

May 5 State Ballot Proposal: What Is It; What Would It Do?



Tuesday, May 5, 2015

All polls are open from 7 a.m. to 8 p.m.

The League of Women Voters of Michigan will provide information on the ballot proposal to amend the Michigan Constitution and on new laws that will take effect if the amendment is approved by voters.

The presentation includes information on how state revenue would be raised and how it would be spent. Pros and cons of passing the legislation will also be discussed.

Please note that the League of Women Voters of Michigan has no position on this ballot proposal and is using this presentation to educate voters.



Overview of Presentation

1. Legislative History
2. Ballot Wording
3. Revenue from Proposal
4. Expenditures from Proposal
5. Other Information
6. Supporters
7. Opponents
8. Other Voting Information

Legislative History

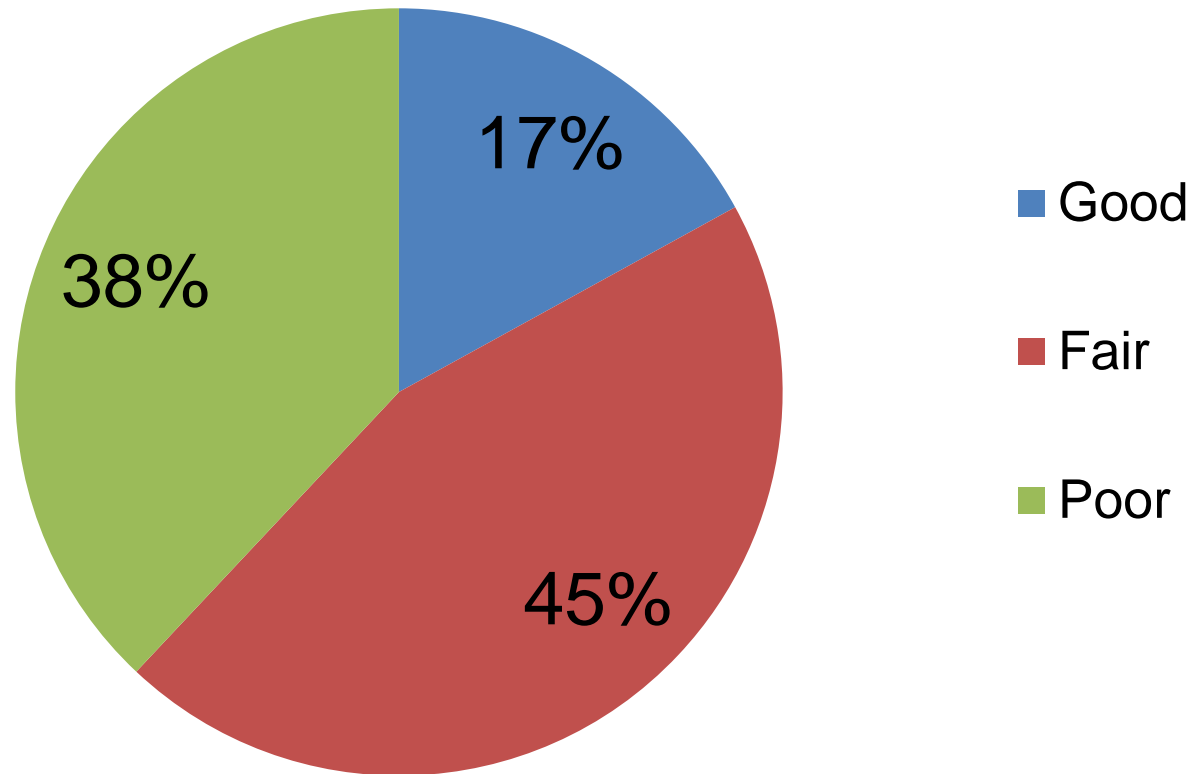
Michigan's annual gas tax revenue has declined by roughly \$100 M over the past decade, while costs for asphalt, steel and concrete and fuels have risen, according to michigan.gov.

Governor Snyder recommended increasing gas taxes and registration fees to raise additional \$1.2 Billion in his State of the State speech in 2013.

In 2014, the Michigan House of Representatives and the Michigan Senate passed different bills in order to raise revenue for the roads. The Senate did not pass the House version and the House did not pass the Senate version.

Michigan Paved Federal-Aid Eligible Roads

2013-2014 Pavement Condition
Percent Lane Miles



A Compromise Was Reached: Ask Voters to Approve the Michigan Constitutional Amendment to raise the Sales Tax and Give New Laws Effect

On December 19, 2014, the Governor, House Speaker Bolger, House Democratic Leader Greimel, Senate Majority Leader Richardville and Senate Democratic Leader Whitmer agreed upon MI Constitutional amendment (HJR UU) and a package of 10 other bills (HBs 4251, 4539, 4630, 5167, 5460, 5477, 5492, 5493, SBs 80, 847).

Michigan House approved MI Constitutional amendment on December 19, 2014, with 2/3 vote, 94-16. (YES: 49 Democrats, 44 Republicans, 1 Independent; NO: 15 Republicans, 1 Democrat)

Michigan Senate approved MI Constitutional amendment on same day, with a 2/3 vote, 26-12. (YES: 15 Republicans, 11 Democrats; NO: 11 Republicans, 1 Democrat)

(This is the exact language that will be on the ballot.)

Michigan PROPOSAL 15-1

“A proposal to amend the State Constitution to increase the sales/use tax from 6% to 7% to replace and supplement reduced revenue to the School Aid Fund and local units of government caused by the elimination of the sales/use tax on gasoline and diesel fuel for vehicles operating on public roads, and to give effect to laws that provide additional money for roads and other transportation purposes by increasing the gas tax and vehicle registration fees.”

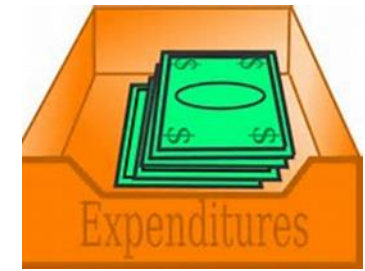
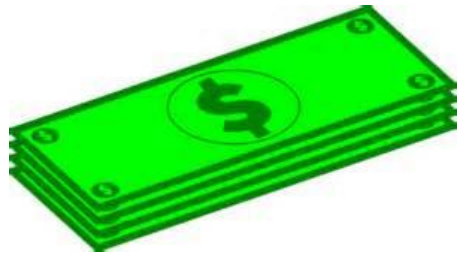
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“The proposed constitutional amendment would:

- Eliminate sales/use taxes on gasoline/diesel fuel for vehicles on public roads.
- Increase portion of use tax dedicated to School Aid Fund (SAF).
- Expand use of SAF to community colleges and career/technical education, and prohibit use for 4-year colleges/universities.
- Give effect to laws, including those that:
 - Increase sales/use tax to 7%, as authorized by constitutional amendment.
 - Increase gasoline/diesel fuel tax and adjust annually for inflation, increase vehicle registration fees, and dedicate revenue for roads and other transportation purposes.
 - Expand competitive bidding and warranties for road projects.
 - Increase earned income tax credit.

Should this proposal be adopted? YES NO”

(Language as approved by the State Board of Canvassers)



FISCAL IMPACT – REVENUES & EXPENDITURES OF AMENDING CONSTITUTION & IMPLEMENTING NEW LAWS

Source: House Fiscal Agency
Analysis Transportation Funding
Package

REVENUE: Increase the State Sales & Use Tax Rates from 6% to 7%



CURRENT: Michigan Constitution specifies a 6% maximum sales and use tax on every dollar spent. Sales and use taxes are levied on the retail sale or use of tangible personal property; no sales tax on groceries or prescriptions.

BALLOT PROPOSAL: Amend MI Constitution, changing sales and use tax rate to a maximum of 7% or 7 cents on every dollar. **State revenue would increase by an estimated \$1.6 billion in FY 2017-2018.**

Also amend Constitution to eliminate 6% sales tax on the sale of gasoline. **Revenue will decrease by an estimated \$829 million in FY 2017-18.**

Michigan Ranks 37th Among States for Sales Tax Rate

Some states allow local sales tax as well as a state sales tax. Michigan does not.

State	State Sales Tax	Avg. Local Tax	TOTAL
Tennessee	7%	2.45%	9.45% (highest)
Illinois	6.25%	1.91%	8.16%
Ohio	5.75%	1.36%	7.11%
Indiana	7%	0	7.00%
Michigan	6%	0	6.00%
Wisconsin	5%	0.43%	5.43%

4 states have 0 – Delaware, Montana, New Hampshire, Oregon

REVENUE: Motor Fuel Taxes



CURRENT: If gas is \$3.00/gallon at the pump (\$2.28/gallon wholesale), you pay:

- 19 cents/gallon – state fuel tax
- 16 cents/gallon – state sales tax
- 18 cents/gallon – federal fuel tax

Total tax 53 cents/gallon

BALLOT PROPOSAL: If gas is \$2.28/gallon wholesale, at the new rate of 41.7 cents/gallon, you pay \$3.07/gallon at the pump, including:

- 42 cents/gallon – new state fuel tax
- 18 cents/gallon – federal fuel tax

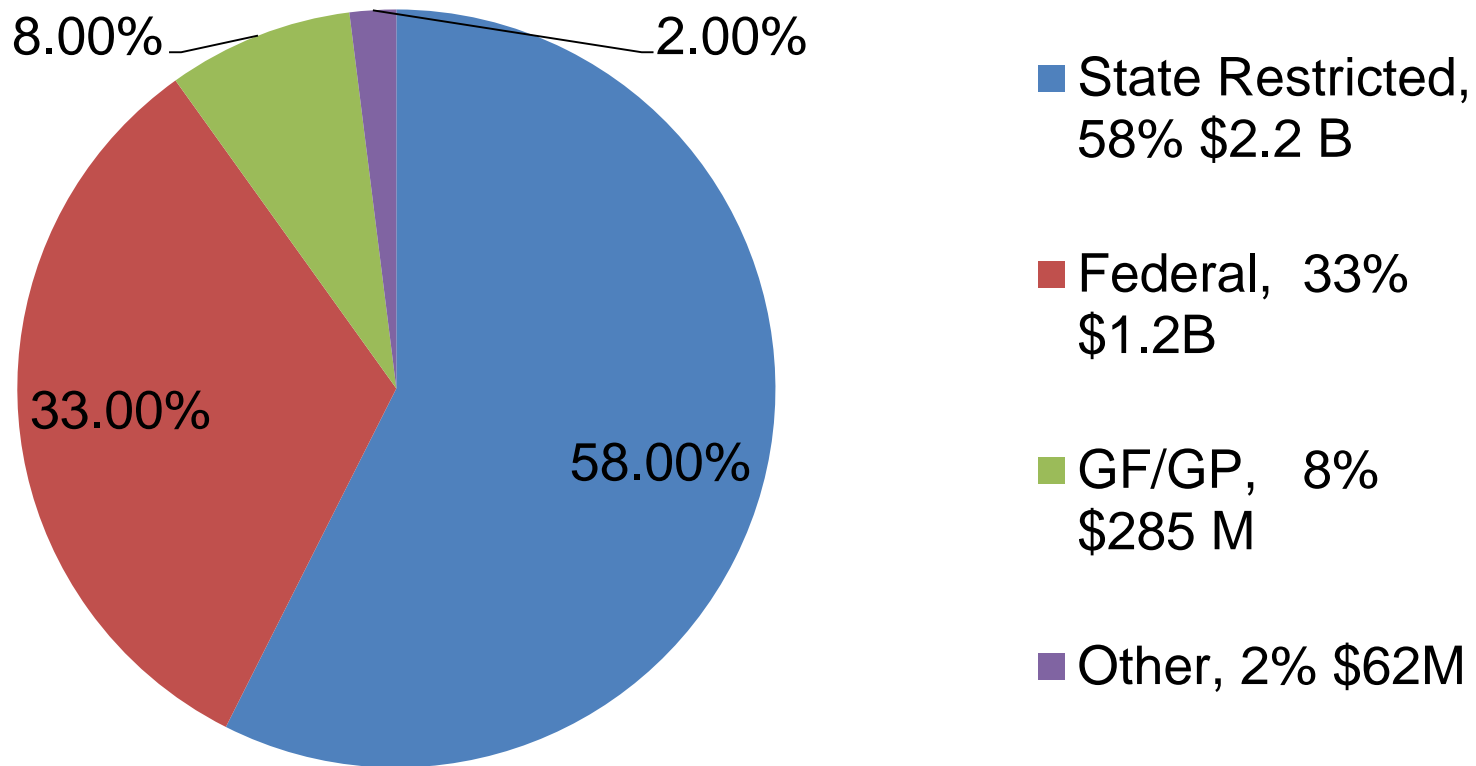
Total tax 60 cents/gallon Pay 7 cents/gallon more
and all of the state fuel tax is earmarked for roads.

Total revenue going to state road and bridge improvements will increase by an additional \$1.3 billion in FY 2017-18.

CURRENT REVENUES FOR TRANSPORTATION

FY 2014-2015 Gross Appropriation = \$3.7 B

If proposal passes, adds \$1,255 M to State Restricted
increasing total by 35% to estimated \$5 B



REVENUE: Other Changes



Eliminate a 10% per year discount on vehicle registration that new car buyers receive for the first three years if they own their car. **Revenues on vehicle license fees will increase by \$62 million in FY 2017-2018**

Raise annual fees for heavy commercial trucks.
Revenues will increase by \$39.8 million in FY 2017-18.

Impose surtax for hybrid and electric vehicles.
Revenues will increase by \$600,000 in FY 2017-18.

NEW REVENUE

SUMMARY: FY 2017-18

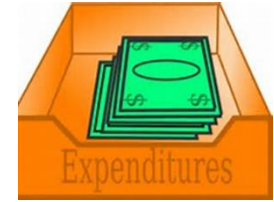


Increase sales/use tax rate 1%	\$ 1,559,100,000
Less eliminated sales tax on motor fuel	\$ (829,300,000)
= Additional revenue from sales tax	\$ 729,800,000 (34%)
Increased motor fuel tax	\$1,312,900,000 (61%)
Increase registration fees	\$ 62,200,000 (3%)
Increase truck registration	\$ 39,800,000 (2%)
Impose surtax on electric/hybrid cars	\$ 600,000 (0.1%)

TOTAL ESTIMATED NEW REVENUE \$2,145,300,000

EXPENDITURE:

Road Funding FY 2017-18



\$1.255 billion (estimated) in
new funding distributed to road
agencies:

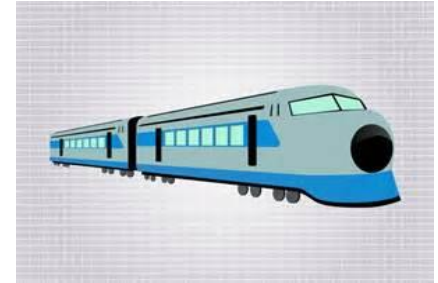
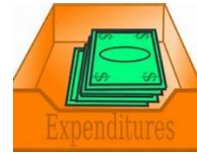


- \$490.8 million for State Road Fund
- \$490.8 million for County Road Commissions
- \$273.6 million to Cities and Villages

Road Funds Are Allocated in Different Ways

- The majority of the transportation money is in the MI Transportation Fund and Public Act 51 of 1951 specifies that:
 - money is taken off the top for Bridge Fund and public transportation
 - 39.1% of remaining goes to MDOT for about 8% of MI road miles
 - 39.1% goes to county road commissions for about 75% of road miles
 - 21.8% goes to cities and villages for about 17% of MI road miles
- Money not in the Transportation Fund, such as in the general fund, is spent differently. For example, in April 2014, legislators decided where to spend \$115 M in road repairs.

EXPENDITURE: Comprehensive Transportation Fund FY 2017-18



\$116.1 million dollars in increased funding for public transportation

It follows the traditional formula Michigan has used for decades to spread funding across the state's complete transportation system, including roads, bridges, harbors, freight and passenger rail, and transit.

EXPENDITURE: Earned Income Tax Credit FY 2017-18



\$442.1 million in estimated increased funds for the State General Fund/General Purpose (GF/GP).

From that amount:

\$269.1 million for the Earned Income Tax Credit

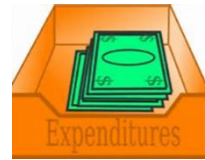
\$173.0 million for GF/GP.

Earned Income Tax Credit dropped from 20% in 2011 to 6% in 2012. Returning the EITC to 2011 levels to offset tax increases would result in:

\$446 average credit (\$138 currently)

Note: If the EITC was not increased, those earning \$20,000 or less would see a \$94 tax increase. (MI League for Public Policy)

EXPENDITURE:



School Aid Fund FY 2017-18

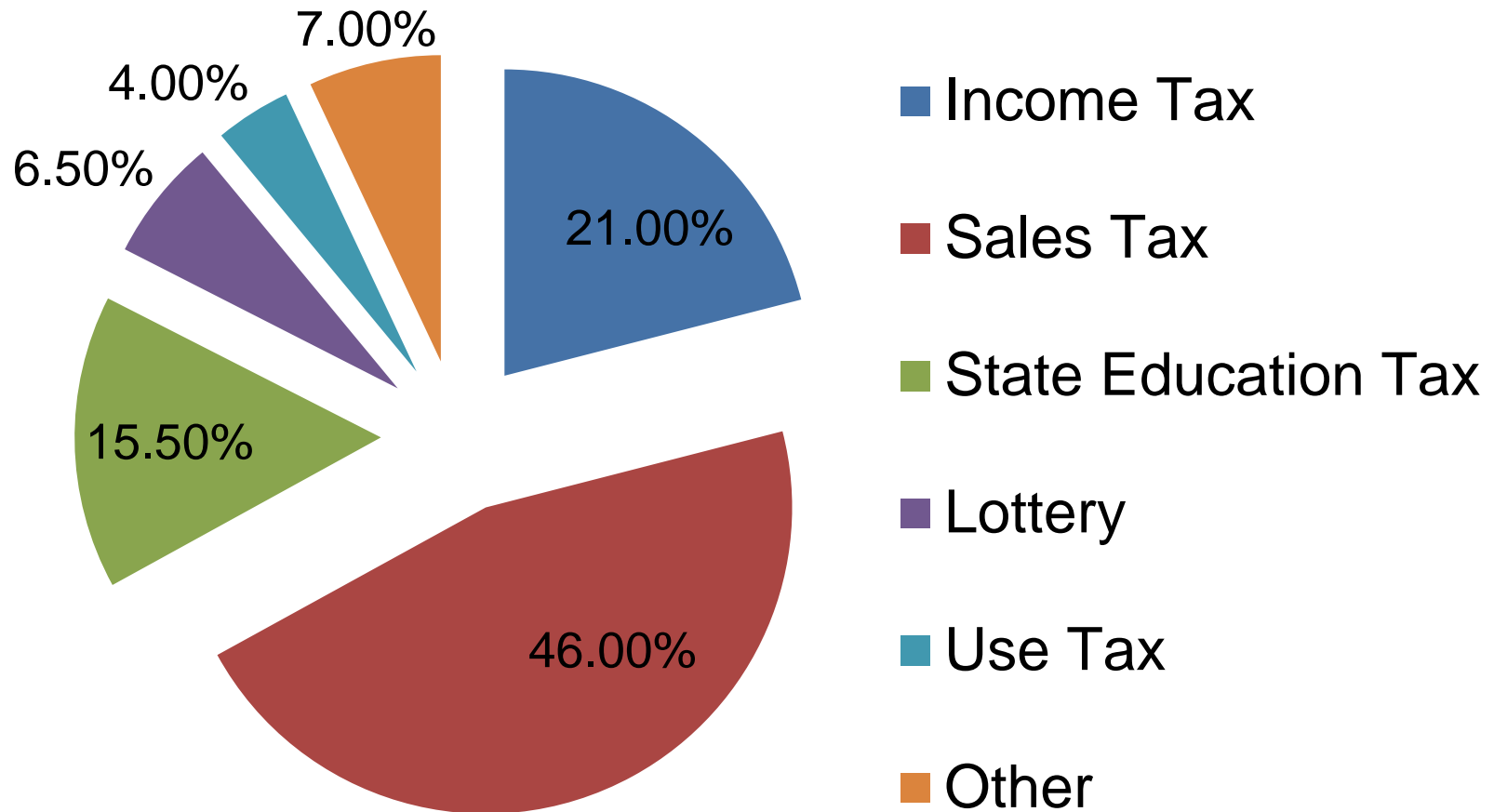


\$200 million dollars per year in increased funding going to local public schools - \$40 million is earmarked for At-Risk program.

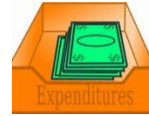
1% sales tax increase would replace \$752 million that is currently generated by sales tax on motor fuels for schools and local governments.

Universities could not receive money from the School Aid Fund. Funding could only be used for local public schools and community colleges.

FY 2014 School Aid Fund Sources



EXPENDITURE:



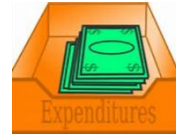
Revenue Sharing to Local Governments FY 2017-18



Current: \$1,226 M is allocated for revenue sharing to local governments.

Ballot Proposal: \$111.1 million in increased revenue sharing would go to local governments.

EXPENDITURE:

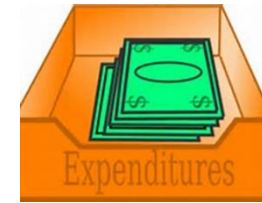


Michigan Conservation & Recreation Legacy Fund



\$20 million in increased funds for the Recreation Improvement Account that can be used to fund the operation, maintenance and development of recreation trails and restoration of lands damaged by off-road vehicles and inland lake cleanup.

NEW EXPENDITURE SUMMARY FY 2017-18



Roads	\$1,255,100,000 (59%)
EITC	\$ 269,100,000 (12%)
School Aid Fund	\$ 200,000,000 (9%)
General Fund	\$ 173,000,000 (8%)
Public Transportation	\$ 116,100,000 (5%)
Revenue Sharing	\$ 111,100,000 (5%)
Recreation Improvement	\$ 20,900,000 (1%)

TOTAL NEW EXPENDITURES \$2,145,300,000

Average Person Will Pay More

- Gasoline Tax change - the range will vary. Based on \$2.28 per gallon wholesale price, rate per gallon at pump would be \$3.00 and would increase to \$3.07, – a 7 cent/gallon increase or +\$1.05 for 15 gallons.
- Sales Tax increase 6% to 7% – the amount you pay in sales tax will depend on what you buy. There is no sales tax on groceries or prescriptions. Today if you bought a \$200 TV the sales tax would be \$12, if this passes the sales tax would be \$14 – a \$2.00 increase.

Continued...

- The registration fee for passenger vehicles – Michigan's vehicle registration fees vary based on the manufacturer's list price and range from \$33 to \$155. Currently the registration fees depreciate by 10% a year for the first three years. If the proposal passes that depreciation would end. **The increase depends on the value of the car.**
- Car repair savings – according to the MI Department of Transportation, MI drivers pay \$357/driver in repair costs. Some savings could result. **Amount unknown.**

MI Department of Transportation estimates how much money communities would receive for roads:

	Current Funding	Amount Increase/Year One
• Alpena County	\$ 3.2M	\$ 0.7M
• Berrien County	\$10.6M	\$ 2.3M
• Cass County	\$ 4.6M	\$ 1.1M
• Chippewa County	\$ 4.7M	\$ 1.0M
• Delta County	\$ 3.9M	\$ 0.9M
• Genesee County	\$21.2M	\$ 4.8M
• Grand Traverse County	\$ 7.2M	\$ 1.6M
• Houghton County	\$ 5.0M	\$ 0.9M
• Ingham County	\$15.5M	\$ 2.9M
• Isabella County	\$ 5.2M	\$ 1.1M
• Jackson County	\$10.8M	\$ 2.4M

Continued...

	Current Funding	Amount Increase/Year One
• Kalamazoo County	\$13.4M	\$ 3.0M
• Leelanau County	\$ 2.8M	\$ 0.7M
• Manistee County	\$ 3.7M	\$ 0.8M
• Midland County	\$ 5.7M	\$ 1.3M
• Oakland County	\$62.4M	\$14.1M
• Ottawa County	\$17.2M	\$ 3.9M
• Saginaw County	\$12.7M	\$ 2.9M
• Washtenaw County	\$17.5M	\$ 3.9M
• Wayne County	\$59.1M	\$12.4M

http://michigan.gov/documents/mdot/MDOT_BallotProposalDistLocals_481857_7.pdf (for more information)

Some Parts of the Plan Can Be Changed by the Legislature if Passed

Legislature cannot change what is put into the MI Constitution (HJR UU) without a vote of the people:

Increase sales tax maximum

Eliminate sales and use tax on motor fuel

Increase sales and use tax funds dedicated to the School Aid Fund

Remove inclusion of universities from School Aid Fund

Increase sales tax funds dedicated to revenue sharing

New laws that are given effect if Constitutional Amendment passes can be changed by the legislature, some highlights are:

Tax on Wholesale price on motor fuel (HB 5477, HB 5493)

Sales & Use Tax set to new maximum (HB 4539, HB 5492)

Earned Income Tax Credit (SB 847)

Vehicle registration fee (HB 4630)

At-Risk program getting \$40M extra (SB 80)

Using part of first 2 years of combined fuel tax revenue to pay off
long-term debt for past road construction bonds (HB 5477)

Road warranties and competitive bidding (HB 4251, HB 5167, HB 5460)

A **“YES”** vote will amend the MI Constitution to raise the Sales Tax, to exempt motor fuel from sales and use tax, and to stop higher education inclusion in the School Aid Fund. It will activate 10 other laws which provide funding for roads and other purposes.



Supporters say: Vote “YES” because Proposal:

- Provides funds to make roads safer for everyone.
- Guarantees all taxes paid at pump go to transportation.
- Guarantees constitutional funding for education goes where promised and doesn't take money from schools or local governments.
- Restores Earned Income Tax Credit for working poor to 20% of federal credit, offsetting increased taxes.
- Requires road builders to provide warranties on roads they build.
- Fixes roads now, saving state money and reducing motorist repair costs.

“Yes” Vote Supporters Include:

- AFL-CIO
- Business Leaders for Michigan
- Detroit Regional Chamber of Commerce
- Governor, and some Michigan Legislators
- Michigan Environmental Council
- Michigan League for Public Policy
- MI Municipal League
- MI Sheriff's Association
- Sierra Club
- Small Business Association of Michigan

A **“NO”** vote will stop enactment of the Constitutional Amendment, leaving the Sales Tax at 6% and applied to motor fuel and will allow universities to be covered by the School Aid Fund. It will stop activation of the 10 laws tied to the package which provided funding to roads and other purposes.



Opponents say: Vote “NO” because Proposal:

- Increases the Sales Tax which is regressive, impacting middle class families.
- Allocates only 60% of funding increase for roads and 40% to other purposes.
- Activates 10 bills including several dealing with rates which can be altered by Legislature without a vote of the people.
- Means that motorists may no longer be able to use their vehicle registration fees as an itemized deduction on federal income tax.

“No” Vote Supporters Include:

- Citizens Against Middle Class Tax Increases
- Coalition Against Higher Taxes & Special Interest Deals
- Concerned Taxpayers of MI
- National Federation of Independent Businesses
- Protect MI Taxpayers

"The essence of the plan is to remove the sales tax — which is not spent on roads — from fuel sales, and impose higher fuel taxes, which are spent on roads, without sharply increasing the pump price of gas. The sales tax hike would then replace and supplement the money schools and local governments would lose from having the sales tax removed from fuel sales."

(Paul Egan, Detroit Free Press reporter in article on March 2, 2015)

OTHER VOTING INFORMATION

Tuesday, May 5

Who is eligible to vote?

A Citizen of the United States

A state of Michigan resident

18 years of age by election day. A citizen can register *after* age 17½, provided he or she will be 18 on or before the next election

Not confined to jail *following* a conviction and sentencing

Are You Registered to Vote?

You can check to see if you are registered to vote at

<https://vote.michigan.gov/mvic/>



Monday, April 6, is the last day you can register to vote for the May 5 election.



Where do I vote?

You should receive a Voter Identification Card - with your precinct and voting location – when you register or there is a change in your registration

If you do not have a card you can check out that information at www.Michigan.gov/vote, www.vote411.org or from your local clerk.

What is required when I vote?

A Michigan Driver's License or State ID

OR an alternate photo ID

- Driver's license or ID from another state,
- A Federal or State government-issued photo ID,
- A U.S. passport,
- A military ID,
- A tribal ID
- A student ID (high school or accredited post-secondary)

OR sign an affidavit saying you are not currently in possession of an approved photo ID

How do I vote absentee?

Absentee Ballots are offered for all elections; for the May 5th election, they should be available by March 21, 2015.

You may vote by absentee ballot if you:

- Are unable to attend the polls without assistance
- Are age 60 or over
- Expect to be absent from your city/township for election day
- Are in jail awaiting arraignment or trial
- Are working on the election
- Are unable to attend the polls because of religious beliefs

You can fill out an application for an absentee ballot and mail (or take) it to your local clerk's office. The application can be downloaded from www.michigan.gov/elections.

What other candidates and/or issues will be on the ballot?

Local communities may have other ballot initiatives or candidates.



Please check www.vote411.org

Where can I get more information?

House Fiscal Agency – www.house.mi.gov/hfa

Senate Fiscal Agency –
www.senate.michigan.gov/sfa

Citizens Research Council - <http://crcmich.org>

League of Women Voters - www.vote411.org

League of Women Voters

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We never support or oppose a political candidate or party.

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Are there any questions?

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