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BILL ANALYSIS

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Senate Bill 25 (Substitute S-1)
Senate Bill 1049 (Substitute S-1)
Sponsor: Senator Mike Kowall
Committee: Economic Development and International Investment

Date Completed: 9-20-16

CONTENT

Senate Bill 25 (S-1) would amend Public Act 231 of 1987, which provides for the Transportation Economic Development Fund and the funding of five different categories of economic development road projects, to do the following:

- **Add medical research or medical tourism facilities of not less than 50,000 square feet to the list of targeted industries within Category A.**
- **Change the population criteria from less than 5,000 to more than 5,000 for projects relating to development within rural counties on county rural primary roads or major streets within incorporated villages and cities (Category D), and refer to improvements rather than developments.**

Senate Bill 1049 (S-1) would amend Public Act 231 of 1987 to do the following:

- **Require funds distributed to Category F projects to be distributed for improvements within rural counties to roads and streets that are eligible for Federal aid, and are located inside the boundaries of an urban area or an urbanized area.**
- **Require funds distributed to Category D projects to be distributed for the improvement of rural primary roads in rural counties and major streets in cities and villages with a population of 5,000 or less that are located outside the boundaries of an urban area or an urbanized area.**
- **Allow the urban task force that represents the majority of the communities in the urban area of each county to designate for eligibility Category C projects, instead of Category D projects.**
- **Allow an urban task force, in the case of widening projects, to designate project eligibility using the most current traffic count; and permit projects for the construction of new roads with three or more lanes where the traffic count would exceed 10,000 vehicles per day.**
- **Require programs and projects authorized under Category C, instead of Category D, to be administered in a manner similar to current Federal aid projects and in accordance with the policies of the State Transportation Commission.**
- **Modify reporting requirements for the Commission related to job creation and economic benefits of certain projects.**

Senate Bill 1049 (S-1) would take effect 90 days after it was enacted, and is tie-barred to Senate Bill 25.

Senate Bill 25 (S-1)

The Act authorizes the State Transportation Commission to approve funding from the Transportation Economic Development Fund for five categories of projects, which are referred to as Categories A, C, D, E, and F. The definition of "project" includes transportation road construction or improvement, transit-oriented development, and a transit-oriented facility. A project must relate to one of the categories listed in the Act.

The categories are described below:

-- Category A: Economic development road projects related to targeted industry development and redevelopment opportunities.
-- Category C: Road improvements in urban counties to reduce traffic congestion.
-- Category D: Road improvements in rural counties to create an all-season road network.
-- Category E: Road improvements for the development of commercial forests in the State.
-- Category F: Road improvements that support an all-season road network in the urban areas of rural counties.

The targeted industries under Category A are as follows:

-- Agriculture or food processing
-- Tourism
-- Forestry
-- High technology research
-- Manufacturing
-- Mining
-- Office centers of at least 50,000 square feet

The bill would add medical research or medical tourism facilities of not less than 50,000 square feet to the list of targeted industries.

In addition, Category D includes projects for development within rural counties on county rural primary roads or major streets within incorporated villages and cities with a population of less than 5,000. Under the bill, instead, the category would include 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.

Senate Bill 1049 (S-1)

Category Description & Distribution Modifications

The Act prescribes the amount that must be distributed to each category. After the payment of interest and principal on bonds issued under the Act and the appropriation for costs of administration of the Fund as provided under the Act, Category E must receive the first $5.0 million of Fund revenue for forest roads. The next $2.5 million of the Fund must be distributed to Category F for improvements to roads and streets that are eligible for Federal aid in cities and villages having a population of 5,000 or more within rural counties.

Under the bill, the $2.5 million would have to be distributed to Category F for improvements within rural counties to roads and streets that are eligible for Federal aid and are located inside the boundaries of an urban area or an urbanized area as determined by the most recent Federal decennial census and as adjusted by the Michigan Department of Transportation (MDOT).

Currently, from the balance remaining after the funding of Category E and F projects, projects must be funded in the categories described in the Act based on the following percentages:

-- 50% for economic development road projects in any of the targeted industries (Category A).
-- 25% for projects to reduce congestion on county primary and city major streets within urban counties including advanced traffic management systems (Category C).
-- 25% for development projects within rural counties (Category D).

The revenue allocated to Category D must be distributed for the improvement of rural primary roads in rural counties and major streets in cities and villages with a population of 5,000 or less. Under the bill, the revenue would have to be distributed for the improvement of rural primary roads in rural counties and major streets in cities and villages with a population of 5,000 or less that are located outside the boundaries of an urban area or an urbanized area as determined by the most recent Federal decennial census and as adjusted by MDOT.

Urban Task Force Eligibility Designations

Public Act 231 of 1987 requires the urban task force that represents the majority of the communities in the urban area of each county to select and designate for eligibility Category D projects within their respective allocations. The bill would require those task forces to designate for eligibility Category C projects, instead.

The Act requires one nonvoting member of each task force to be a designee of and represent the administrator. (The "administrator" is the person appointed by MDOT to serve as director of the Office of Economic Development.) In the case of widening projects only, the task forces must designate projects for eligibility as follows:

-- Projects must be eligible for Federal aid.
-- Projects must consist of adding travel lanes, left turn lanes, and intersectional improvements to roads with two travel lanes carrying more than 10,000 vehicles per day or roads with more than two travel lanes carrying more than 25,000 vehicles per day in accordance with traffic counts done on or before April 1, 1993.

In the second provision, the bill would refer to vehicles per day based on the most current traffic count or a traffic count done on or before April 1, 1993. Projects also could be for the construction of new roads with three or more travel lanes where the projected traffic count exceeded 10,000 vehicles per day based on an engineering study approved by MDOT.

Federal Funding Distribution

Currently, the obligation authority for any Federal funds allocated under Section 10 of the Michigan Transportation Fund (MTF) law must be distributed equally among urban task forces and regional rural task forces according to the distribution formula outlined under Public Act 231 of 1987 relating to Categories C and D. An additional 1.5% of the obligation authority for Federal funds identified under the MTF law must be distributed among the regional rural task forces according to the distribution formula outlined under Public Act 231 relating to Category D. The funds must be obligated and used consistent with the MTF law. The bill would delete these provisions.

(Section 10 of the MTF law establishes the Fund and appropriates money in the MTF to various funds or specific purposes.)

Other Provisions

The Act requires Category D programs and projects to be administered in a manner similar to current Federal aid projects and in accordance with the adopted policies of the Commission. Under the bill, this would apply to Category C programs and projects, instead of Category D programs and projects.

The Act requires the Commission, by December 31 each year, to report to the Governor, the House and Senate Appropriations Committees, and the House and Senate Fiscal Agencies the following information:

-- The projects funded during the previous fiscal year.
-- The status of projects funded in the immediately preceding fiscal year.
-- The degree to which the projects funded have achieved the objectives of the Act.
-- Any other information considered necessary by the Commission for the Legislature to evaluate the effectiveness of the Act.

In addition, the Commission must report the number of jobs created and retained and any other economic benefits of the projects funded and listed from the previous fiscal year. Under the bill, this would apply to projects funded and listed under Category A projects.

MCL 247.909 (S.B. 25)
247.901 et al. (S.B. 1049)

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bills would have no fiscal impact on State or local government. The bills would not create additional revenue or costs to the State budget.

Senate Bill 25 (S-1) would expand the list of projects qualifying for Category A funding to include medical research or medical tourism facilities of not less than 50,000 square feet. This would not reduce or increase the amount of funding in Category A; however, it could make the grant process for those awards more competitive.

Senate Bill 1049 (S-1) would add more specificity to urban/rural boundary definitions, make updated data available to the Department, and remove outdated language and sections from Public Act 231 of 1987. These changes would not result in new revenue or costs.

Fiscal Analyst: Michael Siracuse