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HOUSE FISCAL AGENCY

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SB28 AS PASSED BY THE SENATE

Sponsor
Committee

Sen. Phillip E. Hoffman
HOUSE APPROPRIATIONS

Analyst(s) Hamilton, William

Completed 3/8/01

State Fiscal Impact

Cost	None
Revenues	None

Local Fiscal Impact

Cost	None
Revenues	None

The Rail Infrastructure Loan Program was established through a boilerplate section in the 1996/97 state Transportation appropriations act (PA 341 of 1996). SB 28 would establish the Rail Infrastructure Loan Fund in statute, within the State Transportation Preservation Act of 1976 (PA 295 of 1976) and would define program goals and loan approval criteria in state - rather than simply in appropriations act boilerplate.

To the extent that this bill simply establishes in statute an existing state program previously authorized in appropriations act boilerplate, there would be no fiscal impact on state or local government.

DATE: March 8, 2001

TO: House Appropriations Committee on Transportation

FROM: William E. Hamilton

RE: SB 28, as passed the Senate
Rail Infrastructure Loan Program

Summary - The Rail Infrastructure Loan Program was established through a boilerplate section in the 1996/97 Transportation appropriations act, PA 341 of 1996. The section earmarked \$3 million to establish the program. The section also provided general program goals - to "provide noninterest bearing loans for rail infrastructure improvements" - and identified eligible applicants and general loan selection criteria. The Michigan Department of Transportation established a Rail Infrastructure Fund to account for program funds.

SB 28 would establish the Rail Infrastructure Loan Fund in statute, within the State Transportation Preservation Act of 1976 (PA 295 of 1976), and would define program goals and loan approval criteria in statute, rather than in appropriations boilerplate alone.

SB 28 would also prohibit the department and the state transportation commission from requiring collateral, letters of credit, or personal loan guaranties. This would reverse current commission policy.

History - As noted above, the Rail Infrastructure Loan Program (also known as MiRLAP) was established through a boilerplate section in the 1996/97 Transportation appropriations act, PA 341 of 1996. The program was modeled after a similar program in Wisconsin.

In addition to the initial \$3 million earmark in the 1996/97 fiscal year, funds for the program have been appropriated in each subsequent state Transportation budget. Boilerplate language capped the amount of state contribution at \$15 million. To date \$14.2 million has been appropriated for the program. The Department has reserved the entire \$14.2 million for the loan program; none of the appropriated funds have lapsed. The Executive budget recommendation for FY 2001-02 includes the final \$800,000 appropriation that would bring the fund to the \$15 million maximum state contribution.

I have attached the following documents for your review:

- The boilerplate language from PA 271 of 2000 (the FY 2000-01 Transportation appropriations act)
- A table which compares appropriations boilerplate provisions with SB 28
- Appropriations History
- An MDOT table showing the status of outstanding rail infrastructure loans

Rail Infrastructure Loan Program
Boilerplate Provisions from PA 271 of 2000

The Boilerplate language which governs the Rail Infrastructure Loan Program in the current fiscal year, is found in PA 271 of 2000, the FY 2000-01 Transportation appropriations act:

Sec. 707. *From the funds appropriated in part 1, \$2,000,000.00 is allocated for a rail infrastructure loan program. The program shall provide noninterest bearing loans for rail infrastructure improvements. The department shall evaluate loan applications according to the relative merit of the project in conjunction with program goals. The transportation commission shall approve the loans. The loans shall fund not less than 90% of the rail portion of project costs, and the loan repayment period shall not exceed 10 years. Local governments, railroads, and current or potential users of freight railroad services are eligible applicants. At the end of the fiscal year, unexpended funds shall remain in the rail infrastructure loan program and shall be available to be allocated for the purposes of the program in the succeeding fiscal year. Money that is received by this state as repayment for rail infrastructure loans made pursuant to this program shall remain within the rail infrastructure loan program and shall be allocated for the purposes of the program. The state's total contribution to the rail infrastructure loan program shall not exceed \$15,000,000.00.*

Boilerplate Section 707 PA 271 of 2000	SB 28
<p>The Rail Infrastructure Loan Program established through appropriations act boilerplate</p> <p>Rail Infrastructure Load Fund established by MDOT to account for program funds</p>	<p>Rail Infrastructure Load Fund created to implement the Rail Infrastructure Loan Program in the State Transportation Department</p> <p>Rail Infrastructure Load Fund established within PA 295 of 1976 as a “self-sustaining revolving loan fund”</p>
<p>\$15 million cap on state contributions</p>	<p>\$15 million cap on state contributions</p> <ul style="list-style-type: none"> - interest on fund balances, and penalties for late loan payment, accrue to the fund. [As a result, the fund can grow beyond the initial \$15 million state contribution.] - provides for receipt of gifts or grants
<p>Program description -</p> <p><i>“The program shall provide noninterest bearing loans for rail infrastructure improvements.”</i></p>	<p>Program description -</p> <p><i>“The rail infrastructure loan fund is a self-sustaining revolving loan fund to finance infrastructure improvements and construction for the purposes of preserving, rebuilding, rehabilitating, or constructing facilities or improvements on railroad operating property or property adjacent to railroad operating property, in this state.”</i></p> <p><i>“Construction is limited to those facilities or improvements required to continue rail service on a particular line, to improve the efficiency of existing rail service, or to provide alternative rail service when a line has been abandoned.”</i></p> <ul style="list-style-type: none"> - allows use of loans for acquisition of rail property, “if the department determines that the public interest requires”... <i>“for the purpose of preserving freight rail service or improving the efficiency of existing freight service”</i> - allows use of loans for non-federal match for any federal rail infrastructure loan program - provides for the fund to provide “noninterest bearing loans for the purposes described in this section.”
<p>Loan terms -</p> <p><i>“The loans shall fund <u>not less than</u> 90% of the rail portion of project costs...”</i></p> <p>repayment period not to exceed 10 years</p>	<p>Loan terms -</p> <p><i>“A loan shall fund <u>not MORE THAN</u> 90% of the rail portion of project costs....”</i></p> <p>repayment period not to exceed 10 years</p>
<p>Eligible applicants -</p> <p><i>“Local governments, railroads, and current or potential users of freight railroad services...”</i></p> <p>The State Transportation Commission has adopted additional eligibility criteria</p>	<p>Eligible applicants -</p> <p><i>“A county, city, township, village, economic development corporation, and railroad and current or potential users of freight railroad services are eligible applicants.”</i></p>

<p>Boilerplate Section 707 PA 271 of 2000</p>	<p>SB 28</p>
<p>Approval process -</p> <p><i>“The department shall evaluate loan applications according to the relative merit of the project in conjunction with program goals. The transportation commission shall approve the loans.”</i></p> <p>Commission policy currently requires collateral, letter of credit, or personal guaranties</p>	<p>Approval process -</p> <p><i>“The department shall evaluate loan applications according to the relative merit of the project in conjunction with program goals AND MAKE RECOMMENDATIONS TO THE STATE TRANSPORTATION COMMISSION REGARDING EACH LOAN APPLICATION. The commission shall approve OR DENY the loans.”</i></p> <p>- prohibits the department or commission from requiring collateral, letter of credit, or personal guaranties</p>
<p>Reporting Requirement -</p> <p>none</p>	<p>Reporting Requirement -</p> <p>- annual report to both houses of the legislature and to the fiscal agencies</p> <p>- additional report required on the Rail Freight Fund established by PA 295 of 1976</p>

Rail Infrastructure Loan Program
Appropriations History



Fiscal Year	Appropriation
1996/97	\$3,000,000
1997/98	3,300,000
1998/99	3,300,000
1999/2000	2,600,000
2000/01	2,000,000
Total Appropriated	\$14,200,000
2001-02 Executive Recommendation	\$800,000
Total	\$15,000,000

MEMO ON SB 28