

Legislative Analysis



REDIRECTION OF CERTAIN DRIVERS' LICENSE FEE REVENUE FROM TEDF TO TRUNKLINE FUND

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House Bills 4747 and 4748, AS PASSED THE SENATE

Sponsor: Rep. Dave Agema

Committee: Appropriations

Complete to 8-03-11

SUMMARY OF HOUSE BILLS 4747 & 4748 AS PASSED THE SENATE 7-13-11

House Bill 4748 (S-2) would amend Section 11 of 1987 PA 231 (MCL 247.911), an act which created and governs the Transportation Economic Development Fund (TEDF). The TEDF is a state-restricted transportation fund created to help fund highway, road, and street improvements related to either a specific type of economic activity or a specific type of road system. The bill would reduce the amount allocated to the Targeted Industries program ("Category A") by \$12.0 million in each of two fiscal years, the fiscal year ending September 30, 2011 and the fiscal year ending September 30, 2012 – the bills as passed the House would have made the change permanent starting with the fiscal year ending September 30, 2011. The reduction would reflect the proposed redirection of \$12.0 million in driver's license fee revenue from the TEDF to the State Trunkline Fund (STF). This redirection was one of the elements of the Michigan Department of Transportation proposal, reflected in FY 2010-11 and FY 2011-12 appropriations, for matching all available federal aid highway funds. The actual redirection from the TEDF to the STF would be effected through House Bill 4747.

The S-2 substitute would also amend the subsection prescribing the allocation of funds within the Urban Congestion Relief Program, ("Category C"). Under current law, funds for this category are sub-allocated to five urban counties, Wayne, Oakland, Macomb, Genesee, and Kent, based on population. Because of an increase in census population of Kent County, the distribution among the counties would otherwise change. The S-2 substitute adjusts the population references to maintain the current distribution formula among the five counties.

House Bill 4747 (S-2) would amend Section 819 (MCL 257.819) of the Michigan Vehicle Code (1949 PA 300) to redirect to the STF \$12.0 million in drivers' license fee revenue which had been dedicated in statute to the TEDF. The S-2 substitute would make this redirection for two fiscal years only, beginning with the fiscal year ending September 30, 2011.

FISCAL IMPACT:

House Bill 4747 (S-2) would amend Section 819 of the Michigan Vehicle Code to redirect \$12.0 million from the TEDF to the STF for two fiscal years beginning in the current fiscal year, FY 2010-11. The apparent intention of House Bill 4748 (S-2) is to take that the reduction in TEDF funding entirely from the TEDF "Target Industry" program (Category A), one of five TEDF categorical programs. By taking the reduction

from Category "A" there would be no impact on TEDF Categories "C" and "D" which support local agency projects. [Category A is considered a "state" program in that the Michigan Department of Transportation, as well as county road commission, cities, and villages, may apply for Category A project funding. In addition, authority for the Category A program is held by the Director of the Michigan Department of Transportation and the President of the Michigan Strategic Fund, jointly.]

The revenue redirection proposed in the two bills would have no impact on total state revenue; they would simply effect a shift between two state-restricted funds.

This redirection was one of the elements of the Michigan Department of Transportation proposal, reflected in FY 2010-11 and FY 2011-12 appropriations, for matching all available federal-aid highway funds.

REVISED ANALYSIS – The appropriations for the Transportation Economic Development program in the FY 2010-11 and FY 2011-12 transportation budgets are based on the following assumption: that \$13.0 million in drivers' license fee revenue would be credited to the TEDF and included in the TEDF balance for distribution to the five TEDF program categories in accordance with 1987 PA 231, and that the appropriation to Category A would then be reduced by \$12.0 million to reflect the proposed redirection of drivers' license fees to the STF. TEDF appropriations reflects the understanding that the redirection of \$12.0 million in drivers' license fees would come only from Category A and that other program categories would be held harmless. Our original analysis of House Bill 4747 and House Bill 4748 was based on that assumption – that the bills implemented the budget agreement and the final enacted appropriation.

A subsequent review of the bills suggests that the bills would result in a distribution to the TEDF categorical programs different than the appropriation. By redirecting \$12.0 million in drivers' license fee revenue to the STF, House Bill 4747 would reduce the amount credited to the TEDF. As a result, the amount distributed to Category A would be \$6.0 million less and Categories "C" and "D" each \$3.0 million less. House Bill 4748 would then make an additional \$12.0 million reduction to Category A. In effect, there would be \$12.0 million less in TEDF revenue distributed to programs than was supported by TEDF revenue and \$12.0 million less than the amounts appropriated.

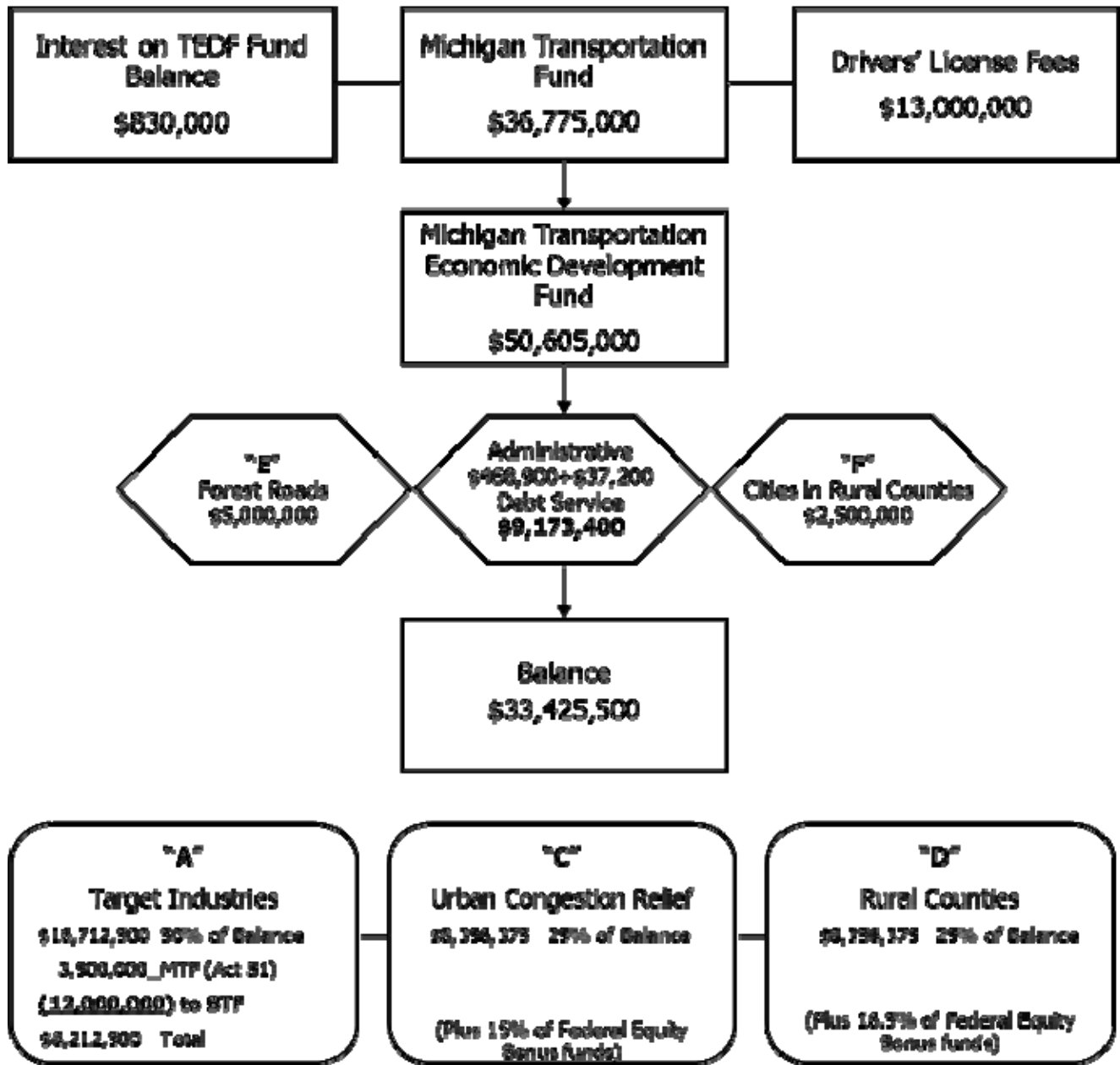
Instead of the \$8.2 million appropriated for Category A (including the \$1.0 million for a non-profit street railway), the actual amount distributed to Category A in FY 2010-11 would be \$2.2 million. Instead of \$8.4 million appropriated for Categories "C" and "D" each, the actual statutory distribution would be \$5.4 million to the two program categories.

The difference between the distribution made by appropriation and distribution actually effected by the two bills is shown on the attached charts.

Fiscal Analyst: William E. Hamilton

**Transportation Economic Development Fund
Fiscal Year 2010-11: Estimated Revenue Distribution**

After HB 4748 & 4749 As Appropriated



August 1, 2011

Transportation Economic Development Fund
 Fiscal Year 2010-11: Estimated Revenue Distribution
 After HB 4748 & 4749 **Statutory Distribution**

