

where necessary or appropriate to evaluate the impact of projects, programs and activities referred to in paragraphs (a) (3) and (4) of this section.

## APPENDIX A TO PART 265

The following are the financial assistance programs to which this part applies:

(a) *Railroad Revitalization and Regulatory Reform Act of 1976*, (1) purchase of redeemable preference shares or trustee certificates pursuant to section 505;

(2) Guarantee of obligations, the proceeds of which will be used to acquire, or rehabilitate or improve rail facilities, or equipment, pursuant to section 511; and

(3) Grants and contracts made to implement the Northeast Corridor project under section 704.

(b) *Regional Rail Reorganization Act of 1973, as amended*, (1) loans made by the United States Railway Association (USRA) pursuant to section 211;

(2) Purchase of securities of the Consolidated Rail Corporation pursuant to section 216; and

(3) Grants to States, or local or regional authorities for rail continuation assistance under section 402.

(c) *Department of Transportation Act*, (1) grants to States for rail freight assistance programs under section 5 (sec. 803 of the Railroad Revitalization and Regulatory Reform Act of 1976); and

(2) Grants under section 4(i) for the planning, preservation and conversion of rail passenger terminals of historical or architectural significance.

(d) *Rail Passenger Service Act*, (1) grants to Amtrak under section 601.

**PART 266—ASSISTANCE TO STATES FOR LOCAL RAIL SERVICE UNDER SECTION 5 OF THE DEPARTMENT OF TRANSPORTATION ACT**

Sec.

- 266.1 Definitions.
- 266.3 Rail Service Assistance Program.
- 266.5 State eligibility.
- 266.7 Project eligibility.
- 266.9 Federal/State share.
- 266.11 Allowable costs.
- 266.13 Distribution of funds.
- 266.15 Requirements for State Rail Plan.
- 266.17 Applications.
- 266.19 Environmental impact.
- 266.21 Grant agreement and disbursement.
- 266.23 Record, audit, and examination.
- 266.25 Waivers and modifications.

AUTHORITY: Sec. 5 of the Department of Transportation Act (49 U.S.C. 1654), as

amended by the Local Rail Service Assistance Act of 1978, Pub. L. 95-607, 92 Stat. 3059.

SOURCE: 44 FR 51129, Aug. 30, 1979, unless otherwise noted.

**§266.1 Definitions.**

As used in this part:

*Acquisition assistance* means funds granted to a State under section 5(f)(2) of the Department of Transportation Act (49 U.S.C. 1654(f)(2)) to cover the cost of acquiring by purchase, lease, or in such other manner as the State considers appropriate, a line of railroad or other rail properties, or any interest therein for existing or future rail freight service.

*Act* means the Department of Transportation Act (49 U.S.C. 1650 *et seq.*).

*Administrator* means the Administrator of the Federal Railroad Administration or the Administrator's delegate.

*Cash* means an outlay of funds.

*Commission* means the Interstate Commerce Commission or any successor Federal agency to the relevant activity.

*Common carrier* means a person providing railroad transportation for compensation who is subject to the jurisdiction of the Commission under subchapter I of chapter 105 of title 49 of the U.S.C.

*Designated State Agency* means the State agency designated under section 5(j)(2) of the Act (49 U.S.C. 1654(j)(2)).

*Entitlement* means the amount of assistance which a State is eligible to receive annually under section 5(h) of the Act (49 U.S.C. 1654(h)).

*Equipment* means rolling stock of the kind generally used by American railroads in revenue freight service.

*Facilities* means track, ties, roadbed and related structures including terminals, team tracks and appurtenances, bridges and tunnels, and other structures used or usable for rail service operations.

*FRA* means the Federal Railroad Administration.

*Federal Share* means the contribution by the Administrator under section 5(g) of the Act (49 U.S.C. 1654(g)) to a State's rail service assistance program.

*Final System Plan* means the plan approved by the Congress under section

208 of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 718).

*Gross ton miles per mile* means the combined weight of locomotives and all trailing cars and their contents used in revenue freight trains multiplied by the number of route miles traveled and divided by the number of route miles of the line.

*Line* means a line of railroad.

*Maintenance* means inspection and light repairs, emergency repairs and a planned program of periodic maintenance which is necessary to keep a line at its existing condition or to comply with FRA Class 1 Safety Standards.

*Planning assistance* means funds granted to a State under section 5(i) of the Act (49 U.S.C. 1654(i)) to meet the cost of establishing (including developing a planning application), implementing, revising, and updating the State Rail Plan required by section 5(j) of the Act (49 U.S.C. 1654(j)).

*Planning Work Program* means that portion of a State's planning application which outlines the State's plan for establishing, implementing, revising, or updating a State Rail Plan which meets the requirements of section 5(i) of the Act, (49 U.S.C. 1654(i)).

*Program operation assistance* means funds granted to a State to cover those administrative costs allowable under Federal Management Circular 74-4.

*Rail Act* means the Regional Rail Reorganization Act of 1973 (45 U.S.C. 701 *et seq.*).

*Rail banking* means the acquisition of an interest in a rail right-of-way sufficient to ensure its preservation for future rail freight service.

*Rail facility construction assistance* means funds granted to a State under section 5(f)(5) of the Act (49 U.S.C. 1654(f)(5)) to cover the cost of constructing rail or rail related facilities (including new connections between two or more existing lines, intermodal freight terminals, sidings, and relocation of existing lines) for the purpose of improving the quality and efficiency of rail freight service.

*Rail service continuation assistance* means funds granted to a State under section 5(f)(1) of the Act (49 U.S.C. 1654(f)(1)) to cover rail service continuation payments for the difference between the revenue attributable to a

line of railroad and the avoidable costs of providing rail service on that line, together with a reasonable return on the value of the line and other rail properties related to that line, all as determined in accordance with 49 CFR part 1121 with the following exceptions:

(1) Where service was eligible to be subsidized under section 402(c)(2) (A) and (B) of the Rail Act, rail service continuation assistance means funds for payments determined in accordance with 49 CFR part 1125; and

(2) Where service was eligible to be subsidized under section 402(c)(2)(C) of the Rail Act, rail service continuation assistance means funds for payments calculated, to the greatest extent possible, in a manner consistent with 49 CFR part 1121.

*Rehabilitation or improvement assistance* means funds granted to a State under section 5(f)(3) of the Act (49 U.S.C. 1654(f)(3)) to cover the cost of replacing or upgrading, to the extent necessary to permit adequate and efficient rail freight service, facilities needed to provide service on a line.

*Relocation costs* means actual expenses directly incurred in moving shippers from a line to a new location.

*State* means any State or the District of Columbia in which a common carrier maintains any line.

*State Rail Plan* means the current plan, including all updates, revisions, and amendments required by section 5(j)(1) of the Act (49 U.S.C. 1654(j)(1)).

*Substitute service assistance* means funds granted to a State under section 5(f)(4) of the Act (49 U.S.C. 1654(f)(4)) to cover the cost of reducing the costs of lost rail service in a manner less expensive than continuing rail service and includes (but is not limited to) the acquisition, construction, or improvement of facilities for the provision of substitute freight transportation services and relocation costs.

### **§266.3 Rail Service Assistance Program.**

(a) *Scope of the program.* The Rail Service Assistance Program includes:

- (1) Rail service continuation assistance;
- (2) Acquisition assistance;
- (3) Rehabilitation or improvement assistance;

§ 266.5

49 CFR Ch. II (10–1–97 Edition)

- (4) Substitute service assistance;
- (5) Rail facility construction assistance;
- (6) Planning assistance; and
- (7) Program operations assistance.

(b) *Special limitations on planning assistance.* (1) A State is eligible to receive up to \$100,000, or 5 percent of its entitlement, whichever is greater, as planning assistance; and

(2) A State is eligible to receive up to 5 percent of the total amount of funds granted to it each fiscal year under paragraphs (a)(1) to (5) of this section as program operation assistance.

**§ 266.5 State eligibility.**

(a) *General eligibility requirements under the rail service assistance program.* A State is eligible for assistance if:

(1) The State has certified pursuant to section 5(j)(4) of the Act that it has or will adopt and maintain adequate procedures for financial control, accounting and performance evaluation in order to assure proper use of Federal funds;

(2) For purpose of establishing a State Rail Plan, the State has submitted, in accordance with §266.17(e) of this part, a planning application; and

(3) For any other assistance,

(i) The State has established an adequate plan for rail services in the State which (A) meets the requirements of §266.15 of this part; (B) is part of an overall planning process for all transportation services in the State; (C) includes a suitable procedure for updating, revising, and amending such plan; and (D) as updated, revised, or amended has been approved by the Administrator;

(ii) Such State Rail Plan (A) is administered or coordinated by a designated State agency; (B) provides for the equitable distribution of resources; and (C) includes a methodology for determining the ratio of benefits to costs of projects for which acquisition assistance, rehabilitation or improvement assistance, substitute service assistance, and rail facility construction assistance is sought;

(iii) The State agency:

(A) Has authority and administrative jurisdiction to develop, promote, super-

vise, and support safe, adequate, and efficient rail transportation services;

(B) Employs or will employ, directly or indirectly, sufficient trained and qualified personnel;

(C) Maintains or will maintain adequate programs of investigation, research, promotion, and development with provision for public participation; and

(D) Is designated and directed solely or in cooperation with other State agencies to take all practicable steps to improve transportation safety and to reduce transportation-related energy utilization and pollution; and

(iv) The State undertakes to immediately notify the Administrator of any changes in conditions which might affect its compliance with this section.

**§ 266.7 Project eligibility.**

(a) *Rail service continuation assistance, acquisition assistance and substitute service assistance.* A project is eligible for assistance under §266.3(a) (1), (2), and (4) of this part, respectively, if:

(1) The Commission pursuant to 49 U.S.C. 10903 has found since February 5, 1976, that the public convenience and necessity permit the abandonment and discontinuance of rail service on the line related to the project, except that any such line or related project eligible prior to October 1, 1978, is eligible only until September 30, 1981 and any such line eligible for rail service continuation assistance shall receive such assistance for no more than 36 months after October 1, 1978;

(2) The line related to the project was eligible for assistance under section 402 of the Rail Act (45 U.S.C. 762), except that any such line or related project is eligible only until September 30, 1981; or

(3) For purposes of acquisition assistance, the line related to the project is listed for possible inclusion in a rail bank in Part III, Section C of the Final System Plan.

(b) *Rehabilitation and improvement assistance and rail facility construction assistance.* A project is eligible for assistance under §266.3(a) (3) and (5) of this part, respectively, if:

(1)(i) The Commission has not made a finding that the public convenience and necessity would require or permit

abandonment or discontinuance of rail service on the line related to the project;

(ii) Any pending application for a certificate of abandonment or discontinuance of rail service on the line related to the project is withdrawn within a reasonable period (as determined by the Administrator) following the execution of the grant agreement and before Federal funds are disbursed for the project; and

(iii)(A) The line related to the project is certified by the railroad as having carried three million gross ton miles per mile or less during the prior year; or

(B) The line related to the project is certified by the railroad in a written statement which identifies the name of the line, the State or States in which it is located, its length, termini, and termini mile posts as having carried between three and five million gross ton miles per mile during the prior year, and the Administrator has determined that the project is consistent with proposals made under the authority of subsections 5 (a) through (e) of the Act (49 U.S.C. 1654 (a)-(e));

(2)(i) An application for a certificate of abandonment or discontinuance of rail service on the line related to the project has been filed with the Commission during the period February 5, 1976 through December 31, 1978, whether or not such application has been granted; or

(ii) During the period February 5, 1976, through December 31, 1978, the Commission has found that the public convenience and necessity would require or permit abandonment or discontinuance of rail service on the line related to the project irrespective of when the application was filed;

(3) The line related to the project is listed for possible inclusion in a rail bank in Part III, Section C of the Final System Plan; or

(4) The line related to the project was eligible to be acquired under section 402(c)(3) of the Rail Act (45 U.S.C. 762(c)(3)).

(c) Projects eligible under paragraphs (b)(2), (b)(3), and (b)(4), of this section are eligible only until September 30, 1981. Projects initially eligible under paragraph (b)(2) of this section, may

subsequently become eligible under paragraph (b)(1) of this section, if the Commission issues a new certificate of public convenience and necessity with respect to the line related to the project.

#### § 266.9 Federal/State share.

(a) *Federal share.* The Federal share of allowable costs under the Rail Service Assistance Program is 80 percent, with the exception that the Federal share of payments to be covered by rail service continuation assistance shall be 70 percent for any third twelve month period which begins on or after October 1, 1980 that such assistance is provided.

(b) *State share-general.* The State share of allowable costs under the Rail Service Assistance Program shall be provided either in cash or through eligible in-kind benefits which would not otherwise have been provided. When more than the required State share is provided during the Federal fiscal year beginning October 1, 1978, or thereafter, the amount in excess of the required State share may be carried forward to subsequent fiscal years. The State share of allowable costs under the Rail Service Assistance Program may not be satisfied directly or indirectly by any Federal funds unless the funds are provided through a Federal program which specifically authorizes the use of such funds to satisfy the non-Federal share of a Federally subsidized program.

(c) *In-kind benefits—(1) Eligible types of benefits and their valuation.* The following types of in-kind benefits are eligible when they are provided for projects eligible under § 266.7 of this part (whether or not Federal assistance is requested for the projects) or they are activities which would be eligible for planning and program operation assistance. Eligible in-kind benefits are valued as follows:

(i) The value of forgiven taxes, such as those portions of gross receipts or revenue taxes which are applicable to an approved project or property taxes on project related property, shall be the amount which would otherwise have been levied by the taxing authority. Forgiveness may be through exemption or remission;

(ii) The value of trackage rights secured by a State for a common carrier shall be the amount paid by railroads for comparable rights on comparable rail freight properties;

(iii) The value of State salaries for State public employees working in the State Rail Service Assistance Program, shall be consistent with rates paid for similar work by state public employees working in comparable state programs but shall not include overhead or general administrative costs;

(iv) The value of donations by the State or by a third party on behalf of the State of real property or tangible personal property of the kind necessary for safe and efficient operation of rail freight service, such as State or locally owned or leased buildings used in rail freight operations or equipment or materials, shall be determined as follows:

(A) The value of State tangible personal property shall be established at the State's actual cost in accordance with Federal Management Circular 74-4;

(B) The value of donated tangible personal property shall be determined in accordance with Attachment F of Office of Management and Budget Circular (OMB) A-102;

(C) The value of State real property shall be established at the State's actual cost in accordance with Federal Management Circular 74-4, if at least one independent appraisal based on the results of a title search was performed when the property was purchased by the State, otherwise it shall be valued at the fair market value as established by at least one independent appraisal based on the results of a title search at the time the state proposes to make the property available as in-kind benefit; and

(D) The value of donated real property shall be its fair market value, at the time of donation to the State, as established by at least one independent appraisal based on the results of a title search;

(2) *Eligibility criteria.* To be applied toward the State share, in-kind benefits must:

(i) Be verifiable from the State's records;

(ii) Be necessary and reasonable for proper and efficient accomplishment of

the objectives of the Rail Service Assistance Program;

(iii) Be provided for in the approved grant budget; and

(iv) Be approved under paragraph (3) of this paragraph (c).

(v) The State shall submit such information as the Administrator may request to verify the value of in-kind benefits.

(3) *Request for approval.* A request for approval of the in-kind benefits are to be applied and shall include the following:

(i) Full name and principal business address of the contributor if other than grantee;

(ii) Detailed documentation of the in-kind benefits including identification of the kind of in-kind benefits to be provided as well as their estimated value. When in-kind benefits are to be provided by a third party, a copy of the executed agreement between the State and the third party; and

(iii) Certification by the State that the contribution will be used solely for the purposes documented.

**§ 266.11 Allowable costs.**

Allowable costs include only the following costs which are properly allocable to the work performed: Planning and program operation costs which are allowed under Federal Management Circular 74-4; and costs of projects eligible under §266.7 of this part. All allowable costs shall be authorized by a fully executed grant agreement. A State may incur costs prior to the execution of a grant agreement only if the Administrator, based on the State's demonstration of a compelling need to incur costs prior to the execution of a grant agreement, has authorized the costs in writing prior to their incurrence by the State.

**§ 266.13 Distribution of funds.**

(a) *Formula.* Funds appropriated for or reallocated in any fiscal year (in this section referred to jointly as "funds") are to be distributed to each State as follows:

(1) Two-thirds of the funds will be allocated in the ratio which a State's rail mileage that, in accordance with 49 U.S.C. 10904(d), is either potentially

subject to abandonment or is to become the subject of an application for a certificate of abandonment or discontinuance which a carrier plans to submit, but has not yet submitted, bears to the total such rail mileage in all the States;

(2) One-third of the funds will be allocated in the ratio which a State's rail mileage for which the Commission has found within three years prior to the first day of the fiscal year for which the funds are being allocated that the public convenience and necessity permits the abandonment, or the discontinuance, of rail service on such rail mileage, bears to the total such rail mileage in all the States. Until September 30, 1981, such rail mileage includes the rail mileage which was eligible under the Rail Service Assistance Program pursuant to section 402 of the Rail Act, and all rail mileage which, prior to October 1, 1978, had been included for formula allocation purposes. The Administrator will calculate rail mileage under this paragraph as of October 1 of each year; and

(3) The above calculations will be adjusted if necessary so that no State receives less than 1 percent of the funds appropriated for a fiscal year.

(b) *Reallocation.* The Administrator will reallocate among the States funds which have not been granted under an executed grant agreement by the end of the fiscal year for which the funds were appropriated and funds determined by a Federal audit to be in excess of allowable costs when they have not been granted under an executed grant agreement by the end of the fiscal year in which the Federal audit is made. Reallocated funds are distributed in accordance with the allocation formula described in paragraph (a) of this section.

(c) *Interstate sharing of allocated funds.* Where not in violation of State law, two or more States, which are eligible to receive assistance under the Rail Service Assistance Program pursuant to § 266.5 of this part may combine any portion of their entitlements for purposes of conducting any eligible project of mutual benefit provided that they enter into an agreement for this purpose.

#### **§ 266.15 Requirements for State Rail Plan.**

(a) *State planning process.* The State Rail Plan shall be based on a comprehensive, coordinated and continuing planning process for all transportation services within the State and shall be developed with an opportunity for participation by persons interested in rail activity in the State and adjacent States where appropriate. At a minimum, the State shall hold a public hearing if, on the basis of reasonable public notice appearing in the press, there is sufficient public interest to justify a hearing. Public notice shall be given, in accordance with applicable State law and practice concerning comparable matters, that a draft of the State Rail Plan is available for public inspection at a reasonable time in advance of the hearing. The State shall enable local and regional governmental bodies to review and comment on appropriate elements of the State Rail Plan. Provisions shall also be made for updating, revising, and amending the State Rail Plan.

(b) *Format of the State Rail Plan.* Each item submitted in response to a requirement of this section shall reference that requirement by subsection, paragraph, and subparagraph.

(c) *Contents of the State Rail Plan.* Each State Rail Plan shall:

(1) Specify the objectives of the State's Rail Service Assistance Program and explain how the implementation of the State Rail Plan will accomplish these objectives and explain relevant data sources, assumptions, analytical methodology, other legal constraints and special problems or conditions which will aid the public in understanding the State Rail Plan;

(2) Contain an illustration of the State's entire rail system on suitable scale maps of the State highway system (such as a reduction of the County Highway Planning Series of maps), designating with respect to each line listed under subparagraph (3) of this subsection, including all lines connecting to them:

- (i) The operating carrier or carriers;
- (ii) Freight traffic density, and
- (iii) Location of passenger service.

These maps shall be accompanied by a written description of the service provided on each line;

(3) Identify the following classes of rail service within the State:

(i) Lines in the State which are eligible for assistance under §266.7 of this part other than those included in paragraph (c)(3)(ii) of this section;

(ii) Lines in the State which a common carrier has identified on its system diagram map submitted under 49 CFR 1121.20(b) (1) and (2) as potentially subject to abandonment and lines which are anticipated to be the subject of an abandonment or discontinuance application within three years following the date of submission;

(iii) [Reserved]

(iv) Lines in the State for which abandonment or discontinuance applications are pending;

(v) Lines in the State which are involved in the following kinds of proposals that have been submitted to the Commission for approval or are in the process of negotiation, to the extent that this information is publicly available:

(A) Mergers;

(B) Consolidations;

(C) Reorganizations;

(D) Purchases by other common carriers; or

(E) Other unification and coordination projects.

(vi) Rail projects for which the State plans to request Federal assistance or approval as in-kind benefits; and

(vii) Rail projects for which a State provides or plans to provide assistance from sources other than the Rail Service Assistance Program, including the estimated cost of the projects;

(4) Establish and describe screening criteria to be used in selecting the eligible lines which the State analyzes in detail, identify these lines, and explain how the application of the screening criteria resulted in their selection;

(5) Describe the State's methodology for determining the ratio of benefits to the costs of proposed projects eligible under §266.7 of this part (except projects to be funded with rail service continuation assistance);

(6) Include, to the extent that the information is available to the State, the

following data for each line the State has selected to analyze in detail:

(i) Annual freight tonnage and carloads segregated by commodity type and indicating any seasonal traffic fluctuations and the number of shippers and receivers on the line aggregated by type (e.g., grain elevator, power plant, heavy manufacturing), including identification of information which a shipper wishes the Administrator to consider confidential to the extent permitted by law;

(ii) Revenues and costs of providing rail freight service on the line;

(iii) Condition of the related rail facilities and equipment, and for a line eligible under §266.7(b) of this part, a description of the particular rail facilities involved in any project a State may be considering on the line;

(iv) When the State is considering a line for rail service continuation assistance, projections of freight traffic needs on the line for at least the three succeeding calendar years and estimates of the amount and type of equipment, the condition of the rail facilities, and the level of service necessary to satisfy the projected traffic needs as well as estimates of the revenue and costs of providing this service; and

(v) When the State is considering a project eligible under §266.7(b) of this part, the amount of funds expended for the maintenance of the line and the kinds of work performed during the five year period preceding its eligibility.

(vi) When the State is considering a line for rail banking, a description of the line's future economic potential, such as the existence of fossil fuel reserves or agricultural production likely to be served;

(7) Describe the alternatives which the State will analyze in applying the methodology described in paragraph (c)(5) of this section, such as: Rail service continuation payments, rehabilitation or improvement, acquisition, rail facility construction, potential for moving freight by alternate modes, or abandonment or discontinuance of rail freight service;

(8) Apply the methodology described in paragraph (c)(5) of this section to each line the State has selected to analyze in detail;

(9) Specify the State's decision regarding the alternative selected for each line the State has analyzed in detail and include the following:

(i) An indication of whether Federal assistance will be requested or other funds will be used to implement the alternative selected;

(ii) An identification of lines which may be affected by the alternative selected;

(iii) An explanation of how the alternative selected contributes to the accomplishment of the State's objectives as stated in paragraph (c)(1) of this section; and

(iv) A statement of the projected future of the line after the alternative selected is implemented and the line is no longer eligible for rail service continuation assistance under §266.7(a) of this part or after the payback period used in the State's benefit-cost analysis, whichever is appropriate;

(10) Describe the planning process participation of local and regional governmental bodies, the railroads, railroad labor, rail service users, and the public in general;

(11) Describe the overall planning process for all transportation services in the State; and

(11A) Indicate how the overall planning process in the State addresses the need to improve national energy efficiency, reduce the national use of petroleum and natural gas, and increase the national use of coal.

(12) Include a program of projects which identifies the projects for which the State expects to submit applications and the anticipated submission date. The program shall group the proposed projects in the order they comply with the State's criteria and goals for assistance, and shall:

(i) Identify the type of project (i.e., rail service continuation payments, acquisition, rehabilitation or improvement, rail facility construction, or substitute service), its location, and duration; and

(ii) Include the anticipated amount of funds to be requested for each project:

(d) *Updates, revisions, and amendments of the State Rail Plan*—(1) *General*. As provided for in paragraph (e) of this section, State Rail Plans shall be up-

dated at least on an annual basis but may be revised more frequently at the discretion of the State in accordance with its program needs. Such updates shall be subject to the same review, public participation and approval procedures by the State and FRA as the original State Rail Plan.

(2) *Contents*. Annual updates shall include the following:

(i) A response to unanswered FRA comments on previously submitted updates, revisions, amendments, or the original State Rail Plan;

(ii) An update of information in previous submittals which is no longer accurate as a result of plan implementation, action by a governmental entity or railroad, or changed conditions;

(iii) For lines receiving rail service continuation assistance, inclusion of revenue and cost information from the past year's operating experience and a reevaluation of service based on these new data;

(iv) Updating of the maps and descriptions required under paragraph (c)(2) of this section;

(v) Analysis of any new projects developed by the State in accordance with paragraphs (c)(4), (5) and (6) of this section;

(vi) Changes in agency responsibilities and authority including ability to provide the non-Federal share; and

(vii) Revisions in the State's policies, objectives or long-range expectations.

(e) *Adoption and submission of State Rail Plan and annual updates*. An original and five copies of the State Rail Plan, and any amendments, revisions, or updates shall be submitted to FRA for review and approval with a certification by the Governor, or by the Governor's delegate, that the submission constitutes the State Rail Plan established by the State as provided in section 5(j) of the Act. The State Rail plan, and all amendments, revisions, and updates shall be submitted to the FRA through the appropriate Federal Highway Division Office. A current list of mailing addresses of the above offices will be provided by FRA to each State.

(f) *Review of the State Rail Plan and Updates*. The State Rail Plan and all amendments, revisions, and updates shall analyze in accordance with this

section all projects for which the State anticipates requesting rail service assistance, other than planning assistance, during the fiscal year. In accordance with § 266.17(b) of this part, a project for which funds are requested must have been addressed in a previously approved State Rail Plan or update. If the Administrator determines that the State Rail Plan or update is not in accordance with this part, the Administrator will notify the State in writing setting forth the Administrator's reasons for such a determination.

[44 FR 51129, Aug. 30, 1979, as amended at 45 FR 58038, Aug. 29, 1980; 48 FR 29274, June 24, 1983]

**§ 266.17 Applications.**

(a) *General.* (1) Applications for planning assistance shall comply with paragraphs (b), (c) and (e) of this section.

(2) Applications for rail service continuation assistance shall comply with paragraphs (b), (c), (d) and (f) of this section.

(3) Applications for acquisition assistance shall comply with paragraphs (b), (c), (d) and (g) of this section.

(4) Applications for rehabilitation or improvement assistance and rail facility construction assistance shall comply with paragraphs (b), (c), (d) and (h) of this section.

(5) Applications for substitute service assistance shall comply with paragraphs (b), (c), (d) and (i) of this section.

(b) *Submission.* (1) Applications shall be submitted by the designated State agency using the standard forms contained in Attachment M of Office of Management and Budget Circular No. A-102 ("OMB Circular A-102"). Each item submitted in response to a requirement of this section shall reference that requirement by subsection, paragraph, and subparagraph. Each application shall be consistent with the current State Rail Plan and analyzed in it.

(2) A State may apply for planning assistance to cover prospective costs at any time during the planning process.

(3) Exhibits previously filed with the Administrator need not be refiled unless the prior filing has been rendered obsolete by changed circumstances. Such prior filing shall be appropriately

referenced by source, location of data and date of submittal.

(c) *Contents.* Each application shall include:

(1) Full name and principal business address of the applicant;

(2) Name, title, address and phone number of the person to whom correspondence regarding the application should be addressed;

(3) Budget estimates for the total amount of assistance required for projects or planning;

(4) Applicant's proposed means of furnishing its share of the total costs of the projects, as well as copies of executed agreements between the agency and any third party which may be providing the non-Federal share or a portion thereof;

(5) Assurance by the chief executive officer of the applicant that the Federal funds provided under the Act will be used solely for the purpose for which the assistance will be provided and in conformity with limitations on expenditures under the Act and applicable regulations;

(6) Evidence that the applicant has established in accordance with Attachment G of OMB Circular A-102, adequate procedures for financial control, accounting and performance evaluation in order to assure proper use of the Federal funds;

(7) Assurance by applicant's chief executive officer that the timing of all advances by the applicant will comply with the Department of Treasury advance financing regulations (31 CFR part 205);

(8) Statement as to whether the applicant prefers to receive disbursement of Federal funds by advance payment or reimbursement;

(9) Opinion of applicant's legal counsel showing that counsel is familiar with the corporate or other organizational powers of the applicant, that the applicant is authorized to make the application, that the applicant is eligible to participate in the Rail Service Assistance Program in accordance with the provisions of the Act and this part, and that the applicant has the requisite authority to carry out actions proposed in the application and to assume the responsibilities and obligations created thereby;

(10) Assurances that the applicant will comply with and that the program will be conducted in accordance with the following Federal laws, policies, regulations and pertinent directives:

(i) Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000d *et seq.*, and 49 CFR part 21;

(ii) Section 905 of the Railroad Revitalization and Regulatory Reform Act of 1976, 45 U.S.C. 803, and 49 CFR part 265;

(iii) The Rehabilitation Act of 1973, 29 U.S.C. 794 and 49 CFR part 27 (44 FR 31442, May 31, 1979) relating to non-discrimination on the basis of handicap; and

(iv) The State and Local Fiscal Assistance Act of 1972, 31 U.S.C. 1221 *et seq.* and 31 CFR part 51; and

(11) When two or more States desire to combine their entitlements or any portion of them for the purpose of funding a project, certification of the Governor or the Governor's delegate of each State involved that it is a party to an interstate agreement as required under section 5(h)(4) of the Act (49 U.S.C. 1654(h)(4)). Such certification shall include the amount of money to be used from each State's entitlement and which State is to enter into a grant for the project.

(d) *Additional contents.* In addition to meeting the requirements of paragraphs (b) and (c) of this section each application except when planning assistance is requested, shall include evidence that the agency submitting the application has the statutory authority and administrative jurisdiction to develop, promote, supervise and support safe, adequate, and efficient rail services; that it employs or will employ, directly or indirectly, sufficient trained and qualified personnel; that it maintains or will maintain adequate programs of investigation, research, promotion, and development with provision for public participation; and that it is designated and directed solely, or in cooperation with other State agencies, to take all practicable steps to improve transportation safety and to reduce transportation related energy utilization and pollution.

(e) *Planning assistance.* In addition to meeting the requirements of paragraphs (b) and (c) of this section, each

application for planning assistance shall include a Planning Work Program which, together with such other information the State may choose to submit, demonstrates to the satisfaction of the Administrator that the State's proposed use of planning assistance will produce a State Rail Plan, or an update, amendment or revision which meets the requirements of §266.15 of this part. The Planning Work Program shall include the following information:

(1) An explanation of how the State Rail Plan will be related to the overall planning process for transportation within the State. This explanation shall concentrate on the expectations of the State for the future of local rail freight services and consider such factors as likelihood of profitability of existing rail lines, necessity of rail service continuation payments, State acquisition of rail lines, use of alternate modes of transportation in lieu of rail freight service, and other long-term alternatives;

(2) A description of the methods by which the State will involve local and regional governmental bodies and the public generally in its rail planning process, including its methods of providing for equitable distribution of resources;

(3) An identification of the data to be obtained on the rail network and rail services in the State, the sources of this data, and the methodology to be employed in the collection of the data;

(4) A description of the method by which the State will develop the State Rail Plan, including a brief description of discrete tasks or activities to be accomplished; and

(5) A list of the individuals responsible for the planning, a work schedule and a budget.

(f) *Rail service continuation assistance.* In addition to meeting the requirements of paragraphs (b), (c), and (d) of this section, each application for rail service continuation assistance shall include the following:

(1) The amount of the estimated rail service continuation payment for each line; and

(2) A description of the arrangements which the applicant has made for operation of the rail services to be subsidized including copies of the proposed operating agreements, leases, or other compensation agreements under which service is to be provided, and the results of the application's preaward audit of proposed operators and equipment leasing companies if the equipment to be used in providing the rail service is to be leased by the proposed operator.

(g) *Acquisition assistance.* In addition to meeting the requirements of paragraphs (b), (c), and (d) of this section, each application for acquisition assistance shall include the following:

(1) Copies of the results of a title search, and the basis for the proposed acquisition price including two independent valuation appraisals by qualified appraisers. Such appraisals shall be performed in accordance with the "Uniform Appraisal Standards for Federal Land Acquisition" proposed by the Interagency Land Acquisition Conference and shall be based on the results of a title search and comparable sales and shall take cognizance of all easements, encumbrances and restrictions that may affect the value of the property. Such appraisals shall be reviewed by a State Review appraiser to establish just compensation;

(2) Written assurance that the acquisition is being undertaken in accordance with 49 CFR 25.253, 25.255, 25.257, and 25.259 to the greatest extent practicable under State law and fully in compliance with 49 CFR 25.261(a) and 25.263;

(3) Written assurance that the owner of the property to be acquired has been advised of the requirements of 49 CFR 25.259 or will be advised of such requirements prior to the consummation of the acquisition;

(4) A description of the necessary steps, and timing for completion of the acquisition;

(5) When rail service is to be immediately provided over the line, a description of the arrangements which the applicant has made for operation of the rail service, including copies of the proposed operating agreements, leases, and other compensation agreements under which the service is to be pro-

vided, and a description of the means by which the State will continue rail service on the property to be acquired once assistance under the Act is terminated;

(6) For applications regarding rail banking, evidence that the properties for which assistance is requested have potential for rail freight service such as plans for agricultural development or existence of fossil fuel reserves, the State's anticipated timetable for returning the line to service, and its proposed use of the property while it is out of service including its maintenance plans; and

(7) Evidence that the anticipated benefits and costs of the proposed acquisition have been analyzed in accordance with the methodology established by the State under §266.15(c)(5) of this part.

(h) *Rehabilitation or improvement assistance and rail facility construction assistance.* (1) In addition to meeting the requirements of paragraphs (b), (c), and (d) of this section, each application for rehabilitation or improvement assistance and rail facility construction assistance shall include the following:

(i) A detailed estimate of the materials and labor required to complete the work, the total estimated costs of the work, the estimated numbers and kinds of ties and other material, the milepost termini involved, and a schedule for completion of the work;

(ii) Evidence that the anticipated benefits and costs of the proposed acquisition have been analyzed in accordance with the methodology established by the State under §266.15(c)(5) of this part;

(iii) When rehabilitation assistance is requested—

(A) A copy of the document by which funds will be granted or loaned (at an interest rate determined by the State) to the owner of the rail properties or the operator of the rail service related to the project; and

(B) An assurance by the chief executive officer of the applicant that:

(1) Repaid loan funds and interest accumulated with respect to such funds will not be loaned or granted without the prior written approval of the Administrator;

(2) The Federal share of repaid loan funds will be placed in an interest-bearing account or with the prior written approval of the Administrator will be deposited by the borrower, for the benefit and use of the State, in a bank which has been designated by the Secretary of Treasury in accordance with 12 U.S.C. 265; and

(3) If the rehabilitated or improved facilities are not used for rail freight service during the useful life of the improvement the Federal share of the fair market value of the improvement or facility will be placed in an interest-bearing account or with the prior written approval of the Administrator will be deposited by the owner of the rail properties, for the benefit and use of the State, in a bank which has been designated by the Secretary of the Treasury in accordance with 12 U.S.C. 265;

(iv) An assurance by chief executive officer of the applicant that rehabilitated or improved facilities or newly constructed facilities will be maintained to prevent deterioration below the speed at which the line could be operated upon completion of the project during the period of time established as the payback period in the benefit-cost analysis of the project;

(2) In addition to meeting the requirements of paragraphs (b), (c), and (d) and (h)(1) of this section, each application for a project eligible under §266.7(b)(2)(i) (if the Commission has made a finding granting the application for abandonment and discontinuance) (ii), (3) or (4) shall also include the following:

(i) An indication of which of the following methods will be used to complete the work, including proposed contracts unless the work will be performed under method (A):

(A) On an actual cost basis by the operator or the applicant;

(B) By contracting for the work in accordance with Attachment O to OMB Circular A-102; or

(C) Under an existing continuing contract between the operator and another firm provided that the applicant can demonstrate the the costs are comparable to those under paragraph (h)(2)(i) (A) or (B) of this section; and

(ii) A description of the plans for inspection of the work including identification and qualifications of the staff to be responsible for the inspection and a proposed schedule of inspections; and

(iii) A description of the arrangements made for the operation of rail service over the property including copies of the proposed operating agreements, leases or other compensation agreements under which service is to be provided, and the proposed method of financing the operation of such rail service;

(3) In addition to meeting the requirements of paragraphs (b), (c), (d), and (h)(1) of this section, each application for a project eligible under §266.7(b)(1) or (2)(i) (if the Commission has not made a finding granting the application for abandonment discontinuance) shall include an assurance by the common carrier which operates service on or owns the line related to the project that if an application for a certificate of abandonment or discontinuance has been filed with the Commission the application will be withdrawn within a reasonable period following execution of a grant agreement and before Federal funds are disbursed for the project; and

(4) When rail facility construction assistance is requested an assurance by the chief executive officer of the applicant that if the facility is abandoned, sold, or converted to non-rail freight use during its useful life, FRA will be compensated an amount computed by applying FRA's participation in the cost of constructing the facility to the fair market value of the facility at the time it is abandoned, sold, or converted to non-rail use.

(i) *Substitute service assistance.* In addition to meeting the requirements of paragraphs (b), (c), and (d) of this section, each application for substitute service assistance shall include:

(1) A detailed description of the substitute service project, including evidence that the cost and scope of the project are limited to that necessary to replace the rail service being discontinued;

(2) Evidence that the anticipated benefits and costs of the proposed

acquisition have been analyzed in accordance with the methodology established by the State under § 266.15(c)(5) of this part;

(3) For construction or improvement of fixed facilities, a description of the proposed work, including:

(i) The cost and timing of the work; and

(ii) An assurance by the chief executive officer of the applicant that the Federal share of the project will be repaid in accordance with Attachment N of OMB Circular A-102, if the properties are not used for rail freight service during the useful life of the project properties;

(4) For relocation costs, the following assurances by the chief executive officer of the applicant:

(i) When the rail line related to the project is eligible under section 5(k)(4)(A) of the Act (49 U.S.C. 1654(k)(4)(A)), an assurance that the applicant is requesting only such assistance as is needed to relocate the shippers which were receiving rail service on the line at the time the Commission found that the public convenience and necessity would permit discontinuance or abandonment of the rail service;

(ii) When the rail line related to the project is eligible under section 5(k)(4)(B) of the Act (49 U.S.C. 1654(k)(4)(B)), an assurance that assistance is being requested to relocate only the shippers who received rail service on the line as of April 1, 1976; and

(iii) An assurance, and the basis therefor, that the shippers will not be relocated to a line with respect to which an application for a certificate of abandonment or discontinuance has been filed with the Commission or that if an application has been filed it will be withdrawn within a reasonable period following execution of a grant agreement and before Federal funds are disbursed for the project;

(5) An assurance by the chief executive officer of the applicant that after completion of the substitute service project, additional Federal assistance will not be requested for the continuation of the rail freight service that the substitute service is designed to replace, unless the Administrator determines that circumstances have changed so that continuation of rail

freight service is more cost-effective than continued use of the substitute service project;

(6) A description of the arrangements made for operation of service where rail service is to be provided in conjunction with a substitute service project, including copies of proposed operating agreements, leases, or other compensation agreements under which service is to be provided; and

(7) An assurance by the chief executive officer of the applicant that assistance provided will not be used to pay the non-Federal share under any Federal program.

(j) *Execution and filing of applications.*

(1) Each original application shall bear the date of execution and be signed by the chief executive officer of the agency submitting the application;

(2) Each application for planning assistance, and two (2) copies thereof, shall be filed with the Administrator through the appropriate Federal Highway Administration Division Office;

(3) Each application (excluding requests for planning assistance), and two (2) copies thereof, shall be filed with the Administrator through the appropriate Regional Director of Federal Assistance. A current list of the appropriate mailing addresses of the above officials will be provided by FRA to each State.

#### § 266.19 Environmental impact.

(a) *General.* The Administrator has determined that providing assistance to cover the following costs is not a major action significantly affecting the quality of the human environment: Rehabilitation or improvement consisting of work normally performed on a periodic basis which does not change the existing character of the facility (including work to overcome normal periodic maintenance that had been deferred) rail service continuation, acquisition, and planning.

(b) *Substitute service assistance, rail facility construction assistance, and non-exempt rehabilitation or improvement assistance—(1) Environmental assessment.* (i) When an applicant requests substitute service assistance, rail facility construction assistance, or rehabilitation or improvement assistance (except for

rehabilitation or improvement assistance which is exempt under paragraph (a) of this section), the applicant shall:

(A) Prepare an environmental assessment to determine whether the future use of the property will significantly affect the quality of the human environment; or

(B) Provide sufficient documentation to enable the Administrator to determine that the project satisfies the following criteria:

(1) The action is not likely to be environmentally controversial from the point of view of people living within the environment affected by the action or controversial with respect to the availability of adequate relocation housing;

(2) The action is not inconsistent with any Federal, State, or local law, regulation, ordinance, or judicial or administrative determination relating to environmental protection;

(3) The action will not have any significant adverse impact in any natural, cultural, recreational, or scenic environment(s) in which the action takes place, or on the air or water quality or ambient noise levels of such environment(s);

(4) The action will not: use 4(f)-protected properties; adversely affect properties under section 106 of the National Historic Preservation Act; involve new construction location in a wetlands area; or affect a base floodplain;

(5) The action will not cause a significant short- or long-term increase in traffic congestion, or other significant adverse environmental impact on any mode of transportation;

(6) The action is not an integral part of a program of actions which, when considered separately, would not be classified as major FRA actions, but when considered together would be so classified; and

(7) Environmental assessment or documentation is not required by any Federal law, regulation, guideline, order, or judicial or administrative determination other than this part.

(ii) Prior to submitting an application, FRA recommends that the applicant seek the Administrator's advice as to form and substance of the assessment for the project under consider-

ation. The environmental assessment shall utilize an interdisciplinary approach in identifying the type, degree of effect, and probability of occurrence of primary, secondary and cumulative potential environmental impacts (positive and negative) of the proposed action and of alternative courses of action. The depth of coverage shall be consistent with the magnitude of the project and its expected environmental effects. The environmental assessment and all documents used as a basis for the assessment shall be submitted together with the application for assistance.

(2) *Environmental impact statement.* A draft environmental impact statement (EIS) shall be submitted with each application when the environmental assessment concludes that the future use significantly affects the quality of human environment. FRA recommends that prior to submitting the application, the applicant seek the Administrator's advice as to form and substance of the EIS for the project under consideration.

(3) *Finding of no significant impact.* A draft finding of no significant impact declaration shall be submitted with each application when the applicant's environmental assessment concludes that the future use does not significantly affect the quality of the human environment. The finding of no significant impact shall include a description of the project, and sufficient data and environmental findings to support the conclusions as to the impact upon the quality of the human environment. FRA recommends that prior to submitting the application, the applicant seek the Administrator's advice as to the form and substance of this finding for the project under consideration.

(4) *Section 4(f) determination.* For projects involving the use of any land from a public park, recreation area, wildlife and waterfowl refuge, or historic site of national, State or local significance as determined by the Federal, State, or local officials having jurisdiction thereon, information to support a determination pursuant to section 4(f) of the Act shall be submitted together with the application. The section 4(f) determination shall document that:

(i) There is no feasible and prudent alternative to the use of such land; and

(ii) The project includes all planning to minimize harm resulting from such use.

(5) *Historic preservation.* For projects involving the use of historic, cultural or archeological resources listed or eligible for listing in the National Register of Historic Places, information which documents that the Advisory Council on Historic Preservation has been afforded an opportunity for review and comment on the proposed project in accordance with 16 U.S.C. 470 and 36 CFR part 800 shall be submitted with the application.

(c) *Highway or highway-related facilities.* Substitute service projects involving highway or highway-related facilities are subject to the applicable substantive Federal Highway Administration regulations on environmental considerations (23 CFR part 771).

**§ 266.21 Grant agreement and disbursement.**

(a) *Grant agreement.* (1) Upon the approval of an application meeting the requirements of § 266.17 of this part, a grant agreement for the Federal share of the approved amount of estimated program costs will be executed by the Administrator and the grantee.

(2) The grant agreement will identify the amount of the grantee's share of program costs to be furnished in cash and through approved in-kind benefits. The grantee shall expend a pro-rata share of its cash contribution at the same time payments of the Federal share are made available to the grantee.

(b) *Disbursement.* (1) Federal funds are provided either in advance by a letter-of-credit or a Treasury check or by reimbursement in accordance with Attachment J of OMB Circular A-102.

(2) Prior to receipt of advance payments, the grantee must have demonstrated to the satisfaction of the Administrator that it has established procedures to comply with OMB Circular A-102, Attachment J, including procedures that will minimize the time elapsing between the receipt of funds by the grantee and their disbursement. Evidence of such compliance shall be provided to the Administrator at least

30 days prior to the anticipated date of receipt of advance payments. An advance by letter-of-credit is used when the rail service assistance is expected to be provided for a minimum of one (1) year, and is expected to involve annual payments aggregating at least \$120,000. Otherwise, advance payments are made by Treasury check.

(3) If the grantee is not eligible for advance payments or does not desire them, the grantee will be reimbursed for eligible expenditures at the end of each fiscal quarter upon submission of a request for reimbursement.

(4) Before disbursement of Federal funds can be made to a grantee for payment to third parties under this subsection, the grantee must have executed an agreement with the third party.

(5) Acquisition assistance will be disbursed only after the following have been approved by the Administrator:

(i) A title opinion of the chief legal officer of the grantee that describe the type of title being acquired, and if a general warranty deed is not being given, it must explain why it could not be given. The opinion shall also advise of any need for use of the State's eminent domain powers to assure adequate title. In addition, the opinion shall explain how the defects disclosed by the title search might affect the marketability of the property;

(ii) A written determination that the property acquired is limited to the land and facilities that are needed for the rail freight services which would have been curtailed or abandoned but for the acquisition has been accepted by the Administrator; and

(iii) A written determination that the purchase price is consistent with the value of the property interest being acquired, and the evidence upon which the determination is based.

(c) *Settlement.* (1) Settlement under the grant agreement is made on the basis of a Federal audit which has determined the allowable costs over the entire term of the grant agreement. If the Federal audit determines that the allowable costs under the grant agreement are less than the amount of the grant, the difference shall be refunded to FRA at the end of the fiscal year in which the audit was made unless it has

become the subject of another executed grant agreement. Upon termination of a State's participation in the Rail Service Assistance Program, the State shall repay FRA the Federal share of any unused rehabilitation and improvement assistance and any accumulated interest.

**§ 266.23 Record, audit, and examination.**

(a) Retention and custodial requirements for financial records, supporting documents, statistical records, and all other records pertinent to a grant provided under this part shall be governed by Attachment C of OMB Circular A-102.

(b) The Administrator and the Comptroller General of the United States or any of their duly authorized representatives shall, until the expiration of three years after submission to the Administrator of the grantee's final ac-

counting of all program funds, and for any longer period necessary to resolve audit findings, have access for the purpose of audit and examination to any books, documents, papers, and records which in the opinion of the Administrator or the Comptroller General of the United States may be related or pertinent to the grants, contracts, or other arrangements arising out of, or in any way connected with, the rail service assistance program.

**§ 266.25 Waivers and modifications.**

The Administrator may, with respect to individual requests, upon good cause shown, waive or modify any requirement of this part not required by law or make any additional requirements the Administrator deems necessary. Procedures for submission and consideration of petitions for waiver or modification are governed by 49 CFR part 211.