Road Commission Funding

Where do road commissions get their funding?

All county road commissions in Michigan receive the majority of their funding from two primary sources: state-collected road funds and federal road funds. Road commissions have no taxing authority and do not receive any revenues directly from property taxes. However, 13 Michigan county general governments and some townships levy millages dedicated to roads, with the revenue turned over to the county road commissions.

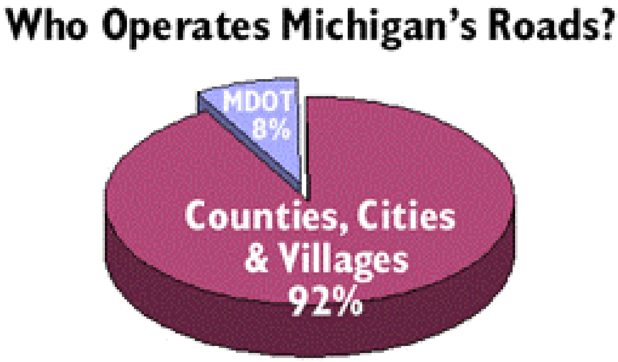
State-collected funding

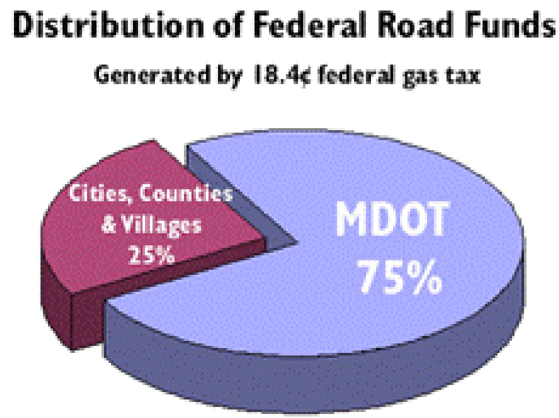
Michigan charges a 19-cents-per-gallon tax on gasoline and a 21-cents-per-gallon tax on diesel fuel (however, diesel fuel users receive a refund of 6 percent, equivalent to the 6 percent sales tax, so they pay the equivalent of 15 cents-per-gallon in fuel tax). Considering the sales tax refund on diesel fuel, both Michigan's gas and diesel tax rates are below the national average. Motorists also pay license and registration fees to the state. Revenues from these sources, as well as the tax on liquid petroleum fuel, the diesel carrier tax, the diesel dealer license fees and other fees make up the Michigan Transportation Fund (MTF). In 1999, these revenues accounted for the $1.84 billion that went into the MTF. The state-collected gas tax makes up the largest share of this money.

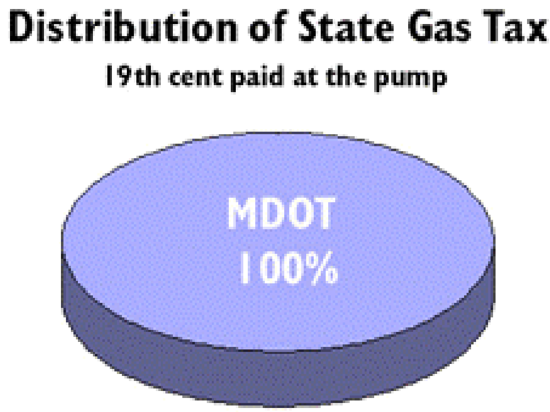
According to state law (Public Act 51), MTF funds are divided between the three levels of government in Michigan with jurisdiction over roads: the Michigan Department of Transportation (MDOT: state highways), the 83 county road agencies (county roads) and the 500-plus cities and villages (city and village streets). Here's how the funds are divided:

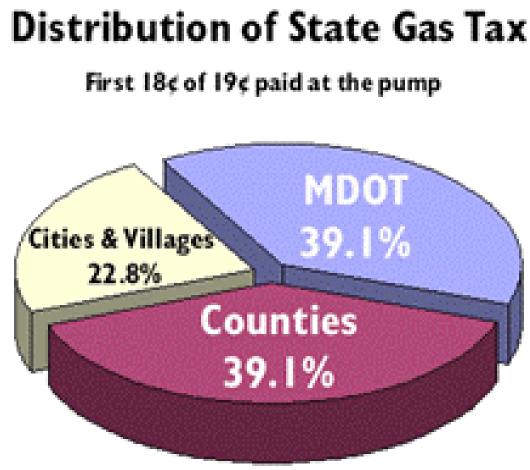
- 39.1 percent: MDOT, which has jurisdiction over 8 percent of Michigan's roads.
- 39.1 percent: County road commissions, which have jurisdiction over 75 percent of Michigan's roads.
- 21.8 percent: Cities and villages, which have jurisdiction over 17 percent of Michigan's roads.

However, due to funds directed "off the top" of the MTF, the actual percentages received by each level of road agency has changed in recent years, so MDOT actually receives more than the 39.1 percent allocated in the Act 51 formula, and road commissions and cities and villages actually receive less than the amount allotted in the formula.









Michigan is one of only seven states that also charges a sales tax (6 percent) on gas. None of the revenue from the sales tax goes to roads – the bulk of it goes to education.

Why was the gas tax raised in 1997?

The Michigan gas tax was raised four cents to its current 19-cent level in 1997, when it became evident that the previous funding level was not sufficient to adequately maintain Michigan's road system. Prior to the increase, Michigan's gas tax rate was the sixth lowest in the nation. After the increase, it rose to 18th lowest in the nation – still lower than 32 other states.

It is interesting to note that Michigan has remained among the bottom nine states in per capita road funding since at least 1964, according to U.S. Census Bureau data.

Road Commissions receive their share of the revenue from only three of the four cents of the 1997 gas tax increase. Revenue from one cent (approximately $47 million annually) is provided directly to MDOT for use on state highway bridges. Revenue from the remaining three cents goes through the Act 51 MTF distribution formula described above.

At the same time the Michigan Legislature raised the gas tax by 4 cents, it also mandated that $45 million in truck registration fees be set aside annually to be used by MDOT to pay off its debts. In total, 60 percent of the new funds generated by the gas tax increase are going to MDOT.

State fuel tax rates ***BEFORE*** Aug. 1997

State	Gas	Diesel	State	Gas	Diesel
Connecticut	39	18	Maine	19	20
Rhode Island	29	29	Utah	19	19
Montana	27	27. 5	Arkansas	18.7	18.7
Nebraska	25.9	25.5	New.Hamp.	18.7	18.7
W Virginia	25.25	25.35	Mississippi	18.4	18.7
Idaho	25	25	Arizona	18	18.4
Nevada	24	27	Kansas	18	18
Oregon	24	24	Alabama	18	19
Maryland	23.35	24.25	New Mexico	18	19
Wisconsin	23.7	23.7	California	18	18
Washington	23	23	S. Dakota	18	18
Delaware	23	22	Virginia	17.5	16
Pennsylvania	22.35	28	Missouri	17	17
Ohio	22	22	Oklahoma	17	14
N. Carolina	22	22	Kentucky	16.4	13.4
Colorado	22	20.5	Vermont	16	17
New York	21.92	21.74	Hawaii	16	16
Mass.	21	21	S. Carolina	16	16
Iowa	20	22.5	Indiana	15	16
Louisiana	20	20	**Michigan**	**15**	**15**
Minnesota	20	20	Florida	12.5	24.2
N. Dakota	20	20	New Jersey	10.5	13.5
Texas	20	20	Wyoming	9	9
Tennessee	20	17	Alaska	8	8
Illinois	19	21.5	Georgia	7.5	7.5

State fuel tax rates ***After*** Aug. 1997

State	Gas	Diesel	State	Gas	Diesel
Connecticut	32	18	Texas	20	20
Rhode Island	29	29	Tennessee	20	17
Montana	27	27.8	Vermont	20	17
Pennsylvania	25.9	25.9	New Hamp.	19.5	19.5
W.Virginia	25.4	25.4	Illinois	19	21.5
Wisconsin	25.4	25.4	Maine	19	20
Nevada	25	28	New Mexico	19	20
Idaho	25	25	**Michigan**	**19**	**15**
Utah	24.5	24.5	Mississippi	18.4	18.4
Oregon	24	24	Arizona	18	18
Maryland	23.5	24.3	Kansas	18	20
Washington	23	23	Alabama	18	19
Delaware	23	22	California	18	18
Nebraska	22.8	22.8	Virginia	17.5	16
New York	22.05	21.2	Missouri	17	17
Ohio	22	22	Oklahoma	17	14
S. Dakota	22	22	Kentucky	16.4	13.4
Colorado	22	20.5	Hawaii	16	16
N. Carolina	21.2	21.2	S. Carolina	16	16
Massachusetts	21	21	Indiana	15	16
N.Dakota	21	20	Wyoming	14	14
Arkansas	20.5	22.5	Florida	13	25
Iowa	20	22.5	New Jersey	10.5	13.5
Louisiana	20	20	Alaska	8	8
Minnesota	20	20	Georgia	7.5	7.5

MTF Funds

For county road commissions, MTF funds typically make up more than half of the total revenues. These funds are used to maintain Michigan's 83 county road systems, covering expenses such as road repairs and improvements, equipment, salaries, routine road maintenance, winter maintenance (plowing, salting), etc.

Maintaining state highways

In many cases (67 counties), the Michigan Department of Transportation (MDOT) hires the county road commission to maintain state highways in the county (state highways are designated with an "I", an "M" or a "US," such as I-75, M-57 or US-27). MDOT reimburses the county road commissions for the cost of this maintenance.

Federal Funds

After the MTF, road commissions' next largest funding source is the revenue from the 18.3-cents-per-gallon federal fuel tax. Congress has created a formula through which it determines how much of the federal road funds go to each state.

Of the federal funds that come to Michigan, MDOT has historically received 75 percent, while county road commissions, cities and villages have split the remaining 25 percent.

Congress determines how the dollars generated by the federal fuel tax will be spent when it creates federal road funding legislation. The current legislation was enacted in 1998 (it expires in 2003) and is known as the Transportation Equity Act for the 21st Century, or TEA-21.

The federal dollars are used mainly for road improvements, such as widening, reconstructing, adding turn lanes, etc., and cannot be used for routine maintenance such as pothole patching. Additionally, federal funds can only be used on roads that are designated as part of the federal road system. These funds are available to road commissions through a variety of programs identified in TEA-21, which are described below.

None of these funds goes directly to Michigan's 83 county road agencies. In the rural counties, each county road agency competes with its neighboring counties for federal funds. In the urban areas, the county road agencies compete with the cities and villages in the county.

CMAQ

The Congestion Mitigation and Air Quality Improvement program (CMAQ) was established by Congress to direct federal funds to transportation projects that help to improve the nation's air quality. It is available only in those counties where there are air quality deficiencies, which includes the regions of southeast and southwest Michigan.

In the "urban" counties, CMAQ funds are often used to alleviate congestion at busy intersections through projects such as adding turn lanes. This helps to reduce the number of cars idling at those intersections, thus reducing air pollution.

Projects are typically selected for CMAQ funding by a region's metropolitan planning organization in the "urban" counties or by the rural federal aid task force.

Surface Transportation Program

The federal Surface Transportation Program (STP) provides funds for state, county, and city and village road projects. Typically, this funding is used for major road improvements, such as road widening or reconstruction. However, 10 percent of STP funds statewide must be used for safety projects (such as hazard elimination) and 10 percent for transportation enhancements, such as median beautification.

As with CMAQ, STP projects are typically selected by a region's metropolitan planning organization or federal aid task force.

“High Priority” Grants

While Congress generally funds road improvements through programs targeting categories of projects (such as CMAQ), on occasion, it designates money for specific projects. These projects are referred to by Congress as “High Priority” projects. Typically, individual US senators or representative seek the funding for critical projects in their districts.

Critical Bridge

The Critical Bridge program was established by Congress to improve deteriorated bridges. In Michigan, a statewide rating system determines which bridges are eligible for Critical Bridge funding.

Critical Bridge funds are distributed statewide by an objective committee established by the Michigan Department of Transportation (MDOT). The committee applies the rating system, and those bridges in the worst condition receive the funding.

Other Funding Sources

While the state and federal funding sources listed above provide the majority of funding for Michigan’s road commissions, some funds are also received from other sources, including the following.

TEDF

The Transportation Economic Development Fund (TEDF) is a state program that combines state and federal dollars to fund projects related to economic development. The program is divided into five categories, A, C, D, E and F. The categories are described below.

- **TEDF Category A** provides funds for projects that help to generate jobs or prevent jobs from leaving the state.
- **TEDF Category C** provides funds for projects that relieve congestion in developing areas. Road Commissions must compete with cities and villages for these funds. Category C funds are only available to Michigan’s five largest counties: Wayne, Oakland, Macomb, Genesee and Kent.
- **TEDF Category D** provides funds for projects that improve rural roads to all-season standards.
- **TEDF Category E** provides funds for projects that improve roads in forested areas.
- **TEDF Category F** provides funds for projects that improve roads in cities in rural counties to all-season standards.

Local Contributions

While road commissions have no taxing authority and cannot raise additional tax dollars themselves, many receive contributions from their county general government (with the exception of Wayne County, road commissions are independent of county general governments) and/or cities, villages or townships in the county. These contributions take a variety of forms and vary greatly from county to county.

Some communities contribute funds to their county road commission on a project-by-project basis. Some road commissions require a match from the local community for major projects within the community. Some communities contribute a fixed amount annually to the road commission for use on roads within the community, and some communities have other processes and programs. Some county general governments or townships contribute funds to their county road commission from their general funds or from a special road millage.