

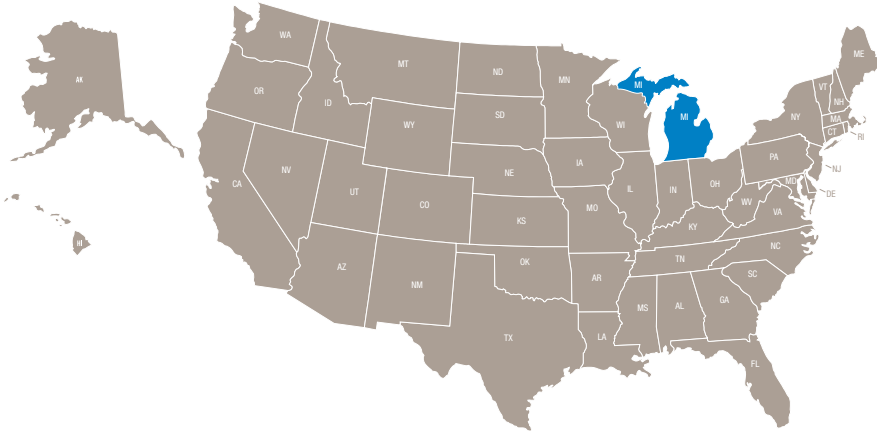


Smart Growth America
Making Neighborhoods Great Together

Michigan

Smart Transportation:
Save Money and Grow the Economy





Keep Michigan Moving in the Right Direction

Save Money by Taking Better Care of What You Have

1. Maintain and repair existing roads and bridges

Grow the Economy by Making Your Transportation Investments More Strategic

2. Fund the biggest job creator: public transportation
3. Spark innovation and cost savings through a competitive transportation solutions program
4. Revisit near term spending decisions and long term project selection



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Smart Transportation: Save Money and Grow the Michigan Economy

Michigan's budget and economy face significant challenges. These challenges create the opportunity and the imperative to ask if we're getting everything we can from our spending.

Voters don't think the current approach is working. Polling in Michigan finds that people believe the state is on the wrong track, and that Michiganders think there is a better way. Sixty-seven percent of those polled believe "now is the time for the state to invest in transportation because if done right these investments will create new jobs and attract new businesses." Voters are clear about their hopes for the state, and Smart Growth America has practical solutions to help make those hopes a reality.

In the following pages we outline an innovative, yet common sense, approach to transportation spending that cuts costs, creates jobs and attracts businesses. Further, incorporating our recommendations would demonstrate that the state is responding to the fiscal and economic crisis with strong leadership that is not satisfied with making "fair or poor" use of taxpayer dollars.

The Need:

Michigan is a national leader in prioritizing spending to maintain its roads and bridges. Michigan also faces some harsh realities.

- After a decade of gains, the Michigan Department of Transportation (MDOT) expects pavement condition to drop off rapidly.
- Thirteen percent of Michigan's bridges are structurally deficient.
- Michigan's transportation revenues are falling.

The transportation system isn't poised to make Michigan competitive in the 21st century. Michigan travelers and businesses need more choices to avoid congestion, avoid volatile gas prices and create communities that draw investment.

The Smart Solution:

By making fiscally responsible choices, Michigan can save money and create jobs, preserve the transportation system and create a more welcoming business climate. Business as usual will produce a deteriorated road network with a six- to ten-fold increase in repair costs and inadequate public transportation.



1. Maintain and repair existing roads and bridges

Maintaining its roads and bridges in a state of good repair (SOGR) is a priority in Michigan.

Spending on repair and maintenance is a good investment: it saves the state and its citizens money, is a superior job creator and is very popular. According to the American Association of State Highway and Transportation Officials (AASHTO), every \$1 spent keeping a road in good condition avoids \$6-14 to rebuild one that has deteriorated. Poor roads add an average of \$335 to the annual cost of owning a car—in some cities an additional \$740 more—due to damaged tires and suspensions and reduced fuel efficiency.

It is critical that Michigan maintain its current level of commitment to SOGR spending of \$1.7 billion per year. Failing in this commitment would substantially increase future costs. These would have to be paid for through higher taxes or substantially increased debt.

In order to put MDOT spending on a more fiscally responsible track, **spending on new highway capacity should decrease and be shifted to create jobs, maintain and improve pavement quality, and get Michigan ready for a future with a smaller percentage of drivers and higher energy prices.**

That means investing to meet the growing demand for:

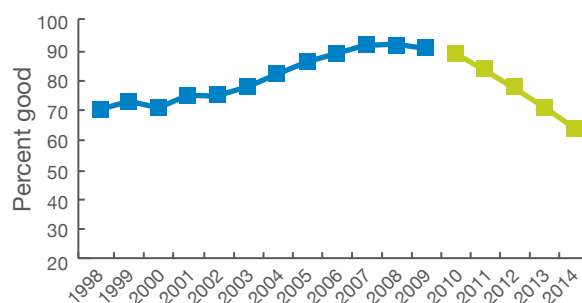
- Public transportation
- Telework
- Biking and walking

While this shift will help set MDOT on a sustainable fiscal path, it will also help pull Michigan out of the recession.

Historically, investments in public transportation create 31 percent more jobs per dollar than road investments. In the recent federal stimulus, transit produced twice as many jobs per dollar as roads. On average, road repair produces 16 percent more jobs per dollar than new construction.

Without a renewed commitment to system maintenance and repair, the state is ensured a network of declining quality — with attendant safety problems, additional cost to Michigan families for car repairs, and a loss of economic competitiveness as businesses target states with better freight access.

Historic and Projected Pavement Condition



Fixing existing highways creates **16% more** construction jobs per dollar than new road construction.

68% of Michiganders believe fixing roads and bridges should be the top priority for the state. 25% chose expanding transit and other choices, and 7% chose expanding roads.

Most voters in Michigan – including **69%** of Republicans – believe the government has a duty to make sure that roads and bridges are safe and reliable.

2. Fund the biggest job creator: public transportation

As stated above, public transportation investments create 31 percent more jobs per dollar than road investments. In the recent stimulus, transit produced twice as many jobs per dollar as roads.

Transit helps people get to their jobs and attracts private sector investment—creating still more jobs. MDOT should invest in public transportation, both in the Southeast metropolitan area and throughout the rest of the state.

These strategic investments should include:

Shifting existing resources to restore service and hold the line on fares statewide. When people use public transportation, they save money. According to a 2010 MDOT study, in 2008, out-of-pocket cost savings totaled \$348.8 million for riders in Michigan. Maintaining and increasing those savings is a critical part of improving Michigan's transportation system in a cost-effective way. Southeast Michigan's public transportation problems have dominated the headlines, reporting that all of Michigan's 79 agencies have cut service in the last two or three years—some during periods of record ridership. More than one-third of them, including SMART, have raised fares. Residents of small towns and rural communities in particular are increasingly stuck without transportation options to get to work and services as agencies cut back on service.

These fare increases and service cuts disproportionately impact low-income workers. Providing adequate public transportation will enable low-income workers to get to their jobs.

Funding the timely build-out of Detroit-area regional public transportation. Michigan should begin by building and operating the Woodward Avenue light rail, and then expanding the regional system.

The project will put transit at the forefront of growing the region's economy because it will create more jobs, faster, than any other public infrastructure investment. Other communities have realized substantial returns on similar investment. For example, the Hudson-Bergen Light Rail line in New Jersey has attracted \$5.3 billion in development in the eight years since it opened; Dallas has seen more than \$4.2 billion in development at light

rail station areas; and Portland has seen over \$4 billion in development adjacent to its Streetcar system.

Continuing to partner with local governments to take advantage of \$161 million in high-speed rail funds. The federally-funded improvements to the Detroit-Chicago rail line are only a foundation. To multiply the benefits of that funding, ensure that it is fed with good regional transit access, and that high-quality development can move to station areas and produce jobs.

Public Transportation is Popular in Michigan

Of Michiganders polled in late 2010:

- **79%** said when it comes to prioritizing transportation investments, the most important factor should be “the number of jobs created in the long-term that would remain in your community.”
- **64%** said they would feel more positively about a governor who favored a plan that “provided more choices such as buses, carpools, light rail, van service, and commuter rail.” Only 22 percent would feel the same about a governor who favored “building new roads and bridges.”
- **64%** said that “buses, carpools, light rail, van service and commuter rail were a good or very good value for the cost.”
- Asked for “the best long-term solution to reducing traffic in your area?”
 - **64%** said, “Expanding and improving bus, rail, van service, biking, walking and other transportation choices.”
 - **20%** said, “Expanding and building new roads, highways, freeways and bridges.”

3. Spark innovation and cost savings through a competitive transportation solutions program

There are a number of ways to solve transportation problems. While many leaders fall into the old standby of building large pieces of infrastructure, there are underused, more cost-effective alternatives that should be considered and incentivized.

- Pricing—enact corridor pricing, parking cash-out, and pay-as-you-drive insurance.
- Demand management—encourage telecommuting, alternate work schedules, employee commute programs, and car- and bike-sharing.
- Biking and walking—invest in connections that provide simple, low-cost solutions for many of the short trips people take every day.

Among transportation professionals, it is widely acknowledged that these underutilized alternatives are quite often cheaper and more effective than either a road or transit solution.

From the funding the state has available for new capacity, **the state could set aside a portion for places that want to pursue innovative least-cost solutions to their transportation needs.**

A state program similar to the federal TIGER (Transportation Investment Generating Economic Recovery) grant program would enable Michigan communities to put their best ideas forward. The widest range of projects should be eligible and they could be judged against criteria such as job creation, private sector investment and other criteria emphasizing “returns on investment.”

Letting people travel for less stretches MDOT dollars

Transit ridership figures, walking and cycling rates, eWorkPlace participation and polls all tell the same story: people want more choices and will use them when made available. The good news for a budget-strapped DOT is that most of the options they want cost much less than building new roads, are safer, and create more jobs.

Build on Cost-Saving Michigan Programs

Telework Can Get Michiganders to Work for Less.

Several places in Michigan have successful telecommuting programs, but the state can do much more. Minnesota DOT, for example, recognizes that it is much cheaper to accommodate peak period demand with wires than lane miles. MnDOT’s eWorkPlace program serves employers ranging in size from 20 to 8,000 employees, 18 percent of whom participate. eWorkPlace reports a reduction of more than 30 percent in peak period trips, and a VMT reduction of more than 46 percent.

Employers reported increased productivity, better retention, and reduced absenteeism. Fairview Health Services, for example, documented less stress, better well-being, higher expectations and improved relationships for both managers and employees. In short, the program is business-friendly, and the cheapest, safest way to accommodate demand.

Safe Routes to School (SRTS) might be the single most popular, cost-effective, and safety-enhancing transportation program in the country. In addition to significant safety benefits, SRTS reduces rush hour traffic. Michigan has a good Safe Routes to School program, but the vast majority of state communities do not enjoy its benefits yet. Michigan obligated just 37% of its federal SRTS funding in FY2008.

Walking and Biking Moves Michiganders for Less.

Walking and biking are the least costly modes of transportation in terms of both infrastructure and operations. 8.4 percent of all trips in Michigan are by bicycling and walking. Michigan DOT has a relatively large bike/ped staff compared to other state DOTs. On the other hand, 14 percent of Michigan traffic fatalities are cyclists or pedestrians, yet Michigan spends none of its federal safety dollars on bike/ped safety.

Not pursuing these kinds of programs aggressively generates unnecessary congestion and increases MDOT’s costs and need for taxes and fees.

4. Revisit near-term spending decisions and long-term project selection

Michigan’s economy and transportation revenue situation demands that investment decisions be revisited. The preliminary draft of the “2011-2015 Five Year Transportation Program” is admirably clear about the impacts of revenue shortfalls on MDOT’s ability to meet pressing needs. But while the draft five-year program continues MDOT’s emphasis on repair and maintenance, it still proposes to fund a variety of new capacity additions, some in advance of actual needs.

Meanwhile, the draft five-year program proposes to radically cut MDOT’s safety program, and the Safety Work Authorization program which provides funding for low cost safety improvements that can be implemented by state forces or contract agencies would be eliminated. The program also proposes to:

“Cut the Congestion Mitigation and Air Quality (CMAQ) program from \$42 million to \$7 million dollars per year in FY 2012... With the reduced CMAQ program, the state will be at an increased risk of implementing costly prescriptive measures that will be needed to attain the National Ambient Air Quality Standards.”

Clearly, the draft program is the product of difficult decisions. But as Michigan continues to search for ways to create jobs and save money, the draft five-year plan needs to be looked at even more closely. Before it is finalized each project should be revisited to ensure it meets today’s need for higher return on investment.

Closely examining these spending decisions will show Michiganders that new leadership is responding immediately to current economic and fiscal realities.

Possible criteria include:

- Impact on mobility, access and transportation choices;
- Ability to create jobs and economic health now and in the long-term;
- Effect on long-term system costs and tax burden.

Re-evaluating near-term decisions to move those of highest value to the front can serve as the first step in a broader initiative to produce greater transparency, performance and accountability. To take best advantage of these opportunities, though, legislative action will be needed to address formulas in Act 51 and elsewhere that limit the flexibility to prioritize.

“It is of particular importance in these times of severe fiscal constraint that we invest scarce public resources more wisely and efficiently, in order to maximize the reach and impact of what we spend... Otherwise we will continue to get the same results: deteriorating infrastructure marked by unacceptable compromises to safety as well as worsening performance, especially growing congestion.”

— Bipartisan Policy Center’s National Transportation Policy Project and the National Surface Transportation Infrastructure Financing Commission

In 2009, McKinsey and Company evaluated potential transportation investments in Metro Atlanta, finding:

\$220 million invested in demand management	Would create \$40 billion in incremental benefits
\$26 billion in road investments	Would create \$40 billion in incremental benefits
Better coordination with development (deemed to be virtually cost-free)	Would create \$39 billion in incremental benefits



Smart Growth America advocates for people who want to live and work in great neighborhoods. We believe smart growth solutions support thriving businesses and jobs, provide more options for how people get around and make it more affordable to live near work and the grocery store. Our coalition works with communities to fight sprawl and save money. We are making America's neighborhoods great together.

Smart Growth America is the only national organization dedicated to researching, advocating for and leading coalitions to bring smart growth practices to more communities nationwide. Visit us online at www.smartgrowthamerica.org.

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