

# TRANSPORTATION FUNDING

**OUR POSITION: We SUPPORT an adequate, sustainable long-term funding solution for Michigan's transportation system.**

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## ISSUE

Since the release of the Transportation Funding Task Force (TF2) Report in 2008, Michigan has been discussing how to increase the investment in our transportation system. Eight years later in 2016, the 21<sup>st</sup> Century Infrastructure Commission confirmed the data in the TF2 Report that Michigan needs to more than double its investment in our roads and bridges. In 2018, the American Society of Civil Engineers (ASCE) Michigan Section released their Infrastructure Report Card giving our roads a D- grade.

As we continue to delay the investment, our roads are crumbling, and our bridges are being propped up with temporary supports. The cost to make repairs is rapidly climbing and Michigan has the worst roads in the nation. The safety of our residents is becoming an issue as potholes damage vehicles, concrete is falling from bridges, and unsafe roads and bridges are causing closures. This is a drag on our economy and an embarrassment as we welcome tourists to "Pure Michigan".

## KEY POINTS

Michigan needs to invest \$2.5 billion more in our transportation system for the overall condition of our roads to improve. This is well documented by multiple sources. The funding package passed in 2015 was inadequate and too late, and the total funding doesn't kick in until 2021.

MDOT and the private sector have the knowledge and expertise to design and build quality roads and bridges. Michigan is a leader in asset management and innovation but needs adequate funding so engineers can design long term fixes for roads and bridges.

Other states across the country are increasing their investment in transportation infrastructure and Michigan must be bold or they will be left behind. Michigan must have a safe, reliable transportation system to attract and retain business and offer residents a good quality of life.

We must be innovative, efficient and transparent as we make the investments to earn the trust of the Michigan taxpayers. Any increase in funding must go to improving our transportation system and not be used for other purposes.

## ACTION REQUESTED

***Pass a sustainable, long-term funding solution that will adequately address our transportation infrastructure issues. Pass a solution now, so that we can immediately address the failures and slow the deterioration of our system thus reducing the future costs to Michiganders.***

# TRANSPORTATION COMMITTEE

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## Transportation Funding Q &A

### **Q: How did the roads get this bad?**

**A:** Michigan gets much of its road funding from the state gas tax, which is currently a flat 26.3 cents and has not been indexed for inflation. So regardless of the price of gas (\$1.50 or \$4.00) the tax is the same, 26.3 cents per gallon. The tax was raised in 2017 but had not been raised since 1997 (4-cent increase), which didn't keep up with inflation as the costs to repair the roads increased. Furthermore, vehicles have been getting more fuel efficient and the revenue from the gas tax has been declining. If the gas tax rate would have kept up with the rate of inflation, an additional **\$31 billion** (in 2019 dollars) would have been raised over the last 40 years.

### **Q: How do we compare with other states?**

**A:** Michigan ranks 46 out of 50 on the amount we spend on highways per capita. Michigan's per capita transportation spending of \$355 is lower than the national average of \$516, and lower than our surrounding states: Wisconsin \$687; Ohio \$479; Indiana \$405. On April 3, Ohio passed a 10.5-cent gasoline tax increase and a 19-cent increase on their diesel tax. Michigan has not invested in our roads as other states have, causing them to deteriorate.

### **Q: Didn't we fix the problem in 2015 when we passed a funding package?**

**A:** The fuel tax increase did not kick in until 2017 and the general fund revenue will not fully kick in until 2021. The \$1.2 billion that will be eventually generated is inadequate based on multiple studies. 11 years ago (2008), the Transportation Funding Task Force recommended doubling the investment in Michigan's transportation system (>\$2 billion), but nothing changed until 2017. As the funding is delayed, the roads continue to deteriorate and cost substantially more to repair.

### **Q: Michigan has one of the highest gas taxes, why isn't that enough?**

**A:** Michigan's fuel tax is 26.3 cents, which puts us in the bottom third of all states. However, Michigan is one of seven states that also includes a 6% sales tax on fuel that goes to the School Aid Fund and local revenue sharing - not to fund Michigan roads.

### **Q: Why not use the marijuana money?**

**A:** The Senate Fiscal Agency estimates the legalization of recreational marijuana could bring in \$287.9 million by 2023. This is only a fraction of the \$2.5 billion needed to fix the roads and bridges. Also, the voter-approved law dictates that only 35% is slated to go to roads.

### **Q: Are we sure we need this much money?**

**A:** In 2016 a group of industry experts was appointed to the 21<sup>st</sup> Century Infrastructure Commission and spent an entire year evaluating the need. Their final report stated that \$2.2 billion per year was needed. Various other studies have been completed and have validated the amount needed to get our roads to 90% good/fair.

### **Q: How much would the Governor's plan cost me?**

**A:** The proposed 45-cent increase would cost an average driver between \$20 to \$26 per month or \$4.50 to \$6 per week. This is less than the \$562 per year that drivers are spending on average in auto repairs due to poor road conditions.

**Q: When we fix the roads, why don't they last?**

**A:** Transportation officials have been forced to implement short term fixes (overlays, joint replacements, etc.) because there is not adequate funding to make long term repairs (total reconstruction). They must spread the available money throughout the entire system to keep roads open and safe for the motoring public.

**Q: Are we building the roads correctly? Why not put warranties on the roads?**

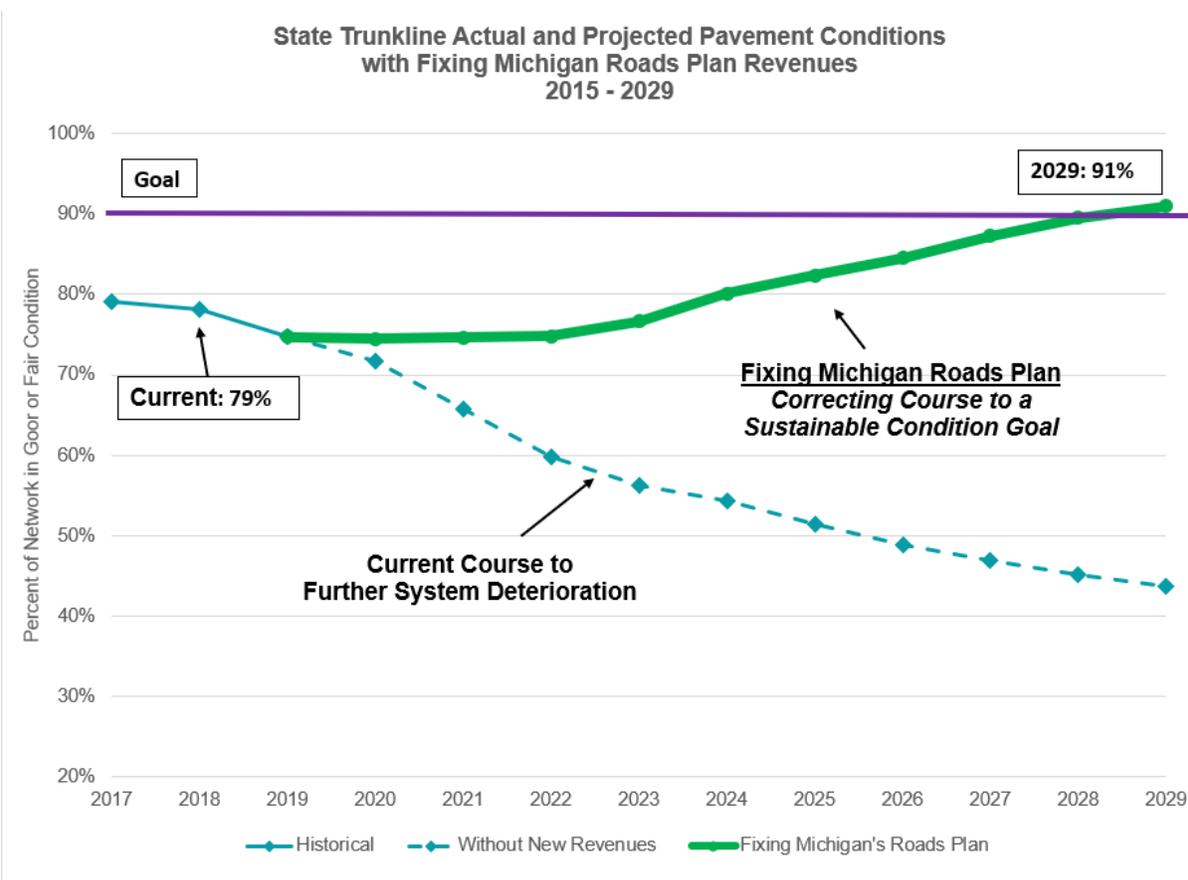
**A:** Michigan is a leader in innovation and asset management. Engineers have designed the best fixes possible with limited funds and have implemented innovative solutions at lower costs. MDOT and the private sector continuously monitor processes, technology and materials used in other states and countries to ensure the best designs and road building tools and techniques are employed. Currently Michigan leads the nation in warranties and is now implementing warranties on local roads.

**Q: Are heavy trucks damaging the roads?**

**A:** Although Michigan allows heavier total truck weights than some states, the maximum loading per axle is lower. Michigan requires additional axles for heavy loads thus distributing the weight uniformly over the axles. Furthermore, the number of trucks in Michigan exceeding the 80,000-pound standard load is very low.

**Q: What will happen if we don't put more money into our roads?**

**A:** Asset management models predict that good/fair state trunklines (currently at ~78%) will decline to approximately 55% in five years. Many bridges face closures as they become structurally deficient and unsafe for travel.



# **SB 54 & HB 4100**

## **Historic Preservation Tax Credit**

**Action to Date:** The legislation was introduced by Senator Wayne Schmidt and Representative Ben Frederick. SB 54 was referred to the Finance Committee in the Senate. HB 4100 was referred to the House Tax Policy committee.

**A/E/S POSITION: We support passage of this legislation.**

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### **ISSUE**

The tax credit, which was an integral part of restoration projects from Detroit to Menominee, was phased out in 2011 as part of the Snyder administration's plan to eliminate most tax carve-out programs. In its 11-year life, the credit leveraged \$71 million in credits to generate more than \$1.46 billion in investment in Michigan rehabilitation projects. It leveraged an additional \$251 million in federal tax credits and led to the creation of 36,000 jobs.

These programs are used to fill gaps in the financing of rehabilitation real estate projects and are issued only after rehabilitation expenses are incurred. Therefore, projects generate significant economic impact and state and local tax revenue before the credits are issued.

Michigan's HTC program is one of the state's most useful tools for revitalizing older communities. They make rehabilitation projects possible, and those projects drive economic growth in Michigan

### **KEY POINTS**

- The Historic Preservation Tax Credit will help our smaller communities and neighborhoods across the state.
- Investment must occur before the credit is awarded ensuring that every dollar is spent preserving our states historic resources.
- The reinstatement of the state historic tax credit would allow the leveraging of the federal historic tax credit of 20%.
- The legislation provides for a 5-year claw back provision in the event the owner does not maintain the requirements of the credit.

### **ACTION REQUESTED**

***Support SB 54 and HB 4100 to reinstate the Historic Preservation Tax Credit.***

# HISTORIC PRESERVATION TAX CREDIT

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## KEY LEGISLATIVE COMMITTEES

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# Certificate of Merit

**A/E/S POSITION: We support passage of Certificate of Merit legislation.**

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## ISSUE

Like many professionals, licensed architects, engineers and surveyors are called to defend themselves against third party damage claims and claims by owners. While some of these actions may have merit, many do not. We are a litigious society and the design professions have not been spared.

Because of the existence of malpractice insurance policies, plaintiffs routinely name the design professional in a lawsuit, even without any basis to believe the design professional may have been negligent.

When the medical profession faced this same issue, the Michigan Legislature responded by requiring malpractice plaintiffs to obtain a Certificate of Merit before suing a doctor. A Certificate of Merit must be signed by an individual who is qualified to testify as to whether the doctor breached the professional standard of care. Michigan's design professionals deserve the same protection.

## KEY POINTS

Requiring a plaintiff to obtain a positive opinion from an expert witness as to the merits of the claim prior to filing it with a court will reduce the number of lawsuits clogging court dockets and will separate the claims that have merit from those are not meritorious.

In order to obtain a judgment against a design professional for malpractice, a plaintiff must prove the licensed architect, engineer or surveyor breached the professional standard of care. Often a plaintiff will wait until the eve of trial to do so and the design professional must expend valuable resources (time and money) to defend the suit, whether the claim is meritorious or completely frivolous. The Certificate of Merit simply requires the plaintiff to investigate the claim before filing suit against the design professional. The Certificate of Merit requirement is therefore fair to everyone.

The number of these lawsuits not only increases the cost of doing business in this state, but also, increases the cost of government. Construction claims are notoriously complex and expensive and require the consumption of significant judicial system resources to accommodate.

Certificate of Merit would provide an economic benefit to Michigan. The law imposes no cost on the State, but the cost of doing business for the construction industry in Michigan will decrease, and the economic environment will become more favorable.

## ACTION REQUESTED

***Request your legislator to sponsor/support legislation requiring a Certificate of Merit.***

# CERTIFICATE OF MERIT

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