

TRANSPORTATION CODE

TITLE 5. RAILROADS

SUBTITLE I. SPECIAL DISTRICTS

CHAPTER 172. RURAL RAIL TRANSPORTATION DISTRICTS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 172.001. DEFINITIONS. In this chapter:

- (1) "Board" means a district's board of directors.
- (2) "Bonds" means:
 - (A) bonds;
 - (B) notes, including bond anticipation notes, revenue anticipation notes, and grant anticipation notes;
 - (C) warrants;
 - (D) certificates of obligation;
 - (E) interest-bearing contracts;
 - (F) interest-bearing leases of property;
 - (G) equipment trust certificates;
 - (H) commercial paper; and
 - (I) any obligation issued to refund any type of bond.
- (3) "Director" means a board member.
- (4) "District" means a rural rail transportation district created under this chapter or under Chapter [623](#), Acts of the 67th Legislature, Regular Session, 1981 (Article 6550c, Vernon's Texas Civil Statutes), as that chapter existed before April 1, 2011.
 - (4-a) "Intelligent transportation system" means:
 - (A) innovative or intelligent technological transportation systems, infrastructure, or facilities, including elevated freight transportation facilities:
 - (i) in proximity to, or within, an existing right-of-way on the state highway system; or
 - (ii) that connect land ports of entry to the state highway system;
 - (B) communications or information processing systems that improve the efficiency, security, or safety of freight

movement on the state highway system, including improving the conveyance of freight on dedicated intelligent freight lanes; or

(C) a transportation facility or system that increases truck freight efficiencies in the boundaries of an intermodal facility or hub.

(5) "Maintenance facility" includes a workshop, a service, storage, security, or personnel facility, temporary or transient lodging for district employees, and equipment for any type of facility.

(6) "Maintenance and operating expenses" means all expenses of operating and maintaining a district and its rail facilities, including:

(A) all compensation, labor, materials, repairs, and extensions necessary, required, or convenient in the board's discretion to render efficient service or to maintain and operate the district; and

(B) taxes or other amounts paid, payable, or to be paid to the United States under Section 148(f), Internal Revenue Code of 1986, or any similar law.

(7) "Rail facilities" means:

(A) passenger or freight rail facilities, including:

(i) tracks;

(ii) a rail line;

(iii) switching, signaling, or other operating equipment;

(iv) a depot;

(v) a locomotive;

(vi) rolling stock;

(vii) a maintenance facility; and

(viii) other real and personal property associated with a rail operation;

(B) an intermodal hub;

(C) an automated conveyor belt for the movement of freight;

(D) an intelligent transportation system that operates with or as part of facilities described by Paragraphs

(A)-(C); or

(E) a system of facilities described by Paragraphs (A)-(D).

(8) "Revenue" means the income, receipts, and collections received by, to be received by, or pledged to the district from or by any source, except a restricted gift or a grant in aid of construction.

(9) "Right-of-way" means:

(A) a right of passage over property;

(B) a strip of land in length and width determined required, necessary, or convenient by the board over, on, or under which trackwork is or is to be constructed or acquired; or

(C) a right of precedential passing.

(10) "Rolling stock" means a locomotive, an engine, a rail car, a repair construction car, or another car designed to operate on trackwork.

(11) "Trackwork" means track, a track bed, track bed preparation, a tie, a rail fastener, a slab, a rail, an emergency crossover, a setout track, storage track, and a switch.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 786 (H.B. [2557](#)), Sec. 1, eff. June 15, 2017.

Sec. 172.002. NATURE OF DISTRICT. (a) A district is a public body and a political subdivision of this state exercising public and essential governmental functions.

(b) A district, in the exercise of powers under this chapter, is performing only governmental functions and is a governmental unit under Chapter [101](#), Civil Practice and Remedies Code.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.003. FINDINGS. The legislature finds that:

(1) the state contains many rural areas that are heavily dependent on agriculture for economic survival;

(2) transportation of agricultural and industrial products is essential to the continued economic vitality of rural areas;

(3) the rail transportation systems in some rural areas are threatened by railroad bankruptcies and abandonment proceedings that would cause the cessation of rail services to the areas;

(4) it is in the interest of all citizens of the state that existing rail systems be maintained for the most efficient and economical movement of essential agricultural products from the areas of production to the local, national, and export markets;

(5) rural rail transportation districts are appropriate political subdivisions to provide for the continued operation of railroads, which are declared by Section 2, Article X, Texas Constitution, to be public highways;

(6) the creation, re-creation, financing, maintenance, and operation of rural rail transportation districts and facilities acquired by the districts under this chapter will help develop, maintain, and diversify the economy of the state, eliminate unemployment or underemployment, foster the growth of enterprises based on agriculture, and serve to develop and expand transportation and commerce within the state under the authority granted by Section 52-a, Article III, Texas Constitution; and

(7) financing by rural rail transportation districts for the purposes provided by this chapter is a lawful and valid public purpose.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

SUBCHAPTER B. CREATION

Sec. 172.051. APPLICABILITY. A county is eligible to create a district as provided by this chapter only if a rail line is located in the county that:

(1) is being or has been abandoned through a

bankruptcy court or Surface Transportation Board proceeding; or

(2) carries three million gross tons per mile per year or less.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.052. CREATION OF DISTRICT BY MORE THAN ONE COUNTY.

(a) The commissioners courts of two or more counties that are a contiguous area may by concurrent order:

(1) create a district; or

(2) provide for the re-creation of a district by the addition of one or more counties.

(b) The district consists of the territory of each county whose commissioners court adopts the concurrent order.

(c) Each concurrent order must:

(1) contain identical provisions for creation or re-creation;

(2) be adopted at the time of the creation or re-creation;

(3) declare the boundaries of the district as the boundaries of the counties included;

(4) designate the district's name; and

(5) designate the number of directors, which may not be less than four, and the manner of the directors' appointment by a commissioners court.

(d) The commissioners court of each county included in a district by order may provide for the district's dissolution if each commissioners court determines that the dissolution will not impair an obligation of any contract of the district. The dissolution order is effective only on the creation or re-creation of another district in which each county included in the dissolving district is included.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.053. CREATION OF DISTRICT BY ONE COUNTY. (a) The commissioners court of a county may by order create a district in

that county to develop, finance, maintain, and operate a new rail system under this chapter and for other purposes of this chapter.

(b) The boundaries of a district created under this section are the boundaries of the county in which the district is created.

(c) At the time the district is created, the commissioners court shall:

(1) designate the district's name; and

(2) appoint at least four residents of the county to serve as directors.

(d) The commissioners court of the county by order may provide for the district's dissolution if the commissioners court determines that the dissolution will not impair an obligation of any contract of the district. The dissolution order is effective only on the creation of another district in which the county is included.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.054. NOTICE OF CREATION. (a) The board of each newly created district shall provide notice to the Texas Transportation Institute of the district's creation.

(b) On being notified by the board, the Texas Transportation Institute shall make available to the board a guide to the services and information that the institute provides.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.055. AUTOMATIC ASSUMPTION OF CONTRACTUAL OBLIGATIONS AFTER CREATION BY CERTAIN DISTRICTS. A district created or re-created under Section [172.052](#) automatically assumes any obligation of a contract executed by the district or a predecessor district that is in force on the date of the creation or re-creation unless the contract expressly expires on the date of dissolution or re-creation of the district that executed the contract.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

SUBCHAPTER C. BOARD OF DIRECTORS AND EMPLOYEES

Sec. 172.101. CONTROL OF DISTRICT. (a) The board is responsible for the management, operation, and control of the district.

(b) The right to control and regulate district affairs is vested exclusively in the board except as specifically otherwise provided by this chapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.102. TERMS. (a) A director serves a two-year term.

(b) An initial director serves a term ending on the second anniversary of the date:

(1) the latest concurrent order creating or re-creating the district under Section 172.052 was adopted; or

(2) an order creating the district under Section 172.053 was adopted.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.103. QUALIFICATIONS FOR OFFICE. (a) To be eligible for appointment as a director, a person must be a resident of the county governed by the commissioners court that appoints the person.

(b) An elected officer of this state or a political subdivision of this state who is not prohibited by the Texas Constitution from serving on the board is eligible to serve on the board.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.104. VACANCY. The commissioners court that appointed a director who vacates the position shall appoint a director for the unexpired term.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.105. REMOVAL. (a) The commissioners court that appointed a director may remove the director from office for neglect of duty or malfeasance in office after:

(1) at least 10 days' written notice to the director; and

(2) a hearing before the commissioners court.

(b) At the hearing on the question of removal of a director, the director is entitled to be heard in person or through counsel.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.106. OFFICERS. The board shall select a president, vice president, treasurer, and secretary. The secretary is not required to be a director.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.107. MEETINGS; NOTICE. (a) The board shall hold at least one regular meeting each month to conduct district business.

(b) The president may call a special board meeting.

(c) Chapter [551](#), Government Code, applies to board meetings, except that notice of a board meeting shall be posted at the administrative office of the district and at the courthouse in the county in which that office is located.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.108. RULES FOR PROCEEDINGS. The board shall adopt rules for its proceedings.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.109. EMPLOYEES. The board may employ and

compensate persons to carry out the powers and duties of the district.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.110. PECUNIARY INTEREST IN CERTAIN CONTRACTS PROHIBITED. A district employee may not have a direct or indirect pecuniary interest in any contract or agreement to which the district is a party.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

SUBCHAPTER D. GENERAL POWERS AND DUTIES

Sec. 172.151. GENERAL POWERS OF DISTRICT; GOVERNMENTAL FUNCTIONS. (a) A district has all powers necessary or convenient to carry out the purposes of this chapter.

(b) A district may generally perform all acts necessary for the full exercise of the district's powers.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.152. RULES. To protect the state's health, safety, and general welfare, a district may adopt rules to govern the operation of the district, its employees, the rail facilities, service provided by the district, and any other necessary matter concerning its purposes, including rules regarding health, safety, alcohol or beverage service, food service, or telephone or utility service.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.153. AGREEMENTS GENERALLY. A district may make contracts, leases, and agreements with the United States, this state and its agencies and political subdivisions, public or private corporations, and any other person.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04,

eff. April 1, 2011.

Sec. 172.154. AGREEMENTS WITH OTHER ENTITIES FOR JOINT USE.

A district may:

(1) enter into agreements with a public utility, private utility, communication system, common carrier, or transportation system for the joint use of its facilities, installations, or property inside or outside the district; and

(2) establish:

(A) through routes;

(B) joint fares; and

(C) divisions of tariffs, subject to approval of a tariff-regulating body that has jurisdiction.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.155. JOINT OWNERSHIP AGREEMENTS. A district may enter into a joint ownership agreement with any person.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.156. AWARDED CONSTRUCTION OR PURCHASE CONTRACTS.

(a) A contract in the amount of more than \$15,000 for the construction of improvements or the purchase of material, machinery, equipment, supplies, or any other property except real property may be awarded only through competitive bidding after notice is published in a newspaper of general circulation in the district at least 15 days before the date set for receiving bids.

(b) A board may adopt rules governing the taking of bids and the awarding of contracts.

(c) This section does not apply to:

(1) personal or professional services; or

(2) the acquisition of an existing rail transportation system.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.157. EMINENT DOMAIN. (a) A district may exercise the power of eminent domain to acquire:

- (1) land in fee simple; or
- (2) any interest less than fee simple in, on, under, or above land, including an easement, right-of-way, or right of use of airspace or subsurface space.

(b) A district may not exercise the power of eminent domain in a manner that would unduly interfere with interstate commerce.

(c) An eminent domain proceeding brought by a district is governed by Chapter 21, Property Code, except to the extent inconsistent with this chapter.

(d) An eminent domain proceeding is begun by the board's adoption of a resolution declaring that the district's acquisition of the property or interest described in the resolution:

- (1) is a public necessity; and
- (2) is necessary and proper for the construction, extension, improvement, or development of rail facilities and is in the public interest.

(e) The resolution is conclusive evidence of the public necessity of the proposed acquisition and that the real property or interest in property is necessary for public use.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.1571. RESTORATION OF CERTAIN EXPIRED EMINENT DOMAIN AUTHORITY. (a) This section applies only to a district:

- (1) whose authority to exercise the power of eminent domain under Section 172.157 expired under Section 2206.101(c), Government Code; and
- (2) that is located in a county adjacent to a county in which there is located a port authority that has the authority to issue a permit for the movement of oversize or overweight vehicles under Subchapter O or P, Chapter 623.

(b) Notwithstanding the expiration of the district's authority as described by Subsection (a), the district, on and after September 1, 2015, may exercise the power of eminent domain in accordance with Section 172.157.

Added by Acts 2015, 84th Leg., R.S., Ch. 381 (H.B. [1422](#)), Sec. 1, eff. September 1, 2015.

Sec. 172.158. DISPOSITION OF SURPLUS PROPERTY. (a) A district may sell, lease, convey, or otherwise dispose of any right, interest, or property not needed for or, in the case of a lease, not inconsistent with the efficient operation and maintenance of the system.

(b) A district may, on adoption of an order by the board, sell, lease, or otherwise dispose of surplus property not needed for district requirements or to carry out district powers under this chapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.159. SUITS. (a) A district may:

- (1) sue and be sued;
- (2) institute and prosecute suits without giving security for costs; and
- (3) appeal from a judgment without giving a supersedeas or cost bond.

(b) An action at law or in equity against the district must be brought in the county in which the principal office of the district is located, except that a suit in eminent domain must be brought in the county in which the land is located.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.160. PERPETUAL SUCCESSION. A district has perpetual succession.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

SUBCHAPTER E. POWERS AND DUTIES RELATING TO ACQUISITION, CONSTRUCTION, AND OPERATION OF RAIL FACILITIES

Sec. 172.201. GENERAL AUTHORITY OVER RAIL FACILITIES. A

district may plan, acquire, construct, complete, develop, own, operate, and maintain rail facilities inside or outside the district.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.202. USE AND ALTERATION OF PROPERTY OF ANOTHER POLITICAL SUBDIVISION. For a purpose described by Section [172.201](#), as necessary or useful in the construction, reconstruction, repair, maintenance, and operation of rail facilities, and subject to a grant previously secured or with the consent of a municipality, county, or other political subdivision, a district may:

(1) use streets, alleys, roads, highways, and other public ways of the political subdivision; and

(2) relocate, raise, reroute, change the grade of, or alter, at the district's expense, the construction of a publicly owned or privately owned street, alley, highway, road, railroad, electric line or facility, telegraph or telephone property or facility, pipeline or facility, conduit or facility, and other property.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.203. RULES GOVERNING SYSTEM; ROUTINGS. A district by resolution may adopt rules governing the use, operation, and maintenance of the system and shall determine all routings and change them when the board considers it advisable.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.204. ACQUISITION OF PROPERTY. (a) A district may purchase, whenever the district considers the purchase expedient, land, property rights, right-of-way, franchises, easements, and other interests in land the district considers necessary to acquire, construct, or operate a rail facility on terms and at a price to which the district and the owner agree.

(b) The district may take title to the land or interest in

the district's name.

(c) The governing body of a municipality, a county, any other political subdivision, or a public agency may convey without advertisement the title or the rights and easements to property needed by the district for its purposes in connection with the acquisition, construction, or operation of rail facilities.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.205. POWERS RELATING TO DISTRICT PROPERTY. A district may acquire by grant, purchase, gift, devise, lease, or otherwise and may hold, use, sell, lease, or dispose of property, including a license, a patent, a right, or an interest, necessary, convenient, or useful for the full exercise of its powers under this chapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.206. ACQUISITION OF ROLLING STOCK AND OTHER PROPERTY. A district may acquire rolling stock or other property, under a conditional sales contract, lease, equipment trust certificate, or other form of contract or trust agreement.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.207. COMPENSATION FOR USE OF SYSTEM FACILITIES. (a) A district shall establish and maintain reasonable and nondiscriminatory rents or other compensation for the use of the facilities of the system acquired, constructed, operated, regulated, or maintained by the district.

(b) Together with grants received by the district, the rents or other compensation must be sufficient to produce revenue adequate to:

(1) pay all expenses necessary for the operation and maintenance of the district's property and facilities;

(2) pay the principal of and interest on all bonds issued by the district payable wholly or partly from the revenue, as

they become due and payable; and

(3) fulfill the terms of agreements made with the holders of bonds or with any person on their behalf.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.208. OPERATION OR USE CONTRACTS. (a) A district may:

(1) lease all or part of the rail facilities to any operator; or

(2) contract for the use or operation of all or part of the rail facilities by any operator.

(b) To the maximum extent practicable, the district shall encourage the participation of private enterprise in the operation of rail facilities.

(c) The term of an operating contract under this section may not exceed 20 years. In this subsection, "operating contract" means a professional services contract executed by a district and another person under which the person agrees to provide all or part of the:

(1) rolling stock required for operation as a common carrier over all or a part of the rail facilities of the district; and

(2) personnel required for the operation of the rolling stock owned or leased by the district or for the operation of the rail facilities of the district.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.209. RAIL TRANSPORTATION SERVICES AGREEMENTS WITH OTHER POLITICAL SUBDIVISIONS. A district may contract with a county or other political subdivision of this state for the district to provide rail transportation services to an area outside the district on terms to which the parties agree.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.210. ABANDONMENT OF RAIL LINE. (a) A district may not abandon a district rail line for which state money has been loaned or granted unless the abandonment is approved by the commission as being consistent with the policies of this chapter.

(b) The commission by rule shall adopt procedures for applying for and obtaining approval for abandonment under this section.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.211. OTHER POWERS OF COUNTY, DISTRICT, AND NAVIGATION DISTRICT. (a) This section applies only to a county that:

(1) is adjacent to a county with a population of four million or more;

(2) has a population of 370,000 or more; and

(3) has created a district by concurrent order with an adjacent county pursuant to Section 172.052.

(b) A county acting through the commissioners court or a local government corporation may adopt an order that authorizes the county and a navigation district located wholly or partly in the county to:

(1) develop rail facilities as a qualifying project under Chapter 2267, Government Code; and

(2) issue bonds for rail facilities secured by a pledge of the revenues of the facilities, including contract revenue, grant revenue, or other revenue collected in connection with the facilities.

(c) If each county that created a district adopts an order described by Subsection (b), the district may exercise the powers described by that subsection.

Added by Acts 2017, 85th Leg., R.S., Ch. 786 (H.B. 2557), Sec. 2, eff. June 15, 2017.

Amended by:

Acts 2023, 88th Leg., R.S., Ch. 644 (H.B. 4559), Sec. 240, eff. September 1, 2023.

SUBCHAPTER F. FINANCIAL PROVISIONS

Sec. 172.251. FISCAL YEAR. (a) Unless the board changes the fiscal year, the district's fiscal year ends on September 30.

(b) The board may not change the fiscal year more than once in a three-year period.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.252. ANNUAL BUDGET. (a) Before beginning the operation of rail facilities, the board shall adopt an annual operating budget specifying the district's anticipated revenue and expenses for the remainder of the fiscal year. The district shall adopt an operating budget for each succeeding fiscal year.

(b) The board must hold a public hearing before adopting each budget except the initial budget. Notice of the hearing must be published at least seven days before the date of the hearing in a newspaper of general circulation in the district.

(c) A budget may be amended at any time if notice of the proposed amendment is given in the notice of meeting.

(d) An expenditure that is not budgeted may not be made.
Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.253. GRANTS AND LOANS. A district may accept a grant or loan from the United States, this state and its agencies and political subdivisions, public or private corporations, and any other person.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.254. DEPOSITORY. (a) The board by resolution shall name one or more banks for the deposit of district funds.

(b) District funds are public funds and may be invested in securities permitted by Chapter 2256, Government Code.

(c) To the extent district funds are not insured by the Federal Deposit Insurance Corporation or its successor, the funds

shall be collateralized in the manner provided for county funds.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.255. APPLICABILITY OF PUBLIC PROPERTY FINANCING LAW; PROHIBITION ON AD VALOREM TAX. A district may use the procedures provided by Chapter 271, Local Government Code, to finance the district's rail facilities, except to the extent of a conflict with this chapter, and except that the district may not impose an ad valorem tax.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.256. NONNEGOTIABLE PURCHASE MONEY NOTES; BOND ANTICIPATION NOTES. (a) A district may:

(1) issue nonnegotiable purchase money notes, payable in installments and secured by the property being acquired or constructed, to acquire or construct rail facilities; or

(2) secure the obligation of the notes by a pledge or by issuing bonds, including bond anticipation notes.

(b) A district may covenant with the purchaser of bond anticipation notes that the proceeds of one or more particular series of bonds will be used for the ultimate payment of the purchase money notes or bond anticipation notes.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

Sec. 172.257. TAX EXEMPTION. District property and revenue and the interest on bonds issued by the district are exempt from any tax imposed by this state or a political subdivision of this state.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. 1540), Sec. 2.04, eff. April 1, 2011.

SUBCHAPTER G. BONDS

Sec. 172.301. REVENUE BONDS. A district, by board resolution, may issue revenue bonds in amounts that the board

considers necessary or appropriate for the acquisition, purchase, construction, reconstruction, repair, equipping, improvement, or extension of its rail facilities.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.302. SECURITY FOR PAYMENT OF BONDS. (a) To secure payment of district bonds, the district may:

(1) encumber and pledge all or part of the revenue of its rail facilities; and

(2) encumber all or part of the property of the rail facilities and everything pertaining to them acquired or to be acquired.

(b) Unless prohibited by the resolution or indenture relating to outstanding bonds, a district may encumber separately any item of property.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.303. BONDS AS AUTHORIZED INVESTMENTS AND SECURITY FOR DEPOSITS OF PUBLIC FUNDS. (a) District bonds are legal and authorized investments for:

- (1) a bank;
- (2) a trust company;
- (3) a savings and loan association; and
- (4) an insurance company.

(b) The bonds are:

(1) eligible to secure the deposit of public funds of this state or a municipality, a county, a school district, or any other political corporation or subdivision of this state; and

(2) lawful and sufficient security for the deposit to the extent of the principal amount or market value of the bonds, whichever is less.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.304. APPLICABILITY OF PUBLIC IMPROVEMENT FINANCING

LAW. For purposes of Chapter [1371](#), Government Code:

(1) a district is an issuer; and

(2) the acquisition, improvement, or repair of rail facilities by a district is an eligible project.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.305. LIMIT ON POWER. A revenue bond indenture may limit the exercise of the power granted by Section [172.002](#), [172.151](#), [172.152](#), [172.153](#), [172.154](#), [172.155](#), [172.157](#), [172.158](#), [172.159](#), [172.160](#), [172.201](#), [172.202](#), [172.203](#), [172.204](#), [172.205](#), [172.206](#), [172.207](#), [172.208](#), [172.209](#), [172.210](#), [172.251](#), [172.252](#), [172.253](#), [172.254](#), or [172.304](#). The limitation applies while any of the revenue bonds issued under the indenture are outstanding and unpaid.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.

Sec. 172.306. EXEMPTION FROM REVIEW OF NOTES BY ATTORNEY GENERAL. District notes authorized to be issued to an agency of the federal or state government, and related records, are not required to be submitted to the attorney general for examination under Chapter [1202](#), Government Code.

Added by Acts 2009, 81st Leg., R.S., Ch. 85 (S.B. [1540](#)), Sec. 2.04, eff. April 1, 2011.