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## **Michigan Road Funding (Toll Booth/Road)**

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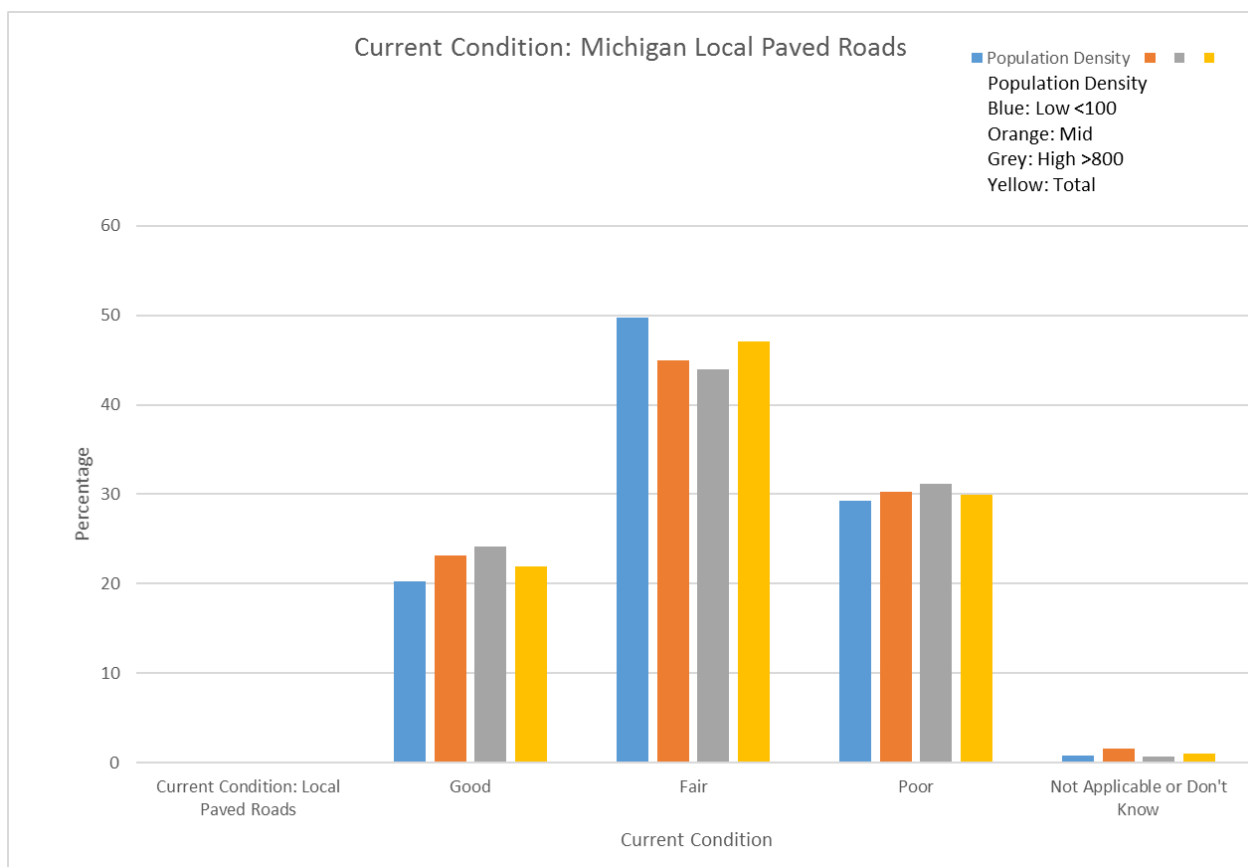
Public Policy 475

**Research Topic: Michigan Road Funding (Toll Booth/Road)**

An increase in toll road/booth political legislation would be advantageous for the repair, construction, and improvement of the Michigan road system. After review of a multitude of CLOSUP surveys, academic articles, and media outlets, poor road conditions are clearly evident. Toll booth legislation would allow for Michigan to lessen its dependence on a dwindling revenue source, and provide the Michigan Transportation Fund with a stable, efficient, and plentiful source.

Ever since arriving here at the University of Michigan, it's been hard to avoid Michigan's potholes, cracks, fading divider lines, and dangerous winter conditions. The topic is so prevalent that while I was enrolled in the University of Michigan Student Caucus, the class about Michigan's current politics, told students to avoid road legislation due to the overwhelming amount of discussions. Additionally, the Michigan road system is important to address because it impacts nearly all citizens on a day to day basis. Whether an individual is wealthy driving a sports car to work, or less privileged taking the bus, a significant proportion of Michigan's population uses the road system. This topic is not specific to a select group of people who are benefiting at the expense of others, but rather the population at whole. One cannot dispute that Michigan's road conditions are in dire need of attention.

Fall 2014 Surveys conducted by The Center for Local, State, and Urban Policy (CLOSUP), which conducts, supports and fosters applied academic research to inform local, state, and urban policy issues, had a specific section focused solely on road conditions. CLOSUP surveys questioned local, and state government officials concluding the quality of Michigan's local paved roads to be fair-poor. 33% of government officials say road quality is poor, while only 22% says it is good.



This survey data corresponds well with the survey conducted by the National Transportation Research Group. The National Transportation Research Group found that 31.5% of Michigan roads rank as poor. (CBS Detroit) Additionally, the survey about roads in general finds that 24% of people find road conditions poor and 19% find them of good quality. It is important to note

that the surveys do not only prove the lacking road quality, but they also provide government officials perspective on funding. The survey about state legislature funding finds that 83% believe funding should increase by 50% or more. While this is not specific towards road funding, it shows where politicians see the root of the problem.

Politics come into the picture because road funding is a tightly funded political program. Many Michigan programs request increased funding from the state government making an increase in funding for an individual program extremely difficult. A way to allocate state funds is to base it on citizen and legislator prioritization. The misguided perspective is that Michigan citizens find education, health care, environmental regulations, and others programs more “important” than road funding. However, CLOSUP statistics refute the common perception. CLOSUP finds that thirty-five percent of Michigan government officials state that the majority of their jurisdictions citizens see that “Roads are the top priority for the jurisdiction” while 58% say “Roads are a priority, but not the top” (CLOSUP). Whether or not other governmental programs take precedent over road funding, the plethora of government services and their demands for funds, makes road funding difficult.

However, while the difficulty of passing road funding legislation may be an obstacle, survey data concludes that road funding is very close to the top priority for Michigan residents. Research data from the State of the State survey investigates how Michigan citizens feel about road conditions. “Michigan State University's State of the State Survey is the only survey conducted in Michigan designed to systematically monitor the public mood on important issues in major regions of the state,” while CLOSUP interviews Michigan’s local and state government

officials (State of the State Survey). This survey collects data directly from the individual citizen rather than the elected official who represents the individual citizen.

A question on Michigan State's Winter 2015 State of the State Survey asked, "What would you say is the most important problem facing your community today?" (Page 16). Respondents top three replies were jobs, the roads, and the economy. The highest ranking answer "Jobs/Creating Jobs/Unemployment" had 22.6% of the vote, "Roads/Road Repair/Street Upkeep" coming in second with 10.9%, and "Economy/Development/Loss Businesses" with 9.4%. (Page 16). This specific question shows how prevalent road condition problems are, and the following question exhibits the citizen desire for action. The survey asked "There are many issues that the governor and legislature (in Lansing) could spend time dealing with this session. Of all the issues they could work on, which issue do you think is the most important for them to focus on?" (Page 17) Of the responses, "Roads/Highways/Bridges Repair" ranked second with 19.7%, just behind "Jobs/Creating Jobs/Unemployment" at 20.1%. "Economy/Economic Growth/Stimulating the Economy" and "Education/School Funding" ranked third and fourth with 11.4%, and 10.0%, respectively. The point at hand, is that the very commonly prioritized programs like education and economic development are trumped by the importance of road repair. Evidently, many citizens see Michigan's roads as an important problem, and want this issue to be dealt with.

Governmental policy is not solely to blame for Michigan's poor road conditions, it is also Michigan's geographic location. To start, Michigan's climate is extremely cold during the winter months, causing poor road conditions. With a cold climate comes snow, hail, and cold temperatures that deteriorate the roads. When there is snowfall, plowing trucks drop salt to help

melt the snow, which in turn deteriorates the roads. Additionally, Michigan is a state along the main interstate highway system that many passenger vehicles and trucks rely on. This results in a great deal of vehicles running down Michigan roads, especially the trucking business. The multiple axles on tractor trailers, semi-trailers, and other large trucks put tremendous pressure on the concrete roads, wearing them down at a fast rate.

Shifting away from the causes of Michigan's road condition, it is important to note the stakeholders in road legislation. The legislation to fix the roads does put certain stakeholders at an advantage, while putting others in a less favorable position. Road funding legislation impacts many Michigan citizens, but it specifically pinpoints certain groups. First, those driving in Michigan, whether residents or not, hold an interest in road funding legislation. These interests include reasons for and reasons against road repair, specifically its funding methods. Quite evidently, drivers want to see Michigan's road quality improved. Road repairs increase the comfort of driving, improve driving safety, and improve the quality of Michigan transportation. However, the improvement of Michigan roads come at an expense that many citizens oppose. Whether it's an increased gasoline tax, an increased sales tax, an increased registration fee, or the implementation of toll booths, there is a cost involved. The burden may fall harder on some than others, and Michigan citizens, most likely drivers, see that these road repairs are not free.

Another stakeholder against toll booths are anti-tax advocates. A toll can be seen as a tax for using Michigan's roads, and a highway should be a public good. Michigan citizens already pay taxes to use the Michigan road system, so according to these anti-tax citizens, what grounds are there to enforce another tax?

Another stakeholder includes those that have a vested economic interest in toll booths. “Support for the administration proposal [for toll booths] comes from the International Bridge, Tunnel and Turnpike Association, an international association of toll facility owners and operators and businesses that serve them.” “From the point of view of the American people, (tolling) is providing another avenue to fund infrastructure that is likely deteriorating,” said Patrick Jones, executive director and CEO of the International Bridge, Tunnel and Turnpike Association, a group that represents toll operators and vendors” ([governing.com](http://governing.com)). The companies that are hired to build the tolls, manage the tolls, and keep the tolls in workable condition directly benefit from toll booth legislation.

So how has Michigan attempted to fix this problem? In order to understand how the Michigan legislature is to fix its roads, it is important to understand where road funding comes from. To start, “The two largest sources of road funding in Michigan are the vehicle registration fee and the state-collected gas tax. Traditionally, the gas tax was the largest single source of road funding in Michigan, though vehicle registration fee revenues surpassed the gas tax in 2008, as gas consumption continues to decline statewide” ([micountyroads.org](http://micountyroads.org)). In addition to the gas tax and registration fees is a diesel fuel tax, a diesel carrier tax, and other miscellaneous revenue ([micountyroads.org](http://micountyroads.org)). These collected funds then go to the Michigan Transportation Fund (MTF) for allocation. “According to the formula, money is first taken off the top of the MTF for a number of items including the Bridge Fund and public transportation. The formula then calls for 39.1 percent of the remaining money to go to MDOT, Michigan Department of Transportation. When you factor in the money taken off the top for bridges and public transportation, MDOT comes away with 41% of the Michigan Transportation Fund ([micountyroads.org](http://micountyroads.org)).

However, the problem does not stem from the allocation of these funds, but rather the decreasing Michigan Transportation Fund. The MTF is decreasing for a few reasons, but most importantly, the shift to more fuel efficient vehicles. With more citizens using fuel efficient, hybrid, and electric cars comes less gas consumption (Washington Post). As a result, the revenue from the gasoline sales tax, and fuel tax decreases even as the tax rate continues to increase. With 44.6% of road funding coming from the fuel tax, the Michigan Transportation Fund is dependent on a source that continues shrinking.

Michigan also gets funds from the federal government. “Most road agencies in Michigan rely on federal road funding, generated by the 18.4-cent federal gas tax, for major road improvements, such as road widening projects. While federal funds coming to Michigan have increased slightly in the last couple of years, the increase has been minimal for most road commissions. That's because the federal road funds coming to Michigan are split among the Michigan Department of Transportation (MDOT), county road commissions and cities and villages” ([micountyroads.org](http://micountyroads.org)). Basically, Michigan receives funds from the Federal government, but the myriad of localities receiving a piece, makes the funds gathered minimal. With the gasoline tax running dry, something needs to be done.

In 2015, Proposal One attempted to tackle the road funding problem while also improving Michigan education quality. Proposal one aimed to make certain changes to the Michigan state constitution, by increasing the fuel tax, allocating all fuel tax funds to the transportation fund, eliminating registration fee discounts, increase heavy vehicle registration fees, and an electric vehicle surcharge ([ballotopedia.org](http://ballotopedia.org)). In addition, “proposal one would have eliminated the sales and use tax on fuel for vehicles all together,” increased the sales tax, (except



on fuel items) from six to seven percent, allowed for competitive road funding bidding, and increased the states sales. “Proposal one was estimated to cost households, on average, between \$477 and \$545 in additional taxes per year” ([ballotopedia.com](http://ballotopedia.com)). Proposal one was defeated with 80.07% of Michigan residents voting no. The proposals rejection can be attributed to the combination of education in a road funding bill, the increased sales tax, and the overall increase in taxes many Michigan residents couldn't afford.

Governor Snyder was not deterred by Proposal One’s rejection, so on November 3rd, 2015, the Michigan legislature signed into law the \$1.2 billion road funding package. While this law was passed, it faces much criticism for the way it plans to address Michigan’s roads. To start, this bill passed nearly a year ago, and hasn’t taken action because “the tax hikes don't kick in until 2017 and the plan doesn't devote a full \$1.2 billion to transportation until 2021” (Egan). Political legislation is rarely immediately effective, but waiting 2 years to receive any funding, and another 6 years to ensure the full amount of funding, is drawn out. Furthermore, much of the \$1.2 billion will come from an increased fuel tax (7.3-cent-per-gallon increase), but our society is moving away from nonrenewable energy sources. If the Michigan Transportation Fund’s main revenue source is decreasing, why is the state of Michigan continuously depending on it, rather than creating a new source? The road funding plan aims to tax those using Michigan’s roads in order to fund the repair, however this target group is diminishing. The other source of revenue for this plan, increasing vehicle registration fees, is plausible because it accurately targets citizens driving on Michigan’s roads. So while parts of the plan will work, the main revenue stream is predicted to dwindle over the years.

It is due to the current plan that a toll booth system in Michigan would help alleviate the problem. In order to understand a toll booth proposal, it is important to understand Michigan's history of toll booths.

The lack of toll roads in Michigan is due to the Interstate Highway System. Federal law "prohibits states or the federal government from establishing tolls on existing interstate highways" (The Washington Post). The Federal Government paid a large amount towards Michigan highway construction in 1956, so in order to convert its highways to toll roads Michigan would some how have to pay back the Federal Government. According to Governor Snyder, "We can't afford to essentially buy back that road to make it a toll road." (MLive). These tolls were rejected in 1939 because the bonds issued to fund the tolls would not be able to be paid back from toll booth revenue. Additionally, it is believed that motorists would use the parallel toll free roads in order to avoid toll booths.

While Michigan is banned from constructing toll booths on roads built prior to 1956, other states have been provided an exception. "Since 1998, a pilot program allows states pursuing major rehabilitation to interstates to toll them too (the three states being: Virginia, Missouri and North Carolina, haven't actually done interstate tolling yet)" ([governing.com](http://governing.com)). Virginia, Missouri, and North Carolina have been provided this opportunity with the contingency that all tolls collected be put directly towards road repair. Even with the exception, these states have not implemented toll roads. The argument for the toll booth exception is that regardless of feasibility, the decision to toll a state's roads should be within the state's jurisdiction. If funds cannot be raised, and state legislation voted in, then the state will not build toll roads.

Factoring in all this toll road background, a few legislative proposals can benefit Michigan in the future. Much of the current legislation addresses the implementation of toll booths on currently built highway, which should be amended, while also working around the system.

One option is altering current legislation to make toll roads on already built roads, such as I-94. The difficulty with such a plan is that the State of Michigan would need to payback the Federal Government for past construction. However, the federal government does not make direct revenue from highway use. Instead, it makes a federal gas tax which correlates with road usage. What I recommend is, through lobbying, companies and parties with vested economic and political interests can convince the Federal Government to permit toll roads, with a portion of revenue going to the Federal Government. Providing Michigan with a toll booth allowance, like in Virginia, Missouri, and North Carolina is possible with a few arguments. First, this would allow for Michigan to slowly pay back the Federal Government while also collected road repair funds. The issue with such a proposal is that billion dollar conglomerates will put up a fight against those advocated for Michigan toll roads. “Truckers, delivery companies and businesses located along existing interstates are vehemently opposed [to tolls]. They have successfully beaten back other recent attempts in Congress to permit tolls on existing interstate highways. “Tolling existing interstate lanes is the least efficient, least effective mechanism to fund transportation in the long term,” said Hayes Framme, a spokesman for the Alliance for Toll-Free Interstates, whose members include the American Trucking Associations, UPS, FedEx, McDonald’s, Dunkin’ Donuts and other groups” ([governing.com](http://governing.com)). The back and forth toll road

debate not only includes legislative actors, but is also impacted by America's largest corporations.

However, there are plausible arguments. The state of Michigan currently asks the federal government for increased road repair funds. Allowing Michigan to build toll roads is of no cost to the federal government. It would require an amendment to current legislation, and would allow for Michigan to raise road repair funds not at the federal government's expense.

Another option is express lanes on Michigan's busy roadways. Since federal legislation does not allow Michigan to build toll booths on previously built roads, the government can build more direct roadways connecting populous locations. On these new roadways would be toll booths. For example, while one can currently drive from Ann Arbor to Detroit, newly constructed roads would allow citizens to travel on better quality, less congested roads, simply by paying a toll. These express lanes would be in higher demand during certain days and hours of the week, but the advantage of using the roads would be reflected by the toll. The state of Iowa considered and implemented this option. "Express Lanes Demonstration Program—this new demonstration program permits tolling on selected facilities to manage high levels of congestion or finance added Interstate lanes for the purpose of reducing congestion. Fifteen (15) demonstration projects through 2009" ([iowadot.gov](http://iowadot.gov)).

An additional toll method would be to charge trucks. Trucks are the heaviest, most polluting, and pose the highest danger to vehicles on the road. They provide a great deal of pressure on the roads causing them to wear down, crack, and deteriorate. Additionally, trucks cause the most pollution due to their poor gas mileage and large weight. Lastly, trucks cause the

most traffic on the road due to their slow speeds and size. In addition, trucking is dependent on Michigan's roads for cross country deliveries.

Lastly, I propose a system where toll prices fluctuate based on demand. The key to this program is that regardless of where the toll, the toll rate would be based on the amount of road construction occurring in Michigan. This would allow drivers to see how their tolls are directly going towards road repair, rather than constantly tolling with no direct result. The toll would be set to cover repair and building projects, while collecting additional funds for future emergency repairs.

The state of Michigan can use Florida as a reference due to its high amount of toll booths and top roads in the country. The state of Florida has the highest mileage of toll roads in the United States. These toll roads were not all implemented prior to the Federal Highway Aid Act of 1956, saying that no new toll roads could be built, but rather following this legislation. Some toll roads in Florida were formed as recently as 2014. The Florida toll system is unique in its dependence on tourism. With so many people traveling to Florida, tourists pay a great deal of tolls. Additionally, Florida is a highly populated state with a lot of traffic congestion. This congestion allowed for Florida to have toll lanes, where drivers can pay an additional fee to drive in traffic controlled lanes. "Part of what sets Florida apart, according to transportation policy experts, is that it has a system of tolls, user fees and taxes that ensures infrastructure funding keeps flowing" (The Washington Post). While Florida does have the most toll roads in the country, its effectiveness is clearly shown through the quality of Florida's infrastructure.

There are some aspects of Florida's toll system that Michigan can use as reference, while others cannot. Unlike Florida, Michigan is not as highly populated as Florida. Florida has

18,801,310 citizens while Michigan only has 9,883,640 (2015 U.S. Census). Next, Florida is a state with much more tourism than Michigan. A survey by [hotels.com](http://hotels.com) found that Florida is the second most popular state to visit while Michigan is 31 (Business Insider). While Michigan tourism does not compete with Florida's, Michigan has a tremendous amount of vehicle transportation opposed to air travel. According to the Department of CARRS & Geography, Michigan transportation is 79% auto and 12% air. This means that a great deal of Michigan tourism is through driving, which can translate into toll road revenue. Lastly, Michigan can use Florida's expedited toll lanes, toll booth location selection, and other strategic tactics to bolster Michigan's toll roads.

Whatever process is taken to enact toll road legislation, it is also important to predict and raise the needed funds for toll booth construction and enforcement. “\*Average cost to construct one toll plaza (costs can range from \$5 to \$15 million per plaza). Source: Wilbur Smith Associates; inflated to 2010 dollars” (Iowa Department of Transportation). The upfront cost is expensive, however the initial cost will be minimal compared to toll road revenue. The Iowa government concludes that with the building and operational costs, a toll booth on Iowa's i-74 would earn upwards of 32 million dollars. This is with a 580 million dollars investment. However, for Michigan, I do not propose such a drastic initial increase. A sample toll road would help gather information specific to Michigan toll roads, for future tolls.

It is urgent Michigan implement toll roads, because, in Iowa similar to Michigan, delaying [the road repair] project at least one year – each year of delay adds \$50 million + to project cost” (Iowa Department of Transportation).

The true value of toll booths is the effect they will have on Michigan. Toll booths will directly improve Michigan roads and in return, bolster Michigan's economy, create a comfortable road system, and create Michigan jobs.

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