



HB 2978: Short Line Railroads Subsidized by the General Fund

Testimony for House Revenue – Robert Sisk – 3.13.2019

It is clear that short line railroads are critical to many smaller Oregon cities. However the bill seems designed for regular maintenance on properties with both private and public owners. Shouldn't the prices charged customers cover the cost rather than the money from the General Fund?

If the projects are in fact one-time major infrastructure projects, we believe the needs are best evaluated by the Regional Solutions teams, who would then make decisions about what projects – in competition with other projects in their regions -- most deserve public funds, rather than being an owner's decision to have the public pay up to 50% of the cost as this bill is designed to do.

Further, we question this particular form of subsidy. Grants rather than tax credits are a more rational form of General Fund subsidy, especially when those tax credits are transferable, as in HB 2978, and especially for publicly-owned projects. The owner advocates of a similar bill in 2018 said in testimony that these tax credits are typically transferred to people with tax liability, so in their cases, a different form of subsidy would be more rational.

Finally, we believe that if the public is going to share in the cost of maintaining these lines, there should be property tax breaks in which the local communities they support bear at least 55% of the cost. Schools will still lose 40% of their funding statewide. But the local community, rather than the state at large decides that this is a good use of public funds.

It is certainly not clear that any public subsidy is needed. For example, [a quick look online](#) found that Genesee and Wyoming (G&W), the parent of Willamette and Pacific is an international firm with assets in the U.S., Australia, the Middle East and Europe. With \$8 billion in assets and equity of \$3.9 billion, G&W enjoyed net income of \$557 million in 2017. That's healthy profits for this short line railroad. Thus we find it difficult to believe that there is any actual need for these businesses to be pursuing HB 2978 which asks for the General Fund to support 50% of their business costs for maintaining or improving their rail lines.

Given the budget constraint on tax expenditures and all of the issues raised with subsidizing a specific industry, it is not productive to further invest time on this request since it won't be competitive with the many higher priorities.

We read the bills and follow the money