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BILL ANALYSIS

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Senate Bill 1051 (Substitute S-2 as reported)
Sponsor: Senator Jud Gilbert, II
Committee: Transportation

CONTENT

The bill would amend Public Act 51 of 1951, the Michigan Transportation Fund (MTF) law, to provide that appropriations from the MTF for the necessary expenses incurred by the Department of Treasury in administration and enforcement of the Motor Fuel Tax Act could not exceed \$8.8 million per year.

MCL 247.660

Legislative Analyst: Julie Koval

FISCAL IMPACT

The bill would have no direct fiscal impact on State government. However, the bill would change how certain Department of Treasury programs are funded. Article IX, Section 9 of the State Constitution dedicates all specific taxes on motor fuels to transportation uses "after the payment of necessary collection expenses". Currently, a portion of the revenue from motor fuel taxes is provided to the Department of Treasury to cover the costs associated with collecting these taxes. This funding is provided to Treasury through an annual interdepartmental grant (IDG) from the Michigan Transportation Fund appropriated within the State transportation budget. The fiscal year (FY) 2005-06 appropriated IDG to Treasury for motor fuel tax collection is \$8.2 million. The Governor's recommended FY 2006-07 appropriation is \$8.8 million.

The bill would cap the amount of the MTF grant that could be provided to the Department of Treasury at \$8.8 million. This would have no fiscal impact on the current or next fiscal year, but it could affect FY 2007-08 and beyond if Treasury's annual motor fuel collection costs were greater than \$8.8 million. The bill does not address how the remainder of Treasury's motor fuel tax collection costs would be covered.

The bill would increase the amount of State transportation revenue provided to local road agencies. Any additional MTF revenue that would be made available as a result of the reduction in the IDG to Treasury would be distributed pursuant to the formula contained in Public Act 51 of 1951. The estimated distribution would be as follows: 10% to the Comprehensive Transportation Fund, 35.2% to the State Trunkline Fund, 35.2% to county road commissions, and 19.6% to cities and villages.

Date Completed: 4-26-06

Fiscal Analyst: Jessica Runnels

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Bill Analysis @ www.senate.michigan.gov

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