

## Section 2: Guiding Principles

The Task Force agreed to a set of guiding principles to help evaluate the many options and strategies for future funding that could be applied. They chose to focus on investment alternatives that:

### **Are workable in the short run and sustainable in the long run.**

The Task Force recognized that some recommendations are easier to accomplish than others, but a shift away from a long-standing revenue instrument, such as a motor fuel tax, could require a more complicated solution. For that reason, the group included some recommendations that could be accomplished immediately, some that could be accomplished in a shorter term of two to three years, and some that might take more than three years to implement, but hold the genuine promise of a viable alternative to motor fuel taxes.

### **Encourage broad participation.**

Everyone in society benefits from a reliable transportation system – every person, every institution, every business – and everyone should share in the cost of maintaining such a system. If fees for transportation users in one mode are adjusted, there should be comparable adjustments to user fees in other modes as well.

### **Retain the relationship between users and benefits.**

The advantage of motor fuel taxes and fees has always been their ease of collection and the clear relationship between those who use the system and those who pay for the system. The Task Force sought recommendations that retained that relationship.

### **Offer a diverse array of options.**

While the motor fuel tax may continue to be viable in the short term, in its current form it is not reliable enough in the long term to sustain a system as important as our transportation network. For that reason, and because of the large need for investment, a diverse array of funding options is necessary.

### **Allow revenues to keep pace with inflation.**

The chief problem with motor fuel taxes presently is that they do not keep pace with inflation because of the long periods that elapse between increases in the tax. This problem has been exacerbated by the recent spike in gasoline prices, which drove down consumption of gasoline – and transportation revenue – while simultaneously causing dramatic increases in the cost of transportation service and construction. The result has been a serious gap in transportation funding. A funding mechanism that will naturally increase with inflation is the best hedge against future transportation funding gaps.

### **Keep transportation revenue for transportation purposes.**

Particularly during the kind of lean budget years that Michigan has experienced recently, transportation revenues are a very tempting target for appropriators seeking additional revenue for other programs or services. Transportation is too important to the continued economic growth and progress of this state to allow the redirection of limited transportation funding. The writers of the state Constitution understood this when they included language in Article IX, Section 9 that requires that revenue generated by transportation fees and taxes should be used for transportation purposes. The Task Force takes this provision, and the need to use revenue generated by transportation users for transportation improvements, very seriously.

**Provide incentives for regional coordination and cooperation.**

Michigan's transportation network is vast and complex, but where regional transportation entities are able to save resources, cooperation should be encouraged. Out of necessity for many small local units of government, much is already being done to reduce costs by sharing vehicles and coordinating purchases. It is this type of effort that should be identified and rewarded to further encourage this level of cooperation.

**Capture all available federal transportation funding.**

Michigan is in danger of losing federal aid. Some agencies are already unable to provide sufficient matching funds to capture all available federal aid. By 2010, Michigan stands to lose \$1 billion per year in federal funds because of a lack of sufficient state and local matching dollars. Action must be taken to ensure that this does not happen.

**Leverage revenue from other sources, including the private sector.**

Many other states are already attracting private investment in transportation infrastructure and services. Michigan needs to put these resources to work as well if we hope to accomplish the state's transportation goals. Enabling legislation will be needed in order to provide the full range of financial tools to transportation agencies to ensure financial participation by the private sector in the provision of transportation infrastructure and services.