

Transportation Funding Findings to Date and Conclusions Reached

Rick Olson, State Representative, 55th District
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We have talked much about needing more money for our roads and bridges. For those not intimately involved in those discussions, here is a summary of the findings of various studies done in recent years:

1. **TF2 Report.** In 2008, the Transportation Funding Task Force (TF2) recommended that the state increase investment (and accompanying revenue) **\$3 billion** to achieve its “good” option for transportation (considering all transportation needs, including roads, bridges, addressing safety issues, increasing capacity, rail, transit and aviation).
2. **House Transportation Committee Work Group.** The September, 2011 report “Michigan’s Road Crisis: What Will It Take to Maintain Our Roads and Bridges?” reported on what it would take to just preserve our existing road surfaces and bridges and achieve over a 12 year period 95% of the freeways and 85% of all other paved roads in the state at a “good” or “fair” condition. It found that it would take an investment of **at least \$1.4 billion** more per year than current spending. The study used the asset management approach of what would be the least cost long-term combination of “fixes” and timing of fixes to maintaining the value of the state’s assets of roads and bridges – a business approach. This approach emphasizes doing the capital preventive maintenance to avoid the much higher cost “fixes” of rehabilitation or reconstruction necessary much sooner in the road life than if the capital preventive maintenance is not done.
3. **House Transportation Committee Work Group Update.** The “Michigan’s Road Crisis: What Will It Take to Maintain Our Roads and Bridges? 2012 Update” released in March, 2012 indicated that the shortfall to achieve the 95%/85% goals had **risen to \$1.542 billion** per year and rising over the 12 years studied. This study was updated to reflect the year delay from 2012 that the first additional moneys were assumed to be available in the initial study due to the failure to achieve any funding increases in 2011. The study also utilized additional road condition data unavailable in 2011. The study also found that the year’s delay will cost the hardworking taxpayers in the state an additional \$1.8 billion over the next 12 years compared to the costs had the legislature acted in 2011.
4. **TRIP Report.** “*Where Are We Going? Current and Future Pavement and Bridge Conditions, Safety, and Congestion Levels of Michigan’s Roadways and the Impact on Michigan Households, Based on Investment Levels over the Next Decade,*” was issued by TRIP, a Washington, DC, based national transportation research organization in late March, 2012. The report concluded: “Increased transportation investment is critical to Michigan’s economic recovery and to lower costs for state’s residents; each Michigan household could save nearly \$2,000 annually by 2022 if funding is increased to allow for significant improvements.”
5. **Phase In?** Another run of the funding model was run to see what the result would be if the legislature were to phase in funding increases of \$200 million the first year, then \$400 million, then \$600 million, then \$800 million and finally \$1 billion, rather than do a \$1.4 billion increase all at once. The result was that, although these amounts of money are far better than no additional money, we would actually see a decrease in the average quality of our roads in the future from the current condition. That is, the roads would still be deteriorating faster than the capital improvements to them.

6. **Just Maintain Our Current Poor Quality?** The House Transportation Committee Work Group set the 95%/85% goals and then sought to see what the lowest cost combination of “fixes” and timing of “fixes” was to derive the additional funding needed. A follow up question was asked, “What would it take to just maintain the road conditions with no average road system improvement?” The funding model was again used and the following was the result (i.e., we would still need over \$1 billion more per year, and rising):

Year	Total Funds Needed to Maintain Roads in 2011 Condition (millions)	Total Additional Funding Above Current Investment Needed to Maintain 2011 Condition (millions)
2013	\$2,796.95	\$1,104.53
2014	\$2,796.42	\$1,104.00
2015	\$2,700.99	\$1,008.57
2016	\$2,276.56	\$584.09
2017	\$2,567.96	\$875.14
2018	\$2,734.69	\$1,042.25
2019	\$2,916.46	\$1,224.16
2020	\$3,062.21	\$1,369.87
2021	\$3,035.90	\$1,342.37
2022	\$3,012.37	\$1,320.52
2023	\$3,122.45	\$1,429.25
2024	\$3,315.41	\$1,623.00
2025	\$3,485.79	\$1,793.37
Total	\$37,824.16	\$15,821.15
<i>Avg</i>	<i>\$2,909.55</i>	<i>\$1,217.01</i>

7. **Anderson Economic Group/Michigan Chamber Foundation.** The economic report entitled “Economic Impact and Policy Analysis of Four Michigan Transportation Investment Proposals” (June, 2012), which was commissioned by the Michigan Chamber Foundation and prepared by Anderson Economic Group (AEG), concludes that:
- a. funding for Michigan roads has declined in both real and nominal terms in the past decade – fuel taxes have not been indexed to inflation and those funds do not stretch as far as construction costs have escalated,
 - b. the quality of Michigan’s roads will decline rapidly if more funding is not raised for additional repairs and maintenance,
 - c. fixing the rest of the state’s deteriorating roads and bridges would create an additional 11,000 jobs,
 - d. money invested in roads and bridges has a higher economic multiplier than household spending because some of the money would have otherwise been spent out of state and because road construction work and its related supply chain is based largely in state. The study estimated the net economic benefit of these scenarios by accounting for both the benefits of infrastructure spending and the costs associated with forgone expenditures by

taxpayers (which negative impact is rarely seen in economic impact studies justifying a special interest group's position),

- e. job providers benefit from a well-maintained infrastructure, and
- f. the four most talked-about funding proposals of \$1.4 billion additional road funding would provide adequate funding to complete the necessary infrastructure repairs, with increased wholesale gas taxes and vehicle registration fees – or some combination of the two – all very close in terms of the economic boost they would provide to the state.

<http://andersoneconomicgroup.com/Publications/Detail/tabid/125/articleType/ArticleView/articleId/8025/Economic-Impact-and-Policy-Analysis-of-Four-Michigan-Transportation-Investment-Proposals.aspx>

- 8. "**Fringe Benefit Costs Paid by MDOT for Contract Work on State Trunkline Highways: Are They Out of Line?**" (October 19, 2012, by Rick Olson). The fringe benefits paid by MDOT to county road commissions for contract work done by the road commissions on state trunkline highways on behalf of MDOT, although very high for some road commissions, appear to have reasonable explanations. Significant efforts to control these costs have been expended by the road commissions in question.

Conclusions Reached:

1. **We need at least \$1.542 additional funding or savings to maintain our roads and bridges and achieve the 95%/85% good or fair condition in the next 12 years.**
2. **To avoid another \$1.8 billion cost to the taxpayers caused by delay, action needs to be taken timely in 2012 to avoid missing the 2013 construction year as well. Time is not on our side.**
3. **We need to be bold in filling the funding gap in one fell swoop, as incrementalism does not achieve the goals.**
4. **Doing less than the total need would expend considerable political capital and end up disappointing the taxpayers with higher costs, but no better roads. That is, if we are to take action, we might as well achieve the goals, rather than take the potential political heat for the higher costs AND still have poor roads.**
5. **While it will cost motorists money in terms of higher gas taxes and vehicle registration fees, there will be offsetting savings in vehicle repairs, longer life vehicles, safety, etc.**
6. **There are both short term job benefits and long-term benefits of creating an environment for businesses to flourish from maintaining our roads and bridges.**
7. **There is not enough fraud, waste and abuse in the system to eliminate which would fill the funding gap calculated in other studies. Nonetheless, control of these costs remains important and continued efforts are warranted.**