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BILL ANALYSIS

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House Bill 6003 (Substitute H-2 as passed by the House)
Sponsor: Representative Tom Casperson
House Committee: Transportation
Senate Committee: Transportation

Date Completed: 5-9-06

CONTENT

The bill would amend Public Act 51 of 1951, the Michigan Transportation Fund (MTF) law, to create within the State Trunk Line Fund a program to provide grants to municipalities and other local agencies to match Federal aid projects during fiscal year (FY) 2005-06 or FY 2006-07. Funds deposited into the match program in the aggregate could not exceed \$80.0 million.

The "local federal match program" would be created 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).

The bill specifies a legislative intent that funds in the proposed match program be used for one or more of the following:

- 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 were under construction or let for bid by the end of FY 2006-07.
- Projects scheduled to be under construction during FY 2006-07 and that could be advanced to FY 2005-06.
- Any project scheduled for any fiscal year after FY 2006-07 that could be advanced and under construction or let for bid during FY 2005-06 or FY 2006-07.

(Section 18b of the MTF law 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 the Michigan Department of Transportation (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 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.)

The bill is tie-barred to Senate Bills 1132 and 1192. Senate Bill 1132 (H-1) also would create the match program within the State Trunk Line Fund, and cap the amount of funds deposited in the program at \$80.0 million. Senate Bill 1192 (H-2) would amend the MTF law to do the following:

- Prescribe eligibility criteria for a grant.
- Require MDOT to submit to the Legislature reports on projects funded through the program.
- Require MDOT to determine additional eligibility criteria.
- Limit the amount of an individual grant to 25% of the amount of Federal funds available for the project.

MCL 257.661e

Legislative Analyst: Julie Koval

FISCAL IMPACT

Together with the tie-barred Senate bills, House Bill 6003 (H-2) would authorize the sale of \$80.0 million in transportation bonds and establish criteria for the selection of local units of government to receive grants from that revenue to use as the local match for Federal funding for road projects. The sale of \$80.0 million in bonds would 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 from the State Trunk Line Fund. Increasing debt service costs of the Fund would mean that less funding would 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 would result in \$400.0 million in additional funds for road and street projects. Of the funding, \$80.0 million would come from the State Trunk Line Fund and \$320.0 million would come from the Federal government.

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.