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BILL ANALYSIS

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Senate Bill 1215 (as introduced 4-20-06)
Sponsor: Senator Tony Stamas
Committee: Appropriations

Date Completed: 5-23-06

CONTENT

The bill would amend the State Transportation Preservation Act to allow a 10-year extension of loans from the Rail Infrastructure Loan Fund for loan recipients that did not meet minimum annual carload requirements.

The Rail Infrastructure Loan Fund is a revolving loan fund used to finance construction and improvements to freight railroad infrastructure, including preserving, rebuilding, rehabilitating, or constructing facilities or improvements on or adjacent to railroad operating facilities. Noninterest-bearing loans are made from the Fund and a loan recipient has up to 10 years to repay the Fund.

The Rail Infrastructure Loan Program receives an annual appropriation from the Comprehensive Transportation Fund through the Department of Transportation appropriation act which is a deposit into the Fund. The Fund balance at the close of FY 2004-05 was $4,936,170; although only $1,423,086 was available in FY 2005-06 for loans due to prior obligations of the Fund.

The bill would authorize the State Transportation Commission to extend the loan period for up to another 10 year for loans made between August 25, 2005 and December 31, 2006, if a loan recipient did not meet any minimum annual carload requirements recommended by the Department and approved by the Commission. For any year that the loan recipient did not meet the annual minimum carload requirements, the loan recipient would be relieved of any loan repayment obligations for that year. This provision would convert a portion of the loan into a grant since that one year of obligation would not have to be repaid.

"Minimum annual carload requirements" would mean a minimum carload based on a three-year average of railcars loaded on the portion of the rail line subject to the loan.

MCL 474.65a

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the State. The Rail Infrastructure Loan Fund is a revolving fund that depends on annual appropriations and the repayment of loans to make funds available for new loans in the next fiscal year. Depending on the loan amounts eligible under the proposed provisions, the repayment of loans would be postponed or reduced entirely. This would make less funding available for future loan needs.

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