



# HRC on Governor Snyder's Infrastructure Plan



Governor Rick Snyder released an important statement October 26, 2011, that discusses the condition of infrastructure in Michigan and the steps he proposes to address those needs. We all know that there is an "infrastructure deficit" that looms as large as our financial deficit if we continue to forego the improvements necessary to bring our roads, bridges, drainage, water and sewer systems into the 21<sup>st</sup> Century. It is essential for our economy and the quality of life for Michigan residents. The statement is a bold vision for addressing those needs and contains a number of points that will affect us individually as well as the operations of municipal government. Some of the more critical ones are as follows:

## Roads and Bridges

Gas revenues over the last 14 years are down in terms of dollars and buying power

Hopes to raise an additional \$1 to \$1.4 billion through some means

Toll roads and pay-as-you-go technologies are probably not an option for Michigan

Proposes to convert retail taxes on gasoline and diesel to a wholesale tax

Could increase vehicle registration fees \$10 per month to raise \$1 billion

Allow voter-approved regional registration fees

Consolidate road agencies to save money

Revise Act 51 distribution, including the elimination of monies to very small agencies. Allocate more to the higher use roads and bridges

## Mass Transit

Develop regional transit system in southeast Michigan and support it elsewhere (Grand Rapids and others)

## New Regional Transit Authority in SE Michigan

Encourage other regional authorities with access to regional fees

## Rail System

Continued support for high-speed rail between Detroit and Chicago

## Bridge Crossing to Canada

Continued support for new bridge

## Water and Sewer Utilities

Create new grant Programs and support/streamline low-interest loan Programs to finance water and sewer projects

## Dams in Michigan

Remove outdated and little-used dams

## Internet Access

Improve access to broadband, especially to rural areas

## Conclusions

Hubbell, Roth & Clark, Inc. (HRC) would also suggest that advances in technology (trenchless technologies, roadway and bridge materials, intelligent transportation systems, water and wastewater technologies, etc.) can provide opportunities for doing more for at less cost, if these newer technologies are carefully considered.

We at HRC understand the need to improve our vital infrastructure and the tremendous financial pressure our municipal clients are under. While many of these approaches may be controversial and may require significant changes to the way business is conducted, we applaud the Governor for recognizing both elements of this issue and support his efforts to raise it to the forefront. We know that we can't continue on as we have been and expect good outcomes. A certain boldness is going to be necessary to change the status quo.

HRC is able to assist you with reviewing these many alternatives and encourages you to discuss them with your state representatives. Attached is a copy of the full statement by the Governor.



On the web at [www.hrc-engr.com](http://www.hrc-engr.com)



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LANSING

RICK SNYDER  
GOVERNOR

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October 26, 2011

*A Special Message from Governor Rick Snyder:  
Reinventing Michigan's Infrastructure: Better Roads Drive Better Jobs*

To Michiganders and the Michigan Legislature:

## I. Introduction

Over the past ten months, we have taken important steps to turn Michigan's economy around. But as too many in Michigan know we still have a long way to go. Today we take yet another bold step forward to help ensure our economic prosperity, now and in the future.

### **Reinventing Michigan's Infrastructure: Better Roads Drive Better Jobs**

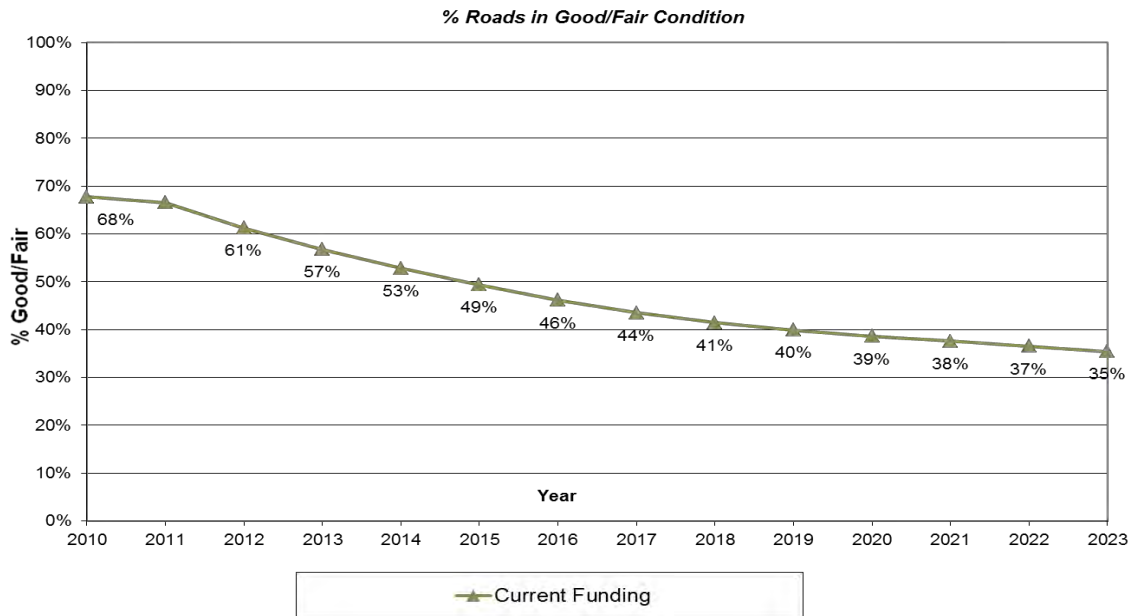
A sound and modern infrastructure is vital to attracting and retaining jobs. The state that put the world on wheels needs to continue to be a transportation leader in order to stay competitive in today's global economy. We need a modern transportation system that moves people and goods safely, reliably, and efficiently in order to increase productivity and our quality of life. We need a multi-modal system that will serve the movements of a new, more urban, more tech-savvy, and more active generation. We need water and sewer systems that support and protect Michigan's rich environment and water resources. We need to integrate our broadband telecommunications network and connect every business and every household to the internet.

The challenge is simple. Michigan's infrastructure is deteriorating from a lack of investment. If we are going to reinvent Michigan's economy, we have to reinvest in Michigan's infrastructure.

For the first time ever transportation revenues are declining. Simply put, better fuel economy and higher gas prices lead to lower road revenues from the fixed fuel tax. All the while, the cost of materials and labor continue to rise, seriously undermining our ability to keep up.

In 2008, a Transportation Funding Task Force recommended doubling Michigan's transportation investment, and warned strongly that doing nothing was unacceptable. At the time, members of the State Legislature made proposals for increased funding for transportation, and found support on all sides of the political spectrum, but nothing happened. And this year, a bipartisan House Transportation Committee workgroup underscored those findings, concluding once again that while doing nothing is a decision, it is the wrong one. The following graph illustrates the deterioration of our system at today's level of investment:

## All Paved Federal-Aid Eligible Roads



Underinvestment is also a problem for our water and sewer systems. It is easy to forget the large and invisible network of water and sewer lines below our feet. Unless there is a crisis, it remains out of sight and out of mind. But many of those systems are a hundred years old or more, and in need of reinvestment. To protect the quality of Michigan's abundant lakes, streams, wetlands and Great Lakes beaches, critical contributors to our economic vitality, we need to be a leader in this area.

We have a responsibility to ourselves and to future generations to maintain and improve the roads, bridges, and sewer and water systems that previous generations built for us. It is a responsibility we cannot ignore or postpone because waiting costs money.

Michigan loses nearly \$3 million each day in the value of our transportation assets. That is \$1 billion lost every year. One dollar spent today to preserve a road or bridge can save us at least \$6 dollars in future rebuilding costs. Maintaining and upgrading our water and sewer lines can help avoid costly failures that close beaches and put public health at risk. It is less expensive and more cost effective to maintain our infrastructure now than to wait until it needs to be completely rebuilt.

In short, investing today not only saves money, but builds the foundation for a reinvented 21<sup>st</sup> century Michigan economy.

To meet these challenges, we cannot depend on Washington. We are a gas tax donor state and our rate of return must be improved. There is no reason why Michigan's gas taxes should be sent to Washington to fund infrastructure in other states. I will continue to work with Michigan's Congressional delegation to improve our rate of return.

Michigan can reclaim its role as a leading economic powerhouse by acting now to leverage our geographic location and reinvest in our extensive network of roads and railroads, bridges and byways, ports and airports. By investing in the means to move people and products with speed and efficiency, we can compete with other states and countries for business and jobs – and we can win.

I am asking your help to make new investments in Michigan's roads and bridges – significant new investments – but not as we have done in the past. Business as usual – doing things the way they have always been done and expecting different results – is not the road to economic renaissance. Pumping

new money in to old formulas, practices and programs will not produce better results. We need to do things differently.

We must target new investments on the roads and bridges that the data shows will have the most beneficial impact on our economy. And we must hold all road agencies accountable for the public dollars they spend. We must insist on value for our money.

## **II. Reforms and Best Practices**

An investment in infrastructure has the potential to achieve great value, both at the time of the investment and well into the future. We have invested wisely but we cannot continue to sustain the value of those investments without additional reform and additional revenues.

Michigan is a recognized national leader in managing its road and bridge assets with a long term vision. The Legislature took decisive action nearly a decade ago to create the Transportation Asset Management Council. Through that council, Michigan has ensured that investments are made to maximize the life of our roads and bridges. That means making data-driven decisions to determine which roads need to be repaired and which roads need to be rebuilt.

We need to continue to extend that model to county road commissions and cities and villages. As a result, all transportation agencies will use this approach to make better, timelier, more effective decisions to preserve our existing infrastructure.

Michigan is also a national leader in the development of new technologies including:

- Life-cycle budgeting, a process that abandons the old, short-term approach of quick fixes for road maintenance and places emphasis on maximizing the life of the road. A Congressional Budget Office study shows life-cycle budgeting can reduce long-term maintenance costs by 40 percent.
- High-strength Carbon Fiber Reinforced Polymers (CFRP) to reinforce concrete bridges. The use of this new product offers several distinct advantages, one of which is the virtual elimination of corrosion, a common problem among steel reinforced bridges.
- Energy efficient LEDs in freeway lighting and trunkline signaling devices. Today, some 55 percent of state highway lights have been upgraded with LED lenses. As a result, MDOT is seeing a 90 percent power savings where LEDs are used.
- The use of solar power to reduce its energy consumption. A demonstration project undertaken with the Michigan Economic Development Corporation Michigan Energy Office is using elevated solar panels at an MDOT carpool lot in west Michigan to feed power directly into the electrical grid during the day and offset the power needed for the freeway interchange lights at night.
- A modern electronic bidding system developed in partnership with the private sector that uses the Internet to reduce errors, save taxpayer dollars, and shorten processing time. That means doing away with 10,000 pieces of paper that a single bid letting previously required along with the inefficiencies of such a labor-intensive process. For example, in 2002, the state had 34 low bid rejections, which cost about \$370,000 to correct. In 2007, with the introduction of electronic bidding, there were no low bid rejections among 1,106 projects.

These innovations have saved money and stretched our transportation dollars, and we must do more. Today, I am challenging MDOT to provide opportunities for increased competition for maintenance services, like snow plowing. I propose taking a portion of the state network and competitively bidding for long-term engineering management services, construction and maintenance operations. I am giving the department 12 months to have the contracts in place and report back to me on the progress.

Moving to a performance-based system for managing and maintaining roads will lead to more efficiency in the preservation of our roads and bridges and save taxpayers money.

It is time to streamline the way we do business. We saw how successfully that worked for the auto companies who took painful steps to become leaner and more efficient. Ultimately, those difficult decisions helped make those companies sustainable. Many other businesses in Michigan have had to make similar painful choices in order to survive the past decade of difficult economic times.

It is time for transportation agencies to do the same. Michigan has 617 independent road agencies and 79 independent transit agencies. We are the only state in the country that has county road commissions – 81 of them in total – and 35 of those are not accountable to the rest of county government. We need to modernize the way we administer transportation programs and do business in a streamlined and transparent way.

For that reason I am asking the State Legislature to make some changes to current law. Today, only the largest counties are allowed to incorporate their county road commissions into county general government. Macomb County recently chose to do this, and Wayne County did it some time ago. I ask the State Legislature to change the law to allow any county to absorb its county road commission.

In addition, Act 51 – the 60-year-old law that governs how state transportation revenue is distributed and how it can be spent – includes archaic formulas that sprinkle state transportation revenue across all 617 road agencies, many of them responsible for only a few miles of road. The formulas are so outdated that two cities actually receive funds despite having no public roads or bridges in their jurisdiction.

Michigan can no longer afford to spread limited funding so thinly across so many small agencies. Consolidating local road agencies will help eliminate redundant administrative and equipment costs and ensure that local dollars go further. Some consolidation and sharing of resources already occurs, but much more is needed.

For that reason, I ask the state Legislature to revise Act 51 of 1951 to improve the efficiency and effectiveness of transportation revenue distribution. There are many changes needed to the old revenue formula. As a first step, I encourage the Legislature to remove cities and villages that receive less than \$50,000 in transportation funding from the distribution of Act 51 funds. Instead of allocating the funding to those jurisdictions, let the money stay with the road and the funding be distributed to whatever larger road agency maintains those roads and bridges.

All agencies should be required to meet performance criteria as a condition for receiving state transportation revenue. These best practices should ensure administrative cost-saving results from the state's requirement that employees pay 20 percent of their health care premiums and that new employees are placed on a defined contribution pension plan. In addition, transportation agencies should be required to meet a minimum number of best practices including development of an asset management plan for federal-aid highways and bridges, a safety plan, competitive bidding on contracts to any public or private sector organizations, fulfillment of consolidation plans and an internet dashboard on operating and financial statistics to improve accountability.

I ask the Legislature to make the changes to allow for consolidation among larger jurisdictions or counties that might want to make similar arrangements to reduce costs or improve their road maintenance.

To further improve the value received for taxpayer investment in transportation, I ask the Legislature to change the old transportation revenue act to allow open, competitive bidding for road maintenance and construction for all roads across the state. Opening the competition for road maintenance contracts to all

bidders, from the public sector or the private sector, will reduce costs. Open competition will also help ensure that the roads are appropriately and cost-effectively maintained, summer and winter.

I also want the Legislature to amend the act to allow audits by MDOT of local road agencies' spending as a condition of receiving state funds, something that's not allowed in law today.

### **III. Revenue Reforms**

Roads and bridges are assets that are paid for by those who use them. Transportation agencies need to cover the cost to provide a service that every one of us uses every day. Yet transportation user fees have not gone up in nearly 15 years, and as a result, Michigan's transportation network is not sustainable. Underfunding roads and bridges creates a vicious cycle. Insufficient funding means not enough repairs can be made when they are needed. Without constant repairs, damage to private vehicles increases, personal safety is threatened, and the long-term cost of maintaining the network increases.

It would be easy to put this off, but it would not be the responsible thing for those who believe in a prosperous future for Michigan.

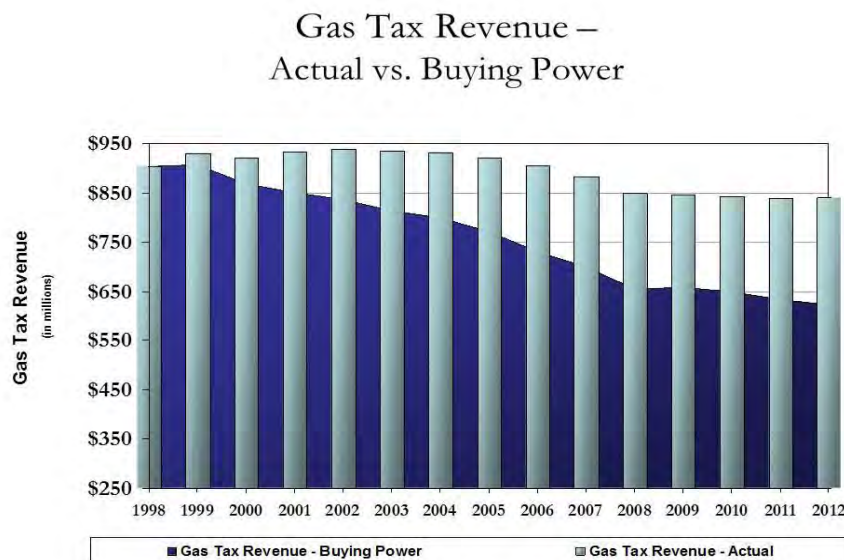
Many states rely on toll roads to supplement their state gas taxes, but the opportunity for constructing new toll roads in Michigan passed by long ago.

I also believe that we are not yet ready to consider the various pay-as-you-drive user fees employed in other parts of the world. While the technology is developing to implement a mileage-based user fee to replace our traditional transportation funding mechanisms, and while a handful of other states have investigated or even piloted those options, there are still too many questions to pursue such a dramatic change just yet.

However, there are a number of steps we can take now.

#### **Funding for Roads and Bridges**

Michigan's current system of raising revenue for roads and bridges relies on two principal sources of revenue – a registration fee for vehicles and a flat, per-gallon tax of 19 cents for gasoline and 15 cents for diesel fuel. The last time Michigan faced up to the need to maintain its current bridge and road infrastructure was 1997. The following chart lays out the decrease in buying power of our current system:



I am committed to maintaining a transportation system that enables our economy to grow in the years ahead. The simple truth is that our current gas tax is a 20<sup>th</sup> Century tax on a 19<sup>th</sup> Century resource. It cannot possibly meet the needs of the 21<sup>st</sup> Century. Therefore, I am proposing that Michigan now take the bold step of changing our system of taxing motor fuels.

**I propose we eliminate the current gas tax on consumers.**

It should be replaced with a uniform tax at the wholesale level on motor fuels. My proposal is to eliminate both the current 19 cents per gallon tax and the current 15-cent diesel tax for motor vehicles, and replace it with a percentage tax at the wholesale level that raises equivalent dollars. While this proposal is revenue neutral, it is a more viable long-term funding approach to maintaining roads and bridges. It will protect Michigan’s purchasing power, and help assure over the long run that Michigan can meet the needs of state, county and local road maintenance without continually coming back to the legislature for increases.

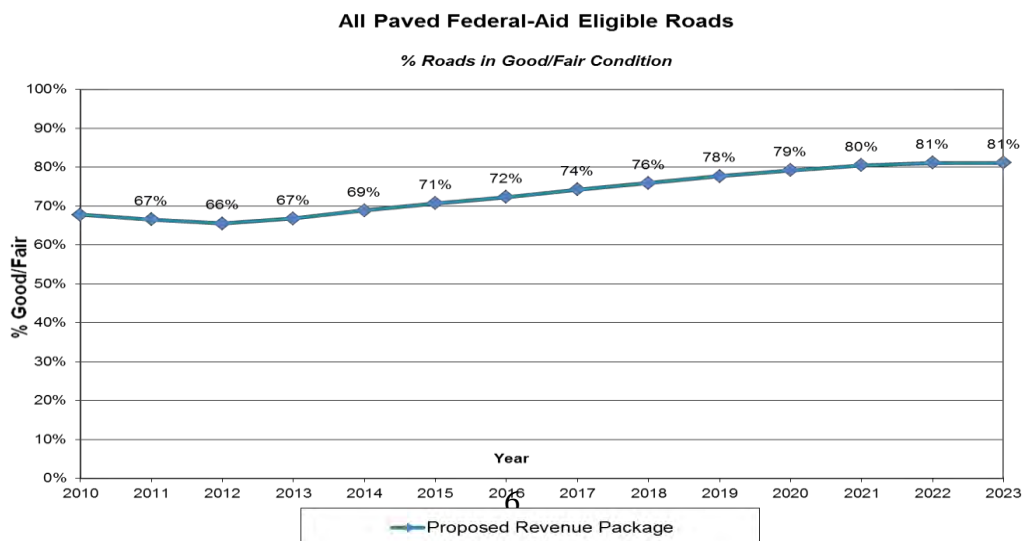
But taking that step alone does not solve Michigan’s road and bridge maintenance problem. The simple truth is that if we are going to protect our past investments in our bridge and road infrastructure, more revenues are needed. That fact has been made clear over and over, including – most recently – in the 2008 report of the Transportation Funding Task Force and in a report this year of a bipartisan House Transportation Committee workgroup. The workgroup report identified the need for an additional \$1.4 billion now to meet Michigan’s road and bridge maintenance needs. It is hard to argue against their findings.

The longer we wait to address the problem, the bigger the bill we are handing to future citizens, manufacturers, and commercial businesses. Continued procrastination threatens Michigan’s economic future. Those of us in elected office must face up to our responsibilities to that future by developing responsible, fiscally prudent policies that assure a bright future for Michigan companies and drivers.

Our goal should be to increase infrastructure investment by \$1 to \$1.4 billion each year. As one example, a state registration fee increase of an additional \$10 per month on the average passenger vehicle would raise nearly \$1 billion. In addition, a local or regional registration fee of \$40 per year on the average vehicle would raise nearly \$300 million.

I fully recognize that solving this decades-long challenge will not be easy, but I am convinced that starting the conversation and debate now is absolutely necessary for the future of our economy and our quality of life. I look forward to working with the legislature, our local communities and our citizens over the next several months to develop a plan and the political will to implement it.

The following chart illustrates how a \$1 billion dollar investment would increase the condition of our federal-aid eligible roads:



Graph is based on the assumption that at least \$1 billion of new revenue will be spent for capital projects on federal-aid eligible roads.

In addition to state needs, there are local roads, bridge and transit needs as well.

Presently, the largest source of funding for local roads is from state fuel taxes and registration fees. In Michigan, nearly two-thirds of local road funding comes from the state while the national average for state transfers is just 20 percent. In order to focus state funds on the roads that serve the most people and have the greatest economic impact, we must give local units of government the tools they need to support local roads and local economies.

Investment in local transportation infrastructure will help to grow local economies, but those investments need to be supported by revenue raised locally. In particular, investments to facilitate place-making infrastructure including public transit and improvement of local streets, bridges and sidewalks, can encourage new economic activity, increase property values, and create more attractive places to live, work and play.

In order to help local governments help themselves, we should create a law that allows counties and regional authorities to levy a local vehicle registration fee dedicated to transportation. Such a fee would take place only if approved by a vote of the local citizens and should not exceed an average cost of \$40. It would be collected by the state and returned to the local agency.

One way to ensure that new revenue has the biggest impact is to invest it in the highways and bridges that are most highly used. That is why I propose we focus highway investment through a new distribution formula that links road investment to road use and to traffic. The highways and bridges that serve the most traffic should see the greatest new investment.

Likewise, highways and bridges that carry the largest amount of commercial traffic should get the largest share of funding from those users. Roads that are most critical to Michigan's economic future – roads that are important to shippers, or to a particular industry – will benefit most. Commercial carriers and truckers will see the results of their investment through the improvements on the highways they travel most.

Over the next 7 years, I propose we gradually subject all Act 51 distributions to the new formula, so that in 7 years all road funding is distributed by this new, more focused and efficient formula. This would include any new revenues beyond what is collected and spent today.

Working together, we have made great strides in reforming our tax system to encourage investment in our state, but if Michigan is going to grow, we need also to invest in the infrastructure that creates the network of commerce throughout our state, that connects us to the rest of the country, and that opens our state to the world.

#### **IV. Bus and Rail Transit, Aviation and Ports**

The Michigan constitution allows up to 10 percent of highway user fees to go to transit. That is appropriate, because transit systems reduce highway congestion by offering alternative ways to travel, particularly for those who do not own or cannot drive a car. New regional transit investments supported by a regional motor vehicle registration fee will allow funding for long-awaited transit improvements that will help jumpstart Michigan's urban areas and create jobs.

We must continue to support transit, particularly in large urban areas like metropolitan Detroit and Grand Rapids. Those vibrant urban areas are two examples of the state's economic engines and we need to make sure that they can continue to grow. Strong transit systems like The Rapid in Grand Rapids or The Ride in Ann Arbor demonstrate how transit can support a growing population, reduce traffic congestion and attract a young, tech-savvy generation to help revitalize urban centers.

### Regional Transit Authority

Southeast Michigan is the largest metropolitan area in America that does not have a high capacity rapid transit service in place, or under development. Detroit metropolitan leaders have debated the development of a single transit authority to serve the 4.2 million residents of the region for decades, but have failed on every one of 23 documented attempts. Mayor Bing and I have worked with US Department of Transportation to form a task force including federal, state, city of Detroit and the counties of Wayne, Oakland, Macomb and Washtenaw to facilitate communication and achieve agreement to move forward on regional transit.

Continued failure is not an option.

Safe, reliable, and efficient transit can be the mobility backbone that supports the economic revival of Michigan's metropolitan areas by expanding labor markets for business and job opportunities for workers. Just like the highway system spurred economic development near interchanges and exits, transit oriented development will spur growth near stations and stops. Studies by the American Public Transportation Association conclude that every dollar invested in public transportation yields an average of four dollars of economic return.

I propose a new Regional Transit Authority for southeast Michigan, one with the teeth and the commitment to coordinate existing bus services and permanent, dedicated regional funding to invest in rapid transit. My proposal is for a new authority, free of legacy costs, which will establish rolling rapid transit along four critical routes including Gratiot, Woodward, Michigan Avenue and the M-59 corridor.

If three or more counties are willing to work together to form a regional transit authority, I propose that they be permitted to dedicate a portion of the regional registration fee I have proposed to support public transit. The approval should be subject to voter approval. A truly regional transit system will efficiently integrate services under one authority and help to revitalize regional identity and culture.

Finally, as we consider new revenue sources we must protect existing transit service, particularly in rural areas. I ask the Legislature as part of an overall effort to reform and adequately fund transportation to create a separate program within the Comprehensive Transportation Fund for new and expanded public transit services. That change will allow Michigan to see more modern transit systems developed, but not at the expense of existing service in other areas. I also want to encourage the consolidation of transit agencies and require that they achieve best practices similar to those required of road agencies as a condition of new and expanded funding.

### Rail

Michigan currently invests about \$16 million per year in rail programs, including funds for operation, grade crossing improvements, economic development programs and management of 540 miles of state-owned rail lines. With the completion of Michigan's State Rail Plan, required by federal law, the state is now in position to receive additional federal funds.

Rail investment and enhancement will mean that goods can move faster, cheaper, and more reliably, benefiting business productivity and helping create more jobs. In Michigan, railroads are critical to the success of agricultural production, whether they're hauling inbound fertilizer or outbound grain. Freight rail is not a luxury for the agriculture and agri-business industries – it is a necessity. I am directing the Departments of Transportation and Agriculture & Rural Development to coordinate with the food and agriculture industry to ensure their infrastructure needs are included in economic expansion opportunities.

There are a number of high-value rail freight projects ready and waiting to be implemented. The Detroit Intermodal Freight Terminal project is a public-private partnership that needs additional investment to become reality. The Detroit Railroad Tunnel expansion is a private sector project that is also ready to begin. Both projects will help increase the potential for rail shipping in Michigan, which will help remove

trucks from our freeways and reduce costly highway congestion, degradation, and pollution. These stand-alone projects could go forward at any time, but implementing them in combination with the New International Trade Crossing will accelerate Michigan's development as a center of global trade.

Over the past two decades, Michigan has made more than \$100 million in incremental investment to improve grade crossings, signals and rail equipment. That relatively small but relentless positive action has paid off in a big way, laying the groundwork and encouraging additional investment that will pay off in an even bigger way in the future, by encouraging development, attracting businesses, and creating jobs.

In addition, there is significant federal support and momentum for the development of accelerated passenger rail service today, and Michigan has already benefitted from that. Provided additional federal funds continue to be available, Michigan will work to develop and support accelerated passenger rail service from Pontiac and Detroit to Chicago, and to initiate Ann Arbor to Detroit and Ann Arbor to Howell commuter rail service.

Thanks to the swift action of the legislature, Michigan has already successfully garnered \$440 million in federal rail funds. This money will be used to improve train stations, acquire trains and accelerate rail speeds from Pontiac and Detroit to Chicago. Some of the money will be used to acquire and improve a deteriorating segment of the corridor between Kalamazoo and Dearborn where speeds have actually had to be decreased because of the poor condition of the infrastructure.

### Airports

Aviation provides a truly global transportation network, making it essential for global business and tourism. We need to invest to preserve the safety and efficiency of our airports, particularly those that serve as a gateway for national and international visitors to our state. Airports are important economic generators, with passenger and freight activity reflecting the major economic activity of the community.

Michigan moves 520 million pounds of high-value cargo by air annually, and 36 million passengers pass through Michigan's airports each year. Households, businesses and government spend some \$7 billion annually on aviation and aviation-related services. Local airports are strong economic engines for our communities, both as freight ports and as facilitators for entrepreneurs involved in airport businesses, repairs, fixed-base operators that deliver fuel and services, and the general vitality of the community.

### Ports

We can make better use of Michigan's ports by ensuring continued investment in those vital transportation systems. The Great Lakes moves about 150 million tons of cargo each year, with more than a third of that – with a value of over \$5 billion – handled at Michigan ports. They provide a vital service, particularly for the timber and mining industries in the Upper Peninsula. Michigan's vast water resources are unique, and the Great Lakes shipping corridor provides a significant and easily undervalued transportation option.

There are opportunities at the national level that I will continue to pursue to improve Michigan's ports. The national Harbor Maintenance Trust Fund currently has a \$5 billion surplus that can be spent for port dredging. I intend to work with Michigan's Congressional delegation to make sure that some of those funds are spent to dredge ports in Michigan to maintain their productivity and their value to shippers. Unless those federal funds are used for their intended purpose, there are several ports in Michigan that may cease to function.

The Soo Locks help make Great Lakes shipping opportunities possible. A new lock has been authorized by Congress, providing redundancy for the existing locks and enhancing the reliability of the whole system. Over the past few years the Army Corps of Engineers has completed work to dredge and deepen the approach to the potential new lock, as well as work to construct two coffer dams, a first step that will allow the old lock to be drained and construction of a new lock to begin. Construction of this new lock is vital to ensure the continued viability of Great Lakes shipping for the 1000' freighters that make up

two-thirds of the Great Lakes shipping fleet. As importantly, this construction project will create thousands of jobs in the eastern Upper Peninsula over the life of the project.

I ask you to join me in urging our congressional delegation, and those of the Great Lakes region, to recognize the importance of this project to provide the funding essential to build this new lock and ensure the economic vitality of the region.

### International Trade

Michigan needs a smarter and more strategic approach to investing in our infrastructure, and it starts with a bold vision to become a global trade center and logistics hub.

Our location between Chicago to the west, Toledo to the south, and Toronto and Montreal to the northeast puts Michigan squarely in the center of a global economic corridor. By any measure, the strength of the Chicago – Detroit – Toronto mega region compares favorably with any other region in North America. Innovative and collaborative agreements like the Detroit Region Aerotropolis contribute to the vision of establishing the region as an international shipping and logistics hub by streamlining permitting processes and creating a welcoming business climate. We have a deep pool of talented workers, plenty of usable land, and an abundance of natural resources that can be leveraged to help any industry flourish – provided we have the transportation systems to get products to the international marketplace.

We already have some of the busiest border crossings in North America. Detroit is the busiest crossing on the northern border and the busiest commercial crossing in North America. Today, it is also the biggest bottleneck in the entire Pan-American freeway system.

With more than 8,000 trucks crossing the Detroit border on a daily basis, 99 percent of the truck traffic crosses a narrow, 83-year-old bridge that has no direct freeway-to-freeway connection. The continual congestion at the old bridge clearly demonstrates the need for more capacity at the border.

Last spring, I joined every living governor of Michigan (democrat and republican), nearly every job provider, and almost every private labor organization in urging the completion of the New International Trade Crossing (NITC). It will provide a modern and direct freeway-to-freeway connection to speed international trade. With the commitment of \$550 million from the Canadian government, the NITC will be completely paid for by the U.S. and Canadian governments and private investors. The NITC will be built, financed and eventually managed by private businesses through a public/private partnership, with Michigan and Canada still owning this valuable infrastructure. This allows Michigan to better position itself as a worldwide leader in foreign trade without assuming any risk or financial obligation.

Reinventing Michigan to become a center of global trade requires developing an infrastructure that will meet the modern day demands of the international economy. The New International Trade Crossing is a unique opportunity for Michigan that will expand our economy, support new trade, create new jobs and provide additional funds for our roads without costing Michigan taxpayers anything. The longer we delay in passing this proposal, the longer we deny Michigan citizens the opportunity to work.

The people of Michigan are counting on us to put them back to work. This bridge provides an unprecedented opportunity to do that. We must take this bold step forward to greater prosperity. This project is too important for Michigan's future to ignore any longer, so let us get it done.

### **V. Sewer and Water**

Michigan's water and sewer systems are vital to our economic prosperity. These systems support businesses and manufacturing while also providing a quality of life for their workers. These infrastructure systems also service us by protecting our greatest natural asset, unique to Michigan in the world:

abundant freshwater. The economic and environmental value of our water assets will only increase with time, serving our children and grandchildren in ways we have yet to imagine.

While we have made enormous progress over the last few decades there are still too many sewer overflows and beach closings in parts of our state. Last year, 20 percent of our monitored beaches experienced a closing or had an unsafe advisory. And over 7 billion gallons of raw sewage was discharged into our waterways. We must do better to reverse this trend.

It is easy to forget or ignore the unseen, massive network of water and sewer infrastructure humming along below our feet. That infrastructure is rapidly aging, much of it nearing or past its useful life.

We usually hear about these systems when they fail. Yet we know that reliable, quality infrastructure is a fundamental building block of Michigan's economic prosperity. Clean, safe water and beaches are the face of Pure Michigan. Michigan, with its abundant lakes, streams, wetlands and Great Lakes beaches, should be a leader and must act to protect this asset and use it to our economic and environmental advantage.

As we look to protect and restore our aging infrastructure, the good news is that new and innovative techniques have been developed to help us keep our water clean and make our businesses and communities more desirable. Cities around the country are putting sustainable infrastructure measures in place to improve performance of their wastewater systems and improve water quality, as well as to beautify their neighborhoods and places of work.

State government needs to be a part of this team effort. I will direct the appropriate state agencies to consider implementation of green infrastructure options to protect water quality in project design, project construction, and at new development and redevelopment sites. State agencies will also be directed to cooperate and collaborate with local communities to plan for sustainable infrastructure solutions to communitywide water management and protection.

Michigan voters have already asked us to do more. In 2002, voters directed the state to invest \$1 billion in projects to protect water quality through the sale of bonds. Working together, the State Revolving Fund Advisory group with representation from business, environmental groups, local government, regions and state government recently provided the administration and the legislature with a series of recommendations for future investment of the remaining voter-approved funds. That blueprint focuses on saving taxpayer money by incentivizing investment in asset management through a grant program. It also calls for the state to develop a streamlined program to continue investing in fixing some of our most chronic problems through a low interest loan program.

As recommended by the advisory group, I support changes in future investment of these bond dollars in order to:

- Create a grant program that emphasizes reducing long term costs by investing in asset management and storm water programs that produce cleaner water in our lakes and rivers
- Create a new state low interest loan program to increase the pace of investment in projects that improve and protect water quality
- Streamlining the federally funded, state operated, low interest loan program so that it easier for communities to access these funds for projects that improve water quality

These steps are the first of several steps I will be taking to ensure the protection of our lakes, rivers and streams. I will provide a special message to the legislature in the spring dealing with environmental and energy issues.

#### Removal of Dams

There are nearly 2,600 dams around the state. Most of these were built by private owners decades ago for power, milling, and recreation. The American Society of Civil Engineers recently gave Michigan a "D"

in its 2009 Dam Infrastructure report card, stating, “Over 90 percent of Michigan’s dams will reach or exceed their design life by 2020. Many dams are abandoned, no longer serve any useful purpose, and pose safety hazards to downstream residents.”

In Michigan, 74 percent of dams are privately owned. Repairs often exceed six figures. Removal can cost millions of dollars. Most private owners cannot afford fixes or removals.

I have directed the Michigan Department of Environmental Quality working with the Departments of Natural Resources, Agriculture and Transportation to identify, prioritize and streamline efforts to remove problem dams.

## **VI. Broadband**

From government and schools to hospitals and private industry, our cyber networks are integral to Michigan’s infrastructure, economic growth and quality of life.

Michigan has long-served as a conduit for speedy transport of goods via our great lakes, and the same can be true today for the transport of information along high-speed broadband. This kind of connectivity enables our government to step up our service levels and efficiency, our schools to expand their curriculums and research capabilities, our health industry to engage with patients remotely and our businesses to serve customers around the world.

Use of high-speed broadband at home is also a game-changer for our citizens, but only 67% of Michigan households choose to have a broadband connection in the home. I want the state to work with private sector broadband providers to help close that digital divide with better coordination, shared resources, more training, and greater investment, particularly to provide the “last-mile” connection in rural Michigan.

There are a number of efforts already underway, including:

- Michigan is maximizing more than \$247 million in federal broadband investments to bridge the urban-rural divide. In cooperation with Merit Network and other Michigan-based private providers, 2,287 miles of fiber-optic infrastructure are being added to serve businesses and households and to interconnect government institutions. This includes a unique agreement to make the Mackinac Bridge part of the fiber-optic network, meaning the state’s signature icon which linked our two great peninsulas in the 20th Century, will provide a 21st Century connection as well. Michigan’s public sector broadband network is interconnecting with the state’s local units of government and school districts to avoid duplication.
- We are working to open the state’s 180 Michigan Public Safety Communications System (MPSCS) towers for use by Internet Service Providers (ISPs) to expand existing infrastructure and further expedite last-mile broadband availability. I urge the legislature to consider use of the system by ISPs, which is currently restricted by the Michigan Public Safety Communications System Act.
- We will streamline the broadband build-out process by establishing a one-stop shop for approving all utility work permit clearances within state road rights-of-way. The state with the least bureaucracy will win in the long-run in this arena. Let’s make it easy for our partners to help us get there.

Michigan is in the middle of the pack nationally with regard to availability and use of broadband, yet the expansion, integration and adoption of broadband is essential to achieving our reinvention goals: jobs, better government, education, health and wellness. With new investment and a unified vision we can support a talented and engaged workforce, accelerate partnerships across and beyond government, and drive innovation and technology to reinvent Michigan.

## **VII. Conclusion**

To be sure, the steps proposed here demand a new way of thinking. The proposals represent the kinds of innovative changes Michigan voters embraced when I was elected nearly a year ago.

I asked then for each of us to think about how we can help reinvent the state. Reinvention means reinvestment from us, the citizens of Michigan, in the infrastructure that allows us to work, play and live in our beautiful state.

We cannot reinvent our state without first shoring up its foundation. Whether traveling by foot, bicycle, car, truck, plane, train or bus, you deserve safe and unencumbered sidewalks, roads and rails.

The same innovative thinking will be vital as we seek to rebuild our aging sewer systems and ensure safe drinking water to our citizens.

Equally important is our goal to provide broadband Internet access to the vast rural areas in our geographically diverse state.

Each of these are fundamental priorities. We owe this to ourselves and our posterity.

There is no time to waste.