

ELIMINATE LOCAL CONTRIBUTION TO CERTAIN STATE TRUNKLINE PROJECTS

Phone: (517) 373-8080
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Senate Bill 557 as passed by the Senate
Sponsor: Sen. Marty Knollenberg
House Committee: Transportation and Infrastructure
Senate Committee: Transportation
Complete to 6-7-16

Analysis available at
<http://www.legislature.mi.gov>

(Enrolled 6-9-16 and Vetoed 7-1-16)

REVISED SUMMARY:

Senate Bill 557 would amend Public Act 51 of 1951, the public act that establishes and governs the distribution of the Michigan Transportation Fund as well as other state transportation funds and programs, to eliminate a requirement that incorporated cities and villages participate with the Department of Transportation in paying the cost of opening, widening, and improving certain state trunkline highways within cities and villages. This requirement currently applies when streets that are connecting links of trunkline highways may be added to the project or streets that are made connecting links of trunkline highways may be added to the project, subject to the approval of the State Transportation Commission.

Under the bill, "opening, widening, and improving, including construction and reconstruction, all state trunk line highways" includes, but is not limited to, the cost of rights of way; the cost of removal and replacement of sidewalks, street lighting, and curbing, where removal and replacement are made necessary by construction or reconstruction of a trunkline highway; and the cost of bridges and structures, including that part of the cost of grade separation structures not paid by the railroad companies.

The bill would take effect 90 days after it was enacted.

MCL 247.651c

FISCAL IMPACT:

Under Sec. 1c of Public Act 51 of 1951, (MCL 247.621c), incorporated cities and villages with a population of 25,000 or greater are required to participate in the cost of "opening, widening, and improving, including construction and reconstruction" of state trunkline highways within the cities or villages. The city or village cost participation percentage varies, as shown in the table below, based on the city or village population. Only 45 cities of Michigan's 533 cities and villages hit the 25,000 population threshold. (See chart on next page.)

Allocation of state trunkline project cost under Section 1c of 1951 PA 51			
City/Village Population	Number per Census	City/Village Cost Share	MDOT Cost Share
50,000 and greater	24	12.5%	87.5%
40,000 to 49,999	5	11.25%	88.75%
25, 000 to 39,999	16	8.75%	91.25%
Less than 25,000	488	0.0%	100.00%

The requirements of Sec. 1c apply only to state trunkline capital construction or reconstruction projects within a city or village meeting the population thresholds of the section. Cities or villages are not required to participate in state trunkline routine or reactive maintenance costs. In addition, most state trunkline capital construction or reconstruction projects are funded, in part, with federal funds. As a result, in practice the Sec. 1c cost sharing requirements generally apply only to the non-federal share of project cost. For example: if federal-aid participated in 80% of a \$10.0 million state trunkline project within a city with a 100,000 population, the city would be required to participate in 12.5% of the \$2.0 million non-federal balance, i.e. \$250,000.

The Michigan Department of Transportation has indicated that over last 5 years, the amount of city/village participation in state trunkline projects has ranged from \$2.0 million to \$7.0 million annually. The department's current 5-Year Plan (2016-2020) assumes an average local contribution of \$4.4 million annually. The department indicates this figure could increase if additional state trunkline capital projects are programed as a result of the Road Funding Plan passed in November 2015, and effective January 2017.

In summary, Senate Bill 557 would reduce state revenue by eliminating the current city/village cost sharing requirements of Sec. 1c. In effect, the State Trunkline Fund would have to absorb capital project costs currently supported by local contributions. Based on recent history, those local contributions average approximately \$4.4 million per year. The bill would result in a savings to the 45 cities currently required to participate in the cost of state trunkline projects. The savings to specific cities would depend on the specific location and cost of projects in the state trunkline capital construction program.

Legislative Analyst: E. Best
Fiscal Analyst: William E. Hamilton

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