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BILL ANALYSIS



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Senate Bill 518 and 519 (as introduced 9-12-19)
Sponsor: Senator Jim Runestad (S.B. 518)
Senator Michael D. MacDonald (S.B. 519)
Committee: Transportation and Infrastructure

Date Completed: 10-16-19

CONTENT

Senate Bill 518 would amend Public Act 51 of 1951, the Michigan Transportation Fund law, to require all United States Department of Transportation-Federal Highway Administration (DOT-FHWA) highway research, planning, and construction Federal funds, and all other Federal aid to highway funds appropriated to the State, to be allocated to programs administered by the Michigan Department of Transportation (MDOT) after deduction of certain funds allocated to local jurisdictions.

Senate Bill 519 would amend the Michigan Transportation Fund law to require an amount equal to 25% of certain Federal funds received in the immediately preceding fiscal year to be distributed to county road commissions, and cities and villages of the State before distribution to the State Trunk Line Fund.

The bills are tie-barred.

Senate Bill 518

Under the Act, 23% to 27% of the DOT-FHWA highway research, planning, and construction Federal funds appropriated to the State from the Federal government for road and bridge construction must be allocated to programs administered by local jurisdictions after deduction of the following:

- Funds that are specifically allocated at the Federal level to the State or local jurisdictions.
- Funds allocated by MDOT to the State and to local jurisdictions through a competitive process.

Instead, under the bill, except as otherwise provided by the Federal government, all the DOT-FHWA highway research, planning, and construction Federal funds and all other Federal aid to highway funds appropriated to the State from the Federal government for road and bridge construction would have to be allocated to programs administered by MDOT after deduction of the following:

- Funds that were specifically allocated at the Federal level to local jurisdictions.
- Funds allocated by MDOT to local jurisdictions through a competitive process.

The Act specifies that the funds must be distributed to eligible local agencies for transportation purposes in a manner consistent with State and Federal law. The bill would eliminate this

provision. Under the Act, beginning in the fiscal year ending September 30, 1999, the average allocation of applicable Federal aid to highway funds to programs for local jurisdictions must be the average of the amount distributed to local jurisdictions as described above and similarly calculated distributions in each succeeding fiscal year. The average allocation percentage must be adjusted to reflect any voluntary agreements made by the Department with local jurisdictions regarding the State buyout of local Federal aid. The bill would delete this provision.

Senate Bill 519

Generally, the Act establishes the Michigan Transportation Fund and provides the manner in which apportioned and appropriated money within the Fund must be distributed. After the deduction of certain amounts specified by the Act, the Act requires the balance of the Michigan Transportation Fund to be appropriated and apportioned as follows:

- 39.1% to the county road commissions of the State.
- 21.8% to the cities and villages of the State.
- 39.1% to the State Trunk Line Fund for the purposes described in Section 11 of the Act.

(Section 11 of the Act establishes the State Trunk Line Fund and requires money deposited into the Fund to be used for certain purposes, including: 1) the payment of bonds, notes, or other obligations, 2) the transfer of money as appropriated to the Transportation Economic Development Fund, 3) the transfer of money as appropriated to the rail grade crossing account, 4) the transfer of money as appropriated to the grade crossing surface account, 5) the total operating expenses of the State Trunk Line Fund, 6) and for the preservation, reconstruction, and improvement of State trunk line highways and bridges.)

Under the bill, before distribution of the 39.1% to the State Trunk Line Fund for purposes described in Section 11 of the Act, each year an amount equal to 25% of the Federal funds described in Section 10o (see Senate Bill 518) received in the immediately preceding fiscal year would have to be distributed as follows:

- 64.2% to the county road commissions of the State as provided in Section 12.
- 35.8% to cities and villages of the State as provided in Section 13.

(Section 12 of the Act governs the reimbursement and distribution of funds from the Michigan Transportation Fund to county road commissions. Section 13 of the Act governs the reimbursement and distribution of funds from the Michigan Transportation Fund to cities and villages.)

MCL 247.660o (S.B. 518)
247.660 (S.B. 519)

FISCAL IMPACT

The bills would not have a direct fiscal impact on the State or local units of government, as they would not create new revenue or expenditures; however, the bills could create savings of between 20% and 30% for local units of government.

The bills would replace Federal aid revenue that goes to locals with State Trunk Line Fund. Local units of government then would not have to meet Federal standards for road and bridge construction and repair projects currently funded with Federal aid. The Department anticipates that this could result in a cost savings for local units of government of between

20% to 30% on projects currently funded with Federal aid. In turn, the Department's increased use of Federal aid would result in slightly increased costs to meet Federal standards.

The FY 2019-20 appropriation for local Federal aid and road and bridge construction is just over \$278.4 million.

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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.