

Legislative Analysis



SALE OF STATE-OWNED RAIL SEGMENT

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4004 (Substitute H-2)
Sponsor: Rep. Kenneth Kurtz
Committee: Transportation

Complete to 2-15-11

A SUMMARY OF HOUSE BILL 4004 (H-2) AS REPORTED FROM COMMITTEE

The bill would amend Section 10 of the State Transportation Preservation Act of 1976. Specifically, the bill would change the description of a state-owned rail line in Hillsdale County in Section 10 to exclude a spur segment of that line, "from Beck Street to the St. Joseph River" in the village of Jonesville. Excluding the spur segment from the description will allow the Michigan Department of Transportation to sell the spur segment of the line. The department has indicated that the village of Jonesville is interested in the segment for future trail development.

The department indicates that the spur has not been used for rail service in approximately 20 years and there are no prospects for future use. Rails have previously been removed from the spur and rail ties removed or rotted in place.

MCL 474.60

BACKGROUND INFORMATION:

The State of Michigan acquired a number of rail facilities in the 1970s as a result of the bankruptcy of certain railroads and the related abandonment of certain rail lines. While the state has divested itself of much of this rail property, it still owns approximately 535 miles of railroad track. Some of these rail lines are leased from the state by private operators.

The authority for the state's acquisition and management of rail property, and the terms under which rail property may be disposed, are established under the State Transportation Preservation Act of 1976 (1976 PA 295).

The provisions regarding disposal or divestiture of certain track segments were added to the act by 1998 amendment, 1998 PA 235. The 1998 amendments directed the department to accomplish divestiture or create leases, "without partitioning a segment or a portion of a segment" of certain defined segments, including the Hillsdale County rail system owned by the state from Litchfield to the Indiana state line, and between Jonesville and Quincy.

Except for the above-noted rail spur segment in Jonesville, the Indiana and Northeastern Railroad currently provides rail service on the Hillsdale County rail line under terms of an agreement with the state.

FISCAL IMPACT:

To the extent that a sale of any state-owned rail property generates revenue, that revenue would be credited to the state-restricted Rail Freight Fund established under Section 17 of the act for the support of rail freight and marine freight transportation. We do not currently have an estimate of what revenue the proposed Jonesville spur sale would generate.

Legislative Analyst: E. Best
Fiscal Analyst: William E. Hamilton

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