

Fiscal Analysis

LOCAL CRITICAL BRIDGE FUND/PROGRAM



Bill/Sponsor **HOUSE BILL 5318 (H-4)**, Rep. Jennifer Elkins
HOUSE BILL 5319 (H-4) Rep. Tom Casperson

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 (Act 51) was also amended to earmark the related increase in Michigan Transportation Fund (MTF) revenue. One cent of the four-cent increase was earmarked for the repair of state trunkline bridges. This one-cent earmark of the gasoline excise tax represented approximately \$50 million per year.

House Bill 5319 (H-4) would amend Section 10 of Public Act 51 of 1951 (MCL 247.660) to redistribute half that one-cent earmark. Revenue from one half-cent of the gasoline excise tax would be redirected to the Local [Critical] Bridge Fund for distribution only to cities, villages, and county road commissions. The bill would make this change effective October 1, 2004.

This new earmark represents an annual increase in funding for this local program of approximately \$25.6 million (based on FY 2004-05 revenue estimates). This half-cent earmark would be in addition to the current \$5.0 million annual earmark from the MTF to the Critical Bridge Fund.

The Critical Bridge Fund/Program is established in Section 11b of Act 51. HB 5318 (H-4) would change the name of the fund/program to the Local Bridge Fund/Program, and would amend Section 11b to recognize the additional revenue provided in HB 5319 (H-4). HB 5318 (H-4) also indicates that beginning October 1, 2004, revenue appropriated to the Local Bridge Fund shall be distributed only to cities, villages, and county road commissions. Under current law the Michigan Department of Transportation could receive up to 38.4% of funds from the Critical Bridge Fund, although in practice, the department has not applied for funding under the program.

HB 5318 (H-4) includes “preservation” of existing bridges in authorized program activities; currently funds can only be used for improvement or reconstruction of existing bridges, or construction of bridges to replace existing bridges.

Under current law (Section 11b) there is a \$5.0 million annual MTF appropriation to the Critical Bridge Fund. The two bills effectively move the appropriation from Section 11b to Section 10(1)(g). Moving this \$5.0 million appropriation from one section to another has no fiscal impact.

The two bills are tie-barred.

Fiscal Impact

Each one-cent of the Motor Fuel Tax Act's 19-cent per gallon gasoline excise tax equates to approximately \$51.2 million (based on FY 2004-05 revenue estimates). By redirecting one half of the current one-cent earmark, from state trunkline bridge repair to the Critical Bridge Fund, the bill would increase revenue for this local program by approximately \$25.6 million, and decrease State Trunkline Fund revenue by a like amount. Since the Critical Bridge Program is a competitive 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.

Note on Diesel Fuel Excise Tax – As noted above, 1997 amendments to Act 51 earmarked the four-cent increase of the gasoline excise tax. Public Act 151 of 2003 (SB 539) amendments to Act 51 changed the Motor Fuel Tax Act reference to also earmark the 15-cent per gallon diesel fuel excise tax.

It is not clear if the Legislature intended to make this earmark of the diesel fuel tax. HB 5319 would change the reference to again earmark only the gasoline portion of the state's motor fuel taxes and exclude the diesel portion of those taxes.

Background on Critical Bridge Fund/Program - The Critical Bridge Fund is a state-restricted fund established in Section 11b of Act 51. Section 11b currently 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. As a result the actual appropriation for the fund in has been greater than the \$5.0 million Act 51 earmark; it is \$5,750,000 for FY 2003-04.

Bridge projects are awarded based on established selection criteria. 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 a number of 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 to \$20.0 million per year.

Additional information of the Local Critical Bridge Fund/Program is found on the House Fiscal Agency website at <http://www.house.mi.gov/hfa/whatsnew.html>

Analyst(s)

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FLOOR ANALYSIS - April 1, 2004