

Sunset Public Hearing Questions for  
**Rail Service Authorities**  
**South Central Tennessee Railroad Authority**  
**Tri-County Railroad Authority**

Created by Sections 7-56-201, 64-2-201, and 64-2-301, *Tennessee Code Annotated*  
(Sunset termination June 2015)

- 1. Provide a brief introduction to short-line railroads and the railroad authorities, including information about the authorities' purpose, statutory duties, and general organization. Describe the Tennessee Department of Transportation's involvement with the authorities.**

Short line railroads were established from abandoned Class 1 lines that had deferred maintenance issues leaving them with deteriorated conditions. Public authorities are the only recipients deemed eligible to apply for and receive annual State allocation funding. Short line railroad authorities are local governmental entities that are enabled by the legislature to preserve and maintain essential rail service in areas, mostly rural, where it is vital to the local economies. Authorities are representative of the counties, cities, and communities in which the railroad operates. Each authority is governed by a board of directors and is expected to be actively involved in the management and administration of the State funds received. Shippers work closely with the authorities and their representatives may be on these boards. The Tennessee Department of Transportation (TDOT), through its Division of Multimodal Transportation Resources, oversees the Short Line Rehabilitation program and works closely with the authorities and railroad operators.

- 2. Provide a list of all Tennessee railroad authorities that receive funding from the Tennessee Department of Transportation (TDOT). For each authority, provide information on the counties/cities involved, the railroad's operator, the miles of rail operated, and the types of commodities hauled.**

See Attachment Exhibit 1.

- 3. Detail the funding TDOT provided to each railroad authority during fiscal years 2013 and 2014. What is the source of that funding and for what purposes were those funds used? Does TDOT expect to be able to provide similar funding during the foreseeable future? If not, what changes are anticipated?**

See Attachment Exhibit 2 FY 2012-13. See Attachment Exhibit 3 FY2013-14

The program funding is provided by the Tennessee Transportation Equity Trust Fund (TEF). These funds are used for railroad track and bridge rehabilitation projects; railroad engineering; and authority administrative expenses. A lawsuit was filed against the Tennessee Department of Revenue, the collector of the sales tax thru which the TEF is funded. Due to these legal challenges the TEF is currently suspended. However, there has recently been a replacement tax

passed by the Tennessee Legislature. The tax became effective on July 1, 2014 and is known as the Transportation Fuel Equity Act, (Public Chapter 908). This legislation exempted the diesel fuel used by railroad carriers from the sales tax and replaced it with a 17 cent per gallon diesel tax. The public chapter also allows a credit for any documented sales taxes paid in another state on fuel subject to the Tennessee diesel tax.

**4. How does the department determine how much money is allocated to each authority? Does the department require each authority to provide matching funds? If yes, please describe.**

The TEF is a formula grant program which allocates funding based on a calculation that determines the percentage of total rehabilitative needs (as determined by a track and bridge needs assessment conducted in 2005 by an engineering firm to upgrade these lines to the national standard. TDOT uses an Excel program to generate these percentages in order to upgrade the railroads to the national standard.

Currently, there is a 10% authority “match” requirement for all rehabilitation projects. The match can may be cash or by eligible in-kind work being performed concurrently with project work.

**5. Are there any railroad authorities operating in Tennessee that do not receive funding from TDOT? Please provide details and explain why those authorities do not receive funding. Are there other short-line railroads in Tennessee that are not under the jurisdiction of an authority? Please explain.**

In 2014 the North East Tennessee Railroad Authority did not receive an allocation even though the authority’s needs were included in funding calculations. They were excluded because the railroad is currently inactive. They are shipping by truck.

There are four railroads that do not have authorities:

Chattooga & Chickamauga Railway Company, Hiwassee River Railroad Company, Mississippi Central Railroad Company, and Mississippi Tennessee Railroad, LLC

To date none of the above railroads have created authorities nor have they applied formally to be included in our grant program.

**6. Please explain the relationship between the railroad authorities and the rail line operators. Who owns the rail lines under the authorities’ jurisdiction? Who performs the rail line rehabilitation work funded by TDOT?**

The railroad authorities are governmental entities thru which all granted TDOT funds are channeled. The operators actually conduct the normal business of the railroad and perform the maintenance of way needs. Of the 17 authorities receiving an allocation in FY 14, six (6) of the railroads are publicly owned by the authority and eleven (11) are privately owned.

Currently, TDOT requires all rehabilitation projects, whether track or bridge work to be bid out and performed by licensed contractors.

- 7. Describe in general the membership of the authorities' boards of directors. Who appoints those members who are not *ex officio*? What are the requirements for board meetings?**

In general, the board of directors consists of the county and city mayors from the areas in which the railroad operates. Other citizens, including personnel from shippers on the line may be appointed. Most authorities conduct quarterly board meetings.

The requirements for appointing members and the scheduling of board meetings are detailed in the by-laws of the railroad authority.

- 8. Describe TDOT's oversight of the railroad authorities and the rail line operators. How does the department ensure that state dollars were only spent on allowable items, that the rehabilitation work performed was of acceptable quality, and that the prices paid for labor and materials were reasonable?**

TDOT provides each railroad authority with both track and bridge engineering funds. There are no match requirements for engineering funds. Each authority has hired an engineering firm who develops projects to be bid, including estimates, scopes, and descriptions of prioritized work.

The engineering firms are responsible for inspecting all invoiced work for allowable costs and certifying the work is of acceptable quality. The engineers are required by TDOT to verify the bid prices are reasonable.

- 9. Who is responsible for ensuring that these short-line railroads are operated safely and maintained appropriately? How often are the rail lines inspected and by whom?**

The owners and operators are ultimately responsible for safety and proper maintenance. In addition to the engineers inspecting and approving TDOT funded projects, TDOT also has a Rail Safety Office that performs regular inspections on short line railroads. Also the Federal Railroad Administration (FRA) inspects the locomotives and track at regular intervals.

- 10. Does the department track statistics for numbers and types of accidents on the short-line railroads? If yes, please provide information for fiscal years 2013 and 2014. How do these numbers compare (e.g., per rail mile) to those for other types of rail lines?**

No, the Federal Railroad Administration compiles this information.

- 11. What reports do the authorities and the rail line operators prepare on their operations, activities, and accomplishments? Who receives these reports?**

Each railroad authority is required to provide TDOT annually a financial audit of the authority; a yearly inspection report for all bridges performed by the engineers; and an annual report compiled by the operator that includes gross revenues, expenses for maintenance of way, and carload information.

- 12. Have the Rail Service Authorities developed and implemented quantitative performance measures to ensure they are meeting their goals? (Please answer either yes or no). If the authorities have developed and implemented quantitative performance measures, answer**

**questions thirteen through twenty. If the committee has not developed quantitative performance measures, proceed directly to question twenty-one.**

No, however TDOT has an establish performance measure goal.

- 13. What are your key performance measures for ensuring the rail authorities are established goals? Describe so that someone unfamiliar with the program can understand what you are trying to measure and why it is important to the operation of your program.**

Provide their annual operating and audit report

- 14. What aspect[s] of the program are you measuring?**

The percent of Short Line track miles with a capacity over 286,000 pounds are being measured annually.

- 15. Who collects relevant data and how is this data collected (e.g., what types information systems and/or software programs are used) and how often is the data collected? List the specific resources (e.g., report, other document, database, customer survey) of the raw data used for the performance measure.**

A basic excel spreadsheet is used to track the upgrade of track the 286,000 pounds and compare to each previous fiscal years' report.

- 16. How is the actual performance measure calculated? If a specific mathematical formula is used, provide it. If possible, provide the calculations and supporting documentation detailing your process for arriving at the actual performance measure.**

The request for information is requested from the railroad authority engineers.  
See Attachment Exhibit 4

- 17. Is the reported performance measure result a real number or an estimate? If an estimate, explain why it is necessary to use an estimate. If an estimate, is the performance measure result recalculated, revised, and formally reported once the data for an actual calculation is available?**

Real number and includes an estimate for the upcoming 2 years

- 18. Who reviews the performance measures and associated data/calculations? Describe any process to verify that the measure and calculations are appropriate and accurate.**

The rail office manager, the division director and the data is submitted to TDOT to be included in its performance measures report

- 19. Are there written procedures related to collecting the data or calculating and reviewing/verifying the performance measure? Provide copies of any procedures.**

No

**20. Describe any concerns about the rail authorities' performance measures and any changes or improvements you think need to be made in the process.**

The upgrade of track to 286,000 pounds is dependent on the availability of funding. Where priority needs arise, the authority funds may be diverted to address other issues, therefore anticipated measure

**21. Describe any items related to the railroad authorities that require legislative attention and your proposed legislative changes.**

The program funding is currently suspended pending the collection of tax dollars under the newly created tax which became effective on July 1, 2014 and is known as the Transportation Fuel Equity Act, (Public Chapter 908).

**22. Should the authorities be continued? To what extent and in what ways would the absence of the authorities affect the public health, safety, or welfare?**

The Short Line railroad program was created to promote and develop efficient rail transportation services in mostly rural areas of Tennessee. The authorities were established to foster local communities continued economic benefits by preserving and maintaining essential rail services that were threatened with abandonment or loss of freight rail service. Rail authorities have the power to acquire, construct, operate, maintain and dispose of rail facilities, properties and equipment. Currently rail authorities are deemed the only eligible recipients to apply for and receive grant funds through TDOT's Short Line Rehabilitation program. Therefore authorities should continue.

**23. Should the state continue to fund rehabilitation work on short-line railroads? Even in cases where the rail lines are owned by private operators? If yes, why?**

Yes. The short line railroads provide a vital alternative transportation source for these mostly rural communities. With an absence of short lines for shipping, many potential industries would not consider locating in these communities. Thus, the economic conditions would be adversely impacted.

The State should continue funding rehabilitation work on short line railroads, whether publicly or privately owned, where clear needs are demonstrated. Potentially for privately owned railroads to continue participation in receiving rehabilitation funding, an alternative matching criteria might be considered. Also provided that such a railroad offers an economic benefit to the community it serves. No railroad, public or private, should be allowed to arbitrarily deny any shipper service. Short line railroads were neglected by their former owners for many years and maintenance was deferred. Railroad authorities continue to struggle to improve these lines

and make them efficient, safe, and profitable. Economic growth and industrial development are the most important justifications for continued TDOT support. Without the short lines, many of the commodities transported would be trucked, thus increasing traffic on our roads and interstate, while also increasing the maintenance of these roadways.

**24. Please list all railway authority programs or activities that receive federal financial assistance and, therefore are required to comply with Title VI of the Civil Rights Act of 1964. Include the amount of federal funding received by program/activity.**

None

**Exhibit 1**  
**Tennessee Railroad Authorities**

Authority	Operator	Tenn.	No. of	Public	Commodities
		Miles	Bridges	Private	
Bedford Railroad Authority	Walking Horse & Eastern Railroad Co.	8.6	8.0	Public	plastic and molasses
Carroll-Henry County Rail Authority	KWT Railway, Inc.	66.7	28.0	Private	rail cars and clay
Cheatham County Railroad Authority	Nashville & Western Railroad Corp.	21.5	16.0	Public	Perlite rock, Scrap paper, Cement, Waste oil, Plastic Pellets, Scrap metal, Cullet, Plate steel, Ethanol, and Bio fuel
Cumberland County Railroad Authority	Franklin Industrial Minerals	15.8	20.0	Private	Chemical grade limestone (Calcium carbonate)
East Tennessee Railroad Authority	East Tennessee Railway, LP	7.0	9.0	Private	Scrap, Plastic and Various
Gibson County Railroad Authority	West Tennessee Railroad Company	45.0	45.0	Private	pulp board, plastic, grains, fertilizer, propane, logs,
Hamilton County Railroad Authority	Tyner Terminal Railway/TVRM East Chattanooga Belt Railway Co.	23.3	11.0	Public Private	Automobiles, steel, sugar and MTV cars
Knox County Railroad Authority	Knoxville & Holston River Railroad	21.0	4.0	Private	Road salt, Oil, Plastic resin, lumber
Marion County Railroad Authority	Sequatchie Valley Railroad	8.8	4.0	Private	pellets, Gypsum board, Synthetic gypsum, Perlite and Starch
Montgomery County Rail Service Authority	R.J. Corman Railroad Company	36.0	7.0	Private	lime, sulfuric acid, pulp board, paper and plastics
Nashville and Eastern Railroad Authority	Nashville & Eastern Railroad Corp.	129.4	4.0	Public	steel, aggregater, sand, pulp board and plastics

Authority	Operator	Tenn.	No. of	Public	Commodities
		Miles	Bridges	Private	
North East Tennessee Railroad Authority	R.J. Corman Railroad Company	42.0	25.0	Private	premium coal
Oak Ridge-Heritage Railroad Authority	Waldet's Ridge Railroad Company	11.5	5.0	Private	passenger excursion, empty railcars, hazardous materials
South Central Tennessee Railroad Authority	South Central Tennessee Railroad Co.	50.0	18.0	Public	metals, paper, frozen foods, automotive and other
Tennessee Southern Railroad Authority	Tennessee Southern Railroad, LLC	107.5	50.0	Private	chemicals, coal, coke, pulp board, alumium, plastics,, cross ties and resin
TennKen Railroad Authority	TennKen Railroad, LLC	41.5	7.0	Private	coiled steel, steel pipe, petroleum coke, electro binder, plastics, synthetic resin, carbon black, fertilizer and grain
Tri-County Railroad Authority	Caney Fork & Western Railroad	59.6	29.0	Public	Carbon black, Scrap metal, Green cross ties, Military vehicles, Propane, Fertilizer, Grain, LP gas, Transformers
West Tennessee Rail Authority	West Tennessee Railroad Co.	136.6	143.0	Private	scrap mtal, finished steel, pulp board, plastic, grain, propane, lube oil, lumber and bricks

**Exhibit 2**

**FY 2012-2013 Total Allocations**

<b>RAILROAD AUTHORITY</b>	<b>TOTAL NEEDS</b>	<b>PER CENT</b>	<b>C &amp; A</b>	<b>CONST</b>	<b>ADMIN</b>	<b>ENG</b>	<b>TOTAL</b>
Bedford County	4,621,468	1.57%	233,724	225,220	8,504	22,151	255,875
Carroll-Henry County	20,960,797	7.14%	1,034,948	1,010,733	24,215	76,476	1,111,424
Cheatham County	13,550,130	4.62%	515,496	501,467	14,029	62,688	578,184
Cumberland County	14,880,922	5.07%	512,237	498,272	13,965	71,877	584,114
East Tennessee	2,732,523	0.93%	116,569	110,362	6,207	17,575	134,144
Gibson County	23,334,034	7.95%	1,199,211	1,171,775	27,436	81,037	1,280,248
Hamilton County	10,132,622	3.45%	532,232	517,874	14,358	38,509	570,741
Knox County	7,468,873	2.54%	312,897	302,840	10,057	35,820	348,717
Marion County	2,487,495	0.85%	124,888	118,518	6,370	15,347	140,235
Montgomery County	3,387,036	1.15%	143,307	136,575	6,732	20,123	163,430
Nashville & Eastern	35,298,924	12.02%	1,841,533	1,801,503	40,030	116,952	1,958,485
North East Tennessee	10,615,322	3.62%	514,974	500,955	14,019	42,960	557,934
Oak Ridge-Heritage	3,832,196	1.31%	181,280	173,804	7,476	20,481	201,761
South Central Tennessee	29,348,260	10.00%	1,306,123	1,276,592	29,531	114,107	1,420,230
Tennessee Southern	40,755,347	13.88%	2,139,593	2,093,718	45,875	132,974	2,272,567
TennKen	13,395,519	4.56%	566,871	551,834	15,037	58,074	624,945
Tri-County	24,160,806	8.23%	1,111,441	1,085,726	25,715	92,707	1,204,148
West Tennessee	32,589,480	11.10%	1,468,151	1,435,442	32,709	124,667	1,592,818

293,551,754    100.00%    \$ 13,855,475    \$ 13,513,210    \$ 342,265    \$ 1,144,525    15,000,000

Total Allocation is based upon estimated \$15,000,000 Transportation Equity Fund Collections for fiscal year 2012-13.

Total Administration is based upon 2% of construction, plus an additional \$2,000 for Bridge and an additional \$2,000 for Track.

**Exhibit 3**

**FY 2013-2014 Total Allocations**

<b>RAILROAD AUTHORITY</b>	<b>TOTAL NEEDS</b>	<b>PER CENT</b>	<b>C &amp; A</b>	<b>CONST</b>	<b>ADMIN</b>	<b>ENG</b>	<b>TOTAL</b>
Bedford County	4,621,468	1.57%	233,724	225,220	8,504	22,151	255,875
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Total Administration is based upon 2% of construction, plus an additional \$2,000 for Bridge and an additional \$2,000 for Track.

### Exhibit 4 - Performance Measures

Authority/Railroad	2005 Total Miles	Miles 286k Compliant	Current Total Miles**	IMPROVEMENTS					EST. IMPROVEMENTS	
				2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Caney Fork & Western	59.60	9.50	59.60	9.50	9.50	9.70	10.50	12.50	13.50	14.50
East Tennessee Railway	15.80	6.50	6.50	6.50	6.50	7.00	2.30	2.40	2.50	3.00
Franklin Industries	16.00	11.00	16.00	11.00	11.20	11.50	11.50	12.00	12.50	13.00
Hamilton County RR	22.10	6.00	22.10	5.10	8.70	9.00	9.00	9.00	9.00	10.00
Heritage RR	9.30	6.00	9.30	7.00	7.50	8.00	8.00	8.50	8.50	9.00
Knoxville & Holston	18.50	12.00	18.50	12.00	12.00	12.00	12.00	14.00	14.00	12.50
KWT Railroad	60.58	18.00	60.58	18.40	18.70	20.00	20.00	22.00	22.00	24.00
Nashville & Eastern RR	129.40	50.00	129.40	50.42	51.40	53.00	53.00	55.00	57.00	58.00
Nashville & Western RR	21.50	0.00	21.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NC RR	42.00	19.00	42.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
RJ Corman RR	36.00	0.00	36.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sequatchie Valley RR	8.80	0.00	8.80	0.00	0.00	0.00	0.00	0.20	0.50	0.50
So. Central Tennessee	50.00	7.00	50.00	9.50	10.50	12.00	12.00	13.00	14.00	15.00
Tennessee Southern RR	107.50	16.00	107.50	31.00	31.00	35.00	35.00	43.00	45.00	50.00
TennKen RR	41.50	35.00	41.50	36.40	37.00	38.00	38.00	39.00	40.00	41.00
Walking Horse & Eastern	8.60	0.00	8.60	0.50	0.50	0.50	0.50	0.50	0.50	0.50
West Tennessee RR	45.00	0.30	45.00	0.30	0.30	0.30	3.20	3.20	4.70	5.50
West Tennessee RR	136.60	50.80	136.60	71.50	71.50	71.50	78.80	79.70	80.50	81.00

792.78 *	247.1	783.48 *	288.12	295.30	306.50	312.80	333.00	343.20	356.50
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<b>Percent of Miles that are 286k Compliant</b>	<b>31%</b>	<b>36%</b>	<b>37%</b>	<b>39%</b>	<b>40%</b>	<b>43%</b>	<b>44%</b>	<b>45%</b>
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\* Does not include the RJ Corman 36 miles

\*\* Total miles decrease 9.3 due to ETRY railbanking