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SENATE ANALYSIS SECTION

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House Bill 4026 (as reported without amendment)**Sponsor:** Representative Curtis Hertel**House Committee:** Transportation**Senate Committee:** State Affairs, Tourism and Transportation**Date Completed:** 2-25-87**RATIONALE**

The Michigan Transportation Fund Act provides the mechanism by which the Michigan Department of Transportation (MDOT) receives and distributes State restricted funds from fuel and vehicle weight taxes. Public Act 438 of 1982 amended the Act to establish a temporary formula, scheduled to expire on March 31, 1987, for the distribution of money deposited in the Michigan Transportation Fund. 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, some have proposed that the sunset for the temporary formula be postponed.

transportation matters, including revenue issues, by June of 1987. In the meantime, the temporary distribution of the funds should continue so as not to disrupt contractual agreements with labor unions and small business suppliers that are contingent upon disbursement of the funds.

Furthermore, without passage of the bill the statute would provide no authority for the distribution of funds to the Comprehensive Transportation Fund, the State Trunk Line Fund, county road commissions, and cities and villages, except for the payment of principal and interest on bonds and notes.

Legislative Analyst: B. Baker**Fiscal Analyst:** J. Makokha**CONTENT**

The bill would amend Public Act 51 of 1951 to postpone the sunset date from March 31, 1987, to June 1, 1987, of a temporary formula for the distribution of funds from fuel and vehicle taxes placed in the Michigan Transportation Fund.

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

Under the formula, which was added by Public Act 438 of 1982, 10% of the fund goes to the Comprehensive Transportation Fund. After deductions for expenses, the balance is divided as follows: 39.1% to the State Trunk Line Fund, 39.1% to county road commissions, and 21.8% to cities and villages for their own roads. In addition, the formula provides for the distribution of the funds within each category. Upon the expiration of the temporary formula, the Act provides that an "amount is apportioned and appropriated" to the Comprehensive Transportation Fund, the State Trunk Line Fund, county road commissions, and cities and villages "sufficient to pay" the principal and interest on various bonds and notes, and that the balance reverts to the Michigan Transportation Fund.

MCL 247.660

FISCAL IMPACT

The bill would have no State or local fiscal impact.

ARGUMENTS**Supporting Argument**

The extension would ensure adequate time for the new Legislature to digest all the information that has been gathered concerning the transportation distribution formula and enable the Legislature to make a sound decision regarding the creation of a new formula. The bill also would provide an impetus for all people involved to work out a compromise on this issue and deal with other

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