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BILL ANALYSIS

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Senate Bill 149 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Roger Kahn, M.D.
Committee: Infrastructure Modernization

Date Completed: 7-9-14

CONTENT

The bill would amend Public Act 51 of 1951, which generally governs appropriations for the State's transportation programs and the Michigan Transportation Fund (MTF), to do the following:

- Allow revenue received and collected under the General Sales Tax Act to be credited to the MTF.
- Impose a sunset of January 1, 2016, on provisions that require an appropriation of up to $20.0 million to be made annually from the MTF to the Department of State for administration and enforcement of vehicle registration fees.

Public Act 51 describes the types of revenue that can be credited to the MTF in an express list of permitted fund sources. These sources generally include registration fees collected under the Michigan Vehicle Code, and taxes collected under the Motor Fuel Tax Act.

Under the bill, money received and collected under Section 25(5) of the General Sales Tax Act (described below) also could be credited to the MTF.

Currently, appropriations from the MTF for the Department of State's necessary expenses in administration and enforcement of Michigan Vehicle Code provisions may not exceed $20.0 million a year.

Under the bill, for fiscal year 2014-15, an appropriation of $20.0 million would be made from the MTF to the Department of State for administration and enforcement. For fiscal year 2015-16, appropriations for necessary expenses could be made only between October 1, 2015, and December 31, 2015. Beginning January 1, 2016, no further appropriations could be made.

The bill is tie-barred to Senate Bill 6 and House Bill 4630. (Senate Bill 6 (S-1) would amend Section 25(5) of the General Sales Tax Act to dedicate 18% of the 4.0% sales tax on motor fuel to the MTF. House Bill 4630 (S-3) would amend the Michigan Vehicle Code to revise vehicle registration fees.)

MCL 247.660

FISCAL IMPACT

The bill would discontinue the appropriation of up to $20.0 million from the MTF to the Department of State for enforcement of vehicle registration requirements. This would result in more revenue for the Michigan Department of Transportation (MDOT), local road agencies, and the Comprehensive Transportation Fund (CTF). Assuming a $20.0 million saving to the MTF, approximately $7.0 million would be appropriated to MDOT, $7.0 million would be appropriated to county road authorities, $4.0 million to cities and villages, and $2.0 million to the CTF. Removing this appropriation would reduce the resources that are available to the Department of State corresponding to the amount of the appropriation. However, House Bill 4630 (S-3) would amend various fees, and could compensate for any loss to the Department. According to MDOT, since 2007, the full $20.0 million has been appropriated to the Department of State each year.

It is unclear whether the appropriation for fiscal year 2015-16 would be $20.0 million, or prorated for three months at $5.0 million. The bill states that the appropriation would have to be made between October 1 and December 31; however, the bill does not specify the amount of the appropriation. Also, it is unclear whether the appropriation would apply to the Department of State's enforcement costs for the period between October 1 and December 31 or for the entire FY 2015-16. The only limitation appears to be that the appropriation could not exceed $20.0 million per fiscal year, according to existing language in Public Act 51 (Section 10(1)).

With regard to the bill's provisions that would allow sales tax revenue to be credited to the MTF, the fiscal impact of these provisions would be contingent on the provisions of Senate Bill 6.

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