



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4004 (Substitute H-3 as reported without amendment)

Sponsor: Representative Kenneth Kurtz

House Committee: Transportation

Senate Committee: Transportation

Date Completed: 4-20-11

RATIONALE

The Village of Jonesville has a proposal to develop an unused railway spur segment running through the Village, and convert it to recreational use. The rail line is currently owned by the State and is part of the Hillsdale County system. Under the State Transportation Preservation Act, if the Michigan Department of Transportation (MDOT) sells the system, it must do so without partitioning a segment or portion of a segment. It has been suggested that the portion of the segment in Jonesville should be excluded from the system, making it eligible to be sold separately.

CONTENT

The bill would amend the State Transportation Preservation Act to exclude a rail line segment located in Jonesville from a provision that prohibits MDOT from partitioning certain rail lines before selling or leasing them.

The Act prescribes procedures by which the State may acquire abandoned rail lines. The Act also authorizes MDOT to engage in divestiture or offer 10-year leases to the current operators of specific properties. The Department must accomplish divestiture or create leases without partitioning a segment or a portion of a segment. The properties include the Hillsdale County system, which means the rail lines owned by the State between Litchfield and the Indiana state line and between Jonesville and Quincy. The bill would exclude the portion of the segment

located in Jonesville from Beck Street to the St. Joseph River.

MCL 474.60

BACKGROUND

As a result of several railroad bankruptcies in the mid-1970s and 1980s, more than 35% of Michigan's total freight rail network was proposed for abandonment. To avoid the potential negative impact of rail service disruption, MDOT purchased approximately 900 of the 1,100 affected miles and contracted with private railroad operators to rehabilitate the lines and return them to use. Since then, some of the lines have been returned to private ownership and others have been turned into recreational trails. Today, the State owns approximately 530 miles of rail lines.

Public Act 235 of 1998 amended the State Transportation Preservation Act to require MDOT to lease or divest itself of four specific rail lines, with the ultimate goal of returning them to the private sector. The lines include the Lenawee County system, the Hillsdale County system, the Vassar area system, and the Ann Arbor and Northwest Michigan system. The Act prohibits MDOT from the partitioning of any of these lines, evidently to prevent owners from abandoning less profitable segments and causing service disruption. To date, MDOT has completed the divestiture process for the Lenawee County system, and is in negotiations for the Hillsdale County system.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The Jonesville spur segment of the Hillsdale County system has not been used in several decades, and MDOT has no plans to use it in the future. The actual track was removed some time ago, and the line is now grown over. The bill would facilitate a transaction that would be mutually beneficial to the State and the Village of Jonesville. The State would receive the revenue from the sale, and the Village would be improved with the conversion of this blighted property to a park and scenic trail.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

Revenue from the sale of the spur segment from Beck Street to the St. Joseph River in the Village of Jonesville would be deposited in the Rail Freight Fund for support of rail freight and marine freight transportation, pursuant to Section 17 of the State Transportation Preservation Act. The Department of Transportation estimates the sale price at \$400,000 to \$500,000.

Fiscal Analyst: Bill Bowerman

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.