

Legislative Analysis



MICHIGAN INNOVATIVE TRANSPORTATION BOARD

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<http://www.house.mi.gov/hfa>

House Bill 6013 (reported from committee as substitute H-1)
Sponsor: Rep. Shane Hernandez

Analysis available at
<http://www.legislature.mi.gov>

House Bill 6014 (reported from committee w/o amendment)
Sponsor: Rep. Jason M. Sheppard

House Bill 6015 (reported from committee w/o amendment)
Sponsor: Rep. Brett Roberts

Committee: Transportation and Infrastructure
Complete to 6-7-18

SUMMARY:

House Bills 6013, 6014, and 6015 would each amend Public Act 51 of 1951 (“Act 51”) regarding a proposed Michigan Innovative Transportation Board. Taken together, the bills would create the Board and provide for its membership and duties; create the Innovative Transportation Fund; establish a procedure through which members of the public could submit innovative ideas for Michigan roads; provide a process for selecting and testing those ideas; and create the Innovative Transportation Grant Fund to provide grants to counties and cities for road or street construction and maintenance projects using innovative materials.

Each of the three bills is tie-barred to the other two, which means that none of the bills could take effect unless all three were enacted. Each bill would take effect 90 days after its enactment.

House Bill 6013 would amend Act 51 to create the Michigan Innovative Transportation Board. The Board would consist of thirteen voting members. Each of the following would appoint one member to the Board:

- Michigan Department of Transportation (MDOT)
- Speaker of the House of Representatives
- Senate Majority Leader
- Asphalt Pavement Association of Michigan
- Michigan Concrete Association
- American Council of Engineering Companies of Michigan
- Michigan Infrastructure and Transportation Association
- County Road Association of Michigan
- Michigan Municipal League
- Michigan Association of Drain Commissioners
- Michigan Aggregates Association
- Michigan Association of Counties
- Michigan Road Preservation Association

Members of the Board would serve for two years or until a successor is appointed, whichever is later. A Board member could be removed for incompetence, dereliction of duty, malfeasance, misfeasance, or nonfeasance in office, or other good cause by the entity that appointed that Board member or by a vote of at least 8 of the 13 Board members. A vacancy on the Board would be filled in the same manner as the original appointment.

Board members would serve without compensation, but could be reimbursed for necessary travel and expenses. Board business would be conducted at a public meeting held in compliance with the Open Meetings Act. The Board's documents would be subject to the Freedom of Information Act.

The first members of the Board would be appointed within 60 days after the effective date of the bill. The first meeting of the Board would be called by the member appointed by MDOT. At that first meeting, the Board would elect a chairperson and other officers from among its members. The Board would meet at least quarterly after its first meeting.

Proposed MCL 247.660q

House Bill 6014 would amend Act 51 to create the Innovative Transportation Fund within the State Trunkline Fund (STF) for the purpose of increasing the quality of Michigan roads using innovative materials and construction methods. The state treasurer would receive assets for the Fund and direct its investment, crediting to the Fund interest and earnings from those investments. Money in the Fund at the close of the fiscal year would be deposited in the STF.

MDOT would be required to allow members of the public to use the MDOT website to submit ideas for implementing existing materials or construction methods that they believe would be beneficial to the roads in Michigan. MDOT would encourage a person submitting an idea to do the following:

- Provide technical data and specifications.
- Give examples of completed projects where the materials or methods were successfully used.
- Give cost projections per lane mile for the use of the materials or methods and describe how use of those materials or methods would be beneficial to the state.

The Michigan Innovative Transportation Board would review ideas submitted above at least four times a year and determine whether each idea submitted is a valid submission. MDOT would have to post on its website a list of valid submissions, including a brief description of the idea, the name of the person who submitted it, and any cost projections provided by that person.

The Board would have to annually select up to three valid submissions for testing in a location determined by the Board. If necessary, MDOT would assist the Board in implementing the testing. The Board would have to spend at least \$3.0 million on the testing, but could not spend more than \$10.0 million on it unless approved by the director of MDOT. Upon completion of each testing project, MDOT would review the project for

effectiveness. MDOT would prepare a report at least every three years and provide the report to the Board and post it on its website.

House Bill 6014 would require that \$10.0 million be allocated each year from the STF to the Innovative Transportation Fund, after other allocations designated by law as having a higher priority.

House Bill 6014 would also require that \$5.0 million be allocated each year from the Michigan Transportation Fund (MTF) to the Innovative Transportation Grant Fund proposed by House Bill 6015. This allocation would take precedence over other allocations from the MTF.

MCL 247.660 and 247.661 and proposed MCL 247.660r

House Bill 6015 would amend Act 51 to create the Innovative Transportation Grant Fund in the state treasury. The state treasurer would receive assets for the Fund and direct its investment, crediting to the Fund interest and earnings from those investments. Money in the Fund in excess of \$10.0 million at the close of the fiscal year would lapse to the Michigan Transportation Fund (MTF).

Money in the Fund would be appropriated for a program to provide grants, to be awarded by the Michigan Innovative Transportation Board, to cities and county road commissions for road or street construction and maintenance projects using innovative materials.

The Board would approve an application form for a grant under the program and determine the information it must contain. The Board would establish the review process under which grant applications are considered. In determining whether to award a grant, the Board would have to consider the use of innovative materials or methods as the most important criterion.

The Board could award up to \$10.0 million in grants under the program each year. At least 50% of the funding for a project receiving a grant would have to be provided by the county or city requesting the grant. The Board could not award more than \$1.0 million in matching funds for each project receiving a grant.

Proposed MCL 247.660s

BACKGROUND INFORMATION:

Public Act 51 of 1951 (“Act 51”) governs state appropriations for most Michigan transportation programs. Among other things, Act 51 establishes the Michigan Transportation Fund (MTF) as the main collection and distribution fund for most state restricted transportation revenue—primarily from constitutionally restricted motor fuel taxes and vehicle registration taxes. Section 10 of Act 51 directs MTF revenue to other state transportation funds, to special program accounts, and to local road agencies.

After deductions for administrative, planning, and collection costs, and for various statutory categorical programs, the MTF balance is distributed as follows:

- 10% to the Comprehensive Transportation Fund (CTF) for public transportation programs, including capital and operating assistance to 81 local public transit systems.

Of the remaining balance, after the 10% distribution to the CTF:

- 39.1% to the State Trunkline Fund (STF), for construction and preservation of the state trunkline system and administration of the Michigan Department of Transportation (MDOT).
- 39.1% to 83 county road commissions for preservation of county road systems.
- 21.8% to 533 cities and villages for preservation of city and village street systems.

The current Act 51 MTF distribution formula is represented in the **flowchart** at the end of this analysis.¹

FISCAL IMPACT:

Innovative Transportation Grant Fund/County-City Grant Program

Among other things, House Bill 6014 would amend Section 10 of Act 51 to establish a new earmark of MTF revenue for a new categorical program. Specifically, the bill would earmark \$5.0 million in MTF revenue each year to an Innovative Transportation Grant Fund that would be established in a new Section 10s proposed by House Bill 6015. The Innovation Transportation Grant Fund would support a new County and City Grant Program “for road and street construction and maintenance projects using innovative materials.” The County and City Grant Program would be a competitive grant program, with grants awarded by an Innovative Transportation Board that would be established in a new section 10q proposed by House Bill 6013.

Since Innovative Transportation Grant Fund grants would be available only to county and city applicants, House Bill 6015 would effectively reduce available MTF revenue for credit to the CTF and STF. Specifically, the bill would annually reduce CTF revenue by \$500,000 and STF revenue by \$1,759,500.

Innovative Transportation Fund within STF

House Bill 6014 would also amend Section 11 of Act 51, the section that establishes the STF and which governs the use of STF revenue. Specifically, the bill would earmark \$10.0 million in STF revenue each year to a new Innovative Transportation Fund established in a new Section 10r proposed by House Bill 6014. The Innovative Transportation Fund would be, in effect, a subsidiary fund of the STF. The Innovative Transportation Fund would support a program that encouraged the public submission of ideas “for implementing existing material and construction methods that they believe would be beneficial to the roads of this state using the department’s website.”

¹ Also available at: http://www.house.mi.gov/hfa/PDF/Transportation/MTF_Revenue_Dist_Flowchart_FY18.pdf

Specifically, the Innovative Transportation Fund would be appropriated for the testing of innovative projects selected by the Innovative Transportation Board.

The Michigan Department of Transportation would incur additional costs related to administering the proposed Innovative Transportation Fund. Those costs, which would include soliciting proposals from the public, maintaining records of innovative submissions, and posting innovative submission information on the MDOT website, cannot be readily estimated at this time.

POSITIONS:

The following entities indicated support for the bills:

- Michigan Paving and Materials Company (5-22-18)
- Michigan Aggregates Association (5-22-18)
- Michigan Infrastructure and Transportation Association (5-22-18)
- County Road Association of Michigan (5-22-18)
- Michigan Association of Counties (5-29-18)
- LafargeHolcim (5-29-18)

The American Council of Engineering Companies indicated support for House Bills 6013 and 6014. (5-29-18)

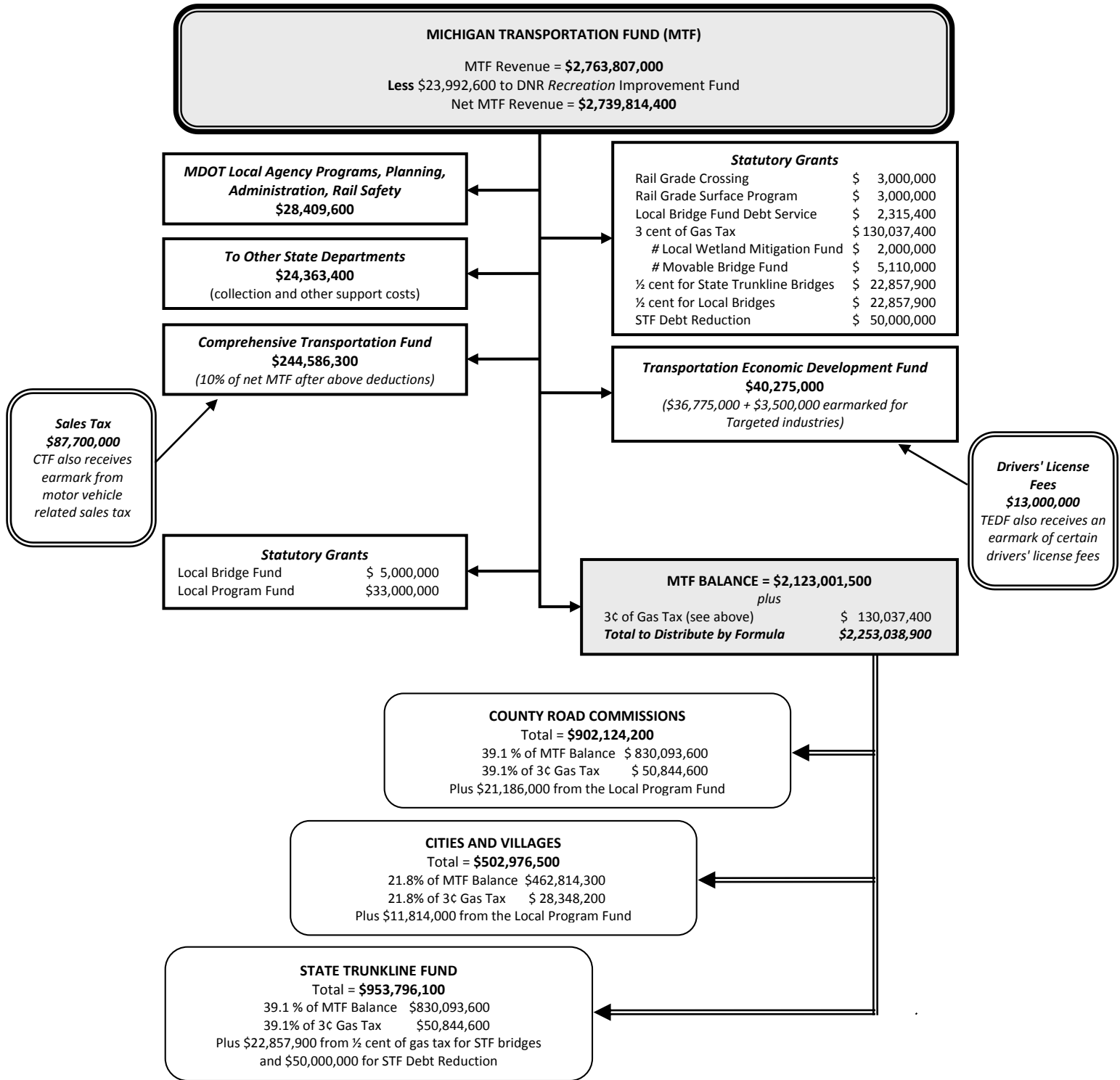
A representative of the Michigan Department of Transportation testified in opposition to the bills. (5-22-18)

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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.

FY 2017-18 MICHIGAN TRANSPORTATION FUND REVENUES AND DISTRIBUTIONS PER Sec. 10, 1951 PA 51

January 2017 ORTA Estimate



Note: This flowchart represents the distribution of MTF revenue as guided by Section 10 of Public Act 51 of 1951, as amended by Public Act 246 of 2016. Public Act 246 established two new earmarks of MTF revenue: \$2.0 million for a new Local agency wetland mitigation bank fund, and \$5.0 million for a new Movable bridge fund, effective September 22, 2016.

William E. Hamilton
 February 20, 2018

