



**Proposal 1 in Review:**  
*Roads for a Better Tomorrow or Tomorrow  
for Better Roads*

Citizens Research Council of Michigan

May 6, 2015

[www.crcmich.org](http://www.crcmich.org)



# Yep, Nothing Has Changed

May 5



May 6





## Looking Forward

*What Could be Done to Address Challenge?*

- Possible state policy responses:
  1. Continue current course - cobble together funds
  2. Re-prioritize state spending – *increase* transportation funding and *decrease* other funding
  3. Raise state taxes - net increase in state spending
- Issues to consider:
  - Scale – how much \$
  - Timing – short-term or long-term solution
  - Political realities – 56, 20, and 1



## State Responses

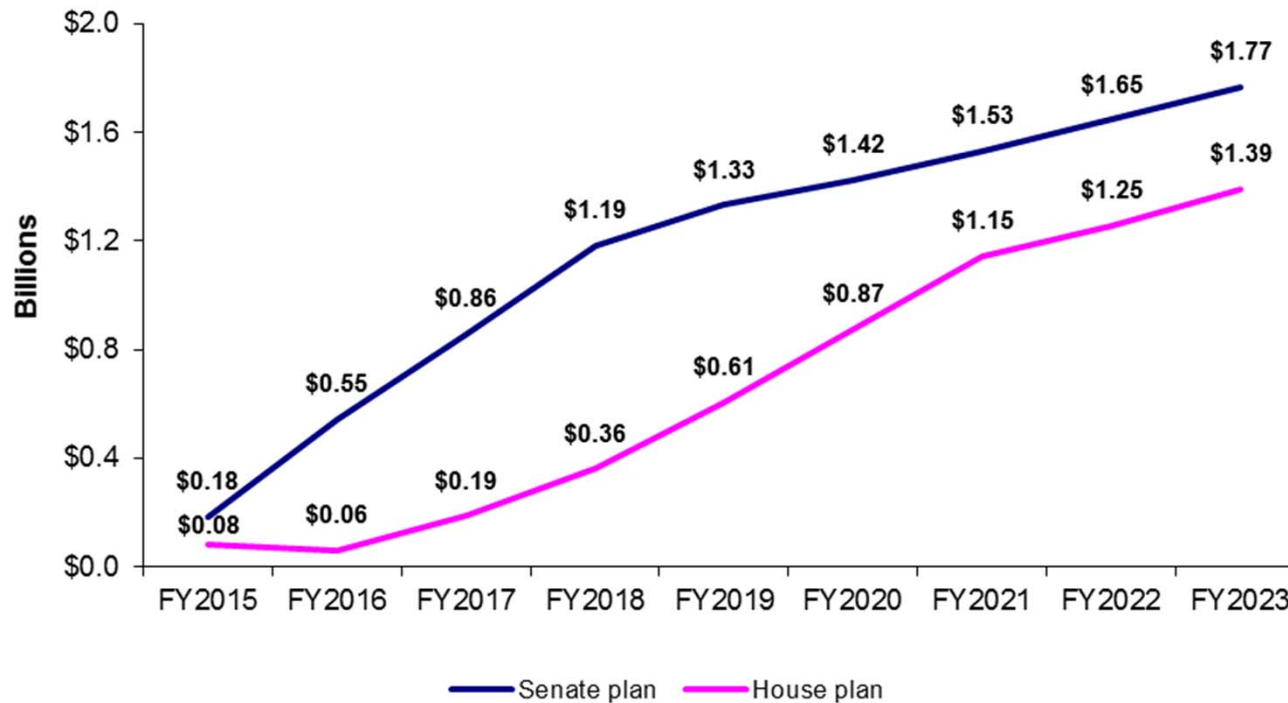
### *Looking Back for Clues about Next Steps*

- Previous legislative plans as jumping off point
  - 2014 House plan – re-prioritize spending
  - 2014 Senate plan – net spending increase
- Both plans would have generated additional, ongoing revenue for transportation, but
  - Amounts vary
  - Timing of revenue increases vary (phase-in)
  - Taxpayer burden of revenue increases vary



# Senate Plan Would Have Generated More Revenue and Much Sooner

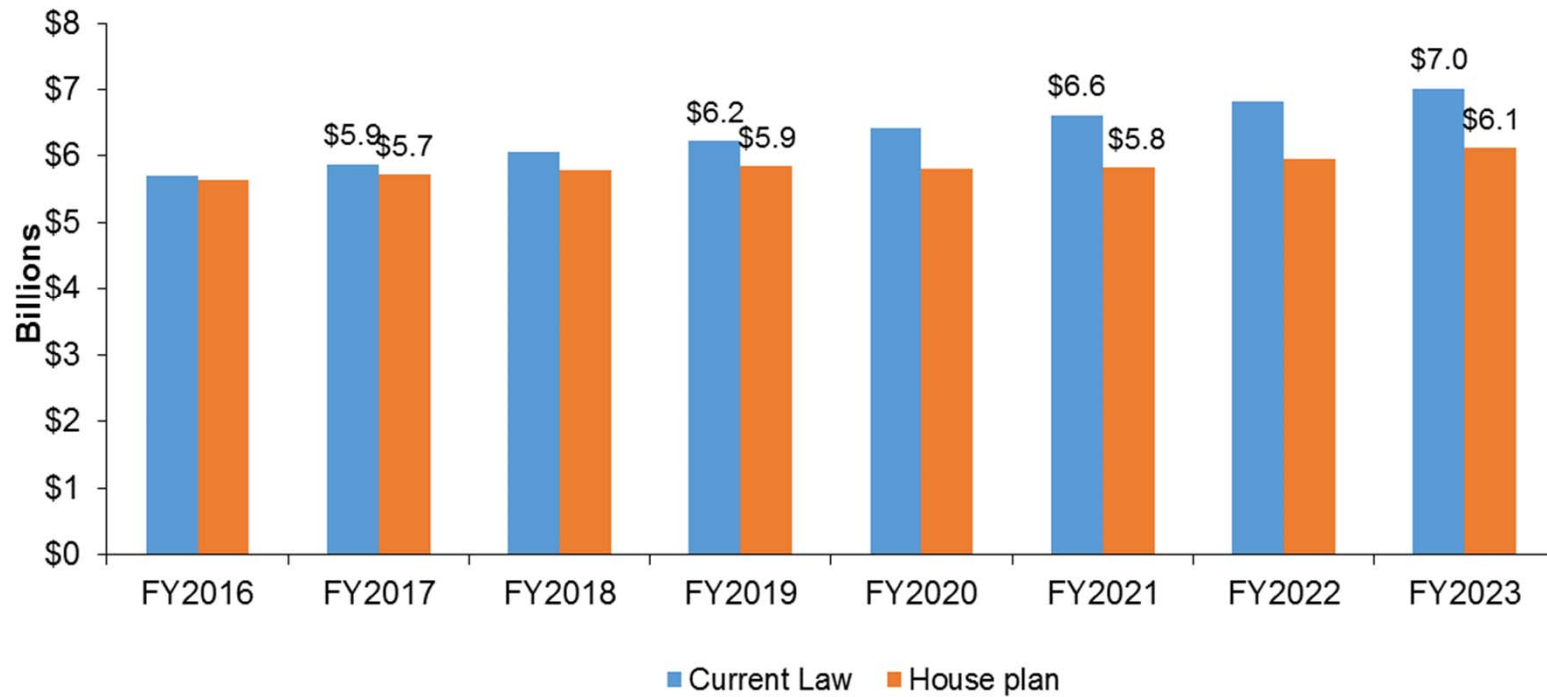
New Transportation Revenues under 2014 Plans





# House Plan Would Have Had School Aid Fund Shoulder Largest Burden

Estimated Sales Tax to School Aid Fund





## What if the Legislature Fails to Act?

### *Another Ballot Proposal*

- Will voters wait for a legislative response, or will they petition for another ballot question?
- How would it be structured?
  - “Either/or” choice similar to Proposal A of 1994
  - Status quo as fall back
- What would a ballot proposal contain?
  - Address transportation needs only
  - Which taxes
  - Reforms to Public Act 51 of 1951



## Local Responses

*Despite Limited Options, More Action Likely*

- State's inability to agree to a long-term solution has prompted local governments to pursue local solutions
- Increased use of dedicated revenues through property tax, bonding, special assessments
- More general fund support for local roads
- Currently, lack authorization to levy local-option sales, gasoline, and vehicle registration taxes
  - Only cities allowed to levy local income tax
  - State to provide locals needed authorization





# Structural Challenges Facing Lawmakers

## *Constitutional Provisions*

- Distrust of government has resulted in many legal restrictions on lawmakers' financial decision making
- Example: constitutional tax earmarking limits legislative discretion to respond to public priorities
  - While earmarking might provide a funding floor, it often has a chilling effect for additional funds
- Example: constitutional limitations on tax rates and tax base growth
  - Changes to state sales tax require a public vote
- Solution: amend/rewrite state constitution