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BILL ANALYSIS

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House Bill 4613 (Substitute S-1)
Sponsor: Representative Dan Lauwers
House Committee: Roads and Economic Development
Senate Committee: Government Operations

Date Completed: 6-30-15

CONTENT

The bill would amend Public Act 51 of 1951, the Michigan Transportation Fund law, to do the following:

- **Specify that the State Treasurer could receive money or other assets from any source for deposit into the Michigan Transportation Fund (MTF); and delete language that allows only fuel tax and registration fee revenue to be deposited in the MTF.**
- **Direct revenue from Section 143(2) of the Motor Fuel Tax Act and Section 51(3) of the Income Tax Act to be distributed as follows: 39.1% to the Michigan Department of Transportation (MDOT), 39.1% to county road commissions, and 21.8% to cities and villages.**
- **Require MDOT, county road commissions, cities, and villages to secure warranties for full replacement or appropriate repair for projects exceeding $1.0 million and construction projects undertaken after the bill took effect, and report on project costs, lifespans, and warranty information.**
- **Establish the Grade Crossing Surface Account within the State Trunkline Fund and specify criteria for use of funds deposited into the Account.**
- **Reduce the maximum amount MDOT may spend per year on administrative expenses from 10% to 7% of the distributions to the State Trunkline Fund.**

(Under current law, Section 143(2) of the Motor Fuel Tax Act does not exist.

Section 51(3) of the Income Tax Act, under Senate Bill 414 (S-1), would require the following amounts of income tax revenue to be deposited in the MFT: $350.0 million in fiscal year (FY) 2016-17 and $700.0 million in each fiscal year from FY 2017-18 through FY 2032-33.)

The bill is tie-barred to Senate Bill 414 and House Bills 4612, 4614, 4615, and 4616 and would be effective October 1, 2015.

MCL 247.660 et al.

FISCAL IMPACT

The bill's provisions regarding warranties would have a negative but indeterminate fiscal impact at the State and local levels in the short term in terms of additional costs, and an indeterminate fiscal impact in the long term in terms of additional costs or savings. The provisions that would create a $3.0 million rail grade crossing surface account subsidy would reduce annual funding for State roads by $1.06 million, local road agencies by $1.64 million, and the Comprehensive Transportation Fund (public transit) by $300,000.

The State and local road agencies would face increased costs in the short term due to the bill's warranty mandate. Since obtaining a full replacement guarantee or appropriate repair warranty product typically requires a contractor to obtain a warranty bond, and the immediate cost of such a product usually is passed on to the consumer, it is likely that associated costs would be included in a contractor's bid or price.

It is impossible to determine whether mandated warranties would result in overall savings in the long term and offset initial warranty costs. Future maintenance and reconstruction costs could decrease, since these tasks would be covered under a secured warranty. However, the up-front cost of obtaining a warranty could exceed any potential long-term savings and cost more than future repairs. Whether a warranty ultimately served to generate savings or additional costs in the long term would vary from project to project.

The provisions regarding project warranty reporting requirements would result in increased administrative costs at the State and local levels.

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