
Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 4328 (Substitute S-4 as reported)
Sponsor: Representative John Gernaat
House Committee: Transportation
Senate Committee: Farming, Agribusiness, and Food Systems

CONTENT

The bill would amend the State Transportation Preservation Act to permit the Department of Transportation (DOT), within 180 days after the bill's effective date, to begin divestiture or offer 10-year leases to the current operator of segments of State-owned rail property. The DOT would have to accomplish divestiture or create leases, without partitioning a segment or portion of a segment, in the following order from the smallest segment first to the largest segment last: the Lenawee County system, the Hillsdale County system, the Vassar area system, and the Ann Arbor and northwest Michigan system. The terms of a sale or lease would have to contain specific conditions including a requirement that a purchase price be at least the net liquidation value of the rail line or lines. Other required conditions pertain to the level of service, rates, and reinvestment of trackage revenues in "eligible expenditures". If there were no acceptable purchase offers, the Department would have to offer a lease of at least 10 years to the following parties in the following order: current operator, current shippers on that segment, governmental entities, and other railroad companies. If a purchaser did not comply with the conditions of the sale or lease, the property would revert to the DOT and would have to be offered for sale or lease to current shippers, governmental entities, and other railroad companies. The bill also would repeal a section of the Act requiring the DOT to administer the Act and permitting it to promulgate rules (MCL 474.53).

MCL 474.52 & 474.60

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would result in increased revenue to the Rail Freight Fund, depending on the amount of right-of-way sold and the actual sale price of State-owned rail property. A current appraisal has not been done; however, an appraisal in 1994 estimated the net liquidation value at \$32 million for all four segments. The State also would realize up to approximately \$2.8 million in savings from reduced property management costs, depending on the amount of property sold.

Date Completed: 6-2-98

Fiscal Analyst: B. Bowerman