



Frequently Asked Questions

Montana Essential Freight Rail Loan Program

What is the Montana Essential Freight Rail Loan Program?

This is a low-interest revolving loan fund to help preserve and enhance freight railroad service in Montana. It is administered by the Montana Department of Transportation (MDT). The funds were originally granted to the state by the Federal Railroad Administration.

How much is available to loan?

As of December 2011, about \$450,000 is available.

What is the program timeline?

By the end of January, applicants should express interest through a letter that identifies the applicant, project, and readiness to proceed. MDT will meet with potential applicants prior to requesting a full application.

What purpose does the letter serve?

The letter is to demonstrate a qualified applicant, project, and readiness to proceed. Applicants are not required to invest in detailed project planning at this initial stage.

What is the application process?

Once projects are found eligible and ready, full applications are requested. Applications provide details about the organization, project, project costs and benefits, security, and repayment. At this stage, detailed project plans and financial statements are required, and as is information needed to determine compliance with environmental laws and rules. MDT may request an independent feasibility study. Applicants must furnish all information needed to develop contracts relating to the loan and its security.

What projects are eligible?

Projects must be integrally related to the railroad transportation system in Montana. Eligible activities include projects to preserve and continue operation of viable railroad branch lines; and for development, improvement, construction, purchase, maintenance, or rehabilitation of intermodal transportation facilities, branch lines or short lines, sidings, light density railroad lines, and rolling stock, including rail cars.

Who is eligible to apply?

Eligible applicants include railroads, cities, counties, companies, regional rail authorities, and port authorities. To be eligible, applicants must derive revenue from the continued operation of the railroad.

Are projects eligible on all railroad lines?

An eligible project is generally one in which the line related to the project has carried less than five million gross ton miles of freight in the previous year, although this requirement may be waived if the MDT director determines that there is a significant public interest in the project. Also, applications must demonstrate that the railroad line is active and economically viable. MDT will not consider applications for which there is an active application for abandonment with the federal Surface Transportation Board.

What are the evaluation criteria?

Project evaluation is based primarily on benefit/cost ratio, feasibility, project viability (matching funds, ability to repay, collateral, financial performance), and readiness. Additional factors that will be considered include system connectivity benefits, economic benefits, terms of the loan, and how the project advances other Montana priorities.

What are the matching requirements?

Applicants must match at least 30 percent of project costs for rehabilitation projects and 50 percent for new construction. The value of applicant-provided construction engineering costs, materials, and construction labor may be applied toward this match.

What are the terms?

Administrative costs are added to the loan principal at the time of disbursement. The current interest rate is zero percent, subject to revision at MDT discretion. The payback period is normally ten years, with up to two years deferred. MDT can modify loan duration based on the proposal and project needs.

What security is required?

Loans must be secured by fungible assets for the life of the contract. Improved facilities are typically

used as collateral, but other collateral of equal or greater value may be proposed. Loan default may result in forfeit of the security.

What legislation governs this program?

The Montana Essential Freight Rail Act (MCA 60-11-113 through 60-11-120) authorizes this program.

Is there federal review or approval for loan applications?

No. There is no federal review or approval of projects by the Federal Railroad Administration.

Who makes the final decision about loans?

The Montana Transportation Commission makes the final determination of funding recipients.

Who can answer questions about this program?

This program is administered by the MDT Rail, Transit and Planning Division. Further questions can be directed to Hal Fossum (406-444-6116), or Doug McBroom (406-444-7289).

To whom should information be submitted?

Submit letters of interest electronically to:

hfossum@mt.gov

Or by mail to:

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