



**House
Legislative
Analysis
Section**

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TRANSPORTATION FUNDING BILLS

Senate Bills 154 (Substitute H-1)
and 157 (Substitute H-2)

Sponsor: Sen. Richard D. Fessler

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Senate Bill 156 (H-2)

Sponsor: Sen. Connie Binsfeld

Mich. State Law Library

Senate Committee: State Affairs, Tourism, and
Transportation

House Committee: Taxation

First Analysis (10-29-87)

THE APPARENT PROBLEM:

The legislature has been struggling with ways to raise revenues to deal with the state's critical transportation needs. A consultant's report has warned that the cost of meeting the state's transportation needs over a 12-year period exceeds available revenues by nearly \$18 billion dollars. Clearly the state must find ways to raise some of this revenue. Further, informed observers have urged that local units of government be provided the means to raise revenue themselves to deal with road and highway construction and other transportation projects.

THE CONTENT OF THE BILL:

Senate Bill 154 (H-1) would amend the Motor Carrier Fuel Tax Act to raise from \$12 to \$25 per vehicle the annual fee out-of-state carriers must pay for the diesel fuel discount sticker. (The sticker entitles a vehicle to the six cents per gallon diesel tax discount.) The bill also changes the licensing year for all vehicles, both in-state and out-of-state, so that it would run from April 1 to April 1, rather than from May 1 to May 1. Accordingly, truckers would receive a rebate of one-twelfth of the license fee the first year of the change in license period. (In-state truckers pay a \$92 annual license fee, which the bill would not change.) The bill would be effective October 31, 1987.

MCL 207.215

Senate Bill 156 (H-2) would amend the General Sales Tax Act to remove obsolete language. The percentage of auto-related sales taxes going to the comprehensive transportation fund would remain at the current level of 27.9 percent. The bill would take effect October 31, 1987.

MCL 205.75

Senate Bill 157 (H-2) would create a new act (the local road improvements and operations revenue act) that would allow a county to impose a registration fee of up to \$30 on a motor vehicle registered to a person residing in the county with the revenue to be earmarked for road improvements or operations. At least 90 percent of the fee revenue, after collection expenses, would have to go exclusively for the transportation purposes of road improvements or operations with any balance to go exclusively for comprehensive transportation purposes (e.g. mass transit). The fee would be collected when the state registration fee was collected. The county fee would have to be approved at an election. No more than one such election could be held in a calendar year. If the voters approved a fee, the fee would apply to registrations that

expired not less than 180 days following certification of the election and that were issued not less than 135 days following certification of the election. An earlier date for application of the fee, uniformly applicable in the county, could be determined by the secretary of state, however.

The three bills are tie-barred to one another and to five other bills: Senate Bills 152, 321, and 495, and House Bills 4735 and 5071, which are among the bills constituting the transportation funding package.

HOUSE COMMITTEE ACTION:

The House Taxation Committee's substitute for Senate Bill 154 changed the diesel discount sticker expiration date to April 1 from May 1 so that it would coincide with the end of a financial quarter. As passed by the Senate, Senate Bill 156 increased the share of auto-related sales tax revenue going to the comprehensive transportation fund from 27.9 percent to 39.6 percent. The House substitute returns the percentage to 27.9 percent. This change is offset by an amendment reportedly made to Senate Bill 321 that would negate a proposed reduction from 10 percent to 8 percent in transportation fund money going to the comprehensive transportation fund. The House substitute for Senate Bill 157 removes the option for counties to impose a \$3 fee on driver's licenses and also removes the limit of \$10 on local vehicle registration fees in counties with populations of under 600,000. The \$30 limit for counties with populations of 600,000 or more, in the Senate-passed version, now applies to all counties. The House Taxation Committee also added to the tie-bar section, tie-barring each bill to House Bill 5071.

FISCAL IMPLICATIONS:

Senate Bill 154 would raise from \$5.4 million to \$5.6 million each year, according to estimates by staff to the Ad Hoc Transportation Committee and the Senate Fiscal Agency. Senate Bill 157 would give counties the option of imposing a vehicle registration fee of their own (per vehicle, regardless of value or weight). According to testimony before the House Taxation Committee, if Oakland County imposed the maximum \$30 fee it could raise about \$30 million from this source for road improvements.

ARGUMENTS:

For:

Senate Bill 154 would help to raise desperately needed

S.B. 154 et al (10-29-87)

new revenue for the state's roads and highways. Raising the sticker fees for out-of-state truckers from \$12 to \$25, which is still far less than Michigan truckers pay, would make out-of-state truckers bear more of the administrative processing costs of issuing the diesel fuel discount stickers. This seems fair since out-of-state truckers are eligible for the same per gallon fuel discount as in-state truckers. Further, extra fees charged to trucks contribute to a more equitable allocation of highway costs between light and heavy vehicles.

Against:

Senate Bill 154 proposes a 108 percent fee increase on out-of-state truckers. This is excessive and could backfire if large trucking outfits reduce the number of stickers they buy. The fee increase penalizes truckers who only occasionally pass through Michigan and who, therefore, receive much less benefit from the diesel fuel discount than a trucker who buys the bulk of his or her fuel in Michigan.

For:

Senate Bill 157 provides counties with the option to raise revenues to address their own road needs. Local government representatives have long advocated more local option taxes to provide alternatives to the property tax. While the bill is a limited approach in its current form, it is a step in the right direction. Voters would have to approve any additional vehicle registration fee.

Response: In its current form, the bill provides only one option for counties to raise additional transportation funds. Further, it requires that the local option tax be used mostly for road needs even if other transportation needs are more pressing.

POSITIONS:

The Michigan Merchants Council supports the bills.
(10-28-87)

The Michigan Municipal League supports Senate Bill 157.
(10-28-87)

The Michigan Trucking Association supports Senate Bill 154.
(10-28-87)