



STATE OF TENNESSEE
DEPARTMENT OF TRANSPORTATION
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CLAY BRIGHT
COMMISSIONER

BILL LEE
GOVERNOR

DATE: December 17, 2020

TO: Honorable Bill Lee, Governor

Honorable Randy McNally, Lieutenant Governor
State Senate

Honorable Cameron Sexton, Speaker of the House
House of Representatives

FROM: Clay Bright, Commissioner
Department of Transportation

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David Gerregano, Commissioner
Department of Revenue

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**SUBJECT: Transportation Equity Fund Report for FY 2019-2020
per T.C.A. § 67-6-408**

This provides the information required by T.C.A. § 67-6-408 relative to collection and use of funds under T.C.A. § 67-6-103(b) for the fiscal year ending June 30, 2020.

The tax revenue reported by the Department of Revenue for FY 2019-2020 was:

Aviation	\$24,106,351.23
Rail	\$41,116,839.46
Waterways	\$ 26,528.85
Total	\$65,249,719.54

The funds were budgeted to the three programs at the beginning of the year based on the relative contributions from each mode in previous years and State Funding Board estimates. Those amounts were adjusted during the year based on actual revenue reported by the Department of Revenue. The Rail revenue reported above came from tax payments made by the short line railroads.

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The Department of Transportation's Aeronautics Division provides Transportation Equity Funding revenues to sixty-nine (69) General Aviation Airports and five (5) Commercial Service Airports for planning, development, promotion, construction and operation of public-use airports throughout the state. Funds are allocated for projects such as land acquisition, pavement preservation, safety and security upgrades, airfield lighting, and various other air-side and land-side infrastructure improvements. Aeronautics also allocated funds to support statewide programs, including Automated Weather Observing Systems (AWOS), aviation education programs, and airfield pavement maintenance.

During Fiscal year 2019, \$32.4 million in rail preservation funds were released to the 16 short line railroad authorities to use toward railroad preservation projects during Fiscal years 2019 and 2020. Most of these funds have been used or are being used at this time for preservation work.

Also, during Fiscal year 2019, TDOT provided \$10.3 million for a competitive Rail Connectivity program. Eight rail connectivity grants were awarded for projects that provided an economic development component, bringing capital investment and/or job creation to the communities being served by the rail connectivity grants.

Some of the funds allocated to the Rail program have been held in reserve pending the resolution of the Class I railroads' challenges to the validity of the (former) sales tax on railroad diesel fuel. See, e.g., CSX Transportation, Inc. v. Tennessee Department of Revenue, U.S. District Court, Middle District of Tennessee, Docket No. 3:13-cv-0911. The Class I railroads have also filed separate lawsuits in Federal Court challenging the validity of the new per gallon excise tax on railroad diesel fuel. See, e.g., BNSF Railway Company vs. Tennessee Department of Revenue, U.S. District Court, Middle District of Tennessee, Docket No. 3:14-cv-01399. Partial payments of this tax by the Class I railroads are being held in escrow by the court pending resolution of the lawsuit.

The Waterways funds were used to pay Tennessee's annual dues to the Tennessee Tombigbee Waterway Development Authority.

If you have questions or need additional information, please contact Gretchen Lancaster with TDOT Budget at 615-741-2449.

CB:gl