

# Transportation Revenue and Sales Tax Ballot Proposal

## *Communicating the Facts*



Michigan Department of Transportation



# The Unwinding



# What would the proposed changes do?

*All taxes paid at the pump would go to transportation and sales tax goes to schools & cities.*



# Enacted 2015 Transportation Package

- Fuel tax increase
  - Tax Rate for Gasoline & Diesel the same at 14.9%, although prices vary
    - Gasoline : from 19¢ plus sales tax to 41¢
    - Diesel fuel: from 15¢ plus sales tax to 46¢
  - New Diesel-equivalent tax on CNG
  - Remove 6% sales tax from fuel
- Registration fee increase of about 30% for:
  - New cars starting in 2016
  - Trucks over 26,000 lbs.
  - Takes effect over 3 to 14 years



# Impact for Transportation Agencies

- \$1.2 billion/year more for MTF
  - 39% to county roads; 22% to city streets
- Grows with consumer prices; not more than 5¢/year
- Road-agency distributions rise by 60% in 2018
- \$112 million/year for CTF by 2018
- Early payment of STF debt service
- Flexible use of state aid for Detroit buses
- Improved road crossings on rural railroads
- No change to formula



# Impact for Other Public Agencies

- \$300 million/year more for School Aid Fund
- \$100 million/year more for revenue sharing
- \$20 million/year more for DNR marinas and ORV trails
- Additional funding for community colleges

# Impact for Individual Taxpayers

- Sales tax rises from 6 to 7%
- Gas tax increases; sales tax removed from fuel
  - Tax at pump rises in Oct. 2015
- Earned-income tax credit increased from 6 to 20% of federal credit; eligibility is broadened
- Registration fee increase of about 30% on new cars starting in 2016
- Registration fee on hybrid-drive cars increased by \$25/year
- Registration fee on electric cars & plug-in hybrids increased by \$75/year

# Impact for Businesses

- Diesel fuel tax is increased; sales tax is removed from Diesel fuel
  - Total tax on Diesel fuel rises in October, 2015
- No registration fee increase on medium trucks
- Registration fee rises by \$600/year on typical heavy truck
- Sales tax rises on retail purchases
- Enlarged assistance to small-business development

# Taxpayer Protection & Transparency

- Increase use of pavement warranties by local agencies, where possible
- County road agencies required to use competitive bidding for projects of a certain size
- Townships contributing more than 50% to cost of county road project may require competitive bid
- Performance-driven maintenance contracting by 7 largest road agencies

# Safety

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

# Requires Voter Approval

This happens only if the constitutional amendment is approved by voters on May 5<sup>th</sup>.

All proposed changes are tied to the outcome of the sales tax ballot referendum.

# MDOT Communication Tools

- [www.michigan.gov/roadfunding](http://www.michigan.gov/roadfunding)
- [www.michigan.gov/realitycheck](http://www.michigan.gov/realitycheck)



# Infrastructure in Decline Pictures

- Deteriorating road & bridge pictures from all regions
- Governor used these at press events last fall



EB M-59 East of Williams Lake Road, White Lake Township, Oakland County  
Old concrete pavement is crumbling at joint & potholes have developed



I-196 under M-63 (Hager Shore Road), Berrien County  
Fallen Concrete from Deck on Top of the Mesh False Decking

# Performance/Results

- MDOT Economies, Efficiencies & Innovations
- MDOT Continues to Work to Maximize Michigan's Resources Despite Funding Shortfalls

The screenshot shows the MDOT website with a navigation menu on the left and a main content area. The article headline is "MDOT continues to work to maximize Michigan's resources despite funding shortfalls". The text below the headline discusses the Transportation Scorecard and the department's focus on accountability and measurable results. It also mentions the department's performance in achieving specific transportation-related goals.

**MDOT Economies, Efficiencies and Innovations** 3/18/2014

Cumulative list of reported savings: 2010 to 2014

		MDOT Cumulative Annual 2014 Savings	\$84,300,524	
		MDOT Total Cumulative Savings (Annual and One-Time Savings)	\$170,270,108	
		Cumulative Total Savings to MDOT, Partners and Customers	\$154,130,138	
Year	Description	Estimated or Actual Annual Savings	One-Time Savings	Customer/Partner Savings
2014	Construction 2 jobs - more than 600 users (managers, inspectors, materials, etc.) using e-construction techniques and social computers have reduced costs, materials, and time, conservatively saving \$21,430,000.	\$21,430,000		
2014	Bond Refinancing - Refinanced \$10.7M of CTF bonds for interest savings of \$917,040 over remaining life of bonds. The bulk of these savings to occur in FY14 of \$788,519. The benefit of these savings are 2/3 to Aenroads and 1/3 to CTF.		\$788,519	
		2014 Subtotal to date	\$21,430,000	\$788,519 (not yet calculated)
		2014 MDOT Savings to date	\$22,218,519	
2010	2 Bridge Project - Additional savings on 2-bridge project using Construction Manager/General Contractor (CMGC) process, completion scheduled for late 2014. Previously reported \$2.48 million in savings in 2012.		\$1,160,000	
2010	Roundtable Veterans Program - MDOT currently employs 8 disabled veterans through a program where their salary is paid by PHEVA for up to five years. Based on previous calculations, this is expected to save the Department \$300,000 in 2013.		\$300,000	
2010	International Bridge - Bridge maintenance crews completed work in-house for 40% less than the estimate from an out-side contractor.		\$153,064	
2010	Mobile LEAS - surveying projects using mobile LEAS could reduce surveying costs by 40%. A project in the Bay Region used this new technology to survey a 7 mile stretch of rural roadway for an upcoming project. The technology reduced on-site hours and mobile processing work and saved approximately \$43,000.		\$43,000	
2010	Office Space Consolidation - Achieved cost savings from office space consolidation of \$728,514/year through the cancellation of 2 leases in the Lansing area (Lansing TRC 0242,847, Previous \$488,867).	\$728,514		
2010	i-STEP - Electronic State Transportation Improvement Program (i-STEP) allows MPOs to enter project information into a web-based application. Between \$1,000 to \$14,000 saved by removing the duplication of effort and allowing MPOs to enter the data for local projects.		\$14,000	
2010	Sign Recycling - Recycling old signs and then re-using them cuts the cost of signs by approximately 50%. This program is a collaboration between MDOT and MSU. For details, see: <a href="#">http://www.mdot.state.mi.us/signrecycling</a>	\$87,000		
2010	Adrian Connect - Using Adobe Connect for web meetings, training, and seminars to reduce travel expenses.	\$786,510		
2010	Aggregate Source Inventory - This 600+ page document was printed and distributed annually. It has been converted to an online database which is continuously updated, eliminating the printing costs.	\$25,000		
2010	Prequalified Aggregate Suppliers - There is a page in the Aggregate Source inventory that is updated on a daily basis, which lists industry who is prequalified and for what expenses. Having this up to date for online has saved at least \$4,500 in MDOT staff time.	\$4,500		

# www.michigan.gov/realitycheck

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January, 1953 - D.B. Steinman Selected as Engineer for the "Miracle Bridge at Mackinac".

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TRANSPORTATION Reality Check

There are many common myths and misconceptions about transportation in Michigan, from why MDOT replaces "perfectly good" signs to why current funding levels aren't enough to keep roads and bridges in good condition.

**Transportation Reality Check** takes on some of these myths, and explains why MDOT does things the way they do.

**Myth #6:** Michigan has one of the highest gas taxes in the country. Our roads are awful, so road agencies must be wasting our money.  
Reality: Michigan's taxes that fund transportation are among the lowest in the country, and our road conditions reflect that level of investment.  
[See the Reality Check Sheet PDF](#)

**Myth #5:** Michigan needs to learn how to build roads that last. Or at least, MDOT needs to hold contractors responsible when repairs don't hold up.  
Reality: Michigan has high standards and tough warranties. Other factors are to blame for our crumbling roads.  
[See the Reality Check Sheet PDF](#)

**Myth #4:** Ohio's roads are so much better than Michigan's. MDOT needs to learn how Ohio does it so they can build better roads.  
Reality: There's no secret to why Ohio's roads are better than Michigan's. They spend \$1 billion more each year on them.  
[See the Reality Check Sheet PDF](#)

**Myth #3:** Road crews just throw some asphalt in the potholes to fix them. They need to fix them right the first time so it lasts.  
Reality: Pothole patches are just that - a patch. A true fix will require much more.  
[See the Reality Check Sheet PDF](#)

**Myth #2:** MDOT has gotten dangerously stingy with salt, and they need to use more!  
Reality: MDOT has made changes to be more efficient with salt, but not at the expense of safety for motorists.  
[See the Reality Check Sheet PDF](#)

**Myth #1:** Michigan's roads and bridges aren't that bad, and there are plenty of other priorities.  
Reality: Michigan's transportation system is hurting, and waiting just makes things worse.  
[See the Reality Check Sheet PDF](#)

# MDOT Reality Check Videos

- Myth #1: Michigan's roads and bridges aren't that bad, and there are plenty of other priorities.
- Myth #2: MDOT has gotten dangerously stingy with salt, and they need to use more!
- Myth #3: Road crews just throw some asphalt in the potholes to fix them. They need to fix them right the first time so it lasts.

**TRANSPORTATION Reality Check**

**Myth #1:** Michigan's roads and bridges aren't that bad, and there are plenty of other priorities.

**Reality:** Michigan's transportation system is hurting, and waiting just makes things worse.

**TRANSPORTATION Reality Check**

**Myth #2:** MDOT has gotten dangerously stingy with salt, and they need to use more!

**Reality:** MDOT has made changes to be more efficient with salt, but not at the expense of safety for motorists.

For many years, MDOT, county road commissions, and city public works departments have done the best job possible... higher costs of materials, keeping bridges safe. For the most part, it's the worst of the deterioration and age. But now it's no longer because work is overdone. It's due to a rapidly increasing cost of materials, as the cost of concrete has doubled in the past decade, while costs for steel and fuel have risen.

**Road Conditions Getting Worse**

Several studies have indicated that Michigan's transportation system is in desperate need of greater investment. Currently, it's believed that at the state and local level the system needs \$1.6 billion more each year to keep the components in good condition.

A long-term funding solution is needed, because as roads and bridges deteriorate, the cost to repair them increases greatly. An estimate, state highways could be kept in good condition for about \$10 billion over 10 years. If we wait 10 years, roads and bridges will need more extensive work, repairs will be more expensive, and the overall cost rises to \$25 billion.

Everyone wants good roads and safe bridges. The question is, can we afford to wait until they fall apart to fix them?

For more on this transportation myth, visit [www.michigan.gov/realitycheck](http://www.michigan.gov/realitycheck)

**TRANSPORTATION Reality Check**

**Myth #2:** MDOT has gotten dangerously stingy with salt, and they need to use more!

**Reality:** MDOT has made changes to be more efficient with salt, but not at the expense of safety for motorists.

It is one of MDOT's main reasons for fighting winter weather, and along with plows to keep Michigan's roads and bridges as clear of ice and snow as possible. And when winter drivers, one of the best things motorists can do to "drive safe" but certainly as a vehicle too, but it's not a cure-all for winter roads.

Rising salt prices and decreasing funding over the past decade prompted MDOT to implement new "variable salting" procedures. These include setting application guidelines for winter conditions, using weather stations to better target areas that will benefit most from salt, pre-wetting the salt so it sticks to the road and melts existing ice, and allowing plow trucks to 25 mph when applying salt to prevent it from bouncing and scattering off the roadway. These guidelines help conserve overall salt use, saving money, while at the same time making sure more of the salt that's applied gets to where it does the most good.

There are some times when MDOT and its contracted county road commissions and municipal public works departments will head off on the salt. During normal winter conditions, when temperatures are between 20 and 30 degrees, salt works great for melting snow and ice so plows can move easily down the roadway. Below 20 degrees, however, salt takes longer to work and may freeze the speed of which it's applied. Below 10 degrees the roads freeze even faster, making them slick and slippery. If salt hasn't been applied in the first place. In these conditions, it's safer not to use salt, but send instead.

Use of salt is primarily dictated by prevailing winter conditions, and each year we use hundreds of thousands of tons. Safety is MDOT's top concern for winter maintenance, and we continue to use salt when and where it's the best tool for the job.

**MORE SALT**

...is not always the cure for slippery roads!

For more on this transportation myth, visit [www.michigan.gov/realitycheck](http://www.michigan.gov/realitycheck)

**TRANSPORTATION Reality Check**

**Myth #3:** Road crews just throw some asphalt in the potholes to fix them. They need to fix them right the first time so it lasts!

**Reality:** Pothole patches are just that -- a patch. A true fix will require much more.

Potholes are troubling for everyone, drivers and maintenance crews alike. Drivers certainly don't like the damage potholes can do to their cars, and maintenance crews certainly don't like trying to keep up with the ever-growing number of cracks forming in Michigan's roads.

Potholes form when water gets through the road surface into the ground beneath it. When that water freezes, it expands and pushes the pavement up. When the ground thaws, vehicles push back down, breaking the pavement and forming a pothole. Since thawing and freezing water is the cause of potholes, it's no surprise that most of them appear in the spring.

The particularly hard winter, coupled with an aging road system and a history of underinvestment, is resulting in a record year for potholes in Michigan.

Fixing potholes is similar to putting a bandage on a gaping wound -- it slows the bleeding, but doesn't repair the damage. Cold-patch asphalt will fill the hole so it won't drain into it, but it's not a true repair and does nothing to keep water out.

Potholes are often wet and oily, and usually are filled with road salt and fragmented pavement. Filling a pothole to last would involve diverting traffic, scraping up the hole with water or jackhammers, clearing out debris, drying the hole, and then filling it with hot-bit asphalt. Because of the sheer number of potholes that need repair, crews work as fast as they can to give quality cold-patch into as many holes as they can while minimizing the impact on traffic. It's impossible to keep up with the more than 40,000 potholes that appear each year.

**The best way to prevent potholes is to keep roads in better condition in the first place. This will require far greater investment than any one patching today.**

For more on this transportation myth, visit [www.michigan.gov/realitycheck](http://www.michigan.gov/realitycheck)

# MDOT Reality Check Videos

- Myth #4: Ohio's roads are so much better than Michigan's. MDOT needs to learn how Ohio does it so they can build better roads.
- Myth #5: Michigan needs to learn how to build roads that last. Or at least, MDOT needs to hold contractors responsible when repairs don't hold up.
- Myth #6: Michigan has one of the highest gas taxes in the country. Our roads are awful, so road agencies must be wasting our money.

## TRANSPORTATION Reality Check

**Myth #4:** Ohio's roads are so much better than Michigan's. MDOT needs to learn how Ohio does it so they can build better roads.

**Reality:** There's no secret to why Ohio's roads are better than Michigan's. They spend \$1 billion more each year on them.

This isn't really a myth - Ohio does have better roads. The myth has more to do with why Ohio's roads are better: It's not a lack of know-how, it's a lack of investment.

1 year, Michigan has over 10 states in the United States. In fact, 16 of the U.S. Census Bureau's 50 states have roads that are better than Michigan's.

**Per Capita State Investment in Roads**

Ohio's Great Lakes states invest \$20 in \$20 more per person in transportation than Michigan.

Ohio's DOT doesn't have any secret method for building smoother, longer-lasting roads. They just spend more to get there.

For more on this transportation myth, visit [www.michigan.gov/realitycheck](http://www.michigan.gov/realitycheck)

## TRANSPORTATION Reality Check

**Myth #5:** Michigan needs to learn how to build roads that last, or MDOT needs to hold contractors responsible when repairs don't hold up.

**Reality:** Michigan follows national design and construction standards, and is a leader in roadwork warranties. Several other factors are to blame for our crumbling roads.

It's easy to find examples of roads in Michigan that seem repairs just a few years ago and are falling apart again. It's also easy to see why drivers and taxpayers think shoddy workmanship is to blame. The reality is that most of the work MDOT has done to Michigan highways in the past decade has focused on resurfacing, rather than reconstruction. The purpose of resurfacing is to keep good roads good, but when the underlying road is no longer in good condition, it needs to be rebuilt, not resurfaced. Dismantling transportation function and skyrocketing costs for road repair materials mean MDOT and local road agencies can fix fewer miles of roads, adequately, and those fees, by design, will not last as long as more expensive, but longer-lasting, reconstruction. Although a recently repaired road starts off very smooth, looks can be deceiving. Many repair projects only involve replacing the top inch or two of pavement, or may only seal the surface, leaving deteriorating pavement and cracked beneath. It looks the same as a reconstructed road, but can't possibly last as long. This type of resurfacing project won't hold up, but is designed to get a few more years out of a road and keep it from crumbling completely. It's far less expensive, though, than a reconstruction project which can cost eight to 10 times as much. Better, longer-lasting roads are certainly possible, but Michigan's current transportation funding simply won't permit that level of construction.

**Building a Better Road**

INSURANCING: Guarantees all work done by the top 100 contractors for 6 to 9 years. \$100,000 per mile. \$1

FULL RECONSTRUCTION: Rebuilding the road from the pavement and base to the subgrade. 2.5 year life expectancy. \$3 per mile. \$1

In the few instances where full quality results are achieved, MDOT design and construction methods build quality, long-lasting roads. Most leaders in roadwork warranties, accountable for their work. MDOT can and does build quality in current investment in transportation much more than other states. Less is more.

For more on this transportation myth, visit [www.michigan.gov/realitycheck](http://www.michigan.gov/realitycheck)

## TRANSPORTATION Reality Check

**Myth #6:** Michigan has one of the highest gas taxes in the country. Our roads are awful, so road agencies must be wasting our money.

**Reality:** Michigan's taxes that fund transportation are among the lowest in the country, and our road conditions reflect that level of investment.

Each time you purchase gasoline in Michigan, you're paying a couple of road-user fees as well: the 13.7 cents per gallon state gas tax, and the 18.4 cents per gallon federal fuel tax. Whether gas costs \$2 per gallon or \$4 per gallon, the amount collected for those two taxes remains the same. But you also pay the Michigan 8-penny sales tax. When gas is \$3.59 per gallon, that amounts to another 21 cents per gallon in taxes. When those three taxes are added up, equals Michigan in the top tier of states for the amount charged per gallon of fuel. Trouble is, the sales tax charged for gasoline doesn't go to roads, except for a small percentage that supports transit, the sales tax on gas actually funds schools and local government. Based on the amount of tax charged on gasoline that is invested in roads, Michigan is 40th in the U.S. in investment per lane mile. Michigan is 22nd in investment per lane-mile traveled? We're 47th. And per capita, we're dead last in the country. It's not, when it comes to taxes charged on fuel Michigan is one of the highest. But when you look at how much funding we invest in our roads, we're bringing up the rear. Road agencies aren't being wasteful, they're just doing the best they can with the limited resources available.

For more on this transportation myth, visit [www.michigan.gov/realitycheck](http://www.michigan.gov/realitycheck)

# Questions?



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