

JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GLORIA J. JEFF
DIRECTOR

December 21, 2005

The Honorable Shirley Johnson, Chair
Senate Appropriations Subcommittee on Transportation
P. O. Box 30036
Lansing, Michigan 48909

The Honorable Shelley Goodman Taub, Chair
House Appropriations Subcommittee on Transportation
P. O. Box 30014
Lansing, Michigan 48909

Dear Senator Johnson and Representative Taub:

Rail Freight Fund – Report for Fiscal Year 2005

This report on the Rail Freight Fund (RFF) is required by Section 15a (4) of Public Act 747 of 2002 which amends 1976 Public Act 295, by adding Section 15a. 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 Section 17 of this Public Act.

The fund balance at the beginning of FY 2005 was \$980,761.79. Revenues received total \$1,103,271.25. Expenditures were \$1,275,177.84 and outstanding encumbrances total \$245,463.15. The fund balance at the end of FY 2005 was \$563,392.05.

Two projects received funding from the RFF during Fiscal Year 2005. Both projects are consistent with the objective of the Act.

(1) Lake State Railway Company was awarded a loan/grant under the Freight Economic Development Program (FEDP), and a portion of the funding (\$161,855.00) came from the Rail Freight Fund. (The total amount of the FEDP loan/grant was \$971,609.95.) The project, still in its construction phase, will provide the A&L Iron & Metal Company, Inc. with rail access into the Gaylord Industrial Park. The FEDP awards low interest loans to eligible applicants. Loan recipients may be forgiven for some, or all, of their loan provided they meet specified contractual car loading commitments. (This project is listed on the enclosed chart entitled, "Status of Freight Economic Development Loans/Grants Funded from the Rail Freight Fund" together with all other FEDP projects - funded from the RFF - that are still under contractual requirements to meet certain car loading requirements.)

(2) The RFF also partially funded a track rehabilitation project on the state-owned line operated by the Tuscola & Saginaw Bay Railway Company (TSB). The project rehabilitated 4.12 miles of track between Bannister and Ashley in Gratiot County and funding of \$1,302,567.57 came from the RFF. (The total cost for this project was \$1,906,721.06.)

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If you have questions or need additional information regarding the Rail Freight Fund, please feel free to contact me or Rob Abent, Director, Multi-Modal Transportation Services at (517) 335-9568.

Sincerely,

A handwritten signature in black ink, appearing to read "Gloria J. Jeff", written over a horizontal line.

Gloria J. Jeff
Director

Enclosure

cc: Members of the Senate and House Appropriations Subcommittees on Transportation
Craig Thiel, Senate Fiscal Agency
Bill Hamilton, House Fiscal Agency
Ronald DeCook
Rob Abent

Freight Economic Development Program (FEDP) Loans/Grants - Funded from the Rail Freight Fund (RFF)

Company	Contract No.	FY	Total Cost of Project	Amount Funded from RFF	Amount Disbursed	Amount Paid Back
Ogihara America Corp.	1998-0365	1998	\$905,000.00	\$433,065.16	\$433,065.16	\$104,045.09
Poly-Chesterfield, LLC	2001-0406	2001	\$130,000.00	\$65,000.00	\$65,000.00	\$5,173.19
Victor Fiber & Supply Inc.	2002-0125	2002	\$70,000.00	\$34,728.00	\$25,408.90	\$0.00
Depot Enterprise, LLC	2002-0129	2002	\$128,500.00	\$64,250.00	\$64,250.00	\$23,996.63
Luce County EDC	2003-0493	2003	\$647,000.00	\$126,000.00	\$126,000.00	\$0.00
D&K Investments LLC	2003-0633	2003	\$20,733.00	\$10,366.50	\$10,366.50	\$0.00
J. Rettenmaier USA, LP (ACTIVE)	2004-0227	2004	\$707,212.00	\$85,188.00	\$0.00	\$0.00
*Global Engine Asset Co., LLC (ACTIVE)	2004-0339	2004	\$1,509,422.00	\$339,252.61	\$369,000.00	\$0.00
**Lake State Railway Co. - A&L Iron (ACTIVE)	2004-0237	2005	\$4,500,000.00	\$161,855.00	\$0.00	\$0.00
Total FEDP Loans/Grants - Funded from Rail Freight			\$8,617,867.00	\$1,319,705.27	\$1,093,090.56	\$133,214.91

*Note 1: Global Engine Asset Co., LLC (2004-0339) was awarded a FEDP Loan/Grant of \$529,711.00; this chart shows only the amount funded from the Rail Freight Fund.

**Note 2: Lake State Railway Co. (2004-0237) was awarded a FEDP Loan/Grant of \$971,609.95; this chart shows only the amount funded from the Rail Freight Fund.

THRU FISCAL YEAR ENDING 9/30/05



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Dear Senator Johnson and Representative Taub:

Rail Infrastructure Loan Program - Report for Fiscal Year 2005

The rail infrastructure loan program was placed in statute through the enactment of Public Act 747 of 2002, which amends 1976 Public Act 295 by adding Section 15a. This report on the loan program is required under Section 15a (4).

Fund Balance

The fund balance at the beginning of FY 2005 was \$4,245,941.36. After adding the appropriation of \$100,000.00 for FY 2005, the fund balance increased to \$4,345,941.36. Revenues received in FY 2005 total \$1,192,852.69.¹ Expenditures drawn down total \$602,624.55; this is the amount reimbursed to loan recipients for rail freight infrastructure improvements during the subject fiscal year. Therefore, the fund balance at the end of FY 2005 is \$4,936,169.50. (This amount includes funding that is obligated by contract, but not yet drawn down.)

Amount Available for New Loans (Available Balance)

The amount available for new loans at the beginning of FY 2005 was \$1,848,250.36. After adding the FY 2005 appropriation of \$100,000.00, this amount increased to \$1,948,250.36. Revenues received were \$1,192,852.69; and encumbrances incurred total \$1,718,035.00.² Therefore, the amount available for loans at the end of FY 2005 is \$1,423,068.05.

¹ Revenue amount includes \$1,069,547.60 in loan repayments, plus \$123,305.09 of interest accrued for a total of \$1,192,852.69

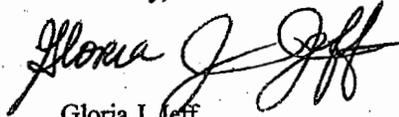
² Obligated amount includes six new contracts as a result of the 2005 call for projects; it also includes an amendment to a contract which increased the project's scope and cost.

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Projects placed under contract in Fiscal Year 2005, together with information on all loan contracts funded under the loan program since its inception, are listed on the enclosed chart entitled "Status of Rail Infrastructure Loan Agreements". All projects funded are consistent with the objective of the Act.

The rail infrastructure loan program was originally established under Section 710 of Public Act 341 of 1996 to help finance capital improvements on Michigan's freight railroad infrastructure. The loan program, also known as the Michigan Rail Loan Assistance Program (MiRLAP), helps preserve and improve freight railroad infrastructure by making interest free loans to local governments, economic development corporations, railroads, 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. The fund is structured as a "revolving" loan fund so that loans can continue to be made for rail infrastructure improvements in perpetuity. All loans remain in good standing.

Sincerely,



Gloria J. Jeff
Director

Enclosure

cc: Members of the Senate and House Appropriations Subcommittees on Transportation
Craig Thiel, Senate Fiscal Agency
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Ronald K. DeCook
Rob Abent

Status of Rail Infrastructure Loan Agreements

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
Luce County Economic Development Corporation	1997-0585	1997	\$62,896.00	\$62,896.00	\$62,896.00	\$0.00
Central Michigan Railway Company	1997-0588	1997	\$1,000,000.00	\$1,000,000.00	\$575,000.23	\$424,999.77
Indiana & Ohio Railway	1998-0629	1998	\$271,776.00	\$271,776.00	\$271,776.00	\$0.00
Lake State Railway Company	1998-0632	1998	\$450,000.00	\$450,000.00	\$450,000.00	\$0.00
Norfolk Southern Corporation	1999-0317	1999	\$424,804.59	\$424,804.59	\$159,301.65	\$265,502.94
Middleton Investment Group	2000-0010	1999	\$500,000.00	\$500,000.00	\$275,000.44	\$224,999.56
Central Michigan Railway Company	2000-0291	2000	\$607,500.00	\$607,500.00	\$197,437.50	\$410,062.50
Monitor Sugar Company	2000-0292	2000	\$573,000.00	\$573,000.00	\$71,625.00	\$501,375.00
Conrad Yelvington (3rd Coast)	2000-0293	2000	\$751,500.00	\$751,500.00	\$206,662.50	\$544,837.50
The Anderson's, Inc.	2000-0294	2000	\$410,602.63	\$410,602.63	\$195,036.04	\$215,566.59
Charlotte Southern Railway Company	2000-0740	2000	\$135,000.00	\$135,000.00	\$35,505.00	\$99,495.00
Detroit Connecting Railroad Company	2000-0741	2000	\$49,593.54	\$49,593.54	\$12,398.40	\$37,195.14
Lapeer Industrial Railroad Company	2000-0742	2000	\$40,000.00	\$40,000.00	\$10,000.00	\$30,000.00
Lake State Railway Company	2001-0938	2001	\$898,750.25	\$898,750.25	\$179,750.08	\$719,000.17
Depot Enterprise	2002-0352	2002	\$666,803.87	\$666,803.87	\$154,844.58	\$511,959.29

Status of Rail Infrastructure Loan Agreements

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
Kerry Steel Pickling (Kasle)	2002-0554	2002	\$633,960.00	\$633,960.00	\$158,490.00	\$475,470.00
CSX Transportation Inc.	2002-0328	2002	\$672,603.00	\$672,603.00	\$100,896.00	\$571,707.00
Central Michigan Railway Company	2002-0552	2002	\$135,037.62	\$135,037.62	\$30,383.46	\$104,654.16
Lapeer Industrial Railroad Company	2001-0368	2001	\$78,800.00	\$78,800.00	\$11,820.00	\$66,980.00
Tuscola & Saginaw Bay Railway	2003-0495	2003	\$280,163.77	\$280,163.77	\$39,474.27	\$240,689.50
Luce County Economic Development Corporation	2003-0494	2003	\$198,000.00	\$198,000.00	\$14,850.00	\$183,150.00
Wayne Industries, Inc.	2003-0496	2003	\$74,947.00	\$74,947.00	\$11,244.00	\$63,703.00
Indiana Northeastern Railroad	2004-0233	2004	\$360,000.00	\$360,000.00	\$27,000.00	\$333,000.00
T&M Partners, LLC and Depot Enterprise, LLC (ACTIVE)	2004-0232	2004	\$1,000,000.00	\$0.00	\$0.00	\$0.00
Lake State Railway Company (ACTIVE)	2004-0236	2004	\$1,000,000.00	\$0.00	\$0.00	\$0.00
J. Rettenmaier USA LP (ACTIVE)	2004-0228	2004	\$536,836.00	\$0.00	\$0.00	\$0.00
Lake State Railway Company (ACTIVE)	2005-0155	2005	\$500,000.00	\$458,069.54	\$0.00	\$458,069.54
Tuscola & Saginaw Bay Railway (ACTIVE)	2005-0142	2005	\$247,948.00	\$144,555.01	\$0.00	\$144,555.01
Superior Corn Products, LLC (ACTIVE)	2005-0143	2005	\$506,281.00	\$0.00	\$0.00	\$0.00
Detroit Connecting Railroad Company (ACTIVE)	2005-0140	2005	\$90,000.00	\$0.00	\$0.00	\$0.00

Status of Rail Infrastructure Loan Agreements

Company	Contract #	FY	Loan Amount	Amount Disbursed	Amount Paid Back	Amount Outstanding
Adrian & Blissfield Rail Road (ACTIVE)	2005-0138	2005	\$171,000.00	\$0.00	\$0.00	\$0.00
Davis Cartage Company (ACTIVE)	2005-0139	2005	\$63,661.00	\$0.00	\$0.00	\$0.00
Total MiRLAP Loans			\$13,391,464.27	\$9,878,362.82	\$3,251,391.15	\$6,626,971.67
Total For FY 1997			\$1,062,896.00	\$1,062,896.00	\$637,896.23	\$424,999.77
Total For FY 1998			\$721,776.00	\$721,776.00	\$721,776.00	\$0.00
Total For FY 1999			\$924,804.59	\$924,804.59	\$434,302.09	\$490,502.50
Total For FY 2000			\$2,567,196.17	\$2,567,196.17	\$728,664.44	\$1,838,531.73
Total For FY 2001			\$977,550.25	\$977,550.25	\$191,570.08	\$785,980.17
Total For FY 2002			\$2,108,404.49	\$2,108,404.49	\$444,614.04	\$1,663,790.45
Total For FY 2003			\$553,110.77	\$553,110.77	\$65,568.27	\$487,542.50
Total For FY 2004			\$2,896,836.00	\$360,000.00	\$27,000.00	\$333,000.00
Total for FY 2005			\$1,578,890.00	\$602,624.55	\$0.00	\$602,624.55

MiRLAP Loan Balances

Year	Amount Appropriated	Interest Accrued	Penalty Payments Received	Amount Contracted	Amount Disbursed	Amount Paid Back
1997	\$3,000,000.00			\$1,062,896.00	\$1,062,896.00	\$637,896.23
1998	\$3,300,000.00			\$721,776.00	\$721,776.00	\$721,776.00
1999	\$3,300,000.00			\$924,804.59	\$924,804.59	\$434,302.09
2000	\$2,600,000.00			\$2,567,196.17	\$2,567,196.17	\$728,664.44
2001	\$2,000,000.00			\$977,550.25	\$977,550.25	\$191,570.08
2002	(\$3,200,000.00)			\$2,108,404.49	\$2,108,404.49	\$444,614.04
2003	\$100,000.00	\$82,128.39		\$553,110.77	\$553,110.77	\$65,568.27
2004	\$100,000.00	\$57,681.00	\$26.69	\$2,896,836.00	\$360,000.00	\$27,000.00
2005	\$100,000.00	\$123,305.09		\$1,578,890.00	\$602,624.55	\$0.00
2006	\$100,000.00					
TOTALS	\$11,400,000.00	\$263,114.48	\$26.69	\$13,391,464.27	\$9,878,362.82	\$3,251,391.15

Total Amount Appropriated: \$11,400,000.00
Balance Available for Contracts: \$1,523,068.05

*NOTE: Executive Order 2001-9, signed November 6, 2001, transferred \$3.2 million from the Rail Infrastructure Loan Program to the General Fund for FY 2002. In addition, it amended PA 59 of 2001, deleting the \$800,000 that had been allocated for the program.

NOTE: Chart does not include 4th quarter payments.