Michigan's County Road Commissions

Driving Our Economy Forward

Michigan roads are deteriorating faster than they can be repaired or replaced.

- Michigan Transportation Asset Management Council, 2008

"Michigan will invest an estimated $3.2 billion per year on its road and bridge system. … To improve the road and bridge system (including MDOT, county and local systems) would require an estimated annual investment of $6.1 billion."

-The Road and Bridge Subcommittee of the Citizens Advisory Committee to the Governor's Transportation Funding Task Force, 2008

"The one choice we cannot afford is to do nothing."

- Governor's Transportation Funding Task Force, 2008

"In order to compete in both old manufacturing and new service economies of the future, we will need a first-rate transportation system that is anchored by a well-maintained and reliable highway network.… Going forward we need to increase our transportation funding to make sure we have a clear-cut, competitive advantage in the reliability of our road network from both a freight and individual travel standpoint."

-Mackinac Center for Public Policy- April , 16, 2007

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The first below-grade super highway was built by the Wayne County Road Commission in 1942. This freeway inspired the creation of the modern interstate system.

Foreword

County roads are the backbone of our state's economy moving more than $800 billion worth of goods and services annually.

From seasonal roads to seven-lane highways and beyond, county road commissions are responsible for the majority (75 percent) of Michigan's road system, representing more than 90,000 miles of Michigan's Roads and 5,600 bridges– the fourth largest local road system in the nation.

County road commissions enable the efficient movement of people, goods and services across Michigan. What was once a network of farm-to-market routes has grown into a modern road system connecting cities and villages with the rest of the state.

Although the responsibilities of county road agencies may vary from county to county, these are the talented men and women responsible for ensuring the safety and efficiency of all county roads and bridges within their jurisdiction.

The work of road commissions often goes unnoticed; but they play a vital role in our daily lives. They build and maintain the roads that carry our children to school, see us safely to work and take us through the activities of daily life.

This report provides important and useful information about Michigan's county road system, how it is funded and what county road commissions do to make travel in Michigan safe and smooth.

What Is a County Road Commission?

County road commissions were organized by Public Act 283 of 1909 to achieve two primary goals:

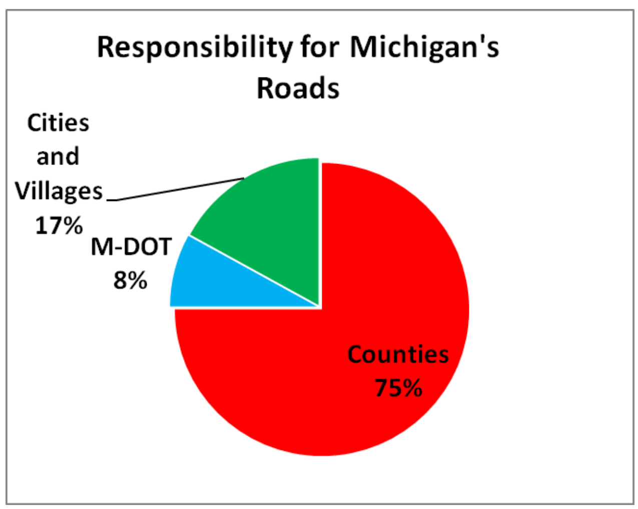
- To provide continuity in road construction and maintenance across the state, and
- To provide cost-efficient and high-quality road services for county roads.

Each of Michigan's 83 counties are served by a county road agency. County road commissions are not a direct part of the general county government, except in Wayne County which has a Public Services Department instead of a road commission.

Road commissions have three-or five-member boards of road commissioners that are either appointed by the county board of commissioners or elected by the voters. Both appointed and elected road commissioners serve six-year terms. The terms are staggered so that all commissioners are not up for re-election or re-appointment at the same time.

The county board of commissioners decides whether the road commissioners are appointed or elected. If the road commissioners are appointed, the county board makes the appointments. The county board also establishes the salary and benefits of the road commissioners.

Michigan's county road agencies are stewards of the largest road system in the state, and responsible for more than 75% of all Michigan roads.



Road commissions are a significant contributor to both the state and local economies. County road agencies employ nearly 7,000 regular and temporary workers across the state, and are responsible for more than 75 percent of Michigan's 122,000 miles of roads.

With more than 90,000 miles of roads, streets and highways and 5,600 bridges, Michigan's county road agencies are the largest road owners in the state. In contrast, the Michigan Department of Transportation (MDOT) is responsible for 8 percent of Michigan's road mileage and the remaining 17 percent is under the jurisdiction of 533 cities and villages.

County road commissions are as diverse as the communities they serve and have a variety of responsibilities including:

- Building and maintaining everything from single-lane gravel roads to multi-lane divided highways;
- Road and bridge construction, repair and maintenance;
- Winter maintenance, including snow removal and salting;
- Preventive, roadside and gravel-road maintenance; and
- Ensuring safe and steady traffic patterns.



Road commissions (and in Wayne County the Department of Public Services) are accessible to the public and serve as the link between the public and our local road and bridge system.

Open communication and dialogue is a goal of county road agencies as they seek to build and maintain a transportation infrastructure that meets the needs of their local communities and the state.

Road commissions hold regular board meetings at least once per month, with some counties meeting every week. The public is invited and encouraged to attend these meetings. Frequently public hearings are scheduled to seek input from residents and communicate on a variety of road and safety issues.

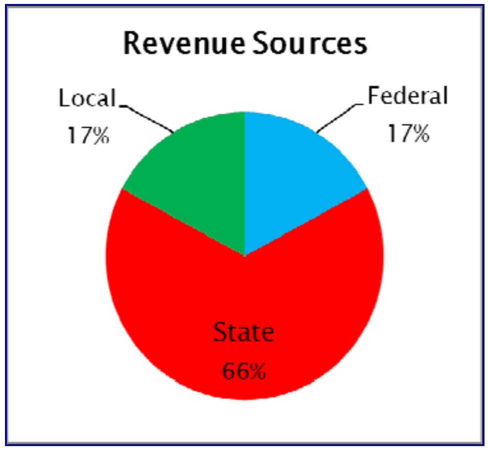


Where the Money Comes From

The Michigan Transportation Fund

The primary source of revenue to county road agencies comes from the Michigan Transportation Fund (MTF). All state fuel taxes, vehicle registration fees and other transportation-related fees are deposited into the MTF and distributed according to a formula established in Public Act 51 of 1951.

For many years, the largest source of income to the MTF has been the state gasoline tax. A combination of more fuel-efficient vehicles and motorists changing driving habits and purchasing less fuel have eroded the power of fuel taxes, making their future as a long term funding solution uncertain.



The Michigan Legislature last increased the gasoline tax in 1997 from 15 cents per gallon to 19 cents per gallon. The tax on diesel fuel was not increased. Of this four cent increase, three cents were distributed to state and local road agencies. The other penny was dedicated to bridges, with one half cent directed to MDOT to fix seriously deficient bridges on the state road system, and the other half cent directed to local road agencies under the Local Bridge Program.

Federal Funds

A federal fuel tax of 18.4 cents per gallon is collected on each gallon sold in the United States. Michigan receives approximate 92 cents on each dollar sent to Washington D.C.

Approximately 75 percent of federal funding is allocated to MDOT, leaving 25 percent to be distributed among 83 county road commissions and 533 cities and villages across the state. These funds are dispersed according to regional formulas.

Both MDOT and local road agencies are required to provide a match to federal funds. If local and state road agencies cannot provide the matching funds, the federal funds are returned to the Federal Highway Trust Fund, and made available to other states.

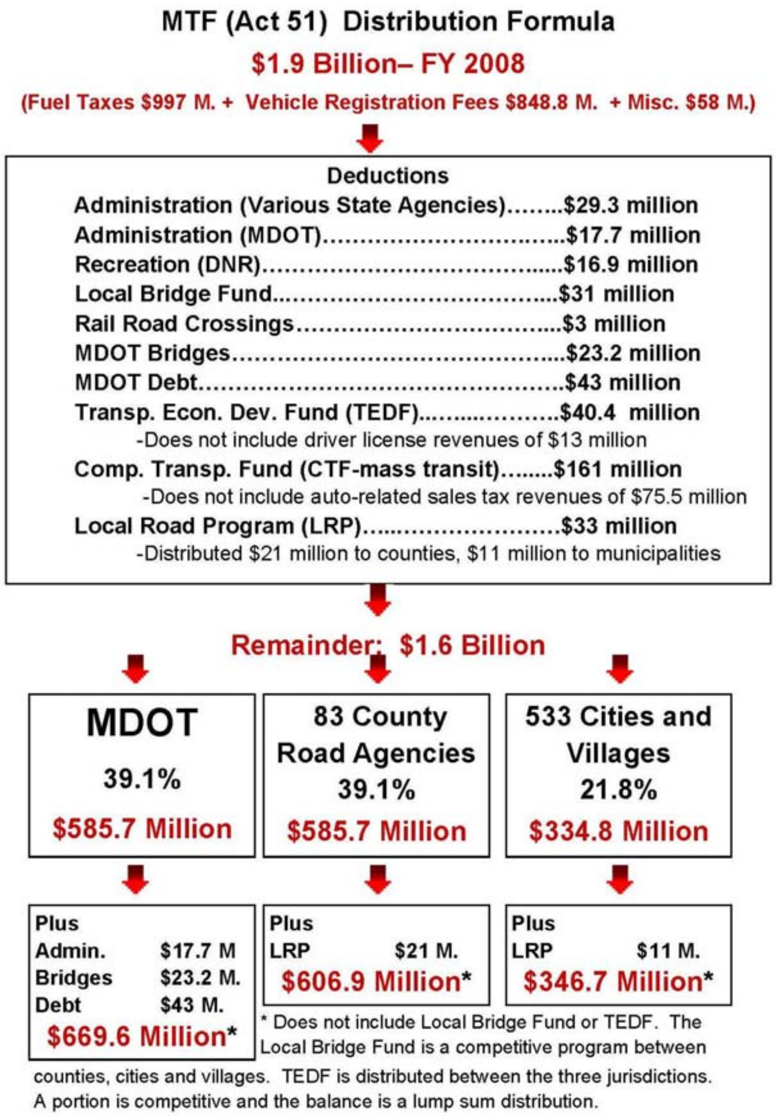
By 2010, Michigan stands to lose nearly $1 billion annually in federal funding due to the lack of sufficient state and local funds to provide the required match to federal aid. This means tax revenues collected in Michigan will be given to other states, severely reducing or eliminating federal funding available to Michigan's state and local road agencies.

Local Funds

The ability of counties and townships to generate additional funding with special assessments and millages varies significantly around the State, ranging from 0 to as much as 20 percent.

The Distribution of Road Funding

The revenues available from the Michigan Transportation Fund (MTF) are distributed according to a complex formula established in Public Act 51.

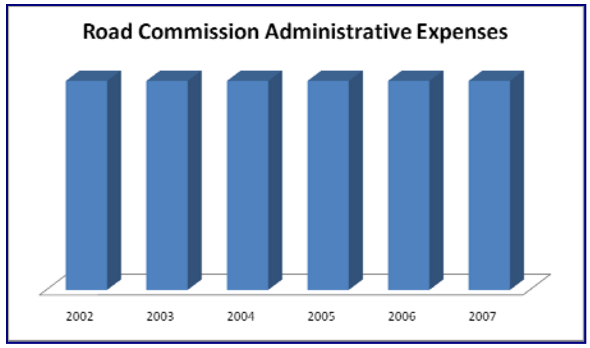


The funding available to county road agencies is distributed to the 83 counties using a formula specified by P.A. 51 of 1951. The formula weighs the following characteristics:

- The number of vehicle registrations per county (a measure of traffic volume);
- Population;
- Road mileage in the county;
- Some counties receive an additional allotment based on historical snowfall data; and
- Urban counties are eligible for an additional allotment to aid in relieving congestion.

Where the Money Goes

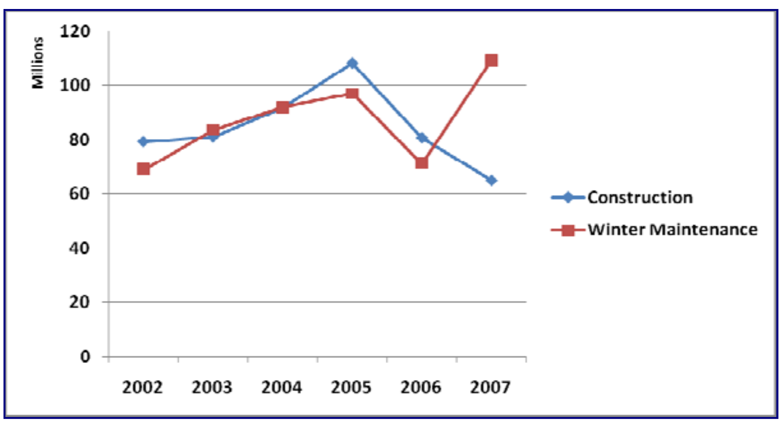
County road commissions are good stewards of the funds made available to them. A requirement in P.A. 51 of 1951 prohibits road agencies from spending more than 10 percent of MTF revenues on administration. Most road commissions spend significantly less, averaging 8 percent.



Despite double digit increases in health care costs the administrative expenses of road commissions have not increased substantially in recent years.

The Michigan Transportation Fund (MTF) is generating less revenue now than in 2001. Road commissions have responded by increasing efficiencies and cutting budgets in areas with the least possible impact to motorists.

Reduced funding levels and skyrocketing costs have made it difficult for many road agencies to undertake large construction or reconstruction projects without federal aid. The bulk of road commission funds are directed toward static costs such as preventive maintenance, snow removal, salt, fuel, asphalt, and other construction materials. An increased number of winter storms in recent years, combined with increases in the cost of salt and fuel have caused road commissions to increase their winter maintenance budgets.

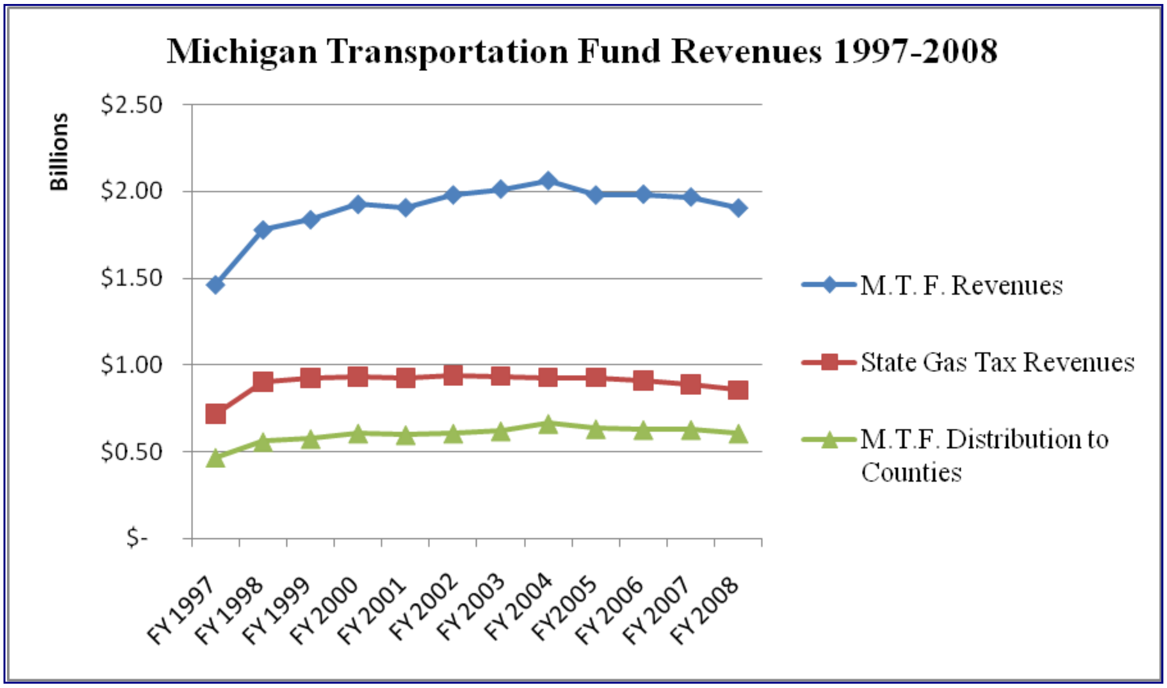


Road agencies take seriously the need to keep roads cleared for commerce and safe travel. As winter maintenance budgets have increased, road agencies have been left with no choice but to decrease spending on the construction and preservation of our state and local road and bridge system.

Road Commissions have done everything possible with the level of funding available, but the majority of road agencies have been forced to make deep cuts including: layoffs; working with equipment beyond its service life; reducing construction and maintenance; and more than 25 percent of county road agencies have reverted paved roads to gravel. Unfortunately road commissions are now at the point where most have had to cut services. They have reached a point where there is nothing left to cut that will not negatively impact the level of services provided.

Rising Costs and Declining Revenues

According to the Construction Materials Cost Index, construction costs climbed 43 percent between 2003 and 2007 compared to a 12.7 percent increase in consumer inflation. The American Road and Transportation Builders Association (ARTBA) confirmed this situation, noting the price of materials used for highway and street construction outpaced inflation in 2007. Meanwhile the total MTF revenue continues to decline. The following chart shows the trends in gas tax revenues, MTF revenues, and MTF distributions to counties over the past decade.



Asset Management

Asset Management is a best management practice which focuses on preserving the condition of roads rather than allowing them to deteriorate to a more expensive state of repair. Using asset management allows road agencies to extend the service life of roads in good or fair condition with less expenditure. The Transportation Asset Management Council (TAMC) has implemented a uniform rating system for all roads and bridges in the state and has collected data on Michigan's federal-aid eligible road system for the past four years.

In 2004, nearly 88 percent of the federal-aid system was considered in good or fair shape. By 2007, that figure fell to 74 percent. The costs of bringing these roads to good condition in 2004 was $3.7 billion. By 2007, this estimate increased to $6.6 billion, representing a loss of $2.9 billion in road asset value.

Given current trends of deterioration, TAMC predicts nearly 45 percent of all lane miles will be in poor condition by 2018.

Partners In Transportation

Nearly 100 years ago, Michigan voters adopted three levels of road jurisdiction. State law gives cities and villages, county road commissions, and the Michigan Department of Transportation (MDOT) jurisdiction over roads. These three governmental entities are responsible for building and maintaining the roads and bridges under their jurisdictions. County road agencies are partners with all levels of government to provide services to Michigan motorists.

Under contract, Alcona County Road Commission maintains the state trunkline, including snow removal.

Partners with the State (MDOT)

Sixty-four county road agencies are contracted by MDOT to perform maintenance and snow removal on the state trunklines in their counties. These counties are reimbursed by MDOT for the cost of providing those services.

This partnership saves the state millions of dollars by eliminating the need for dual purchases of equipment and facilities.

Partners with Local Governments

County road commissions maintain roads in townships and some in cities and villages. As the road owners, road commissions meet on a regular basis with township officials to help determine maintenance and construction priorities.

Road commissions represent the interests of the entire county. This ensures that the needs of one community are not placed above another. Decisions on which road projects are completed and when are made using the asset management process, traffic patterns, network considerations, and funding availability.

An application of Chip Seal on this Clinton County road will extend the life of the pavement for several years.

Sharing equipment cuts road commission's costs.

Partners with other local road agencies

Road Commissions work with adjoining road owners to provide continuity of travel for motorists, to reduce costs, and to provide enhanced services to residents. The cooperative spirit has long been a tradition at road commissions and has become even more important in this day of tight budgets and declining revenues, when county road agencies are more interested than ever in cost-savings-arrangements. The majority of road commissions share equipment with other agencies, join forces to purchase materials and equipment at better rates, and even partner in maintenance responsibilities.

Often, adjacent counties will swap snow routes between road commissions. When a snow route is a long way from the county's nearest maintenance garage, it can save considerable time and fuel by working with a neighboring county to assist in plowing roads across the county line.

Each township in Emmet County has a millage for road improvements.

Partners in Funding Local Projects

Although road commissions have no taxing authority, county boards have the authority, with voter approval, to raise revenues dedicated to road funding. Seventeen counties in Michigan have county-wide road millages.

Townships, cities and villages often help provide local match of funds. Some townships have voter-approved road millages to provide matching funds and pay for additional services not offered by the road commission such as extra brine applications on gravel roads for dust control.

In some cases county boards supplement funding for road projects. Special assessments are also an option for generating revenue. This is a popular option for subdivision projects.

Vital Participant in Michigan's Economy

Michigan's county road agencies are a vital partner in keeping our state and local economies running. They are the agencies responsible for keeping roads open to commerce and safe for travel, which is critical to Michigan's tourism industry. Beyond providing roads that keep our economy moving, see our children safely to school, ensure delivery of emergency services, and take us on our daily travels, road commissions employ nearly 7,000 Michigan workers and support local commerce and contractors across the state.

According to a 2008 report issued by the Governor's Transportation Funding Task Force (TF2), adequately funding transportation by doubling transportation funding would sustain 126,000 Michigan jobs and yield nearly $15 billion in other economic benefits across all sectors of the economy. As previously noted, without increased transportation funding, Michigan will likely lose $1 billion in federal funds by 2010, which could lead to the elimination of another 17,000 jobs.

A study conducted by the Texas Transportation Institute estimated that congestion, poor pavement condition and crashes cost Michigan drivers and truckers $7 billion annually in wasted fuel, lost time and productivity, vehicle maintenance costs and more.

An economic analysis conducted by the University of Michigan estimates that increasing transportation funding to the level recommended by the TF2 would provide each household an additional $2,000 per year in increased personal income and savings through reduced travel time and vehicle maintenance, and increased safety. It is clear that increasing transportation funding is the economic stimulus Michigan needs. Along with increased funding, road commissions will continue to implement reforms and efficiencies to stretch taxpayer dollars.

Innovations and Efficiencies

Michigan is not just the birthplace of the mass-produced automobile, our county road agencies gave birth to the modern road-building industry. The Wayne County Road Commission alone is responsible for the following innovations:

- The first mile of concrete road (Woodward Avenue) was built in 1909;
- The first modern road maintenance facility and testing lab was constructed in 1910;

- The first center line painter was developed in 1911. This traffic safety tool has perhaps saved more lives than any invention since;

- The first snow plow was developed in 1912; and
- The first below-grade superhighway, The Davison, was built in 1942.

Road Commissions continue to be innovative through the advances of modern technology and engineering techniques.

Innovations and efficiencies, both large and small, have allowed road commissions to do more with less.

The Road Commission for Oakland County is working to reduce congestion in Oakland County by installing FAST-TRAC, the largest system of adaptive traffic signals in North America. This has been documented to reduce serious injuries by more than 50 percent and significantly reduce congestion

To prolong the life of its equipment, the Manistee County Road Commission, for a total investment of $150, designed and built an innovative system to clean difficult to reach portions of truck under carriages. Like the snow plow, this simple invention saves significant staff time.

Examples could be provided for each of Michigan's county road commissions. The constant effort to improve efficiencies and effectiveness is not something most road agencies publicize –

In 2008, the Governor's Transportation Funding Task Force concluded:

> *"Transportation agencies have been relentlessly vigilant in stretching shrinking revenue. Their efforts may go unnoticed, because the cost cutting measures are designed not to disrupt service or impose on customers…. It is clear that efficiency is standard operating procedure at agencies across the state."*

Road Commissions have worked together for the past 90 years through the County Road Association of Michigan (CRAM) to build money-saving consortiums and share best practices. In 1978, the County Road Association Self Insurance Fund (CRASIF) was formed to provide workers' compensation insurance pooling; saving road commissions more than $10 million in the past 30 years. Today 74 counties participate in CRASIF, covering more than 4,000 employees.

In the late 1970s and early 1980s road commissions had trouble finding insurance carriers to provide for the unique needs of road agencies. CRAM worked to secure enabling legislation, Public Act 138 of 1982, to allow the pooling of risk. Today, 79 road commissions are members of the Michigan County Road Commission Self Insurance Pool (MCRCSIP) which covers nearly all types of property and casualty coverage (except health and life) needed by road commissions.

Despite the innovations and efficiencies of road commissions, funding has not allowed state and local road agencies to keep up with the needs of our aging transportation infrastructure.

How Do Michigan's Roads Rank in the Nation?

Residents of Michigan generally agree the roads in the state are in poor condition and in dire need of repair. Here is a glimpse at what those outside of Michigan say about our roads.

A 2007 Survey of the nation's truckers by *Overdrive Magazine* concluded that Michigan has the **3rd worst road conditions in the nation**.

The Reason Foundation *2007 Annual Report on the Performance of State Highway Systems* made the following observations:

- Michigan has the 8th worst road system based on overall performance;
- Michigan has the 4th worst rural interstate conditions, and the 8th worst urban interstates;
- Michigan is 16th worst in the nation based on the number of deficient bridges; and
- Michigan ranked 8th worst in the nation in congested roads in urban areas.

Moving Forward

In November 2008, the Governor's Transportation Funding Task Force issued its recommendation to the legislature that funding should be increased for Michigan's roads and bridges.

Some may ask, "how did our roads get this bad?" The answer lies in decades of underfunding our state and local transportation infrastructure. When compared to other states, Michigan's state and local transportation funding has ranked 42nd or worse for more than four decades.

The task force noted that we now face a situation of "moving from under-investing in transportation, to disinvesting in transportation."

The task force also concluded that we cannot wait for a federal bailout. A federal stimulus package will only benefit Michigan if no matching funds are required and would be a short-term solution to a long-term problem.

> "Given the current state of the national economy, it is unlikely the federal government will come to Michigan's transportation rescue. Even if they did, Michigan is not in a position to take advantage of new federal funding. This is the last year Michigan will have enough state and local matching funds to claim all federal transportation funding available to the state.… By 2010, this will be true across all modes and across all jurisdictions."

The task force recommended that "In Michigan, we need to at least double our current investment in transportation," and further stated "The one choice we cannot afford is to do nothing." Despite the dire warnings of the taskforce, the Michigan legislature was unable to agree on a funding increase during the final days of the 2007-2008 legislative session. The future of our transportation system and our state's economy will be decided by the members of the 95th Legislature in Lansing.

Current road-user fees (vehicle registration fees and gasoline taxes) for a typical Michigan auto driver come to just pennies over $1 per day. In contrast, the current state of disrepair costs the average motorist $318 per year (or more for Metro Detroit drivers) in vehicle repairs, lost time and wages.

The task force report proposes doubling transportation funding. Yes, this will require a contribution from everyone, but Michigan motorists and our economy are already paying for a road and bridge system that cannot meet our needs. As the task force noted, "This is an investment that will create jobs and economic opportunity, attract business, improve property values, increase revenues, help the environment, and ultimately save taxpayer dollars."

Michigan's county road agencies stand ready to work in collaboration with other transportation and government leaders to deliver a state-of-the-art road and bridge system that will help dig our sluggish economy out of a deep snow.

Michigan's county road commissions are sophisticated, technically advanced organizations that pride themselves on cutting-edge technology. The Genesee County Road Commission received the Asphalt Pavement Association of Michigan and Michigan Department of Transportation 2008 Award of Excellence for the reconstruction of Miller Road; a very busy and highly commercialized corridor on the west end of Flint (above). The Baraga County Road Commission was honored with both the Award of Excellence for the Bayshore Road Project (left) and the Award of Merit for the Skanee Road Project.

County Road Association of Michigan—CRAM

The County Road Association of Michigan (CRAM) represents the interests and concerns of Michigan's 83 county road agencies. Along with each county road agency, CRAM is working to ensure safe and efficient roads for all who travel in Michigan.

Individual county road commissions are responsible for ensuring the safety and efficiency of all county roads and bridges within their jurisdiction. Road commissions are staffed by talented teams of administrative, engineering, construction and road maintenance professionals. For more information on your county road commission, visit our website- www.micountyroads.org.



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