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Senate Bill 334 (Substitute S-3 as reported by the Committee of the Whole)  
Sponsor: Senator Michael Switalski  
Committee: Transportation

### **CONTENT**

The bill would amend Public Act 51 of 1951, the Michigan Transportation Fund (MTF) law, to allow a city or village to spend, without matching funds, money returned from the MTF for expenditure on the major street system on the local street system, if the money were spent on maintenance and preservation.

Under the Act, money distributed from the MTF may be spent for construction purposes on city and village local streets only to the extent matched from local revenues. Money returned to a city or village must be spent on the major and local street systems of the municipality, with the first priority being the major street system. Money returned for expenditure on the major street system may be spent on the local street system, in an amount equal to the amount of local revenue spent by the city or village on the major street system or on State trunk line highways. Under the bill, this provision would apply if the money were spent for construction purposes.

If a city or village transfers more than 25% of its major street funding for the local street system, the Act requires the city or village to adopt a resolution and include certain information in it (e.g., the amount of the transfer and the local streets to be funded). Under the bill, the resolution also would have to include a statement, where applicable, that the city or village was following an asset management plan.

Additionally, the bill would delete various references to improvement, maintenance, and reconstruction and instead refer to preservation.

MCL 247.663

Legislative Analyst: Julie Koval

### **FISCAL IMPACT**

The bill would not have any fiscal impact on the State. Restricted State transportation revenue in the Michigan Transportation Fund (MTF) is distributed to road agencies (Michigan Department of Transportation, county road commissions, incorporated cities and villages) pursuant to formulae contained in Public Act (PA) 51 of 1951. The bill would not change the PA 51 formulae for distribution to these road agencies. Public Act 51 also contains formulae to distribute MTF revenue among individual cities and villages based on various criteria. The MTF allocation received by local units of government is divided 75% for work on the major street system and 25% for work on the local street system.

The Act distinguishes between "maintenance" and "construction" projects for the purposes of requiring a local match on a local street road and bridge projects using MTF funding. The bill would further define which road and bridge projects on the local street system require a local revenue match. The bill would delete the local revenue match requirement for road and bridge projects on the local street system covered under the definition of "preservation" in Section 10c of PA 51. Without the exemption from the match requirement for "preservation" projects (i.e., reconstruction of an existing road), local units of government would be required to provide a local match for more types of road and bridge projects.

The bill also would allow local units of government to transfer funds from their major street allocation to their local street allocation without regard to the amount of local revenue expended on the major street system if the money transferred is to be spent on "preservation" projects. This provision would have no fiscal impact on the State. For construction projects, the transfer of funds from major to local system would continue to be limited to the amount of local revenues spent on the major system.

The bill could affect road and bridge construction decisions of local units of government. The amount of local financial resources invested in local road and bridge construction projects on the local street system could decrease as a result of the elimination of the match requirement. Consequently, the dollars annually spent on major versus local road construction, maintenance, and repair, within any given local unit of government, could be affected. The change in these expenditure patterns would vary by local unit of government, and depend on factors such as existing road mileage, type, and locality, average city road expenditures, and traffic patterns.

According to the Michigan Department of Transportation, for the fiscal year that ended September 30, 2002, local units of government spent approximately \$41,600,000 in local financial resources to match MTF revenue used for road and bridge construction projects on the local street system. Under the bill, a portion of this funding, representing "preservation" work, would not have to be spent by the local unit of government to match State MTF resources spent on the local street system.

Date Completed: 7-17-03

Fiscal Analyst: Craig Thiel