

COMPREHENSIVE TRANSPORTATION FUND TRANSFER TO STATE GENERAL FUND

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House Bills 5678 and 5679

Sponsor: Rep. Lee Gonzales

Committee: Appropriations

Complete to 12-19-09

A SUMMARY OF HOUSE BILLS 5678 AND 5679 AS INTRODUCED 12-10-09

Under current law, a portion of the sales tax collected on motor vehicle sales, and on sales of motor-vehicle related products, is credited to the Comprehensive Transportation Fund (CTF). This CTF portion of the sales tax is often referred to as the "auto-related sales tax."

The CTF is a state-restricted transportation fund established in Section 10b of 1951 PA 51. The CTF is dedicated for public transportation programs, including operating and capital assistance to public transit agencies. The CTF share of the auto-related sales tax is estimated to be \$71.0 million in FY 2009-10.

House Bill 5678 would amend Section 25 of the General Sales Tax Act to require that for the fiscal year ending September 30, 2010, the auto-related sales tax credit to the CTF be reduced by \$5.7 million "and shall be deposited in the state treasury to the credit of the General Fund." This transfer implements one of the agreements which established General Fund targets for FY 2009-10 state budgets.

House Bill 5679 would amend Section 15a of the State Transportation Preservation Act of 1976, (1976 PA 210) to require that for the fiscal year ending September 30, 2010, \$5.7 million from the Rail Infrastructure Loan Fund be deposited in the Comprehensive Transportation Fund.

The \$5.7 million transfer from the Rail Infrastructure Loan Fund to the CTF proposed in House Bill 5679 would offset the \$5.7 million proposed transfer from the CTF to the state General Fund proposed in House Bill 5678. In effect, CTF-funded programs would be held harmless in the FY 2009-10 transportation budget.

BACKGROUND INFORMATION:

The Rail Infrastructure Loan Program (also known as the Michigan Rail Loan Assistance Program or MiRLAP) was first established through a boilerplate section of the FY 1996-97 transportation appropriations act, PA 341 of 1996. The program was subsequently established in statute through a 2002 amendment to the State Transportation Preservation Act of 1976 (2002 PA 747).

MiRLAP was modeled after a similar program in Wisconsin. It provides non-interest bearing loans for rail infrastructure improvements. MiRLAP is a revolving loan program. Fund resources were originally provided through appropriations from the CTF to the Rail Infrastructure Loan Fund. As loans are made from the fund, the fund is also replenished through loan repayments. It is our understanding that there is sufficient unobligated balance in the Rail Infrastructure Loan Fund to transfer back \$5.7 million to the CTF.

Additional information on the auto-related sales tax can be found in the House Fiscal Agency publication *Comprehensive Transportation Fund Revenue Issues* found at: <http://www.house.mi.gov/hfa/PDFs/CTF%20analysis.pdf>

An updated history of CTF revenue is found on the House Fiscal Agency website at: <http://www.house.mi.gov/hfa/CTF%20Revenue%20Analysis.xls>

FISCAL IMPLICATIONS:

The two bills have no net fiscal impact. They would simply transfer funds between different state funds.

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■ 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.