

Legislative Analysis



TRANSFERS TO COUNTY ROAD FUNDS FOR ROAD IMPROVEMENTS

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House Bill 4347 as enrolled

Public Act 119 of 2011

Sponsor: Rep. Dale Zorn

House Committee: Local, Intergovernmental, and Regional Affairs

Senate Committee: Local Government and Elections

Second Analysis (9-1-11)

BRIEF SUMMARY: The bill authorizes the transfer of moneys from the general fund of a county government to the county road fund for road improvements.

FISCAL IMPACT: The bill would have no apparent fiscal impact; the bill addresses permitted uses of existing revenue.

THE APPARENT PROBLEM:

Currently under Michigan law, the revenue a county government collects from real estate taxes cannot be directed to the maintenance or improvement of county roads. Consequently, county commissioners cannot use revenue derived from local property taxes to fix county roads.

However, some counties have used other revenue sources to fund road improvements. For example, from 1999 to 2006 Monroe County government officials created a program called the Monroe County Self-Help Road and Bridge Program which allocated nearly \$15 million to improve local roads and bridges. The program was jointly operated by the county board of commissioners, the county road commissioners, and officials from townships, villages, and cities acting as partners. Until 2007 the program could be funded from county revenue sources other than property tax revenue--such as funds received from the state revenue sharing program. When those revenue sources declined, the self-help program was terminated. For a detailed description of the Monroe County Self-Help Road and Bridge Program, see **Background Information**.

In 2007 county counsel to the Monroe County board of commissioners advised that while the appropriation of funds for road and bridge improvements prior to 2006 was permitted because revenue from real estate taxes was deemed not part of the appropriation, Monroe County's revenue from real estate taxes had since become a larger proportion of the revenues in the county budget. Consequently, county counsel advised that the Monroe County Self-Help Road and Bridge Program could not be continued, in view of the statute prohibiting the use of real estate tax revenue for the improvement of county roads.

Legislation has been introduced that would allow, but not require, counties to use revenue collected from real estate taxes to fund county roads.

THE CONTENT OF THE BILL:

House Bill 4347 would amend Public Act 253 of 1917, which authorizes the transfer of moneys from the general fund of a county government to the county road fund for road improvements.

Currently under the law, if a county has a surplus in its general fund, the board of commissioners may, by resolution, direct the transfer of a part of that surplus from the general fund to the county road fund, to be used for the construction, maintenance, and repair of highways that fall under the supervision of the county road commission. However, the law specifies that *in no case shall moneys raised by general taxes, levied on the real and personal property of such county, be diverted under this provision*. House Bill 4347 would remove this prohibition, in italics above.

MCL 247.121

BACKGROUND INFORMATION:

Monroe County Self-Help Road and Bridge Program 1999-2006. To operate the Monroe County Self-Help Road and Bridge Program between 1999 and 2006, the county board of commissioners, the county road commission, and local units of government acted as partners, in the following way.

- (1) To initiate the program, the county board of commissioners would annually appropriate between \$850,000 to \$950,000 of its budget for the purpose of maintaining or improving county road, and for repairing bridges.
- (2) Then the appropriation made by the county commissioners was allocated to the cities, villages and townships in Monroe County, "generally in the same proportion set forth in Act 51."
- (3) After the funds were apportioned to the local units of government, a project of importance was identified by the local unit and submitted to the road commission and county commission for approval.
- (4) Then, projects were selected for completion, and the money allocated was leveraged by additional county road funds.

For example, a township project would be funded with the county's apportionment to the township, not to exceed one half of the cost, and one-quarter of the cost for that project would be borne by the road commission, and the remaining one-quarter of the cost borne by the township. Sometimes townships escrowed their allocation for a year or even longer in order to permit the township to complete a project that could not be funded in one or two fiscal years. And, for some projects, the township would fund substantially more than their share to complete the project. Similarly, for projects submitted by city or village officials, the city or village used the county funds appropriated to them, and then leveraged those funds by paying one-half (or more) of the costs.

ARGUMENTS:

For:

Proponents of this legislation argue that if and when revenues are sufficient to fund road and bridge projects, and if a county board of commissioners is so inclined, the law should allow county commissioners to form partnerships with local officials in their county, and together, to spend revenue collected from property taxes to fix the county's roads and bridges.

Proponents say this bill would enable, but not require, local officials to share and consolidate resources, a good idea anytime, but most especially a good idea during the economic downturn in Michigan.

Against:

Customarily, county officials earmark property tax revenue for the county's general fund, and then use the general fund to pay for health and public safety services. Some have raised the concern that this bill will put pressure on county officials to divert the property tax revenue that is customarily earmarked for a county's general fund; to place a portion of the real estate tax levy in a special revenue fund for roads (as was the case in Monroe County); and consequently to underfund important health and safety programs.

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