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TRANSPORTATION; ECON. DEV. FUND

House Bill 4735 (Substitute H-2)
First Analysis (6-15-87)

Sponsor: Rep. Curtis Hertel
Committee: Transportation

THE APPARENT PROBLEM:

As part of a comprehensive restructuring of the funding of state and local transportation projects, an ad hoc legislative committee has recommended the creation of a transportation economic development fund as a means of financing transportation projects that demonstrated an economic benefit.

THE CONTENT OF THE BILL:

The bill would create a transportation economic development fund, to fund Department of Transportation or local government transportation projects related to economic development. The State Transportation Commission would allocate money in the fund for projects based on the recommendations of an economic development board of trustees. The board would consist of the directors of the Departments of Transportation and Commerce, one represenative of townships appointed by the governor, two representatives of counties and the private sector appointed by the Senate majority leader, and two representatives of cities and villages appointed by the speaker of the House.

Within 90 days after the effective date of the bill, the Department of Transportation would be required to submit to the board recommendations for specific criteria for evaluating proposals for funding. After review and approval, the board would forward its final recommendations to the commission within 120 days after the bill's effective date.

Applicants for funding would have to show a particular transportation need for the economic development project intended. The economic development project would have to be related to an immediate, nonspeculative opportunity for permanent job creation or retention and an increase in the tax base of the local area. Further, at the time of application, the applicant would have to be in the process of negotiating a location or retention decision with a developer or business. Funding would be granted to: 1) economic development projects in agriculture or food processing, tourism, forestry, high technology research, or manufacturing; 2) projects that resulted in the addition of local roads to the state trunkline system; or 3) projects for development within rural counties on county rural primary roads or major streets within villages and cities with populations of less than 5,000. The commission could fund projects using up to 60 percent of the fund for economic development projects in targeted industries, up to 25 percent of the fund for adding local roads to the state trunkline system, and at least 25 percent of the funds for development within rural counties.

Projects funded under the last category would be limited to upgrading rural primary roads and major streets to create an all-season road network. Funds for these projects would be allocated by the department to regional rural primary task force areas in proportion to the task force area's rural primary mileage to the total rural primary mileage of all counties with a population of 400,000 or less. Regional rural primary task forces would consist of a representative of each county road commission within the region plus an equal number of representatives from cities and villages with populations of 5,000 or less, and a represenative of the department. Projects authorized would be administered by the department in the same manner as the current local federal aid secondary program.

The specific costs of eligible projects would have to include those costs normally associated with highway construction projects such as project planning, design, and right-of-way acquisition and construction, but would exclude maintenance. Projects for transportation improvements other than highway construction projects could be funded through the comprehensive transportation fund. Economic development projects in the targeted industries would require matching funds of at least 25 percent of the total cost of the project, but the commission could waive this requirement for local units in the case of extreme economic hardship.

The transportation commission could issue revenue bonds for up to 50 percent of the balance of the fund in order to fund projects.

The unappropriated and unencumbered balance of the fund would lapse each year and revert to the fund for appropriation the following year. Lapsed money remaining in the fund for two additional fiscal years would revert to the Michigan transportation fund.

The commission would report annually to the governor, the House and Senate appropriations committees, and the legislative fiscal agencies on the projects funded and their status, the number of jobs created and retained and other economic benifits of funded projects, and the degree to which the projects had achieved the objectives of the act.

FISCAL IMPLICATIONS:

Fiscal information is not yet available.

ARGUMENTS:

For:

Local governments often have great difficulty financing the construction of roads necessary to bring economic development projects to their jurisdictions. Many recent studies have indicated the extent of the needs for new and upgraded roads and streets to handle current traffic capacity and maintain safe conditions. Thus, local governments may experience tension between funding for economic development and system preservation. There is no feasible level to which fuel taxes and registration fees could be raised to address all of the demonstrated needs; additional sources of revenue are critically needed. The bill would create a fund specifically intended to finance transportation projects related to economic development,

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thereby making Michigan a more attractive place to do business and helping to create and retain jobs for the state's residents.

Against:

While many agree that additional sources of revenue are needed to address the transportation economic development needs of the state and local units of government, the bill would not solve the problem on its own. It would merely establish a fund and a mechanism for approving projects to receive funding. The larger question of how those revenues will be raised is still unresolved.

POSITIONS:

The Michigan Municipal League supports the concept of the bill. (6-12-87)

The Michigan Townships Association has not yet taken a position on the bill. (6-12-87)