



## Road Funding Practices in Michigan

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Presentation to the  
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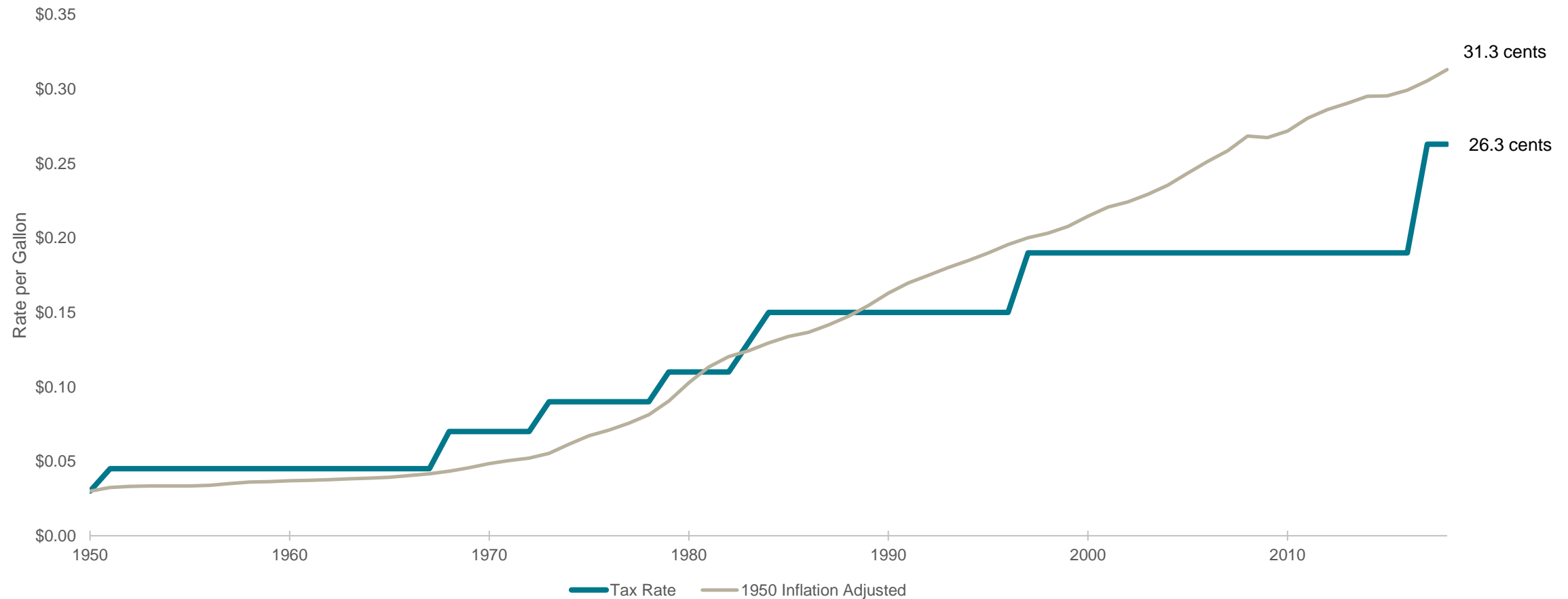
# Citizens Research Council of Michigan

- Founded in 1916
- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions from Michigan foundations, businesses, and individuals
- *[www.crcmich.org](http://www.crcmich.org)*

# Transportation Revenue Trends

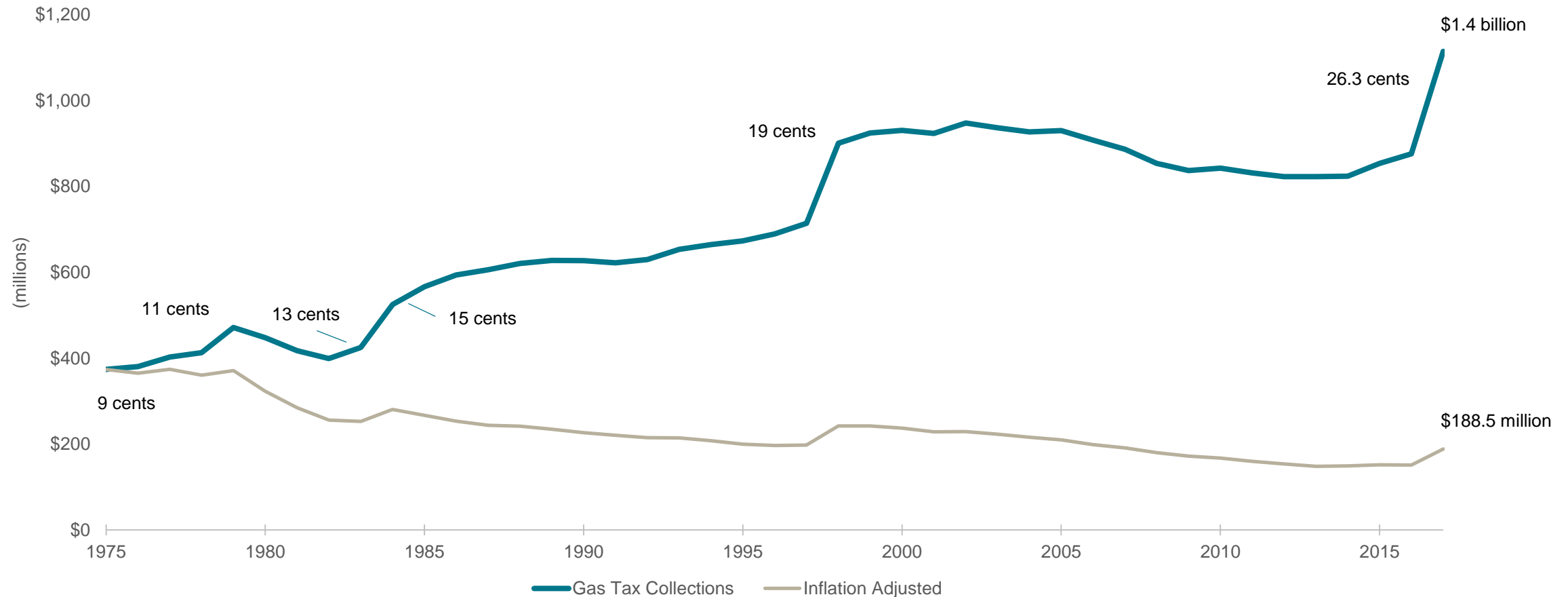
# Michigan Gas Tax Rate Adjustments, FY1950-2017

*Tax levied as rate/gallon does not keep pace with inflation*



# Gas Tax Collections, FY1975-2017

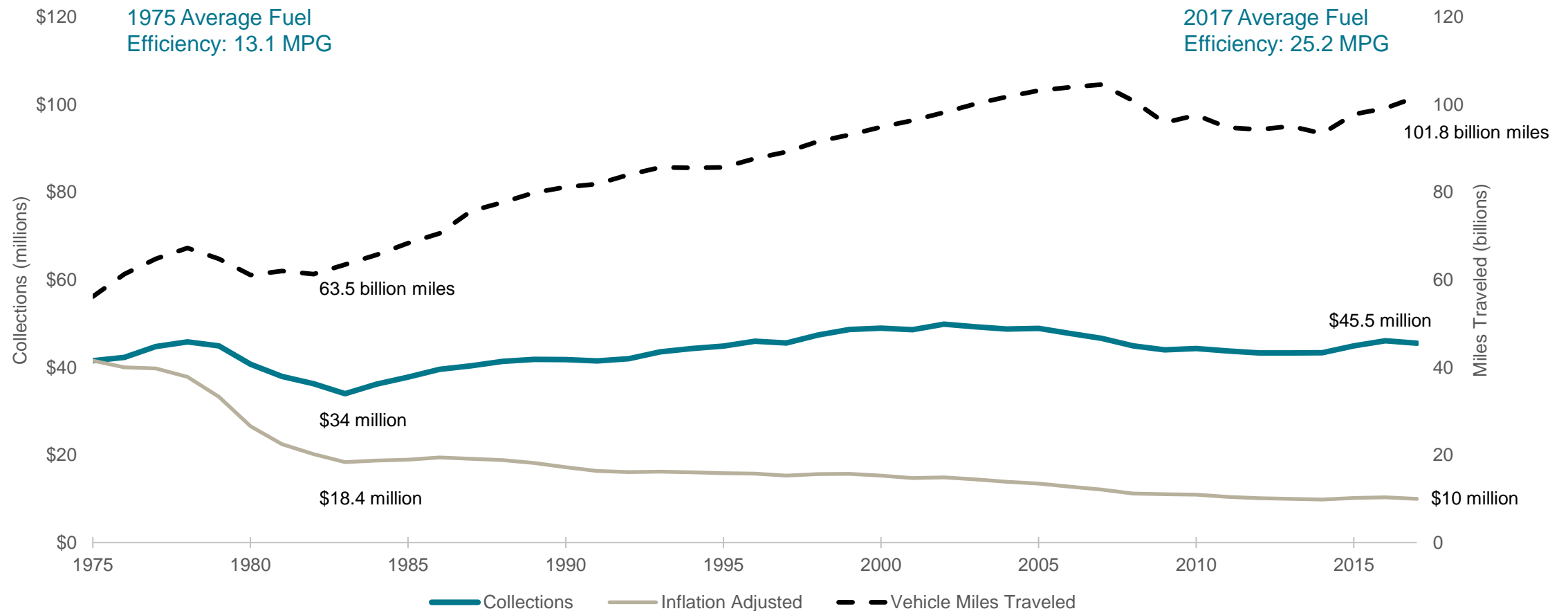
*Growth in revenues attributable to rate adjustments,  
long-term decline in purchasing power (nominal and real)*



# Gas Collections per Penny Levied, FY1975-2017

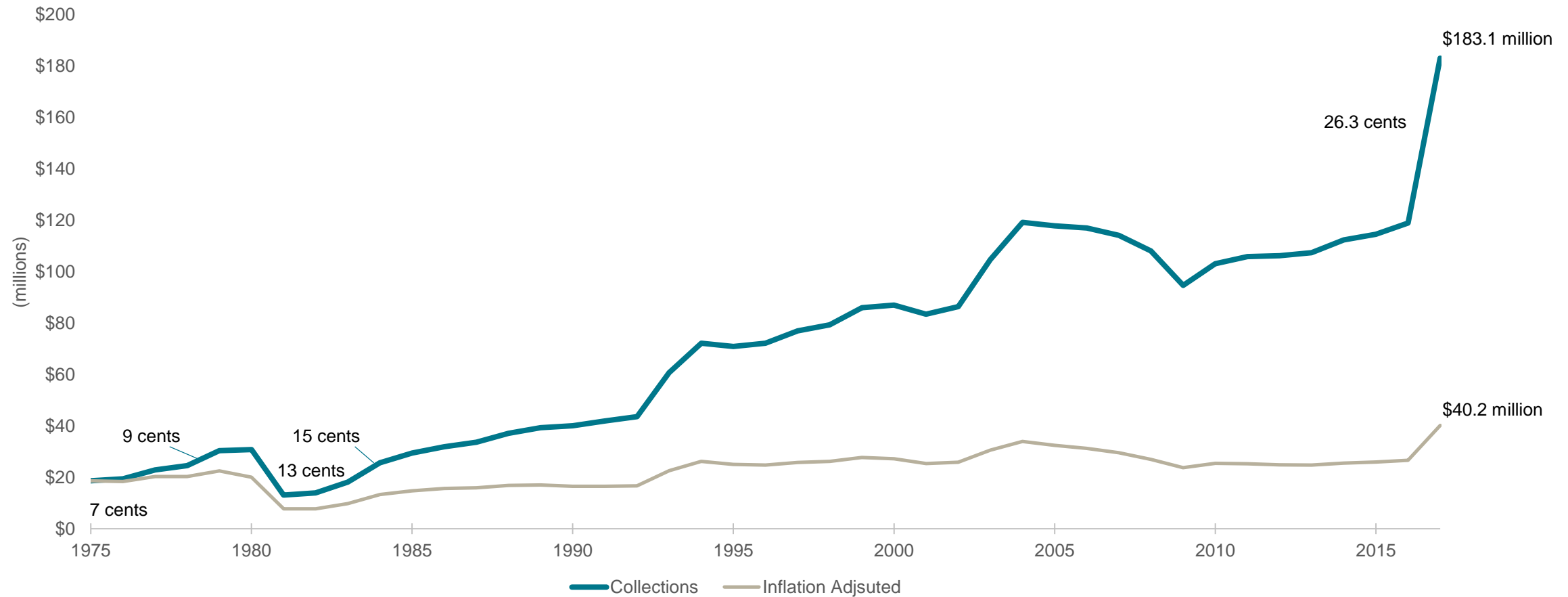
*Gas tax not a productive tax relative to inflation.*

*Has not kept pace with increased road usage.*



# Diesel Fuel Tax Collections, FY1975-2017

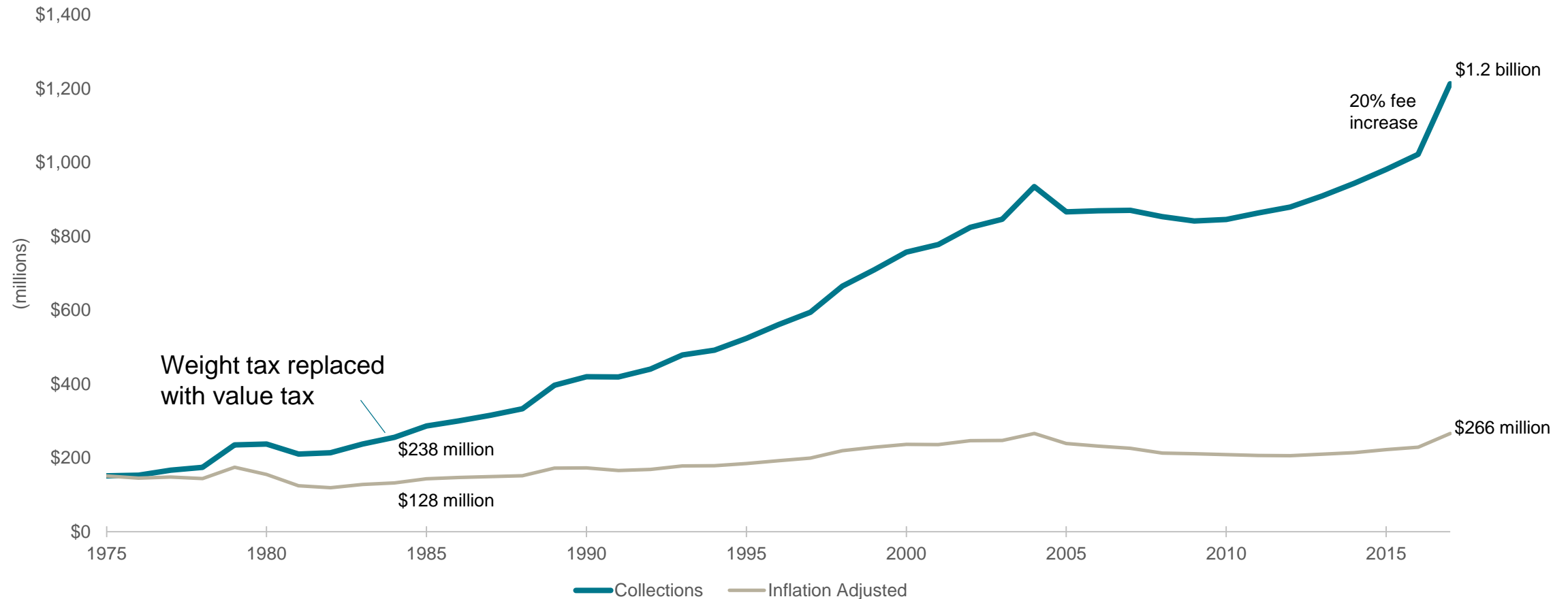
*More productive than gas tax in nominal terms, but has not grown faster than rate of inflation.*





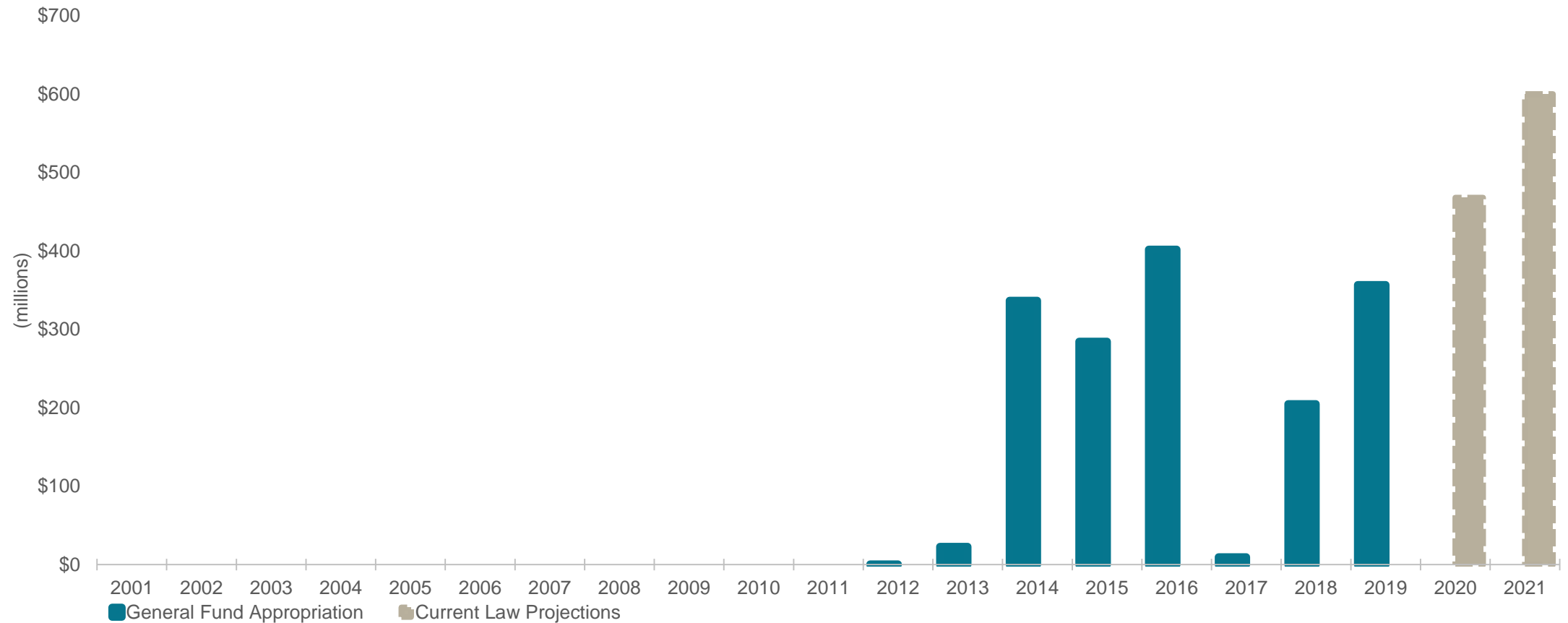
# Vehicle Registration Fee Collections, FY1975-2017

*Revenues have not grown much faster than the rate of inflation*



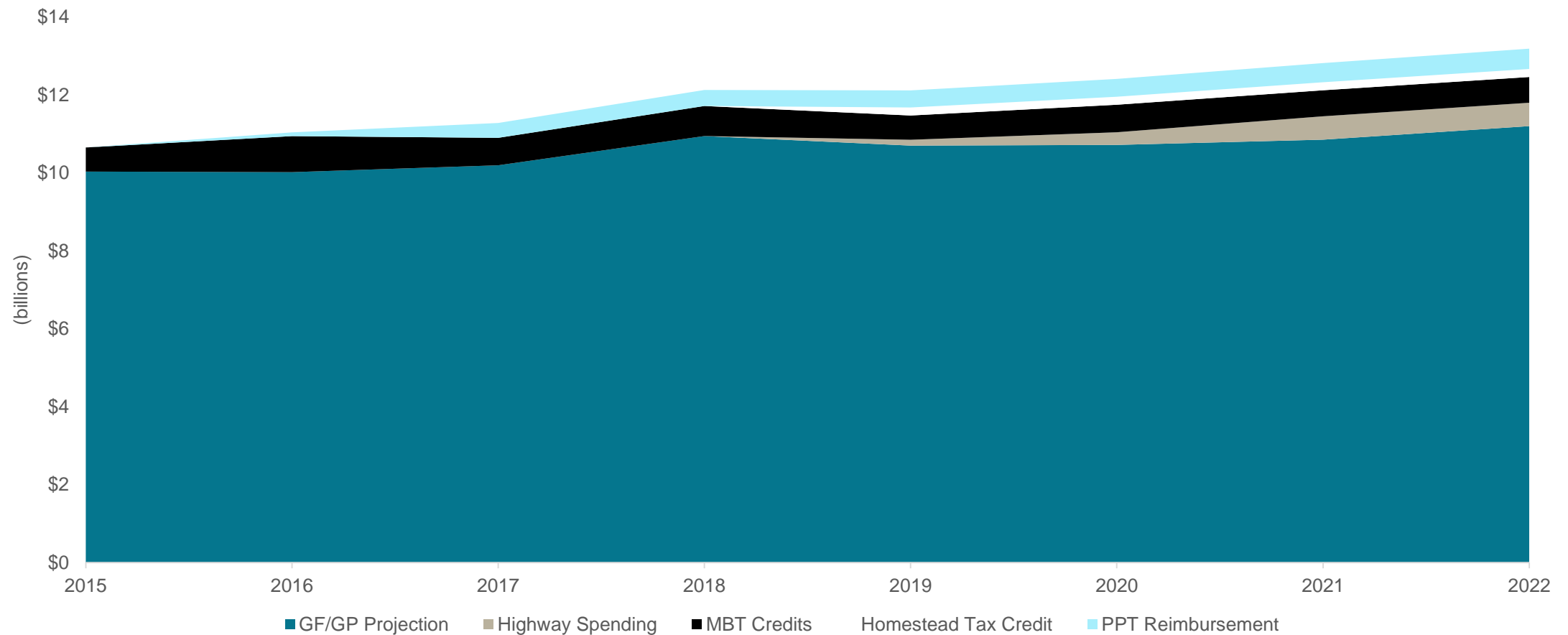
# General Fund Support for Transportation, FY2001-2021

*Use of other resources is a recent practice*



# 2015 Funding Package and General Fund Resources

*In combination with other budget promises is consuming all revenue from economic expansion*

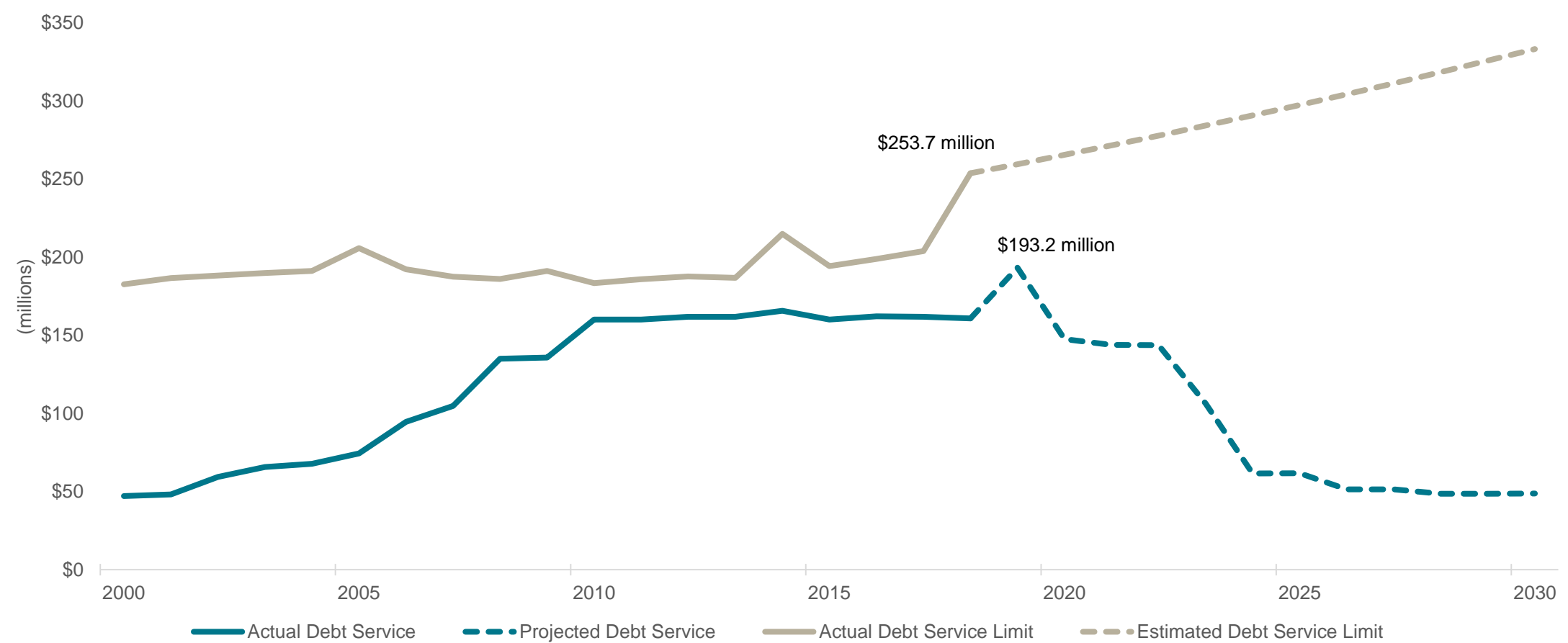


# Other Means of Raising \$2.5 Billion

| Tax Source            | Necessary Rate Change  |
|-----------------------|------------------------|
| Individual Income Tax | 1.05 percentage points |
| Corporate Income Tax  | 13.5 percentage points |
| Sales Tax             | 1.4 percentage points  |
| Property Tax          | 7 mills                |

Source: Michigan State Budget Office

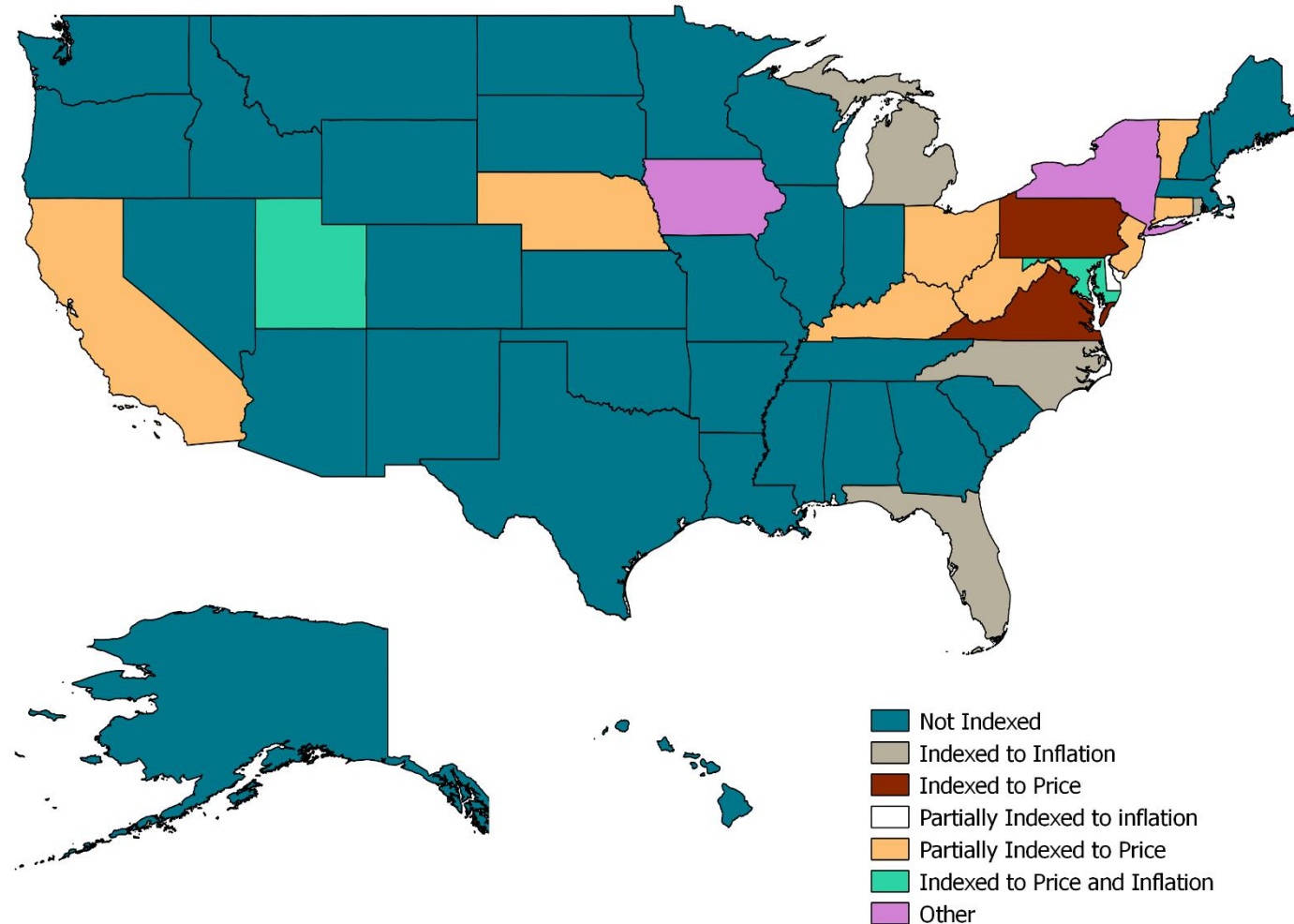
# Trunkline Fund Debt Service, FY2000-2030



# 50 State Comparison

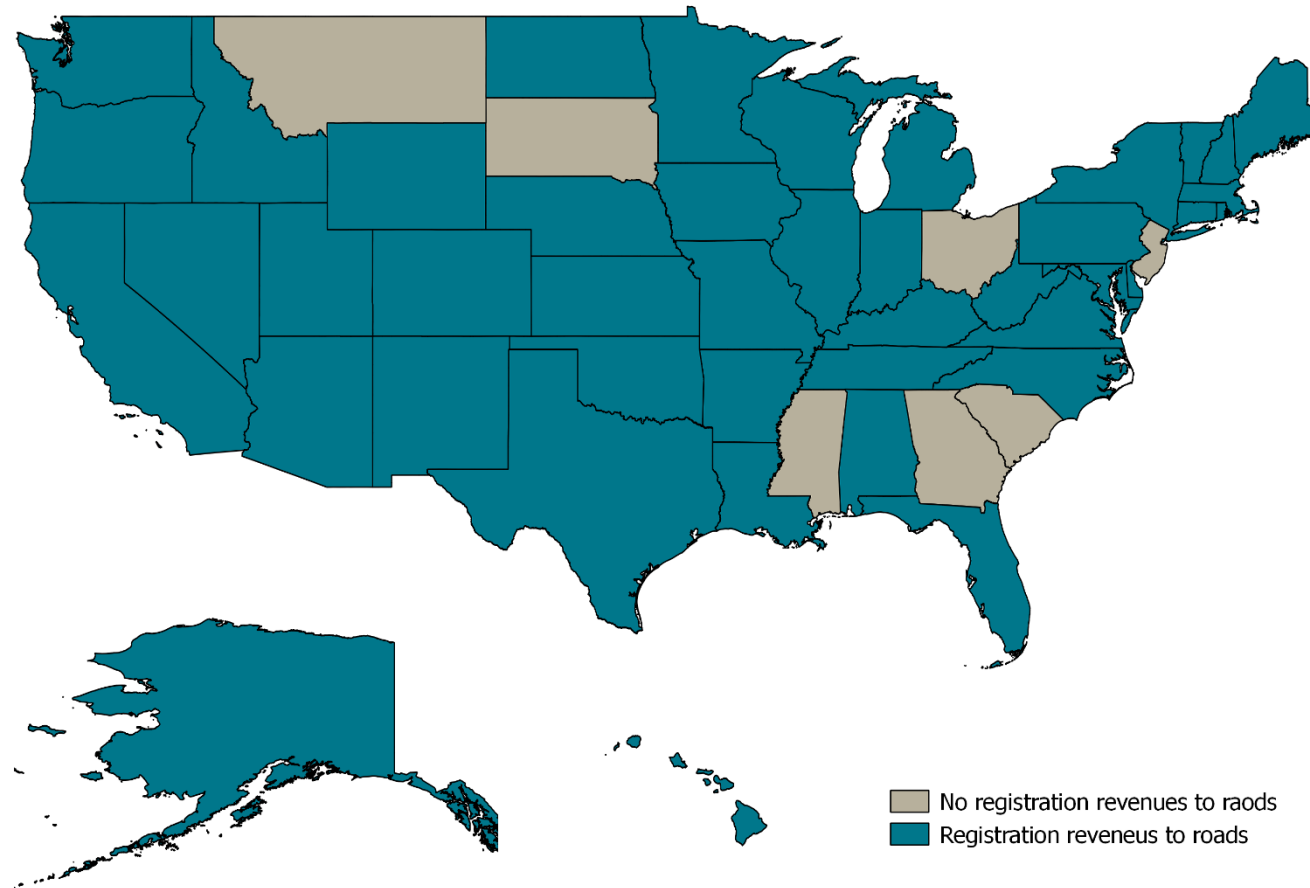
# Types of State Fuel Tax Indexing

*MI one of 18 states that have indexed to inflation, price, or both*



# Vehicle Registration Fees That Fund Roads

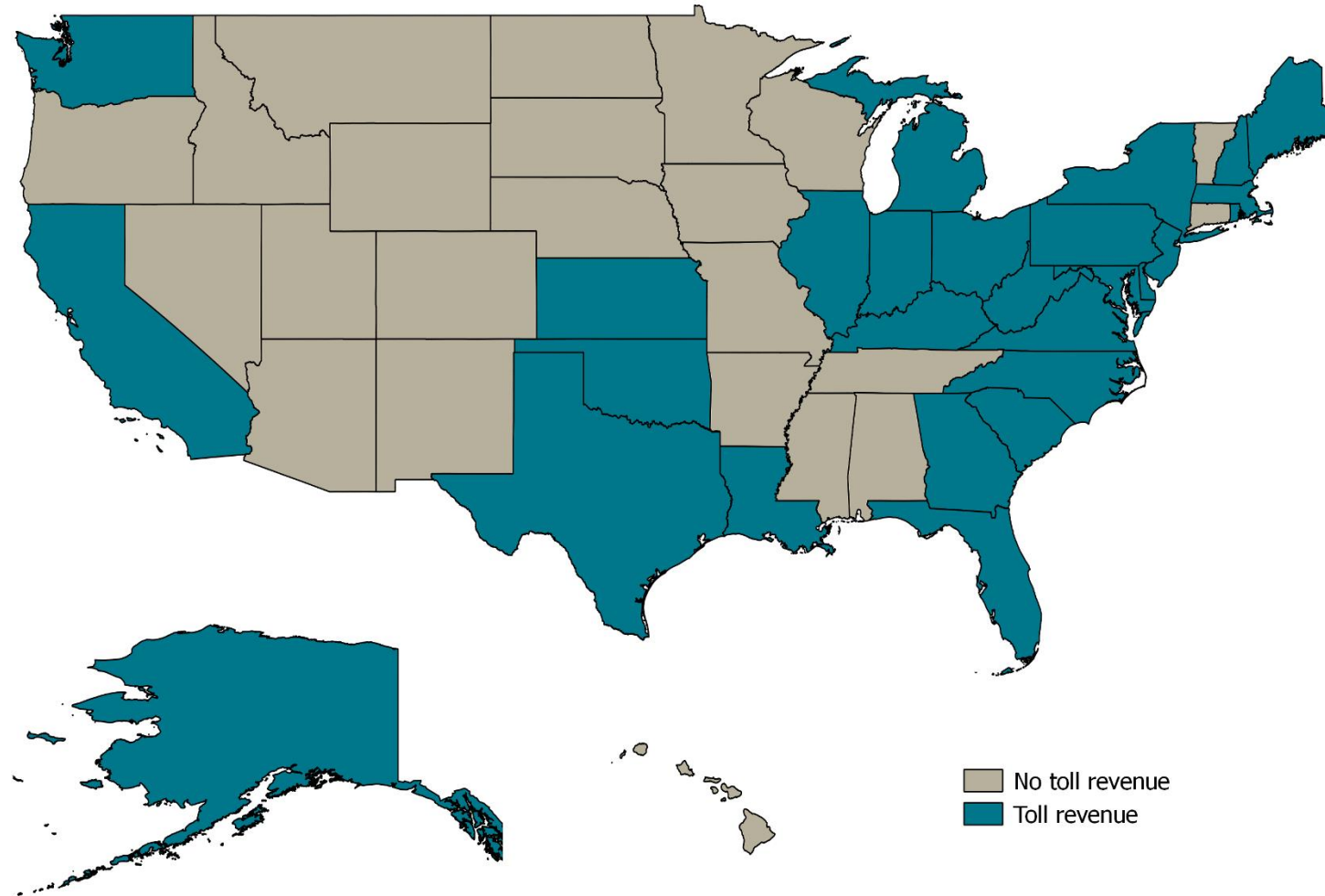
*Most states tied registration fee revenues to road funding*





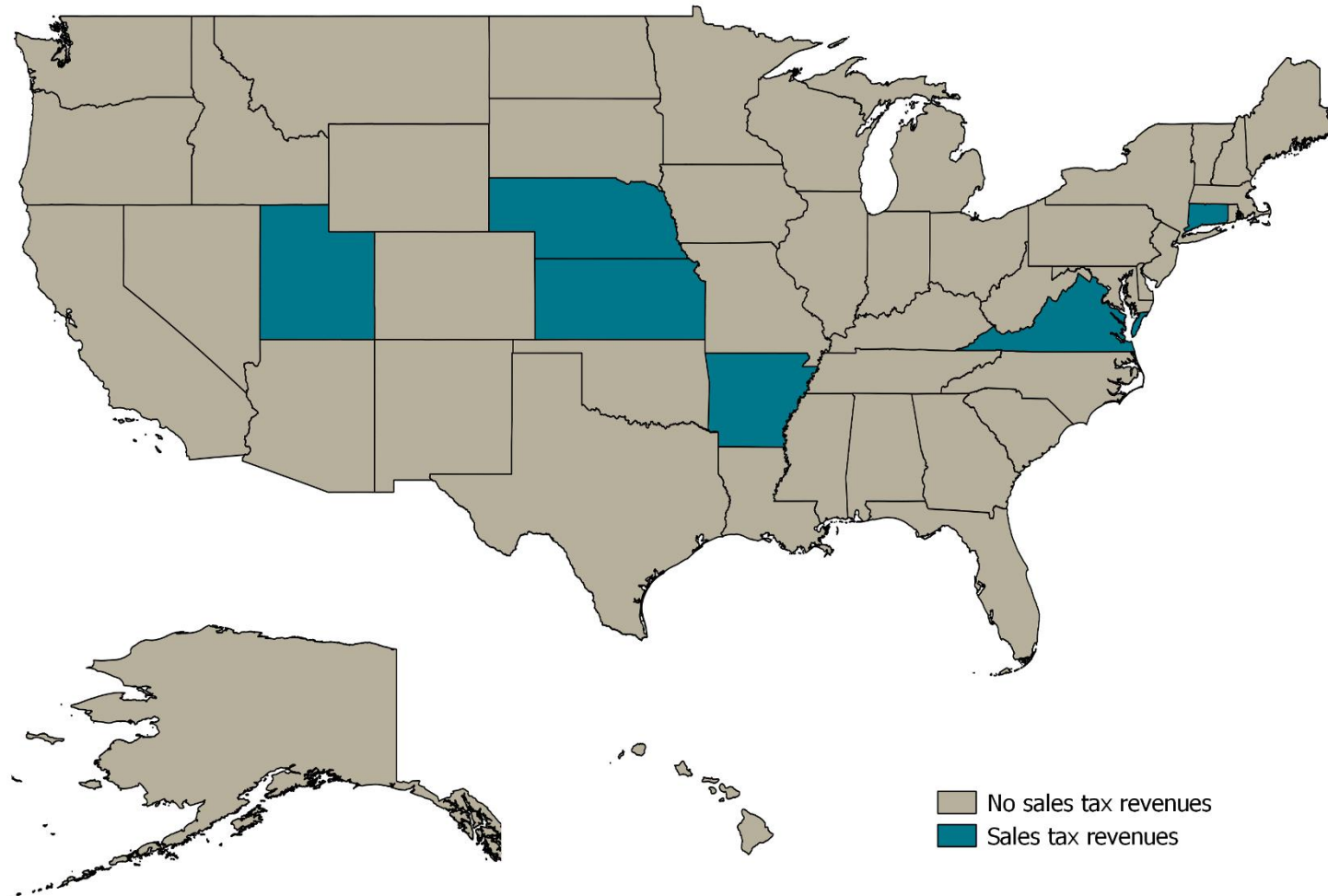
# States that use Toll Booths

*MI is one of a few states with very little pass-through traffic*



# States that use Sales Tax Revenues

*6 states use a portion of sales tax revenue for road funding*





# Other Funding Sources States Use

- Sales taxes related to transportation (vehicle purchases and rentals)
- Driving fines and fees (including drivers licenses and traffic fines)
- Vehicle Miles Traveled (Oregon)
- Other major tax dollars
  - Corporate Income (Maryland)
  - Cigarette (Idaho)
  - Mineral royalties (Wyoming) and oil production (Texas)

# Funding Local Roads

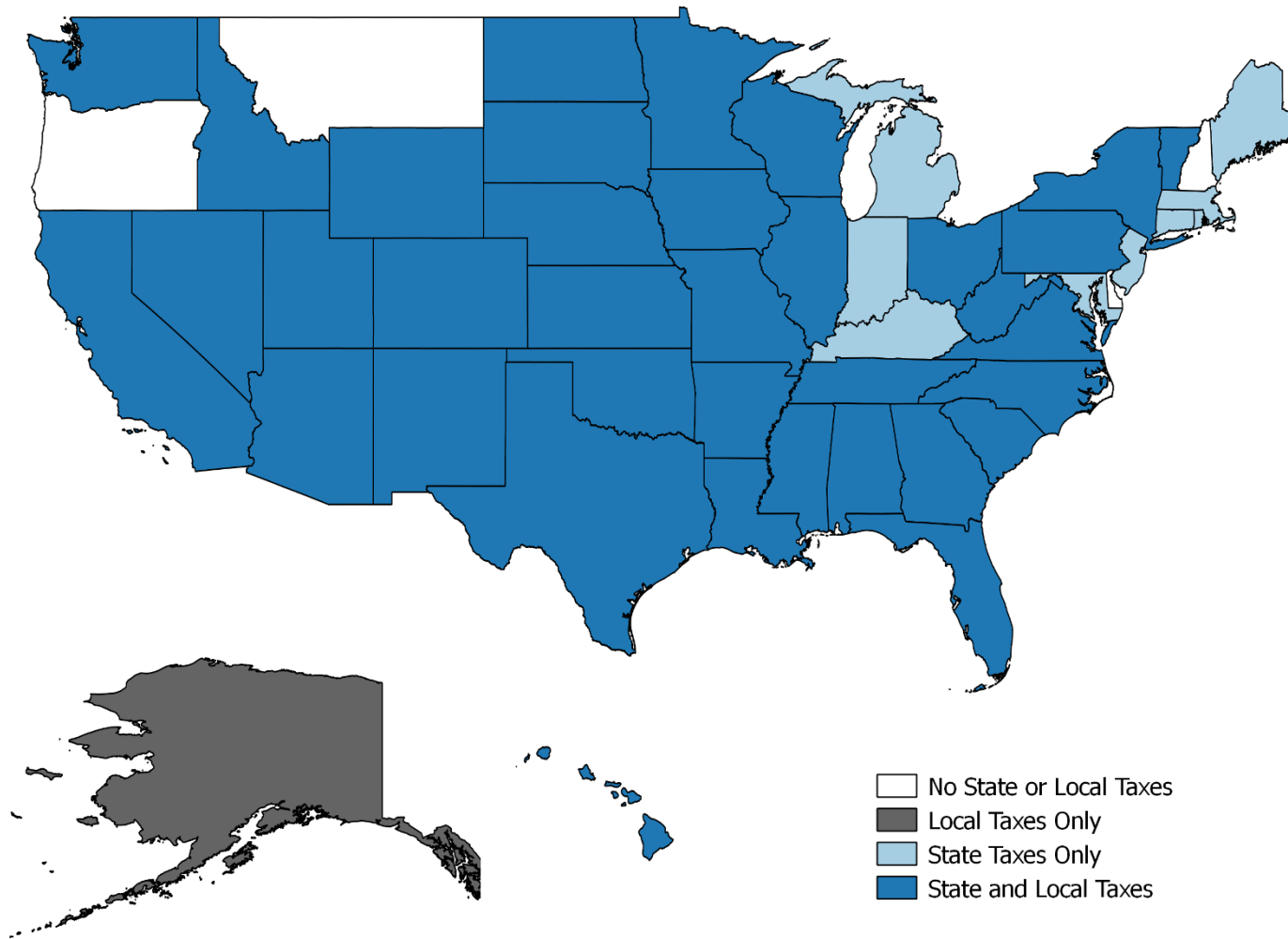
# Finances Continue to Reflect Days of Yore

*Local governments dependent on state to collect and distribute revenues*

- Quid Pro Quo –
  - Local governments largely limited to property taxes
  - State will collect taxes and share revenues with local governments
  - School Aid, State Revenue Sharing, Road Funding, Court Funding
- Horton Act of 1932
  - Enacted in reaction to Great Depression
  - Share registration fees with counties to replace county and township property taxes
  - Grew to include fuel taxes and folded into PA 51 of 1951
- Will increase reliance on property taxes in absence of state funding or alternative revenue sources,
  - Michigan property tax rates among the highest in the nation

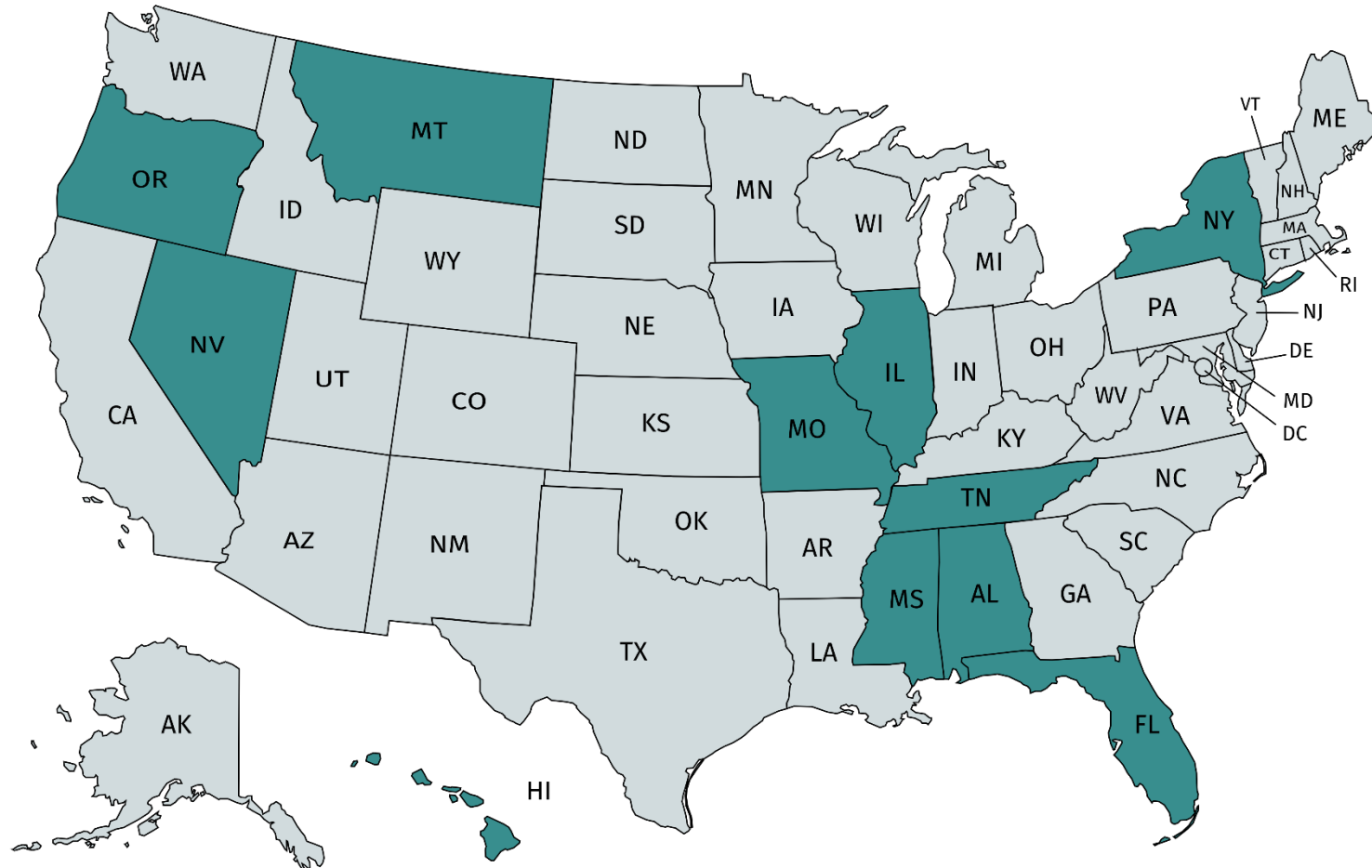
# Local-Option Sales Taxes

*Michigan one of 9 states with state tax but no local-option taxes*



# Local-Option Gas Taxes

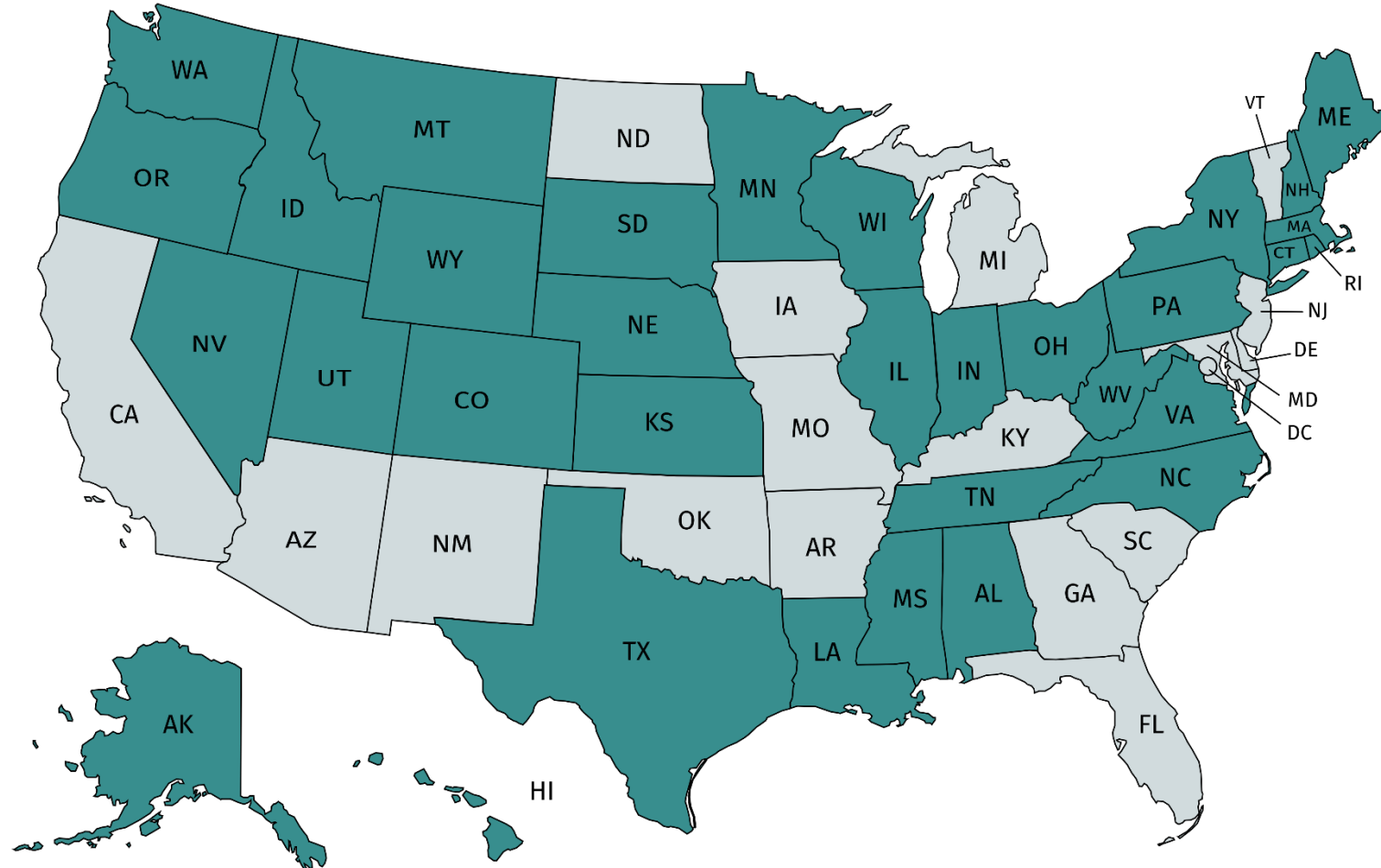
*11 states authorize local-option taxes, usually to counties*





# Local-Option Vehicle Registration Fees

*33 states authorize local fees, most county but some municipal*



# Other Potential Reforms

- McNitt Act of 1931 merged township road systems into the county road systems
  - Ability to repay road bonds impaired by loss of property value during depression
  - Duplication of effort proved inefficient
- Can we afford to have our small cities and villages continue to care for roads?
  - Cities average ~6 sq. miles and 2,000 people (excl. Detroit)
  - Villages average ~1 sq. mile and 1,000 people
- Would simplify use of local-option taxes authorized to counties

# Citizens Research Council of Michigan

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