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TRANSPORTATION: ECON. DEV. FUND

House Bill 4735 as enrolled
Third Analysis (12-30-87)

Sponsor: Rep. Curtis Hertel
House Committee: Transportation
Senate Committee: State Affair, Tourism and 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 fund would consist of revenue from the Michigan Transportation Fund and revenue from driver license fee increases. The State Transportation Commission would allocate money in the fund for economic development projects in targeted industries and projects resulting in the addition of local roads to the state trunk line fund. No funds would be committed to any project until the commission notified the subcommittees on transportation of the Senate and House appropriations committees. The commission would coordinate state trunkline road projects and economic development projects with projects to reduce congestion on county primary and city major streets within urban counties. Not more than one percent of the fund could be appropriated for administration of the fund. The commission could hire no more than five employees. The executive assistant to the transportation commission would review recommendations for funding projects. Within three months after the effective date of the bill the commission would establish criteria for the awarding of projects for targeted industries and projects for additions to the state trunkline system.

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. Projects for targeted industries would, at a minimum, meet a transportation need that was shown to exist and exclude speculative projects with little or no return on investment. Projects would have an immediate, positive impact on local employment and the economy. They would be evaluated on the basis of impact on the local community and would have to have cooperation and support between developers and state and local government. Applications for projects could be funded after the criteria for evaluation of projects was approved.

The executive assistant to the board would solicit project applications each calendar quarter. The requirements of the application form would be prepared by the executive assistant for review and final approval by the commission. The commission would inform the chairpersons of the House and Senate appropriations committees of each project authorized for funding at least 30 days before the awarding of the money.

Applicants for funding would have to show a particular transportation need for the proposed economic development project. The economic development road 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 for an economic development road project, the applicant would have to be in the process of negotiating a location or retention decision with a developer or business. The applicant would attach a copy of a resolution of support from the appropriate local unit of government. Funding would be granted to: 1) economic development projects in agriculture or food processing, tourism, forestry, high technology research, manufacturing, or office centers solely occupied by the owner or not less than 50,000 square feet occupying more than three acres; 2) projects that resulted in the addition of local roads to the state trunkline system; 3) projects for reducing congestion on county primary and city major streets within urban counties; or 4) projects for development within rural counties on county rural primary roads or major streets within incorporated villages and cities with a population of less than 5,000. The first $5 million of the fund would be distributed each fiscal year to each qualified county in a percentage amount equal to the same percentage amount that the number of acres of commercial forest, national park and national lakeshore land that each qualified county bore to the total number of acres of commercial forest, national park and national lakeshore land in all qualified counties in the state. The next $2.5 million of the fund would be distributed each fiscal year for county roads and city and village street improvement on the federal aid to urban system in rural counties. Of the balance remaining each fiscal year, the commission could fund projects using up to 50 percent of the fund for economic development projects in targeted industries, up to 50 percent of the fund for adding local roads to the state trunkline system, and at least 25 percent of the funds for development to reduce congestion on county primary and city major streets within urban counties.

Projects funded under the last category would be limited to widening county primary roads and major city streets in counties with populations in excess of 400,000 according to the following formula:

Population	Percentage of Funds
1,750,000 or more	16 percent
1,000,000 - 1,750,000	40 percent
600,000 - 1,000,000	20 percent
400,000 - 600,000	24 percent

The federal aid to urban system (FAUS) task force which represented the majority of the communities in the urban area of each county would select and designate eligible projects within their respective allocations to the commission. One nonvoting member of each task force would be a designee of and represent the commission. The task forces would designate projects for eligibility which were on the federal aid urban, federal aid primary or federal aid secondary systems. Eligible projects would also have to consist of adding travel lanes, left turn lanes, and intersectional improvements to roads with two travel lanes carrying more than 25,000 vehicles per day in accordance with traffic counts done on or before July 1, 1987. If any task force failed to submit sufficient qualified projects to obligate its allocation by July 1 of any fiscal year, those funds would be made available to the remaining urban task forces in the same proportion as the original allocation. The urban task forces would report the status of all projects selected for funding to the commission on a quarterly basis.

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. Costs of a project eligible to be funded for rural counties would exclude right-of-way acquisition, design, engineering, and routine maintenance. Economic development projects in the targeted industries and projects for reducing congestion on county primary and city major streets 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 applying for economic development road project funds in the case of extreme economic hardship. Evaluation criteria for economic development projects in the targeted industries would include whether there was a contribution of more than the required 25 percent matching funds as part of the determination of which projects were funded.

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

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 benefits of funded projects, the degree to which the projects had achieved the objectives of the act, and any other information deemed necessary by the commission for the legislature to evaluate the effectiveness of the bill.

The bill is tie-barred to Senate Bills 152, 154, 156, 157, 321, 495, and House Bills 4169, and 4722, which comprise the other components of the comprehensive transportation funding package.

FISCAL IMPLICATIONS:

According to the Department of Transportation, the bill would have no implications to the state because revenue needed to implement the bill would be generated by driver license fee increases. (1-4-88)

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