

RESOLUTION TO RELEASE MONEY FROM THE ROADS INNOVATION FUND "LOCKBOX"

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Senate Concurrent Resolution 19 (as passed by the Senate)

Sponsor: Senator Mike Shirkey

House Committee: Appropriations

Complete to 9-14-16

Analysis available at
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SUMMARY:

Senate Concurrent Resolution (SCR) 19, as passed by the Senate September 8, 2016, authorizes the release of money from the Roads Innovation Fund, a state restricted transportation fund sometimes referred to as a "lockbox."

FISCAL IMPACT:

There is currently no money in the Roads Innovation Fund. Section 1j(4) of Public Act 51 of 1951 (Act 51) directs that beginning in FY 2016-17 and each fiscal year thereafter, the first \$100.0 million in revenue collected under Section 8(1) of the Motor Fuel Tax Act, i.e., the motor fuel tax on gasoline and diesel motor fuel, be annually deposited into the state treasury for credit of the Roads Innovation Fund established in Section 1j(5) of Act 51.

Passage of SCR 19 would "release" money from the fund. If the concurrent resolution is passed prior to October 1, 2016, no money would be credited to the Roads Innovation Fund. Instead, all motor fuel tax revenue would follow the directives of current law; it would be credited to the Michigan Transportation Fund (MTF) for subsequent distribution according to Section 10 of Act 51: to the Comprehensive Transportation Fund (CTF) for public transportation purposes, to the State Trunkline Fund, and to local road agencies (county road commissions, cities, and villages). Local road agencies receive approximately 55% of the MTF formula distribution.

If the continuing resolution is passed after October 1, 2016, whatever money had been credited to the Roads Innovation Fund would be released and credited to the MTF, and no additional motor fuel tax revenue would be credited to the Road Innovation Fund.

The enacted FY 2016-17 transportation budget (Article XVII of Public Act 268 of 2016) assumed that money in the Roads Innovation Fund, if any, would be released and that all motor fuel tax revenue collected in FY 2016-17 would be credited to the MTF and distributed according to Section 10 of Act 51. If the House and Senate do not pass SCR 19 or a similar concurrent resolution, \$100.0 million in motor fuel tax revenue would be credited to the Roads Innovation Fund and would not be available for distribution to MTF recipients. This would result in the following reductions to FY 2016-17 appropriated MTF revenue: CTF, (\$10.0 million); STF (\$35.2 million); county road commissions, (\$35.2 million); cities/villages (\$19.6 million).

The fiscal impacts described above would reoccur each subsequent fiscal year until the House and Senate passed a concurrent resolution releasing money from the Roads Innovation Fund.

BACKGROUND INFORMATION:

Enacted House Bill 4737, Public Act 175 of 2015, was part of the Road Funding Plan bill package passed November, 2015. House Bill 4737 made a number of amendments to Public Act 51 of 1951, the statute that governs the distribution of state transportation revenue. Among other things, the bill added new Section 1j to Act 51 to establish a Roads Innovation Task Force and a Roads Innovation Fund.

Roads Innovation Task Force

Three subsections of Section 1j established the *Roads Innovation Task Force* within the Michigan Department of Transportation and provided a work plan and reporting requirements for the Task Force.

Subsection 1 required the Michigan Department of Transportation, no later than December 1, 2015, to form a special internal task force, *the Roads Innovation Task Force*, charged with the creation of a comprehensive public report that:

- (a) "Evaluates road materials and construction methods that, when implemented, could allow the department to build high-quality roads in this state that last longer than those typically constructed by the department, with a goal of roads lasting at least 50 years, higher quality roads, and reduced maintenance costs."
- (b) "Focuses on materials and processes that may cost more in initial up-front spending but that still produce life-cycle construction and maintenance savings." The department is directed to "strive to achieve a reduction of at least 50% in its net present value 50-year life cycle costs as compared to the commensurate net present value 50-year life cycle costs for road construction and maintenance costs from 2015, in a manner that results in no state roads being rated in poor condition and has no net degradation from overall 2015 level pavement surface evaluation and rating (PASER) scores within the plan's first 10 years."
- (c) "Focuses on longer-term time frames that seek to maximize value to the taxpayers of this state on a total cost basis, regardless of funding or financing considerations. The report shall not incorporate or reference plans or suggestions regarding bonding, refinancing, or financing innovations."

Subsection 2 required the Department, no later than March 1, 2016, to finalize and make public the report required in Subsection 1. The bill specifically directed the Task Force to present the report at a public hearing before a joint committee hearing of the Senate and House standing committees on Transportation.

Subsection 3 required the Task Force, no later than June 1, 2016, to update the finalized report described in subsection 2 "to provide suggested boilerplate language which coincides with how the Department would execute the plan and attempt to achieve the targets described in subsection 1." The subsection directed that the plan include sufficient detail to allow the Legislature "to monitor and track progress, estimate how long it is

expected to take to achieve targets, and project what the inflation adjusted reduction in annual spending will be once fully implemented as compared to the costs associated with 2015."

The requirements of Section 1j, subsections 1, 2, and 3 have been completed by the Department. A copy of the June 1, 2016, Roads Innovation Task Force report (as revised September 8, 2016) is available on the Michigan Department of Transportation website. https://www.michigan.gov/documents/mdot/RoadsInnovationTaskForceReport_515824_7.pdf

Roads Innovation Fund

Section 1j, subsections 4 and 5 established the *Roads Innovation Fund* and provided a process for "releasing" money from the Fund.

Subsection 4 directed that beginning in FY 2016-17 and each fiscal year thereafter, the first \$100.0 million in revenue collected under Section 8(1) of the Motor Fuel Tax Act, i.e., the motor fuel taxes on gasoline and diesel motor fuel, be annually deposited into the state treasury for credit of the *Roads Innovation Fund* established in Subsection 5.

Subsection 5 established a new state restricted fund within the state treasury, the *Roads Innovation Fund*. Subsection 5 authorized the Michigan Department of Transportation to expend money from the fund "only after each house of the legislature approves a one-time concurrent resolution on a record roll call vote to release money in the *Roads Innovation Fund*." The subsection directed that once released by the one-time concurrent resolution, money in the *Roads Innovation Fund* would be deposited in the MTF and distributed in accordance with the provisions of Section 10 of Act 51. In addition, once money was released by the one-time concurrent resolution, the *Roads Innovation Fund* would no longer receive the annual distribution of motor fuel tax revenue described in subsection 4.

Although the provisions regarding the release of the Roads Innovation Fund money are in the same new section, Section 1j, that established the Roads Innovation Task Force, the release of money from the fund is not dependent on the release of the Task Force report or the report findings. Subsection 5 did not establish any criteria for the release of the lockbox money other than the passage of the concurrent resolution.

Once released by the one-time concurrent resolution, money, if any, in the Roads Innovation Fund would be credited to the MTF and distributed to MTF recipients in accordance with the provisions of Section 10 of Act 51. Until the Legislature passes a concurrent resolution authorizing release of the money in the Roads Innovation Fund, motor fuel tax revenue would start to begin to accrue to the Fund, beginning October 1, 2016 – a total of \$100.0 million in FY 2016-17, plus an additional \$100.0 million each subsequent fiscal year until the Legislature did pass a concurrent resolution authorizing release of the "lockbox" money.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.