

Legislative Analysis



LOCAL BRIDGE FUND PROGRAM

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

House Bill 5318 (Substitute H-4)
Sponsor: Rep. Jennifer Elkins

House Bill 5319 (Substitute H-4)
Sponsor: Rep. Tom Casperson

Committee: Transportation
First Analysis (3-30-04)

BRIEF SUMMARY: The bills would create the Local Bridge Fund in the state treasury, and earmark one-half of the revenue from one cent of the Motor Fuel Tax to that fund. As a result, an appropriation of \$25.6 million from the Michigan Transportation Fund (in addition to \$5 million, the amount currently appropriated from the Michigan Transportation Fund,) would be made to the Local Bridge Fund each year, for distribution only to cities, villages, and county road commissions.

FISCAL IMPACT: Each one-cent of the excise tax on gasoline raises about \$51.2 million in revenue. By redirecting half of this revenue to the Local Bridge Fund, the bill would increase revenue for this local program by about \$25.6 million, and decrease the revenue in the State Trunk-line Fund by a like amount. Since the Local Bridge Program is a grant program with awards based upon selection criteria, not all local road agencies would get awards under the program. It cannot be determined in advance, what specific local agencies would get projects funded under the program.

THE APPARENT PROBLEM:

When the Motor Fuel Tax Act was amended in 1997 to increase the gasoline tax by four cents (from 15 cents to 19 cents), the Michigan Transportation Fund Act also was amended to specify how the new revenue in the fund would be dispersed. One cent of the four-cent increase was earmarked for the repair of state trunk-line bridges—an amount equal to about \$51.2 million (based on Fiscal Year 2004-2005 revenue estimates).

According to a spokesperson from the Michigan Department of Transportation, since the revenue from the one-cent earmark became available in 1997 and continues to be earmarked for state trunkline bridges, the department will very likely be able to meet its goal of improving trunk-line bridges before 2008. However, an estimated 1,500 bridges located on local roads and highways that fall within the jurisdiction of county road commissions and other local road agencies continue to be in need of repair. Of those, the local road agencies have identified 104 in critical need of maintenance, and as of mid-March, 2004, there were yet another 447 unfunded local bridge applications on file that have been assigned points in order to establish repair priorities.

In order to assist local road agencies with the repair of the bridges in their jurisdictions, the Michigan Department of Transportation has proposed that the one-cent earmarked for bridge repair on state highways be divided in half, and that half of the estimated \$50 million be appropriated to local road agencies so that a statewide bridge repair program can get underway.

CONTENT OF THE BILLS:

House Bill 5318 would amend the Michigan Transportation Fund Act to create a fund known as the Local Bridge Fund in the state treasury (currently called the “critical bridge fund”). Currently under the law, the fund provides financial assistance to highway authorities for the improvement, or reconstruction of existing bridges, or for the construction of bridges to replace existing bridges (in whole or in part). The bill would retain this provision, and add that the fund could also provide financial assistance for “preservation.”

House Bill 5319 specifies that beginning October 1, 2004, one-half of the revenue from one cent of the tax levied under section 8 of the Motor Fuel Tax Act be appropriated to the State Trunk Line Fund for the repair of state bridges (under section 11), and further, that one-half of the revenue from the one-cent tax levy be appropriated to the Local Bridge Fund (created under section 11b), for distribution only to cities, villages, and county road commissions. Currently all of the revenue from the one-cent tax levy goes to the State Trunk Line Fund for repair of state bridges. The bill also specifies that from the Michigan Transportation Fund, \$5 million be appropriated to the Local Bridge Fund, for distribution only to cities, villages, and county road commissions.

[Note: The bill does not specify that revenue from a one-cent levy on diesel fuel tax go to the state trunk line fund for repair of state bridges, as the current law specifies. Instead, House Bill 5319 would exclude the diesel portion of the tax revenue from the earmark.]

BACKGROUND INFORMATION:

These bills propose to re-name the Critical Bridge Fund and Program the Local Bridge Fund and Program.

Under the current law there is a \$5 million annual appropriation from the Michigan Transportation Fund to the Critical Bridge Fund, to assist local road authorities with bridge repair. (The Critical Bridge Fund is credited with interest earnings on the fund balance, so as a result, the actual appropriation for the fund is \$5,750,000 for Fiscal Year 2003-2004.) The program is entirely a local program, the funds used exclusively for county, city, or village bridge projects. (Technically, the Michigan Transportation Fund Act allows the state to receive up to 38.4 percent of the program’s funds, but the department does not compete with local road agencies for the funds, and has not done so for a number of years.)

Bridges are awarded grants based upon established federal criteria. The bridge selection and prioritization process is administered by the Department of Transportation, in cooperation with a nine-member advisory committee, comprising three representatives each from counties, cities and villages, and the department. In many cases, funds from the Critical Bridge Fund are used to match federal bridge funds for local projects. The source of these federal funds, made available to local road agencies by MDOT, is the federal Highway Bridge Replacement and Rehabilitation Act. The department allocates 15 percent of these federal funds to local road agencies each year, amounting to between \$18 million and \$20 million.

ARGUMENTS:

For:

The funds to repair local bridges have not kept pace with their bridges' deteriorating conditions. More funds are needed, and since repair of the state trunk-line bridges is on schedule, made possible by the availability of earmarked funding since the 1997 increase in the gas tax, half of that money should be diverted to local road agencies so that repairs can be speeded up. It is important to remember that the roads system is just that—systemic—and if portions of the system fall into disrepair, then the system of transport is interrupted. To take full advantage of economic development opportunities—in the agriculture, timber, and oil and gas industries—local connecting roads in counties and towns need be in as good condition as state trunk-line highways. This legislation will help to ensure that goal.

POSITIONS:

The Michigan Department of Transportation supports the bills. (3-25-04)

The County Road Association of Michigan supports the bills. (3-18-04)

The Arenac County Road Commission supports the bills. (3-18-04)

The Michigan Association of Counties supports the bills. (3-25-04)

The Michigan Municipal League supports the bills. (3-18-04)

The Michigan Farm Bureau supports the bills. (3-25-04)

The Michigan Townships Association supports the bills. (3-25-04)

The Michigan Road Builders Association is neutral on the bills. (3-18-04)

Legislative Analyst: J. Hunault

■ 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.