



Discussion Topic

April 2009

A monthly resource for the Community Action Groups of Michigan Farm Bureau

How will we repair and build roads in the new economy?

Knowing that increasingly fuel-efficient cars are on the horizon, politicians with an eye on the budget are wondering how to pay for road repairs and projects after the federal stimulus money is spent.

"There are a handful of bills proposed already, and most of them go in the same direction, of changing the structure of fuel taxes," said Matt Smego, Michigan Farm Bureau lobbyist.

One of the more innovative ideas to date comes from Oregon, where a pilot study was conducted to test a tax on miles driven. Vehicles in the study were fitted with electronic devices that logged miles. When the vehicle stopped to fill up, the device reported the miles and the tax was imposed at the pump. That is an oversimplification of the project, but the point is that there are new ideas out there, and things have to change if roads are to be maintained. Find details of the Oregon project at www.oregon.gov.

"Other proposals that have come from the state's Transportation Funding Task Force include an increase in the gas and diesel tax rate, which is Okay except that it doesn't solve the long-term problem," Smego said. "In essence, Farm Bureau policy supports user taxes for funding road work as long as it all goes to road funding, and does not revert to a property tax. We'll evaluate any proposal against policy, but like everything else, the devil is in the details. The bottom line is that the state will be forced to change the system when we have more fuel-efficient cars on the roads." Among the challenges the road budget faces is the old problem of Michigan sending more fuel tax money to the federal government than it gets back.

"We're a donor state," Smego said. "For every dollar we send to Washington, we get 92 cents back. Eight cents goes somewhere else. The problem is that the feds require matching dollars, and if the state can't meet the match, the money goes to other states. In recent years, Michigan has bonded to get the match money, which creates a short-term solution, but increases the money paid to debt service, which in turn takes away money for road maintenance and improvement."

QUESTIONS

1. What new, innovative ideas can your county Farm Bureau suggest that would solve road funding problems in the long run?
2. How does agriculture ensure that road dollars collected by the state also support rural areas?
3. How can the state maximize the taxes returned from the federal government without going into debt?

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Currently, Michigan funds its road maintenance through the gasoline and diesel tax, and vehicle registration fees. Six percent sales tax also is collected when gas and diesel is sold, but only a small part of that goes to roads, Smego said.

“That’s why last year’s \$4 gas didn’t increase funding for road projects, because the gas and diesel tax was imposed per-gallon, not on price. Sure, the state was collecting more money from the increased sales tax, but that money went somewhere other than roads.”

Governor Granholm, Smego said, supports a proposal to collect tax on fuel based on the wholesale price instead of a per-gallon collection. That concept also was prepared by the Transportation Funding Task force.

Whatever new system comes into being, Smego said, it’s clear that farmers who need good roads should have a stake in the game.

“We promote Farm Bureau policy in Lansing, but it’s up to members to make their voices heard,” he said. “That’s where the rubber meets the road.”