



**House  
Legislative  
Analysis  
Section**

Washington Square Building, Suite 1025  
Lansing, Michigan 48909  
Phone 517/373-6466

**TRANSPORTATION FUNDING**

**RECEIVED**

Senate Bills 152 (H-3) and 495 (H-1)  
First Analysis (11-18-87)

DEC 10 1987

Sponsor: Sen. Connie Binsfeld  
Senate Committee: State Affairs, Tourism and  
Transportation  
House Committee: Transportation

Mich. State Law Library

**THE APPARENT PROBLEM:**

There are several problems facing the state transportation system. Among these are: the current state of disrepair of Michigan's highways, roads, streets and bridges; the difficulty of obtaining needed funds for transportation projects vital to economic growth and re-industrialization; and the lack of flexibility of local units of government to obtain funds. At the same time, the cost of maintaining transportation programs continues to escalate. A key issue in the financing of state transportation programs is how to achieve the desired goals with limited resources. The bulk of funding for transportation has come from the Department of Transportation's share of state weight and fuel taxes. Many feel that the option of raising the gas tax to obtain additional revenue would be unwise, saying that it would put the state at a disadvantage in competing with neighboring states for gasoline sales. Combined with the sales tax, Michigan currently ranks among the top five states with the highest tax on gasoline sales. Some say that alternative ways to pay for road construction and other transportation needs must be found, and that instead of relying on a gas tax increase, new revenue sources should be found and existing sources should be updated.

**THE CONTENT OF THE BILLS:**

Senate Bill 495 would allow the state transportation commission to fund projects for development within rural counties. The first \$5 million in transportation fund revenue credited to the transportation economic development fund (economic development fund) available under the bill would be distributed to each qualified county in a percentage amount equal to the proportion of acreage of commercial forest, national park, and national lakeshore land in each qualified county to the total of such acreage in those counties. At least 25 percent of the amount of Michigan transportation fund (MTF) and general fund revenues credited to the economic development fund and at least 15 percent of any 85 percent federal minimum floor funds would have to be distributed for the improvement of rural primary roads in rural counties, and major streets in cities and villages with a population of 5,000 or less. The balance of the funds distributed under the bill would be allocated by the Department of Transportation (MDOT) to each county on the basis of rural primary mileage in counties with populations under 400,000. Matching funds of at least 25 percent of the total eligible costs of a project would be required for projects authorized under the bill.

The regional rural primary task force which represented each county would make recommendations to the economic development board of trustees for projects within the counties' regions. If a county failed to submit sufficient qualified projects to obligate its allocation after three consecutive years, its funds would be reallocated to the remaining counties in the same regional rural primary task

force area. Regional task force areas would coincide with the boundaries of the fourteen state planning and development regions. In a regional rural primary task force area that was composed of five or more counties, subtask forces of two or more of the counties could be formed with the approval of the primary task force.

A regional rural primary task force would be composed of a representative of each county road commission within the regional area plus an equal number of representatives from cities and villages with a population of 5,000 or less within the regional area, and a representative from the economic development board of trustees.

Projects selected by a regional rural primary task force would have to be on the federal aid secondary system and on hard surface roads unless otherwise waived by the regional rural primary task force. Construction on projects would have to be up to all-season standards and funds for projects could only be used for physical construction and would not include costs of right-of-way acquisition and engineering. The economic development board, through MDOT, would administer the programs and projects authorized under the bill in the same manner as the current local federal aid secondary program.

The bill is tie-barred to Senate Bills 152, 154, 156, 157, 321 and House Bill 4735.

Senate Bill 152 would amend the Michigan Vehicle Code to raise certain fees as follows:

Fee	Present Cost	Proposed Fee
<u>Transfer of title fees:</u>		
penalty fee for a late transfer	\$ 5	\$15
transfer fee for vehicles used for school activities and by certain nonprofit organizations	\$ 2	\$10
fee for moped transfer	\$ 2	\$10
fee for registration transfer	\$ 2	\$ 6
<u>Title fees:</u>		
application fee for certificate of title	\$ 2	\$10
application fee for salvage certificate of title	\$ 5	\$10
title of junk vehicles	\$ 4	\$ 5
<u>Registration fees:</u>		
per pound fee for trailer registration	54 cents	76 cents
registration fee for trucks with a gross vehicle weight (gvw) up to 24,000 lbs.	\$316	\$363

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ranging up to trucks with a gvw of 160,000 lbs and over	\$2,072	\$2,383
require \$5 per registration to be deposited in a truck driver education account within the Michigan transportation fund, registration fees by weight for each pole trailer, semitrailer or trailer		
from 0-500 lbs	\$ 8	\$12
501-1,500 lbs	\$14	\$19
and over 1,501 lbs	\$27	\$34
fee in addition to special commercial vehicle registration service charge for three-month registrations for vehicles with gvw's of 24,000 lbs or more	\$ 2	\$10
service charge for three-month registrations for road and truck tractors used exclusively in farming operations	\$ 2	\$10
administration fee to vehicle registration fees to be credited to the Michigan Transportation Fund	\$ 0	\$ 5
<u>Other fees</u>		
application fee for duplicate or replacement licenses	\$ 1	\$2 50
application fee for a special engine identifying number	\$ 2	\$10

All increases in fees, charges or taxes would take effect February 2, 1988 except for increases in registration fees and the \$5 additional administrative fee for registrations, which would take effect beginning with vehicle registrations that expired on or after February 2, 1988 and that were issued on or after December 14, 1987

The secretary of state would be required to prominently display and maintain in each branch office permanent signs with the secretary's signature describing the transaction cost and fee levied for each of the following transactions: original operator's license, four-year renewal of operator's license, title transfer fee, and administration fee. The lettering on the signs would have to be block lettering at least three inches tall. The transaction cost information could be updated annually. Each branch office would maintain a list of transaction costs for other transactions, and would make such lists available upon request. The secretary of state would also provide the legislature with detailed information on future increases in transaction costs.

The bill is tie-barred to Senate Bills 154, 156, 157, 321, 495, and House Bills 4735 and 5071, which are parts of the transportation funding package.

### **HOUSE COMMITTEE ACTION:**

The House Transportation Committee changed several fees in Senate Bill 152 and made some funding changes in Senate Bill 495.

### **FISCAL IMPLICATIONS:**

Fiscal information is not available.

### **ARGUMENTS:**

#### **For:**

Severe capacity-related and system preservation problems on country roads and city streets are well known. Local units of government, as well as state government, are

experiencing tension between funding for economic development and system preservation. There is no feasible level to which fuel taxes and registration fees could be raised that could address all needs of the local systems. Economic development funding as proposed in Senate Bill 495 could help solve the problem by awarding funds for economic development projects submitted to by local units of government to the Transportation Commission.

#### **For:**

Forestry has been selected as one of the target industries in Michigan's economic development program. There is already \$4.1 billion of economic activity generated in forestry today, however, less than 40 percent of the state's annual growth of timber is used. There is great opportunity for developing forestry in the state, but upgrading and maintaining the transportation system for bringing timber from woods to mills is essential for this opportunity to diversify Michigan's economy. Currently, road commissions throughout the state are facing severe financial difficulties in maintaining roads needed by the forest products industry. As a result, many are independently introducing various restrictions that include bond requirements, permits, and weight limits that control the flow of wood to the market, in order to combat the deficiency of operational and construction funds. Senate Bill 495 would help alleviate this problem by allowing a regular flow of state revenues to the road commissions that could be used to develop and maintain essential arteries for the delivery of wood and other products to market.

#### **Against:**

The uneven splitting of the first \$5 million of funds among various counties by the Transportation Commission, as proposed by Senate Bill 495, could reduce the other qualified counties share below that which would be necessary to accomplish a truly effective economic development project. Allocating state highway funds among different classes of counties is unprecedented, and would work against efficient allocation of funds by regional rural primary task forces for economic development projects. Adding another level of bureaucracy is unnecessary.

#### **For:**

Commercial registration rates, which are based on weight, have lagged noticeably behind passenger car rates, which are based on value. Although passenger car prices — the basis of registration rates — have increased about 22 percent since 1982, commercial registration rates have remained constant. Title and registration transfer fees have not increased in many years. By raising fees, Senate Bill 152 would address the differential in cost allocation between light and heavy vehicles and bring fees more in line with collection expenses.

### **POSITIONS:**

The Michigan Teamsters support both bills (11-17-87).

The Michigan Association of Counties supports both bills (11-17-87).

The County Road Association of Michigan supports both bills (11-17-87).

The Michigan Trucking Association supports Senate Bill 152 (11-17-87).

The Michigan Road Builders Association supports the bills (11-18-87).