

Rail Freight Fund – Report for Fiscal Year 2011

This report on the Rail Freight Fund (RFF) is required by MCL 474.65a(4). The Department's authority to deposit funds in the Rail Freight Fund and to provide financial assistance for facilities of rail freight and marine freight transportation are specified in MCL 474.67.

The amount of the fund at the beginning of FY 2011 was \$1,695,660.76. Revenues totaling \$1,031,989.05 increased the fund to \$2,727,649.81. Expenditures made from the fund during the fiscal year totaled \$451,586.04. Outstanding encumbrances at the end of FY2011 totaled \$995,281.82, including \$211,884.40 being held in escrow to secure a loan to Global Engine Asset Co, LLC. The fund balance at the close of the fiscal year was \$1,280,781.95.

One Freight Economic Development Program (FEDP) project was funded from the RFF in FY 2011. A loan of \$158,387.50 was awarded to Dearborn Steel Center to assist in the cost of realigning an existing rail spur and construct an additional one to serve the company's expanded operations. In addition, two capital improvement projects on the state-owned rail system received RFF funding. One project involved track rehabilitation between Ithaca and Mt. Pleasant, while the other involved the construction of a new siding north of Ann Arbor.

The FEDP projects that previously received funding from the RFF and are still under contractual obligation to repay the loans are listed on the attached chart entitled, "Status of Freight Economic Development Loans that Received Funding from the Rail Freight Fund".

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Status of Freight Economic Development Program (FEDP) Loans that Received Funding from the Rail Freight Fund

Company	Contract No.	FY	Total Cost of Project	Amount Funded from RFF	Amount Disbursed	Amount Paid Back
Global Engine Asset Co., LLC *	2004-0339	2004	\$1,059,422.00	\$339,252.61	\$529,711.00	\$244,553.17
Lake State Railway Co. - A&L Iron**	2004-0237	2005	\$4,500,000.00	\$161,855.00	\$971,609.95	\$0.00
Dearborn Steel Center ***	2011-0228	2011	\$316,775.00	\$158,387.50	\$86,925.60	\$0.00
<i>Total FEDP Loans - Funded from the RFF****</i>			\$5,876,197.00	\$659,495.11	\$1,588,246.55	\$244,553.17

* Global Engine Asset Co., LLC (2004-0339) received \$529,711.00 in FEDP loan funding; however, only \$339,252.61 was from the Rail Freight Fund; the balance of funding was from other sources. In FY 2010, \$423,768.80 was returned to MDOT from the existing Letter of Credit (LOC) when the company could not obtain a new LOC to secure the loan. Of this, \$211,884.40 remains held in escrow.

** Lake State Railway Co. (2004-0237) received \$971,609.95 in FEDP loan funding; however, only \$161,855.00 was from the Rail Freight Fund; the balance of funding was from other sources.

*** The Dearborn Steel Center project (2011-0228) is still active; not all invoices have yet been received or paid.

**** These are all FEDP loans funded, at least in part, from the RFF and for which the recipients are under contractual obligation to repay the loans unless they meet certain rail usage requirements.

Rail Infrastructure Loan Program - Report for Fiscal Year 2011

This report on the rail infrastructure loan program is required under Section 15a (4) of Public Act 295 of 1976, as amended (MCL 474.65a(4)).

Originally established under appropriation boilerplate in 1997 to help finance capital improvements on Michigan's freight railroad infrastructure, the rail infrastructure loan program, also known as the Michigan Rail Loan Assistance Program (MiRLAP), was created in statute in 2002. The loan program helps preserve and improve freight railroad infrastructure by making interest free loans to railroads, local governments, economic development corporations, and current or potential users of freight railroad services for qualifying projects. Money received as repayment for loans made under this program, together with interest earned and any penalties assessed and received for failure to repay loans on time are credited to the fund to be allocated for the purposes of the program. Through this revolving fund, loans can continue to be made for rail infrastructure improvements in perpetuity.

The program has made nearly \$15.3 million in loans since its inception. In all, thirty-seven loans have been awarded to twenty-six separate applicants throughout the state.

Rail Infrastructure Loan Fund

At the beginning of fiscal year (FY) 2011, the balance of the Rail Infrastructure Loan Fund was \$7,768,904.43. Interest earnings of \$5,092.21 increased the fund balance to \$7,773,996.64.

Status of Projects

Due to the fact that \$5.7 million was legislatively transferred from the fund at the end of FY2010 as part of an overall effort to address the General Fund shortfall, no loan applications were solicited or received during FY2011.

Information on all currently-outstanding loan contracts funded under the program, as well as all loans paid in full during FY2011, is provided on the attached chart entitled "Status of Rail Infrastructure Loan Agreements". All loans remain in good standing.

Loans Outstanding

At the beginning of FY 2011, outstanding loans amounted to \$5,619,076.90. Loan repayments of \$1,732,958.36 and an adjustment of \$0.33 reduced the amount of outstanding loans to \$3,886,118.21. No additional disbursements made in FY 2011.

Amount Available for New Loans

At fiscal year end 2011, the Rail Infrastructure Loan Fund had a balance of \$7,773,996.64. The fund has outstanding loans of \$3,886,118.21, leaving \$3,887,878.43 available for disbursement. An additional \$1,005,459.71 is obligated, but not yet disbursed, leaving an unobligated balance of \$2,882,418.72.

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Status of Active Rail Infrastructure Loan Agreements as of September 30, 2011*						
Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Repaid	Amount Outstanding
Norfolk Southern Corporation	1999-0317	1999	\$424,804.59	\$424,804.59	\$414,184.29	\$10,620.30
Central Michigan Railway Company	2000-0291	2000	\$607,500.00	\$607,500.00	\$607,500.00	\$0.00
Monitor Sugar Company	2000-0292	2000	\$573,000.00	\$573,000.00	\$415,425.00	\$157,575.00
The Anderson's, Inc.	2000-0294	2000	\$410,602.63	\$410,602.63	\$410,602.63	\$0.00
Charlotte Southern Railway Company	2000-0740	2000	\$135,000.00	\$135,000.00	\$116,505.00	\$18,495.00
Detroit Connecting Railroad Company	2000-0741	2000	\$49,593.54	\$49,593.54	\$42,154.56	\$7,438.98
Lapeer Industrial Railroad Company	2000-0742	2000	\$40,000.00	\$40,000.00	\$34,000.00	\$6,000.00
Lake State Railway Company	2001-0938	2001	\$898,750.25	\$898,750.25	\$719,000.32	\$179,749.93
CSX Transportation Inc.	2002-0328	2002	\$672,603.00	\$672,603.00	\$504,480.00	\$168,123.00
Central Michigan Railway Company	2002-0552	2002	\$135,037.62	\$135,037.62	\$135,037.62	\$0.00
Lapeer Industrial Railroad Company	2001-0368	2001	\$78,800.00	\$78,800.00	\$59,100.00	\$19,700.00
Great Lakes Central Railroad (Tuscola & Saginaw Bay Railway)	2003-0495	2003	\$280,163.77	\$280,163.77	\$207,572.43	\$72,591.34
Luce County Economic Development Corporation	2003-0494	2003	\$198,000.00	\$198,000.00	\$128,700.00	\$69,300.00
Wayne Industries, Inc.	2003-0496	2003	\$74,947.00	\$74,947.00	\$56,220.00	\$18,727.00

Indiana Northeastern Railroad	2004-0233	2004	\$360,000.00	\$360,000.00	\$243,000.00	\$117,000.00
Lake State Railway Company	2004-0236	2004	\$396,589.61	\$396,589.61	\$178,465.32	\$218,124.29
J. Rettenmaier USA LP	2004-0228	2004	\$450,552.88	\$450,552.88	\$247,808.00	\$202,744.88
Lake State Railway Company	2005-0155	2005	\$458,069.54	\$458,069.54	\$286,293.50	\$171,776.04
Great Lakes Central Railroad (Tuscola & Saginaw Bay Railway)	2005-0142	2005	\$247,948.00	\$247,948.00	\$148,768.80	\$99,179.20
Detroit Connecting Railroad Company	2005-0140	2005	\$90,000.00	\$90,000.00	\$18,000.00	\$72,000.00
Adrian & Blissfield Rail Road	2005-0138	2005	\$171,000.00	\$171,000.00	\$34,200.00	\$136,800.00
National Standard, LLC	2006-0260	2006	\$625,136.62	\$619,676.91	\$222,426.95	\$397,249.96
Fresh Solution Farms, LLC (L. Walther & Sons, Inc.)	2006-0261	2006	\$1,000,000.00	\$1,000,000.00	\$250,000.00	\$750,000.00
Saginaw Bay Southern Railway Company	2008-0199	2008	\$640,027.44	\$640,027.44	\$192,008.28	\$448,019.16
Columbian Enterprises	2008-0200	2008	\$72,540.00	\$72,540.00	\$12,694.50	\$59,845.50
Tri-State Forest Products, Inc.	2009-0210	2009	\$554,352.73	\$554,352.73	\$69,294.10	\$485,058.63
Saginaw Bay Southern Railway Company	2009-0425	2009	\$835,445.00	\$835,445.00	\$835,445.00	\$0.00
Grand Elk Railroad-contract has not been executed	2009-0721	2009	\$1,000,000.00	\$0.00	\$0.00	\$0.00
			\$11,480,464.22	\$10,475,004.51	\$6,588,886.30	\$3,886,118.21
Total Loans Outstanding						\$3,886,118.21

*includes loans paid in full during FY2011