

# Legislative Analysis



## COMPREHENSIVE TRANSPORTATION FUND TRANSFER TO STATE GENERAL FUND

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

### House Bills 5678 & 5679

Sponsor: Rep. Lee Gonzales

Committee: Appropriations

Complete to 7-1-10

### A SUMMARY OF HOUSE BILLS 5678 AND 5679 AS PASSED BY THE HOUSE 7-01-10

These two bills implement an agreement related to FY 2009-10 General Fund/General Purpose budget targets. The bills effectively shift \$5.7 million in state-restricted transportation revenue to the state General Fund. This fund shift would be effected through a two-step process:

House Bill 5678 would amend Section 25 of the General Sales Tax Act to reduce the amount of "auto-related" sales tax deposited in the Comprehensive Transportation Fund (CTF), and increase the amount credited to the General Fund, by \$5.7 million in FY 2009-10. 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 CTF. The \$5.7 million transfer from the Rail Infrastructure Loan Fund balance to the CTF effectively restores the \$5.7 million that would be shifted from the CTF to the state General Fund. There would be no direct impact on CTF-funded appropriations and programs in FY 2009-10 as a result of these offsetting fund-shifts.

### BACKGROUND INFORMATION:

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 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 \$78.0 million in FY 2009-10.

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. According to the Michigan Department of Transportation, 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 IMPACT:**

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

Fiscal Analyst: William E. Hamilton

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