Road Funding and the Future of Mobility

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Public Sector Consultants
December 3, 2018
Road Funding
## Need Identified by Infrastructure Commission

<table>
<thead>
<tr>
<th>Transportation Mode</th>
<th>Current Annual Investment</th>
<th>Annual Investment Need</th>
<th>Annual Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interstates and other principal arterials</td>
<td>$1.2 billion</td>
<td>$2.2 billion</td>
<td>$1.0 billion</td>
</tr>
<tr>
<td>State highways and bridges</td>
<td>$250 million</td>
<td>$850 million</td>
<td>$600 million</td>
</tr>
<tr>
<td>Local roads and bridges</td>
<td>$740 million</td>
<td>$1.34 billion</td>
<td>$600 million</td>
</tr>
<tr>
<td>Multimodal</td>
<td>$420 million</td>
<td>$850 million</td>
<td>$430 million</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2.61 billion</strong></td>
<td><strong>$5.24 billion</strong></td>
<td><strong>$2.63 billion</strong></td>
</tr>
</tbody>
</table>

The Need for Investment

## Current Transportation Funding

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>Actual 2017</th>
<th>Projected 2018</th>
<th>Projected 2019</th>
<th>Projected 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline Tax</td>
<td>$1,144,280,552</td>
<td>$1,217,950,000</td>
<td>$1,217,100,000</td>
<td>$1,213,250,000</td>
</tr>
<tr>
<td>Diesel Tax</td>
<td>$215,179,078</td>
<td>$233,500,000</td>
<td>$236,400,000</td>
<td>$239,000,000</td>
</tr>
<tr>
<td>Motor Vehicle Registration Tax</td>
<td>$1,209,982,529</td>
<td>$1,288,000,000</td>
<td>$1,318,900,000</td>
<td>$1,350,900,000</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$95,228,666</td>
<td>$97,100,000</td>
<td>$98,300,000</td>
<td>$100,650,000</td>
</tr>
<tr>
<td>Income Tax</td>
<td>$0</td>
<td>$0</td>
<td>$150,000,000</td>
<td>$325,000,000</td>
</tr>
<tr>
<td>Federal Tax</td>
<td>$855,278,242</td>
<td>$1,380,301,200</td>
<td>$1,318,271,700</td>
<td>$1,318,271,700</td>
</tr>
<tr>
<td>All Other Revenues</td>
<td>$147,926,704</td>
<td>$215,840,300</td>
<td>$199,054,000</td>
<td>$202,443,000</td>
</tr>
<tr>
<td>Total Transportation Funding</td>
<td>$3,667,875,771</td>
<td>$4,432,691,500</td>
<td>$4,538,025,700</td>
<td>$4,749,514,700</td>
</tr>
</tbody>
</table>

### FY 2019 Funding
- Gasoline tax: 27 percent
- Registration tax: 29 percent
- Federal aid: 29 percent
- Total of these three sources: 85 percent
FY 2015 Ballot Proposal

- Gas tax from $0.19 per gallon to equivalent of $0.417 per gallon
- Sales tax from 6 percent to 7 percent
- Remove gasoline from sales tax base
- Earned Income Tax Credit from 6 percent to 20 percent
- Would have generated $1.3 billion for roads and $485 million for other state priorities
- 80 percent voted no in statewide special election
2015 Enacted Transportation Package

- Gas tax from $0.19 per gallon to $0.263 per gallon
- Indexed to inflation starting in 2022
- Registration tax up 20 percent
- Earmarked $600 million of income tax to transportation
- Increases road funding by $1.2 billion but only $428 million in net new revenues—reduces general fund by $800 million
How do you raise enough to fix the roads?

• Raise the gasoline tax
• Explore other options, such as tolling and GPS fees
Importance of Auto (Mobility) Sector to Michigan

- Michigan manufacturers more than 2 million cars and trucks each year
- 13 original equipment manufacturing (OEM) assembly plants, 35 OEM component plants, and 1,700 manufacturing facilities
- Directly supports 15 percent of state’s workforce
Industry Transformation

• Industry is moving toward autonomous vehicles
• Clean fuel vehicles will replace traditional motor fuel propulsion
The World is Changing

• Innovative mobility services—transportation solutions enabled by wireless technology (e.g., car sharing, ride hailing, etc.)
• Connected autonomous vehicles (CAVs)—technologies range from driver assistance (e.g., blind spot warnings) to fully automated vehicles
• Countries are setting end dates for the sale of vehicles using gasoline and diesel: Norway in 2025; France and the UK in 2040; Germany, India, and China are planning on setting dates
• Many companies are only using electric or hybrid technology on CAVs
Michigan is Well Positioned—MCity
Michigan is Well Positioned—American Center for Mobility
Michigan Assets

- Home to GM, Ford, and FCA and host to many other research facilities
- Michigan’s research universities are leaders in these technologies
- MCity in Ann Arbor and the American Center for Mobility are premier testing facilities for CAVs
- However, no guarantee Michigan can maintain its leadership as the industry transforms—Tesla is manufactured in Silicon Valley