



Everybody agrees that Michigan's roads need to be fixed.

How do we fix our roads in a way that best reflects taxpayer priorities?

Prioritize current expenditures and build higher quality roads that last longer.

Quality-Based Road Proposal

Sustainable Funding Through Higher Quality Roads

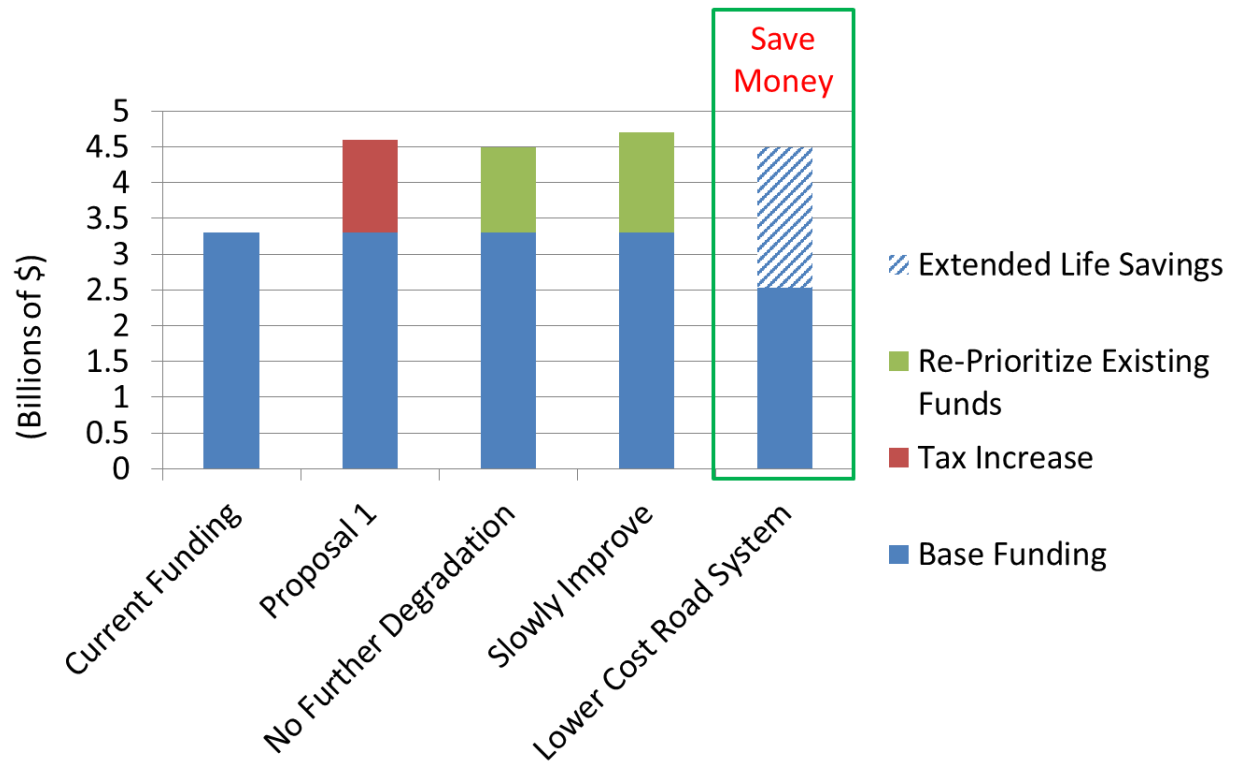
Start with the following objectives:

- * We need to provide the necessary funding for roads and bridges in a sustainable manner
- * We need to protect funding for schools, communities, public transit, and rail
- * We need to ensure that transportation taxes go to the roads (i.e. if you collect a tax at the pump it should go to the roads)
- * We need to have competitive prices at the pump (relative to other states)
- * We need tax relief for lower income Michiganders

Then, take a very deliberative approach to achieving these objectives. There is an opportunity to achieve these objectives in a sustainable manner by decreasing the overall cost of maintaining our road system rather than going to taxpayers for additional funding. The key to doing so is to extend the life of our roads by building higher quality roads.

Why the focus on quality? Higher quality roads will require less frequent construction projects which means less inconvenience for our citizens and lower total lifecycle costs for our road system. In this light, the Quality-Based Road Plan features upfront temporary prioritization of spending for roads as we convert from our current road quality standards to a new "Version 2" road system. The more funding that is provided upfront, the more rapidly our budget can reap the benefits of a higher quality, lower cost road system. As more of the road system is upgraded to the new higher quality standards, more funding can be migrated from roads to other state budget priorities.

The net effect is the conversion of a system that requires \$4.5B to maintain into one that requires only \$2.5B to maintain...or \$800M less than our current \$3.3B sustainable funding.



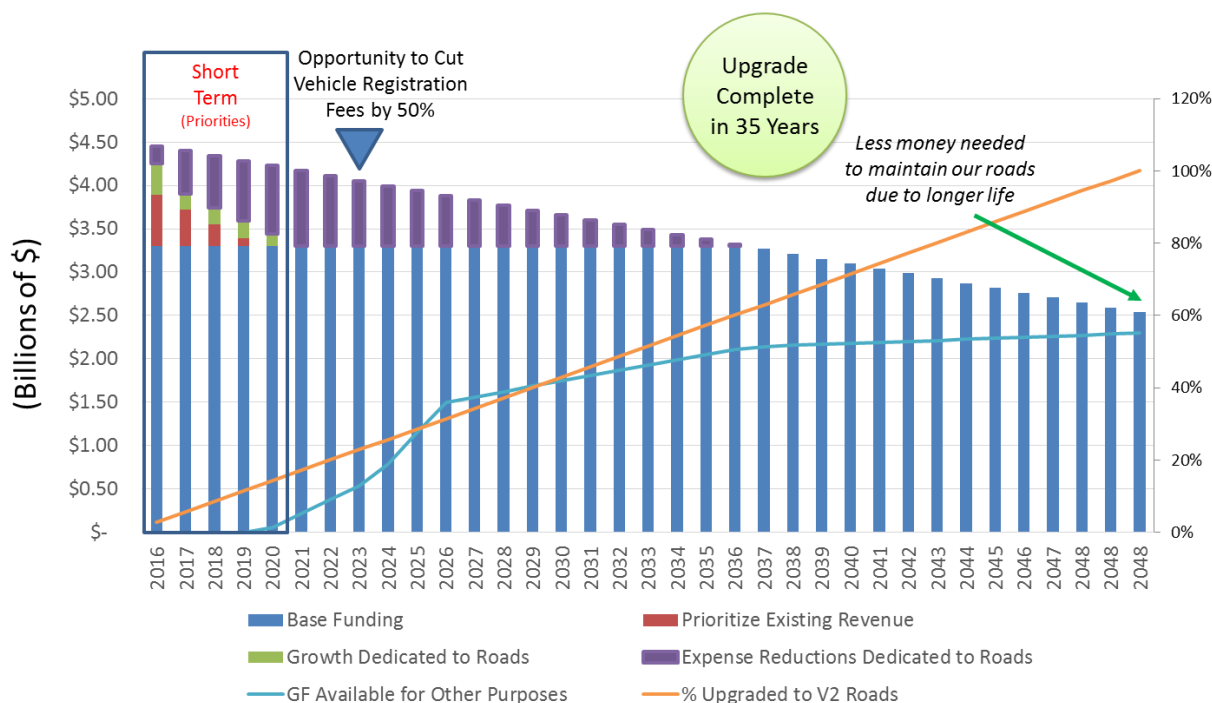
Short-Term

1. Prioritize roads with our existing general fund revenue
2. Start upgrading roads to longer-life design
3. Open-up restricted funds to offset general fund needs in departmental budgets
4. Dedicate economic growth dividend to roads
5. Enact policy reforms that reduce Michigan Department of Transportation (MDOT) operating expenses
6. Enact policy reforms that reduce operating expenses in other budget areas
7. Protect funding for schools and public safety

Long-Term

1. Realize cost savings from needing to repair roads less often
2. Leverage MDOT operating expense reductions to provide tax or fee relief
3. Leverage other budget area expense reductions to provide additional tax or fee relief
4. Restructure road funding tax structure to ensure fair distribution of expenses across all beneficiaries of road system

How do we get to higher quality roads? We address the most frequent cause of road failure, Alkali/silica reaction, or ASR, which causes concrete to expand and crack when exposed to moisture over time. We have identified at least one method for building roads for up to 15% additional expense that will yield roads that last up to 4 times as long. In other words, we reduce the total lifecycle costs. By going beyond the traditional short-term focus of state budgets, we have worked together to develop a sustainable fix to our roads.



How do we implement this plan?

By implementing the Quality-Based Road Funding Proposal, we will be able to fix Michigan’s roads without additional burdens to the hard-working taxpayers of our state. In order to fully implement this proposal, there are five groups of legislative actions that need to be taken. Each set of actions is grouped into the following tables:

- Table 1: Policy Bills
- Table 2: Re-Prioritization of Appropriation Line Items
- Table 3: Open Restricted Funds to Offset Budget General Fund (GF) Needs
- Table 4: State Resolutions
- Table 5: Federal Resolutions

The total known opportunity for additional road funding presented by these actions is \$1.4B. It is important to note that not all of these actions need to be taken to effectively implement the plan. The closer we get to an initial funding level of \$1.4B, the faster we get to a fully upgraded road system that all of our citizens can be proud of.

Table 1 –Policy Bills

Bill	Description	GF Amount
SB 1, SB 2, and SB 3	Repeal Prevailing Wage (NOTE: Enables further savings in conjunction with Michigan Infrastructure Improvement Fund)	\$176,000,000
New SB 149	Enable sales tax revenue to go to Michigan Transportation Fund (MTF) and remove \$20M MTF appropriation to Secretary of State	\$20,000,000
HB 4606	Dedicates 25% of 4% Sales Tax directly to roads. Use to restrict portion of overall GF to roads.	Not Applicable
HB 4607	Redirect \$75M from Tobacco Settlement money from 21st Century Jobs Fund to roads, not Comprehensive Transportation Fund (CTF)	\$75,000,000
HB 4608	Match the amount of Indian Gaming Revenue going to Michigan Strategic Fund (MSF) and put that to the roads, not CTF	\$60,000,000
HB 4610*	Competitive Bidding for County Road Commissions	Yet to be determined
HB 4611*	Contracting requirements for local road agencies	Yet to be determined
HB 4613	Warranties for projects over \$1.0M	Yet to be determined
SB 111	Requires MDOT to post road project data pertinent to Total Lifecycle Cost assessments online	Yet to be determined
Road Construction Standards Reform	Incentivize MDOT to promote total lifecycle cost reductions throughout state	Yet to be determined
Align design specifications with truck weights	Requires roads to be able to handle truck weights	Yet to be determined
Reduce truck weights as warranted	Requires truck weights to be in line with road specifications	Yet to be determined
Wear and tear road fines	Increase fines for those who damage Michigan roads	Yet to be determined
PA 51 Modification (See Infrastructure Maintenance Fund, Federal Infrastructure Improvement Fund, Michigan Infrastructure Improvement Fund)	De-Scope MTF to Roads and Bridge Maintenance and Improvement. Maintain Current 39/39/22 Distribution Formula. Move following to independent line items and provide funding at FY15 levels or better: <ul style="list-style-type: none"> - MDOT Administration & Planning; - Statutory Grants; - Comprehensive Transportation Fund; - Transportation Economic Development Fund (TEDF); Ensure 100% of incremental funding goes ONLY to roads and bridges.	Not Applicable

Bill	Description	GF Amount
Infrastructure Maintenance Fund	Creates Infrastructure Maintenance Fund. New fund essentially restructures the existing MTF and limits expenditures to road and bridge maintenance; will still distribute funds via the 39%, 39%, 22% PA 51 formula. Other items funded by MTF (e.g. CTF, Administration, Recreation Fund, Rail Crossings) will migrate to standalone line items in transportation budget.	Not Applicable
Federal Infrastructure Improvement Fund	Creates Federal Infrastructure Improvement Fund: a fund to build new roads or add more lanes that takes federal money	Not Applicable
Michigan Infrastructure Improvement Fund	Creates Michigan Infrastructure Improvement Fund: a fund to build new roads and add more lanes that is funded by state money only, to avoid federal Davis-Bacon restrictions	Yet to be determined
Intelligent Transportation System (ITS) Streamlining	Consolidate management of state traffic advisory boards within a single statewide center	Yet to be determined
Streamline Road Construction Administration	Consolidate management of state road construction projects	Yet to be determined
Construction Materials Future Contracts	Purchase road materials up front to hedge against rising prices	Yet to be determined
Privatize MDOT Road Design Services	Use private engineers to design roads	\$6,500,000
Privatize MDOT Road Inspection Services	Use private engineers to inspect roads	\$6,500,000
Adopt Direct Primary Care Services (DPCS) health plans for state employees	Deploy Direct Primary Care (DPC) for active and retired state employees	\$30,000,000
Adopt DPCS health plans for Medicaid enrollees	Deploy DPC for Medicaid Enrollees	\$950,000,000
Planned Parenthood Funding	Eliminate state funding for Planned Parenthood	\$4,388,000
University Autism Program	Eliminate state funding from the University Autism Program	\$2,500,000
Pay for Success Contracts	Eliminate state funding from Pay for Success Contracts	\$1,500,000
Business Attraction and Community Revitalization	Eliminate state funding from Business Attraction and Community Revitalization	\$111,100,000
Entrepreneurship Ecosystem	Eliminate state funding from Entrepreneurship Ecosystem	\$25,000,000
Community Ventures	Eliminate state funding from Community Ventures	\$9,800,000
Alternate Revenue from Medians*	Harvest renewable crops (e.g. timber) from medians	Yet to be determined

Bill	Description	GF Amount
Cap Highway Beautification Projects*	Limit the amount of money spent on highway beautification projects	Yet to be determined
Privatize Road Maintenance*	Contract with private companies to maintain roads	Yet to be determined
New HB 5167	Performance-based maintenance	Yet to be determined
Vehicle Registration Fee Reduction Trigger	Once we free up \$450M from life cycle savings, we will be able to reduce vehicle registration fees by 50% which assists all drivers but especially lower income drivers	(\$450M)

Table 2 – Re-Prioritization of Appropriation Line Items

Line Item	Description	GF Amount
General Government Appropriations Bill	Freeze Legislative Auditor Budget GF	\$509,600
General Government Appropriations Bill	Freeze Legislature Budget GF	\$4,533,800
LARA Appropriations Bill	Freeze LARA Budget GF	\$1,986,700
General Government Appropriations Bill	Freeze Secretary of State Budget GF	\$1,271,800
General Government Appropriations Bill	Freeze DTMB Budget GF	\$1,232,200
General Government Appropriations Bill	Freeze Treasury Budget GF	\$4,054,000
Supplemental State Police Appropriations Bill	Redirect one-time funding from MSP Trooper School to roads	\$3,200,000
Supplemental State Police Appropriations Bill	Redirect one-time funding from MSP Sexual assault prevention and education initiative to roads	\$500,000
Supplemental General Government Appropriations Bill	Redirect one-time funding from General Government Litigation Costs to roads	\$2,000,000
Supplemental General Government Appropriations Bill	Redirect one-time funding from Capital Outlay Planning Authorizations to roads	\$500
Supplemental General Government Appropriations Bill	Redirect one-time funding from Treasury Online Business Portal to roads	\$600,000
Supplemental General Government Appropriations Bill	Redirect one-time funding from Business Attraction and Community Revitalization to roads	\$17,900,000
Supplemental General Government Appropriations Bill	Redirect one-time funding from Film Incentives to roads	\$25,000,000
Supplemental General Government Appropriations Bill	Redirect one-time funding from Budget Stabilization Fund to roads	\$95,000,000
Supplemental General Government Appropriations Bill	Use Budget Stabilization Fund to make up for revenue shortfall and redirect GF to roads	\$176,000,000
Community College Appropriations Bill	Freeze Community College Budget GF	\$29,100,700
Higher Education Appropriations Bill	Freeze Higher Education Budget GF	\$24,722,900

Table 3 – Open Restricted Funds to Offset Budget GF Needs

Fund	Budget	GF Amount
Newborn Screening Fees	Community Health	\$1,879,700
Certificate of Need	Community Health	\$834,700
Parole/Probation Oversight Fee Set-Aside	Corrections	\$725,100
Revitalization Revolving Loan Sub-Fund	DEQ	\$6,180,300
Small Business Pollution Prevention Assistance Revolving Loan Fund	DEQ	\$1,905,500
Oil and Gas Regulatory Fund	DEQ	\$7,065,300
Refined Petroleum Fund	DEQ	\$61,078,300
Scrap Tire Regulatory Fund	DEQ	\$5,536,100
Off-Road Vehicle Trail Improvement Fund	DNR	\$4,375,800
Enhanced Driver License & Personal ID Fund	General Government	\$2,739,717
Transportation Administration Collection Fund	General Government	\$1,254,921
Eliminate Michigan Film Promotion Fund	General Government	\$25,000,000
Convention Facility Development Fund	General Government	\$23,131,759
MI Merit Award Trust Fund	General Government	\$75,665,800
Eliminate State Campaign Funds	General Government	\$750,000
Fireworks Safety Fund	LARA	\$4,761,546
Corporation Fees	LARA	\$8,288,127
Contingent Fund, Regular Penalty & Interest Account	LARA	\$67,974,625
Health Professions Regulatory Fund	LARA	\$4,877,617
Autism Coverage Fund	LARA	\$12,816,982
Michigan Medical Marijuana Fund	LARA	\$25,309,352
Pain Management Fees	OFIR	\$3,172,419

Table 4 – State Resolutions

List of Joint Resolutions	Description	GF Amount
Michigan Natural Resources Trust Fund	Add the following items to the list of allowable expenditures: <ul style="list-style-type: none"> - Any Roads Within Federal, State, or County Park; - PILT Payments; - PA 51 2% Recreation Fund. Cap land acquisition. Remove cap on development of properties.	\$27,432,800

Table 5 – Federal Resolutions

List of Concurrent Resolutions	Description	GF Amount
EPA	Petition the Federal Government to state from EPA regulations that impair road quality (e.g. fly-ash)	Yet to be determined
Davis-Bacon	Petition the Federal Government to remove federal prevailing wage restrictions on state road and bridge projects	Yet to be determined
Advertisements	Petition the Federal Government to remove restrictions on highway advertisements	Yet to be determined
FHA Land Use Restrictions	Petition the Federal Government remove restrictions on usage of rights-of-way	Yet to be determined