

Testimony of Jeff Van Schaick on behalf of the Cimarron Valley Railroad
Kansas House Committee on Taxation
In support of SB 326

March 16, 2022

Chairman Smith and Members of the Committee:

My name is Jeff Van Schaick and am here today on behalf of the Cimarron Valley Railroad (CVR) in support of SB 326 which if enacted, will provide critical shovel ready investments into Kansas' short line rail infrastructure allowing for safer and more efficient rail service to rural rail customers. On March 7, 2022, SB 326 passed out of the Kansas Senate by a vote of 29-7.

The Cimarron Valley Railroad operates 200 miles of track in the State of Kansas and employs 31 team members. The eastern end our of track is in Dodge City, where CVR interchanges with the BNSF. The CVR's main stretch runs from Dodge City to Satanta, where one CVR line extends through Hugoton into the western Oklahoma panhandle, and the other heads west to eastern Colorado. The counties in Kansas served by the railroad include: Ford, Grant, Gray, Haskell, Morton, Stanton, and Stevens in Kansas.

CVR is a vital part of the Kansas rural economy. Many of the region's largest employers are rail-served and exist because of the connection CVR provides them to the North American freight rail network. A significant portion of CVR's traffic is agriculture based. Our typical operation involves moving grain products between small rural elevators to larger regional gathering facilities on our line in Ensign and Hugoton. From there, grains are loaded into shuttle unit trains and handed off to BNSF Railway at Dodge City for movement throughout the national rail network.

The CVR is also set to begin serving the new Seaboard Energy facility in Hugoton, KS. Seaboard purchased a former ethanol plant in Hugoton in 2019 and is repurposing it through a \$340 million investment to produce renewable diesel and biodiesel from locally available animal fats and vegetable and soybean oils. Once fully operational, the plant expects to produce 85 million gallons of renewable diesel annually. The Hugoton plant is expected to employ 65 workers with CVR hiring six additional full-time team members to handle the resulting increased rail volume from the plant.

The challenge we have with our current infrastructure is that CVR's primary artery, the main line between Dodge City and Satanta has decreased its speed to 10 mph from 25mph due to a variety of poor track conditions including aging jointed rail, deteriorating crossties, and plates and spikes that have imbedded deep into the ties in many areas. Ballast throughout that section has eroded into the ground or withered away over time. This slower speed has increased the time needed to move cars to and from interchange, and to and from customers on our line.

Along with the lack of efficiency in speed, track caused derailments pose another operating risk. In 2021 since taking over the line, the CVR has unfortunately had three track caused derailments. In the past five years, the CVR has spent \$1.27 million on derailment costs alone.

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In 2022, we are projected to spend 31% of our revenue on infrastructure improvements. Though 31% of revenue year over year seems like a lot, and it is, it pales in comparison to the total cost of infrastructure upgrades needed across our 200 miles in Kansas.

With this credit, communities and rail customers will benefit greatly from the use of environmentally friendly freight rail and less potential use of trucks. Farmers will be able to move grain economically via one-hundred-plus car unit grain trains, the standard means of moving grain products via rail today. That will help this rural region compete in a global market that's becoming more and more competitive as overseas grain shipments battle with U.S. export grain to feed global demand.

In addition, track caused derailments will be significantly reduced, if not all together eliminated. We do not view this temporary credit as a subsidy, but as a means to help close the major gap between the poor infrastructure today and the efficient infrastructure needed to support the growth in southwest Kansas so that our customers can continue to have reliable rail access and in turn support rural economies who rely on them for job creation and retention.

Thank you for your consideration of this important legislation.