

Sunset Public Hearing Questions for  
**Rail Service Authorities**  
Created by Section 7-56-201, *Tennessee Code Annotated*  
(Sunset Termination June 2020)

1. Provide a brief introduction to the rail service authorities and the short-line railroads, including information about their purpose, statutory duties, and general organization.

**ANSWER:**

**Track rehabilitation is financed through the Transportation Equity Fund, which was created by the legislature to direct the sales tax paid on fuel to be placed in a designated fund. The railroad portion of this fund is granted to "Railroad Authorities," which are...: local authorities enabled by the legislature to preserve and maintain essential rail transportation to communities threatened with abandonment or loss of rail service. Public rail authorities are the only recipients deemed eligible to apply for and receive annual rehabilitation funds. These authorities are governed by a board of directors and is actively involved in the management and administration of the state funds received.**

2. Provide a list of all Tennessee rail service authorities. 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. Include information for the last three fiscal years.

**ANSWER:**

**See Attached Exhibit A**

3. Describe in general the membership of the authorities' boards of directors. How are board members appointed? What are the requirements for board meetings?

**ANSWER:**

**Authorities are made up of local elected officials and residents within the county and or city in which the short line railroad exists. Each member, except for the elected mayors, are chosen by the local county commission or city board of aldermen/council to represent the particular entity. Each member must reside within the boundaries of the area they represent and attend at least one meeting per year. Members are Mayors of Counties / Cities, through which the railroad operates. Each county and city has the opportunity to select one member from outside the local government, such as a representative from among the freight movers or shippers. Our active membership and committed board members are dedicated to the well-being of the railroad and the safety of the community.**

4. Please describe the Tennessee Department of Transportation's involvement with the rail service authorities.

**ANSWER:**

**Public rail authorities are the only recipients deemed eligible to apply for and receive annual rehabilitation funds. TDOT expects public rail authorities to be actively involved in the management and administration of the rail and bridge funds. TDOT provides contracts and aids authorities with numerous phases of the bidding process and contract management. TDOT also provides valuable information regarding changes to laws and projections of revenues coming into the state so that project planning can be accomplished.**

5. For those rail service authorities that receive funds from the Tennessee Department of Transportation, please detail both the source and the amount of the funding provided during the last three fiscal years. For what purposes were those funds used?

**ANSWER:**

**Funding for rail service authorities is provided by the Tennessee Equity Fund. TDOT made the decision to sequester funding beginning in 2013 during the course of litigation. Therefore with respect to the Tennessee Equity Fund, no funds were provided for in 2013 to 2017. See schedule in Exhibit B for subsequent years. These funds are allocated according to the "Needs Study" commissioned by TDOT in 2005.**

6. For those authorities that receive funds from the Tennessee Department of Transportation, does the department require each authority to provide matching funds? If yes, please provide additional information.

**ANSWER:**

**Yes. A match of 10% is required for the projects created under the TDOT allocation. In most cases the railroad operator is required to provide the matching funds.**

7. Are there rail service authorities in Tennessee that do not receive funding from the Tennessee Department of Transportation?

**ANSWER:**

**NO**

8. Are there short-line railroads operating in Tennessee that are not under the jurisdiction of the Rail Service Authorities? If yes, please explain.

**ANSWER:**

**Yes, they are excursion / museum railroads**

9. Please explain the relationship between the rail service authorities and the rail line operators. Who owns the rails under the authorities' jurisdiction? Who performs the rail line rehabilitation work funded by the Tennessee Department of Transportation?

**ANSWER: There are two categories of short-line railroads: Public and Private;**

**1) Public short-line railroads hold ownership of all amenities; such as tracks and bridges and employ an operator for the railroad.**

**2) Private short-line railroads are owned by the operator and must cooperate with the Short-line Rail Authority to receive funding.**

**Rail rehabilitation that is funded by the Tennessee Department of Transportation is performed by contractors who are hired by the Authorities. Contractor selection must conform to departmental guidelines and is monitored by staff through onsite reviews and reporting requirements**

10. Describe the Tennessee Department of Transportation's oversight of the rail service authorities and rail line operators. How does the department ensure that state dollars were spent on allowable items, that the rehabilitation work performed was of acceptable quality, and that reasonable prices were paid for labor and materials?

**ANSWER:**

**The Department of Transportation provides each Authority with funding for engineering purposes. Contract selection is subject to TDOT requirements. TDOT requires that documentation be submitted verifying that work was properly completed and inspected prior to making payment. The work and verification must be completed by a duly licensed engineering firm.**

11. Who is responsible for tracking statistics for numbers and types of accidents on the short-line railroads? If available, please provide relevant information for the last three fiscal years.

**ANSWER:**

**The Department of Transportation regulates the short-lines' condition and operations through the Office of Rail Safety by conducting periodic rail crossing, track and bridge inspections. Federal Rail Administration and TDOT are responsible for documenting these incidents. Information not readily available without inquiry of FRA and TDOT.**

12. What reports do the authorities prepare concerning their activities, operations, and accomplishments? Who receives copies of these reports? Please provide a link to any such reports issued in the last three fiscal years

**ANSWER:**

**Each Authority is required to provide the Department of Transportation with 1) an annual audit report which must be prepared by a certified public accountant according to generally accepted accounting principal; 2) an annual report prepared and submitted by the operators and 3) a report on the results of annual bridge inspections.**

**Future funding availability is dependent on the submission of these documents. These reports are held by TDOT.**

13. Please describe any items related to the authorities that require legislative attention and your proposed legislative changes.

**ANSWER:**

- 1. Making the use of Tennessee Equity Funds exclusive to their stated purpose which is the rehabilitation of Tennessee short-line railroads. Due to the restructuring of the revenue process for the Transportation Equity Trust Fund our allocations have been reduced. TDOT has developed a Rail Connectivity Grant Program that has taken 50% of our allocations to be used for other needs. This portion of the funding is going to a number of various sources within the state and the funds are not directed to the authorities as in the past. We consider this to be a complete reversal of past administrative policies to fund and rehabilitate the abandoned short-line railroads in Tennessee. Restructuring of the diesel fuel tax, regarding locomotive fuels, and the new Rail Connectivity Grant Program will reduce funding by approximately 75%**
- 2. Recognize the critical importance of Railroad Authorities such that they be removed from Sunset Review.**

14. Should the State of Tennessee continue to fund rehabilitation work on short-line railroads? Even in cases where the rail lines are owned by private operators? If yes, please explain why.

**ANSWER:**

**Yes, In fact an increase in funding of rehabilitation efforts should be considered. The rail system is aged and facing a re-emergence of demand based on the information shared above. An increase in the need for freight transportation brings with it the need to increase in the load bearing capabilities of track and bridges as well as increase tunnel and pass-through heights. Tennessee would be wise to aid the short-lines in preparing for this inevitable reality.**

**Over the past three decades, short line Railroads have become an integral part of the Tennessee total transportation network. TDOT currently provides assistance to 18 short line rail authorities, which have a combined 822.70 miles of track. Short line rail service is provided to 32 counties and 52 cities. Annually, the short lines move more than 36,500 carloads, totaling over 3.2 million tons. To illustrate, that is the equivalent to 162,500 trucks carrying 20 tons each. Clearly the short line railroads help reduce the demands on our highway system as well as providing direct economic benefits. The continued operation of the short line railroads is critical for economic vitality of communities throughout Tennessee, based on the retention of business and recruitment of new industries. In addition, the short line railroads are helping to preserve critical "corridors" for future generations—for rail service as well as other future potential uses, such as for public transit, bikeways, highways or telecommunication links. In summary, the short line network provides an important immediate use and preserves options for the future. The aforementioned applies whether or not the rail lines are owned by private operators.**

15. 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 of the citizens of Tennessee?

**ANSWER:**

**Yes. Railroad Authorities have proven to be the effective way to assist the rehabilitation of the short lines which are revenue inadequate to support this financial burden. The absence of the Tennessee Equity Fund using the authorities as a part of the control and distribution of the funds would mark the exponential shrinkage if not elimination of short line railroads as we know them. Railroad funds are granted to railroad authorities to preserve and maintain essential rail service to communities that are threatened with abandonment or loss of freight rail service. The objective of the program is to preserve rail service. The authorities are synonymous with the Program therefore serving an economic development purpose. Admittance and continuation in the Rail Program is contingent upon delivering economic benefits to the community. Fund allocations are made for the purpose of arriving at a level of system performance necessary for a given railroad to be considered an ongoing and viable economic entity while complying with acceptable safety standards. With the completion of the 2005 Short-line Track Needs Assessment and the 2025 Long Range Transportation Plan for Tennessee, this measure of vitality is identified as the capacity to move 286,000 lb. carloads of rail freight.**

*At the request of the Chairman of the House Government Operations Committee, all agencies that provide responses to questions as part of the Q&A process should also provide the following information:*

16. Identification of the appropriate agency representative or representatives possessing substantial knowledge and understanding of the responses provided to the sunset review questions.
- a. **Mayor Bob Rial, Chairman**
  - b. **Peter (Doc) Claussen, Jr. , Vice Chairman**
17. Identification of the appropriate agency representative or representatives who will respond to the questions at the scheduled sunset hearing.
- a. **Mayor Bob Rial**
  - b. **Peter (Doc) Claussen**
18. Office address, telephone number, and email address of the agency representative or representatives who will respond to the questions at the scheduled sunset hearing.
- a. **Mayor Bob Rial: 4 Court Square, Charlotte, TN 37036; (615) 789-7000; bobrial@dicksoncountyttn.gov**
  - b. **Peter (Doc) Claussen, Jr.; 422 Cumberland Ave, Knoxville, TN 37902; (865) 525-9400; pvc@gulfandohio.com**



**EXHIBIT A**

<b>RAIL AUTHORITY</b>	<b>COUNTIES</b>	<b>RAILROAD</b>	<b>MILES</b>	<b>COMMODITIES</b>
Tri-County Hamilton County	Coffee, Warren, White Hamilton	Caney Fork & Western East Chattanooga Belt East Tennessee	59.1 13	lumber, steel fertilizer, grain, propane, carbon black scrap and roll paper, fabricated metal parts, chemicals
East Tennessee Cumberland County Oak Ridge-Heritage	Washington, Carter Cumberland, Roane Anderson	Railway Franklin Minerals Heritage Railroad Knoxville & Holston	11.2 13 9.5	lumber, propane, aluminum, OSB, sulfuric acid, brick, li calcium carbonate heavy equipment, hazardous waste
Knox County Carroll-Henry County Nashville & Eastern Cheatham County Northeast Tennessee Montgomery County Rail Service Marion County	Knox Weakley, Henry, Carroll Davidson, Wilson, Smith, Putnam Cheatham, Davidson Scott, Campbell, Anderson Stewart, Montgomery Sequatchie, Marion	River KWT Nashville & Eastern Nashville & Western National Coal R.J. Corman RR Sequatchie Valley South Central	18 51.5 110.3 16.7 42 35 9	scrap iron, steel, brick, LPG shingles, clay, brick, chemicals, sugar, logs, auto parts plastics, steel, lumber, dry wall, paper, propane, beer, paper, scrap steel, plastic, cement, scrap glass Coal aluminum, steel, paper, fertilizer, sulfuric acid, grain, plastics, lumber
South Central Tennessee Tennessee Southern Hamilton County Tennken Railroad	Dickson, Hickman, Lewis Lawrence, Maury, Giles Hamilton Dyer, Lake	Tennessee Tennessee Southern Tennessee Valley Tennken Railroad Walking Horse & Eastern	49.9 109 6 41.9	frozen potatoes, steel wire, plastic nephaline, zinc, met chemicals, scrap metal, aluminum, steel, sand, fertilizer zinc carbon black, plastic, petroleum coke, synthetic resin, g
Bedford county Gibson County West Tennessee	Bedford Madison, Gibson McNairy, Chester, Madison, Gibson, Weakley	West Tennessee West Tennessee West Tennessee	8.8 43.7 136.3	plastic, aluminum, paper, LPG grain, steel, scrap metal, brick metal, flour, grain, paper, plastic, lube oil, fertilizer, lum

**EXHIBIT B**

**TRANSPORTATION EQUITY FUND ALLOCATIONS TO RAILROAD AUTHORITIES IN FY2019**

Railroad Authority	2013 Committed Fund Balance (for reference)	(A) \$10M from General Assembly	(B) Remaining Committed Balance	(C) New Preservation Program	(A+B+C) Total Funds Made Available in FY2019
Bedford County	\$579,573	\$168,315	\$382,280	\$173,566	\$724,161
Carroll-Henry	\$1,867,351	\$731,095	\$1,042,888	\$753,907	\$2,527,891
Cheatham-Davidson County	\$420,574	\$380,330	\$19,216	\$392,197	\$791,743
Cumberland County	\$994,816	\$384,231	\$560,845	\$396,219	\$1,341,295
East Tennessee	\$188,438	\$88,240	\$90,775	\$90,993	\$270,008
Gibson County	\$554,636	\$842,149	\$0	\$868,425	\$1,710,574
Hamilton County	\$2,010,125	\$375,433	\$1,534,185	\$387,147	\$2,296,765
Knox County	\$1,751,996	\$229,386	\$1,435,010	\$236,543	\$1,900,939
Marion County	\$664,354	\$92,247	\$538,889	\$95,125	\$726,261
Montgomery County	\$621,407	\$107,504	\$482,833	\$110,859	\$701,196
Nashville & Eastern	\$598,412	\$1,288,293	\$0	\$1,328,490	\$2,616,783
Northeast	INACTIVE	INACTIVE	INACTIVE	INACTIVE	INACTIVE
Oak Ridge-Heritage	\$307,978	\$132,718	\$159,861	\$136,859	\$429,438
South Central Tennessee	\$1,504,880	\$934,228	\$495,408	\$963,377	\$2,393,013
Tennessee Southern	\$2,392,104	\$1,494,896	\$777,603	\$1,541,539	\$3,814,038
TennKen	\$1,237,905	\$411,089	\$764,920	\$423,916	\$1,599,925
Tri-County	\$4,235,422	\$792,089	\$3,231,562	\$816,804	\$4,840,455
West Tennessee	\$691,006	\$1,047,757	\$0	\$1,080,448	\$2,128,205
Less 5% Oversight to TDOT		\$500,000	\$606,120	\$515,601	\$1,621,721
<b>Total</b>	<b>\$20,620,977</b>	<b>\$10,000,000</b>	<b>\$12,122,395</b>	<b>\$10,312,015</b>	<b>\$37,434,410</b>

Note: If a Railroad Authority's committed balance as of 2013 was fully exhausted the General Assembly's allocation of \$10M, that Authority has exhausted its 2013 balance and will not receive additional funds in column (B).