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BILL ANALYSIS



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House Bill 4754 (Substitute H-1 as passed by the House)
Sponsor: Representative Frank Foster
House Committee: Transportation
Senate Committee: Transportation

Date Completed: 1-23-12

CONTENT

The bill would amend the State Transportation Preservation Act to exclude a rail line segment in Petoskey 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 segments include the Ann Arbor and Northwest Michigan system, which means the rail lines owned by the State between Durand and Ann Arbor, between Owosso and Thompsonville, between Walton Junction and Traverse City, between Grawn and Williamsburg, between Owosso and St. Charles, and between Cadillac and Petoskey excluding the portion of the segment located in Petoskey north of Emmet Street. The bill also would exclude the Jarman spur starting 450 feet from the westerly right-of-way of the main rail to US-131.

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 authorize 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

The bill could result in additional revenue to the State. The revenue from any sale of State-owned rail property would be credited to the restricted Rail Freight Fund. The amount of potential additional revenue is indeterminate and dependent on the sale price.

Fiscal Analyst: Joe Carrasco

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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.