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BILL ANALYSIS

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Senate Bill 995 (Substitute S-1 as reported) *(as passed by the Senate)*
Sponsor: Senator Gerald Van Woerkom
Committee: Transportation

Date Completed: 1-21-10

RATIONALE

The Michigan Transportation Fund (MTF) law provides for the designation of a primary road system in each county, consisting of roads that are of the most general importance to the county. All roads that are not part of the primary road system and that are under the jurisdiction of the county road commission are considered to be part of the county's local road system. Under the law, each county road commission may spend up to 30% of the money it receives from the MTF designated for the county's primary road system on its local road system.

In 2008, heavy rains triggered flooding throughout the western part of the State and elsewhere, causing extensive road damage. In Allegan and Mason Counties, the heavy rain washed out several roads, requiring unexpected and costly repairs. The cost of repairing those roads exceeded the amount that the county road commissions were permitted to spend on the local road system under the MTF law, and as a result, they have not been reimbursed for a portion of those costs. It has been suggested that a county road commission should be able to spend a greater portion of primary road system money to maintain its local roads.

CONTENT

The bill would amend the MTF law to permit a county road commission to spend 50%, rather than 30%, of primary road funds on the county local road system, beginning November 1, 2008.

Under the law, funds from the MTF are returned to each county according to a specific formula. After certain allocations, each county road commission must spend 75% of the remaining amount returned to the county for the preservation, construction, acquisition, and extension of the county primary road system.

Up to 30% of the amount designated for the county primary road system may be spent on the county local road system of that county.

Under the bill, beginning November 1, 2008, up to 50% of that amount could be spent on the county local road system.

MCL 247.662

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
County road commissions need additional flexibility to be able to use MTF funds where they are most needed. While the primary road system is critical infrastructure, local roads also serve important functions for county residents and must be maintained. The cost of road repairs and maintenance may vary from year to year, and the current limits do not give county road commissions enough flexibility to respond to those changing circumstances. When flooding damaged roads in Allegan County in 2008, the county road commission spent most of

that year repairing those roads, and its expenditures for that year exceeded revenue allocated for local roads by $921,000, according to the Allegan County Road Commission. Similarly, the flooding caused road closures in Mason County, where the extensive damage to local roads reportedly required the county to spend more than the allocated amount.

Although these were exceptional events, unexpected costs may arise in any given year. In 2009, Allegan County again experienced a number of storms that caused severe damage to local roads, and three roads are still closed, according to the Allegan County Road Commission. The bill would give county road commissions additional flexibility to handle such emergencies and better maintain both the primary and local road systems.

Opposing Argument

Most county road commissions rely exclusively on money from the MTF and must manage that money carefully to maintain both the primary road system and local roads. The bill could upset the current balance by increasing the maximum amount that may be spent on the local road system. Although the bill would not require a county to allocate the full amount for local roads, a county road commission would likely face substantial pressure to do so, and any additional money spent on local roads would be at the expense of the primary road system, which is already in disrepair in many counties.

If additional money is needed for the local road system, the local government should be required to contribute matching funds as a way of sharing the cost of the project, in the same way that the State must pay matching funds to be eligible for Federal funding.

Response: Many local governments are in severe financial distress and would be unable to provide matching funds. Such a requirement could pose a significant burden on townships in particular, because the MTF law does not currently require townships to share in the cost of county road maintenance or construction, although in practice townships often do contribute to road projects where possible. A match requirement would therefore impose a new funding obligation on townships, and could leave townships and other local governments unable to afford necessary road maintenance or repairs. The bill instead would allow those shared responsibilities to be negotiated on a local level.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would potentially alter the distribution of county expenses on different types of roads. The bill would not affect State revenue or expenditures, or affect the total amount of revenue distributed to local road agencies, either individually or collectively. The bill would increase the share of funds distributed for use on county primary roads that may be diverted to fund expenditures on the county local road system.

Fiscal Analyst: David Zin

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