



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
**DEPARTMENT OF TRANSPORTATION**  
LANSING

KIRK T. STEUDLE  
DIRECTOR

November 17, 2015

Street Administrators  
Board of County Road Commissioners

On November 10, 2015, the Legislature passed and Governor Snyder signed nine bills into law which will raise \$1.2 billion for the new transportation revenue package. This includes a Registration Fee and Fuel Tax increase as well as a dedication of General Fund to the Michigan Transportation Fund (MTF) among other changes. NOTE: since the General Fund is deposited first into the MTF for distribution, these General Fund monies must follow Act 51 requirements – no different than gas tax.

As announced, the revenue package occurs over time starting in Fiscal Year (FY) 2017 and increasing through FY 2021. We have estimated the potential revenue increase to each Local Unit and are providing the attached to you for planning purposes. An assumption made for this estimated revenue is the Legislature passes a concurrent resolution in FY 2017 for the \$100 million in Roads Innovation Fund.

The nine bills are:

HB 4736 - Increases the elected gross vehicle weight truck registration tax by 20 percent beginning Jan. 1, 2017. This would increase the State Trunkline Fund (STF) by \$26 million annually. The law also will increase ad valorem light-vehicle registration by 20 percent beginning Jan. 1, 2017. This would increase the STF by approximately \$154 million annually. HB 4736 will apply a \$30 per year surtax for plug-in hybrid cars, \$100 for electric cars, and \$200 for plug-in hybrid and electric trucks. The law also will increase taxes by \$2.50 for plug-ins and \$5 for electrics for every 1 cent increase in the gasoline tax above 19 cents per gallon. This would yield less than \$500,000 per year in additional revenue. The law makes no other changes to car or truck registration taxes. HB 4736 was assigned Public Act 174 of 2015 and takes effect April 1, 2016.

HB 4738 - Raises the gasoline and diesel tax to 26.3 cents per gallon beginning Jan. 1, 2017. The law will raise an estimated \$418 million per year for the MTF in 2017. After Jan. 1, 2022, it will increase the motor fuel tax rate to the CPI or 5 percent (whichever is less), but never negative. It raises an estimated \$23 million per year in 2022 and thereafter at 2 percent inflation. HB 4738 also defines a gallon equivalent of natural gas compared to a gasoline gallon equivalent and propane to a diesel gallon equivalent. Beginning Jan. 1, 2018, the law applies fuel tax to natural gas, propane, and other new fuels at diesel gallon equivalent rates. HB 4738 was assigned Public Act 176 of 2015 and takes effect Jan. 1, 2017.

HB 4370 - Appropriates income tax revenue to the three-way roads formula for the state trunklines, counties, and cities. Starting in FY 2019, it will receive \$150 million, \$325 million in FY 2020, and \$600 million in FY 2021 and thereafter. The bill also will increase the Homestead Property Tax Credit with the Consumer Price Index (CPI) beginning in 2022. HB 4370 was assigned Public Act 179 of 2015.

HB 4737 - Allows the MTF to receive funds from any source and not just road user fees. It will require pavement warranties for MDOT and local road agency projects exceeding \$2 million either for new construction or reconstruction. Previously, local road agencies did not have any warranty requirements. It

also will require MDOT to compile and make public an annual report on all warranties. The law will restrict MDOT administrative expenses to 8 percent for projects. It will also require MDOT to create a "Road Innovation Task Force" to study methods that can produce roads that will last at least 50 years. A report to the Legislature is required by March 1, 2016. Beginning in FY 2017, HB 4737 will create a new Roads Innovation Fund (RIF) and appropriate \$100 million annually in fuel tax until released by legislative vote. Once released, funds in the new RIF will be distributed to all agencies according to the Public Act 51 formula, and will have no restrictions on their use nor will they have to be spent on special pavements. The law also creates a new \$3 million Grade Crossing Surface Fund and Program to be used on local road crossings. HB 4737 was assigned Public Act 175 of 2015 and takes effect April 1, 2016.

HB 4616 - Conforms the Motor Carrier Fuel Tax Act to Public Act 175 of 2015. The law now defines a gallon equivalent of natural gas and applies the motor carrier fuel tax to natural gas, propane, and gasoline. It also sets the diesel fuel tax rate equal to gasoline. HB 4616 was assigned Public Act 178 and takes effect Jan. 1, 2017.

HB 4614 - Applies the 6 percent use tax to natural gas bought in other states and burned by trucks in Michigan. HB 4614 was assigned Public Act 177 of 2015 and takes effect Jan. 1, 2017.

HB 4611 - Requires all road construction projects costing more than \$100,000 be competitively bid. HB 4611 was assigned Public Act 182 of 2015 with immediate effect.

HB 4610 - Allows competitive bids for county road commission projects funded 50 percent or more by townships. HB 4610 was assigned Public Act 181 of 2015 with immediate effect.

SB 414 - Creates an automatic rollback of the income tax rate when the general fund revenue growth exceeds the rate of inflation times 1.425. The state treasurer, the House Fiscal Agency director, and Senate Fiscal Agency director are responsible to make the determination when the growth exceeds the rate of inflation. SB 414 was assigned Public Act 180 of 2015 with immediate effect.

If you have any questions or need further information, please email me at [TimpfE@michigan.gov](mailto:TimpfE@michigan.gov); or contact Lori Cole at 517-335-2556 or Mary Cumberworth at 517-241-3178.

Sincerely,



Edward A. Timpf, Administrator  
Financial Operations Division  
Bureau of Finance and Administration

Enclosures

BFA:FOD:EAT:rh

cc: L. Mester  
M. Frierson  
A. Mowry  
B. Chapman