



Senate Fiscal Agency  
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## BILL ANALYSIS

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Senate Bill 360 (Substitute S-2 as reported)  
Sponsor: Senator Jud Gilbert, II  
Committee: Transportation

Date Completed: 4-19-07

### **RATIONALE**

The local Federal match program, also known as the Local Jobs Today program, was created by Public Acts 139, 140, and 141 of 2006, to provide local governments with the necessary matching funds to receive Federal money for certain high-priority road projects, and to advance projects that were scheduled for later years. Typically, in order to qualify for funds appropriated by the Federal government for road projects, the State or a local government must supply 20% of a project's cost, and the Federal government then will provide the other 80%. In recent years, however, local governments have had an increasingly difficult time producing the matching funds, leaving them unable to take advantage of appropriated Federal money.

The local Federal match program was funded through bond proceeds to provide local governments with grants to help them pay the required match, enabling them to complete projects more quickly or take on projects that otherwise would have been unaffordable. The current deadline to qualify for the program is September 30, 2007; projects must be under construction or let for bid by that date. Reportedly, there are a number of projects that may not meet the deadline, although approximately \$15 million remains unused in the program. To allow projects to take advantage of the remaining funds, it has been suggested that the program be extended, and that the criteria be expanded to allow additional projects to qualify.

### **CONTENT**

**The bill would amend the Michigan Transportation Fund (MTF) law to**

**extend from September 30, 2007, to April 4, 2008, the deadline for certain projects to be under construction or let for bid in order to receive funding through the local Federal match program; and to include in the program's qualifying criteria high-priority projects that were scheduled to be under construction or let for bid in fiscal year (FY) 2007-08 but could be advanced to FY 2006-07.**

The law specifies that the Legislature intends that funds in the local Federal match program be used for specified projects, including 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 Act) or Public Law 105-78 (the Transportation Equity Act for the 21<sup>st</sup> Century, or TEA-21) and have been designated as high-priority road and building projects that have received earmarks in the Federal budget. Presently, those projects must be under construction or let for bid by the end of fiscal year 2006-07. The bill would extend that deadline to April 4, 2008.

The bill also would include projects that were not the subject of an appropriation under the SAFETEA-LU Act or the TEA-21 Act that were designated as high-priority road and bridge projects that had received earmarks in the Federal budget scheduled to be under construction or let for bid during FY 2007-08 and could be advanced to FY 2006-07 and let for bid by September 30, 2007.

Currently, all bond proceeds not used to fund grants awarded by September 30, 2007, are to be appropriated for purposes

described in Section 11(1)(f) of the law, i.e., for the opening, widening, construction, and reconstruction of State trunk line highways and bridges, including the acquisition of rights-of-way and work incidental to those projects. Under the bill, bond proceeds would be appropriated for those purposes if not used for grants by April 4, 2008.

MCL 247.661e & 247.661f

## **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**

The local Federal match program has been highly successful in allowing local governments to complete high-priority projects, and to pull forward construction jobs that were scheduled for later years. The program has improved Michigan's transportation infrastructure, and has created well-paying construction jobs in areas across the State. In some parts of the State, however, projects under consideration will not make the current deadline of September 30, 2007. Bay City, for example, is in the process of designing several projects that present great technical challenges and are complicated by the presence of water mains and other utilities. The bill would give those designers an additional six months to develop an effective plan, helping prevent any costly mistakes that would require later correction.

### **Supporting Argument**

Currently, \$15 million remains in the fund but will not be used for the local Federal match program if the deadline remains unchanged. Extending the program would allow that money to be put to use, maximizing the Federal dollars that can be brought into the State for road construction and improvements under the program. This \$15 million could leverage up to \$60 million in Federal money. Under the current provisions, if that money is unused, it will be re-appropriated for other purposes, where it will not necessarily bring in matching Federal dollars.

By the deadline proposed in the bill, several projects that would make full use of the remaining funds should be submitted. April 4 is a typical bid-letting date for construction

projects in the State, and establishing that deadline would allow local governments to proceed without setting a special bidding date.

### **Opposing Argument**

For some unusually technical projects, a six-month delay of the deadline might not be sufficient. Perhaps the program should be extended further to accommodate those projects.

**Response:** The amount of money remaining in the program is limited, and it is expected that the revenue will be depleted by the deadline proposed in the bill, so there would be little purpose in extending the program beyond that date.

Legislative Analyst: Curtis Walker

## **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Debra Hollon

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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.