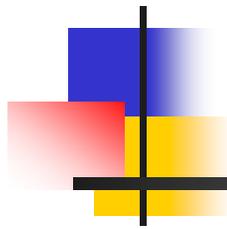


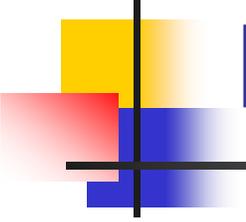
Michigan Transportation Funding Task Force

Schoolcraft College
Livonia, Michigan
May 19, 2008



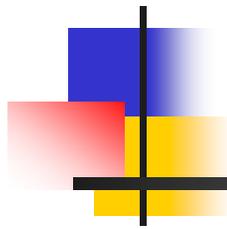
Welcome and Introductions

Dennis Gillow, Co-Chairman

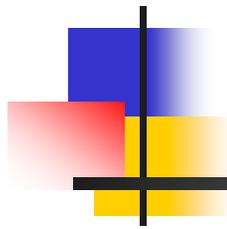


Michigan Transportation Funding Task Force (TF2)

- Approval of April 21 Minutes
- Approval of Today's Agenda

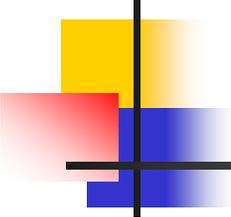


Public Comment



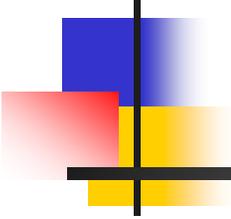
Report from the CAC

Gretchen Driskell, CAC
Chairperson



CAC Report

- Four subcommittees continue meeting
 - Aviation, Highway, Road and Bridge, Intermodal Passenger, Intermodal Freight
- Hearing presentations, gathering data from variety of transportation interests
- Analyzing needs under alternate scenarios
 - Good, better, best
- On track to deliver reports to TF2 in July

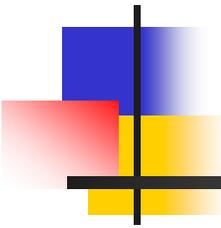


Michigan Laborers' District Council

Jonathan Byrd

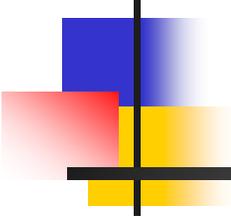
Legislative Representative

Michigan Laborers' District Council



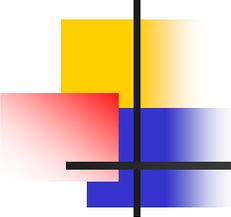
Southeast Michigan Council of Governments

Carmine Palombo
Director, Transportation Programs



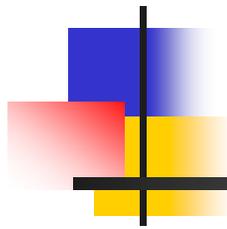
National Surface Transportation Policy & Revenue Study Commission

Frank Busalacchi
NSTPRSC Commissioner
Secretary, Wisconsin DOT

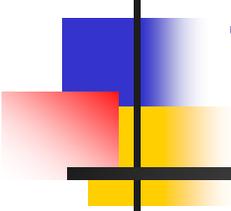


Current Events

- Proposed Federal Gas-tax Holiday
- Comments from Other National Figures
- Proposed State Sales-tax Holiday on gasoline purchases only
- Proposed State Legislation



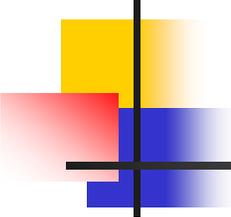
Discussion



Trends Impacting Transportation Funding

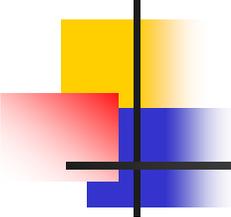
Susan P. Mortel

Director, Bureau of Transportation
Planning, MDOT



Trends Impacting Transportation Funding

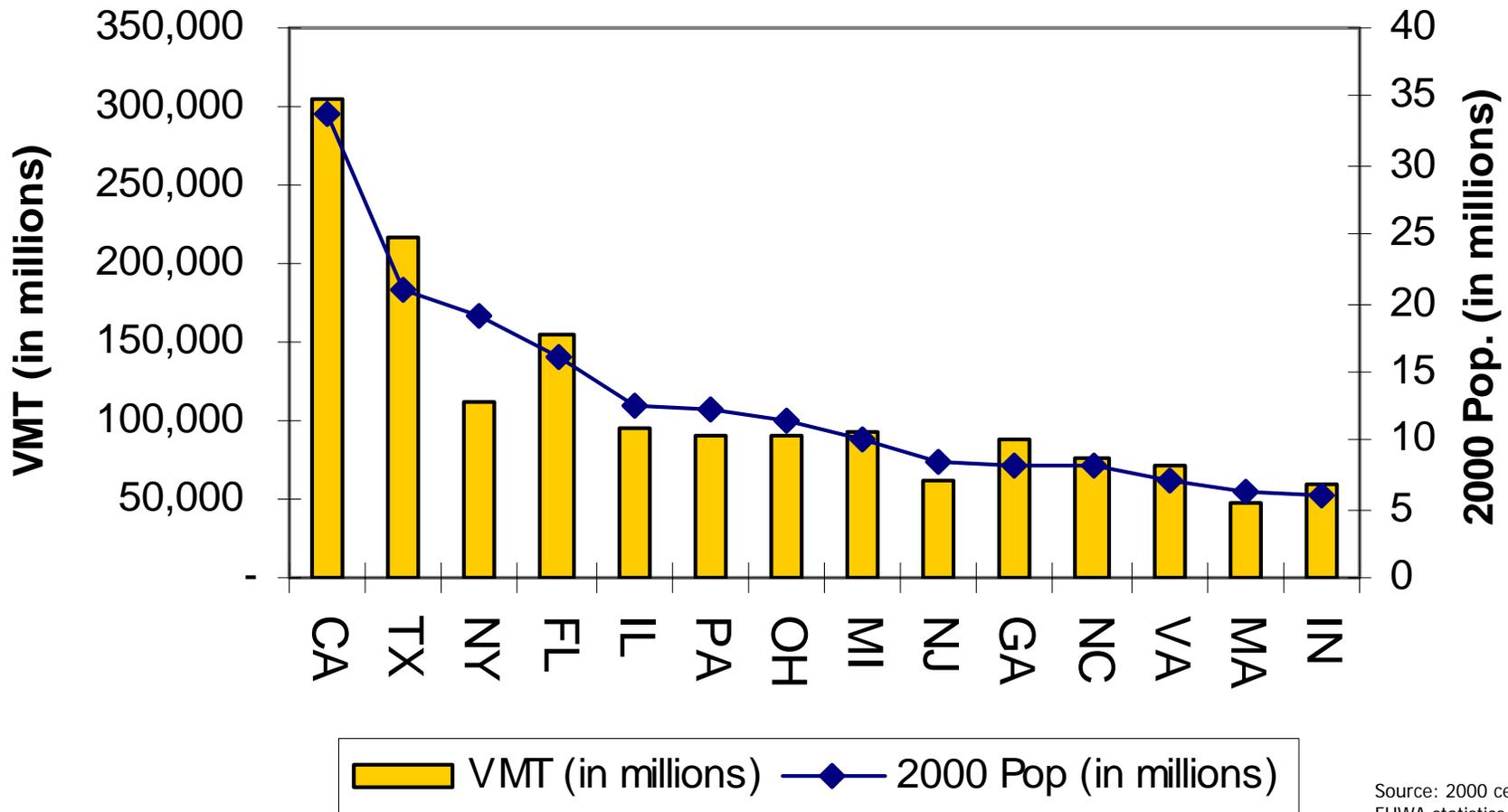
- Demographic
- Economic
- Travel
- System Performance
- Global Climate Change
- Revenue & Cost Trends



How Demographic Trends May Impact Transportation Funding

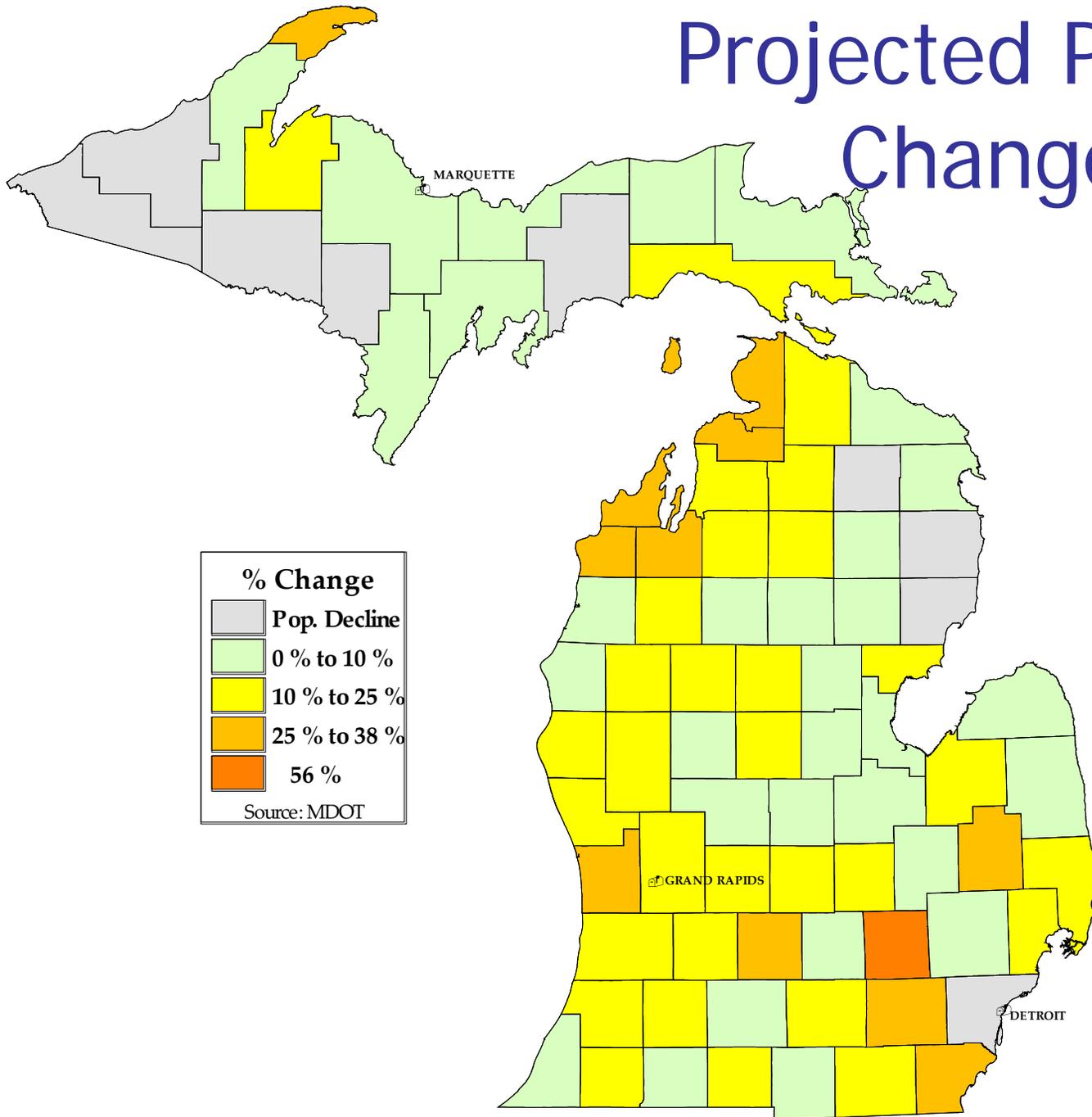
- Number of people impacts number of tax payers, drivers, riders, flyers
- Population density has implications for aero & transit effectiveness, cost efficiency
- Will an aging population have different transportation needs?
- Will a longer-working population stretch out peak highway travel hours?

Correlation between Population and Travel



Source: 2000 census, FHWA statistics 2006

Projected Population Change by 2030

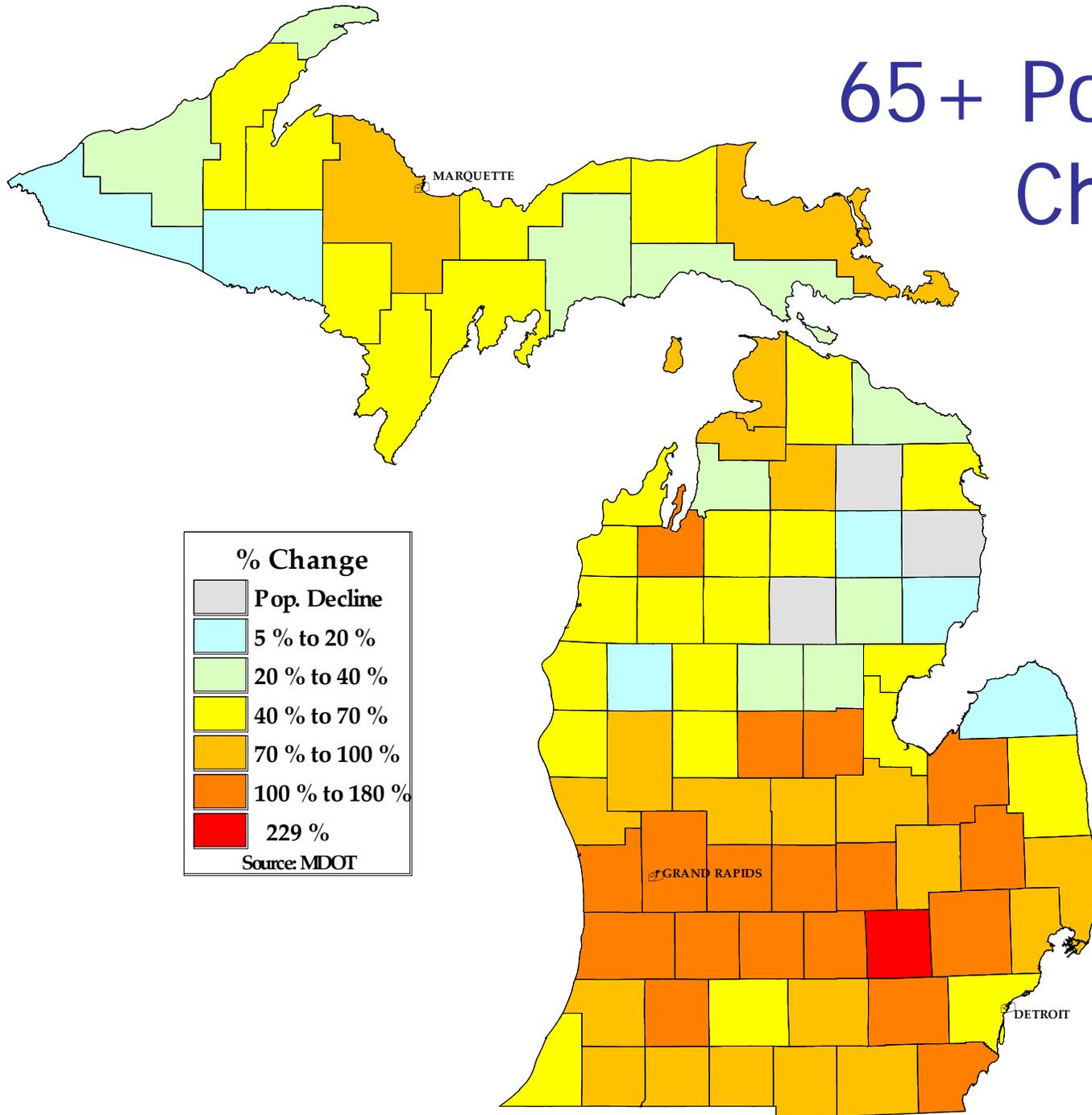


% Change

- Pop. Decline
- 0 % to 10 %
- 10 % to 25 %
- 25 % to 38 %
- 56 %

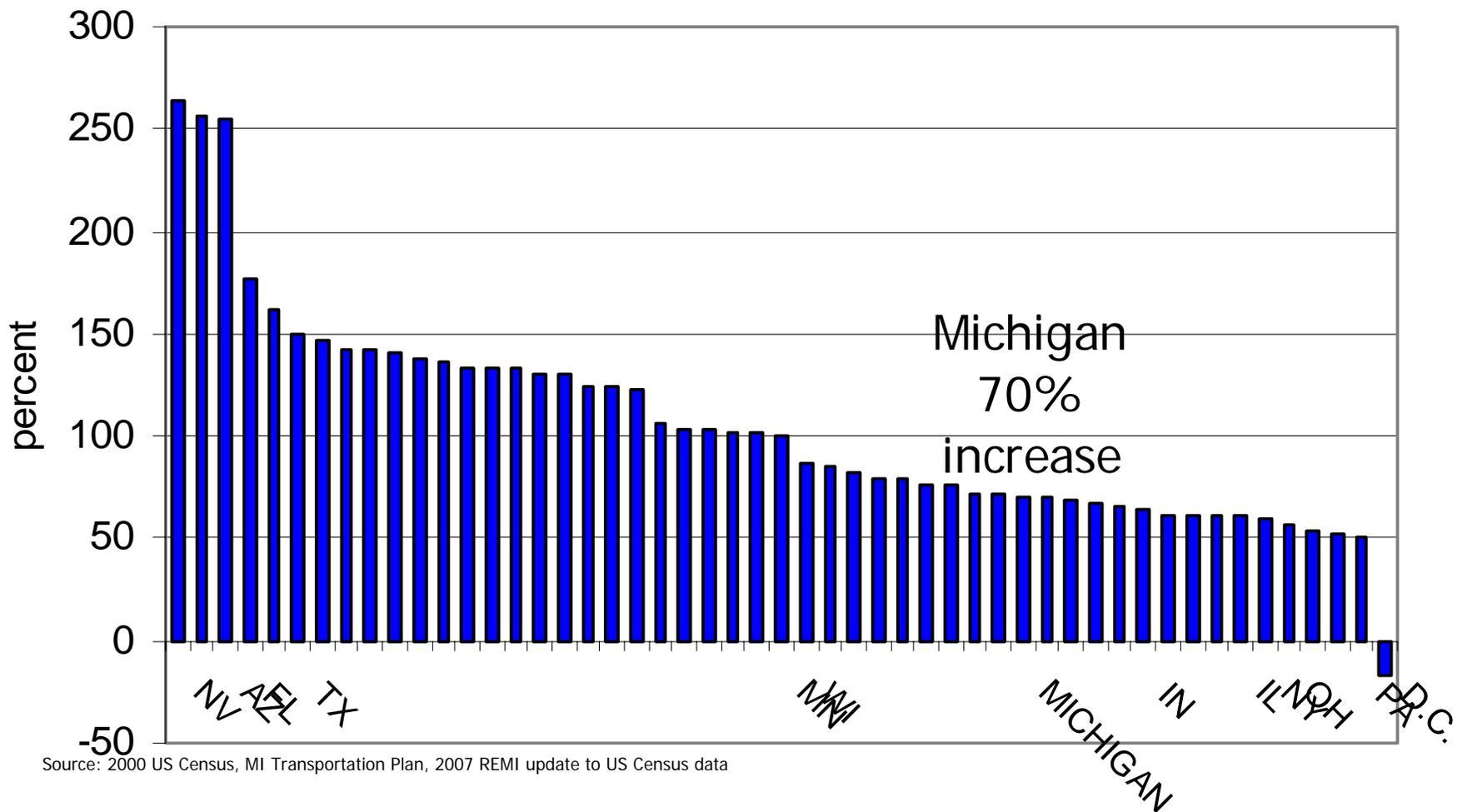
Source: MDOT

65+ Population Change by 2030



Source: MI Transportation Plan

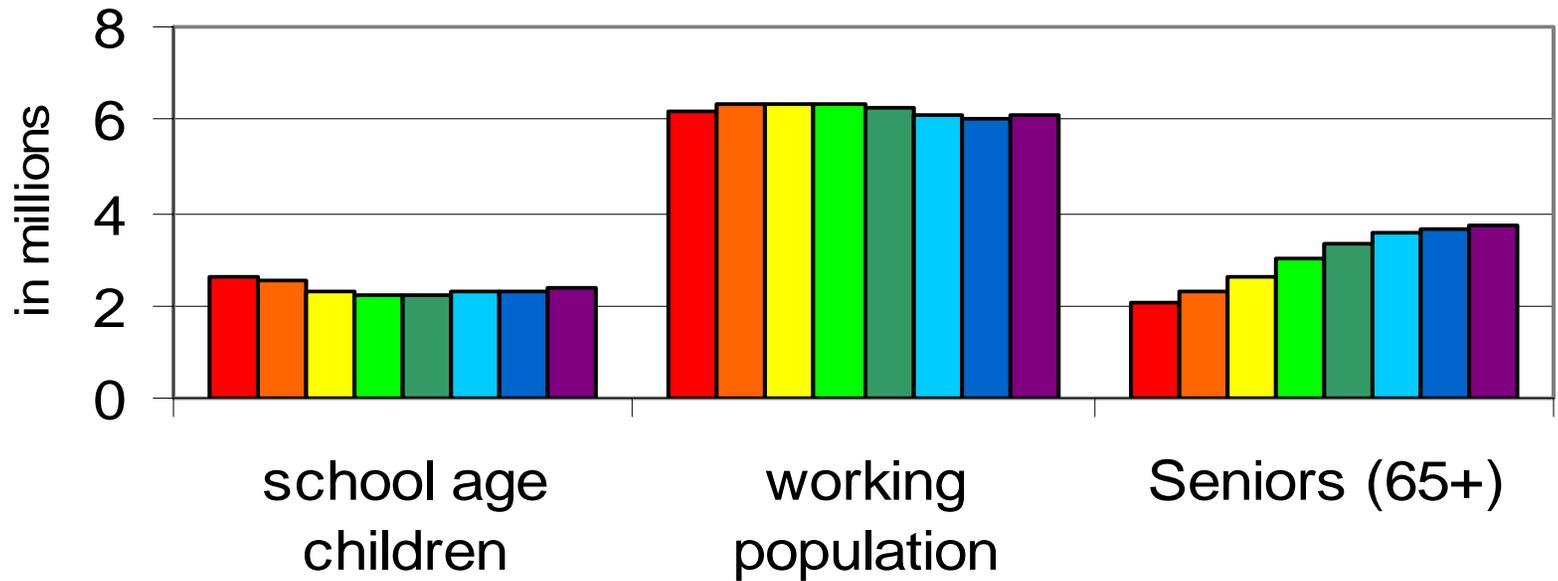
Change in Population Age 65+ by 2030



Source: 2000 US Census, MI Transportation Plan, 2007 REMI update to US Census data

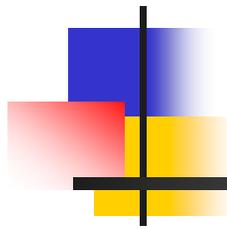
Projected Michigan Population, 2030

Projected Population by Age Group

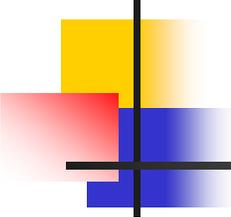


2000 2005 2010 2015 2020 2025 2030 2035

Source: 2007 Remi update to 2000 census data



Discussion

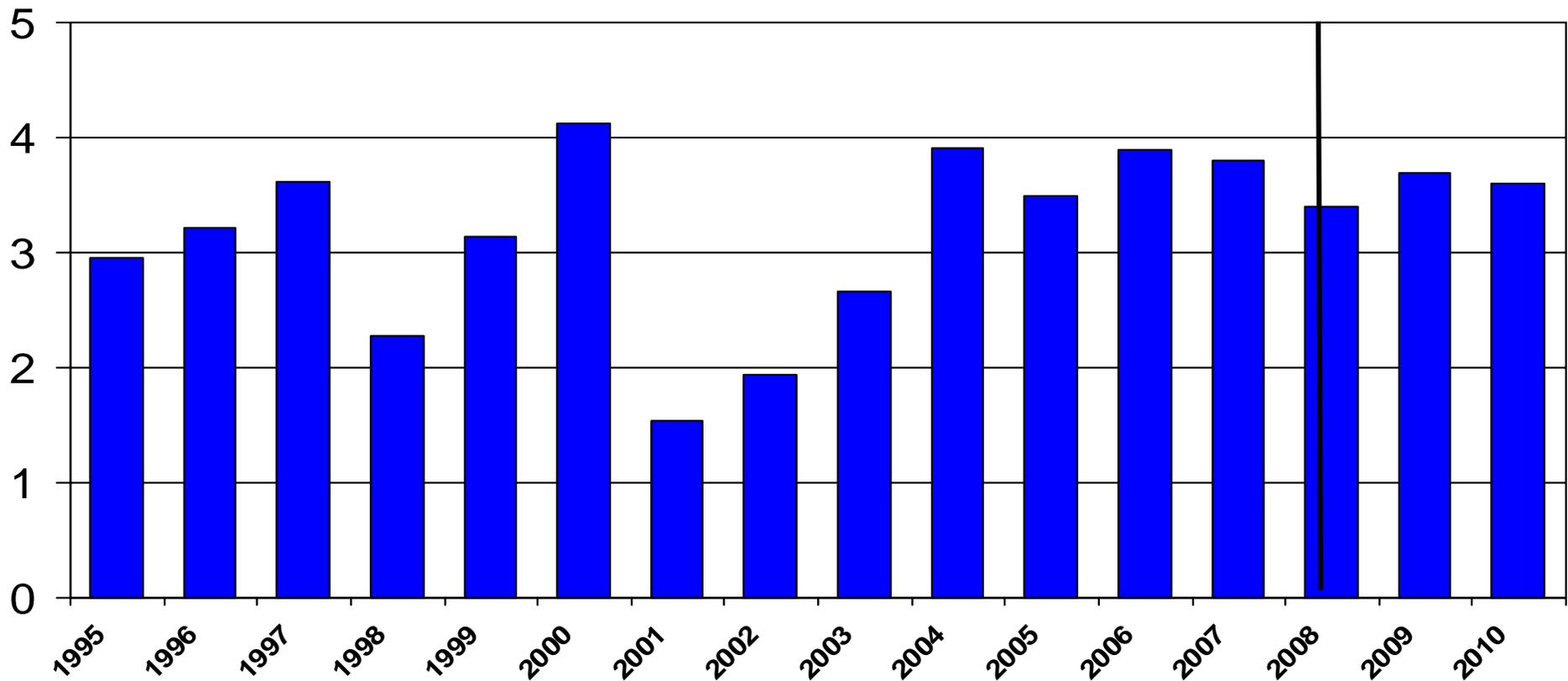


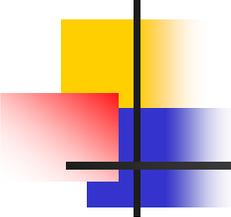
How Economic Trends May Impact Transportation Funding

- Businesses rely on transportation
- Transportation is one factor in business location decisions & where they buy services
- Vibrant service sector means more trucks, more dispersed; do they pay their share?
- Service sector may need improved air service
- Decrease in manufacturing means fewer very heavy trucks
- Global economy impacts border crossings

World Economic Growth Slowing

(Percent change, real GDP)





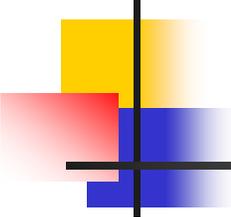
National Economic Trends Mixed

Good News

- Service sector strong & productive
- Infrastructure & durable goods spending better than expected last year
- Strong export performance
- Rapid acceleration of technological innovation
- Globalization

Bad News

- Rising interest rates
- Rising fuel costs
- Decline in housing market
- Rising food costs
- Drops in consumer spending/confidence
- Progressively weaker \$
- Inflation
- Possible recession



Michigan in Economic Transition

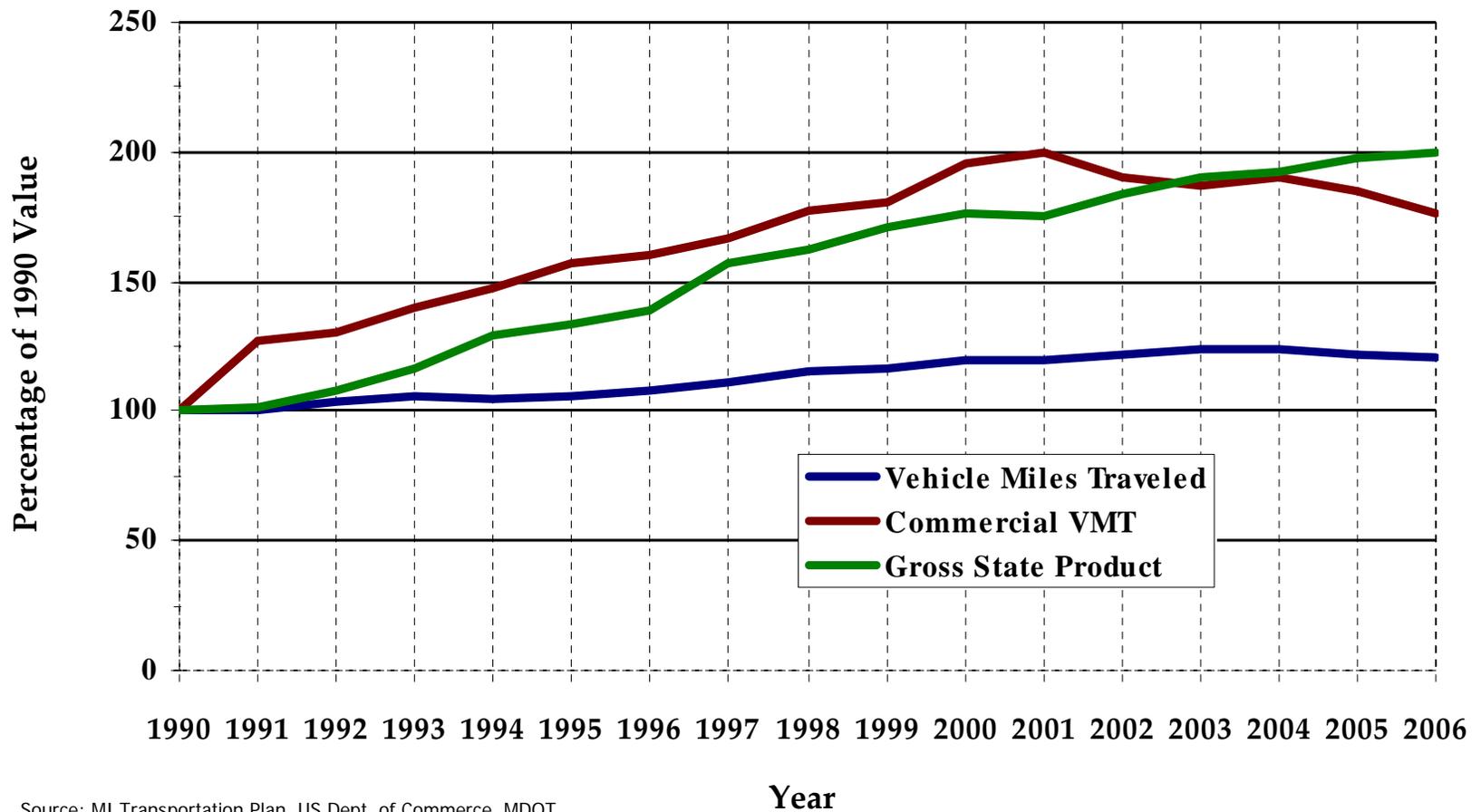
Good News

- Typically ranks 2nd or 3rd in R & D
- Ranks 4th in high tech manufacturing
- Health care, education projected to grow
- Agriculture seeing record high returns
- International gateway still going strong

Bad News

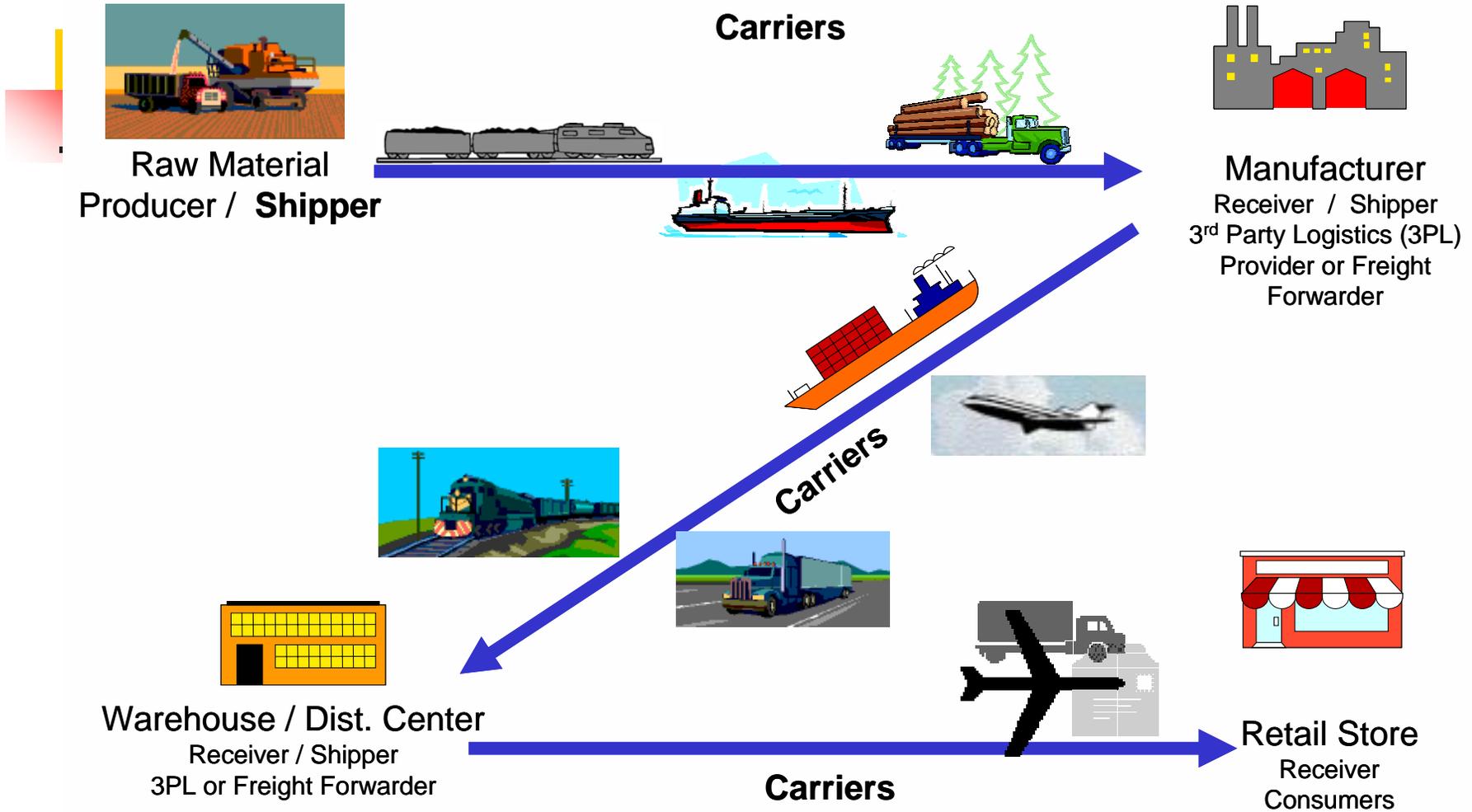
- Decline of over 270,000 manufacturing jobs from 1999 to 2007 overshadows every success
- Tourism travel relatively flat
- Housing sales as bad here as elsewhere

Transportation and Economic Trends in Michigan

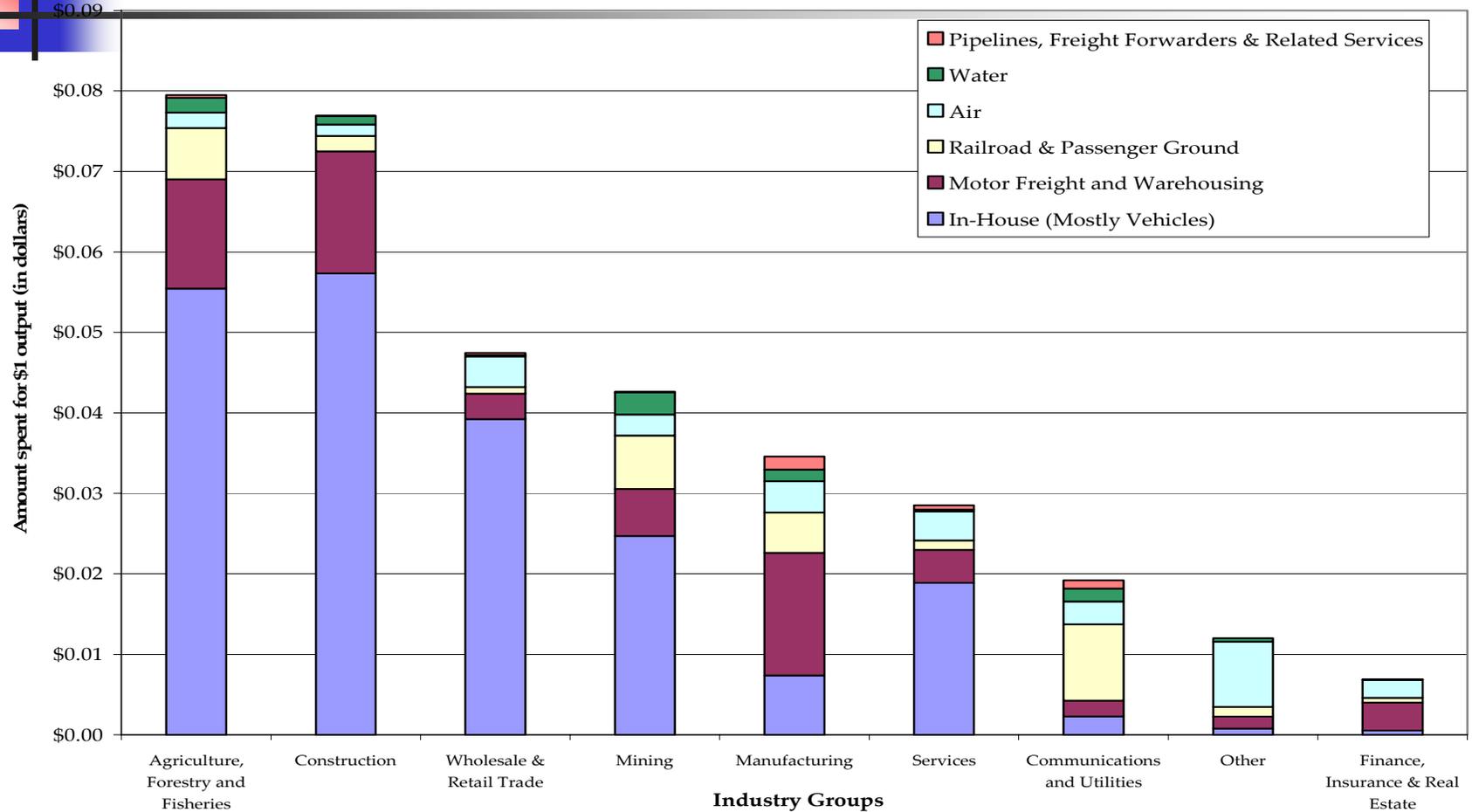


Source: MI Transportation Plan, US Dept. of Commerce, MDOT

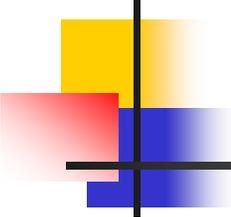
Illustrative Supply Chain Network



Transportation Requirements by Industry



Source: MI Transportation Plan

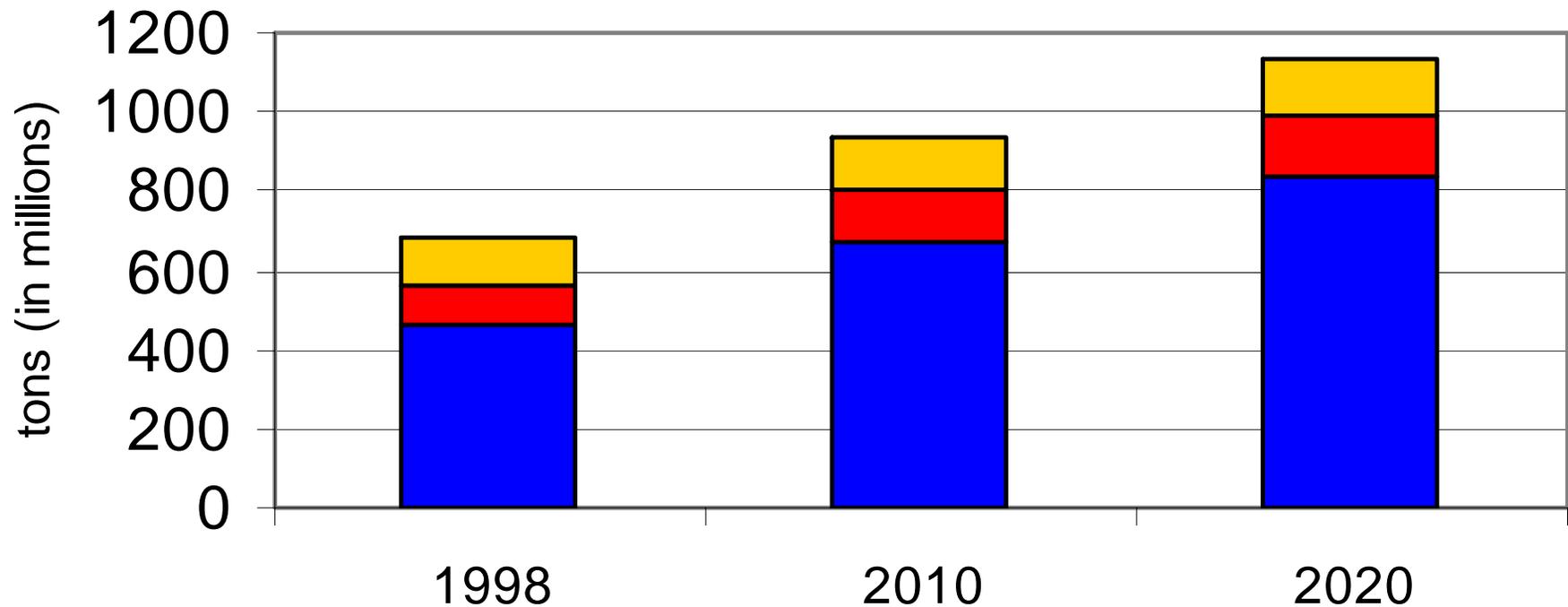


Logistics Trends

- Accounted for 9.95% of US GDP in 2005
 - 22.3% in China, 17% in India
 - 7.15% in Europe
- US transportation costs rising
 - Rail expenditures up 12% in 2006
 - Truck tonnage down 1.3% in 2006
 - Air freight up 7.6% in 2006, not as sharp as the 17% increase in 2005

Michigan Freight Forecast

For shipments to, from and within the state



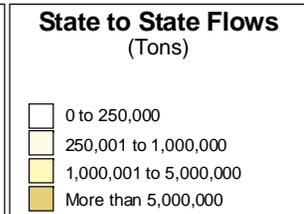
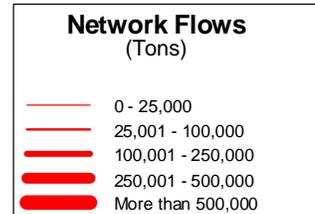
■ Highway ■ Rail ■ Water



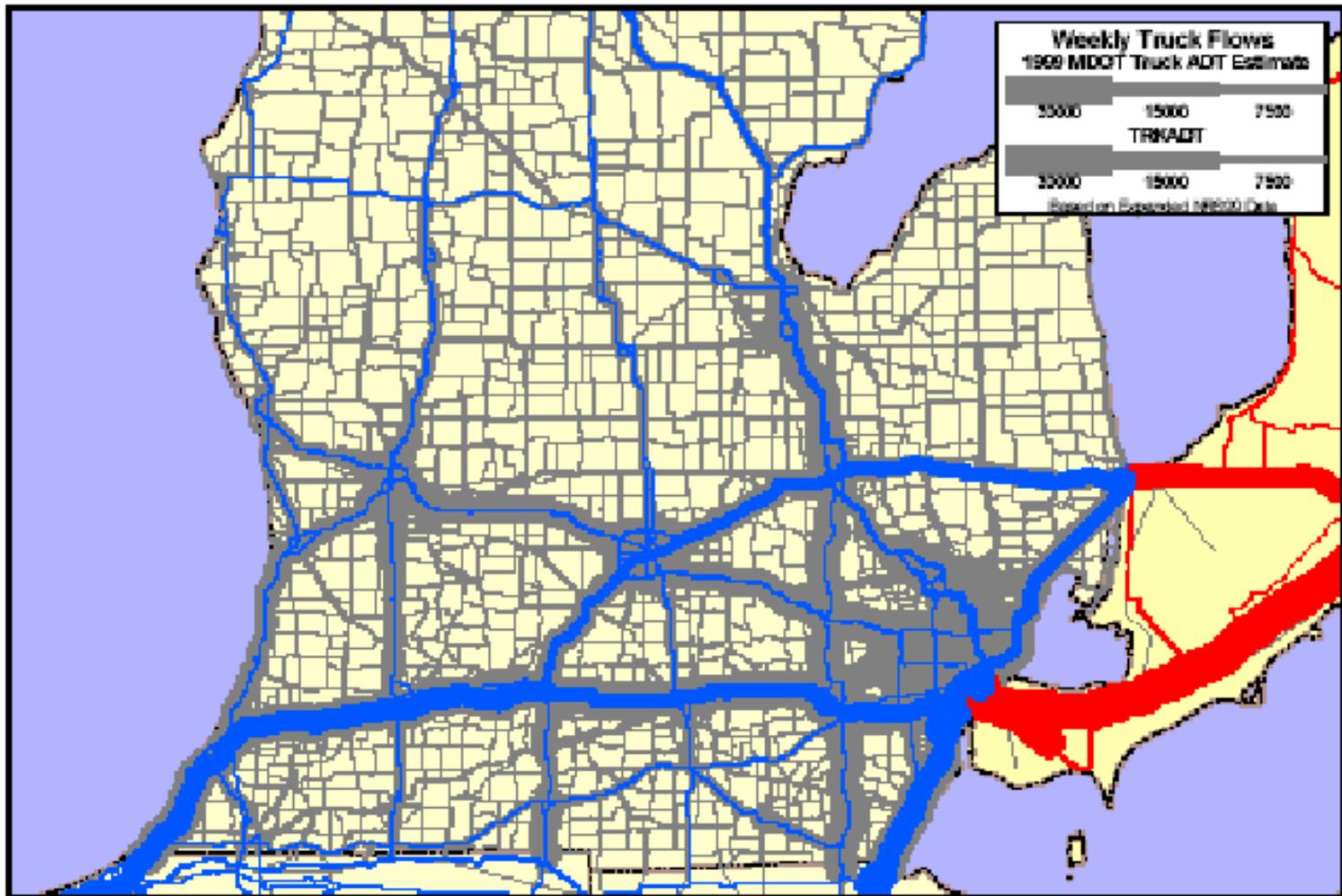
U.S. Department of Transportation
Federal Highway Administration
Office of Freight Management and Operations
Operations Core Business Unit

MICHIGAN

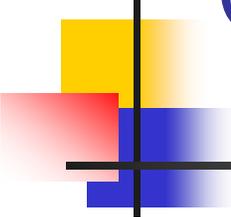
Total International Truck Flows
(1998)



Impact of International Truck Flows on Michigan's Highway Network



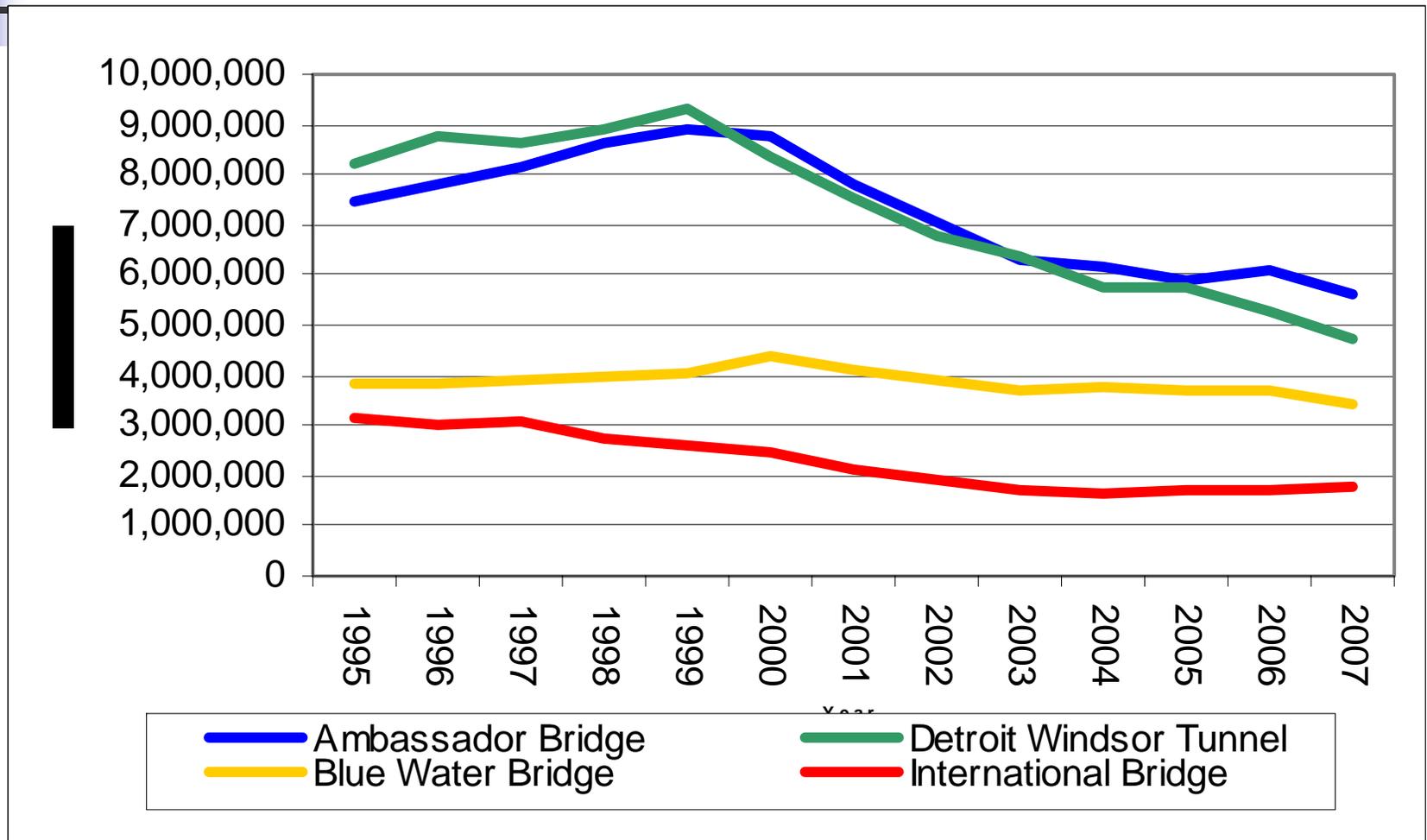
Source: National Roadside Survey



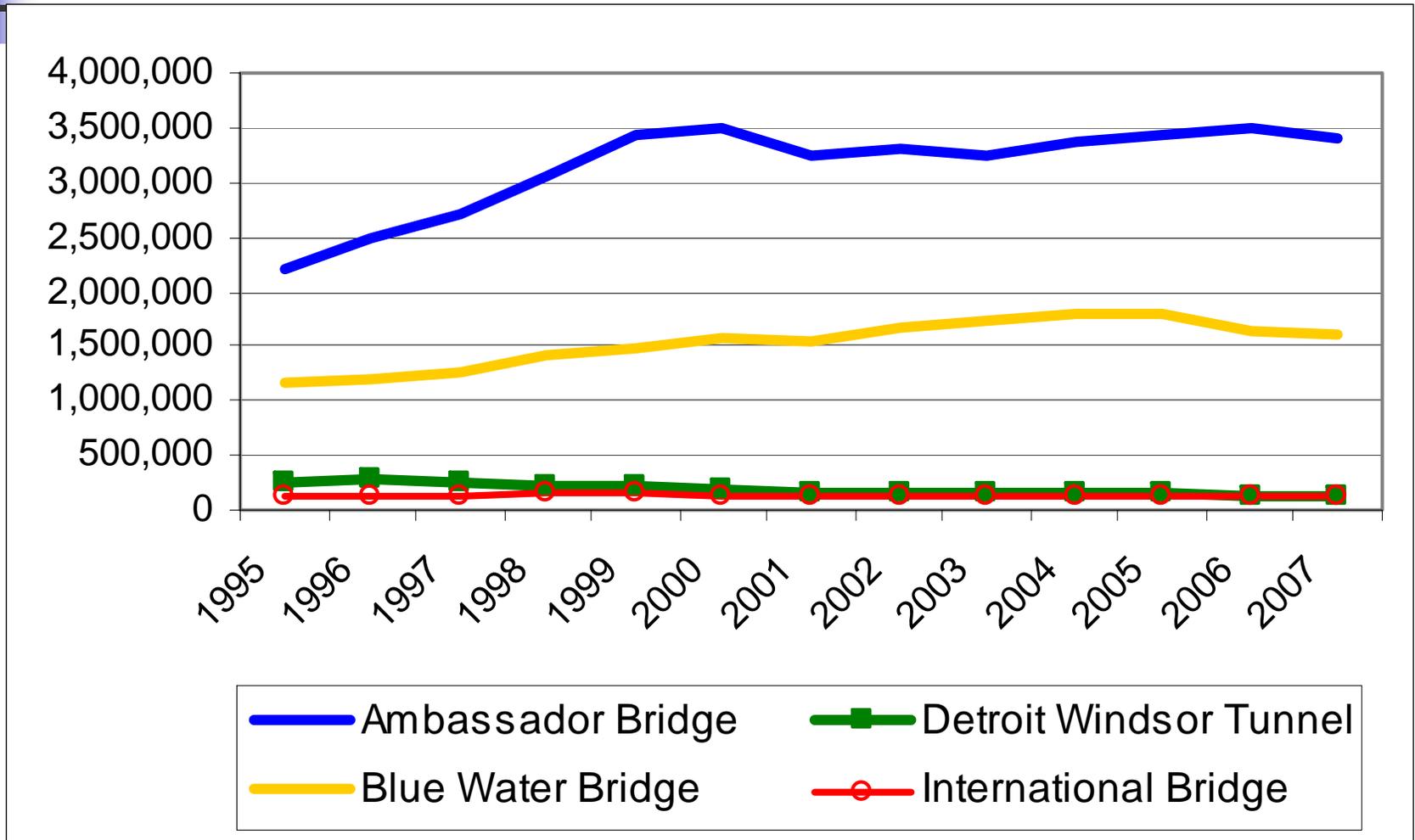
Cross-Border Commerce

- Passenger traffic generates millions \$ for local & regional economies
- 16.8 million passenger cars in 2006
 - 25% work-related
 - 5-10% of Detroit nurses & med-techs live in Ontario, Canada
 - 40% dining, entertainment & casinos
 - 12% shopping

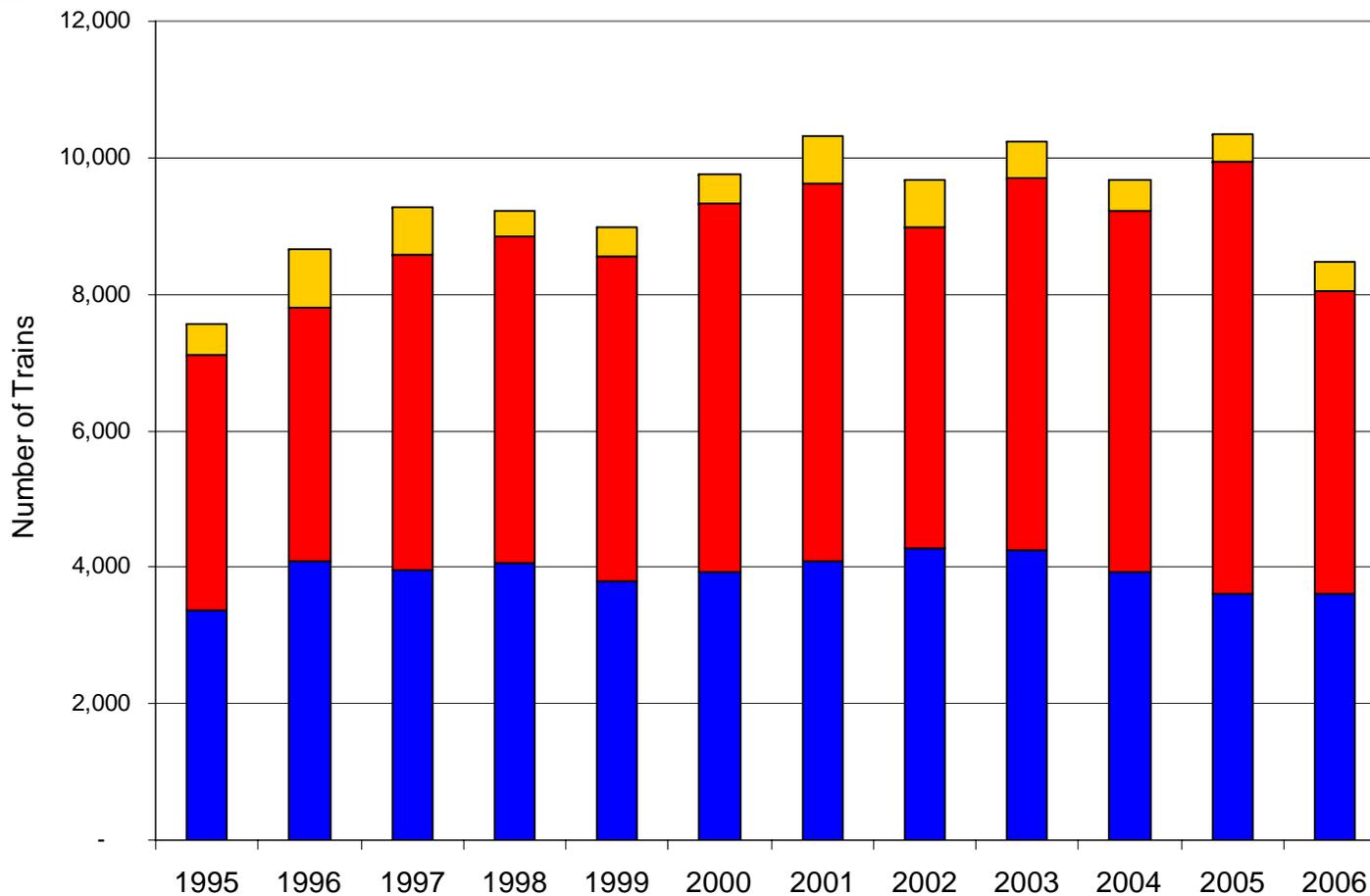
Autos Crossing the Border



Trucks Crossing the Border

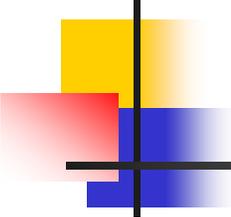


Trains Crossing the Border



Source: Bureau of Transportation
Statistics (BTS) Research and Innovative
Technology Administration (RITA)

■ Detroit ■ Port Huron ■ Sault Ste Marie



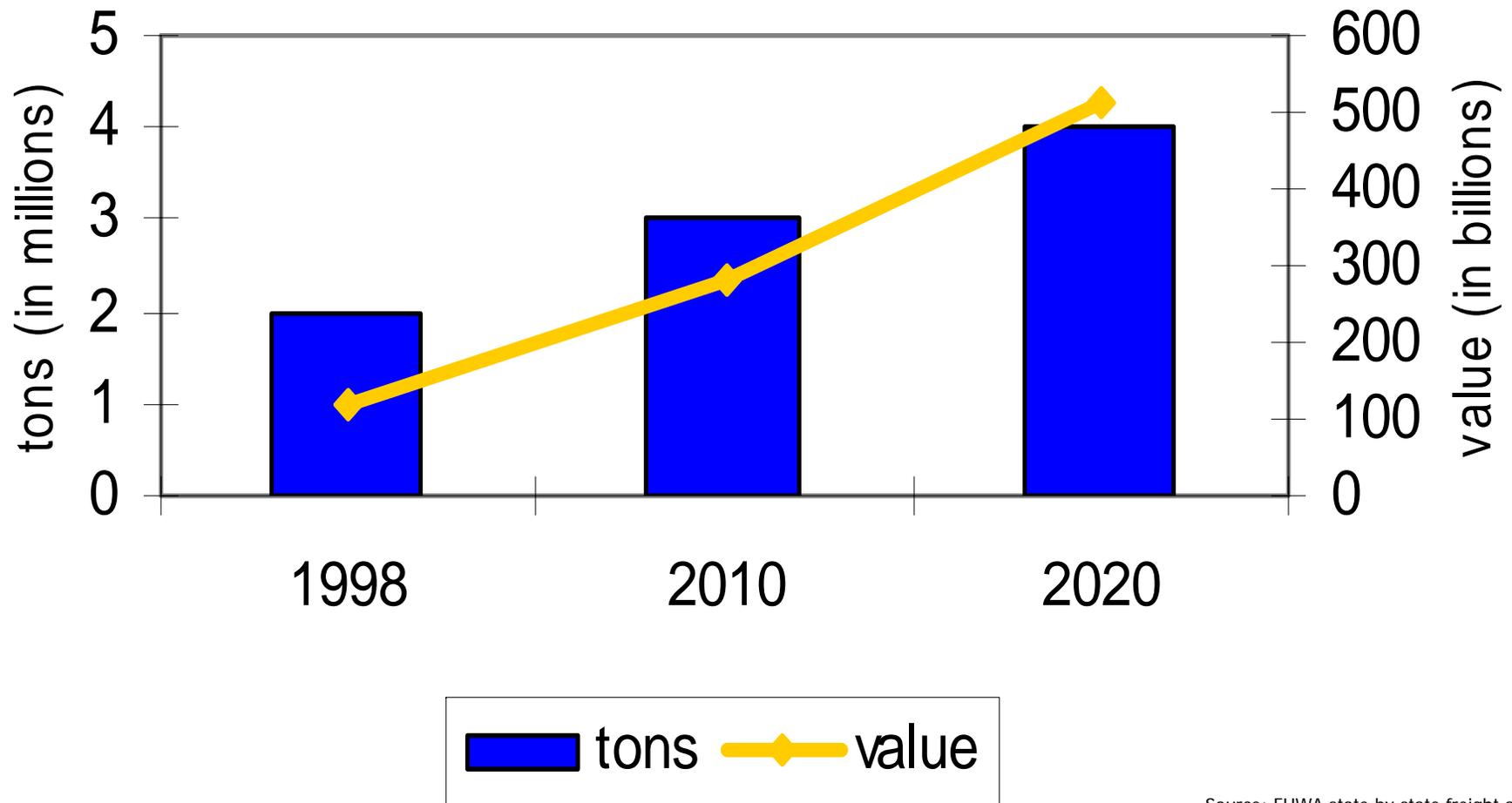
Air Commerce Trends

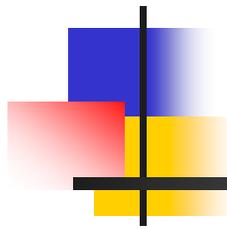
- World-wide commercial passenger traffic is expected to increase from 4.4 billion to 9.0 billion between 2007 and 2025, per FAA
- In the same period, world air cargo traffic is expected to triple
- Nearly 40% of the value of world trade now goes by air (versus under 2% by weight)

*Source: US Department of Transportation, from *FAA Aerospace Forecasts: Fiscal Years 2007-2020, Table 5.*

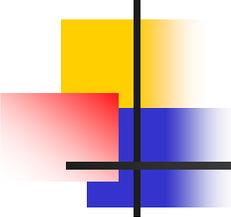
Air Freight Forecast

Shipments to, from and within Michigan





Discussion

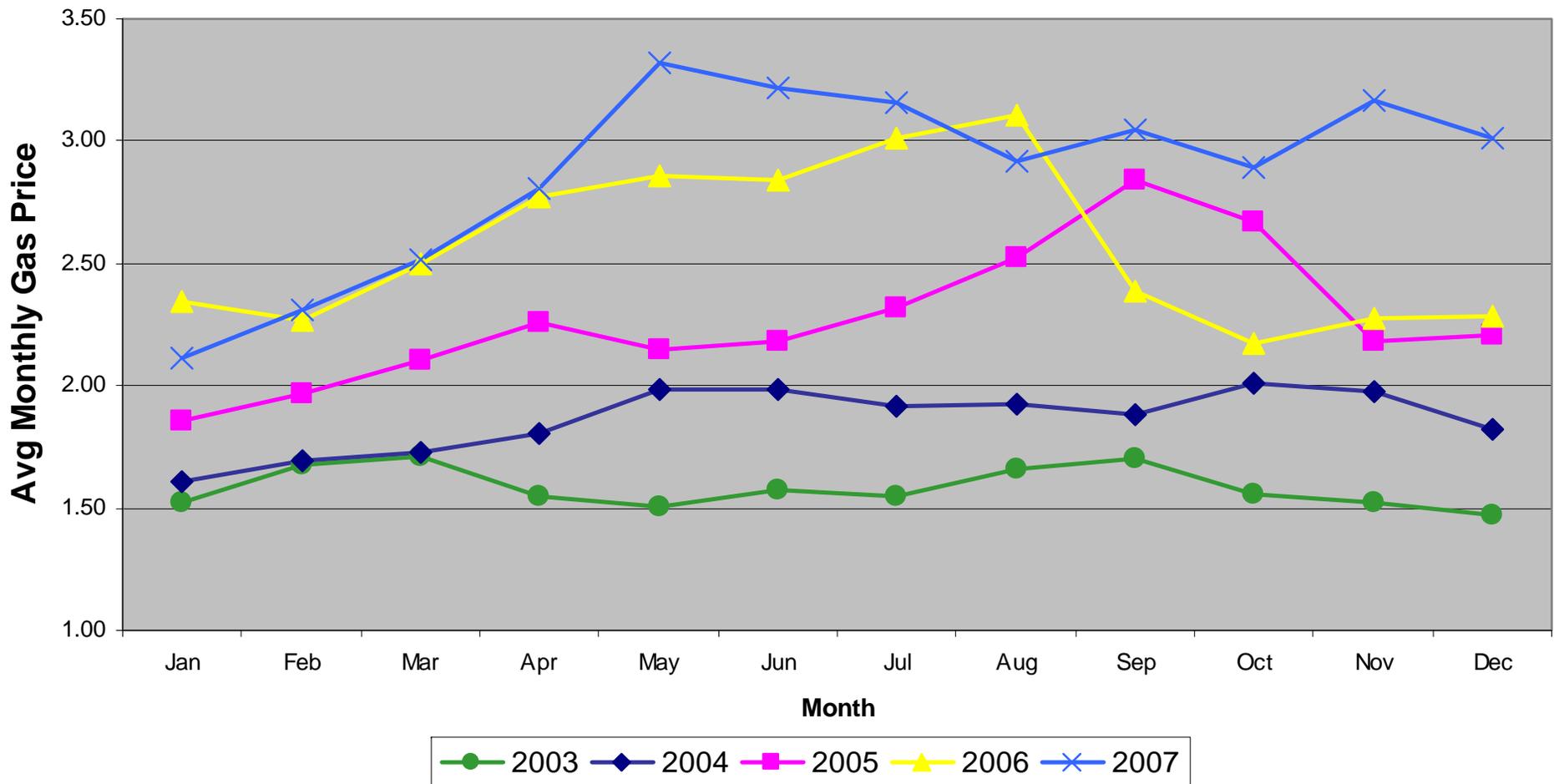


How Travel Trends May Impact Transportation Funding

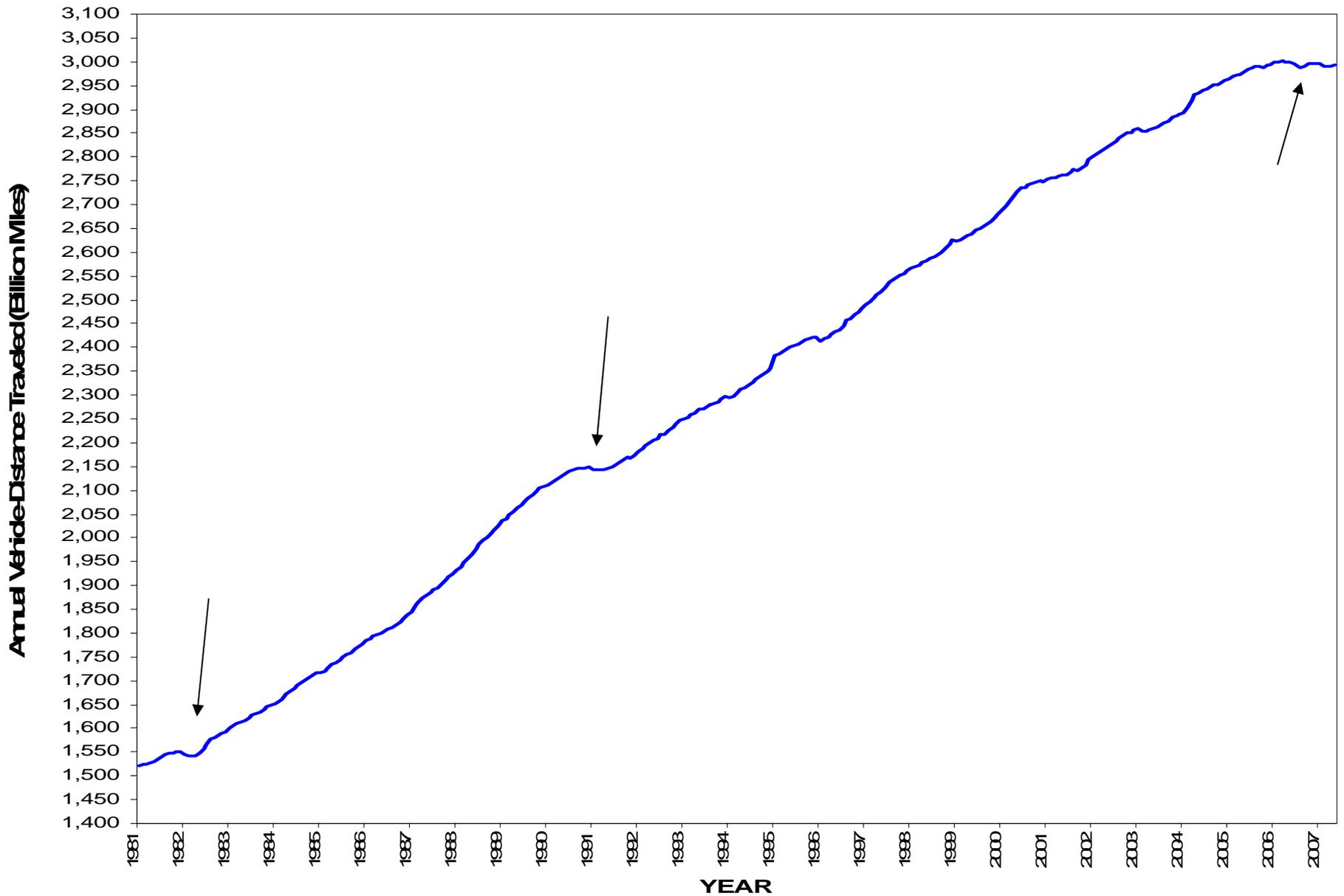
- All modes rely on user fees generated by auto and truck travel
 - Will increasing gas prices reduce auto travel?
 - Will increased price of gas make people more likely to try alternative fuel vehicles?
- Air travel also generates user fees
- Will fewer drivers mean more carpoolers, transit riders, or cyclists seeking an alternative to autos?

Average Trend of Michigan Gas Prices 2003-2007

Monthly Average Gas Prices
(Source AAA of Michigan)

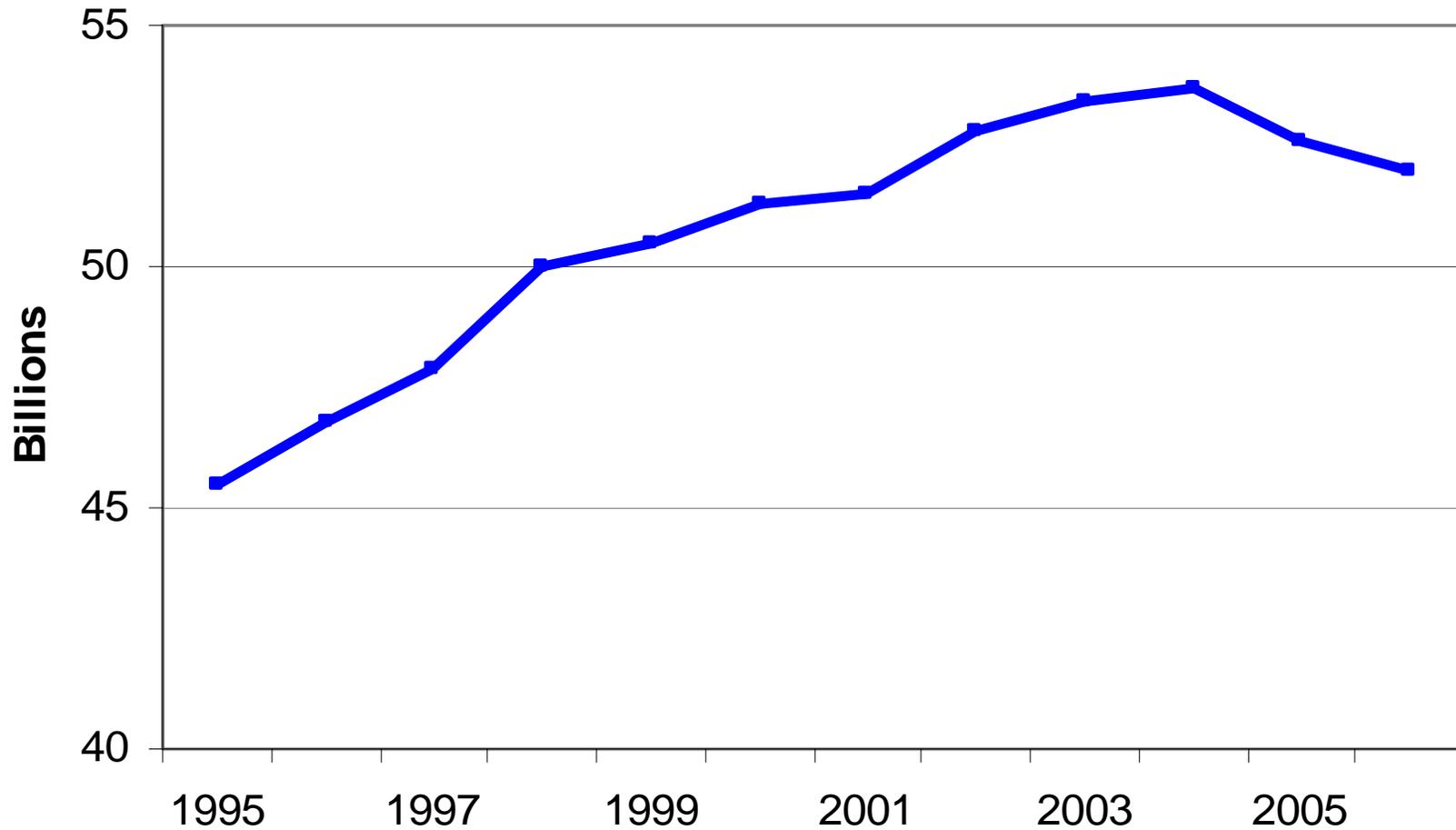


Moving 12-Month Total on ALL Roads

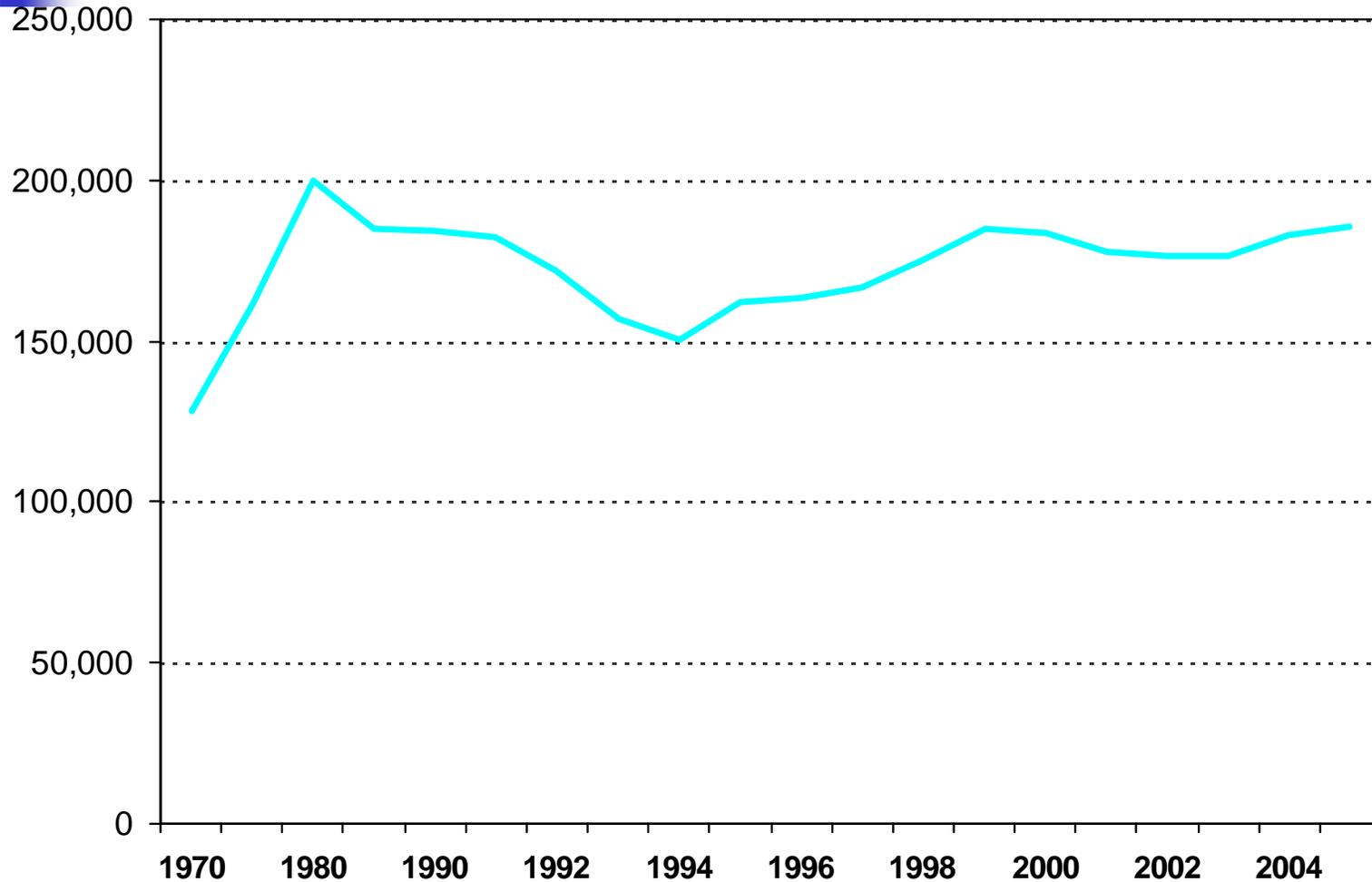


Source: FHWA

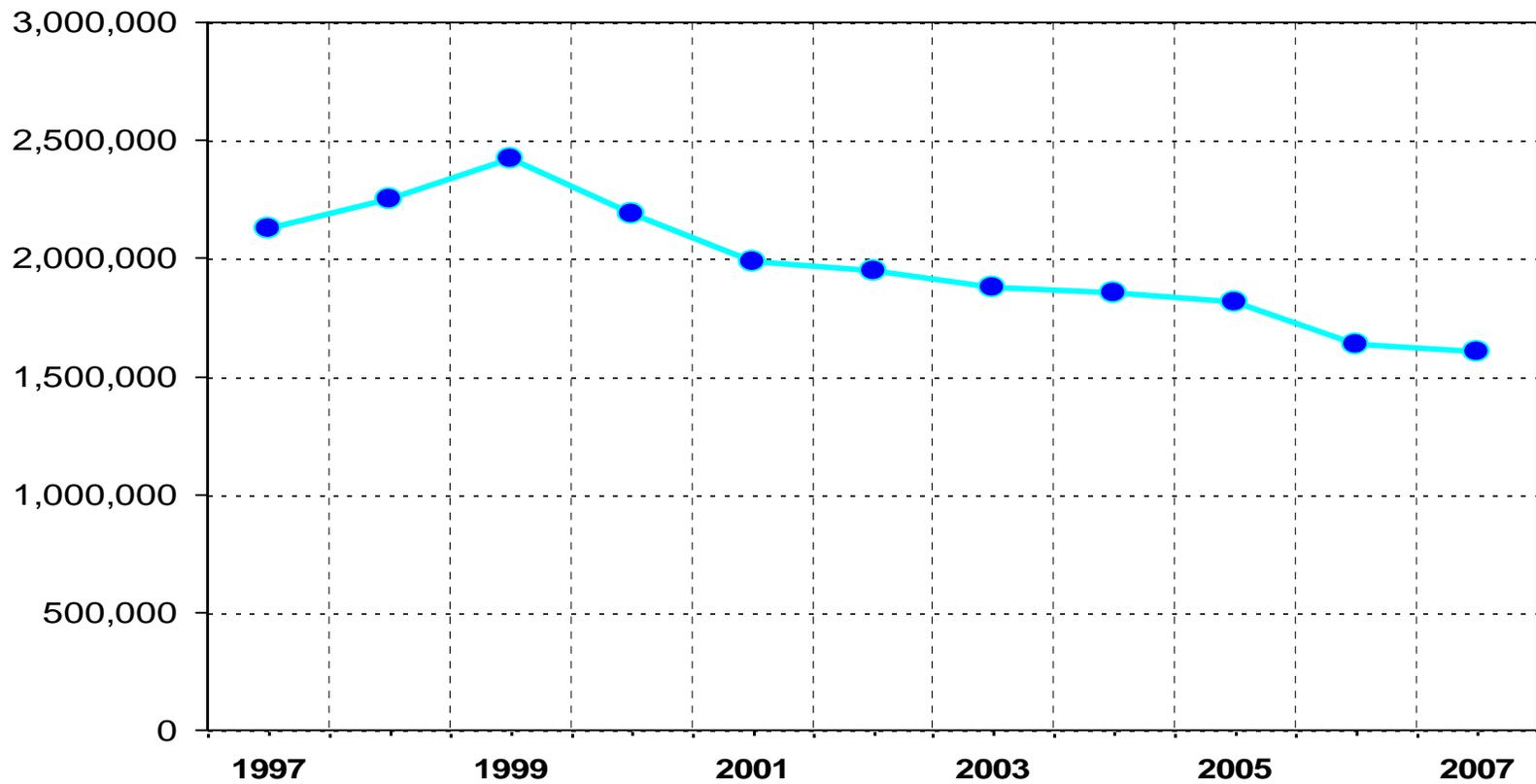
Annual Vehicle Miles of Travel State Trunkline Only



National Trend: GA Fleet Activity

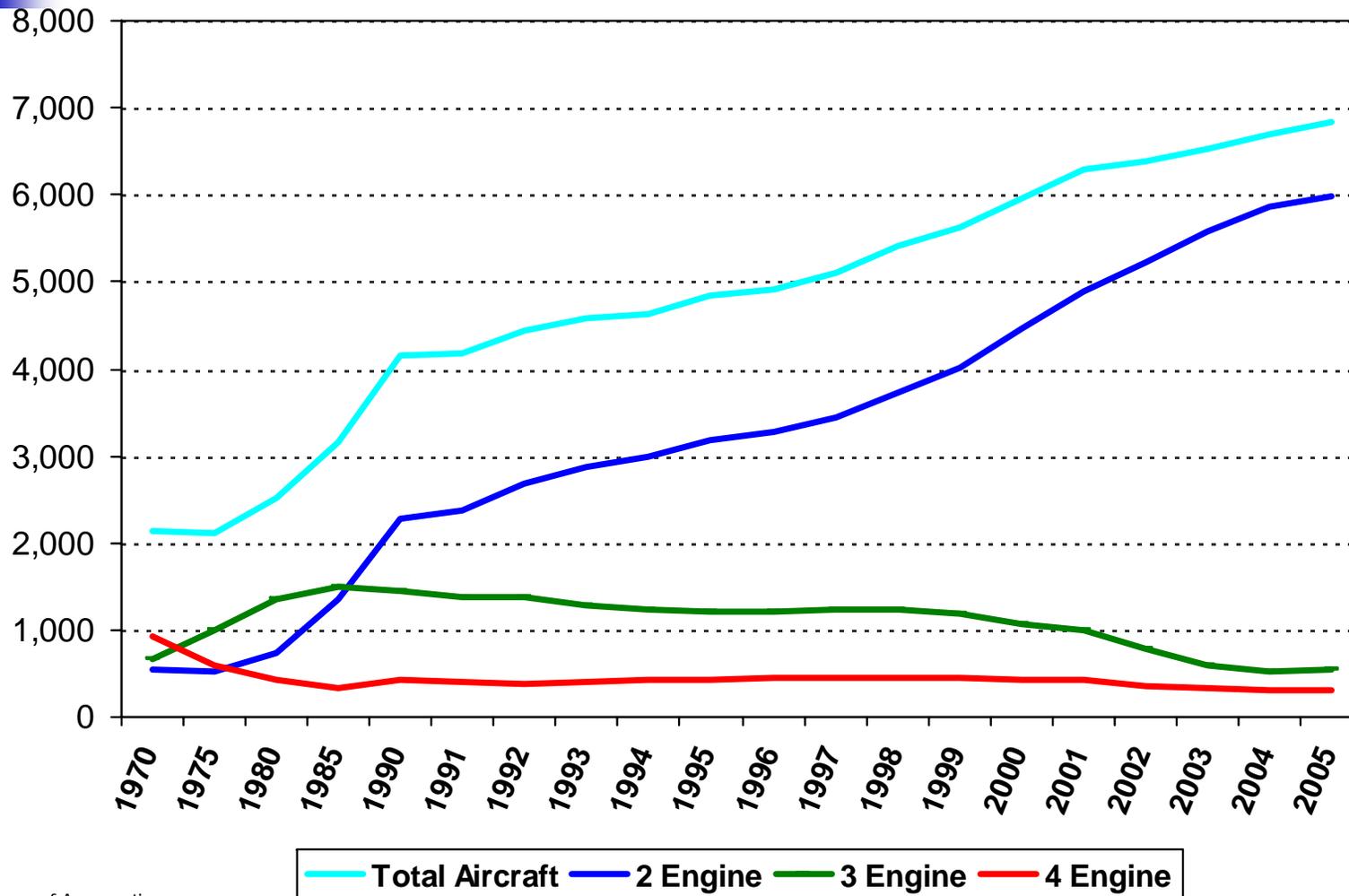


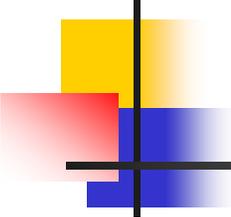
Aircraft Operations at Towered Airports



Source: Air traffic control tower records

National Airline Fleet Evolution

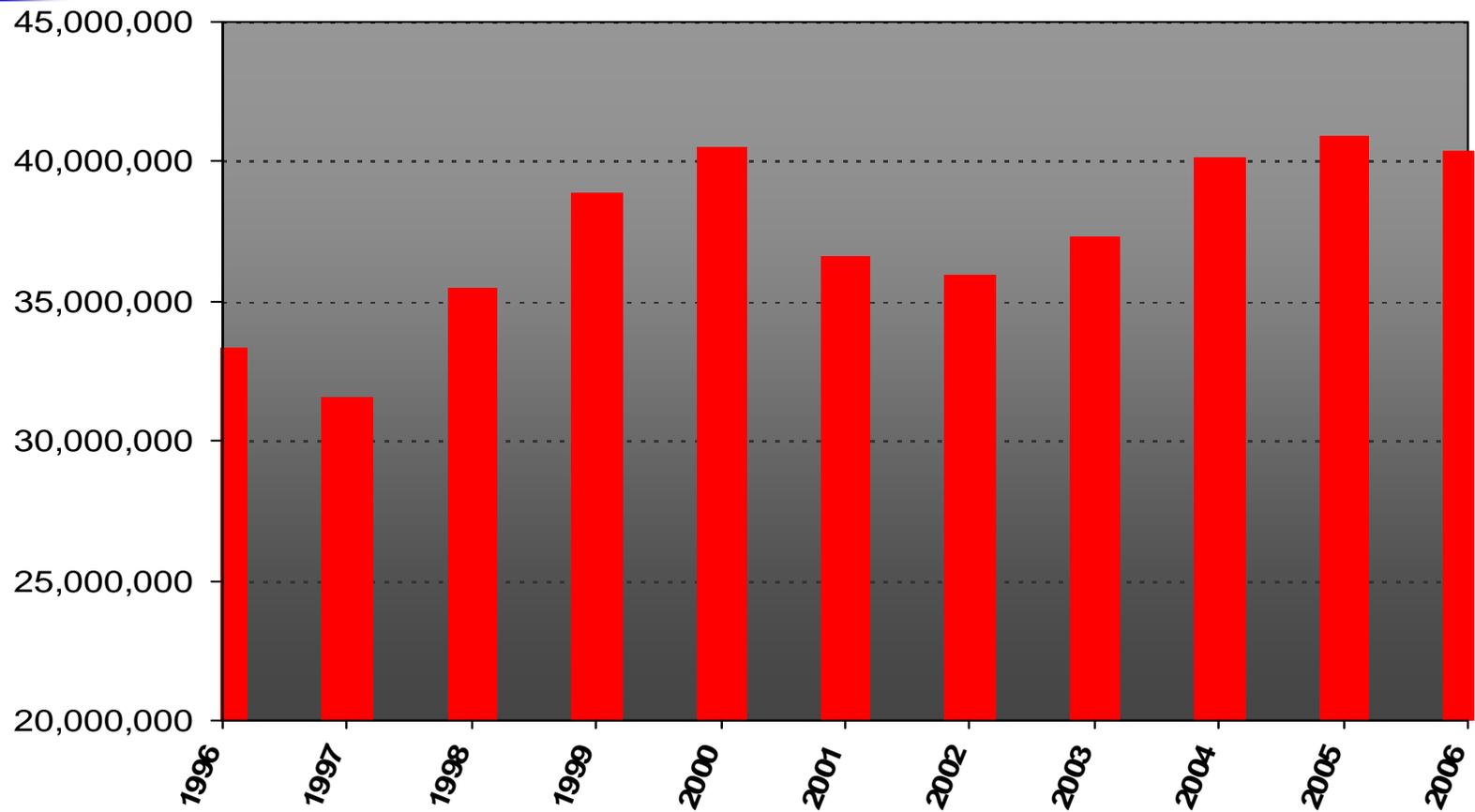




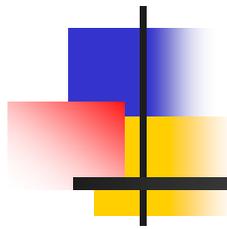
Airline trends affecting Michigan

- Mergers and bankruptcies
- Micromanaging Aircraft Fuel Consumption
 - Reducing Cruising Speeds
 - Taxiing with Single Engine Running
- Fleets evolving
 - General trend toward twin engine aircraft
 - Engine efficiency gains

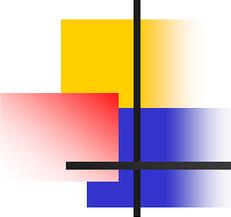
Michigan Airline Passengers



Source: MDOT Bureau of Aeronautics



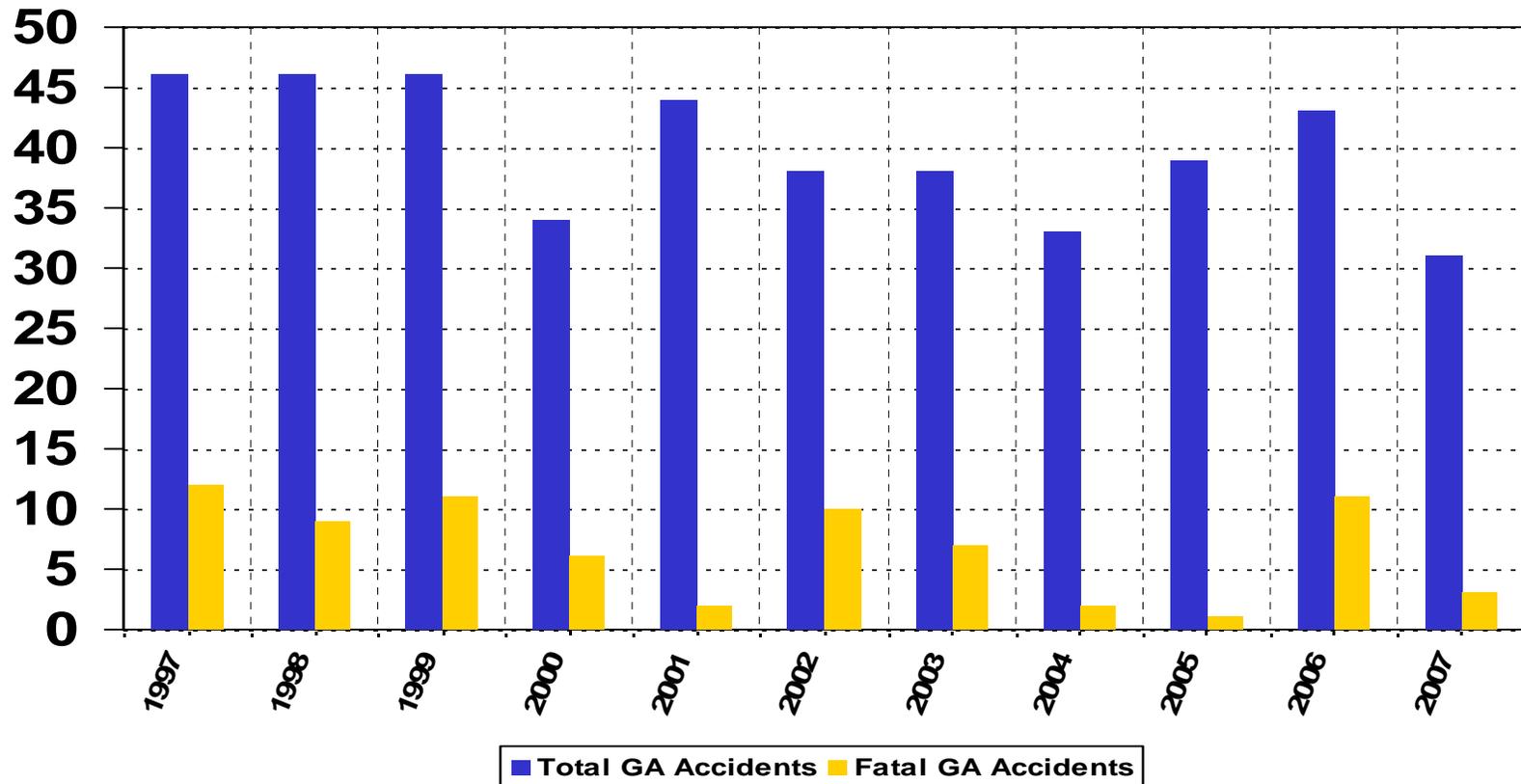
Discussion

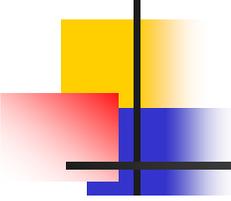


How System Performance May Impact Transportation Funding

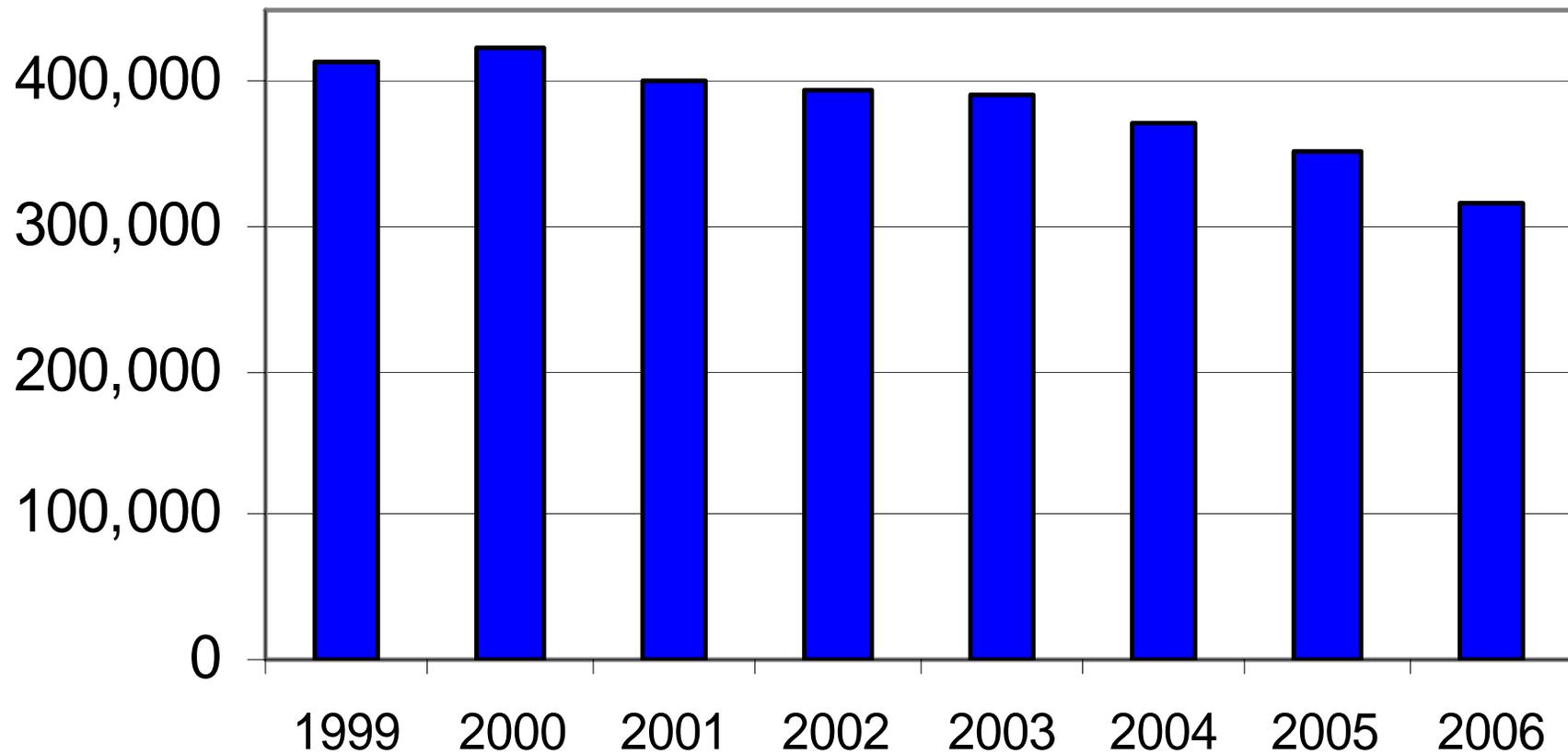
- Convenience, connectivity, safety and on-time performance impact rail, bus and air travel
- Some people will not travel at peak times, or will avoid congested routes
- Some people will pay to avoid highway congestion

Safety: General Aviation Accidents in Michigan



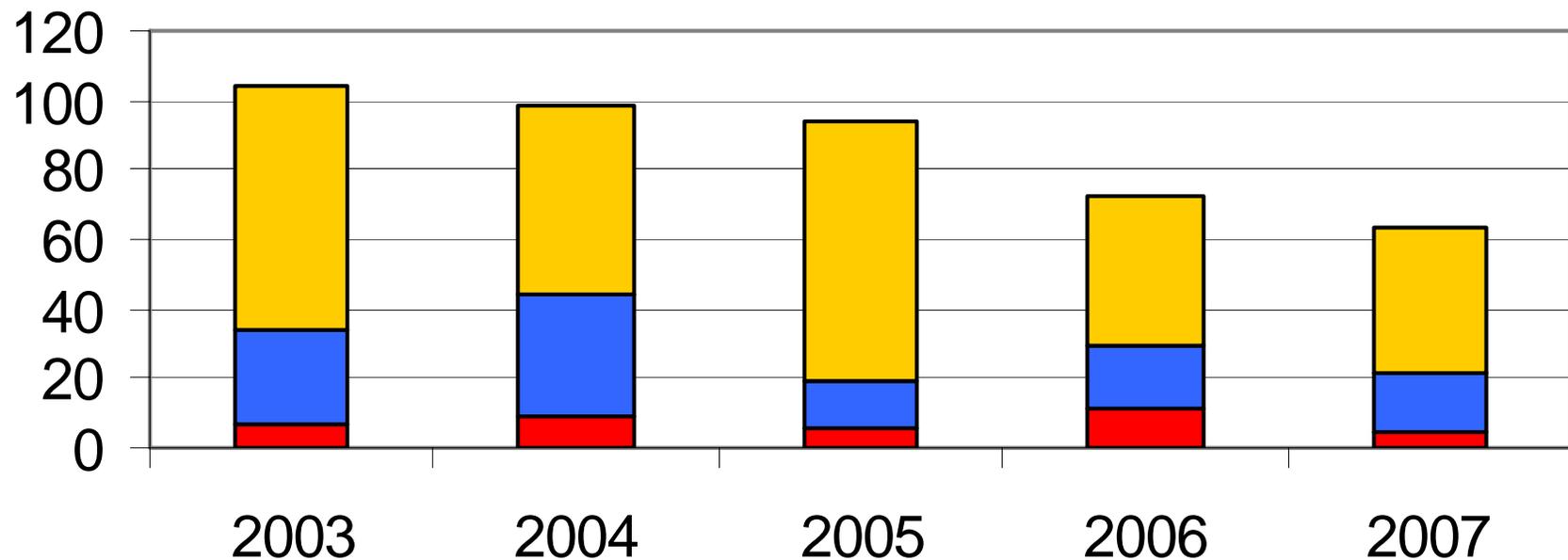


Highway Crash Trend



Rail Safety Trend

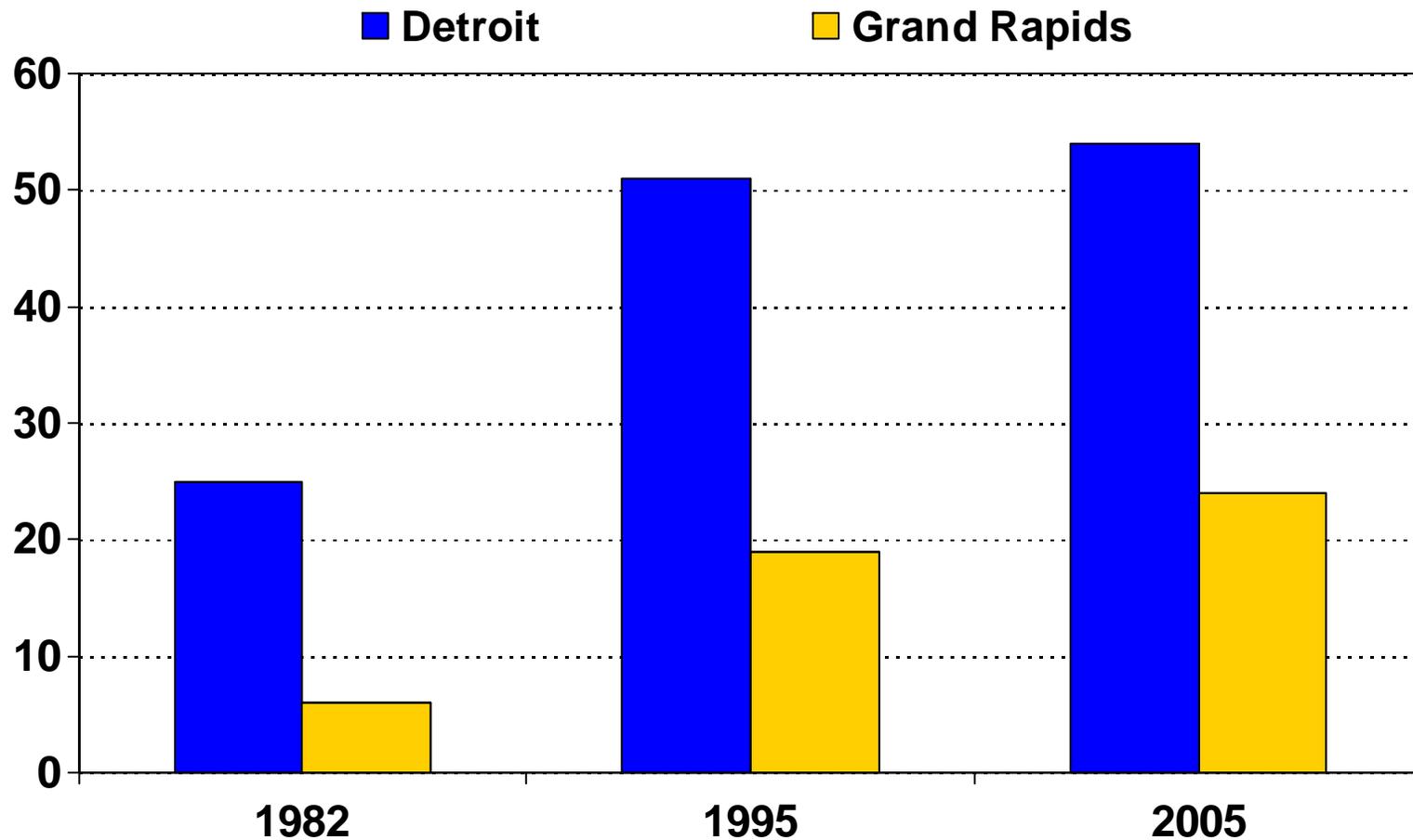
Crashes at Public At-Grade RR Crossings



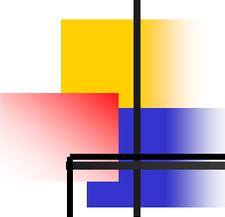
■ NO. OF FATALITIES ■ NO. OF INJURED ■ PROPERTY DAMAGE ONLY

Congestion in Metro Areas

Annual Hours of Delay per Traveler



Source: The 2007 Urban Mobility Report: Texas Transportation Institute



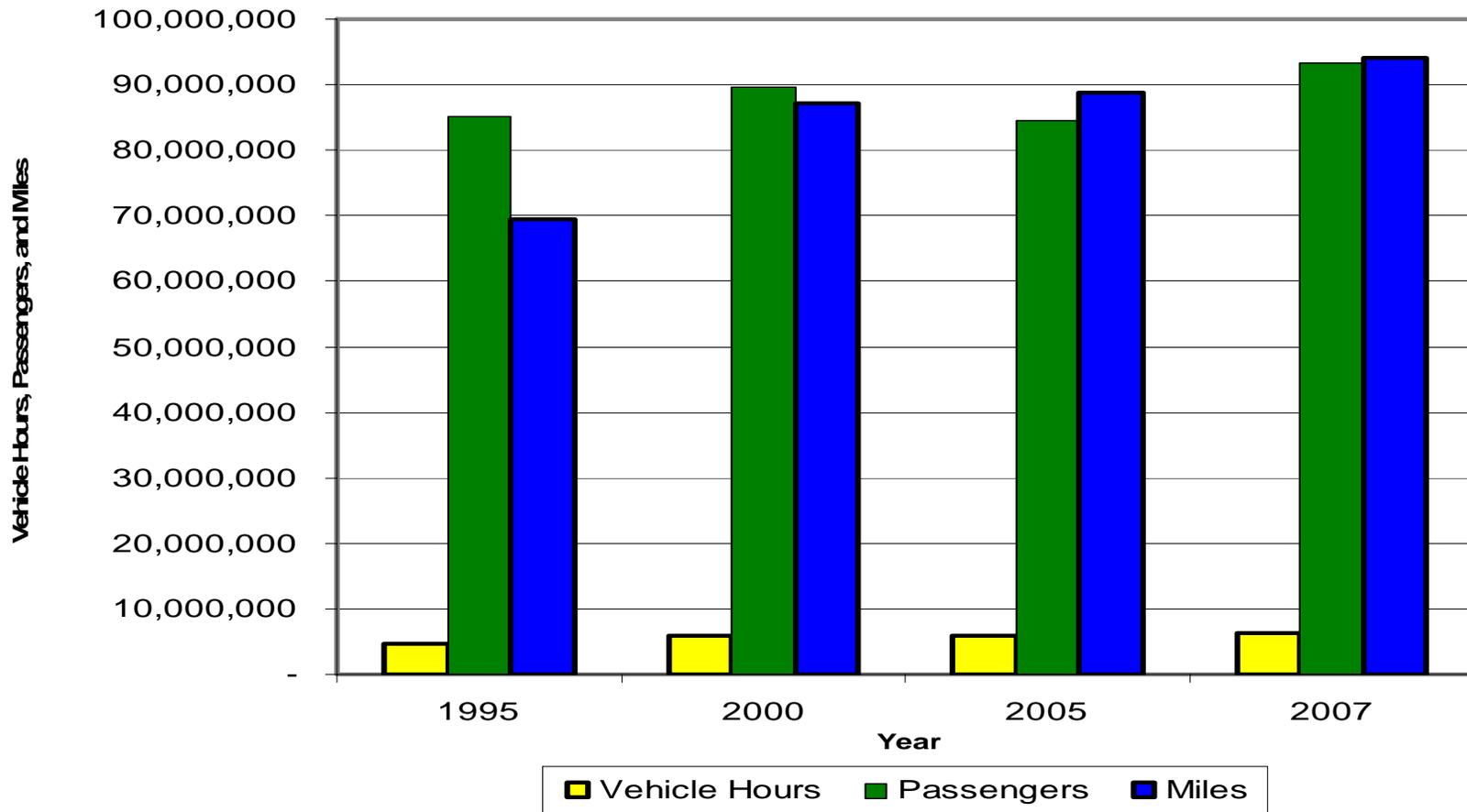
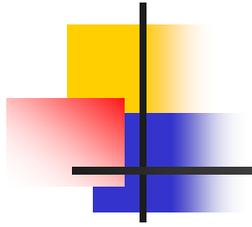
What Does Congestion Cost?

	Detroit	Grand Rapids
Hours of Travel Delay	115,547,000	7,593,000
Value of Time	\$14.60 per person/hour \$77.10 per hour of truck time	
Excess Fuel Consumed	76,062,000	4,404,000
Average Cost of Gasoline	\$2.23/gallon	
Total Costs per year	\$2.2 billion	\$138 million

Based on Estimated 2005 Data

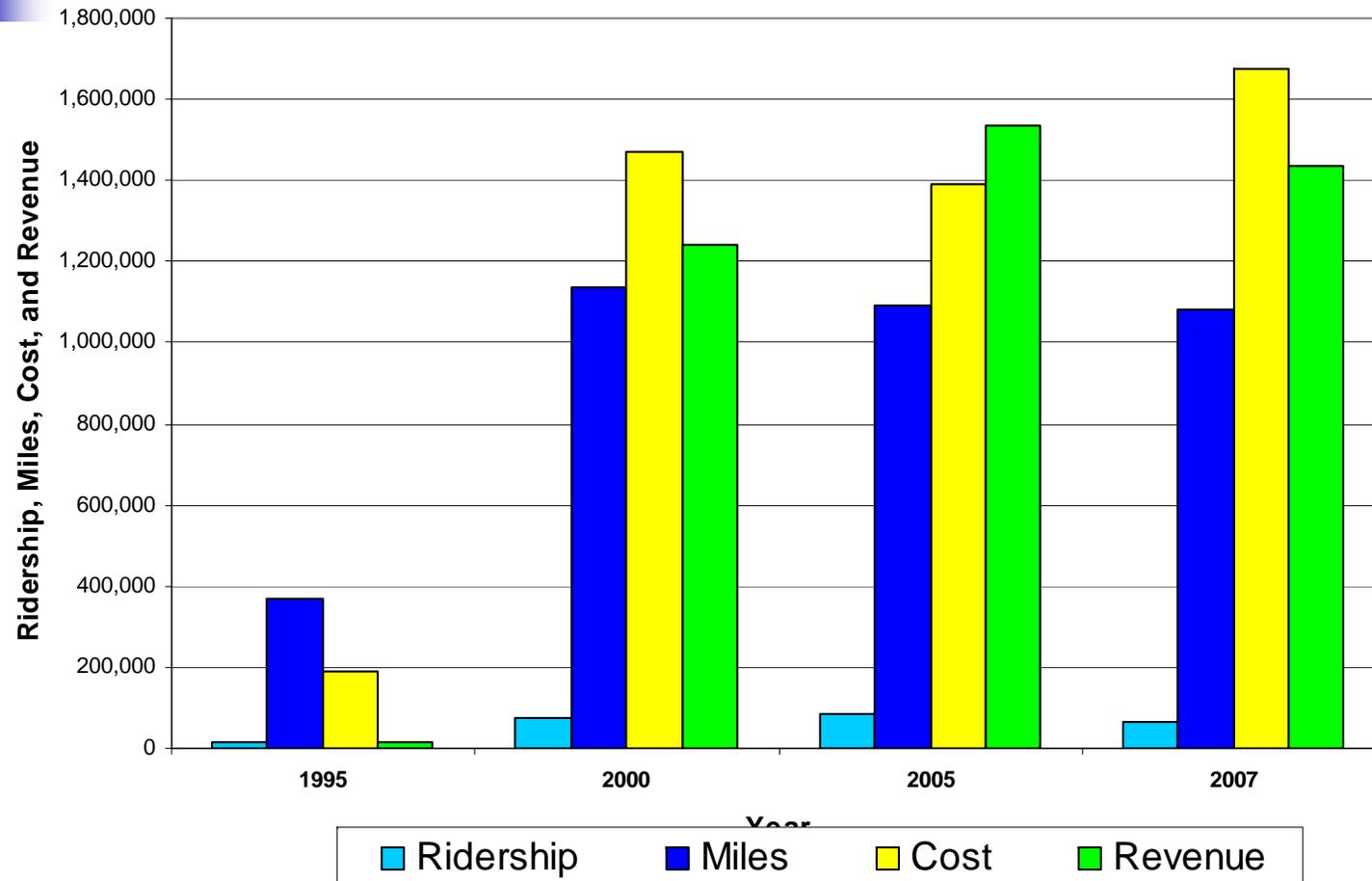
Source: The 2007 Urban Mobility Report: Texas Transportation Institute

Local Public Transit Statistics *



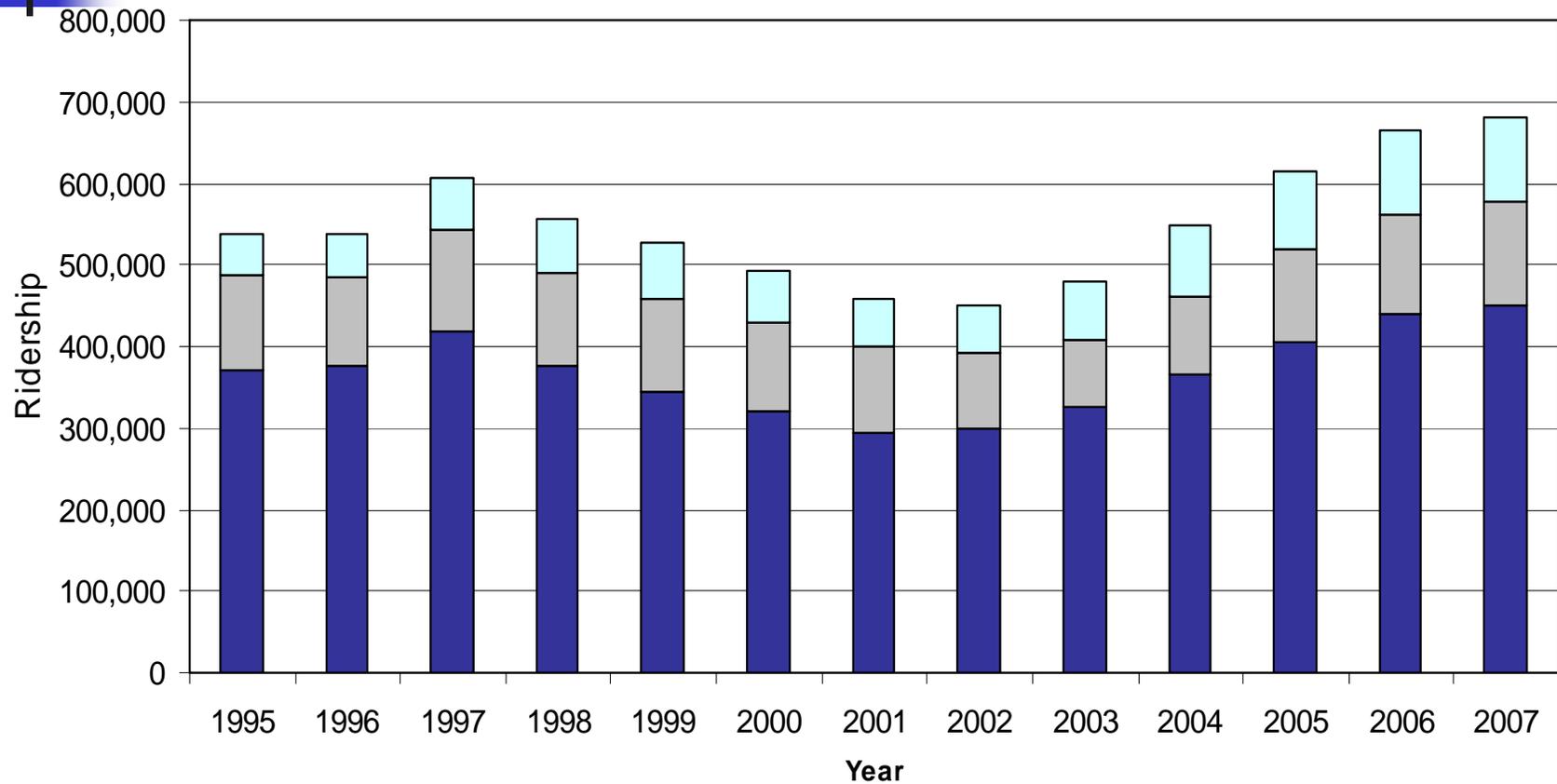
* As self-reported to MDOT

Intercity Bus Contract Service Statistics



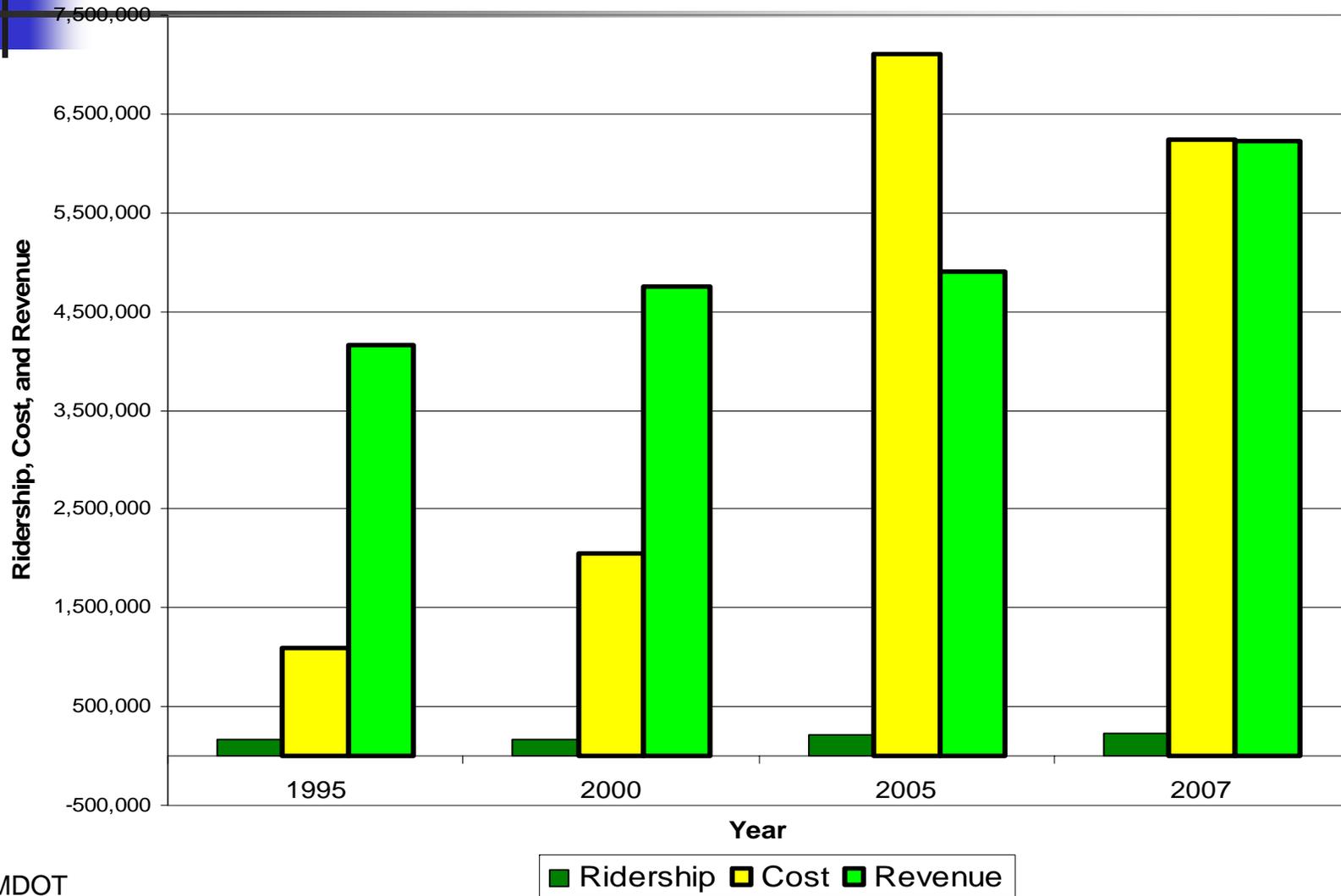
Source: MDOT

Passenger Rail Ridership 1995-2007

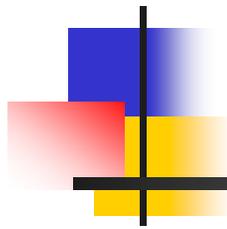


■ Detroit-Chicago ■ Port Huron-Chicago ■ Grand Rapids-Chicago

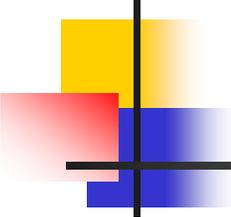
Passenger Rail Contract Service Statistics



Source: MDOT

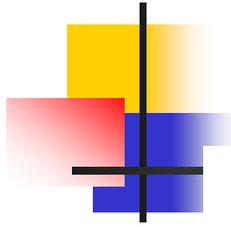


Discussion

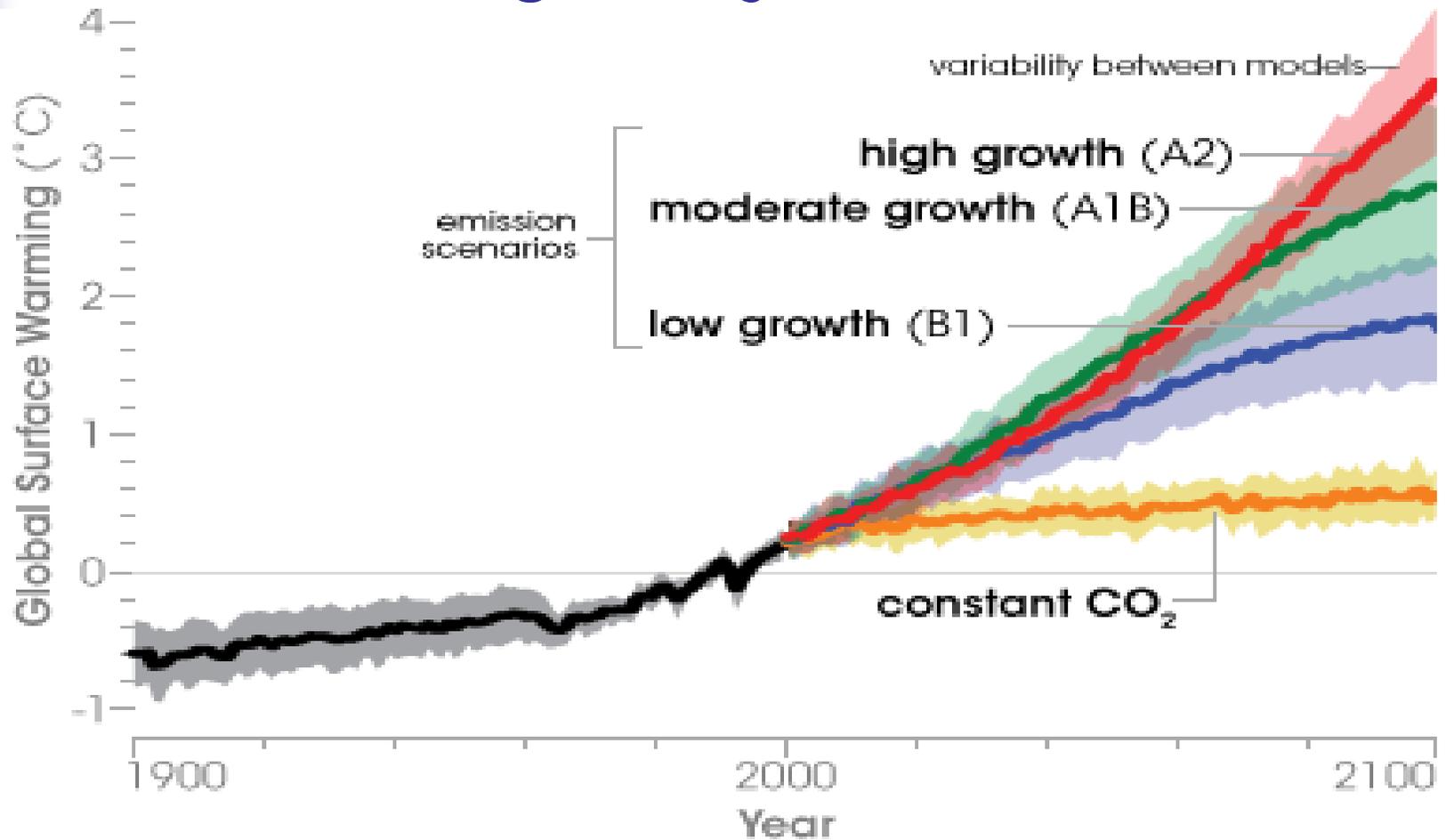


How Global Climate Change May Impact Transportation Funding

- A critical mass of people are talking about making changes to address climate change
- Transportation is expected to be the largest contributor to carbon emissions in Michigan by 2020
- Financial incentives/disincentives are often used to motivate public change



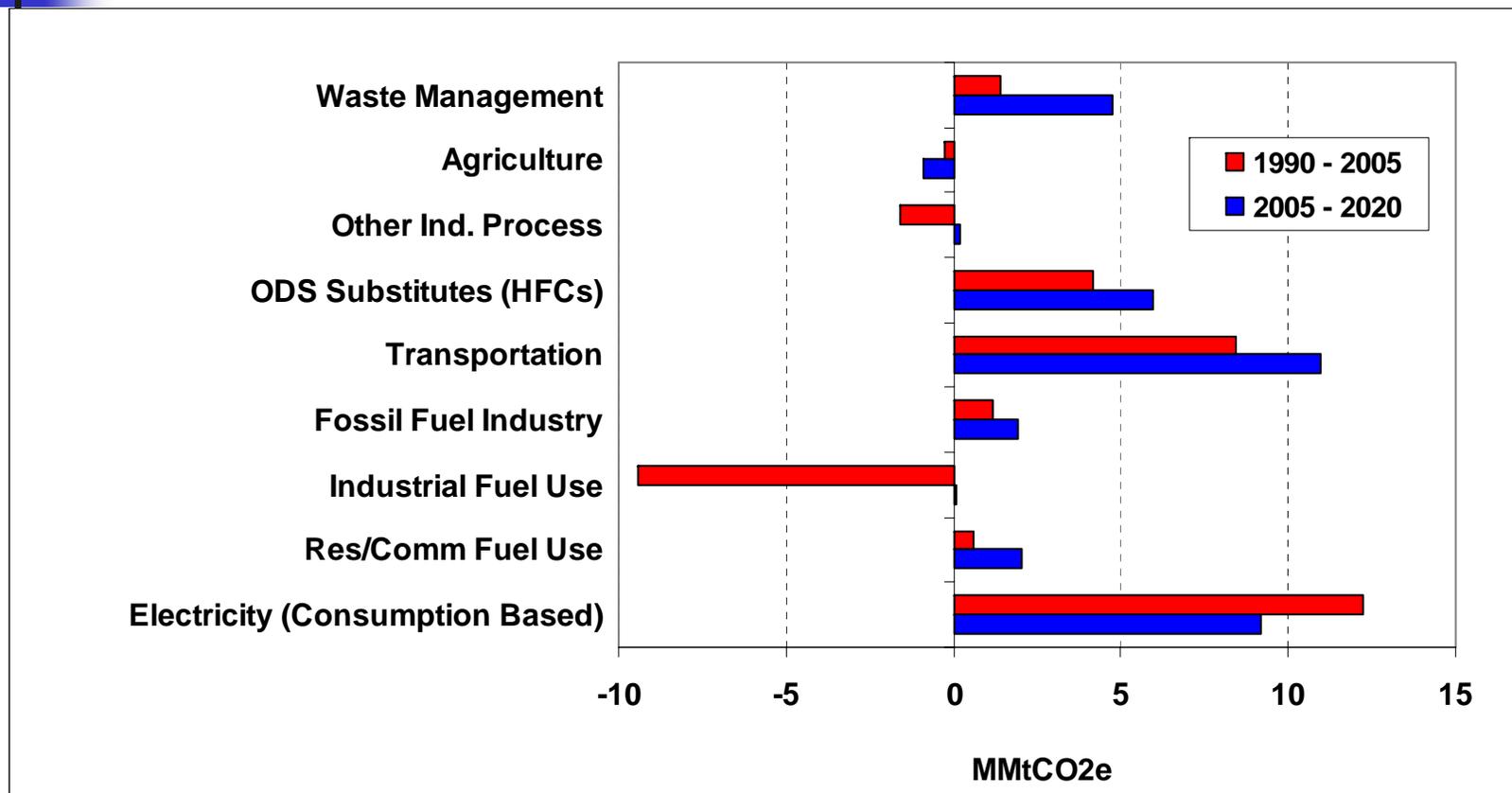
Climate Change Projections, 2100



Source: EPA's web site on climate change

Michigan Emissions Growth

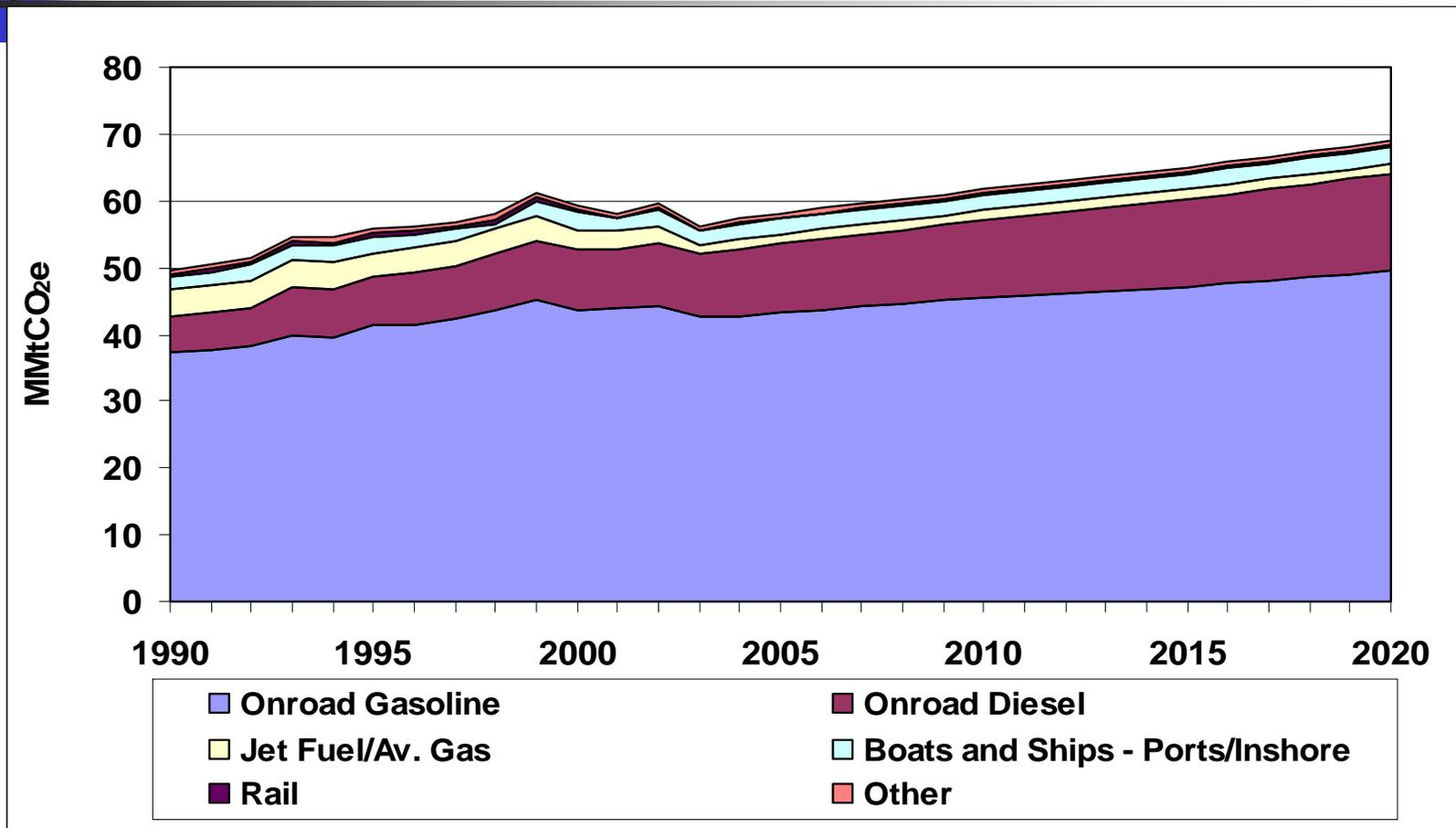
Million Metric tons of CO2 equivalent basis (MMtCO2e)



December 12, 2007

Source: www.miclimatchange.us

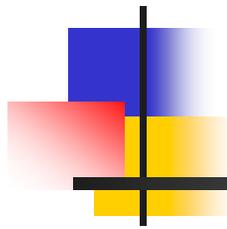
Transportation & CO2 Emissions



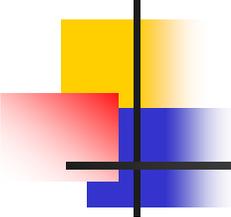
December 12, 2007

Source: www.miclimatchange.us

64



Discussion

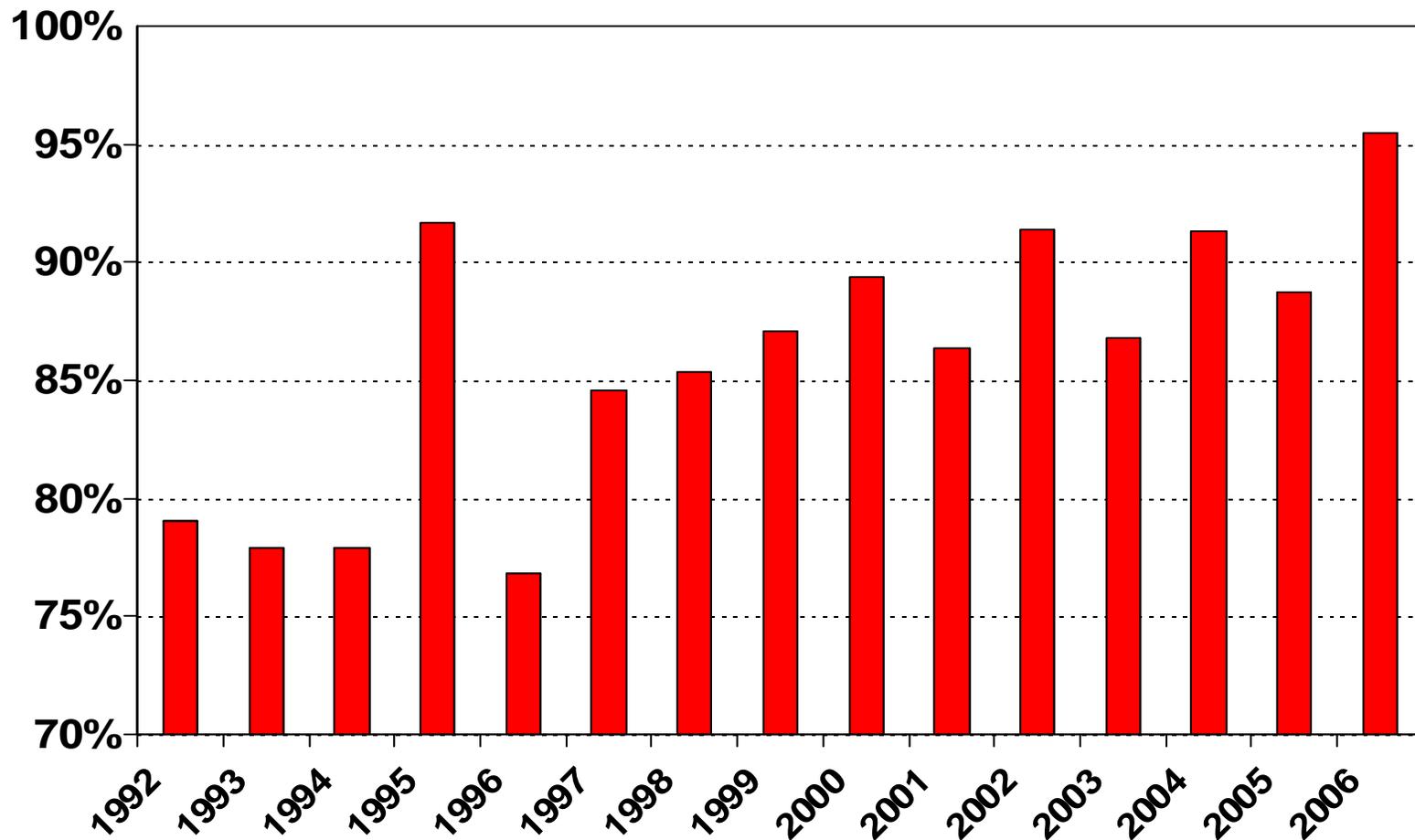


Revenue & Cost Trends

- Is federal funding going to continue at current levels?
- How will revenue be effected by increased gas prices?
- How will costs be effected?
- How are other budget pressures effecting transportation revenue?

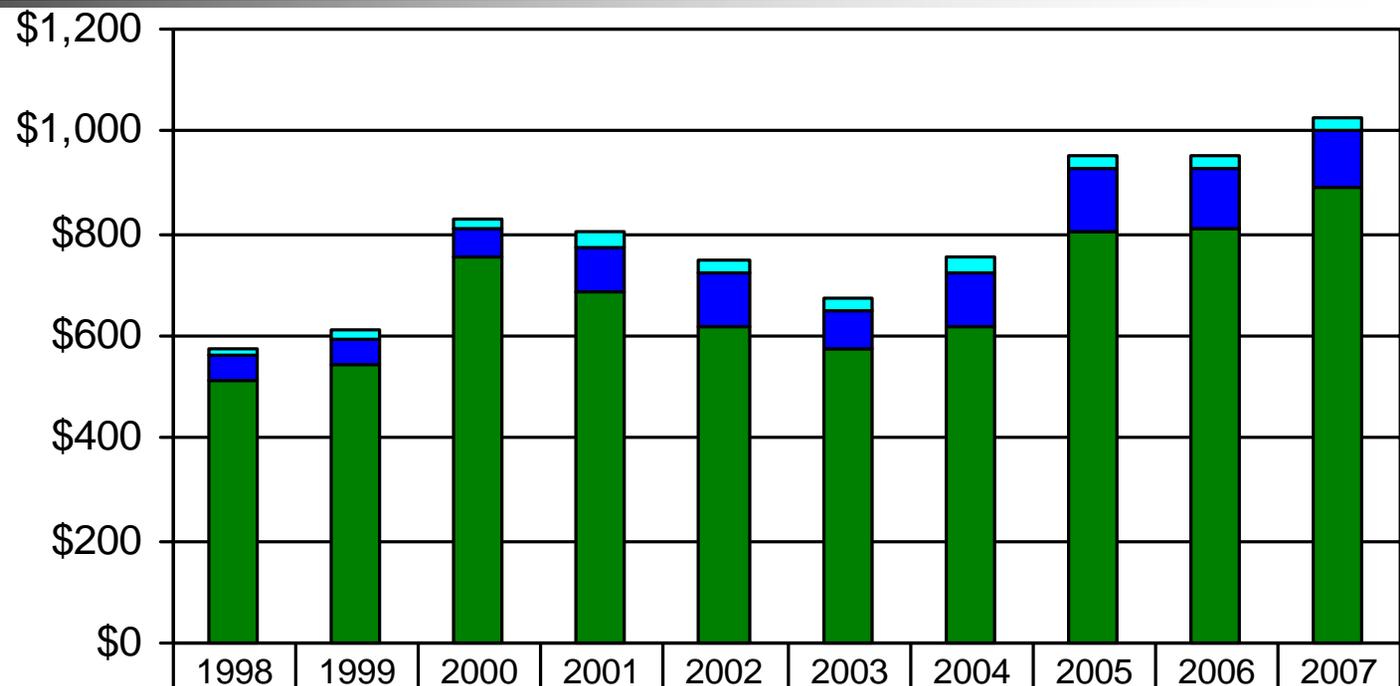
Michigan's Rate of Return on Federal Highway Taxes

Historical Rate of Return 1956-2006 84%



Source: MDOT

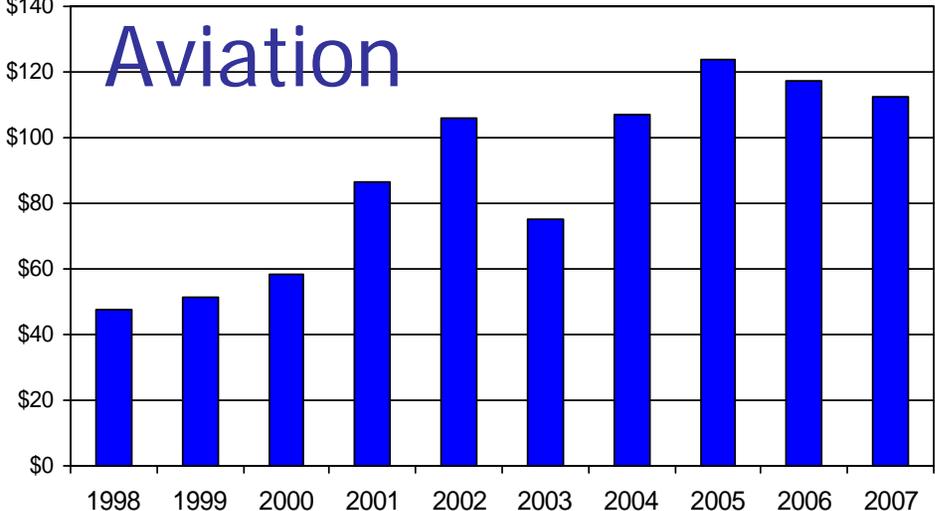
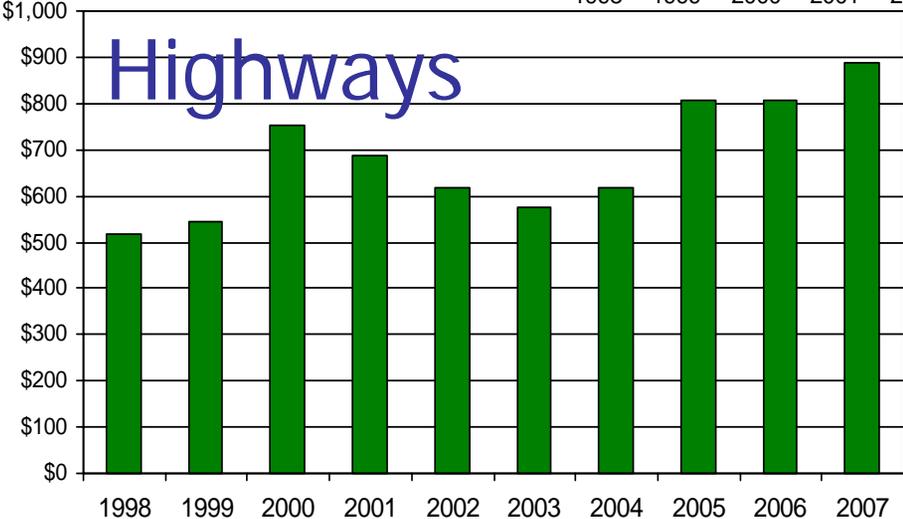
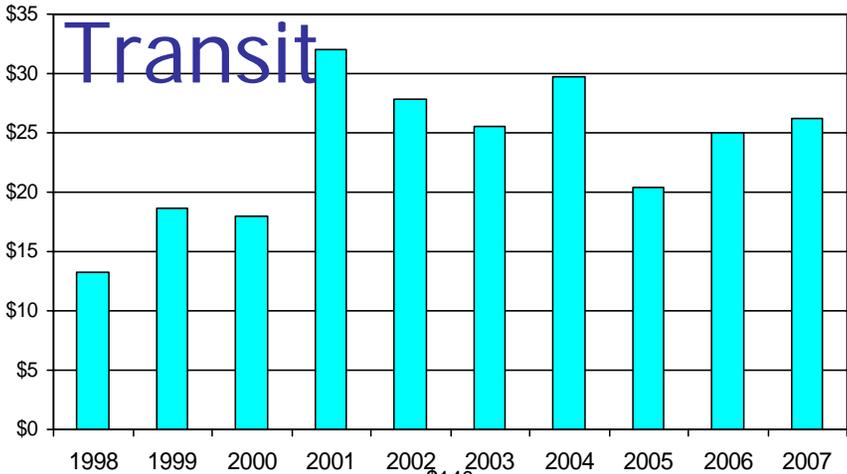
10 Year Federal Revenue Trend (millions)



Comprehensive Transportation Fund	\$13.2	\$18.6	\$18.0	\$32.0	\$27.8	\$25.5	\$29.7	\$20.5	\$24.9	\$26.2
Aeronautics	\$47.6	\$51.1	\$58.5	\$86.6	\$106.1	\$75.0	\$107.2	\$123.8	\$117.4	\$112.7
State Trunkline Fund	\$515.8	\$544.5	\$754.7	\$686.4	\$616.5	\$574.4	\$616.6	\$805.3	\$808.4	\$889.9

Source: MDOT AFR

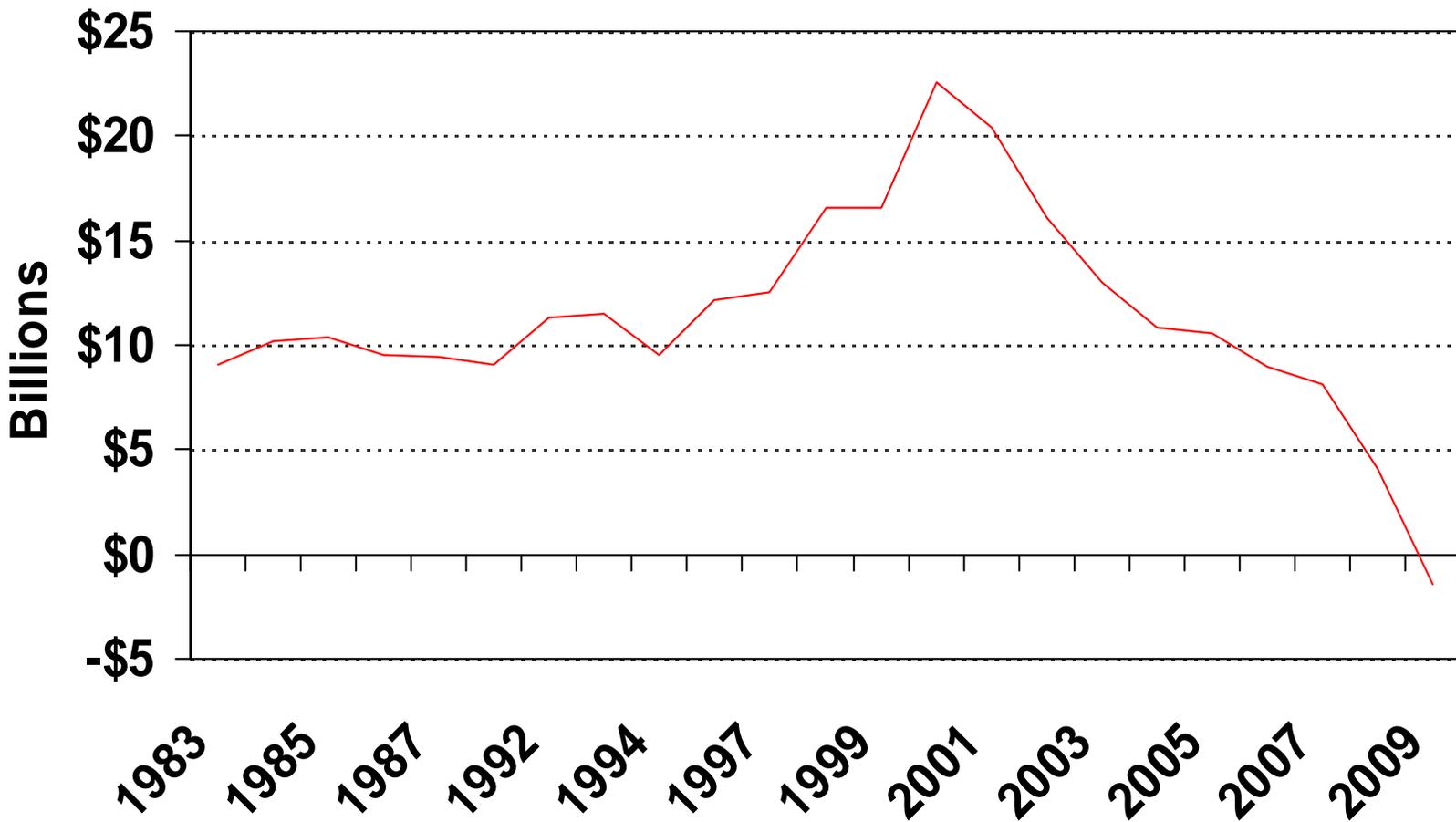
Federal Funds Compared Among Modes

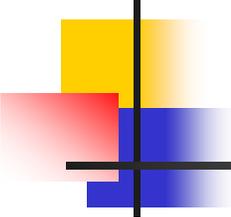


Source: MDOT

Highway Trust Fund

Highway Account Year End Balance



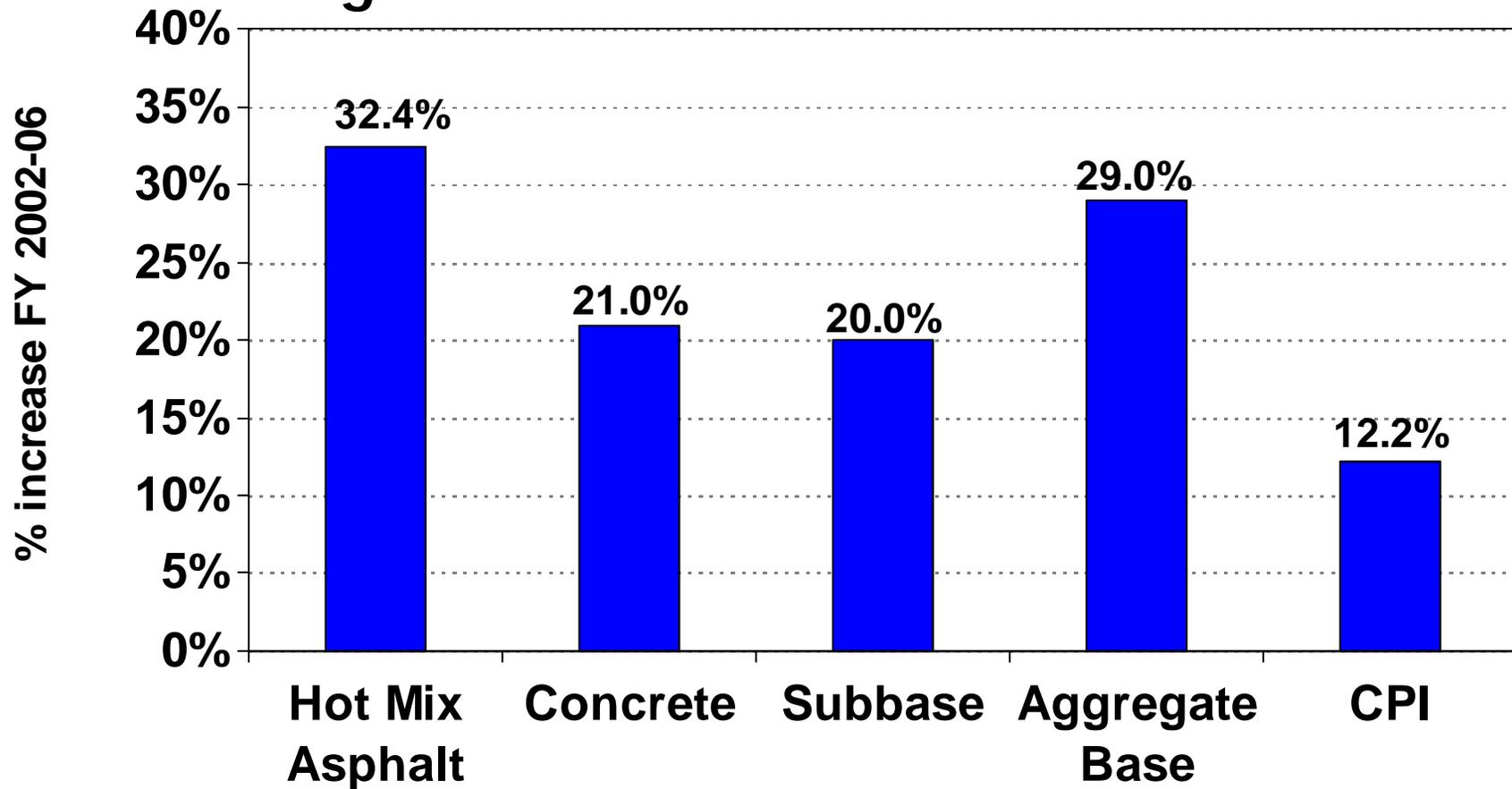


Major Issues for Reauthorization

- Highway Trust Fund Stability
 - Despite continued modest growth in revenue, spending continues to exceed income
 - Large cash balances are gone
- Congestion
 - 130% increase in VMT over next 50 years
 - Freight doubles in half the time (by 2035)
- Climate Change
- Rising Costs
- Aging Infrastructure

Rising Costs

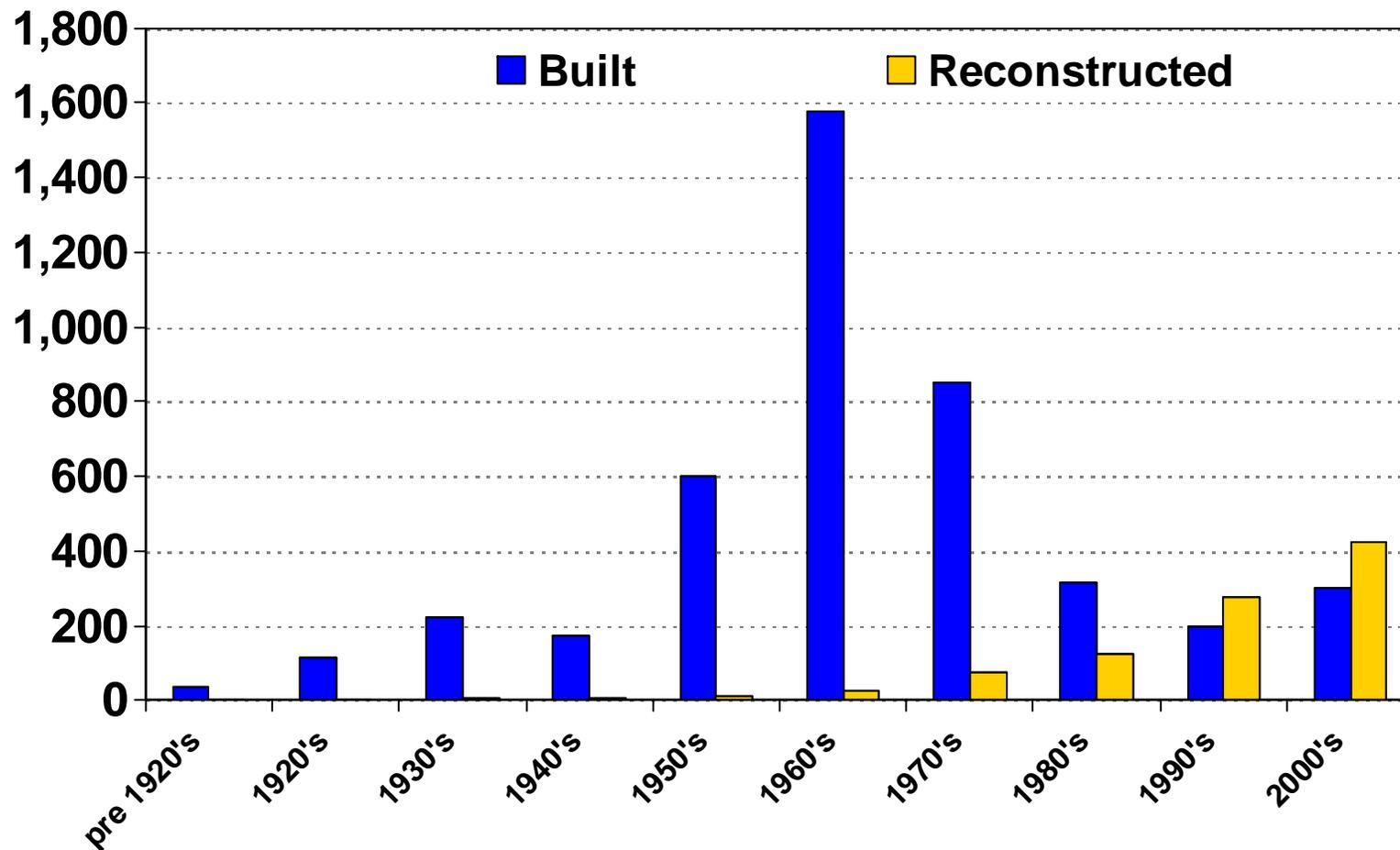
Significant Increase in Construction Costs



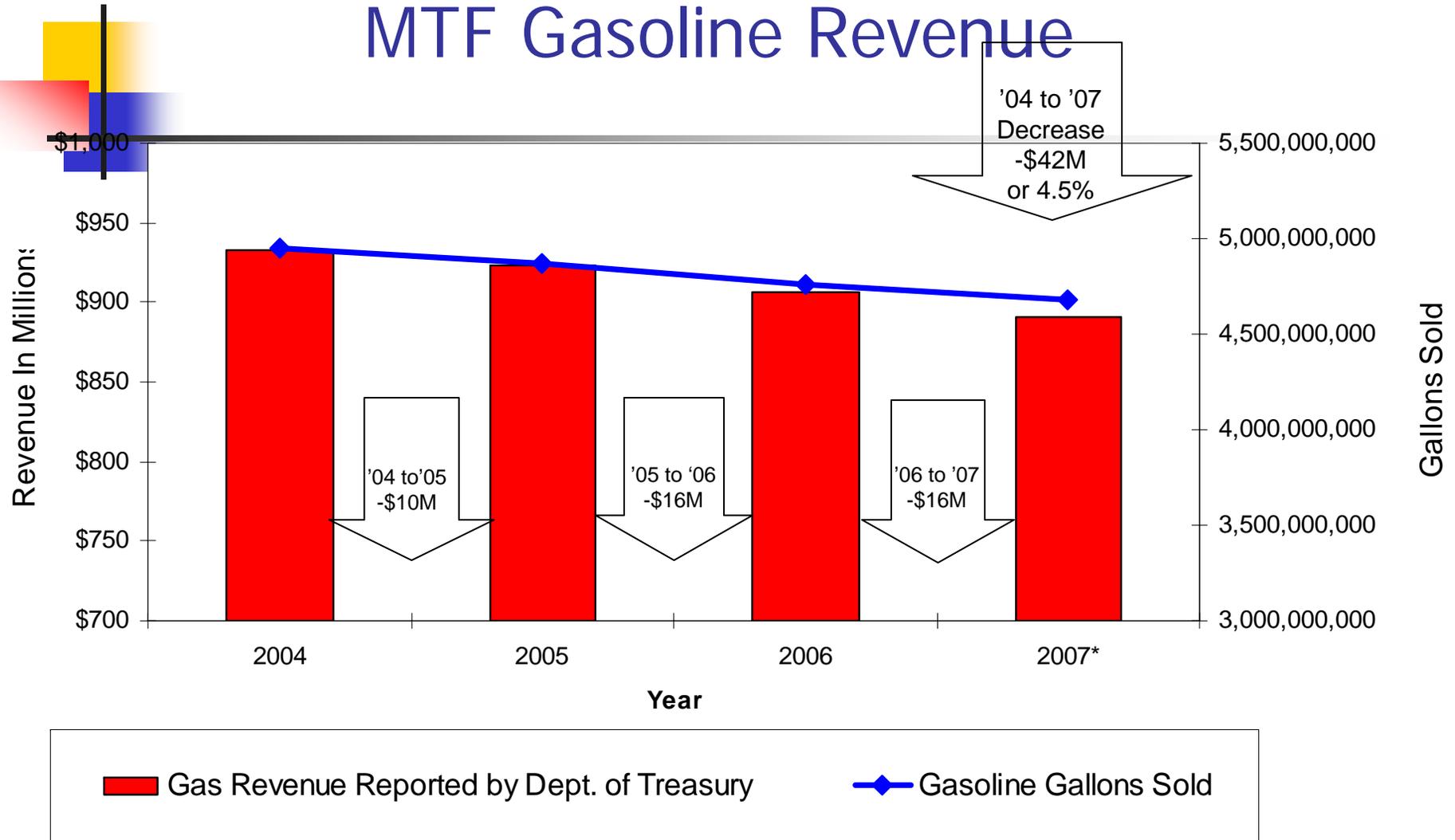
Source: CPI, U.S. Bureau of Labor Statistics, Construction Costs, MDOT

Aging Infrastructure

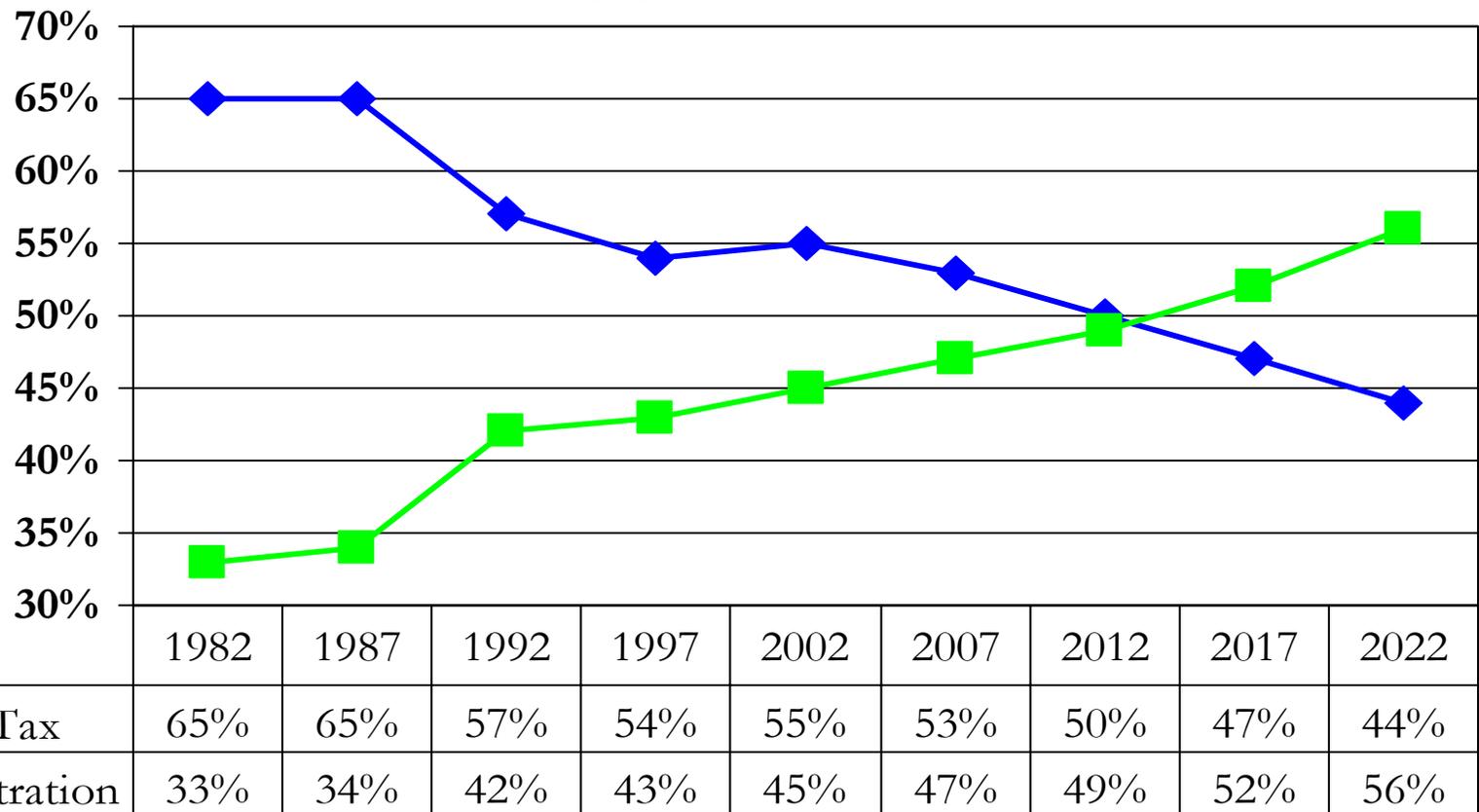
MDOT Bridges by Decade



Gasoline Gallons Sold Compared with MTF Gasoline Revenue

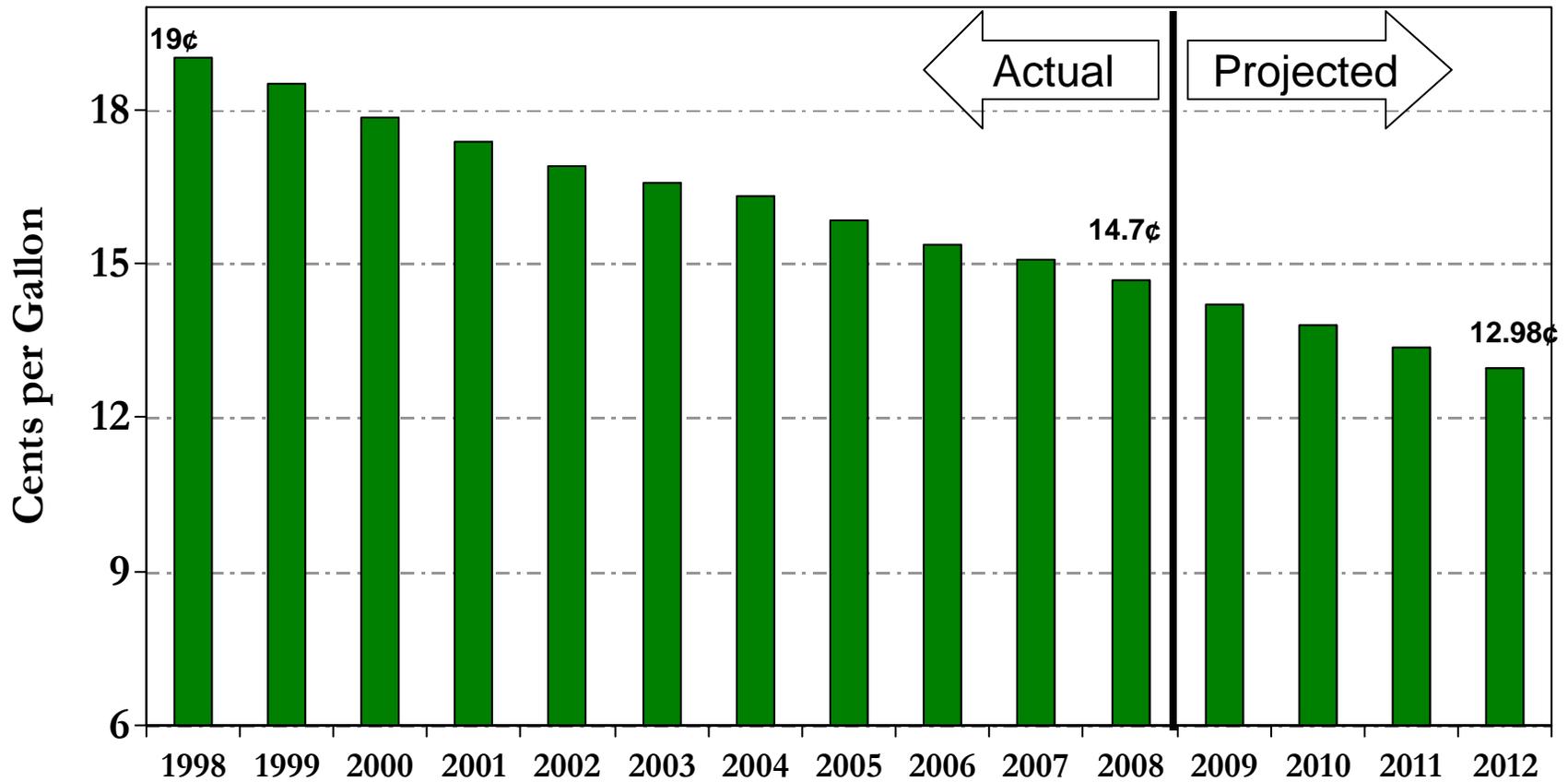


Mix of Fuel Taxes and Registration Fees in MTF



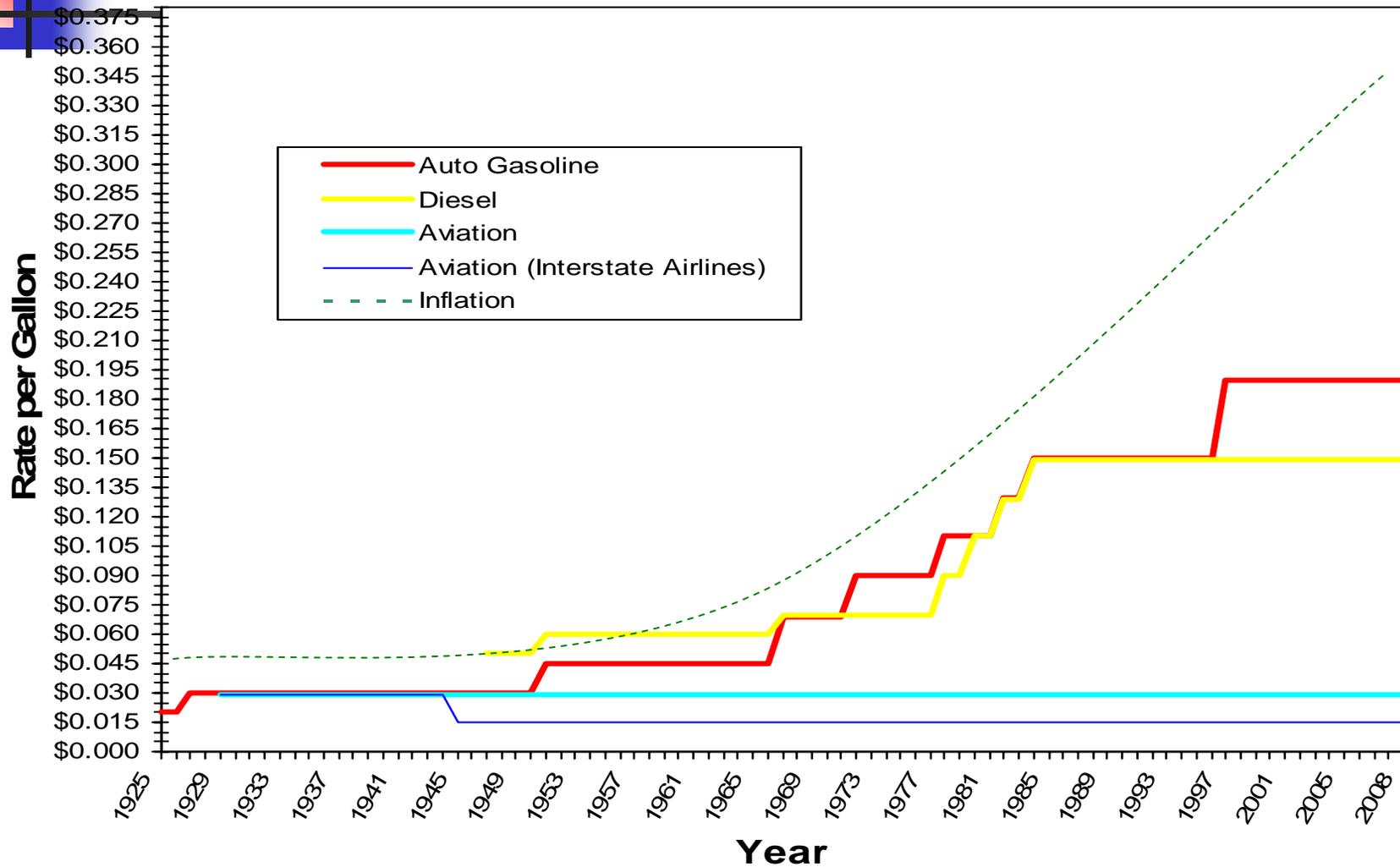
Registration Fees changed to value based in 1982

Decline in Purchasing Power



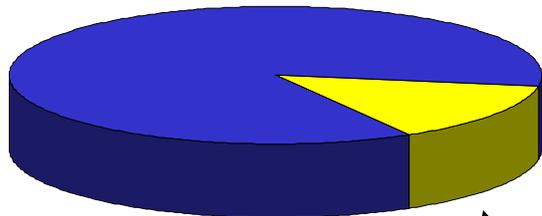
Actual Purchasing Power of the State Gas Tax has declined by 22.6% since 1998

Aviation and Motor Fuel Tax Rates



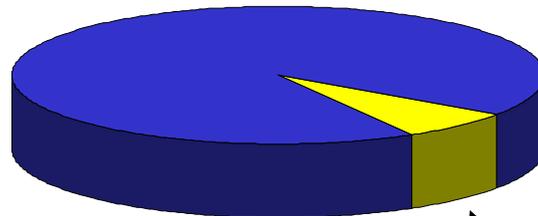
Aviation Fuel Tax Per Gallon

1929



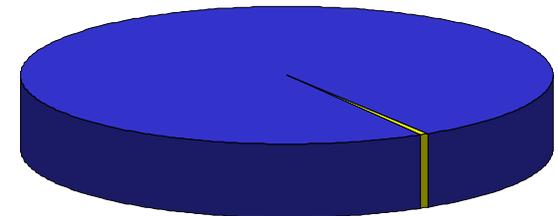
Total Price: 21¢ per gallon
Tax Rate: 3¢ per gallon
Tax: 14% of cost per gallon

1968



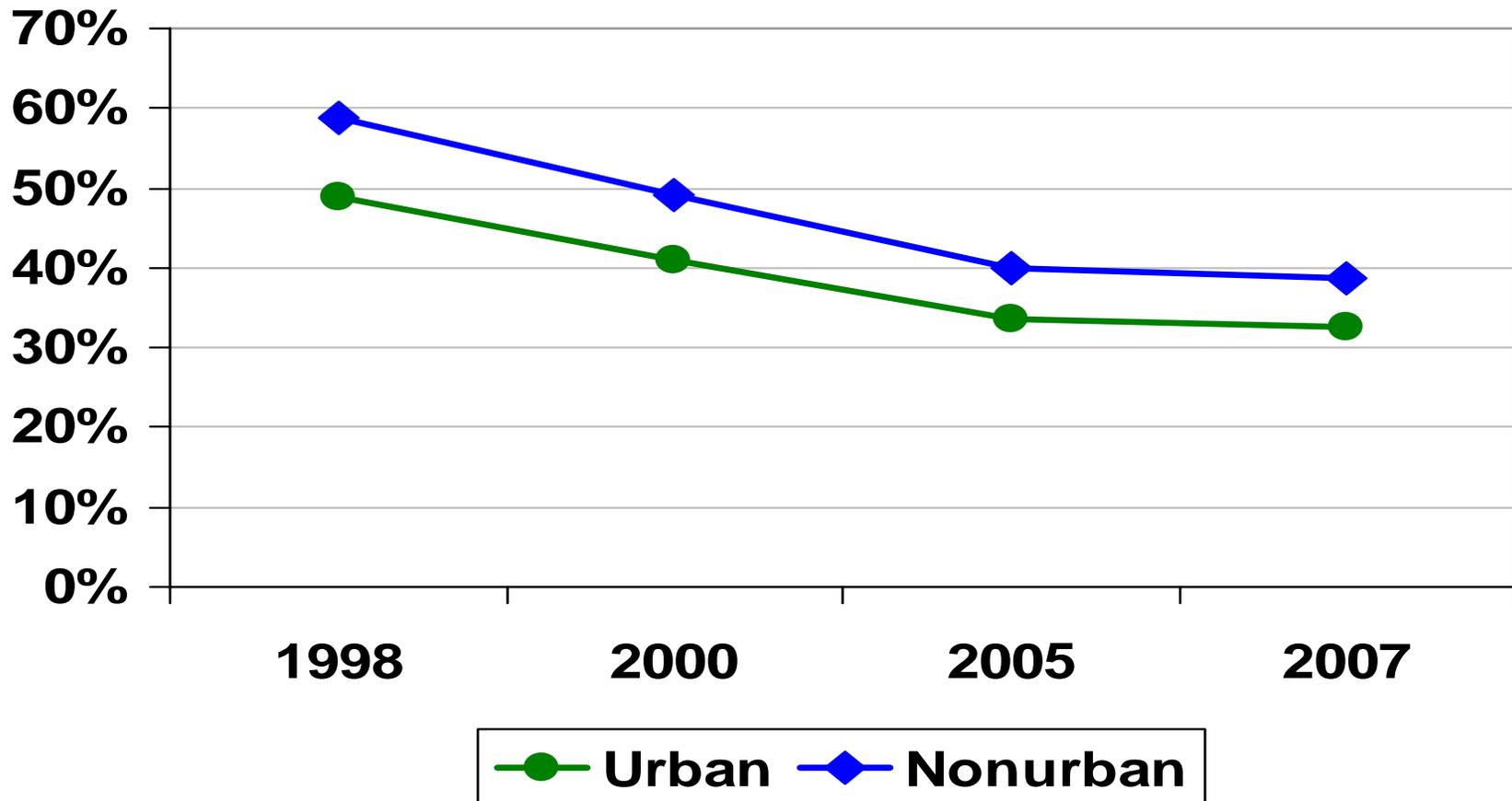
Total Price: 40¢ per gallon
Tax Rate: 3¢ per gallon
Tax: 7.5% of cost per gallon

2007

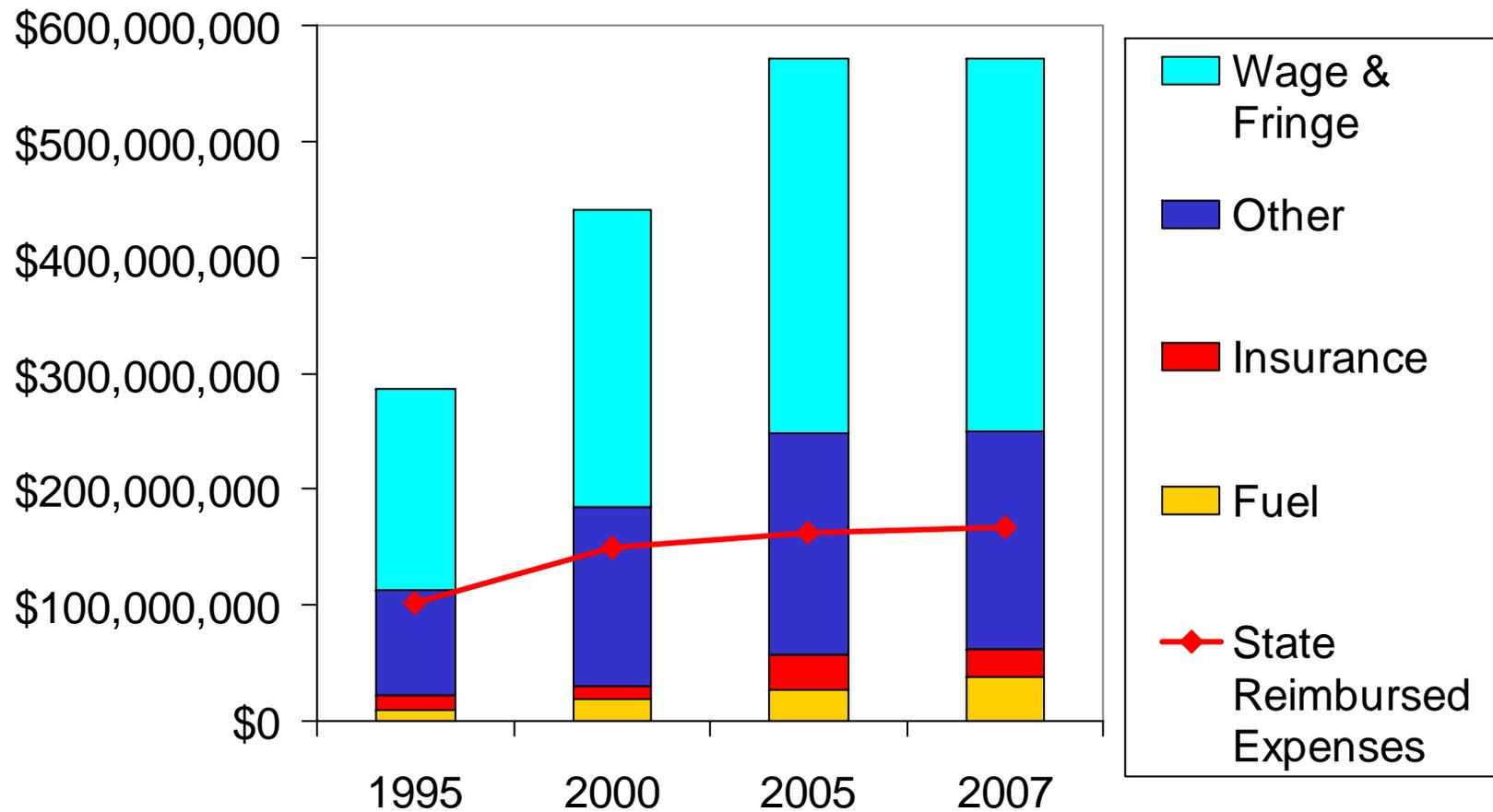


Total Price: \$4.50 per gallon
Tax Rate: 3¢ per gallon
Tax: .7% of cost per gallon

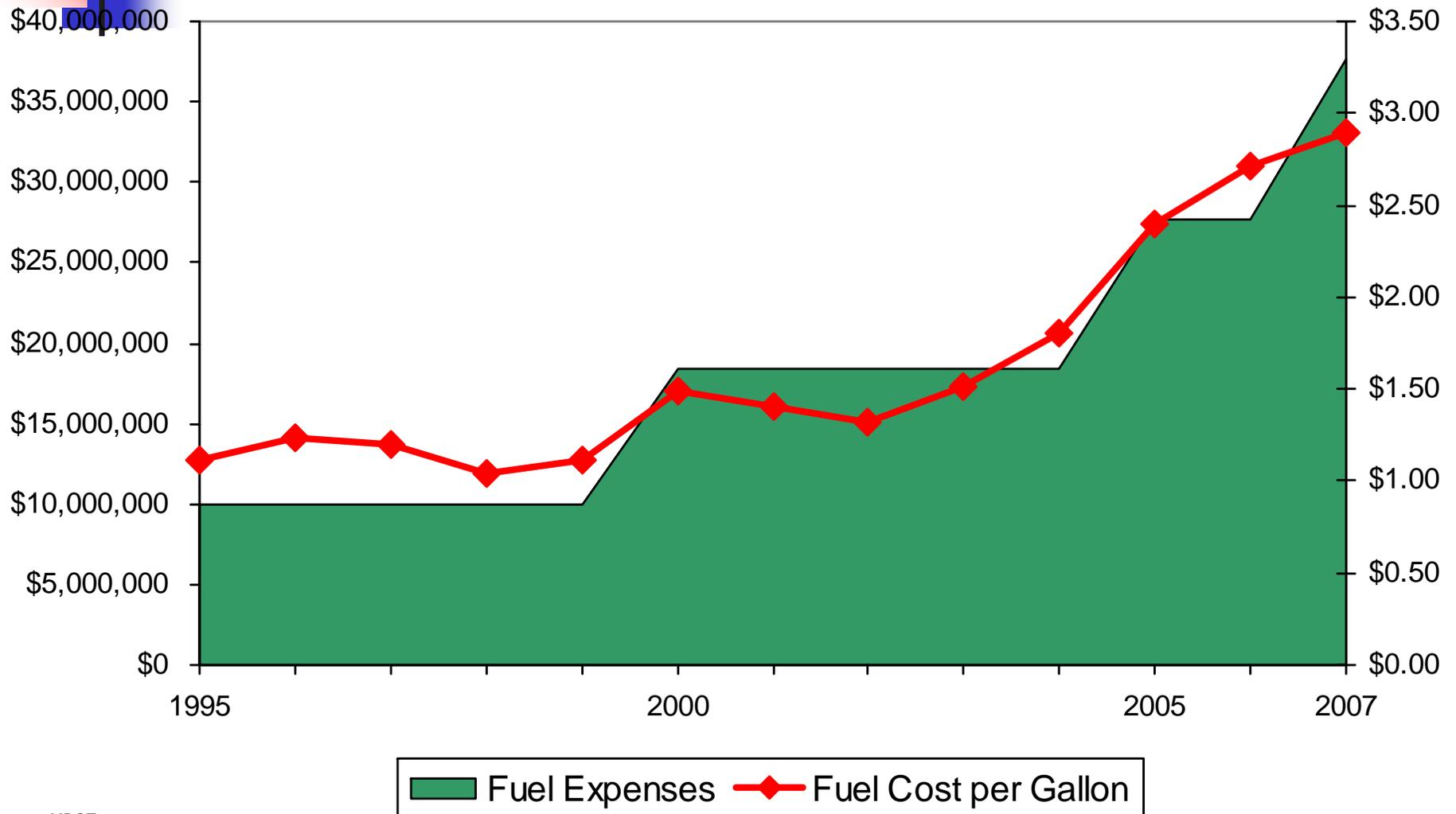
Local Public Transit State Operating Assistance Distribution Rates



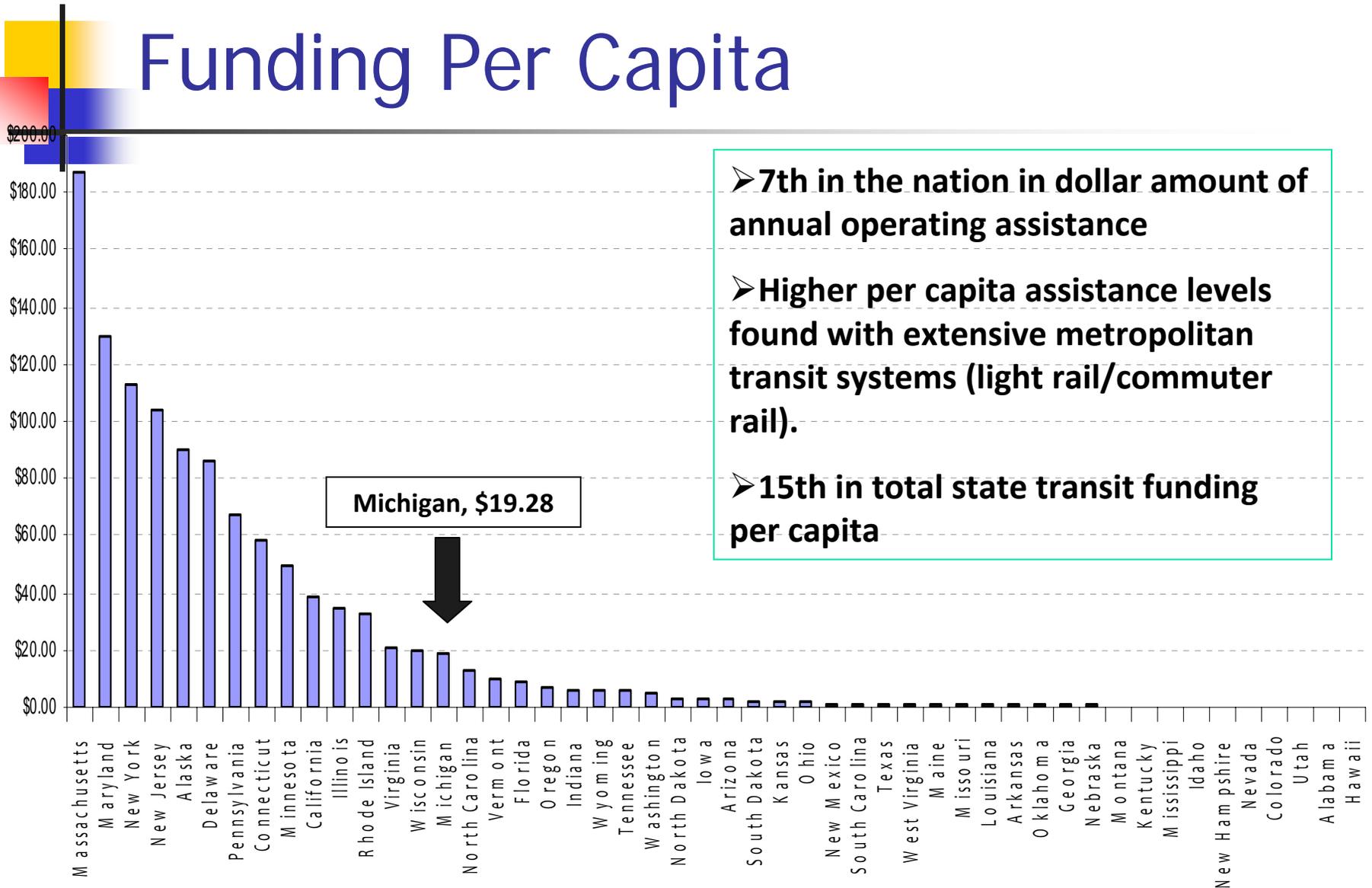
Local Public Transit Expense by Category



Local Public Transit Fuel Expenses



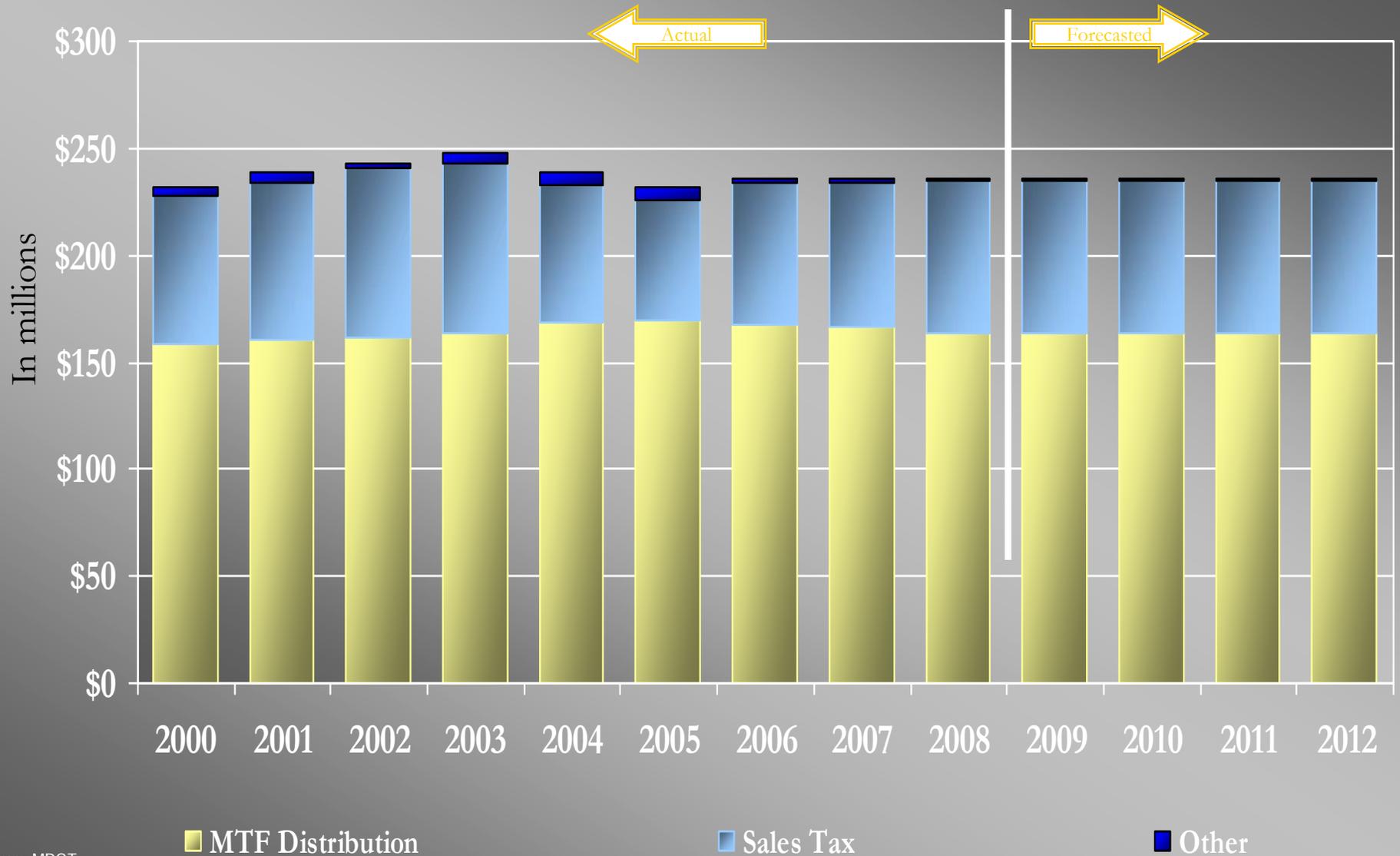
Benchmark: 2005 State Transit Funding Per Capita



- 7th in the nation in dollar amount of annual operating assistance
- Higher per capita assistance levels found with extensive metropolitan transit systems (light rail/commuter rail).
- 15th in total state transit funding per capita

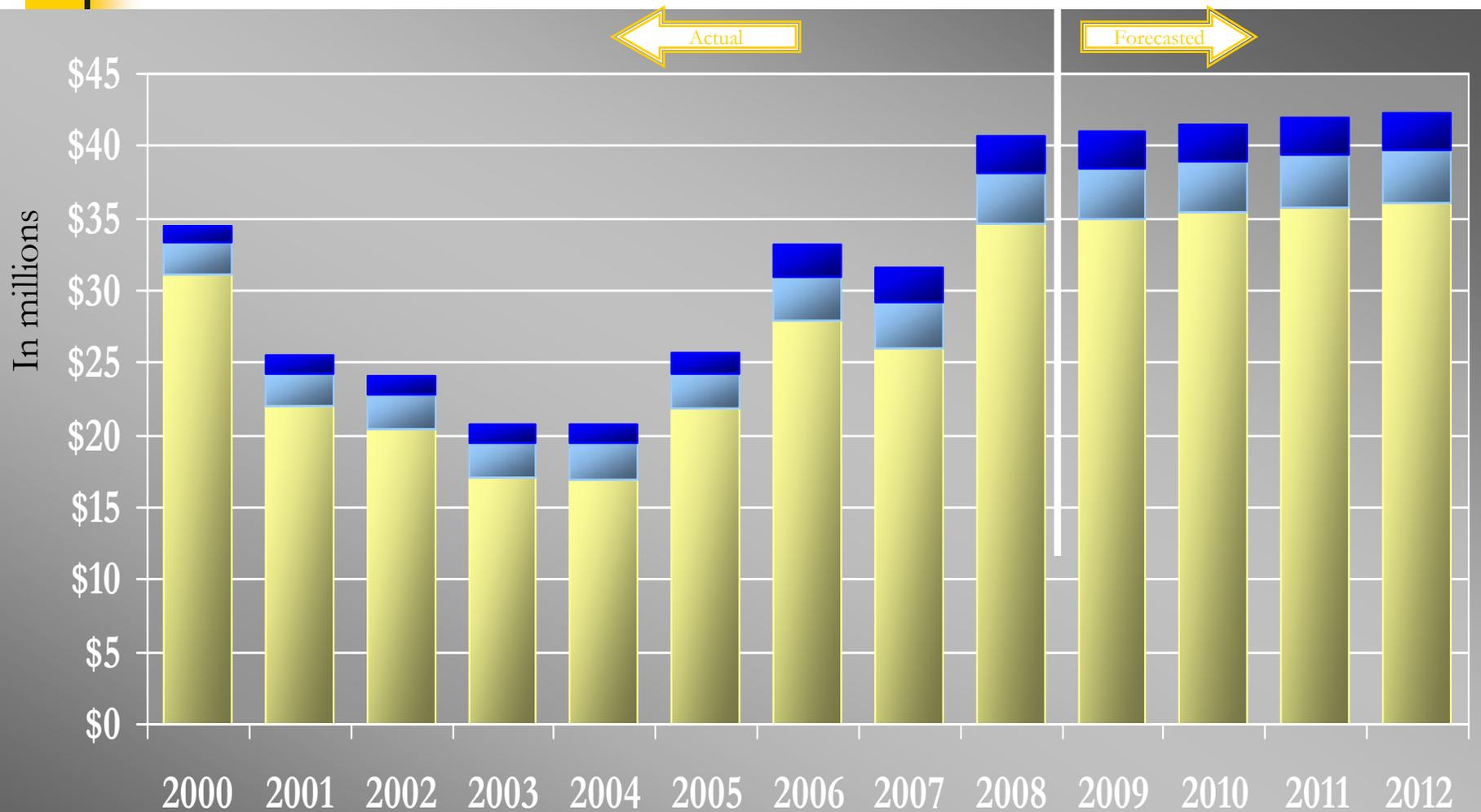
Source: 2005 Survey of State Funding for Public Transportation, AASHTO, APTA, and USDOT

Comprehensive Transportation Fund State Revenue



Source: MDOT

Transit Funding: Federal Revenue

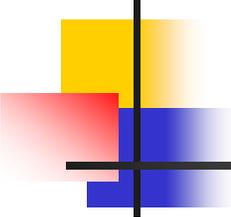


Source: MDOT

■ Transit

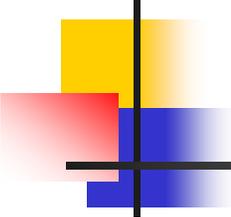
■ Planning

■ Rural Intercity Transit



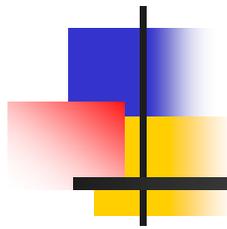
Impact of CTF Revenue Trends on Transit

- Stagnant state transit revenues
 - MDOT's contribution to preservation of existing service is decreasing
 - No CTF revenues for expansion
- State's Share of Maintaining Local Transit Services is Decreasing
- Ability to continue to match federal funds is uncertain



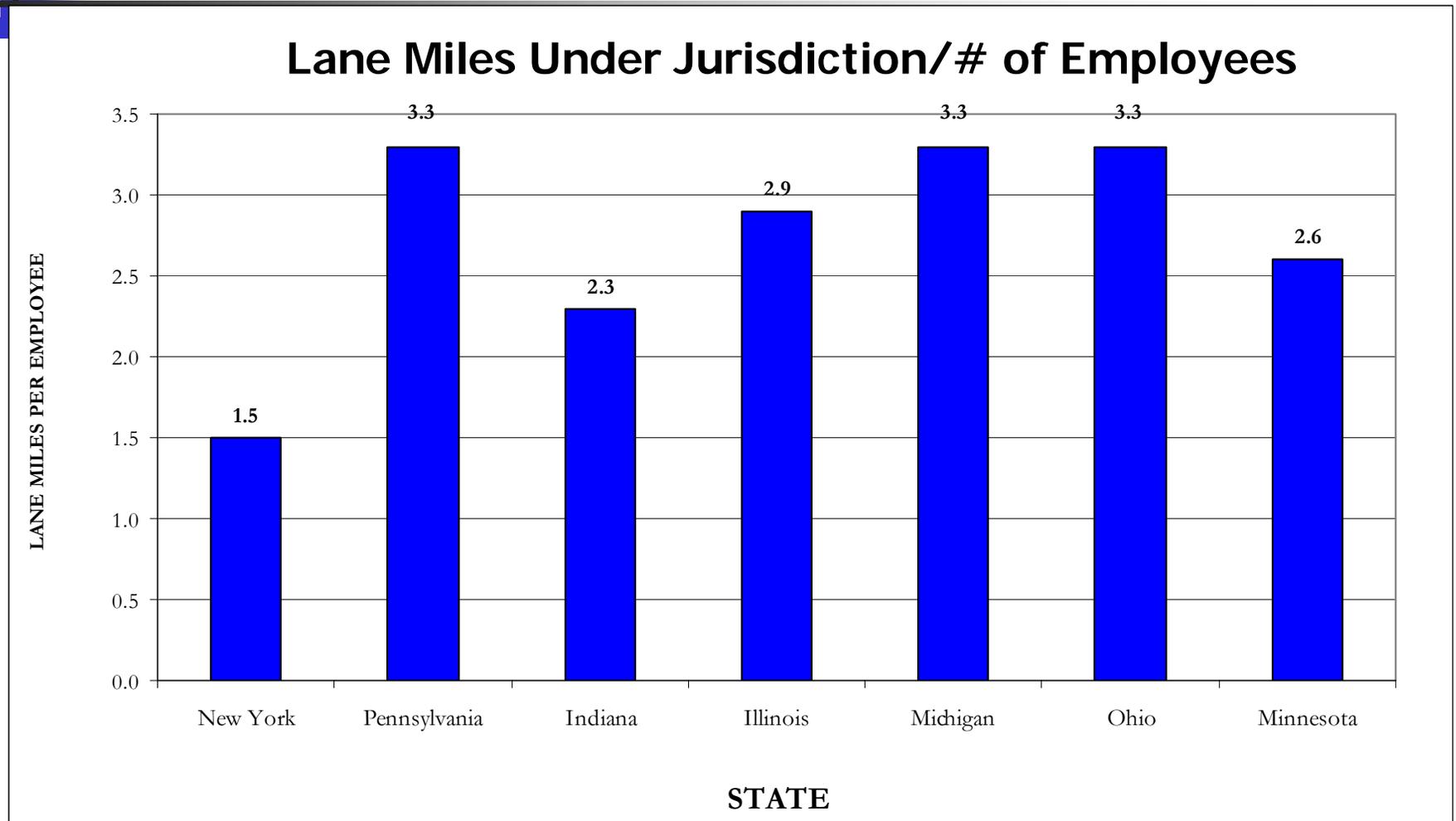
Impact of CTF Revenue Trends on Rail Freight

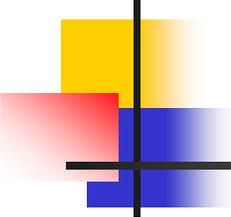
- Freight program revenues down 40% since 2000
 - MDOT Capital projects on state-owned rail lines have been deferred
 - Limited funds for potential applicants to Freight Economic Development Program



Discussion

Efficiencies

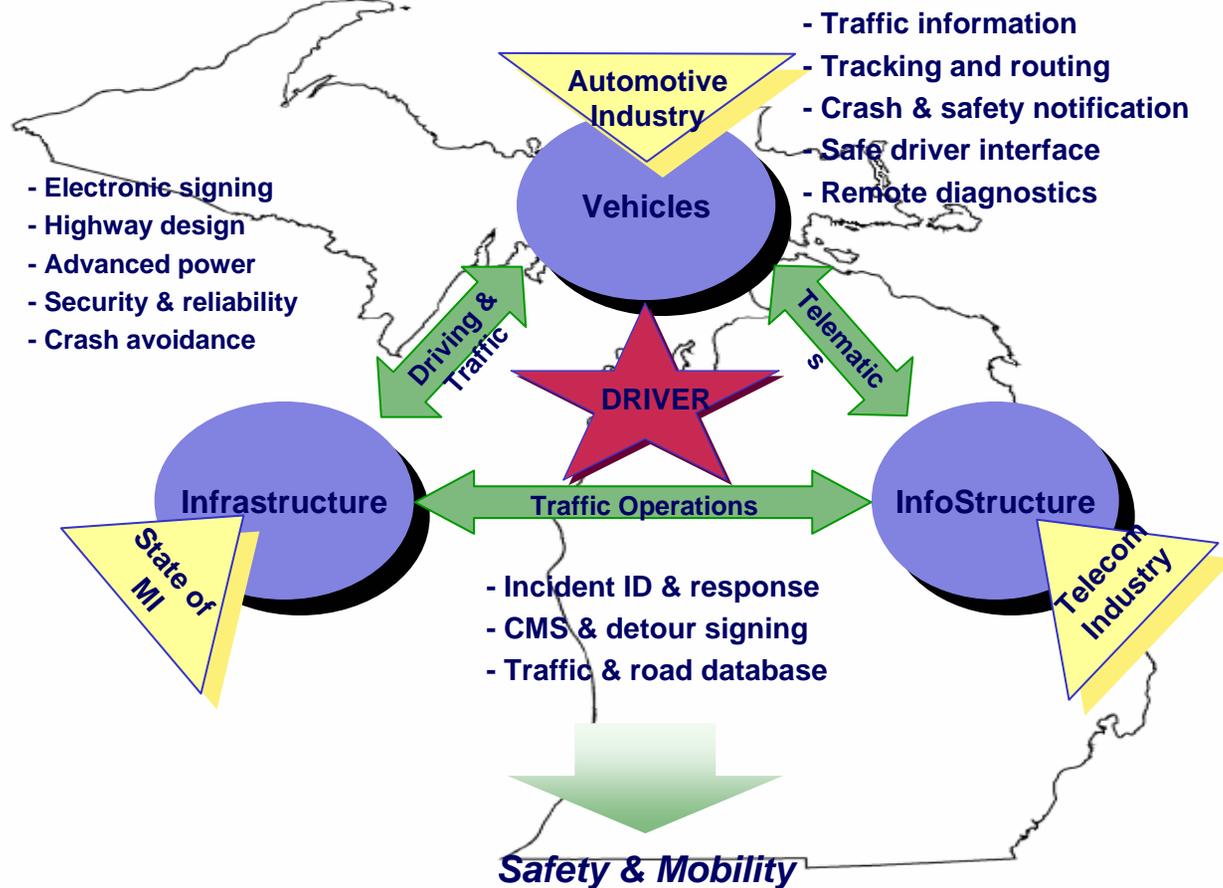
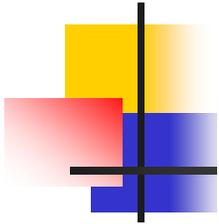




Potential Future Efficiencies

- New partnerships
- Regionalization
- Others?

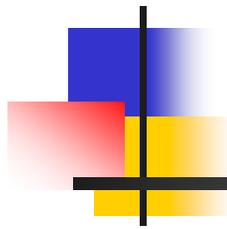
New Partnerships



Regionalization

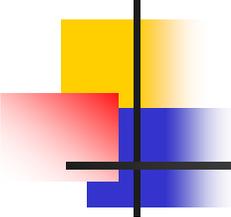
- Southeastern Michigan Snow and Ice Management Project (SEMSIM)





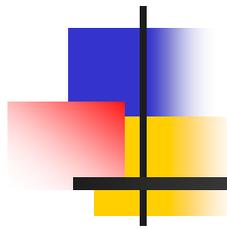
Discussion

Are there others?

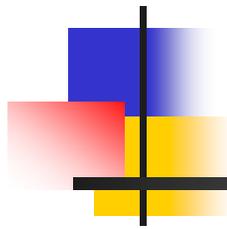


Next meeting

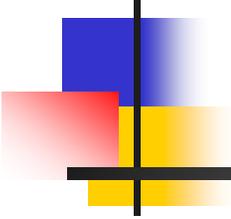
- Other States Revenue Studies
- Funding Alternatives
- Suggestions?



Other Business



Public Comment



See you in June!

June 30, 9 a.m. to 4 p.m.
MDOT Aeronautics Auditorium
Lansing, Michigan