



Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 1132 and 1192 (as enrolled)
House Bill 6003 (as enrolled)
Sponsor: Senator Mike Prusi (S.B. 1132)
Senator Jud Gilbert, II (S.B. 1192)
Representative Tom Casperson (H.B. 6003)
Senate Committee: Transportation (S.B. 1132 & 1192)
House Committee: Transportation

PUBLIC ACTS 139 & 140 of 2006
PUBLIC ACT 141 of 206

Date Completed: 2-20-07

RATIONALE

Federal legislation authorizing financial aid to municipalities for projects that improve local road networks frequently requires the affected local government to provide a certain amount in matching funds. Municipalities sometimes are unable to contribute the required amount during tight economic times, leaving the Federal dollars unused and necessary road work undone. It was suggested that the State establish a grant program, financed through the sale of bonds, to assist local governments in meeting the match requirements.

- **Limit the amount of an individual grant to 25% of the amount of Federal funds available for the project.**
- **Require MDOT to submit to the Legislature reports on projects funded through the program.**
- **Require MDOT to determine additional eligibility criteria for funding projects remaining after the expenditure of \$40.0 million.**

The bills were tie-barred to each other, and took effect on May 22, 2006.

CONTENT

Senate Bill 1132 and House Bill 6003 amended Public Act 51 of 1951, the Michigan Transportation Fund (MTF) law, to create the "local federal match program" with bond proceeds, in order to provide grants to municipalities and local road agencies for Federal aid projects under construction or let for bid during fiscal year (FY) 2005-06 or FY 2006-07; and limit funds deposited into the match program to \$80.0 million.

Senate Bill 1132 & House Bill 6003

Senate Bill 1132 created the local Federal match program within the State Trunk Line Fund for the purpose of receiving the proceeds of bonds issued under Section 18b of the MTF law that are to be repaid under Section 11(1)(a)(iii) (described below). Funds deposited into the match program may not exceed \$80.0 million.

House Bill 6003 specifies that the Legislature intends that funds in the match program be used for one or more of the following:

Senate Bill 1192 amended the MTF law to do the following:

- **Establish procedures for the Michigan Department of Transportation (MDOT) to award grants under the local Federal match program.**
- **Prescribe eligibility criteria for funding.**

- Projects that are the subject of a Federal appropriation in Public Law 109-59 (the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, or SAFETEA-LU) or Public Law 105-78 (the Transportation Equity Act for the 21st Century, or TEA-21) and have been designated as high-priority road and bridge projects that have received

earmarks in the Federal budget, as long as those projects are under construction or let for bid by the end of FY 2006-07.

- Projects scheduled to be under construction or let for bid during FY 2006-07 and that can be advanced to FY 2005-06.
- Any project scheduled for any fiscal year after FY 2006-07 that can be advanced and under construction or let for bid during FY 2005-06 or FY 2006-07.

(Section 18b authorizes the State Transportation Commission to borrow money and issue notes or bonds for specified purposes. Section 11(1)(a)(iii) requires money in the State Trunk Line Fund to be appropriated to MDOT for the payment of the principal and interest on bonds issued under Section 18b for transportation purposes other than comprehensive transportation purposes (the movement of people and goods by conveyance that provides general or special service to the public), and for the payment of contributions of the State Transportation Commission to be made pursuant to contracts entered into under Section 18d, which contributions are pledged to the payment of principal and interest on bonds issued under that section and contracts executed under it.

Under Section 18d, the State Transportation Commission, a county road commission, and a city or village may enter into a contract providing for the construction or reconstruction of highways under the jurisdiction and control of one of the contracting parties to the extent that they are otherwise authorized by law to spend money on the highways, roads, or streets, that provides for allocation of the share of the cost to be borne by MDOT or a county road commission, city, or village in annual installments for up to 30 years.)

Senate Bill 1192

The bill requires funds received under the local Federal match program to be granted to municipalities and other local road agencies to match Federal aid projects as provided in the bill. The municipality or local road agency must submit projects to MDOT. The Department must review the submittals and apply criteria that take into account the needs of highway, road, and street systems, and an equitable allocation of available funds considering a project's

geographic location. If the projects meet the criteria, MDOT must award grants to the extent of available funds.

Projects selected for funding must meet all of the following criteria:

- The project must be under construction or let for bid by September 30, 2007.
- The applicant must have identified all of the necessary funding to complete the project.
- The project must be for the opening, widening, improvement, construction, or reconstruction of a Federal aid-eligible road or street, including the work incidental to that opening, widening, improvement, construction, or reconstruction.

All bond proceeds not used to fund grants awarded by September 30, 2007, must be appropriated for the purposes described in Section 11(1)(f).

(Under Section 11(1)(f), State Trunk Line Fund money must be appropriated to MDOT for the opening, widening, improvement, construction, and reconstruction of State trunk line highways and bridges, including the acquisition of necessary rights of way and the work incidental to that opening, widening, improvement, construction, or reconstruction. Money in the Fund not otherwise appropriated, distributed, determined, or set aside by law must be used for the construction or reconstruction of the interstate highway system to the extent necessary to match Federal aid funds as they become available for that purpose; and for the construction and reconstruction of the State trunk line system.)

The bill requires MDOT, beginning in 2007, to submit to the Legislature by each February 1 a written report containing the balance remaining in the local Federal match program, a list of all projects currently funded under the program, a list of all Federal high-priority projects eligible for funding under the program, and a list of pending requests for funding. Additionally, MDOT must submit a report within 30 days after the program has spent \$40.0 million. The report must contain the same information (except the balance in the program).

The bill also requires the Department, within 30 days after issuing the report required after the expenditure of \$40.0 million, to provide additional criteria for selecting the remaining projects to be funded in a fiscal year. In determining the additional criteria, MDOT must consult with interested local road agencies, the Michigan Municipal League, and the County Road Association of Michigan. The Department must use any recommendations by those entities unless it determines that the additional criteria are inequitable or impractical. If the additional criteria are deemed inequitable or impractical, MDOT must work with the interested parties to develop equitable and practical criteria.

The Department must apply those criteria that distribute the remaining funds most equitably, considering the funded projects' geographic location. In applying the criteria, MDOT must take into account the needs of highway, road, and street systems, as well as an equitable allocation of available funds considering the geographic location of the project.

MCL 247.661e (S.B. 1132)
247.661f (S.B. 1192)
247.661e (H.B. 6003)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Many municipalities would like to take advantage of Federal funding to complete critical road, bridge, and transit projects, but a local match often is required. Budget constraints sometimes make it difficult for local governments to meet the match requirement. The new grant program will provide the funding necessary to gain access to Federal dollars, enabling municipalities and local road agencies to perform projects that will improve the State's transportation infrastructure and facilitate economic development. The \$80.0 million specified in the legislation will result in access to \$320.0 million in Federal funding. The projects that may be financed with this money reportedly will generate more than 7,000 construction jobs over the next two years. Additionally, the bills may enhance job creation efforts at the local level, particularly in communities

not located directly on a State trunk line or interstate highway. Improving local road networks, which connect to those major arteries, may result in economic benefit to the affected communities.

Legislative Analyst: Julie Cassidy
Suzanne Lowe

FISCAL IMPACT

If the full \$80.0 million of authorized bonds are issued, the bills will cost the State approximately \$7.2 million annually and up to \$110.0 million over the next 15 years from the State Trunk Line Fund in debt service costs. Debt service costs are the first priority of expenditures from the State Trunk Line Fund. Increasing debt service costs of the State Trunk Line Fund means that less funding will be available for the opening, widening, improvement, construction, and reconstruction of State trunk line highways and bridges, for rail grade crossings, and for operating expenses of the Fund.

For local units of government, the bills will result in \$400.0 million in additional funds for road and street projects. Of the funding, \$80.0 million will come in the form of grants from the State Trunk Line Fund and \$320.0 million will come from the Federal government.

The Department will incur administrative costs for implementing the local Federal match program and meeting the new reporting requirements.

Fiscal Analyst: Jessica Runnels

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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.