

Letter From Manager-Director Daly Regarding Funding Crisis

I am writing to share with you some of my concerns regarding the challenges we as local leaders face in trying to serve our constituents. As you know, road commissions in Michigan are charged with providing and maintaining a road system that is “safe and convenient” for the motoring public. This mandate is inescapable, regardless of the economic hardships the state might experience or financial stresses that the road commissions may find themselves facing as a result.

As you also know, however, the ability of road commissions, indeed of all road agencies and local governments in Michigan, to meet this challenge and comply with mandated responsibilities is becoming increasingly difficult, and unless adequate funding is restored, it will soon be completely impossible to maintain roads at an acceptable level. This trend was well documented in the report, “A Look at Local Roads in Genesee County, Michigan, 2004 – 2006”, which was distributed by the Genesee County Road Commission in March of this year. The report described a local road system in decline – not just in Genesee County, but across the state of Michigan – and identified inadequate funding as a primary cause.

County road commissions in Michigan are facing unprecedented challenges, with more than 90,000 miles of roads to maintain (compared to roughly 9,600 for MDOT) and flat revenues for the past decade. Throw in the state’s notorious freeze/thaw cycles, growing traffic levels and skyrocketing costs for materials, and it is apparent that the state’s county road system is headed for a crisis.

The chart shown in Figure 1 illustrates the first half of the gloomy equation, the stagnant revenue side, and the table in Figure 2 paints the other, equally appalling factor, the escalating cost side. Taken together, they describe a situation that simply does not compute. No enterprise, public or private, could long survive with such a divergence of revenues and expenditures.

Costs are rising across the board – and across the economy, with world crude oil prices fueling much of the increase in everything from asphalt to equipment to concrete, as reflected in Figure 2, but what accounts for the flat revenues reflected in Figure 1? More fuel efficient cars and consolidated trip-making explain a small portion of the reduction in gas tax revenue. And the eroded purchasing power of these tax dollars – down 42% since they were last raised in 1997, according to an April 2007 report from the Mackinaw Center - accounts for another portion.

But a more significant culprit is the debt service now required by the state’s attempts of the last decade to borrow its way out of an infrastructure crisis. Specifically, the bills for Build Michigan I, II and III, which did accomplish a good deal of necessary road improvements across the state, have come due and are now resulting in actual reduction in the MTF dollars coming to road commissions. The current Michigan Jobs Today program, while providing necessary funding and an opportunity to reconstruct some badly deteriorated corridors, will also likely result in further erosion of dollars available for road maintenance. And in a state that is already in the bottom 10 among all states in poor pavement conditions and high repair costs, that is a most unwelcome prospect indeed.

As John Niemela, Executive Director of the County Road Association of Michigan (CRAM) put it, “The continued (inadequacy) of funding has finally come to rest on more and more road commissions as they leave positions vacant, delay the replacement of equipment purchases and worst of all, actually lay-off employees — all of which will have a negative impact on the timeliness of our services.”

The bottom line is that without a significant infusion of new, adequate funding the best efforts of road agencies and local governments to do more with less will be insufficient, and the downward trend in the condition of Michigan roads will continue, negatively impacting the lifestyles - and lives - of all Michigan residents. But where this funding will come from is uncertain. A gas tax increase, perhaps the most equitable means of financing road improvements, has proven not to be a very popular idea. But shifting the burden downward, to residents as many townships, cities and villages have been doing increasingly for years, is equally unpopular, is less fair and has its limits as well.

I am writing not to propose a specific solution, but to invite you to join me in considering all options. Only by working in concert, with open minds and exercising all our creative faculties can we hope to meet the great challenges we face. And our citizens expect, demand and deserve no less.

Sincerely,

John H. Daly III, PhD
Manager-Director