

TRANSPORTATION ECONOMIC DEVELOPMENT FUND – REVENUE SHIFT TO OTHER FUNDS

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House Bill 4440 as enacted
Public Act 273 of 2016
Sponsor: Rep. Edward J. Canfield
House Committee: Appropriations
Senate Committee: Appropriations

House Bill 5706 as enacted
Public Act 280 of 2016
Sponsor: Rep. Larry C. Inman
House Committee: Appropriations
Senate Committee: Appropriations

Complete to 11-30-16

SUMMARY:

House Bill 4440, enacted as Public Act 273 of 2016, amends Section 11 of Public Act 231 of 1987, the act that created and governs the Transportation Economic Development Fund (TEDF). The bill would make the following special appropriations from the TEDF:

- For the fiscal year ending September 30, 2016, a total of \$4.0 million from the TEDF, Targeted Industries, (Category A), of which \$2.0 million is for credit to the State Trunkline Fund (STF) "for the purposes of matching available federal-aid highway funds," and \$2.0 million for credit to the State Aeronautics Fund "for the purpose of a one-time airport safety appropriation."
- For the fiscal year ending September 30, 2017, a total of \$10.4 million from the TEDF Targeted Industries (Category A) for credit to the STF "for the purpose of road and bridge construction."

In addition to the special appropriations described above, and the related reductions in the Targeted Industries category ("Category A"), the bill makes an additional one-time reduction in Targeted Industries funding of \$9,423,700. The reduction is necessary to reflect the redirection of a like amount of drivers' license fee revenue from the TEDF to the state General Fund made in House Bill 5706, enacted as Public Act 280 of 2016 as described below.

MCL 247.911

House Bill 5706, enacted as Public Act 280 of 2016, amends Section 819 of the Michigan Vehicle Code to redirect \$9,423,700 in drivers' license fee revenue, currently dedicated to

the TEDF, to the state General Fund. The bill would make this redirection for one fiscal year only, the fiscal year ending September 30, 2017.

MCL 257.819

Note that shifting state restricted TEDF revenue to other state transportation funds and programs can be accomplished simply through amendment of the TEDF statute, Public Act 231 of 1987, such as House Bill 4440. However, because TEDF revenue is derived in part from constitutionally dedicated transportation funds (motor fuel taxes and vehicle registration taxes), shifting TEDF revenue to the state General Fund requires an amendment to the Michigan Vehicle Code, such as House Bill 5706. House Bill 5706 demonstrates that the TEDF/General Fund revenue shift comes from driver's license fee revenue and not constitutionally restricted revenue.

FISCAL IMPACT:

The special appropriations of TEDF revenue proposed made in House Bill 4440, and the related redirection of TEDF revenue made in House Bills 4440 and 5706 would have no impact on total state revenue; the bill would simply shift revenue from one state-restricted transportation fund to another state funds. The revenue shifts described above are assumed in the enacted FY 2015-16 transportation budget (Article XVII of Public Act 84 of 2015) and provisions of the FY 2016-17 budget reflected in Article XVII of House Bill 5294.

BACKGROUND INFORMATION:

The TEDF is a state-restricted transportation fund created in 1987 to help fund highway, road, and street improvements related to either a specific type of economic activity or a specific type of road system. There are five TEDF categorical programs. *Target Industries* is a TEDF program dedicated to capital road improvements related to economic development projects in specific "target" industries. Grants are competitively evaluated and may be awarded to any eligible road agency (MDOT, county road commissions, cities, or villages).

The TEDF/Target Industries program is administered jointly by MDOT's Office of Economic Development and Enhancement and the Michigan Economic Development Corporation (MEDC).

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