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HOUSE FISCAL AGENCY

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HB5396 AS INTRODUCED

Sponsor: Rep. Larry Julian

Committee: TRANSPORTATION

Analyst(s): Hamilton, William

Completed: 11/5/01

State Fiscal Impact

Cost: Please See Below
Revenues: Please See Below

Local Fiscal Impact

Cost: Please See Below
Revenues: Please See Below

House Bill 5396 would amend Public Act 51 of 1951 (Act 51) by:

(1) Striking language of Section 9a originally added by PA 308 of 1998 which established a transportation funding study committee. To the extent that the study committee has completed its work, the language is no longer relevant.

(2) Inserting new language in Section 9a to create an asset management council within the State Transportation Commission charged with advising the Commission on "a statewide asset management strategy and the processes and necessary tools needed to implement such a strategy on the federal aid system, in a cost effective, efficient manner." The bill contains provisions which would establish the membership of the council, goals and reporting requirements, staff support, and technical assistance. The bill also provides for funding for council activities - from the Michigan Transportation Fund (MTF)

The Department had not computed an estimate of staff costs but indicated that funding would come from existing resources. The Department estimated that road condition data-collection costs on the non-trunkline system would be approximately \$526,000 in the first year. The Department had not estimated data storage costs.

To the extent that the bill requires the Michigan Department of Transportation to provide staff and technical assistance to support the asset management council, there would be an increase in state costs. Since the appropriation for those costs would come from the MTF, the amount of any cost increase would be passed on through a reduction in MTF revenue available to the State Trunkline Fund (35% of incremental MTF revenue), to local road agencies (55% of incremental MTF revenue) and to the Comprehensive Transportation Fund (10% of incremental MTF revenue).

In the long term, the implementation of a statewide asset management process could result in more cost-effective transportation investment decisions by both state and local government.

A more detailed analysis of the bill is found in a House Fiscal Agency memo to the House Committee on Transportation dated November 5, 2001.

DATE: November 5, 2001
TO: House Committee on Transportation
FROM: William E. Hamilton
RE: House Bill 5396 - As Introduced

Background

Since first enacted, Public Act 51 of 1951 has been amended a number of times, including amendments to change the Michigan Transportation Fund (MTF) funding distribution formulas, and amendments to establish or extend sunset dates for the distribution formulas. In 1998, Public Act 308 amended Act 51 to extend the sunset date for the existing funding formulas to September 30, 2000.

Although PA 308 established a sunset date for the Act 51 MTF distribution formulas¹, it also defined a process for rewriting the formulas and for amending other sections of Act 51. The act required the Governor to appoint a study committee consisting of five members representing manufacturing, commerce, agriculture, tourism, and labor, plus majority and minority party representatives from both the House and Senate.

PA 308 authorized the study committee to "review transportation funding options, transportation investment priorities, and potential strategies for maximizing returns on transportation investments." The act also required that the committee report to the governor, the state transportation commission, and the legislature "on the identified needs including economic development needs, transportation funding options, historical transportation financing patterns as they relate to statewide fiscal resources, and strategies for maximizing the returns on transportation investments."

The Transportation Funding Study Committee was appointed on February 17, 1999 and included four members of the Michigan Legislature, State Representatives Rick Johnson and Thomas Kelly, and State Senators Phillip Hoffman and Joe Young Jr., as well as five non-legislative members. The Study Committee submitted its final recommendations in letter dated May 19, 2000. With the exception of Senator Joe Young Jr., all Study Committee members signed the recommendation letter. Senator Young submitted a minority report.

The Study Committee's recommendations are contained in a report dated June 1, 2000 entitled "Transportation Funding for the 21st Century." The report presented recommendations regarding management and funding of the Michigan transportation system. The principal recommendations of the Study Committee involved asset management. The key recommendation was that "a long-term, planned asset management process be extended to statewide use for transportation facilities."

For the complete report see <http://www.mdot.state.mi.us/ACT51/finalreports/index.htm>

¹ Public Act 188 of 2000 (SB 1274) subsequently amended Act 51 to eliminate sunset dates for MTF funding distribution formulas.

House Bill 5396 would amend Act 51 to do two things:

- (1) It would strike the language of Section 9a originally added by PA 308 of 1998 which established the transportation funding study committee. To the extent that the study committee has completed its work, the language is no longer relevant.
- (2) The bill would insert new language in Section 9a to create an asset management council within the State Transportation Commission charged with advising the Commission on "a statewide asset management strategy and the processes and necessary tools needed to implement such a strategy on the federal aid system, in a cost effective, efficient manner." The bill identifies the intent of the asset management council as the provision of "a coordinated, unified effort by the various roadway agencies within the state." The bill defines "asset management" as "an ongoing process of maintaining, upgrading, and operating physical assets cost effectively, based on a continuous physical inventory and condition assessment."

Under terms of the bill, the council would consist of 8 voting members appointed by the State Transportation Commission - two each from the County Road Association of Michigan, the Michigan Municipal League, State Planning and Development Regions, and the Department. The bill also provides for one non-voting ex-officio representative from the Michigan Township Association, and one from an agency or office selected as the location for central data storage. The bill would require the Department to provide qualified staff and technical assistance to the asset management council.

The bill would require the asset management council to develop and present to the State Transportation Commission for approval within 90 days after the first meeting "such procedures and requirements as are necessary for the administration of the asset management process." The bill identifies these as including "training, data storage and collection, reporting, development of a three year program, budgeting and funding, and other issues related to asset management that may arise from time to time."

Section 6 of the bill provides that "funding necessary to support the activities described in this section shall be provided by an annual appropriation from the Michigan Transportation Fund to the State Transportation Commission". The Department had not computed an estimate of staff costs but indicated that funding would come from existing resources. The Department estimated that road condition data-collection costs on the non-trunkline system would be approximately \$526,000 in the first year. The Department had not estimated data storage costs.

Fiscal Impact

To the extent that the bill requires the Michigan Department of Transportation to provide staff and technical assistance to support the asset management council, there would be an increase in state costs. Since the appropriation for those costs would come from the MTF, the amount of any cost increase would be passed on through a reduction in MTF revenue available to the State Trunkline Fund (35% of incremental MTF revenue), to local road agencies (55% of incremental MTF revenue) and to the Comprehensive Transportation Fund (10% of incremental MTF revenue).

In the long term, the implementation of a statewide asset management process could result in more cost-effective transportation investment decisions by both state and local government.

For additional information on the concept of asset management, see the House Fiscal Agency Fiscal Forum "Transportation: Asset Management", available from the House Fiscal Agency at 373-8080 or at <http://www.house.state.mi.us/hfa/asset.pdf>

