

KEVIN L. MANNIX
STATE REPRESENTATIVE
DISTRICT 21



HOUSE OF REPRESENTATIVES

June 8, 2023

Joint Committee on Tax Expenditures

Re: Support for HB 3406-1

Dear Co-Chairs Meek and Nathanson, Co-Vice Chairs Boquist and Reschke, and Members of the Committee:

I have attached written testimony in support of HB 2096-A which passed out of the Joint Committee on Transportation unanimously.

I ask that you pass the -1 amendment to HB 3406 which incorporates HB 2096-A in its entirety, honoring the action of the Joint Committee on Transportation.

Sincerely,

A handwritten signature in black ink that reads "Kevin L. Mannix".

Kevin L. Mannix



Ross Lane
AVP, Government Affairs
Genesee & Wyoming Railroad Services, Inc.

Co-Chairs McLain and Frederick,

I am writing to express support for the -3 amendments to HB 2096 on behalf of three short line railroads that operate in Oregon: The Portland & Western, the Central Oregon & Pacific, and the Willamette & Pacific. These three railroads are each small businesses that employ hardworking and dedicated railroaders whose mission is safely moving both freight and people every day.

HB 2096 with the -3 amendments would make changes to the existing Short Line Railroad Rehabilitation tax credit, first passed in 2019. We appreciate the hard work of lawmakers who recognize the significance of short line rail in meeting Oregon's goals of supporting a multimodal transportation system, reducing greenhouse gas emissions, and alleviating congestion on public roadways. This amendment helps realize the intent of lawmakers by maximizing the funding set aside for short line railroad reinvestment.

Using analysis provided by ODOT, we have become aware that the credit has been underutilized. The changes provided by this amendment do some critical things:

- Maximizes the investment Oregon has made in short line railroads by allowing all short line railroads operating in Oregon to have equal access to the full tax credit

- Removes the tiered system that limits the amount of tax credit available to railroads with more track miles
- Ensures that the tax credit is administered fairly and allows for all short lines to be treated equally under the law
- Importantly this bill honors the statutory cap currently in place of \$4 million per biennium, resulting in no additional revenue impact
- Continues to encourage reinvestment in railroad infrastructure and helps Oregon meet its transportation goals
- Safeguards to the greatest extent possible the ability for all short lines in Oregon to utilize the tax credit with appropriate sideboards in place

As this committee appreciates, the economics and operations of short lines are fundamentally different than the larger Class I's. Every short line in Oregon has significant infrastructure needs. Notably, the mileage of a short line railroad does not determine its financial viability or ability to generate revenue. In fact, short lines with longer networks have increased maintenance needs and very limited ratemaking authority to defray costs.

Without short lines, existing customers would be forced to find alternative transportation options, may have to relocate their facilities closer to a Class I, or simply close their doors. Higher track speeds, more reliable service, and greater capacity will be the positive outcomes of investment in short line infrastructure.

To ensure customers maintain access to both domestic and international markets, short lines will need to be more efficient, move trains more quickly, and become

more resilient to the effects of climate change. Additional sidings, new track, and rehabilitated bridges will be needed.

Lastly, new technologies continue to emerge that would dramatically reduce or one day eliminate emissions from freight rail transportation. Though the technology is nascent, this bill will help short line railroads make the baseline investments needed to one day support the emerging technology and provide an even more efficient, and less carbon intensive transportation option.

In its most pure form, this bill continues the great partnership between Oregon and short lines. Short lines can accelerate investment in their infrastructure and in turn, short lines can continue to support jobs across the state in numerous industries, reduce roadway congestion, and provide customers large and small a safe, reliable, and environmentally sustainable mode of transportation.

I want to thank Representative Mannix and Senator Woods for sponsoring this amendment, and this committee for allowing it to come forward. I urge your support for the -3 amendments to HB 2096.

Thank you,

Ross Lane

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Ethan Hasenstein
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May 16, 2023

Joint Committee on Transportation

Re: Support for HB 2096-3

Co-Chairs Frederick and McLain, Co-Vice Chairs Boquist and Boshart-Davis, and Members of the Joint Committee:

Knife River Corporation is Oregon's largest producer of construction aggregates. Last year, Knife River shipped over 700,000 tons of rock, sand, and gravel by rail from the Willamette Valley to serve the Portland metropolitan market and points beyond. That high-quality rock goes into the concrete and asphalt Oregon needs to build sidewalks, roads, highways, bridges, water treatment facilities, housing, and other essential infrastructure. Knife River depends on safe, efficient short line rail operations to move these materials economically and sustainably. In addition, given the tight trucking market, surging highway congestion, and the limitations of Class I rail service, ready access to short line rail facilities is a critical component of Knife River's multimodal business development strategy.

As a major short line rail customer and supplier of railroad ballast rock, Knife River supports expanding access to and utilization of the Short Line Rail Rehabilitation tax credit. Removing barriers to fully utilizing this credit will foster investments in short line rail infrastructure. HB 2096 with the -3 amendment removes these barriers with no revenue impact.

Short line rail is essential. It is a safe, efficient, and sustainable mode of moving materials and people throughout the state. Knife River recommends that the Joint Committee pass the -3 amendment to fully realize the commitment the Legislature made in HB 2164 (2019).

As always, thank you for the opportunity to testify in support of smart investments in Oregon's multimodal future.