

# Talking About Transportation Funding in Michigan

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Michigan Association of Counties Legislative Conference - May 1, 2024



14 FT 4 IN



**HNTB**

# Purpose of presentation

- Know what to say when transportation funding comes up in conversation
- You can make a difference in transportation funding conversations!
- These conversations are very important - it is easy to take the transportation infrastructure we have for granted



# Other Great Resources

- **“Talking Michigan Transportation” podcast:**  
MDOT’s Director of Communications Jeff Cranson hosts this informative podcast that frequently discusses funding challenges and opportunities
  - Link: <https://talkingmitransportation.buzzsprout.com/>
- **MDOT’s “Transportation Reality Check” series:**  
A series that addresses several myths and misconceptions about transportation in Michigan
  - Link: <https://www.michigan.gov/mdot/news-outreach/reality-check>
- **County Road Association of Michigan:**  
Regularly produces materials and speaks about county and statewide transportation funding in Michigan
  - Link: <https://micountyroads.org/newsroom/learn-more/>



# Other Great Resources

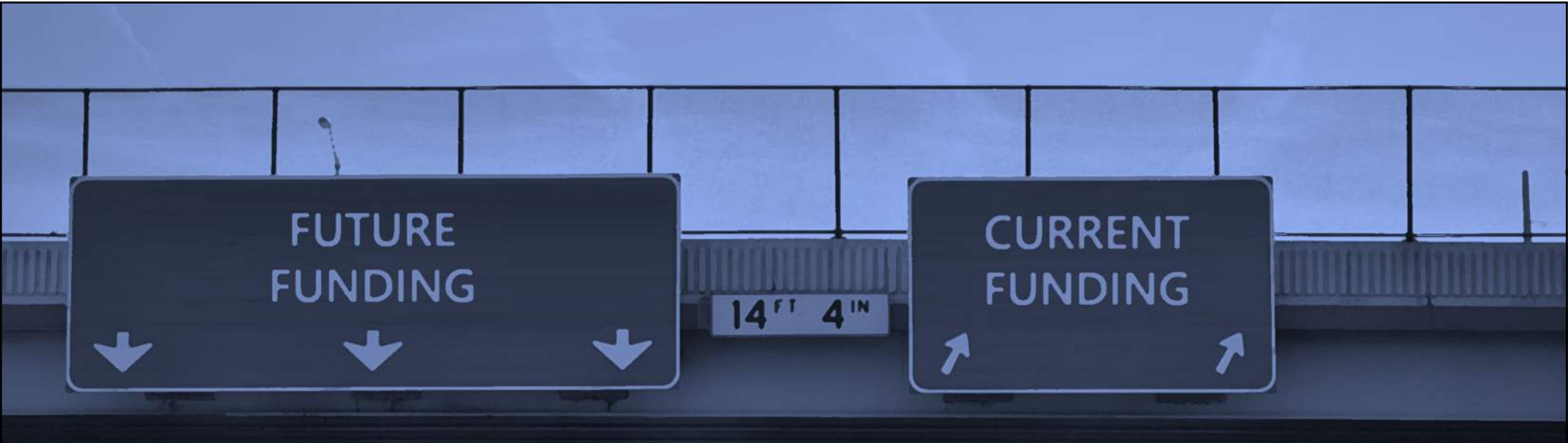
- **The Fix MI State coalition:**  
A website developed by the Michigan Infrastructure & Transportation Association (MITA) to provide infrastructure information, education, and solutions
  - Link: <https://fixmistate.org/>
- **Michigan House of Representatives Fiscal Agency:**  
Bill Hamilton, Senior Fiscal Analyst, has been producing informative reports on transportation funding and policy in Michigan for over two decades
  - Link: <https://www.house.mi.gov/hfa/Transportation.asp>
- Thanks also to my colleague Aarne Frobom for his feedback.  
Aarne retired from MDOT in 2023 after a 40+ year career including as a legislative specialist



## Slide Layout: Question related to funding at the top of slide

- Body of slide: Background details related to the answer to the question asked at the top of the slide

“Bottom line” summary of the most important talking points to answer the question asked at the top of the slide



# General Questions







# 1. Why doesn't MDOT fix the road by my house?



- Road ownership with total route miles:
  - State/MDOT "Trunkline": 9,664 miles
  - 83 Counties: 89,583 miles
  - 531 Municipalities (cities and villages): 21,248 miles
  - Other public agencies: 1,543 miles
  - Privately-owned roads
- No easy way to find who owns a given road
  - Michigan Act 51 Mileage Certification Maps
- "Federal-aid highways" are state, county, and municipal roads that are eligible for federal funding: 36,685 miles

Example of Road Ownership near Pontiac, MI

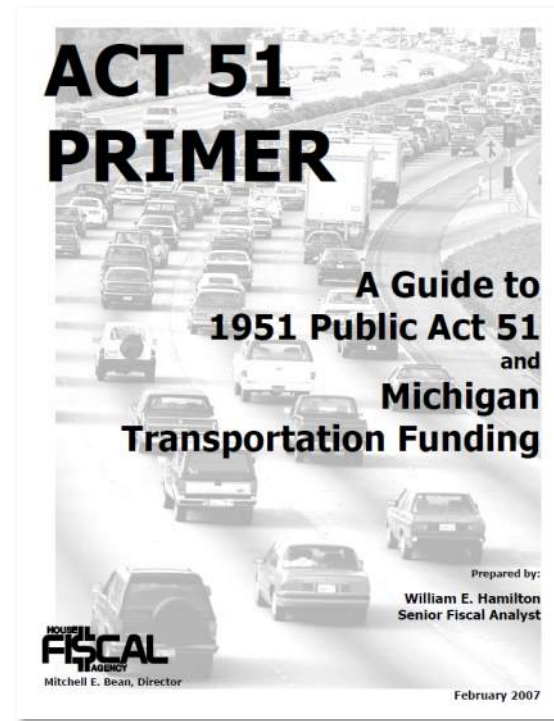


Source: Southeast Michigan Council of Governments (SEMCOG)

**Bottom Line:** Residential roads are typically owned by a local agency, not MDOT. Michigan has more local transportation agencies than other states, making it difficult to find who owns different roads. The best way is to contact your county road commission.

## 2. What is Act 51?

- Public Act 51 of 1951, including amendments since original law. Includes 77 sections
- Act 51 created the Michigan Transportation Fund (MTF) as the main collection and distribution fund for state-generated transportation revenue. MTF includes:
  - State Trunkline Fund (STF) for MDOT roads
  - Comprehensive Transportation Fund (CTF) for transit
  - Funding for local road agencies (counties, cities, villages)
  - Other smaller grants and set asides
- There are critiques of Act 51, for example that urban counties pay more into the MTF than they get back. These discussions are important but, given current statewide funding challenges, they can become a distraction when looking for solutions to funding shortfalls.



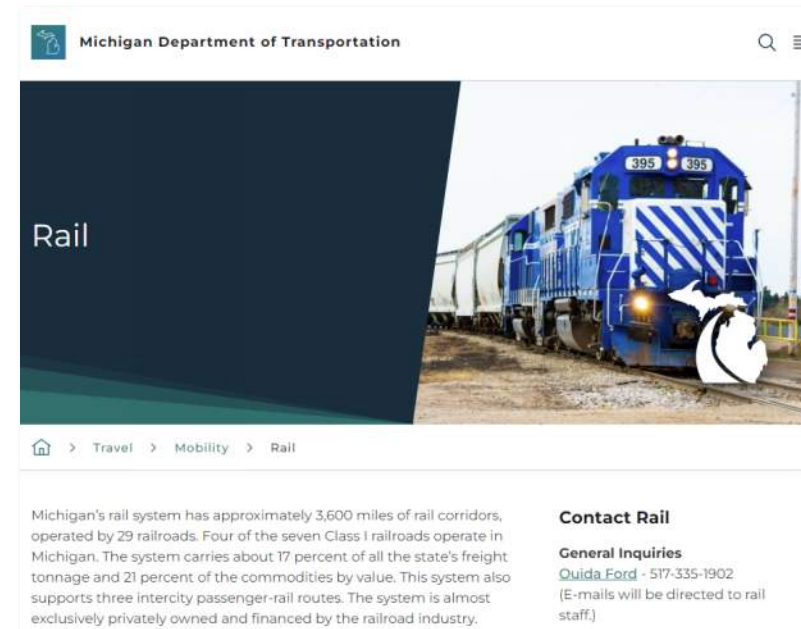
**Bottom Line:** Act 51 is the law governing how state transportation funding is distributed for most Michigan transportation programs. Debates about details of the law can be a distraction when looking for solutions to overall state transportation funding shortfalls.



# 3. Shouldn't we put all our state transportation funding into fixing the roads?



- Also consider bridges:
  - 4,828 MDOT owned (deck area 52.5 million ft<sup>2</sup>)
  - 7,053 county or municipality owned (deck area 18.9 million ft<sup>2</sup>)
- Michigan also has:
  - 31 active cargo ports
  - 77 public transit agencies
  - 29 freight railroads
  - 3 intercity Amtrak passenger train routes
  - 215 licensed public-use airports
  - 178 nonmotorized trails totaling 2,754 miles

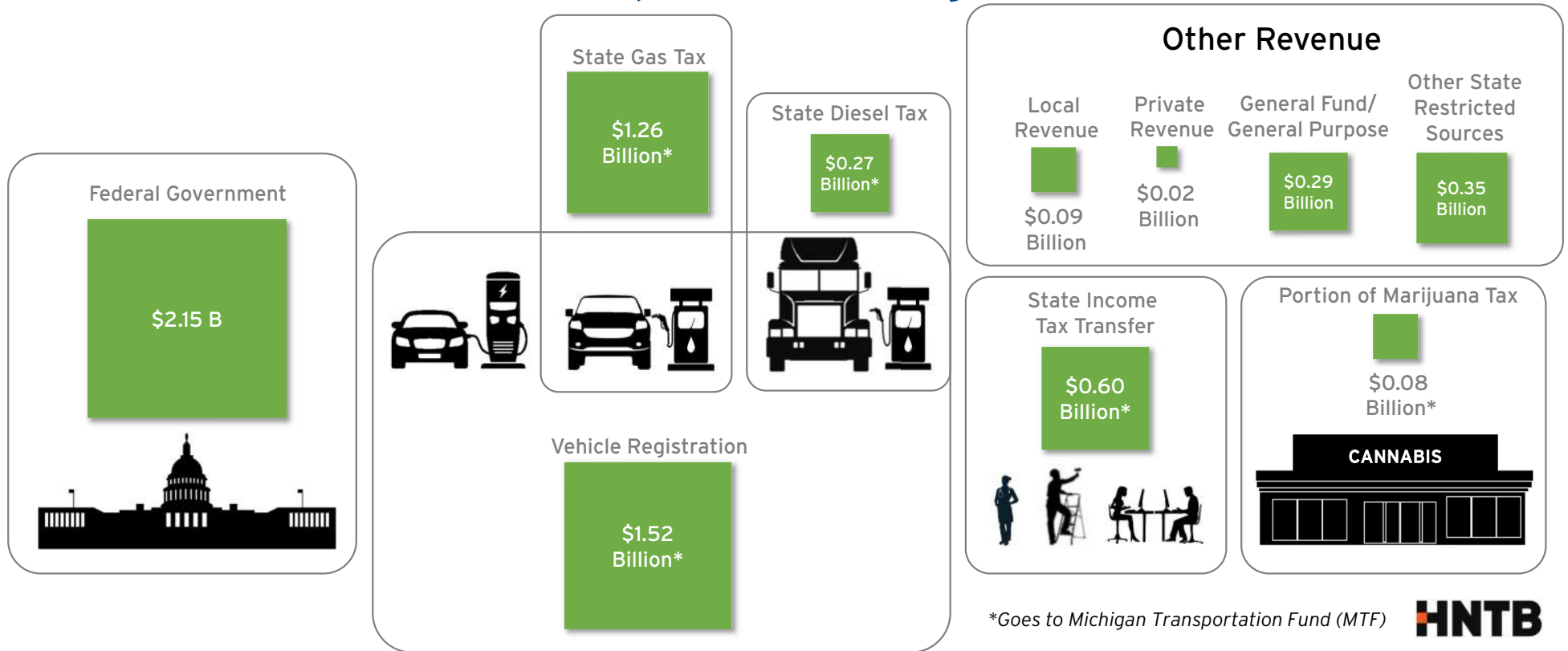


**Bottom Line:** In addition to roads, Michigan also has many bridge, port, transit, railroad, airport, and trail assets that utilize state funding. Even mostly privately funded assets such as freight railroads require state and federal regulation oversight.

# 4. Where does our state-level transportation funding come from?



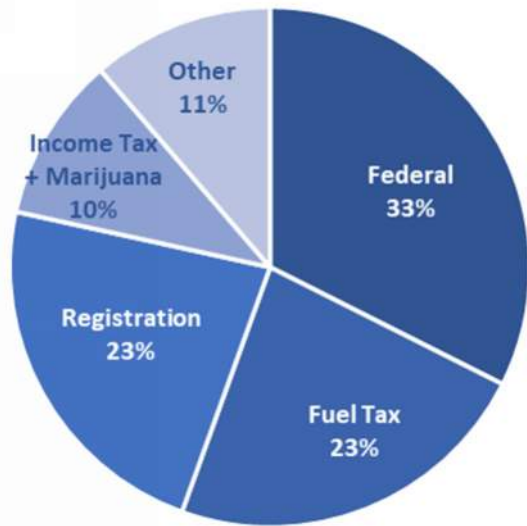
## • Fiscal Year 2024 State Transportation Budget: \$6.6 Billion



# 4. Where does our state-level transportation funding come from?



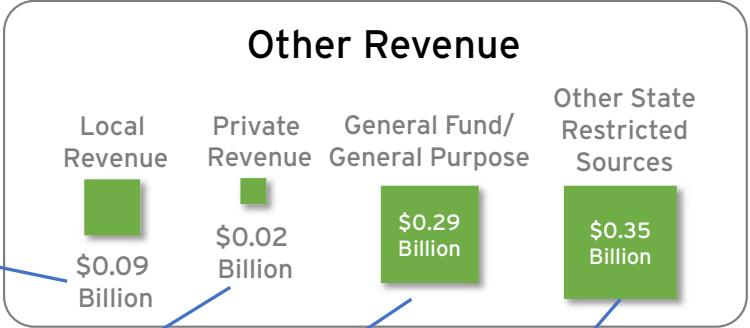
Revenue Sources of 2024 \$6.6 Billion State Transportation Budget



- Local cost share of local federal aid projects
- The required local contribution for certain state trunkline projects
- Local matching funds for federally funded transit capital and aeronautics capital projects

- Private payments, grants, other contributions

- General fund revenue not restricted for its use by MI Constitution or law. Fluctuates year to year for one-time targeted projects. Around 26 projects in FY 2024.




- Portion of auto-related sales taxes (for public transportation)
- Portion of driver's license fees restricted to specific uses in law
- Blue Water Bridge toll revenue
- Others

Bottom Line: For the current year \$6.6 Billion State Transportation Budget, about a third of revenue is from the federal government, a little under half is a combination of state fuel and registration taxes, and the remainder is from income tax, marijuana tax, and other sources.




# 5. What is the "birthday tax"?

- Vehicle registration expires on the vehicle owner's birthday for most non-commercial vehicles



**Base Vehicle Registration Fees:**  
Most personal cars including light trucks pay value-based registration taxes.

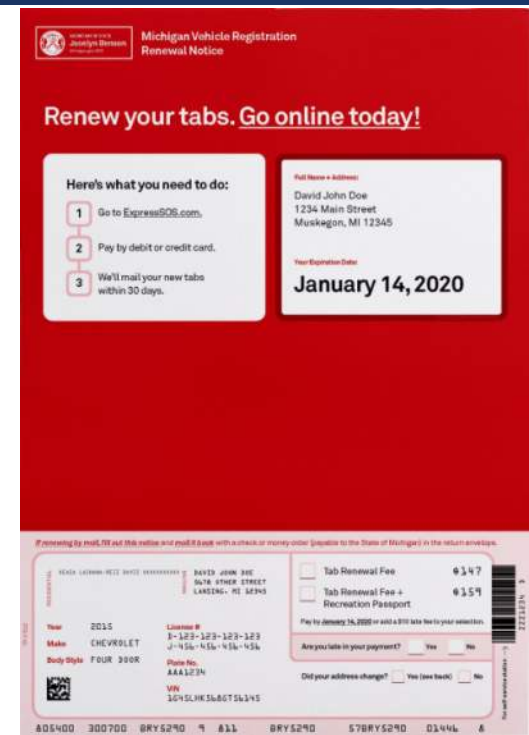
- Year one tax for new car: 0.6% of value
- Declines 10% annually to 0.44% of value for a four-year-old car and remains same afterward
- Average tax for cars of all ages and prices is **\$135** (2023) + additional \$8 in fees to SOS and state police



**Electric and Plug In Hybrid Vehicle Surcharge:**  
Registration surcharge in addition to base vehicle registration fee to help offset lost fuel taxes. 2023 surcharges were:

- **\$148/\$248\*** electric vehicle
- **\$54/\$124\*** plug in hybrid

\*less than 8,000 lb./more than 8,000 lb. vehicle. A portion of the surcharges increase annually based on a formula related to inflation



**Bottom Line:** Annual registration taxes for an average personal car are \$135. These taxes are higher for more expensive vehicles. A typical electric vehicle also pays an additional \$148 to help offset lost fuel taxes. About 23,000 of 8.6 million registrations in MI were EVs (2023).



# 6. Don't all the taxes I pay on gas go to transportation?



**Federal Gas Tax Usage:**

- 83.9% highway account (15.44 cents/gal)
- 15.5% transit account (2.86 cents/gal)
- 0.5% leaking underground storage tank fund (0.1 cents/gal)

**MI Excise Gas Tax Usage:**

- 1.5% retained by fuel suppliers and retailers for admin. costs
- 2% recreation improvement fund
- Remainder to MI Transportation Fund

**MI Sales Tax on Gas Usage:**

- About 5% to transit
- Remainder to schools, local governments, and general funds

	Price of Gas before Taxes	Fed. Gas Tax (per gal.)	MI Env. Fee (per gal.)	MI Gas Tax (per gal.)***	MI Sales Tax (6%)	Pump Price	Total Tax
Per gallon	\$2.881	\$0.184	\$0.01	\$0.300	\$0.184*	\$3.549	\$0.68 (per gallon)
Per fill up	\$44.65	\$2.85	\$0.15	\$4.65	\$2.85*	\$55.01	\$10.51 (per fill up)
Per year**	\$1,816	\$116	\$6	\$189	\$116*	\$2,237	\$427 (per year)



\*Varies depending on price    \*\*Assuming 14,500 annual miles and a 23 miles per gallon vehicle    \*\*\*Increases annually at inflation (5% cap)

**Bottom Line:** Most federal and state per gallon taxes on gas go to transportation. However, most sales taxes on gas do not. If gas is \$3.55 per gallon, about \$0.68 per gallon is the total tax, of which about \$0.17 is the sales tax that does not go to transportation.



# 7. How is our state-level transportation funding distributed?



## Funding From Federal Government



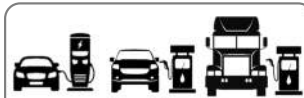
\$2.15 billion

Local transit,  
passenger rail,  
airports

\$1.8 billion: Highway Program  
(details below)

- Capital improvement projects (not routine or reactive maintenance) on “federal-aid eligible” roads and bridges.
- Act 51 requires allocation of an average of 25% of federal formula highway funding for local projects
- Most federal-aid programs participate in 80% of eligible project costs.

## Michigan Transportation Fund (MTF)



Registration and Fuel  
Taxes: \$3.05 billion



Income tax transfer:  
\$600 million



Portion of state marijuana  
tax: \$84 million

Share of \$3.7 billion\* (FY24 budget):

- The comprehensive transportation fund (CTF) receives 10% of registration and fuel tax funding after certain other grants and set-asides.
  - CTF is a fund for public transit agencies
  - The CTF does not receive funding from the income tax transfer and the marijuana tax.
- The shares for the counties, cities/villages, and MDOT are 39.1%, 21.8%, and 39.1%, respectively, after CTF, grants, and set-asides are distributed. These include income and marijuana tax revenue.

\*Detailed breakdown of \$3.7 billion:

- 0.7% DNR
- 0.9% MDOT for support of local agencies
- 0.7% other state department for admin. support
- 7.3% Comprehensive Transportation Fund (CTF)
- 3.9% various Statutory Grants
- 1.1% Transportation Economic Development Fund
- 33.4% County Road Commissions
- 18.6% Cities and Villages
- 33.4% State Trunkline fund

Bottom Line: Act 51 includes specific requirements on distributing federal funding between state (MDOT) and local (county, and city, and village) agencies as well as on distributing MI Transportation Fund revenue between state, local, and transit agencies.



## 8. How does my local city, village, or county get money for transportation?

1. Local general funds and specific property tax millages
  - Vast majority of local general funds are from property taxes which is supplemented by city income tax in 24 cities
2. Michigan Transportation Fund Act 51 distributions: About \$1.2B for counties and \$0.7B for cities and villages (from 39.1% and 21.8% formula distribution)
  - Funding is distributed between counties based on a formula considering road miles, population, registration taxes, and snow. The city and village formula considers population and road miles
3. Federal funding: By law in Act 51, an average of 25% of federal-aid highway formula funding (with exceptions including federal grants) is for local projects:
  - About \$385M in FY 2023-2024

Fewer local sources in MI versus other states:

- No local option fuel tax
- No local option sales tax
- No vehicle property tax

MI has more local jurisdictions for transportation and more revenue is passed down from the state level to the local level versus other states (similar to education)

Bottom Line: Local municipalities (cities and villages) and counties get most of their funding for transportation through property taxes and Act 51 distributions. Michigan has more local jurisdictions and fewer local options for transportation funding compared to other states.

# 9. Shouldn't we get more federal funding for transportation?



- Federal Highway Trust Fund revenue sources:
  - Federal per gallon fuel tax on gasoline and diesel
  - Heavy vehicles: One time tire sales tax for tires on heavy trucks, one time sales tax when purchasing heavy trucks and trailers, annual heavy vehicle use tax (tax on maximum weight carried during year)
  - Significant general fund transfers since 2008, including \$118 billion in most recent Federal transportation bill
- Future outlook:
  - Continued federal interest in infrastructure spending
  - Continued emphasis on discretionary grants
  - Risks with the federal deficit over the next 10 years

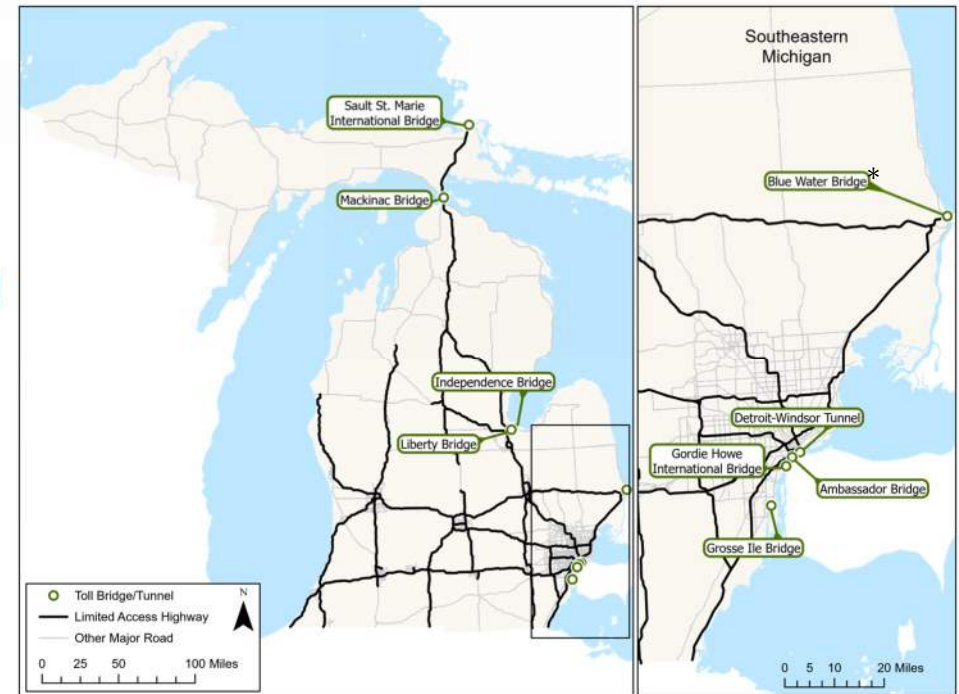


Bottom Line: The largest source of dedicated federal revenue for transportation is the federal fuel tax which has not been increased since 1993. While federal interest in transportation investment is high, increasing general fund bailouts are a risk to the future federal role.

# 10. What are some other ways we fund transportation in Michigan?

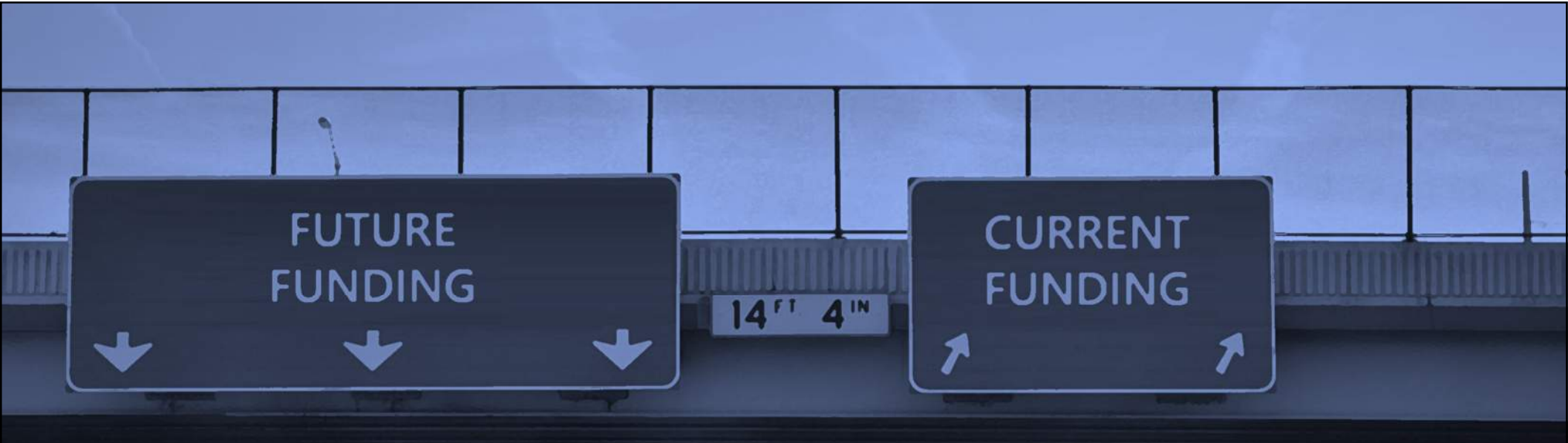


- Private funding
  - Some sectors of transportation are primarily privately funded, such as freight railroads, major airports, and intercity bus
  - Some ferries are primarily privately funded
  - Many local subdivisions. For example, Homeowners Association (HOA) Fees
  - Developer fees/exactions
- Tolling - see map at right
- Earmarks outside the state transportation budget



*\*U.S.-side Blue Water Bridge toll revenue is included in the state transportation budget. All others are not.*

Bottom Line: Aside from state and local transportation funding mechanisms described elsewhere, transportation is also funded in Michigan through private sources, tolling, and earmarks outside the state transportation budget.



## Nuanced Questions





# 11. What about semis that register and get fuel out of state?



- Most large commercial vehicles that travel in multiple states/providences (48 states, DC, most of Canada) are required to enroll:
  - International Registration Plan (IRP) -receive "Apportioned" plate from base jurisdiction
  - International Fuel Tax Agreement (IFTA) - receive IFTA decal from base jurisdiction
- A clearinghouse distributes registration and fuel tax revenues based on miles traveled in each jurisdiction



Sources:  
• [https://upload.wikimedia.org/wikipedia/commons/c/c4/Michigan\\_Apportioned\\_License\\_Plate.jpg](https://upload.wikimedia.org/wikipedia/commons/c/c4/Michigan_Apportioned_License_Plate.jpg)  
• <https://moini.net/app/ifta.html>

Bottom Line: Personal cars that are registered and buy gas out of state can travel on MI roads without paying MI taxes. However, most semis are required to enroll in a program that distributes registration and diesel taxes based on where the semi travels in the U.S. and Canada.



# 12. Isn't the main issue that Michigan allows really heavy trucks?

- Michigan allows trucks weighing up to 164,000 lbs. The typical national Interstate weight limit is 80,000 lbs. There are also exceptions in other states
- Studies have found pavement damage is not directly related to total weight, but to axle loadings. Michigan requires additional axles on heavier trucks
- Potential concerns (below) can be addressed with proper design and maintenance (and funding!):
  - Concrete concerns at joints
  - Asphalt can have rutting concerns without adequate design and maintenance
  - Challenge with dynamic loadings in deteriorated pavements
- Industries such as gravel and agriculture have invested in heavier trucks to take advantage of efficiencies. Bridge design standards also consider heavier trucks.



Example of Michigan transportation funding-related news story highlighting heavy trucks in its main picture.

2022 Truck Registrations  
(Of total 111,500 trucks):

41% Under 26,000 lbs.

25% Between 26,000 and 80,000 lbs.

4% Between 80,000 and 145,000 lbs.

2% Between 145,000 and 164,000 lbs.

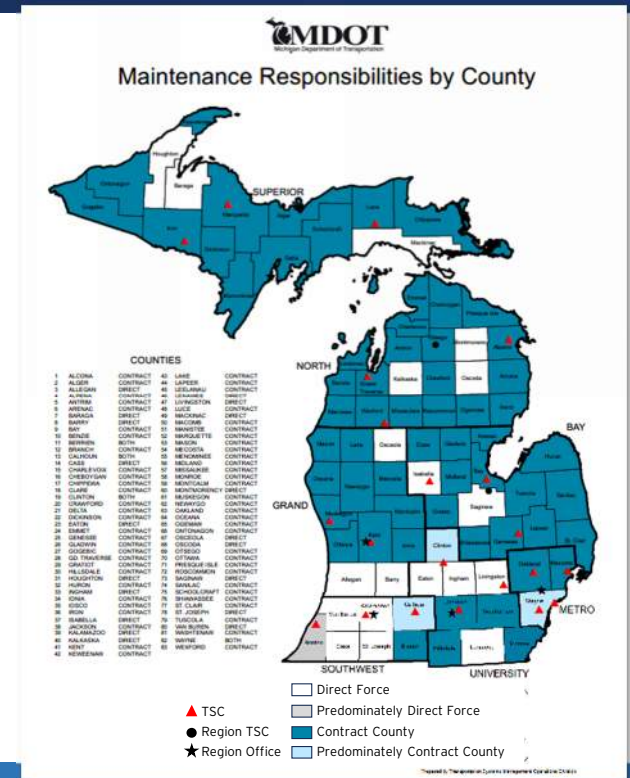
28% Michigan-based International Registration Plan

Bottom Line: Higher weight trucks with more axles resulting in similar per axle loadings do not cause additional deterioration on properly designed and maintained roads and bridges. Thus, concerns with allowing higher weight trucks can be a distraction from funding discussions.

# 13. Does MDOT snowplow all its roads?



- MDOT roads are maintained by MDOT in 20 counties
- MDOT contracts road maintenance in the 63 other counties to the local county road agency
  - Contracts generally include snow & ice removal and maintenance of road surface, culverts, drains, signs, and roadside features
  - Sometimes also include some bridge repair and maintenance of pump stations and signals

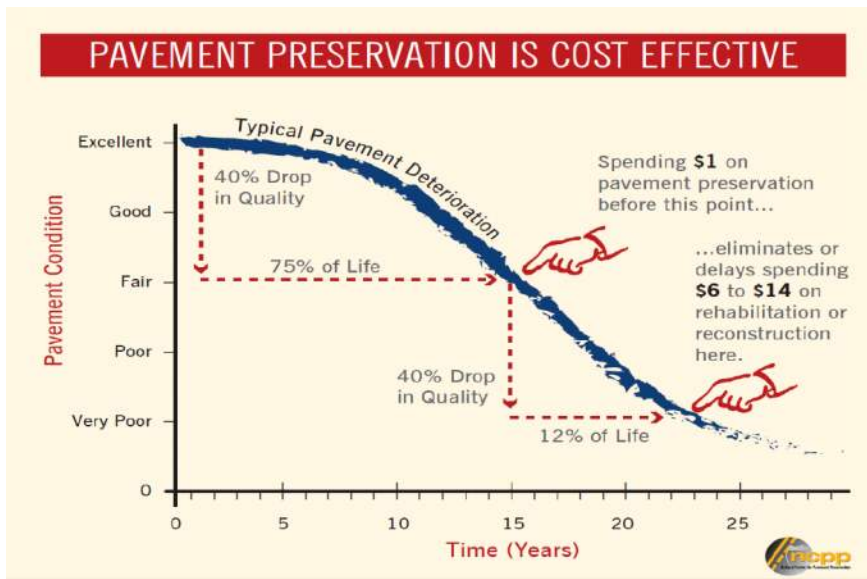


Bottom Line: MDOT road ownership does not necessarily mean that MDOT is the agency maintaining a road, including related to snowplowing. MDOT contracts out maintenance of its roads to the local county road agency in 63 of the 83 counties in Michigan.



# 14. Shouldn't we fix our worst roads first?

- Why are agencies working on roads that appear to be in good condition? Taking solely a "worst first" approach would quickly create fiscal challenges.



**MDOT**  
TALKING MICHIGAN TRANSPORTATION

**Talking Michigan Transportation**

**Determining which roads to fix**

APRIL 05, 2024 MICHIGAN DEPARTMENT OF TRANSPORTATION SEASON 6 EPISODE 176

00:00 | 24:23

Source: <https://talkingmitransportation.buzzsprout.com/>

Bottom Line: Especially during times of limited funding, it is more efficient in the long run to spread available funding on preservation of many roads in fair condition rather than significant investment in fewer roads in poor or very poor condition.

# 15. Isn't a lot of our current funding wasted?



- Michigan and MDOT are recognized as a national leader in monitoring and managing infrastructure condition (“asset management”) and delivering construction projects
- We should always advocate for new efficiencies and process improvements, but we have a big problem in Michigan with transportation funding
- The State Trunkline Fund has an 8% administrative expense limit in law

**TRANSPORTATION**  
**Reality Check**

<b>Myth #3:</b> Road crews just throw some asphalt in potholes to fix them. They need to fix them right the first time so it lasts!
<b>Reality:</b> Pothole patches are just that – a patch. A true fix will require much more.
<b>Myth #5:</b> Michigan needs to learn how to build roads that last, or MDOT needs to hold contractors responsible when repairs don't hold up.
<b>Reality:</b> Michigan follows national design and construction standards, and is a leader in roadwork warranties. Several other factors are to blame for our crumbling roads.

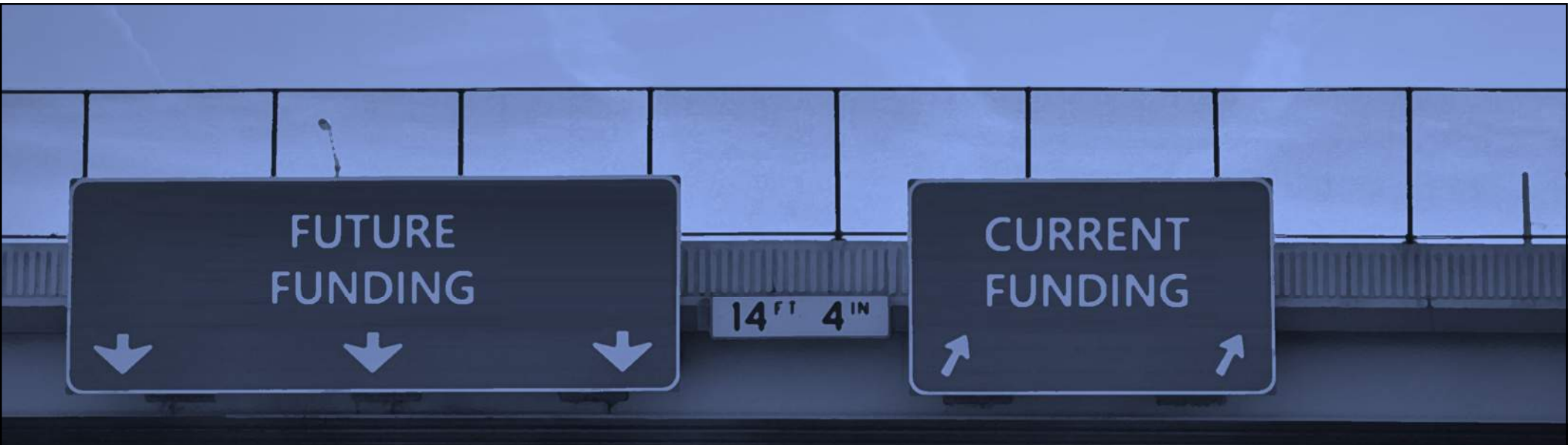
From MDOT's "Reality Check" series:  
<https://www.michigan.gov/mdot/news-outreach/reality-check>

The best way to prevent potholes is to keep roads in better condition in the first place. That will require far greater investment than we're making today.

MDOT can and does build quality roads, but Michigan's current investment in transportation doesn't support much more than short-term fixes for our aging system.

Bottom Line: MI is recognized as a national leader in asset management and delivering projects. While looking for better efficiency should always occur, many perceived transportation inefficiencies in MI are due to insufficient funding – not wasted resources.





## Historical Questions





# 16. Has funding kept up with costs?

- Price inflation
- Older assets are often more expensive to maintain
- More regulation, planning, and permitting than in past

1960 average  
new home cost:  
\$16,500



Home maintenance  
cost 1-4% of home  
value annually  
(increases with age)

Or do nothing:



Current average  
home addition  
cost: \$52,000



Sources: [www.1960sflashback.com](http://www.1960sflashback.com), <https://www.homeadvisor.com/cost/additions-and-remodels/build-an-addition/>



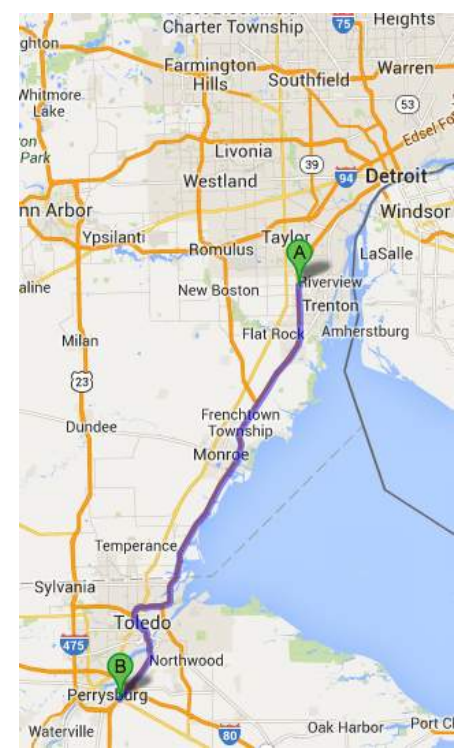
# 16. Has funding kept up with costs?



- Example: Detroit-Toledo Expressway (I-75)
  - 1959: 52 miles open, \$65M



- Mid 2000s: 24 miles rehabilitation, \$13.5M
- 2015: 2.5 miles reconstruction N. of Monroe, \$70M
- 2022-24: 4 miles reconstruction S. of Monroe, \$126M

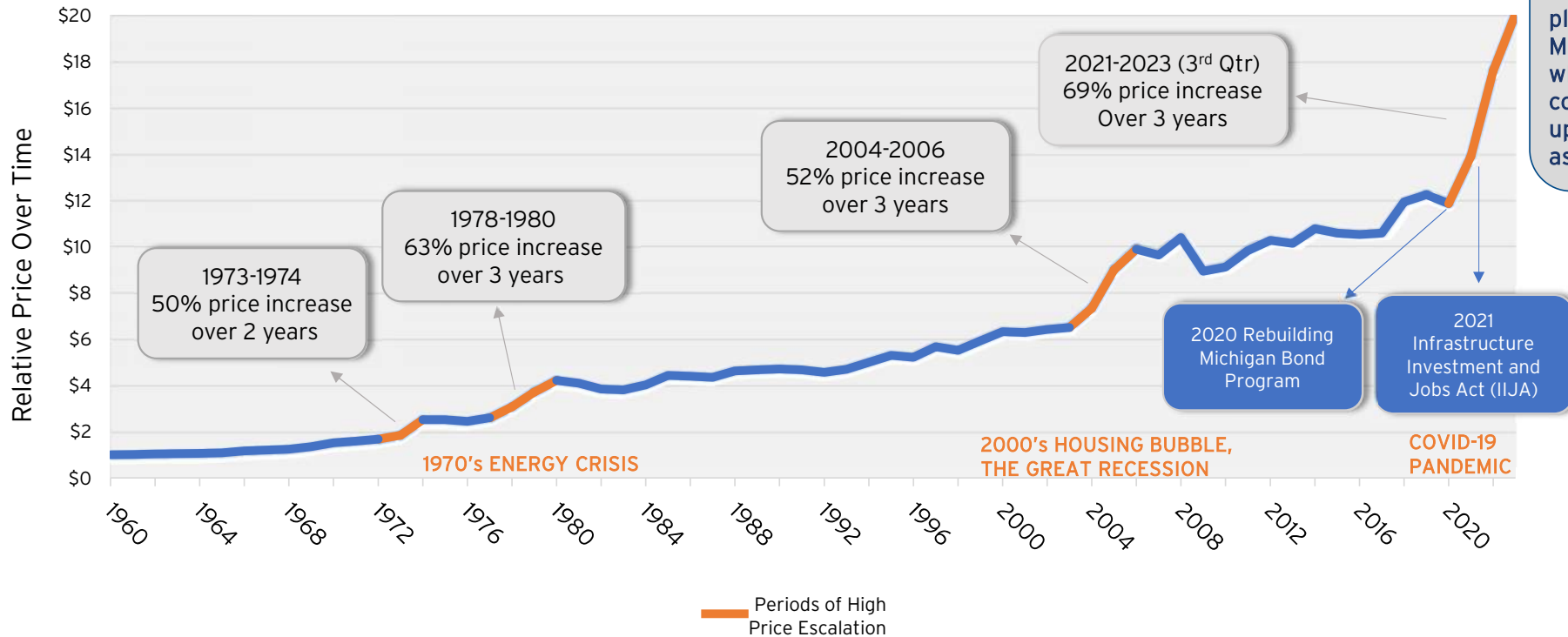


Sources: Toledo Blade 5/22/1959, MDOT press release 9/6/2005, SEMCOG 2014-2017 TIP Project List, Michigan.gov

# 16. Has funding kept up with costs?



## National Road Construction Price Index

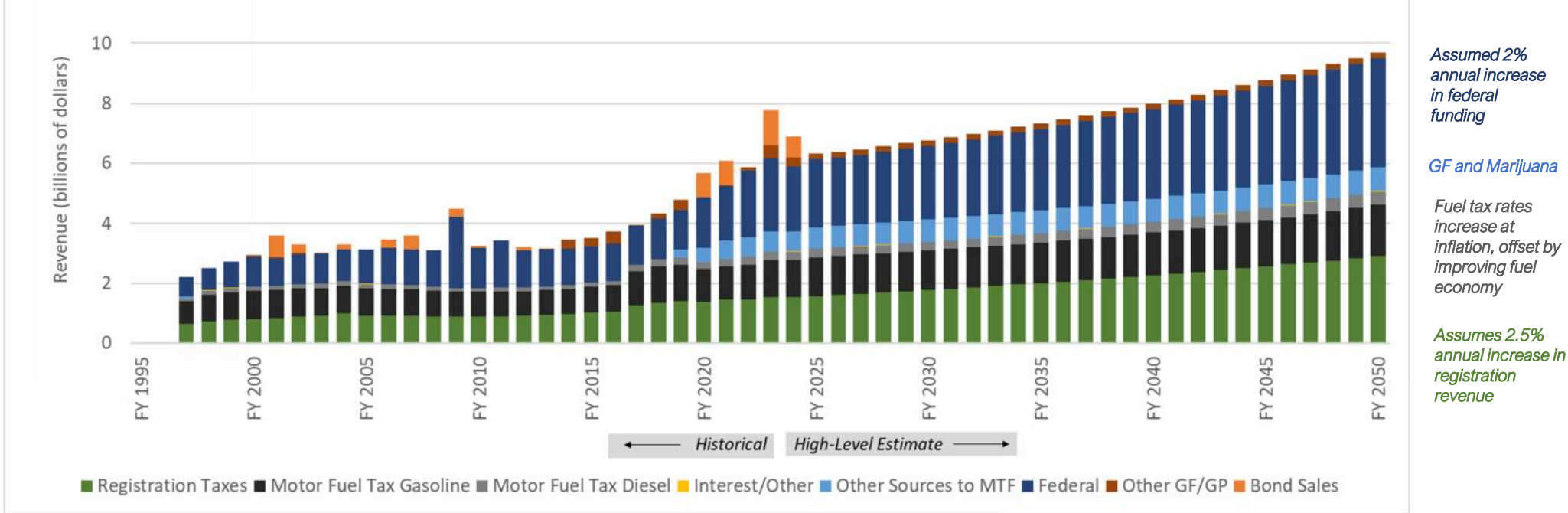


Source: Analysis of Federal Highway Administration current National Highway Construction Cost Index (NHCCI) and previous Bid Price Index (BPI)



# 16. Has funding kept up with costs?

### State-Level Transportation Revenue Before Act 51 Distributions - *Not adjusted for construction price inflation*

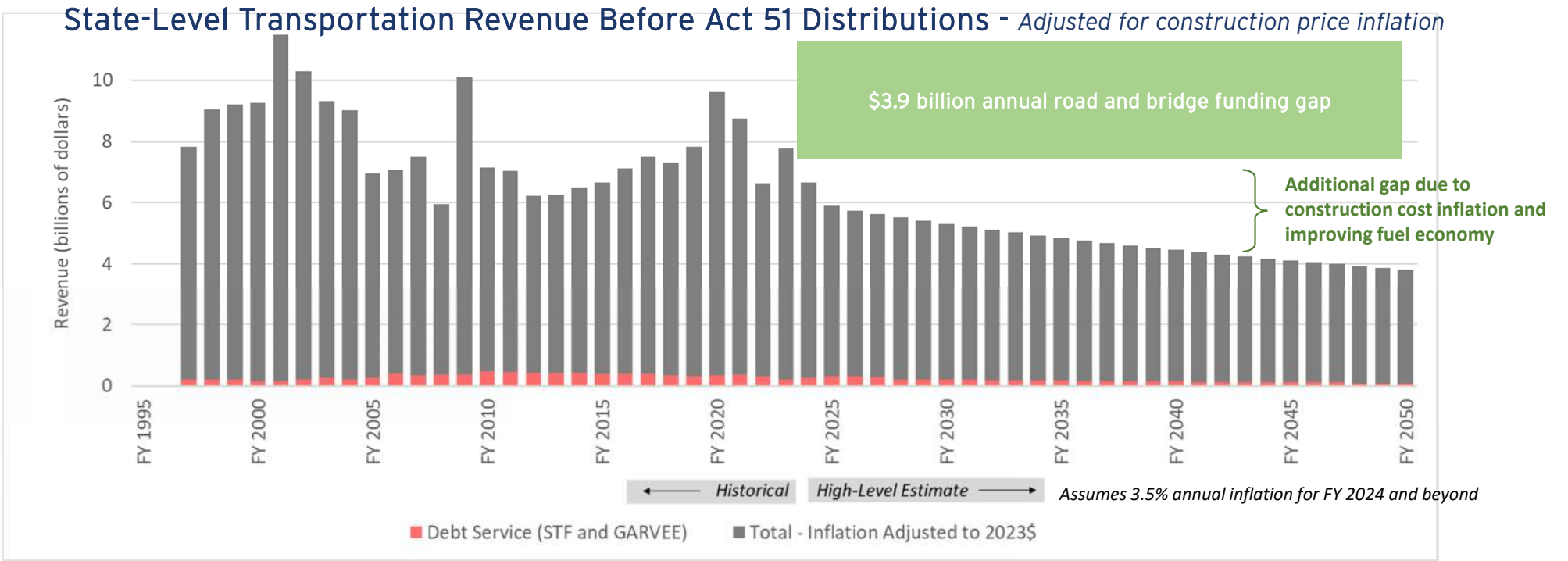


Notes: Analysis above does not include local revenue and other state restricted revenue as included in the state transportation budget. Bond sales are shown for illustrative purposes





# 16. Has funding kept up with costs?



Bottom Line: Since 1960, costs have increased due to aging assets, additional regulation, and inflationary pressures. Drastic increases since 2020 have been due to material supply challenges and recently due to labor and other market challenges. Revenue has not kept pace.

# 17. Don't we pay more for transportation than past generations did?



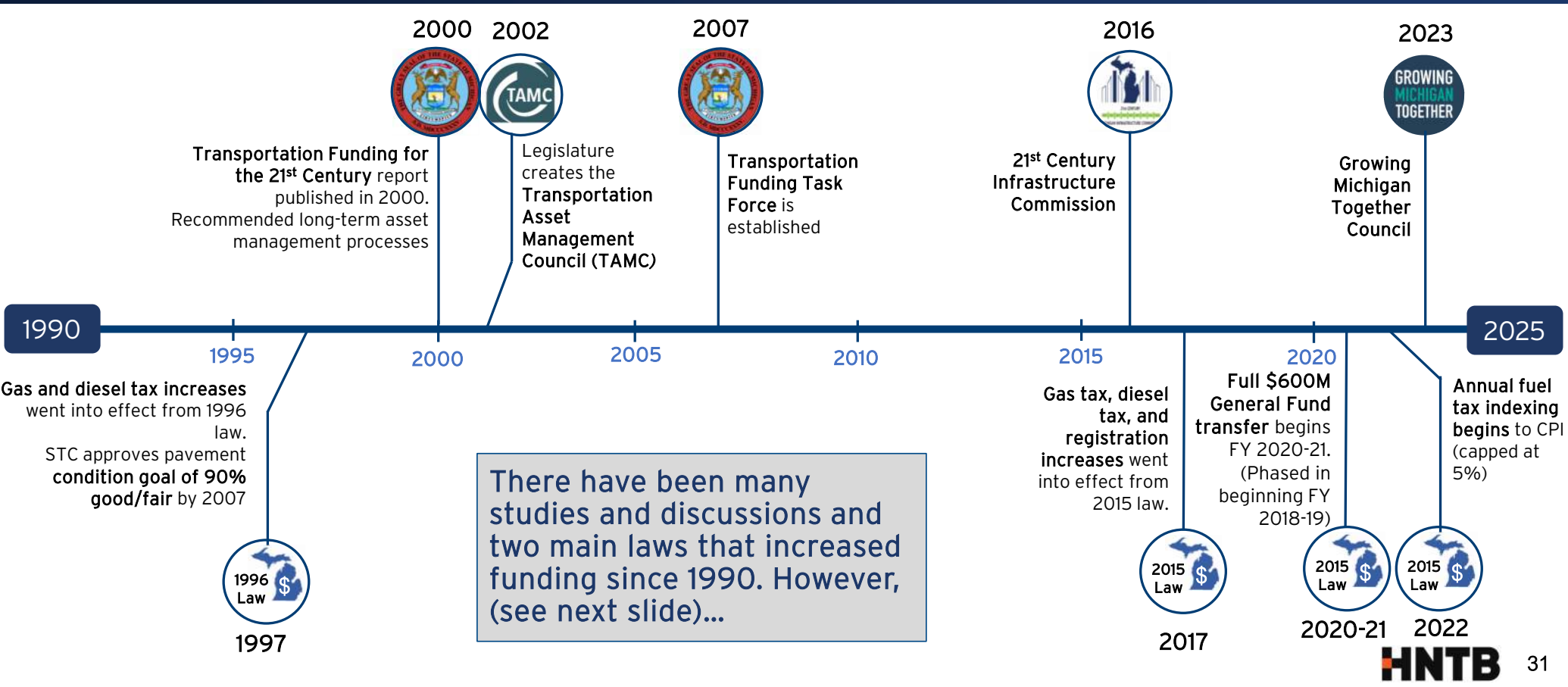
- An estimate of what an average household paid for per gallon gas taxes and vehicle registration in 1960 compared to 2023 is shown below:

Year	Median Family Income [B]	Miles Per Year Per Car [C]	Miles Per Gallon [D]	Gallons Per Year Per Car [E] = [C] / [D]	Registration Per Car [F]	State Gas Tax Rate (per gallon) [G]	Federal Gas Tax Rate (per gallon) [H]	Total Expenses Per Year Per Car [I] = [F] + [E] * ([G] + [H])	Cars Per Household [J]	Expenses Per Household [K] = [I] * [J]	Gas Tax and Registration Share of Income [L] = [K] / [B]
1960	\$5,620	10,000	15	667	\$14	\$0.060	\$0.040	\$81	1.1	\$89	1.6%
2023	\$96,000	15,000	25	600	\$135	\$0.282	\$0.184	\$415	1.8	\$746	0.8%

Bottom Line: In the 1960s, households put twice the share of their income toward gas and registration taxes compared to today. This resulted in significantly more potential for transportation investment compared to today.



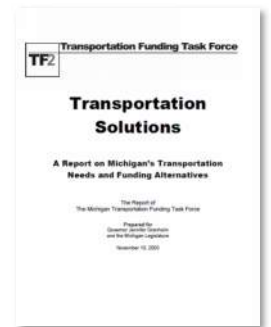
# 18. Didn't we fix the funding problem back in ....?





# 18. Didn't we fix the funding problem back in ....?

- 1976 Michigan Highway Program report: "The 1 ½ cent a gallon increase [portion of total 2 cent increase for roads and bridges] was not sufficient to place much of a dent in the needs."
- 2008 Transportation Funding Task Force report: "...if Michigan's transportation system is to continue to serve the state adequately, our investment in transportation must increase significantly."
- 2016 21<sup>st</sup> Century Infrastructure Commission report: "The solid, scientific asset management data on declining road and bridge condition in Michigan means that an undeniably large investment will be needed..."
- 2024 Growing Michigan Together Council report: "Our road infrastructure network will continue to be a liability to our future economic mobility until the state can identify a long-term, sustainable solution that properly maintains our roads and depends less on gasoline sales."



Bottom Line: Past increases, including from the most recent 2015 funding package, did not fully address transportation needs. Recent factors including improving fuel economy, aging infrastructure, low population growth, and rapid inflation are compounding the challenges.

# 19. Didn't recent bonding solve the funding problem?



- \$3.5B Rebuilding Michigan Bond Program
  - Announced Jan. 2020 after “Fix the Damn Roads” discussions in 2019
  - Remaining unsold bonds: \$700M
  - After remaining bond sales, bond payback will be about \$250M per year
  - Most projects are major reconstruction or replacement
- Since 1983, MDOT has sold State Trunkline bonds totaling \$4.4B in original principal under gov’s Blanchard, Engler, Granholm, Snyder, and Whitmer



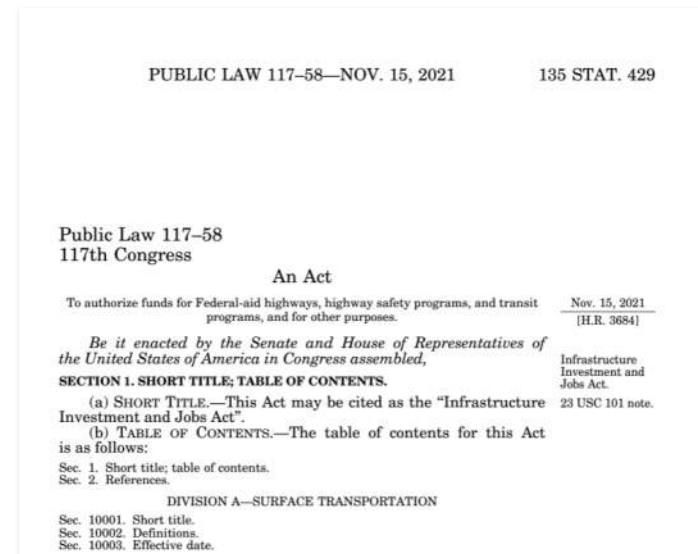
Bottom Line: The last five Michigan governors have used bond debt to pay for major projects needed right now. However, there is a limit to what can be drawn from future programs to pay back the debt. Bonding is financing, not funding – bonds need to be paid back.



# 20. Didn't recent federal funding solve the problem?

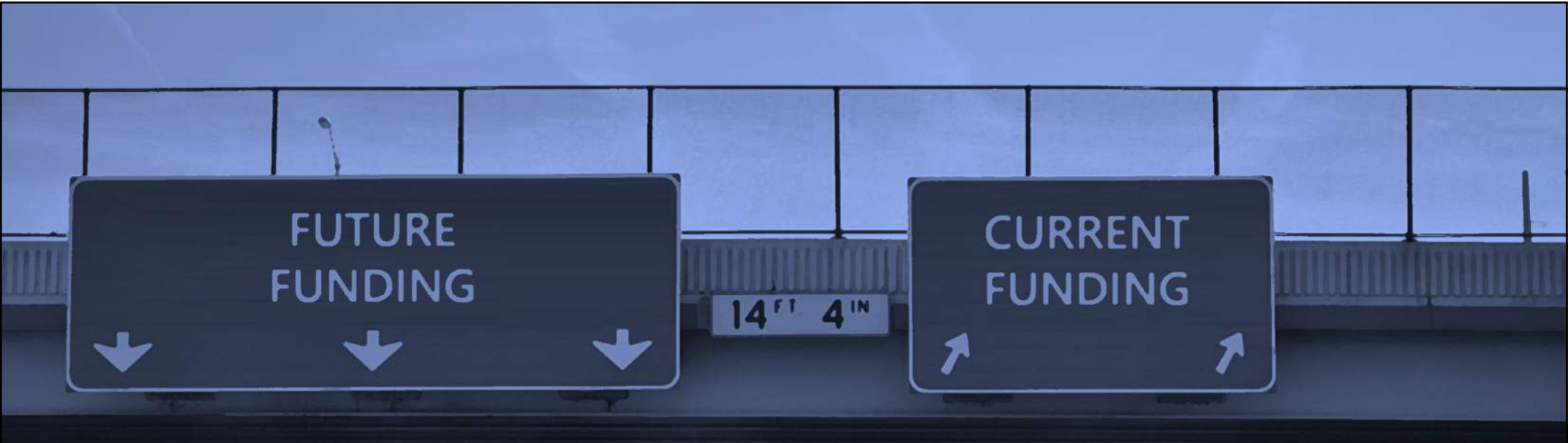


- \$1.2 Trillion Infrastructure, Investment and Jobs Act (IIJA) also known as Bipartisan Infrastructure Law (BIL) was passed in November 2021 (for FY 2022-2026)
  - Continues series of multiyear federal bills that provide transportation funding, most recently FY 2016-2020 "FAST Act"
- Funding comparison for transportation:
  - FAST Act "apportioned" per year to MI: \$1.12B
  - IIJA "apportioned" per year to MI: \$1.45B = **30% increase**. This amount does not include competitive grant programs which also increased in IIJA
- Grants are not guaranteed and require significant strategic effort



<https://www.congress.gov/bill/117th-congress/house-bill/3684/text>

Bottom Line: Recent price increases have eroded the funding increases in the Federal transportation bill. Also, a larger share of federal funding is associated with competitive grants instead of predictable formula funding, making long-term planning more difficult.



## Future Questions



# 21. How much funding do we need?



- Statewide annual needs:
  - 2008 Transportation Funding Task Force: \$3.7 billion additional for “Good” investment scenario for aviation, roads, bridges, transit, and freight
  - 2016 21st Century Infrastructure Commission: \$2.6 billion investment gap for roads, bridges, and multimodal
  - 2023 MITA: Michigan is underfunding its road and bridge system by \$3.9 billion
    - About \$390 per capita, \$980 per household
- County-specific annual needs:
  - 2024 County Road Association: \$2.4 billion additional funding for county road and bridges

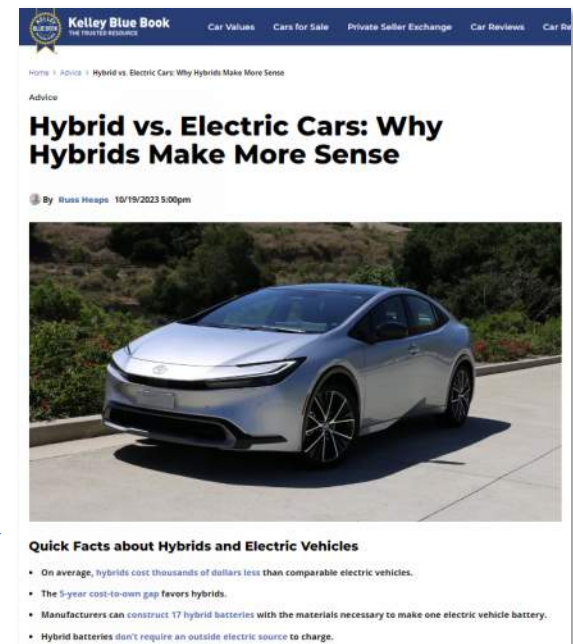


Bottom Line: The most commonly referenced MI funding need estimate is an additional \$3.9 billion per year for MI roads and bridges. This is from a March 2023 report by Public Sector Consultants prepared for the MI Infrastructure and Transportation Association (MITA).

## 22. What is the funding challenge with electric vehicles?



- Michigan has electric vehicle (EV) registration surcharges to help offset fuel tax losses
- Study by Anderson Economic Group (Nov. 2022) estimated impacts due to EVs by 2030:
  - About \$40M annual gas tax losses on federal Highway Trust Fund
  - About \$25M annual losses on Michigan Transportation Fund (gas tax losses partially offset by registration surcharges)
- A separate study indicated EVs may be paying more in base registration fees to further offset losses
- More significant risks if market shifts to hybrids (plug in and non-plug in) instead of EVs

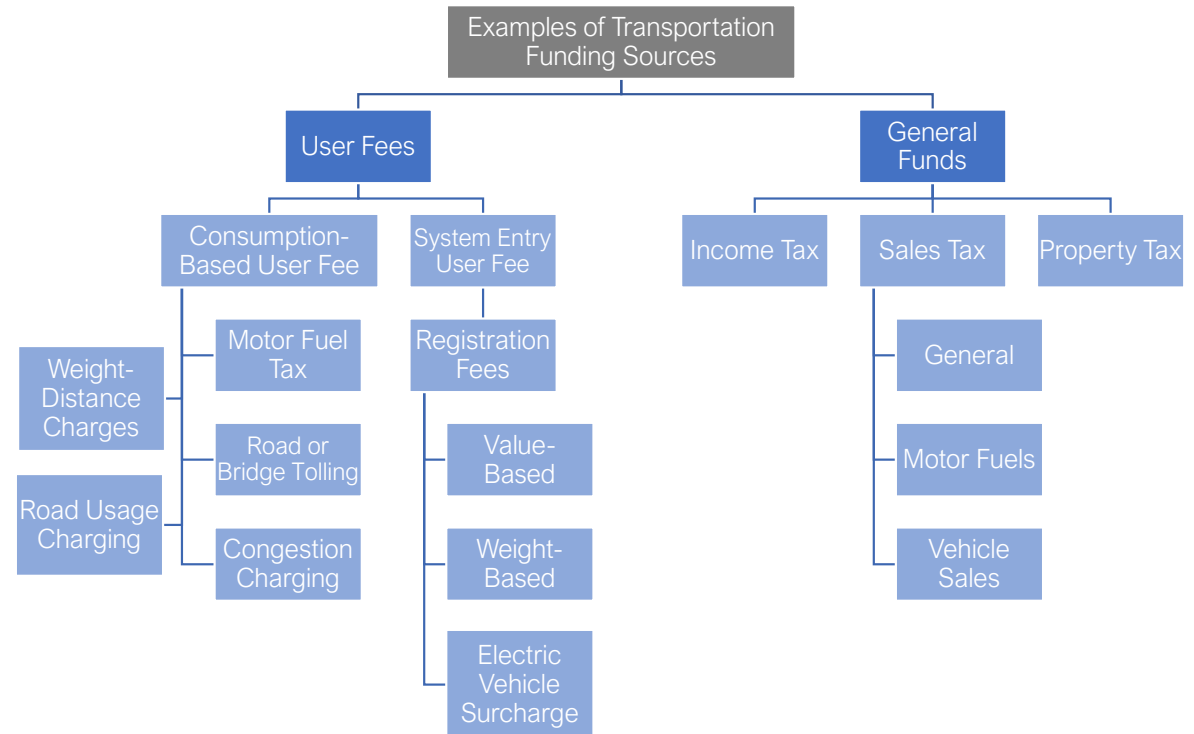


Bottom Line: MI's registration fees and surcharges for electric vehicles cover a large portion of their lost fuel tax revenue. However, significant fuel tax revenue losses are still occurring as fuel economy improves for internal combustion and hybrid vehicles.

# 23. Should we pay more based on how much we drive?



- Perspectives:
  - People and companies directly using the system are the ones who should pay (user fees)
  - Society as a whole benefits so everyone should pay (general funds)
- User fees: Value of having a dedicated funding stream for our most valuable infrastructure assets



Bottom Line: Different perspectives on user fees are common, especially for mature transportation systems. Support is typically highest when associated with initial construction of new facilities. Support is mixed for user fees to maintain or reconstruct existing systems.



# 24. What is Road Usage Charging?



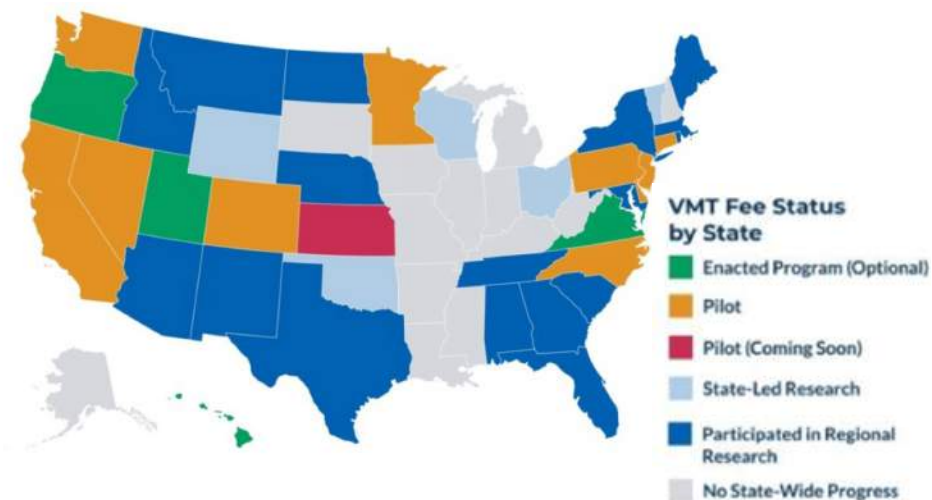
- Road Usage Charging (RUC) is also known as Vehicle Miles Traveled (VMT) Fees or Mileage Based User Fees (MBUF)
- Small scale RUC programs are in place in HI, OR, UT, and VA. Currently, all these programs are optional to drivers
- MDOT has started a RUC research project and is pursuing other federal grants for a RUC pilot

## Five RUC Challenges

1. Gap in public understanding on amount paid and the value of transportation
2. Privacy concerns
3. Equity concerns
4. High collection/administration costs
5. In-state versus out-of-state drivers

Statewide Enacted Programs, Pilot Programs, & Research as of Aug 2023

As Compiled by the Eno Center for Transportation



Bottom Line: Road Usage Charging (RUC) considers direct per mile charges for drivers to fund transportation. Four states have small-scale, optional RUC programs, and many other states including MI are researching RUC. One key challenge is being researched is collection costs.



## 25. What are ideas for increasing transportation funding in Michigan?

- Do more of what we are already doing with increases on:
  - Fuel taxes
  - Registration taxes
  - Income tax (general fund) transfer
  - Marijuana tax
  - (Local) Property tax
- Growing our population:
  - Growing population increases existing revenues and tends to increase support for new revenues
  - Growing Michigan Together Council findings
  - “Infrastructure age is the age of the last population boom”



# 25. What are ideas for increasing transportation funding in Michigan?



## • New ideas:

1. Vehicle registration surcharges for high MPG vehicles: VA →
2. Resident-advantage fuel tax increases: MO and SC
3. Sales taxes for transportation including local option sales taxes: Many states



- 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 a per mile road usage charge in lieu of the once-a-year surcharge. The Mileage Choice Program does not distinguish between in-state and out-of-state travel.

*The Virginia “Highway Use Fee” would help offset gas tax losses from all high mileage vehicles.*

# 25. What are ideas for increasing transportation funding in Michigan?



- New ideas (cont.)
  4. Major tolling projects or programs: Many states
  5. Retail delivery fees for transportation: CO and MN
  6. Road usage charging
    - All vehicles (see question #24)
    - Weight-mileage fee for heavy vehicles only. Similar to programs already in CT, KY, NM, NY, and OR
  7. Excise tax per kilowatt hour for EV charging stations: 8 states
    - Minimal revenue potential at this point

### States Talk Toll Roads

KALAMAZOO, Mich., Jan. 13 (AP)—Officials of four states gathered here today to try to co-ordinate plans for a network of interconnecting toll roads.

William E. Slaughter, Jr., of Detroit, chairman of the Michigan toll road authority, called the session. He invited toll road authorities in Indiana, Illinois and Wisconsin to join in the conference.

Of the four states, only Indiana now has a toll road program actually under way. A bond issue recently was floated there to build a toll highway across the northern border of the state. It would connect with the proposed Ohio toll road, which in turn would be linked with the Pennsylvania turnpike.

Illinois is considering a plan to continue the Indiana segment westward into Chicago and on to Davenport, Ia.

There also is a possibility that another link would carry from the Wisconsin-Illinois border into St. Paul, Minn.

Michigan is considering a toll road from Ypsilanti to connect with the Indiana segment south of New Buffalo. Another proposed toll road would connect with the planned Ohio highway at Toledo and run northward to Detroit and on to Bay City.

### Network of Toll Roads Under Study

KALAMAZOO, MICH. (AP)—A coast to coast network of fast, safe toll roads is envisioned by Midwestern turnpike authorities.

And they intend to make a fight of it, if necessary, to keep such a vast highway program from federal regulation and control.

Meeting here Wednesday, a score of officials from four Midwestern states and Florida laid the groundwork for a tightly-knit organization designed to keep the inter-connecting state toll road system in state hands.

**Uniform Rates**

The group agreed that such an organization would be the only alternative to federal regulation if uniform toll rates, traffic regulations and the like are to be set up.

Evan Howell, chairman of the

The Spencer Daily Reporter, Thursday, January 11, 1951

Illinois Toll Highway Commission, was supported in saying that all states should join in a campaign for uniformly and strict state control.

"There is no question," he said, "but what we're headed toward is a nation-wide system of toll roads from New York to California."

"Eventually we'll have a federal toll road commission unless we have a strong organization of toll road authorities in the various states."

He added:

"The day the first federal dollar comes into the toll roads you'll get federal regulation."

Officials of turnpike commissions in Michigan, Indiana and Ohio voiced similar sentiments.

At Howell's invitation, the officials agreed to meet in Chicago within the next few months to make more definite plans for a national Representative from all states with turnpike- under construction or on the drawing boards will be invited.

**Network Seen**

Press reports detailed ultimate network of connect turnpikes extending north to Bay City, Mich., and Minneapolis, eastward to the Pennsylvania state line, southward Cincinnati and westward Davenport, Iowa.

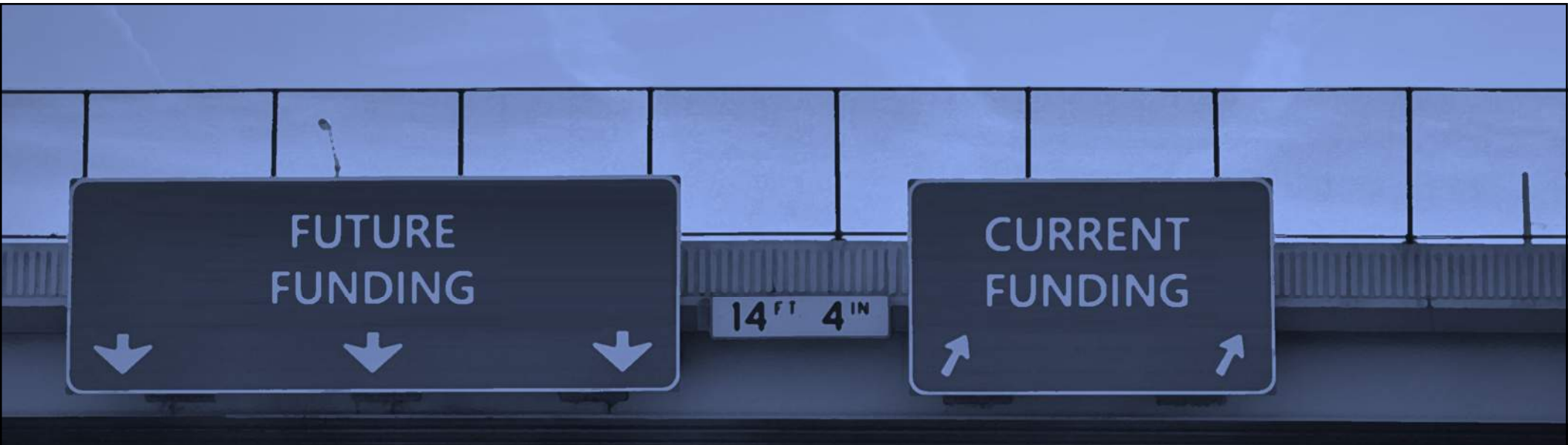
Charles P. Smith, executive assistant to the Ohio Turnpike Commission, pointed out that these Midwestern routes would connect with other actual planned toll roads extending far beyond.

Lansing State Journal  
1/13/1954

Spencer Daily Reporter  
1/11/1954

A "new" old idea:  
A toll road system was once considered for Michigan. Example news articles are shown.

Bottom Line: To increase transportation revenue Michigan could increase existing taxes and fees and/or implement new ideas from other states. Most states (and also MI in 2015) that have increased revenue in recent years implemented a combination of several ideas.



Thank you! Questions?



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