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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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House Bill 5401 (as reported without amendment)

Sponsor: Representative Francis R. Spaniola

House Committee: Appropriations

Senate Committee: State Affairs, Tourism, and Transportation

Date Completed: 4-9-90

RATIONALE

In 1973, the Federal government (under the Regional Rail Reorganization Act) proposed abandoning thousands of miles of rail lines in Michigan, many of which served rural areas of the State. The Federal Act did provide a way for each State to save some of the rail lines that were going to be abandoned, and in order to provide financial assistance for the continued operation and maintenance of railroads as provided in the Federal Act, the State Transportation Preservation Act of 1976 (Public Act 295) was created.

A 1982 amendment to the State Act created a revolving fund to be used to develop and improve rail freight and marine freight transportation, though reportedly the fund has been used only as a rail freight fund. The fund is administered by the Department of Transportation and supported by revenues from the sale or lease of property acquired under the Act, refunds of railroad operating subsidies, funds repaid from loans, grants, lease or purchase contracts entered into under the Act, and revenue received from the sale or lease of a tug barge or related facilities constructed or acquired with Comprehensive Transportation Fund money or bond proceeds. The Fund apparently has been used for a number of purposes since it was created, including rehabilitating State-owned tracks and, since 1988, providing loans and grants for the development and improvement of rail facilities in industrial development projects.

When the fund was set up, it was given an expiration date of January 1, 1990. Some feel that the fund has been so useful in the rehabilitation of the State's railroads and rail facilities and in economic development projects it should be continued.

CONTENT

The bill would amend the State Transportation Preservation Act to postpone from January 1, 1990, to December 31, 1994, the expiration of the fund and to name it "the rail freight fund". Upon expiration, any money in the fund will be transferred to the Comprehensive Transportation Fund.

MCL 474.67

FISCAL IMPACT

The fund currently has a balance of \$4.3 million. If the fund is not extended, the balance will be transferred to the Comprehensive Transportation Fund.

ARGUMENTS**Supporting Argument**

The rail freight fund has been used to rehabilitate State-owned track such as Walton Junction to Traverse City, and Mancelona to Petosky; for joint public-private economic development projects such as the Sycamore Creek Industrial Park in Vevay Township,

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Ingham County, and the Jefferson-Connor industrial revitalization project in Detroit; and for the reconstruction of critical bridges and culverts such as the Bacon Street bridge in Hillsdale and 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, in 1981 the fund received \$1.53 million from the Federal government, while it is expected to receive only \$100,000 from the Federal government in 1990. In order to enable the Department of Transportation to continue improving rail facilities and participating in economic development projects, the fund should be continued.

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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.