

- SUBJECT:** Funding rural rail development from the economic development bank
- COMMITTEE:** Economic Development — favorable without amendment
- VOTE:** 6 ayes — Deshotel, Straus, Dunnam, Morrison, Ortiz, Veasey  
1 present not voting — Kolkhorst  
0 nays
- WITNESSES:** For —Bob Turner, National Rail Alliance; (*Registered, but not testify:*  
Linda Sickels, Trinity Industries Inc.)  
  
Against — None
- BACKGROUND:** In 1981, the 67th Legislature authorized counties to establish rural rail districts. The purpose of a rail district is to promote economic development, diversify the economy of the state, reduce unemployment, foster agricultural enterprises, and develop and expand transportation within the state. A rural rail district has the ability to own railways and any real or personal property that its board determines is necessary or convenient for rail transportation. Eligible counties may create a rail district if there is a rail line in the county that was abandoned or carried less than three million gross tons per mile per year. A rail district also has the ability to issue bonds. No state funding has been appropriated to create any rural rail districts.
- Transportation Code, sec. 91.071 allows the Texas Department of Transportation (TxDOT) to pay for rail facilities using any available funds, except that TxDOT may not use money from the general revenue fund for this purpose unless it is authorized by a line-item appropriation.
- The Texas Economic Development Bank, created by the 78th Legislature in 2003, provides incentives for expanding and relocating businesses. The bank ensures that communities have access to capital for economic development purposes.
- DIGEST:** HB 2660 would require the Texas Economic Development Bank to consider the needs of rural rail development when allocating money to

TxDOT and expressly would authorize the bank to provide grants or financing to the department for that purpose.

The bill also would amend sec. 91.071(b) to allow TxDOT to use general revenue money received from the Texas Economic Development Bank to pay for rail facilities.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

**SUPPORTERS  
SAY:**

HB 2660 would provide communities with a necessary mechanism to receive funding for start-up costs to create rural rail districts. The establishment of rural rail districts requires feasibility studies to ensure that such a district is practicable in a particular area. This requirement makes certain that funding is not used indiscriminately for projects that are not viable.

With the increasing amount of road traffic, the escalating costs of building highways, and the rate of population growth in the state, HB 2660 would encourage the use of the railway system to provide freight service. In addition, the bill would help rural communities promote development and attract industries.

**OPPONENTS  
SAY:**

This bill would give rural rail development a higher funding priority than it deserves. Rural railways that are not abandoned carry very little traffic and are not useful to industry, a fact that is unlikely to change in the future. Furthermore, rural rail districts already have the authority to issue bonds to raise capital, so they could secure financing through this mechanism if demand exists for such a purpose.