Frequently Asked Questions
Montana Essential Freight Rail Loan Program

What is the Montana Essential Freight Rail Loan Program?
It is a revolving loan fund to help preserve and enhance freight branch line 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 June 2024, approximately $500,000 in funds are available.

What is the program timeline?
From preliminary application to an executed loan, it takes approximately 12 months.

What purpose does the preliminary application serve?
The preliminary application 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 does the application process entail?
In step 1, of the program, preliminary applications are submitted and reviewed by MDT staff. For eligible projects, the completion of a full application will be required, in step 2 of the program. Full applications require detailed project plans, three-years of financial statements, and additional information to determine compliance with environmental laws and rules. MDT may request an independent feasibility study. Applicants must furnish all requested information.

What projects are eligible?
Projects must be integrally related to the freight railroad transportation system in Montana. Eligible activities include projects to preserve and to continue operation of viable railroad branch lines; and for development, improvement, construction, purchase, maintenance, or rehabilitation of intermodal rail 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 are owners or operators of branch line railroads that derive revenue from continued operation of the branch line and on which the rail line carried between 3 and 5 million gross tons per mile of freight the previous calendar year.

Are projects eligible on all railroad lines?
Applicants must demonstrate that the railroad line is active, economically viable, and is a branch line. 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 a benefit cost analysis (BCA), feasibility, project viability (matching funds, ability to repay, collateral, financial performance), and readiness. Projects must receive a BCA score greater than 1.0 to be considered for a loan. Additional factors that will be considered include system connectivity benefits, economic benefits, 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.

What are the loan 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. Payments are made in single annual payments.

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 forfeiting 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.

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?
The program is administered by the MDT Rail, Transit and Planning Division. Further questions can be directed to Heather Kuklo (406-444-3439) or hkuklo@mt.gov.