



Summary Dated December 19, 2014

Transportation funding goes to the ballot

After a week-long debate lasting into the early morning hours today, legislators agreed to let the voters decide on raising \$1.2 billion to fix Michigan's crumbling roads. "Now we have a solution," Gov. Snyder said. "We have a solution we support." Approved by a 2/3 vote by the Legislature, [HJR UU](#) would amend the state Constitution to do the following:

- Increase the sales tax from the current 6 percent to 7 percent.
- End sales taxes after Oct. 1, 2015, on motor fuels.
- Dedicate 60 percent of the first 5 percent of the sales tax and an amount equal to 12.3 percent of the first 5 percent of the use tax to the School Aid Fund (SAF). Currently, the sales tax earmark applies to the first 4 percent of the tax. The use-tax earmark would be new.
- Provide for the SAF to be used exclusively for school districts and community colleges. The SAF would no longer be used to help fund universities.
- Dedicate 15 percent of the first 5 percent of the sales tax to be used for revenue sharing with townships, cities, and villages. Currently, this earmark applies to the first 4 percent of the tax.

A series of bills are tie-barred to [HJR UU](#) and contingent to the voters passing the constitutional amendment. Here is a summary of some of the transportation-related bills.

[HB 4539](#) - Would remove the sales tax from gasoline.

[HB 4630](#) - Would eliminate depreciation-related reductions in vehicle registration fees for cars bought after 2015, would increase heavy truck fees, and create a surcharge for electric and hybrid vehicles.

[HB 5167](#) – Would require MDOT to develop and implement a performance rating system for maintenance services performed on all highways, streets and roads under its jurisdiction.

[HB 5492](#) - Would eliminate the sales and use tax on gasoline and diesel fuel for operating motor vehicles.

[HB 5477](#) - Would convert the 19 cents per gallon gasoline tax and 15 cents per gallon diesel tax into a 14.9 percent tax on the wholesale price, equivalent to about 42 cents per gallon, and would tax alternative fuels, such as compressed natural gas, at the same rate.

[HB 5493](#) – Would eliminate the 15 cents per gallon diesel fuel tax and convert it to a percent tax based on the wholesale price at the same 14.9 percent tax rate as gasoline.

[HB 4251](#) – Would allow a township board to require a county road commission to competitively bid a road project if the township is contributing more than 50 percent to the project's cost.

[HB 5460](#) - Would impose warranty requirements on all local road agencies.

The plan would ensure there would be sufficient funds for transportation as well as protecting schools and local governments. It also ensures that transportation taxes go to transportation purposes. The changes would mean a total increase of \$1.3 billion, with \$1.2 billion going to transportation in three years. The remaining funds would be split between the increase in the Earned Income Tax Credit (EITC), \$300 million more to schools, \$112 million to rail and public transit, and \$94 million to local governments. This [chart](#) breaks down the proposal in detail. The ballot proposal will go before voters in a special election in May 2015.

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