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BILL ANALYSIS



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Senate Bill 557 (as enrolled)
Sponsor: Senator Marty Knollenberg
Senate Committee: Transportation
House Committee: Transportation and Infrastructure

Date Completed: 6-23-16

RATIONALE

Under the Michigan Transportation Fund law, the Michigan Department of Transportation (MDOT) must pay for the opening, widening, and improving, including construction and reconstruction, of all State trunk line highways. However, incorporated cities and villages with a population of 25,000 or more must participate in the cost when the trunk line highways are within those cities and villages. Concerns have been raised about the fairness of this requirement, since it does not apply to local units with a population under 25,000, and about the financial burden the requirement places on the affected cities and villages. In particular, the participation costs associated with the I-75 Corridor Project (described in **BACKGROUND**, below) are reported to be a heavy burden on those municipalities with a population of 25,000 or more that are located along the portions of I-75 that will be reconstructed. To address these issues, it has been suggested that the provision requiring municipalities to participate in the cost of opening, widening, and improving State trunk line highways be eliminated.

CONTENT

The bill would amend the Michigan Transportation Fund law to eliminate a requirement that cities and villages participate with MDOT in paying the cost of opening, widening, and improving State trunk line highways within the cities and villages.

Specifically, the law requires incorporated cities and villages to participate with the Department in the cost of opening, widening, and improving, including construction and reconstruction of State trunk line highways within cities and villages to which streets that are connecting links of trunk line highways or streets that are made connecting links of trunk line highways may be added, subject to the approval of the State Transportation Commission.

The cost participation must be based on the schedule shown in Table 1, depending on the population of the city or village.

Table 1

Population	Local Share	State Share
≥50,000	12.5%	87.5%
40,000 to <50,000	11.25%	88.75%
25,000 to <40,000	8.75%	91.25%
≤25,000	0.0%	100.0%

The bill would delete that payment schedule and would require MDOT to bear the cost of opening, widening, and improving, including constructing and reconstructing, all State trunk line highways, in accordance with its standards and specifications.

The bill would retain a provision requiring a city or village to pay the entire cost, less the Federal highway funds that may be allocated to the portion of the project by MDOT, for any project

expanding the width of a State trunk line highway for local purposes beyond the width prescribed under the law; and a provision allowing the State Transportation Commission and the boards of county road commissioners to enter into agreements with townships or private parties for the improvement or widening of State trunk line highways or county roads, which may require full or partial participation in the cost of the improvement or widening by the requested party.

The bill would take effect 90 days after it was enacted.

MCL 247.651c

BACKGROUND

Growth along I-75, and the congestion associated with that growth, led to the I-75 Corridor Project. The Project, which has been in development for nearly 20 years, will encompass approximately 18 miles of freeway, from M-102 to south of M-59, beginning in 2016 and concluding around the year 2030. The portion of I-75 that will be reconstructed carries up to 174,000 vehicles per day, and is used by residents, commuters, carpoolers, local businesses, intrastate and interstate commercial vehicle drivers, and tourists. This will be the first major reconstruction of the highway since it was built in the 1960s. The Project will include the construction of a fourth lane, new carpool lots, and a new drainage system; enhancement of existing carpool lots; replacement of road and pedestrian bridges; modernization of several interchanges; and general geometric and aesthetic improvements. The I-75 Corridor Project is estimated to cost up to \$1.2 billion.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Under the law, cities and villages receive 21.8% of the balance of the Michigan Transportation Fund (MTF) after all required deductions are made, while the State Trunkline Fund receives 39.1% and the same portion is allocated to county road commissions. The money that cities and villages must spend when participating in MDOT trunk line projects comes from the 21.8% distributed to those local units from the MTF under the law. In other words, the cities and villages are not able to use all of the 21.8% on local roads, as portions of that amount are given back to MDOT for State projects.

Moreover, the I-75 Corridor Project is expected to cost those cities that will have to participate in it a sizeable portion of the money they receive from the Fund. The City of Troy, for example, estimates that the Project will cost it \$9.6 million over eight years, which is slightly more than \$1.2 million per year. Including anticipated gas tax increases, annual appropriations for Troy under the law are estimated to be around \$3.9 million for major roads. Subtracting the assumed average annual maintenance costs for major roads of \$2.8 million from the \$3.9 million leaves the City of Troy with \$1.1 million per year, or roughly the amount owed to MDOT for the Project. This means that virtually nothing is left to fund any type of major transportation infrastructure construction or renovation projects. Royal Oak and Madison Heights report similar financial constraints due to the participation costs expected during the I-75 Corridor Project.

The strain on the municipalities that must participate in the costs with MDOT, especially during the I-75 Corridor Project, deprives those municipalities not only from having a budget to improve local transportation infrastructure, but also from employing workers to maintain roads in their current conditions, salting and clearing streets during snowstorms, and keeping the vehicles that maintain roads in good condition, among other things. The current contribution schedule is a financial burden on municipalities that must participate, and those that must contribute to the I-75 Corridor Project foresee future difficulties in affording a bill from MDOT while maintaining or improving local transportation infrastructure. The requirement to participate in large projects could undermine a municipality's local transportation infrastructure budget for years. Eliminating the local participation requirement would alleviate the financial burden that certain municipalities face and allow them to redirect that money toward local roadway needs.

Supporting Argument

Currently, there are 45 municipalities that must participate in the cost of opening, widening, and improving State trunk line highways. However, surrounding municipalities that do not have to participate in these projects receive the same benefit from trunk line highway improvements that the municipalities that pay receive. The payment requirement is an unfair burden on the municipalities required to participate as many individuals or entities outside of the contributing municipalities will see benefits from the trunk line projects.

Opposing Argument

All State money for Michigan transportation infrastructure comes from the Michigan Transportation Fund. By deleting the requirement that municipalities participate in the cost of opening, widening, and improving State trunk line highways, the bill would shift money away from MDOT control to municipal control. Under those circumstances, MDOT would have less money for projects that benefit individuals or entities at a regional, national, and international level. Although it is important for local municipalities to have adequate transportation infrastructure, it also is important that MDOT trunk line projects benefit Michigan as a whole.

Response: Municipalities already have less money for projects because of the requirement to participate in the cost of opening, widening, and improving State trunk line highways. Furthermore, the money currently is being shifted from local to State control.

Opposing Argument

Municipalities that are required to participate in the cost of State trunk line highway projects receive additional funds through a multiplier to help offset those costs. The additional funds are distributed annually and are determined by an algorithm that includes factors regarding population and the number of major, trunk line, and local miles. The additional funds qualified municipalities receive may be used for any bridge or road purpose. While the amount may not cover the cost of every project that those municipalities must participate in, the mechanism helps offset the costs.

Response: While the reimbursement helps pay for municipal transportation infrastructure that sees heavier traffic in comparison to roadways in smaller municipalities, it is not always enough to substantially offset the costs associated with MDOT trunk line projects, particularly the I-75 Corridor Project. For example, the City of Troy reports an average reimbursement of \$300,000. At that rate, the City's estimated required participation of \$9.6 million over eight years for the Project would take 32 years to offset. The formula also does not account for the additional dust, noise, fumes, and lighting that come with traffic that must detour on local roads when a trunk line project is under way.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would not affect State or local revenue, but would change the allocation of expenditures by both the State and affected local units of government. Over the last five years, local cost sharing under the provisions affected by the bill has totaled between \$2.0 million and \$5.0 million each year. Presumably, given the road funding legislation enacted in late 2015, the number of road projects will expand, and, under current law, local cost sharing will increase from historical levels. The bill would effectively decrease the number of projects the State could support by increasing the State's cost for projects. Similarly, the bill would effectively increase the number of projects affected local units could pursue by allowing revenue that otherwise would have been allocated to meet local cost sharing requirements to be directed to other projects.

Fiscal Analyst: David Zin

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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.