



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 425 and 427 (Substitute S-1)
Sponsor: Senator Dale W. Zorn
Committee: Transportation and Infrastructure

Date Completed: 6-23-21

CONTENT

Senate Bill 425 (S-1) would amend the Michigan Transportation Fund law to do the following:

- **Require the Michigan Department of Transportation (MDOT) to establish a local grade separation grant program, and to provide grants to cities, villages, and county road commissions.**
- **Require MDOT to establish a review process for considering funding applications and to notify applicants within 180 days after receiving the funding application whether it was approved or rejected.**
- **Allow grant funds to be used for any stage of design and construction related to a grade separation project or a project that improved traffic at a rail crossing without a full grade separation.**
- **Require MDOT, before releasing local grade separation funds, to enter into an agreement with the recipient, and specify the provisions that would have to be included in the agreement.**
- **Require MDOT to issue a report to the Legislature pertaining to the use of funds from the grant program.**

Senate Bill 427 (S-1) would amend the Michigan Transportation Fund law to create the "Local Grade Separation Fund" within the State Treasury and provide for the disposition of money from the Fund.

Senate Bill 425 (S-1)**Local Grade Separation Grant Program**

Specifically, the bill would require MDOT to create and operate a local grade separation grant program for the separation of motor vehicle traffic and railroad traffic in the State. The Department would have to provide grants to cities, villages, and county road commissions in the State. ("Grade separation" would mean an intersection of a railroad or roadway at different levels with the railroad either above or below the highway.)

A funding application for the local grade separation grant program would have to be made on a form approved by MDOT and would have to contain the information required by MDOT, including a narrative describing the economic development benefit to the county, township, or city in which the grade separation project, or project described below, for which funding were applied was located. The bill specifies that an application for funds could be made at any time as determined by MDOT.

Application Review Process; Agreement

The Department would have to establish a review process for considering funding applications under the bill and would have to post the criteria for the review process on its website. Within 180 days after receiving a funding application, MDOT would have to notify the applicant in writing whether the funding application was approved or rejected. Grant funds awarded could be used by the funding recipient for any stage of design and construction related to a grade separation project or a project that improved traffic at a rail crossing without a full-grade separation, including construction of a rail siding or spur.

Before releasing local grade separation funds, MDOT would have to enter into a written agreement with the funding recipient. The written agreement between MDOT and the funding recipient would have to provide for complete details of the grade separation project or a project described above, and a local, private, or Federal match of at least 20% of the cost of the grade separation project or a project described above.

Reporting Requirements

For each year in which MDOT received funding applications, MDOT would have to report by December 1 to the standing committees of the Senate and House of Representatives with primary jurisdiction over issues pertaining to transportation and the Senate and House of Representatives Appropriations Committees on the use of funds from the local separation grant program.

The report would have to include, at a minimum, the following:

- The number of funding applications received.
- The name of each city, village, or county road commission that submitted a funding application, and whether each application was approved or denied.
- The amount of local match for each funding application approved under the bill.

Senate Bill 427 (S-1)

Under the bill, the Local Grade Separation Fund would be created within the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund and would have to direct the investment of the Fund. The Treasurer would have to credit to the Fund interest and earnings Fund investments. Money in the Fund at the close of the fiscal year would remain in the Fund and would not lapse into the General Fund.

The bill specifies that MDOT would be the administrator of the Local Grade Separation Fund for auditing purposes. The Department would have to spend money from the Fund, upon appropriation, only to fund the local grade separation grant program proposed under Senate Bill 425 (S-1).

Proposed MCL 247.661i (S.B. 425)
Proposed MCL 247.661k (S.B. 427)

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bills would have a minimal fiscal impact on the State and a potentially significant, positive impact on local governments by way of matching grants for rail grade separation projects. Costs to the Department of Transportation would include the creation of a funding application form and a review process to make grant determinations. These costs likely would be absorbed by MDOT.

While Senate Bill 427 (S-1) would create the Local Grade Separation Fund, neither of the bills would appropriate any funds to the program. Of note, Senate Bill 529, a supplemental bill for the current year, would appropriate \$126.0 million of Federal Coronavirus Recovery Funds for a local rail grade separation program. If Senate Bill 529 and Senate Bills 425 (S-1) and 427 (S-1) were enacted, grants made under proposed program likely would be made with Federal money. This could create significant rail grade separation infrastructure improvements for local governments throughout the State with little to no direct cost to MDOT. Under Senate Bill 425 (S-1), a local, private, or separate Federal match of 20% of a project's cost would be required to receive a grant.

Senate Bill 427 (S-1) would have a minimal fiscal impact on the Department of Treasury and no fiscal impact on local units of government. The Department of Treasury would experience minor costs to direct the investment of the funds in the Local Grant Separation Fund. These costs would be minor and within current appropriations.

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