

AN ACT

relating to a grant program to fund certain short line railroad projects.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter O, Chapter 201, Transportation Code, is amended by adding Section 201.981 to read as follows:

Sec. 201.981. GRANT PROGRAM FOR CERTAIN SHORT LINE RAILROAD PROJECTS. (a) In this section:

(1) "District" has the meaning assigned by Section 172.001.

(2) "Short line railroad" means a Class II or Class III railroad as defined by the federal Surface Transportation Board.

(b) For the purpose of increasing public safety, enhancing economic development, and reducing traffic, the department shall establish and administer a program to award grants to districts that own or operate short line railroads to fund projects that:

(1) replace short line railroad tracks or bridges;

(2) improve short line rail capacity; or

(3) restore short line railways.

(c) A district that owns or operates a short line railroad may use money awarded by the department under this section as matching funds to secure additional funding for a short line railroad project described by Subsection (b).

(d) Each grant awarded under this section must be approved

1 by the commission. The commission may not approve a grant under  
2 this section unless the commission determines that:

3 (1) at least 10 percent of the total project costs will  
4 be provided by a source other than the state; or

5 (2) if the grant money is being used as matching funds  
6 under Subsection (c), at least 10 percent of the amount used as  
7 matching funds will be provided by a source other than the state.

8 (e) The department may fund the grant program under this  
9 section only from money appropriated by the legislature for that  
10 purpose and from gifts and grants, including grants from the  
11 federal government. The department may solicit and accept gifts  
12 and grants from any source for the purposes of this section. Money  
13 deposited to the credit of the state highway fund may not be used to  
14 fund a grant awarded under this section.

15 (f) The commission shall adopt rules as necessary to  
16 implement this section.

17 SECTION 2. Not later than October 1, 2025, the Texas  
18 Transportation Commission shall adopt the rules required by Section  
19 201.981, Transportation Code, as added by this Act.

20 SECTION 3. This Act takes effect immediately if it receives  
21 a vote of two-thirds of all the members elected to each house, as  
22 provided by Section 39, Article III, Texas Constitution. If this  
23 Act does not receive the vote necessary for immediate effect, this  
24 Act takes effect September 1, 2025.

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 2366 passed the Senate on April 30, 2025, by the following vote: Yeas 25, Nays 6.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 2366 passed the House on May 28, 2025, by the following vote: Yeas 112, Nays 29, two present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor