

DATE: June 9, 2009
TO: House Committee on Transportation
FROM: William E. Hamilton
RE: Transportation Asset Management

This memo is intended to provide committee members with background on transportation asset management in Michigan law.

Act 51 Study Committee (2002) Recommendations – The establishment of the Asset Management Council in Public Act 51 of 1951 (Act 51) and the related legislative directives regarding transportation asset management are an outgrowth of recommendations made in 2002 by an Act 51 Study Committee.

Public Act 308 of 1998, an amendment to Act 51, required the Governor to appoint a study committee to *"review transportation funding options, transportation investment priorities, and potential strategies for maximizing returns on transportation investments."* The act also required that the committee report to the Governor, the State Transportation Commission, and the Legislature *"on the identified needs including economic development needs, transportation funding options, historical transportation financing patterns as they relate to statewide fiscal resources, and strategies for maximizing the returns on transportation investments."*

The Act 51 Study Committee's recommendations are contained in a report dated June 1, 2000 entitled *Transportation Funding for the 21st Century*. The report presented recommendations regarding management and funding of the Michigan transportation system. The principal recommendations of the Study Committee involved asset management. The key recommendation was that *"a long-term, planned asset management process be extended to statewide use for transportation facilities."* The Study Committee made twelve additional recommendations related to implementation of a statewide transportation asset management process.

For the complete Act 51 Study Committee report, see www.mdot.state.mi.us/ACT51/finalreports/index.htm

Asset Management Council – Public Act 499 of 2002 (HB 5396) amended Act 51 to implement the Study Committee's recommendations with regard to asset management. Public Act 499 established a Transportation Asset Management Council within the State Transportation Commission, charged with *"advising the commission on a statewide asset management strategy and the processes and necessary tools needed to implement such a strategy beginning with the federal-aid eligible highway system."*

Public Act 499 defined "asset management" as *"an ongoing process of maintaining, upgrading, and operating physical assets cost effectively, based on a continuous physical inventory and condition assessment."* The act also identified the intent of the Asset Management Council as the provision of *"a coordinated, unified effort by the various roadway agencies within the state."*

Public Act 499 also required that starting on October 1, 2003, each state road agency prepare and publish an annual multi-year program, based on long-range plans and developed through the use of the asset management process described by the act. The act also requires that the Asset Management Council report to the State Transportation Commission, the Legislature, and the House and Senate committees on transportation by May 2 of each year.

The Council was appointed by the State Transportation Commission in September of 2002. The Council is composed of 10 voting members: two each from the County Road Association, the Michigan Municipal League, state planning and development regions, and the Department. The Michigan Township Association and the Michigan Association of Counties each have one member. The Department provides qualified staff and technical assistance to the Asset Management Council.

The Asset Management Council met for the first time on October 8, 2002, and approved a work program in January 2003. The work program was approved by the State Transportation Commission in February 2003. In May 2003, the Council issued its first Annual Report. The Asset Management Council continues to meet and issued its seventh and most recent report on May 1, 2009. The report is available on the Michigan Department of Transportation's website. www.michigan.gov/mdot/0,1607,7-151-9623_31969_27106---,00.html

Summary – In its 2000 report, the Act 51 Funding Study Committee did not recommend revisions to the Act 51 formulas which govern the distribution of state and federal transportation funds between the state and local transportation agencies. Instead, the Study Committee recommended that Act 51's state and federal aid distribution formulas not be changed "*until implementation of an asset management process, which may result in future distribution changes.*" The recommendation continues: "*While not proposing a specific formula revision at this time, we recognize that a proposed asset management-based formula could result in a funding distribution which focuses on the function or use of a road, while taking into account the base level of funding needed for routine maintenance.*"

The Asset Management Council has not addressed use of asset management processes to identify changes to Act 51 funding distribution formulas.

For additional information on the concept of asset management, see the House Fiscal Agency publication *Transportation: Asset Management*.
www.house.state.mi.us/hfa/asset.pdf