Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4737 (as enrolled)
Sponsor: Representative Michael McCready
House Committee: Transportation and Infrastructure
Senate Committee: Committee of the Whole

Date Completed: 11-5-15

CONTENT

The bill would amend Public Act 51 of 1951, the Michigan Transportation Fund (MTF) law, to do the following:

-- Require the Michigan Department of Transportation (MDOT) to establish the Roads Innovation Task Force for the purpose of creating a report to evaluate road materials and construction methods that could allow MDOT to build longer-lasting roads and decrease life-cycle costs by 50%.
-- Require the report to be made by March 1, 2016, and updated by June 1, 2016.
-- Establish the "Roads Innovation Fund" and, beginning in fiscal year 2016-17, require that the first $100.0 million in fuel tax revenue to be deposited in the Fund annually until the Legislature approved a concurrent resolution, at which time any money in the Fund would be directed through the MTF funding formula.
-- Specify that the State Treasurer could receive money from any source for deposit into the Michigan Transportation Fund, and delete language that allows only fuel tax and registration fee revenue to be deposited into the MTF.
-- Require MDOT, county road commissions, cities, and villages to secure warranties for full replacement or appropriate repair for pavement projects with costs exceeding $2.0 million and construction projects undertaken after the bill took effect; and to report on project costs, lifespans, and warranty information.
-- Increase an existing earmark in the MTF distribution formula for debt service payments from $43.0 million to $50.0 million.
-- Establish the Grade Crossing Surface Account within the State Trunkline Fund (STF), specify criteria for use of funds deposited into the Account, and provide for a permissive annual appropriation of up to $3.0 million for the Account in the MTF distribution formula (which would allow the Account to subsidize privately owned rail grade crossing maintenance).
-- Reduce the maximum amount that MDOT may annually spend on administrative expenses from 10.0% to 8.0% of the distributions to the STF.
-- Allow a city, with the approval of the MDOT Director, to use up to 20% of its MTF distributions toward public transit, if more than 10.0 million passengers used public transit within the city during the prior fiscal year.

The bill would take effect on April 1, 2016, and is tie-barred to Senate Bill 414 and House Bills 4370, 4614, 4616, 4736, and 4738.

MCL 247.660 et al.

FISCAL IMPACT

The bill's provision to direct $100.0 million annually to the Roads Innovation Fund would reduce annual MTF distributions to MDOT by $35.2 million, county road commissions by $35.2 million, cities and villages by $19.6 million, and the Comprehensive Transportation Fund (CTF) by $10.0 million. Upon concurrent resolution of the Legislature, this redirection would cease, and any money in the Roads Innovation Fund would be distributed to road agencies and the CTF according. At that point, road agencies and the CTF would receive all money in the Roads Innovation Fund that would have been received but for the redirection in prior fiscal years.

Beginning in fiscal year 2016-17, the bill's provision to increase the debt service earmark from $43.0 million to $50.0 million would result in an annual $4.5 million increase to MDOT, a $2.5 million reduction to county road commissions, a $1.4 million reduction to cities and villages, and a $0.7 million reduction to the CTF. Since annual debt service payments far exceed $43.0 million (roughly $250 million annually), the earmark would not result in increased debt service payments; it only would shift funds within the transportation budget.

Beginning in fiscal year 2016-17, the bill's provision to establish the Grade Crossing Surface Account could reduce annual MTF distributions to MDOT by up to $1.1 million, to county road commissions by up to $1.1 million, to cities and villages by up to $0.5 million, and to the CTF by up to $0.3 million.

The bill's provision to establish the special Roads Innovation Task Force would have an indeterminate impact on MDOT, as it would result in increased administrative burdens and/or costs.

The bill's provision to require warranties on certain projects likely would result in increased costs for road agencies, to the extent that road agencies would have to purchase additional coverage. In the long term, these warranties could produce cost savings or increased costs, depending on warranty performance and project quality in the aggregate. The bill's reporting requirements would result in increased administrative burdens for road agencies.

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