



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 360 (as enacted)
Sponsor: Senator Jud Gilbert, II
Senate Committee: Transportation
House Committee: Transportation

PUBLIC ACT 26 of 2007

Date Completed: 1-15-08

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 is 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 original deadline to qualify for the program was September 30, 2007; projects had to be under construction or let for bid by that date. Reportedly, there were a number of projects that could not meet the deadline, although approximately \$15 million remained unused in the program. To allow projects to take advantage of the remaining funds, it was suggested that the program be extended, and that the criteria be expanded to allow additional projects to qualify.

CONTENT

The bill amended 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 projects that can be advanced to fiscal year (FY) 2007-08.

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 21st Century, or TEA-21) and have been designated as high-priority road and building projects that have received earmarks in the Federal budget. Previously, those projects had to be under construction or let for bid by the end of fiscal year 2006-07. The bill extended that deadline to April 4, 2008.

The funding criteria under the Act also included any project scheduled for any fiscal year after fiscal year 2006-07 that could be advanced and under construction or let for bid during FY 2005-06 or FY 2006-07. The bill extended that provision to any project that can be advanced and under construction or let for bid during FY 2007-08.

The bill took effect on June 28, 2007.

MCL 247.661e

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 could not make the previous deadline of September 30, 2007. As of that date, Bay City, for example, was in the process of designing several projects that present great technical challenges and were complicated by the presence of water mains and other utilities. The bill gives those designers an additional six months to develop an effective plan, helping prevent any costly mistakes that would require later correction.

Other local units across the State that were in the process of submitting projects also were not able to make the previous deadline. The extension provided in the bill has allowed the time necessary for several of those local units to apply for funding under the program. According to a Michigan Department of Transportation spokesperson, the Department has received more submissions than it is able to fund, and all of the money in the program has been committed as of January 2008. Making full use of those funds will maximize the Federal dollars that can be brought into the State for road construction and improvements under the program. Otherwise, any money left in the program would have been re-appropriated for other purposes under the MTF law, which might not have brought in matching Federal dollars.

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 contained in the bill, so there would be little purpose in extending the program beyond that date.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

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

Fiscal Analyst: Debra Hollon

A0708\s360ea

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.