

MEMORANDUM



DATE: January 15, 2016
TO: House Appropriations Committee
FROM: William E. Hamilton, Senior Fiscal Analyst
RE: State Budget Office Legislative Transfer Request 2016-1 (Dort Highway Extension)

Summary:

In a letter to the appropriations committees dated January 13, 2016, the State Budget Office (SBO) requests an FY 2015-16 transfer of \$4.4 million in state General Fund/General Purpose (GF/GP) spending authority from the *Film incentives* line within the *One-time basis only* appropriations unit of the Talent and Economic Development budget (Section 109, Article VIII, Public Act 84 of 2015), to the *Special grants* line item within the same article and appropriations unit. The transfer would reduce spending authority in the *Film incentives* line to \$20.6 million GF/GP, and increase funding in the *Special grants* line to \$9.5 million GF/GP.

The SBO letter indicates that additional *Special grants* funding would support "Phase I" of the Dort Highway Extension project in Genesee County. This project would extend Dort Highway from its current southern terminus at I-75 (Exit 109), southward 1.7 miles to Baldwin Road. The extension would provide access to the western portion of the Genesys Health Park campus in Grand Blanc Township.

The SBO letter indicates that an MOU between the Michigan Strategic Fund (MSF) and the Michigan Department of Transportation (MDOT) would give MDOT authority over the funds. MDOT would then enter into a standard state/local project agreement with the Genesee County Road Commission (GCRC) governing project funding and contract management responsibilities. [It is anticipated that MDOT will administer the construction contract on behalf of the road commission in the same manner as it does for local federal-aid construction contracts.]

Background:

M-54, named *Dort Highway* for much of its length, is a 27-mile state trunkline highway running north to south starting near Birch Run, through Flint, and terminating in Grand Blanc Township at I-75 (Exit 109). Although M-54 is a state trunkline highway, the 1.7 mile Dort Highway extension would be a county primary road, under the jurisdiction of the Genesee County Road Commission. The extension is proposed as a four-lane boulevard. Among other benefits, roadway extension would provide access to the western portion of the Genesys Health Park campus in Grand Blanc Township.

The project was included in the Genesee County Metropolitan Alliance 2014-2017 Transportation Improvement Program (TIP) as approved June 19, 2013 and the amended TIP approved December 4, 2015. [The Genesee County Metropolitan Alliance is a metropolitan planning organization (MPO) with authority for regional transportation planning in the Flint urbanized area.] According to the TIP, total estimated project cost as of December 2015, is \$23.8 million. Of this cost, \$2.3 million is for right of way (ROW) acquisition; \$1.7 million for preliminary engineering (PE) meaning environmental clearance, design plans, and contract documents; and \$19.8 million for construction.

The GCRC Manager Director indicated that the project may be scaled down to a total cost of \$13.1 million. Total project scale and funding may depend on whether the road commission is able to secure funding from the federal *TIGER* discretionary grant program. The road commission has applied twice for *TIGER* grant funding. However, to date, these applications have not been approved for funding.

The project is currently being developed primarily with state funding sources. State appropriations provided \$5.6 million GF/GP funding through the Priority Roads Investment Program (PRIP), established through an FY 2013-14 supplemental appropriation bill, Senate Bill 608, enacted as Public Act 34 of 2014. The announcement of PRIP project awards, including the \$5.6 million Dort Highway Extension project, was made July 2, 2014. The \$5.6 million was paid to the road commission as a lump sum on February 23, 2015; the road commission is accounting for this money separately in its financial records. Very little of this initial funding has been expended to date – initial project work was delayed until boilerplate restrictions on the original PRIP funding was lifted. [To eliminate a boilerplate requirement that PRIP projects be underway by July 1, 2014, the entire appropriation was repealed and reappropriated in Senate Bill 781, enacted as Public Act 356 of 2014.] The road commission did not begin environmental clearance and preliminary engineering work until October 2015.

The proposed Legislative transfer would allow the use of an additional \$4.4 million GF/GP for the project.

The GCRC would use the \$4.4 million provided through the Legislative transfer, in addition to the \$5.6 million previously provided through the PRIP grant, to continue ROW and PE work through 2017. Funds not expended for ROW and PE would be available for the construction phase of the project.

The GCRC anticipates that an additional \$3.1 million in state funds will be provided in 2017 to ensure sufficient total funding to proceed to the construction phase of the project. The road commission anticipates the project being advertised for bids in early 2018 with the project completed during the 2018 construction season. [The project, like all major highway projects is divided into ROW, PE, and construction phases. Although the SBO letter refers to “Phase I,” the actual construction phase of the project will be not be “phased” in a geographic or temporal sense; it is anticipated that the entire 1.7 mile extension will be constructed under one contract during a single construction season.]

The GCRC does not anticipate using any of its Michigan Transportation Fund primary road funds to advance the project, and does not anticipate using any federal aid funds allocated to the county for the project. The GCRC would use federal funds for the project only if the *TIGER* grant application is approved.