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**BILL ANALYSIS**

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Senate Bill 670 (as introduced 6-25-09)
Sponsor: Senator Randy Richardville
Committee: Transportation

Date Completed: 8-18-09

CONTENT

The bill would amend the Michigan Transportation Fund (MTF) law to classify the MTF as a trust fund, and to prohibit income or profit derived from the investment of money in the Fund from being used for the Department of Transportation's administrative expenses.

Under the law, the MTF is maintained in the State Treasury as a separate fund, and money received from the collection of motor fuel taxes, money received under the Motor Carrier Act, and money received under certain sections of the Motor Fuel Tax Act must be deposited into the MTF. In addition, income or profit from the investment or money in the Fund must be deposited into the Fund.

MCL 247.660

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would potentially increase State expenses. If the Michigan Transportation Fund were classified as a trust fund, its ability to provide revenue for intra-fund borrowing could be restricted. The School Aid Fund is perhaps the most significant borrower within the State's intra-fund borrowing pools. Reducing the available revenue to the School Aid Fund would potentially increase the cost of meeting that Fund's cash flow needs.

Intra-fund borrowing rates are capped by statute, but given current market conditions, they are currently near zero. As a result, the bill's prohibition on using investment earnings for administrative expenses would likely have a negligible effect on the Department's revenue to cover administrative expenses as well as the distribution of revenue to other expenditure categories in the MTF.

Fiscal Analyst: David Zin

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