



Senate Fiscal Agency
P.O. Box 30036
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 517 (as enacted)
Sponsor: Senator John Bizon, M.D.
Senate Committee: Transportation and Infrastructure
House Committee: Transportation
Ways and Means

PUBLIC ACT 140 of 2020

Date Completed: 5-18-22

RATIONALE

According to the National Conference of State Legislatures (NCSL), states provide approximately half of all roadway transportation funding, and a significant source of funding for these expenses comes from states' variable motor fuel vehicle taxes. The NCSL also reports that 42 states have tolling facilities, either on local, state, or Federal highways, which raise additional revenue for states' transportation funds. Toll roads vary greatly by authority, method of fee collection, and private partnership, among other differences. These differences can contribute to the positive and negative outcomes of tolling in a state.

To understand the effects toll roads may have on revenue and roadways in a state, many states have implemented feasibility studies for toll roads. Indiana's legislature recently passed legislation to undertake a feasibility study and, as a result of the study, the Governor declined to move forward with toll roads in Indiana. As Michigan considers road funding mechanisms in the State, tolling as a funding mechanism has been considered. Accordingly, it was suggested that the Michigan Department of Transportation (MDOT) be required to undertake a toll road feasibility study to consider whether the State should implement tolling on certain highways.

CONTENT

The bill amended the Michigan Transportation Fund law to do the following:

- **Require the MDOT to engage an outside consulting firm to conduct a feasibility study and strategic implementation plan on tolling highways of the State, including revenue projections based on an analysis of optimal tolling rates, vehicle counts and types by state of registration, and traffic diversion.**
- **Within 24 months after the July 8, 2020, require a written report on the feasibility study and strategic implementation plan to be delivered to the individual's specified in the bill.**
- **State that it is the intent of the Legislature for the State to become qualified to apply to the United States Federal Highway Administration (FHWA) under the Interstate Rehabilitation and Reconstruction Pilot Program (ISRRPP) or any other successor program.**

The bill took effect July 8, 2020.

Under the bill, MDOT must engage an outside consulting firm to conduct a feasibility study and strategic implementation plan on tolling highways of the State, including revenue projections based on an analysis of optimal tolling rates, vehicle counts and types by state of registration, and traffic diversion.

The feasibility study must consider all of the following:

- The economic impact and feasibility of tolling particular highways.
- The ability to provide discounts or credits or otherwise lessen the impact of tolling on local, commuter, and in-State operators.
- Information related to the number and impact of out-of-State operators expected to use highways of the State.
- The rationale for the Federal authorization of any tolling plan that may be submitted by the State to the United States Department of Transportation.
- The optimal levels at which tolls reasonably may be set for passenger vehicles and other vehicles.
- Appropriate tolling rules regarding population center local traffic.
- The State's ability to enter into monetization agreements or long-term contracts for initial construction, long-term maintenance, installation, and operation of tolling facilities.
- Any estimates of which highways facilities would be conducive to tolling operations.
- Ways to maximize the use of Michigan workers and products made in the State.

Not later than 24 months after the July 8, 2020, a written report on the feasibility study and strategic implementation plan must be delivered to the Governor, the Senate Majority Leader, the Senate Minority Leader, the Speaker of the House of Representatives, the Minority Leader of the House of Representatives, the chairpersons of the Senate and House of Representatives standing committees on transportation, and the Senate and House of Representatives Appropriations subcommittees on transportation.

Additionally, the bill states that it is the intent of the Legislature that the State become qualified to apply to the FHWA under the ISRRPP, 23 USC 101 to 170, or any successor program that could be authorized under Federal law.

(Generally, the ISRRPP permits a state to toll up to three existing interstate facilities for necessary reconstruction and rehabilitation that the state cannot maintain or improve without the tolls. To become eligible, a state must submit to the Secretary of Transportation an application that contains, at a minimum: 1) an identification of the facility on the interstate that would be a toll facility; 2) in the case of a facility affecting a metropolitan area, an assurance that the metropolitan planning organization had been consulted; 3) an analysis demonstrating that the facility could not be maintained or improved to meet needs from State appropriations; and 4) certain logistic and fee information.)

MCL 247.660r

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

Michigan roadways and infrastructure have ranked poorly in national studies. For example, the Reason Foundation, a policy institute that releases an annual highway report, ranked Michigan 30th overall in terms of interstate pavement condition in 2018. Improving the quality and longevity of roads often relies on funding, and a state's motor fuel tax supports this financing predominantly. In Michigan, the cost of gasoline at the pump consists of the product's price, a Federal tax, the State's sales tax, and the State's gas tax. Michigan's gas tax is currently 26.3 cents per gallon. The funds from the gas tax generate much of the Michigan Transportation Fund's revenue, which the State uses to repair, maintain, and build roads and infrastructure.

According to testimony before the Senate Committee on Transportation and Infrastructure, some believe that the gas tax is an unsustainable revenue source for Michigan's infrastructure as car manufacturers continue to improve fuel-efficiency and consumers purchase more electric or hybrid vehicles; these trends may decrease the overall consumption of gas and result in a decrease in the State's gas tax revenue. In addition, Federal funding for infrastructure across the country has

decreased for similar reasons. Undertaking a feasibility study to consider the value of toll roads on major interstates in Michigan may demonstrate that tolling has the potential to bolster current road funding and replace prospective revenue loss from the gas tax.

Supporting Argument

Under Federal law, states cannot toll an interstate that receives Federal funding without prior authorization. On October 2, 2018, the FHWA invited states to apply for the ISRRPP, a program which allows up to three states to toll interstates for the purpose of reconstructing or rehabilitating an interstate that otherwise cannot be maintained, repaired, or improved as necessary by other funding sources available to the state. A state's application must consist of the following information: the proposed interstate; the manner by which revenue from tolls would be spent; and a financial analysis with certain information related to the feasibility, necessity, and anticipated fees of tolling on the interstate. If the FHWA approved a state's application, the state could carry out its construction of tolling facilities under certain guidelines. Slots remain available under the program and the feasibility study required of MDOT will fulfill the requirements for Michigan to apply to the ISRRPP.

Supporting Argument

As mentioned, most methods to generate revenue for infrastructure rely on fees paid by taxpayers. As the State considers additional revenue for roads, legislators should consider taxpayers' opinions. Studies focused on national opinions toward gas tax increases and road tolling find that 77% of Americans oppose raising the Federal gas tax for road funding while 59% favor paying for roads with tolling.¹ These studies purport that public opinion favors toll roads as a source of revenue over the gas tax because revenue from toll roads can be designated specifically for maintenance, repair, and improvement for the road on which the toll is paid. In contrast, funds from gas tax revenues could go toward roads that a taxpayer will never use. A feasibility of tolls on certain roadways in the State may align policy proposals with taxpayers' opinions.

Opposing Argument

While tolling interstates may provide revenue for the interstate for reconstruction and rehabilitation, other roads could suffer. Diversion, a practice in which drivers purposefully avoid toll roads on major thoroughfares and instead use local road systems, may result in wear and tear on roads that are unprepared for heavier traffic congestion. Local road systems may necessitate more funding, depleting the State's infrastructure funding at a higher rate than before the implementation of the toll road.

Response: The bill requires a study of diversion created by the introduction of tolls on interstates, and it also requires a strategic implementation plan to place toll roads in locations that likely may minimize the consequences of diversion. In addition, the feasibility study may demonstrate that tolls on interstates will raise revenue for the interstate, which will free up infrastructure funding for maintenance, repair, and improvement to local road systems.

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill will have a negative fiscal impact on MDOT at a cost equivalent to the third-party contract required to develop the written report. The bill will not affect local units of government.

Fiscal Analyst: Michael Siracuse

¹ Reason Foundation, "77 Percent of Americans Oppose Raising the Gas Tax, Reason-Ruppe Transportation Poll Finds", <https://reason.org/news-release>, 12-20-2011. Retrieved 1-14-21.

SAS\S1920\s517ea

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.