

Legislative Analysis



PUBLIC ACT 51 OF 1951: MAJOR/LOCAL STREET FUND TRANSFERS

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Senate Bill 1182 (Substitute H-2)
Sponsor: Sen. Jud Gilbert, II
Senate Committee: Transportation
House Committee: Transportation

Complete to 6-06-06

A SUMMARY OF SENATE BILL 1182 (H-2) AS REPORTED FROM HOUSE COMMITTEE 5-23-06

Senate Bill 1182 (H-2) would amend Section 13 of Public Act 51 of 1951 (MCL 247.663), a section governing the distribution of Michigan Transportation Fund (MTF) revenue to cities and villages. Under current law a city or village may transfer surplus funds from its major street fund to its local street fund. However, a city or village may not transfer more than 25 percent of its annual major street funding for the local street system unless it has adopted an asset management process for its major and local street systems and has adopted a resolution meeting certain specified criteria. **The bill would amend Subsection 6 to raise the limit on transfers from 25 percent to 50 percent of annual city or village major street funding.** In effect, the bill would allow a city or village to transfer up to **50 percent** of its annual major street funding for the local street system without having adopted an asset management process for its major and local street systems.

The bill would also insert new Subsection 7 to require a city or village that had not adopted an asset management plan to obtain the concurrence of the Michigan Department of Transportation to transfer more than 50 percent of its major street funding to its local street system.

The House substitute inserts a new sentence in Subsection 7 to allow a city or village which had adopted an asset management plan under Subsection 6 to combine its major and local street funds into a single fund, and to submit a single report to the department on the use of those funds.

The current language of Subsection 6 governing transfers between a city or village major street fund and its local street fund was added by Public Act 9 of 2004 (Senate Bill 334). At that time the bill included what was effectively a sunset. Beginning January 1, 2009, transfers from major to local street funds would have to be matched by "local revenues" expended on the major street system or on state trunkline highways – the provisions which obtained prior to the enactment of Public Act 9 of 2004. Senate Bill 1182 would strike Subsection 12 and thus eliminate this sunset provision.

BACKGROUND INFORMATION:

For additional information on Section 13 of Act 51, see the analysis of Senate Bill 334 (Public Act 9 of 2004) from the 2003-04 Legislative session:

<http://www.legislature.mi.gov/documents/2003-2004/billanalysis/house/pdf/2003-HFA-0334-x3.pdf>

FISCAL IMPACT:

Senate Bill 1182 would have no direct fiscal impact. It would not change the distribution of MTF revenue to local units of government (road commissions, cities, or villages), and would not change the distribution of MTF revenue to particular cities and villages. It is not clear if the current 25 percent threshold has caused cities and villages to adopt asset management processes, or if raising the threshold would reduce the incentive to do so.

NOTES:

Subsection 6 of Section 13 currently refers to an "asset management *process*." New Subsection 7 refers to an "asset management *plan*." The term "asset management" is defined in Section 9a of Public Act 51 of 1951.

Subsection 7 indicates that a city or village that had not adopted an asset management plan "*shall obtain the concurrence of the department to transfer more than 50 percent of its major street funding to its local street system.*" However the bill does not indicate what criteria the department would use in making a its concurrence decision. The new subsection does not indicate if *50 percent of its major street funding* refers to annual MTF major street revenue or 50 percent of the major street fund balance.

The bill retains Subsection 13 reporting requirements but strikes the definition of "local revenue," one of the elements in the reporting requirement.

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