



House Bill 4735 (Substitute S-2 as passed)

House Bill 5071 (Substitute S-2 as passed)

Sponsor: Representative Curtis Hertel

House Committee: Transportation

Senate Committee: State Affairs, Tourism, and Transportation

Date Completed: 12-3-87

RATIONALE

There are many who have voiced concern about problems they feel are facing the State transportation system. Among these are: the current state of disrepair of Michigan's highways, roads, streets and bridges; the difficulty of obtaining needed funds for transportation projects vital to economic growth and re-industrialization; and the lack of flexibility of local units of government to obtain funds. At the same time, the cost of maintaining transportation programs continues to escalate. A recent needs study projected transportation funding requirements for a 12-year period ending in 1994 to be \$27.6 billion in 1983 dollars (over 80% for highways) versus available revenues of \$22.1 billion—a shortfall of \$5.5 billion. Recently, the Legislature received the Coopers & Lybrand Study which updated inflation and cost estimates, using reduced Federal aid assumptions, and projected the shortfall at more than three times as much: about \$17.7 billion. A key issue, therefore, in the financing of State transportation programs is how to achieve the desired goals with limited resources. The bulk of funding for transportation has come from the Transportation Department's share of State weight and fuel taxes. Many feel that the option of raising the gas tax to obtain additional revenue would be unwise, saying that it would put the State at a disadvantage in competing with neighboring states for gasoline sales: combined with the sales tax, Michigan currently ranks among the top five states with the highest tax on gasoline sales. Thus, some say that alternative ways to pay for road construction and other transportation needs must be found, and that instead of relying on a gas tax increase, the State should concentrate on finding new revenue sources and beefing up existing ones.

CONTENT

House Bill 4735 (S-2) would create a new act to establish the Transportation Economic Development Fund in the State Treasury to fund Department of Transportation or local government transportation projects related to Economic Development. House Bill 5071 (S-2) would amend the Michigan Vehicle Code to increase fees for a vehicle operator's license and license reinstatement fees, and require a fee for certain behind-the-wheel road tests for operator's licenses. Revenues from increases under the bill would, in part, be appropriated to the Economic Development Fund (proposed in House Bill 4735).

The bills are tie-barred to each other and to Senate Bills 152, 154, 156, 157, 321 and 495, and House bill 4169.

A more detailed summary of the two bills follows.

House Bill 4735 (S-2)

Transportation Economic Development Fund

The Transportation Economic Development Fund would be created in the State Treasury. The State Transportation Commission would have final authority to allocate money from the Fund, to be based on the recommendations of the Department of Transportation. No funds could be committed to a project without the Commission first presenting the proposed project before the Transportation subcommittees of the Senate and House Appropriations Committees. No more than 1% of the money appropriated to the Fund could be used for administration of the Fund. Within 90 days after the effective date of the bill, the Department would have to submit recommendations to the Commission regarding criteria to be used when evaluating projects as they related to program goals and objectives.

After criteria for the evaluation of projects were approved, the executive assistant to the Commission would have to announce that applications for projects could be accepted.

Applications for Projects

The Department or a city, village, or county road agency could submit an application. Two or more cities, villages, or county road agencies or a combination of two or more of these units could jointly submit an application. The following minimum requirements would have to be met by each applicant for consideration:

- A particular transportation need would have to be shown.
- For funding for an economic development road project in any of the targeted industries, there would have to be an immediate, nonspeculative opportunity for permanent job creation or retention and an increase in the tax base of the local area if the project were applied for by a local unit of government.
- For funding for targeted industries, negotiations between an appropriate public agency and a developer would have to be in progress at the time of application.
- For funding for targeted industries, the applicant would have to indicate that nontransportation infrastructure and support services for the project were available.
- For funding for targeted industries, the applicant would have to attach a copy of a resolution of support from the appropriate unit of government.
- The project would have to relate to one or more of the following categories: economic development road projects for industries such as agriculture or food processing, tourism, forestry, high technology research,

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manufacturing, or office centers solely occupied by the owner or, not less than 50,000 square feet over more than three acres of land; projects resulting in the addition of country roads or city or village streets to the State Trunk Line System; projects for reducing congestion on county primary and city major streets within urban counties; or projects for development within rural counties on county rural primary roads or major streets within incorporated villages and cities with a population of less than 5,000.

Matching funds of not less than 25% of the total cost of a project would be required for projects for targeted industries or projects to reduce congestion on county primary and city major streets within urban counties. The Commission could set aside this requirement for targeted industries in the case of extreme economic hardship in the local unit in which the project would be located.

Projects could be funded based on the following percentages:

- Not more than 50% of the total funds available in any year for economic development road projects in any of the targeted industries.
- Not more than 50% of the total funds available in any year to the State Trunk Line System.
- 25% of the total funds available in any year for projects to reduce congestion on county primary and city major streets within urban counties in excess of 400,000 in population.

The Federal Aid to Urban System (FAUS) Task Force that represented most of the urban areas within each county, would have to select and designate for eligibility, to the Commission, projects within their respective allocations as follows:

- Projects would have to be on the Federal Aid Urban, Federal Aid Primary, or Federal Aid Secondary Systems.
- Projects would have to consist of improvements to two lane roads that carried more than 10,000 vehicles per day or roads with more than two lanes that carried more than 25,000 vehicles per day in accordance with traffic counts done on or before July 1, 1987.

The Urban Task Force would be required to report to the Commission on a quarterly basis on the status of all projects selected for funding.

The bill would allow the Commission to issue bonds for the purposes of funding projects under the bill. The Commission would be required to report annually to the Governor, and the Senate and House Appropriation Committees and fiscal agencies information concerning the effectiveness of the bill.

The bill would amend the Michigan Vehicle Code to increase the following license fees:

License	Present Fee	Proposed Fee
2-year license fees:		
Operator's license renewal	\$3.75	\$6
Chauffeur's license renewal	\$8	\$10
Motorcycle indorsement original	\$3	\$6
Motorcycle indorsement renewal	\$1.50	\$3
Regular and restricted license fees:		
Original license	\$7.50	\$15
Operator's license renewal	\$6	\$15
Original chauffeur's license (1 yr.)	\$4	\$5
Original chauffeur's license (4 yr.)	\$16	\$20
Minor's restricted license	\$2.50	\$5
Destroyed or license duplicate	\$1.50	\$4
Corrected license	\$0.50	\$5
Secretary of State license		
reinstatement fee	\$25	\$60
Court license reinstatement fee	\$10	\$25

The bill would require a fee for a behind-the-wheel road test for an operator's license for persons who did not successfully pass a driver education course and examination. The fee for a road test for an operator's license would be \$11, and for a class 1, 2, or 3 endorsement or an original chauffeur's license the fee would be \$25.

The increases in license reinstatement fees would be imposed for a license which was issued or returned on or after April 5, 1988. Other increases provided for by the bill would also take effect April 5, 1988. Revenue from the increases would be appropriated to the Transportation Economic Development Fund (as proposed in House Bill 4735) in the State Trunk Line Fund, except for the following:

- For the fiscal year ending September 30, 1988, \$1 million to the General Fund, but not more than \$500,000 could be credited to the Gasoline Inspection and Testing Fund.
- For the fiscal year ending September 30, 1989, and each fiscal year thereafter, \$2 million to the General Fund, with not more than \$1 million credited to the Gasoline Inspection and Testing Fund.

The bill would also increase from \$3.10 to \$4 the amount of license fees and from \$1.55 to \$2 the amount of two-year license fees, to be deposited in the Driver Education Fund.

MCL 257.309 et al.

FISCAL IMPACT

House Bill 4735 (S-2) would have an indeterminate fiscal impact on State and local government. Local units of governments would be required to raise matching funds of not less than 25% of the total eligible costs of certain projects.

House Bill 5071 (S-2) would raise revenue which would be appropriated to the Transportation Economic Development Fund. The actual amount that would be raised is indeterminate at this time.

ARGUMENTS

House Bill 4735 (S-2)

Supporting Argument

Local governments often have great difficulty financing the construction of roads necessary to bring economic development projects to their jurisdictions. Many recent studies have indicated the extent of the needs for new and upgraded roads and streets to handle current traffic capacity and maintain safe conditions. Thus, local governments may experience tension between funding for economic development and system preservation. There is no feasible level to which fuel taxes and registration fees could be raised to address all of the demonstrated needs; additional sources of revenue are critically needed. The bill would create a fund specifically to finance transportation projects related to economic development, thereby making Michigan a more attractive place to do business and helping to create and retain jobs for the State's residents.

Opposing Argument

While many agree that additional sources of revenue are needed to address the transportation economic development needs of the State and local units of government, House Bill 4735 (S-2) would not solve the problem on its own. It would merely establish a fund and a mechanism for approving projects to receive funding. The larger question of how those revenues would be raised is still unresolved.

House Bill 5071 (S-2)

Supporting Argument

Michigan has one of the lowest driver's license fee structures in the country; many of the fees have not been raised in decades. Some maintain that State-raised transportation revenues have lost \$4.4 billion to inflation since 1973 and that this year alone Michigan's highway revenues are \$365 million short of keeping up with the inflation-adjusted purchasing power of 1973 revenues. Revenue generated by the bill would increase the purchasing power of the Department of State and help the Department meet operating costs. In addition, fee increases in House Bill 5071 (S-2) would put Michigan in an equitable position with other states and raise much needed revenue for transportation funding.

Opposing Argument

There is nothing wrong with Michigan's having some of the lowest driver license fees in the country. Many people think that the fee schedule should be low. If fees were increased, they would produce unjust economic hardship on poor people and those who do not drive often. People who use the roads often should have to pay their fair share of costs for road construction and maintenance since they are the ones creating the most wear and tear on the roads. The fee increases in House Bill 5071 (S-2) would not be fair because they would raise the rates for everyone, making no distinction between frequent users and occasional users, as a gas tax does.

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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.