

Infrastructure Funding Crisis: Limiting Michigan's Recovery

December 2014

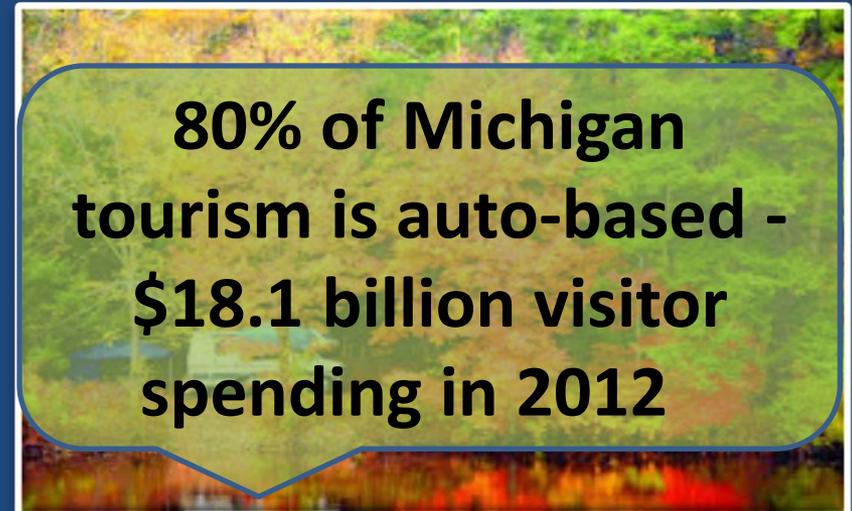


Michigan Department of Transportation

Importance of Michigan Trunklines



35% of US/Canada trade flows through Michigan



80% of Michigan tourism is auto-based - \$18.1 billion visitor spending in 2012



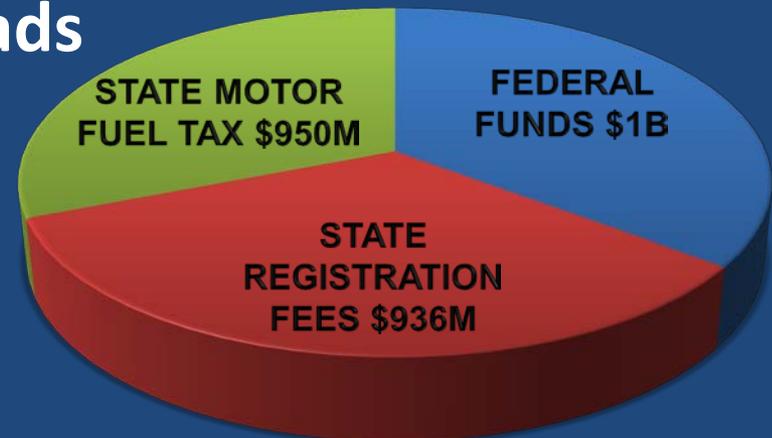
\$520 billion in freight is moved each year on Michigan's highways, rail & water ports



99% of Michigan jobs are on "Commercial Corridors"

Transportation Funding

- Roads and Bridges are funded with “user fees”
 - Federal funds from federal gas tax: \$1 billion
 - Includes \$250 m to local agencies
 - State motor fuel taxes: \$950 million
 - State vehicle registration fees: \$936 million
 - **No state sales tax goes to roads**
 - **Not even the sales tax on gas**



What You Pay at the Pump

PRICE **\$3.49**/gallon*

MICHIGAN GAS TAX
18.7¢/gallon

6% SALES TAX = **19¢**

FEDERAL GAS TAX
18.4¢/gallon

RETAIL
PRICE
OF FUEL

*Based on average price
of fuel over past 12
months.

AT THIS PRICE,
THE STATE COLLECTS
37.4 CENTS
PER GALLON
OF GAS.

SCHOOLS
AND LOCAL
GOVERNMENT **17.8¢**

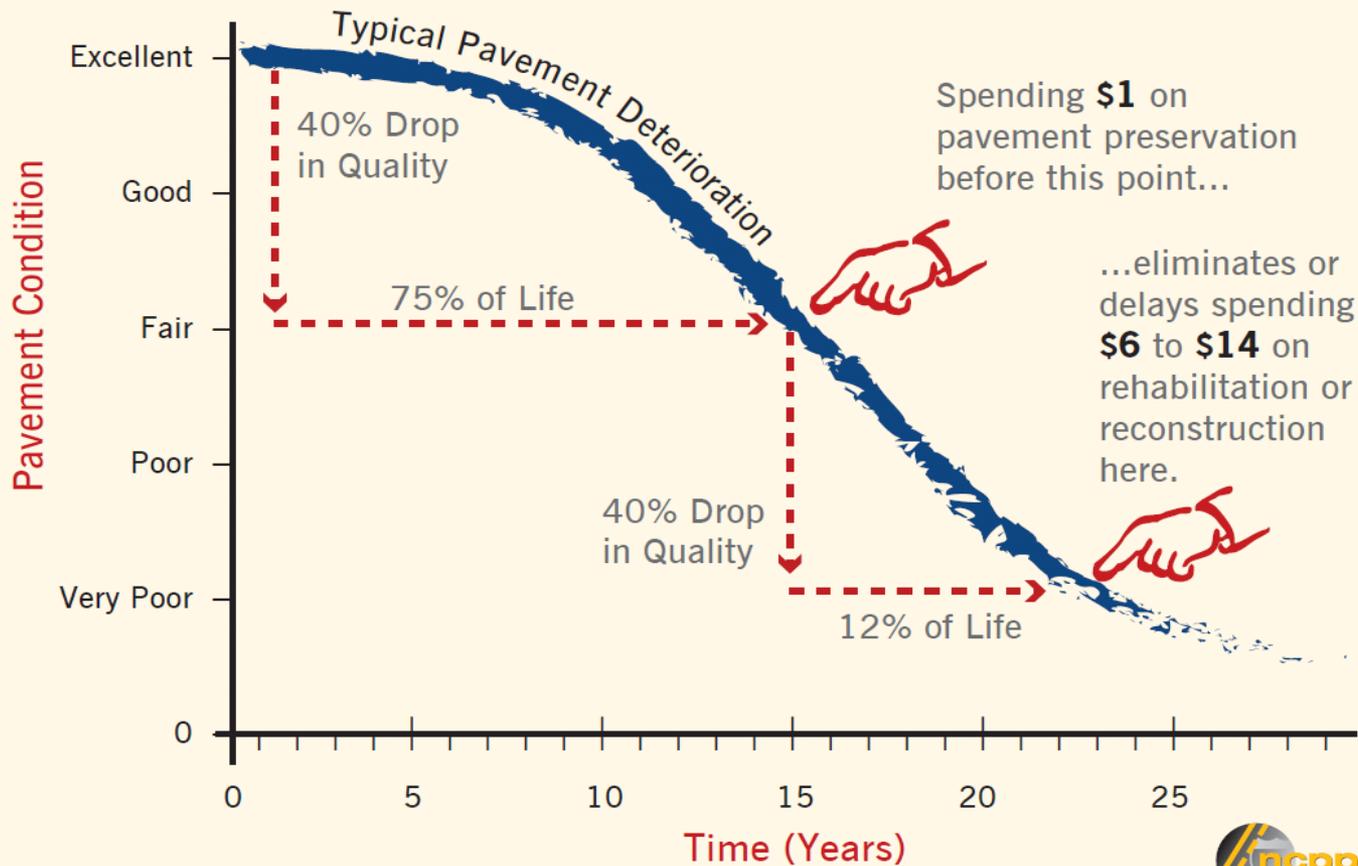
TRANSIT **2.4¢**

ROADS **17.2¢**

The sales tax rises with the price of gasoline, but the gas tax doesn't.

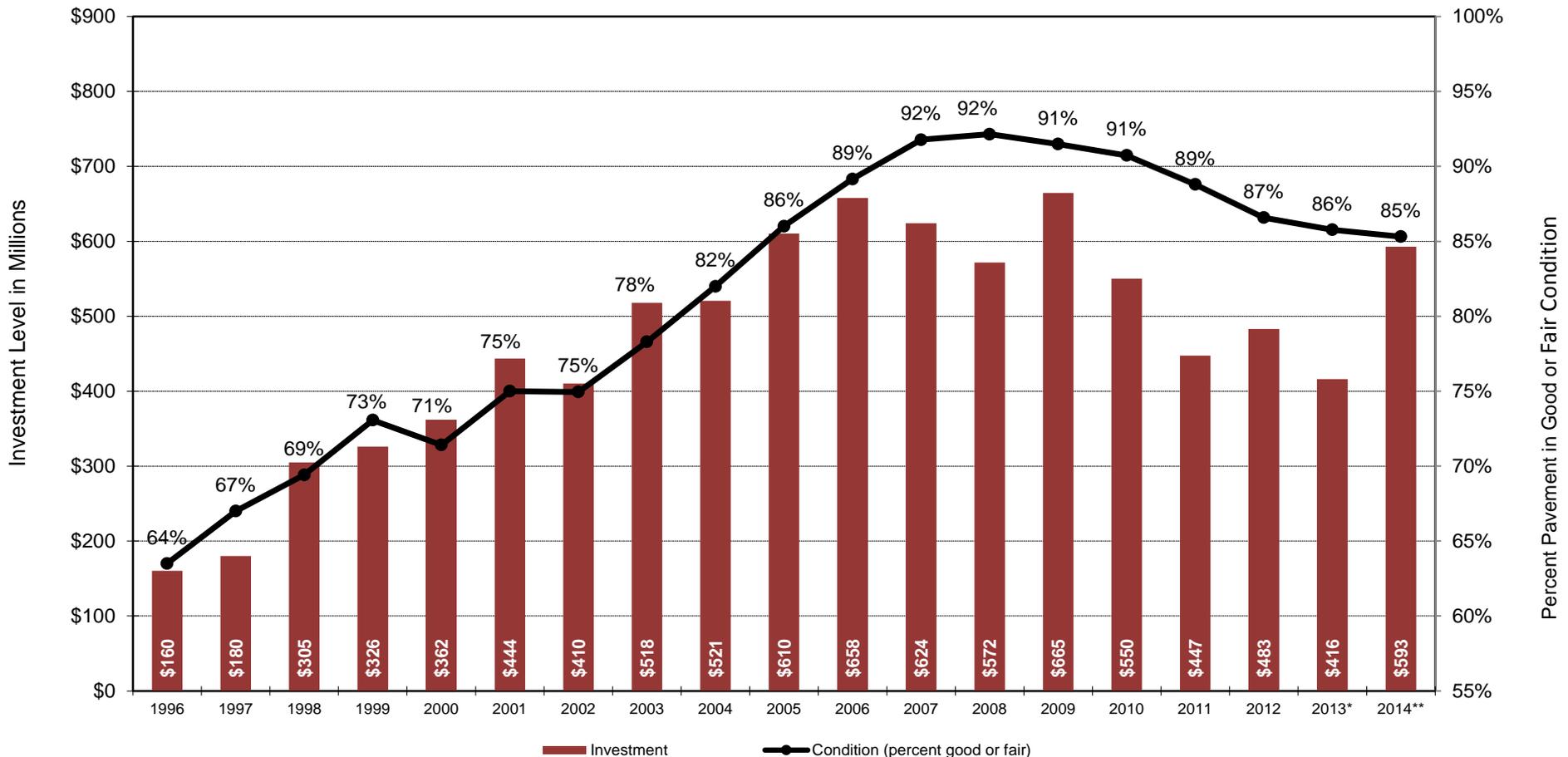
Asset Management

PAVEMENT PRESERVATION IS COST EFFECTIVE



State Trunkline Condition

Pavement Program Investment Level vs. Actual Trunkline Pavement Condition

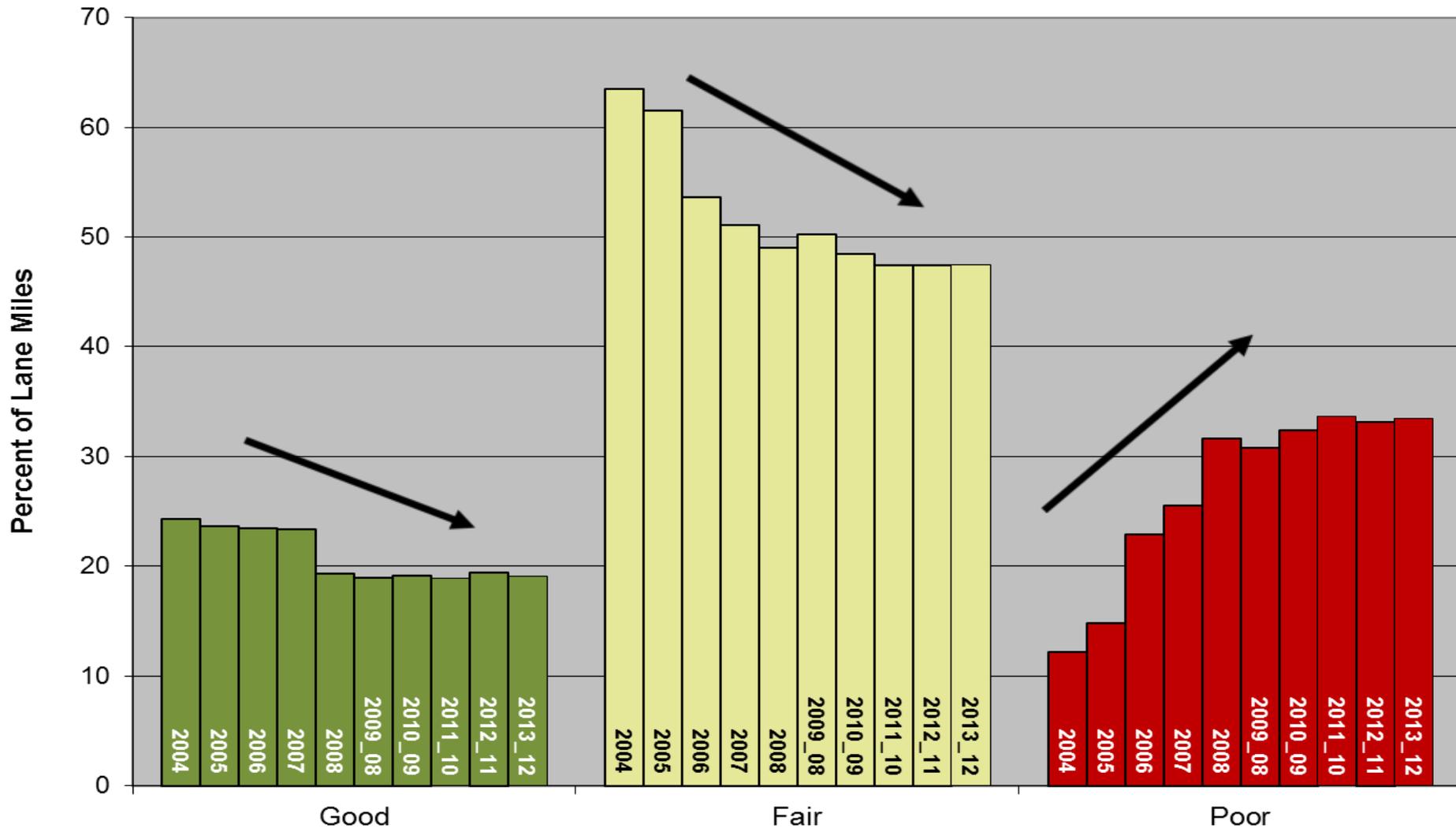


* Due to a change in reporting requirements, \$60 M in work on trunkline pavement was reported in FY2012 but not built until FY2013.

**2014 investment includes \$98 M of additional general fund state revenue.

Federal Aid System Condition

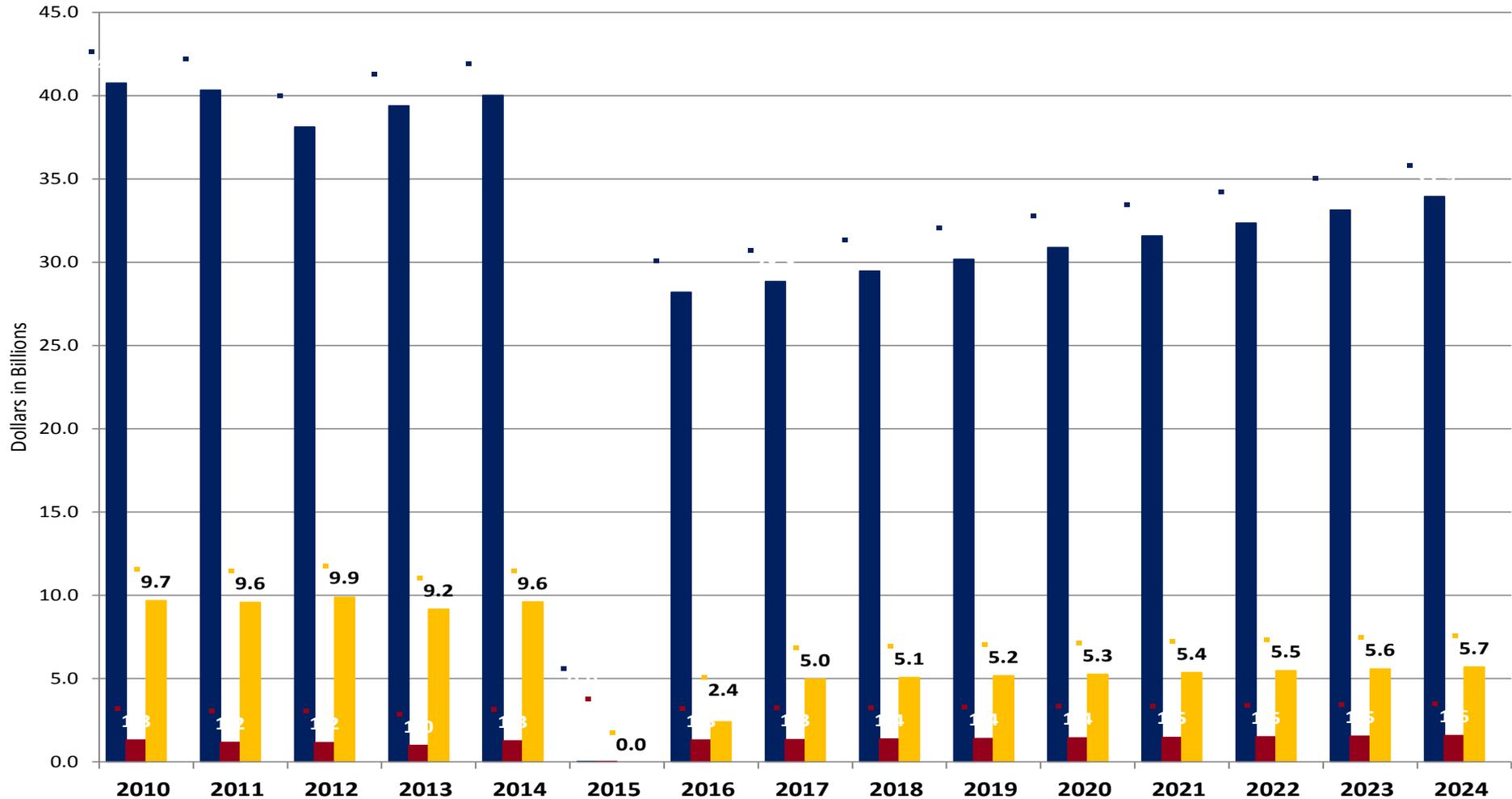
2004-2013 Pavement Condition of Federal Aid Eligible Roads



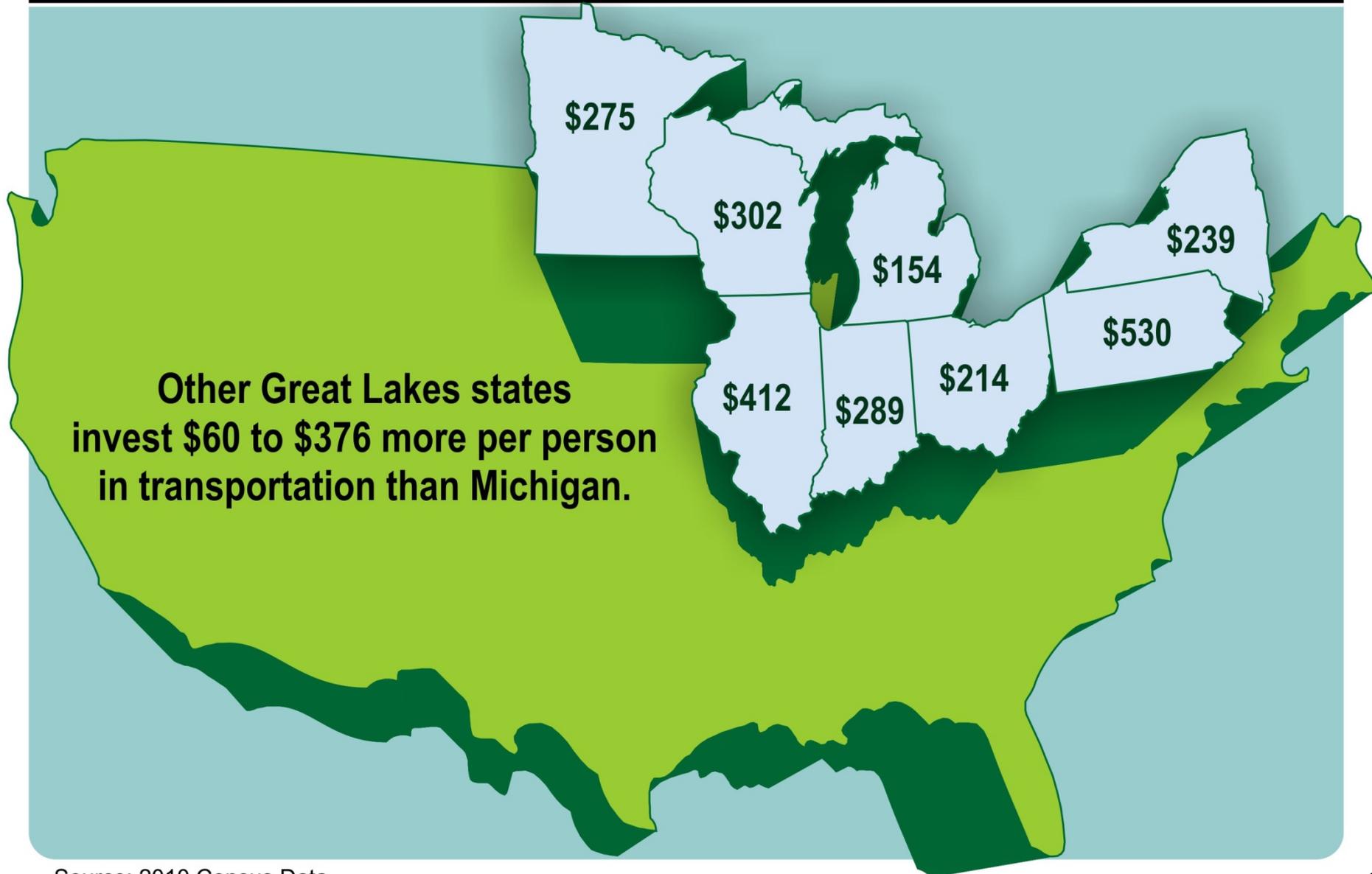
Federal Funding Falling Short

Estimated Federal Highway and Transit Obligations With No Net New Revenue

■ Total FHWA Obligations (excl. flex) ■ Total Safety Program Obligations ■ Total Transit Account Obligations (incl. flex)



Per Capita State Investment in Roads



These States Have Taken Action, Despite the Economy



6¢/gallon increase;
generating \$32
M/year



10¢/gallon increase;
generating \$71.8
M/year



\$265 M/year
increase in 2014,
increases to \$805
M/year by 2018



estimated \$800
M/year increase



\$880 M/year in new
revenue; \$3.5 B over
5 years



new \$1 billion
bonding program



voter referendum
approved \$1.2
B/year increase



increases that will
generate an
additional \$2.3 B
/year by 2018

Time to Act

Michigan is moving from underinvesting in transportation, to disinvesting in transportation." **2008**, *Transportation Funding Task Force*

"Investing money in our roads and bridges today saves money in the long run.." **2013**, *Gov. Rick Snyder*

"Transportation infrastructure must become a priority. ..." **2011**, *Lansing State Journal Editorial*

Raising taxes isn't easy in a bad economy, but this is one case where, if the money is properly managed, it would offer a worthwhile return on the investment..." **2009**, *Detroit News*

"If we are going to reinvent Michigan's economy, we have to reinvest in Michigan's infrastructure." **2011**, *Special Message on Infrastructure*

"You get what you pay for." **2013**, *Michigan Farm Bureau*

...creating a disincentive for big employers, especially those who rely on highway infrastructure to do business, to locate here." **2008**, *Kalamazoo Gazette*

"Michigan's roads continue to deteriorate at an increasingly rapid rate..." **2010**, *Transportation Asset Management Council Report*

"The Pure Michigan campaign is driving thousands of families to visit our state, but if our roads and bridges aren't repaired, many won't be coming back." **2012**, *Michigan Lodging and Tourism Association*

"...Michigan had the eighth worst road system in the nation based on overall performance. Grinding all of our roads back into the stone age is not an acceptable alternative." **2009**, *Muskegon Chronicle*

Investments in infrastructure will grow the economy." **2012**, *Business Leaders for Michigan*

"If we are going to reinvent Michigan's economy, we have to reinvest in Michigan's infrastructure." **2011**, *Special Message on Infrastructure*

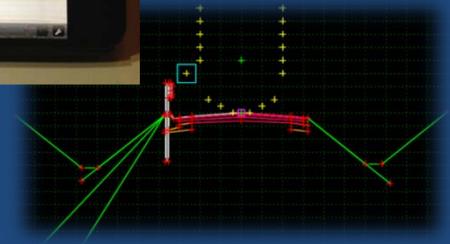
"Time is not on our side...The time to address this problem is now." **2012**, *Michigan Roads Crisis report by House Transportation Working Group*

"...families will save on vehicle repair costs, our state will save \$13 billion over the long run...we will save 100 lives each year... what's more, we'll create over 12,000 jobs..." **2013**, *Gov. Rick Snyder*

Successful Innovations

- **E-Construction**

- 3D Modeling allows contractors to use GPS for machine grading
- E-Sign technology eliminates 7.4 million sheets of paper and could save \$4 million a year



- **Accelerated Opening-to-Traffic Pavement: Cast-in-Place Rapid Setting Concrete Mixtures**

- Cost effective
- User-friendly
- Timely
- Durable



- **Warm Mix Asphalt**

- Allowance in all HMA mixes, including the allowance of some chemical additives
- FHWA Everyday Counts Initiative (EDC)



Tow Plow

- What is it?
 - 35' long trailer
 - 25' long plow blade
 - 35,000 lbs. with 9 tons of salt
- Where will we use?
 - I-96 (6 lane freeway)
 - US-23 (4 lane freeway)



- Benefits
 - Clear two full lanes
 - Almost clear full ramp & full shoulder in one pass
 - 9 extra tons of salt

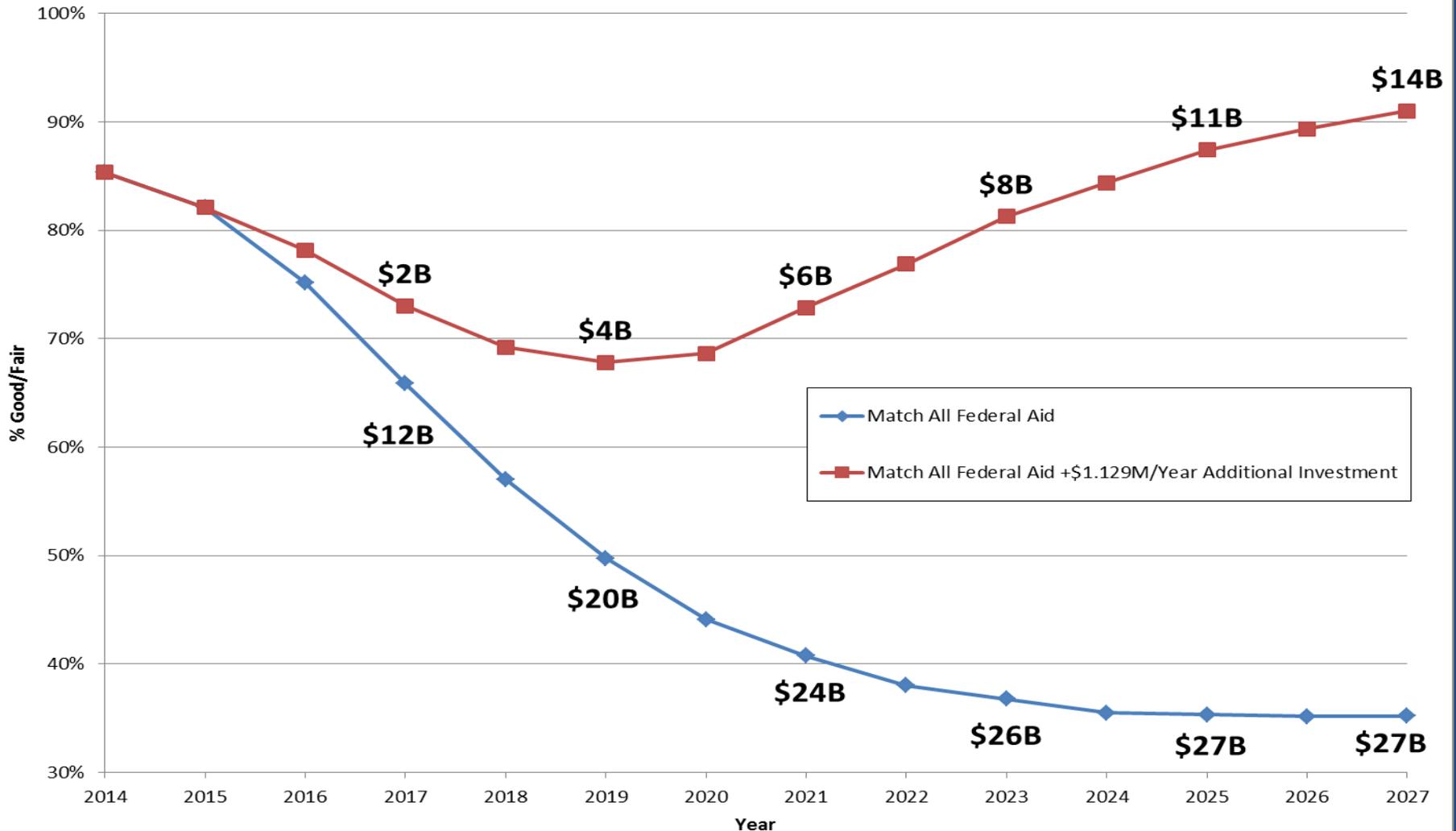
The Cost of Doing Nothing

- Costs of an inadequate system
 - **\$7.7 billion annually** – lost time, wasted fuel, crashes, etc.
 - **\$1,600 annually** per driver in Detroit
 - **\$1,027 annually** per driver in Grand Rapids
 - **\$1,032 annually** per driver in Lansing
- Safety impacts of inadequate system
 - Total crashes in 2012: **273,891**
 - Total fatalities: **936**
 - Total injuries: **70,158**
- Pay Now or Pay Later
 - 1.3 billion/year now or as much as **\$26 billion** total needed in 10 years



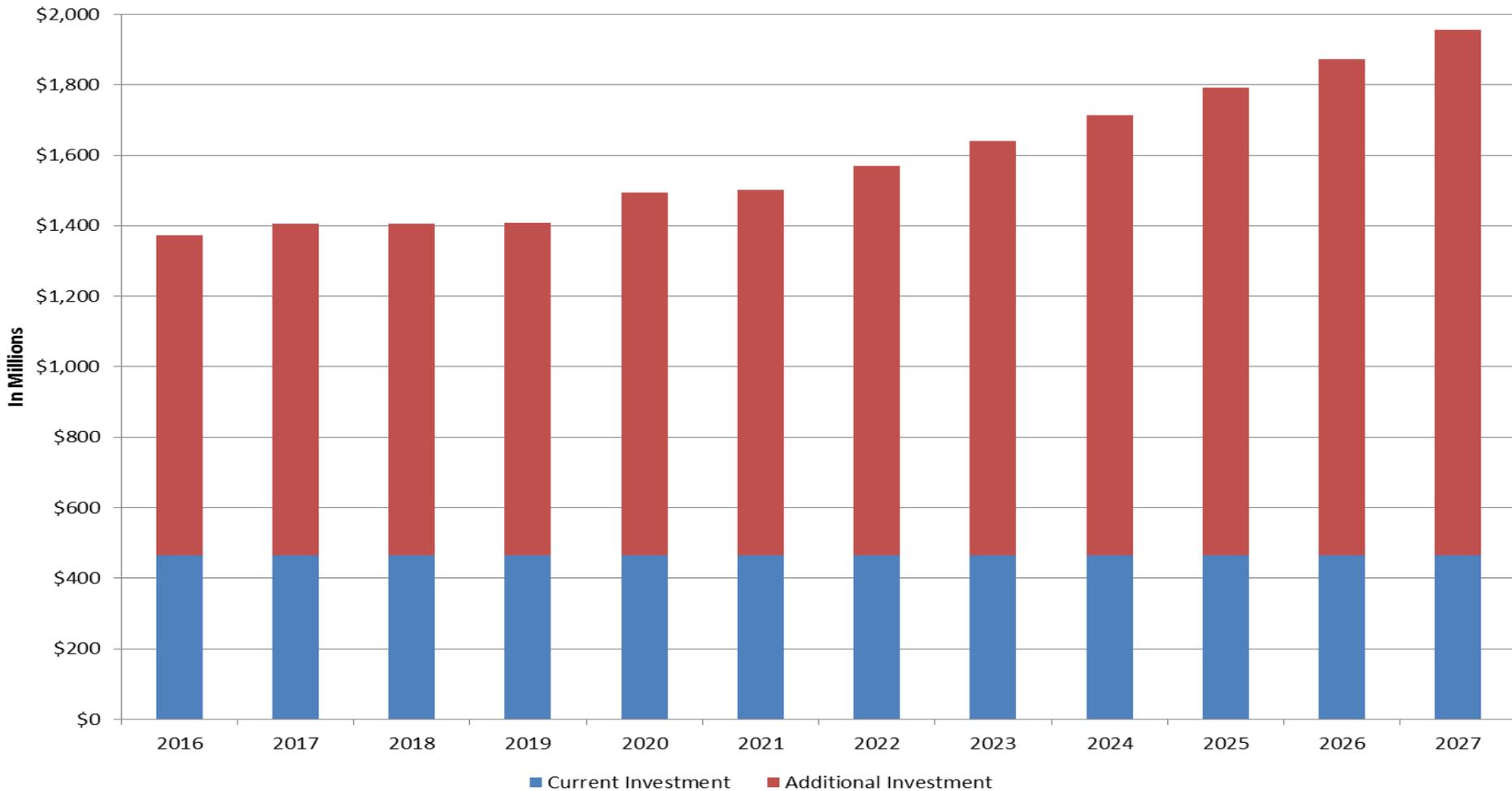
Pay Now or Pay Later

Trunkline Investment Scenarios



MDOT Shortfall for Pavement Preservation

MDOT needs to invest an average of \$1.129B more each year to preserve pavement condition at 90% good or fair



Safety

- Roadway conditions significant factor in 1/3 of Michigan traffic fatalities
 - 938 traffic fatalities in 2012
 - 4,620 traffic fatalities from 2008 through 2012
- Motor vehicle crashes cost Michigan \$8.1B/year
 - \$812 for each resident
- \$100M spent on highway safety improvements will save 145 lives over 10-year period

Benefits of Acting Now

- The economic impacts in the first 2 years:
 - 14,000 jobs each year
 - \$1.878 B in personal income
 - \$3.258 B in Gross State Product
- Next 10 years, this \$1.3 billion/year investment will generate:
 - Over **\$11.6 billion** in real personal income
 - More than **\$25 billion** in Gross State Product
 - A \$3.50 return on every \$1 invested
 - Private sector will do the work and create the jobs, growing the economy



For more information:



www.michigan.gov/roadfunding
www.michigan.gov/realitycheck

Questions?



Customer Service is Important

Please submit your comments and concerns at:
www.michigan.gov/mdot under “Contact MDOT”

