

## EXECUTIVE SUMMARY

### INTRODUCTION

The South Dakota Department of Transportation (SDDOT) has developed this State Rail Plan to guide the State of South Dakota's (State) rail transportation planning activities and rail investment plans over the next 20 years.

This State Rail Plan is intended to meet the requirements established by the federal Passenger Rail Investment and Improvement Act of 2008 (PRIIA), as amended by the Fixing America's Surface Transportation Act of 2015 (FAST Act). The 2022 State Rail Plan provides an updated state vision for rail transportation in the long-range horizon, to the year 2045, and strategies to achieve that vision.

### SOUTH DAKOTA'S RAIL SYSTEM

South Dakota's rail system plays an essential role in linking the state's key industries with markets throughout North America and abroad. The agricultural, bioprocessing, construction, and manufacturing industries are particularly dependent on rail for their freight transportation needs.

A brief description of South Dakota's rail network is provided below.

#### FREIGHT RAIL SYSTEM

South Dakota is currently served by two Class I railroads, one Class II (regional) railroad, seven Class III (short line) railroads that each provide common-carrier rail freight transportation with access to the entire North American rail network spanning the United States, Mexico, and Canada. The North American rail network is closely integrated with coastal seaports and inland river ports to facilitate import and export of raw materials and finished products to and from overseas trading partners.

In 2019, South Dakota's freight railroads carried over 115 million tons of freight, or over 1 million railcars loaded with various commodities which either originated and/or terminated within the state or traveled through the state. The leading commodity group originating in South Dakota is Farm Products, which is composed mainly of crops such as corn, soybeans, and wheat, among others. Other significant commodities handled by rail in South Dakota include fertilizer, ethanol, coal, aggregates, cement, and bentonite.

Total rail freight flows in South Dakota are forecasted to increase through 2045 at a compound annual growth rate of 1.1 percent.

#### PASSENGER RAIL SERVICE

South Dakota does not currently have long-distance, intercity, or commuter service provided by Amtrak or any other operator. No funding sources have yet been identified to support the operation of passenger rail service within South Dakota in the near term.

## RAIL IMPACTS

Rail service is instrumental to South Dakota's economy.

In addition to the direct employment benefits, the availability of freight rail transportation service provides cost and logistical advantages that enable businesses in the state to compete effectively in the global marketplace. The presence of freight-rail service is especially important to the state's agricultural industry, which relies on rail to reach overseas markets via coastal seaports.

Railroads are nearly four times more fuel efficient than trucks on the basis of ton-miles transported. Because greenhouse gas emissions are directly related to fuel consumption, every ton-mile of freight moved by rail instead of by truck reduces greenhouse gases by up to 75 percent. The diversion of freight traffic to rail also increases the safety of South Dakota's highway system and reduces wear on highway infrastructure.

## THE STATE RAIL PLAN DEVELOPMENT PROCESS

This State Rail Plan was developed under the authority and guidance of the SDDOT Office of Air, Rail, and Transit. The Office of Air, Rail, and Transit is responsible for rail planning activities in the state, the management of State-owned rail assets, and the oversight of federal grant awards received by the state for rail projects.

SDDOT actively engaged stakeholders at the earliest stages of the project. Key stakeholders included members of a Technical Panel, railroads operating within the state, and rail shippers. Other stakeholders involved were local, regional, and state government staff, elected officials, economic development agencies, special interest and advocacy groups, and the general public. Stakeholder involvement included participation in freight and passenger rail planning activities, identifying the freight and passenger rail priorities and goals for South Dakota, and identifying needs, issues, and potential future investments for rail to ensure improved freight and passenger rail service moving forward.

SDDOT facilitated specific, targeted outreach efforts to encourage participation from key stakeholders. Stakeholders were contacted by email or phone to coordinate individualized interview discussions with key project staff and advisors.

SDDOT then held four in-person public and stakeholder meetings at locations throughout the state which were widely promoted via physical mailings, newspaper ads, a press release, an email list, and social media posts. Meeting locations included Sioux Falls, Mitchell, Aberdeen, and Rapid City. Attendees at these meetings included railroad representatives, rail shippers, economic development agencies, local government staff, elected officials, special interest and advocacy groups, and other interested members of the public. A virtual, self-paced meeting was also available for 30 days after the in-person events for individuals who were unable to attend. The virtual component included all information shared at the in-person meetings as well as a short survey and comment form.

Later, SDDOT held one additional in-person workshop in Pierre, South Dakota to review the findings of the Draft State Rail Plan. A call-in option was available for participants to attend by phone. A virtual, self-paced meeting was again available for 30 days after the in-person event with information presented at the workshop. The Draft State Rail Plan chapters were uploaded to the State Rail Plan website (<https://www.southdakotasrp.com/>) and the virtual comment form remained open for comments.

SDDOT continued to solicit input throughout the process via the project website and through ongoing coordination with contacts who participated in the earlier phases of engagement.

### ISSUES RAISED BY STAKEHOLDERS DURING THE STATE RAIL PLANNING PROCESS

Key stakeholders provided input throughout the state rail planning process on multiple issues related to rail in South Dakota. These issues are summarized below.

Listed below are key themes identified during stakeholder outreach activities. These themes informed research objectives during the development of the State Rail Plan.

- Westward expansion of agricultural production is a South Dakota economic success story.
  - Agricultural growth is driving the need for rail upgrades and new freight facilities in the area immediately west of the Missouri River.
- Opportunities for Investment versus Divestment.
  - There is currently a lack of dedicated funding for Regional Railroad Authorities and a lack of dedicated funding for the Railroad Trust Fund; State rail funding must be sustained through other means.
  - Investment requires strategic foresight – the State acted proactively in 1980 to preserve rail service for existing and future shippers.
  - Divestment of existing State-owned assets provides revenue for Railroad Trust Fund, which provides South Dakota with flexibility to selectively fund proposed freight rail improvement projects through grants, loans, and matching funds for competitive federal grant programs.
  - Stakeholders indicated there is a need to balance and clarify the State’s funding priorities (regarding state-of-good-repair and economic development).
- Federal grants are facilitating rail improvements throughout South Dakota.
  - South Dakota is successfully leveraging federal funding through programs such as Rebuilding American Infrastructure with Sustainability and Equity (RAISE), Consolidated Rail Infrastructure and Safety Improvements (CRISI), and Special Transportation Circumstances (STC) for major rail rehabilitation and industrial development projects.
  - South Dakota’s eligibility for the STC program hinges on the absence of Amtrak passenger rail service within the state.

- Passenger rail can connect and provide safe, comfortable, and reliable alternative transportation between isolated regions and major metropolitan areas.
  - Advocates are promoting the establishment of a formal working group at the federal level to thoroughly explore options to reintroduce passenger rail service across the “Greater Northwest” region including Minnesota, North Dakota, South Dakota, Wyoming, Montana, Idaho, Washington, and Oregon.
  - Outside of the advocacy sphere, there is doubt among other stakeholders as to whether South Dakota has the appropriate population density to justify investments in developing and operating passenger rail service.
  - Rail industry stakeholders are concerned about potential impacts on freight movement if passenger trains were introduced to existing corridors without significant capacity improvements.
  - Intercity bus service and connecting feeder transit services provide alternative transportation in South Dakota currently.
- There are opportunities to further enhance freight rail velocity, reliability, and competitiveness.
  - Need to continue to invest in state-of-good-repair and resiliency.
  - Need to mitigate terminal/interchange congestion.
  - Need to prevent intermittent industry shutdowns due to shipment delays.
  - Need for continued industrial development to increase rail carrier revenue and cash flow.
- Opportunities for further partnerships to improve highway-rail grade crossing safety and quality of life.
  - There is a significant opportunity to pursue and apply a corridor-based approach for identifying and implementing highway-rail grade crossing safety projects.
  - Municipalities wish to better understand the process for establishing whistle quiet zones and identify applicable funding opportunities.
  - Local and regional governments have a desire to pursue grade separations and mitigate blocked crossings.

Overall, stakeholders and the general public expressed understanding and appreciation of the value and potential of freight rail operations in the state and the success of South Dakota’s previous and ongoing investments in freight rail infrastructure.

## SOUTH DAKOTA'S RAIL VISION AND RAIL PLAN GOALS

Because of freight rail's vital importance to the South Dakota economy coupled with the state's current lack of commuter or intercity passenger rail service, the State's Rail Vision today is informed by the role that rail currently plays within the state. South Dakota is committed to supporting the freight rail industry and enabling continued economic development.

SDDOT has developed the following vision statement for rail transportation in the state:

*The South Dakota rail system shall provide competitive and efficient freight service, in the safest manner possible, to connect South Dakota businesses with domestic and international markets and support statewide economic development efforts.*

The South Dakota Rail Vision is supported by 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

## SOUTH DAKOTA'S RAIL PROJECT INVENTORY

The identification of potential project opportunities through targeted stakeholder outreach, along with a clear understanding of the status of existing assets and consideration of current trends and forecasts, will inform the State's prioritization of projects for future investment. The rail project inventory in the State Rail Plan lists projects in terms of funded projects that are currently in progress and stakeholder-proposed projects that do not yet have funding identified but may potentially be initiated within the next 20 years as funding is secured. The advancement of stakeholder-proposed projects for future funding opportunities will consider public benefits and impacts related to safety, resiliency, economic development and employment, rail capacity and congestion by corridor, the environment, equity, energy consumption, greenhouse gas emissions, and regional balance.

State funding programs that can benefit the rail industry are identified and discussed, as well as opportunities to leverage federal funding. Strategies to maintain federal funding compliance and compliance with other USDOT and FRA mandates, guidelines, and requirements are described. Predicated on rail needs and issues, the State Rail Plan categorizes specific needs and associated opportunities and identifies the policies, programs, strategies, and funding necessary to achieve the State's Rail Vision.

The sum of the estimated total project costs for each of the projects within the current funded program of projects for which estimated total project costs are known at this time exceeds \$107 million. Total

funding for the currently funded program includes over \$54 million in federal investment, over \$32 million in private investment, and \$20 million in State grants.

The sum of the estimated total project costs for each of the projects within the current unfunded program of future projects for which estimated total project costs are known at this time exceeds \$280 million.

Project funding sources for future projects, inclusive of federal, state, local, and private or other non-federal funding, will be determined as funding opportunities are made available in order to optimize overall funding leverage and to maximize public benefit.

### STATE RAIL PLAN RECOMMENDATIONS AND NEXT STEPS

Based on the input received from stakeholders and the public during the preparation of the South Dakota State Rail Plan, SDDOT will work toward the following initiatives:

- Formalize the State’s procedures for the award and disbursement of State Railroad Trust Fund dollars through grants and/or loans.
- Optimize the State’s strategy for the pursuit of federal grants.
- Participate in potential future passenger rail planning efforts that may affect South Dakota.

### CONCLUSION

Through this State Rail Plan update, the SDDOT has undertaken a comprehensive review of its freight rail network and has identified key issues and opportunities through a wide-ranging stakeholder and public engagement process. This State Rail Plan serves to document this information and establish a direction for future rail planning and project development while meeting the federal requirements to qualify potential projects in the state for any future federal rail funding opportunities.

The development of this State Rail Plan would not have been possible without the participation of key rail stakeholders and interested members of the public. The SDDOT expresses its gratitude to all individuals and organizations that participated in this rail planning effort.