



ASSEMBLYWOMAN

**Autumn Burke**

DISTRICT 62

## FACT SHEET

### AB 1397 – Short Line Railroad Modernization Incentive Program

#### SUMMARY

According to the 2018 California State Rail Plan (CSRP), inbound and outbound freight traffic are expected to increase by approximately 70 million tons by 2040. That is on top of the near 100 million tons of total freight traffic that moves through California today.

California's short lines handle approximately one-tenth of the state's carload freight tonnage and are a critical link between many of the state's freight-intensive industries, ports, and principal trade corridors. Therefore, it is important to maintain a modern and efficient short-line rail system in California that operates seamlessly with its Class I connections.

This bill seeks to incentivize shared investments that improve the performance and utility of freight operations through strategic identification of infrastructure projects that provide benefits to all participants.

#### BACKGROUND

Addressing existing trade corridor bottlenecks is a top priority for the CSRP. These improvements will greatly increase the reliability and efficiency of the entire statewide rail network and can be implemented in the short-term (2022) horizon.

The principal challenge that must be addressed is that some of the state's short-line trackage cannot handle freight cars weighing 286,000 pounds, a standard that the Class I railroads adopted in 1994. Where a line is not 286K-capable, the common practice is to either load a railcar to less than its maximum capacity, or to transfer the load to trucks for transport to a location where the railroad can handle the heavier load. Both practices unnecessarily increase costs through the inefficient use of assets, the additional steps required, and the increased travel time.

Addressing the 286K issue on a line typically requires undertaking one or more improvements, including replacing rail, ensuring that there are an adequate number of performing ties, and strengthening or replacing bridges. Concurrently, it is greatly beneficial to bring track conditions up to Federal Railroad Administration Track Class II, which allows speeds of up to 25 mph for freight trains. Higher speeds greatly improve the operational efficiency of railroads, reduce their costs, and have the potential to improve the marketability of rail service, particularly for potential new rail shippers. Industrial spurs provide direct access to the rail network and reduce truck movement, and often are a necessity for some industries that wish to use rail.

With sufficiently high volumes, short-haul rail transfers the volume of freight truck traffic away from the already congested highways.

#### ASSEMBLY BILL 1397

For tax years beginning after January 1, 2020, this bill would allow a credit against California Income Tax equal to 50% of an eligible taxpayer's qualified railroad reconstruction or replacement expenditures. The credit would be capped by the product of miles owned or leased within the state of California by the eligible taxpayer and Three Thousand Five Hundred Dollars (\$3,500.00) per railroad mile.

#### SUPPORT

Genesee & Wyoming (Sponsor)

#### CONTACT

Tish Rylander, Chief of Staff  
Assemblywoman Autumn R. Burke  
(916) 319-2062 [tish.rylander@asm.ca.gov](mailto:tish.rylander@asm.ca.gov)