

Senate Fiscal Agency  
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**SFA****BILL ANALYSIS**

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Senate Bill 28 (Substitute S-1 as reported)

Sponsor: Senator Philip E. Hoffman

Committee: Appropriations

## **CONTENT**

The bill would amend the State Transportation Preservation Act to create, in statute, the Rail Infrastructure Loan Fund to implement the Rail Infrastructure Loan Program, which was established through a language section in an annual Michigan Department of Transportation (MDOT) budget (Public Act 341 of 1996). The Fund would receive annual appropriations from the Legislature, and would be used to finance infrastructure improvements and construction for the purposes of preserving, rebuilding, rehabilitating, or constructing facilities or improvements on railroad operating property or adjacent property. If it were determined that the public interest required, the MDOT could provide loans from the Fund to eligible applicants to acquire rail property for the purpose of preserving freight rail service or improving the efficiency of existing freight rail service in Michigan, or for use as the non-Federal match for any Federal rail infrastructure loan program.

The bill would require the Legislature to appropriate not more than \$3,000,000 each year to the Rail Infrastructure Loan Fund until the Fund balance reached \$15,000,000. All interest, loan repayments, and penalties would be credited to the Fund, but would not count toward the \$15,000,000 State contribution limit. Money in the Fund at the end of the fiscal year would remain in the Fund and be available in the succeeding fiscal year.

Counties, cities, townships, villages, economic development corporations, and users of freight railroad services would be eligible to request a loan from the Rail Infrastructure Loan Fund. The MDOT would evaluate loan applications according to the relative merits of the projects in conjunction with program goals and make recommendations to the State Transportation Commission. The Commission would approve or deny all loan applications.

The loans would be noninterest bearing. The MDOT and the State Transportation Commission would be prohibited from requiring collateral, an irrevocable letter of credit, or a personal guarantee to qualify for a loan. (Note: Current MDOT program guidelines require loan applicants to specify collateral/assurances to guarantee the repayment of a loan.) A loan could not fund more than 90% of the rail portion of the project costs and loan repayment periods could not exceed 10 years.

The MDOT would be required to report by December 31 of each year to the Legislature on the status of the Rail Infrastructure Loan Program and the Fund.

Proposed MCL 474.65a

## **FISCAL IMPACT**

To the extent that the bill would establish the existing Rail Infrastructure Loan Program in statute, the bill would have no fiscal impact on State or local government. Prohibiting collateral could result in additional loan applicants and loan approvals, but this would have no direct fiscal impact. To date, \$14,200,000 has been appropriated for the Program.

Date Completed: 2-15-01

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