

INDUSTRIAL RAIL SERVICE FUND

FY 2026 GRANT APPLICATION GUIDELINES

rev 9/16/2025

RAIL PROGRAMS OFFICE - MULTIMODAL DIVISION



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A. PROGRAM BACKGROUND

This brief background includes an overview of the program's statutory authority, program goals and definition of terms related to the IRSF.

STATUTORY AUTHORITY

In 1982, the Indiana Legislature approved House Enrolled Act No. 1302, establishing the legislation in Indiana Code 8-3-1.7 creating the Industrial Rail Service Fund (IRSF). The program, administered by the Indiana Department of Transportation, initially provided low-interest loans to Class II and III railroads to purchase or rehabilitate real or personal property for use in rail transportation services.

In 1995, the legislature modified the IRSF language to allow grants for Port Authorities to rehabilitate railroad infrastructure. Port Authorities are limited to a grant award not to exceed 20% of the gross sales and use tax receipts deposited the fiscal year preceding the fiscal year the grant is made. In 1997, this authority was extended to Class II and Class III railroads as well.

As required by IC 6-2.5-10-1(4d), the fund receives a percentage of the state sales tax (0.031%), which is deposited into the IRSF on a quarterly basis. Revenue also comes through repayment of IRSF loans as directed by IC 8-3-1.7-6.

GOALS

INDOT's mission is to collaboratively plan, build, and maintain safe and innovative transportation infrastructure that enhances quality of life, drives economic growth and accommodates new modes of transportation. INDOT's vision is to be a leading innovator in transportation with an exceptional workforce that is driven by connecting Hoosiers with the world. The agency's core values are respect, teamwork, accountability and innovation.

The IRSF program is designed to assist Indiana's Class II & III railroads and Port Authorities in the maintenance and upgrade of rail infrastructure to better serve existing customers and promote rail-based business development.

DEFINITIONS

CLASS I, CLASS II AND CLASS III RAILROADS: These classifications differentiate various sizes of railroads based on the amount of annual revenue each generates. The Surface Transportation Board (STB) sets the dollar delineations and adjusts the amount accordingly.

RAILROAD ORGANIZATION: Railroads are evaluated based on whether they operate as an independent company or as part of a larger parent company or a holding group operating multiple railroads in Indiana. If it's the latter, the parent company's recent or ongoing operations in Indiana is included in INDOT's evaluation.

RAILROAD PORT AUTHORITY: A Railroad Port Authority is owned by a local government entity which, in most cases, purchased and operates a local rail line to preserve rail service for local businesses and promote economic development. Further information about Port Authorities is contained in I.C. 8-10-5-8.1.

286,000 POUND TRACK CAPACITY: This refers to railroad infrastructure certified to handle 286,000-pound rail cars, the industry-standard gross weight maximum in North America.

TRACK CLASSIFICATION: EXCEPTED TRACK TO CLASS 5 TRACK: The class of railroad track according to its physical characteristics as required by the standards stipulated in FRA CFR Title 49 Part 213. Excepted track meets the minimum standard for low-speed operation, while Class 5 track is associated with heavy-density, high-speed operations.

B. APPLICATION PROCEDURE

This document outlines the procedures for selecting projects and distributing grant monies made available through the IRSF. It includes information on program eligibility, the schedule, general fund information, application procedures and the funding process.

GRANTEE ELIGIBILITY

Eligible applicants are limited to Class II and Class III freight railroads or Port Authorities operating in Indiana. Tourist, passenger, or museum railroads are not eligible. Applicants are not eligible if they have not filed their current-year Annual Report with the Rail Programs Office, pursuant to I.C. 8-3-1-1(b), or are in arrears on any debt obligation with the State of Indiana, or if any other issues are outstanding with the Department of Revenue or Department of Workforce Development.

ELIGIBLE ACTIVITIES

Grants through the Industrial Rail Service Fund program can be used for the rehabilitation of railroad infrastructure or railroad construction. Railroads are limited to a grant award that does not exceed 75% of the total cost of the project. The railroad contribution may include funds from other State or Federal Agencies or entities. The maximum grant award for a railroad in fiscal year 2026 is \$250,000.00. Internal railroad labor can go towards the **railroad** match of the grant but **cannot** go towards the INDOT match. All material used for the IRSF project must be purchased within the grant term.

Port authorities are limited to a grant award not to exceed 20% of the gross sales use tax receipts deposited in the previous fiscal year. The grant amounts listed above are maximums and not guaranteed award amounts.

SCHEDULE

The Rail Programs Office will receive applications from **October 20th to November 21st, 2025, at 5:00PM (ET, end of business day)**. For the complete FY26 IRSF timeline, please see page 11 of this document.

GRANT MONITORING

Applicants receiving a grant are required to retain work and material reports for two years after completion of the project. The applicant is required to provide INDOT with **all** project-related reports requested by any INDOT representative.

INDOT will conduct a site visit prior to the release of a purchase order for approved projects. A post-construction inspection will be conducted prior to final payment, and additional inspections may occur.

The grant agreement allows INDOT to fully recover costs should the railroad, for any reason, discontinue operations. The Rail Office-specific policy is for the grantee to continue operation as outlined in the Exhibit for a period of not less than five (5) years from the date of project completion. INDOT will request repayment of 20% per year for each year should the railroad cease operations during the five-year term.

GENERAL INFORMATION

Track and bridge improvement projects will be monitored by location to avoid duplication of a recent grant. Therefore, track improvement locations completed with FY26 IRSF funds will be eligible for a grant in the same location in 9 years. Bridge improvement locations completed with FY26 funds will be eligible for a grant in 15 years. ***These restrictions do not apply in the event of a natural disaster.***

The application review and scoring process is scheduled for late November. The highest scoring projects will be funded until the available balance for FY26 is exhausted.

C. APPLICATION

All IRSF applications must be submitted through the Grant Rail Projects (GRIP) system. Each railroad may submit **one** application per fiscal year. Incomplete applications, or applications received outside the GRIP system, will not be considered. The Rail Programs Office reserves the right to reduce an applicant's project scope and grant award dollar amount.

IRSF applications require the following:

- Project Outline
- Project Description
- Project Benefit
- Management/Organizational Information
- Existing Economic Indicators
- Project Budget.

The IRSF grant application is available electronically through the Grant Rail Project (GRIP) system via Access Indiana and the INDOT Technical Applications Pathway (ITAP) at the following link: <https://itap.indot.in.gov/Dashboard>. Instructions to access ITAP and GRIP are located on the INDOT Rail Office website: <https://www.in.gov/indot/multimodal/railroad/industrial-rail-service-grant/>. The instructions will be sent to all potential applicants, as well.

PROJECT OUTLINE/APPLICATION

- **Railroad Information:** Railroad Name, Federal ID Number and Mailing Address
- **Grant Application Contact information:** Name, Job Title, Phone and Email
- **Billing Contact Information:** Name, Job Title, Phone and Email
- **Project Manager Contact Information:** Name, Job Title, Phone and Email
- **Total Project cost, Railroad contribution/percent, Grant Request (INDOT share)/percent, and Total Requested Amount**
- **Select project category:** [tie and/or ballast replacement; rail replacement; bridge construction; rail spur or siding; other rehabilitation project]
- **Project location:** milepost to milepost and length of segment to be improved
- **Freight traffic by commodity originated & terminated on segment improved.**

PROJECT DESCRIPTION

The project description has three parts: 1) A *narrative* of the proposed project. Include a description of the proposed project by milepost; 2) A project map; and 3) A detailed **Project Budget** including an itemized list of materials and cost: the total project cost, the railroad's total contribution and requested INDOT contribution. This will be incorporated into the grant agreement as the Exhibit A, if selected for the IRSF grant. The contractor price quote must be included with the application as well.

MANAGEMENT INFORMATION

Applicants must provide a company organizational chart, including rail owner and applicant's relationship, if not the same.

PROJECT BENEFITS

- 1) List the specific impact (if applicable) this project will have on the safety of employees, rail users and surrounding communities.
- 2) What impact will the project have on economic development in the community?
- 3) What is the anticipated useful life of the improvement? Include calculations and good-faith estimates based on the analysis of project managers and/or railroad operations professionals.
- 4) Provide a conservative estimate of the number of Indiana residents employed by current rail shippers on the line.

EXISTING ECONOMIC INDICATORS

Existing economic indicators include the annual rail cars moved per track mile for the last three years. The rail office will compile this indicator with data from the annual report submitted to our office. The number of IRSF grants received in the past four (4) years will be used as an existing economic indicator as well.

OTHER CONSIDERATIONS

This section includes compliance with filing requirements, the railroad's safety performance according to the Federal Railroad Administration, the railroad's contribution and compliance with State reporting requirements.

D. SCORING

The score sheet is completed with information provided from the application, current railroad reports, rail system map, and FRA Accident Reports. The score sheet categories and their total point values are:

- Project Description = Maximum Points (45)
- Existing Economic Indicators and Other Considerations = Maximum Points (69)
- Maximum Overall Score (45 + 69) = 114

E. PROJECT SELECTION

The review team consists of three members: the Rail Programs Office's Senior Rail Planner (who is committee chair), the RPO's Senior Rail Project Manager, and an additional State of Indiana employee.

Each application is reviewed and independently scored by each member using the IRSF grant evaluation criteria. Applications are then ranked based on their cumulative score. Funds are then awarded to the top-ranked applications until available funding is exhausted. A report with the list of the recipients, award amount, and a synopsis of each project application is prepared and submitted to the Director, Rail Programs Office.

The Rail Programs Office will send award notifications and grant agreements to each awarded applicant, then contact the other applicants notifying them that their project was not selected for funding. Grantees and award amounts will be posted on the INDOT website.

F. APPEAL PROCESS

An applicant not receiving approval may appeal the decision to the Director, Rail Programs Office. The manager will review all appeals. This is in accordance with IC 4-21.5-3-1 et seq. The process for filing an appeal is as follows:

- 1) The applicant must send, by certified mail, an appeal within 15 calendar days of receiving notification of INDOT's decision. The appeal should be mailed to:

Ms. Bridgette Hail, Director, Rail Programs Office Indiana
Dept. of Transportation
100 N. Senate Ave, N758-MM
Indianapolis, IN 46204

- 2) INDOT will conduct a preliminary review within five working days, and if necessary, request by certified mail additional information from the applicant.

- 3) INDOT will allow five working days for receipt of additional materials.
- 4) The Director, Rail Programs Office will make a final decision within 15 working days from the receipt of the appeal request, or within 15 working days from the receipt of additional materials, if required.
- 5) INDOT will notify the applicant in writing within five working days of its final decision.

G. GRANT AGREEMENT

The Senior Rail Planner works with INDOT's Contract Administration Division to prepare the current fiscal year grant agreement. The agreement's Exhibit A is based upon the approved scope of work and the budget, which is incorporated into the grant agreement.

All grant agreements will be created using the Supplier Contract Management (SCM) system, and the signature process will be electronic via DocuSign. All grantees will receive information on how to complete this process.

After the signed agreement is received by INDOT, it is routed through the state signatory process electronically, which is designed to expedite grant execution. After final grant agreement approvals, the railroad will receive a copy of the executed grant agreement, purchase order, notice to proceed, and reimbursement instructions.

H. PROJECT PAYMENT PROCESS

PAYMENT

Payment requests should include an invoice from the railroad, supporting documentation (i.e., vendor invoices, receipts, etc.), and a project spending report. The railroad invoice for reimbursement must have the Railroad's address (on file with State of Indiana) and a written description of the work completed, final/progressive payment type, funding breakdown of INDOT/Railroad share of the total project cost, amount requested, amount spent to date, and the amount remaining. For help with invoices, please refer to the **Reimbursement Instructions** document that will be sent with your copy of the Grant Agreements.

Each reimbursement request is paid in proportion to INDOT's approved share of the project, as indicated in the grant agreement exhibit. No payments will be made without a vendor bill or invoice. Railroad employee labor is eligible to be counted as part of the **railroad** match only. The railroad has approximately 21 months from the date of the purchase order to complete the

project. Final payments will be made after a post project inspection is completed by a member of the Rail Office staff.

Each railroad must have on file with the State Auditor a current direct deposit form or a waiver request. ***Should your railroad bank information or address where the payment should be sent change, please submit an updated W9/direct deposit form to Brittany Olagundoye at INDOT's Rail Office. The payment will be canceled if this information is not current.***

Send an email to Brittany Olagundoye at BOlagundoye@indot.in.gov to receive the current W9/Direct Deposit form, if needed.

SCOPE CHANGE

In the course of completing the project, the railroad may determine changes or modifications to the scope of work are needed. INDOT will not increase its agreed-to funding amount, and INDOT strongly discourages changes mid-project when IRSF funding is involved.

However, if a change is deemed to be required, the railroad must first send a letter to Bridgette Hail, Director, Rail Programs Office, justifying the reason for change, and the Director has the right to approve or deny changes.

Two types of change in scope are generally viewed favorably for approval: a more efficient use of resources, or a significant change in material costs which allows the railroad to increase the amount of material purchased. If the change(s) are approved, an "approval to the change in scope of work notice" is sent to the railroad and put in the grant file.

If the total project cost exceeds the amount listed in the agreement, INDOT will not provide funding exceeding the original grant amount. Should the total project cost less than the amount listed in the agreement, INDOT will still pay its proportional share of the project cost. Any balance remaining in the purchase order upon project completion returns to the IRSF account.

PROJECT CLOSE-OUT

After the project is complete, the railroad must email a request for a project inspection. If the inspection, conducted by a member of the Rail Programs Office staff, demonstrates that the project has been completed based on the agreement exhibit, final payment is made and the purchase order is closed.

I. IRSF TIMELINE - FY2025

GRIP Portal Open for Applications	October 20 – November 21, 2025
Review and Score Applications	Late November 2025
Grantees Approved	By Early December 2025
Approval/Denial Notices Sent	Mid-December 2025
Grant Agreement Signatory Process	Beginning January 2026
Purchase Orders Generated	Beginning January 2026
Grant Reimbursement	Duration 21 months