

MEMORANDUM



DATE: March 16, 2004
TO: House Appropriations Subcommittee on Transportation
FROM: William E. Hamilton
RE: Local Critical Bridge Fund/Program

The Executive recommendation for the FY 2004-05 state transportation budget includes an additional \$25.6 million in state-restricted (MTF) revenue for the local Critical Bridge Fund/Program. The additional funding for this program would come from amendments to Public Act 51 of 1951 made in House Bills 5318 and 5319. This memo provides additional description of the Critical Bridge Fund/Program.

Critical Bridge Fund/Program

The Critical Bridge Fund provides funding for the rehabilitation or replacement of local road agency bridges. The Critical Bridge Fund/Program was first established in Section 11b of Public Act 51 of 1951 through a 1972 amendment to Act 51, PA 357 of 1972. Section 11b provides for an annual \$5.0 million grant from the Michigan Transportation Fund (MTF) to the Critical Bridge Fund. The Critical Bridge Fund is also credited with interest earnings on the fund balance. As a result, for several years the annual appropriation for the Critical Bridge Fund/Program has been in excess of \$5.0 million. The current year appropriation is \$5.75 million.

In most cases, state Critical Bridge funds are used to match federal bridge funds. For a number of years, the department has allocated 15% of the state's Federal Bridge Replacement and Rehabilitation Program funds for the local Critical Bridge Program. This represents approximately \$18.0 million to \$20.0 million per year in federal bridge funds, in addition to the \$5.75 million in appropriated state-restricted funds.

Typically, construction costs for Critical Bridge projects are funded with 80% federal funds, 15% state (Critical Bridge Fund), and 5% local road agency funds. In addition, the local road agency is typically responsible for 100% of preliminary engineering (design, permits, etc), right of way acquisition, and construction engineering costs.

Although Act 51 allows the state to receive up to 38.4% of Critical Bridge program funds, MDOT does not currently compete for Critical Bridge funds, and has not for several years. It has become a 100% local program.

Local critical bridges are added to the list of eligible bridges in the following manner: In February or March of each year, the department issues a "call-for-projects," with a June 1 deadline for submission. Local agencies submit bridge projects for consideration under the program. Projects are assigned points based on established selection criteria. New projects meeting minimum eligibility requirements are added to the list of unfunded bridge projects, and are ranked in priority order.

Once the projects are scored and added to the list, projects are selected for funding in priority order until estimated available funds are exhausted. Because funding is not sufficient to construct every project, a number of bridges remain on the list without being selected for funding – in some cases for many years. In 2003 only two new bridges were selected for funding, out of over 400 bridges on the Critical Bridge application list.

Section 11b of Act 51 requires the department to promulgate administrative rules governing the program, and specifically requires that the rules “set forth the eligibility criteria for financial assistance under the program and other matters related to the program as the department considers necessary and desirable.”¹ Section 11b also directs the department to “take into consideration the availability of federal aid and other financial resources of the highway authority responsible for the bridge.”

The administrative rules indicate that in determining the priority of funding, “the department shall give high priority to a bridge which is an important transportation link in the area served, which has an inadequate capacity, and where the highway authority is severely limited in ability to improve the bridge through use of other funds....”

In practice, the department, in cooperation with the Critical Bridge Advisory Committee² uses a nine-element formula for scoring bridge projects and establishing priorities. Elements of the selection formula include bridge capacity, functional adequacy, safety, bridge and approach features, functional classification, local agency financial capacity, local agency transportation needs, traffic volume, and detour considerations.

Some elements of the formula are calculated from information in a bridge management database maintained by the department. Some elements are scored by the Critical Bridge Advisory Committee.

Program Issues

Funding – There has not been sufficient funding to repair or replace all eligible local agency bridges under the program. As of April 2003, the estimated cost for rehabilitation or replacement of all 463 unfunded bridges on Critical Bridge application list was \$183.1 million.

Since 1999, the Legislature has made several attempts to earmark additional revenue from the federal bridge program for local agency bridges; these attempts have been vetoed.

In its FY 2004-05 budget, the Executive proposes to increase state-restricted funding for the local Critical Bridge Program from \$5.75 million in the current year, to \$31.3 million. The \$25.6 million increase would come from a proposed redirection of one-half cent of the 19-cent per gallon gasoline excise tax.³ This would reduce the current Act 51 earmark for state trunkline bridges by a like amount. The Executive would maintain the local share of federal bridge funds at 15%.

Other Issues – After a project is awarded under the program, the local agency then must proceed with the work necessary to award the construction contract, including design plans, right of way acquisition, environmental and utility permits, and submission of the local share of construction costs. In some cases, this process can take several years.

The administrative rules indicate that funds allocated to a project which can not be placed under contract within six months of the allocation date may be reallocated to other projects. The department, in cooperation with the Critical Bridge Advisory Committee, established a requirement that local agencies award the construction contract within four years of the time the project was selected for funding. A recent audit of the department’s bridge program disclosed that in some cases the department did not

¹ Administrative Rules 247.151 et. seq.

² The Critical Bridge Advisory Committee is comprised of three members representing county road commissions, three members representing cities and villages, and three members from the Michigan Department of Transportation. The Committee meets each September or October to review and approve program applications.

³ The proposed new earmarks for the Critical Program would be effected in House Bills 5318 and 5319.

enforce this requirement. The audit also disclosed that certain elements of the bridge selection criteria were out-of-date. See Office of Auditor General Performance Audit of the Michigan Department of Transportation Bridge Programs, Report 59-165-02 (June 2003).

As of April 2003, there were 145 active bridge projects at various stages of development, representing estimated project costs in excess of \$101.5 million. Of these, 13 had been on the active list, without advancing to construction, for more than four years. In most cases, the delays were due to environmental issues.

It has been suggested that the program, as it currently operates, provides a disincentive for local agencies to maintain bridges or to repair bridges in a timely manner. Under current law, a local road agency would have to use its own MTF funds to do preventative bridge maintenance. But if the agency allowed a bridge to deteriorate to the point of closure, it could hope to obtain funding from the Critical Bridge Program.

The department has indicated that it is currently working with representatives of local road agencies to re-engineer the process for awarding and distributing Critical Bridge Program funds. The department has not yet indicated if the proposed program revisions will be reflected in revisions to the related administrative rules.