Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 1016 (as introduced 7-16-14)
Sponsor: Senator Roger Kahn, M.D.
Committee: Appropriations

Date Completed: 9-16-14

CONTENT

The bill would amend Public Act 231 of 1987, which created and governs the Transportation Economic Development Fund (TEDF), to appropriate $12.0 million from the Fund to the State Trunk Line Fund (STF) in FY 2013-14 for the purpose of matching available Federal-aid highway funds. The distribution to target industries would have to be reduced accordingly.

MCL 247.911

BACKGROUND

Previously enacted legislation redirected $12.0 million from the TEDF to the STF for FY 2010-11, FY 2011-12, and FY 2012-13. The funds were taken entirely from the Target Industries (Category A) program within the TEDF.

Under Public Act 231 of 1987, only certain projects are eligible for TEDF assistance. The Department of Transportation has identified five categories of projects that are eligible.

Category A projects must relate to economic development road projects in any of the following target industries: 1) agriculture or food processing; 2) tourism; 3) forestry; 4) high technology research; 5) manufacturing; 6) mining; or 7) certain office centers.

The Department's stated objectives for the Category A program are to do the following: 1) improve the network of highway services essential to economic competitiveness; 2) improve accessibility to target industries as a catalyst for economic growth; 3) support private initiatives that create or retain jobs; and 4) encourage economic developments that improve health, safety, and welfare.

(According to the Department, Category C projects relate to reducing congestion in urban counties. Category D projects relate to rural county road improvements to create an all-season road network. Category E projects relate to road improvements essential to the development of commercial forests. Category F projects relate to road improvements that support an all-season road network in the urban areas of rural counties. Neither the Act nor the Department includes a Category B.)

FISCAL IMPACT

The bill would: 1) result in an internal shift of $12.0 million in State restricted revenue; 2) make the State eligible to receive up to $48.0 million in additional Federal-aid highway funds; and 3) have an indeterminate but likely nominal fiscal impact at the State and local levels with regard to economic development road project funding.

It is estimated that the Target Industries program would be appropriated $8.0 million for FY 2013-14 and $18.8 million in FY 2014-15. Since FY 2010-11, the Target Industries program has been appropriated between $7.2 million and $8.1 million annually. In FY 2012-13, the Department approved 15 Category A projects for a total of $10.9 million in assistance.

Since the Target Industries program is not jurisdictionally or geographically qualified, it is unclear as to what effect the redirection would have on local governments. Projects eligible for funding under the Target Industries program could be located on locally controlled roads or State trunk line roads.

The bill's direct impact at the State level would depend on whether any potential State-based project was eligible for Federal-aid highway funds, and the extent that the Department would fund State-based projects from the STF in lieu of receiving TEDF assistance.

The bill likely would not have an impact at the local level. Historically, local authorities receive the most assistance under Category A. However, according to the Department, no applications from local authorities have been denied in recent years, and the TEDF has been carrying revenue over from year to year. Accordingly, assuming there is no significant change in local demand for TEDF Category A assistance in FY 2013-14, there would be no potential loss of assistance at the local level.

Fiscal Analyst: Glenn Steffens

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