



House Committee on Transportation, Mobility and Infrastructure

Lance Binoniemi

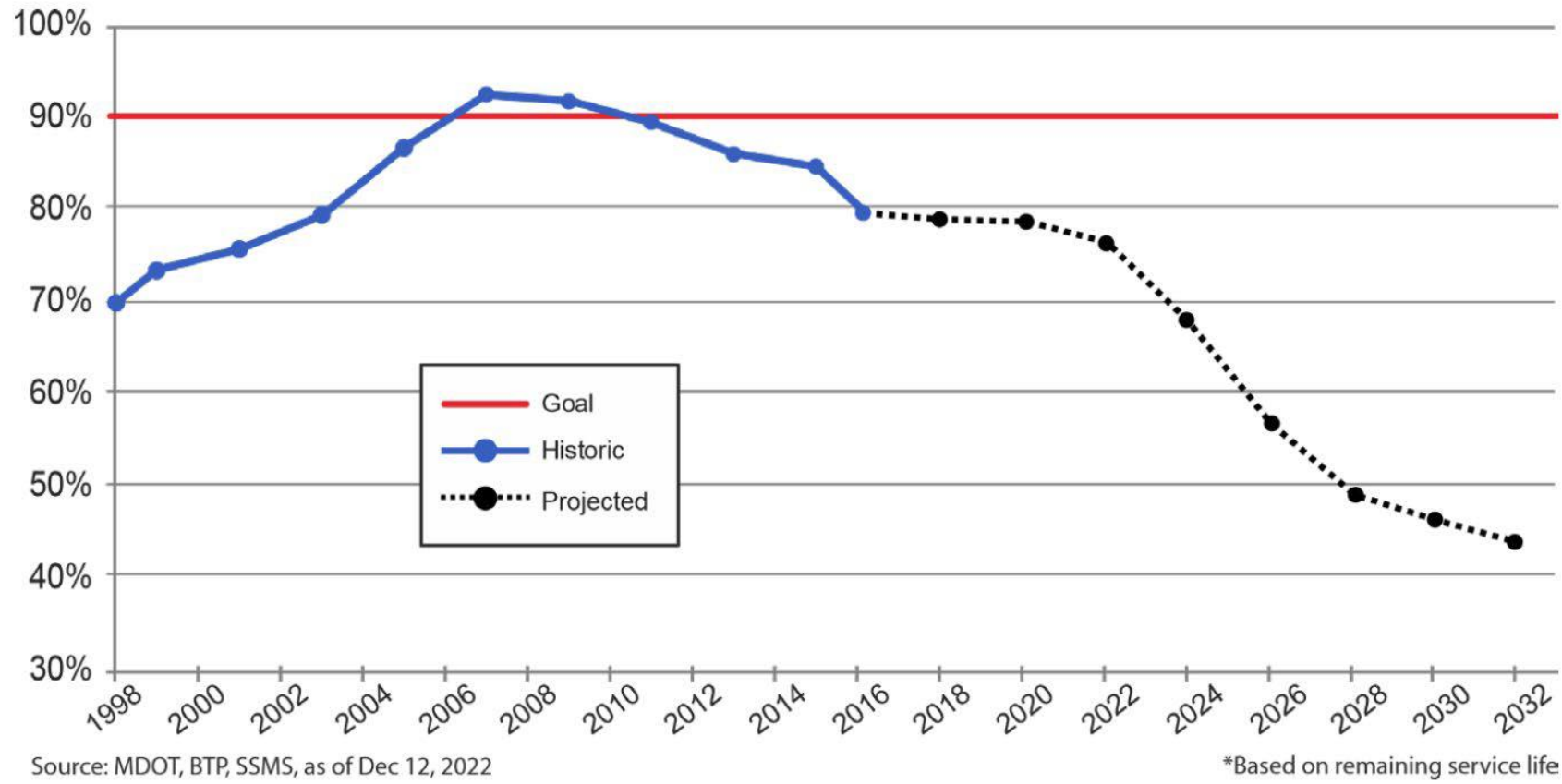
Vice President of Government Affairs

Tuesday, February 6, 2024



*Michigan Infrastructure &
Transportation Association*

MDOT Historic and Projected Trunkline Pavement in Good and Fair Condition, 1999 – 2032 (Goal = 90%) Funding Crisis

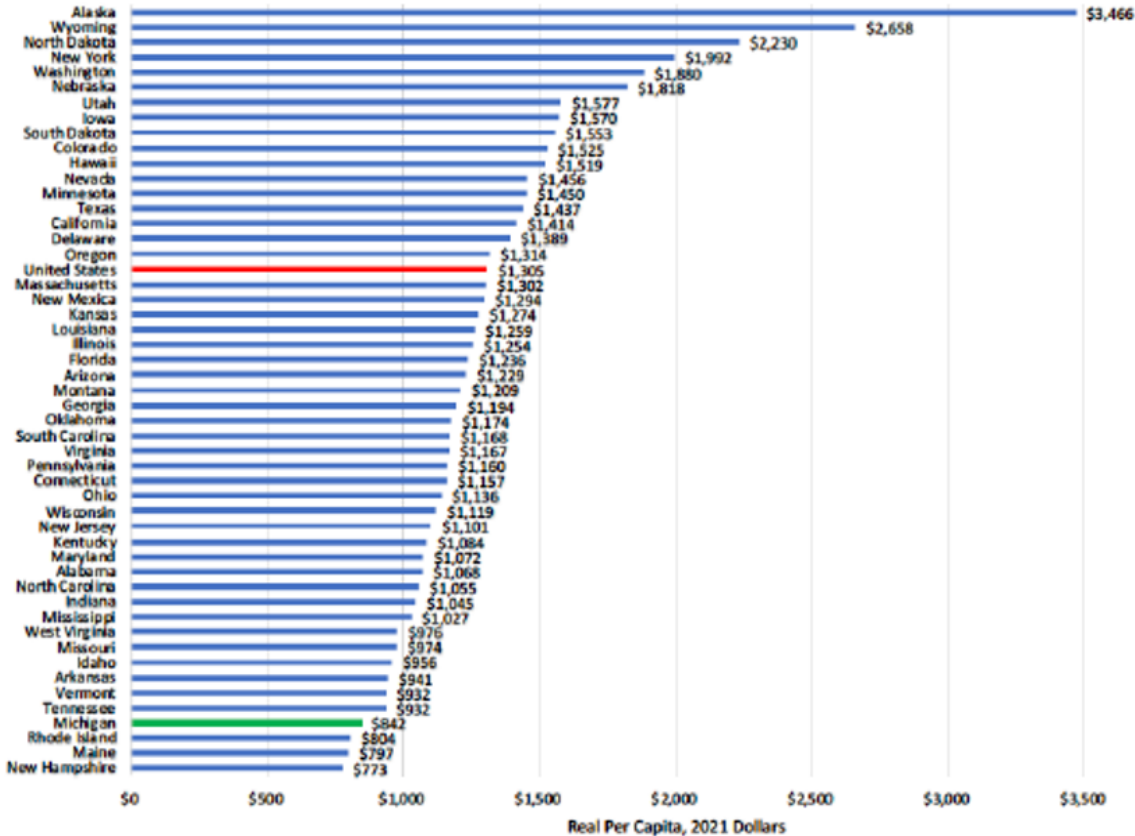


2023 American Society of Civil Engineers Infrastructure Report Card

- Timmy's Grounded
- Overall – C-
- Roads – D
- Bridges – D+
- Drinking Water – D+
- Stormwater – D



Average Annual Real Per Capita Capital Outlay, 2000-2021



How did we get in the current infrastructure deficit?

Since 2000, Michigan has spent substantially less than other states on capital (infrastructure). The chart shows average capital spending per person per year, inflation adjusted, for the years 2000 through 2021. **Michigan's average spending over this period, \$842, ranked 47th among all the states** and well below the U.S. average of \$1,305.

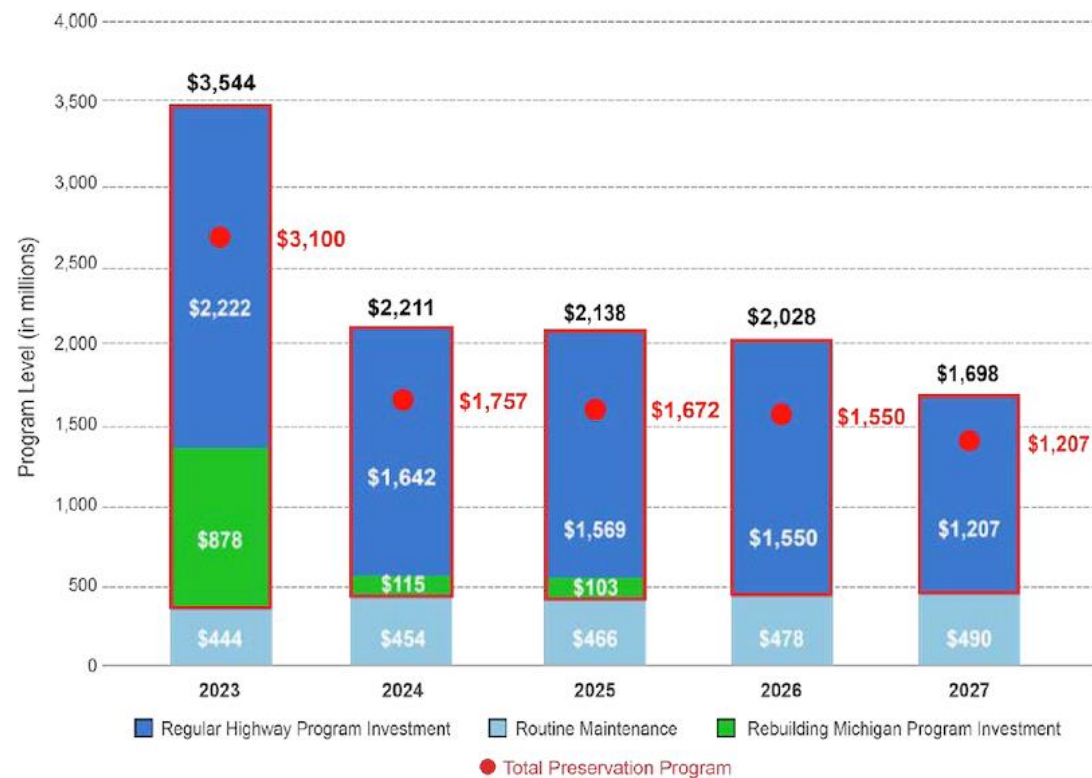
How does Michigan rank in the most recent year with census data available (2021)?

Although slightly better than the long-run ranking, it is still well below most other states. **Fiscal year 2021 is an anomaly.** The nation was still recovering from the recession related to the pandemic. The American Rescue Plan Act was adopted in early 2021, but not enough to affect spending in that fiscal year.

Analysis by Professor Ron Fisher. Data from U.S. Census Bureau.

Figure 6 illustrates Highway Program investments over the five-year period. Routine maintenance investment is expected to increase year by year.

Figure 6: Highway Program Investment FY 2023-2027
\$11.6 Billion (in millions)



ROADS & BRIDGES

FUNDING

Roads and bridges in Michigan are funded by user fees— gas taxes and registration fees.

❖ User Fees

- ◆ Federal Gas Tax = 18.4 cents/ gallon (1993)
- ◆ State Gas Tax = 30 cents/ gallon in Michigan
- ◆ Registration Fees = Based on value of a vehicle
- ◆ Toll Roads (none in Michigan)

❖ Sales Tax

- ◆ Very few states allocate sales tax to transportation investment. Michigan collects 6% sales tax on gasoline purchases, a vast majority of which is not used for transportation purposes.

2015 Road Funding Package “A good down payment” Gov. Rick Snyder

REVENUES

- 7.3 cent gas tax increase (1/1/2017) (indexed)
- 20% registration fee increase (1/1/2017)
- General Fund Revenues
 - *\$150M for FY 2018 – 2019
 - *\$325M for FY 2019 – 2020
 - *\$600M for FY 2020 – 2021 ongoing
- Registration fee increases for hybrid (\$50) and electric vehicles (\$140)



21st Century Infrastructure Commission (2016)

- 27-member commission comprised of state and independent industry experts appointed by Governor Snyder and legislative leaders.
- Developed a 188-page report with over 100 different recommendations involving our state's infrastructure.
- Found a need of \$2.2 billion more annually for next 20 years to keep our transportation network in Michigan at 90% good and fair conditioned.

Revenues Since 2016

- Infrastructure Investment and Jobs Act (IIJA) investments are through 2026.
- Governor's Rebuilding Michigan program is 4 year bonding program, investing \$3.5 B.
- Where are revenues for 2027 and beyond?
- We are in a road funding crisis. State needs a long-term, equitable, and sustainable road funding solution.

Infrastructure Investment and Jobs Act

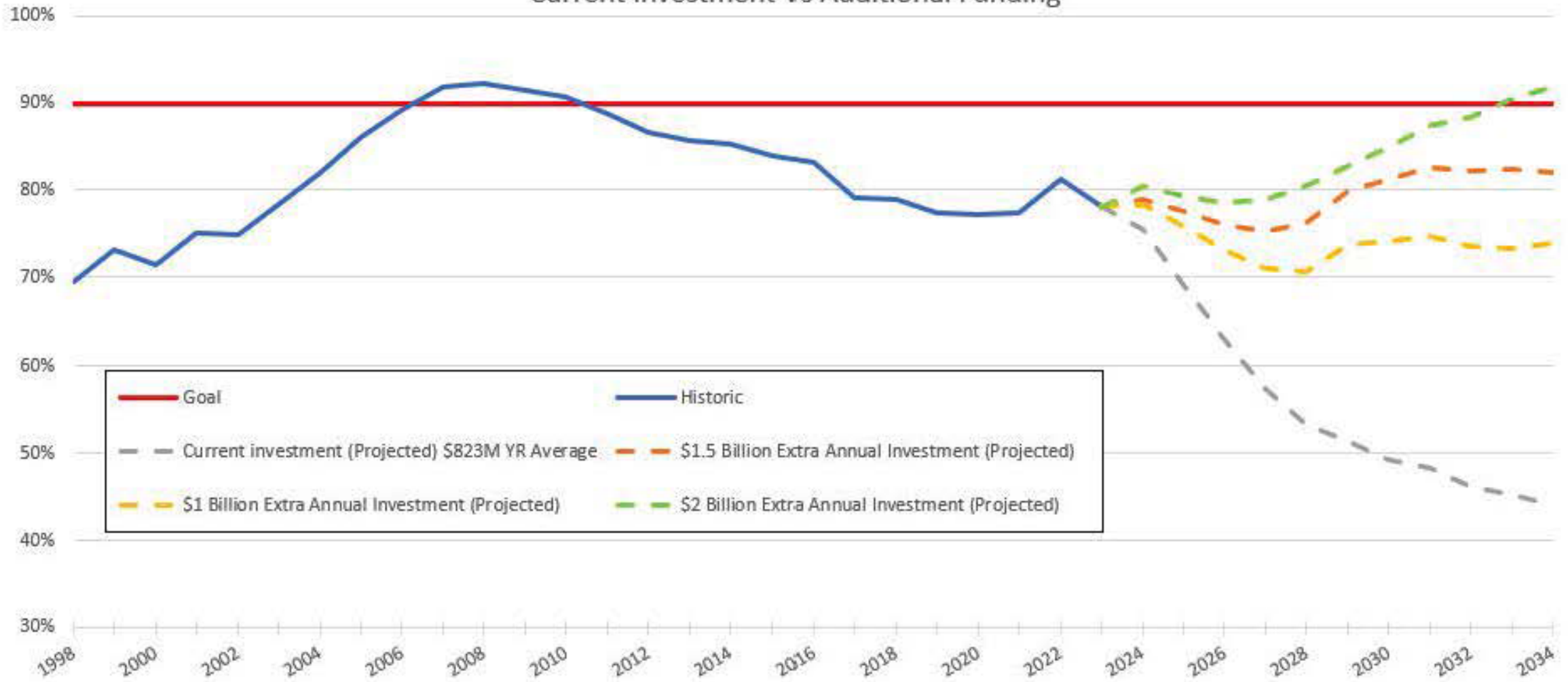
- Federal Transportation Investment
 - FY 2021 - \$1.125 B (before IIJA passage)
 - FY 2022 - \$1.529 B
 - FY 2023 - \$1.557 B
 - FY 2024 - \$1.585 B
 - FY 2025 - \$1.614 B
 - FY 2026 - \$1.644 B

*Overall increase of \$1.682B over 5 years

*Annual Average Increase = \$336.5 Million



State Trunkline Combined Freeway/Non-Freeway: Projected Pavement Conditions Current Investment Vs Additional Funding

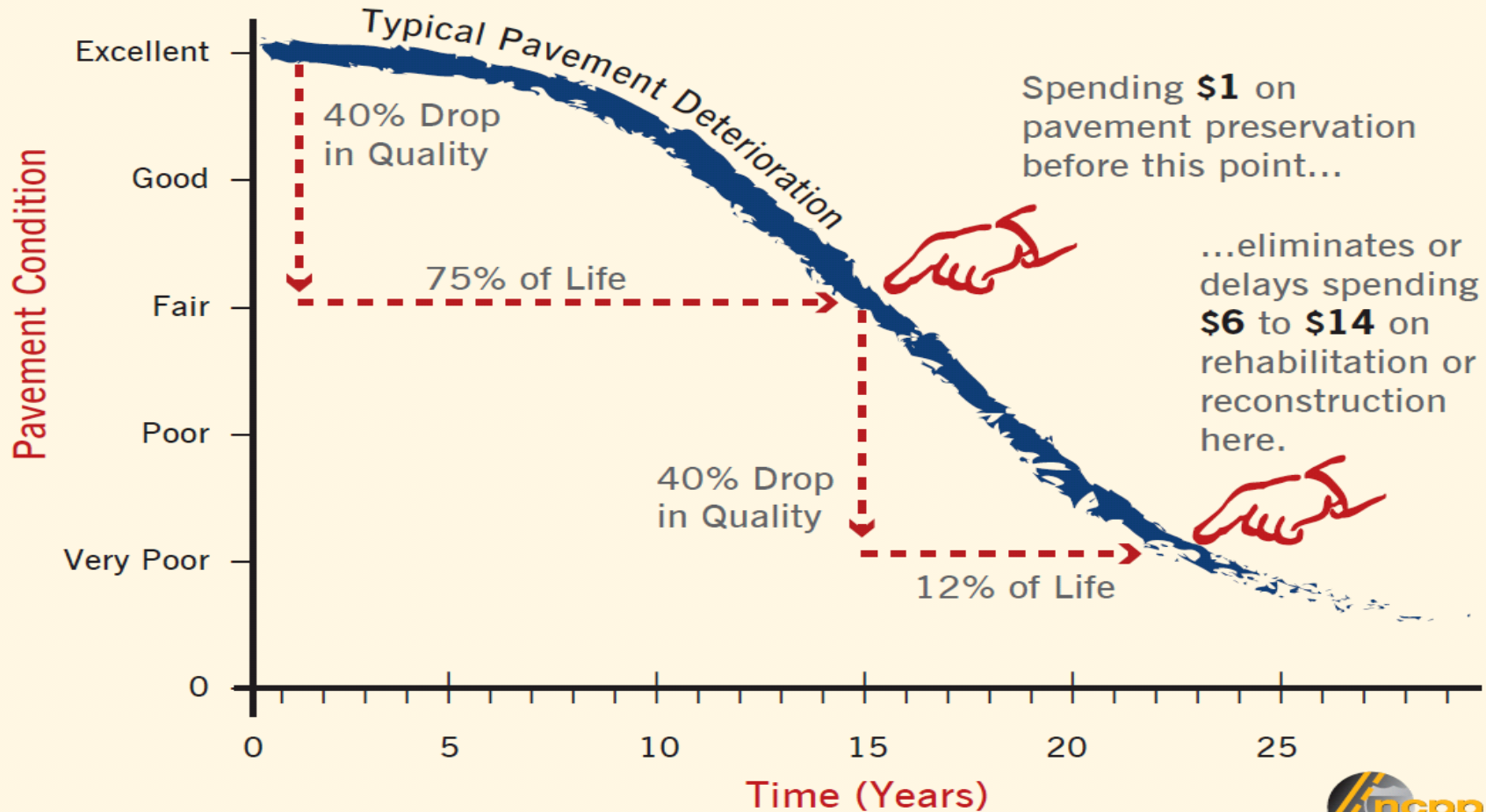


Source: MDOT, BTP, SSMS, as of March 17, 2023

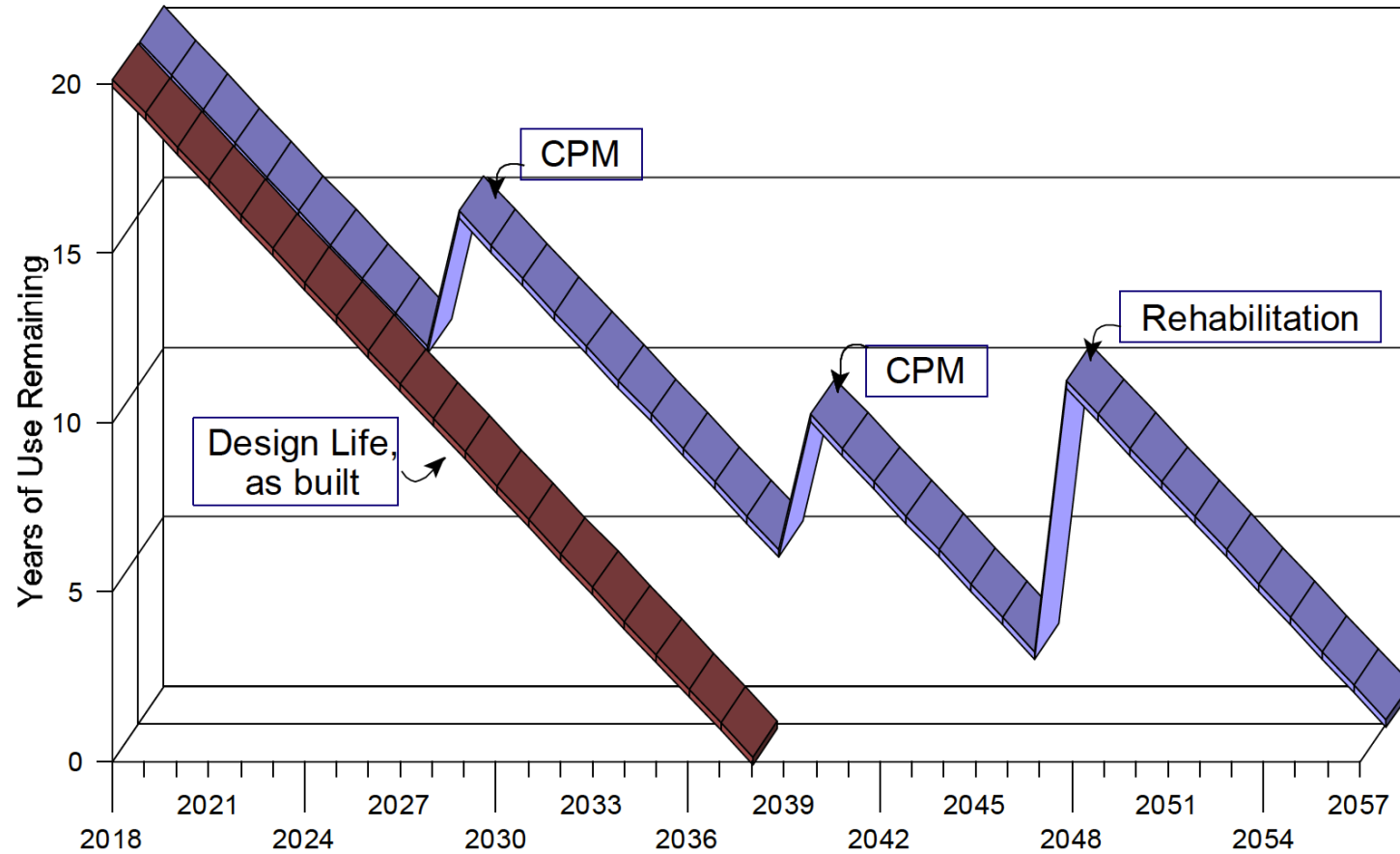
*Based on Remaining Service Life (RSL)

Asset Management (invest early)

PAVEMENT PRESERVATION IS COST EFFECTIVE



Asset Management (50 year roads)

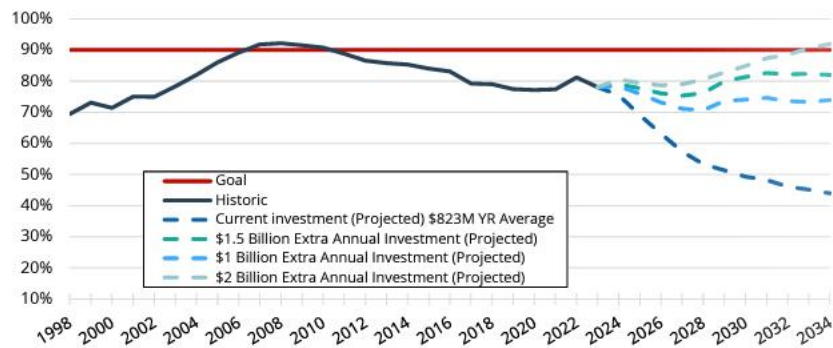




Source: ASCE 2023

Michigan's land, air, and marine transportation infrastructure serves as the conduit for moving over \$1.25 trillion in products and goods annually (TRIP 2022). Of these services, the state's roadways have become a focal point for scrutiny. Instead of being an asset to Michigan residents, visitors, and businesses, the current inadequate maintenance and funding of our roads, highways, and bridges is a liability to drivers, the state budget, and the economy. In 2016, Michigan's road funding deficit was \$2.2 billion (21st Century Infrastructure Commission 2016). **By 2023, due to insufficient funding to properly maintain the road network, the deficit had grown to \$3.9 billion annually, and this gap is only growing** (Public Sector Consultants 2023). If we remain at current rates of investment, by 2036, our state will have less than 40 percent of roads in good or fair condition (MDOT 2023). Complicating this issue, the global transition to electric vehicle use will siphon funding from the infrastructure investment tank, which relies on fuel taxes.

State Trunkline Projected Pavement Conditions: Current Versus Additional Investment



Note: Based on remaining service life.
Source: MDOT 2023

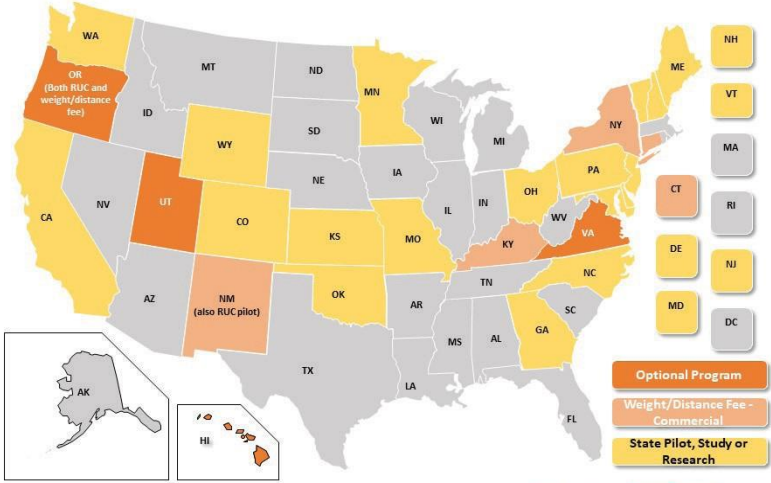
Growing Michigan Together Council

- Identified a \$3.9 billion annual funding gap in our transportation budget
- Recognized that the problem gets worse the longer you wait and do nothing
- Expressed the need to transfer away from a gas tax funded system and “examine alternative dedicated funding sources to maintain Michigan’s road infrastructure, including vehicle miles traveled fees and tolling”

ROAD USAGE CHARGES

A Road Usage Charge (RUC) system – also referred to as Vehicles Mile Traveled (VMT), or Mileage-Based User Fee (MBUF) – is a funding method to tax drivers on the miles driven, versus traditional funding formula of fuel consumed. As vehicles become increasingly fuel efficient and the percent of electric vehicles in the passenger fleet grows, states are increasingly exploring this method to ensure all drivers contribute for their use of transportation infrastructure.

4 States Have a Road Usage Charge Program



Source: TIAC, "ROAD USAGE CHARGE MODEL LANGUAGE", July 2022 | Eastern Transportation Coalition "Compendium of Revenue Alternatives in Response to the Expansion of Hybrid and Electric Vehicles", 2024

STATE	RATE	VEHICLE ELIGIBLE	PARTICIPATION	EFFECTIVE
Oregon	Formula equal to 5% of the state's per-gallon fuel tax, currently 1.9 cents per mile (indexed).	Vehicles 20 miles-per-gallon or better.	Voluntary	2015
Utah	1 cent per mile beginning Jan. 1 2023 (max fee being \$120 annually), increasing to 1.25 cents per mile in Jan 2026 (max fee being \$180 annually), then back up to 1.5 cents per mile (2021 rate) in Jan. 2032 (max fee \$240 annually) before annually adjusting to inflation.	Electric vehicles.	Voluntary	2020
Virginia	Per-mile rate you pay is determined by dividing what your highway use registration fee would have been by the average number of miles driven per year by all Virginians.	Eligible if driver of a fuel-efficient vehicle (highway use fee).	Voluntary	2022
Hawaii	Rate of 0.8 cents per mile traveled, multiplied by the number of miles traveled, less the estimated amount of paid state motor fuel taxes that correspond with the number of miles traveled.	Electric vehicles.	Voluntary/ mandatory for all vehicles by 2033	2025

FUND THE DAMN ROADS

- Increase the Gas Tax (each penny increased raises \$53M annually)
- Increase Registration Fees (each 10% increase raises \$144M annually)
- Implement a Road Usage Charge (RUC) / Vehicle Miles Traveled (VMT) fee (each penny-per-mile charge raises \$968M annually)
- Add toll roads in Michigan (HNTB study shows \$1.3B annually)
- Remove the sales tax on motor fuel and increase the Gas Tax by equivalent amount making it revenue neutral at the pump (raises approximately \$1.1B annually)

What you could do.....

- Raise the Gas Tax by 25 cents per gallon (\$1.325B annually)
- Sunset the Gas Tax in 2035, replace with a revenue neutral Road Usage Charge (RUC)
- Toll Roads (Implementation of a nearly 550-mile toll system on sections of I-69, I-75, I-94, I-196, I-275, I-696, and M-14 could raise \$1.3B)
- Eliminate sales tax from motor fuel, increase the excise tax on gas the equivalent amount leaving tax liability at the pump the same (\$1.1B annually)
- Increase registration fees, by 40% (\$576M)
- Increase electric and hybrid vehicle registration surcharges, expiring in 2035
- Approximate total revenue = \$4.3 Billion Annually

Funding Generators



Six new transportation funding ideas have been implemented in other states which could be considered in Michigan.

1 Vehicle Registration Surcharges for High MPG Vehicles

- Virginia has a “Highway Use Fee,” including a registration surcharge on all vehicles over 25 mpg – not just on EVs and plug-in hybrids as in Michigan.
- The surcharge varies by a vehicle’s mpg.
- Drivers have the option of enrolling in a “Mileage Choice Program” and paying per mile in lieu of the once-a-year surcharge.



- The federal government has not directly addressed federal fuel tax losses due to increasing EVs and high mileage vehicles. This has not yet been implemented elsewhere, but Michigan could explore an additional registration surcharge to cover federal fuel tax losses.

2 Resident-Advantage Fuel Tax Increases

- Fuel tax increases were passed in Missouri and South Carolina in 2021 and 2017, respectively. The increases included rebates for the increase paid by residents in both states. MO offers a direct cash rebate, and the SC rebate is an income tax credit.



3 Sales Taxes or General Funds for Transportation

Examples include:

- North Carolina is reallocating a portion of their existing state sales tax revenue to transportation beginning in 2023.
- States have recently directed substantial general fund surpluses and other general funding for critical assets. For example, Missouri’s 2023 state budget included \$2.8 billion for I-70 work, made up of \$1.4 billion from state surpluses and \$1.4 billion from state general fund bonding.

4 Major Tolling Projects or Programs

Examples include:



- Indiana and Kentucky collaborated on the reconstruction of the previously untolled I-65 bridge over the Ohio River. The new bridge opened in 2016 and included tolling to pay back about half of the \$1.5 billion total project costs.

- A statewide tolling study was completed in early 2023 and demonstrated the feasibility of a statewide program to add tolls to existing highways in Michigan.

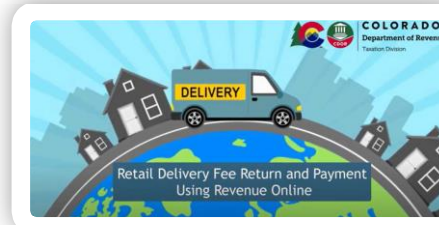


Modern high-speed, all-electronic tolling does not include slowing down to pay tolls. An all-electronic tolling location is shown here.

5 Retail Delivery Fees for Transportation



- In July 2022, Colorado began a 27 cent delivery fee for transportation and in July 2024, Minnesota will begin a 50 cent delivery fee for transportation. In CO, small businesses with retail sales of less than \$500,000 are exempt. In MN, transactions of at least \$100 will be subject to the fee.

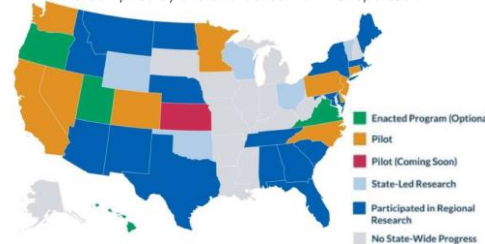


6 Road Usage Charging



- Road Usage Charging (RUC), also known as Vehicle Miles Traveled (VMT) Fees or Mileage Based User Fees (MBUF), considers per mile charges for drivers to fund transportation.
- Smaller scale implementations of RUC are in place in HI, OR, UT, and VA. Currently, all these programs are optional to drivers.
- Research is still ongoing related to the scalability of collection and administrative costs.
- The Michigan Department of Transportation is starting a RUC research project in 2024.

Road Usage Charging Activity as of Aug. 2023
As Compiled by the Eno Center for Transportation



These ideas were summarized by a consultant team as part of an ongoing National Best Practices Assessment for Michigan. The Assessment is identifying transportation process improvement ideas for Michigan related to five topics, including transportation funding.



Michigan Revenue Estimates

Potential annual revenue estimates of different transportation funding options for Michigan are shown below

1 Vehicle Registration Surcharges for High MPG Vehicles

- Assume a "Highway Use Fee" in Michigan on high mileage vehicles. Assume similar operating policies as Virginia:
 - Applies to vehicles under 10,000 pounds with fuel economy more than 25 MPG
 - Set registration surcharges to recover 85 percent of estimated vehicle fuel tax losses from the specific high mileage vehicle make and model.
 - Michigan already has a surcharge for electric vehicles and plug in hybrids, so the revenue estimate shown to the right does not include these vehicle types



Per Year

2 Resident-Advantage Fuel Tax Increases

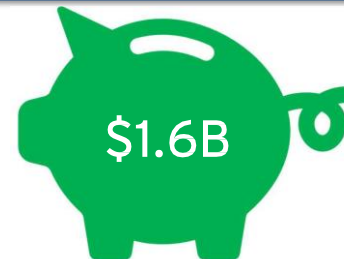
- Assume a fuel tax increase with a resident rebate option:
 - Assume increase of 10 cents per gallon scaled in over five years.
 - Vehicles less than 26,000 pounds eligible for rebates like Missouri.
 - This could generate \$500M per year in Michigan when increase is fully scaled in before rebates. It is estimated that at least \$250M could be generated after rebates. Fuel tax increases higher than 10 cents would generate additional revenue.
- Note these increases would be in addition to the annual fuel tax indexing to inflation (with five percent cap) that is already in place in Michigan.



Per Year

3 Sales Taxes or General Funds for Transportation

- Assume a one cent sales tax increase for transportation in Michigan



Per Year

4 Major Tolling Projects or Programs

- Assume implementation of a nearly 550-mile toll system on sections of I-69, I-75, I-94, I-196, I-275, I-696, and M-14 as shown in the map to the right.
- Revenue estimates from the Michigan Tolling Study Strategic Implementation Plan Report: <https://www.mitollingstudy.com/plan-reports.html>
- The study includes several equity mitigations which are described in the report.



- Assume implementation of tolling on only I-94 west of Detroit shown in the map above.



2032 analysis year

5 Retail Delivery Fees for Transportation

- Assume a \$0.25 per parcel retail delivery fee for transportation.
- Including exemptions would reduce the revenue shown. Exemptions could include for deliveries from small businesses (like Colorado), for deliveries below a certain value (like Minnesota), or for certain commodities.



Per Year

6 Road Usage Charging

- Only small-scale, optional road usage charging (RUC) programs are currently in place in other states. The viability of large-scale RUC programs is being studied in several states around the country.
- The revenue potential of road usage charging (RUC) could vary substantially based on the rates assumed and other factors.



- A per mile charge of 3.2 cents per mile for cars and 11.6 cents per mile for commercial trucks would generate an additional \$3.9B per year. This car to truck ratio is similar to the car to truck ratio with existing transportation fees. Other per mile estimates are shown in the table below.

Michigan Fee Source	15,000 Mile Per Year Car	81,000 Mile Per Year Semi
Fuel tax paid by typical road user	\$150	\$3,700
Registration tax paid by typical road user	\$140	\$2,000
Fuel tax per mile charge equivalent	1.0 cents	4.5 cents
Registration per mile charge equivalent	0.9 cents	2.4 cents

MICHIGAN NEEDS BETTER ACCESS TO AGGREGATES.

- Crumbling roads are driving strong demand for limited, permitted aggregate supplies.
- Aggregates are difficult to access because local governments and activists are effectively blocking new mining permits close to the busiest areas.
- “Very Serious Consequences” under the Michigan Zoning Enabling Act is abused to stop mining.
- Result: Building demand and limited new sources drive up prices and trucking costs due to longer hauls
- Result: Taxpayers and private sector pay more per mile.



- Ongoing educational campaign.
- Research, polling, focus groups, etc.
- Coalition Building (business, labor, tourism, agriculture, transportation, etc.)
- More public engagement in debate.
- Follow us at www.fixmystate.org.
- Facebook, Twitter, Instagram

