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BILL ANALYSIS

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Senate Bill 1192 (as introduced 3-23-06)
Sponsor: Senator Jud Gilbert, II
Committee: Transportation

Date Completed: 4-18-06

CONTENT

The bill would amend Public Act 51 of 1951, the Michigan Transportation Fund law, to create within the State Trunk Line Fund a program to provide grants to municipalities and other local agencies to match Federal aid projects under construction or contract by September 30, 2007. Funds deposited into the match program in the aggregate could not exceed \$80.0 million. An individual grant could not exceed 25% of the amount of Federal funds available for the project.

The "local Federal match program" would be created for the purpose of receiving the proceeds of bonds issued under Section 18b that are to be repaid under Section 11(1)(a)(iii) (described below).

Funds received under the bill would have to be granted to local municipalities and other local agencies to match Federal aid projects as provided in the bill. The local municipality or agency would have to submit projects to MDOT. If the projects met the bill's criteria, MDOT would have to award grants to the extent of available funds.

Projects selected for funding would have to meet all of the following criteria:

- The project would have to be under construction or contract for construction by September 30, 2007.
- The applicant would have to have identified all of the necessary funding to complete the project.
- The project would have to be for the opening, widening, improvement, construction, and reconstruction of a Federal aid-eligible road or street, including the work incidental to that opening, widening, improvement, construction, and reconstruction.

If the number of eligible Federally funded projects exceeded the amount of available funds in the proposed match program, MDOT, in consultation with local municipalities and local agencies, would have to establish additional criteria for determining final project selection, taking into account the needs of highway, road, and street systems and an equitable allocation of available funds.

All bond proceeds not needed to fund grants awarded by September 30, 2007, would have to be appropriated for the purposes described in Section 11(1)(f).

(Under Section 11(1)(f), State Trunk Line Fund money must be appropriated to MDOT for the opening, widening, improvement, construction, and reconstruction of State trunk line highways and bridges, including the acquisition of necessary rights of way and the work incidental to that opening, widening, improvement, construction, or reconstruction. Money

in the Fund not otherwise appropriated, distributed, determined, or set aside by law must be used for the construction or reconstruction of the interstate highway system to the extent necessary to match Federal aid funds as they become available for that purpose; and for the construction and reconstruction of the State trunk line system.

Section 18b authorizes the State Transportation Commission to borrow money and issue notes or bonds for specified purposes. Section 11(1)(a)(iii) requires money in the State Trunk Line Fund to be appropriated to the Michigan Department of Transportation (MDOT) for the payment of the principal and interest on bonds issued under Section 18b for transportation purposes other than comprehensive transportation purposes (the movement of people and goods by conveyance that provides general or special service to the public) and the payment of contributions of the State Transportation Commission to be made pursuant to contracts entered into under Section 18d, which contributions are pledged to the payment of principal and interest on bonds issued under that section and contracts executed under it.

Under Section 18d, the State Transportation Commission, a county road commission, and a city or village may enter into a contract providing for the construction or reconstruction of highways under the jurisdiction and control of one of the contracting parties to the extent that they are otherwise authorized by law to spend money on the highways, roads, or streets, that provides for allocation of the share of the cost to be borne by MDOT or a county road commission, city, or village in annual installments for up to 30 years.)

MCL 247.661e

Legislative Analyst: Julie Koval

FISCAL IMPACT

If the full \$80.0 million of authorized bonds were issued, the bill would cost the State approximately \$7.2 million annually and up to \$110.0 million over the next 15 years from the State Trunk Line Fund in debt service costs. Debt service costs are the first priority of expenditures from the State Trunk Line Fund. Increasing debt service costs of the State Trunk Line Fund would mean that less funding would be available for the opening, widening, improving, construction, and reconstruction of State trunk line highways and bridges, for rail grade crossings, and for operating expenses of the Fund.

For local units of government, the bill would result in \$400.0 million in additional funds for road and street projects. Of the funding, \$80.0 million would come in the form of grants from the State Trunk Line Fund and \$320.0 million would come from the Federal government.

Fiscal Analyst: Jessica Runnels

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.