



Proposal 15-1

Statewide Ballot Proposal, May 2015

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www.crcmich.org



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Proposal 15-1: Why so Complicated?

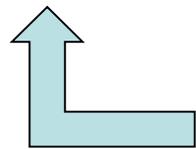
- Transportation funding package is a combination of constitutional and statutory changes
- Addresses multiple objectives:
 1. Increase funding for roads and bridges;
 2. Ensure that all taxes paid on fuel are used for transportation;
 3. Avoid revenue problems in other areas (e.g., schools, local governments);
 4. Avoid large increase in pump price; and
 5. Provide tax relief to low-income people

Why doesn't Proposal 15-1 address road funding?

- "... and **to give effect to laws** that provide additional money for roads and other transportation purposes by increasing the gas tax and vehicle registration fees."
- **Transportation Funding Package contains:**
 - **Constitutional changes**
 - **Legislative changes**



**Requires
voter
approval**



**In effect only if
Proposal 15-1 passes**



Transportation Funding Package

Constitutional

- Proposal 15-1

Legislative

- Public Act 467
- Public Act 468
- Public Act 469
- Public Act 470
- Public Act 471
- Public Act 472
- Public Act 473
- Public Act 474
- Public Act 475
- Public Act 476 (partial)



Transportation Funding Package



3 Types of Changes:

1. Changes to road and transportation funding
2. Changes to restore funding to negatively effected state funds
3. Changes to ensure accountability of new funding and help those most impacted by tax increases



Changes to Road and Transportation Funding

1. Exempt gasoline and diesel fuel from the sales and use tax
2. Increase the state's wholesale motor fuel tax rates on gasoline and diesel
 - Current: 19 ¢/g for gasoline and 15 ¢/g for diesel fuel
 - Proposed: 14.9% of the price of each fuel
 - 41.7 ¢/g for gas and 46.4 ¢/g for diesel
3. Allow for inflationary increases to the fuel tax rate
4. Increase vehicle registration revenues by:
 - Eliminating the depreciation discount
 - Establishing a new registration tax surcharge for vehicles powered by electricity and large trucks (over 26k gvwt)



Changes to Restore Funding

5. Increase the authorized sales tax from 6% to 7%
6. Increase the use tax from 6% to 7%
7. Dedicate 15 percent of the sales tax revenue collected at a rate of up to 5 percent (currently 4 percent) for revenue sharing to townships, cities, and villages
8. Dedicate 60 percent of the sales tax revenue collected at a rate of up to 5 percent (currently 4 percent) to the School Aid Fund
9. Dedicate 12.3 percent of the use tax revenue collected at a rate of up to 5 percent to the School Aid Fund (new)



Other Changes

- 10. Modify allowable uses of the School Aid Fund to exclude higher education and include public community colleges, career and technical education programs, and certain community college or career and technical education program scholarships**
11. Introduce new road construction and maintenance bidding, warranty, and road design requirements
12. Increase the state's Earned Income Tax Credit (EITC)
13. Increase the Homestead Property Tax Credit for very low-income senior citizens and disabled homeowners



Financial Analysis



Financial Impacts

- For the public sector:
 - From changes to the sales tax (FY2016):
 - ↓ \$690 million from exempting motor fuel
 - ↑ \$1.5 billion from increasing tax 6% to 7%
 - Net increase of \$795 million in sales tax revenue
 - More funding for schools, local governments, and state's GF

	FY2016	FY2017	FY2018
Sales Tax			
Increase Sales Tax from 6% to 7%	\$1,485	\$1,520	\$1,560
Exempt Motor Fuel from Sales Tax	(\$690)	(\$775)	(\$850)
TOTAL SALES TAX	\$795	\$745	\$710



Financial Impacts

- For the public sector:
 - From changes to transportation taxes (FY2016):
 - ↑ \$1.26 billion from increased motor fuel tax rate
 - ↑ \$30 million from increased registration taxes
 - Net increase of \$1.3 billion to transportation taxes

Transportation Taxes	FY2016	FY2017	FY2018
Increase Motor Fuel Tax Rate	\$1,260	\$1,260	\$1,290
Increase Registration Taxes	\$28	\$68	\$102
TOTAL TRANSPORTATION TAXES	\$1,288	\$1,328	\$1,392



Financial Impacts

- For Michigan residents:
 - **Benefits/Savings:**
 - EITC- state's credit 3x more for low and moderate income households
 - Homestead Property Tax Credit increase for very low income seniors and disabled homeowners
 - Unknown savings from improved road conditions
 - **Costs:**
 - One percent increase in sales tax rate
 - Registration taxes after year one
 - Higher gasoline and diesel fuel prices (probably)



Initial Impact of Tax Changes at the Pump

Pre-Tax Retail Price	\$1.90 per gallon		\$2.50 per gallon		\$3.25 per gallon	
	Current	Proposed	Current	Proposed	Current	Proposed
Federal gasoline tax	\$0.184	\$0.184	\$0.184	\$0.184	\$0.184	\$0.184
State sales tax	\$0.125	\$0.000	\$0.161	\$0.000	\$0.206	\$0.000
State fuel tax	\$0.190	\$0.417	\$0.190	\$0.417	\$0.190	\$0.417
Final Pump Price	\$2.399	\$2.501	\$3.035	\$3.101	\$3.830	\$3.851
	↑ 10.2 cents/gallon		↑ 6.6 cents/gallon		↑ 2.1 cents/gallon	



What if Proposal 15-1 Fails?

Back to the Drawing Board

- None of these changes will go into effect
- No “Plan B” to provide permanent solution to transportation funding needs
- On temporary basis, General Fund will continue to finance state transportation needs (\$285M current)
- New legislature may develop new funding plan

Don't forget to vote on May 5



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