

May 26, 2015

The Honorable Jeff Farrington
Chair, House Committee on Roads and Economic Development
PO Box 30014
Lansing, MI 48933

Dear Representative Farrington:

I apologize that I cannot attend today's hearing in person. As you know, we are preparing for the annual Mackinac Policy Conference which begins today. Please accept this written testimony for the official record. I look forward to testifying in person at your hearing on June 2 in regards to HB 4605.

As you know, the Detroit Regional Chamber continues to be an unwavering supporter of finding a solution to our transportation funding crisis. The Chamber has supported new revenue for transportation for decades and it included our support of Proposal 1. The Chamber was consistent in not discussing alternatives for the crisis while the campaign for Proposal 1 was ongoing. However, in the wake of Proposal 1's defeat we remain steadfast in our support and urge the Legislature to act as soon as possible to enact the correct and permanent solution to our funding crisis. Recently, I shared with you five principles that the Chamber believes that the Legislature should consider when determining our solution to the funding crisis:

- 1. Transportation infrastructure should be funded by users of the system.** Governor Snyder's original proposal, Proposal 1, as well as plans passed by both the Senate and House maintained the proper role of transportation users in funding the system. Certainly, there can be policy disagreements on each of these proposals, but they met the basic benchmark that user fees are the best model to fund transportation. The Chamber welcomes creative solutions but creativity shouldn't be the enemy of utility.
- 2. The funding crisis has been decades in the making, an appropriate solution should be permanent and dedicated.** There have been various reports and suggestions that existing state funding can be found within the state budget to properly fund our transportation system. While this is certainly true, funding transportation in this manner is at its essence, a one-year solution, there is no guarantee that future Legislatures will prioritize spending in the same manner. Our infrastructure requires a multi-decade commitment to meet the expectations of job providers and citizens.
- 3. New revenue will be required to protect services that the business community and citizens demand.** The House passed plan in 2014, would have adversely impacted the ability of schools and local governments to provide necessary services. As such, the Chamber opposed the plan and will continue to oppose similar models that take away revenue streams from vital services. Certainly, efficiency in government can and should continue, including improved and expanded warranties on road construction projects and smarter bidding procedures. However, attempting to cut our way out of the problem diminishes quality of life, economic competitiveness and most importantly does not provide a guaranteed revenue source. We must not solve this problem by creating a new problem.

4. Transportation is multi-modal and all modes of transportation are important to competitiveness.

Businesses clearly rely on roads and bridges as a means to move products and attract customers. Fixing our roads is of primary importance. However, businesses also rely on other modes including rail, transit and Great Lakes shipping. A specific example of reform needed to continue multi-modal growth is SB's 415 and 416 of 2013 which would make Michigan's taxation of aviation fuel remain in compliance with federal regulations, thereby ensuring we do not lose access to federal aviation funds.

5. Speed is important, but getting it right is more important. The Chamber is fearful that well-intentioned efforts to solve this problem in a piecemeal approach will lead to public perception that the entire problem has been solved and thus making efforts to complete the work at a later date even more difficult. A permanent solution of \$1.2 billion is the bare minimum, waiting beyond this summer makes the price go up considerably.

I am thankful that the Speaker and sponsors of this package understand the urgency of addressing this crisis. I spent a significant amount of time discussing Proposal 1 with voters. All of them had a different perspective and different reasons for either supporting or opposing Proposal 1, but the one universal was that they want roads to be fixed. In fact in the same public poll that predicted Proposal 1's demise, 64% said they would have voted for a sales tax increase dedicated simply to roads. I think the concerns of some, that such a proposal would be too regressive are valid, the point remains that voters are willing to pay more for roads.

As much as I appreciate the House making a proposal on how to fix our crumbling infrastructure, this proposal does not meet our expectations of what is necessary to fix this problem once and for all. There are elements of this proposal that we do support, including increased warranties, diesel parity and indexing the motor fuel tax to inflation. I look forward to future positive conversations about how we can improve this proposal.

The Chamber is opposed to using the restricted revenue streams that would be reduced, and believes it would create other significant problems and dismantle the state's economic development efforts. The Chamber serves as the convening economic development organization for an eleven county region. We travel the country and the globe with our partners convincing businesses to relocate and expand in Michigan. Certainly, the work the Governor and the Legislature have undertaken to reform our tax code and regulatory climate has made it easier for businesses who are already in Michigan to succeed. However, in today's hyper-competitive world, the programs and incentives offered by organizations like the MEDC are an absolute necessity for continued economic growth. Quality roads are not "economic development" they are a basic expectation that business has of government. Decimating our already underfunded economic development programs to perform basic government functions is an ill-advised idea.

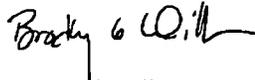
Michigan is already not positioned to offer the substantial incentive packages that other states provide. Recently, Volvo announced it was going to build a new assembly plant in South Carolina. Media reports indicate that their combined incentives were at least \$200 million, though most believe that estimate is at least \$100 million low. After the cuts proposed in this package and in the target agreement, the South Carolina incentive package for Volvo exceeds the entire operating budget of our Economic Development arm. There is no good reason for South Carolina to land an assembly plant when competing against Michigan. We have similar labor regulations, a better tax climate, access to the

supply chain and brain power. What we don't have is \$300 million. The story is the same in Alabama, Mississippi and Georgia who are all aggressively using incentives to attract jobs from states like Michigan. When an assembly plant locates, often suppliers go with it further expanding its impact.

Moreover, the damage this package does to our Economic Development efforts is not limited to incentives. There are several vital initiatives which would need to be either curtailed or eliminated under this package. Pure Michigan is the headline grabber for good reason. Yet the funding re-directed, supports successful programs that have been crucial to Michigan's comeback story. This funding goes to support the state's trade missions across the globe and numerous projects currently in the pipeline to create thousands of jobs in Michigan. It supports the Community Revitalization Program which have replaced our brownfield and historic tax credits. CRP has leveraged millions in our major cities like Detroit and Grand Rapids, but also in smaller cities across the state like Zeeland, Albion, Utica and Kalamazoo. Pure Michigan Business Connect is a program that was started at the Chamber and now is a partnership with MEDC, it connects buyers with Michigan suppliers. PMBC has generated over \$2.4 billion in contracts for Michigan businesses. All of these programs and more are at risk under this package of bills.

Fixing our funding crisis is critical, but ultimately I will return to our last principle for a road funding solution. Speed is important, but getting it right is more important. On behalf of the Detroit Regional Chamber, I am thankful that the House sees the urgency of action. I look forward to being a constructive part of the dialogue as these bills continue to evolve. However, we cannot support legislation which will slowdown Michigan's fragile recovery.

Sincerely,



Brad Williams

Vice President, Government Relations

Cc: Members of the Committee on Roads and Economic Development