

Budget Request FY 2019

Surface Transportation Board



February 2018

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Overview

The Surface Transportation Board (STB or Board) is charged with the economic oversight of the nation's freight rail system. The bipartisan Board was established in 1996 as the successor agency to the Interstate Commerce Commission. The Board, while decisionally independent, was administratively aligned with the Department of Transportation (DOT) until enactment of the Surface Transportation Board Reauthorization Act of 2015 (STB Reauthorization Act), Pub. L. No. 114-110, which established the Board as a fully independent agency on December 18, 2015.

The Board has regulatory jurisdiction over, among other things, railroad rate reasonableness, mergers, line acquisitions, new rail line construction, and abandonments of existing rail lines. While the majority of the Board's work involves freight railroads, the STB also performs certain oversight of passenger rail matters, the intercity bus industry, non-energy pipelines, household goods carriers' tariffs, and rate regulation of non-contiguous domestic water transportation (freight shipping between mainland United States, Hawaii, Alaska, Puerto Rico, and other U.S. territories and possessions).

Because the economics of freight rail regulation impact the national transportation network and are important to our nation's economy, Congress gave the STB sole jurisdiction over rail mergers and consolidations, exempting STB-approved transactions from

federal antitrust laws and state and municipal laws. The Board also has exclusive authority to determine whether certain railroad practices are reasonable. The STB Reauthorization Act gave the Board the authority to investigate issues of national or regional significance on its own initiative.



To carry out its mission as directed under the statute, the STB has assembled a small but highly experienced staff of lawyers, economists, analysts, and other experts in rail, shipping, and environmental matters. The Board's staff devotes much of its time analyzing the legal, economic, and environmental impacts of STB decisions and ensuring that those decisions are fair, legally sound, and defensible. Typically, the Board handles or participates in more than 600 proceedings and court-related matters each year.

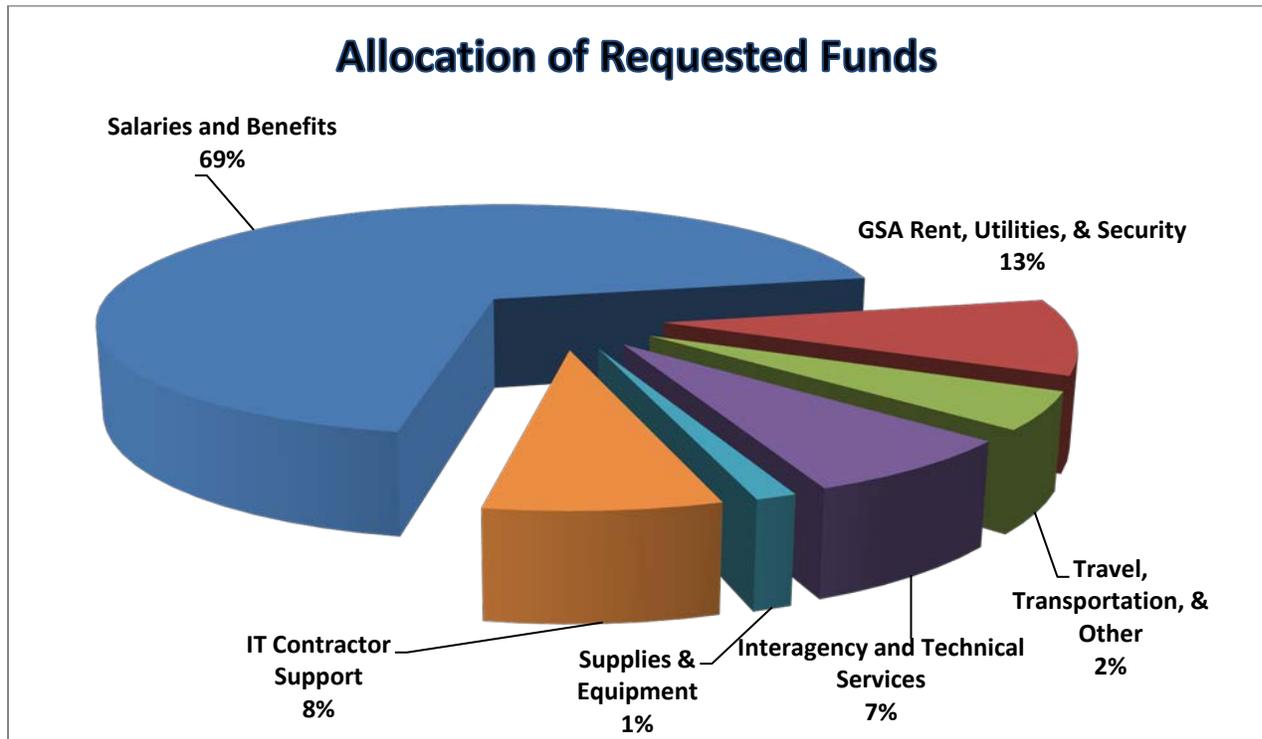
Similar to prior agency budget requests, the significant majority of the Board's Fiscal Year (FY) 2019 budget request is for basic operating expenses, including salaries and benefits, rent, security, and activities associated with carrying out its mandated responsibilities, which are largely driven by the number and types of cases filed. The agency anticipates a steady, and potentially increased workload in FY 2019 given its important statutory responsibilities, including those under the Interstate Commerce Act and the STB Reauthorization Act. In addition to meeting shortened rate case processing deadlines, the Board is exploring options to improve its rate case methodologies for all shippers, as well as

working to improve the timeliness of its decisions generally.

FY 2019 Budget Request Overview

For FY 2019, the Board is requesting \$37.1 million to cover its general, annual operating costs. This funding request level is consistent with the Office of Management and Budget's (OMB) July 7, 2017 Budget Guidance for FY 2019 and would enable the Board to fill essential staffing vacancies, continue improving its information technology (IT) systems, and carry out the Board's mission.

The requested funding level provides for 142 Full Time Equivalents (FTEs) and expenses, while allowing the Board to continue modernizing and securing its IT infrastructure and website. The FTE estimate includes funding for the additional Board Members and associated staff that are expected in FY 2018. Since 2010, the Board's FTE level has fallen from 149 FTEs to 130 FTEs as of the close of FY 2017. This decline in FTEs has placed considerable strain on the Board's existing workforce and the agency's ability to best fulfill its mission. The expenses are broken into categories below and discussed herein.



Administration

For personnel compensation and benefits, the Board's request of \$25.633 million would support a total of 142 FTEs, as shown in the STB Organization Chart on page 7. This FTE level includes additional Board Members, as required under the STB Reauthorization Act, and associated staff. It also includes \$180,000 for lump-sum leave payments for retiring employees. (The Board's staffing needs are discussed in more detail below, under *STB Proceedings and Processing*.)

The Board also requests funding of \$11.467 million to cover other administrative costs. This includes payments for: rent to the General Services Administration (GSA); building security to the Department of Homeland Security (DHS); employee training; telephone service; postage; IT systems support; software licenses, services, and supplies; and reimbursable services acquired from other Federal agencies.

After becoming a wholly independent agency upon enactment of the STB Reauthorization Act, the Board entered into a number of shared-service agreements with other Federal agencies in an effort to achieve cost efficiencies. In FY 2017, the Board renewed a Memorandum of Agreement with DOT for certain procurement, human resources (HR), and IT support functions. The Board continues to rely on its Working Capital Fund (WCF) agreement with DOT. Under this agreement, the Board pays DOT to provide the Board with various administrative services, such as HR and procurement

support. The Board continues to evaluate opportunities to reduce its reliance on the WCF, but it envisions that it will continue using WCF services in the foreseeable future.

For FY 2019, the Board requests \$422,632 to fund the WCF, based on the estimated payments that will be needed for various services. The Board's share of procurement costs and property management costs is included in the estimated payment to the WCF.

This request also includes funds for IT and financial statement audits. Specifically, it includes \$103,000 and \$80,000 to reimburse the DOT Office of Inspector General for the costs associated with the Board's required annual financial statement audit and annual Federal Information Security Management Act (FISMA) audit, respectively. It also includes \$90,000 for the annual assessment and authority to operate and \$40,000 for the annual Internal Control audit.

Finally, the Board will review some of the statistical and engineering relationships that are assumed in its Uniform Rail Costing System, which is the Board's general purpose costing system. Some of these relationships have not been systematically reviewed in several decades. Given the structural changes in the railroad industry, a review of these assumptions is warranted. Accordingly, the budget requests \$1,000,000 in funding for this effort, which would require a collaborative effort between the Board's staff and outside contractors.

In addition, for FY 2019, the Board's security costs are estimated at \$971,589. The Board shares security costs with other tenants located in the Board's building. As the number of building tenants fluctuate, the security costs are spread across the remaining tenants.

Investigations

The STB Reauthorization Act gave the Board the authority to investigate issues of national or regional significance on its own initiative and directed the Board to issue final rules regarding this new authority by December 18, 2016, a directive that the Board met. The STB Reauthorization Act also requires the Board to include in its annual report a section detailing the actions the Board initiates under this new authority.

To carry out the new investigative authority requirement, the Board has promulgated rules designating employees to serve as Investigating Officers on an ad hoc basis. *See Rules Relating to Board-Initiated Investigations*, EP 731 (STB served Dec. 14, 2016). As indicated in the Board's FY 2018 Budget Request, because the Board intends to employ this ad hoc model, it has not requested funding for additional employees relating to these duties. However, the Board continues to believe that establishing a small staff dedicated to this new responsibility may need to be pursued going forward.

STB Proceedings and Processing

The Board issues hundreds of decisions each year. During FY 2017, the Board Members voted on and served 117 decisions. In

addition, the Board issued 321 decisions through delegated authority from the Board.

Further, the STB Reauthorization Act required the Board to change a number of its processes and confers on the Board new responsibilities, all designed to improve the functioning of the agency.

Most notably, the STB Reauthorization Act reduced the time allocated to the Board to render a final decision on a large rate case proceeding once the record is closed, from nine months to four months. Concurrently, rate cases have become increasingly complex resulting in significantly larger evidentiary records. The Board is continuing to explore options to improve its rate case processing overall.

The STB Reauthorization Act also required the Board to submit to Congress quarterly reports on unfinished regulatory proceedings, formal service complaints, and informal service complaints. It also directs the Board to post quarterly reports of rail rate review cases pending or completed by the Board during the previous quarter that include information about each case, such as a summary and the date on which the rate review proceeding began. These reports are posted on STB's website <https://www.stb.gov/stb/rail/ReauthorizationAct.html>, along with additional information on the Board's implementation efforts and updates on other Board matters.

In addition to handling the current case workload and the STB Reauthorization Act requirements, the Board also must be prepared to handle the additional workload

that may result from a major event in the industry, such as regional or system-wide service issues, a proposed major railroad merger or acquisition, or a series of such proposed transactions. A proposed merger or acquisition would involve significant staff resources.

The Board could greatly enhance its docket processing and better meet its overall duties in a more timely manner with additional staff resources. In the meantime, the Board continues to explore available options to improve its caseload processing and carry out its other responsibilities under existing funding allocation levels.

Information Technology Initiatives

Since FY 2015, the Board has been working to implement extensive upgrades to its IT infrastructure and capabilities. Efforts in FY 2016 and 2017 focused on the implementation of Office 365 (O365) and establishing IT capabilities that had previously been provided by DOT. In FY 2018, the focus will be on migrating other capabilities to O365, improving and implementing Cybersecurity policies and procedures, adding Cybersecurity capabilities to strengthen the network and infrastructure, and replacing the Board's Case Management system.

For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue the migration of data from the current Case Management system and the development of a new replacement system. Funding will also be required to continue

meeting FISMA requirements and supporting a comprehensive Cybersecurity risk management program.

In addition, there are remaining steps that the Board needs to take to separate its HR and financial systems from DOT, which will likely be completed in FY 2018 and FY 2019.

Training

In accordance with OMB memorandum M-17-22, "Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce," the Board is taking several steps to ensure that managers and HR staff are appropriately trained in how to best address employee performance and conduct. The STB has adopted a multi-tier approach to training. The Board is providing large-scale group training for supervisors on topics dealing with coaching employees, improving performance, conducting defensible appraisals, and addressing performance issues.

In addition, in early FY 2018, supervisors and managers will be taking the following Office of Personnel Human Resource University online training courses:

- Addressing and Resolving Poor Performance;
- Basic Employee Relations: Your Accountability as a Supervisor or a Manager;
- Merit Systems Protection Board Web-based Training on Adverse Actions;

- Coach for Success: How to Hold Performance Conversations Like a Pro;
- Difficult Conversations; and
- How to Rate Performance and Write an Effective Narrative.

As a small agency, the STB must use training dollars judiciously. Training is an essential element in promoting a productive and engaged workforce. The Board will continue to utilize training in FY 2019 to enhance the efficiency and effectiveness of its staff.

Travel

Many of the Board's responsibilities affect stakeholders and communities across the nation; therefore, Board Members and staff need to travel when appropriate. For example, Board Members travel to speak to interested stakeholders and hold public meetings on issues within the Board's jurisdiction, as needed. Board Members also attend the annual meeting of the National Grain Car Council, which is typically held outside of Washington, DC. Additionally, Board staff inspects proposed rail line construction and complex rail line abandonment sites to assess potential environmental impacts related to the transaction and to meet with stakeholders. Board staff must also conduct operational reviews, perform on-site examinations of the

Class I carriers' accounting reports, and defend the Board's decisions in courts across the country.

Travel funds also enable the Board to monitor rail service and expand the Board's informal dispute resolution programs. Enhanced investigatory authority, as provided by the STB Reauthorization Act, may also generate travel expenses. And, the additional Board Members expected to join the agency in FY 2018 must also be taken into consideration in projecting the Board's travel budget. Accordingly, the Board requests a travel budget of \$125,000.

Building Location and Lease Update

As explained in its more recent prior budget requests, the Board has been working with GSA for over three years in preparation for the expiration of the Board's GSA building lease (which expired in February 2017). Following that lease expiration, the Board was in a "hold over" lease for its current facilities until executing a new, 15-year lease in July 2017. The Board will remain at its current headquarters location, but in retrofitted space. Overall the Board's leased space is expected to be reduced by over 16% from the previous lease.

Surface Transportation Board Organization Chart



NOTES: The STB Reauthorization Act of 2015 expanded the Board's membership from three to five Board Members.
The above numbers to the left represent FY 2018 requested FTEs; the numbers to the right represent requested FY 2019 FTEs.
The total number of requested FTEs for the STB is 142 for FY 2019.

Accomplishments in FY 2017

The STB Reauthorization Act Implementation

As the Board explained in its recent budget requests, enactment of the STB Reauthorization Act in December 2015¹ was one of the most significant legislative developments affecting the Board since its 1996 inception. This law transformed the Board into a fully independent federal agency and marked the agency's first reauthorization since it was established in 1996.²

The STB Reauthorization Act also:

- Expanded the Board's membership from three to five Board Members.
- Allows a majority of Board Members to meet in private to discuss agency matters if no vote or official action is undertaken within such a meeting and if a meeting summary is made publicly available.
- Gives the Board authority to initiate investigations and requires the STB to establish regulations relative to such authority and to include each instance in which the Board has initiated an investigation in its annual report.

- Directs the Board to adjust its voluntary arbitration process, including allowing arbitration in rate disputes up to \$25 million.
- Shortens timelines for large rate case proceedings, including limits on the time allowed for discovery and development of an evidentiary record.
- Directs the Board to submit a rate-case methodology report and quarterly reports of unfinished regulatory proceedings to pertinent Congressional committees, and to post quarterly reports on rail rate review cases and formal and informal railroad service complaints.



Throughout FY 2017, the Board continued implementing the law and providing quarterly reports. These reports can be found on the STB's website www.stb.gov.

Regulatory Reform Task Force

The Regulatory Reform Task Force (RRTF) was established to comply with the spirit of Executive Order (EO) 13,777, issued February 24, 2017. The RRTF identifies burdensome, outdated, or cumbersome regulations, and makes recommendations for implementing regulatory reform initiatives. In May, the RRTF identified a number of initial proposals, including repealing the requirement to file water carrier tariffs,

¹ Pub. L. No. 114-110, 129 Stat 2228.

² Prior to the STB Reauthorization Act, the Board was administratively aligned with the

U.S. DOT, although the STB had been decisionally independent since its 1996 creation by the ICC Termination Act of 1995 (Pub. L. No. 104-88, 109 Stat 803).

revising the Board's environmental rules, and replacing outdated procedural and filing rules. To ensure stakeholder engagement, the RRTF held a listening session on July 25, 2017, and invited written comments. Based upon further review of the comments made at the listening session and written comments submitted, as well as its own on-going review of existing agency regulations and policies, the RRTF intends to make additional reform recommendations to the Board.

Rail Service Issue Oversight and Monitoring

Over the summer of 2017, the Board initiated informal oversight and public assistance efforts in response to service problems caused by operational changes made by CSX Transportation, Inc. (CSX). The Board's efforts were prompted by a number of informal complaints from CSX customers, Congressional offices, and industry stakeholders, alleging increased transit times, unreliable switching operations, inefficient car routings, poor communications from CSX customer service, and acute disruption to customers' business operations. These service issues were corroborated by performance data that all Class I railroads provide the Board (a requirement that the Board implemented after service issues arose in the winter of 2013-2014). The staff of the Board's Rail Customer and Public Assistance (RCPA) office has been working with CSX customers that have sought informal assistance. In addition, the Board sent two letters to CSX's President and CEO, to express its collective concern over

deteriorated service across the railroad's network. In the first letter, the Board requested that CSX senior personnel participate in weekly calls with Board staff to better understand the scope and magnitude of CSX's performance issues and its efforts to resolve these problems. In the second letter, the Board further requested that CSX provide additional weekly service metrics. Also in FY 2017, the Board sent letters to the Senate Committee on Commerce, Science, and Transportation and to the House of Representatives Committee on Transportation and Infrastructure on August 16, 2017, to keep Congress apprised of Board efforts on these important service issues. The Board was scheduled to hold a public listening session in Washington, DC, on September 12, 2017. The purpose of the listening session was to hear from CSX executives on plans to address the service problems, to provide interested parties the opportunity to report on recent service problems with CSX, and to discuss additional options to improve service. Due to Hurricane Irma, projected to make landfall in the Southeastern United States just prior to September 12, the listening session was rescheduled to better ensure CSX executives and other interested parties could participate. (The listening session was held on October 11, 2017.) Further Board oversight and monitoring will continue until CSX has recovered from its service problems.

Alternatives to SAC

In 2014, the Board commissioned InterVISTAS Consulting LLC (InterVISTAS) to provide an independent

study of the Board's SAC rate reasonableness methodology. The study, *An Examination of the STB's Approach to Freight Rail Rate Regulation and Options for Simplification*, was released September 2016 and provided to Congress pursuant to Section 15 of the STB Reauthorization Act. It considered alternative methodologies to SAC that exist or could be developed to reduce the time, complexity, and expense historically involved in rate cases, and determine whether SAC is sufficient for large rate cases and whether the Board's simplified methodologies were appropriate alternatives to SAC. In October 2016, the Board held an economic roundtable to discuss the study and invited independent economists from InterVISTAS, Georgetown University, Harvard University, Consumer Federation of America, U.S. Department of Justice, University of Oregon, Massachusetts Institute of Technology, as well as STB economists, to comment on the InterVISTAS report and SAC process. The Board is continuing its work to improve its rate case processes.

Rate Cases

The Board had one rate case pending the issuance of a merits decision at the close of FY 2017: *Consumers Energy Company v. CSX Transportation, Inc.*, Docket No. NOR 42142. This case requires significant staff attention and resources. The last evidentiary filing was received in April 2017, and the Board must issue a decision by January 12, 2018. (The Board issued its decision on January 11, 2018.)

On January 4, 2017, the Board issued a final decision in *Total Petrochemicals & Refining*

USA, Inc. v. CSX Transportation, Inc., Docket No. NOR 42121, dismissing as moot the petitions of CSX for technical corrections and reconsideration of the Board's September 14, 2016 decision. In so ruling, the Board's prior decision finding that *Total Petrochemicals & Refining USA, Inc.* had not demonstrated that challenged rates were unreasonable under the stand-alone cost test became final.

Unreasonable Practice

In *American Fuel & Petrochemical Manufacturers v. BNSF Railway Company*, Docket No. NOR 42146, the Board granted a motion filed by BNSF Railway Company to dismiss *American Fuel & Petrochemical Manufacturers'* complaint that certain railroad charges and practices are unreasonable and in violation of BNSF Railway Company's common carrier obligation.

In *United States Department of Energy and United States Department of Defense v. Baltimore & Ohio Railroad*, Docket No. NOR 38302S, and *United States Department of Energy and United States Department of Defense v. Aberdeen & Rockfish Railroad*, Docket No. NOR 38376S, the Board approved an agreement negotiated between two federal government departments and Norfolk Southern Railway Company to settle longstanding rate reasonableness complaints as between them only. At the parties' request, the Board prescribed the rates, rate update methodologies, as amended, and the maximum revenue-to-variable cost ratios contained in the agreement.

Rulemakings, Declaratory Orders, Licensing, and Abandonments

In FY 2017, the Board issued multiple decisions on topics of importance to shippers and railroads.

Rulemakings

In *Petition of the Western Coal Traffic League to Institute a Rulemaking Proceeding to Abolish the Use of the Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Capital*, Docket No. EP 664 (Sub-No. 2), the Board denied a request that the agency abolish the use of the multi-stage discounted cash flow model in determining the railroad industry's cost of equity capital. After holding a public hearing and examining the comments and evidence submitted into the record, the Board declined to issue a Notice of Proposed Rulemaking.

In *Rules Relating to Board-Initiated Investigations*, Docket No. EP 731, the Board adopted final rules to establish procedures for investigations conducted on the Board's own initiative pursuant to Section 12 of the STB Reauthorization Act of 2015.

In *Civil Monetary Penalty Inflation Adjustment Rule*, Docket No. EP 716 (Sub-No. 1), the Board issued an interim final rule to increase its existing civil monetary penalties in accordance with the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. The Board also determined that it will thereafter adjust these

penalties for inflation at least once every year. Accordingly, in *Civil Monetary Penalties—2017 Adjustment*, Docket No. EP 716 (Sub-No. 2), the Board issued a final rule to adjust its existing civil monetary penalties for inflation for 2017.

In *Publication Requirements for Agricultural Products*, Docket No. EP 528 (Sub-No. 1), and *Rail Transportation of Grain, Rate Regulation Review*, Docket No. EP 665 (Sub-No. 1), the Board adopted final rules amending its regulations on the publication of rate and service terms for agricultural products and fertilizer. Specifically, the final rules modernized an existing requirement that railroads make available to the public their common carrier pricing and service terms for agricultural products and fertilizer by requiring Class I carriers to publish (in a way that is without charge to the public and broadly available) their pricing and service terms on their websites. In addition, the Board denied a petition for reconsideration of the Board's policy statement regarding aggregation of claims and standing issues as they relate to rate complaint procedures.

In *Revisions to Railroad Annual Report Form R-1 and Quarterly Operating Reports*, Docket No. EP 720 (Sub-No. 1), the Board provided notice of modifications to annual and quarterly reporting forms. The Board revised certain schedules in the Annual Report for Class I railroads (R-1 or Form R-1) and quarterly operating reports.

In *United States Rail Service Issues—Performance Data Reporting*, Docket No.

EP 724 (Sub-No. 4), the Board adopted a final rule to establish new regulations requiring all Class I railroads and the Chicago Transportation Coordination Office, through its Class I members, to report certain service performance metrics on a weekly, semiannual, and occasional basis. Data reporting under the final rule began March 29, 2017.

In *Revised Inspection of Records and Related Fees*, Docket No. EP 737, the Board revised its regulations governing “Inspection of Records” and “Fees” in accordance with changes to the Freedom of Information Act made by the FOIA Improvement Act of 2016, Pub. L. No. 114-185 (2016). Pursuant to the FOIA Improvement Act, the Board extended the deadline for administrative appeals, added information on dispute resolution services, and amended the way fees are charged in certain circumstances.

In *Offers of Financial Assistance*, Docket No. EP 729, after seeking public input, the Board adopted a final rule to modify its procedures pertaining to Offers of Financial Assistance (OFA) to improve that process and protect it against abuse. Under the OFA process, financially responsible parties may offer to temporarily subsidize continued rail service over a line that a carrier seeks to abandon or discontinue service, or offer to purchase a line and provide continued rail service on a line that a carrier seeks to abandon. Although the OFA process has been used numerous times for legitimate offers to save rail service, the Board has found that, on occasion, parties have initiated the process in bad faith. The OFA

modifications enhance the Board’s ability to protect the integrity of the OFA process by ensuring that OFA offerors are financially capable of maintaining service and that there is a continued need for rail service. The modifications will also improve overall efficiency and transparency of the OFA process.

In *Revisions to the Cost-of-Capital Composite Railroad Criteria*, Docket No. EP 664 (Sub-No. 3), to better reflect the current marketplace, the Board proposed rules to update one of the screening criteria used to create the “composite railroad” for the Board’s annual cost-of-capital determination. Specifically, the Board proposed that one of its screening criteria now requires a company’s stock to be listed on either the New York Stock Exchange (NYSE) or the Nasdaq Stock Market (NASDAQ), rather than be listed on either the NYSE or American Stock Exchange (AMEX), as the AMEX is no longer in existence. (The Board issued final rules on October 25, 2017.)

In *Expediting Rate Cases*, Docket No. EP 733, pursuant to Section 11 of the STB Reauthorization Act of 2015, the Board proposed changes to its rules pertaining to its rate case procedures to help improve and expedite the rate review process. (The Board issued final rules on November 30, 2017.)

In *Dispute Resolution Procedures Under the Fixing America’s Surface Transportation Act of 2015*, Docket No. EP 734, after seeking public comment, the Board adopted

final rules to implement passenger rail-related dispute resolution provisions of the Fixing America's Surface Transportation Act of 2015.

Declaratory Order

In *Sunflower Rails-Trails Conservancy, Inc.—Petition for Declaratory Order—Sale of Railbanked Right-of-Way*, Docket No. FD 36034, the Board found that a county's foreclosure on, and sale of, parcels of a railbanked line that occurred in 2004 were preempted by federal law. The Board also provided the parties with guidance on how they could proceed to have their claims addressed.

In *LRY, LLC—Petition for Declaratory Order—Rail Line in Lake County, Or. & Modoc County, Cal.*, Docket No. FD 36117, the Board denied LRY, LLC's petition requesting a declaratory order staying any future proceeding seeking adverse discontinuance of the railroad's service over rail line owned by Lake County, Or.

In *Tesoro Refining & Marketing Co.—Petition for Declaratory Order*, Docket No. FD 36041, the Board denied a request that it issue a declaratory order finding that 49 U.S.C. § 10501(b) preempts claims of a Native American tribe in pending federal district court litigation between that tribe and a railroad. Board Member Begeman dissented with a separate expression.

In *Tri-City Railroad Company, LLC —Petition for Declaratory Order*, Docket No. FD 36037, the Board denied a petition for declaratory order filed by Tri-City Railroad

Company, LLC, regarding the nature of certain track serving an industrial park that the City of Richland owns, the need for Board authority on that track, and the effect of certain terms of the track use agreements under which BNSF Railway Company and Union Pacific Railroad Company operate over the track.

In *Washington & Idaho Railway—Petition for Declaratory Order*, Docket No. FD 36017, the Board denied a petition for an order declaring that federal law preempts state and local laws that would prohibit or unreasonably burden or interfere with a planned rail transload facility project in Spokane County, Wash. The Board also provided guidance on the question of preemption.

In *NewVistas Property Holdings, LLC—Petition for Declaratory Order*, Docket No. FD 36040, the Board found that a portion of Union Pacific Railroad Company's Ironton Branch in Provo City, Utah, remained within the Board's jurisdiction but another portion of the Ironton Branch was not part of the national rail system and was no longer within the Board's jurisdiction.

In *Jersey Marine Rail, LLC—Petition for Declaratory Order*, Docket No. FD 36063, the Board concluded that Jersey Marine Rail, LLC (JMR) needed operating authority, but not construction authority, to carry out a proposed plan to rehabilitate certain track within the City of Linden, N.J., and operate over that track as a common carrier. The Board also granted JMR the necessary operating authority.

In *Atlanta Development Authority—Verified Petition for a Declaratory Order*, Docket No. FD 35991, the Board found that while the acquisition of the northern segment of a line of railroad in Fulton County, Ga., did not require Board authority, acquisition of the southern segment did require Board authority. For the part of the southern segment that remained within the Board’s jurisdiction, the Atlanta Development Authority d/b/a Invest Atlanta and Atlanta BeltLine, Inc. had to either obtain Board authority or amend the deed under which it acquired the real estate.

In *State of South Dakota—Petition for Declaratory Order*, Docket No. FD 36096, the Board granted the State of South Dakota’s request for an order declaring that the Napa-Platte Regional Railroad Authority’s operating rights over a State-owned rail line are terminated.

In *San Pedro Peninsula Homeowner’s United Inc.—Petition for Declaratory Order*, Docket No. FD 36065, the Board denied a petition for declaratory order regarding certain rail movements associated with the Port of Los Angeles Harbor Department and Rancho LPG Holdings, LLC, but provided guidance on application of federal preemption.

In *Angeles A. Zorzi—Petition for Declaratory Order*, Docket No. FD 36016, the Board denied a petition for declaratory order, finding that a railroad right-of-way in Montpelier, Vt., has not been abandoned and remains part of the national rail network.

In *CL Consulting and Management Corporation—Petition for Declaratory Order*, Docket No. FD 36042, the Board denied a petition for declaratory order filed by CL Consulting and Management Corp. because the dispute over demurrage charges was still pending in the U.S. District Court for the District of New Jersey, and the district court denied CLC’s motion to refer issues associated with the demurrage charges to the Board.

Licensing

In *Prisoner Transportation Services, LLC—Control—U.S. Corrections*, Docket No. MCF 21067, the Board granted the request of Prisoner Transportation Services, LLC to acquire common control of U.S. Corrections, LLC and addressed comments filed in this proceeding.

In *Monarch Ventures Inc.—Acquisition of Control—Quick Coach Lines Ltd.*, Docket No. MCF 21074, the Board tentatively approved and authorized Monarch Ventures Inc. to acquire from Royal City Charter Coach Lines Ltd., control of the assets and business operations of Quick Coach Lines Ltd. and Vancouver Tours and Transit Ltd. d/b/a Charter Bus Lines of British Columbia, subject to opposing comments. After addressing the comments that were received, the Board approved the transaction.

In *National Express LLC—Acquisition of Control—Trinity, Inc.*, Docket No. MCF 21073, the Board tentatively approved and authorized National Express LLC, to acquire control of Trinity, Inc., Trinity Cars, Inc.,

and Trinity Student Delivery, LLC, subject to opposing comments. No opposing comments were filed. Consequently, the acquisition became effective on December 20, 2016.

In Lone Star Coaches, Inc.—Control—Tri-City Charter of Bossier, Inc., Docket No. MCF 21076, the Board tentatively approved and authorized Lone Star Coaches, Inc., to acquire Tri-City Charter of Bossier, Inc., subject to opposing comments. No opposing comments were filed. Consequently, the acquisition became effective on July 25, 2017.

In AAAHI Acquisition Corp.—Acquisition of Control—All Aboard America! Holdings, Inc., Docket No. MCF 21071, the Board tentatively approved and authorized AAAHI Acquisition Corporation to acquire All Aboard America! Holdings, Inc., a holding company that wholly owned the following passenger motor carriers: Hotard Coaches, Inc.; Industrial Bus Lines, Inc. d/b/a All Aboard America; Sureride Charter Inc. d/b/a Sundiego Charter Co.; Ace Express Coaches, LLC; All Aboard Transit Services, LLC; and All Aboard America! School Transportation, LLC, subject to opposing comments. No opposing comments were filed. Consequently, the acquisition became effective on December 13, 2016.

In Cavallo Bus Lines, LLC—Acquisition of Control of Assets—White Knight Limousine, Inc., Docket No. MCF 21075, the Board tentatively approved and authorized Cavallo Bus Lines, to purchase certain assets (including motorcoaches and contracts) of

White Knight Limousine, Inc., used to provide certain motor carrier services, subject to opposing comments. No opposing comments were filed. Consequently, the acquisition became effective on May 9, 2017.

Abandonments/Discontinuances

In Delaware & Hudson Railway—Discontinuance of Trackage Rights Exemption—in Broome County, N.Y., Docket No. AB 156 (Sub-No. 27X), the Board denied three petitions to revoke the exemption in this proceeding.

In BNSF Railway—Discontinuance of Trackage Rights Exemption—in Big Stone, Swift, Chippewa, Yellow Medicine, & Renville Ctys., Minn., Docket No. AB 6 (Sub-No. 467X), the Board granted in part and denied in part the petition for exemption filed by BNSF Railway Company to discontinue trackage rights over a 106.7-mile line of railroad. The Board permitted BNSF Railway Company to discontinue trackage rights over an 84.93-mile line of railroad owned by Twin Cities & Western Railroad Company between Buffalo Lake and Appleton, Minn., but denied the petition with respect to the portion of the line BNSF Railway Company owns.

The Board issued multiple abandonment and discontinuance decisions that were relatively more routine than those summarized above, including:

Michigan S. R.R.—Discontinuance of Service Exemption—in Henry Cty., Ohio, Docket No. AB 1245X.

City of Tacoma, Dep't of Pub. Utilities, Beltline Div.—Discontinuance of Serv. Exemption—in Thurston Cty., Wash., Docket No. AB 1239 (Sub-No. 2X).

CSX Transp., Inc.—Discontinuance of Serv. Exemption—in Clay, Marion & Clinton Clys., Ill., Docket No. AB 55 (Sub-No. 750X).

Southwestern R.R.—Discontinuance of Serv. Exemption—in Curry, Roosevelt, Chaves, & Eddy Clys., N.M., Docket No. AB 1251X.

HC R.R.—Aban. Exemption—in Rush Cty., Ind., Docket No. AB 1250 (Sub-No. 1X).

Dakota, Minn. & E. R.R.—Aban. Exemption—in Olmstead Cty., Minn., Docket No. AB 337 (Sub-No. 8X).

BNSF Ry.—Aban. Exemption—in Flathead Cty., Mont., Docket No. AB 6 (Sub-No. 495X).

Environmental Review

The Board considers environmental impacts in its decision-making process under the National Environmental Policy Act (NEPA), 42 U.S.C. §§ 4321-4370h and related laws.

By preparing the requisite environmental reviews and inviting the public to participate in the Board's environmental review process, the Board ensures its compliance with NEPA.

The Board documents its NEPA findings by preparing Environmental Impact Statements

(EIS) and Environmental Assessments (EA), which assess the potential environmental impacts that could result from a Board decision. The EISs and EAs currently being prepared by the Board staff span the country and vary in scope.

During FY 2017, the Board worked on 21 EISs and EAs in major projects, comprising rail line constructions, one rail line acquisition, and one complex rail line abandonment. Some of these cases have not been formally filed with the Board but the environmental reviews have begun to ensure a streamlined approach to these major infrastructure projects.

Environmental Impact Statements (EIS)

The 17 EIS transactions (16 rail line constructions and one rail line acquisition) involve construction of 11,000 feet of rail line located in Massachusetts, 800 miles of high speed passenger track in California, 30 miles of track to a port in Florida, 261 miles of rail line in Indiana, Illinois, and Wisconsin, construction and operation of a double track rail corridor between a marine container terminal and existing rail lines in South Carolina, and construction of 40 miles of superconducting MAGLEV track between Baltimore and Washington, DC. The Board is also monitoring environmental mitigation in two completed rail construction cases (one in Alaska and one in Texas) and one completed rail acquisition case in Illinois.

Environmental Assessments (EAs)

The Board moved forward with four major EA transactions in FY 2017. These EAs included a new 152-mile passenger rail line proposed between Minneapolis and Duluth, Minn., 20 miles of new rail line construction in Berkeley County, S. C., and 5.6 miles of new rail line in Randolph and St. Clair Counties, Ill. In addition, the Board has conducted oversight and monitoring for a joint-easement transaction in Illinois. Finally, the Board has worked extensively with the New Jersey State Historic Preservation Office on a rail line abandonment in Jersey City, N. J.

Merger Cases and Oversight

In FY 2017, the agency continued analysis of monthly operating and quarterly environmental reports filed by Canadian National Railway Company (CN) as a condition of STB approval of CN's acquisition of Elgin, Joliet and Eastern Railway Company, *Canadian National Railway Company and Grand Trunk Corporation—Control—EJ&E West Company*, Docket No. FD 35087. These reports allowed the agency to monitor and assess the effects of CN's post-acquisition operations on communities in the greater Chicago area, in particular, the frequency and duration of blocked roadway crossings. The monitoring period for the transaction ended in January 2017.

Petitions for Reconsideration or Reopening

A party may file a discretionary appeal to the Board to reconsider or reopen a decision if (1) new evidence or changed circumstances are presented that have a material impact on the Board's action, or (2) material error occurred. In FY 2017, the Board issued decisions in response to petitions for reconsideration or reopening in the following dockets:

Petition of the Western Coal Traffic League to Institute a Rulemaking Proceeding to Abolish the Use of the Multi-Stage Discounted Cash Flow Model in Determining the Railroad Industry's Cost of Equity Capital, Docket No. EP 664 (Sub-No. 2).

CSX Transp., Inc.—Aban. Exemption—in LaPorte, Porter, and Starke Counties, Ind., Docket No. AB 55 (Sub-No. 643X) and *Chesapeake & Indiana Railroad—Petition for Declaratory Order*, Docket No. FD 36076.

Canadian Nat'l Ry.—EJ&E W. Co., Docket No. FD 35087 (Sub-No. 8).

Dispute Resolution Procedures Under the Fixing America's Surface Transportation Act of 2015, Docket No. EP 734.

Atlanta Development Authority—Verified Petition for a Declaratory Order, Docket No. FD 35991.

Alternative Dispute Resolution

In recent years, the Board has developed and issued arbitration and mediation rules to encourage parties to informally resolve disputes and avoid costly litigation. The STB Reauthorization Act provided a statutory mandate for these programs. The Board actively encourages parties to use alternative dispute resolution. These efforts have facilitated the settlement of cases and satisfactorily addressed other problems, thereby removing matters from the agency's crowded docket.

Since the start of FY 2008, the STB has conducted mediation in more than 30 proceedings. Successful settlements result in significant savings of litigation expenses to the parties, allow both sides to reach mutually satisfactory agreements, and free up the Board's limited staff resources to work on other matters.

In 2013, the Board adopted new arbitration and mediation rules. These rules have built on the Board's efforts over recent years to facilitate alternative dispute resolution. Under those rules, the Board may order parties into mediation or grant mediation upon request. The arbitration rules allow parties to "opt in" to the program to handle certain kinds of disputes or to pursue arbitration on a case-by-case basis. Prior to the enactment of the STB Reauthorization Act, relief available under arbitration was capped at \$200,000 unless the parties agreed to cap relief at a different amount. The STB Reauthorization Act provides that Board-awarded damages may not exceed \$2 million in practice disputes and \$25 million

in rate disputes, including any rate prescription (which can be imposed for up to five years).

A number of STB employees have received formal mediation training. These employees serve as mediators for cases that the Board assigns to mediation. The Board's mediators are able to leverage their substantive work experience and their specialized training to provide stakeholders with an effective pathway for resolving disputes outside of litigation. The Board successfully mediated one case in FY 2017 and initiated mediation in another (which successfully concluded in December 2017).

Public Outreach and Informal Dispute Resolution Program

Through the RCPA program in the Board's Office of Public Assistance, Government Affairs, and Compliance, the Board continues to provide shippers, state and local governments, and members of the public with an accessible and effective resource for resolving disputes with rail carriers on an informal basis. In many instances, RCPA ameliorates conflicts that would otherwise be submitted to the Board for adjudication, thereby conserving agency resources.

In FY 2017, RCPA handled approximately 1,500 inquiries from stakeholders, of which approximately 210 pertained to informal railroad service disputes. RCPA worked with parties to successfully resolve matters related to timely fulfillment of car orders; availability of rail resources; track maintenance; interchange operations and

inter-carrier disputes; switching services; car storage; rates and charges; and responsibility for spur track.

Notably in FY 2017, RCPA provided informal dispute resolution assistance to numerous customers of CSX who were experiencing a degradation in service due to changes in the railroad's operations. RCPA closely monitored CSX's operational metrics. It also held weekly service calls with CSX senior personnel to stay apprised of challenges on the rail network. RCPA also maintained Board-requested CSX service data on the STB website.

RCPA monitored service and performance trends of all Class Is in the railroad industry in FY 2017. RCPA supported the Board in developing a formal order requiring the Class I railroad industry to report performance data on a weekly basis. The data is posted weekly to the STB website, and is used by stakeholders and Board staff as an effective tool in monitoring the health of the U.S. rail network.

RCPA informally assisted customers of household goods (HHG) moving companies to resolve service and rate disputes. The Federal Motor Carrier Safety Administration (FMCSA) has primary regulatory jurisdiction in this area. RCPA maintained its informal engagement with FMCSA to discuss HHG trends and with the Federal Maritime Commission to discuss issues of common interest. Also, an RCPA staff member serves on a HHG consumer protection working group established under the FAST Act.

In addition to its dispute resolution function, RCPA also serves as a liaison between the public and the Board. RCPA fields inquiries from Board practitioners as well as from members of the general public to provide those parties with a better understanding of Board regulations, rules, and procedures. Through these efforts, RCPA provides agency stakeholders with helpful information and reduces the agency workload by ensuring that filings are made correctly.

Uniform Rail Costing System Update

The Board continued its efforts to recode the Board's Uniform Railroad Costing System (URCS) to modernize its general purpose costing system. This effort has consumed substantial staff resources in FY 2017 and will continue to do so in FY 2018. Since the Board has switched to its new processes for creating the URCS Phase II worktables, it has turned its attention to URCS Phase III. This includes reconciling certain technical inconsistencies between the waybill costing program and the movement costing program to be consistent with previous rulemakings. In *Review of the General Purpose Costing System*, EP 431 (Sub-No.4) (STB served Feb. 3, 2013, supplemented Aug. 4, 2016), the Board's decision has been delayed due to the complexity of the issues involved in its proposal to eliminate the make-whole adjustment and make other related modifications.

Court Actions

In FY 2017, the Office of the General Counsel (GC's Office) handled a variety of cases on behalf of the Board.

In a case requesting "enforcement of merger conditions," the Ninth Circuit upheld the Board's decision denying a request by G3 Enterprises and BNSF Railway Company to construe the 1996 decision approving, with conditions, the Union Pacific/Southern Pacific merger as giving G3 competitive access to BNSF Railway Company. *G3 Enterprises v. STB*, No. 15-70597 (9th Cir. 2017).

In a "private versus regulated track" case, the court upheld Board decisions finding that it had jurisdiction over certain tracks used in interstate common carrier service even though the railroad had not obtained the required authorization. *Allied Erecting and Dismantling Co. v. STB*, 835 F.3d 538 (6th Cir. 2016).

In an abandonment case, the D.C. Circuit granted the Board's motion to summarily dismiss Mr. James Riffin's appeal arguing that the Board should have disallowed a Consolidated Rail Corporation (Conrail) abandonment because Conrail allegedly had earlier transferred the property to another carrier. *Riffin v. STB*, No. 16-1147 (D.C. Cir. Oct. 6, 2016).

In a review of a rulemaking proceeding, the Eighth Circuit set aside the Board's rulemaking decision adopting on-time performance standards for Amtrak, finding that Congress meant to give that authority

only to the Federal Railroad Administration and Amtrak, under a separate statutory provision that another court found unconstitutional. *Union Pac. R.R. v. STB*, 863 F.3d 816 (8th Cir. 2017).

In a preemption case, the D.C. Circuit upheld a Board decision finding that a Delaware statute seeking to regulate railroad idling was categorically preempted. *State of Delaware v. STB*, 859 F.3d 16 (D.C. Cir. 2017).

In another case involving preemption, the Ninth Circuit found a Board decision providing guidance to the California Supreme Court on rail projects involving state rail agencies to be advisory and hence not reviewable. *Kings County v. STB*, No. 15-71780 (9th Cir. 2017).

During FY 2017, the Board also defended (or prepared to defend) in court its decisions in several other cases, including:

Riffin v. STB, No. 14-2067 (D.C. Cir.) (D&H/NS acquisition transaction); *Strohmeyer v. STB*, Nos. 16-4362 and 4435 (3d Cir.) (D&H/NS acquisition transaction and discontinuance of unused trackage rights near the property involved in the D&H/NS acquisition transaction); *Sunbelt Chlor Alkali Partnership v. STB*, No. 16-15701 (11th Cir.) (rate reasonableness); and *Kansas City S. v. STB*, No. 16-1308 (D.C. Cir.) (BNSF Railway Company trackage rights); *Am. Fuel & Petrochemical Manufacturers v. STB*, No. 17-1112 (D.C. Cir.) (rate reasonableness/unreasonable practices); and *Del Grosso v. STB*, No. 17-1794 (1st Cir.) (preemption); *City of*

Kennewick v. STB, No. 16-73595 (9th Cir.) (preemption).

Finally, at the request of a federal district court, the Board agreed to file an amicus brief concerning whether the Board has jurisdiction to determine whether a particular rail line had been abandoned. *Murray v. Mass. Dept. of Conserv. and Recreation*, No. 17-10608-PBS (D. Mass).

Other Federal Agency General Counsel Functions

The GC's Office continued to handle a wide variety of other legal matters, including matters involving the Freedom of Information Act, the Privacy Act, the Paperwork Reduction Act, the Equal Employment Opportunity Act, the National Environmental Policy Act, the National Historic Preservation Act, the Trails Act, the Federal Advisory Committee Act, the Federal Information Security Management Act, the Federal Information Technology Acquisition Reform Act, and the Federal Managers Financial Integrity Act, among others. In addition, the GC's Office also provided legal counsel on ethics issues, government contracting, and the myriad of issues that arise in the course of a federal agency's business, and participated in the Administrative Conference of the United States.

Amtrak and Passenger Rail

During FY 2017, the Board continued work on its passenger rail responsibilities under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). STB

staff monitored Amtrak performance through publicly available information and responded to informal inquiries about Amtrak and PRIIA, as needed. Agency staff also met regularly with Amtrak staff to discuss Amtrak's publicly available monthly on-time performance operating statistics.

Two on-time performance cases brought under PRIIA are pending at the Board. But the Federal Railroad Administration/Amtrak regulations governing on-time performance are not in effect, because section 207 of PRIIA, under which those regulations were adopted, was found unconstitutional by the U.S. Court of Appeals for the D.C. Circuit. And, as noted earlier, the Board's decision seeking to step in and adopt its own on-time performance rules under section 213 of PRIIA was set aside by the U.S. Court of Appeals for the Eighth Circuit.

Advisory Committees

The Board hosted meetings for three transportation advisory councils, of which the Board members are ex-officio members.

Established under the ICC Termination Act of 1995, the Railroad-Shipper Transportation Advisory Council (RSTAC) comprises rail stakeholders with the common goal of strengthening the national rail industry, improving service levels, and fostering mutually beneficial relations between large and small railroads and shippers across all commodity groups. The RSTAC advises the STB, the Secretary of Transportation, and congressional committees on rail transportation policy and makes recommendations for improvements

to the transportation system. The RSTAC is comprised of 14 private-sector representatives of large and small railroads and rail customers. In addition, one member-at-large sits on the council.

The Board created the Rail Energy Transportation Advisory Committee (RETAC) in 2007 to provide advice and guidance to the agency. RETAC serves as a forum for discussing emerging issues concerning the rail transportation of energy resources such as coal, crude oil, ethanol, and other biofuels. The 25 voting members of RETAC represent a balance of stakeholders, including large and small railroads, coal producers, electric utilities, the biofuels industry, the petroleum production industry, and the private railcar industry.

The National Grain Car Council (NGCC) assists the Board in addressing problems concerning grain transportation by fostering communication among railroads, shippers, rail-car manufacturers, and the government. The NGCC, which meets once a year, is composed of 14 representatives from Class I railroads, seven from Class II and Class III railroads, 14 from grain shippers and receivers, and five from private rail car owners and manufacturers.

Exhibits



See attached Exhibits

Budget Request for FY 2019

EXHIBIT I-1

FY 2019 OMB Budget Justification Workload Summary¹

Workload Category	Actual FY 2017 Board Decisions and Court-related Work	Estimated FY 2018 Board Decisions and Court-related Work	Estimated FY 2019 Board Decisions and Court-related Work
Rail Carrier Control Cases	29	60	60
Rail Rates and Service	72	59	59
Rail Abandonments and Constructions	225	477	477
Other Line Transactions	87	199	199
Other Rail Activities	98	110	110
Non-Rail Activities	59	72	72
Activities Under Non- Transportation Statutes ²	533	625	625
Total	1,103	1,602	1,602

¹ The Table reports the number of decisions, court-related work, and activities to comply with non-transportation-related statutes as the measure of workload at the Board. Certain activities performed at the Board that provide direct and indirect support for rulemakings and decisions in specific cases are not reflected in these workload numbers. Such activities not reflected include: enforcement activities; rail audits and rail carrier reporting oversight; administration of the rail waybill sample and development of the Uniform Railroad Costing System; and case-related correspondence and informal public assistance.

² In recent years, these activities, involving statutes such as the Freedom of Information Act and the laws governing ethical conduct of Federal employees, were included in this Summary as Non-Rail Activities.

SURFACE TRANSPORTATION BOARD			
SALARIES AND EXPENSES			
OBJECT CLASSIFICATIONS			
(in thousands of dollars)			
	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST
FULL TIME PERMANENT APPT.	\$15,197	\$18,017	\$17,709
OTHER THAN FULL-TIME PERMANENT	\$590	\$775	\$792
OTHER PERSONNEL COMPENSATION	\$494	\$311	\$315
CIVILIAN PERSONNEL BENEFITS	\$4,925	\$5,570	\$5,567
TOTAL PERSONNEL COMPENSATION AND BENEFITS	\$21,206	\$24,673	\$24,383
TRAVEL AND TRANSPORTATION	\$54	\$100	\$125
TRANSPORTATION OF THINGS	\$0	\$1	\$1
GSA RENT, COMMUNICATIONS & UTILITIES	\$4,246	\$3,643	\$3,647
PRINTING	\$5	\$15	\$5
RELOCATION EXPENSE	\$0	\$1,600	\$0
TECHNICAL SERVICE AGREEMENTS, INCLUDING WAYBILL	\$259	\$385	\$1,945
TRAINING	\$49	\$90	\$150
DOT WCF & CONTRACTING SUPPORT	\$414	\$468	\$423
GUARD SERVICE, SECURITY INVESTIGATIONS & BUILDING MAINTENANCE	\$991	\$1,060	\$1,070
ACCOUNTING SERVICES & OTHER INTERAGENCY AGREEMENTS	\$1,803	\$897	\$793
HEALTH & MISC. SERVICES	\$60	\$117	\$110
OFFICE SUPPLIES, PERIODICALS, LEXIS NEXIS & WEST LAW	\$388	\$385	\$386
EQUIPMENT & FURNITURE	\$0	\$15	\$15
IT EXPENSES, INCLUDING SUPPLIES, CONTRACT SUPPORT, EQUIPMENT, ETC.	\$2,782	\$2,401	\$2,797
SUBTOTAL, DIRECT OBLIGATIONS:	\$11,051	\$11,177	\$11,467
REIMBURSABLE FULL TIME PERMANENT APPT.	\$485	\$944	\$935
REIMBURSABLE PERSONNEL BENEFITS	\$148	\$306	\$315
SUBTOTAL, REIMBURSABLE OBLIGATIONS	\$633	\$1,250	\$1,250
TOTAL OBLIGATIONS	\$32,890	\$37,100	\$37,100

SURFACE TRANSPORTATION BOARD

SALARIES AND EXPENSES

PERSONNEL SUMMARY

Object Class	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST
1001 FULL-TIME EQUIVALENT-DIRECT	126	133	133
2001 FULL-TIME EQUIVALENT-REIMBURSABLE	4	9	9
FULL-TIME EQUIVALENT (FTE) TOTAL	130	142	142

Budget Request for FY 2019

EXHIBIT I-4

Surface Transportation Board					
Strategic Goals and Annual Performance Measures					
Strategic Goal	Performance Goal	Performance Measure	2017 Actual	2018 Target	2019 Target
Protect Public Interest	Ensure that Board decisions comport with statutes, precedents, and policies and are fair and reasonable.	1. Court challenges to Board decisions do not raise unanticipated issues that the Board should have addressed;	0%	<5%	<5%
		2. Court rulings do not reverse Board decisions as unfair or unreasonable.	83%	>75%	>75%
Foster Economic Efficiencies	Economic Oversight: Provide timely, accurate, and useful financial and operational data and decisions.	3. Cost of capital, rail revenue adjustments, and revenue adequacy decisions are released according to schedule, and	100%	100%	100%
		4. Requests for waybill data are handled within 7 days of requests.	100%	100%	100%
Provide Timely, Efficient, and Decisive Regulatory Process	Ensure that Board decisions meet applicable deadlines	5. All decisions, notices, and other documents are published and served promptly and copies made available to the public the same day; and	100%	90%	90%
		6. Congressional and public e-mail and telephone inquiries are fully answered within 14 days.	95%	90%	90%
		7. Board's decisions on railroad abandonments are issued within 110 days of initial filing;	100%	90%	90%
		8. Statutory deadlines imposed on all cases are met at least 90% of the time; and	100%	90%	90%
		9. Met dispute resolution deadlines 90% of time.	100%	90%	90%
Ensure Necessary Organization/ Management Structure is Available to Carry Out First Three Goals	Operation Oversight/Enforcement: Monitoring rail operations, resolving complaints, and contracts.	10. 90% of informal complaints are handled within 30 days of receipt;	100%	90%	90%
		11. Data is collected and processed within 24 hours;	98%	90%	90%
		12. 90% of requestors are given correct information and complaint resolved; and	100%	90%	90%
		13. Requests for certified copies of documents are handled within 5 business days.	100%	90%	90%

Budget Request for FY 2019

EXHIBIT I-5

SURFACE TRANSPORTATION BOARD SALARIES AND EXPENSES

For necessary expenses of the Surface Transportation Board, including services authorized by 5 U.S.C. 3109 ~~\$37,100,000~~ \$37,100,000: *Provided*, That notwithstanding any other provision of law, not to exceed \$1,250,000 from fees established by the Surface Transportation Board shall be credited to this appropriation as offsetting collections and used for necessary and authorized expenses under this heading: *Provided further*, That the sum herein appropriated from the general fund shall be reduced on a dollar-for-dollar basis as such offsetting collections are received during fiscal year ~~2018~~-2019, to result in a final appropriation from the general fund estimated at no more than ~~\$35,850,000~~ \$35,850,000.

**SURFACE TRANSPORTATION BOARD
SALARIES AND EXPENSES
10 YEAR TABLE**

ESTIMATES		APPROPRIATIONS	
2010.....	² 29,800,000	2008.....	¹ 26,324,500
2011.....	³ 33,749,000	2009.....	¹ 26,847,000
2012.....	⁵ 34,708,000	2010.....	¹ 29,066,000
2013.....	⁶ 34,592,000	2011.....	⁴ 29,010,368
2014.....	⁷ 34,284,000	2012.....	¹ 29,310,000
2015.....	⁷ 34,411,000	2013.....	⁸ 27,779,794
2016.....	⁹ 34,797,000	2014.....	¹ 31,000,000
2017.....	¹⁰ 42,401,404	2015.....	¹ 31,375,000
2018.....	¹¹ 37,100,000	2016.....	¹ 32,375,000
2019.....	¹² 37,100,000	2017.....	¹ 37,000,000

¹ Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

² Includes \$500,000 for the update of URCS and \$746,000 to implement the Board's expanded jurisdiction with respect to regulation of passenger rail service under the Passenger Rail Investment and Improvement Act of 2008, P.L. 110-432. Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

³ Includes \$1,000,000 to continue the multi-year review of URCS, \$500,000 to overhaul the Board's information technology and decade-old docket management systems, and \$2,000,000 for an additional 10 FTEs to staff the Board's Rail Consumer and Public Assistance Program. Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

⁴ Reflects reduction of \$55,632 for across-the-board rescission (P.L. 112-10, Div. B, Title I, 1119 (a)). Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

⁵ Includes funding for 15 FTEs to carry out the statutory responsibilities of PRIIA, funding for 6 FTEs to increase mediation efforts and enhance the auditing of industry financial filings, and \$743,000 to overhaul the Board's information technology system and upgrade outdated equipment. Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

⁶ Includes funding for 15 FTEs to carry out the statutory responsibilities of PRIIA and funding for 6 FTEs to increase mediation efforts and enhance the auditing of industry financial filings. Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

⁷ Includes funding for 15 FTEs to carry out the statutory responsibilities of PRIIA and funding for 6 FTEs to increase mediation efforts, enhance the auditing of industry financial filings, and help process rate reasonableness cases. Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

⁸ Reflects reduction of \$56,120 for across-the-board rescission (P.L. 113-6, Division G, Sec. 304 (c) (1), as supplemented by OMB BDR 13-19, Attachment J). Also reflects permanent reduction of funds in accordance with Presidential Sequestration Order dated March 1, 2013. The FY 2013 sequestration resulted in reduction of \$1,411,586 in spending authority and additional reduction from offsetting collections of \$62,500. Includes \$1,187,500 from offsetting collections as a credit to the appropriation.

⁹ Includes funding for 15 FTEs to carry out the statutory responsibilities of PRIIA and funding for 6 FTEs to increase mediation efforts, enhance the auditing of industry financial filings, and help process rate reasonableness cases. Includes \$240,000 for GSA lease renewal planning and also includes \$1,250,000 from offsetting collections as a credit to the appropriation.

¹⁰ Includes funding to fully address the growing workload in rate reasonableness cases, passenger rail arena, rail service monitoring, and industry financial filings auditing. Includes \$200,000 for STB relocation planning and management and an estimate of \$3,219,931 for the relocation, should the Board be required to move to a new location.

¹¹ The Board's FY 2018 request includes funding to implement extensive upgrades to its IT infrastructure and capabilities. The Board will require significant IT investments, as there are many substantial hardware and software upgrades that need to be made, which will require the purchasing of new equipment and consulting services. The FY 2018 request also includes \$1.6 million to cover newly revised estimated relocation expenses based on information GSA has provided since the Board's previous budget request.

¹² For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition from DOT provided HR system services is currently being researched but will only be executed in FY 2018 and FY 2019.

**SURFACE TRANSPORTATION BOARD
FY 2019 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY**

(in thousands of dollars)

ACCOUNT NAME	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST
SALARIES & EXPENSES	\$32,257	\$35,850	\$35,850
OFFSETTING COLLECTIONS	\$633	\$1,250	\$1,250
TOTAL – APPROPRIATIONS	\$32,890	\$37,100	\$37,100
RESCISSIONS	\$0	\$0	\$0

EXPLANATION

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT-provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition away from DOT provided HR system services is currently being researched, with new system services likely being implemented in FY 2018 and FY 2019.

The FY 2019 request does not include any future legislative changes that would increase the Board's statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
FY 2019 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT**

**Appropriations, Obligation Limitations, and Exempt Obligations
(in thousands of dollars)**

	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST
SALARIES & EXPENSES	\$32,257	\$35,850	\$35,850
OFFSETTING COLLECTIONS			
Users Fees Credited to Appropriation	\$633	\$1,250	\$1,250
TOTAL	\$32,890	\$37,100	\$37,100

EXPLANATION

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget

For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT-provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition away from DOT provided HR system services is currently being researched, with new system services likely being implemented in FY 2018 and FY 2019.

The FY 2019 request does not include any future legislative changes that would increase the Board's statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
FY 2019 BUDGET AUTHORITY**

(in thousands of dollars)

ACCOUNT NAME	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 PROGRAM CHANGES	FY 2019 TOTAL REQUEST
SALARIES & EXPENSES	\$32,257	\$35,850	\$0	\$35,850
OFFSETTING COLLECTIONS Users Fees Credited to Appropriation	\$633	\$1,250	\$0	\$1,250
TOTAL	\$32,890	\$37,100	\$0	\$37,100

EXPLANATION

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT-provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition away from DOT provided HR system services is currently being researched, with new system services likely being implemented in FY 2018 and FY 2019.

The FY 2019 request does not include any future legislative changes that would increase the Board's statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
FY 2019 OUTLAYS**

(in thousands of dollars)

ACCOUNT NAME	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST
SALARIES & EXPENSES	\$32,257	\$35,840	\$35,850
OFFSETTING COLLECTIONS			
Users Fees Credited to Appropriation	\$633	\$1,250	\$1,250
TOTALS	\$32,890	\$37,090	\$37,100

EXPLANATION

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT-provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition away from DOT provided HR system services is currently being researched, with new system services likely being implemented in FY 2018 and FY 2019.

The FY 2019 request does not include any future legislative changes that would increase the Board's statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE**

Appropriations, Obligation Limitations, and Exempt Obligations
(in thousands of dollars)

SALARIES AND EXPENSES

	FY 2017 ACTUAL	FY 2018 REQUEST	Baseline Changes			FY 2019 Baseline Estimate	Program Changes	FY 2019 REQUEST
			Annualization of 2018 Pay Raises	GSA Rent	WCF Decrease			
DIRECT								
<u>Personnel Resources</u>								
Direct FTE	126	133				133	0	133
<u>Financial Resources</u>								
Salaries and Benefits	\$21,205	\$24,673	\$222			\$24,895	-\$512	\$24,383
Travel	\$54	\$100				\$100	\$25	\$125
Transportation	\$0	\$1				\$1	\$0	\$1
GSA Rent	\$4,067	\$3,400		\$4		\$3,404	\$0	\$3,404
Communications & Utilities	\$179	\$243				\$243	\$0	\$243
Printing	\$5	\$15				\$15	-\$10	\$5
Other Services:								
WCF	\$414	\$468			-\$45	\$423	\$0	\$423
Relocation	\$0	\$1,600				\$0	-\$1,600	\$0
Interagency Agreements and Other Costs	\$5,636	\$4,191				\$4,191	\$1,987	\$6,178
Supplies	\$406	\$426				\$426	\$1	\$427
Equipment	\$291	\$733				\$733	-\$72	\$661
Total	\$32,257	\$35,850	\$222	\$4	-\$45	\$36,031	-\$181	\$35,850
REIMBURSABLE								
<u>Personnel Resources</u>								
Reimbursable FTE	4	9				9	0	9
<u>Financial Resources</u>								
Salaries and Benefits	\$633	\$1,250				\$1,250	\$0	\$1,250
TOTALS								
FTE	130	142				142	0	142
Budgetary Resources	\$32,890	\$37,100	\$222	\$4	-\$45	\$37,281	-\$181	\$37,100

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EXHIBIT II-6

**SURFACE TRANSPORTATION BOARD
WORKING CAPITAL FUND**

(in thousands of dollars)

	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST	CHANGE
SALARIES & EXPENSES	\$414	\$468	\$423	-\$45
TOTALS	\$414	\$468	\$423	-\$45

SURFACE TRANSPORTATION BOARD PERSONNEL RESOURCE – SUMMARY TOTAL FULL-TIME EQUIVALENTS			
	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST
<u>DIRECT FUNDED BY APPROPRIATION</u>			
SALARIES & EXPENSES Civilian	126	133	133
	126	133	133
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>			
OFFSETTING COLLECTIONS Civilian	4	9	9
	4	9	9
TOTAL FTEs	130	142	142
EXPLANATION			
<p>Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.</p> <p>For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT-provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition away from DOT provided HR system services is currently being researched, with new system services likely being implemented in FY 2018 and FY 2019.</p> <p>The FY 2019 request does not include any future legislative changes that would increase the Board's statutory responsibilities.</p>			

SURFACE TRANSPORTATION BOARD RESOURCE SUMMARY - STAFFING FULL-TIME PERMANENT POSITIONS			
	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST
<u>DIRECT FUNDED BY APPROPRIATION</u>			
SALARIES & EXPENSES			
Civilian	126	133	133
	126	133	133
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>			
OFFSETTING COLLECTIONS			
Civilian	4	9	9
	4	9	9
TOTAL POSITIONS	130	142	142
EXPLANATION			
<p>Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.</p> <p>For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT-provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition away from DOT provided HR system services is currently being researched, with new system services likely being implemented in FY 2018 and FY 2019.</p> <p>The FY 2019 request does not include any future legislative changes that could vest the Board with additional statutory responsibilities.</p>			

**SURFACE TRANSPORTATION BOARD
SUMMARY BY PROGRAM ACTIVITY**

**Appropriations, Obligation Limitations, and Exempt Obligations
(in thousands of dollars)**

PROGRAM ACTIVITIES	FY 2017 ACTUAL	FY 2018 REQUEST	FY 2019 REQUEST	CHANGES FY 2018-2019
SALARIES & EXPENSES	\$32,257	\$35,850	\$35,850	\$0
OFFSETTING COLLECTIONS	\$633	\$1,250	\$1,250	\$0
TOTAL	\$32,890	\$37,100	\$37,100	\$0
FTE (direct funded only)	126	133	133	0
FTE (reimbursable funded only)	4	9	9	0
TOTAL	130	142	142	0

EXPLANATION

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT-provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition away from DOT provided HR system services is currently being researched, with new system services likely being implemented in FY 2018 and FY 2019.

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**SURFACE TRANSPORTATION BOARD
SUMMARY ANALYSIS OF CHANGE FROM FY 2018 TO FY 2019**

**Appropriations, Obligation Limitations, and Exempt Obligations
(in thousands of dollars)**

	Change from FY 2018 to FY 2019 Dollars	Change from FY 2018 to FY 2019 FTE
FY 2018 REQUEST	\$35,850	133
Administrative Adjustments to Base:		
FY 2019 Personnel Compensation and Benefits	-\$290	
GSA Rent	\$4	
Working Capital Fund	-\$45	
Subtotal, Adjustments to Base	-\$331	133
Estimated IT and Other Costs	\$331	
Estimated FTE Increase		0
Subtotal, New or Expanded Programs	\$331	0
Reimbursable-Offset Collections	\$1,250	9
TOTAL FY 2019 REQUEST	\$37,100	142

EXPLANATION

Past fiscal years' appropriation acts have included a provision allowing user fee collections to be credited to the appropriation as offsetting collections thereby reducing the amount appropriated and the budget authority.

For FY 2019, the Board is requesting \$2.797 million for IT. This funding will be used to maintain existing infrastructure and services and continue to support migration of data from the current Case Management system, while enhancing capabilities in a new replacement system. Funding will also be required to continue improvements in the Board's Cybersecurity program and support the transition from using DOT-provided HR and financial systems to other services. The separation of the STB from DOT requires many administrative changes associated with the HR systems. The transition away from DOT provided HR system services is currently being researched, with new system services likely being implemented in FY 2018 and FY 2019.

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Detailed Budget Analysis
by Object Class

Appropriations, Obligation Limitations, and Exempt Obligations
(in thousands of dollars)

Obj. Class	Account Name/ Program or Office Component	FY 2017 ACTUAL	FY 2018 REQUEST	Requested Increase	FY 2019 REQUEST
	PC&B				
11	Salaries	\$16,281	\$19,103	-\$287	\$18,816
12	Benefits	\$4,925	\$5,570	-\$3	\$5,567
	<i>Total Salaries and Benefits</i>	\$21,206	\$24,673	-\$290	\$24,383
	<i>Total FTE</i>	126	133	0	133
21	Travel and Transportation	\$54	\$100	\$25	\$125
22	Transportation of Things	\$0	\$1	\$0	\$1
23	GSA Rent, Communications, & Utilities	\$4,246	\$3,643	\$4	\$3,647
24	Printing	\$5	\$15	-\$10	\$5
25	Other Services				
25.1	-Relocation Expenses	\$0	\$1,600	-\$1,600	\$0
	-Advisory and assistance services	\$259	\$385	\$1,560	\$1,945
25.2	-Other services from non-federal sources	\$49	\$90	\$60	\$150
25.3	-Other goods and services from Federal sources	\$2,259	\$1,454	-\$138	\$1,316
25.4	-Operation and maintenance of facilities	\$982	\$1,002	\$0	\$1,002
25.6	-Medical care	\$26	\$37	-\$7	\$30
25.7	-Operation and maintenance of equipment	\$0	\$48	\$0	\$48

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	-Operation and maintenance of IT systems	\$2,479	\$1,643	\$467	\$2,110
26	Supplies	\$407	\$426	\$1	\$427
31	Equipment				
	--IT Development	\$285	\$718	-\$72	\$646
	--Other Equipment	\$0	\$15	\$0	\$15
	Sub-Total	\$11,051	\$11,177	\$290	\$11,467
	Programs				
	Reimbursable Full Time Permanent Appt. and Personnel Benefits	\$633	\$1,250	\$0	\$1,250
	Reimbursable FTE	4	9	0	9
	Sub Total	\$633	\$1,250	\$0	\$1,250
	Total	\$32,890	\$37,100	\$0	\$37,100
	Total FTE	130	142	0	142

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STB Board Members' Statements

5

BOARD MEMBER MILLER, writing separately:

I concur in today's budget request, but write separately to express my own views.

Although I agree with the request in many respects, I do not agree with the proposal to spend \$1 million on a review of some of the statistical and engineering relationships in URCS. While there are improvements that could be made to URCS, I believe there are several matters that are a higher priority and so would prefer to spend money in one of those areas. In any event, it is unlikely that \$1 million would have much impact in addressing the issues with URCS. In the agency's May 27, 2010 report to Congress, it was estimated that the cost to properly improve URCS would be \$4 to \$10 million. See *Surface Transportation Board Report to Congress Regarding the Uniform Rail Costing System* (May 27, 2010).¹ Most importantly though, spending limited resources on modifying URCS sidelines the issue the Board should be focused on regarding URCS: developing a new rate reasonableness methodology. One of the primary uses of URCS is in rate reasonableness cases. Thus, I think the Board would be better served by first determining if URCS would play a significant role in any future rate reasonableness methodologies before spending money to modify it.²

I believe this money would be more meaningfully spent on hiring additional staff. As was stated in this year's and last year's budget requests, the Board's staffing level has decreased significantly over the last several years. At the same time, the demands placed on the Board have increased due to new responsibilities set forth in the STB Reauthorization Act of 2015. The Board has also been criticized for not conducting more rigorous analyses in support of its proposed policy changes. The best way to meet those demands is through increased staffing. Although I am pleased that this year's request follows along last year's request by seeking to

¹ A copy of the report can be accessed on the Board's website at: <https://www.stb.gov/stb/docs/URCS/URCS%20Report%205.27.10.pdf>. In that report, the Board also developed two less costly options for modifying URCS, which entailed several changes less comprehensive in nature. The most expensive of these changes entailed updating URCS' legacy computer programs. In its FY 2012 appropriation, the Board received \$310,000 for this purpose and has completed this change. The report also laid out a number of other steps the Board could take to improve URCS, some of which could be accomplished through regulatory changes and thus involve limited spending. If there is a desire to improve URCS, the Board could start with these inexpensive steps.

² The lack of progress that has been made this year in exploring possible new rate reasonableness methodologies has been discouraging, given that – unlike a number of other major policy proposals under consideration – all three current Board Members have stated their concern with continuing to rely on the Stand-Alone Cost test.

Budget Request for FY 2019

increase our staffing from the alarmingly low level of 126 FTEs to 142 FTEs,³ that still falls short of what I believe is needed for the Board to conduct its job effectively and responsibly.⁴

³ Although the request states that the agency currently has 126 FTEs, the number of actual employees is only about 122, with one additional retirement expected in the next month – a 19% staffing reduction from FY 2014. In addition, as I noted last year, at least four of the additional new positions will be filled by the new two Board Members and their advisors.

⁴ Although President Trump has issued directives to executive branch agencies aimed at reducing the size of the federal workforce, it should be remembered that the Board is an *independent* agency; in any event, I believe that returning to a staffing level in the mid- to upper-140s still comports with the spirit of those directives in light of the addition of two new Board Member's and expansion of the agency's responsibilities.