

REDIRECTION OF CERTAIN DRIVERS' LICENSEE FEES FROM THE TEDF TO STATE GENERAL FUND

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House Bill 4847

Sponsor: Rep. Morris Hood III

Committee: Appropriations

Complete to 6-15-07

A SUMMARY OF HOUSE BILL 4847 AS INTRODUCED 5-24-07

House Bill 4847 would amend Section 819 of the Michigan Vehicle Code (Public Act 300 of 1949, MCL 257.819) to redirect to the state General Fund a portion of drivers' license fee revenue currently dedicated to the Transportation Economic Development Fund (TEDF). The bill would effect this redirection for two fiscal years: \$6.0 million FY 2006-07, and \$13.0 million in FY 2007-08.

The \$6.0 million transfer for FY 2006-7 represents the amount that the TEDF was already reduced through Executive Order 2007-3. EO 2007-3 reduced the TEDF Target Industries program (Category "A") by \$6.0 million. House Bill 4847 would simply effect in statute the redirection to the state General Fund, i.e. it does not cause an additional reduction in the TEDF program beyond the \$6.0 million reduction already made in EO 2007-3.

The \$13.0 million transfer to the state General Fund in FY 2007-08 would reflect the Governor's FY 2007-08 budget recommendation for transportation (as well as the state General Fund budgets in total). The proposed \$13.0 million redirection appears to be slightly more than the annual revenue from drivers' license fees credited to the TEDF each year. [The Michigan Department of Transportation estimates the total revenue from the drivers' license fee earmark to be \$15.0 million in total, of which \$13.0 million would be redirected through statutory amendment. However, the department's FY 2005-06 financial statements show TEDF license fee revenue of only \$12.6 million.] The proposed \$13.0 million reduction in the TEDF, to reflect the \$13.0 million transfer to the General Fund, would come from three specific TEDF programs: 50% (\$6.5 million) from the Target Industries program, with the remaining \$3.25 million reduction coming equally from categories "C" (Urban Congestion Relief) and "D" (Rural Counties) in accordance with the distribution requirements of Public Act 231 of 1987.

BACKGROUND INFORMATION:

The Transportation Economic Development Fund (TEDF) was created by PA 231 of 1987 (MCL 247.901) to help fund highway, road, and street improvements related to either a specific type of economic activity or a specific type of road system. State funds appropriated for the TEDF program are \$41.7 million in the current fiscal year – exclusive of debt service and administration. The TEDF receives most of its funding

support from the Michigan Transportation Fund (MTF). Public Act 51 of 1951 directs \$40.3 million from the MTF to the TEDF each year. Under current law the TEDF also receives a statutory earmark of a portion of drivers' license fees (approximately \$13.0 million each year), plus interest earnings on the TEDF fund balance (approximately \$4.0 million in the current year). The Michigan Department of Transportation's revenue estimates for this program show \$15.0 million from drivers' license fees. This appears to be higher than is supported by recent revenue history.

The earmark of a portion of drivers' license fees to the TEDF is made in Section 819 of the Michigan Vehicle Code. The earmark was established in 1987 (as Public Act 232 of 1987) at the same time the TEDF Program was established.

PA 231 established five separate programs within the overall TEDF program:

Forest Roads (Category E) - intended to facilitate the safe and efficient transport of forest products. It receives \$5.0 million from the TEDF – an amount fixed by PA 231. Program funds are distributed by formula to 47 northern Michigan county road commissions.

Cities in Rural Counties (Category F) - intended to provide for road improvements in cities over 5,000 within the 78 rural counties. This program receives \$2.5 million from the TEDF – an amount fixed by PA 231.

Urban Congestion Relief (Category C) - distributed by formula to the state's 5 urban counties – Wayne, Oakland, Macomb, Genesee, and Kent. It receives 25% of the TEDF balance after deduction of administration, debt service, and the category E and F amounts. Funds may be used for road or transit projects related to congestion relief or advanced traffic management systems. This program also receives 15.0% of federal Equity Bonus program funds (formerly called Minimum Guarantee).

Rural County Primary (Category D) - intended to establish a local all-season road system to link communities with the state trunkline system. Funds are available on a competitive basis to road agencies in the state's 78 rural counties. This program receives 25% of the TEDF balance after deduction of administration, debt service, and the category E and F amounts. This program also receives 16.5% of federal Equity Bonus program funds (formerly called Minimum Guarantee).

Target Industries (Category A) - receives a special \$3.5 million Act 51 earmark, plus 50% of the net TEDF balance after deduction of administrative costs, debt service, and category E and F amounts.

Category A is intended for road projects related to economic development projects that create or retain permanent jobs and that are related to seven specific industries: Agriculture and Food Processing, Tourism, Forestry, High Technology Research, Mining, Manufacturing, and Office Centers of not less than 50,000 square feet. Grants are competitively evaluated and may be awarded to any Act 51 governmental agency: the

Department, county road commissions, cities, and villages. This program is administered jointly by the Michigan Department of Transportation's Office of Economic Development and the director of the Michigan Economic Development Corporation.

FISCAL IMPACT:

The bill would redirect \$6.0 million and \$13.0 million from the TEDF to the state General Fund for FYs 2006-07 and 2007-08 respectively. There would be no impact on net state revenue. There would be a reduction in local revenue of \$6.5 million in FY 2007-08 in as much as two of the TEDF programs affected, Category C and Category D, are considered programs of local units of government in annual transportation appropriations acts.

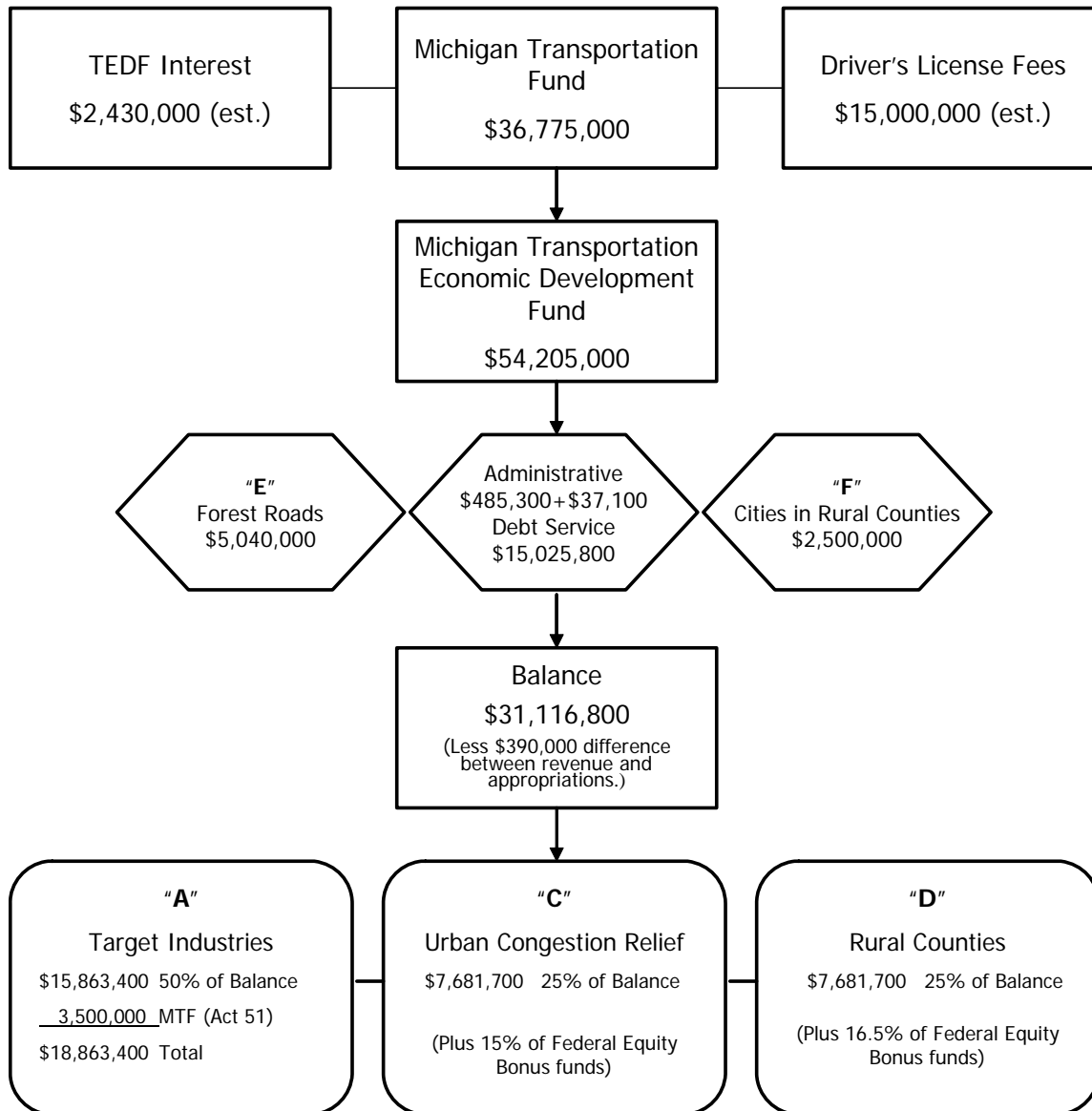
According to the Michigan Department of Transportation's annual financial report, the TEDF had a balance at September 30, 2006 of \$100.6 million.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

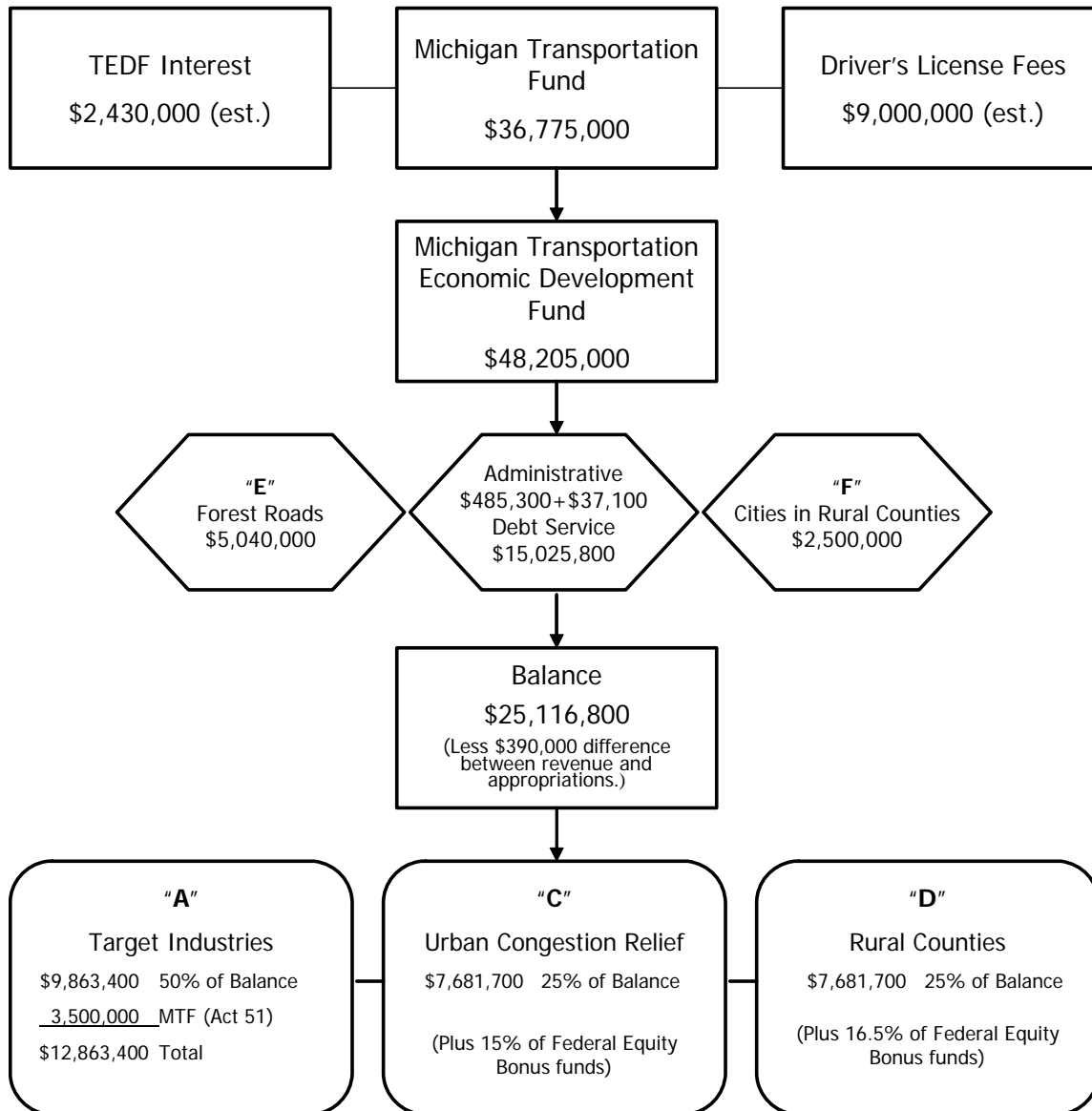
Transportation Economic Development Fund

Fiscal Year 2006-07: Distribution Prior to EO 2007-3



Transportation Economic Development Fund

Fiscal Year 2006-07: After EO 2007-3



Transportation Economic Development Fund
Fiscal Year 2007-08: Executive Recommendation

