



Romney Building, 10th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

TRANSPORTATION FUND FORMULA EXTENSION

House Bill 5923

Sponsor: Rep. Thomas Middleton

Committee: Appropriations

Complete to 6-11-98

A SUMMARY OF HOUSE BILL 5923 AS INTRODUCED 6-10-98

House Bill 5923 would amend Public Act 51 of 1951, the Michigan Transportation Fund act, to extend the distribution formula until September 30, 2000. Under the current law, the distribution formula expires on September 30, 1998.

The Michigan Transportation Fund. Public Act 51 of 1951 forms the basic structure of highway finance in Michigan. The act establishes the Michigan Transportation Fund as the primary receiving fund for the tax revenues and user fees dedicated to highway purposes. Expenditures from the fund are not made directly, but instead, appropriations or transfers are made from the fund to the various operating funds and to the county road commissions and cities and villages. Expenditures are governed by distribution formulae specified in the law.

As described by the Citizens Research Council in their memorandum (November 1996) and subsequent report (May 1997), both entitled "Michigan Highway Finance and Governance," the formulae require:

1. Payment of principal and interest on outstanding debt; and, administration and collection costs (a series of grants, one of which goes to the Department of State because it collects revenue for the Department of Transportation, and two grants to departments that perform specialized tasks for transportation, the Department of Environmental Quality and the Office of the Attorney General).
2. Appropriations to special revenue projects (including the Recreation Improvement Fund, the Critical Bridge Fund, the Rail Grade Crossing Account, and the Transportation Economic Development Fund).
3. Allocation of 10 percent of the remaining funds to the Comprehensive Transportation Fund for mass transportation.
4. Allocation of the remaining funds (almost three quarters of the Michigan Transportation Fund revenues) to state and local road agencies for highway construction, maintenance, and snow removal, according to the following percentages: the state trunkline fund, 39.1 percent; county road funds, 39.1 percent; and cities and villages, 21.8 percent.

House Bill 5923 (6-11-98)

State trunkline fund (39.1 percent). These funds are used for funding construction and maintenance of state-administered roads. Distribution of these funds is determined by the Department of Transportation and the State Transportation Commission.

County road funds (39.1 percent). One percent of these funds is directed to counties with annual snowfall of greater than 80 inches. Each county gets \$10,000 to help pay for licensed engineers. Ten percent of the balance is distributed to counties with urban primary or local roads. Of the remainder, 75 percent is directed to county primary roads and 25 percent to county local roads. For primary roads, 75 percent of the distribution is based on the proportion of motor vehicle taxes collected in each county, 15 percent is based on the proportion of county primary mileage in each county, and the remaining 10 percent is divided equally among the 83 counties. The county share of local road dollars is based on the proportion of population residing outside of incorporated municipalities.

Cities and villages (21.8 percent). After deducting a small amount for distribution to cities and villages with large amounts of snowfall, 75 percent of these funds is distributed according to the proportion of population in cities and villages (60 percent) and on the basis of "equivalent major mileage" (state trunkline mileage in the municipality multiplied by a factor) (40 percent). The remaining 25 percent is distributed on the basis of population (60 percent) and local street mileage (40 percent).

MCL 247.660

Analyst: J. Hunault

■ 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.