



House
Legislative
Analysis
Section

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EXTEND RAIL FREIGHT FUND

House Bill 5401 as introduced
First Analysis (3-26-90)

Sponsor: Rep. Francis R. Spaniola
Committee: Appropriations

THE APPARENT PROBLEM:

In 1973, the federal government (under the Regional Rail Reorganization Act) proposed abandoning thousands of miles of rail lines in Michigan (and in other states), many of which served rural areas of the state. The federal act did provide a way for each state to save a part of the rail lines that were going to be abandoned, and in order to provide financial assistance for the operation and maintenance of railroads as provided in the federal act, the legislature enacted the State Transportation Preservation Act of 1976 (Public Act 295). (The act also allowed for financial assistance to intercity bus operations and to ferry services.)

A 1982 amendment to the act created a revolving fund to be used to develop and improve rail freight and marine freight transportation (though reportedly in practice the fund has been used as a rail freight fund only). The fund is administered by the Department of Transportation and supported by revenues from right-of-way sales and leases, refunds of railroad operating subsidies, and repayments of loans made from the fund. The fund has been used in a number of ways since it was created, including rehabilitating state-owned tracks and, since 1988, to provide loans and grants for industrial development rail facilities.

When the fund was set up, it was given an expiration date of January 1, 1990. The Department of Transportation has requested legislation that would extend the expiration date of the fund.

THE CONTENT OF THE BILL:

The bill would amend the State Transportation Preservation Act to name the fund "the rail freight fund," and would extend the fund to December 31, 1994, at which time any money in the fund would be transferred to the comprehensive transportation fund.

MCL 474.67

FISCAL IMPLICATIONS:

According to the Department of Transportation, as of April 1, 1990, the fund will have \$4.3 million. If the life of the fund were not extended, the money would be transferred to the comprehensive transportation fund, but there would be no net gain or loss of revenues to the state. (3-23-90)

ARGUMENTS:

For:

The rail freight fund is used to provide loans and grants both for economic development and for improving rail facilities. The fund has been used to rehabilitate state-owned track (eg. Walton Junction to Traverse City, Mancelona to Petosky), for joint public-private economic development projects (eg. the Sycamore Creek Industrial Park in Vevay Township, Ingham County, and the

Jefferson-Connor industrial revitalization project in Detroit), and for the reconstruction of critical bridges and culverts (eg. the Bacon Street bridge in Hillsdale, the Childs Creek Culvert). The fund is self regenerating, with proceeds from leases, sales, and loan repayments being deposited in the fund and placed under contract for other freight projects. This is especially important in light of the decrease in funding from the federal government (for example, as recently as 1981 the fund got \$1.53 million from the federal government, while the fund expects to get \$100,000 from the federal government in 1990). In order to enable the Department of Transportation to continue carrying out the Transportation Commission's 1988 Rail Freight Policy the fund should be continued.

POSITIONS:

The Department of Transportation has not yet taken a formal position on the bill, but staff will recommend that the Transportation Commission support the bill. (3-21-90)

H.B. 5401 (3-26-90)