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HOUSE FISCAL AGENCY

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SB563 AS ENROLLED

Sponsor: Sen. Thaddeus McCotter

Committee: TRANSPORTATION

Analyst(s): Hamilton, William

Completed: 12/14/01

State Fiscal Impact

Cost: Indeterminate
Revenues: None

Local Fiscal Impact

Cost: Indeterminate
Revenues: None

Section 1h of Act 51 of 1951(MCL 247.651h) requires the Michigan Department of Transportation to develop and implement a life-cycle cost analysis for each [highway] project for which total pavement costs exceed \$1.0 million funded in whole, or in part, with state funds. The section requires the department to design and award paving projects utilizing material having the lowest life-cycle cost.

The department has argued that this requirement precludes it from using new materials or innovative pavement designs for which it does not have historical cost or performance records. SB 563 would add a new section (1l) to Act 51 which would allow the department to conduct not more than 4 pavement demonstration projects each year "to evaluate new construction methods, materials, or design." The bill indicates that projects shall be selected based on three criteria: a) pavement designs intended to increase pavement life expectancy, b) pavement designs intended to improve performance, including but not limited to friction, surface stress, reduction of noise, and improvement of ride quality, and c) comparisons of performance of various types of pavement.

The bill limits the total contracted amount which may be awarded to either asphalt or concrete demonstration projects in any two year period; contracts for asphalt or concrete demonstration projects can not exceed a difference of 20% between the respective paving materials in any two year period. The bill also sets annual and final project reporting requirements.

We can not estimate what effect, if any, the bill would have on state costs. In the short term, costs could be affected by the competitiveness of bids for demonstration projects. If few contractors were willing to bid on demonstration projects, contract bid prices could be higher than would obtain under a more competitive bid environment. On the other hand, some contractors might submit a lower than normal bid in order to win a contract and demonstrate the efficacy of new materials or innovative pavement designs. If demonstration projects resulted in improved pavement designs and lower life-cycle costs, the bill could, in the long term, result in lower state costs.

There would be no direct effect on local costs except to the extent that demonstration projects increased or decreased state trunkline project costs, and were within cities or villages with populations of 25,000 or more. These municipalities are required by Section 1c of Act 51 to participate in state trunkline construction and reconstruction projects - from 8.75% to 12.5% based on population.