

Chairman Schuring, Vice Chair Rulli, Ranking Member O'Brien, and members of the committee, thank you for this opportunity to speak in support of the budget allocation for the Ohio Rail Development Commission (ORDC) included in Amended Substitute House Bill 166.

I am Art Arnold, and I am representing the Ohio Railroad Association. Our association includes nearly every freight railroad operating in Ohio. Freight railroads operate in 84 of Ohio's 88 counties, and serve customers and communities, large and small. It is that detail which I believe is most important to emphasize today in the context of the budget allocation.

Railroads don't produce goods or own any products they haul. Railroads do employ approximately 7,000 Ohioans in a variety of skilled positions, but beyond that, the services that freight railroads provide are critical to the employment of tens of thousands of other Ohioans. Manufacturing jobs, agribusiness jobs, petrochemicals, energy, logistics and distribution, and retail are some of the major sectors that rely on freight railroads to do our job so these industries and businesses and their employees may do theirs.

I have submitted several documents today for your review and consideration. Yesterday, the ORDC Executive Director, Matt Dietrich, provided within his testimony a snapshot of the industry's footprint across the state. He referenced the recently released State Rail Plan, and I have shared with you the section of that report which deals with freight rail. The report concluded that Ohio has one of the most densely-operated rail networks in the nation. The simple reason for that is Ohio businesses use freight rail. If they didn't, we couldn't afford such an extensive network of railroads and rail corridors. Railroads must obtain their costs from their operations serving customers, or they will soon disappear. That puts railroads in a very different cost structure from other freight transportation modes that rely on the public to provide some or all of the infrastructure they utilize in providing their services.

Ohio's railroads are facing challenges. To meet these challenges, railroads are applying ever increasing technology investments to improve efficiency and control costs. Just like other industries. And just like in these other industries, there is pushback on the application of technology and operational improvements. In addition, commodities that have been in some cases the economic foundation of the industry, such as coal, are seeing major changes themselves. And the development of international shipping and global trade has brought with it the growth of intermodal container traffic via rail. This latter subject has been an economic development boon for Ohio with several state of the art rail intermodal facilities leading to Ohio's place as a recognized leader nationally in logistics and distribution.

The ORDC has been around since 1994, and has been at the table in every major rail investment made since that time. It plays an important role in these projects more as a coordinator than an investor. The federal government relies on the state to serve in this capacity, and the ORDC has an expertise and record that is recognized by the feds and valued by the railroads.

Where the ORDC's budget allocation plays another critical economic development role is in the construction and/or expansion of rail facilities owned by businesses other than railroads. The ORDC meets to approve project investments six times a year. At almost every one of these meetings, a manufacturer or other business is present to share its plans for constructing or making improvements for its rail access. Company after company has talked about their investment in Ohio being contingent on two things: our state's location and rail service. The ORDC maps I've included show the kinds of projects and investments that the ORDC has supported over the past three years (2016-2018). These aren't projects that gold-plate railroad tracks, but projects that either improve a business's rail access or improve a railroad's track to more efficiently and safely serve customers. The maps also provide the

significant private investment associated with these ORDC-supported projects. The majority of funding invested in railroads in Ohio is private.

That leads me to reference the testimony presented by our association chairman, Brendan Keener, to the House last month. His company is a small railroad with operations in both the greater Columbus area (Camp Chase Railroad) and the greater Mahoning Valley (Youngstown and Southeastern). His testimony speaks to the challenges these small railroads, known in the industry as short lines, face in meeting the significant capital costs required to run a railroad. On page 2 of his testimony, he shares the expense involved in maintaining crossties for a mile of railroad track: \$330,000. That's the installed cost (\$100 today) of approximately 3,300 ties per mile, and those ties are supposed to have a thirty year lifespan. But that doesn't include annual maintenance and it's a cost for just one mile of track. Generally, railroads are limited to business that can be developed along their tracks, but this is especially so for short lines. These railroads cannot afford the enormous equipment costs that are involved with intermodal operations, but they try to participate in multi-modal freight via bulk materials and transload facilities. Again, limited to the area and type of businesses that are operating within their footprint. The partnership provided by the ORDC in meeting the infrastructure investments necessary for the safe and efficient rail operations of many short lines is a critical role the ORDC serves in numerous communities around the state, easily identified via the provided project maps.

It is very important to local economies that the ORDC does partner with these short line railroads on investments that improve their tracks, bridges, and yards. But with \$2 million a year, the number and scale of projects the ORDC can participate in are pretty limited. Nonetheless, they do an impressive job with what they have.

Some other states, including our neighbors to the east, do much more in terms of freight rail investments. I've included a one pager that compares where Ohio stands in rail miles, population, and state rail funding. Yesterday, Mr. Dietrich shared with you the findings of the State Rail Plan regarding the 100 or so freight rail-related projects that have been brought to the ORDC. The estimated cost for these projects, ranging from track improvements to highway overpasses, is approximately \$900 million. As a number, it is extremely daunting. Neither the state nor railroads have that kind of capital to invest today. But some states are taking approaches that might be available to Ohio. On the subject of highway overpasses, Indiana has set aside \$125 million to build bridges over rail lines. We have discussed this concept with ODOT. ODOT is also exploring the huge number of grade crossings here in Ohio, hoping to develop a metric by which we can assign values to individual grade crossings and perhaps develop a better data-driven process for highway overpasses and eventually the elimination of redundant crossings. Ohio has a public grade crossing for about every mile of railroad track.

I want to point out that there are more modes than rail that haul freight in Ohio. In HB 166, the House has proposed funding a Maritime Commission at \$10 million a year, and requiring port authorities to match any state grants, effectively making \$10 million \$20 million. That's great for maritime freight companies, and the businesses that use maritime service. But it stands in stark contrast to the \$2 million allocated for the ORDC. We don't oppose the maritime allocation but would certainly like to see some parity in modal funding, and believe the ORDC has not only proven that there is a greater need, but that they are responsible managers of public funds.

In closing, I'd like to again reference Mr. Dietrich's testimony yesterday. He emphasized that the budget line item in HB 166 is the only dedicated funding for rail-related economic development. The allocation before you today doesn't begin to meet the needs, but it's an important \$2 million, and the ORDC's track record of applying and managing it is impressive. We ask that you support the line item and, if

funds prove to be available at the 11th hour of the budget negotiations, please consider increasing the ORDC line item.

Thank you for your consideration and this opportunity.