

# Transportation Funding Crisis

What You Don't Know Will Cost You

# Tough Times For Transportation Funding

Declining gas tax revenues

Declining state revenues for  
aviation, highways and transit

Uncertain federal revenue

+ Increasing costs

---

= **Uncertainty**

Transportation  
Funding  
**Crisis**



# Michigan is Experiencing a Transportation Funding Crisis

At current funding levels, the condition of Michigan's transportation infrastructure will decline.



Transportation  
Funding  
**Crisis**

# Where Does the Money Come From?

Michigan's primary sources of transportation funding are the state gas tax and vehicle registration fees.

- Michigan's gas tax is 19 cents per gallon. The state sales tax applied to gas purchases does not go to roads. As costs go up and consumption goes down, gas tax revenue drops. Michigan's gas tax has not been increased since 1997.



Transportation  
Funding  
**Crisis**

# Where Does the Money Come From?

Michigan's primary sources of transportation funding are the state gas tax and vehicle registration fees.

- Registration fees are based on vehicle value. Fees collected have been declining due to motorists purchasing fewer new vehicles and instead choosing to keep their older vehicles, which bring in lower registration fees.



Transportation  
Funding  
**Crisis**

# What's the Average Cost?

**\$1.7 Million**



**Replacing a bridge deck - \$1.7 million  
(5-lane deck)**

Transportation  
Funding  
**Crisis**

# What's the Average Cost?

**\$800,000**



**Resurfacing asphalt - \$800,000**  
(2 lanes at a distance of one mile)

Transportation  
Funding  
**Crisis**

# What's the Average Cost?

**\$3,000**



**Winter maintenance - \$3,000 per mile  
(plowing and salting)**

Transportation  
Funding  
**Crisis**

# What's the Average Cost?

**\$200,000**



**Building a carpool lot - \$200,000  
(average cost)**

Transportation  
Funding  
**Crisis**

# What's the Average Cost?

Up To  
\$500,000



Urban Transit Bus - \$300,000 to \$500,000

Transportation  
Funding  
**Crisis**

# Michigan's Transportation System Is Important on a Global Scale



27% of North American land-based trade goes through Michigan

37% of North American rail trade moves through Michigan

Michigan's border crossings are some of the busiest in the world

Michigan ranks 7th in the nation in tourism

Michigan has more commercial and recreational ports than any other Great Lakes state

Detroit Metropolitan Wayne County Airport (DTW) is the 10th-busiest airport in North America and the 20th-busiest airport in the world

Transportation  
Funding  
**Crisis**

# Transportation's Value to the Economy

In 2007, Michigan's Transportation System continued as a major gateway for moving products to markets.

444 million tons of truck freight

116 million tons of rail freight

93 million tons of marine freight

350,000 tons of air cargo

\$592 billion in goods within Michigan

\$480 billion in goods across the country

\$216 billion in trade via the Michigan-Ontario border

Supporting 4.6 million jobs statewide

Transportation  
Funding  
**Crisis**

# Where Do We Rank?

Since the 1960s, Michigan has been in the bottom 10 states for state and local transportation funding.



Transportation  
Funding  
**Crisis**

# Our Funding Doesn't Go as Far as It Used To

The 19 cent state gas tax is now only worth 14.7 cents.

State Gas Tax has dropped in value 22.6%



Then



Now

Transportation  
Funding  
**Crisis**

# Gas Tax Revenue Is No Longer the Answer

New fuel efficient vehicles and hybrids have further cut gas tax revenue.



Transportation  
Funding  
**Crisis**

# Gas Tax Revenue Is No Longer the Answer

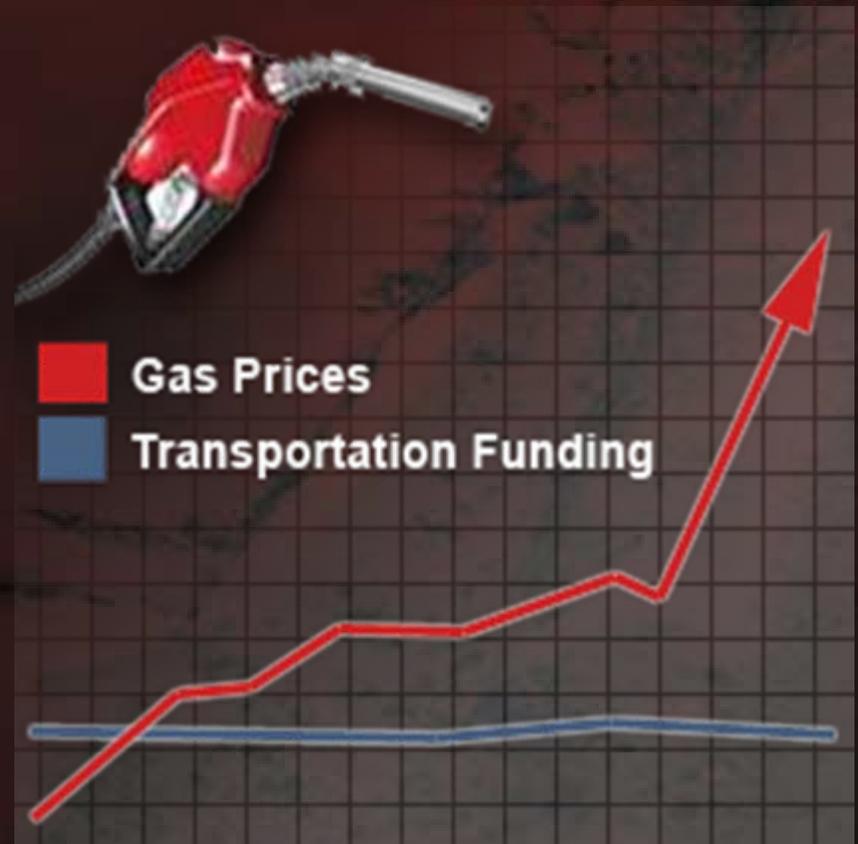
Michigan gas tax revenue has decreased \$100 million in the past five years.



Transportation  
Funding  
**Crisis**

# Travel Is Affecting Funding

As Americans drive less, they purchase fewer gallons of fuel, and thus fuel tax revenue declines.



Transportation  
Funding  
**Crisis**

# Road Construction Costs Keep Growing

Asphalt costs are up 32.4%  
from 2002 to 2006.



Concrete costs are up 21%  
from 2002 to 2006.

Transportation  
Funding  
**Crisis**

# Older Roads and Bridges Require More Maintenance

Michigan roads and bridges are aging, and carry higher volumes of traffic than all but eight other states.



Transportation  
Funding  
**Crisis**

# Winter Weather Is Harsh on Our Roads

Roads in Michigan are exposed to severe weather and harsh freeze/thaw cycles.



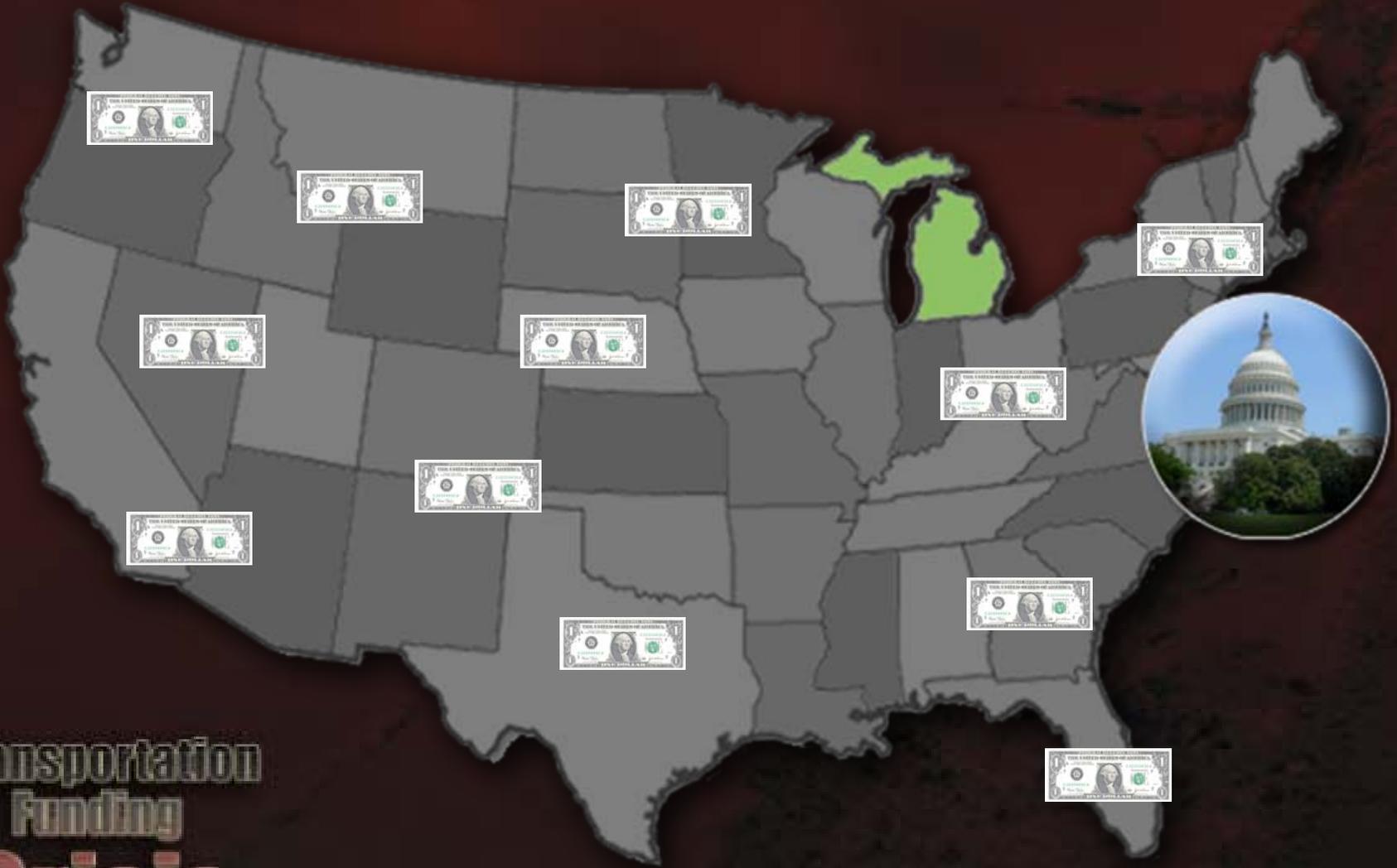
Transportation  
Funding  
**Crisis**

2009 Is the Last Year We Will Be Able to Fully Match Federal Funding.



Transportation  
Funding  
**Crisis**

# If Michigan Can't Match Federal Funding, the Federal Gas Tax Collected in Michigan Will Go to the Other States



Transportation  
Funding  
**Crisis**

# Level of Service at Risk

Limited funding means MDOT cannot adequately maintain the reliable transportation system Michigan's economy needs or provide the level of service the public expects.



Transportation  
Funding  
**Crisis**

# Level of Service at Risk

Without adequate funding, litter pick-up and roadside mowing would be eliminated. MDOT could not afford to maintain Welcome Centers, roadside parks and rest areas.



Transportation  
Funding  
**Crisis**

# Level of Service at Risk

State contracts that connect rural Michigan communities to the national bus network will be cancelled

State contracts for passenger rail service between communities will be cancelled

Local bus systems will cut service

Bus terminals and train stations will not be repaired

Older city buses will not be replaced



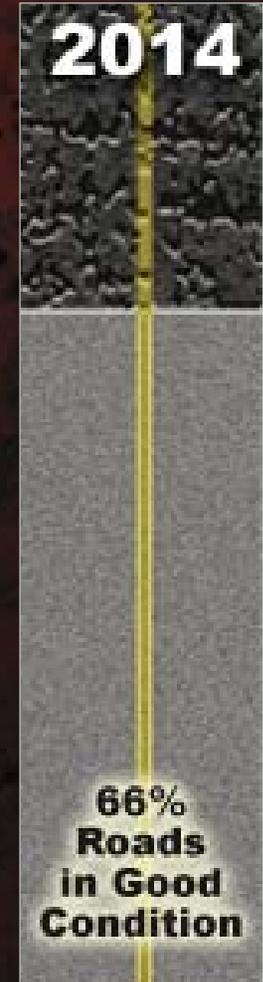
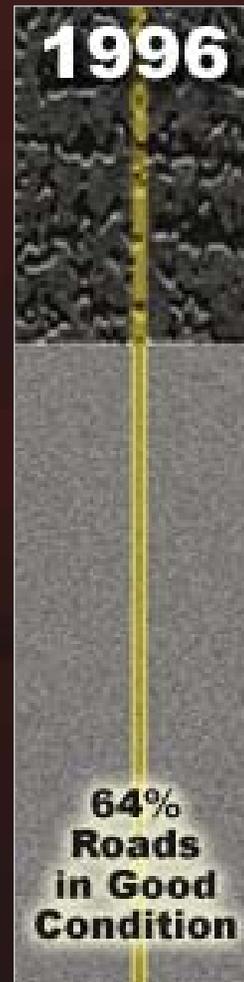
Transportation  
Funding  
**Crisis**

# Positive Gains Made in Road Conditions Are at Risk

In 1996, only 64% of state highways were in good condition.

In 2007, Michigan's goal of 90% of all state highways in good condition was achieved.

By 2014, these gains will be lost.



Transportation  
Funding  
**Crisis**

# Michigan's "One of the Best" Safety Record in Jeopardy

Michigan has one of the lowest fatality rates for motor vehicle crashes in the nation.



Transportation  
Funding  
**Crisis**

# Michigan's "One of the Best" Safety Record in Jeopardy

If road conditions decline and congestion increases, this safety record will be compromised.



Transportation  
Funding  
**Crisis**

# How Does This Affect Me?

Time lost in traffic, wasted fuel, and crashes cost each Michigan driver \$1,671 per year.

**That's \$7 billion.**



Transportation  
Funding  
**Crisis**

# Jobs Would Be Lost in All Sectors of the Economy

At the current funding level, Michigan will lose jobs.

The decline in buying power of MDOT's funding from 2006 to 2010 would mean a loss of over 12,000 jobs.



Transportation  
Funding  
**Crisis**

# Lack of Mass Transit = Lost Opportunities

Michigan residents need a rapid transit system that provides for increased mobility, a cleaner environment and economic development while decreasing urban congestion.

BUT .... federal funds available for mass transit are not going to Michigan, they are going to other areas of the country.



Transportation  
Funding  
Crisis

# The Cost to...

Aviation – deteriorating or closed airports.



Transportation  
Funding  
**Crisis**

# The Cost to...

Transit – Reduction in or loss of local rural and intercity bus and rail service.



Transportation  
Funding  
**Crisis**

# The Cost to...

Freight – Increased shipping costs could mean that businesses can't afford to locate in Michigan.



Transportation  
Funding  
**Crisis**

# Transportation Funding Task Force

- Transportation Funding Task Force (TF2) created in response to Public Act 221 of 2007
- Non-partisan group appointed by Gov. Jennifer Granholm and the Michigan Legislature in Dec. 2008
- Worked with Citizens Advisory Group, also created by Public Act 221, to quantify Michigan's transportation needs
- And find efficiencies or reforms that could stretch taxpayer dollars
- Issued report to Legislature, Governor and State Transportation Commission on Nov. 10, 2008

Transportation  
Funding  
**Crisis**

# Transportation Funding Task Force

- Issued final report to Legislature, Governor and State Transportation Commission on Nov. 10, 2008
- Report available online: [www.michigan.gov/tf2](http://www.michigan.gov/tf2)

# TF2 Conclusions

- Our investment in transportation must increase significantly
- Road-user fees are stagnant
- Transportation revenues have fallen while material costs have risen sharply
- Michigan is currently evolving from underinvesting in transportation to disinvesting in transportation
- Current investment in transportation needs to double

# Summary of Transportation Investment Scenarios

Investment Scenario	Aviation	Highway Road & Bridge	Intermodal Passenger	Intermodal Freight	Total Across Modes
<b><i>Do Nothing</i></b>	<b>\$121M</b>	<b>\$1,900M</b>	<b>\$241M</b>	<b>\$14M</b>	<b>\$2,276M</b>
State & Local Funds	\$16M	\$1,653M	\$193M	\$7M	\$1,719M
Federal Funds Leveraged (avg/yr)	\$105M	\$247M	\$48M	\$7M	\$557M
Federal Funds at Risk (avg/yr)	(\$16M)	(\$954M)	(\$112M)	(\$0)	(\$1,082M)
Jobs Lost	(416)	(13,532)	(3,516)	(N/A)	(17,464)
<b><i>“Good”</i></b>	<b>\$242 M</b>	<b>\$6,136M</b>	<b>\$773M</b>	<b>\$19M</b>	<b>\$7,170M</b>
State & Local Funds	\$79M	\$4,935M	\$508M	\$12M	\$5,558M
Federal Funds Leveraged (avg/yr)	\$163M	\$1,201M	\$265M	\$7M	\$1,612M
Jobs Supported	3,800	87,000	35,100	250	126,150
Other Benefits	(N/A)	\$37,000M	\$4,369M	\$31M	\$41,400M
<b><i>“Better”</i></b>	<b>\$327M</b>	<b>\$12,696M</b>	<b>\$1,336M</b>	<b>\$41M</b>	<b>\$14,400M</b>
State & Local Funds	\$130M	\$11,495M	\$779M	\$34M	\$12,462M
Federal Funds Leveraged (avg/yr)	\$197M	\$1,201M	\$557M	\$7M	\$1,938M
Jobs Supported	5,200	179,000	59,000	600	243,800
Other Benefits	(N/A)	\$76,200M	\$7,449M	(N/A)	\$83,649M

# TF2 Recommendations

- Pursue “good” level of investment; Strive for “better”
  - **Highways, Roads, and Bridges** - A “good” investment level will ensure that the most frequently used roads and bridges remain largely in good condition...
  - **Passenger Transportation** - A “good” investment level will allow transit agencies to begin replacing aging diesel buses with greener, more fuel efficient vehicles...
  - **Freight Transportation** - A “good” investment will reduce travel time, increasing the reliability of freight shipments on the ground and in the air...
  - **Aviation** - A “good” investment level will create an Aviation Economic Development Fund for aviation improvements needed to attract jobs...



# Statewide Revenue Recommendations

## Immediate Actions

- Increase vehicle registration rates
- Eliminate registration discounts
- Adjust motor fuel tax
- Equalize diesel and gasoline fuel tax rates
- Abolish 1.5 percent “cost of collection” allowance
- Increase aviation fuel tax
- Increase aircraft registration fee
- Abolish commercial airline refund

# Statewide Revenue Recommendations

## Short Term Options

- Reduce Inter-Departmental Grants
- Urge increase in federal aviation block grant
- Redirect sales tax on aviation products to State Aeronautics Fund
- Change aviation fuel tax to a percent of price
- Encourage local investment with a broad spectrum of local revenue options
- Public-Private Partnerships
- Toll-financed reconstruction, expansion, new construction of freeways

# Statewide Revenue Recommendations

## Longer Term Options

- Increase sales tax and dedicate increase to transportation funding
- Direct all or a portion of sales tax on fuels to the Michigan Transportation Fund
- Direct some (or all) of Natural Resources Trust Fund Revenue to roads
- Make reliever/ super-reliever airports eligible for federal primary airport funds

# Transportation = Economic Growth

The U.S. transportation system has given our country a competitive advantage for the past 50 years.

China, India and Europe are developing competing transportation systems.

The U.S. must invest to maintain its global advantage.

Michigan must invest to remain competitive.



Transportation  
Funding  
**Crisis**

**Thank You**

Transportation  
Funding  
**Crisis**



**“Providing the highest quality  
integrated transportation services for  
economic benefit and improved  
quality of life.”**