



December 18, 2014

Breaking News: **Compromise Reached on** **Road Proposal**

Governor Snyder and legislative leaders held a press conference moments ago to announce a compromise on road funding. As you know, the Michigan House and Senate versions for transportation funding were very different. The Senate version called for a tax increase as its primary revenue source. The House version was a tax shift that would redirect the sales tax paid at the pump away from local governments and the school aid fund to pay for road repairs.

As outlined in the press conference, the proposal would achieve the following:

- Provide needed funding for roads and bridges
- Protect schools, communities, public transit and rail
- Taxes paid at the pump for transportation would go to transportation
- Provides tax relief for lower-income residents

Voters will be asked in May 2015 to increase the state's sales tax from 6 to 7 percent. The ballot proposal would generate approximately \$1.2 billion.

The plan also includes \$95 million registration fees that will be divided \$45 million for vehicle plates

and \$50 million for heavy trucks. This will be accomplished through changes in depreciation schedules.

There are also transportation related warranties and requirements for competitive bidding included in the plan. Most of these changes have already been approved by the House and Senate.

The entire plan is dependent on approval by the voters in May. If approved, the sales tax on gasoline we discussed in previous issues of our Weekly Update will be replaced with a wholesale tax on fuels. That money will be directed to roads. If approved, all taxes paid at the pump would be dedicated to road and bridge repair and construction.

Increasing the sales tax from 6 to 7 percent will replace the current revenue from the sales tax on fuel products that is received by schools and local government. Legislative leaders report that dedicating this 1 percent increase will result in schools receiving at least \$300 million more under this plan or approximately \$200 per student.

Local government would get \$94 million. Also, the Michigan Earned Income Tax Credit will be restored to 20% of the federal level, a tax savings of \$260 million for low and middle income families.

A general summary of the of the program is as follows:

Net Revenues:

- Transportation \$1.3 billion
- Roads and Bridges \$1.2 B
- Rail/Transit \$112 million
- Schools \$300 million
- Local Government \$94 million
- State General Fund \$5 million
- Tax Relief (\$260 million)

This is an all or nothing proposal. If voters do not vote in favor of the ballot proposal, its back to square one for the legislature.

At this point, MML, MTA and MAC along with other groups are busy analyzing the proposal. I'm sure we will hear more from our professional association, business leaders and education officials in the near future. I wanted to get the facts out to our members and friends as soon as possible.

Governor Snyder Creates **Department of Talent and** **Economic Development**

By Executive Order the Governor has created a new department focused on workforce talent. The department will include the Michigan Strategic Fund, MEDC, MSHDA and other programs. Under the new department, talent development, community development and business development will be one organization.