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BILL



ANALYSIS

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Senate Bill 981 (Substitute S-1 as reported)
Sponsor: Senator Jason E. Allen
Committee: Commerce and Tourism

Date Completed: 12-13-07

RATIONALE

Since the Mackinac Bridge first opened in 1957, it has been managed separately from the rest of the State's transportation infrastructure, being operated and maintained by the Mackinac Bridge Authority (MBA). The MBA collects tolls from those crossing the bridge and uses the revenue to cover the cost of repairs and upkeep on the bridge. According to the MBA, the revenue generated by the current tolls will be insufficient to cover the cost of several upcoming major projects, including bridge deck resurfacing and replacement. To cover the projected shortfall, the MBA has proposed raising the toll from \$2.50 to \$4 for a passenger vehicle, and from \$3 to \$5 per axle for other vehicles such as buses and commercial trucks. (For more information on the proposed rate increases, please see **BACKGROUND**.)

Some are concerned that the higher tolls could discourage traffic on the bridge, and could be an impediment to the logging industry, tourism, and other businesses. As an alternative to the proposed rate increases, some have suggested that a portion of the State Trunk Line Fund be appropriated for projects on the Mackinac Bridge. Appropriations from this Fund that are used for road and bridge improvements are matched by Federal funding.

CONTENT

The bill would amend the Michigan Transportation Fund law to provide for an annual appropriation of at least \$5.25 million from the State Trunk Line Fund, beginning in fiscal year (FY) 2008-09, to the Mackinac Bridge Authority to be used for capital improvement purposes.

MCL 247.661

BACKGROUND

According to the Mackinac Bridge Authority, the cost of upcoming major repairs is expected to deplete its fund by 2019. To address the problem, the Authority has developed two proposals: Proposal A would increase tolls, beginning in January 2008, to \$4 for passenger vehicles and \$5 per axle for commercial and other vehicles. Under that proposal, the MBA would expect to have sufficient revenue to meet projected expenses for the foreseeable future, at least until 2027. Proposal B would phase in the same rate increase in two steps: raising the rates in 2008 to \$3 for passenger vehicles and \$4 per axle for commercial vehicles, and then again in 2013 to \$4 for passenger vehicles and \$5 for commercial vehicles. Under that proposal, projected revenue would be likely to cover anticipated costs until 2021. The table below shows the current rates and the rates under the two proposals.

	Current Toll	Proposal A (2008)	Proposal B (2008)	Proposal B (2013)
Passenger Vehicle	\$2.50	\$4.00	\$3.00	\$4.00
Trailer for Passenger Vehicle	\$1.50/axle	\$2.00/axle	\$1.50/axle	\$2.00/axle
Commercial, Recreational, and other Vehicle	\$3.00/axle	\$5.00/axle	\$4.00/axle	\$5.00/axle

Source: Mackinac Bridge Authority

The MBA is scheduled to make a final decision regarding the plans on December 20, 2007.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The Mackinac Bridge is a vital transportation route connecting the Upper and Lower Peninsulas, as well as a cultural icon in the State. The bridge, however, does not receive any portion of the Federal funds designated for bridge and road maintenance projects, despite the fact that the Mackinac Bridge decking area is used in the formula for calculating the amount of Federal funding set aside for bridge projects in the State. Instead, the MBA must rely solely on tolls to cover the cost of maintenance. As the bridge ages, increasingly expensive maintenance projects are becoming necessary, and the MBA has proposed raising tolls to cover the projected costs. Higher tolls would place an unfair burden on those who use the bridge, particularly businesses whose vehicles must cross frequently. Because the toll for commercial vehicles is based on the number of axles, some large trucks may pay up to \$33 per crossing. Some businesses reportedly spend over \$100,000 a year on bridge tolls, and the MBA's proposals would raise that amount by up to 67%. At a time when transportation and logging companies already are struggling with high fuel costs, this additional fee could be onerous. Many companies have ongoing contracts that would make it difficult to pass the rate hike on to their customers, and they have little choice but to continue using the bridge. Because of the Mackinac Bridge's unique location, it is the only direct route available for traffic between the Upper Peninsula and the Lower Peninsula. In recent years, many paper mills in the Lower Peninsula have closed, requiring companies to transport raw materials to mills in the Upper Peninsula. Increasing the tolls on the Mackinac Bridge would place an impediment on that economic activity, and could hurt Michigan's economy.

In addition, the higher rate could harm tourism, one of the State's leading industries. Travelers to the Upper Peninsula

are a vital source of economic activity, and a higher toll could cause people to decide to vacation elsewhere. Tourism is important to the State as a whole, but is essential to the region around the Mackinac Bridge and many communities in the Upper Peninsula.

The bill would avoid the necessity of a rate increase by designating a portion of Federal funds annually for bridge projects. The amount designated in the bill was calculated based on the bridge's deck area as a proportion of the State's total bridge decking, and would be a fair and appropriate use of those Federal dollars.

Opposing Argument

Federal funds are not disbursed to the State based on any one road system or bridge, but rather are disbursed based on the fuel taxes collected in the State. The Federal government returns that money to the State, to be distributed among specific funds designated for specific purposes. Although the amount placed in the Bridge Fund is calculated according to the amount of bridge decking in the State, the inclusion of the Mackinac Bridge's deck area in the calculation does not increase the total amount of Federal funding to the State. If the bridge were excluded from that calculation, the money simply would be distributed to another fund. Consequently, no amount of Federal funding can be attributed directly to the Mackinac Bridge, and it would be inappropriate to designate a specific amount annually for projects on the bridge. Historically, the Mackinac Bridge has been self-funding, operated separately from the rest of the transportation infrastructure and managed and maintained by the MBA. That funding arrangement has served the State well, and should be continued.

Diverting a portion of the Trunk Line Fund to the Mackinac Bridge would have a negative impact on other critical infrastructure projects across the State, some of which would have to be delayed because of the lost revenue. The Trunk Line Fund already is experiencing a shortfall in long-term revenue needed to maintain Michigan's roads and bridges, and the bill would exacerbate that situation. Furthermore, diverting money for capital improvements to the Mackinac Bridge could result in the loss of Federal funds. Since the bridge does not meet current Federal standards that would be required if it were constructed today, it is

classified as being functionally obsolete. That classification does not reflect the safety or functionality of the bridge, but it does mean that projects on the bridge would have to include major upgrades, such as the addition of shoulders, in order to qualify for Federal matching funds. (Alternatively, the State could apply for a waiver of the Federal standards, but it is uncertain whether one would be granted.) That loss of the Federal matching funds would mean that the cost to the Trunk Line Fund could be far greater than the \$5.25 million that would be appropriated under the bill.

In addition, it would not be possible to set aside Federal money in the MBA fund for the bridge redecking project, because that project is not scheduled to begin for a number of years. Federal money must be used within four years or returned to the Federal government.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

As noted above, the bill would directly appropriate at least \$5.25 million per year from the State Trunk Line Fund to the Mackinac Bridge Authority for capital improvement projects beginning in FY 2008-09. The implementation of this bill would result in a commensurate reduction in statewide road and bridge maintenance funding.

Improvements to the Mackinac Bridge are currently funded through bridge tolls. The MBA website lists major infrastructure projects totaling \$300 million over the next 20 years and also outlines a plan to increase tolls on January 1, 2008, to pay for the increased maintenance costs.

Fiscal Analyst: Debra Hollon

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.