

MICHIGAN HIGHWAY FINANCE AND GOVERNANCE

I. Introduction

Highway funding has received a great deal of attention in recent times. The public debate so far has concentrated largely on the questions of whether and by how much to increase motor-fuel taxes to finance additional road and bridge construction and maintenance. This paper attempts to ask and answer the question, "If taxes are increased to raise additional revenues for highways, will additional revenues, at any level, address the ills of the highway system, or are other reforms needed to make this system operate economically and efficiently?"

A strong highway system is important to the economic well-being of a state. Every sector of the economy is affected by the highway system. Workers travel to their places of employment. Residents run errands to

schools, stores, doctors' offices, and office buildings. Sales representatives peddle their wares. Suppliers transport parts to manufacturers. Manufacturers transport their final products to market places. Consumers travel to market places to purchase these goods. Finally, with the role that tourism plays in the Michigan economy, a strong highway system is vital to allow for efficient access to tourist destinations.

Despite its importance, the Michigan highway system was allowed to deteriorate. In parts of the state, many roads are in need of repair. In other parts of the state, new roads need to be built. This report will consider whether the current Michigan highway finance and governance structure will be able to address these needs systematically and efficiently.

A. Highways as a Government Priority

This report uses several states for comparison purposes (See Table 1). These states were chosen either due to their population or their geographic proximity to Michigan. They are the same states used in

the 1996 Michigan Tax Climate, a *CRC Report* which compares state tax burdens.

Michigan ranks sixth among the comparison states in

Table 1
Interstate Comparison of State and Local Spending -- 1993

State	Per Capita Expenditures				Expenditures Per \$1,000 of Personal Income				Highway Expenditures as Percent of Total Spending	
	General Expenditures	Nat'l Rank	Highway Expenditures	Nat'l Rank	Direct General Expenditures	Nat'l Rank	Direct Highway Expenditures	Nat'l Rank	Total Spending	Nat'l Rank
California	\$4,301.66	12	\$198.97	49	\$215.58	18	\$9.97	49	4.6%	50
Illinois	3,645.12	28	285.93	22	166.78	46	13.08	34	7.8%	23
Indiana	3,482.13	36	236.21	42	190.91	36	12.95	35	6.8%	36
Iowa	3,869.02	21	430.51	7	208.96	22	23.25	7	11.1%	5
Kentucky	3,270.27	44	275.27	26	195.87	30	16.49	22	8.4%	18
Michigan	4,027.62	19	210.59	48	205.55	23	10.75	48	5.2%	48
Minnesota	4,783.04	6	403.09	10	236.09	7	19.90	11	8.4%	17
Missouri	2,893.02	50	227.69	44	153.01	50	12.04	40	7.9%	22
New Jersey	4,576.53	9	285.67	23	173.16	45	10.81	47	6.2%	41
New York	5,881.45	2	272.51	29	247.74	5	11.48	43	4.6%	49
N. Carolina	3,324.45	42	239.89	41	187.60	39	13.54	32	7.2%	29
Ohio	3,588.39	31	231.86	43	191.55	35	12.38	38	6.5%	38
Pennsylvania	3,742.41	25	227.65	45	184.17	41	11.20	46	6.1%	43
Texas	3,408.82	39	245.95	37	189.89	38	13.70	31	7.2%	30
Wisconsin	4,240.10	13	350.28	15	222.67	13	18.39	16	8.3%	19
U.S. Average	\$3,975.21		\$264.20		\$201.45		\$13.39		6.6%	

Source: U.S. Bureau of the Census, Government Finances in 1992-93, Internet.

general expenditures on all functions, whether the states are compared on a per capita basis or per \$1,000 of personal income. **Table 1** (based on the latest year for which data is available), notes that for most functions, Michigan ranks high in comparisons of spending. However, Michigan ranks low for highway

spending. Michigan was 14th among the 15 states in per capita highway spending and in highway spending per \$1,000 of personal income. Michigan state and local governments spent 5.2 percent of all spending for highways; compared to the U.S. average of 6.6 percent. This ranks 13th among the 15 comparison states.

B. Michigan Road Conditions

The Federal Highway Administration (FHWA) of the U.S. Department of Transportation compiles highway statistics that indicate the condition of major Michigan roads -- interstates, arterial routes, and collector routes. Local access roads are not included.

Michigan roads have been deteriorating over time with more and more miles receiving unsatisfactory ratings. In 1985, only 4.9 percent of major paved roads were rated in poor condition. As of 1994, 13.3 percent, over 4,077 miles, of the major paved roads were rated poor (See **Chart 1**).

Interestingly, the percentage of major paved roads in good or very good condition also increased over this period. The proportion of roads in fair and mediocre condition declined over this period by almost 15 per-

centage points, from 57.0 percent to 42.4 percent.

1. Interstate Comparison of Road Conditions

Among the comparison states, only Minnesota has a greater percentage of roads either unpaved or rated poor. At the same time, only Texas, New Jersey, Ohio, and Indiana had a greater percentage of major roads rated good or very good. Michigan has a smaller percentage of major roads rated in fair condition than most of these other states (See **Chart 2**).

2. Michigan Bridge Conditions

The FHWA reports that 42 percent of the nation's 577,481 highway bridges need repair and are considered obsolete. Estimates put the cumulative repair bill at \$50 billion by the year 2010.

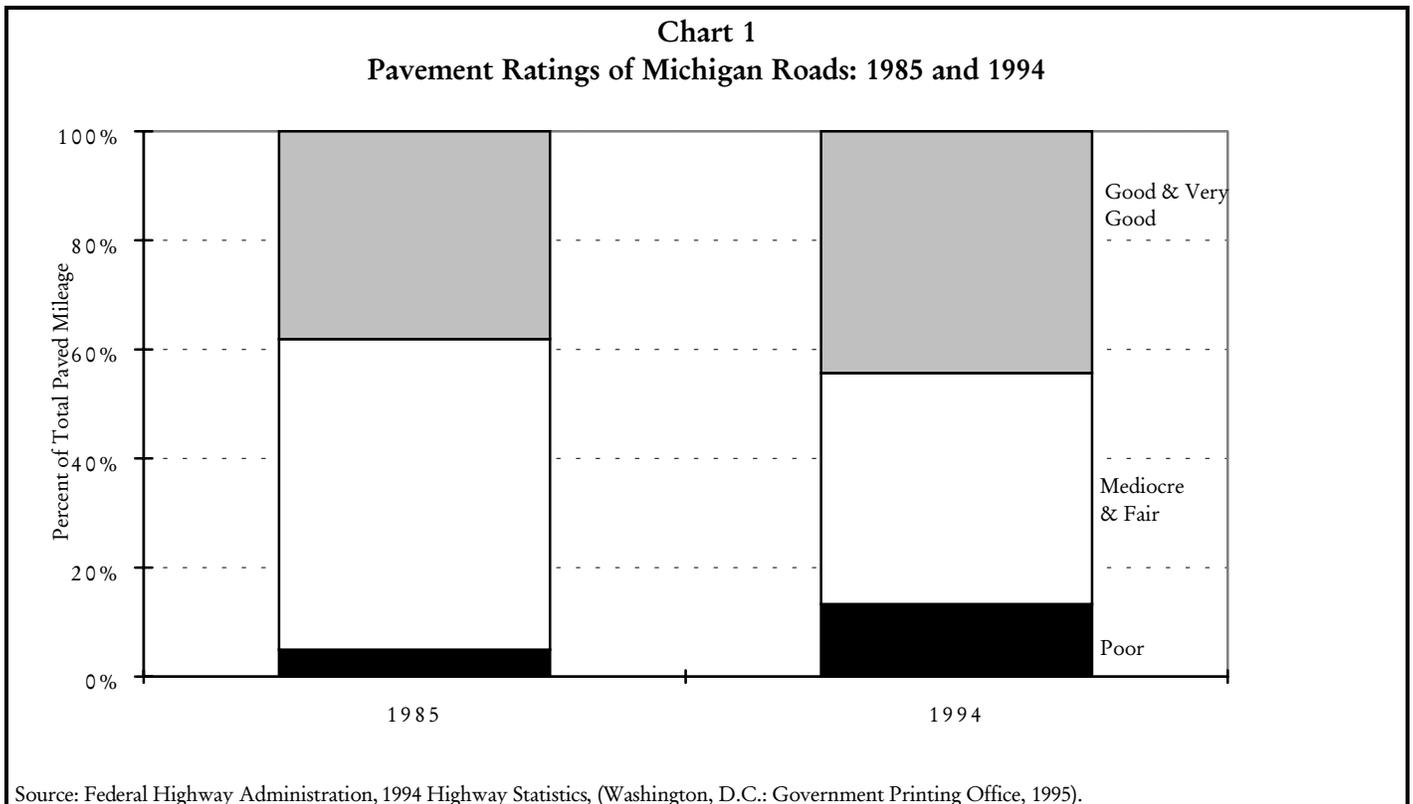
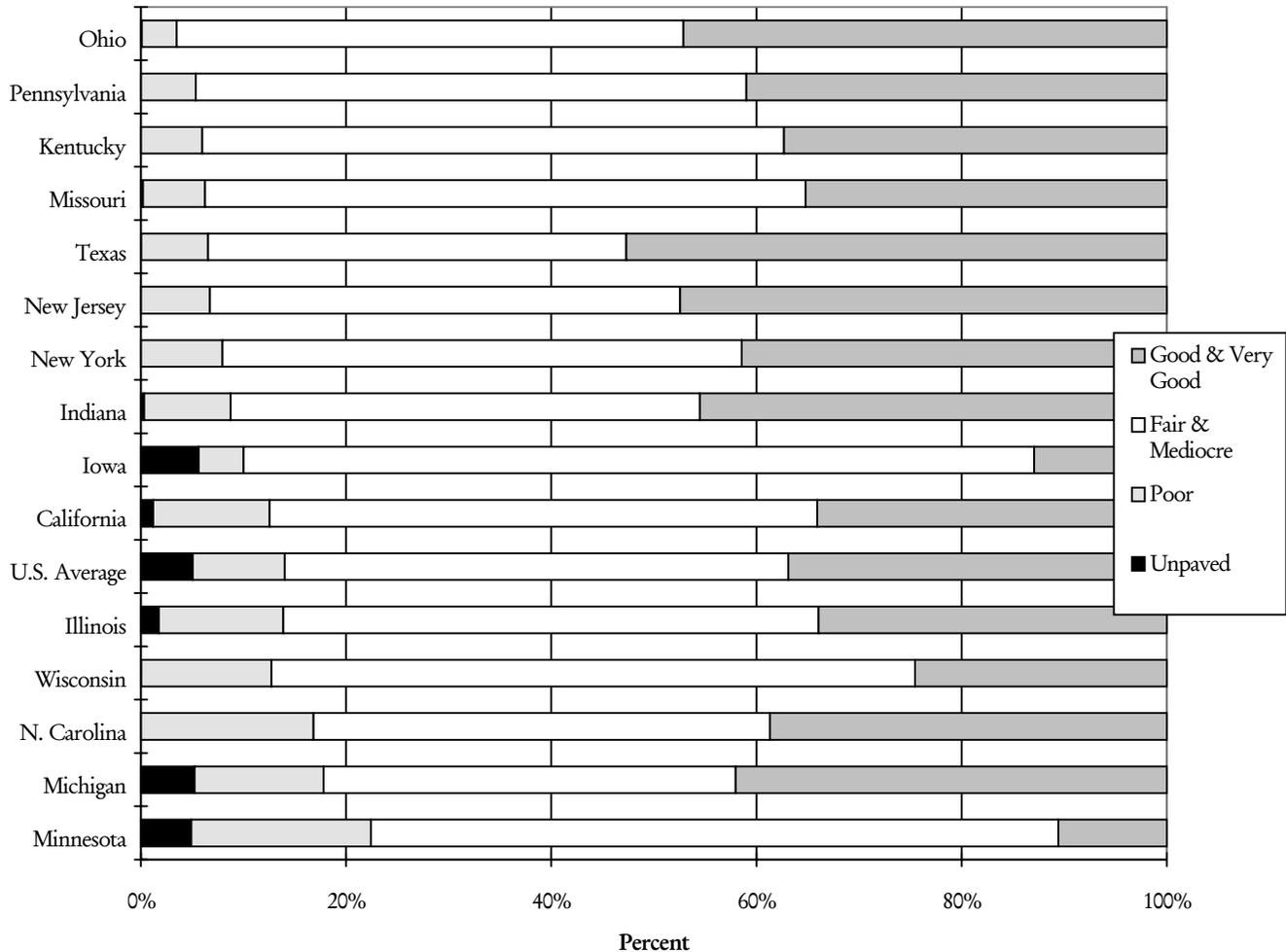


Chart 2
Federal Pavement Ratings of Major Roads in Michigan and Comparison States -- 1994



Source: Federal Highway Administration, *1994 Highway Statistics*, (Washington, D.C.: Government Printing Office, 1995).

The Michigan highway system contains 10,511 bridges totaling over 36.4 billion square feet. The Michigan Department of Transportation (MDOT) reports that 2,196 (21.0 percent) of these bridges are in fair condition or worse (See **Chart 3**).

3. Congestion

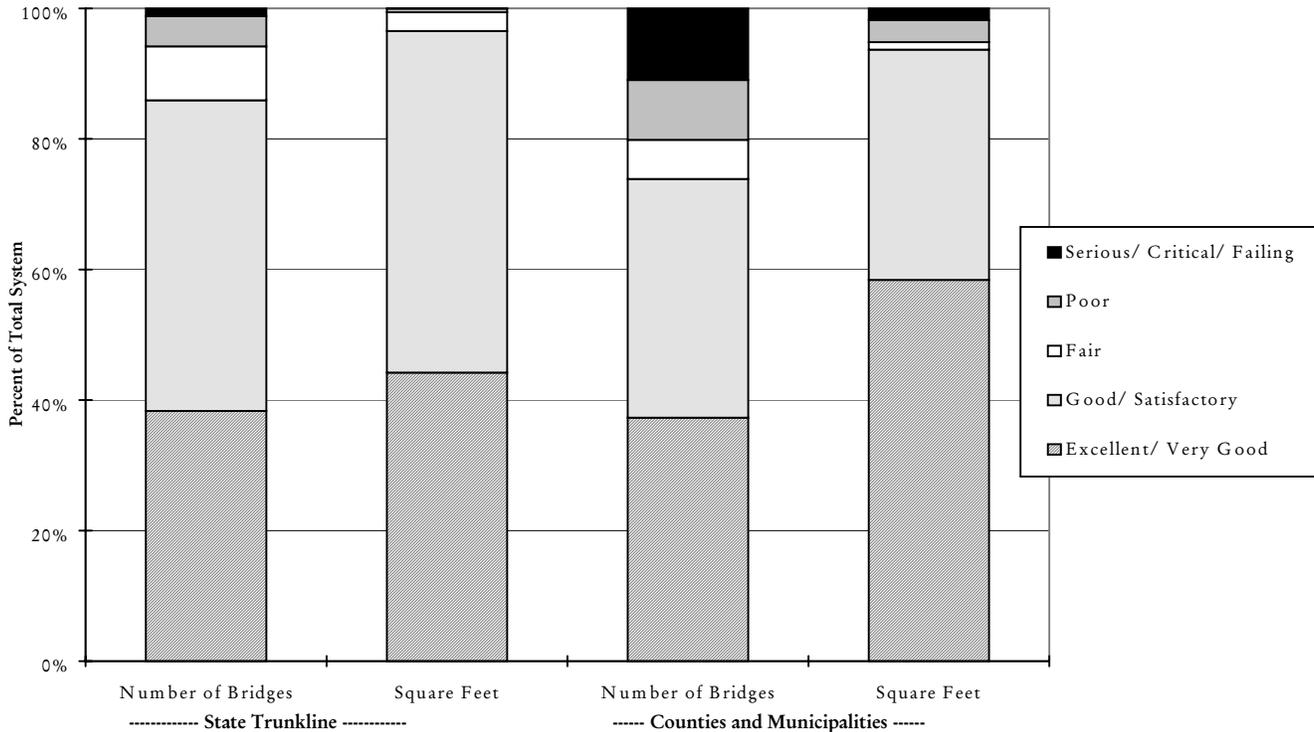
While roads and bridges in some parts of the state are deteriorating in quality, the primary concern in other parts of the state is expanding and enhancing the highway system to better serve existing and growing traffic needs. The FHWA considers 43.5 percent of the Michigan urban interstates, freeways, and expressways to be congested, and more than 28 percent of the urban arterial routes are considered congested.

There were 26 percent more vehicle miles traveled in Michigan in 1994 than were traveled a decade ago. This increase in traffic has occurred on a static highway system. The Michigan highway system gained less than one percent of new mileage during this period.

4. Regional Disparities

It is noteworthy from **Chart 2** that in addition to a large percentage of roads in poor condition, a large percentage is in good condition. This reflects disparities in road quality among functional classifications and among regions of the state. Pavement condition data is not available at the county or municipal levels, but it is possible to look at another study to illustrate the existence of disparities. In 1994, Citizens for Im-

Chart 3
Bridge Condition in Michigan by Jurisdiction -- 1994



Source: Michigan Department of Transportation.

proved Transportation commissioned The Road Information Program (TRIP) to study county highway needs. Based on the numbers reported in this study, MDOT has calculated that the current funding formula would require some county road commissions only 10 to 20 years to meet their identified highway

needs, while other counties would require in excess of 100 years to meet their needs. While there are many problems with the data (different definitions of needs were used and all numbers were self-reported), it does illustrate disparities in road quality throughout the state.

C. Highway Organization

Highway organization involves functional classification -- the role each road plays in the overall highway system -- and jurisdictional control -- the level of government responsible for construction and maintenance of each road.

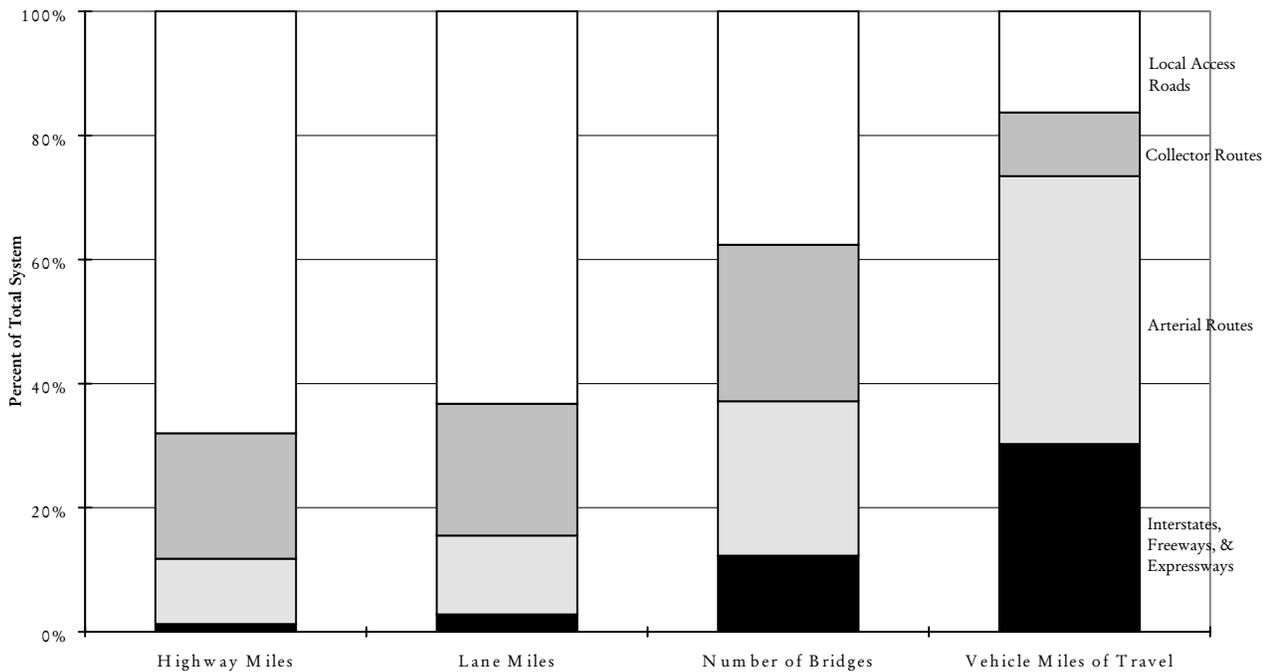
1. Functional Classification

Functional classification of roads is determined according to the purpose each road serves in providing mobility or accessibility in the overall highway system. Interstates, freeways and expressways are major, limited-access, multi-lane roads that provide for long distance travel and connect major population centers. These roads account for the smallest portion of

Michigan highway mileage, only 1.3 percent. When lane mileage is considered instead of simple mileage, interstates account for 2.8 percent of the total system. Additionally, 12.8 percent of the bridges 20 feet in length or longer are on interstates. However, due to the nature of these roads, 30.3 percent of the vehicle miles traveled in the state are on interstates.

Arterial roads also connect major population centers, but they have greater access and serve travel of lesser distances than interstates. Arterial routes account for 10.5 percent of the highway mileage; 12.7 percent of the lane mileage; 24.9 percent of the bridges; and 43.2 percent of the vehicle miles traveled.

Chart 4
Michigan Highway System Characteristics by Functional Classification -- 1994



Source: Federal Highway Administration, 1994 Highway Statistics, (Washington, D.C.: Government Printing Office, 1995).

Collector routes are lesser traveled roads that serve traffic between population and economic centers close to one another, link interstates and arterial routes with local access roads and provide some access to property and business. Collector routes account for 20.2 percent of the highway mileage; 21.2 percent of the lane mileage; 25.2 percent of the bridges; and 10.2 percent of the vehicle miles traveled.

Local access roads provide passage to abutting properties. These roads account for the largest proportion of the highway mileage, 68.0 percent, but only 63.3 percent of the lane mileage, 37.6 percent of the bridges, and 16.3 percent of the vehicle miles traveled (See Chart 4).

2. Jurisdictional Control

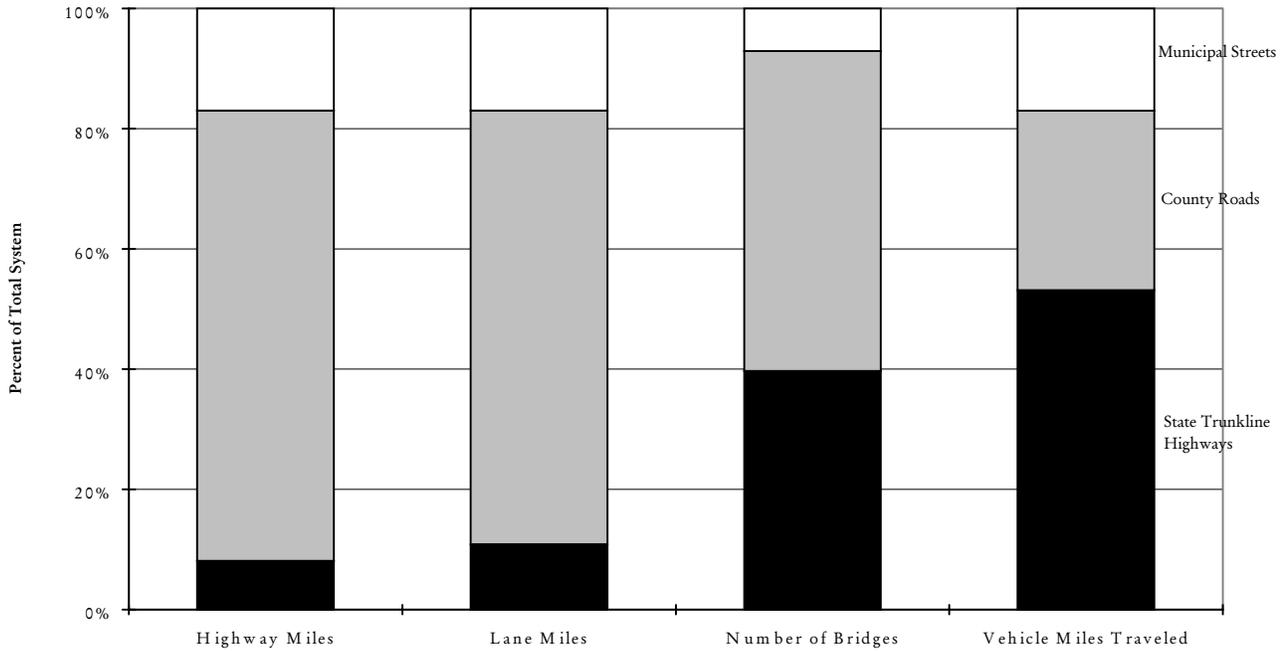
In Michigan, roads under the state's jurisdiction, "state trunkline highways," include all highways designated with an "I," "US," or "M," and 4,300 miles of "priority commercial network" highways, routes considered important to the state's economy. Priority commercial network highways receive special maintenance and reconstruction attention to meet the needs

of industry and commerce. The state trunkline system accounts for 8.1 percent of the highway miles. Because most of the trunkline system is composed of interstates and arterial routes, which are usually multi-lane roads, it accounts for 10.9 percent of the lane miles, and 39.7 percent of the bridges. Finally, 53.2 percent of the vehicle miles traveled are on the state trunkline system.

The county road system consists of the primary and local access roads that connect smaller municipalities and provide access to homes, businesses, and industrial sites. County road commissions are responsible for township roads and major county roads, including some roadways that lie within the corporate limits of municipalities. County roads account for 74.9 percent of the highway miles; 72.2 percent of the lane miles; 53.2 percent of the bridges; and 29.8 percent of the vehicle miles traveled.

City and village streets consist of major and local streets that provide access to homes, businesses, and industrial sites within the jurisdictional boundaries of the 534 incorporated cities and villages of Michigan. Municipal streets account for 17.0 percent of the highway miles; 17.0 percent of the lane miles; 7.1 per-

Chart 5
Michigan Highway System Characteristics by Jurisdictional Control -- 1994



Source: Michigan Department of Transportation.

cent of the bridges; and 17.0 percent of the vehicle miles traveled (See Chart 5).

It should be noted, that just as lane mileage is more accurate than highway mileage as a measure of total

pavement, the deck area of bridges is a more accurate measure of the bridge size than the number of bridges. While only 40 percent of the bridges are in the state trunkline system, almost 75 percent of the bridge deck area is in this system.

D. The Michigan Highway System

The governmental units responsible for the construction and maintenance of the Michigan highway system include

- the Michigan Department of Transportation (MDOT),
- 82 county road commissions and Wayne County government,
- 534 cities and villages, and
- one charter township (West Bloomfield Township in Oakland County).

While funding of the Michigan highway system is currently dominated by the state, and jurisdictional control is dominated by the counties, this has not always been the case. Before the turn of the century, cities and villages were responsible for the construction and

maintenance of roads in incorporated areas. In rural areas, road care was largely the responsibility of townships. With the growth of automobile travel and longer travel patterns, the state and federal governments began to play a more direct role in highway system. Still, township and municipal roads dominated the Michigan highway system until “the Great Depression” forced transfer of the township roads to the county road commissions. Several characteristics of the Michigan highway system today reflects the ways it was molded over 60 years ago.¹

¹ The following histories of county road commissions, municipalities, and state government summarize findings in *Michigan Highway System*, Robert S. Ford and Marvin A. Bacon, (University of Michigan Press, Ann Arbor, 1943).

Early History of the Michigan Highway System

The framework for a township-dominated highway system was established during the territorial period before Michigan statehood. During the period Michigan was part of the Northwest Territory, travel was very regional and was done either on foot or by horse. Cities, as they had from the earliest settlements in Michigan, provided streets within their boundaries. Roads outside the cities were built and maintained by road districts, established by the territorial governor as authorized under an 1805 territorial act. The territorial government was not responsible for any part of the road system. Most of these roads were constructed to provide local “farm-to-market” routes designed to accommodate the needs of the predominately agrarian society. Road work at this time was financed by the imposition of a tax, payable in labor, assessed on each male freeholder who was not less than 21 years of age. The tax was limited to 30 days of work on the roads annually, or it could be satisfied by paying at the rate of 62.5 cents for each day’s labor.

An 1820 law provided for the division of counties into townships to conform to the Northwest Ordinance. County commissioners -- comparable to the county board of supervisors created under statehood -- were given authority and responsibility for the roads in each county. The actual administration of road repair and development was entrusted to a township supervisor of highways. Thus, roads outside municipalities were built and maintained by either townships or road districts created within the townships, with administration performed by a township supervisor or road district overseer appointed by the county commissioners.

In 1827, two laws were enacted creating the administrative organization for township highways that survived until 1931. The first of these laws provided for the election of certain township officers, including township highway commissioners and an overseer of highways in each road district. Each township elected three commissioners of highways and each road district elected one overseer of highways. Thus, the highway function was placed definitely within the township. The second act passed the responsibilities formerly held by the county commissioners to the township highway commissioners, and the functions of the township highway commissioners were passed to the overseers. This local highway system was written into the Michigan Constitutions of 1835 and 1850.

During the early stages of statehood, the Michigan state government dabbled in financial assistance for roads, but this practice was short lived. Article XII, Section 3, of the 1835 Constitution required the state to encourage road building and other internal improvements. However, carrying out this mandate resulted in heavy debts and the near bankruptcy of the state in 1841. This power to engage in highway construction was circumscribed by Article XIV, Section 9, of the 1850 Constitution, which prohibited the state from engaging in any work of internal improvement, except in the expenditure of funds obtained from federal grants.

In 1881, the various legislative acts affecting highways were consolidated. Highway repairs and improvements continued to be financed by a highway tax payable either in labor or money, depending on the choice made by the taxpayer. The amount of the tax levy was determined by the electors of the township in a general meeting. All highway taxes levied had to be spent for highway purposes within the township in which they had been levied.

1. County Road Systems

County road commissions were originally created to provide roads between population centers where municipalities were not available and townships had proven unwilling.

a) Background.

Public Act 149 of 1893, the County Road Act, established county road commissions and made adoption

of a county road system permissive for all counties. This act became necessary when it became apparent that townships, who were the primary providers of rural roads, were not able to provide necessary inter-community roads. Upon adoption of this system, county road commissioners assumed exclusive jurisdiction over all county roads. It was the duty of the commissioners to keep these roads in a proper state of repair and to make such improvements as were deemed advisable. County road commissioners were first elected to office, but a 1911 amendment to Act

149 permitted appointment in counties having over 30 surveyed townships, providing this method of selection was approved by the county board of supervisors. [It should be noted, that at this time the county road commissioners were the only policy-making county officers elected in county-wide elections.] After 1917, appointment of county road commissioners was made optional in all counties with more than 12 surveyed townships.

County roads were selected from existing township, city, and village streets, with the permission of local authorities, or county road commissioners could lay out new roads. Reflective of the regional nature of the county road system at this time, these roads were financed by a county road tax levied on the property of the county at large. Bond issues by county road commissions had to be authorized by a majority vote of the electors at general county elections. By 1920, county road commissions were established in every county except Benzie and Oceana.

State funding was a revenue source for county road commissions from very early in their history. In 1905, counties and townships began receiving state "reward" grants for rural roads constructed according to legislated specifications. Streets within the limits of cities and incorporated villages were not eligible for these "reward" grants. These grants were to provide an impetus for construction of inter-community roads where they would not otherwise be built. The "reward" grant was a set sum of money, ranging from \$250 to \$1,000, paid to a township or county that had built a mile of road that met state specified standards of construction. Between 1906 and 1913, these grants averaged 24 percent of the costs of constructing reward roads, ranging from five to 79 percent of the costs. The township or county remained responsible for future maintenance on the reward road. The state rewards grant program lasted until 1929.

In 1915, when the state began collecting motor vehicle weight taxes, part of the receipts was made available to county road commissions. Much of the money allotted to counties and townships at this time was for the development of the state trunkline system.

Roads receiving state and federal money had to be built

to uniform standards, and often spanned township, municipal, or county lines. However, until the 1930s, the highway system was still very much dominated by township, city, and village roads and funded primarily through the property tax (See **Chart 18** on page 64).

b) Consolidation Under County Road Commissions.

Domination of the highway system by local government changed with the Great Depression. The decline in assessed valuation of taxable property, adoption of the 15-mill property tax rate limitation in 1932, and the large volume of property tax delinquencies left many local governments unable to meet their debt service requirements from the property tax levy. Local governments in Michigan were in a position to default on highway bonds if action was not taken. The adopted solutions consolidated governance of the township highway systems into the county road commissions and assisted local governments in meeting payments of principal and interest on highway debt. These solutions were achieved through two acts, the "McNitt Act" and "Horton Act."

1) McNitt Act of 1931.

Public Act 130 of 1931, the McNitt-Holbeck-Smith Act, limited highway appropriations by township boards after June 1, 1932, except for the operation of the Covert Act (which provided for financing a portion of county road construction costs with special assessments) and existing township obligations, and eventually eliminated all township highway taxes. Township roads were consolidated into county road systems at the rate of 20 percent of their mileage annually during the years 1932 through 1936. The McNitt Act established the composition of county road systems as they exist today. To finance this transfer, proceeds of state gasoline and weight taxes were apportioned on a pro rata basis among the counties according to their respective township road mileage. Future financial support for local roads was made possible through the Horton Act.

2) Horton Act of 1932.

Public Act 41 of 1932 (Extra Session), the Horton Act, was enacted to deal with existing highway debt. The entire proceeds of the weight tax and \$2.6 million of gasoline tax revenues were distributed among the counties. Seven-eighths of these proceeds were distributed according to weight tax collections in each

county and one-eighth was divided equally among the 83 counties, with restrictions on how this money could be spent. Fifty percent was to be spent on county roads, including the McNitt (formerly township) roads, and the other half was apportioned for specific purposes in the following order of priority:

- (1) Covert road debt relief;
- (2) County road debt relief;
- (3) Township road debt relief;
- (4) Up to 50 percent of the remainder for additional McNitt road maintenance; and
- (5) The balance, if any, was divided among the county road commission for general road purposes and the cities and incorporated villages on a pro rata basis according to population.

The McNitt and Horton Acts altered the highway governance and funding systems in Michigan and facilitated the creation of the current highway system. As a result of these solutions, the property tax was abandoned as the primary means of rural road support except in a few counties where it remained for highway debt service. The tax levy on property for highway purposes was restricted to amounts necessary for the retirement of previously incurred debt, and for the improvement of local roads within a three-mill tax limit. The chief purposes of these acts were to facilitate consolidation of the county and township road systems and to assist local governments in paying their highway debt. However, this system became institutionalized and lasted far beyond the need for such assistance. The current Michigan highway funding system, as laid out in Public Act 51 of 1951, was created in reaction to the shortcomings of the Horton Act, which included an inefficient allocation of state tax revenues and provisions which favored highway funding in less populated areas over heavily populated areas.

c) Current County Road Administration.

Public Act 51 of 1951 continued the practice of giving county road commissions jurisdiction over all public roads and major streets within their boundaries, except state highways and those roads that have been released to city or village jurisdiction. County road commissions are authorized under Act 51 to lay out, construct, repair, and maintain county roads and bridges. They can buy and hold property and con-

tract for services. County road commissions continue to be entities that operate separate from actual county government in all non-charter counties in Michigan. Wayne County voted to abolish its county road commission through a change in its charter in 1984. (For purposes of this paper, references to county road commissions are meant as reference to all county road bodies including Wayne County, unless otherwise noted.)

The boards of the county road commissions are composed of three members serving six-year, staggered terms. The method of selection is decided by the board of county commissioners by resolution. County road commissioners are elected by the voters of the county in 30 counties and appointed by the board of county commissioners in 52 counties.

Money in county road funds comes from the Michigan Transportation Fund, federal aid, transfers from the county general fund, county-wide property taxes, and township contributions. These funds are used for constructing and maintaining county primary and local road systems. County road commissions are not permitted to operate solely on money received from the state. County road commissions usually require townships to pay the requisite matching funds.

2. Municipal Streets

Cities and villages in Michigan are responsible for most roads and streets within their jurisdiction.

a) Background.

Cities and incorporated villages were authorized under early provisions of Michigan territorial law to open, improve, and repair streets. This authorization continued when Michigan received statehood. To carry out these activities, municipalities were permitted to use property taxes and special assessments as their primary sources of street funding.

Until fairly current times, funding of municipal streets come out of local tax sources. Unlike counties and townships, there was little perceived need for the state to aid the funding of municipal streets, either through grants or through the apportionment of state weight or gasoline tax receipts. Initially, county road commissions were restricted from spending state "reward" dollars on roads within municipal boundaries. This policy became more flexible over time.

Even before the Horton Act, limitations on state disbursements for trunklines within cities and villages resulted in the allocation of small amounts to municipalities from gasoline and weight taxes.

The Great Depression adversely affected the ability of cities and villages to fund street construction and maintenance, just like many other municipal services. Unlike township roads however, jurisdictional control for municipal streets remained with municipalities. Consistent with municipal streets having a low priority for state funding, municipalities fell relatively low in the state funding priorities laid out by the Horton Act. The debt service requirements of county road commissions and townships, and the funding needs of McNitt roads all came before city and village needs.

State highway-user tax revenues were directly allotted to municipalities for the first time under Public Act 51 of 1951. Prior to 1951, state money for municipal streets had to be approved by the county road commission. This Act changed the funding of municipal streets from a system predominantly funded with local funds to a system dependent on the state for a significant portion of its revenues.

b) Current Municipal Street Administration.

Three acts give municipalities jurisdiction over municipal streets: Public Act 51 of 1951, Public Act 279 of 1909, the Home Rule Cities Act, and Public Act 278 of 1909, the Home Rule Village Act. Under these provisions, municipalities may construct, repair, and maintain major roads and local access streets within their boundaries. These road services are provided by the municipal government itself, as contrasted with counties in which county road commissions are separate from county government. Municipal street decisions are made by the council, mayor, or city/village manager, depending on the process adopted with each municipal charter.

The 534 cities and villages in Michigan, which together have a population of over 5.4 million, administer funds for the construction and maintenance of roads and streets within their borders. The money used for this purpose comes from the Michigan Transportation Fund, federal aid, property taxes, and

other city and village revenues.

3. The State Highway System

The state government in Michigan raises most of the money for highway funding and is responsible for the state trunkline highway system. This role has grown as motor vehicle use has grown.

a) Background.

The 1850 Michigan Constitution included a provision that prohibited the state from engaging in any work of internal improvement, except in the expenditure of funds obtained from federal grants. In 1903, the state initiated an advisory program for local governments creating a state highway department. This department was empowered to provide instruction in road building to local highway officials and to obtain such reports from them as the state highway commissioner should deem proper.

By 1905, only 18 of the 83 counties had established county road commissions, and of these 18 counties, 10 were in the northern part of the Lower Peninsula and 8 were in the Upper Peninsula. County road commissions were not being established to provide inter-community roads as the 1893 legislation had anticipated. Therefore, the task of providing improved road facilities among population centers fell to the state. A 1905 constitutional amendment removed the prohibition on state spending for capital improvements and authorized state financial assistance for local highway construction.² The Legislature formalized the Michigan Highway Department and state “rewards” were made available to townships and counties for road construction carried out in accordance with specifications prescribed by the Legislature and the state highway commissioner.

During the first quarter century of existence, the role of the Highway Department grew from oversight and

² “The State shall not be a party to nor interested in any work or internal improvement, nor engaged in carrying on any such work *except in the improvement of or aiding in the improvement of the public wagon roads and in the expenditure of grants to the State of land or other property. . . .*” Amendment (in italics) to the 1850 Michigan Constitution, Article XIV, Section 9.

engineering to a role of direct involvement, financial allocation, planning, and research. In 1913, township “reward” roads were placed directly under state control for the first time and designated as the state trunkline system. This designation involved additional grants for the local improvement of selected trunkline road mileage. Prior to this transfer, roads constructed and maintained under the reward system received state funding, but remained within township or county jurisdiction. By 1913, 1,754 road miles were built under the “reward system.”

From 1919 to 1924, the state assumed direct control over the construction of trunkline roads, as well as a majority of the financial burden. This period was marked by the addition of 4,000 road miles as the result of a 1919 constitutional amendment by which \$50 million in bonds were issued for construction purposes.³

After 1924, the state assumed full responsibility for the development of the trunkline system. Additionally, the state assumed full responsibility for the financing of the rural trunkline construction and a large part of the urban trunkline construction. By 1930, there were approximately 8,900 miles of road in the state trunkline system.

b) Current State Highway Governance.

The Michigan Department of Transportation (MDOT) is the state agency responsible for the construction, maintenance, and improvement of the state trunkline highway system, and primarily responsible for administration of all other state transportation programs. The Department is under the direction of a director and commission. Administration of the Michigan highway system also involves the Departments of State, Treasury, Management and Budget, Civil Service, Environmental Quality, State Police,

³ The 1919 amendment to Article X, Section 10, of the 1908 Michigan Constitution, which read “. . . The State may borrow not to exceed 50,000,000 dollars for the improvement of highways and pledge its credit, and issue bonds therefore on such terms as shall be provided by law,” was necessary because a \$250,000 debt limit was included in the 1908 Constitution due to financial difficulties experienced early in Michigan statehood and associated with excessive state borrowing and bad credit management.

and Auditor General. These departments perform tasks external to the central workings of MDOT.

1) Transportation Director.

In 1978, Article V, Section 28, of the 1963 Michigan Constitution was amended to provide that the Director of MDOT shall be appointed by the Governor, with the advice and consent of the Senate. The Director is the principal executive officer of MDOT, responsible for executing the policies of the State Transportation Commission.

2) State Transportation Commission.

As established by Article V, Section 28, of the 1963 Constitution, the policies of MDOT are determined by the State Transportation Commission. The Commission consists of six persons, appointed by the Governor, with the advice and consent of the Senate, to serve three-year, staggered terms. Only three State Transportation Commissioners may be from the same political party.

4. Federal Government

The federal government has a long history of providing funds for highway construction.

a) Background.

In 1916, the U.S. Congress passed the Federal-Aid Road Act, which authorized grants-in-aid to be used in public rural road improvement. The Secretary of Agriculture of the United States was authorized to cooperate with the states through their respective highway departments for that purpose. This act required each state designate an adequate and connected system of highways, interstate in character and not to exceed seven percent of the total highway mileage of the state. This system was then divided into a federal-aid primary system, which connected the principal population centers within the borders of the state and integrated the federal-aid systems of adjoining states, and a federal-aid secondary system, which connected or correlated with the primary system.

In 1956, the Federal-Aid Highway Act was enacted, continuing the federal-aid road program. This program initiated the interstate highway system and significantly increased the amount of federal highway funding available to the states. Federal aid was pro-

vided for interstates, primary, secondary, and urban highway systems.

b) Federal Highway Funding Today.

The Federal Highway Administration (FHWA) is the principal federal agency responsible for funding highways. The FHWA receives its revenues from motor-fuel taxes and tire, truck and tractor, and federal use taxes. In FY1994, these sources yielded \$15.6 billion, 60 percent of which was from gasoline taxes.

In 1991, Congress enacted the Intermodal Surface Transportation Enhancement Act (ISTEA). Along with other provisions dealing with mass transportation, new transportation technologies, the environmental impact of transportation, highway safety programs, and interstate cooperation in the financing and administration of highway use, this act established a "national highway system." This system consists primarily of interstate routes, a large percentage of urban and rural principal arterial routes, the strategic defense highway network, and strategic highway connectors. These are the highway miles that are eligible for federal aid through the federal block grant program. While ISTEA continued to fund highway construction and reconstruction, one of the important considerations was how to better utilize the infrastructure that was in place. ISTEA expires at the end of FY1997.

States receive apportioned amounts and allocated amounts from the Federal Highway Trust Fund. Apportioned amounts are determined according to several formulas prescribed by federal law that take into account such factors as the population, land area, road mileage, and needs. Allocated amounts are distributed to the states at the discretion of the U.S. Department of Transportation.

Although the receipt of federal dollars means extra funds for state and local governments, these dollars are linked to federal standards and guidelines which must be met. To receive federal funds, a matching amount is required from state funds (funds that otherwise could be used at the state's discretion). These funds are tied to the federal road standards, which are often more restrictive than state standards and guidelines.

The allocation of federal funds within the state is decided at the state level. In addition to state planning, ISTEA requires that local governments and the public play a significant role in planning which projects are to receive federal funding.

Roads remain under state or local control, but receive a portion of their funding from the federal government. The state or local governments make up-front payments for completed work on pre-approved activities and bill the FHWA for its share of the costs.

E. The Relationship of Functional Classification to Jurisdictional Control.

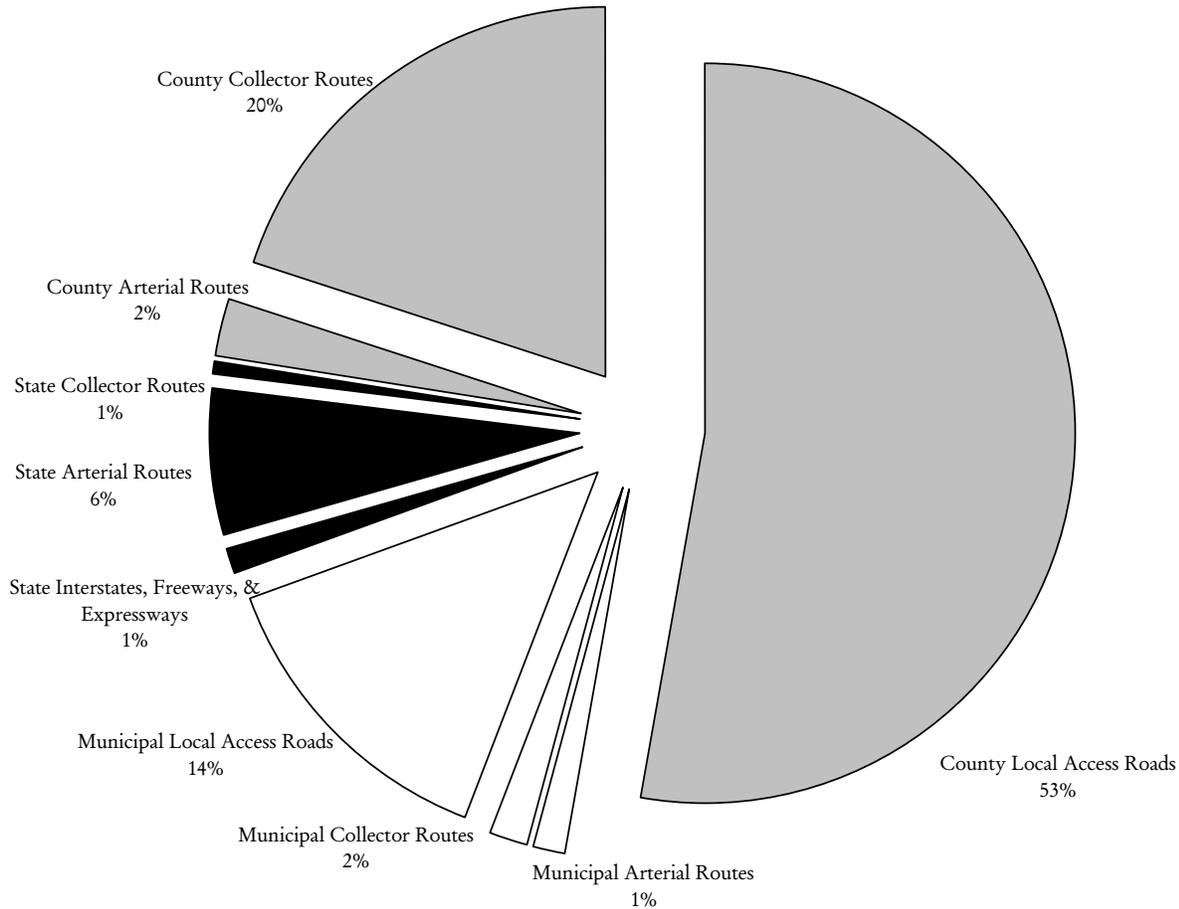
Chart 6 brings together Chart 4 -- Michigan Highway System Characteristics by Functional Classification, and Chart 5 -- Michigan Highway System Characteristics by Jurisdictional Control. In the past, the relationship of functional classification to jurisdictional control was determined by the role that the roads served in serving traffic flow and property access. Those roads that primarily served traffic flow -- interstates, freeways, expressways, and some arterial routes -- were thought to be best served under state jurisdiction. Roads that serve traffic flow and provide some access to local properties -- arterial and collector routes -- were thought to be best served under the jurisdiction of a regional unit of government. Streets serving only as access to residential, industrial, or commercial properties which are not on major roads, were thought to be best served under the jurisdiction of the most local unit of government.

This relationship between functional classification and jurisdictional control was important for the construction and maintenance, financing, and priority setting in highway spending. It served to meet the needs of the different highway classifications and the needs of the highway users. As the factors that affect functional classification are constantly changing, jurisdictional control should be constantly evolving to reflect these changes.

1. Jurisdictional Control by Functional Classification

In Michigan, the state trunkline system consists of all of the interstates, freeways and expressways (15.2 percent), most of the arterial routes (78.1 percent), and a few collector routes (6.6 percent) and local access roads (0.2 percent).

Chart 6
Jurisdictional Control of Michigan Highway Mileage by Functional Classification -- 1994



Source: Federal Highway Administration, *1994 Highway Statistics*, (Washington, D.C.: Government Printing Office, 1995).

The county road system is composed of arterial routes (3.3 percent), collector routes (26.5 percent), and a majority of the local access roads (70.2 percent).

Municipalities have jurisdiction over arterial routes (8.7 percent), collector routes (9.5 percent), and a great deal of the local streets (81.8 percent).

2. Functional Classification by Jurisdictional Control

The state trunkline system is completely under the jurisdiction of the state.

Arterial routes are controlled by the state (61.9 percent); county road commissions (24.0 percent); and

municipalities (14.1 percent).

Collector routes are controlled by county road commissions (90.3 percent); municipalities (7.2 percent); and the state (2.4 percent).

Because most of Michigan is considered rural and county road commissions have jurisdiction over local access roads in townships, 79.4 percent of these roads are under county road commission jurisdiction. Another 20.6 percent of these roads are within municipal boundaries. The 15 miles of state controlled local access roads equal 0.02 percent of the entire system. For the most part, the organization of the highway system in this way is based on the highway organization resulting from the McNitt Act, enacted 66 years ago.