

## EXHIBIT I

### GOVERNOR'S COMMISSION

1. Introduction
2. Letter of Transmittal to the Governor
3. Table of Contents
4. Executive Summary
5. Vision and Goals
6. Summary of Recommendations
7. Commission Analysis

## 1. Introduction

①

In order to serve citizens and businesses effectively, Virginia's future transportation network will require increased reliance on passenger and freight rail. Recognizing this requirement, Governor Mark R. Warner formed the Governor's Commission on Rail Enhancement for the 21st Century to examine the future of rail infrastructure in Virginia.

### **1.A. Establishment**

The Commission was established through Executive Order 71 (2004) (**Attachment A**) from Governor Warner on May 18, 2004 and is in full force and effect until May 17, 2005. It is composed of eight members appointed by the Governor, including a chairman as designated by the Governor. In addition, the Secretary of Transportation, the Secretary of Commerce and Trade, and the State Treasurer, or their designees, and the Director of the Department of Rail and Public Transportation serve as ex-officio members of the Commission.

#### **Members:**

Chair: The Honorable Sharon Bulova, Vice Chairman, Fairfax County Board of Supervisors  
Richard L. Beadles, Director, Virginia Rail Policy Institute  
James C. "Jim" Bishop, Jr., former Executive Vice President, Norfolk Southern  
Willie E. Lanier, Jr., Senior Vice President, Wachovia Securities  
Harry T. Lester, Rector, Eastern Virginia Medical School  
The Honorable John Mason, former Mayor, City of Fairfax  
Dr. French H. Moore, Jr., retired Dentist, Vice Mayor, Abingdon  
The Honorable Meredith M. Richards, former Vice Mayor, City of Charlottesville

#### **Ex-Officio Members:**

The Honorable Whittington W. Clement, Secretary of Transportation  
The Honorable Michael J. Schewel, Secretary of Commerce & Trade  
The Honorable Jody Wagner, State Treasurer  
Karen J. Rae, Director, Department of Rail and Public Transportation

See **Appendix C** for a biography of each Commission member.

### **1.B. Charge of the Commission**

The purpose of this Commission is to examine the future of rail transportation in the Commonwealth, including the consideration of a rail authority. The Commission is also charged to provide leadership on freight and passenger rail issues, policies and needs, and to examine options for leveraging private and public funding for rail service and infrastructure across the Commonwealth.

The Executive Order further directs the Commission to review the Virginia State Rail Plan, factoring the results of the Plan into its recommendations for enhancing rail service and infrastructure in the Commonwealth, review Senate Bill 413 (2004), make recommendations regarding the structure, authority and funding of a rail transportation development authority, including innovative financing options, and make such other recommendations to the Governor as may be appropriate. Recommendations to the Governor are due by December 1, 2004.

2

**Report to the Governor  
of the  
Governor's Commission on  
Rail Enhancement for the 21<sup>st</sup> Century  
in the  
Commonwealth of Virginia**

**December 1, 2004**

## Governor's Commission on Rail Enhancement for the 21<sup>st</sup> Century in the Commonwealth of Virginia

December 1, 2004

The Honorable Mark R. Warner  
Governor of Virginia  
State Capitol  
Richmond, Virginia 23219

Dear Governor Warner:

On behalf of the Commission on Rail Enhancement for the 21<sup>st</sup> Century (the Commission), I am pleased to forward the enclosed report.

The Commission was tasked to review the State Rail Plan and Senate Bill 413 (2004), consider the formation of a rail authority, explore innovative financing options, and make other recommendations as appropriate. The Commission has accomplished these tasks and more. As we considered these issues, it became clear that, at both the national and state levels, a fundamental cultural and policy shift is needed — one that incorporates rail into the range of alternatives that must be considered in developing transportation solutions.

As reflected in our proposed rail vision, Virginia's rail system must be a partner in the mid-Atlantic region, providing higher-speed intercity passenger and commuter service to improve mobility, support economic development, reduce congestion, and address environmental challenges. Our rail system must be prepared to absorb significant increases in freight over the next several decades.

The rail goals we propose are focused on strengthening Virginia's economic base, providing an environmentally-friendly approach to added capacity for people and goods in our major corridors, and looking to a future higher-speed network in the mid-Atlantic region.

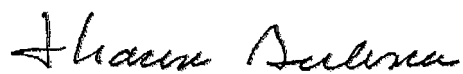
To advocate and sustain the vision and goals to enhance rail in the Commonwealth, we recommend that leadership be reaffirmed in the Department of Rail and Public Transportation (DRPT). In reaching this conclusion, we explored various governance alternatives, including

an independent authority. At some time in the future, an independent authority may be needed. At present, however, we feel that strong and professional leadership from DRPT, along with close coordination with the Commonwealth Transportation Board, is the best way to advance rail issues in the Commonwealth, while also ensuring multimodal connectivity, and that it is the most expedient and logical next step. Under any scenario, a dedicated funding source is essential — and it must be a new source, one that does not detract from the already modest funding allocated to Virginia Railway Express (VRE) and transit in the Commonwealth.

On behalf of the Commission I wish to express our appreciation to Secretary of Transportation Whittington Clement, Secretary of Commerce and Trade Michael Schewel, State Treasurer Jody Wagner, Director of the Department of Rail and Public Transportation Karen Rae and the many agency staff members and interested stakeholders who attended our meetings and assisted us in our deliberations.

It has been a privilege and an honor to have served the Commonwealth in this capacity. Commission members and I stand ready to assist with any next steps that may be required of us.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Sharon Bulova". The signature is written in a cursive, flowing style.

Sharon Bulova  
Chairman

Cc Members, Rail Commission

## Table of Contents

3

Title	<u>Page</u>
Executive Summary.....	5
1. Introduction.....	10
1.A. Establishment	
1.B. Charge of the Commission	
1.C. General Approach to Commission's Work	
1.D. Roadmap to Report	
2. Examination of Issues.....	13
2.A. Rail Transportation Assessment	
2.B. National Background	
2.C. Virginia Background	
2.C.1. Virginia's Economic Goals	
2.C.2. Virginia's Transportation System	
2.C.3. Virginia's Rail System	
2.C.4. Virginia's Transportation Funding	
2.C.5. Virginia's Critical Rail Issues Today	
2.C.6. <i>VTrans2025</i>	
3. Virginia State Rail Plan.....	28
4. Commission Perspective.....	32
4.A. Vision for Virginia's Rail System	
4.B. Priority Rail Goals	
5. Commission Analysis.....	34
5.A. The Issues	
5.B. Virginia State Rail Plan Comments	
5.C. Governance	
5.D. Innovative Funding Mechanisms	
5.E. Transportation Policy	
5.F. Transportation Planning Considerations	
6. Recommendations.....	39
<b><u>Attachments</u></b>	
A. Executive Order	
B. Meeting Minutes and Public Comments	
C. Governance Alternatives Pros and Cons	
<b><u>Appendices</u> (available in Report Supplement)</b>	
A. Virginia State Rail Plan	
B. Survey of States	
C. Commission Member Biographies	

## Executive Summary



**Charge:** To examine the future of rail transportation in the Commonwealth, including:

- Review of Virginia State Rail Plan
- Consideration of a rail authority and review of Senate Bill 413 (2004)
- Potential financing options
- Other recommendations as appropriate

**Commission membership:**

Chair: The Honorable Sharon Bulova, Vice Chairman, Fairfax County Board of Supervisors  
Richard L. Beadles, Director, Virginia Rail Policy Institute  
James C. ("Jim") Bishop, Jr., former Executive Vice President, Norfolk Southern  
Willie E. Lanier, Jr., Senior Vice President, Wachovia Securities  
Harry T. Lester, Rector, Eastern Virginia Medical School  
The Honorable John Mason, former Mayor, City of Fairfax  
Dr. French H. Moore, Jr., retired Dentist, Vice Mayor, Abingdon  
The Honorable Meredith M. Richards, former Vice Mayor, City of Charlottesville

Ex-officio members:

The Honorable Whittington W. Clement, Secretary of Transportation  
The Honorable Michael J. Schewel, Secretary of Commerce & Trade  
The Honorable Jody Wagner, State Treasurer  
Karen J. Rae, Director, Department of Rail and Public Transportation

**Assessing the situation- a transportation crisis is before us:**

**At the National Level**

While traffic congestion threatens the quality of life in our most populous areas, highway systems in most metropolitan areas, especially along the East Coast, are approaching the limit of planned construction. New highway infrastructure is constrained by lack of funding as well as environmental issues, anti-growth perspectives, and less space in which to retrofit new highway lanes.

Many states have successfully partnered with freight railroads in order to provide commuter and intercity passenger rail alternatives. Attempts to accommodate ridership growth and address on-time performance are often difficult, as freight railroads struggle with their own challenges. When the local and state governments have made significant investments to add capacity and increase speeds on the freight rail lines, such as the Cascades Corridor in Washington and Oregon and the Capital Corridor in California, rail service has experienced substantial increases in ridership.

Throughout the past decades highway miles have increased and rail miles have declined. Between 1970 and 2003, Class 1 railroad miles were reduced by approximately 50%, many of

them going to short-line railroads (see page 15). From 1975 to 2003, freight carloads handled by railroads increased from 22.9 million to 28.9 million per year. Rail traffic density indicates higher utilization with "ton miles" per mile of track tripling.

In over 25 years, the Federal government has spent approximately three-quarters of a billion dollars on transportation, of which only 4% has been for rail.

## **In Virginia**

From 1930 to 1990, highway miles in Virginia have increased almost tenfold. Still, severe traffic congestion affects the quality of life of many communities, and threatens to thwart economic development. In Virginia, alternatives to highway travel include bus service, Metrorail (in Northern Virginia) and the Virginia Railway Express (VRE) commuter rail system, which operates on Norfolk Southern and CSX tracks. While the partnership was rocky at first, VRE has become a success story and has benefited from public/private investments in its host railroads' infrastructure.

Transportation planners have long sought highway opportunities to divert truck traffic from congested highway corridors. The potential for rail alternatives has essentially not been considered as part of the equation.

Rail, in the meantime, has the potential for increasing its capacity, but has its own challenges in order to address choke points and clogged main lines. If the quality of rail transportation is not improved, some Virginia companies could be forced to relocate outside the Commonwealth in order to accommodate their shipping requirements.

The Virginia State Rail Plan (VSRP) has developed an unconstrained estimate of rail needs in the Commonwealth that totals \$2.7 billion through 2010 and up to \$8.1 billion through 2025. Passenger-only and joint passenger-freight needs account for 81% of this total, while freight-only needs represent 19%.

Currently, rail only receives \$5-6 million each year for industrial access and the rail preservation fund. Virginia has no trust fund allocation for rail. Increased rail funding could provide substantial benefits to the public. For instance, in the Richmond to Washington DC corridor, an investment of \$400 million could reduce train travel time along that corridor by a half hour and would, at a minimum, double the ridership from approximately 700,000 to 1.5 million annually.<sup>1</sup>

In struggling to address these challenges, Virginia continues to operate under funding laws essentially unchanged since their enactment 18 years ago.

<sup>1</sup> From the Virginia Department of Rail and Public Transportation's 1996 report "Washington DC- Richmond Passenger Rail Study". Available online at <http://www.drpt.state.va.us/downloads/files/VVashingtonDCStudyDetails.pdf>

**The Commission urges a fundamental cultural and policy shift, with rail as a major component in a multimodal solution to the transportation challenge; in response to its charge, the Commission recommends:**

1. Adoption of following Virginia Rail Vision and Goals:

#### Vision

***Virginia's rail system — a key component of the Commonwealth's intermodal system for the movement of people and goods — will be a partner in the mid-Atlantic region, providing higher-speed intercity passenger and commuter service along major corridors, and accommodating significant increases in freight movement supportive of the Commonwealth's economic development goals. Virginia's rail system will enhance safety, reduce congestion and achieve environment goals.***

#### Goals

- Significantly increase both freight and passenger rail capacity and reliability in the 1-81, 1-64, US 460,1-95, and US 29 corridors.
- Working with the partner transportation commissions (NVTC and PRTC) and local participating jurisdictions, expand the Virginia Railway Express (VRE) to accommodate increased ridership and demand, improve service, and expand coverage both within their existing transportation commission boundaries and beyond.
- Establish the TransDominion Express (TDX) passenger rail service that would link Southwestern Virginia to Richmond via Lynchburg, and Southwestern Virginia to Washington, DC via Lynchburg and Charlottesville.
- Improve freight rail service to the Hampton Roads/Newport News ports.
- In coordination with the Federal government and other mid-Atlantic states, establish the infrastructure for higher-speed passenger rail between Washington, DC and Richmond as a spine that would connect to both Hampton Roads and North Carolina.
- Develop regional rail intermodal terminal facilities (e.g., in Petersburg, Roanoke and other areas).
- Continue strong and sustained support for Virginia's short-line railroads.
- Whenever railway rights-of-way are being considered for abandonment, ensure that those that may be needed in the future are preserved for future rail use.

2. Endorse the Virginia State Rail Plan as an excellent document providing an outstanding history of the rail industry and a cataloging of rail needs and projects in the Commonwealth, further recognizing, however, that it needs continued work by senior management to prioritize projects, to identify where public-private investments would be most beneficial and to shape the details of a rail implementation plan for the Commonwealth.
3. Reaffirm rail development responsibilities with the Department of Rail and Public Transportation, ensuring that adequate senior-level staffing is provided to achieve the rail vision and goals.
4. Designate the Commonwealth Transportation Board (CTB) as the entity authorized to issue bonds or other indebtedness to support rail enhancements, subject to bonding, statutory and constitutional requirements.
5. Create a permanent Rail Advisory Commission, chaired by an at-large member of the CTB designated by the Governor. The Commission would advise the Secretary of Transportation and the Director of Rail and Public Transportation (DRPT). In consultation with the Director of DRPT, it would also have the responsibility of making recommendations to the CTB as to distributions or grants from the Railway Preservation and Development Fund. Further, it would be charged with providing the focus and advocacy for rail issues needed to realize the Virginia rail vision and goals outlined in this report. The Commission would periodically review, update and assist with prioritization of projects in the Virginia State Rail Plan. The Commission would provide an annual progress report to the Governor, the Director of DRPT, the CTB and the Secretary of Transportation on progress being made to achieve the vision and goals, along with any needed recommendations.
6. Pursue dedicated and sustained funding mechanisms for rail enhancements with the goal of making funds available for leveraging through public-private partnerships, matching Federal funds and/or servicing debt. The Commission recommends and urges that this be a new source of funding, one that does not detract from the already modest funding allocated to transit in the Commonwealth.
7. Seek an amendment to the Code of Virginia (Section 33.1), Railway Preservation and Development Fund, to provide a matching requirement, or in-kind contribution, when monies in this Fund are used to partner with private railroad companies on projects that have a public benefit, as determined by the CTB upon recommendation from the Rail Advisory Commission.
8. Recommend that rail (both passenger and freight) be incorporated into Virginia's Commonwealth and metropolitan planning organization (MPO) planning processes.
9. In partnership with other states, pursue with the Federal government the inclusion of rail as a key element in national transportation policy and funding, with a view to its criticality in addressing the increasing freight demands, the need for higher-speed intercity passenger and commuter service, and environmental concerns.

**Great (But Realistic) Expectations.** This fundamental cultural and policy shift will not happen overnight. Rail development progress in the United States, and in the Commonwealth in particular, must necessarily be viewed as the continuation of successive steps leading to a more significant role for intercity passenger, commuter, and freight rail in a comprehensive intermodal transportation structure and service matrix. Public expectations for dramatic, near-term improvement in rail service should be tempered by the recognition that the rail mode of transportation has not enjoyed the public investment and policy support that has been accorded highways and aviation. Rebalancing this inequity in the transportation marketplace will take many years to achieve and will require a combination of executive and legislative initiatives that go substantially beyond the recommendations of this report. These expectations can only be met if there is active cooperation and partnership with railroads.

**The benefits can be great, however. Mobility challenges, which threaten our quality of life and economic vitality, will best be met by investing in and connecting the mosaic of transportation modes and alternatives serving the Commonwealth.**

## Summary of VSRP Recommendations

(6)

1. Endorse the VSRP's rail vision, goals and overall investment prioritization criteria.
2. Formally express a willingness to invest in private rail system to achieve public benefits.
3. Endorse VSRP program alternatives and consider fast-tracking selected items.
4. Develop an institutional structure to identify and implement rail improvements, building on the Rail Transportation Development Authority Study Report.
5. Include rail investments as part of an integrated, multimodal investment strategy.
6. Identify strategies to increase the amount of funding available for rail.
7. Identify creative strategies to leverage private investment through public participation.
8. Maximize the role of the private sector and establish performance standards for private sector partners.
9. Revisit the Needs Assessment component of the VSRP to refine estimates of need versus available funding and to reprioritize programs and projects where necessary.
10. DRPT should continue to provide its traditional program support and functions.
11. Actively advance safety-related activities.
12. DRPT should enhance short-line assistance, rail corridor preservation and rail modernization efforts under its Rail Preservation program and other programs such as land banking.
13. Support efforts to modernize the rail freight system, including double-stacking.
14. Encourage and facilitate improved access to commuter and intercity rail, along with the efficient transfer of passengers between modes.
15. With partners, work to promote and facilitate the use of highway-rail and water-rail intermodal services.
16. DRPT should enhance rail connections for Virginia under its Industrial Access Program.
17. Evaluate public benefits of return on rail program investments.

## **4. Commission Perspective**

In response to its charge, the Commission reviewed the Virginia State Rail Plan. The following revised vision statement is recommended, along with some initial identification of rail enhancement goals.

Appreciating that a Commission response to its charge (addressing specifically future rail governance and funding issues) requires an agreed-upon perspective of a vision for Virginia's rail system and a first order identification of goals, this section describes the fundamental decisions made to address these issues.

### **4.A. Vision for Virginia's Rail System**

The Commission recommends that the vision statement, as articulated in the State Rail Plan, be replaced with the following new vision statement, which provides a broader perspective of Virginia's future rail system.

***Virginia's rail system — a key component of the Commonwealth's intermodal system for the movement of people and goods — will be a partner in the mid-Atlantic region, providing higher-speed intercity passenger and commuter service along major corridors, and accommodating significant increases in freight movement supportive of the Commonwealth's economic development goals. Virginia's rail system will enhance safety, reduce congestion and achieve environment goals.***

### **4.B. Priority Rail Goals**

The following are specific goals that the Commission believes should be priorities within the Commonwealth. It was strongly felt that these and future goals should respond to challenges as articulated in the revised Virginia Rail Plan Vision Statement and must not be a collection of isolated projects. At the same time, selection of projects should be made based on realistic achievement of broad-based support. Projects below are not listed in any priority.

- Significantly increase both freight and passenger rail capacity and reliability in the 1-81, 1-64, US 460,1-95 and US 29 corridors.
- Working with the partner transportation commissions (Northern Virginia and Potomac Rappahannock) and participating local jurisdictions, expand the Virginia Railway Express (VRE) to accommodate increased ridership and demand, improve service, and expand coverage both within their existing transportation commission boundaries and beyond.
- Initiate the TransDominion Express passenger rail service (TDX), which would link Southwestern Virginia to Richmond via Lynchburg, and Southwestern Virginia to Washington, D.C. via Lynchburg and Charlottesville.

- Improve freight rail service to the Hampton Roads/Newport News ports.
- In coordination with the Federal government and other Mid-Atlantic States, establish the infrastructure for higher-speed passenger rail between Washington, DC and Richmond as a spine that would connect to both Hampton Roads and North Carolina.
- Develop regional rail intermodal terminal facilities (e.g., in Petersburg, Roanoke and other areas).
- Continue strong and sustained support for Virginia shortline railroads.
- Whenever railway rights-of-way are being considered for abandonment, ensure that those which may be needed in the future are preserved for future rail use.



## **5. Commission Analysis**

In this section, the Commission responds to the charge to examine Senate Bill 413 and various approaches to funding and governance of rail issues. The Commission also endorses the Virginia State Rail Plan, but with the caveats stated below.

An evaluation of the pros and cons of a rail transportation development authority was conducted and discussed. A different governance structure is recommended, with advantages listed in this section. At some future time, an independent authority may be needed. At present, however, the Commission believes that strong and professional leadership from DRPT, along with close coordination with the Commonwealth Transportation Board, is the best way to advance rail issues in the Commonwealth, while also ensuring multimodal connectivity. It is the most timely and logical next step. Under any scenario, a dedicated funding source is essential. The Commission recommends and urges that a new source of funding be identified, one that does not reduce the already modest funding allocated to VRE and transit in the Commonwealth.

### **5.A. The Issues**

As reflected in the Introduction, the Commission's charge includes:

- Reviewing the State Rail Plan
- Reviewing Senate Bill 413 (2004) recommendations regarding a rail transportation development authority
- Considering innovative financing options
- Making other recommendations as appropriate

### **5.B. Virginia State Rail Plan Comments**

Summarized earlier in the report, the Virginia State Rail Plan is an excellent document providing an outstanding history of the rail industry, cataloging rail needs and projects in the Commonwealth, clearly stating a number of challenges, and providing valuable statistical data on which to base future rail planning decisions.

A presentation of the Rail Plan was made to Commissioners at their first meeting on July 19, 2004, along with overviews of several project updates and key studies, in particular *The Northeast — Southeast — Midwest Corridor Marketing Study — Examining the Potential to Divert Highway Traffic From 1-81 to Rail Intermodal Movement*.

The Commission endorses the Rail Plan but recommends that additional work be done to prioritize projects according to rail corridors, and to identify where public-private investments would be most beneficial. This analysis should be part of the mission of a newly created body tasked with giving rail the focus and advocacy needed in order to fulfill the Commission's recommended Vision Statement.

## 5.C. Governance - Alternative Structural Approaches

Although the charge to the Commission specifically requested recommendations with respect to an "Authority," the Commission considered it important to explore a range of institutional arrangements that might be recommended. It was important for the Commission to consider first what the purpose of any structural arrangement would be before deciding on a preferred alternative. In other words, the Commission wanted to define first the outcome that could be achieved, then consider the best structure for attaining that outcome. The Commission believes the recommended new vision statement captures this direction.

The Commission's second meeting included discussions with officials from Norfolk Southern, CSX and Amtrak about the nature of their relationships with each other and public/private partnership activities in other states. Additionally, the Commission reviewed a report, prepared by the DRPT, listing the practices of state rail agencies throughout the U.S. Eleven distinct rail agencies were identified, including seven authorities. Most states vest rail projects and issues within their Departments of Transportation. Both CSX and Norfolk Southern stated that they often use Virginia as a model for some of their successful public/private ventures. At the Commission's third meeting, it learned about the creation, evolution and powers of the Commonwealth's Virginia Resource Authority. The Commission learned that this organization's powers and duties evolved incrementally.

The Commission believes that key parameters for a recommended structural arrangement must include:

- **Focus** for rail issues and projects. An effective structure should ensure that rail issues be given the time and attention required to advance the Commonwealth's rail agenda. Staff support with senior level professional expertise must be part of this structure.
- **Advocacy** for rail to provide a bi-partisan voice for rail in any broad discussion about transportation needs in the Commonwealth. While Virginia changes leadership every four years, rail and other transportation investments span decades. A strong and committed body will aid in keeping rail involved in such discussions. Modes of transportation other than rail often benefit from the advocacy their governmental structures afford them. Built-in advocacy groups for highways and transit are motorists and commuters. Unless clearly pointed out, the public benefit of freight rail improvements may not be understood or appreciated. Additionally, opportunities for relieving traffic congestion or improving air quality via "choke point" rail investments have often been absent from transportation planning processes. An effective structure will give voice to the benefits of priority rail projects.
- **Forum** for considering rail opportunities and alternatives. An effective structure will provide for the appointment of individuals and organization representatives with the interest and expertise to discuss the challenges and suggest strategies for pursuing the Commonwealth's rail vision. An effective structure, utilizing the expertise of appointed members, will augment the professional talent employed with DRPT and provide support for moving its agenda forward.

With these considerations in mind, the Commission examined the three potential approaches as outlined in "A Study of the Proposed Rail Transportation Development Authority". The Commission has added a new Option, #4, which is a variation of the Study's third option.

- Option #1: An 'independent' authority with bonding powers
- Option #2: A rail agency within Commonwealth government that has bonding powers
- Option #3: Strengthening DRPT and charging the CTB with broader rail responsibilities and financing
- Option #4: Strengthen DRPT and charge the CTB with broader rail responsibilities and financing, as in Option #3 above. Additionally, establish a permanent Rail Advisory Commission, chaired by an at-large member of the CTB appointed by the Governor.

In weighing the pros and cons of the various options, the Commission found Option #3 to be a good structure, taking advantage of existing authorities and intergovernmental relationships, and with the highest likelihood of finding favor with the General Assembly. Option #4 would add the establishment of a Rail Advisory Commission, which would provide the focus, advocacy and forum that Commission members believe to be critical parameters of an effective governance structure. At some time in the future, an independent Authority may be needed. At this point, however, the development and strengthening of professional leadership from DRPT, along with close coordination with the Commonwealth Transportation Board, appears to be the best and most expedient way to provide a stronger voice for rail in the Commonwealth, while also ensuring multimodal connectivity.

The pros and cons of these alternatives are summarized in **Attachment C**.

#### **5.D. Innovative Funding Mechanisms**

The Commission reviewed funding mechanisms utilized by other states. As with Virginia, some limited federal funding is matched with state and local funds. Sources of dedicated state revenue range from general fund dollars (various states), to state fuel taxes, lottery-backed bonds (OR), loan programs (multiple states), general fund-backed Annual Block Grant (PA), a Diesel Fuel Tax and Highway User Fee (TN), state general fund bonds, rental car taxes (NC) and container fees (CA).

The Commission was advised that any indebtedness to be paid with Commonwealth funds is considered debt of the Commonwealth, regardless of whether it is issued by an independent authority. It became clear that creating an independent entity would not circumvent this conclusion. The Commission then reasoned that the more important issue was to create a dedicated source of revenue that would allow the Commonwealth to partner with other entities to fund projects and service debt. Rail banking is a method to consider in order to ensure the availability of a rail corridor in the future.

**States' Survey 2004.** A survey of state rail programs was conducted to provide information on the programs, financing and organization of other states for the Commission. There were responses from 41 states. The majority of the rail programs of the states are placed under the secretary's office or the state department of transportation. In a few states, freight and passenger rail are in different agencies. North Carolina's rail comes under the NC DOT and its Board, but they also have a Rail Advisory Commission. Virginia is one of the few states where rail is placed within a separate entity outside the Department of Transportation.