

**DATE:** June 28, 2007  
**TO:** House Committee on Transportation  
**FROM:** William E. Hamilton  
**RE:** Transportation Asset Management and House Bill 4979

*This memo is intended to provide committee members with background on transportation asset management in Michigan law. This version includes a minor change from the original version presented to the committee.*

**Public Act 308 of 1998** -- Since first enacted, Public Act 51 of 1951 has been amended a number of times, including amendments to change the Michigan Transportation Fund (MTF) funding distribution formulas, and amendments to establish, extend, or lift sunset dates for the distribution formulas. Public Act 308 of 1998 amended Act 51 to extend the sunset date for the existing funding formulas to September 30, 2000.<sup>1</sup>

Although PA 308 established a sunset date for the Act 51 MTF distribution formulas, it also defined a process for rewriting the formulas and for amending other sections of Act 51. The act required the Governor to appoint a study committee consisting of five members representing manufacturing, commerce, agriculture, tourism, and labor, plus majority and minority party representatives from both the House and Senate.

PA 308 authorized the study committee to “review transportation funding options, transportation investment priorities, and potential strategies for maximizing returns on transportation investments.” The act also required that the committee report to the governor, the state transportation commission, and the legislature “on the identified needs including economic development needs, transportation funding options, historical transportation financing patterns as they relate to statewide fiscal resources, and strategies for maximizing the returns on transportation investments.”

The Transportation Funding Study Committee was appointed on February 17, 1999, and included four members of the Michigan Legislature (State Representatives Rick Johnson and Thomas Kelly, and State Senators Phillip Hoffman and Joe Young, Jr.) as well as five non-legislative members. The Study Committee submitted its final recommendations in a letter dated May 19, 2000. With the exception of Senator Joe Young, Jr., all Study Committee members signed the recommendation letter. Senator Young submitted a minority report.

The Study Committee’s recommendations are contained in a report dated June 1, 2000 entitled “Transportation Funding for the 21st Century.” The report presented recommendations regarding management and funding of the Michigan transportation system. The principal recommendations of the Study Committee involved asset management. The key recommendation was that “a long-term, planned asset management process be extended to statewide use for transportation facilities.”

For the complete report see <http://www.mdot.state.mi.us/ACT51/finalreports/index.htm>

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<sup>1</sup> Public Act 188 of 2000 (SB 1274) subsequently amended Act 51 to eliminate sunset dates for MTF funding distribution formulas.

**Transportation Funding Study Committee** -- The Transportation Funding Study Committee report did not recommend revisions to either the “external” formula, which distributes MTF funds between the state and local road agencies, or the “internal” formula, which determines how the local share of the MTF is distributed to particular local road agencies. Instead, the report recommended that *“a long-term, planned asset management process be extended to statewide use for transportation facilities.”*

The Study Committee recommended that Act 51's MTF and federal aid distribution formulas not be changed *“until implementation of an asset management process, which may result in future distribution changes.”* The recommendation continues: *“While not proposing a specific formula revision at this time, we recognize that a proposed asset management-based formula could result in a funding distribution which focuses on the function or use of a road, while taking into account the base level of funding needed for routine maintenance.”*

The Study Committee made twelve additional recommendations related to implementation of a statewide transportation asset management process.

**Asset Management Council** – The Transportation Funding Study Committee's recommendations were implemented, in part, through Public Act 499 of 2002 (HB 5396). PA 499 amended Act 51 to establish a Transportation Asset Management Council within the State Transportation Commission. Under PA 499, the Asset Management Council is charged with *“advising the commission on a statewide asset management strategy and the processes and necessary tools needed to implement such a strategy beginning with the federal-aid eligible highway system.”* The focus of the Council's activity was to be the federal-aid eligible highway system. There are approximately 33,504 miles on the federal-aid system in Michigan. Of the miles on the federal-aid system, 9,681 miles are state trunkline highways, and 23,823 miles are under local jurisdiction. All but 14 miles of the state trunkline system is on the federal-aid system.

The act required that starting on October 1, 2003, all state road agencies prepare and publish an annual multi-year program, based on long-range plans and developed through the use of the asset management process described by the act. The act also requires that the Council report to the State Transportation Commission, the Legislature, and the House and Senate committees on transportation by May 2 of each year.

The Council was appointed by the State Transportation Commission in September of 2002. The Council comprises ten voting members: two each from the County Road Association, the Michigan Municipal League, state planning and development regions, and the Department. The Michigan Township Association and the Michigan Association of Counties have one member each. The Department provides staff and technical assistance to the Asset Management Council.

The Asset Management Council met for the first time on October 8, 2002, and approved a work program in January 2003. The work program was approved by the State Transportation Commission in February 2003. In May 2003, the Council issued its first Annual Report. The Asset Management Council continues to meet and issued its most recent report in May 2007.

Public Act 499 defined “asset management” as *“an ongoing process of maintaining, upgrading, and operating physical assets cost effectively, based on a continuous physical inventory and condition assessment.”* The act also identified the intent of the Asset Management Council as the provision of *“a coordinated, unified effort by the various roadway agencies within the state.”*

**Statewide Asset Management Reporting** – The Asset Management Council agreed upon a uniform condition rating scale for both pavement condition and bridge condition. The Council has collected four years (2003 – 2006) of pavement and bridge inventory and condition data for the statewide federal-aid system.

***Asset Management by Local Road Agencies*** – The Asset Management Council collects and evaluates road and bridge inventory and condition data for the statewide federal aid system. A number of local road agencies have adopted asset management processes for use in evaluating investment decisions on their local road systems. In its 2006 annual report, the Asset Management Council indicates that over 230 of the state's 617 road agencies have adopted the RoadSoft pavement management system. The Council provides education and training programs to assist local road agencies in adopting asset management systems.

For additional information on the concept of asset management, see the House Fiscal Agency Fiscal Forum "Transportation: Asset Management", available from the House Fiscal Agency at 373-8080 or at <http://www.house.state.mi.us/hfa/asset.pdf>