



Road Funding Practices  
in Michigan

# Road Funding Practices in Michigan

Presentation to the  
Michigan House of Representatives Transportation Committee  
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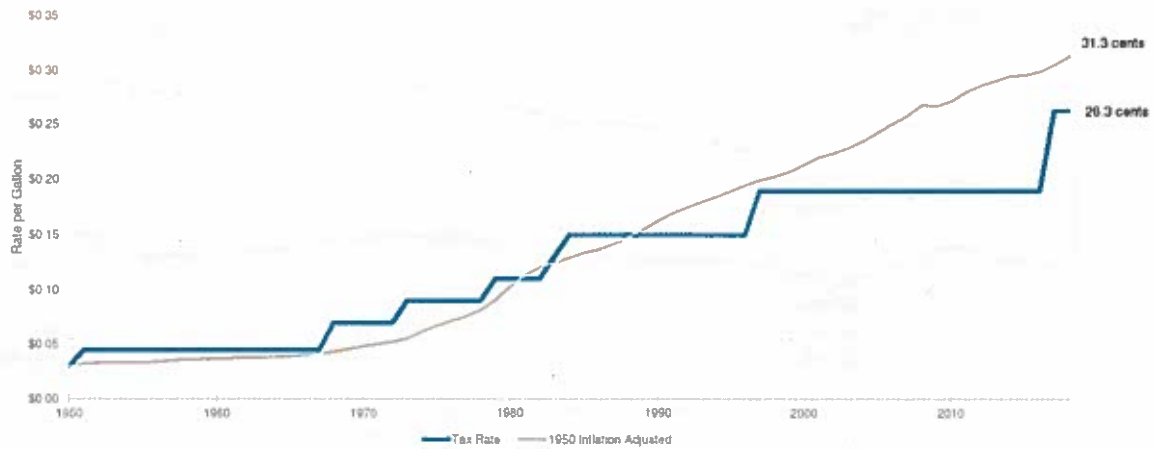
## Citizens Research Council of Michigan

- Founded in 1916
- Statewide
- Non-partisan
- Private not-for-profit
- Promotes sound policy for state and local governments through factual research – accurate, independent and objective
- Relies on charitable contributions from Michigan foundations, businesses, and individuals
- [www.crcmich.org](http://www.crcmich.org)

## Transportation Revenue Trends

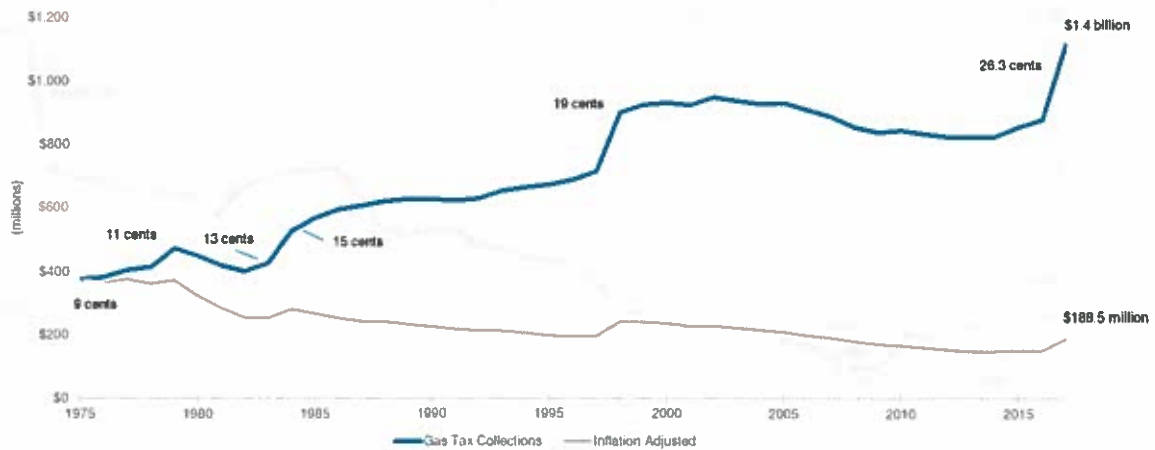
## Michigan Gas Tax Rate Adjustments, FY1950-2017

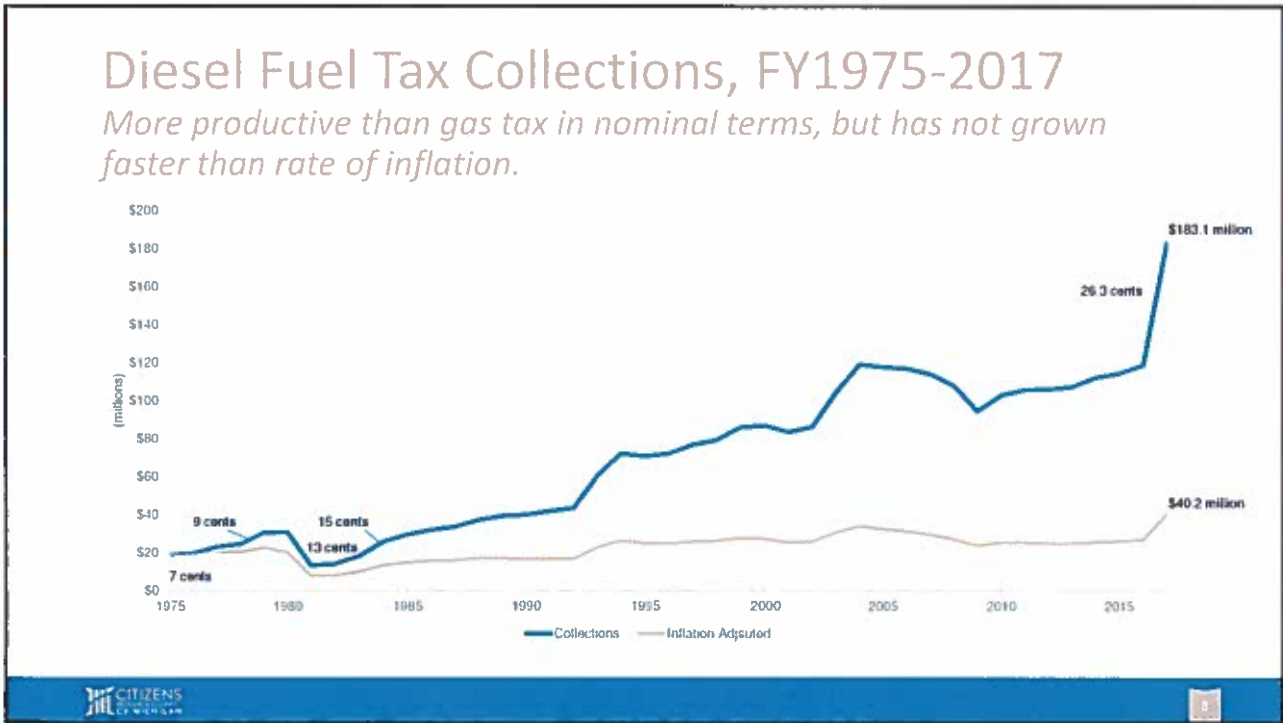
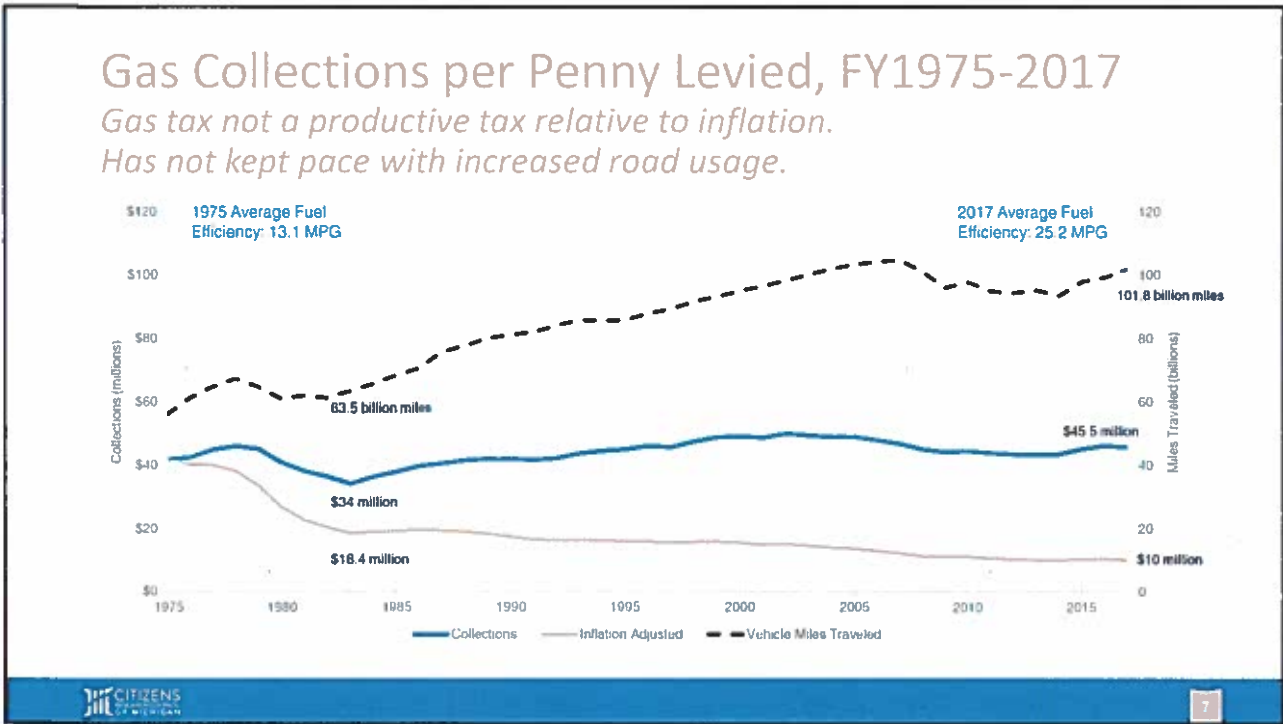
*Tax levied as rate/gallon does not keep pace with inflation*

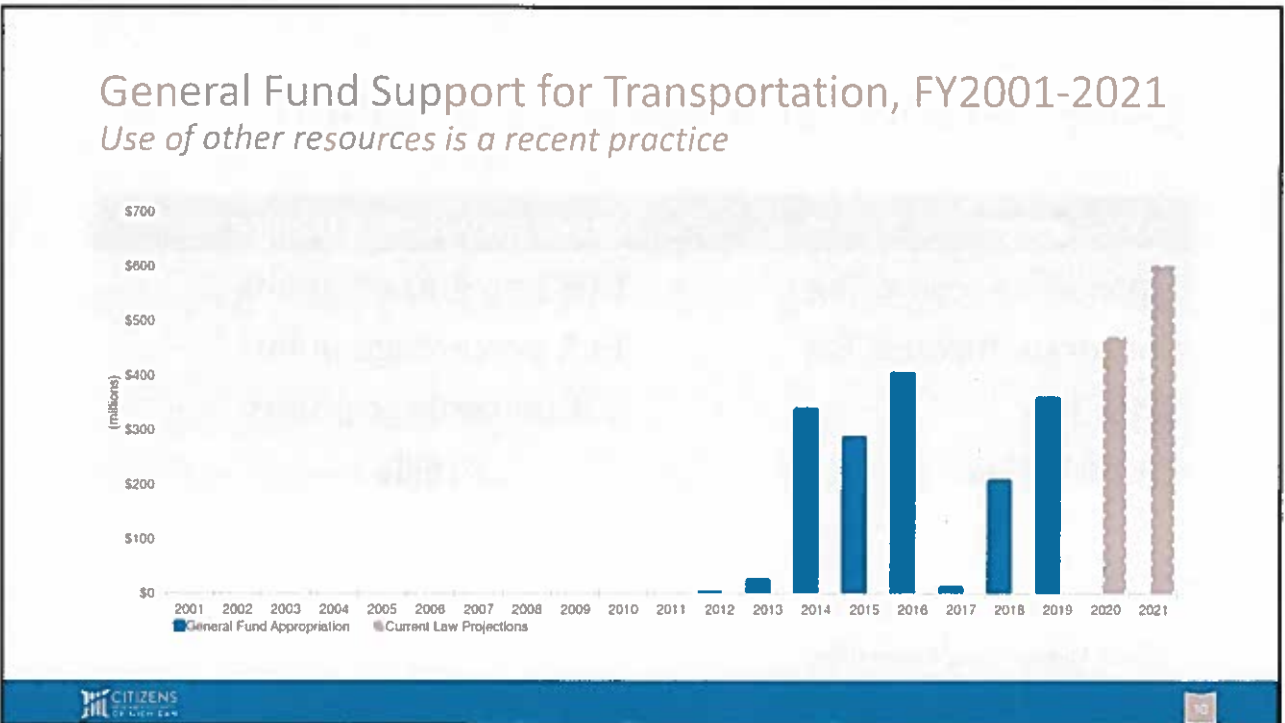
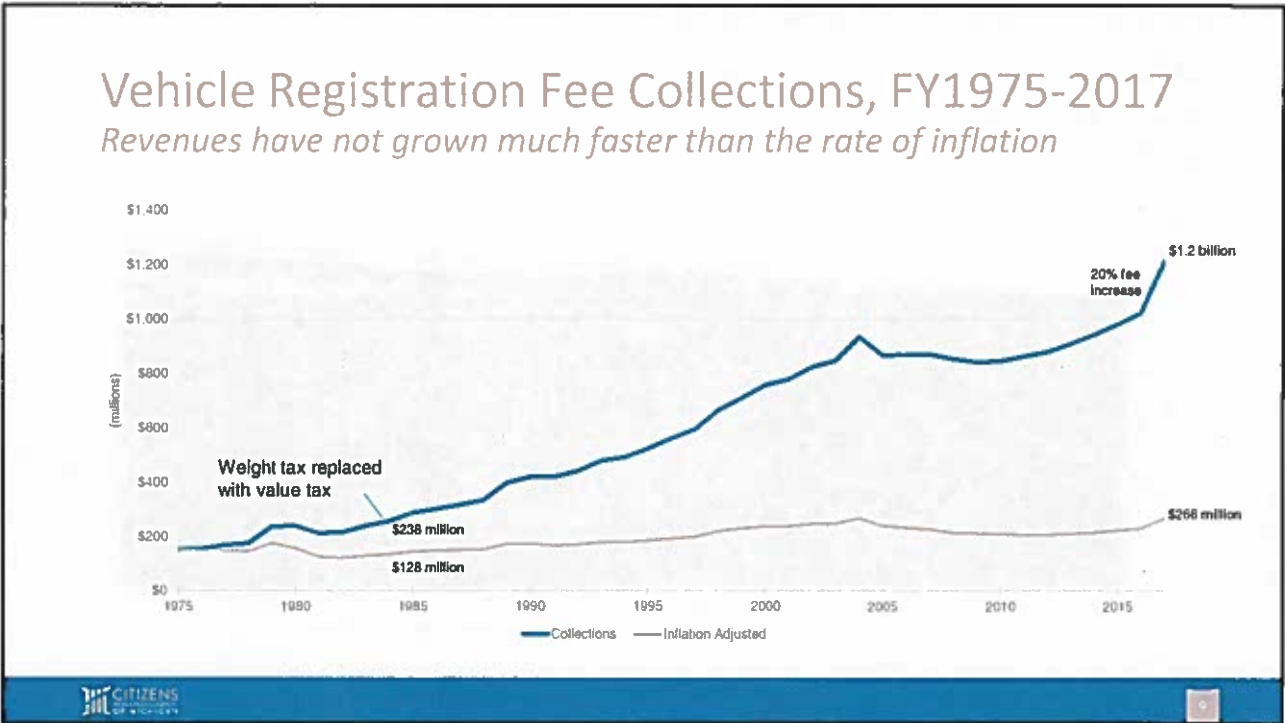


## Gas Tax Collections, FY1975-2017

*Growth in revenues attributable to rate adjustments, long-term decline in purchasing power (nominal and real)*

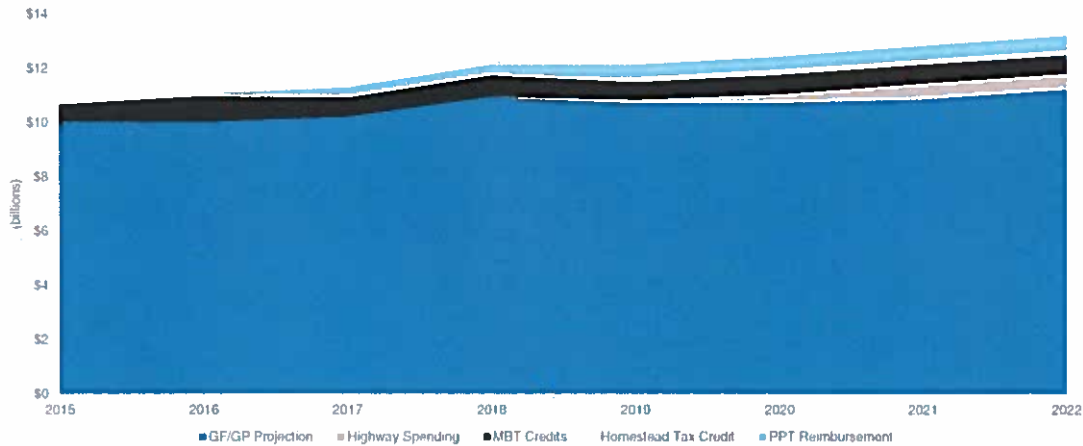






## 2015 Funding Package and General Fund Resources

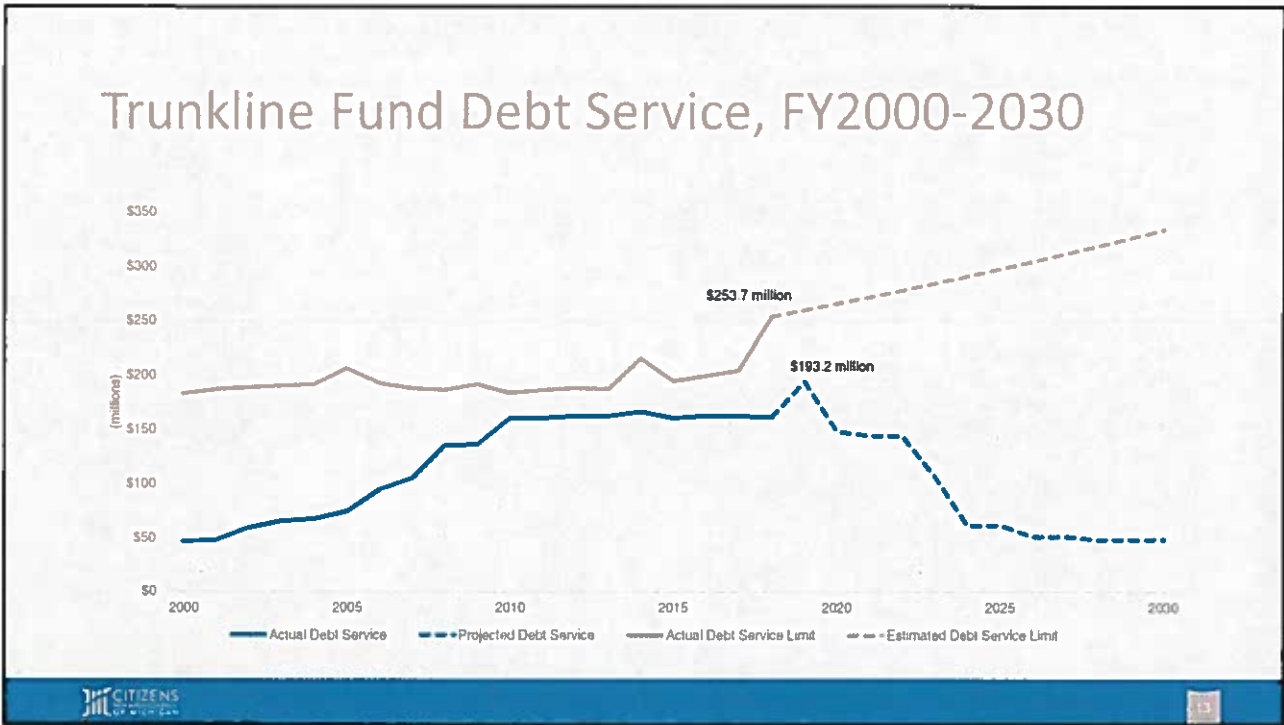
*In combination with other budget promises is consuming all revenue from economic expansion*



## Other Means of Raising \$2.5 Billion

Tax Source	Necessary Rate Change
Individual Income Tax	1.05 percentage points
Corporate Income Tax	13.5 percentage points
Sales Tax	1.4 percentage points
Property Tax	7 mills

Source: Michigan State Budget Office



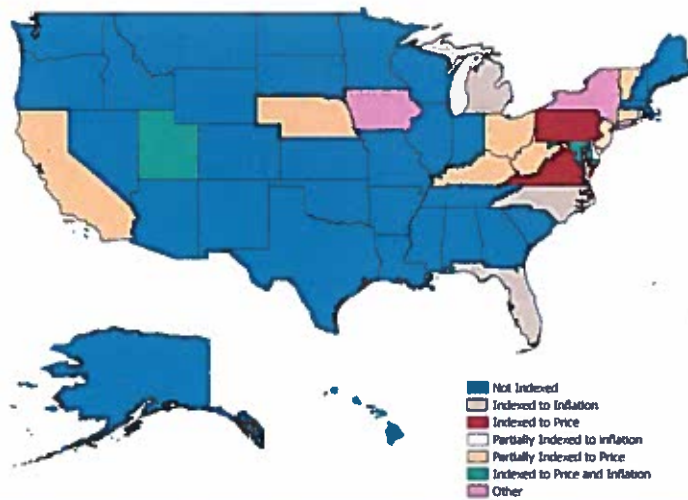
### 2015 Road Funding Package

	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Gas Tax</b>	\$236	\$313	\$311	\$310	\$308
<b>Diesel Tax</b>	\$69	\$93	\$94	\$95	\$96
<b>Registration Fees</b>	\$155	\$211	\$217	\$224	\$230
<b>General Fund</b>	\$0	\$0	\$150	\$325	\$600
<b>Total</b>	\$455	\$611	\$766	\$948	\$1,228

# 50 State Comparison

## Types of State Fuel Tax Indexing

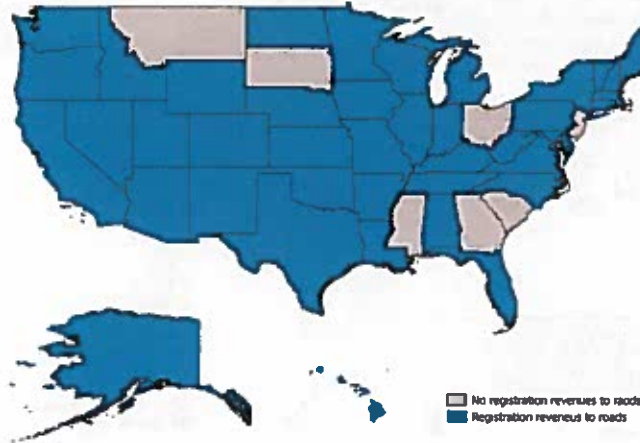
*MI one of 18 states that have indexed to inflation, price, or both*





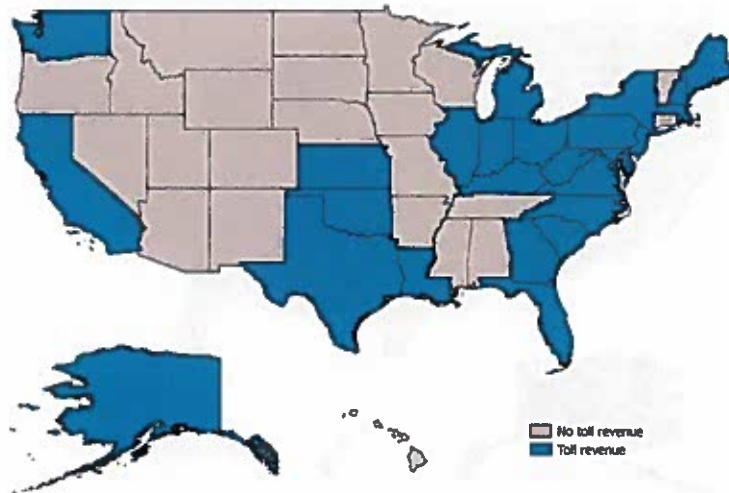
## Vehicle Registration Fees That Fund Roads

*Most states tied registration fee revenues to road funding*



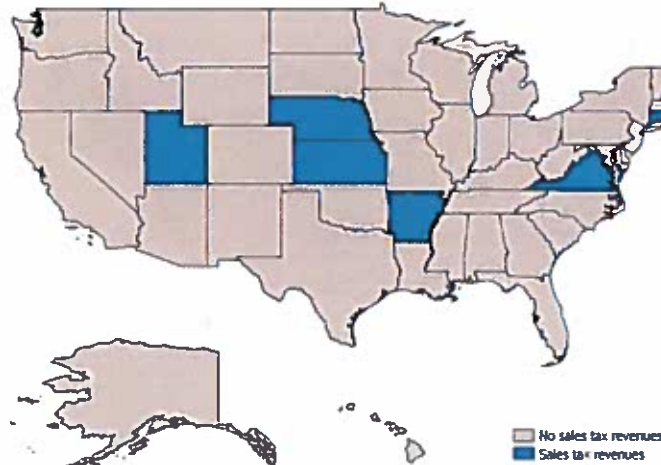
## States that use Toll Booths

*MI is one of a few states with very little pass-through traffic*



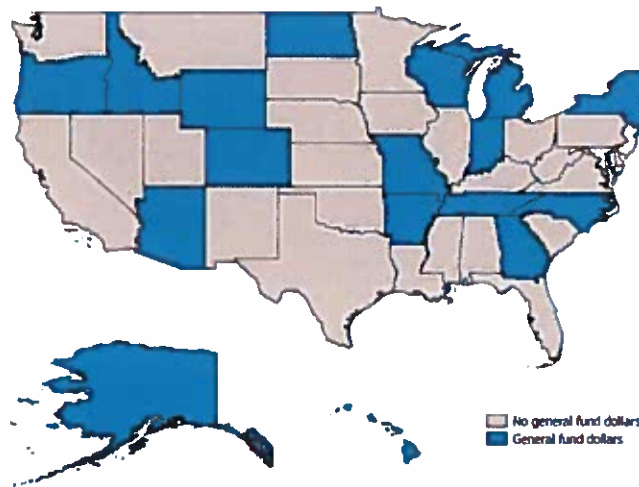
## States that use Sales Tax Revenues

*6 states use a portion of sales tax revenue for road funding*



## States that use General Fund Revenues

*Some states deposit road use taxes with all others and appropriate based on need*



## Other Funding Sources States Use

- Sales taxes related to transportation (vehicle purchases and rentals)
- Driving fines and fees (including drivers licenses and traffic fines)
- Vehicle Miles Traveled (Oregon)
- Other major tax dollars
  - Corporate Income (Maryland)
  - Cigarette (Idaho)
  - Mineral royalties (Wyoming) and oil production (Texas)

## Funding Local Roads

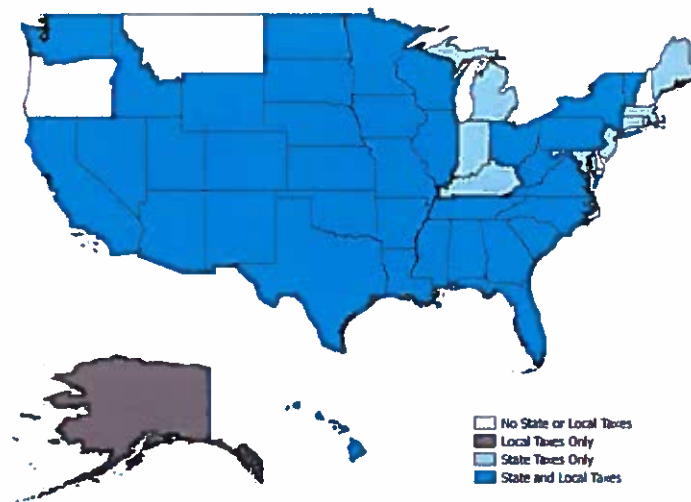
## Finances Continue to Reflect Days of Yore

*Local governments dependent on state to collect and distribute revenues*

- Quid Pro Quo –
  - Local governments largely limited to property taxes
  - State will collect taxes and share revenues with local governments
  - School Aid, State Revenue Sharing, Road Funding, Court Funding
- Horton Act of 1932
  - Enacted in reaction to Great Depression
  - Share registration fees with counties to replace county and township property taxes
  - Grew to include fuel taxes and folded into PA 51 of 1951
- Will increase reliance on property taxes in absence of state funding or alternative revenue sources,
  - Michigan property tax rates among the highest in the nation

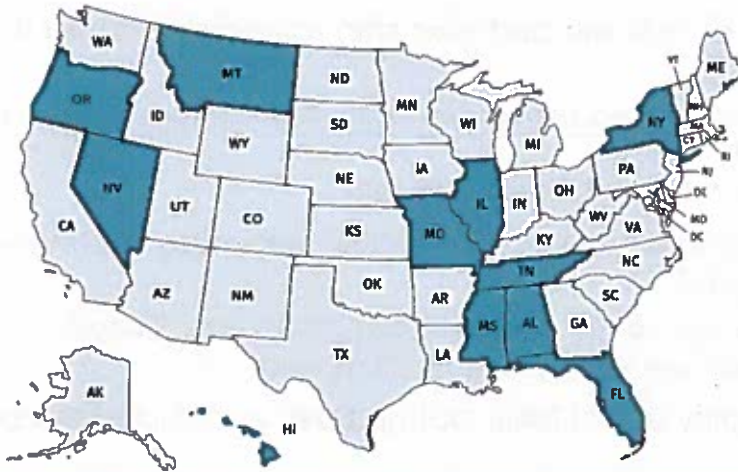
## Local-Option Sales Taxes

*Michigan one of 9 states with state tax but no local-option taxes*



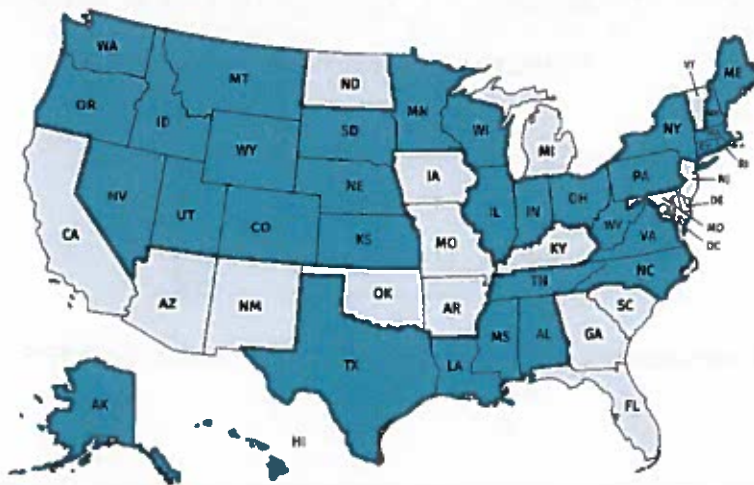
# Local-Option Gas Taxes

*11 states authorize local-option taxes, usually to counties*



# Local-Option Vehicle Registration Fees

*33 states authorize local fees, most county but some municipal*



## Other Potential Reforms

- McNitt Act of 1931 merged township road systems into the county road systems
  - Ability to repay road bonds impaired by loss of property value during depression
  - Duplication of effort proved inefficient
- Can we afford to have our small cities and villages continue to care for roads?
  - Cities average ~6 sq. miles and 2,000 people (excl. Detroit)
  - Villages average ~1 sq. mile and 1,000 people
- Would simplify use of local-option taxes authorized to counties

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