Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1252 (as reported without amendment) *(as passed by the Senate)*
Sponsor: Senator Gerald Van Woerkom
Committee: Local, Urban and State Affairs

Date Completed: 8-18-10

RATIONALE

Several years ago, a program was implemented in Mackinac County to support local road projects in rural Hudson Township. Under the program, the county, the township, and the county road commission each contribute one-third of the total funding. Recently, some have questioned whether such a program is authorized under Michigan law, which allows the transfer of a surplus from a county's general fund to its road fund, *unless* the money was raised by real or personal property taxes. It has been suggested that this restriction on transfers be eliminated to enable the Mackinac County arrangement to continue, and to provide such an option throughout the State.

CONTENT

The bill would amend Public Act 253 of 1917 (which governs the transfer of money from a county's general fund to its road fund) to eliminate a prohibition against a transfer involving money raised by general taxes levied on the real and personal property of the county.

Under the Act, if a county operating under the county road system has a surplus of money in its general fund, the county board of commissioners may direct the transfer of part of the surplus to the county road fund for the construction, maintenance, and repair of highways under the supervision and direction of the board of county road commissioners. The Act, however, prohibits such a diversion of money raised by the specified taxes. The bill would delete this restriction.

MCL 247.121

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 restriction on transfers of surplus tax revenue from a county's general fund to its road fund can be detrimental to sparsely populated rural communities, especially those with many local roads that do not qualify for State or Federal funding. Particularly during difficult economic times, it is important that local units of government have the flexibility to allocate available funds in a way that best meets their needs. In the case of Mackinac County and other counties that might have a surplus, State law should clearly allow the extra money from property taxes to be directed to the infrastructure needs of smaller units within the county. In addition to facilitating transportation, the road projects undertaken with these funds provide employment for local workers.

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would have no effect on State revenue or expenditure but would potentially change the way local revenue and expenditures are distributed across different activities. The bill would not increase local unit revenue but would allow surplus revenue in the county general fund from general property taxes to be transferred to the county road fund. The actual amount of any surplus or transfer is unknown and would vary based on the budgeting decisions of affected counties.

Fiscal Analyst: David Zin

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