

Legislative Analysis



TRANSPORTATION ECONOMIC DEVELOPMENT FUND - CATEGORY F

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5799 (H-1) as reported
Sponsor: Rep. Rich Brown

House Bill 5800 as reported
Sponsor: Rep. Scott Shackleton
Committee: Transportation

Complete to 5-27-04

SUMMARY OF HOUSE BILL 5799 AND HOUSE BILL 5800 AS REPORTED 5-27-04

Public Act 51 of 1951 (Act 51) governs the distribution of Michigan Transportation Fund revenue. House Bill 5800 would amend Section 10 of Act 51 to increase by \$2.5 million the annual appropriation of Michigan Transportation Fund (MTF) revenue to the Transportation Economic Development Fund (TEDF). This would bring the annual appropriation of MTF funds for the TEDF to \$42,775,000. House Bill 5799 would amend Public Act 231 of 1987 to increase by \$2.5 million the statutory earmark for the "Category F" program (cities in rural counties) within the TEDF. This would bring funding for the Category F program to \$5.0 million per year.

The H-1 substitute for HB 5799 adds a tie-bar to HB 5800, however HB 5800 does not include a tie-bar; HB 5800 could pass without HB 5799, but HB 5799 could not pass without HB 5800.

FISCAL IMPACT:

If House Bills 5799 and 5800 both passed, they would effectively direct an additional \$2.5 million in MTF revenue each year to the "Category F" program (cities in rural counties) within the TEDF, bringing the total annual appropriation of MTF revenue to Category F program to \$5.0 million per year, and annual MTF funding for the TEDF as a whole to \$42,775,000. Note that the additional \$2.5 million in funding for the Category F program is reflected in the House-passed FY 2004-05 state transportation budget bill, HB 5528.

By earmarking an additional \$2.5 million for the TEDF program, HB 5800 would reduce MTF revenue available for distribution to the other MTF recipients, as follows:

- State trunkline fund (\$977,500)
- County road commissions (\$977,500)
- Cities & villages (\$545,000)

If only HB 5800 passed (and HB 5799 did not), an additional \$2.5 million would be directed to the TEDF program with the additional revenue divided between the “Category A,” “Category D,” and “Category C,” programs in accordance with the current requirements of PA 231 of 1987. The reduction in MTF revenue available for distribution to the other recipients of MTF revenue would be the same as shown above.

There are 175 local road agencies that meet the eligibility criteria for the Category F program. Note that the Category F program is a competitive grant program; not all eligible local road agencies cities would have projects funded. In 2002 there were 6 projects funded, in 2003 there were 10 projects funded.

BACKGROUND INFORMATION:

The Transportation Economic Development Fund was created in 1987, through PA 231 of 1987 (MCL 247.901), to assist in financing road and street projects in support of economic growth. The TEDF is funded, in part, from an annual appropriation of MTF revenue in accordance with the provisions of Act 51. Under Section 10 of Act 51, the TEDF currently receives a total of \$40,275,000 from the MTF – \$36,775,000 to the fund, plus an additional \$3,500,000 specifically earmarked for the Category A program (targeted industries) within the TEDF.¹

There are five program categories established within the TEDF by PA 231. One of those categories, Category D, supports development projects in rural counties.² PA 231 identifies the purpose of the Category D program as the upgrading of rural primary roads and major streets to create an all-season road network. The Category F program (cities in rural counties) within the TEDF is intended to coordinate with Category D projects to provide all-season routes within cities in rural counties. With reference to the Category F program, the TEDF 2003 Annual Report states: *“In order provide a network of all-season roads, urbanized areas in rural counties need to link up to the secondary all-season roads funded through Category D of the fund.”*

In order to coordinate with the Category D program, Category F targets roads and streets within designated federal urban area boundaries. These boundaries are not necessarily identical to municipal boundaries. As a result, some eligible roads and streets are under the jurisdiction of cities or villages with populations less than 5,000, or under the jurisdiction of county road commissions. The Michigan Department of Transportation’s Office of Economic Development and Enhancement indicates that there are a total of 175 road agencies eligible for Category F grants, 128 cities and villages, and 47 road commissions.

¹ In addition to MTF revenue, the TEDF receives a statutory earmark of certain drivers' license fees (approximately \$13 million per year).

² Act 231 defines a rural county as “any county in this state having a population of 400,000 or less.” Seventy-eight of the state’s 83 counties are rural counties under this definition.

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

Category F is a competitive grant program. Projects are evaluated and scored by the Office of Economic Development and Enhancement using the following factors: evidence of critical all-season system continuity, commercial traffic flow, road condition, and safety.

POSITIONS:

The County Road Association of Michigan opposes the bill (5/27/04)

The Michigan Road Builders Association is neutral on the bill (5/27/04)

The Michigan Department of Transportation had not yet taken a position on the bill at the time of committee hearing (5/27/04)

Fiscal Analyst: William E. Hamilton