

## Railroad Subcommittee

The Subcommittee makes the following observations and conclusions about the sale of the Core Line to Burlington Northern Santa Fe (BNSF):

The Subcommittee met on February 2 and February 7 in the State Capitol.

- 1) In April 2005, BNSF exercised their option to purchase the Core Line from the State. The Core Line runs from Aberdeen to Mitchell, Mitchell to Canton, Canton to Sioux Falls, and Mitchell to Sioux City. As a result of the sale, \$40,337,295 was deposited into the Railroad Trust Fund. The projected ending cash balance for FY 2006 in the Railroad Trust Fund is \$56,760,025 as of 1/23/06.

The financial aspects of the sale are as follows:

Purchase Price	\$ 41,640,000
Less Infrastructure Projects Completed by BNSF	\$ (3,715,000)
Less Property Sales	\$ (3,587,576)
Past Rent Due	\$ 860,000
2005 Rent Payment	\$ 5,139,871
<b>Total Due to State</b>	<b>\$ 40,337,295</b>

The BNSF will complete the following projects for a lump sum total of \$3,715,000.

- 8000 ft siding south of Redfield
- Wye track at Wolsey to the ROW line
- 8000 ft siding at Alpena
- Wye track at Napa jct to the ROW line
- Extension of N Sioux City yard track to 7500 ft.

The state will complete the following projects at the listed estimated cost:

8000 ft siding north of Aberdeen on the Britton Line	\$ 1,255,000
Wolsey interchange trackage	\$ 4,406,500
Napa Jct Wye	\$ 516,500
<b>Total</b>	<b>\$ 6,178,000</b>

- 2) The Department of Transportation (DOT) transferred \$10,000,000 on October 24<sup>th</sup>, 2005, from the Railroad Trust Fund to the Railroad Authority Fund to pay for the cost of rail projects as a result of the settlement. The Railroad Trust Fund is used for loans or grants to regional rail authorities and since the State was doing rail improvements, the money needed to be transferred. DOT wanted to make a good faith effort with BNSF by showing that money would

be available for projects during the settlement. The balance in the Railroad Authority fund prior to the transfer was \$0 and the fund had no activity since 1982. The amount of \$3,927,324 has since been transferred back to the Railroad Trust Fund which leaves a balance of \$6,172,204 in the Railroad Authority Fund as of 2/06/06.

- 3) The Railroad Board has approved \$15,280,737 for loans to regional rail authorities since 1994. The current balance of the loan payments is \$7,324,000. The Railroad Board has approved \$2,476,658 for grants to regional rail authorities since 1990.
- 4) DOT provided the amount of lease payments from operators to the Railroad Trust Fund since 1987:

BNSF	\$ 29,649,887
Other Operators	\$ 102,398
Total	\$ 29,752,285

BNSF will no longer pay lease payments to the State so as a result, future lease payments into the Railroad Trust Fund will be significantly less.

The Subcommittee expressed some concerns that the loss of the main revenue stream into the Railroad Trust Fund will jeopardize projects since there will not be sufficient money available for future loans or grants to regional rail authorities.

- 5) Section 49-16B-11 requires the Railroad Authority to present a report including its recommendations, proposed projects, and estimated costs to the Legislature not later than the first day of November immediately preceding the convening of each regular session of the Legislature.

No list of projects was provided/presented to the Legislature by November 1, 2005. DOT confirmed that a list had not been provided to the Legislature but that a list will be provided in the future.