Legislative Analysis

TRANSPORTATION ECON. DEVELOPMENT FUND: EXPAND CATEGORY "A" TO INCLUDE MEDICAL RESEARCH AND MEDICAL TOURISM

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Senate Bill 25 as passed by the Senate
Sponsor: Sen. Mike Kowall
House Committee: Appropriations
Senate Committee: Economic Development and International Investment
Complete to 12-2-16

(Enacted as Public Act 500 of 2016)

BRIEF SUMMARY:

Public Act 231 of 1987 creates and governs the Transportation Economic Development Fund (TEDF). Section 9 of the act currently provides for five categorical programs within the TEDF. One of these categorical programs, "Category A," represents economic development road projects related to any of seven specific "targeted industries": agriculture or food processing; tourism; forestry; high technology research; manufacturing; mining; and office centers of not less than 50,000 square feet.

<u>Senate Bill 25</u> would amend Section 9 of Public Act 231 of 1987 to provide for an eighth specific "targeted industry":

- Medical research or medical tourism facilities of not less than 50,000 square feet.

The bill does not define "medical research" or "medical tourism facilities," and does not expand the use of TEDF funds for projects related to medical facilities or campuses generally.

Senate Bill 25 also revises language describing two other TEDF categorical programs. Section 9 currently defines the Category D program as for "development projects for the improvement of rural primary roads and major streets in cities and villages with a population of 5,000 or less." Senate Bill 25 would amend this language to indicate that this category is for "projects for improvements within rural counties on rural primary roads and major streets in cities and villages with a population of 5,000 or less."

In addition, Section 9 currently describes the Category F program as for "projects for development within rural counties on county rural primary roads on major streets within incorporated villages and cities with a population of *less than* 5,000." Senate Bill 25 would change this description to indicate this category is for "projects for improvements within rural counties on county rural primary roads or major streets within incorporated villages and cities with a population of *more than* 5,000." The change in the population reference from less than 5,000 to more than 5,000 would make the Section 9 description of this categorical consistent with a related description in Section 11 and with the Michigan Department's administration of the program.

Note that the term "project" is a defined term in the act and means "a transportation road construction or improvement." The definition also indicates that "project also includes a transit-oriented development and a transit-oriented facility."

FISCAL IMPACT:

The bill would have no direct fiscal impact on state or local units of government. The bill would expand authorized uses of an existing state restricted transportation fund, the TEDF, to include projects related to "medical research" or "medical tourism facilities." The changes to the descriptions of Categories D and F appear to be primarily technical in nature.

BACKGROUND INFORMATION:

The Transportation Economic Development Fund (TEDF) was created by Public Act 231 of 1987 (MCL 247.901) to help fund highway, road, and street improvements related to either a specific type of economic activity or a specific type of road system. The stated purpose of the TEDF is "*enhancing this state's ability to compete in an international economy, serving as a catalyst of the economic growth of this state, and to improve the quality of life in the rural and urban areas of this state*." Public Act 231 established five categorical programs within the TEDF, each with defined program objectives and eligible recipients.

Revenue Sources

The TEDF receives most of its funding from the Michigan Transportation Fund (MTF). Public Act 51 of 1951 earmarks a total of $40.3 million from the MTF to the TEDF each year—an unrestricted earmark of $36.8 million plus an additional $3.5 million specifically for the TEDF *Target industries* program. These two earmarks have been unchanged since 1997.

The TEDF also receives a statutory earmark of certain drivers' license fees (approximately $13.0 million each year), plus interest earnings on the TEDF fund balance. The earmark of a portion of drivers' license fees to the TEDF is made in Section 819 of the Michigan Vehicle Code. The earmark was established in 1987 (as Public Act 232 of 1987) at the same time the TEDF was established.

In some fiscal years, the Legislature has redirected a share of TEDF revenue to other uses. House Bill 4440 of the current legislative session amended Public Act 231 to redirect a portion of TEDF revenue in FYs 2015-16 and 2016-17.

In addition to the state restricted revenue described above, two TEDF categorical programs receive an earmark of certain federal-aid highway funds.

TEDF Program Categories

As noted above, Public Act 231 established five separate categorical programs within the overall TEDF program. These categories are referenced by a descriptive name. The descriptive names are used for the TEDF line items in annual transportation appropriations.

The categorical programs are also referenced by a letter designation. These letters apparently correspond to the subdivisions in Section 9 of Public Act 231 as originally enacted.

Forest Roads (Category E) is intended to facilitate the safe and efficient transport of forest products. It receives $5.0 million from the TEDF – an amount fixed by PA 231. Program funds are distributed by formula to 47 northern Michigan county road commissions.

Cities in Rural Counties (Category F) is intended to provide for road improvements in cities with a population greater than 5,000 in rural counties, i.e. counties with a population less than 400,000. There are 78 rural counties. This program receives $2.5 million from the TEDF – an amount fixed by PA 231.

Urban Congestion Relief (Category C) is distributed by formula to the state's five urban counties—Wayne, Oakland, Macomb, Genesee, and Kent. This category receives 25% of the TEDF balance after deduction of administration, debt service, and the category E and F earmarks. Funds may be used for road or transit projects related to congestion relief or advanced traffic management systems. Act 51 also earmarks 15.0% of federal *Equity Bonus* program funds (formerly called Minimum Guarantee) to this program category.

Rural County Primary (Category D) is intended to establish a local all-season road system to link communities with the state trunkline system. Funds are distributed by formula among the state's 78 rural counties for eligible projects. This program receives 25% of the TEDF balance after deduction of administration, debt service, and the category E and F earmarks. Act 51 also earmarks 16.5% of federal *Equity Bonus* program funds (formerly called Minimum Guarantee) to this program category.

Target Industries (Category A) receives 50% of the net TEDF balance after deduction of administrative costs, debt service, and category E and F earmarks, plus an additional Act 51 earmark of $3.5 million in MTF revenue.

Category A is intended for road projects related to economic development projects which create or retain permanent jobs and which are related to seven specific industries:

- Agriculture and Food Processing
- Tourism
- Forestry
- High Technology Research
- Mining
- Manufacturing
- Office Centers of not less than 50,000 square feet.

As noted above. Senate Bill 25 would add a new targeted industry to this list of target industries:

- Medical research or medical tourism facilities of not less than 50,000 square feet.

Category A is a competitive grant-application program. Grants may be awarded to any Act 51 road agency: the department, county road commissions, cities, and villages.

Note that while Public Act 231 of 1987 gave authority over the award of Category A grants to State Transportation Commission, that authority was transferred by Executive Order 1999-2 to the Director of the Michigan Department of Transportation and to the President of the Michigan Strategic Fund, jointly.

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