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CRC Memorandum

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MICHIGAN HIGHWAY FINANCE AND GOVERNANCE

In Brief

In interstate comparisons, Michigan ranks low in both amount of money spent on highways and in the condition of its roads. The principal source of highway revenue is the gasoline tax, which at 15 cents per gallon is among the lower rates in the nation.

Consideration of an increase in the rate of the gasoline tax should take into account five issues that affect the efficient allocation of the available resources: 1) Alignment of the function of roads with the appropriate jurisdiction; 2) Determination of priorities; 3) Standards of construction and level of maintenance; 4) Privatization and intergovernmental cooperation; and 5) Allocation of highway revenues.

Background

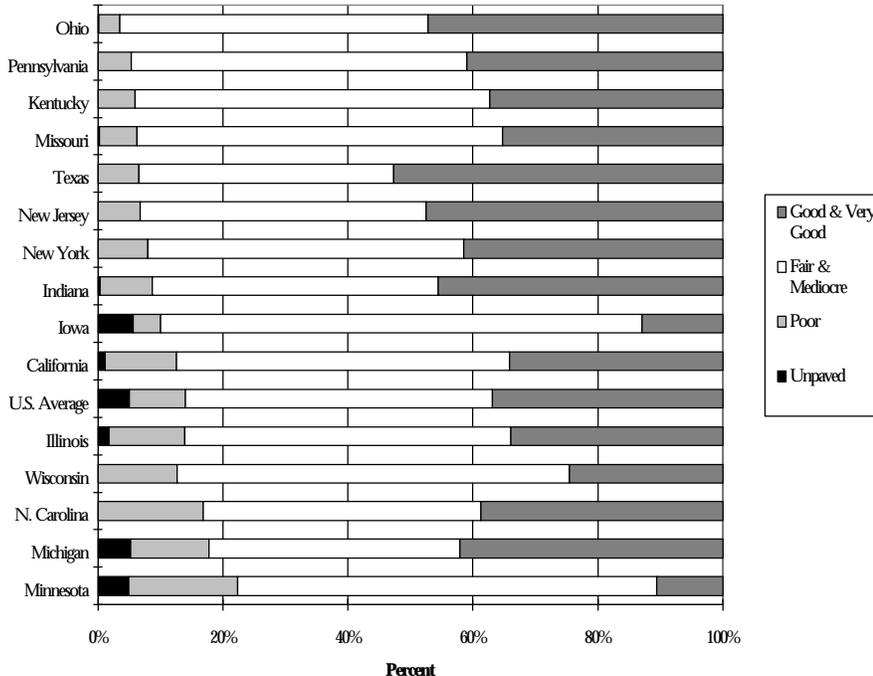
Several proposals to provide increased funding for transportation have been put forth over the past year. These have tended to fall into three broad categories: 1) Closing of loopholes (e. g., elimination of the discount on diesel fuel for commercial truckers and the evaporation allowance provided to gasoline distributors); 2) Reduction of "leakage" from the system (e. g., reform of tort laws related to transportation); and 3) Increases in the rate of taxation on motor fuel ranging

up to 12 cents per gallon.

This *CRC Memorandum* is intended to provide a context for assessing these proposals and to explore issues that should be resolved in order to assure that transportation funds, whether increased or not, are efficiently spent and actually address priority transportation needs in a systematic fashion. It is a summary of *CRC Report #317* which is available on request.

Chart 1

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).

Michigan Road and Bridge Conditions

Chart 1 compares Michigan road conditions with those in 14 other industrial and Midwest states. A close look will show that Michigan has higher proportions of roads in both good and poor condition and a relatively lower proportion in fair condition, reflecting disparities in road quality among functional classifications and among regions of the state. Additionally, the Michigan Department of Transportation (MDOT) estimates that 21 percent of the 10,511 bridges in the state are in fair condition or worse.

Highway Organization

Highway organization involves the functional classification of roads (the roles they play in the system) and jurisdictional control (the level of government responsible for the construction and maintenance of each road).

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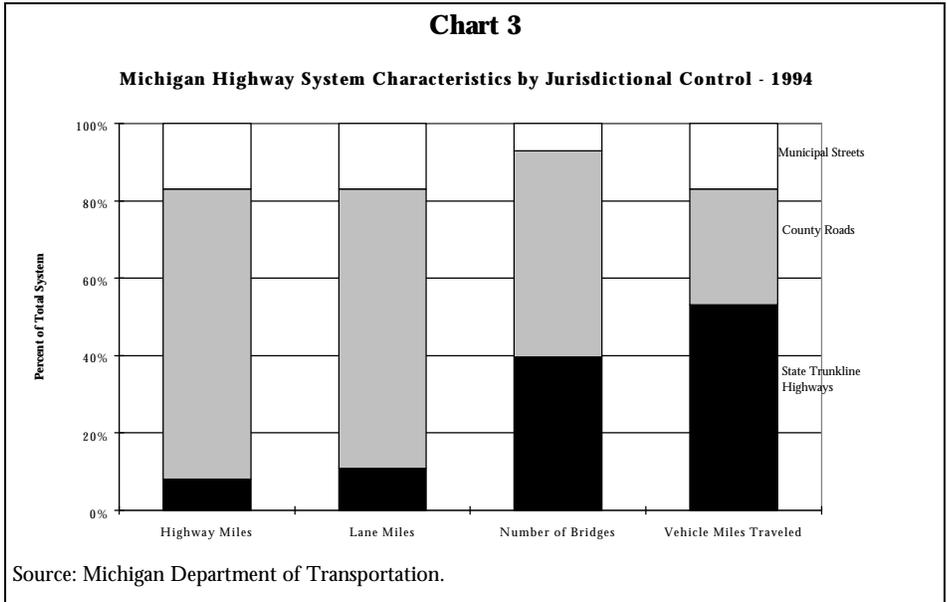
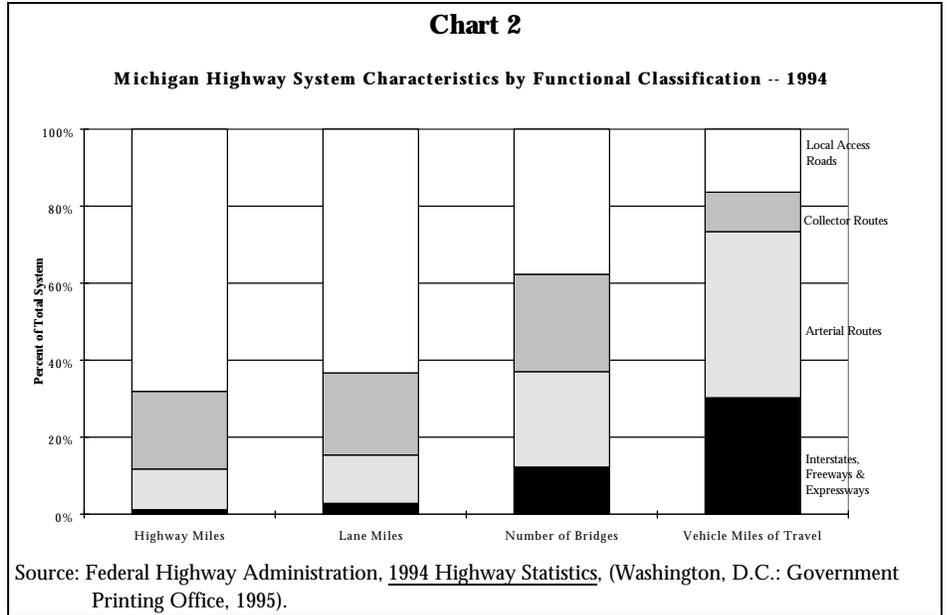
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Functional Classification. Highways are classified into four categories as shown in **Chart 2**. Although the majority of road miles are found in local access roads, by far the greatest amount of traffic is found on the interstates, expressways, freeways, and arterial routes.

Jurisdictional Control. The state, counties, and municipalities construct and maintain highways in Michigan, as shown in **Chart 3**. State "trunkline highways" consist largely of interstates and arterial routes. While they account for only 11 percent of lane miles, they account for 53 percent of the vehicle miles.

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 municipal corporate limits. County roads account for 72 percent of lane miles, but only 30 percent of vehicle miles.

City and village streets consist of major and local streets that provide access to homes, businesses, and industrial sites within municipal boundaries. They account for 17 percent of lane miles as well as 17 percent of vehicle miles.



Highway Revenues

Highways serve both direct users and those who receive indirect benefits from the economic activity they facilitate. Accordingly, there are reasons to finance highway construction and maintenance from both user taxes and from general taxation. In

fact, Michigan employs both user taxation (state motor fuel taxes and motor vehicle registration taxes) and general taxation (local property taxes) in financing its road system.

Motor Fuel Taxes

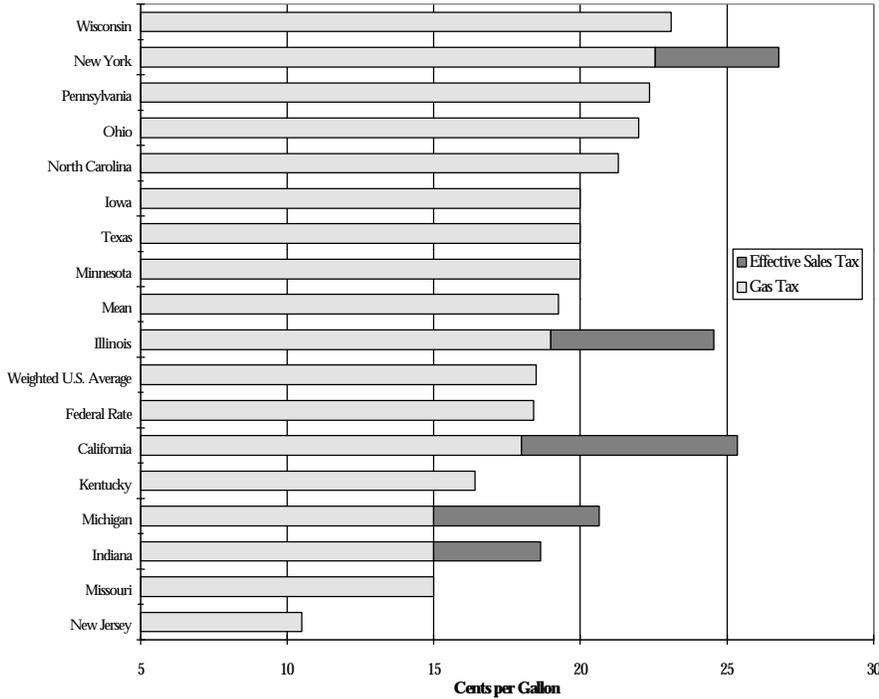
Michigan taxes both gasoline and diesel

fuel at a rate of 15 cents per gallon. Motor carriers, however, receive a six-cent discount on diesel fuel, resulting in a net rate of nine cents per gallon. Michigan is one of only a few states that tax diesel fuel at a lower rate than gasoline.

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Chart 4

Effective Gas Tax Rates in Michigan and Comparison States - 1996



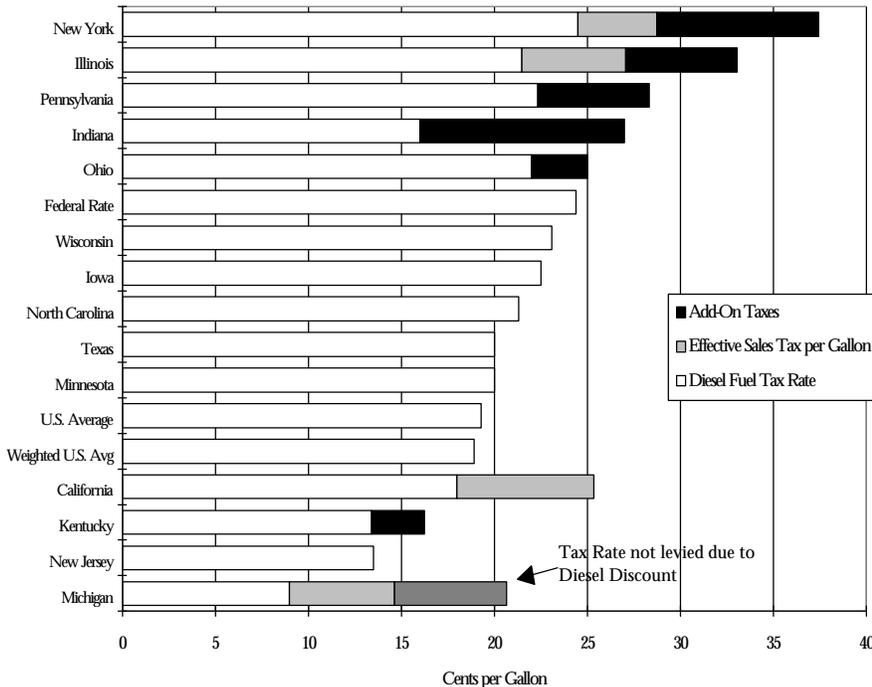
Source: Senate Fiscal Agency.

Sales Tax. From the point-of-view of the consumer, state taxes on gasoline are not low, because, unlike most states, Michigan subjects gasoline to the general sales tax (which is levied not only on the price of the gasoline, but also on the other federal and state taxes on gasoline). Only a small portion of sales tax revenues are allocated to transportation purposes, however, so that from the point-of-view of the governmental providers of transportation services, available revenues are below average (See Chart 4).

Evaporation Allowance. Wholesalers and retailers of gasoline receive an allowance equal to a total of two percent of the quantity of gasoline received to account for evaporation. MDOT estimates the value of this allowance at \$15.9 million. Technological changes in the distribution of gasoline have rendered the allowance obsolete, however. Petroleum distributors defend its continuation on the grounds that it is reasonable that they be compensated for the work involved in collecting the taxes on motor fuels. However, there is no relationship between this administrative burden and the revenue loss attributable to the evaporation allowance.

Chart 5

Effective Diesel Fuel Tax Rates in Michigan and Comparison States - 1996



Source: Senate Fiscal Agency.

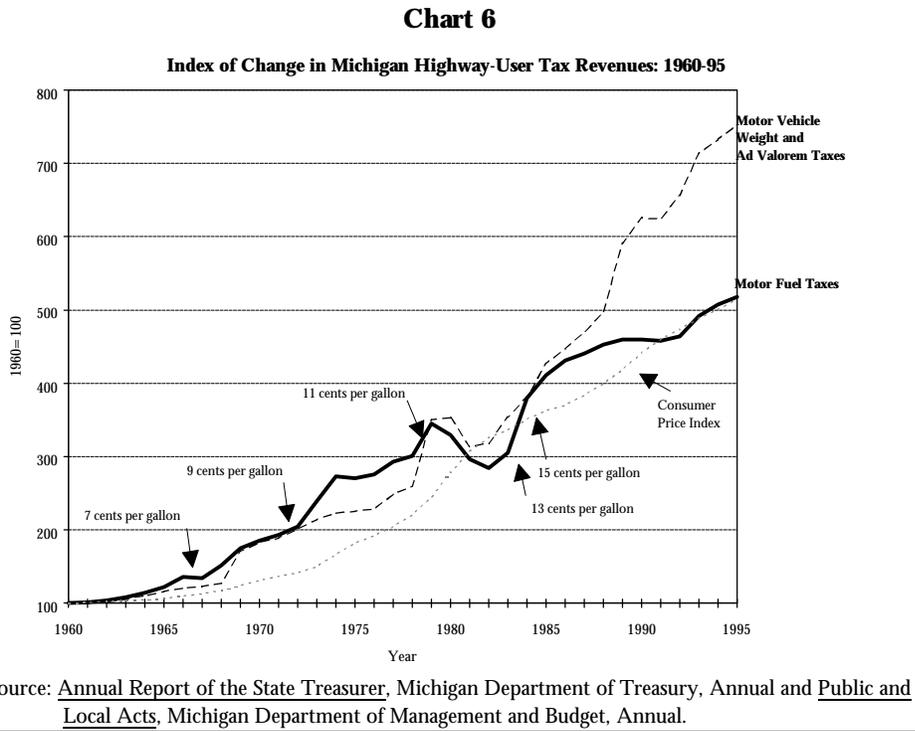
Diesel Discount. In 1980, the Michigan tax on diesel fuel was 11 cents per gallon, compared with an average of eight cents per gallon in adjacent states. Coupled with a (then) four per cent sales tax, the tax rate was considered to make Michigan non-competitive with other states. The response was to adopt a six cent per gallon discount on the sale of diesel fuel to motor carriers. In 1996, the Michigan diesel fuel tax is 15 cents a gallon (plus a 6 percent sales tax), compared to an average of 21 cents per gallon in adjacent states. It is estimated that \$20 million per year is foregone as a result of the diesel discount.

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Erosion of Motor Fuel Tax Revenues. Since motor fuel taxes are levied on volume rather than price, consumption determines the level of revenue. As motor vehicles have become more efficient, motor fuel tax revenues have not grown as rapidly as they might have, although increased travel has permitted motor fuel tax revenues to keep pace with inflation (See **Chart 6**).

In response to this perceived problem, the rate of the gasoline tax was indexed in 1983 to take into account both decreases in gasoline consumption and increases in the cost of highway maintenance. The index was, however, permitted to operate only through December 31, 1984, when the rate was capped at the present 15 cents. Had the indexed rate not been capped, it would have risen to approximately 19 cents by 1996.

Another often mentioned approach to the problem of eroding tax revenues is the adoption of a motor fuel tax based on price. It is argued that revenues



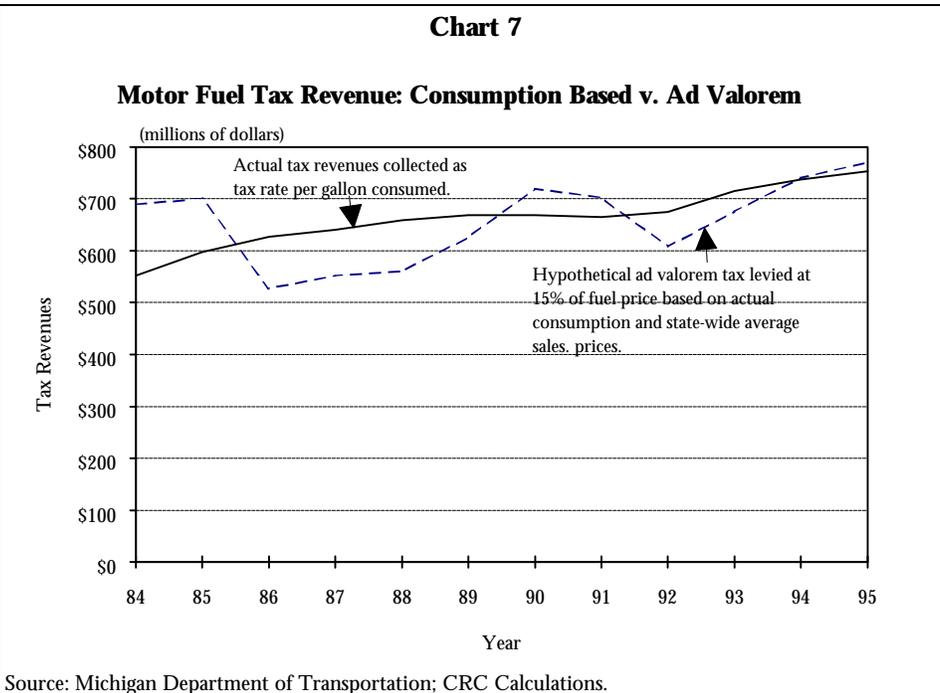
would then respond to rising prices of motor fuel and frequent rate increases would become unnecessary.

The problem is that the price of motor fuel is volatile and depends primarily on the world price of oil,

which, in recent years, has declined more than it has increased. A tax on the price of motor fuel would be very difficult to predict and it is not altogether clear that it would be more productive than a volume-based tax. In fact, if a 15 percent tax had been adopted in 1984 (compared to 15 cents per gallon), it would have raised a total of \$85 million *less* than the volume-based tax over a 12-year period (See **Chart 7**).

Motor Vehicle Weight and Ad Valorem Taxes

Automobile Registration Fees. The second largest source of Michigan highway user tax revenue is the registration fees applied to automobiles and trucks. Until 1983, automobile registration fees were based on the weight and the age of the vehicle. Since then, however, owners of automobiles built since 1984 pay an initial fee of 0.5 percent of the list price of the vehicle for the first registration (\$30 minimum). The fees decrease by 10 percent each year for each of the next three years, and then re-



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main constant. Revenues from automobile registration fees totaled \$337.4 million in FY95.

The move to a price-based system from a weight-based system has permitted registration fees to keep pace with inflation.

Truck Registration Fees. Registration fees for trucks are based on gross vehicle weight—the empty weight of the vehicle, or combination of vehicles, plus the weight of the maximum load the owner has elected to carry. These fees raised \$197.7 million in FY95.

Truck registration fees in Michigan are low relative to other states. Michigan ranked 9th out the 15 comparison states in registration fees. When motor fuel taxes are factored in, taxes on an 80,000 lb. vehicle in Michigan fell to 14th among the 15 states, 30 percent below the median.

Local Government Revenue Sources

In addition to revenues from state and federal allocations, local govern-

It is clear that increased revenues could be put to productive use in the Michigan highway system. Accordingly, much of the debate on this issue has concerned not whether revenues should be increased, but instead 1) the magnitude of any increase, and 2) the nature of the allocation of that increase.

Equally important, however, are the questions of whether increased revenues would be spent efficiently

Determination of what jurisdiction has responsibility for a given road begins with the classification of that road. Highway construction and maintenance differ by

A significant proportion of total taxes on a gallon of gasoline are destined not to be used for highway construction or maintenance, or for mass transit. If the price of a gallon of gasoline to the consumer at the pump is \$1.20, total taxes would be approximately \$0.40. Of this total however, seven cents would be attributable to the general sales tax and 4.3 cents is levied by the federal government for deficit reduction. In addition, the equivalent of two cents is transferred from the Transportation Fund to the Departments of State, Treasury, State Police, and Environmental Quality for highway-related functions that they perform. As a result, only about 26.7 cents of the 40 cents is directed toward highway construction and maintenance, or to mass transit.

ments are required to contribute additional revenues from their own sources for highway funding. The primary source of local revenue is the property tax, although special assessments play a role in the financing of local access roads.

Property Tax. Although the property tax is a productive source of revenue, it is used by many overlapping units of government for many different purposes and has been the target of recurring tax reduction efforts, most recently Proposal A in 1994.

Counties, township, cities and villages all levy property taxes for road pur-

poses and the property tax remains the most likely candidate for future local taxation for roads, as well.

Local User Taxes. The levying of local user taxes for roads is viewed as presenting any local unit that adopted such a tax with a competitive problem in that it normally would be a simple matter to avoid the tax by purchasing motor fuel in a nearby jurisdiction that did not levy the tax. This problem could be at least partially alleviated by granting regional bodies the authority to levy a tax on motor fuel, but problems on the borders of the region would likely still exist.

Will Additional Revenues Be Enough?

and whether the current local responsibility for funding road construction and maintenance is adequate. Unless the system is restructured both financially and administratively, it is very likely that any additional dollars will not purchase the improvement in transportation services that might be expected.

The remainder of this *Memorandum* will concentrate on five areas in

which changes could be made to improve the system of highway construction and maintenance in Michigan and maximize the benefit of state and local expenditures for transportation. The five areas are:

1. Jurisdictional Control
2. Priority Determination
3. Physical Structure
4. Administrative Efficiency
5. Highway Funding Allocation

Jurisdictional Control

road classification. Each functional classification (interstates, arterial routes, collector routes, and local access roads) serves different purposes, carries different types of vehi-

cles, and provides varying degrees of property access. Accordingly, each is built to different specifications and requires a different level of funding.

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While functional classification is the starting point for determining jurisdictional control, factors such as population density, the location of the road in relation to other types of roads, and the use of the road, also affect jurisdictional control.

The present distribution of jurisdictional control among the state, counties, and municipalities was largely determined by the McNitt Act of 1931. In the intervening decades, population shifts, changes in the economy, the development of the interstate system, and changes in the vehicles using the roads have caused significant changes in the way in which many roads are used. However, portions of some roads continue under their original jurisdiction even though they now serve different purposes. Examples can be found throughout the state, at all levels of governance, where the use of a section of road has changed to such an extent that the governmental body with jurisdiction over that road is no longer the body best suited for the role.

Urban Counties. The original role of county road commissions was to provide roads in low-density unincorporated areas, where a municipality was not available to provide roads. In some counties, many county roads now serve the same

purposes as municipal streets in formerly rural areas that have become urbanized, but jurisdictional control has remained with the county.

Additionally, cities and villages have begun to undertake the improvement of county roads with municipal resources. If county roads are important enough to the local communities that cities or villages would use their own resources to improve them, a strong case can be made that those roads should be under municipal jurisdiction.

Municipalities should be expected to have jurisdiction over urban arterial, collector, and local access roads, while the counties should be expected to maintain rural roads with funding adjusted accordingly.

State Trunkline System. Prior to the advent of the interstate system, the state trunkline system consisted of major arterial routes connecting major population centers. Long distance travel is now a secondary purpose of these routes, the primary purpose of which is now to serve regional traffic, often to provide access to private property.

MDOT has identified 267 miles of highway that could be turned back to counties or to cities and villages. Further examination could lead to a more extensive list.

Townships. Townships (especially charter townships) have, in many cases, assumed the provision of a full array of municipal services. Unlike municipalities, however, they do not receive state highway funding and must conform to the priorities for construction and maintenance established by the county road commissions.

Reassignment of Jurisdictional Control. A sizable number of miles of Michigan roads are not under the jurisdictional control of the units of government best suited to that responsibility. Unless there is a better alignment between functional classification and jurisdictional control, the wrong units of government will continue to make decisions regarding these roads with resulting inefficiencies and failures to meet needs.

Public Act 296 of 1969 provides for the transfer of responsibility for roads between jurisdictions, but the jurisdiction ceding control continues to be responsible for the maintenance costs associated with the ceded roadway. In addition, liability costs associated with the acquisition of responsibility for a road may provide an impediment to appropriate reassignment of control.

Public Act 51 of 1951 requires a continuing study of transportation needs. In the past, these studies have identified deficiencies in the highway system and assigned priority to the projects designed to address those needs. Act 51 re-

Priority Determination

quired the appointment of a needs study committee in 1987 and every four years thereafter. This requirement has been ignored, however, and, as a result, the last needs assessment was performed in 1983.

In addition, the state has not created a uniform rating system for use by local units, but instead has relied on local assessments of need and has not audited those ratings.

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Physical Structure

The condition of the Michigan highway system reflects several factors that need to be taken into consideration in addressing highway needs:

Age. Michigan was one of the first states to build its road system. By 1937, much of the present-day mileage was already in place. In addition, Michigan laid out and built much of its interstate system before most other states. On average, the Michigan interstate system is seven years older than those in other states.

Terrain and Weather. Michigan has disproportionately high concentrations of clay, glacial deposits, and wetlands in different parts of the state. All of these make it difficult to form a good subgrade for the construction of roadways.

Two characteristics of Michigan weather work to accelerate the deterioration of roads. First, Michigan has a relatively large number of freeze-thaw cycles which cause expansion and contraction of the roadway and resultant cracks and water/ice deposits. Second, the frequent snowfalls are dealt with by using road salt which causes corrosion of the steel reinforcing rods, which then expand and break apart the surrounding concrete.

A commonly perceived problem in highway construction and maintenance is duplication among governmental units and levels of government. Addressing jurisdictional control should provide opportunities for the units of government involved to become more special-

Trucks. Michigan permits trucks with a gross vehicle weight of up to 164,000 pounds to operate on its highways. Most states limit truck weights to 80,000 pounds unless a special permit is obtained.

Although there is little question that trucks do more damage to highways than do automobiles, highway engineers generally argue that, as long as the weight is spread over enough axles, a 164,000 lb. truck will do no more damage to a road than will an 80,000 lb. truck, although it will cause more damage to a bridge.

Construction Standards. Trunklines in Michigan have been designed to last for 20 years. Given the weather and terrain problems faced by the state and its policy of permitting very heavy trucks to use the highways, consideration should be given to the construction standards employed by the state. The additional cost that would be involved in significantly increasing the lifespan of highways, when spread over the extra years, may be low enough to justify building the roads to higher standards. MDOT is experimenting with a section of I-375 in Detroit, which has been built to European standards. Reconstruction of this portion of road included thicker concrete, shorter joint spacing, dow-

Administrative Efficiency

el, thereby reducing the amount of overlap. Two vehicles for specialization exist: 1) Privatization and 2) Intergovernmental cooperation.

Privatization. Reduced duplication in the provision of highway services can be achieved when governments are less constrained by the bounda-

ries that normally confine their actions. One reason that privatization is successful is that private enterprises are not confined by municipal boundaries.

Maintenance. Maintenance of roads involves such activities as keeping drains clear and making sure that expansion joints are in working order. Failure to carry out these activities works to shorten the lifespan of a road and adds greatly to total expense. Fixing poor roads is three to five times more expensive than maintaining them in good or fair condition.

Construction of the Michigan highway system is essentially complete. During the period in which construction was paramount, funding incentives tended to favor construction. For example, federal funding of the interstate system was designed to promote construction, with the assumption that the states would fund maintenance from their own resources. Michigan, more so than most states, has neglected the maintenance of its roads, with the predictable result that the state is now faced with a more expensive repair job than would otherwise have been necessary.

Intergovernmental Cooperation. Intergovernmental cooperation allows governments to capitalize on the com-

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monalities that they share in providing basically the same service throughout the state. Michigan law is very permissive, allowing governments to enter into cooperative agreements to maintain, enhance, or provide services in any way possible.

Experience with Privatization and Intergovernmental Cooperation

The state, county road commissions, and municipalities have different experiences and different potential for using privatization and intergovernmental cooperation.

Michigan Department of Transportation. MDOT performs very little of the actual construction and maintenance on the trunkline system. Most construction work is contracted out. Additionally, MDOT has recently contracted maintenance of two sections of the trunkline system in privatization experiments. One contract was won by a private company, the other was won by the Wayne County Department of Public Works. In both cases, MDOT is

Over the years, Michigan state government has been given increased responsibility for raising revenues to fund not only state highways, but a portion of local streets, as well.

The sharing of state revenues with local governments for highway purposes predated any active state involvement in the construction and maintenance of the highway system in Michigan. At first, this entailed "reward" dollars designed to encourage a uniform highway system between population centers. Eventually, this grew into the state

paying less than it previously had to provide maintenance for these sections of road.

Intergovernmental cooperation allows MDOT to contract with 62 of the 82 county road commissions and the Wayne County Department of Public Works and with 125 of the 534 municipalities for maintenance of state trunkline within their boundaries.

County Road Commissions. County road commissions have privatized a whole gamut of functions, ranging from asphalt paving and bridge construction to street sweeping and roadside mowing. County road commissions have not capitalized on using other county facilities such as accounting, personnel, or garage maintenance.

Municipalities. While most cities and villages tend to contract for any construction or major street functions, routine maintenance tends to be performed in-house. Because it is performed in-house, many municipalities have combined road care with

Highway Funding Allocation

trunkline system and a direct involvement in highway construction.

State highway revenue allocations to local governments were a minor proportion of local government highway funding until the Great Depression and the subsequent passage of the McNitt and Horton Acts which merged the township road systems with county road commissions and essentially eliminated local dependence on the property tax for road construction.

These acts were not without their weaknesses, however, and Public Act

other services of like content: parks, cemeteries, and grounds maintenance.

Any ability to reduce duplication and save taxpayer dollars should be encouraged. Privatization and intergovernmental cooperation lend themselves to this end.

It is often suggested that county road commissions be abolished. Wayne County in its charter, abolished its road commission and moved the road function to the Department of Public Works with apparent success. Unlike 80 other counties, however, Wayne County has a county executive which provides accountability for this function, as well as other county functions.

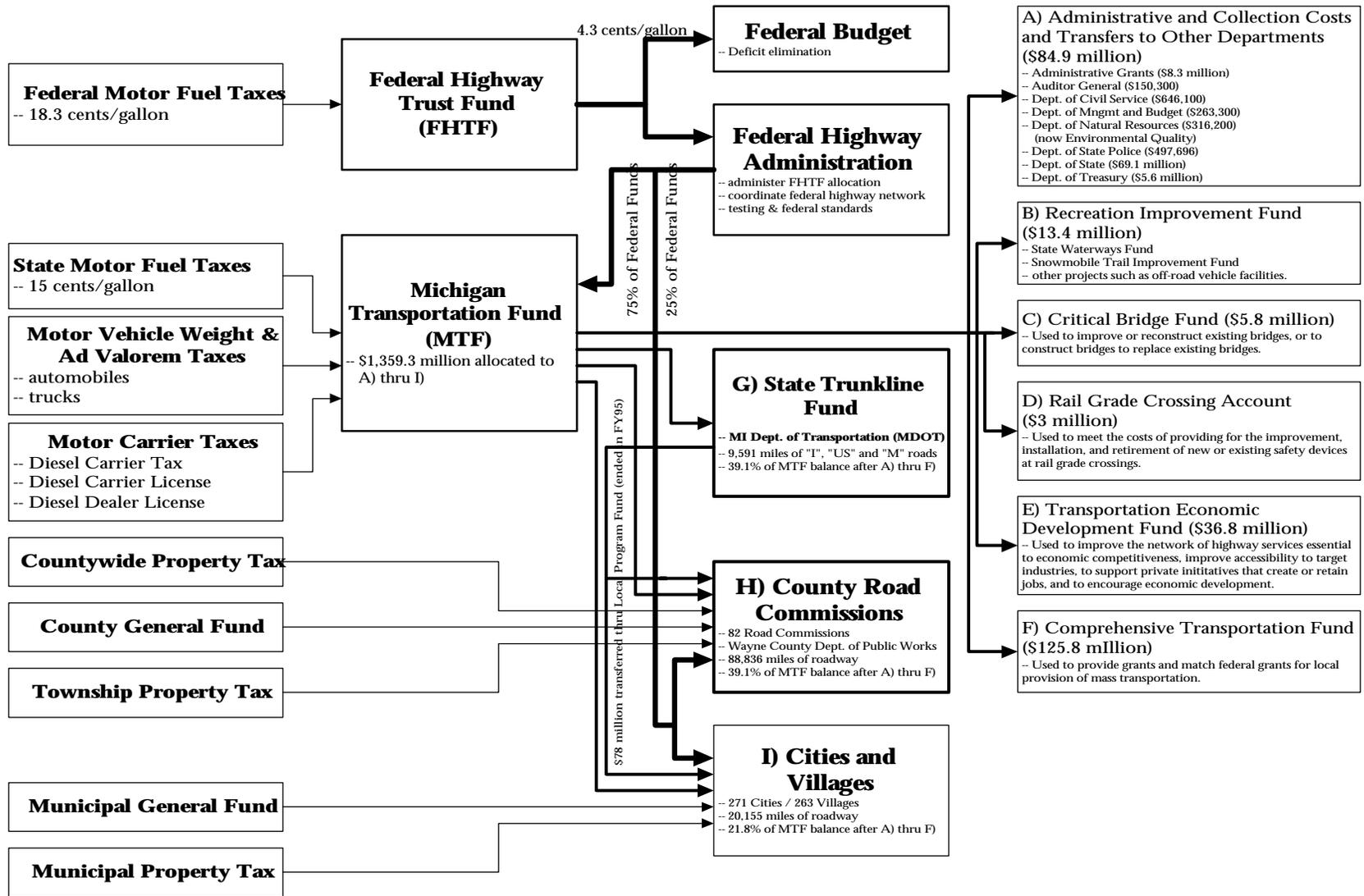
Unless counties in Michigan are restructured to integrate the road function into county management, the best approach may be to encourage further privatization and intergovernmental cooperation, as well as limiting their responsibilities to roads outside of municipalities.

51 of 1951 was adopted to correct some of these shortcomings. Act 51 continues to form the basic structure of highway finance in Michigan.

Michigan Transportation Fund. The Michigan Transportation Fund (MTF) is the primary receiving fund for the tax revenues and user fees dedicated to highway purposes, including motor fuel taxes, motor vehicle weight and ad valorem tax revenues, motor carrier tax revenues, and other revenues. In FY95, the MTF received \$1,359.6 million from these sources.

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Basic Organization and FY95 Funding of Michigan Highway System



Source: Michigan Department of Transportation, Annual Report, Michigan Transportation Fund, Fiscal Year Ending September 30, 1995, (Lansing, MI: 1995).

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Expenditures are not made directly from the MTF. Instead, appropriations or transfers are made from the fund to the various operating funds and to the county road commissions and cities and villages. In a nutshell, the formula requires:

1. Payment of principal and interest on outstanding debt; administrative and collection costs. In FY95, seven state departments relied in part on MTF grants totaling \$84.9 million for:

- Collection of revenue on behalf of MDOT (Departments. of State and Treasury)
- Specialized tasks performed on behalf of MDOT (Departments. of Environmental Quality and State Police)
- General government services related to MDOT (Auditor General and Depts. of Civil Service and Management and Budget)

Auditor General reports have indicated that the departments collecting revenue for MDOT have not been able to accurately identify their collection expenses or the amount of their operations that are transportation-related. This has led to both overcharges and undercharges to the MTF.

2. Appropriations to special revenue projects, including:

- Recreation Improvement Fund
- Critical Bridge Fund
- Rail Grade Crossing Account
- Transportation Economic Development Fund

3. Allocation of 10 percent of the remaining funds to the Comprehen-

sive Transportation Fund for mass transportation.

4. Allocation of the remaining funds for highway construction and maintenance and snow removal according to the following percentages:

- State Trunkline Fund (39.1%) for funding construction and maintenance of state-administered roads. Distribution of these funds is determined by MDOT and the State Transportation Commission.

- County road funds (39.1%). One percent of these funds is directed to counties with annual snowfall of greater than 80 inches. Each county gets \$10,000 to help pay for licensed engineers. Ten percent of the balance is distributed to counties with urban primary or local roads. Of the remainder, 75 percent is directed to county primary roads and 25 percent to county local roads. For primary roads, 75 percent of the distribution is based on the proportion of motor vehicle taxes collected in each county, 15 percent is based on the proportion of county primary mileage in each county, and the remaining 10 percent is divided equally among the 83 counties. The county share of local road dollars is based on the proportion of population residing outside of incorporated municipalities.

- Cities and villages (21.8%). After deducting a small amount for distribution to cities and villages with large amounts of snowfall, 75 percent of these funds is distributed according to the proportion of population in cities and villages (60%) and on the basis of "equivalent major mileage" (state trunkline mileage in the municipality multiplied by a factor) (40%). The re-

maining 25 percent is distributed on the basis of population (60%) and local street mileage (40%).

Implications of the Formula. An important component of the distribution to local units is road mileage. In the formula, a mile of highway in one location is equivalent to a mile of highway in any other location *regardless of the amount of usage*. Distribution would be significantly affected if utilization were factored into the formula. An indication of the dimensions of such a change is shown in **Table 1**.

Oakland County, for example, comprises 2.7 percent of the county primary and local mileage in Michigan, but 13.6 percent of the vehicle miles. Wayne has 1.6 percent of the mileage, but 15.9 percent of the vehicle miles. Kent has 2.1 percent of the mileage and 5.1 percent of the vehicle miles. On the other hand, Houghton has 1.0 percent of the mileage, but only 0.1 percent of the vehicle miles. Other rural counties show similar relationships.

Clearly, if transportation in lightly populated areas is to be made possible, some subsidization from more heavily populated parts of the state will be necessary. On the other hand, to ignore highway utilization in the formula means that inefficient distribution will occur. Under the current formula, if the needs of heavily traveled highways are to be addressed, excessive amounts of funding will be directed to the lightly used roads. Conversely, appropriate funding in rural areas will mean a shortfall in urban areas.

County	Percent of Statewide County Mileage	Percent of Statewide County VMT	Percentage Point Diff. btw Mileage and VMT	County	Percent of Statewide County Mileage	Percent of Statewide County VMT	Percentage Point Diff. btw Mileage and VMT
Alcona	0.9%	0.3%	-0.6%	Kent	2.1%	5.1%	3.0%
Alger	0.6%	0.1%	-0.5%	Keweenaw	0.2%	0.0%	-0.2%
Allegan	2.1%	1.2%	-0.8%	Lake	1.1%	0.2%	-0.9%
Alpena	0.7%	0.3%	-0.4%	Lapeer	1.5%	0.9%	-0.5%
Antrim	1.0%	0.4%	-0.6%	<u>Leelanau</u>	<u>0.7%</u>	<u>0.4%</u>	<u>-0.3%</u>
Arenac	0.7%	0.2%	-0.5%	Lenawee	1.7%	1.1%	-0.6%
Baraga	0.6%	0.0%	-0.5%	Livingston	1.4%	1.5%	0.1%
Barry	1.2%	0.7%	-0.6%	Luce	0.4%	0.1%	-0.4%
Bay	1.2%	1.5%	0.3%	Mackinac	0.7%	0.2%	-0.5%
Benzie	0.7%	0.2%	-0.5%	<u>Macomb</u>	<u>1.4%</u>	<u>7.6%</u>	<u>6.2%</u>
Berrien	1.6%	2.1%	0.5%	Manistee	1.2%	0.3%	-0.9%
Branch	1.1%	0.4%	-0.8%	Marquette	1.4%	0.6%	-0.9%
Calhoun	1.5%	1.2%	-0.3%	Mason	1.1%	0.3%	-0.8%
Cass	1.1%	0.7%	-0.5%	Mecosta	1.3%	0.3%	-1.0%
Charlevoix	0.8%	0.2%	-0.7%	<u>Menominee</u>	<u>1.4%</u>	<u>0.2%</u>	<u>-1.1%</u>
Cheboygan	1.3%	0.1%	-1.1%	Midland	1.0%	0.7%	-0.2%
Chippewa	1.4%	0.3%	-1.1%	Missaukee	1.0%	0.1%	-0.8%
Clare	1.1%	0.3%	-0.8%	Monroe	1.5%	1.7%	0.2%
Clinton	1.3%	1.0%	-0.2%	Montcalm	1.7%	0.6%	-1.1%
Crawford	0.8%	0.1%	-0.7%	<u>Montmorency</u>	<u>0.7%</u>	<u>0.1%</u>	<u>-0.6%</u>
Delta	1.0%	0.3%	-0.7%	Muskegon	1.3%	1.0%	-0.2%
Dickinson	0.6%	0.2%	-0.4%	Newaygo	1.7%	0.4%	-1.3%
Eaton	1.3%	1.0%	-0.3%	Oakland	2.7%	13.6%	11.0%
Emmet	0.9%	0.2%	-0.7%	Oceana	1.3%	0.2%	-1.1%
Genesee	1.7%	6.1%	4.4%	<u>Ogemaw</u>	<u>1.0%</u>	<u>0.3%</u>	<u>-0.6%</u>
Gladwin	0.7%	0.1%	-0.5%	Ontonagon	0.7%	0.1%	-0.5%
Gogebic	1.1%	0.3%	-0.8%	Osceola	1.1%	0.3%	-0.7%
Gd Traverse	1.5%	1.7%	0.2%	Oscoda	0.8%	0.2%	-0.7%
Gratiot	1.3%	0.6%	-0.8%	Otsego	0.9%	0.2%	-0.7%
Hillsdale	1.4%	0.6%	-0.8%	<u>Ottawa</u>	<u>1.7%</u>	<u>2.2%</u>	<u>0.5%</u>
Houghton	1.0%	0.1%	-0.9%	Presque Isle	0.9%	0.3%	-0.6%
Huron	1.8%	0.5%	-1.4%	Roscommon	0.9%	0.3%	-0.6%
Ingham	1.3%	2.4%	1.1%	Saginaw	2.0%	2.7%	0.7%
Ionia	1.2%	0.4%	-0.8%	St Clair	1.7%	2.1%	0.4%
Iosco	1.0%	0.3%	-0.7%	<u>St Joseph</u>	<u>1.1%</u>	<u>0.7%</u>	<u>-0.5%</u>
Iron	0.7%	0.1%	-0.6%	Sanilac	2.0%	0.4%	-1.7%
Isabella	1.3%	0.6%	-0.8%	Schoolcraft	0.5%	0.1%	-0.4%
Jackson	1.7%	1.9%	0.2%	Shiawasee	1.2%	0.7%	-0.5%
Kalamazoo	1.3%	2.5%	1.1%	Tuscola	1.8%	0.8%	-1.0%
Kalkaska	0.9%	0.2%	-0.8%	<u>Van Buren</u>	<u>1.5%</u>	<u>1.0%</u>	<u>-0.5%</u>
				Washtenaw	1.7%	3.0%	1.4%
				Wayne	1.6%	15.9%	14.4%
				Wexford	1.1%	0.2%	-1.0%

Source: Michigan Department of Transportation.

Conclusion

Although state and local spending in Michigan for most functions ranks high in nationwide comparisons, it is at or near the bottom in most rankings of highway spending. This low level of spending shows up in a disproportionately high number of miles of road being rated as poor.

Increased funding for highways, therefore, can be justified. More money, however, is only a part of the solution and, in the long run, if the only response is increased dollars to highways, the transportation needs of the state will not be well served.

The basic system by which Michigan roads are constructed and maintained was adopted, for the most part, in an earlier era. It has been adjusted and modified over the years, but a thoroughgoing reassessment of the ways in which the state finances and administers its road system is overdue. At a minimum, such a reassessment should address these issues:

- *Jurisdictional Control.* The jurisdictional responsibilities for roads

should be aligned with the functions that those roads perform. If a road that was once a major link between population centers is now a regional or local road, responsibility for maintaining it should be reassigned accordingly to either the counties or municipalities. Municipalities should be responsible for roads within their boundaries and county road commissions should be responsible for roads outside of municipalities.

- *Priority Determination.* The state has no structure for systematically determining which construction or maintenance projects should be carried out in what order. If projects of lesser importance take precedence, inefficiencies will result.

- *Physical Structure.* Whether Michigan builds its highways to standards high enough to deal satisfactorily with the terrain and weather and types of vehicles to which they are subject, is an open question. Although some experiments with higher quality roads are underway, a major rebuilding of Michigan roads should be done in the light of a thorough understand-

ing of the potential costs and benefits of higher quality.

In addition, incentives to increase the level of highway maintenance should be incorporated into the funding structure.

- *Administrative Efficiency.* Although some privatization and inter-governmental cooperation has occurred, there remain substantial opportunities to minimize overlap and duplication through further pursuit of these approaches.

- *Highway Funding Allocation.* Unless the mechanism by which dollars are distributed reflects utilization of the roads, dollars will continue to be maldistributed and result in unnecessarily high expenditures. In addition, a means of aligning funding with functional classification and appropriate jurisdictional control should be incorporated into the allocation formula.

Until these issues are addressed, highway expenditures will be unnecessarily inefficient irrespective of any increase in revenues.