

Fiscal Analysis

ACT 51 – CRITICAL BRIDGE FUND EARMARK



Bill/Sponsor **HOUSE BILL 5318 As Introduced**, Rep. Jennifer Elkins

House Committee Transportation

Analysis

Summary

When the Motor Fuel Tax Act was amended in 1997 to increase the gasoline excise tax by 4 cents, from 15 cents to 19 cents per gallon, Public Act 51 of 1951 was also amended to earmark the related increase in Michigan Transportation Fund (MTF) revenue. Those 1997 amendments (PA 79 of 1997) earmarked one cent of the increase in the gasoline tax for state trunkline bridges.¹

House Bill 5318 would amend Section 10 of Public Act 51 of 1951 (MCL 247.660) to redistribute one-half of that one-cent earmark. In other words, the bill would effectively “split the penny” of the gasoline excise tax currently earmarked for state trunkline bridges. Revenue from one half-cent of the gasoline excise tax would be redirected to the Critical Bridge Fund for distribution only to cities, villages, and county road commissions. HB 5318 would make the distribution change effective October 1, 2004.

Fiscal Impact

Each one-cent of the Motor Fuel Tax Act’s 19-cent per gallon gasoline excise tax equates to approximately \$50.0 million per year. By redirecting half of this revenue to the Critical Bridge Fund, the bill would increase revenue for this local program by approximately \$25.0 million, and decrease State Trunkline Fund revenue by a like amount. Since the Critical Bridge Program is a grant program with awards based on selection criteria, not all local road agencies would get awards under the program. It can not be determined in advance what specific local agencies would get projects funded under the program.

The fiscal impact discussed above is based on the assumption that the bill would earmark one-half cent of the 19-cent per gallon gasoline excise tax. However, recent amendments to Act 51 would appear to earmark the 15-cent per gallon diesel fuel excise tax as well. See discussion of the diesel fuel excise tax below.

Background on Critical Bridge Fund - The Critical Bridge Fund is a state-restricted fund established in Section 11b of Public Act 51 of 1951. Section 11b provides for an annual appropriation of \$5.0 million from the Michigan Transportation Fund (MTF) to the Critical Bridge Fund for a Critical Bridge Program to be administered by the Michigan Department of Transportation. The section describes the purpose of the program as “*to provide 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.”

In addition to the \$5.0 million appropriation from the MTF, the Critical Bridge Fund is credited with interest earnings on the fund balance. Interest earnings represent an additional \$750,000 for the fund in FY 2003-04.

Bridge projects are awarded based on established selection criteria.ⁱⁱ The bridge selection process is administered by the department in cooperation with a Critical Bridge Advisory Committee comprised of nine members - three members representing counties, three members representing cities and villages, and three members from the department.

The Critical Bridge Program is, effectively, a 100% local program. Funds are used exclusively for county, city, or village bridge projects. Although Act 51 allows the state to receive up to 38.4% of program funds, the department does not compete for Critical Bridge Program funds and has not for several years.

In most cases, funds from the Critical Bridge Program are used to match federal bridge funds for local bridge projects. These federal funds, from the federal Highway Bridge Replacement and Rehabilitation Program (HBRRP) are made available for local bridge projects by the department. The department has elected to allocate 15% of the total federal HBRRP funds available to the state to the local bridge program. This 15% allocation to local bridge programs represents approximately \$18.0 million per year.

Local road agencies have argued that the allocation of federal HBRRP funds for local bridge programs should be increased from the 15% currently allocated by the department. The County Road Association of Michigan (CRAM) supports legislation to set aside 25% of these federal bridge funds for local bridge programs. For several years the Michigan Legislature has attempted to increase the allocation of federal HBRRP funds for local bridge programs through appropriations boilerplate. These boilerplate directives have been vetoed by both Governors Engler and Granholm.

In addition to advocating for additional federal funds for the local Critical Bridge Program, local road agencies would also like Act 51 amended to increase the distribution of MTF funds earmarked for the Critical Bridge Fund. CRAM specifically endorses “*splitting the 1-cent set aside from the 1997 gas tax increase for state bridges, one-half cent for state bridges and the other half to the Critical Bridge Program for local bridges.*”

Note on Diesel Fuel Excise Tax - The fiscal impact discussed above is based on the assumption that the bill would earmark one-half cent of the 19-cent per gallon gasoline excise tax. However, recent amendments to Act 51 would also appear to earmark the 15-cent per gallon diesel fuel excise tax.

When Act 51 was recently amended by PA 151 of 2003 (SB 539), the

Section 10 reference to the Motor Fuel Tax Act was changed to reflect the recodified Motor Fuel Tax Act, Public Act 403, of 2000. The specific excise tax reference was also changed to “Section 8” of the Motor Fuel Tax Act. Section 8 includes the 15-cent per gallon diesel excise tax, as well as the 19-cent per gallon gasoline excise tax. It is not clear if the legislature intended to also earmark four cents of the diesel excise tax, but Public Act 151 of 2003 appears to have done so. Each penny of the diesel tax equates to approximately \$8.0 million.

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i PA 79 of 1997 should have referenced 1927 PA 150, the Motor Fuel Tax Act. But the reference was made in error to "1950 PA 127." The MCL reference in PA 79 was apparently correct.

ii The program rules are provided in the Michigan Administrative Code, rules 247.151 through 247.156.