

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 4328 (S-5 as reported by the Committee of the Whole)

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.

The bill would establish a process for selling these railroad properties, including requiring a bidder to complete a prequalification application; requiring the appointment of a bid review committee; permitting a prospective bidder to appeal a review committee decision to an appeal panel and ultimately the State Transportation Commission; establishing a scoring mechanism to evaluate bid proposals; requiring a bidder to be selected based on the score, bid price, and highest compensation; and, requiring the approved bidder to enter into an agreement with the Bureau of Urban and Public Transportation. The bill also would require the Bureau to identify service needs of each segment and determine whether continued rail service on it was feasible. If continued rail service were not feasible, the Bureau could retain or divest a segment.

MCL 474.52 et al.

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: 6-10-98

Fiscal Analyst: B. Bowerman