

Legislative Analysis



ROAD PROJECT MATCH PROGRAM

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6003

Sponsor: Rep. Tom Casperson

Committee: Transportation

Complete to 5-1-06

A SUMMARY OF HOUSE BILL 6003 AS INTRODUCED 4-26-06

House Bill 6003 would amend the Michigan Transportation Fund Law, Public Act 51 of 1951, to create a local federal match program. The program would be created within the State Trunkline Fund (STF) and it would receive up to \$80 million from the proceeds of bonds. In combination with Senate Bill 1192, the bill would provide funds for local municipalities and other road agencies to match federal aid projects.

As introduced, the bill contains a statement that the Legislature intends that funds in the program be used for one or more of the following.

** Projects subject to a federal appropriation and designated as high priority road and bridge projects with an earmark in the federal budget, so long as those projects are under construction or let out for bid by the end of the 2005-06 fiscal year.

** Projects scheduled to be under construction during the 2006-07 fiscal year that can be advanced to the 2005-06 fiscal year.

** Any project scheduled for after the 2006-07 fiscal year that can be advanced and under construction or let out for bid during the 2005-06 or 2006-07 fiscal years.

The bill is tie-barred to Senate Bill 1192, meaning it could not take effect unless Senate Bill 1192 is enacted. (House Bill 6003 is similar to Senate Bill 1132.)

Senate Bill 1192 (S-2) would amend the same act to describe the process by which funds would be granted to local agencies. Briefly put, projects are to be submitted to the Department of Transportation by the local municipality or road agency. MDOT would apply criteria that take into account the needs of highway, road, and street systems and an equitable allocation of available funds considering the geographic location of projects. An individual grant could not exceed 25 percent of the amount of federal funds available for the project.

Projects would have to meet the following criteria: the project must be under construction or let for bid no later than September 30, 2007; the applicant must have identified all of the necessary funding to complete the project; and the project would have to be for the opening, widening, improving, construction, or reconstruction of a federal aid eligible road or street (including work incidental to the project).

Senate Bill 1192 would require MDOT to make a written report to the Legislature no later than 30 days after the program had expended \$40 million; and would have to make a written report on February 1, 2007 and each February 1 thereafter. The reports would have to list the project currently funded, all federal high priority projects eligible for funding; and a list of pending requests for funding.

After submitting the written report at the \$40 million point, MDOT could provide additional criteria if necessary for selecting the remaining projects. The department would have to consult with interested local road agencies, the Michigan Municipal League, and the County Road Association of Michigan in developing additional criteria.

FISCAL IMPACT:

If the full \$80 million of authorized bonds were issued, the annual debt service would be approximately \$7.5 million (assuming a 5% interest rate and a 15-year amortization), with total repayment of approximately \$112 million (\$80 million in principal and approximately \$32 million in interest.) Debt service would be made from the State Trunkline Fund. The bills (House Bills 6003 and Senate Bill 1192) and proposed program effectively decrease state revenue available for preservation and reconstruction of state trunkline roads and bridges and increase state resources available for federal aid construction and reconstruction projects of local road agencies.

In addition, the bills would allow local units of government to access federal aid, including congressional project earmarks made in the reauthorization of the federal aid program (SAFETEA-LU). The issuance of the entire \$80 million of STF bonds could leverage up to \$320 million in federal funds for local road and street projects.

Legislative Analyst: Chris Couch
Fiscal Analyst: William Hamilton

■ 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.