S.B. 152, 154, 156, 157, 321, and 495: SECOND ANALYSIS

TRANSPORTATION FUNDING PACKAGE

SFA BILL ANALYSIS

Senate Fiscal Agency • Lansing, Michigan 48909 • (517) 373-5383

Senate Bill 152 (Substitute S-7 as reported)
Senate Bill 154 (Substitute S-4 as reported)
Senate Bill 156 (Substitute S-5 as reported by the Committee of the Whole)
Senate Bill 157 (Substitute S-6 as reported)
Senate Bill 321 (Substitute S-5 as reported)
Senate Bill 495 (Substitute S-2 as reported)
Sponsor: Senator Richard D. Fessler (Senate Bills 154, 157, and 321)
Senator Connie Binsfeld (Senate Bills 152, 156, and 495)
Committee: State Affairs, Tourism, and Transportation
(First Committee: Senate Bills 321 and 495)
(Third Committee: Senate Bills 152, 154, 156 and 157)

Date Completed: 10-19-87

RATIONALE

Public Act 51 of 1951 provides the mechanisms by which the Michigan Department of Transportation receives and distributes State restricted funds from fuel and motor vehicle weight taxes. The Act establishes the formula for distributing money from the Michigan Transportation Fund (MTF) to counties, cities, the State Trunkline Fund (STF), and the Comprehensive Transportation Fund (CTF). While many people maintain that the basis for funding the State's transportation programs by using revenues from transportation-related taxes is still a sound concept, some argue that the methods of distribution have become outdated since transportation needs over the years have changed. The formulas that exist to distribute money to the various transportation needs have been criticized as being too inflexible to allow money to be placed where it may be most needed. Others have voiced concern that, since the vast majority of funds is spent by formula process, transportation policy decisions over the years have been assumed to an inordinate degree by the Department of Transportation rather than by the Legislature. It is argued by some that the Legislature should be given more opportunity for input into funding priorities, perhaps by line item appropriation of the transportation projects.

Public Act 438 of 1982 amended Act 51 of 1951 to establish a temporary formula for the distribution of money deposited in the MTF. The 1982 Act also provided for a task force to be formed, composed in part by members of the Senate and House, to recommend a new distribution formula by October 1, 1984. With no recommendation having been made, the deadline was extended to August 1, 1986. Since the task force did not devise a new formula, the sunset for the temporary formula was eventually extended to October 30, 1987, to allow the Legislature to come up with a new formula and to address other transportation matters, including revenue issues.

There are many who have voiced concern about problems they feel are 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; the need for repair and retirement of railroad crossings; 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 recent needs study projected transportation funding requirements for the 12-year period through 1994 to be $27.6 million in 1983 dollars (over 80% for highways) versus available revenues of $22.1 billion—a shortfall of $5.5 billion. Recently, the Legislature received the Coopers & Lybrand Study which updated inflation and cost estimates, using reduced Federal aid assumptions, and projected the shortfall at more than three times as much: about $17.7 billion. A key issue, therefore, 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'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, we should concentrate on finding new revenue sources and beefing up existing ones.

CONTENT

Senate Bill 152 (S-7) would amend the Vehicle Code to raise the amounts collected by the State for motor vehicle registrations and transfers, and truck registrations. The bill also would provide for certain fees to be deposited in the MTF.

Senate Bill 154 (S-4) would amend the Motor Carrier Fuel Tax Act to change the fee structure for a motor carrier license by raising the fee from $12 to $25 for each out-of-state commercial vehicle.

Senate Bill 156 (S-5) would amend the General Sales Tax to redistribute 25% of the auto-related sales tax in specific percentages to the CTF, for the fiscal year ending September 30, 1989, and each year thereafter.

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Senate Bill 157 (S-6) would create the "Local Road Improvements and Operations Revenue Act" to authorize a county, if approved by the local electorate, to impose a local vehicle registration fee of up to $30, a local driver license fee of up to $3, and a real estate transfer tax

Senate Bill 321 (S-5) would amend Public Act 51 of 1951 to provide that beginning October 31, 1987, and for the fiscal year ending on September 30, 1988, 8% of the MTF would have to be allocated to the CTF, $43 5 million to the Transportation Economic Development Authority (which House Bill 4735 would create), and $55 million to the Authority for each fiscal year thereafter through the fiscal year ending September 30, 1993

Senate Bill 495 (S-2) would create a new act to allow the State Transportation Commission to fund transportation projects within rural counties Not less than 30% of the MTF and not less than 25% of any 85% 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 bill also would create a regional rural primary task force that would represent each county and would make recommendations to the Economic Development Board for projects within their regions

The six bills are tie-barred With the exception of Senate Bills 157 and 495, the bills would take effect October 31, 1987.

A more detailed explanation of the bills follows

Senate Bill 152 (S-7)

The bill would amend the Michigan Vehicle Code to

- Raise to $10, from $2, the fee collected for an application to transfer registration from one vehicle or moped to another, for application or duplication of a vehicle certificate of title, or for the additional fee for special registration of certain vehicles.
- Raise the registration fee for trucks to between $363 (up from $316) for a truck with a gross weight of up to 24,000 pounds, and $2,383 (up from $2,072) for trucks over 160,000 pounds, and require $5 per registration to be deposited in a truck driver education fund.
- Add a $5 administration fee to vehicle registration fees
- Raise to $15 from $5 the penalty fee for a late transfer
- Raise to 68 cents from 54 cents the per pound fee for trailer registration
- Raise registration fees by weight for each pole trailer, semitrailer or trailer in the following way 0-500 lbs, from $8 to $10, 501-1500 lbs, $14 to $18, and over 1501 lbs, $27 to $34
- Raise to $10 from $5, and to $5 from $4, the fee collected for a certificate of title for a salvage vehicle or junk vehicle, respectively
- Raise to $2 50 from $1 the fee collected for a duplicate for replacement plates
- Raise to $10 from $2 the fee collected for an application for a special engine identifying number

MCL 257.217 et al

Senate Bill 154 (S-4)

The bill would amend the Motor Carrier Fuel Tax Act to change the fee structure for a motor carrier license by raising the fee from $12 to $25 for each commercial motor vehicle that is not required to be registered under the Act (i e , out-of-state vehicles) The current $92 fee for in-State commercial vehicles would be retained

(The Act requires that the license be affixed to the right-hand side of the cab of every commercial motor vehicle while it is being operated in this State by a licensed motor carrier "Commercial motor vehicle" is defined as a road tractor, or a truck tractor or a truck having more than two axles, if the road tractor, or truck tractor or truck is propelled by motor fuel "Motor fuel" means diesel motor fuel as defined by Public Act 150 of 1927, which deals with the motor fuel tax)

Senate Bill 156 (S-5)

The bill would amend the General Sales Tax Act to establish, for the fiscal year ending September 30, 1988, and each year thereafter, a disbursement formula for funds equaling 25% of the general sales tax imposed upon the sale of motor vehicle fuel, motor vehicles, and motor vehicle parts and accessories, by new and used car dealers, used car dealers, accessory dealers, and gas stations, after distributions to local units under the State Revenue Sharing Act and to the State School Aid Fund under the State Constitution That money would be distributed as follows

- 38 6% to the CTF
- The balance to the State General Fund

MCL 207 215

Senate Bill 157 (S-6)

The bill would create the "Local Road Improvements and Operations Revenue Act" to authorize a county board of commissioners, a county road commission, a local government, or a countywide road authority (which could be established under the bill) to levy taxes or impose fees for the purpose of road improvements or operations, after the taxes or fees had been approved by voters in a special or regular election

The bill would permit a county board of commissioners to resolve, within 60 days of the bill's effective date, to place on a countywide special or regular election ballot any of the following

- The question of imposing a registration fee of up to $30, in addition to the fee for registration under the Michigan Vehicle Code, on each motor vehicle registered to an owner residing in the county
- The question of imposing a driver's license fee of up to $3 in addition to the fee for an operator's permit under the Michigan Vehicle Code on drivers residing in the county
- The question of imposing a fee of up to $10 for each real estate transfer or levying a real estate transfer tax of not more than $3 for each $1,000 or fraction of $1,000 (in addition to real estate transfer taxes levied under Public Act 134 of 1966) of the total value of the real estate on property transfers within the county

Within 60 days after the rejection of a ballot question proposed by a county board of commissioners, or within 120 days after the bill's effective date if the board did not place a question on the ballot, the county road commission could resolve to place the question of levying or imposing a motor vehicle or license fee or a real estate transfer fee on a countywide special or regular election ballot

Revenue collected from registration fees and real estate transfer fees or taxes would be earmarked specifically for road improvements or operations The Secretary of State would be required to collect a motor vehicle registration fee imposed under the bill and would be permitted to retain 50 cents of each fee collected for administrative expenses The remainder of each fee would be returned to the appropriate local government for use for road improvements and operations The county treasurer would be required to collect real estate transfer fees or taxes imposed under the bill and would be permitted to retain

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50 cents for administrative expenses of each transfer. The remainder of the fee or tax for each transfer would be returned to the appropriate local government for use for road improvements and operations. (A local government, by resolution of its governing body, could elect not to participate in a real estate transfer tax proposed under the bill and the vote on the proposition would not be held in that local government.)

Within 60 days after the rejection of a ballot question proposed by a county road commission, or within 180 days after the bill's effective date if the road commission did not place a question on the ballot, a local government could resolve to place a question on the ballot to impose a motor vehicle registration fee or a real estate transfer fee or to levy an ad valorem property tax of not more than five mills for not more than five years, the revenue from which would be earmarked specifically for road improvements and operations. A "countywide road authority", which a county could establish under the bill, also could place a question on the ballot to levy an ad valorem property tax of not more than five mills for not more than five years. (A local government, by resolution of its governing body, could elect not to participate in a proposal placed on the ballot by a countywide road authority and the vote on the proposition would not be held in that local government.)

If a county or local government that levied a tax or imposed a fee under the bill were a part of a public transportation authority or a metropolitan transportation authority, and the tax were not earmarked specifically for that authority, the county or local government would have to use not less than 10% of the money collected from a tax or fee under the bill for public transportation purposes.

The bill also specifies that a county or local government that had not levied its total authorized millage as of the bill's effective date could earmark that millage, or portions of it, specifically for road improvements or operations.

Senate Bill 321 (S-5)

The bill would amend Public Act 51 of 1951 to provide that beginning October 31, 1987, and for the fiscal year ending on September 30, 1988, 8% of the MTF would have to be allocated to the CTF, $43.5 million to the Transportation Economic Development Authority (which House Bill 4735 would create), and $55 million to the Authority for each fiscal year thereafter through the fiscal year ending September 30, 1993. The bill also would:

- Revise the process by which money in the CTF is distributed to eligible bus operating authorities.
- Require annual appropriations from the MTF for a rail grade crossing improvement and retirement program.
- Establish a Needs Study Committee and Citizens Advisory Committee.
- Provide for a deduction from the State and county distribution formulas for projects vital to the economy or to public safety.
- Revise the snow fund formula.
- Add bonding provisions to enable eligible authorities to borrow on a cash anticipation basis.
- Prohibit State funds or CTF bond proceeds from being used to fund the operation of a city-owned automated transit system or light rail system.
- Add "aircraft" to the definition of "public transportation".

Michigan Transportation Fund

Beginning October 31, 1987, and for the fiscal years ending September 30, 1988, through September 30, 1993, MTF would have to apportioned in the following way:

- 8% to the CTF.
- $43.5 million to the proposed Transportation Economic Development Fund for the fiscal year ending September 30, 1988, and $55 million for each fiscal year thereafter through the fiscal year ending September 30, 1993.

The bill would retain the existing MTF distribution formula for the balance of the funds until a distribution formula was enacted. If a distribution formula were not enacted for any time period beginning after September 30, 1993, an amount sufficient to pay the principal and interest due on bonds and notes would be apportioned and appropriated from the MTF for the following:

- Comprehensive Transportation Fund.
- State Trunkline Fund.
- County road commissions.
- Cities and villages.

The balance would revert to the MTF until a distribution formula is enacted.

The bill would prohibit operating grants from increasing from fiscal year to fiscal year at a rate greater than the percentage increase in CTF revenues from the preceding fiscal year to the estimated increase in the fiscal year for which the grants would be authorized.

The bill also provides that, if the State Transportation Commission received authorization from the Federal Highway Administration to commit 85% Federal minimum floor funds pursuant to Federal law, it would have to notify the chairpersons of the Senate and House Appropriations Transportation Subcommittees at least 15 days before distribution of these funds. The funds would have to be deposited in the Transportation Economic Development Fund and limited to the same purposes for which the Fund could be used. ("85% Federal minimum floor funds" refers to the 85% of gas tax revenue that must be returned to the State by the Federal government, out of the total gas tax revenue the Federal government collects from the State.)

Bus Authorities

Under the current code, after payments from the CTF for debt service and administration, 5% of the balance must be distributed for new small bus services and for specialized services, 8% for intercity passenger transportation purposes, 5% for intercity freight transportation purposes, and 17% for the transportation development account. (65% of the CTF is distributed as operating grants to eligible authorities and eligible governmental agencies.) Unspent funds revert to the CTF.

Instead of allocating specific percentages for each purpose, the bill provides that 35% of the CTF would have to be distributed for public transportation purposes which would include: not more than $850,000 in each fiscal year in grants for specialized services; grants for new small bus service; intercity passenger and freight transportation purposes; bus capital expenditure matching funds; supplemental operating assistance to eligible authorities and governmental agencies; not more than $1.0 million in each fiscal year to a city, village, or township that used a municipal credit program; and public transportation development. (The distribution of the 65% would be unchanged.) Unspent funds would revert to the CTF.

Rail Grade Program

Beginning with the fiscal year ending September 30, 1987, the bill would allow the Legislature annually to appropriate

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an amount from the MTF sufficient to fund a rail grade crossing improvement and retirement program in order to preserve and enhance public safety at rail grade crossings and to meet all or part of the costs of providing for the improvement, installation, relocation, maintenance, and retirement of new or existing safety devices at all rail grade crossings on public roads and streets.

The program would be required to bear the cost of providing grade crossing improvements only after the exhaustion or commitment of any available Federal funds obtained through the Federal Aid Highway Grade Crossing Improvement Program, or any other comparable Federal program. Funds could be expended only if the affected railroad paid 25%, and the local road authority paid 10% of the costs for which appropriations had been made. By April 1 of each year, the Michigan Department of Transportation (MDOT) would be required to report to the Legislature the amount of supplemental operating assistance required by each eligible authority and eligible governmental agency. To determine the amount, MDOT would be required to hold public hearings and seek input from all interested parties. By December 1, 1987, MDOT would have to make recommendations in a report to the Legislature on an operating grant formula based on need, efficiency, available Federal funds, and any other factor that would result in an equitable distribution of grants. MDOT would be required to schedule meetings with representatives from each group that received operating grants and other interested parties to seek their recommendations.

Needs Study Committee

The bill would require the State Transportation Commission to maintain a continuing study of the transportation needs of the State. By December 1, 1987, and every four years thereafter, the Governor would be required to appoint not more than five persons to serve as a Needs Study Committee. The members would be appointed to a four-year term and appointments would be subject to Senate approval. The Committee would have to include at least one representative of each of the following: manufacturing, commerce, agriculture, tourism, and labor.

MDOT would be required to provide staff, needs, technical oversight, and fiscal analysis committees, and provide by January 1, 1988, a recommended work program to the Needs Study Committee.

The Needs Study Committee, by a majority vote, would be required to report to the Legislature, the Governor, and the State Transportation Commission on the following subjects:

- Capital and maintenance needs.
- Transportation investment and maintenance priorities.
- Relative use of transportation systems.
- Responsibilities for the identified needs, including economic development needs.
- Transportation funding options.
- Historical transportation financing patterns as they relate to total statewide fiscal resources.
- Strategies for maximizing the returns on transportation investments.

All studies and reports that related to highways would have to be reported according to functional and legal classification. The committee would be required to publish a preliminary report of the data and findings by January 1, 1989. After holding appropriate public hearings, the committee would have to recommend, if it considered necessary, changes in the formulas for transportation funding and changes to the distributions of transportation responsibilities before January 1, 1990.

Citizens Advisory Committee

The bill would create a Citizens Advisory Committee to receive and comment upon all reports, studies and recommendations prepared by various designated technical subcommittees prior to the submission of such material to the Needs Study Committee. The members of the Citizens Advisory Committee would have to be given sufficient time and opportunity to give the Needs Study Committee their majority, minority, or individual views on the reports. The Governor would be required to appoint not more than 23 persons to four-year terms, including at least one representative of each of the following organizations:

- Michigan Farm Bureau
- Michigan Trucking Association
- Michigan Association of Counties
- Michigan Townships Association
- Michigan State Chamber of Commerce
- Michigan Tourist Association
- Michigan County Road Commission
- Michigan Public Transit Association
- Michigan Railroad Association
- Michigan Municipal League
- Michigan Motor Bus Association
- Area Agency for Aging
- Michigan Association of Railroad Passengers
- Nonmotorized Advisory Commission
- Michigan Association of Airport Executives

Snow Fund

The Act provides for an amount to be withheld from counties' November monthly distribution and then returned to county road commissions for snow removal. That amount is distributed among the counties on the basis of measured snowfall in excess of 80 inches during the prior fiscal year, divided proportionately among the counties based upon inches of snow. The bill provides, instead, that the amount would be distributed to counties on the basis of "each respective county's average percentage share of the total amount returned annually to all counties in the state in each of the 14 calendar years before 1986".

Bonding

The bill provides that funds from the CTF could be distributed to a trustee, or to the Michigan Municipal Bond Authority, authorized to receive the funds pursuant to a borrowing resolution adopted by an eligible authority. The issuance of notes of the authority would have to be authorized by a borrowing resolution of the authority in anticipation of payment of proceeds from the CTF pursuant to the authority's ability to bond under the Metropolitan Transportation Authorities Act. The issuance of notes would be subject to Section 11, Chapter III of the Municipal Finance Act (which provides for the issuance of obligations without the approval of the Department of Treasury if certain conditions are met) and would have to be subject to the prior approval of the State Transportation Commission. Failure of the Commission to take action within 35 days after receipt of notification from an eligible authority of intent to issue the notes, would constitute approval by the Commission. An eligible authority could only issue notes in anticipation of funds to be received during its current fiscal year at any time before it received funds from the CTF. The principal amount of notes for which funds to be received from the CTF were pledged could not exceed 85% of the amount that remained to be received by the eligible authority from the CTF in that fiscal year. The pledge of 100% of the funds the eligible authority expected to receive from the CTF would have to be secured by a direct transfer of the pledge funds from the CTF to the trustee or the Michigan Municipal Bond Authority that was authorized to receive the funds by the borrowing

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resolution adopted by the authority. The notes of the eligible authority would not be in any way a debt or liability of the State and would not create or constitute any indebtedness, liability, or obligations of the State or be or constitute a pledge of the full faith and credit of the State. Each note would be required to state on its face that the eligible authority was obligated to pay the principal and interest on the note only from funds of or due to the eligible authority and that the State was not obligated pay that principal or interest, and that neither the faith in credit nor the taxing power of the State was pledged to the payment of the principal or the interest on the note. The notes could not mature more than 13 months from the date of issuance, would have to bear interest at a fixed or variable rate or rates of interest per annum, and, in addition to other security, could be secured by letter or line of credit issued by a financial institution or as provided in the borrowing resolution.

The bill would prohibit State funds or CTF bond proceeds to be used to fund the operation of a city-owned automated transit system or light rail system.

Other Provisions

The Act requires that 90% of a county's revenue from the MTF be spent on road maintenance and debt service, after certain amounts are deducted. The bill would add a deduction for amounts spent for projects vital to the economy of the local area or the safety of the public in the local area. Before those amounts could be deducted, the county road commission or the governing body over the county road commission, as applicable, would have to pass a resolution approving the projects. The resolution would have to state which projects would be funded and the cost of each. A copy of the resolution would have to be forwarded immediately to the Department.

The Act requires eligible authorities and eligible governmental agencies to post operating times on each passenger shelter operated or used by the authority or agency. The bill would require, instead, that the schedules be "made available, at no cost".

The bill would delete the requirement that the Department use solar energy systems, integrated with conventional systems, to heat hot water at a highway rest area or travel information center facility that is constructed or extensively remodeled or modernized.

The bill would repeal Section 11a (MCL 247.661a) and Section 18j (MCL 247.668j) of Public Act 51 of 1951. Section 11a specifies highway construction projects to be funded by the STF in the event additional money exists as a result of an increase in the motor fuel tax. Section 18j allows a city or village to pledge for annual debt service requirements, not more than 45% of the average annual revenues received for the five years next preceding borrowing from the MTF.

MCL 247.660 et al.

Senate Bill 495 (S-2)

The bill would create a new act to allow the State Transportation Commission to fund transportation projects for development within rural counties. Not less than 30% of the MTF and not less than 25% of any 85% Federal minimum floor funds would have to be distributed for the improvement of rural primary roads in counties and major streets in cities and villages with a population of 5,000 or less. The first $5 million would have to be distributed in a percentage 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. The balance would be allocated on the basis of rural primary mileage in counties with a population under 400,000.

The Regional Rural Primary Task Force would represent each county, and would have to make recommendations to the Economic Development Board of Trustees for projects within the counties' regions. The Task Force would be composed of the following:

- A representative of each county road commission with the region.
- Representatives from cities and villages with a population of 5,000 or less within the region, equal to the number of county road commission representatives.
- A representative from the Economic Development Board of Trustees.

The Task Force would have to select the projects for submission to the Board as follows:

- Projects would have to be on the Federal Aid Secondary System unless otherwise waived by the Task Force.
- Projects would have to be on existing hard surface roads unless otherwise waived by the Task Force.
- Construction would have to be up to all-season standards.
- Funds would have to be used for physical construction only and could not include costs of right-of-way acquisition and engineering.

The Board, through the State Transportation Department, would have to administer the programs and projects authorized in the bill in the same manner as the current local Federal Aid Secondary Program.

FISCAL IMPACT

Senate Bill 152 (S-7) would increase fees by approximately $80 million per year. The $5 increase in most fees and taxes would raise $36 million per year. The increase in truck/trailer fees would raise $9.3 million per year. The increase in transfer fees and certificate of title fees would generate between $30 and $35 million per year.

Senate Bill 154 (S-4) would lead to an increase in motor carrier license fee revenues of approximately $5.6 million each year. The latest data show 430,961 applications for an out-of-state motor carrier license.

Senate Bill 156 (S-5) would transfer approximately $17.6 million from GF/GP revenues to restricted funds each year. The bill would increase the sales tax revenue dedicated to the CTF from approximately $45.9 million to $63.5 million in FY 1986-87.

Senate Bill 157 (S-6) would have no fiscal impact on State government. The administrative costs of the Secretary of State for collecting additional vehicle registration fees levied by local governments would be paid by the local government levying the fee. The bill would have an indeterminate fiscal impact on local government, however. The bill would allow counties, county road commissions, county road authorities, cities, villages and townships to levy certain fees and taxes and specifically earmark revenues raised from those fees and taxes for road improvements or operations within their jurisdiction. Before such fees and taxes were levied, however, they would have to be voted upon by the electorate. It is indeterminate at this time how many such fees and taxes would be submitted to the electorate and how many would be approved.

Under Senate Bill 321 (S-5), as a result of appropriating $43.5 million in FY 1987-88 to the Transportation Economic

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Development Fund and $55 million for each fiscal year thereafter through the fiscal year ending September 30, 1993, the STF, county road commissions, and cities and villages would lose approximately $17 million, $17 million, and $9.5 million, respectively, in FY 1987-88. The loss in each fiscal year thereafter through the fiscal year ending September 30, 1993 would be approximately: STF, $21.5 million; county road commissions, $21.5 million; and cities and villages, $12.5 million. Providing appropriations from the MTF to fund a rail grade crossing improvement and retirement program would further reduce the revenues received by the STF, county road commissions, and cities and villages. The bill also would reduce from 10% to 8% the share of the MTF that is appropriated to the CTF.

Senate Bill 495 (S-2) would provide approximately $13 million for the fiscal year ending September 30, 1988, and approximately $16.5 million for each fiscal year thereafter through the fiscal year ending September 30, 1993 to rural counties for the improvement of rural primary roads. From these funds, $5 million would go to counties in which 34% or more of all the land is commercial forest land.

ARGUMENTS

Supporting Argument

In 1982, a new law was approved requiring State and local units to spend at least 90% of road funds on existing roads. It may have been necessary then, considering the poor conditions of State roads at that time. Now, however, that provision is not helping the State to meet current transportation needs. New projects, especially those designed for much needed public safety and economic development, are difficult to fund under the current 90/10 formula. Senate Bill 321 would provide a deduction for such projects from the 90/10. Further, with the deadline of the temporary formula approaching, the package presents a newly designed approach to raising and distributing transportation funds. It would fine tune the distribution formula and raise new funds to provide the necessary support for the State's transportation system to serve the needs of State industries, commercial vendors, rural areas, and residents, without unnecessarily overburdening the taxpayer.

Supporting Argument

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. An economic development authority as proposed in Senate Bill 495 and House Bill 4785 could help solve this problem by awarding funding for economic development projects submitted to it by local units of government, or by the State.

Supporting Argument

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, we are currently using less than 40% of our annual growth of timber. There is great opportunity for developing forestry in the State, but upgrading and maintaining the transportation system for bringing timber from the woods to the mill is essential for this opportunity to diversify Michigan's economy. At this time, 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 and House Bill 4735 would help alleviate this problem by allowing a regular flow to the road commissions of State revenues that could be used to develop and maintain essential arteries for the delivery of wood and other products to the market.

Supporting Argument

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% since 1982, commercial registration rates have remained constant. Title and registration transfer fees have not increased in many years. By raising these 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.

Supporting Argument

Senate Bill 154, which would change the current fee for a diesel fuel discount sticker for out-of-state vehicles from $12 to $25, would make out-of-state truckers, who pay much less than Michigan truckers for the sticker, shoulder more of the administrative processing costs of application. This would only be fair, since the per gallon discount is the same for both groups of trucks. In addition, any fee charged on heavy trucks such as these, would tend to produce a more equitable allocation of highway costs between light and heavy vehicles.

Response: The provision to raise fees for out-of-state truckers would unfairly penalize those who only occasionally drive through Michigan and who receive much less benefit from the purchase of the sticker than a trucker who buys the bulk of the truck's fuel in the State.

Supporting Argument

Improvements on many classes of local roads should be financed more from local revenues than from State sources. The "Local Roads Improvements and Operations Act" proposed in Senate Bill 157 would allow a county to impose license, registration, and real estate transfer fees for the purpose of road improvement. Permitting this type of local option funding would address the reality that different parts of the State have differing levels of need for road improvement and should pay accordingly. Empowering counties to collect these fees could enable them to pay for whatever level of road service they wanted, instead of settling for the present lowest common denominator level of funding.

Response: All transportation funds should be raised from user fees. Vehicle registration fees and real estate transfer fees are not related to highway use as are fuel taxes.

Opposing Argument

Senate Bill 154 would raise for all out-of-state commercial vehicles the cost of the diesel fuel decal from $12 to $25 annually, for an increase of 108%. This proposed increase not only would be excessive, but could actually deprive Michigan of the revenue gains anticipated by this increase. Currently, approximately 431,000 non-Michigan registered vehicles purchase the $12 decal. Large national fleets, because of the present cost of decals, choose to obtain a permit for each vehicle rather than only for those vehicles operating in Michigan. A 108% increase in the cost of doing business in Michigan under this proposal could result in fewer vehicles being registered in the future. A more

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modest increase in the cost of the fuel decal, such as 25%, would be reasonable and ensure continued levels of registration.

Opposing Argument

The uneven splitting of the first $5 million of funds among various counties by the Economic Development Authority, 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 creating the rural primary task force for economic development projects. Adding another level of bureaucracy is unnecessary. The Transportation Commission already exists as a forum in which all transportation interests in Michigan may be heard, and which could oversee the distribution of funds by a transportation economic authority.

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