

# RAIL INFRASTRUCTURE LOAN PROGRAM



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## FISCAL ANALYSIS

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**SENATE BILL 28 (H-4)**  
**Sponsor:** Sen. Philip E. Hoffman  
**House Committee:** Appropriations

**FLOOR ANALYSIS - 12/4/02**  
**Analyst(s):** William Hamilton

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### SUMMARY

***Fiscal Impact*** - In as much as the bill's primary effect would be to establish in statute an existing department program, it would have no direct fiscal impact.

***Background*** - The Rail Infrastructure Loan Program (also known as the Michigan Rail Loan Assistance Program or MiRLAP) was established through a boilerplate section of the FY 1996-97 transportation appropriations act, PA 341 of 1996. The boilerplate section earmarked \$3.0 million from the Comprehensive Transportation Fund (CTF) to establish the program, which was modeled after a similar program in Wisconsin. 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 within the Comprehensive Transportation Fund to account for program funds.

In addition to the initial \$3.0 million earmark in FY 1996-97, funds for the program have been appropriated from the CTF in each subsequent state transportation budget. Boilerplate language capped total state contributions at \$15.0 million. The \$15.0 million maximum state contribution had been appropriated through FY 2001-02, however Executive Order 2001-9 transferred \$4.0 million from the fund to the state General Fund. To date, the net state contribution has been \$11.1 million (see attachment).

Senate Bill 28 (H-4) 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. Note that the Senate-passed bill would have also prohibited the department and the State Transportation Commission from requiring collateral, letters of credit, or personal loan guaranties. This would reverse current Commission policy. The H-4 substitute adopted by the House Appropriations committee differs from the Senate-passed bill by, among other things, striking the Senate language prohibiting collateral, letters of credit, or personal loan guaranties.

### ***Attachments:***

- The boilerplate language from PA 561 of 2002 (the FY 2002-03 transportation appropriations act)
- Appropriations history and fund balance

Rail Infrastructure Loan Program  
Boilerplate Provisions from PA 561 of 2002



The Boilerplate language which governs the Rail Infrastructure Loan Program in the current fiscal year, is found in Section 705 of PA 561 of 2002 (HB 5651) - the FY 2002-03 transportation appropriations act:

*Sec. 705. From the funds appropriated in part 1, \$100,000.00 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 more 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.*

Rail Infrastructure Loan Program  
 Appropriations History and Fund Balance  
 As of November 26, 2002



Fiscal Year	Appropriation History
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
2001-02	800,000
<b>Appropriation Subtotal</b>	<b>\$15,000,000</b>
EO 2001-9 Reduction	(\$4,000,000)
<b>Appropriation Subtotal</b>	<b>\$11,000,000</b>
2002-03	100,000
<b>Net State Contributions</b>	<b>\$11,100,000</b>
Loans/Commitments Outstanding	7,424,711
<b>Balance Available</b>	<b>\$3,675,289</b>

Table created from data provided by the Michigan Department of Transportation