



Proposal 1

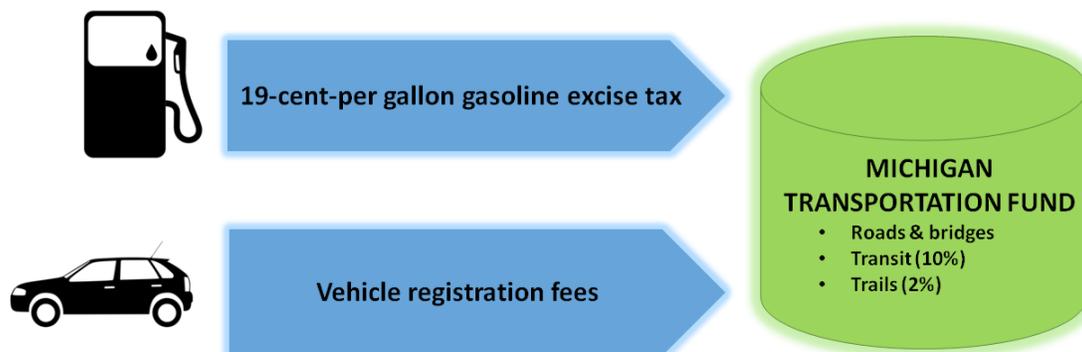
- What it is
- Why we support it
- Frequently Asked Questions & Answers

How is transportation funded today?

The bulk of our state transportation dollars comes in roughly equal proportion from two main sources:

1. The motor fuel excise tax—19 cents per gallon on gasoline and 15 cents per gallon on diesel—that we all pay at the fuel pump. The motor fuel excise tax is a flat tax, meaning that it does not react to price inflation—we pay the same amount whether gas costs \$1.50 or \$3.50.
2. Vehicle registration fees we pay at the Secretary of State's office. That money all goes into the Michigan Transportation Fund, the bulk of which pays for roads and bridges. About 10 percent of transportation funding supports public transit and rail and two percent goes toward the Recreation Improvement Fund, which supports trails, waterways and other outdoor amenities that make Michigan a great place to visit and explore.
3. Today, we also pay a 6 percent sales tax at the pump that doesn't go to roads. That revenue is divided four ways. It supports public education through the School Aid Fund. It helps local governments pay for basic services like police and fire protection. A small portion helps fund Michigan's 78 public transit agencies, which in 2013 gave Michiganders a lift more than 95 million times. After schools, locals and transit have received their allotted percentage, the balance goes to the general fund.

CURRENT STATE TRANSPORTATION FUNDING SOURCES



What does Proposal 1 do?

Proposal 1 would increase the sales/use tax from 6% to 7% to replace and supplement reduced revenue to the School Aid Fund and local government caused by the elimination of the sales tax on fuel.

It would put into effect the following laws that will increase funding for transportation:

- **Exempt motor fuel sales from the general sales tax.**
- **Convert the tax on motor fuels from an excise tax to a wholesale tax that increases incrementally over the next several years.** That change means we'll pay fuel taxes based on a percentage of each sale instead of a flat amount that ignores changing prices. In other words, the tax we pay will adjust to changing fuel prices, helping to solve one of the problems that led us to our funding shortfall. **All taxes paid at the pump will be guaranteed to support transportation.**
- **Increase the Earned Income Tax Credit from 6 percent to 20 percent of the federal credit.** That's an important measure to protect lower-income residents from the increased sales tax, which tends to hit people harder the less money they make.
- **Eliminate the depreciation of ad valorem tax rates for passenger vehicles.** Currently, the tax you pay on vehicle registration decreases each year as your car loses value. The ballot proposal will keep the registration tax at the same rate as when you purchased the vehicle. It also will create a new registration tax surcharge for electric-powered vehicles and increase registration taxes for trucks over 26,000 pounds, which would be phased in over three years beginning March 1, 2016.
- **Establish new requirements related to road construction warranties and related reporting requirements for the department and local road agencies.** This helps us make sure we are getting the best bang for our road-funding bucks and adds accountability to ensure that all contracted state transportation work stands up to high quality standards. This bill also allows cities that meet specific criteria to use a larger portion of their state road funding for public transit if they choose to.

Where does the money go?

Here is a breakdown of where the new funding would be put to use. Note that the numbers in bold italics represent the increase in annual funding for each category, based on projections for the 2017-2018 fiscal year. (We got the following figures from [this document](#).)

Roads: + \$1.3 billion

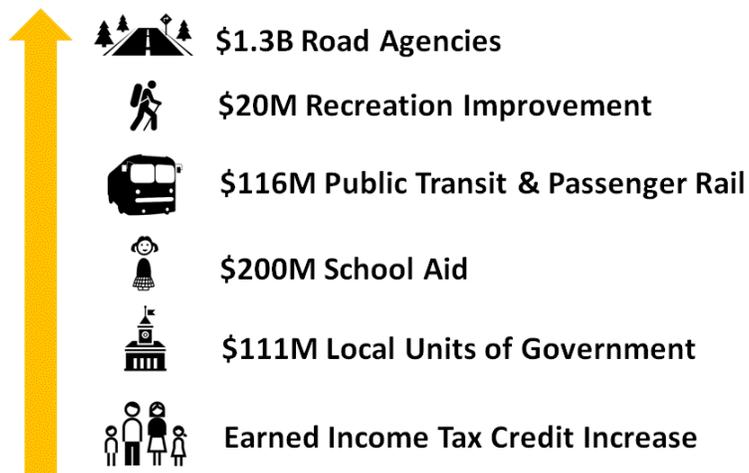
Proposal 1 does have a lot of moving parts, but it ultimately simplifies the way we pay for transportation itself. It guarantees that every penny in state taxes we pay at the pump is used to support transportation. In the first two years of the proposal's implementation, a portion of the new revenue would pay down transportation-related debt. After that, state and county road agencies would each get

about 40 percent of the revenue, with the remainder going to cities and villages for local road projects.

Public transit & passenger rail: + \$116 million

Public transit in Michigan has not seen a structural funding increase since 1987. Much of the new funding for public transit and passenger rail would go to support local bus operating budgets. This includes services like the Benzie Bus in northern Michigan, which primarily serves seniors and individuals with disabilities. Urban systems would also see a boost, including bus service in Metro Detroit, which has gained national attention as the Detroit Free Press has turned the story of one man's incredible daily commute on foot into an insightful series on the region's broken transit system.

Benefits to our roads, transit, trails, children and low-income families



FY 2017-18

Recreation Improvement Fund: + \$20 million

The Recreation Improvement fund helps the Department of Natural Resources fund many transportation-related amenities that help make those Pure Michigan commercials ring true. The \$20 million boost will help maintain and improve our miles of scenic trails, as well as support the harbors, marinas and public boat launches that pump \$3.6 billion into the state economy annually and are responsible for 50,000 jobs.

School Aid Fund: + \$200 million

The proposal also guarantees that every penny of the School Aid Fund supports K-12 education and community colleges. It would provide schools with an additional \$292 million in the first year the plan is implemented, and level off to \$200 million a year beginning in fiscal year 2018.

If Proposal 1 does not pass, schools not only won't get more money, but will likely lose money as more general fund dollars are diverted to help make up for the shortfall in transportation funding.

Local governments: + \$111 million

Proposal 1 would substantially increase revenue sharing to local governments. That funding—combined with additional state road aid that should ease pressure for local road spending—will provide more opportunity to fund local services and amenities. This includes basic services like fire protection and utilities, along with the family-friendly parks, scenic recreation trails and walkable commercial districts that help make our communities great places to live, work and play.

Frequently Asked Questions

The Toughest Questions

How do I know the Legislature or Governor won't shift these funds elsewhere?

This proposal would, for the first time, guarantee all state taxes we pay on gasoline must be used for transportation and nothing else.

Revenue collected through the increased sales tax, which will support schools and local governments, would also be constitutionally designated to those funds. To change that designation, the legislature or governor would have to go back to the ballot and voters would have to agree upon any changes.

What are the "special interest money grabs" I keep hearing about with Proposal 1?

Just what are those special interests? They are the public schools your kids go to, your local police and fire department, the people who make sure you have clean drinking water, the bus services that get you or your neighbors to the doctor's office, and other essential services. To call public safety and our children's education "special interests" is not just incorrect, it's insulting.

Isn't there money in the state budget that can be used?

No. The state doesn't have the money to fix Michigan's roads and bridges today without drastically cutting essential funding for our local communities, schools and public safety officers. And let's face it: Our local communities, schools and public safety sustained massive budget cuts during Michigan's decade-long recession.

Michigan invests less per capita in transportation than any other state. We simply can't fix our roads without raising more revenue. Ohio – a state with a similar climate and road system to Michigan – invests more than \$1 billion more in its roads each year than Michigan does.

What is "Plan B"?

Unfortunately, there is no "Plan B." Solving transportation funding with a ballot proposal is far from ideal—we wish the Legislature would have

been able to solve the problem. However, Proposal 1 is the best option that we have, and the one that leaders from both sides of the aisle were able to compromise on. If this proposal fails, there is no way to know how much longer we will have to wait to fix our transportation funding crisis.

Despite what you may have heard, there is no "plan B." Any acceptable "plan B" would have to raise sufficient revenue, support our complete transportation system, and garner enough votes to pass in the Senate, House and be signed by the Governor. None of the supposed "plan B" proposals come close to satisfying those requirements.

Other Frequently Asked Questions

What is the current condition of Michigan roads and bridges?

Awful – and they're getting worse. Thirty-eight percent of Michigan's state- and locally-owned urban roads and 32 percent of the state's rural roads are in poor condition, according to the national transportation research group TRIP. According to the US Department of Transportation, about one in four bridges are either structurally deficient or obsolete.

The roads and bridges aren't just "bad." They were bad 10 years ago. Now the condition of many of our roads and bridges is simply dangerous. Want to see how bad Michigan's roads are? Just take a drive, ride a bus, walk or bike in any community in Michigan.

When was the last time Michigan raised taxes to pay for transportation?

The last time Michigan raised taxes to pay for roads was 1997. Eighteen years later, it's time for Michigan to modernize how it pays for roads and finally fix them. Public transit has not seen a structural increase in funding at the state level since 1987. Proposal 1 not only modernizes our transportation funding system, it guarantees in our constitution that every penny we pay at the pumps in fuel taxes must go to transportation.

How will this proposal promote public safety?

Fixing our roads will make them safer by repairing dangerous potholes, crumbling bridges and improving roadway design. Today, many drivers, bus drivers and bike riders swerve to avoid dangerous potholes or lose control of their vehicles (or bicycles) as a result of flat tires. According to TRIP, a national transportation research organization, roadway design is a contributing factor in about one-third of fatal traffic crashes.

How much will this cost me?

To raise money for our transportation system, we will pay a one penny more in sales tax and see a slight increase in fuel taxes. It is important to remember the sales tax and 19-cents-per-gallon excise tax on fuel will be eliminated and converted to a wholesale tax. If Proposal 1 passes, beginning Oct. 1, 2015, the gas tax would be calculated by multiplying the average wholesale price by 14.9%.

How much tax you pay at the pump will depend on the wholesale price of fuel. According to data from the Associated Petroleum Industries of Michigan and MDOT, if the pump price for gasoline is \$3.00 per gallon (which includes approximately 35 cents in current sales and excise taxes), the wholesale price is about \$2.28. If Proposal 1 passes, the same \$2.28 wholesale fuel price would result in a \$3.07 per gallon pump price. Again, all taxes paid at the pump will go to transportation.

As we consider costs, it's important to remember that fixing this problem now will save money later – both for the state, and for individual Michigan motorists. Michigan drivers spend over \$84 per year more in repair costs than the average of the five comparison states.

Which roads will be fixed?

The statutory formula used to direct transportation revenue in Michigan sends about 39% of funding to state highways, 39% to county roads and about 22% to city streets. The state, counties and most local governments have plans in place that include a priority list of projects. You can find the MDOT project list [here](#). Contact your local government or county road commission for more information about road projects in your area.

How will public transit benefit?

Since new money raised for transportation will flow through the full Public Act 51 formula, public transit (which includes local bus operating expenses and passenger rail) will receive ten percent of that revenue. By fiscal year 2017-18, that equates to about \$116 million. This is a relatively small piece of the pie, but has the potential to make a big difference for our public transit systems. It increases our current funding by almost 30 percent.

Much of the new funding for public transit and passenger rail would go to support local bus operating budgets. This includes services like the Benzie Bus in northern Michigan, which primarily helps seniors and individuals with disabilities get to the doctor's office, the grocery store, visits with family and other day-to-day needs. Urban systems would also see a boost, including bus service in Metro Detroit, which in recent months has gained national attention as the Detroit Free Press has turned the story of one man's incredible daily commute on foot into an insightful series on the region's broken transit system. Proposal 1 will help modernize our state's transit systems and help them become an asset that we can be proud of, not an embarrassment.

How will funding for trails and waterways be affected?

The DNR Recreation Improvement Fund, which receives two percent of transportation funding, will receive a \$20 million increase. The fund supports many transportation-related amenities that help make those Pure Michigan commercials ring true. The \$20 million boost will help maintain and improve our miles of scenic trails and support the harbors, marinas and public boat launches that pump \$3.6 billion into the state economy annually and are responsible for 50,000 jobs.

How much does Michigan pay per capita for roads and vehicle repair compared to neighboring states?

State	Investment in Roads Per Capita	Annual Repair Cost Avg.
Michigan	\$154	\$539
Ohio	\$214	\$413
New York	\$239	\$505
Minnesota	\$275	\$369
Indiana	\$289	\$391
Wisconsin	\$302	\$502
Illinois	\$412	\$449
Pennsylvania	\$530	\$424

SOURCE: www.tripnet.org (extra vehicle repair and operating costs due to driving on roads in need of repair), Census 2010

for them with borrowed dollars. All with a penny sales tax increase. The sales tax increase to 7 cents will put Michigan in the middle of the pack of states -- the same as Indiana's.

For working families earning the least in Michigan, the penny tax will be offset by a full restoration of the state Earned Income Tax Credit to 20 percent of the federal credit.

Is it true that Michigan would have the highest sales tax in the country if this passed?

No – not at all. Michigan's sales tax rate would be the same as neighboring Indiana (7 percent) if this proposal passes, according to the nonpartisan Tax Foundation. A 7 percent sales tax would be ranked 21st in the country when it comes to average state and local sales tax rates.

How will an increase in sales tax impact low-income families?

This proposal is supported by organizations like the Michigan League for Public Policy (MLPP) because it also would restore the state's Earned Income Tax Credit (EITC). The MLPP estimates that more than 1 million Michigan children are in families that will benefit from Passage of Proposal 1. The EITC targets low-income working families with temporary assistance to remain in the workforce and get back on their feet. President Reagan once called the EITC "the best antipoverty, the best pro-family, the best job-creation measure ever to come out of Congress." Here's what the MLPP is saying about Proposal 1:

A 'yes' vote on May 5 would end the era of delaying needed road repairs or paying

State	State & Average Local Sales Tax Rate
Michigan (today)	6%
Michigan (if Proposal 1 passes)	7%
Indiana	7%
Ohio	7.11%
Wisconsin	5.43%
Illinois	8.16%
Pennsylvania	6.34%
New York	8.47%
Minnesota	7.19%

SOURCE: [Tax Foundation, State and Local Tax Rates in 2014](http://TaxFoundation.org)



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