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BILL ANALYSIS

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House Bill 4979 (as enacted)
Sponsor: Representative Hoon-Yung Hopgood
House Committee: Transportation
Senate Committee: Transportation

PUBLIC ACT 199 of 2007

Date Completed: 1-7-08

RATIONALE

Transportation asset management is a process for evaluating the condition of roads, highways, and bridges in a uniform and objective manner, to allow transportation agencies to make cost-effective choices about how to maintain the State's infrastructure. Asset management has been growing in popularity since the 1990s, driven in part by the need to make better use of limited transportation funds, improvements in information technology and monitoring methods, and changes in accounting standards that encourage the use of asset management to account for the current value of a state's physical assets. (For more information on asset management, please see **BACKGROUND**.)

Public Act 499 of 2002 established the Transportation Asset Management Council (TAMC) within the Michigan Department of Transportation (MDOT), and charged the Council with developing and implementing an asset management program for roadways that are part of the National Highway System (NHS). Consisting mainly of interstate highways and other major routes, however, the NHS makes up only a fraction of the State's transportation infrastructure. It was suggested that asset management practices should be expanded to cover all highways in the State that are eligible for Federal aid.

CONTENT

The bill amended the Michigan Transportation Fund law to do the following:

- **Require the development of a pavement management system for each mile of roadway on the Federal-aid eligible highway system in the State, rather than on the National Highway System, as currently required.**
- **Transfer the responsibility for developing the pavement management system from the Michigan Department of Transportation to the Transportation Asset Management Council, in conjunction with MDOT and local governments.**
- **Require MDOT and each local road agency to submit to the TAMC an annual report containing its multiyear program, rather than develop and publish an annual multiyear program, as currently required.**
- **Require each multiyear program to be consistent with MDOT's or the local agency's asset management process, and to be reported consistent with categories established by the Council.**

Pavement Management System

Previously, the law required MDOT, in conjunction with counties and municipalities, to develop and implement a pavement management system for each mile of highway on the National Highway System in Michigan. Under the bill, the TAMC has that responsibility in conjunction with MDOT, counties, and municipalities, and the pavement management system must cover

each mile of roadway on the Federal-aid eligible highway system in Michigan, rather than the NHS. (Please see **BACKGROUND** for information on the NHS and the Federal-aid eligible highway system.)

The bill requires the TAMC to provide local road agencies with the training needed to use the pavement management system in accordance with these provisions.

(The law defines "federal-aid eligible" as any public road or bridge that is eligible for Federal aid to be spent for the construction, repair, or maintenance of that road or bridge.)

Multiyear Program

The law previously required MDOT, each county road commission, and each city and village annually to prepare and publish a multiyear program based on long-range plans and developed through the use of the asset management process required under the law.

Under the bill, those entities instead must submit to the TAMC an annual report that includes a multiyear program developed through the asset management process. The bill removed the reference to long-range plans, as well as a requirement that projects contained in each local road agency's annual multiyear program be consistent with the goals and objectives of the agency's long-range plan.

The bill requires MDOT's and each local road agency's annual multiyear program to be consistent with the Department's or agency's asset management process, and to be reported consistent with categories established by the TAMC.

Under the law, "multiyear program" means a compilation of road and bridge projects anticipated to be contracted for by MDOT or a local road agency during a three-year period. The bill requires the multiyear program to include a listing of each project to be funded in whole or in part with State or Federal funds.

The bill removed a requirement that a project funded, in whole or in part, with State or Federal funds must be included in any local road agency's multiyear plan.

MCL 247.651g & 247.659a

BACKGROUND

NHS and Federal-Aid Eligible Highways

The National Highway System was established in 1995, and includes the Interstate Highway system and other key transportation routes across the country, designated because of their strategic or commercial importance. According to MDOT, there are about 4,720 miles of highway in Michigan that are part of the National Highway System, including 1,241 miles of Interstate highway, 3,207 miles of other State-owned routes, and 305 miles of roads under the jurisdiction of local governments.

There are about 33,504 miles of Federal-aid eligible highway in Michigan, consisting of 9,681 miles of State trunkline highways and about 23,823 miles of roads under the jurisdiction of local governments.

Asset Management

According to MDOT, transportation asset management consists of several key elements: developing policy goals and objectives, collecting data, using management systems to control processes, developing performance measures, identifying standards and benchmarks, developing alternative analysis procedures, making decisions and developing a program based on the results of data collection and analysis, implementing the program, and monitoring and reporting results.

Together, these elements present a unified and objective approach to maintaining transportation infrastructure, based on the identified policy goals. The asset management process does not identify specific road projects that should be pursued, but rather provides for the collection and evaluation of data to allow decision-makers to identify those road projects that will advance their policy goals in the most efficient manner.

Asset management also helps the State comply with GASB Statement 34, a standard issued by the Governmental Accounting Standards Board in 1999. To comply with Statement 34, states must account for the net value and depreciation of transportation

infrastructure and other capital assets as part of their financial statements. Statement 34 does not specifically require the use of asset management practices, but the information gathered as a part of an asset management program may help a state to account for the current value of its assets accurately, and the use of asset management may allow the state to maintain the value of those assets at a stable level, rather than depreciating them over time.

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

Transportation asset management was implemented in Michigan in 2002, but the scope of the program was restricted to highways that are part of the National Highway System. That program has been very successful so far, according to the TAMC. However, because the NHS consists mainly of interstate highways and other arterial roads, which are under the jurisdiction of MDOT, only a limited number of local transportation agencies have been involved in implementing asset management practices as part of the program. Some local transportation agencies have voluntarily adopted those practices; in fact, the number of transportation agencies in Michigan using asset management practices has increased from 66 in 2004 to 230 in 2007, according to testimony before the Senate Transportation Committee. Still, almost 400 of the State's 617 agencies have not yet adopted those practices. Under the bill, any transportation agency with jurisdiction over Federal-aid eligible roads must adopt a pavement management system, at least for those roads. Each agency also must report its activities to the TAMC, allowing for a cohesive approach to maintaining the State's roads.

Transportation asset management may help State and local transportation agencies to maintain roads and highways in a more coordinated and efficient manner. Currently, each local agency works more or less independently to develop a five- or 20-year plan for road maintenance and construction in its jurisdiction. Each agency may use different evaluation methods and

different criteria for funding road projects. The bill will help to unify those efforts by providing agencies with standard tools and training to evaluate roads on a consistent and objective basis, giving decision-makers higher-quality information to use in planning maintenance schedules.

Asset management also may help agencies make better use of limited transportation dollars, by providing comprehensive up-to-date information on the status of the entire system. Performing maintenance at the right time can be crucial to avoiding more costly repairs in the future. According to a report by the TAMC, one dollar spent on routine maintenance can save four dollars in future reconstruction costs. In addition, by establishing clear and consistent evaluation processes, asset management may help to reduce the effects of local political considerations on the timing and nature of road projects. The bill will not supplant current long-term road plans adopted by transportation agencies, but rather will supplement existing plans and provide more accurate and effective tools for implementing them.

The bill also requires the TAMC to provide necessary training to a local agency on the use of the equipment or procedures, ensuring that the asset management requirement will be implemented effectively across the State.

Response: The bill takes a top down-approach, requiring the adoption of uniform methods among agencies, rather than encouraging cooperation and engagement from the bottom up. Those requirements may be perceived as an imposition by the State on local road agencies, which might prefer to continue their own road management practices.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The Department notes that any increase in expenditures due to the expanded training requirements in the bill can be funded within the existing budget.

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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.