Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4440 (Substitute H-4 as reported)
Sponsor: Representative Edward J. Canfield
House Committee: Appropriations
Senate Committee: Appropriations

Date Completed: 6-6-16

CONTENT

The bill would amend Public Act 231 of 1987, which created and governs the Transportation Economic Development Fund (TEDF), to appropriate in FY 2015-16 $2.0 million from the Fund to the State Trunk Line Fund (STF) for the purpose of matching available Federal-aid highway funds, and $2.0 million to the State Aeronautics Fund for the purpose of airport safety. The distribution to target industries would have to be reduced accordingly. In addition, in FY 2016-17, the bill would reduce the distribution to target industries by $19.8 million.

MCL 247.911

BACKGROUND

The TEDF consists of revenue allocated from the Michigan Transportation Fund and revenue earmarked from driver license fees. Previously enacted legislation redirected $12.0 million from the TEDF to the STF for FY 2010-11, FY 2011-12, FY 2012-13, and FY 2013-14. The funds were taken entirely from the Target Industries (Category A) program within the TEDF. In FY 2014-15, the Category A program was appropriated approximately $18.0 million, of which $12.0 million was derived from license fees.

Under Public Act 231 of 1987, only certain projects are eligible for TEDF assistance. The Department of Transportation has identified five categories of projects that are eligible.

Category A projects must relate to economic development road projects in any of the following target industries: 1) agriculture or food processing; 2) tourism; 3) forestry; 4) high technology research; 5) manufacturing; 6) mining; or 7) certain office centers.

The Department's stated objectives for the Category A program are to do the following: 1) improve the network of highway services essential to economic competitiveness; 2) improve accessibility to target industries as a catalyst for economic growth; 3) support private initiatives that create or retain jobs; and 4) encourage economic developments that improve health, safety, and welfare.

FISCAL IMPACT

In FY 2015-16, the bill would: 1) result in an internal shift of $4.0 million in State restricted revenue; 2) make the State eligible to receive up to $8.0 million in additional Federal-aid highway funds; 3) provide a one-time funding increase of $2.0 million to airport safety; and 4) have an indeterminate fiscal impact at the State and local levels with regard to economic development road project funding. The Category A program would retain $8.0 million of the $12.0 million in license fees, for a total appropriation of roughly $15.0 million.

In FY 2016-17, the bill also would alter the allocation of revenue between different categories, reducing Category A funding by a combined $19.8 million. Assuming House Bill 5706, as passed by the House, is enacted, $9.4 million of the reduced Category A funding (from the earmarked license for revenue) would be transferred to the State General Fund. Similarly, if a transportation appropriation bill is enacted as provided in the conference report for House Bill 5294, the remaining $10.4 million of the reduction would be directed to providing funding for State trunkline road and bridge construction.

Since the Target Industries program is not jurisdictionally or geographically qualified, it is unclear as to what effect the redirection would have on local governments. Projects eligible for funding under the Target Industries program could be located on locally controlled roads or State trunk line roads.

The bill's direct impact at the State level would depend on whether any potential State-based project was eligible for Federal-aid highway funds, and the extent to which the Department would fund State-based projects from the STF in lieu of receiving TEDF assistance.

The bill likely would have an indeterminate impact at the local level. Historically, local authorities receive the most assistance under Category A. According to the Department, no applications from local authorities have been denied in recent years, and the TEDF has been carrying revenue over from year to year. Assuming there is no significant change in local demand for TEDF Category A assistance, there would be no potential loss of assistance at the local level.

The Department has indicated that demand for the program has been increasing due to more favorable economic factors. If demand continues to increase, it is possible that demand for Category A projects could exceed available funds.

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