SFA BILL ANALYSIS

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Senate Bill 150 (Substitute S-5)
Senate Bill 151 (Substitute S-5)
Senate Bill 152 (Substitute S-4)
Senate Bill 154 (Substitute S-2)
Senate Bill 155 (Substitute S-2)
Senate Bill 156 (Substitute S-3)
Senate Bill 157 (Substitute S-2)
Senate Bill 158 (as reported with amendments)
Senate Bill 159 (as reported with amendments)
Senate Bill 262 (Substitute S-2)

Sponsors: Senator Richard D. Fessler (S.B. 150, 151, 154, 157, 158 & 159)
Senator Connie Binsfeld (S.B. 152, 155 & 156)
Senator Norman D. Shinkle (S.B. 262)

First Senate Committee: State Affairs, Tourism, and Transportation (except S.B. 262)

Second Senate Committee: Finance

Date Completed: 5-26-87

RATIONALE

Public Act 51 of 1951 provides the mechanisms by which the Michigan Department of Transportation receives and distributes State restricted funds from fuel and motor vehicle weight taxes. The Act establishes the formula for distributing money from the Michigan Transportation Fund (MTF) to counties, cities, the State Trunkline Fund, and the Comprehensive Transportation Fund (CTF). While most people maintain that the basis for funding the State's transportation programs by using revenues from transportation related taxes is still a sound concept, some argue that the methods of distribution have become outdated since transportation needs over the years have changed. The formulas that exist to distribute money to the various transportation needs have been criticized as being too inflexible to allow money to be placed where it may be most needed. Others have voiced concern that, since the vast majority of funds is spent by formula process, transportation policy decisions over the years have been assumed to an inordinate degree by the Department of Transportation rather than by the Legislature. It is argued by some that the Legislature should be given more opportunity for input into funding priorities, perhaps by line item appropriation of the transportation projects.

Public Act 438 of 1982 amended Act 51 of 1951 to establish a temporary formula for the distribution of money deposited in the MTF. The 1982 Act also provided for a task force to be formed, composed in part by members of the Senate and House, to recommend a new distribution formula by October 1, 1984. With no recommendation having been made, the deadline was extended to August 1, 1986. Since the task force did not devise a new formula, the sunset for the temporary formula was eventually extended to June 1, 1987, to allow the Legislature to come up with a new formula and to address other transportation matters, including revenue issues.

There are many who have voiced concern about problems they feel are facing the State transportation system. Among these are: the current state of disrepair of Michigan's highways, roads, streets and bridges; the difficulty of obtaining needed funds for transportation projects vital to economic growth and re-industrialization; the need for repair and retirement of railroad crossings; and the lack of flexibility of local units of government to obtain funds. At the same time, the cost of maintaining transportation programs continues to escalate. The most recent needs study projected transportation funding requirements for the 12-year period through 1994 to be $27.6 million in 1983 dollars (over 80% for highways) versus available revenues of $22.1 billion—a shortfall of $5.5 billion. More recently, the Legislature received the Coopers & Lybrand Study which updated inflation and cost estimates, using reduced Federal aid assumptions, and projected the shortfall at more than three tiems as much: about $17.7 billion. A key issue, therefore, in the financing of State transportation programs is how to achieve the desired goals with limited resources. The bulk of funding for transportation has come from the Department's share of State weight and fuel taxes. Some feel that the option of raising the gas tax to obtain additional revenue would be unwise, saying that it would put the State at a disadvantage in competing with neighboring states for gasoline sales. Combined with the sales tax, Michigan currently ranks among the top five states with the highest tax on gasoline sales. They say that alternative ways to pay for road construction and other transportation needs must be found, that instead of relying on a gas tax increase, we should concentrate on finding new revenue sources and beefing up existing ones.

CONTENT

Senate Bill 150 (S-5) would amend Public Act 51 of 1951 to revise the process by which money in the CTF is distributed to eligible bus operating authorities; require annual appropriations for rail grade crossings improvements; require State Trunk Line Fund projects to be listed in appropriations bills; provide for projects vital to the economy or the public safety to be funded prior to the calculation of State and county 90/10 distribution

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formulas; revise the Snow Fund formula; add bonding provisions to enable eligible authorities to borrow on a cash anticipation basis; prohibit State funds or CTF bond proceeds from being used to fund the operation of the Detroit Downtown People Mover; add "aircraft" to the definition of "public transportation"; and allow unencumbered CTF funds to lapse into the MTF.

Senate Bill 151 (S-5) would establish the "Transportation Economic Development Authority" to award funding for local or State transportation projects that demonstrated an economic benefit. The funds would be distributed to various transportation needs according to a specific formula. The authority also could issue negotiable bonds and notes.

Senate Bill 152 (S-4) would amend the Vehicle Code to raise the amounts collected by the State for motor vehicle registrations and transfers, truck registrations and driver's license fees. The bill would also provide for a percentage of certain fees to be deposited in the MTF.

Senate Bill 154 (S-2) would amend the Motor Carrier Fuel Tax Act to change the fee structure for a motor carrier license by raising the fee from $12 to $25 for each outstate commercial vehicle.

Senate Bill 155 (S-2) would establish the Michigan Transportation Research Council. It would consist of members of the Department of Transportation and State universities with colleges of engineering. The council would be required to establish research and educational programs and to provide technical assistance related to the area of transportation.

Senate Bill 156 (S-3) would amend the General Sales Tax to redistribute 25% of the auto-related sales tax in specific percentages to the CTF, the Michigan Transportation Research Council (proposed in Senate Bill 155), the State Waterways Fund for the fiscal year ending September 30, 1989, and the Transportation Economic Development Authority (proposed in Senate Bill 151).

Senate Bill 157 (S-2) would create the "Local Road Improvements and Operations Revenue Act" to authorize a county, if approved by the local electorate, to impose a local vehicle registration fee of up to $10 and a local driver license fee of up to $3.

Senate Bill 158 would authorize matching funds from the State for local road improvements, and to establish a formula for distributing those funds from the Department of Transportation. The bill would establish a four-year matching fund, using State trunkline dollars to match locally-raised revenue on a receding basis (two for one down to one-half for one).

Senate Bill 159 would amend Public Act 51 of 1951 to allow the State Transportation Commission to issue bonds or notes for up to $100 million to fund the local option matching fund program (proposed in Senate Bill 158) to make payments to road agencies for road improvements as described in the proposed "Local Road Improvements and Operations Revenue Act" (outlined inSenate Bill 157).

Senate Bill 262 (S-2) would amend Public Act 150 of 1972, to reduce the statewide gas tax from 15 cents to 13 cents per gallon, change the grant level to the State Waterways Fund from 1.25% to 1.5%, and change the shrinkage allowance from 2% to 1% and add a 1% collection fee.

A more detailed explanation of the bills follows.

Senate Bill 150 (S-5)

Michigan Transportation Fund (MTF)

The bill would retain the existing MTF distribution formula. It would also provide that if a distribution formula were not enacted for any time period beginning after September 30, 1993, an amount sufficient to pay the principal and interest due on bonds and notes issued for any of the purposes permitted by the Act would be apportioned and appropriated from the MTF with the balance reverting to the Fund until a distribution formula were enacted.

Bus Authorities

Under the current Act, after payments from the CTF for debt service and administration, 5% of the balance must be distributed for new small bus services and for specialized services, 8% for intercity passenger transportation purposes, 5% for intercity freight transportation purposes, and 17% for the transportation development account. (65% of the CTF is distributed as operating grants to eligible authorities and eligible governmental agencies.) Unspent funds revert to the CTF.

Instead of allocating specific percentages for each purpose, the bill provides that 35% of the CTF would have to be distributed for public transportation purposes. Public transportation purposes would include specialized services; grants for new small bus service; intercity passenger and freight transportation purposes; rail grade crossing improvement and transportation; bus capital expenditure matching funds; supplemental operating assistance to eligible authorities and governmental agencies; matching funds to a city, village, or township that used a municipal credit program; $1 million to the Southeastern Michigan Transit Authority; and public transportation development. For the fiscal year ending September 30, 1988, 65% of the CTF would be distributed as operating grants to eligible authorities and eligible government agencies in the following way:

- 90% to those that receive grants under the Urban Mass Transportation Act in an amount equal to the percentage received by them of the total Federal grants distributed in the State in the fiscal year ending September 30, 1987.
- 10% to those who have not received grants under the Urban Mass Transportation Act in an amount equal to the percentage received by them of the total CTF grants distributed in the fiscal year ending September 30, 1987.

For fiscal year ending September 30, 1988, and for each following year, an eligible authority or government agency could not receive an amount less than the State operating grants it received in the fiscal year ending September 30, 1987. If the revenue provided were not sufficient for this purpose, the amount distributed would be reduced proportionally to meet the "intent" of these provisions.

For the fiscal year ending September 30, 1989, and for each fiscal year thereafter, operating grants to eligible authorities and eligible governmental agencies would be required to be distributed by specific line item appropriation by the Legislature. Unspent funds would revert to the MTF.

Rail Grade Program

Beginning with the fiscal year ending September 30, 1988, the bill would require the Legislature annually to appropriate an amount sufficient to fund a rail grade crossing improvement and retirement program in order to preserve and enhance public safety at rail grade crossings and to meet all or part of the costs of providing for the improvement, installation, construction, reconstruction, relocation, maintenance, and retirement of new or existing safety devices at all rail grade crossings on public roads and streets.

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The program would be required to bear the cost of providing grade crossing improvements only after the exhaustion or commitment of any available Federal funds obtained through the Federal Aid Highway Grade Crossing Improvement Program, or any other comparable Federal program. Upon exhaustion or commitment of those funds, the program would have to bear between 75% and 80% of the cost of the improvement or retirement, with the remaining cost split equally by the road authority and the railroad involved.

The maintenance and repair of all future and existing automatic grade crossing warning devices would be the responsibility of the railroad involved at its own expense, although the proposed program would have to pay $100 per month to the railroad for each such crossing. That amount would have to be adjusted annually to reflect the change in and conform to the U.S. Department of Commerce consumer price index.

State Trunk Line Fund

The Act currently provides that money deposited in the State Trunk Line Fund "is appropriated to the state transportation department" for certain purposes. The bill would refer to money "appropriated annually by the legislature" to the Department.

The bill also provides that all projects to be funded in whole or in part or undertaken by the Fund would have to be listed in the annual appropriation bill or a supplemental appropriation bill for that fiscal year for the Department of Transportation. In addition to the projects scheduled for the fiscal year covered by the appropriation bill, projects planned for the succeeding two fiscal years would have to be listed in the annual or supplemental appropriation bill for that fiscal year. Projects not on the list of planned projects would not be eligible for funding in subsequent fiscal years unless approved by the Legislature in an appropriation bill.

The Act requires that 90% of all State Trunkline revenue be spent on maintenance of existing highways, although certain amounts are first deducted before the formula is calculated. The bill would allow the deduction of amounts "expended for projects vital to the economy of the state or the safety of the public". Before the deduction, the Department would have to obtain approval from the Legislature by concurrent resolution passed by a majority vote of both houses. The resolution would have to state which projects would be funded and the cost of each project. Pursuant to the proposed deduction, the bill specifies that the Department would have to construct "a north-south trunk line route between I-96 and I-75 in the vicinity of the original M-275 alignment".

Snow Fund

The Act provides for an amount to be withheld from counties' November monthly distribution and then returned to county road commissions for snow removal. That amount is distributed among the counties on the basis of measured snowfall in excess of 80 inches during the prior fiscal year, divided proportionately among the counties based upon inches of snow. The bill provides, instead, that the amount would be distributed to counties on the basis of "each respective county's average percentage share of the total amount returned annually to all counties in the state in each of the 14 calendar years before 1986".

SEMTA/Bonding

The bill would allow a city, village, or township that was a member of SEMTA to receive supplemental operating assistance grants independent of grants received through their "umbrella authority or agency" (SEMTA).

The bill provides that funds from the CTF and the MTF could be distributed to a trustee, or to the Michigan Municipal Bond Authority, authorized to receive the funds pursuant to a borrowing resolution adopted by an eligible authority. The issuance of notes of the authority would have to be authorized by a borrowing resolution of the authority in anticipation of payment of proceeds from the CTF and the MTF pursuant to the authority's ability to bond under the Metropolitan Transportation Authorities Act. The issuance of notes would be subject to Section 11, Chapter III of the Municipal Finance Act (which provides for the issuance of obligations without the approval of the Department of Treasury if certain conditions are met). An authority could issue the notes either in anticipation of funds to be received during its current fiscal year or in anticipation of funds to be received during its next fiscal year at any time within five months before the beginning of that fiscal year. The pledge of 100% of the funds the authority expected to receive from the CTF and the MTF would have to be secured by a direct transfer of the pledge funds from the Funds to the trustee or the Michigan Municipal Bond Authority. The notes would not be a debt or a liability of the State or constitute a pledge of the full faith and credit of the State. The notes would have to mature not more than 13 months from the date of issuance and bear interest at a fixed or variable rate, and could be secured by letter or line of credit issued by a bank or as provided in the borrowing resolution.

The bill also would prohibit State funds or CTF bond proceeds from being used to fund the operation of the Detroit Transportation Corporation Central Automated Transit System (the Detroit Downtown People Mover).

Other Provisions

The Act requires that 90% of a county's revenue from the MTF be spent on road maintenance and debt service, after certain amounts are deducted. The bill would add a deduction for amounts spent for projects vital to the economy of the local area or the safety of the public in the local area. Before those amounts could be deducted, the county road commission or the governing body over the county road commission, as applicable, would have to pass a resolution approving the projects. The resolution would have to state which projects would be funded and the cost of each. A copy of the resolution would have to be forwarded immediately to the Department.

The Act requires eligible authorities and eligible governmental agencies to post operating times on each passenger shelter operated or used by the authority or agency. The bill would require, instead, that the schedules be "made available, at no cost".

The bill would delete the requirement that the Department use solar energy systems, integrated with conventional systems, to heat hot water at a highway rest area or travel information center facility that is constructed or extensively remodeled or modernized.

The bill also provides that by April 1 of each year the Department would be required to report to the Legislature the amount of supplemental operating assistance required by each eligible authority and eligible government agency. To determine the amount, the Department would have to hold public hearings and seek input from all interested parties.

By January 1, 1988, the Department would be required to make recommendations in the form of a report to the Legislature on an operating grant formula based on need, efficiency, available Federal funds, and any other factor that would result in an equitable distribution of State operating grants.

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The bill would take effect October 1, 1987.

MCL 247.660 et al.

Senate Bill 151 (S-5)

The bill would create a new law to establish the "Transportation Economic Development Authority" whose primary function would be to award funding for local or State transportation projects that demonstrated an economic benefit. The bill would require the Authority to evaluate projects submitted to it and distribute funds made available to the Authority in the following manner:

- 25% for transportation projects that create or retain jobs that mayotherwise be lost to other states or countries.
- 25% for county primary and city major roads that would be added to the State trunkline system.
- 25% for capacity improvement projects on two-lane roads that carry 10,000 or more vehicles per day.
- 25% for rural primary roads on a per mile basis with each mile being equally weighted.

The bill would permit the Authority to issue negotiable bonds and notes in an amount that could not exceed 50% of its annual appropriations. The bill would take effect October 1, 1987. The bill is tie-barred to Senate Bills 150, 152, and 156.

Authority Creation/Board

The Authority would be created as an autonomous entity within the State Department of Transportation, and would exercise its powers, duties, and functions independently of the Department. The budgeting, procurement, and related management functions of the Authority, however, would be performed under the direction and supervision of the Department.

The Authority would be governed by a board of seven directors, including the Directors of the Departments of Transportation and Commerce, or their authorized representatives. The remaining five members would serve for terms of four years and consist of the following: one member representing townships who would be appointed by the Governor; two members representing the private sector who would be appointed by the Senate Majority Leader; two members representing cities and villages who would be appointed by the Speaker of the House. Of the five appointed members, not more than three could be from the same political party, nor could more than two be from the same geographical region. Vacancies occurring would be filled by appointment for the balance of the unexpired term. Members would not receive compensation for services, but would be entitled to necessary expenses, including travel expenses, incurred in the discharge of a member's duties.

The chief administrative officer of the Authority would be the secretary who would have to be appointed by the board subject to civil service rules. The powers of the Authority would be vested in the members in office. A majority of the members would constitute a quorum for the purpose of conducting the Authority's business, for exercising the Authority's powers, and for other purposes, notwithstanding the existence of any vacancies. The Authority could take action upon a vote of a majority of the members present. Meetings could be held anywhere in the State. The Authority would be subject to the Open Meetings Act and the Freedom of Information Act.

Road Improvement Project Funding

The primary function of the Authority would be to award funding for transportation projects submitted to it by local units of government or the State for road improvement projects that demonstrated economic benefit to the local unit and/or the State. The Authority would be required to evaluate each project on a competitive basis with all other projects under consideration at that time and subject to the bill's limitations.

The funds made available to the authority would be required to be distributed in the following manner:

- 25% for transportation projects on any trunkline route, county primary road, city major road, or rail line, if the projects would create or retain jobs that could otherwise be lost to other states or countries. A minimum of 25% of that amount would have to be distributed to counties with populations of 400,000 or less. Should the Authority approve a project under these provisions, it could provide for 100% of the total cost of the State share of the project's cost or 50% of the local unit's share of the total cost. A local unit that received funding from the Authority could apply to the Authority for a loan for the balance of the project cost. The Authority could approve a loan based on the local unit's receipt of revenue from the MTF as provided by Public Act 51 of 1951.
- 25% for upgrading and improving of county primary and city major roads that would be added to the State trunkline system by the State Transportation Department.
- 25% for capacity improvement projects on two-lane roads that carry 10,000 or more vehicles per day. Projects would be limited to county primary and city major roads on the Federal aid urban system in counties with a population of 400,000 or more. These funds would be distributed as follows: 24% to counties with a population of 400,000 to 600,000; 20% to counties with a population of 600,001 to 1,000,000; 40% to counties with a population of 1,000,001 to 1,750,000; and, 16% to counties with a population over 1,750,000.
- 25% for maintenance, enhancement, and improvement of rural primary roads in counties with a population of 400,000 or less. The funds would be distributed on a per mile basis, with each mile in every county to be equally weighted.

Authority Bonds and Notes

The Authority could issue its negotiable bonds and notes in a principal amount that the Authority believed necessary to provide sufficient funds for achieving its purposes, but not to exceed in any fiscal year 50% of its annual appropriation, including payment of interest on its bonds and notes, establishment of reserves to secure bonds and notes, and all other expenditures of the Authority.

The Authority also could issue renewal notes, issue bonds to pay notes, and, when it determined refunding expedient, refund bonds by issuing new bonds, whether or not the bonds to be refunded had matured, and issue bonds partly to refund outstanding bonds and partly for any other purpose. The refunding bonds would have to be sold and the proceeds applied to the purchase, redemption, or payment of the bonds to be refunded.

Except as otherwise expressly provided by the Authority, every issue of its bonds or notes would have to be general obligations of the Authority payable out of Authority revenue or money, subject only to agreements with the holders of the notes or bonds pledging any particular receipts or revenues.

Regardless of whether the notes or bonds were of a form or character that would make them negotiable instruments under the Uniform Commercial Code, the notes or bonds would have to be negotiable instruments within the meaning of and for all the purposes of the code, subject only to the provisions of the notes or bonds for registration.

A bond issued by the Authority would have to be approved by the Municipal Finance Commission or its successor, but would not otherwise be subject to the Municipal Finance Act. These provisions would be subject, however, to

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Sections 10 and 11 of Chapter III of that Act, and the Department of Treasury would have the same authority as provided in that law to issue an order providing or denying an exception from the prior approval required for bonds under the bill. (Section 10, Chapter III of the Municipal Finance Act pertains to the filing of a resolution or ordinance authorizing the issuance of an obligation for which prior approval is not required. Section 11 specifies conditions that must be met for the issuance of an obligation without approval of the Department of Treasury.)

Senate Bill 152 (S-4)

The bill would amend the Vehicle Code to make the following changes:

- Raise to $15, from $5, the penalty fee collected when a new title or a transfer title has not been obtained within 15 days of the delivery of a vehicle to a purchaser.
- Raise to $10, from $2, the fee collected for transferring the registration plates of vehicles owned by charitable and civil groups.
- Double the fee for driver's licenses, with 50% of the revenue to be deposited in the MTF.
- Raise to $100, from $25, the license reinstatement fee for a person whose operator's or chauffeur's license was suspended, revoked or restricted, with 75% of the revenue to be deposited in the MTF.
- Raise the registration fee for trucks to between $363 (up from $316) for a truck with a gross weight of up to 24,000 pounds, and $2,383 (up from $2,072) for trucks over 160,000 pounds. In addition, the bill would require $5 to be deposited in a truck driver education fund for each registration.
- Raise to $10, from $2, the fee collected for an application for: the transfer of the registration of a moped; a certificate of title, duplicate of a certificate or a special identifying number; and transfer of registration from a vehicle to another vehicle. The optional additional fee for "special expeditious treatment" of a title application would be raised to $15 from $5. All revenue received from the above fees would be deposited in the MTF.
- Add a $4 administration fee to vehicle registration fees. The fee would be adjusted beginning October 1, 1988 according to the annual average percentage increase or decrease in the Detroit Consumer Price Index. The fee would be used by the Secretary of State to defray the costs of collecting the fees and issuing the registrations according to the Vehicle Code.

The bill would take effect October 1, 1987. The bill is tie-barred to Senate Bills 150 and 154.

MCL 257.217 et al.

Senate Bill 154 (S-2)

The bill would amend the Motor Carrier Fuel Tax Act to change the fee structure for a motor carrier license by raising the fee from $12 to $25 for each commercial motor vehicle that is not required to be registered under the Act (i.e., out-of-state vehicles). The current $92 fee for in-State commercial vehicles would be retained.

(The Act requires that the license be affixed to the right-hand side of the cab of every commercial motor vehicle while it is being operated in this State by a licensed motor carrier. "Commercial motor vehicle;; is defined as a road tractor, or a truck tractor or a truck having more than two axles, if the road tractor, or truck tractor or truck is propelled by motor fuel. "Motor fuel" means diesel motor fuel as defined by Public Act 150 of 1927, which deals with the motor fuel tax.)

This bill would take effect October 1, 1987. The bill is tie-barred to Senate Bills 150 and 152.

MCL 207.215

Senate Bill 155 (S-2)

The proposed Michigan Transportation Research Council would be a consortium of the DOT, Michigan State University, Wayne State University and Michigan Technological University. The council would have a board of advisors consisting of the director of the DOT and the deans of each of the universities. The offices of the council would be located at Michigan State University, and the school would have to provide administrative and clerical support. The chief administrator of the council would be the director, and would be a professor from the college of engineering at Michigan State University.

The council would be required to develop a cooperative program of basic and applied research that would be related to the full range of transportation systems and issues with a view toward providing the effective, safe and energy conserving transportation of people and goods. Research topics could include, but would not be limited to, investigations with respect to administration and management; planning and design; construction and materials; operations and maintenance; and the environmental, social, and economic effects of transportation.

The council would be required to award contracts for research to the universities that were represented on the board of advisors, upon submission of written proposals for suggested areas of research from units of government or from transportation organizations located in the State.

The board also could award contracts for research to other colleges and universities or to community or junior colleges in the State if, in the opinion of the board, any of those institutions had an area of demonstrated expertise that would aid in the solution of the problem presented by the research. The DOT would be required to allow access by the council to its laboratories and other equipment and would be required to provide information to the council, upon request, that would aid the council in performing its duties under the bill.

The council also would be required to provide training, continuing education, and technical assistance with respect to the full range of transportation systems and issues. This would include the presentation of seminars on current issues as considered necessary by the board of directors.

In addition, the council would be required to provide direct technical assistance to local units of government or the State for the purpose of defining a particular transportation problem and to recommend different possibilities of determining solutions. Assistance of this type would be limited solely to determining the extent of a transportation problem. Any subsequent contracts to study or solve the problem would have to be awarded in a manner provided by law or local ordinance or charter.

The board of directors also would be required to do the following:

- Adopt an operating plan for the council that could be reviewed periodically by the DOT.
- Submit a proposed plan of the coming year's activities to the DOT and the Legislature by January 1.
- Hold at least one public hearing regarding the content of the plan of research activity of the council by November 1 of the year preceding the year for which the plan would be effective. The board would have to solicit comment from transportation organizations at that time on the content of the proposed plan. The transportation organizations also could submit written comments regarding the plan at that time.

The bill is tie-barred to Senate Bills 150 and 156. The bill would take effect October 1, 1987, and would be repealed effective October 1, 1991.

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Senate Bill 156 (S-2)

The bill would amend the General Sales Tax Act to establish, beginning October 1, 1987, a disbursement formula for funds equaling 25% of the general sales tax imposed upon the sale of motor vehicle fuel, motor vehicles, and motor vehicle parts and accessories, by new and used car dealers, used car dealers, accessory dealers, and gas stations, after distributions to local units under the State Revenue Sharing Act and to the State School Aid Fund under the State Constitution. That money would be distributed as follows:

- 27.9% to the CTF.
- 60% to the Transportation Economic Development Authority.
- One-half of 1%, or $250,000, whichever was less, to the Michigan Transportation Research Council.
- An amount equal to 4% of the amount of the gasoline tax revenue credited to the State Waterways Fund, to that Fund, with not less than 50% of that amount (the 4%) to be spent for marine safety education.

This bill would take effect October 1, 1987. The bill is tie-barred to Senate Bills 150, 151, and 155.

MCL 205.75

Senate Bill 157 (S-2)

The bill would create the "Local Road Improvements and Operations Revenue Act" to authorize a county to impose a fee of up to $10 on a motor vehicle registration and a fee of up to $3 on an operator's or chauffeur's license for the purpose of road improvements or operations, after the fees had been approved by voters in a special or general election.

The bill would permit a county to resolve to place the proposal for fees on a countywide election ballot. No more than one election could be held in a county in a calendar year for approval of the fees. If approved, the fee or fees would take effect on January 1 of the following year. Upon payment of the vehicle registration fee, the county would issue a registration sticker to be attached to the vehicle.

The Secretary of State would collect the fees and return the revenue, after deducting costs of collection, to the respective counties in the following manner:

- 64% to the designated county recipient of MTF Revenue.
- 36% to the designated city and village recipients of MTF revenue in a percentage amount equal to the same percentage amount received by each city or village from the total MTF revenue received by the designated city or village recipients in that county.

The bill is tie-barred to Senate Bill 150.

Senate Bill 158

Senate Bill 158 would create a new act to authorize matching funds from the State for local road improvements, and to establish a schedule for distributing those funds from the Department of Transportation. Distributions made from the MTF, pursuant to Public Act 51 of 1951, from the Transportation Economic Development Authority (which would be created under Senate Bill 151), or from Federal grants could not be used by a road agency as matching funds. The Department could not use funds from the Transportation Economic Development Authority or the distributions made to a road agency from the MTF as sources for matching funds under the bill.

A road agency that collected money for road improvements from any source would be entitled to matching funds from the State, after the effective date of the bill, according to the following schedule:

- For the first partial year and full fiscal year of the road agency, $2 from the Department for each $1 collected by the road agency.
- For the second full fiscal year of the road agency, $1.50 from the Department for each $1 collected by the road agency.
- For the third full fiscal year of the road agency, $1 from the Department for each $1 collected by the road agency.
- For the fourth full fiscal year of the road agency, 50 cents from the Department for each $1 collected by the agency.

For the fifth and all subsequent fiscal years of the road agency, the road agency would be entirely responsible for funding road improvements. Department payments would be made quarterly upon submission of a written statement, certified by the financial officer of the road agency, as being the agency's collections for the previous quarter.

Senate Bill 159

Senate Bill 159 would amend Public Act 51 of 1951, which provides for transportation funding, to permit the State Transportation Commission to borrow money and issue notes, tax exempt commercial paper, tax anticipation notes, or bonds, or any combination of these, up to a maximum level of $100 million, to make payments to road agencies for road improvements as described in the "Local Road Improvements Act". Not less than 20% of the principle and interest payments required by an issuance would be required to be made from the General Fund. Payments would be limited to four years. (The distribution formula for State funding is proposed in Senate Bill 158. Senate Bill 157 would create the "Local Road Improvements and Operations Revenue Act".)

MCL 247.668b

Senate Bill 262 (S-2)

The bill would amend Public Act 150 of 1927, which deals with the motor fuel tax, to:

- Reduce the State gas tax from 15 cents to 13 cents beginning January 1, 1988.
- Increase the grant level for the State Waterways Fund from 1.25% to 1.5%, after December 31, 1987.
- Change the gasoline shrinkage allowance from 2% to 1% and allow wholesalers to deduct from the gas tax 1% as a collection fee.

The bill would take effect October 1, 1987, and is tie-barred to Senate Bills 150, 152, and 154.

Gas Tax Reduction

The bill would eliminate the formula for calculating the gas tax and set the tax rate through December 31, 1987, at 15 cents per gallon. Beginning January 1, 1988, the tax rate for each 12-month period after December 31, 1987, would be 13 cents per gallon.

State Waterways Fund

The bill states certain findings by the Legislature pertaining to the sale and consumption of gasoline for marine purposes to propel vessels on the inland and surrounding waters of the State.

An amount equal to 1.023% of all gasoline taxes collected under the Act before October 1, 1985, 1.25% of taxes collected after September 30, 1985, and 1.5% of taxes collected after December 31, 1987, would have to be credited to the State Waterways Fund after the deduction of collection costs and refunds.

The Department of Treasury would be required annually to present to the State Waterways Commission an accurate total of all gasoline taxes collected and to determine the

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revenue derived from those collections. The Department also would be required to determine what portion of the revenues collected was derived from the sale of marine gasoline by multiplying the total gasoline taxes by 1.5% for all gasoline sold after December 31, 1987, and to credit this amount to the State Waterways Fund.

Exemptions

The purchaser of gasoline or diesel motor fuel for the operation of vessels exempt from Public Act 320 of 1947, which deals with the Michigan State Waterways Commission, would be entitled to a refund of tax paid on that gasoline or diesel motor fuel, upon filing a sworn claim with the Department within six months after the date of purchase, as shown by the invoice.

The retail distributor would be required to furnish a purchaser with an invoice showing the amount of gasoline or diesel motor fuel purchased, the date of purchase, and the total amount of tax paid on the purchase. Each dealer or distributor would be required to keep a copy of the invoices issued for a period of two years subject to examination by the Department. Each claim for refund would have to have attached to the claim the original invoice received by the purchaser and when approved by the Department, the claims would have to be paid out of the State Waterways Fund, upon warrant of the Department.

Shrinkage Allowance

Under the Act, every wholesale distributor is required to file with the Department a verified statement showing the number of gallons of gasoline received. in the case of the wholesale distributor who manufactures or produces his or her own gasoline, the distributor is required to report on all gasoline manufactured, stored, used, distributed, and sold within the State.

Each wholesale distributor, at the time of filing a report, is required to compute the amount of tax payable on account at the applicable rate of tax per gallon and to pay the Department the full amount of the tax. In computing the tax, under the bill, 1% of the quantity of gasoline received would have to be deducted to allow for evaporation and loss and 1% would have to be deducted as a collection fee to the wholesale distributor for collection of the tax.

The bill would take effect October 1, 1987, and is tie-barred to Senate Bills 150, 152 and 154.

MCL 207.102 et al.

FISCAL IMPACT

Senate Bill 150 (S-5) would have no fiscal impact on State or local government. Apart from internal changes within the CTF, the bill would retain the external formula for distributing funds from the MTF.

Senate Bill 151 (S-5) would have no fiscal impact on State or local government. The funding for the Authority is defined by Senate Bill 156.

Senate Bill 152 (S-4) would increase fees by at least $67.1 million per year. The increase in truck registrations would generate approximately $6.9 million per year. Doubling the license fees would generate $12.3 million per year. The $4 administration fee for the Secretary of State's use would generate $28.8 million per year. Raising the penalty fee from $5 to $15 for late title transfers would result in a minor revenue increase. The $8 increase in vehicle registration transfer fees would generate approximately $9.9 million per year. The $8 increase in the application fee for a certificate of title and the fee increase for a special identification number would generate $9.2 million per year. Fiscal information is not yet available on the $75 increase in the reinstatement fee.

Senate Bill 154 (S-2) would lead to an increase in motor carrier license fee revenues of approximately $5.6 million each year. The latest data show 430,961 applications for an out-of-state motor carrier license. Senate Bill 154 would raise this license fee from $12 to $25.

Senate Bill 155 (S-2) would have no fiscal impact on State or local government. The funding for the council is defined by Senate Bill 156.

Senate Bill 156 (S-3), in FY 1988-89, would lead to a transfer of approximately $108.9 million from General Fund/General Purpose revenues to restricted funds. In addition to the 27.9% of the automotive sales tax revenue currently deposited in the CTF, the bill would dedicate an estimated $108.3 million to the Transportation Economic Development Authority, $250,000 to the Michigan Transportation Research Council, and $335,000 to the State Waterways Fund. The transfer of revenues to the Transportation Research Council and the State Waterways Fund would begin in FY 1987-88.

Senate Bill 157 (S-2) would have an indeterminate fiscal impact. It is difficult to determine how many local taxes would be submitted to the voters and how many would be approved.

Senate Bill 158 would have an indeterminate fiscal impact. It is difficult to determine how much money the locals would raise that would require matching by the State.

Senate Bill 159 would have no fiscal impact on State or local government. This bill would authorize the State Transportation Department to borrow money and issue notes and bonds in anticipation of grants from the Federal government.

Senate Bill 262 by reducing the State motor fuel tax from 15 cents to 13 cents, would reduce restricted revenues by approximately $64.4 million in fiscal year 1987-88 and $89.3 million in fiscal year 1988-89. Increasing to 1.5% the percent of motor fuel revenue dedicated to the State Waterways Fund would transfer approximately $1.7 million each year. Exempting certain vessels from the gasoline and diesel motor fuel tax would result in a minor, indeterminate revenue loss.

ARGUMENTS

Senate Bill 150

Supporting Argument

In 1982, a new law was approved requiring State and local units to spend at least 90% of road funds on existing roads. It may have been necessary then, considering the poor conditions of State roads at that time. Now, however, that provision is not helping the State to meet current transportation needs. New projects, especially those designed for much needed public safety and economic development, are difficult to fund under the current 90/10 formula. The bill would provide a deduction for such projects from the 90/10. Further, with the deadline of the temporary formula approaching, the package presents a newly designed approach to raising and distributing transportation funds. It will fine tune the distribution formula and raise new funds to provide the necessary support for the State's transportation system to serve the needs of State industries, commercial vendors, rural areas, and residents, without unnecessarily overburdening the taxpayer.

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Opposing Argument

Establishing annual transportation programs by line item appropriation would make it virtually impossible for the program to match needs, the requisites of land purchases and construction staging. An already slow process would become completely unworkable. The bill should require by the State Transportation Commission, instead of requiring a legislative concurrent resolution, to obtain an economic development exemption to the 90/10 maintenance/construction requirement.

Senate Bill 151

Supporting Argument

Severe capacity related and system preservation problems on country roads and city streets are well known. Local units of government, as well as State government, are experiencing tension between funding for economic development and system preservation. There is no feasible level to which fuel taxes and registration fees could be raised that could address all needs of the local systems. An economic development authority as proposed in Senate Bill 151 could help solve this problem by awarding funding for economic development projects submitted to it by local units of government, or by the State.

Supporting Argument

Forestry has been selected as one of the target industries in Michigan's economic development program. There is already $4.1 billion of economic activity generated in forestry today; however, we are currently using less than 40% of our annual growth of timber. There is great opportunity for developing forestry in the State, but upgrading and maintaining the transportation system for bringing timber from the woods to the mill is essential for this opportunity to diversify Michigan's economy. At this time, road commissions throughout the State are facing severe financial difficulties in maintaining roads needed by the forest products industry. As a result, many are independently introducing various restrictions that include bond requirements, permits, and weight limits that restrict the flow of wood to the market, in order to combat the deficiency of operational and construction funds. The bill would help alleviate this problem by allowing a regular flow to the road commissions of State revenues that could be used to develop and maintain essential arteries for the delivery of wood and other products to the market.

Opposing Argument

The exceptionally fine splitting of the funds among various counties provided by the Economic Development Authority proposed by Senate Bill 151 would probably reduce a county's share in any one year below that necessary to accomplish a truly effective economic development project. Allocating State highway funds among different classes of counties is unprecedented, and would work against efficient allocation of funds for economic development projects. Adding another level of bureaucracy is unnecessary. The transportation commission already exists as a forum in which all transportation interests in Michigan may be heard, and which could oversee a transportation economic authority. If there were to be a separate board of directors to oversee the authority, it would be patently unfair to skew its membership so that four-sevenths of the committee represented local road interests, and five-sevenths local interests in general. Furthermore, according to the Department of Transportation, there is no precedent, as this bill proposes, for a member of the Legislature to appoint members to a governing board in the executive branch of government; and, this would seem to be a violation of the separation of powers doctrine in general, and a violation of Article III, Section 3 of the Michigan Constitution, in particular.

Senate Bill 152

Supporting Argument

Commercial registration rates, which are based on weight, have lagged noticeably behind passenger car rates, which are based on value. Although passenger car prices—the basis of registration rates—have increased about 22% since 1982, commercial registration rates have remained constant. Title and registration transfer fees have not increased in many years. By raising these fees, Senate Bill 152 would address the differential in cost allocation between light and heavy vehicles and bring fees more in line with collection expenses.

Senate Bill 154

Supporting Argument

Senate Bill 154, which would change the current fee for a fuel discount sticker for out-of-state vehicles from $12 to $25, would make out-of-state truckers, who pay much less than Michigan truckers for the sticker, shoulder more of the administrative processing costs of application. This would only be fair, since the per gallon discount is the same for both groups of trucks. In addition, any fee charged on heavy trucks such as these, would tend to produce a more equitable allocation of highway costs between light and heavy vehicles.

Response: The provision to raise fees for out-of-state truckers would unfairly penalize those who only occasionally drive through Michigan and who receive much less benefit from the purchase of the sticker than a trucker who buys the bulk of the truck's fuel in the State.

Opposing Argument

Senate Bill 154 would raise for all out-of-state commercial vehicles the cost of the diesel fuel decal from $12 to $25 annually, for an increase of 108%. This proposed increase not only would be excessive, but could actually deprive Michigan of the revenue gains anticipated by this increase. Currently, approximately 431,000 non-Michigan registered vehicles purchase the $12 decal. Large national fleets, because of the present cost of decals, choose to permit each vehicle rather than selectively permitting only those vehicles operating in Michigan. A 108% increase in the cost of doing business in Michigan under this proposal could result in fewer vehicles being registered in the future. A more modest increase in the cost of the fuel decal, such as 25%, would be reasonable and ensure continued levels of registration.

Senate Bill 155

Supporting Argument

The proposed Michigan Transportation Research Council would provide needed research programs to help the State plan for future transportation needs. By establishing the council at Michigan State University, the council would be in useful proximity to agencies with which it would coordinate much of its work, including the State Legislature, the Department of Transportation, and other constituency groups. In addition, the university based council would be eligible for Federal matching dollars on a four-to-one basis under the urban mass transportation act. With the proposed $250,000 credited to the council by Senate Bill 156, the council would therefore have $1 million in matching funds to begin its research. Several other states have chosen to fund research centers at one of their universities or jointly with several universities, and all the centers have proven successful in attracting increased research money from the Federal Department of Transportation. Texas is the best single example, where an annual state investment of approximately $3 million has permitted the Texas Transportation Institute to attract an additional $6 million per year in Federal research money. The states of Illinois, Tennessee, California, Virginia,

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Georgia, Indiana, Ohio, and Florida are other examples where modest state support provides the base funding from which major Federal funding is attracted. Michigan belongs in this group of states. The Transportation Research Center would serve as a resource to county road commissions and municipal transportation agencies. The Michigan Department of Transportation has a Highway Planning and Research Program funded from 1-1/2% of the highway construction dollars allocated by the Federal Highway Administration to the State that is used to fund the Department's research. Counties and cities have no such fund, but they do have research needs that are unique to their jurisdictions. The transportation research center would be a resource where individual counties and cities could go for information, advice, and research.

Opposing Argument

The proposed Michigan Transportation Research Council, outlined in Senate Bill 155, should be housed at the Department of Transportation as a neutral site rather than being based at Michigan State University. A similar consortium already was formed voluntarily approximately one year ago with the objective to capture Federal transportation research funds. The Department of Transportation serves as the neutral base for this consortium, and has already received requests from some of the universities involved.

Senate Bill 157

Supporting Argument

Improvements on many classes of local roads should be financed more from local revenues than from State sources. The "Local Roads Improvements and Operations Act" proposed in Senate Bill 157 would allow a county to impose license and registration fees for the purpose of road improvement. Permitting this type of local option funding would address the reality that different parts of the State have differing levels of need for road improvement and should pay accordingly. Empowering counties to collect these fees could enable them to pay for whatever level of road service they wanted, instead of settling for the present lowest common denominator level of funding.

Response: All transportation funds should be raised from user fees. Vehicle registration fees are not related to highway use as are fuel taxes.

Senate Bill 158

Supporting Argument

Senate Bill 158 would temporarily change the distribution of State revenues between the Department of Transportation and local units, in the favor of cities and counties, which have long been under-supplied with transportation revenue from State taxes. Through the program of providing matching State funds for locally collected money for road improvements, the bill could be a powerful inducement to local units to impose fees that would ultimately make a substantial amount of money available to them for local road maintenance.

Response: The bill would take much needed money from the State trunkline fund and reduce the State's ability to maintain State roads.

Senate Bill 262

Supporting Argument

Keeping the gas tax in Michigan as low as possible is good policy for two reasons: One, we have simply tapped out the maximum revenue we can obtain from gasoline tax. It is too high, right now. The State's taxes on gasoline are already within the top five highest among states in the United States, which hurts our competition with neighboring states' sales of gasoline and effects tourism, a major source of Michigan income. Secondly, the imposition of a gas tax, after a certain level, becomes an inelastic tax. That is, when it becomes too high it effects the behavior of those who buy gasoline—they may buy less. So it is therefore a less efficient form of revenue for transportation. On the other hand, increased fees for operator's licenses and vehicle registrations, as the transportation package proposes, tend to be a more elastic tax. If the fee goes up, it is less likely to affect the behavior of those who pay for a license or registration—they are going to get it anyway.

Opposing Argument

Lowering the State gas tax from 15 cents to 13 cents as proposed by Senate Bill 262 would reduce much needed gas tax revenues by approximately $90 million annually, making the State's roads more difficult to rebuild. There is no simpler way to provide the funding for needed transportation improvement in this State than to raise the current 15-cent level of gasoline tax. It is doubtful that through any other means of funding that the State would have sufficient money to do the job needed and given the current low gas prices, this may be the best time to raise taxes. There are logical, practical, and rational reasons why the Federal government and each state in the nation relies on the fuel tax as its primary source of highway revenue: it is easy to collect; it can generate large amounts of revenue for a small amount per unit; the amount an individual or a business pays is roughly proportionate to the benefit received; and it is accepted by the taxpayer as a relatively painless way to finance the construction and maintenance of the roads that are needed.

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