

Road Funding: The Local Perspective

Presented by
Brent O. Bair, Managing Director
Road Commission for Oakland County



Michigan vs. Nation:

Michigan =

- 6th largest road system in US
- 5th largest local road system
- 27th largest state highway system

Michigan's Road Mileage

- State (MDOT): 9,715 miles
- City & village: 20,750 miles
- County road commissions: 89,750 miles

Total: 122,722 miles
(includes 2,102 miles of fed. roads)

92%

Roads: Still a high priority with voters

A March '02 *Detroit News* poll ranked roads the **No. 3** priority for Michigan's voters.

Road condition and congestion were cited as the reasons.

Why are Michigan's roads in the condition they are in?

Why are other states' roads in better shape?

Per Capita State & Local Expenditures (Michigan's Rank in the Nation)

Expenditures	1964	1974	1984	1988	1992	1998
Health	5	8	9	3	12	15
Education	11	7	10	7	11	9
Welfare	31	5	3	8	17	26
Roads	43	44	42	44	49	42

1998 Per Capita State & Local Road Expenditures

Road Expenditures Mich.'s Rank in Nation

State & Local combined **42nd**

Local only (statewide) **13th**

State only **50th**

BOTTOM LINE:

Michigan's roads won't
catch up with those in
other states as long as
Michigan ranks in the
bottom 10 in per capita
state road funding.

State Gas Taxes (2002)

Rank	State	Gas	Rank	State	Gas
1	Wisconsin	28.1	25	West Virginia	20.5
2	Rhode Island	28	26	Iowa	20.1
3	Montana	27	27	Louisiana	20
4	Pennsylvania	26.6	27	Minnesota	20
5	Connecticut	25	27	Texas	20
5	Idaho	25	27	Vermont	20
7	Nebraska	24.5	31	Illinois	19
7	Utah	24.5	31	Michigan	19
9	Nevada	24	33	Arizona	18
9	Oregon	24	33	California	18
11	Maryland	23.5	33	Mississippi	18
12	Delaware	23	33	New Hampshire	18
12	Kansas	23	37	Virginia	17.5
12	Washington	23	38	Missouri	17
15	New York	22.6	38	New Mexico	17
16	North Carolina	22.1	40	Alabama	16
17	Colorado	22	40	Hawaii	16
17	Maine	22	40	Oklahoma	16
17	Ohio	22	40	South Carolina	16
17	South Dakota	22	44	Indiana	15
21	Arkansas	21.5	44	Kentucky	15
22	Tennessee	21.4	46	Wyoming	14
23	Massachusetts	21	47	Florida	13.9
23	North Dakota	21	48	New Jersey	10.5
			49	Georgia	10.23
			50	Alaska	8

State Diesel Taxes (2002)

Rank	State	Diesel	Rank	State	Diesel
1	Pennsylvania	31.8	26	Louisiana	20
2	Rhode Island	28	26	Minnesota	20
3	Montana	27	26	Texas	20
3	Nevada	27	29	Tennessee	18.4
5	Florida	26.4	30	Connecticut	18
6	Idaho	25	30	Arizona	18
6	Kansas	25	30	California	18
8	Nebraska	24.5	30	Mississippi	18
8	Utah	24.5	30	New Hampshi	18
10	Maryland	24.3	30	New Mexico	18
11	Oregon	24	36	Vermont	17
12	Washington	23	36	Missouri	17
12	Maine	23	36	Alabama	17
14	Arkansas	22.5	39	Virginia	16
14	Iowa	22.5	39	Hawaii	16
16	North Carolin	22.1	39	South Carolin	16
17	Delaware	22	39	Indiana	16
17	Ohio	22	43	Michigan	15
17	South Dakota	22	44	Wisconsin	14
20	Illinois	21.5	44	Wyoming	14
21	Massachusetts	21	46	New Jersey	13.5
21	North Dakota	21	47	Oklahoma	13
23	New York	20.9	48	Kentucky	12
24	Colorado	20.5	49	Alaska	8
24	West Virginia	20.5	50	Georgia	7.5

The fuel tax is the most equitable way to fund roads in Michigan because:

- A. It's a "user" tax (the more you use the roads, the more you pay); and
- B. Michigan hasn't exhausted the fuel tax as a funding mechanism.

Revenue vs. Inflation: We have a problem!

Between '98 and '02:

State gas tax revenues increased **A TOTAL of 2.3%**. = Less than the rate of inflation.

From '01 to '02:

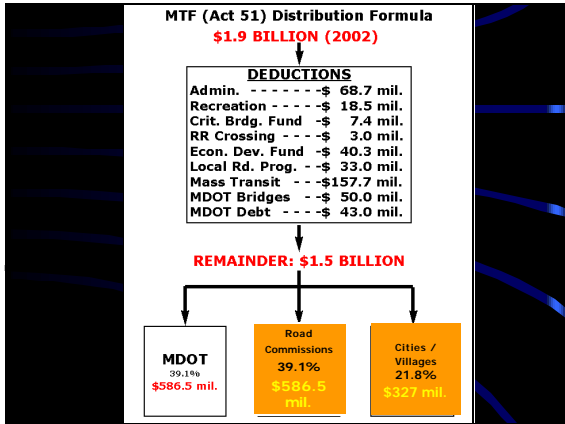
Gas tax revenues went **DOWN 1.5%**.

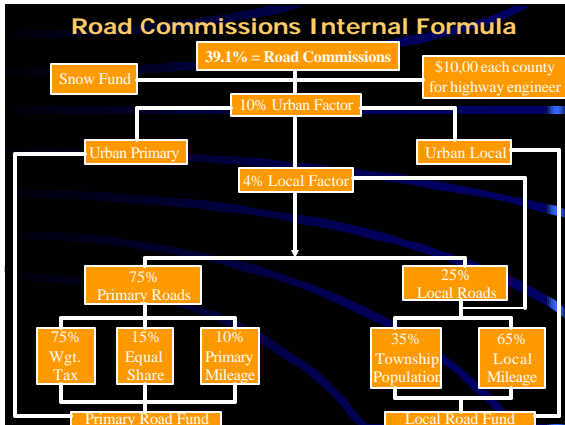
26-year average, '76 to '02:

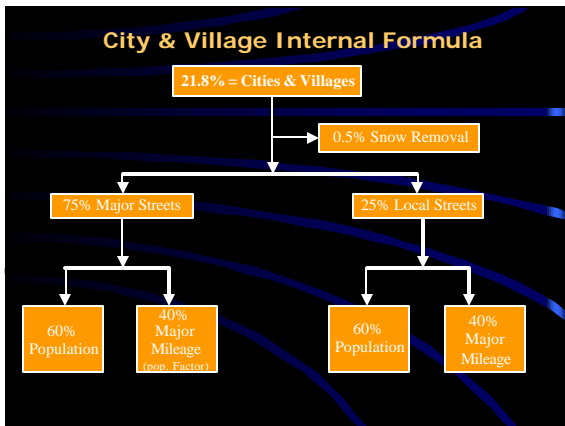
Gas tax revenues went **DOWN 1.9%** in real dollars.

Expenses going up:

Construction costs increased an average of **2.7%** per year, 1997-2001.







How locals spent their road funds (02)

Expenditure	CRCs	C/Vs
• Construction	\$ 79 mil. (7%)	\$261 mil. (41%)
• Maint. (incl. heavy)	\$707 mil. (60%)	\$214 mil. (34%)
• Traffic Control	\$ 35 mil. (3%)	\$ 42 mil. (7%)
• Winter Maint.	\$ 71 mil. (6%)	\$ 35 mil. (6%)
• Trunklines	\$115 mil. (10%)	\$ 9 mil. (1%)
• Debt service	\$ 34 mil. (3%)	\$ 23 mil. (4%)
• Other	\$128 mil. (11%)	\$ 47 mil. (7%)

Statewide local road needs:

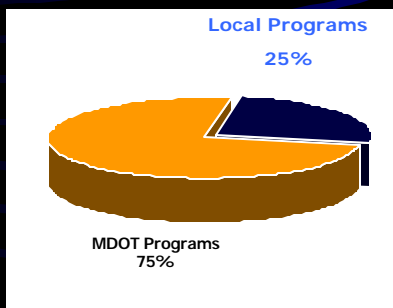
	Needs 1998-2008	Expected Funding 1998-2008	Funding Gap
County Roads	\$29.7 billion	\$1.9 billion	\$27.9 billion
City, Village Streets	\$19.3 billion	\$3.4 billion	\$15.9 billion

Source: "Michigan Roads, Streets and Bridges: Ten-Year Investment Requirements"
Public Sector Consultants Inc., March 2000.

State Road Funding "Donor" Status

County	% of Road Funding Returned from Lansing (3-yr. Avg., 97-99)
Oakland	72%
Wayne	86%
Macomb	77%
Kent	93%
Genesee	80%
Small rural	100% +

Local Distribution of Federal Funds



Excluding CMAQ, Enhancements, Demo, Discretionary and Bridge.

Michigan Apportionments FY 2002

<u>Major Category</u>	<u>Amount (millions)</u>
Interstate Maintenance	\$162.4
National Highway System	\$196.2
Surface Transportation (STP)	\$275.3
Bridge	\$136.2
Congestion Mitigation/Air Quality (CMAQ)	\$ 39.6
Minimum Guarantee	\$105.2
State Planning & Research	\$ 18.7
Metropolitan Planning	\$ 6.8
Recreational Trails	\$ 1.5
High Priority Projects	\$ 58.5
Allocated Programs (Discretionary)	\$ 6.9
Total:	\$1007.3

The Surface Transportation Program (STP)

- Largest source of funds for major state, county & city/village road improvement projects.
- Projects selected by federal aid task forces.

STP Distribution

- 13 MPOs
 - 5 in areas with population of 200,000 or more
 - Includes 7 metro areas: Detroit, Grand Rapids, Flint, Lansing, Ann Arbor, Toledo-Monroe, South Bend
 - 8 in areas with population under 200,000
- 53 Small Urban areas (cities of 5,000-50,000 that are not part of larger metro areas)
- 23 Rural Task forces
 - 2-8 counties each

Critical Bridge Fund:

- MDOT calculates total bridge deck needing repair & applies for federal bridge funds.
- 25% of deck area ID'd is on local bridges.
- 15% of federal bridge funding to Michigan is set aside for locals as Critical Bridge Fund.
- In 2001, Critical Bridge fund was \$20 million.
- In 2001, MDOT kept \$113 million for state bridges.

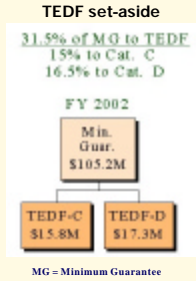
Transportation Economic Development Fund (TEDF)

- Enacted in 1987
- Created to fund projects supporting economic growth
- Mission:
 - Help state compete in global market
 - Serve as catalyst for economic growth
 - Improve quality of life
- Eligible agencies: MDOT, county road commissions, cities & villages

TEDF Categories:

Category	Description	FY '03 \$
A	Projects tied to target industry development or redevelopment	\$19.4M
B	Improve local rd. to become trunkline (category eliminated)	
C	Congestion reduction (5 largest urban)	\$21.8M
D	Create rural all-season network (all other counties)	\$23.2M
E	Devel. commercial forests (47 Cos.)	\$ 5.0M
F	Road improvements in rural cities	\$ 2.5M

State Statute



Remember, TEDF is already being cut:

\$13.9 million per year from TEDF is now being used for Build Michigan debt service (BM I & III).

Even if Michigan gets 95% of federal funds back, it won't solve our road problems.

We can't expect the federal government to bail Michigan out!

Local Funding (Ranked 13th in the nation)

Local Funding Sources:

- TIFA/ DDA/ LDFA
- Bonds
- County millage
- C/V/Twp. millage
- County appropriations
- Municipal contributions
- Developer/other contributions
- Special assessments

How much are cities & villages statewide already contributing to roads?

Annual Avg. City/Village Road Funding

MTF: **\$480,000 (60%)**

Local sources: **\$320,000 (40%)**

Countywide Millages

Counties with millages :

Allegan	Midland
Baraga	Ontonogan
Chippewa	Sanilac
Gladwin	St. Joseph
Houghton	Tuscola
Huron	Van Buren
Leelanau	

Why?

Necessity

(from decades of inadequate road funding from the state)

"Doesn't all the development taking place in Michigan mean lots of new money for roads?"

New development generates new revenues from:

- ✓ Property taxes
- ✓ Income taxes
- ✓ Sales taxes



How much of the new revenue goes to road commissions to address traffic problems resulting from all this growth?

NONE!

**Per Capita State & Local Expenditures
(Michigan's Rank in the Nation)**

Expenditures	1964	1974	1984	1988	1992	1998
Health	5	8	9	3	12	15
Education	11	7	10	7	11	9
Welfare	31	5	3	8	17	26
Roads	43	44	42	44	49	42

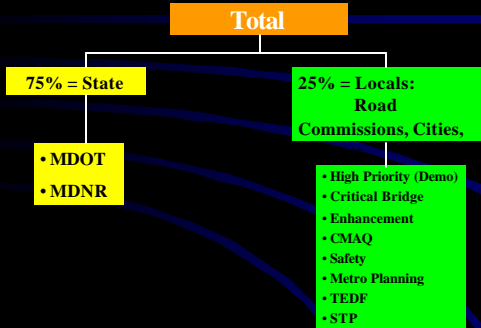
If we want better roads, we have two choices:

1. Take money away from health, education & welfare.
2. Raise additional funding for roads.

Which would you rather do?



Federal Road Funding Programs



Regional Distribution of Federal Road Funds

Most is distributed through either:

- Rural Task Forces

OR

- Metropolitan Planning Organizations

Task Forces or MPOs

- Rural task forces represent counties in rural areas.
- MPOs represent counties in urbanized areas

State fuel tax rates *After Aug. 1997*

State	Gas	Diesel	State	Gas	Diesel
Rhode Island	29	29	Iowa	20	22.5
Wisconsin	27.3	27.3	Louisiana	20	20
Montana	27	27.75	Minnesota	20	20
Pennsylvania	26	26	Texas	20	20
W. Virginia	25.65	25.65	Tennessee	20	17
Hilho	25	25	New Hamp.	19.5	19.5
Connecticut	25	18	Illinois	19	21.5
Nevada	24.75	27.75	New Mexico	19	20
Utah	24.5	24.5	Michigan	19	15
Nebraska	24.5	24.5	Mississippi	18.4	18.4
N. Carolina	24.3	24.3.2	Alabama	18	19
Oregon	24	24	Arizona	18	18
Maryland	23.5	24.25	California	18	18
Washington	23	23	Virginia	17.5	16
Delaware	23	22	Missouri	17	17
Maine	22	23	Oklahoma	17	14
S. Dakota	22	22	Kentucky	16.4	13.4
Ohio	22	22	Hawaii	16	16
Colorado	22	20.5	S. Carolina	16	16
New York	22	20.25	Indiana	15	16
Arkansas	21.7	22.7	Wyoming	14	14
Kansas	21	23	Florida	13.6	25.9
Massachusetts	21	21	New Jersey	10.5	13.5
N. Dakota	21	21	Alaska	8	8
Vermont	20	26	Georgia	7.5	7.5

As of 2002

Local Program Fund

- \$33 million off top of MTF
- \$21 million to road commissions
- \$12 million to cities/villages

Snow Fund

- Established to assist counties with large amounts of snow.
- Deducted off the top of the “internal” formula.
- Approx. \$6.1 million distributed in FY ‘02.
- Funds distributed to 53 counties.
- Distribution based on 14-year avg. snowfall (the more snow you had, the more \$\$ you get).

Rural & Urban Examples:

**Huron/Sanilac/Tuscola
Rural Task Force**

**Oakland County
Funding Committee**
