

# Legislative Analysis

---



## PUBLIC ACT 51: TRANSPORTATION FUNDING

Mary Ann Cleary, Director  
Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

### House Bill 5304

**Sponsor: Rep. Mark Ouimet**

**Committee: Transportation**

**Complete to 3-20-12**

## A SUMMARY OF HOUSE BILL 5304 AS INTRODUCED 1-26-12

House Bill 5304 would amend four sections of Public Act 51 of 1951, the act which governs the distribution of state restricted transportation revenue. Specifically:

**Section 1c** – The bill would amend Section 1c to eliminate the requirement that cities with a census population greater than 25,000 contribute to the cost of "opening, widening, improving, including construction and reconstruction" of state trunkline highways within the city. Under current law, cities contribute to the cost of these projects according to a sliding scale, from 8.75% to 12.5%, based on population. There are currently 45 Michigan cities with a population greater than 25,000. A list of these cities is attached to the end of this analysis.

In practice, the city contribution is only computed on the non-federal share of state trunkline project cost. For example, for a \$10.0 million state trunkline project with 80% federal aid participation, the city would only have to participate in a percentage of the \$2.0 million non-federal share. For a city with a population of 50,000 or more, and thus a 12.5% participation rate, that would equate to \$250,000.

Based on figures provided by the Michigan Department of Transportation, cities contribute approximately \$5.2 million each year towards state trunkline construction projects (four year average FY 2007-08 through FY 2010-11).

It is our understanding that the current participation requirement recognizes the local component of traffic on the state trunkline system – even of urban interstate highways. In addition, state trunkline mileage is one of the factors in the distribution of Michigan Transportation Fund (MTF) revenue to cities and villages. To the extent that under current law cities receive MTF revenue based in part on state trunkline mileage within the city, it follows that cities would have to contribute to the construction and capital reconstruction of those trunklines.

House Bill 5303, to which House Bill 5304 is tie-barred, would change the city/village distribution formula to one based on Vehicle Miles Travelled (VMT) within local road agency functional classification. It does not include a factor for state trunkline mileage within the city. As a result, there is less of a rationale for requiring a city contribution to state trunkline construction projects.

**Section 10a** – Act 51 currently distributes MTF revenue to county road commissions and to cities and villages. The distribution to county road commissions is based in part on county primary and county local road miles. The distribution to cities and villages is based in part on major and local street miles.

Transfers of road and street jurisdiction between the state trunkline system, county road commissions, and cities and villages affect the MTF distribution. As a result, Section 10a currently requires the department to annually determine the miles of state trunkline highways, county primary and local roads, and city/village major and local streets. Section 10a also provides a method for determining the revenue worth per mile of transferred road and street miles.

House Bill 5304 would repeal Section 10a effective September 30, 2019. To the extent that House Bill 5303, to which House Bill 5304 is tie-barred, would change the local road agency distribution formula to one based on VMT within local road agency functional classification, there would be no need for the department to determine county major and local road mileage and major and local municipal street mileage. House Bill 5303 would appear to eliminate the current primary/local road and major/local street classifications.

However, the distribution formula proposed by House Bill 5303 still has a road/street mileage component, and there would still be transfers of road and street jurisdiction between road agencies. By repealing the requirement that the department make any annual determination of road and street miles, it is not clear how the department would identify mileage for calculating the distribution proposed under House Bill 5303.

**Section 10p** – Public Act 135 of 2010 added Section 10p to, among other things, create a Complete Streets Advisory Council. House Bill 5304 would amend Section 10p to indicate that if the State Transportation Commission adopts a Complete Streets policy, as required under the Section, the Complete Streets Advisory Council "shall complete its duties [...] not later than December 31, 2012."

For additional information on the Complete Streets bill package, see the House Fiscal Agency analysis of House Bill 6151 of the 2009-2010 Legislative Session.

**Section 13** – Section 13 currently provides for the distribution of MTF revenue among cities and villages. The distribution provision of this Section would no longer be effective if the VMT-based distribution formula proposed by House Bill 5303 were established.

House Bill 5304 would amend Section 13 to direct that beginning January 1, 2015, cities and villages that had received less than \$50,000 from the MTF in fiscal year 2012, would no longer receive a distribution from the MTF. The MTF revenue that would otherwise be distributed to those cities and villages would be returned to the treasurer of the county in which the city or village is located. A companion bill, House Bill 5303, provides for the transfer of street mileage for those under-\$50,000 cities and villages to the applicable county road commission.

With regard to the redirection of MTF funding, and the transfer of road mileage, both House Bill 5303 and House Bill 5304 make an exception for cities and villages meeting the definition of "local road agencies" under the definitions provided in proposed amendments to Section 10c of Act 51 in House Bill 5303.

The Michigan Department of Transportation estimates that 109 cities and villages will receive less than \$50,000 from the MTF in fiscal year 2012. These municipalities have very small populations and very limited street mileage. Only 23 have a population greater than 500, and none has a population greater than 800.

House Bill 5304 amendments to Section 13 would redirect MTF funding from a number of municipalities to county road agencies. Assuming that none of the 109 under-\$50,000 cities and villages met the definition of "local road agency" under House Bill 5303, approximately \$4.0 million would be redirected from small cities and villages to the county road commission. We cannot reasonably estimate at this time whether county road commissions would provide more or less efficient or effective street maintenance service to the affected communities.

**FISCAL IMPACT:**

The impact of House Bill 5304 on state and local transportation funding cannot be readily estimated at this time.

Fiscal Analyst: William E. Hamilton

---

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

<b>2010 Federal Census</b>		
<b>Cities Required to Participate in State Trunkline Projects In Accordance with Act 51 PA 1951</b>		
<b><u>12.5% Participation</u></b>		
Greater than 50,000 population	Ann Arbor	Pontiac
	Battle Creek	Rochester Hills
	Dearborn	Royal Oak
	Dearborn Heights	Saginaw
	Detroit	Southfield
	Farmington Hills	St. Clair Shores
	Flint	Sterling Heights
	Grand Rapids	Taylor
	Kalamazoo	Troy
	Lansing	Warren
	Livonia	Westland
	Novi	Wyoming
<b><u>11.25% Participation</u></b>		
40,000 - 50,000 population	East Lansing	Portage
	Kentwood	Roseville
	Midland	
<b><u>8.75% Participation</u></b>		
25,000 - 40,000 population	Allen Park	Lincoln Park
	Bay City	Madison Heights
	Burton	Mount Pleasant
	Eastpointe	Muskegon
	Garden City	Oak Park
	Holland	Port Huron
	Inkster	Southgate
	Jackson	Wyandotte