

**TRANSPORTATION
FY 2010-11
House Bill 5889
Conference Report (CR-1)**



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IDG/IDT	FY 2009-10	FY 2010-11	FY 2010-11	FY 2010-11	FY 2010-11	Difference: Conference	
	YTD (9/15/10)	Executive	Senate (6-17-10)	House (6-9-10)	Conference	From FY 2009-10 YTD	
						Amount	%
Federal							
ARRA	98,424,400					(98,424,400)	(100%)
Non ARRA	1,228,154,500	752,480,600	1,227,480,600	1,227,480,600	1,227,480,600	(673,900)	0.0
Local	56,073,400	56,496,000	56,496,000	56,496,000	56,496,000	42,600	0.0
Private	0	0	0	0	0		
Restricted	1,981,274,400	1,951,074,400	1,959,290,800	1,949,604,500	1,951,114,500	(30,159,900)	(1.5)
GF/GP	0	0	0	84,000,000	0	0	0%
Gross	\$3,364,306,700	\$2,760,929,300	\$3,244,145,700	\$3,318,459,400	\$3,235,969,400	(\$128,337,300)	(3.8)
FTEs	3,014.3	3,022.3	3,022.3	3,022.3	3,022.3	8.0	0.2

Note: FY 2009-10 YTD figures reflect supplementals and transfer adjustments through September 15, 2010.

Overview

The Transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Approximately two-thirds of the revenue in this budget comes from state restricted revenue, with approximately one-third from federal sources. There is no General Fund revenue appropriated in this budget. Almost all the state-restricted revenue in this budget is constitutionally-restricted – from motor fuel taxes and vehicle registration taxes. This revenue is first credited to the Michigan Transportation Fund (MTF) and then distributed in accordance with 1951 PA 51 to other state transportation funds and programs, including the State Trunkline Fund (STF) and the Comprehensive Transportation Fund (CTF), and to local road agencies.

Summary of Major Budget Issues

Executive budget proposal reflected on-going reduction in MTF revenue – \$47.2 million less than FY 2009-10 budget estimate. The Executive budget also reflected the loss of \$475 million in federal-aid highway funds for the capital road and bridge program due to an anticipated \$84 million shortfall in STF revenue for the required non-federal match. The Executive budget also reflected \$16.3 million in economic increases, and \$20 million in baseline cuts to STF programs to help free up matching funds for federal aid. Without these other STF program cuts, the shortfall in matching funds would have been \$104 million and the anticipated loss of federal funds would have been \$575 million.

Senate-passed transportation budget provided \$84 million in state funds from internal shifts in the transportation budget, and recognized an additional \$475 million in federal funds, as compared to the Executive. The **House**-passed bill included \$84 million in state General Fund revenue for the road and road bridge program, and thus recognized an additional \$475 million in federal funds as compared to the Executive.

Conference report reflects a department proposal to provide \$84 million in state funds to match federal funds for the capital road and bridge program through the following actions: a \$40 million short term note; use of \$11 million in soft-match "toll credits"; redirection of \$12 million in drivers license fees from the Transportation Economic Development Fund (TEDF); recognition of \$2.1 million in STF savings from the Civil Service Commission's rejection of a proposed 3% pay increase for non-represented employees (NEREs); \$6 million in other program reductions, including \$1 million reduction in Welcome Center operations; deferral of \$11.3 million in capital outlay facility projects, including \$1 million related to salt sheds at contract maintenance agencies; and the deferral of \$1.6 million in capital funding for a proposed Welcome Center in Port Huron. Adoption of the department proposal allows the budgetary recognition of an additional \$475 million in federal funds, as compared to the original Executive recommendation. Note that most of items which comprise the \$84 million proposal involve shifting funds within the budget and do not result in an increase to gross appropriations. Some, such as the \$40 million note, the use of toll credits, and the lapse of prior year's capital outlay projects, are not reflected in the budget bill at all.

Major Budget Changes From FY 2009-10 YTD Appropriations		FY 2009-10 YTD (as of 9/15/10)	Change From YTD
1. Debt Service		Gross \$251,637,300	(\$4,824,300)
Recommends \$246.8 million, reflecting anticipated debt service schedules. Budget includes \$7.5 million in a new fund source "IRS rebate" to reflect rebates associated with a new <i>Build America Bonds</i> issued by the department in 2009. This new fund source is included the bill and our analysis with other state restricted revenue.	Federal	58,163,500	(12,331,400)
	Restricted	193,473,800	7,507,100
While the appropriation includes \$29.8 million related to CTF debt service, \$13.2 million of that amount would not be used for debt service; it would instead be transferred to a bond proceeds account for subsequent expenditure on public transportation capital projects. The department was able to reduce CTF debt service for three years by restructuring CTF bonds in May 2009. The \$13.2 million represents the second year of reduced CTF debt service. The transfer of this savings to a bond proceeds account is required by IRS regulations governing tax-free bonds, and would be authorized by boilerplate Section 745.			
2. Support Services Provided by Other State Departments		Gross \$49,702,300	\$1,509,900
The appropriation unit " <i>Collection, enforcement, and other agency support services</i> " includes 20 separate interdepartmental grant (IDG) line items which fund services provided by eight other state departments.	Restricted	49,702,300	1,509,900
Conference follows the Executive and the Senate bill and reflects \$721,500 in economic increases, a \$747,500 increase in Treasury cost of revenue collection, and \$41,000 for other cost allocation adjustments. MTF IDGs for the cost of collecting transportation taxes would total \$20.0 million to Department of State, and \$8.4 million to Department of Treasury.			
3. Executive Direction		FTEs 37.3	0.0
Includes funding for <i>Unclassified salaries, Asset Management Council, and Office of Commission Audits</i> . The original Executive recommendation reflected economic increases of \$165,200, partially offset by baseline reduction of \$178,700 STF – part of \$20.0 million in STF program reductions.		Gross \$5,803,800	(\$141,600)
	Restricted	5,803,800	(141,600)
Conference includes additional \$82,900 decrease to recognize rejection of NERES 3% pay increase; plus \$45,200 in STF reductions to free up STF matching funds for federal-aid road and bridge program.			
4. Business Support		FTEs 57.0	1.0
Appropriations unit includes line items <i>Business support, Economic development and enhancement, Property management, and Worker's compensation</i> . Budget reflects employee-related economic increases of \$404,700, reduction in building occupancy costs of \$829,600, and baseline STF reductions of \$245,200 – part of \$20.0 million in STF program reductions.		Gross \$17,594,900	(\$802,500)
	Restricted	17,594,900	(802,500)
Conference includes additional \$132,600 decrease to recognize rejection of NERES 3% pay increase, plus \$62,100 STF reduction to free up STF matching funds for federal-aid road and bridge program.			
5. Information Technology		Gross \$29,313,200	(\$1,482,200)
Reflects economic adjustments of \$559,800, anticipated savings from DIT/DMB merger, and baseline STF program reductions of \$1.4 million – part of \$20.0 million in STF program reductions.	Federal	510,800	9,700
	Restricted	28,802,400	(1,491,900)
Conference includes additional \$252,000 decrease to reflect rejection of NERES 3% pay increase, and \$356,000 STF reduction to free up STF matching funds for federal-aid road and bridge program.			

Major Budget Changes From FY 2009-10 YTD Appropriations	FY 2009-10 YTD (as of 9/15/10)	Change From YTD
6. Finance, Contracts, and Support Services	FTEs 243.5	7.0
Includes line items for <i>Financial operations, Contract services, Department services, Performance excellence, and Welcome center operations</i> . Reflects economic increases of \$1.2 million, and baseline STF reductions of \$1.2 million – part of \$20.0 million in STF program reductions. Also includes \$878,300 IDG from the Michigan Department of Agriculture (MDA) related to consolidation of accounting functions.	Gross \$25,058,300	(\$436,800)
	Restricted 25,058,300	(1,315,100)
	IDG	878,300
Conference includes additional \$345,400 decrease to reflect rejection of NERES 3% pay increase, and \$1.2 million STF reduction to free up STF matching funds for federal-aid road and bridge program.		
7. Transportation Planning	FTEs 176.0	0.0
Reflects economic increases of \$1.7 million; STF baseline reductions of \$363,700 – part of \$20.0 million in STF program reductions.	Gross \$36,616,600	\$1,258,600
	Federal 22,000,000	0
	Restricted 14,616,600	1,258,600
Conference includes additional \$92,100 decrease to free up STF matching funds for federal-aid road and bridge program.		
8. Design and Engineering Services	FTEs 1,494.8	(2.0)
Reflects economic increases of \$8.5 million; STF program reductions of \$3.8 million – part of \$20.0 million in STF program reductions.	Gross \$114,201,500	\$2,456,500
	Federal 23,529,800	0
	Restricted 90,671,700	2,456,500
Conference includes additional \$853,800 decrease to reflect rejection of NERES 3% pay increase, and \$974,200 STF reduction to free up STF matching funds for federal-aid road and bridge program.		
9. State Trunkline Maintenance	FTEs 834.7	2.0
Reflects economic increases of \$4.1 million; STF baseline reductions of \$12.8 million – part of \$20.0 million in STF program reductions.	Gross \$286,528,100	(\$11,864,200)
	Restricted 286,528,100	(11,864,200)
Conference includes additional \$294,000 decrease to reflect rejection of NERES 3% pay increase, and \$3.2 million reduction to free up STF matching funds for federal-aid road and bridge program. Conference concurs with the Executive and rolls up the two current line items into a single State trunkline operations line.		
10. State Trunkline Road and Bridge Construction	Gross \$823,918,800	(\$27,692,600)
Executive had recommended \$298.6 million for the state trunkline capital construction/reconstruction program, representing a \$495.3 million reduction from current year appropriation. This reduction reflected decreasing state restricted revenue, and anticipated loss of \$475 million in federal aid due to inability to provide required matching funds. Budget also reflected \$6.5 million in federal funds in Capital outlay appropriations unit. These reductions would be partially offset by a \$12.3 million reduction in STF debt service (after considering the IRS rebate).	Federal 706,812,600	6,206,900
	ARRA 30,000,000	(30,000,000)
	Local 30,000,000	0
	Restricted 57,106,200	(3,899,500)
	GF/GP 0	0
Conference concurs with a new department proposal to identify \$84 million in state matching funds through fund shifts, recognition of savings and program reductions, toll credits, and issuance of notes. As a result, the Conference report includes an additional \$475 million in federal spending authority beyond the amount in the original Executive recommendation.		
11. Local Federal Aid Road and Bridge Construction	Gross \$248,751,000	\$0
Recognizes \$248.8 million for federal aid programs of local road agencies (county road commissions, and certain cities). The appropriation is based on estimated federal revenue and Act 51 directive that 25% of most federal aid program funds be made available to local road agencies.	Federal 248,751,000	0

Note that while the appropriation of federal funds for local road agency programs is the same as current year, it is not clear to what extent some local road agencies will have trouble meeting federal program matching requirements.

Major Budget Changes From FY 2009-10 YTD Appropriations		FY 2009-10 YTD (as of 9/15/10)	Change From YTD
12. Local Bridge Fund	Gross	\$26,905,000	(\$105,200)
Act 51 earmark; reflects anticipated reduction in gasoline tax revenue.	Restricted	26,905,000	(105,200)
13. MTF Distribution to Local Road Agencies	Gross	\$886,145,400	(\$27,388,900)
Executive recognizes \$858.8 million MTF (\$551.4 million to county road commissions, \$307.4 million to cities/villages) based on February 2010 revenue estimates and Act 51 formula; final distribution will be based on actual MTF revenue, which may be more or less than appropriations.	Restricted	886,145,400	(27,388,900)
14. Transportation Economic Development Fund (TEDF)	Gross	\$58,767,000	(\$26,301,500)
Executive budget recommendation of \$43.4 million reflected restoration of \$12.0 million in driver's license fee revenue which had been transferred to the state General Fund in the current year. While the TEDF program would benefit from a \$54,800 reduction in TEDF-related debt service, that savings is off-set by anticipated \$1.3 million reduction in interest earnings on the TEDF fund balance.	ARRA	25,000,000	(25,000,000)
	Restricted	33,767,000	(1,301,500)
Executive budget also included a new TEDF line item for "Non-profit street railways" with an initial appropriation of \$1.0 million, and related boilerplate in Section 398. This appropriation would require an amendment to the TEDF authorizing legislation.			
Conference reflects end of one-time ARRA funding in current year, retention of a \$40,000 Forest Roads earmark for truck inspection turn-offs (and related boilerplate Section 608), and shift of \$12.0 million from TEDF Category "A" to the STF to provide matching funds for federal-aid road and bridge program.			
15. Aeronautics and Freight Services	FTEs	84.0	0.0
Reflects economic increases. Appropriations unit includes three operating line items: <i>Airport improvement services</i> , <i>Aviation services</i> , and <i>Freight and safety services</i> , as well as the <i>Aviation services</i> grant program.	Gross	\$11,230,400	\$464,000
	Restricted	11,230,400	464,000
16. Public Transportation Services	FTEs	46.0	0.0
<i>This appropriations unit administers passenger public transportation programs.</i> Reflects economic increases and anticipated increase in federal aid.	Gross	\$5,455,400	\$372,200
	Federal	762,100	100,000
	Restricted	4,693,300	272,200
17. Bus Transit - Local Bus Operating Assistance	Gross	\$166,624,000	\$0
Recommends \$166.6 million (CTF) for state operating assistance to local public transit agencies – unchanged since FY 2006-07.	Restricted	166,624,000	0
18. Bus Transit - Non-Urban Operating/Capital	Gross	\$21,800,000	\$987,900
Recognizes anticipated increase in federal non-urban transit grants.	Federal	21,000,000	987,900
	Local	800,000	0
19. Rail Passenger Service	Gross	\$12,380,000	(\$713,000)
<i>Provides operating assistance to AMTRAK for Port Huron/Chicago and Grand Rapids/Chicago rail service with state restricted funds; federal revenue supports capital assistance.</i> Gross appropriations in this line would be \$11.7 million, including \$8.7 million from the CTF.	Federal	3,800,000	(800,000)
	Local	380,000	(380,000)
	Restricted	8,200,000	467,000
20. Specialized Services	Gross	\$7,358,800	\$85,700
<i>Line supports transit programs for elderly and disabled citizens.</i> Recommends \$7.4 million; increase reflects anticipated federal and CTF revenue.	Federal	1,700,000	85,000
	Local	1,700,000	0
	Restricted	3,958,800	0
21. Municipal Credit Program	Gross	\$2,000,000	\$0
Executive recommends a restoration to Act 51 earmark level of not less than \$2.0 million; reflects anticipated CTF revenue.	Restricted	2,000,000	0
22. Bus Capital	Gross	\$41,474,500	(\$174,500)
<i>Provides matching funds for federal transit grants to local transit agencies.</i> Reflects Act 51 earmark floor of not less than \$8.0 million CTF.	Federal	28,000,000	300,000
	Local	5,000,000	0
	Restricted	8,474,500	(474,500)

Major Budget Changes From FY 2009-10 YTD Appropriations		FY 2009-10 YTD (as of 9/15/10)	Change From YTD
23. Transit Oriented Development – NEW		Gross	\$0
Includes \$100 placeholder (TEDF) and related boilerplate section 399.	Restricted	0	\$100
24. State/Local Capital Facilities Projects		Gross	\$2,288,000
Current year appropriation is limited to "Special maintenance, remodeling, and additions" of department facilities. Executive had recommended an increase in line of \$713,500 (STF), plus \$1.0 million for <i>Salt/sand storage buildings</i> at contract-maintenance agency locations; \$11.5 million for department facilities in Port Huron including Welcome center replacement, inspection station, Blue Water Bridge administration, and maintenance facilities – funded from a combination of state and federal funds.	Federal	0	6,514,800
	Restricted	2,288,000	4,088,300
Conference concurs with a department proposal to defer \$1 million salt shed appropriation, and \$1.6 million STF related to proposed Port Huron Welcome Center – part of the department's plan to identify \$84 million in state matching funds to match federal aid construction funds.			
Note that the department will also allow to lapse \$10.3 million STF in spending authority related to capital outlay projects approved in prior years and carried forward. Although the \$10.3 million is part of the \$84 million in identified state matching funds, it is not shown in the budget bill.			
25. AERO Capital Projects		Gross	\$123,425,700
Provides funding for FY 2010-11 Aeronautics Capital program; reflects anticipated federal program funding.	Federal	104,874,700	(\$179,300)
	Local	16,023,400	422,600
	Restricted	2,527,600	1,344,900
26. Economics		Gross	N/A
Reflects estimated additional funding needed to provide baseline service levels: \$5.7 million increase for salaries/wages, \$3.6 million increase for health insurance, \$7.8 million increase for retirement contributions, and \$57,900 projected workers compensation increase of. Estimated building occupancy costs would decrease by \$887,500.	Restricted	N/A	\$16,256,600
Note that the original \$16.3 million in economic increases computed by the State Budget Office will be offset in part by the \$2.7 million in savings from the Civil Service Commission's rejection of a proposed 3% pay increase for NEREs. Of this savings, \$2.0 million STF is recognized in the Conference report, part of the \$84 million identified state funds to match federal aid highway funds.			

Major Boilerplate Changes From FY 2009-10
Sec. 263. Impact of New Legislation and Administrative Rules – Modified Requires report, by April 1, 2011, on specific policy changes adopted to implement new public acts. Prohibits the adoption of administrative rules that have a disproportionate impact on small business; updates report due date.
Sec. 264. Continuous Improvements – Not Included Requires department director to implement "continuous improvement efficiency mechanisms."
Sec. 265. Travel Restriction– Not Included Limits out-of-state travel for conferences/professional development.
Sec. 266. Transparency – Modified Provides for internet reporting of expenditures; quarterly FTE report.
Sec. 306. Use of Transportation Funds by Other State Agencies/Biennial Audit – Retained Sets guidelines for use of transportation funds (grants) by other state agencies; requires report. Provides for biennial audit of use of transportation funds by other state departments, due 9 months after state CAFR is issued. Governor vetoed subsection 3 in FY 2009-10 budget; subsection required the State Treasurer to identify actual cost of work performed by Michigan Department of Treasury for state-restricted transportation funds.
Sec. 308. Contract Compliance – Retained Requires that Department and local road agencies pursue compliance with contract specifications for construction and maintenance; provides for sanctions for unsatisfactory contractors; requires a report.
Secs. 321, 322, 323, and 324 Complete Streets – NEW The House added three new sections regarding Complete Streets policies and modifies current Section 399 (renumbered as Section 324). The Conference report includes Sec. 321 which directs the department to give preference, in awarding Enhancement grants, to applicants which have adopted Complete Streets policies. Sec. 322 directs the department to work with requesting universities on Complete Streets polices. Secs 323 and 324 are not included since they are generally duplicative of newly enacted Complete Streets bills, HB 6151 and HB 6152.
Sec. 324. (Senate bill) Construction Zone Traffic Law Enforcement – Not Included Conference does not include \$500,000 earmark from STF for construction zone traffic law enforcement and the "Give 'em a brake campaign."
Sec. 376. Deferred Project Report – Modified Requires report by March 1 of each year on status of 17 projects deferred in 2003, then restored to five-year plan. Indicates that report will be final report.
Sec. 384. Detroit River International Crossing (DRIC) — Modified Limits spending for 3-month period ending 12/31/2010 to \$250,000 under any contract entered prior to 9/1/2010. Limits spending for 5-month period ending 5/31/2011 to \$500,000 under any contract entered prior to 9/1/2010. Prohibits the department from entering any new contract after 9/1/2010 unless specific legislation authorizing DRIC has been enacted. Requires legislative report by 3/31/2011. Indicates that spending restrictions will not apply if DRIC enabling legislation is enacted.
Sec. 385. Private Facility Toll Credits – NEW Restricts use of toll credits earned from private toll facilities.
Sec. 394. Revisit Act 51 Distribution Formula – Modified Indicates legislative intent that department study distribution formula. Requires consultation with CRAM & MML.
Sec. 395. County Road C-56 Jurisdiction – Retained Indicates legislative intent that department assume jurisdiction of County Road C-56 between US-31 and I-75 in Charlevoix County.
Sec. 399. (Senate Bill) Welcome Centers – Not Included
Sec. 399. (House Bill) Appropriates \$100 for Regional Transit Authority – Not Included
Sec. 399. (Conference) Transit Oriented Development – NEW Explains appropriation of \$100 for Transit oriented development in Part 1.
Sec. 604. (House Bill) Work Zone Safety – NEW Conference includes language from House bill regarding signs in work zones.
Sec. 607. Interchange – I-75 at Corunna Road, Flint – Retained Legislative intent regarding proposed project.
Sec. 610. Dead Deer – Retained Describes legislative intent regarding clean-up of dead deer and other large animal remains.
Sec. 656. M-49 Upgrade "Green Highway" – Retained Indicates legislative intent that the Department upgrade M-49 in Hillsdale County to a "designated" truck route.
Sec. 658. Interchange at I-196 and Phoenix Road in South Haven – Retained Indicates legislative intent that Department reconstruct interchange.
Sec. 661. Completion of US-127 St. Johns to Ithaca – Retained Indicates legislative intent that Department complete engineering and right of way acquisition.

Major Boilerplate Changes From FY 2009-10
Sec. 661. (House Bill) Use of Additional MTF Revenue – Not Included
Sec. 662. Improved Emergency Response Access Point – New Conference includes intent language that Department work with Graafschap Fire Department and Laketown Township.
Sec. 663. (Senate Bill) Explanation of \$84 million in Fund Shifts – Not Included
Sec. 664. (Senate Bill) Use of Additional MTF Revenue – New Conference report includes directive that revenue in excess of revenue estimates be used to reinstate delayed projects.
Sec. 665. Prohibition on Land Purchase for Watervliet I-94 rest area – New
Sec. 709. Intercity Bus Essential Corridor – Retained Identifies essential bus corridors; prohibits operating subsidy to any entity competing with another public or private carrier over the same route.
Sec. 711. Seven-Day Rail Passenger Service (AMTRAK) – Modified Directs Department to negotiate with a rail carrier to provide seven-day Port Huron/Chicago and Grand Rapids/Chicago service. Conference report adds directive that department work with rail carrier to identify ways to accommodate transport of bicycles by passengers.
Sec. 721. Guidelines for CTF Matching Federal Transit Funds – Not Included Reduces CTF matching funds for projects not put under contract within specified term.
Sec. 722. Transportation to Work Match for Federal Funds – Not Included Requires CTF funds in Transportation to Work line be used to match federal job access/reverse commute.
Sec. 741. Ann Arbor and Northwest Michigan Railroad – Modified Requires report on progress made to improve rail track to support passenger trains at 59 MPH. Conference report includes slightly modified language.
Sec. 743. Use HEV Vehicles – Retained Encourages the department to include hybrid electric vehicles in RFPs purchased through the department.