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BILL ANALYSIS

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House Bill 4004 (Substitute H-3 as passed by the House)
Sponsor: Representative Kenneth Kurtz
House Committee: Transportation
Senate Committee: Transportation

Date Completed: 3-22-11

CONTENT

The bill would amend the State Transportation Preservation Act to exclude a rail line segment located in Jonesville from a provision that prohibits the Michigan Department of Transportation (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 requires 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 prohibition against leasing or selling segments of the lines evidently was enacted 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.

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.