

## Transportation

### **Railroad Improvement Loan Program Underutilized, GAO Reports**

**A** federal railroad improvement loan program is being underutilized, despite a multibillion-dollar backlog in capital investment needed to improve the nation's rail transportation systems, the Government Accountability Office reported.

The non-partisan GAO reported July 13 that only about 36 loans valued at roughly \$2.7 billion—or approximately 8 percent of the total funds available—have been executed since the Railroad Rehabilitation and Improvement Financing program's inception in 1998. So far, no loan guarantees have been provided through the program.

Loans have ranged from about \$53,000 to \$967 million. While 29 freight projects and only six passenger projects have received loans, the passenger projects have accounted for about 70 percent, or \$1.9 billion, of the money lent under the program.

In the face of flat funding for Amtrak in recent years and a cutoff in federal funds for high-speed passenger rail since 2010, the loan program offers a tool to boost investment in the nation's rail networks, the GAO reported. The busy Northeast Corridor from Boston to Washington alone has at least a \$28 billion backlog in capital investment and would need an additional \$151 billion to enhance capacity and maintain a state of good repair, Amtrak has estimated.

**Loan Program's Drawbacks.** Low interest rates and long, flexible repayment terms make the loan program attractive, the GAO reported. But stakeholders complained that a long and uncertain application review process and a requirement that borrowers pay a credit risk premium to cover some of the government's cost of processing the loans make the program less inviting. Currently, some \$2.5 billion in loan requests are still un-

der Federal Railroad Administration review, the report said.

The 2015 surface transportation authorization (Pub. L. No. 114-94) mandated a number of changes designed to revamp the loan program and encourage greater participation, including creation of a new National Surface Transportation and Innovative Finance Bureau to administer the loan program and other Transportation Department loan programs.

Stakeholders also said program use could be promoted by broadly defining joint ventures eligible for loans and expanding eligibility to include mixed-use commercial and residential development near transit facilities, according to the report. Meanwhile, Transportation Department officials told the GAO they are working to gain loan-processing efficiencies that will reduce borrowing costs.

**Waiting Too Long.** To address the lengthy review process, the surface transportation law requires the Federal Railroad Administration to notify borrowers within 30 days if their applications are complete and tell them within 60 to 90 days how long it will take for a loan to be approved or denied. The GAO found that the average time between an application filing and loan decision was 582 days, or 1.6 years, in the case of six passenger rail loans that were executed. The report said other applicants have withdrawn or significantly modified their application requests several times because the railroad administration "did a poor job communicating about the status and nature of problems encountered."

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