Legislative Analysis

TRANSPORTATION ECONOMIC DEVELOPMENT FUND—COMMUNITY SERVICE INFRASTRUCTURE FUND

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Senate Bill 1116 as passed by the Senate
Sponsor: Senator Goeff Hansen
Senate Committee: Appropriations
House Committee: Appropriations
Complete to 12-10-18

SUMMARY:

Senate Bill 1116 would amend Public Act 231 of 1987 (MCL 247.901 et seq.), the act that created and governs the Transportation Economic Development Fund (TEDF) and related TEDF categorical programs. The TEDF is a state-restricted transportation fund created in 1987 to help fund highway, road, and street improvements related to either a specific type of economic activity or a specific type of road system. Under current law, there are five TEDF categorical programs.

The bill would establish a new categorical program within the TEDF for construction or preservation projects on streets in cities and villages with a population of 11,000 or less. Eligible projects would include, but not be limited to, reconstruction, replacement, rehabilitation, and capital prevention maintenance.

Beginning with FY 2018-19 and through FY 2022-2023, the bill would earmark $3.0 million from the TEDF annually for the new program. The bill would reduce the annual appropriation to another TEDF categorical program, *Targeted industries*, by a like amount.

The new program, shown as the *Community service infrastructure fund* within the TEDF, was funded at $3.0 million in the enacted FY 2018-19 transportation budget.[1] The appropriation was defined in boilerplate Section 399. The boilerplate section differs from the bill in limiting the program to cities and villages with populations of 10,000 or less. In addition, the term *Community service infrastructure fund* is not used in the bill.

The bill would limit individual grants to $250,000 and require matching funds of not less than 50% of eligible program costs. These provisions are effectively identical to those established in boilerplate section 399. The bill would allow an eligible city or village to apply for a grant under the program in consecutive fiscal years.

The bill directs the Michigan Department of Transportation, Office of Economic Development, to use geographic distribution as a grant selection criteria for projects under the program.

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[1] FY 2018-19 Transportation appropriations were authorized under Article XVII of Public Act 207 of 2018. http://legislature.mi.gov/doc.aspx?2018-SB-0848

Current law directs that costs of TEDF program administration, not to exceed 1% of annual fund appropriations, may be appropriated from the fund. The bill would separately limit the amount that could be spent for *Community service infrastructure fund* program administration to a fixed amount of $100,000. These provisions are effectively identical to those established in boilerplate section 399.

Current law requires the State Transportation Commission to annually report to the Governor, the House and Senate Appropriations Committees, and the House and Senate Fiscal Agencies on the TEDF program. The bill would add additional reporting requirements for each project receiving funds under the new program. Specifically, the bill would require the annual report to include a general description of the project and the estimated cost of the project.

FISCAL IMPACT:

Senate Bill 1116 would neither increase nor decrease state transportation revenue. The bill would effectively shift $3.0 million from one categorical program within the TEDF (Targeted Industries) to a new TEDF categorical program, the Community service infrastructure fund. This shift could be considered a shift from state programs to local programs; grants under the Target Industry program are available for projects on both state trunklines and local roads; the new program would be available only to a set of local road agencies, cities and villages with a population of 11,000 or less.

Of Michigan's 533 incorporated cities and villages, 440 have a 2010 Census population of 10,000 or less; 452 have a Census population of 11,000 or less.

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