Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 1116 (as enacted)
Sponsor: Senator Goeff Hansen
Senate Committee: Appropriations
House Committee: Appropriations

PUBLIC ACT 473 of 2018

Date Completed: 3-22-19

CONTENT

The bill amends the Transportation Economic Development Fund law to do the following:

-- For fiscal years (FYs) 2018-19 through September 30, 2023, reduce the allocation made to the Transportation Economic Development Fund (TEDF), Targeted Industries (Category A) by $3.0 million, and allocate that money to projects for construction or preservation of streets in cities and villages with a population of 10,000 or less.
-- Allow an eligible city or village to apply for a grant for a project described above in consecutive fiscal years.
-- Specify that an individual grant for a project may not exceed $250,000, and matching funds of not less than 50.0% of the total eligible cost of the project are required.
-- Specify that not more than $100,000 of the money allocated for projects described above may be spent for administration of those projects.
-- Include in the State Transportation Commission's annual report to the Governor, the House and Senate Appropriations Committees, and the House and Senate Fiscal Agencies, for projects described above, a general description, and estimated total cost of, the project.

MCL 247.903 et al.

FISCAL IMPACT

The bill will have a minor negative fiscal impact on the Department of Transportation (MDOT) and a varied, minor fiscal impact on local units of government. The bill will shift funding for the Targeted Industries category of the TEDF, setting aside $3.0 million specifically for a new category of construction grants for small cities and villages over the next five years.

The bill will redirect $3.0 million of the TEDF, Category A (Targeted Industries) funding into a new TEDF category: the Community Service Infrastructure Fund (CSIF). This new line item was appropriated $3.0 million in the general omnibus appropriations bill for FY 2018-19 (Act 207 of 2018), but a statutory change is needed to give the appropriation the force of law.

The TEDF was created by Public Act 231 of 1987 to assist in the funding of highway, road, and street projects necessary to support economic growth. Transportation Economic Development Fund appropriations come from a statutory earmark off the top of the Michigan Transportation Fund (MTF), which is funded largely by gas and registration taxes. Transportation Economic Development Fund money does not lapse to the General Fund at the end of the fiscal year.

Money in the TEDF is divided into five categories: A, C, D, E, and F. (Category B was previously discontinued in 1993.) Appropriations acts, however, refer to these projects by name, rather than by letter, as shown below.

-- Category A: Target industries/economic redevelopment
-- Category C: Urban county congestion
-- Category D: Rural county primary
-- Category E: Forest roads
-- Category F: Rural county urban system

Pursuant to MCL 247.911, the first $5.0 million allocated to the TEDF must go to Category E. The next $2.5 million goes to Category F. The remaining funds are divided as follows:

-- 50% to Category A,
-- 25% to Category C, and
-- 25% to Category D.

Most distributions under Category A are implemented by the Direct Grant method. Direct Grants provide the funding directly to the road agency based on the actual bids by private contractors. Only MDOT regions, county road commissions, and cities and villages are eligible for these funds, which MDOT classifies as grants. Private companies may contribute to grant projects, as Category A funds are designed to "make transportation investments that are integral to the establishment, retention, and expansion of companies that are natural resource based or can most easily locate anywhere in the world."[1] The targeted industries are: agriculture or food processing, tourism, forestry, high technology research, manufacturing, mining, office centers of not less than 50,000 square feet, and medical research or medical tourism facilities of not less than 50,000 square feet.

The bill deducts $3.0 million from the 50% share set aside for Category A, and redirects it to the CSIF each year over the next five years. The table below shows a short history of TEDF and Category A appropriations and expenditures.

Fiscal Year	TEDF Appropriation	Category A Appropriation	Category A Approved Grants	CSIF
FY 2014-15	$41,515,800	$18,757,800	$17,923,677	-
FY 2015-16	38,770,500	15,385,300	9,476,978	-
FY 2016-17	24,447,500	623,700*	7,830,815	-
FY 2017-18	42,119,100	19,059,500	7,082,519**	-
FY 2018-19	43,349,000	16,674,600	7,711,349***	$3,000,000

*PA 273 of 2016 redirected $12.0 million of Category A funding to the State Trunkline Fund in order to meet eligibility requirements for up to $48.0 million of Federal-aid highway funds.
**As reported by MDOT Grant Summaries on October 26, 2017 and February 14, 2018.
***As reported by MDOT upon request. Additional grant commitments likely, as FY 2018-19 is still open.

The bill sets aside $3.0 million of funds specifically for cities or villages with a population of 10,000 or less. This means that $3.0 of the over $19.0 million appropriation for Category A that otherwise will be available to MDOT regions and any local unit of government will no longer be available to MDOT, townships, counties, or cities and villages with a population greater than 10,000. The net funding available for all local units of government will not

[1] Department of Transportation: Transportation Economic Development Fund Annual Report, Fiscal Year 2015, p 3.

change, but those smaller cities and villages will have access to $3.0 million that the larger communities will not. The benefit to any single city or village that receives a grant under the new CSIF program will be capped at $250,000, which that local unit will have to match with its own resources. There is no minimum grant award identified in the bill. Of the 533 cities and villages that currently receive MTF revenue, 440 have a population of 10,000 or less.

As of September 24, 2018, the balance of uncommitted TEDF: Category A funds was $5,374,495. The Department reports that $7,711,349 in grants have been committed for FY 2018-19 and that it is currently reviewing additional applications totaling $8,380,204 for the coming fiscal year. The Department's total commitments for FY 2018-19 through FY 2021-22, pending future appropriations, are currently $23,823,099. As stated above, TEDF money does not lapse back to the General Fund or the MTF at the end of the fiscal year.

Fiscal Analyst: Michael Siracuse

SAS\S1718\s1116es