
Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 582 (as reported without amendment)
Sponsor: Senator Doug Carl
Committee: Transportation and Tourism

CONTENT

Senate Bill 582 would amend Public Act 51 of 1951 (part of the Michigan Highway Law) to do the following:

- Transfer jurisdiction of 23,509.92 miles of road from local road authorities to the State.
- Provide for State assumption of outstanding debt incurred by local units of government for improvement of roads transferred to the State.
- Eliminate the Michigan Transportation Fund (MTF) and the State Trunkline Fund (STF).
- Replace the current Funds with the State Gas Tax Fund (SGTF) and the State Highway Fund (SHF).
- Eliminate the current distribution formula for transportation revenues and replace it with a new formula. (Unlike previous amendments to the formula, no sunset date is included.)
- Eliminate the Economic Development Fund Program (Public Act 231 of 1987).
- Eliminate the Local Program Fund.
- Eliminate certain restrictions and match requirement regarding expenditures by local road authorities.
- Allow county road commissions to enter into merger agreements with one or more county road authorities with the approval of boards of commissioners.
- Allow local units to perform road work beyond their own jurisdictional boundaries.

MCL 247.65 et al.

FISCAL IMPACT

Summary. The bill would result in substantial changes regarding the distribution of State transportation revenue. The following analysis compares the current distribution of the State funds based on the FY 1996-97 appropriation and the FY 1997-98 distribution based on changes contained in the bill. Federal and local revenues are not included in the analysis. The FY 1997-98 estimated funding is based on a 4-cent per gallon gas tax increase, increased truck registration fees, increased overweight truck permit fees, and the elimination of the evaporation allowance. It also assumes the enactment of the Governor's proposal limiting gas tax funding to the Recreation Improvement Fund. The comparison does not include the Governor's proposal earmarking revenue sharing and child support securitization funds. Table 1 compares the current overall distribution of funds with the Governor's proposal.

Comprehensive Transportation Fund. The bill would change the allocation to the Comprehensive Transportation Fund from 10.0% of the Michigan Transportation Fund to a minimum amount (\$128,715,800) funded from the State Highway Fund. This new minimum is approximately \$10 million below the Governor's original FY 1997-98 recommendation. Revenue deposited in the Comprehensive Transportation Fund is allocated on the following basis: 70% local bus operating, 20% public transportation development, and 10% intercity passenger and freight.

Economic Development Fund. The bill would eliminate this program. The FY 1996-97 appropriation

for the Economic Development Fund totaled \$53,775,000. Of that amount, approximately \$37,999,622 (70%) is allocated to local road authorities.

County Road Commissions. The bill would reduce the distribution of State funds to county road commissions by \$189,759,900 (42.6%), from \$444,899,800 to \$255,139,900. The comparison is based on the FY 1996-97 appropriation, including the Local Program Fund. Road mileage under the jurisdiction of county road commissions would be reduced by 20,011.00 (22.5%), from 88,996.04 to 68,985.04. Over 71.0% of the funding allocated to county road commissions under the current formula is based on primary road mileage. Counties are allowed to transfer up to 30% of the State funds allocated to primary roads to the local road system. The proposed 20,011.00 mileage transfer to the State represents 75.8% of the current county primary road system and 22.5% of its total mileage (primary and local). The Governor's proposal would eliminate the current formula except for the set aside for snow removal. The snow removal allocation would decrease because it is based on 1% of the prior calendar year total distribution from the State. The new formula for the distribution of funds would allocate 50% of the funding to county road commissions based on vehicle miles of travel and 50% based on road mileage. Table 2 compares the current distribution of State funds to counties with the Governor's proposal, excluding snow removal funds.

Cities and Villages Distribution. The bill would reduce the distribution of State funds to cities and villages by \$78,977,700 (31.8%), from \$248,053,300 to \$169,075,600. The comparison is based on the FY 1996-97 appropriation, including the Local Program Fund. Road mileage under the jurisdiction of cities and villages would be reduced by 3,491.92 (17.2%), from 20,312.65 to 16,820.73. The current distribution formula allocates 74.4% for the funds distributed to cities and villages based on major street mileage. Cities and villages are allowed to transfer up to 25% of the funds allocated to city major streets to the local road system. The 3,491.92 mileage transfer to the State represents 59.1% of the current city major street system and 17.2% of its total mileage (city major and local). The Governor's proposal would eliminate the current formula except for the set aside for snow removal. The snow removal set aside would decrease because it is based on 0.7% of total State funds allocated to cities and villages in the previous calendar year. The new formula for the distribution of funds is based on 1995 expenditures per mile multiplied by the number of miles remaining under the city or village system. Any remaining revenue would be distributed based on road mileage. Table 3 compares the current and proposed distributions, excluding snow removal funds.

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Fiscal Analyst: B. Bowerman

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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.