



Budget Request for FY 2014

Surface Transportation Board



April 2013

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Overview

The Surface Transportation Board (STB) is charged with the economic oversight of the nation's freight rail system. The three-member, bipartisan Board was formed in 1996 as the successor agency to the Interstate Commerce Commission. The Board has regulatory jurisdiction over railroad rate reasonableness, mergers, line acquisitions, new rail-line construction, abandonments of existing rail lines, and the conversion of rail rights-of-way into hiking and biking trails. While the majority of the Board's work involves freight railroads, the STB also performs certain oversight of passenger rail operations and the intercity bus industry, non-energy pipelines, and household goods carriers' tariffs, and also performs rate regulation of non-contiguous domestic water transportation (freight shipping between the continental United States to Hawaii, Alaska, and Puerto Rico and other U.S. territories).

The Board is decisionally independent, although it is administratively housed within the U.S. Department of Transportation (DOT). Because the economics of freight rail regulation are so important to our national economy and involve a national network, Congress gave the STB sole jurisdiction over rail mergers and consolidations, from federal antitrust laws and state and municipal laws.

The STB also has exclusive authority to determine whether railroad rates and services are reasonable.

To carry out Congress' charge, the STB has assembled a small but highly experienced staff of economists, lawyers, and experts in rail, shipping, and environmental matters. While the Board participates in more than 1,200 decisions and court-related matters each year, significant resources are consumed by more than one hundred complex cases. Much of the Board's staff time is devoted to analyzing the economic and environmental impacts of its decisions, issuing fair decisions, and defending those decisions in court.

The majority of the Board's budget consists of salaries and benefits, rent, security, travel expenses, and costs associated with congressionally mandated activities largely driven by the number and types of cases filed. In the past year, the agency's caseload has increased due to a number of large, complex rate and passenger rail matters, but the Board's ability to process these cases has been impacted by limited staffing and resources. The increase in case workload is expected to continue in FY 2014 due to the strong market for freight rail and the continued expansion of the U.S. economy.

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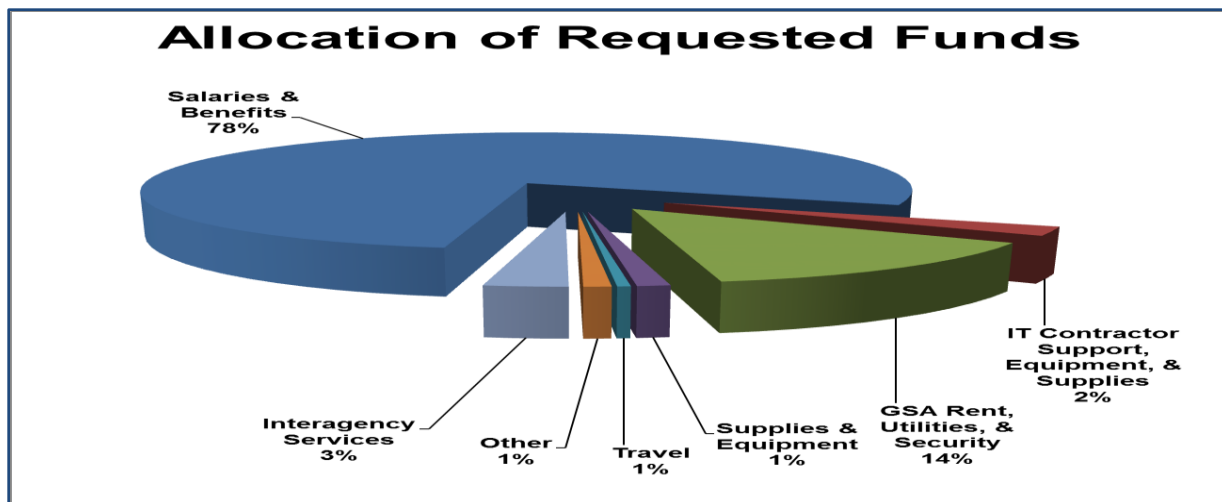


The Board is requesting \$34,284,000 for 170 Full Time Equivalents (FTEs), an increase of \$4,974,000 over the Board's Fiscal Year (FY) 2012 Appropriation. A significant portion of this increase includes funding for 22 additional FTEs over the 148 FY 2012-funded FTEs. The remainder of the request reflects an increase in the agency's share of employee benefits contributions.

Our request is motivated in part by the increase in workload associated with the recently enacted Passenger Rail Investment and Improvement Act of 2008 (PRIIA). PRIIA authorized the STB to hire 15 people to handle the Board's PRIIA responsibilities. Although the agency received appropriated funds for only 6 FTEs in FY 2010 related to the Board's expanded duties under PRIIA, the FY 2011 Continuing Resolution Estimate eliminated the funding for

even these 6 FTEs. In addition to the 6 FTEs previously funded for PRIIA work (along with the additional 9 slots authorized in PRIIA), the Board also requests funding for additional FTEs to bolster staff to help process rate reasonableness cases, increase the Board's mediation efforts, and enhance the Board's auditing of industry financial filings.

As of September 2012, two cases have been filed under PRIIA: *Amtrak Petition for Determination of PRIIA Section 209 Cost Methodology*, Docket No. FD 35571, and *National Railroad Passenger Corporation—Section 213 Investigation of Substandard Performance on Rail Lines of Canadian National Railway Company*, Docket No. NOR 42134. The Board approved the methodology proposed by Amtrak in the first case, and the other case is currently in



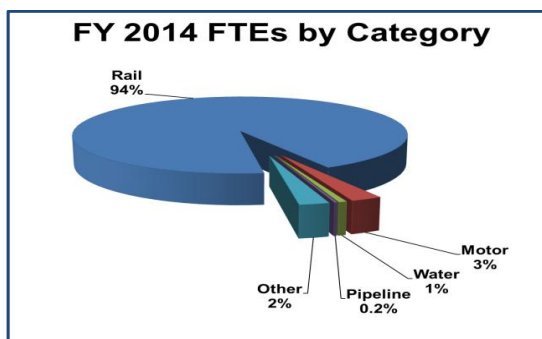
mediation with the parties and STB staff. Besides handling these cases, the Board is pursuing further initiatives under its PRIIA responsibilities to examine Amtrak's on-time performance, as well as its operations processes and record-keeping systems. Unlike agencies that are program-based, the STB's responsibilities are driven largely by the number of cases filed by affected parties in a given year. While some cases are relatively simple, such as a routine rail line acquisition license or the recordation of a lien, others, such as rate cases, unreasonable practices complaints, line constructions, some abandonments, and declaratory orders, are more complex and require significant staff time and other resources to adjudicate.

In addition to these time- and labor-intensive matters such as preparing decisions in major cases, the Board undertakes extensive environmental reviews of proposed new rail lines, mergers and acquisitions, rail line abandonments, and other actions that require review under the National Environmental Policy Act (NEPA). The STB also administers the "rail banking" program of the National Trails System Act. This program allows railroad rights-of-way approved for abandonment to be used as recreational trails on an interim basis.

Furthermore, there has been an increase in the number of cases related to motor carriers, primarily intercity passenger bus service, filed at the Board and requiring additional staff effort.

The Board has also undertaken several significant rulemakings in FY 2012. The Board has issued new proposals to make its

rate case process more accessible and affordable to shippers and has initiated a proceeding addressing competitive access. The Board is also seeking to promulgate new mediation and arbitration rules in an effort to encourage carriers and shippers to resolve their disputes informally.



Cases

The Board issues hundreds of decisions each year in the licensing and complaint cases brought before it and in the rulemaking proceedings that the Board initiates on petition and on its own initiative. In recent years, the Board has issued rules reforming its larger rate case process, modifying and clarifying its simplified rate case process, and reducing filing fees for all complaints.

The STB has seen an increased case load in the rate area, which is likely to continue into the future. Additional staff would allow the Board to process these complicated proceedings more quickly. In FY 2012 in *Rate Regulation Reforms*, Docket No. EP 715, the Board proposed new rules that would remove the limitation on relief for rate cases brought under the Board's Simplified Stand-Alone Cost (SAC) methodology, a less costly and complex alternative to the Board's full SAC cases.

The Board also proposed to double the relief limit available under an even more simplified rate case methodology (the Three-Benchmark methodology).

Mediation Efforts

To carry out the Board’s regulatory mission at a time of an increased caseload and fewer resources, the Board encourages use of alternative dispute resolution, such as mediation, arbitration, and informal discussions between railroads and their customers. These efforts have facilitated the settlement of cases and have satisfactorily addressed other problems before they turned into formal complaints.

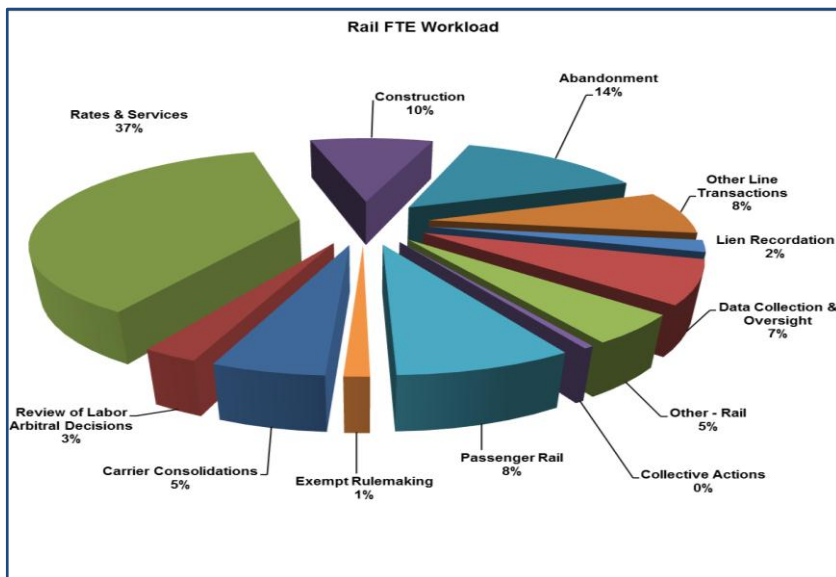
Specifically, in the last 4 years, the STB conducted mediations in over 20 proceedings. Seven cases were settled due to Board-sponsored mediation: two large rate cases, one small rate case, and four other railroad-related disputes. These settlements resulted in significant savings of litigation expenses to the parties, allowed both sides to reach mutually satisfying agreements, and

freed up the Board’s limited staff resources to work on other matters. An increase in funding for the mediation program would allow the Board to help settle more cases, thereby reducing the number of formal complaints, providing a more expeditious process for handling rate disputes and resulting in savings to both the Board and parties.

In FY 2012, the Board proposed new regulations that would require shippers and railroads to participate in mediation in some cases at the Board, while simplifying existing rules for voluntary mediation. The STB also proposed to revamp its arbitration program to allow parties to arbitrate more routine disputes.

The Board’s Rail Customer and Public Assistance program (RCPA), which provides free informal dispute resolution service, continues to be a great success. This program is particularly popular with small shippers, who may lack the resources for litigation before the Board to address service and rate issues with railroads. The program

staff also responds to inquiries concerning the Board’s procedures and regulatory requirements, as well as requests for information about the Board’s operation. Since the start of FY 2012, the program staff has handled over 1,200 public inquiries and informal complaints, and the Board expects this level of activity to continue.



Oversight

The Board needs additional personnel to strengthen its oversight of the railroad industry, in light of changes in corporate structure and accounting rules and new congressional mandates regarding the reporting of corporate financial information.

The STB collects and distributes numerous monthly and quarterly reports received from the railroads. This information includes interim financial updates and employment statistics, none of which is audited by the STB due to limited resources. Additional FTEs and resources would facilitate the agency's ability to fulfill oversight responsibilities in these areas.

The Board is also working to ensure that its reporting requirements are up-to-date with the technological changes in the industry. For example, the Board has proposed new regulations requiring large railroads to provide more detailed information in carriers' annual reports to the Board on capital and operating expenditures for Positive Train Control (PTC), a federally-mandated safety system designed to automatically stop or slow a train before an accident can occur. The Rail Safety Improvement Act of 2008 requires large railroads to implement PTC on routes that carry passengers or toxic by inhalation or poisonous by inhalation materials by the end of 2015.

Other Priorities

The Board completed a report in May 2010 directed by the House and Senate Appropriations Committees on different

options to update the Uniform Rail Costing System (URCS).

The Board continues its work to update URCS, including migrating from legacy software programs like FORTRAN, which was the first recommended improvement in its May 2010 report. The Board recently released a notice of proposed rulemaking changing the "make-whole adjustment" in URCS, which was the second recommended improvement in the May 2010 report. Continued progress to update URCS to make it more efficient and accurate remains a key priority for the Board. The agency continues to make progress toward that goal.

For personnel compensation and benefits, \$26.8 million is requested to support the Board's 170 requested FTEs. This is an increase of \$3.395 million for personnel compensation for the 22 additional FTEs plus \$760,000 for the agency's share of increases in employee benefits compensation. Also included is \$180,000 for lump-sum leave payments for retiring employees. For many of the past years, Board employees were predominately CSRS retirement system participants. With their recent retirements and the hiring of their FERS participant replacements, the agency's retirement and employee benefits costs have increased.

Because many of the Board's decisions affect the economies and environments of regions across the nation, a travel budget of \$162,000 is requested. The requested travel increase over the FY 2012 travel budget is designed in part to facilitate the investigation of substandard Amtrak performance matters as required by PRIIA

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and the expansion of the Board's mediation and informal dispute resolution programs. Also, the enhancements to the Board's rail audit program will require more frequent visits to major railroads' corporate headquarters to audit and review the railroads' financial filings and transactional activity relevant to the Board's regulatory requirements. Additionally, several staff trips will be required in the Board's review of the Tongue River Railroad Environmental Impact Statement. Related activity includes scoping meetings; site visits; public involvement and coordination meetings with Federal, state, and local officials; and tribal meetings and consultation.

It is important to the agency's mission that the Board physically inspect proposed rail line construction and complex abandonment sites, gather and verify environmental data provided by parties to proceedings, conduct operational reviews, meet with shippers regarding rail service issues, meet with railroads concerning compliance matters, defend the Board's decisions in courts across the country, and make presentations and hold public meetings on issues within the Board's jurisdiction and of intense local interest.

Funding to cover other costs is requested at \$7.326 million. This includes rent payments to the General Services Administration, building security payments to the Department of Homeland Security (DHS), and payments for employee training, telephone service, postage, IT systems support and software licenses, services and supplies, and reimbursable services acquired from other Federal agencies.

These costs also include the STB's share of e-Gov initiatives and funding for the Chief Information Officers Council and the Chief Financial Officers Council. A payment to the DOT Working Capital Fund of \$241,167 is included in these costs. The Board continues to evaluate its level of physical security in light of the building's security committee and DHS guidelines. The Board's security costs were \$633,000 in FY 2012, or two percent of the Board's total appropriation for the year. The Board has implemented a business continuity plan, along with sheltering-in-place procedures, to provide for the physical security of its employees and the continuity planning and continuance of its statutory mission.

Surface Transportation Board Organization Chart



The above numbers to the left represent FY 2013 FTEs; the numbers to the right represent FY 2014 FTEs. The number of Full-Time Permanent positions and FTEs is the same. The total number of FTEs for the Surface Transportation Board is 149 for FY 2013 and 170 for FY 2014.

Accomplishments in FY 2012



Rate Cases

The Board has jurisdiction over complaints challenging the reasonableness of common carriage rates only if the railroad has market dominance over the traffic involved. Market dominance refers to an absence of effective competition from other railroads or transportation modes for the movement to which a rate applies. To assess whether a challenged rate is reasonable, the Board uses “constrained market pricing,” which limits a railroad’s rates to levels necessary for an efficient carrier to make a reasonable profit.

The number of cases challenging rail rates continues to increase. Two new large rate cases were filed in FY 2012, one coal rate case and one chemicals case. Despite the Board’s often successful efforts to encourage settlement between the parties, the Board had six rate cases pending as of September 2012. These proceedings will require significant staff attention and resources, given the substantial efforts required for matters such as motions and discovery resolution in the adjudications and the complex nature of these predominantly coal and chemical cases.

As of September 2012, the following rate cases were still pending: *Total Petrochemicals & Refining USA, Inc. v. CSX Transportation, Inc.*, Docket No. NOR 42121; *E.I. du Pont de Nemours and*

Company v. Norfolk Southern Railway Company, Docket No. NOR 42125; *Intermountain Power Agency v. Union Pacific Railroad Company*, Docket Nos. NOR 42127 and 42136; and *Sunbelt Chlor Alkali Partnership v. Norfolk Southern Railway Company*, Docket No. NOR 42130.

In FY 2012, the Board issued a major decision in *Arizona Electric Power Cooperative, Inc. v. BNSF Railway Company and Union Pacific Railroad Company*, Docket No. NOR 42113. There, the Board found that the railroads were overcharging the utility for shipments of coal and that the shipper did not have a feasible alternative to the railroads to supply its plant. The Board ordered the railroads to pay reparations and reduce rates. The railroads appealed the Board’s decision in court, resulting in ongoing litigation on a number of technical aspects in that case.

Another rate decision issued in FY 2012 was in *Western Fuels Association, Inc. and Basin Electric Power Cooperative v. BNSF Railway Company*, Docket No. NOR 42088. In a 2009 decision in that proceeding, the Board found the carrier’s rates for hauling coal to a utility to be unreasonably high, and the carrier challenged the decision in court. The court found that the Board had not adequately explained how it handled

“crossover traffic” in the rate analysis. This past year the Board revisited the matter, affirming and further explaining its prior decision. The carrier has again sought judicial review of the agency's action, and the court case is pending.

The last significant rate decision in FY 2012 was in *M&G Polymers USA, LLC v. CSX Transportation, Inc.*, Docket No. NOR 42123. The complainant sought to prove that the rail carrier providing service had market dominance and that the rates for such service were unreasonable. The Board bifurcated the case to address first the question of market dominance; it concluded that in 36 of the 42 challenged rates, the defendant possessed market dominance, but not in the remaining 6 instances. Because the decision refined the Board’s approach to the analysis of qualitative market dominance, interested parties were provided 30 days to submit comments with respect to this refined approach.

In total, of the last 13 rate cases to have reached a conclusion, 11 have resulted in settlements. While not all these settlements were the direct results of STB-led mediation, *U.S. Magnesium, L.L.C. v. Union Pacific Railroad Company*, Docket Nos. NOR 42115 and NOR 42116 and *NRG Power Marketing LLC v. CSX Transportation, Inc.*, Docket No. NOR 42122 were settled as a result of STB-led mediation. In FY 2012, the Board also held mediation in *Canexus Chemicals Canada, L.P. v. BNSF Railway Company*, Docket No. NOR 42132, a case in which the parties ultimately were able to reach a settlement. In another case, *AEP Texas North Company v.*

BNSF Railway Company, Docket No. NOR 41191, STB mediators were involved in resolving the dispute, but the parties later decided to negotiate on their own and the rate case was withdrawn.

Unreasonable Practice Cases, Rulemakings, and Declaratory Order Proceedings

In *Canexus Chemicals Canada L.P. v. BNSF Railway Company*, Docket No. NOR 42131 (STB served Feb. 8, 2012), the Board prescribed a route for a chlorine shipper to help it maintain access to its markets in the United States. In its May 2011 complaint, Canexus argued that BNSF Railway Company (BNSF) was violating its common carrier obligation by not using the route the shipper preferred. To help preserve service for the shipper while the Board was considering the facts in the case, the STB used its emergency service authority to order Union Pacific and BNSF to continue to provide service to Canexus for 30 days via the existing interchange arrangement. *Canexus Chems. Can. L.P. v. BNSF Ry.—Emergency Serv. Order*, FD 35524 (STB served Oct. 14, 2011).

In the subsequent February 2012 decision, the Board reaffirmed the railroads’ common carrier obligation to carry chlorine shipments but also ruled that a shipper did not have absolute power to dictate the establishment of a route that it preferred for its shipments. The Board found that the shipper’s preferred route was superior for one movement but that it had not made a sufficient showing regarding a second movement.

In FY 2012, the Board initiated several new rulemakings on topics of importance to shippers and railroads.

In *Reporting Requirements for Positive Train Control Expenses and Investments*, Docket No. EP 706, the Board proposed to supplement the R-1 reporting requirements so that expenditures for PTC are reported as separate line items.

In *Demurrage Liability*, Docket No. EP 707, the Board proposed rules addressing demurrage charges for detaining rail cars bound for loading or unloading. The rules would provide that any person receiving rail cars from a rail carrier who holds the cars beyond a specified period of time may be responsible for paying demurrage charges so long as that person accepts the rail cars with actual notice of the demurrage terms prior to the cars' delivery by the carrier.

In *Improving Regulation & Regulatory Review*, Docket No. EP 712, the Board commenced a review of its existing regulations to evaluate their continued validity and determine whether they are crafted effectively to solve current problems facing shippers and railroads. The Board sought public input on suggested ways of improving the Board's regulations and processes.

In *Petition for Rulemaking to Adopt Revised Competitive Switching Rules*, Docket No. EP 711, the Board began a proceeding to consider a proposal pursuant to which certain shippers located in terminal areas that lack effective competitive transportation alternatives would be granted access to a competing railroad, if there is a working

interchange within a reasonable distance. The Board sought empirical information about the impact of the proposal.

In *Rate Regulation Reforms*, Docket No. EP 715, the Board proposed to modify its rules to remove the limitation on relief for one of its simplified approaches to rate disputes and to double the relief available under the other simplified approach. The Board also proposed certain technical changes to the rate case procedures and an increase in the interest rate railroads must pay on reparations if they are found to have charged unreasonable rates.

In FY 2012, the Board issued final administrative rules and new policy statements.

In *National Trails System Act and Railroad Rights-of-Way*, Docket No. EP 702, the Board changed, clarified, and updated existing regulations and procedures regarding the use of railroad rights-of-way for rail banking and interim trail use under the National Trails System Act 16 U.S.C. § 1247(d).

In *Waybill Data Released in Three-Benchmark Rail Rate Proceedings*, Docket No. EP 646 (Sub-No. 3), the Board established a final rule providing four years of data from the Board's annual waybill samples to parties litigating small rate reasonableness cases under the Board's Three-Benchmark methodology for use in building their evidentiary cases.

In *Policy Statement on Grant Stamp Procedure in Routing Director Orders*, Docket No. EP 709, the Board issued a

policy statement informing the public that the Board had initiated a grant stamp procedure to expedite the handling of certain decisions issued by the Director of the Office of Proceedings in uncontested, routine procedural matters.

The Board also has decided or is currently considering proceedings involving certain railroad practices.

In Ag Processing Inc. A Cooperative—Petition for Declaratory Order, Docket No. FD 35387, grain shippers challenged rules and charges created by a railroad that would apply to railcars that become overweight due to inclement weather. The Board found that none of the shippers had been, or was reasonably likely to be, subject to the overweight charges or penalties; therefore, the petition for declaratory order was dismissed without prejudice.

In Union Pacific R.R.—Petition for Declaratory Order, Docket No. FD 35504, the Board began a declaratory order proceeding to determine the reasonableness of certain tariff provisions that required shippers to indemnify Union Pacific Railroad Company (UP) against future liabilities, other than those resulting from UP's negligence or fault, when the railroad transports toxic by inhalation hazardous commodities.

In CF Industries, Inc. v. Indiana & Ohio Railway—Petition for Declaratory Order, Docket No. FD 35517, several chemical shippers and trade associations have requested that the Board declare invalid and unenforceable certain requirements established by RailAmerica, Inc. and several

of its railroad subsidiaries regarding rail transportation of Toxic-by-Inhalation Hazardous materials and Poison-by-Inhalation Hazardous materials.

In Reasonableness of BNSF Railway Company Coal Dust Mitigation Tariff Provisions, Docket No. FD 35557, the Board is considering the reasonableness of a provision in a BNSF tariff intended to limit the amount of coal dust that blows off during transit of rail cars loaded at mines in the Powder River Basin.

In Cargill, Incorporated v. BNSF Railway Company, Docket No. NOR 42120, the Board is considering whether a mileage-based fuel surcharge BNSF has been collecting constitutes an unreasonable practice.

In State of Montana v. BNSF Railway Co., Docket No. NOR 42124, the State of Montana challenged as an unreasonable practice BNSF's replacement of a 52-car tariff for wheat from Montana to the Pacific Northwest with a tariff that allegedly limits such medium-sized movements to 48 cars.

Construction Cases

After a three-year environmental review process under NEPA, the Board gave approval to Alaska Railroad Corporation (ARRC, a state-owned railroad) to build and operate about 35 miles of new rail line connecting Port MacKenzie in south-central Alaska to a point on ARRC's existing main line between Wasilla and an area north of Willow, Alaska.

Without the proposed line, shippers have no other option but to use trucking to move bulk materials and other freight to and from Port MacKenzie. After considering the entire public record before it, including both the transportation aspects of ARRC's proposal and potential environmental issues, the Board granted approval on the condition that ARRC build the line on the route the Board designated as environmentally preferable. The Board also directed the carrier to comply with 100 additional environmental mitigation conditions.

The Board's decision, upon challenge, was upheld in the federal appeals court.

The Board also granted approval to DesertXpress Enterprises, LLC, and its subsidiary to construct and operate a 190-mile high-speed passenger rail link between Las Vegas and California. The Board gave the approval on the condition that DesertXpress implements 146 environmental mitigation measures recommended by the Federal Railroad Administration in its final Environmental Impact Statement (EIS).

Finally, the Board granted approval for R. J. Corman Railroad Company/Pennsylvania Lines Inc. to build and operate a new rail line using a right-of-way previously rail-banked as well as a new right-of-way, near Wallacetown, Pennsylvania. This unique case was the first instance in which the Board examined a new rail line construction proposal combined with restoration of rail service over a rail-banked right-of-way. The approved rail line will provide rail service to a proposed new waste-to-ethanol facility, a quarry, an industrial park now under

development near Gorton, Pennsylvania, and to other shippers along the line.

Reform of Environmental Rules

The Board is updating and simplifying its environmental rules, which were last revised in 1991. The goal of revising the environmental rules is to improve the efficiency and quality of the Board's environmental analyses, particularly in rail abandonment cases, where the agency relies on information initially supplied by the applicant in its environmental and historic reports. By clarifying the information required under NEPA, the Board hopes to reduce delays by limiting the need to impose environmental mitigation conditions, such as Section 106 historic preservation conditions, that prevent railroads from salvaging their rail lines.

Environmental Studies

The STB worked on 10 EISs as well as several Environmental Assessments (EAs) during FY 2012. These EISs and EAs involved a number of complex and controversial environmental issues, including wetlands impacts; historic preservation compliances, including tribal consultations; hazardous materials; and endangered species. Several of these environmental reviews require ongoing monitoring and oversight for purposes of implementing environmental and National Historic Preservation Act conditions imposed by the Board.

Merger Cases and Oversight

As part of the STB's ongoing monitoring of the 2008 acquisition of the Elgin, Joliet and Eastern Railway Company (EJ&E) by Canadian National Railway Company (CN), the Board directed an audit of CN's compliance with STB reporting requirements included in its merger decision in *Canadian National Railway Company and Grand Trunk Corporation—Control—EJ&E West Company*, Docket No. FD 35087. Members of the Illinois congressional delegation and local leaders had complained that Canadian National was underreporting street-crossing blockages, among other complaints, and, as a result, in December 2010, the Board extended its oversight regarding the CN-EJ&E merger for an additional year. The Board also fined CN.

In FY 2012, the Board made available to the public a report outlining the results of the second independent audit of the CN and Grand Trunk Corp. The audit report focused on information in CN's November and December 2011 operational reports and the carrier's environmental report for the fourth quarter of 2011. The report also included an assessment of the information submitted by CN related to the November 2011 derailment near Bartlett at Spaulding, Illinois.

In August 2012, the Board also began to consider whether to approve Genesee & Wyoming (GWI)'s proposed acquisition of another shortline railroad company's RailAmerica, Inc. Also in August 2012, the Board began to consider a proposed swap of

rail operating easements by CSX Transportation, Inc., (CSXT) and Grand Trunk Western Railroad Company (GTW) over part of a CSXT line in Tennessee and part of a GTW line in Illinois and Indiana.

Oral Arguments and Public Hearings

In an effort to make the Board's activities more transparent, the STB holds public hearings and oral arguments on issues and cases of particular interest. The Board's oral arguments give parties in individual adjudications an opportunity to address the Board directly and allow Board members an opportunity to ask questions before making a decision. The format is similar to oral arguments held in federal appellate courts.

In March 2012, the Board held a public hearing to explore the impact of Berkshire Hathaway, Inc.'s acquisition of BNSF on the Board's costing determinations. The Board is considering whether the write-up from the acquisition on BNSF's net investment base should be included in the Board's annual URCS and revenue-adequacy determinations for BNSF.

The Board also conducted a public hearing to gather input on its proposed regulations to increase the use of mediation and arbitration in disputes before the Board.

The Board heard oral argument in *Canexus Chemicals Canada L.P. v BNSF Railway Company*, Docket No. NOR 42131. The Board later issued a decision, described earlier, in which it prescribed routes for the shipper to help it continue shipping chlorine by rail to its markets in the United States.

Public Outreach

Through its RCPA, the Board continues to provide shippers and members of the public with an informal venue for resolving disputes with rail carriers on an informal basis. While the program is particularly helpful in resolving small, individualized disputes that do not rise to the level of bringing a formal complaint, many of the complaints handled by the program would likely have resulted in formal proceedings but for RCPA's assistance.

In FY 2012, RCPA handled over 1,400 inquiries and informal requests for dispute resolution. Some notable successes include brokering an agreement between a rail carrier, its customers, and the local government to repair a damaged rail line in order to preserve service that would have otherwise been abandoned; persuading a rail carrier to make operational changes to reduce the amount of noise to a nearby community; and resolving a dispute between a Class I railroad and a shortline railroad over requirements for a new interchange.

In addition to its dispute resolution function, RCPA also serves as a liaison between the public and the Board. In particular, RCPA fields legal inquiries from practitioners that practice before the Board, as well as 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 more transparency and reduces the agency workload by ensuring that filings are made correctly. In addition, the three Board members play an important role in the agency's public

outreach through their speeches and presentations to stakeholder groups and conferences.

Website Redesign

The Board is in the process of a complete redesign of its website, www.stb.dot.gov, a major effort to make the work of the STB more accessible and transparent through an improved, intuitive user experience and comprehensive search function. The redesign will make it possible to file cases electronically and pay for fees by credit card through pay.gov. The redesign also includes a powerful search engine to allow for keyword searches in all documents filed with the Board and allows members of the public to more easily comment on Board activities.

The website redesign also provides the Board an opportunity to develop new ways to interact with the public and share its extensive knowledge about the surface transportation sector. The Board also is working on creating a database containing digitized railroad maps associated with past and present rail line merger, construction, and abandonment projects. The project will allow STB staff to independently prepare detailed maps of rail lines from STB transactions and allow the public to see the existing or proposed rail line projects in relationship to homes and businesses.

Uniform Rail Costing System Update

Responding to a request from Congress in 2010, the STB prepared a report outlining options for updating URCS, the

methodology the STB uses to determine a railroad's variable costs of providing rail transportation service for regulatory purposes. The Board uses URCS costs to determine whether it has jurisdiction in rate reasonableness cases and to establish the maximum rate. URCS is also used in other cases such as proposed abandonments and disputes over trackage rights.

Congress requires the Board to periodically review its costing system. URCS had not undergone an update since it was first adopted in 1989. As a result, it continues to rely on less than modern computer programs and techniques. The improvements described in the May 2010 report would make URCS more accurate and reflective of today's railroad industry.

The report laid out three alternatives ranging from a basic update to a few aspects of URCS (*e.g.*, the outdated computer programs) to a complete revamping of the current system that could cost \$10 million or more. The Board has recommended a less costly option that would upgrade the legacy computer programs used in URCS, modify the existing system to account for the many changes in the railroad industry since URCS was first adopted on 1989, and make URCS more accurate.

In February 2013, the STB released a notice of proposed rulemaking to adjust how URCS calculates certain system-average unit costs to better reflect railroad operations and to automatically reflect economies of scale as shipment size increases, thus eliminating the need for a separate mathematical adjustment, referred to as the

“make-whole adjustment.” The Board is also proposing to make a number of other related changes to URCS that will result in more accurate movement costs. The Board continues to address the additional priorities identified in the May 2010 report to Congress.

Court Actions

The Office of the General Counsel is responsible for defending the Board's decisions in federal courts.

As described earlier, in *Western Fuels Association, Inc. and Basin Electric Power Cooperative v. BNSF Railway Company*, Docket No. 42088, the Board defended its decision in which it ordered the railroad to lower its transportation rates and reimburse the utility for past overcharges. The court affirmed most of that decision but ordered the Board to explain why the STB used a particular method to allocate revenues from cross-over traffic in its rate case analysis. The Board subsequently issued a decision explaining that the methodology was used to correct an unanticipated problem with the prior method that was allocating revenue below the Board's measure of variable costs.

The Board also defended its decision in *Tongue River R.R. Co.—Rail Constr. and Operation—Ashland to Decker, Mont.*, Docket No. FD 30186 (Sub-No. 3), in which the agency authorized a major rail construction project in Montana. The court upheld all but one of the Board's transportation-related findings and most of its environmental conclusions as well. The court set aside, however, a few of the

Board's conclusions related to the "cumulative impacts" of the project, and it found that baseline data in the environmental record were too old and needed to be recalculated and updated.

In Manufacturers Ry. Co.—Discont. Exemption—in St. Louis Cty., Mo., Docket No. AB-1075X, the Board imposed labor protection in a case in which a rail carrier discontinued service over its only line but continued to own the line and be a regulated entity after discontinuance. On judicial review, the court found that the agency had not adequately distinguished this case from other cases in which carriers were authorized to abandon their entire systems without being subjected to labor protection.

In Railroad Salvage & Restoration, Inc.—Petition for Declaratory Order—Reasonableness of Demurrage Charges, Docket No. NOR 42102, the Board issued a decision addressing several questions about the reasonableness of a rail carrier's demurrage practices and charges that had been referred by a district court. On challenge by the shipper, the court affirmed the Board's decision, focusing particularly on the Board's finding that the interest charges that the carrier had imposed on unpaid charges had not been shown to be unreasonable.

Amtrak and Passenger Rail

During FY 2012, the Board has continued work on implementing its passenger rail responsibilities as directed by PRIIA. STB staff has monitored Amtrak performance through publicly available information and responded to informal inquiries about

Amtrak and PRIIA as needed. Board staff has also met monthly with Amtrak staff to discuss its monthly on-time performance operating statistics.

The Board's Office of Public Assistance, Governmental Affairs, and Compliance has responded to numerous inquiries about high speed rail projects, other proposed passenger rail projects, and commuter rail services.

As noted earlier, in FY 2012, the Board issued a decision on one of the two cases it has received under PRIIA: *Amtrak Petition for Determination of PRIIA Section 209 Cost Methodology*, Docket No. FD 35571. The Board approved a methodology to establish and allocate costs for state-supported Amtrak routes. In the decision, the Board found that the methodology proposed by Amtrak and agreed to by state partners was reasonable.

Also as noted earlier, the Board is mediating a second case filed under PRIIA (*National Railroad Passenger Corporation—Section 213 Investigation of Substandard Performance on Rail Lines of Canadian National Railway Company*, Docket No. NOR 42134). Amtrak filed a complaint seeking Board action on alleged substandard performance on routes over CN. Amtrak and CN mediated their dispute, conducted discovery, and are now engaged in settlement negotiations.

The Board has utilized its existing staff to address its Amtrak responsibilities, but it has had to limit its oversight because of limited financial resources. As noted, PRIIA authorized the STB to hire 15 people to

handle the agency's PRIIA responsibilities, but the Board received no appropriated funds for this program since it was enacted in 2008.

Advisory Committees

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

Established in 1996 by Congress, 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 reports recommendations for improvements. The RSTAC comprises 14 private-sector senior executives from the railroad and rail shipping industries, both large and small, and one member-at-large.

The Board created the Rail Energy Transportation Advisory Committee (RETAC) in 2007 to provide advice and guidance to the agency and serve as a forum for discussion of emerging issues concerning the rail transportation of energy resources such as coal, ethanol, and other biofuels. The 23 voting members of RETAC represent a balance of stakeholders, including large and small railroads, coal

producers, electric utilities, the biofuels 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 government. The NGCC consists of 14 representatives from Class I railroads, 7 from Class II and Class III railroads, 14 from grain shippers and receivers, and five from private rail car owners and manufacturers.

Exhibits



**FY 2014 OMB Budget Justification
Workload Summary¹**

Workload Category	Actual¹ FY 2012 Board Decisions and Court-related Work	Estimated² FY 2013 Board Decisions and Court-related Work	Estimated² FY 2014 Board Decisions and Court-related Work
Rail Carrier Control Cases	42	50	50
Rail Rates and Service	107	88	88
Rail Abandonments and Constructions	319	410	410
Other Line Transactions	121	158	158
Other Rail Activities	105	116	116
Non-Rail Activities	44	31	31
Activities Under Non-Transportation Statutes ¹	493	493	493
Total	1,231	1,346	1,346

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)

OBJECT CLASS	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 REQUEST
PERSONNEL COMPENSATION			
11.10 FULL TIME PERMANENT APPT.	14,951.0	15,874.0	18,921.0
11.30 OTHER THAN FULL-TIME PERMANENT	753.0	753.0	720.0
11.50 OTHER PERSONNEL COMPENSATION	265.0	265.0	678.0
11.90 TOTAL PERSONNEL COMPENSATION	15,969.0	16,892.0	20,319.0
12.10 CIVILIAN PERSONNEL BENEFITS	4,146.0	4,499.0	5,227.0
13.00 BENEFITS FOR FORMER PERSONNEL	0.0	0.0	0.0
21.00 TRAVEL AND TRANSPORTATION OF PERSONS	97.0	105.0	162.0
22.00 TRANSPORTATION OF THINGS	9.0	9.0	11.0
23.10 RENTAL PAYMENTS TO GSA	3,540.0	3,696.0	3,867.0
23.30 COMMUNICATIONS, UTILITIES, MISCELLANEOUS CHARGES	173.0	174.0	227.0
24.00 PRINTING AND PRODUCTION	3.0	3.0	8.0
25.20 OTHER SERVICES	1,428.0	473.0	714.0
25.30 PURCHASES OF GOODS FROM GOVERNMENT ACCOUNTS	1,598.0	1,670.0	1,698.0
26.00 SUPPLIES AND MATERIALS	347.0	337.0	383.0
31.00 EQUIPMENT	847.0	202.0	418.0
42.00 INDEMNITIES-OTHER PAYMENTS	265.0	0.0	0.0
99.00 SUBTOTAL, DIRECT OBLIGATIONS:	28,422.0	28,060.0	33,034.0
REIMBURSABLE OBLIGATIONS:			
11.10 REIMBURSABLE FULL TIME PERMANENT APPT.	517.0	1,029.0	997.0
12.10 REIMBURSABLE PERSONNEL BENEFITS	116.0	221.0	253.0
99.00 SUBTOTAL, REIMBURSABLE OBLIGATIONS	633.0	1,250.0	1,250.0
99.90 TOTAL OBLIGATIONS	29,055.0	29,310.0	34,284.0

SURFACE TRANSPORTATION BOARD

SALARIES AND EXPENSES

PERSONNEL SUMMARY

Object Class	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 REQUEST
1001 FULL-TIME EQUIVALENT-DIRECT	129	140	161
2001 FULL-TIME EQUIVALENT-REIMBURSABLE	5	9	9
FULL-TIME EQUIVALENT (FTE) TOTAL	134	149	170

**Surface Transportation Board
Strategic Goals and Annual Performance Measures**

Strategic Goal	Performance Goal	Performance Measure	2012 Actual	2013 Target	2014 Target
Protect Public Interest	Ensure all alternatives to formal litigation and that Board decisions are fair and reasonable.	1. 5% or less of Board's decisions are challenged in court;	4.8%	<5%	<5%
		2. 75% or more of Board's decisions are upheld when subjected to court challenge;	50%	>75%	>75%
		3. 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%
		4. Congressional and public e-mail and telephone inquiries are fully answered within 14 days.	99%	90%	90%
Foster Economic Efficiencies	Economic Oversight: Provide timely, accurate, and useful financial and operational data.	5. Met dispute resolution deadlines 90% of time;	100%	90%	90%
		6. Cost of capital, rail revenue adjustments, and revenue adequacy decisions are released according to schedule, and	100%	100%	100%
		7. Requests for waybill data are handled within 7 days of requests.	99%	100%	100%
Provide Timely, Efficient, and Decisive Regulatory Process	Ensure Board decisions comport with statutes, precedents, and policies.	8. Board's decisions on railroad abandonments are issued within 110 days of initial filing;	100%	90%	90%
		9. Statutory deadlines imposed on all cases are met at least 90% of the time; and	100%	90%	90%
		10. Docket management – percentage of cases completed relative to number of cases filed the prior year.	99%	100%	100%
Ensure Necessary Organization/ Management Structure is Available to Carry Out First Three Goals	Operation Oversight/Enforcement: Monitoring rail operations, resolving complaints, and contracts.	11. 90% of informal complaints are handled within 30 days of receipt;	99%	90%	90%
		12. Data is collected and processed within 24 hours;	98%	90%	90%
		13. 90% of requestors are given correct information and complaint resolved; and	99%	90%	90%
		14. Requests for certified copies of documents are handled within 5 business days.	3 days	5 days	5 days

SURFACE TRANSPORTATION BOARD

SALARIES AND EXPENSES

For necessary expenses of the Surface Transportation Board, including services authorized by 5 U.S.C. 3109 \$34,284,000: *Provided*, That notwithstanding any other provision of law, not to exceed \$1,250,000 from fees established by the Chairman of 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 2014, to result in a final appropriation from the general fund estimated at no more than \$33,034,000.

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

ESTIMATES			APPROPRIATIONS		
2004.....	¹	20,516,000	2004.....	²	19,395,599
2005.....	³	21,283,000	2005.....	⁴	21,069,400
2006.....	³	26,622,000	2006.....	⁵	26,198,000
2007.....	³	25,618,000	2007.....	³	26,324,501
2008.....	³	26,495,000	2008.....	³	26,324,500
2009.....	³	26,847,000	2009.....	³	26,847,000
2010.....	⁶	29,800,000	2010.....	³	29,066,000
2011.....	⁷	33,749,000	2011.....	⁸	29,010,368
2012.....	⁹	34,708,000	2012.....	³	29,310,000
2013.....	¹⁰	34,592,000			
2014.....	¹¹	34,284,000			

¹ Includes \$1,050,000 from offsetting collections as a credit to the appropriation.

² Reflects reduction of \$16,422 for TASC (P.L. 108-199, Div. F, Title V, sec. 317) and reduction of \$108,979 for across-the-board rescission (P.L. 108-199, Div. H, sec. 168(b)). Includes \$1,050,000 from offsetting collections as a credit to the appropriation.

³ Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

⁴ Reflects reduction of \$19,000 for TASC (P.L. 108-447, Div. H, Title I, sec.197) and reduction of \$161,600 for across-the-board rescission (P.L. 108-447, Div. J, Title I, sec. 122). Includes \$1,050,000 from offsetting collections as a credit to the appropriation.

⁵ Reflects reduction of \$252,000 for across-the-board rescission (P.L. 109-148, Title III, Chap. 8, sec. 3801). Includes \$1,250,000 from offsetting collections as a credit to the appropriation.

⁶ 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.

⁷ 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.

⁸ 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.

⁹ 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.

¹⁰ 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.

¹¹ 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.

**SURFACE TRANSPORTATION BOARD
FY 2014 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY**

(in thousands of dollars)

ACCOUNT NAME	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 TOTAL REQUEST
SALARIES & EXPENSES	\$28,422	\$28,060	\$33,034
OFFSETTING COLLECTIONS	\$633	\$1,250	\$1,250
TOTAL - APPROPRIATIONS	\$29,055	\$29,310	\$34,284
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.

The Board seeks to bolster its staff to process its rate case docket, which has grown in recent years. The Board needs additional staff to carry out its statutory obligations under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), including PRIIA cases that come to the agency. The Board also needs additional staff to more closely review the data that are submitted by the railroads, particularly given the increasingly complex corporate structure of railroads. For example, recently, BNSF, one of the nation's largest railroads, was acquired and is no longer publicly traded. The Board needs to be able to scrutinize and verify the data it collects from all railroads, given that these data form the basis of several important regulatory determinations. In addition, the Board sees increasing its mediation efforts as a lower-cost way of dealing with the increasing number and complexity of cases filed each year. Settling disputes through mediation saves stakeholders time and money and allows Board staff to focus on the most difficult cases.

The FY 2013 and FY 2014 request does not include any future legislative changes that could vest the Board with additional statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
FY 2014 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT**

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

	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 PROGRAM CHANGES	TOTAL REQUEST
SALARIES & EXPENSES	\$28,422	\$28,060	\$4,974	\$33,034
OFFSETTING COLLECTIONS				
Users Fees Credited to Appropriation	\$633	\$1,250	\$0	\$1,250
TOTAL	\$29,055	\$29,310	\$4,974	\$34,284

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.

The Board seeks to bolster its staff to process its rate case docket, which has grown in recent years. The Board needs additional staff to carry out its statutory obligations under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), including PRIIA cases that come to the agency. The Board also needs additional staff to more closely review the data that are submitted by the railroads, particularly given the increasingly complex corporate structure of railroads. For example, recently, BNSF, one of the nation's largest railroads, was acquired and is no longer publicly traded. The Board needs to be able to scrutinize and verify the data it collects from all railroads, given that these data form the basis of several important regulatory determinations. In addition, the Board sees increasing its mediation efforts as a lower-cost way of dealing with the increasing number and complexity of cases filed each year. Settling disputes through mediation saves stakeholders time and money and allows Board staff to focus on the most difficult cases.

The FY 2013 and FY 2014 request does not include any future legislative changes that could vest the Board with additional statutory responsibilities.

SURFACE TRANSPORTATION BOARD
FY 2014 BUDGET REQUEST BY STRATEGIC GOAL AND PERFORMANCE GOAL
Appropriations, Obligations Limitations, and Exempt Obligations
(in thousands of dollars)

DOT Outcome-Strategic & Performance Goals by Performance Measure	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	TOTAL FY 2014 REQUEST
1. SAFETY STRATEGIC GOAL A.			
Total - Safety Strategic Goal	\$0	\$0	\$0
2. STATE OF GOOD REPAIR A.			
Total - State of Good Repair	\$0	\$0	\$0
3. ECONOMIC COMPETITIVENESS Salaries and Expenses	\$28,422	\$28,060	\$33,034
Offsetting Collections	\$633	\$1,250	\$1,250
Total - Economic Competitiveness	\$29,055	\$29,310	\$34,284
4. LIVABLE COMMUNITIES A.			
Total - Livable Communities	\$0	\$0	\$0
5. ENVIRONMENTAL SUSTAINABILITY A.			
Total - Environmental Sustainability	\$0	\$0	\$0
6. ORGANIZATIONAL EXCELLENCE A.			
Total - Organizational Excellence	\$0	\$0	\$0
GRAND TOTAL	\$29,055	\$29,310	\$34,284

**SURFACE TRANSPORTATION BOARD
FY 2014 BUDGET AUTHORITY**

(in thousands of dollars)

ACCOUNT NAME	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 PROGRAM CHANGES	FY 2014 TOTAL REQUEST
SALARIES & EXPENSES	\$28,422	\$28,060	\$4,974	\$33,034
OFFSETTING COLLECTIONS				
Users Fees Credited to Appropriation	\$633	\$1,250	\$0	\$1,250
TOTAL	\$29,055	\$29,310	\$4,974	\$34,284

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.

The Board seeks to bolster its staff to process its rate case docket, which has grown in recent years. The Board needs additional staff to carry out its statutory obligations under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), including PRIIA cases that come to the agency. The Board also needs additional staff to more closely review the data that are submitted by the railroads, particularly given the increasingly complex corporate structure of railroads. For example, recently, BNSF, one of the nation's largest railroads, was acquired and is no longer publicly traded. The Board needs to be able to scrutinize and verify the data it collects from all railroads, given that these data form the basis of several important regulatory determinations. In addition, the Board sees increasing its mediation efforts as a lower-cost way of dealing with the increasing number and complexity of cases filed each year. Settling disputes through mediation saves stakeholders time and money and allows Board staff to focus on the most difficult cases.

The FY 2013 and FY 2014 request does not include any future legislative changes that could vest the Board with additional statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
FY 2014 OUTLAYS**

(in thousands of dollars)

ACCOUNT NAME	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 REQUEST
SALARIES & EXPENSES	\$27,554	\$28,009	\$33,065
OFFSETTING COLLECTIONS			
Users Fees Credited to Appropriation	\$633	\$1,250	\$1,250
TOTALS	\$28,187	\$29,259	\$34,315

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.

The Board seeks to bolster its staff to process its rate case docket, which has grown in recent years. The Board needs additional staff to carry out its statutory obligations under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), including PRIIA cases that come to the agency. The Board also needs additional staff to more closely review the data that are submitted by the railroads, particularly given the increasingly complex corporate structure of railroads. For example, recently, BNSF, one of the nation's largest railroads, was acquired and is no longer publicly traded. The Board needs to be able to scrutinize and verify the data it collects from all railroads, given that these data form the basis of several important regulatory determinations. In addition, the Board sees increasing its mediation efforts as a lower-cost way of dealing with the increasing number and complexity of cases filed each year. Settling disputes through mediation saves stakeholders time and money and allows Board staff to focus on the most difficult cases.

The FY 2013 and FY 2014 request does not include any future legislative changes that could vest the Board with additional 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 2013 CR ANNUALIZED	Baseline Changes							FY 2014 Baseline Estimate	Program Increases/ Decreases	FY 2014 Request
		Annualization of 2013 Pay Raises	Annualization of 2013 FTE	2014 Pay Raises	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation			
DIRECT											
Personnel Resources	140								140	21	161
Direct FTE	140								140	21	161
Financial Resources											
Salaries and Benefits	\$21,391			\$129					\$21,520	\$4,026	\$25,546
Travel	\$105								\$105	\$57	\$162
Transportation	\$9								\$9	\$2	\$11
GSA Rent	\$3,696							\$171	\$3,867		\$3,867
Communications & Utilities	\$174							\$7	\$181	\$46	\$227
Printing	\$3								\$3	\$5	\$8
Other Services:											
WCF	\$238						\$3		\$241		\$241
Other	\$1,905							\$55	\$1,960	\$211	\$2,171
Supplies	\$337							\$2	\$339	\$44	\$383
Equipment	\$202								\$202	\$216	\$418
Total	\$28,060		\$0	\$129	\$0	\$0	\$3	\$235	\$28,427	\$4,607	\$33,034
REIMBURSABLE											
Personnel Resources	9								9		9
Reimbursable FTE	9								9		9
Financial Resources											
Salaries and Benefits	\$1,250								\$1,250		\$1,250
TOTALS											
FTE	149								149	21	170
Budgetary Resources	\$29,310		\$0	\$129	\$0	\$0	\$3	\$235	\$29,677	\$4,607	\$34,284

**SURFACE TRANSPORTATION BOARD
WORKING CAPITAL FUND***(in thousands of dollars)*

ACCOUNT NAME	FY 2013 CR ANNUALIZED	FY 2014 REQUEST	CHANGE
DIRECT			
SALARIES & EXPENSES	\$238	\$241	\$3
TOTALS	\$238	\$241	\$3

**SURFACE TRANSPORTATION BOARD
PERSONNEL RESOURCE - SUMMARY
TOTAL FULL-TIME EQUIVALENTS**

	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 REQUEST
<u>DIRECT FUNDED BY APPROPRIATION</u>			
SALARIES & EXPENSES			
Civilian	129	140	161
SUBTOTAL, DIRECT FUNDED	129	140	161
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>			
OFFSETTING COLLECTIONS			
Civilian	5	9	9
SUBTOTAL, REIMBURSEMENTS/OFFSETTING COLLECTIONS	5	9	9
TOTAL FTEs	134	149	170

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.

The Board seeks to bolster its staff to process its rate case docket, which has grown in recent years. The Board needs additional staff to carry out its statutory obligations under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), including PRIIA cases that come to the agency. The Board also needs additional staff to more closely review the data that are submitted by the railroads, particularly given the increasingly complex corporate structure of railroads. For example, recently, BNSF, one of the nation's largest railroads, was acquired and is no longer publicly traded. The Board needs to be able to scrutinize and verify the data it collects from all railroads, given that these data form the basis of several important regulatory determinations. In addition, the Board sees increasing its mediation efforts as a lower-cost way of dealing with the increasing number and complexity of cases filed each year. Settling disputes through mediation saves stakeholders time and money and allows Board staff to focus on the most difficult cases.

The FY 2013 and FY 2014 request does not include any future legislative changes that could vest the Board with additional statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
RESOURCE SUMMARY - STAFFING
FULL-TIME PERMANENT POSITIONS**

	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 REQUEST
<u>DIRECT FUNDED BY APPROPRIATION</u>			
SALARIES & EXPENSES			
Civilian	129	140	161
SUBTOTAL, DIRECT FUNDED	129	140	161
<u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u>			
OFFSETTING COLLECTIONS			
Civilian	5	9	9
SUBTOTAL, REIMBURSEMENTS/OFFSETTING COLLECTIONS	5	9	9
TOTAL POSITIONS	134	149	170

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.

The Board seeks to bolster its staff to process its rate case docket, which has grown in recent years. The Board needs additional staff to carry out its statutory obligations under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), including PRIIA cases that come to the agency. The Board also needs additional staff to more closely review the data that are submitted by the railroads, particularly given the increasingly complex corporate structure of railroads. For example, recently, BNSF, one of the nation's largest railroads, was acquired and is no longer publicly traded. The Board needs to be able to scrutinize and verify the data it collects from all railroads, given that these data form the basis of several important regulatory determinations. In addition, the Board sees increasing its mediation efforts as a lower-cost way of dealing with the increasing number and complexity of cases filed each year. Settling disputes through mediation saves stakeholders time and money and allows Board staff to focus on the most difficult cases.

The FY 2013 and FY 2014 request does not include any future legislative changes that could vest the Board with additional statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
SUMMARY BY PROGRAM ACTIVITY**

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

PROGRAM ACTIVITIES	FY 2012 ACTUAL	FY 2013 CR ANNUALIZED	FY 2014 REQUEST	CHANGES FY 2013-2014
SALARIES & EXPENSES	\$28,422	\$28,060	\$33,034	\$4,974
OFFSETTING COLLECTIONS	\$633	\$1,250	\$1,250	\$0
TOTAL	\$29,055	\$29,310	\$34,284	\$4,974
FTE (direct funded only)	129	140	161	21
FTE (reimbursable funded only)	5	9	9	0
TOTAL	134	149	170	21

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

The Board seeks to bolster its staff to process its rate case docket, which has grown in recent years. The Board needs additional staff to carry out its statutory obligations under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), including PRIIA cases that come to the agency. The Board also needs additional staff to more closely review the data that are submitted by the railroads, particularly given the increasingly complex corporate structure of railroads. For example, recently, BNSF, one of the nation's largest railroads, was acquired and is no longer publicly traded. The Board needs to be able to scrutinize and verify the data it collects from all railroads, given that these data form the basis of several important regulatory determinations. In addition, the Board sees increasing its mediation efforts as a lower-cost way of dealing with the increasing number and complexity of cases filed each year. Settling disputes through mediation saves stakeholders time and money and allows Board staff to focus on the most difficult cases.

The FY 2013 and FY 2014 request does not include any future legislative changes that could vest the Board with additional statutory responsibilities.

**SURFACE TRANSPORTATION BOARD
SUMMARY ANALYSIS OF CHANGE FROM FY 2013 TO FY 2014**

Appropriations, Obligation Limitations, and Exempt Obligations

(in thousands of dollars)

	Change from FY 2013 to FY 2014 DOLLARS	Change from FY 2013 to FY 2014 FTE
FY 2013 Base CR Annualized		
Salaries and Expenses	\$28,060	140
Adjustments to Base		
Pay Raise	\$129	
Inflation	\$235	
Working Capital Fund	\$3	
Subtotal, Adjustments to Base	\$367	21
Program Increases	\$4,607	
Subtotal, Program Increases	\$4,607	21
Reimbursable-Offset Collections	\$1,250	9
TOTAL FY 2014 REQUEST	\$34,284	170

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.

The Board seeks to bolster its staff to process its rate case docket, which has grown in recent years. The Board needs additional staff to carry out its statutory obligations under the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), including PRIIA cases that come to the agency. The Board also needs additional staff to more closely review the data that are submitted by the railroads, particularly given the increasingly complex corporate structure of railroads. For example, recently, BNSF, one of the nation's largest railroads, was acquired and is no longer publicly traded. The Board needs to be able to scrutinize and verify the data it collects from all railroads, given that these data form the basis of several important regulatory determinations. In addition, the Board sees increasing its mediation efforts as a lower-cost way of dealing with the increasing number and complexity of cases filed each year. Settling disputes through mediation saves stakeholders time and money and allows Board staff to focus on the most difficult cases.

The FY 2013 and FY 2014 request does not include any future legislative changes that could vest the Board with additional statutory responsibilities.

STB Board Members' Statements



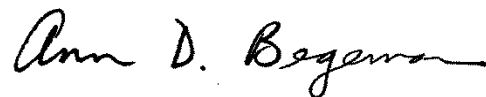
**DISSENT OF VICE CHAIRMAN BEGEMAN
ON PROPOSED STB BUDGET
FOR FISCAL YEAR 2014**

I must dissent from the Board's Fiscal Year 2014 Budget Request.

I fully recognize the Surface Transportation Board's many duties and obligations, particularly the need to issue sound and timely decisions. But given the nation's growing national debt, slow economic recovery, and other significant fiscal challenges, including an unprecedented budget sequestration, I cannot support requesting such a significant funding increase for both staffing and travel.

This year's proposal does acknowledge the need to allocate some additional resources to the Board's increasingly complex rate docket, as I have advocated for in the past. Unfortunately, the bulk of the requested funding increase would not be directed to what I view should be the Board's top priorities. While I do not dispute the need to fulfill the Board's new obligations under PRIIA, we need to balance all of our statutory directives in the most responsible manner that resources permit.

I continue to believe the Board must dedicate attention and resources to improve the timeliness of its adjudication processes.



Vice Chairman
March 26, 2013