



Senate Fiscal Agency  
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BILL ANALYSIS

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House Bill 4602 (Substitute S-1 as reported)  
Sponsor: Representative Philip LaJoy  
House Committee: Transportation  
Senate Committee: Transportation

Date Completed: 5-23-05

### **RATIONALE**

In 2002, amendments to Public Act 51 of 1951, the Michigan Transportation Fund law, enacted definitions of "maintenance", "routine maintenance", and "preservation", in conjunction with legislation creating a transportation asset management system (Public Acts 498 and 499 of 2002). "Preservation" means an activity undertaken to preserve the integrity of the existing roadway system, and includes maintenance, reconstruction, and other activities. "Maintenance" means routine maintenance, preventive maintenance, or both. "Routine maintenance" means actions performed on a regular or controllable basis or in response to uncontrollable events upon a highway, road, street, or bridge. Activities listed as types of routine maintenance include the repair, replacement, or operation of traffic signal systems, and the installation of traffic signs and signal devices.

Apparently, the inclusion of traffic sign and signal device installation, as well as the replacement of existing signs and signals, within the category of routine maintenance was inadvertent. Expenses for traffic signs and signals constitute capital expenditures for county road commissions, and their mischaracterization as maintenance expenses evidently has resulted in bookkeeping problems. It was suggested that traffic sign and signal installation and replacement be moved from the definition of "routine maintenance" to the broader "preservation" category.

### **CONTENT**

The bill would amend Public Act 51 of 1951 to include the installation of traffic signs and signal devices in new locations and the

replacement of existing signal devices in the term "preservation", rather than "routine maintenance".

MCL 247.660c

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

The bill would correct the inadvertent misplacement of traffic sign and signal device installation and replacement under the category of "routine maintenance" and bring Public Act 51 into conformity with the standards of the Governmental Accounting Standards Board (GASB), which establishes standards of financial accounting and reporting for state and local governmental entities. This would allow a county road commission to place expenditures for traffic sign and signal installation and replacement on the capital side of the ledger to show their true book value.

Legislative Analyst: Julie Koval

### **FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Craig Thiel

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.