with the goal of achieving a significant reduction in traffic fatalities and serious injuries on all public roads. Funding from this program can be set aside for the purpose of reducing the number of fatalities and serious injuries at public highway-railway crossings through the elimination of hazards and/or the



installation/upgrade of protective devices at crossings (Section 130 funding). The federal funding share for this program is 90 to 100 percent for certain safety improvements. Annually, Virginia is expecting to receive approximately \$5 million for highway-rail grade crossing improvements.¹ Future, long-term funding for this program is estimated to be \$4 million per year.²

RAIL LINE RELOCATION PROGRAM

This program provided grants to be awarded for construction projects that improve the route or structure of a rail line for either the purpose of mitigating the adverse effects of rail traffic on safety, motor vehicle traffic flow, community quality of life, or economic development or for the lateral or vertical relocation of any portion of the rail line. Funding for this program was last appropriated in FY 2011.

RAIL REHABILITATION AND IMPROVEMENT FINANCING

This program provides loans and credit assistance to both public and private sponsors of rail and intermodal projects. Eligible projects include acquisition, development, improvement, or rehabilitation of intermodal or rail equipment and facilities. Direct loans can fund up to 100 percent of a capital project with repayment terms of up to 25 years and interest rates equal to the cost of borrowing to the government. Eligible borrowers include railroads, state and local governments, government sponsored authorities, corporations, and joint ventures that include at least one railroad. Virginia Railway Express, operating in Virginia, received Rail Rehabilitation and Improvement Financing (RRIF) funding in 2006.

RAILROAD REHABILITATION AND REPAIR PROGRAM

This program provided the US Secretary of Transportation funding for necessary expenses to make grants to repair and rehabilitate Class II and shortline railroad infrastructure damaged by hurricanes, floods, and other natural disasters. These funds covered up to 80 percent of the project costs. Virginia has not received any funding under these programs.

RAILROAD SAFETY GRANTS FOR THE SAFE TRANSPORTATION OF ENERGY PRODUCTS BY RAIL PROGRAM

¹ http://www.virginiadot.org/business/HSIP_Implementation_Manual_060315.docx

² Estimated for 2022 through 2042 by Virginia DOT H-RGC Program, February 2017.

This program provides \$10 million in discretionary funding for public and private railroad grade crossing projects that improve safety on rail routes that transport flammable energy product. Virginia has not received any funding under these programs.

FEDERAL SURFACE TRANSPORTATION PROGRAMS WITH SELECTED RAIL APPLICATIONS

In addition to the above programs, a number of additional programs, although primarily intended for highway use, are eligible for rail projects at the discretion of states and with the approval of the administering federal agency. These programs include:

NATIONAL HIGHWAY SYSTEM PROGRAM

This program can be utilized to improve designated highway intermodal connectors between the National Highway System (NHS) and intermodal facilities, such as truck-rail transfer facilities. The federal share of NHS funding is 80 percent.

CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM

This program funds transportation projects and programs that improve air quality by reducing transportation-related emissions in non-attainment and maintenance areas for ozone, carbon monoxide, and particulate matter. Examples of Congestion Mitigation and Air Quality (CMAQ)-funded rail projects include the construction of intermodal facilities, rail track rehabilitation, diesel engine retrofits and idle-reduction projects in rail yards, and new rail sidings.

CMAQ funds are disbursed to and within a state based on levels of pollution within an area, with the state or the region utilizing the funds to implement projects that reduce congestion or improve air quality. Projects must be included in MPO transportation plans and transportation improvement programs (TIPs) or the current state transportation improvement program (STIP) in areas without an MPO. The federal matching share for these funds is 80 percent.

SURFACE TRANSPORTATION PROGRAM



The Surface Transportation Program (STP) is a general grant program available for improvements on any Federal-Aid highway, bridge, or transit capital project. Eligible rail improvements include lengthening or increasing vertical clearance of bridges, crossing eliminations, and improving intermodal connectors, which are roads that provide access between major intermodal facilities. Project funding decisions are made by states with approval from the Federal Highway Administration (FHWA). The federal share for these funds is 80 percent.

TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT

This program provides credit assistance to large-scale projects (over \$50 million or one-third of a state's annual federal-aid funds) of regional or national significance that might otherwise be delayed or not constructed because of risk, complexity, or cost. A wide variety of intermodal and rail infrastructure projects are eligible and can include equipment, facilities, track, bridges, yards, buildings, and shops. Eligible recipients for Transportation Infrastructure Finance and Innovation Act (TIFIA) funds include state and local governments, transit agencies, railroad companies, special authorities or districts, and private entities. The interest rate for TIFIA loans is the U.S. Treasury rate, and the debt must be repaid within 35 years.

TRANSPORTATION ALTERNATIVES PROGRAM

This program, which replaced the SAFETEA-LU Transportation Enhancement Program, offers funding opportunities to expand transportation choices and enhance the transportation experience through 12 eligible activities related to surface transportation. Eligible rail-related activities include the rehabilitation of historic transportation buildings or facilities, the preservation of abandoned rail corridors, and the establishment of transportation museums. The federal share of project costs is 80 percent.

OTHER FEDERAL PROGRAMS AND MECHANISMS AVAILABLE FOR RAIL-RELATED FUNDING

In addition to transportation programs available under the Transportation Authorization bill, other programs are administered by federal agencies for which rail-related capital projects are eligible.



U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION

The U.S. Department of Commerce provides Economic Development Administration (EDA) grants for projects in economically distressed industrial sites that promote job creation. Eligible projects must be located within EDA-designated redevelopment areas or economic development centers. Eligible rail projects include railroad spurs and sidings. EDA also provides disaster recovery grants. Grant assistance is available for up to 50 percent of the project, although EDA could provide up to 80 percent for projects in severely depressed areas.

U.S. DEPARTMENT OF AGRICULTURE PROGRAMS

The U.S. Department of Agriculture (USDA) Community Facility Program and Rural Development Program provide grant or loan funding mechanisms to fund construction, enlargement, extension, or improvement of community facilities providing essential services in rural areas and towns. Grant assistance is available for up to 75 percent of the project cost. Eligible rail-related community facilities include transportation infrastructure for industrial parks and municipal docks.

THE 45G SHORT LINE RAILROAD TAX CREDIT

Originally enacted in 2004, the Railroad Track Maintenance Tax Credit, also known as the Section 45G Tax Credit, was a federal income tax credit for track maintenance performed by shortlines and regional railroads (Class II and shortline railroads) in the U.S. Tax Code Section 45G leveraged private sector investment in rail infrastructure by providing a tax credit of 50 cents for every dollar spent on qualified track maintenance expenditures or other qualifying railroad infrastructure projects. The credit was capped based on a mileage-based formula; the maximum amount allowable was \$3,500 per mile of track.

Per Section 45G, qualifying railroad structures improvements include: grading; other right-of-way expenditures; tunnels and subways; bridges, trestles, and culverts; elevated structures; ties; rails and other track material; ballast; fences, snow sheds, and signs; signals and interlocking; public improvements and construction.