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MILK HAULER VEHICLE REGISTRATION RATE

House Bill 4769 as introduced
First Analysis (9-30-99)

Sponsor: Rep. Rick Johnson
Committee: Transportation

THE APPARENT PROBLEM:

Historically, the legislature has set commercial vehicle registration fees in a way that ensures a raw product can be transported to the first market point at low cost. The rate is kept low when the product moves from its point of origin to the place it is first processed. For example, when wood is harvested and transported from a forest to a mill site for initial processing, the rate is set in law at 74 cents per 100 pounds of empty weight of the road tractor, truck, or truck tractor. This rate does not apply, however, to the transportation of processed lumber from the mill site. Following this guiding principle, vehicle registration fees have been least onerous for producers closest to the point of product origin.

In the instance of milk production, dairy farmers move the raw product from the farm to a milk plant for processing. Individual farmers who own their own milk transport truck are eligible for the lower vehicle registration rate charged for farm vehicles. Because dairy farms often are small and raw milk must be moved daily, it is costly for individual farmers to transport partial loads from the farm to the milk processing plant in individually owned milk transport trucks. To avoid this inefficiency, dairy farmers hire independent milk haulers.

According to the Michigan Milk Producers Association (which does not haul milk, but does direct where the processed milk will go during distribution), the average annual vehicle registration fee for a milk hauler is between \$1,400 and \$1,500, and the fee is passed on to the dairy farmer who hires the hauler. If the vehicle registration fee for a raw milk hauler were determined using the same formula that is used to determine the fee for wood haulers, it is estimated the milk hauler would pay an annual registration fee of \$275, and then pass those cost-savings on to the dairy farmer.

Some have suggested that the vehicle registration tax paid by haulers of raw milk from the farm to the milk processing plant should be the same as that paid by

those who haul harvested wood from the forest to the mill site.

THE CONTENT OF THE BILL:

House Bill 4769 would amend the Michigan Vehicle Code to allow the same registration rate for milk haulers as is currently paid by wood harvesters.

Currently, the code requires the secretary of state to collect certain taxes at the time vehicles are registered. For a road tractor, truck, or truck tractor owned by a wood harvester and used exclusively in connection with the wood harvesting operations, the tax is 74 cents per 100 pounds of empty weight of the vehicle. The law defines "wood harvester" to mean the person or persons hauling and transporting raw materials only from the forest to the mill site, and not to include the transportation of processed lumber.

House Bill 4769 would add milk haulers to this provision, setting the registration tax for a truck used exclusively to haul milk from the farm to the milk processing plant at 74 cents per 100 pounds of empty weight of the vehicle.

MCL 257.801

FISCAL IMPLICATIONS:

The House Fiscal Agency notes that the bill would amend the Michigan Vehicle Code to reduce vehicle registration fees for milk trucks, to the same as those currently imposed on wood hauling trucks. The Department of Transportation estimates that vehicle

registration fees from milk trucks would fall from collections of approximately \$750,000 to approximately \$100,000, a loss to the Michigan Transportation Fund (MTF) of \$650,000.

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Further, the House Fiscal Agency notes that a reduction in the MTF also would affect local units of government that receive MTF funds through the Public Act 51 distribution of MTF funds. A \$650,000 reduction in the MTF would reduce the distribution to the Comprehensive Transportation Fund, used for public transportation purposes, by \$65,000; the distribution to the State Trunkline Fund, used to construct and maintain state trunkline highways, by \$227,500; and the distribution to local road agencies (county road commissions and incorporated cities and villages), by \$357,500. (9-22-99)

ARGUMENTS:

For:

There should be parity in the vehicle registration tax paid by milk haulers who transport raw milk from a dairy farm to the milk processing plant, and those who transport wood from the forest to a mill site. Currently milk haulers pay an average annual registration fee of between \$1,400 and \$1,500. If the milk hauler's fee were set in the same manner as is a wood hauler's fee, the milk hauler would pay an annual registration fee of about \$275. This cost savings could be passed on from the independent milk hauler to the group of dairy farmers who hire the hauler to transport their product.

For:

The number of family-owned dairy farms in Michigan has decreased significantly in the past two decades, and costs have escalated for those who have remained in business. In order to make their farming operations more financially efficient, small farmers hire milk haulers to carry their raw milk to milk processing plants. In this way, farmers with small dairy herds and low daily milk production do not incur the costs of operating their own milk hauling trucks. Further, by joining with other small herd dairy farmers to consolidate their milk hauling operations, the farmers reduce the number of partial loads and vehicle trips over Michigan roads. Although milk haulers damage Michigan roadways, most especially because they are exempt from weight restrictions imposed on heavy commercial vehicles when the frost laws are in effect,

there would be even more damage done to the roads if each farmer owned and operated a milk hauling truck. Dairy farmers should be encouraged to consolidate their milk hauling operations, and to reduce the damage done to the roads. This bill acknowledges that fact. The bill also could serve to slow the rate of increase in a dairy farmer's transportation costs, if a milk hauler passes the cost savings on to the dairy farmer.

Against:

An 80 percent reduction in the registration fees paid by milk haulers is unwise because it would reduce revenue to the Michigan Transportation Fund by an estimated \$650,000. The reduction would reduce the funds available to local units of government for public transportation; for the construction and maintenance of state trunkline highways; and, for distribution to local road agencies maintained by county road commissions, incorporated cities, and villages. Overall, local units of government would have their funding reduced by an estimated \$400,000. Further, reducing registration fees for milk haulers would set a precedent that should be avoided. According to committee testimony, registration fees make up nearly \$160 million of the state transportation budget. Many raw commodities are transported over Michigan roads, and the registration fees assessed to vehicles that transport those commodities seldom cover the costs to repair the damage the transporting vehicles do to the roads. To lower these vehicles' registration fees further when they already are too low, especially when the fees constitutes an infinitesimal proportion of a hauler's annual operating costs, makes little business sense.

POSITIONS:

The Michigan Milk Producers Association supports the bill. (9-29-99)

The Great Lakes Milk Transporters Association supports the bill. (9-29-99)

The Department of Transportation opposes the bill. (9-29-99)

The County Road Association of Michigan opposes the bill. (9-29-99)

Analyst: J. Hunault

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.