Submitted by the Office of Lt. Gov. Calley

RESPONSE TO MIRS BREAKING NEWS

October 4, 2011

In light of the recent "breaking news" from the Bridge Company, attached are talking points of the $550 million Canadian contribution, the anticipated match dollar break down per year, along with the letter from the Feds stating that the Canadian contribution can be used for federal match.

Key points:

1) The FHWA is allowing Michigan to use Canadian funds spent on the interchange to count as its portion of match to draw down federal funds. This match will be applied to the highway side that will see a 4 to 1 match. This means 4 federal dollars for every "dollar" match.
2) The administration has *never* said the $2.2 billion match will be a lump sum. When the Canadian contribution is spent throughout the timeline of the project, then Michigan will see the federal dollars. It has always been anticipated and conveyed that the draw down will be approx. $50 million the first year (drawing down $200 million of federal funds) and $100 million every year for the next 5 (drawing down $400 million a year) totaling $2.2 billion over the course of the project; never a lump sum.
3) Anyone in state government knows that MI has recently struggled to meet the federal match. Has Michigan met it? Yes. Will Michigan continue to meet it? Yes. However, receiving the $550 million Canadian contribution will help avoid raising gas taxes and/or cutting additional state programs in order to receive the federal 80/20 match.
4) Contrary to the assertion that the $2.2 billion would go to the bridge, the money will actually be spent on already approved road projects all over the state that are outlined in the five-year MDOT plan.

It was also mentioned in the article that no one has countered the Conway study on the $100 million cost to MI Taxpayer. Attached is a public document that has been provided to many legislators that address the myth.

Talking Points for the $550 million Canadian New International Trade Crossig NITC Investment

February 10, 2011
Updated September 27, 2011

- Canada has pledged $550 million for NITC Project components in Michigan. This investment would be used for real estate purchases, utilities work, and construction of an I-75 Interchange and local road improvements.

- MDOT and FHWA have agreed to allow the use of the Canadian pledge of $550 million for the NITC to be used as matching funds for a program of federally funded highway projects across the state.

- The federal matching funds will support critical projects that are part of the MDOT Five-Year Program.

- Even with the FHWA agreement to allow the $550 million investment to be used to match federal aid, MDOT is still unable to maximize federal highway funds through 2016. The department is pursuing other budget related funding mechanisms in order to free-up the necessary matching funds.

- Every $1 of the $550 million Canadian investment leverages $4 in federal highway funding. Therefore, the $550 million would allow Michigan to capture an additional $2.2 billion in federal aid.

- The $550 million Canadian investment would allow MDOT to match federal funds that would otherwise go unmatched. It does not increase the overall federal highway dollars available to Michigan.

- Michigan will bear no financial responsibility for the completion of design, right-of-way acquisition, construction, or operation of the NITC bridge and associated projects.

- Canada's $550 million offering is an investment in the project. It is not a loan to Michigan. It creates no new debt for Michigan and no new taxes. Michigan taxpayers are protected from any liabilities resulting from this project.

- Canada's additional $550 million investment will be repaid from toll revenue generated after the new bridge opens.

- The state of Michigan would bear no responsibility for repayment of the Canadian funding.

MDOT Capital Highway Program
Transportation Funding Estimate

Fiscal Year	Total With $550 Million Canadian Funds (Millions)	Total Without $550 Million Canadian Funds (Millions)	Additional Funding Made Available (Millions)	*Remaining Unmatched Federal Aid (Millions)
2012	$892.5	$267.5	$625.0	$37.7
2013	$903.4	$278.4	$625.0	$84.1
2014	$866.2	$241.2	$625.0	$137.7
2015	$812.5	$187.5	$625.0	$206.7
2016	$385.2	$135.2	$250.0	$602.4

*Remaining unmatched federal funding will be matched through other budget related mechanisms

This table depicts the Departments anticipated Capital Highway Program amounts by year with and without the Canadian NITC investment, the additional funding (Canadian and Federal) that becomes available as a result of the $550M, and the remaining unmatched federal-aid after using the $550M as programmatic match as agreed to with the Federal Highway Administration.

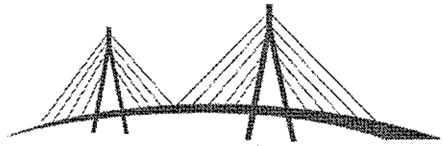
Total With Canadian $550M – This column is the total of State, Canadian, and Federal funding available each year utilizing the FHWA programmatic match agreement.
The state funds includes funding for 100% state funded projects and programs ("M" Program) as well as state funds available to match federal-aid.
The Canadian funding amount each year ($125M in 2012- 2015 and $50M in 2016 to total $550M) is the amount necessary to match all available federal STP funds. In other words we estimate only being able to come up with $500M per year in federal STP funds, so, $125M Canadian would match that $500M in Federal STP.

FY 2012 total broken down by category of funds:
State - $55.6M ($27.7M "M" program and $27.9M available to match federal-aid)
Canadian - $125M (This is the maximum amount we could use each year due to the requirement by FHWA that these funds can only match federal **STP** funds). Note that the Canadian investment amounts by year have changed ($50M 2012 and $100M thereafter) since this slide was developed due to the funding mechanisms being recommended in the Governors budget.
Federal - $711.9M (Total amount of federal-aid that can be matched, state funds leverage at approx. 5.6 to 1 (85/15) while the Canadian funds leverage at 4 to 1 (80/20)
TOTAL - $892.5M

Total Without Canadian $550M – This column is the total of State and Federal funding available each year without the Canadian investment.
FY 2012 total broken down by category of funds:
State - $55.6M ($27.7M "M" program and $27.9M available to match federal-aid) same amount used in the "with $550" scenario
Federal - $211.9M (Total amount of federal-aid that can be matched with our state funds ($158.5M) – historically an 85/15 match ratio) plus federal-aid not required to be matched ($53.4M Garvee payment).
TOTAL - $267.5M

Additional Funding made Available – This column represents the additional funding (Canadian and Federal) made available as a result of the $550M Canadian investment.
This is the calculated difference between the Total with $550M column less the Total without the $550M column.

Remaining Unmatched Federal Aid – The remaining unmatched federal-aid after using the Canadian $550M investment as programmatic match as agreed to with the Federal Highway Administration.
This represents the total amount of federal highway funding obligation authority made available to the department each year less the estimated total amount of federal-aid that can be matched under the "with $550M" scenario.
In FY 2012:
Total F.A. Obligation Authority - $749.6
Total F.A. matchable w/ $550M - $711.9
UNMATCHED F.A. - $37.7



Debunking the $100 Million Myth

The DIBC has spent millions of dollars in false advertising telling Michigan residents that the NITC Bridge will cost Michigan taxpayers $100 million per year.

That is absolutely untrue.

That $100 million figure is from a bogus economic study paid for by the Ambassador Bridge and conducted by the Conway McKenzie firm. According to the study, the NITC project will lose $4.7 billion dollars. That is almost $1 billion more than it would cost to build the entire project on both sides of the border.

Here is why the study is wrong:

Conway McKenzie Claim: *The tolls would have to cover the cost of $3.5 billion spent on both sides of the border.*
Truth: The tolls only have to cover the $949 million in private investment. Once that is paid off, they would repay the $550 million to the Canadian government. All other expenditures on the Canadian side are appropriations from the Canadian and Ontario governments and are not paid back with toll revenue.

Conway McKenzie Claim: *The tolls must pay back the $3.5 billion in 25 years.*
Truth: The legislation proposed by Senator Richardville allows for 45 years to pay-off the private investment ($949 million) and the Canadian contribution ($550 million) The study also over estimates the interest rates for both the private financing and the repayments to Canada.

Conway McKenzie Claim: *Michigan will have to cover any shortfalls from tolls to make payments for investment loans or contributions.*
Truth: Canada has guaranteed that they will cover any shortfall between revenues and costs. The legislation prohibits the state from incurring any liability.

Conway McKenzie Claim: *It will cost Michigan taxpayers $100 million per year.*
Truth: This is absolutely untrue. The $100 million dollars is a convoluted formula made up of hypothetical numbers from the bogus Conway study ($70 million yearly cost to state). It then adds theoretical lost revenue from the Blue Water Bridge and Detroit-Windsor Tunnel, and the lost tax revenue from the Ambassador Bridge (figured at a 40% tax rate). And then it adds on property taxes and income taxes from the Delray area. Shifting revenues from one publicly owned crossing to another is not a loss. The DIBC certainly does not pay 40 percent tax rate to the state and the Delray residents will be relocated - not eliminated.