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BILL ANALYSIS



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Senate Bill 515 (as introduced 9-12-19)
Sponsor: Senator Tom Barrett
Committee: Transportation and Infrastructure

Date Completed: 10-16-19

CONTENT

The bill would amend Public Act 51 of 1951, the Michigan Transportation Fund law, to require the Michigan Department of Transportation (MDOT) to create a highway construction cost index, by March 1, 2020, to measure inflation in highway construction costs for road and bridge projects in the State.

The Department would have to use an accepted inflation measurement when creating the index to help project future highway construction costs. The Department could include a labor cost measurement in the index to help project change in the cost of labor for highway construction projects, and could contract with a third party to develop the index.

The State Transportation Commission would have to approve the index, and after approval, MDOT would have to submit a report on the index by June 1, 2020, and quarterly thereafter to the House and Senate Transportation Appropriations Subcommittees. The report would have to include, at a minimum, the following:

- A historic record of the index.
- A forecast of highway construction cost inflation for the next five years.
- Discussion of labor trends and economic factors affecting highway construction costs.
- Recommendations to local units of government for measuring and indexing their own highway construction costs.

The Department could update the index every ten years and could contract with a third party to update the index. The State Transportation Commission would have to approve any update.

The bill also would require MDOT to post the index and the report on its website. The Department would have to make the index and report available for public inspection upon request during reasonable business hours.

MCL 247.661 et al.

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the State and local units of government. There would be a minor cost to the Department associated with the creation and maintenance of the index, which likely would need to be contracted for, given the potential for conflict of interest should the Department choose to maintain an index on building materials that it also would have to purchase. Long-term costs or savings to the Department and local units of government as a result of a regularly maintained State index are indeterminate.

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