- **23 Rural Task forces**
  - **2-8 counties each**
- These task forces decide which projects get funded.

Critical Bridge Fund:

- **MDOT calculates total bridge deck needing repair & applies for federal bridge funds.**
- **25% of deck area ID'd is on local bridges.**
- **15% of federal bridge funding to Michigan is set aside for locals as Critical Bridge Fund.**
- **In 2001, Critical Bridge fund was $20 million.**
- **In 2001, MDOT kept $113 million for state bridges.**
- Program of concern to locals
- Critical bridge committee – locals submits critical bridges to MDOT.

Transportation Economic Development Fund (TEDF)

- **Enacted in 1987**
- **Created to fund projects supporting economic growth**
- **Mission:**
  - **Help state compete in global market**
  - **Serve as catalyst for economic growth**
  - **Improve quality of life**
- **Eligible agencies: MDOT, county road commissions, cities & villages**

TEDF Categories:

Category	Description	FY '03 $
A	Projects tied to target industry development or redevelopment	$19.4M
B	Improve local rd. to become trunkline (category eliminated)	
C	Congestion reduction (5 largest urban)	$21.8M
D	Create rural all-season network (all other counties)	$23.2M
E	Develop commercial forests (47 Cos.)	$ 5.0M
F	Road improvements in rural cities	$ 2.5M

- MDOT eligible for Category A
- Category B eliminated
- Category C – only available to 5 largest counties

State Statute

- **TEDF set-aside**
  - **31.5% of Minimum Guarantee to TEDF**
  - **15% to Category C**
  - **16.5% to Category D**

Continued on Next Page

- **FY 2002**
  - **Minimum Guarantee - $105.2 million**
  - **TEDF-C - $15.8 million**
  - **TEDF-D - $17.3 million**
- Federal funds created using driver license fees, etc.

Remember, TEDF is already being cut:

- **<u>$13.9 million per year</u> from TEDF is now being used for Build Michigan debt service (BM I & III).**
- Problem with TEDF – some money goes to debt service.

Even if Michigan gets 95% of federal funds back, it won't solve our road problems.

- **We can't expect the federal government to bail Michigan out!**
- Big push is to get 95% back to Michigan.
- It won't solve Michigan's problem – even if we get 100% back.
- Feds won't be able to get us back on track.

Local Funding (Ranked 13th in the nation)

Local Funding Sources:

- **TIFA/ DDA/ LDFA**
- **Bonds**
- **County mileage**
- **C/V/Twp. mileage**
- **County appropriations**
- **Municipal contributions**
- **Developer/other contributions**
- **Special assessments**

How much are cities & villages statewide already contributing to roads?

- **<u>Annual Avg. City/Village Road Funding</u>**
- **MTF: $480,000 (60%)**
- **Local sources: $320,000 (40%)**

Countywide Mileages

- **<u>Counties with mileages</u>:**
  1. **Allegan**
  2. **Baraga**
  3. **Chippewa**
  4. **Gladwin**
  5. **Houghton**
  6. **Huron**
  7. **Leelanau**
  8. **Midland**
  9. **Ontonagon**
  10. **Sanilac**
  11. **St. Joseph**
  12. **Tuscola**
  13. **Van Buren**

Why?

- **Necessity**
- **(from decades of inadequate road funding from the state)**

"Doesn't all the development taking place in Michigan mean lots of new money for roads?"

- All new development means more money for development of roads.

New development generates new revenues from:

- **Property taxes**
- **Income taxes**
- **Sales taxes**

How much of the new revenue goes to road commissions to address traffic problems resulting from all this growth?

- **NONE!**
- Revenues provide other services.

Per Capita State & Local Expenditures (Michigan's Rank in the Nation)

Expenditures	1964	1974	1984	1988	1992	1998
Health	5	8	9	3	12	15
Education	11	7	10	7	11	9
Welfare	31	5	3	8	17	26
Roads	43	44	42	44	49	

If we want better roads, we have <u>two</u> choices:

- **Take money away from health, education & welfare.**
- **Raise additional funding for roads.**
- **Which would you rather do?**

Q&A

Q How are you working with integrating land use in transportation? Is that part of your program, is this being taking into account?
A Road commission has no control over land use. We are trying to dig out of something that happened 20 years ago. If given an opportunity to work with them; yes we would.

Q When looking at trying to identify a funding gap, where money is available, and how much we need. Have you done and analysis and what is the gap statewide?
A As an agency, yes we have done an analysis. We do an analysis every two years. Cost out needs identified by each community. Cost out in Oakland County is $1.9 billion over the next 10 years; however, they will only get 10%.

Q Within the drunk driver lower limit law there is money hidden in that law for Secretary of State, is there any of this money available for safety improvements? Explain developer's lack of law in Michigan; ability to widen roads?
A My knowledge from fines, etc. is that this money goes to safety programs, road projects etc. Weight masters money goes to library.
A Agency sponsored legislation in the mid-80's, we believe this is another tool we need to have in place. Assess fee to improve the roads to serve the development area. This is a piece of the puzzle. There is a bill in the legislature right now regarding this.

Q What's your take on the local funding options, local gas tax?
A We proposed this local tax 15 years ago and the legislature said no. We don't want to give large urban counties control of gas tax; however, we would not support a statewide tax. We need to keep money in the county for own road needs. Transportation committee in Oakland County raises fees; has a package of increases – others looking at problem and ways to solve it.

Q You talked about Michigan being 6 largest in the country and 5th for local roads, how many miles of road per capita do we have in Michigan compared to other states of similar size and population size?
A Don't know the answer right now. The Dakotas come out worse than Michigan.

Q If we had a road mileage system commensurate with our size, expenditure per capita would go up; however, the reality is we have a lot of roads and need to maintain them. We have more than our share of roads per population, so this is an empty argument, they have fewer roads so why their numbers are better?

A You need to look at type of spending. Some fees below national average – no matter which way you cut it – not spending money.

Q County road commissions spend 60% on maintenance, this was glossed over?

A I pointed out dollars spent towards winter maintenance and pointed out that the southern states get same amount of money but don't have winter maintenance.

Q Are you prepared for the round of cuts? From township perspective, revenue sharing could take another 10% cut. Could be a lot of local money, are you prepared for this?

A All it means is that there will be fewer road improvements and roads will get worse. You can't be prepared; it will just happen.

Improving Public Transit Funding in Michigan

Expert Speaker: **Kelly Thayer, Transportation Project Manager, Michigan Land Use Institute**

MICHIGAN LAND USE INSTITUTE Statewide Non-profit Smart Growth group

- **Founded in 1995**
- **Staff of 14: journalists, planners, and publishers**
- **Grant and member funded**
- **Community-based & statewide projects**
- **State capital advocacy**
- Look at activities around the state.
- Get a glimpse of what is coming.
- Demand will grow and so difficulty in terms of funding will grow considerably.
- We'll look at funding.
- Thoughts about partnerships.

Michigan Transportation & Land Use Coalition (M-TLC)

- **www.mlui.org**
- **Institute & MEC form Coalition in February 1999**
- **Represents organizations with nearly 250,000 members**
- **Core is enviro, transit, faith-based, disability rights**

TRANSIT ACTIVITY ACROSS MICHIGAN

- **Metro Detroit: Rapid bus or light rail possibilities**
- **Ann Arbor: Clean fuels, county-wide, rail to Detroit**
- **Grand Rapids: Rapid bus or light rail, transfer center**
- **Traverse City: 2-county, clean fuel, transfer center**
- **Sault Ste. Marie: City and multi-county**
- **Midwest: High-speed Rail progressing**
- Meeting in the Capitol tomorrow.
- Magazine "Regional Ride" – describes activities in these 5 regions.
- Focused on these regions.
- Substantial plans in the pipeline.
- Metro Detroit is largest region in the country without any form of rapid transportation.
- Example of bus in Ann Arbor – improve public transit.
- Ann Arbor's vision to have a county-wide system.
- Ann Arbor is looking at a rail system.
- Grand Rapids is moving ahead of southeast Michigan in transit.
- Grand Rapids has regional public transportation for 6 surrounding regions.
- Grand Rapids had funding from TEA 21 for transfer center; this is an interactive center for bus and rail.

Continued on Next Page

- Traverse City passed mileage to expand bus service in rural in Grand Traverse county and Leelanau county (a lot of the roads in these two counties are two lane roads).
- Traverse City working on where they would have a transfer center.
- Sault Ste. Marie plugged into a multi-county system.
- Midwest has rail through 6-7 states with Chicago as the hub; Michigan improving on this.

NEED FOR TRANSIT

- **Elderly: 1.1 million (12 %) in 2000; 1.7 million (17%) in 2020; mostly in southern Michigan; higher % in Northern Michigan**
- **People with disabilities: About 500,000 people, with one-third in Wayne County; growing rapidly due to aging**
- **People in poverty: Grown to about 1.1 million or 12%**
- **People with no car: About 10% of Michigan households**
- **People with 1 car: Another 33% of Michigan households**
- Looking at some trends in demographic and income level; needs for transit is going to grow in the next decade.
- Percentage will grow higher (20%).
- Rural areas have a tremendous need for public transit.
- 1/3 of Michigan households have a single vehicle due to pure economics.

NEED FOR TRANSIT

- **80 million rides a year – 5% elderly, 6% with disabilities**
- **MI communities planning for new, expanded service**
- **Soaring VMT suggests need for options**
- **400,000 vehicle crashes a year; traffic accidents are the leading cause of death for kids ages 4 to 14**
- Soaring travel demand.
- Widening roads, management of land use side, etc.
- Safety issue: transit is much safer compared to vehicle crashes.

NEED FOR TRANSIT

- **SEMCOG surveys**
  - **March 2003: Road pavement conditions received lowest satisfaction marks (17 %), followed by transit (19%)**
  - **July 2002: Road repair, road safety top two priorities, followed closely by improving public transit**
  - **March 2001: Priorities - fix roads & improve transit; explicit willingness to pay for transit**
- In terms of satisfaction, the public is not happy with what we are offering.
- People will pay for improvements.

NEED IN SOUTHEAST MICHIGAN

- **SEMCOG: $4.5 billion transit shortfall through 2030**
- **Texas Transportation Institute on SE MI 2003 (2001 data)**
  - **Metro Detroit transit (DDOT and SMART) carries about 51.6 million passengers a year**
  - **Public transit (mainly buses) saved the region $121 million in averted congestion costs (fuel, productivity)**
  - **Public transit reduced motorists' commutes an average 1.5 hours each or 5.5%**
- Use southeast Michigan as an example.
- Similar shortfall in the trend.
- Texas A&M annually puts out a congestion report.
- Empty bus syndrome.
- Transit is saving a significant amount of money right now.

TRANSIT FUNDING IN MICHIGAN

- ***New Economic Engine*:**
  - **Michigan – State transit funding is average among 10 largest states, 2 neighbors; other states also surpass us**
  - **Locals – Detroit and GR less than average**
- ***As a result:***
  - **Federal – MI sacrifices about $100M a year in federal transit funds**

STATE SOLUTIONS

- ***MI Land Use Leadership Council***
  - **Full 10% of MTF to CTF – Finally sharing 1997's 4-cent gas tax increase**
- ***Result***
  - **CTF/Transit gains: $25M annually (about 12.5% of annual state transit budget)**
  - **CTF/Transit has forgone: $150M since tax hike, about 1- year of bus operating**
  - **Roads give up: $25M annually (about 1.7% MTF)**
- Council created by governor and transportation groups.
- 1997 last time we raised gas tax; this money was bypassed.
- 1997 transit has a need as large as roads but no funding for it.
- Raise diesel tax and this will bypass public transit, even counties and cities.
- It is the compromise that we are currently living with.
- Is setting all of us back on the congestion side.
- If we share the full 10% it would be $25-30 million annually.

STATE SOLUTIONS

- ***MI Land Use Leadership Council***
  - **Full 25% of auto-related sales tax or about $277M; presently it's 6% or $66.7M**
- **General fund would lose same amount**
- ***New Source***
  - **Car leasing use tax to transit; about $25M from general fund (HB 4153)**

LOCAL SOLUTIONS

- **Currently: Mileage support**
- **Possibly:**
  - **Regional sales tax**
  - **Regional gas tax**
  - **Payroll, income taxes**
- Rely heavily on mileage support.
- Discussed by road side and transit side.

FEDERAL SOLUTIONS

- ***Generally, now:***
  - **TEA-21: Greater state + local funding = greater fed funding (trains benefit most)**
- ***Future***
  - **TEA-3: Goal is guaranteed 75% - 90% return for transit**
- Is money flowing to states that have rail systems?
- Giving away $100 million on public transit a year to Feds.

WE SHARE THE ROADS

- ***Fix it First for cars & buses***
  - **Bad roads = bad ride for our driving and riding customers**
  - **Bad roads = $1.8B in car repair; untold bus repair each year in MI (ASCE)**
- **New/wider roads can pull communities apart, undermining transit**

WE SHARE THE ROADS

- **State highways falling apart (MDOT data)**
  - **About 57% have 0-7 years of "remaining service life"**
  - **Nearly 30% have 0-2 years of life left**
- **Fiscal Years 1998-2003 (MDOT data)**
- **Total new pavement: $2.5 billion or 30.9%**
- **(About 19% in 2004)**
  - **Adding lanes: $1.1 billion**
  - **New roads: $1.1 billion**
  - **Additional capacity: $296 million**

Continued on Next Page

NEED STRONGER ROAD & TRANSIT PARTNERSHIP

- ***Call for greater partnership***
  - **<u>Michigan road repair-transit battles</u> largely are a zero-sum game, with congestion & stalled economy the winners**
  - **<u>Across nation</u>, "dual-mode" approaches are becoming more common**
  - **<u>A road repair-transit initiative</u> could win in Michigan, regions**
- Bypassing transit and growing congestion.
- Work together; don't have resources fighting each other.
- Lot of room for common ground.

For more information Kelly C. Thayer

- **Kelly@mlui.org**
  231-882-4723
- **www.mlui.org**

Q&A

Q Explain user fees and how they pay or not pay for the transportation system?

A Gasoline tax paying partial user fee. It doesn't come close to cover cost of environment and traffic accidents. Heavily subsidized, gas tax is step in the user fee direction. People are looking for a better road experience. Need to fix roads, widen roads, and support public transit.

Q Can you explain the statewide perspective of improvements made in southeast Michigan; financial review to other parts of the state since this may be discussed this afternoon?

A Right now with the resources the state has to put into public transit money from the state is not going far enough. The pool of funds available for transit is a limited amount of money. Making improvements for your system will take more money from this state pot than others. If other areas take more then the fight will be internal due to the way the funding is designed.

Q Regarding the 75-90% of transit money back to the Feds do you have any idea where it is in Washington?

A The Bush administration's view is that public transportation gets about 50% for new planning, new systems, not working well. Hopefully others from Congress will carry the message of increasing the match back. There is not enough for both to get equal 80% share. In terms of parity, this has gotten some play in Alaska. The problem is cost of developing the new "starts" is very expensive and there is not enough revenue to solve some of the problems. There is pressure to see money distributed more equitably to the states.

Transportation Funding Issues: Legislative Perspective

Expert Speaker: **Craig Thiel, Fiscal Analyst, Senate Fiscal Agency**

Transportation Funding Issues: Legislative Perspective

- Fiscal agencies are set up similar to non-partisan agencies and provide factual information.
- Work primarily with appropriations committees.
- Work with revenue and spending side.
- Similar to the congressional budget office at the federal level.
- Talk in a broader context.
- Where transportation funding fits into the larger state budget.

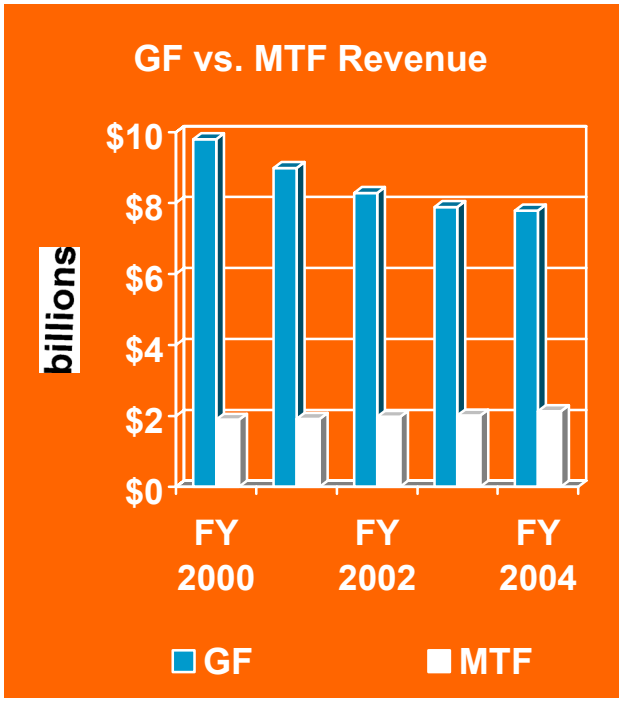
General Fund Budget Problem

- **GF operating gap between on-going revenues and expenditures of $1 billion for FY '04**
- **GF revenue in FY '04 below FY '93**
- **GF revenue decrease 21% - FY '00 to FY '04**
- **GF spending only decrease 5.6% - FY '00 to FY '04**
- **Structural problem not one-time problem**
- **Require long-term not short-term fix**
- State is in a serious budget problem for 2004.

GF Budget Problem: Solutions to Date

- **Series of GF budget cuts dating back to FY '01 (EO 2001-9)**
- **Fee increases**
- **Tax policy changes (a.k.a. tax "loopholes")**
- **Federal emergency revenue**
- **Not out of woods yet, more cuts in FY '04**
- **What does this mean for transportation?**
- Budget cuts started with the previous administration.
- Federal emergency revenue which has helped general fund budget is not available for FY05.
- Consensus revenue conference met two weeks ago and it was determined that there will have to be more budget cuts in FY04.

<u>Good</u> News/Bad News

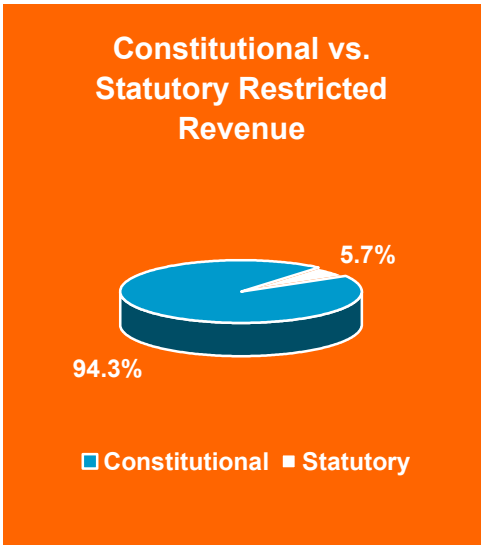


- **13% growth in MTF - FY '00 to FY '04**
- **Transportation funding does not receive direct, on-going support from the General Fund**
- **Transportation funding is insulated from the GF budget and problems, for most part**
- **"Restricted" nature of transportation funding**
- There has been some one times revenue towards transportation funds – these revenues are now gone.

Good News/<u>Bad</u> News

- **Transportation funding ($2.2 billion) will have to help GF budget**
- **Long-term rather than one-time help**
- **Help on revenue side, rather than spending side**
- **GF Budget problem continues in FY '05**
- **How long and how much will transportation have to help with GF budget problem?**
- State will take a serious look at this pot of money and how transportation can help the general fund budget.

Restricted Revenue



- **Article IX, Section 9**
- **Constitutional represents about 94% ($2.1 billion) of all revenue**
- **Difficult, if not impossible, to divert constitutional revenue**
- Constitutional – fuel tax, vehicle registration
- Attention turned to statutory pot of money.

Restricted Revenue

- **Statutory restricted revenue represents about 6% ($133 million) of all transportation revenue**
- **Not as difficult to divert statutory revenue**
- **Funding that would go to GF is main target**
    - This is the main target.
- **Largest portion is auto-related sales tax revenue to CTF ($67 million)**
- **Driver license fee revenue to TEDF ($13 million)**

Recent Revenue Diversions

- **On-going and temporary diversions**
  - **EO 2001-9 ($63 million)**
  - **BSF transfer for Build Michigan III ($35 million)**
  - **Driver license revenue to TEDF ($13 million - not enacted)**
  - **Sales tax to CTF - 2 years ($10.8 million)**
  - **Midfield terminal payments from CTF, originally GF ($9.6 million and $12 million)**
  - **Loss of GF from Aero Program and replace with airport parking tax ($6 million)**
  - **CTF diversion to STF for 17 capacity projects ($10 million)**
- **All aspects of transportation funding affected by diversions**
- How has transportation helped to solve the revenue fund?

- Proposal came out last budget cycle was not reenacted.
- Not just public transit or roads have been affected by budget reduction.

Continued on Next Page

Prospects for Increased Funding

- **Gas tax increase of 1997 – "Perfect Storm"**
  - **Robust economy, no budget problems**
  - **"Pavement crisis" in Michigan**
  - **General consensus that problem exists**
  - **Roads a priority for public**
  - **Competing proposals, very contentious**
  - **Solution: focus on roads (split 4 cents for roads only)**
  - **Trade-off for tax increase, i.e. personal exemption increase**
  - **GF and School Aid Fund negatively impacted**
- Final fix – focus on roads.
- One cent goes to the state; the other 3 cents would go to counties, villages, etc.

"Crisis" Does Not Exist

- **Demonstrated need for increased funding?**
  - This room of people would argue yes**.**
- **Yes – within transportation community**
- **No – in public's view**
- **Maybe – within legislature**
- **Current legislative priorities: fix Michigan's weak economy and address GF budget problem**

Current Legislative Climate

- **General opposition to raising taxes**
- **Address GF budget before transportation**
- **Wait and see attitude with TEA-21 reauthorization**
- **Other options to address transportation funding issues**
  - **Open to continued use of borrowing, but what is the appropriate mix of "pay-as-you-go" and borrowing?**
  - **Rearrange allocation of transportation resources to address priorities**
- Appropriate mix of on-term revenue versus borrowing.
- Preservation vs. expansion or moving dollars amongst the different competing transportation needs.

Transportation Summit Planning Committee Funding Issues

Expert Speaker: **William E. Hamilton, House Fiscal Agency**

Transportation Summit Planning Committee Funding Issues

- The House Fiscal Agency is like a reference library.
- It's a full-service service group.

Recent Legislative Initiatives Affecting Transportation Funding

- **1997 Gas Tax Package**
- **Diesel Taxes**
- **Grant to Department of State**
- **Fee Increases**
- **Airport Parking Tax**

1997 Gas Tax Package

- **Last major revenue increase for transportation**
    - Went from 15 cents to 19 cents.
- **4-cent increase generates approximately $200 million per year for transportation**
- Each penny of the tax is equivalent to $15 million in Michigan.
- **100% earmarked for state/local road agencies – bypassed public transportation**
- Bypass is principle reason why the CTF share is only 8% not the 10% constitutional limit.

1997 Gas Tax Package

- **Part of a legislative package which included:**
- **Increased commercial truck registration fees ($44.9 million)**
- **$69 million from the Budget Stabilization Fund**
- **Reduced MTF grants to Dept of State**
- **Amendments to Act 51**
- **(Build Michigan II)**
- Whole package was titled "Build Michigan II."

1997 Gas Tax Package

- **Culmination of 5-year effort starting in 1992**
- Culmination was due to a whole number of efforts.