

# re Proposal 1 (From Detroit Free Press)



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Much is being made about Proposal 1, whether it's another Snyder lie, hidden taxes, promoting a "slush fund" for our Governor and political reps in Lansing, or just an outright tax assault on citizens by the legislature, raising license fees yet again, and making them no longer able to be declared as a "tax" on Federal tax returns (Schedule A).

Here's an article from the Free Press about this mess of a proposal, thrown together in a last-minute "deal" between lawmakers and the Governor, which raises A LOT of money; but, just where does all this money come from? And, once collected, where will it all go?

Far from perfect. Far from "just" for everyone. Far-fetched in its approach, as well as its execution, the question is: Are the taxpayers of Michigan going to listen to Snyder again, after his track record is one of ignoring the taxpayers say-so (the bridge to Canada voted down by Michigan residents, yet Snyder backdoored its building via the Republican legislature who rubber-stamped his backing of it giving their OK), as well as the voters' main concerns over how money is spent (license registration fee increases)? We shall see.....

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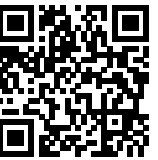
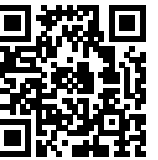






Proposal 1: The right road fix or a total mess?

Critics say Proposal 1 collects too much money for items other than roads. Proponents say the plan was a product of compromise that gets the job done.

Even the two camps agree the state's road budget is in a bind. And they agree the state will have to raise money to pay for the road program. The compromise is to raise the sales tax from 6% to 6.5% and increase fuel taxes, raising pump prices 8 to 9 cents per gallon, based on current low prices.

The proposal to amend the state constitution would increase the sales tax 5% from 6%, take the sales tax off of fuel sales and increase fuel taxes, raising pump prices 8 to 9 cents per gallon, based on current low prices.

The main criticism of the road funding plan -- hatched as a last-minute, lame-duck session compromise

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in December between Republican Gov. Rick Snyder and legislative leaders from both parties -- is that a House Fiscal Agency analysis shows it hikes taxes by about \$1.9 billion in order to direct about \$1.3 billion toward Michigan's crumbling roads and bridges.

#### Roads 101: What you need to know about Proposal 1

Depending on one's outlook, the fact that the plan also benefits K-12 schools (\$200 million-\$290 million); transit and rail (\$116 million); local governments (\$111 million), and low and moderate-income families (\$260 million through restoration of the Earned Income Tax Credit), is either a selling point or a near-fatal drawback. The ballot question, if passed, would trigger into law 10 bills dealing with a wide range of subjects, from road warranties to expense reimbursements by school districts.

"There's nothing like a governmentally proposed spaghetti deal," said Robert Terry, a Grosse Pointe Woods resident who heads a small video-production company and says voters should have been asked to hike the sales tax less than 1 percentage point in a plan targeted solely at roads.

"I thought the amendment to Michigan's constitution was to finally do something about our roads," he said. "But, no, Lansing just needed to stick schools in the mix."

The constitutional amendment would enshrine the legality of using the School Aid Fund to support community colleges as well as K-12 schools, but make the fund off-limits for support to universities.

Proponents say approving an imperfect plan is far better than doing nothing, because the more that Michigan's roads are allowed to deteriorate, the more they will cost to fix. No road plan could be approved last year without support from Democrats, who used a rare opportunity for leverage to secure improved funding for K-12 schools and restoration of a tax credit they say will help mitigate the effects of higher sales and fuel taxes for working families.

#### Is there a Plan B to fix Michigan roads? Leaders disagree

"We all know that to get Democrats on board, they had to sweeten the deal," said Greg Hoover of Fowlerville, who owns a small painting business and says he will be voting yes.

The roads "need money, and they need it now, and this is all we have," Hoover said. "If we don't pass it, then we go back to the drawing board."

Proponents say one of the plan's most attractive features is that it takes the sales tax off of fuel sales, undoing a situation the Free Press has reported on in which Michigan charges some of the highest taxes on fuel in the nation, but still has among the lowest per-lane-mile spending on roads. Taking the sales tax

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off fuel allows a sharp hike in the fuel tax -- which is spent on roads -- without significantly increasing the pump price. And bumping up the sales tax more than replaces the money schools and local governments would lose as a result of a sales tax no longer being charged on fuel.

Snyder is the main cheerleader for the Safe Roads Yes campaign to pass the measure -- which is airing TV ads bankrolled by millions of dollars in contributions from road builders and other businesses -- that mainly focuses on deteriorating roads and bridges as a safety issue.

Four groups have formed to push the no side, with the Coalition Against Higher Taxes and Special Interest Deals, headed by Saginaw County businessman and former congressional candidate Paul Mitchell, the first to air TV ads.

Critics such as Mitchell say the supposed urgency of needed road fixes is undermined by another flaw in Proposal 1: For the first two years after passage of the plan, a large chunk of the new transportation money -- an estimated \$865 million in 2015-16 and \$468 million in 2016-17 -- would be spent, not on road projects, but on paying off debt the Michigan Department of Transportation has built up from issuing bonds for earlier road projects.

A look at state spending on truck linesBuy Photo

Though MDOT didn't push for the debt reduction, department spokesman Jeff Cranson said retiring debt will reduce interest payments, freeing up \$160 million-\$200 million more per year to spend on roads.

Snyder says another criticism directed at the plan -- that Michigan lawmakers failed to do their jobs and "punted" the road funding question to voters -- is misplaced.

Though he would have preferred the Legislature to pass its own plan -- such as the major fuel tax hike that the Senate passed and the House rejected, so that some road funding plan would go into effect if Proposal 1 fails -- Snyder notes that a hike in the sales tax is needed to replace lost sales tax that would hurt schools and local governments, and hiking the sales tax can be done by only Michigan voters.

What you'll see on the ballot May 5

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.

The proposed constitutional amendment would:

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? 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 four-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.