

Legislative Analysis



TRANSPORTATION ECONOMIC DEVELOPMENT FUND – SHIFT DRIVER'S LICENSE FEES TO GENERAL FUND

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House Bill 5706

Sponsor: Rep. Larry Inman

Committee: Appropriations

Complete to 6-1-16

BRIEF SUMMARY:

House Bill 5706 would amend Section 819 (MCL 257.819) of the Michigan Vehicle Code (1949 PA 300) to redirect \$9.4 million in drivers' license fee revenue, currently dedicated to the Transportation Economic Development Fund (TEDF), to the state General Fund. The bill would make this redirection for one fiscal year only, the fiscal year ending September 30, 2017. This redirection is one of the elements in the leadership Target agreement concerning FY 2016-17 General Fund appropriations.

FISCAL IMPACT:

House Bill 5706 would shift \$9,423,700 (\$9.4 million) in driver's license fee revenue from the TEDF to the state General Fund for one fiscal year only, the fiscal year ending September 30, 2017.

Note that House Bill 4440 (H-4), reported from the House Appropriations Committee on April 21, 2016, would amend the Transportation Economic Development Act (1987 PA 231) to redirect TEDF revenue to other state transportation funds and programs, including, for FY 2016-17, \$10.4 million from the TEDF to the State Trunkline Fund. However, because TEDF revenue is derived in part from constitutionally-dedicated transportation funds (motor fuel taxes and vehicle registration taxes), shifting TEDF revenue to the state General Fund requires an amendment to the Michigan Vehicle Code; it's necessary to designate that the TEDF/General Fund revenue shift comes from driver's license fee revenue which is not constitutionally restricted.

If 1987 PA 231 is amended to take the \$9.4 million reduction in TEDF revenue from Category A only, there would be no impact on state or local revenue; House Bill 5706 would shift resources from a state-restricted transportation fund to the state General Fund.

BACKGROUND INFORMATION:

Public Act 231 of 1987 established five separate programs within the overall TEDF program: Category A, Target Industries; Category C, Urban County Congestion Relief; Category D, Primary Roads in Rural Counties; Category E, Forest Roads; and Category F, City Street Improvements in Rural Counties.

Category A, Target Industries, is a TEDF program dedicated to capital road improvements related to economic development projects in specific industries: Agriculture and Food Processing; Tourism; Forestry; High Technology Research; Mining; Manufacturing; and Office Centers of not less than 50,000 square feet. Grants are competitively evaluated and may be awarded to any eligible road agency (MDOT, county road commissions, cities, or villages).

Note that while 231 PA 1987 grants to the State Transportation Commission authority over the award of Category A grants, 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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