

FY 2022-23: DEPARTMENT OF TRANSPORTATION
Summary: As Reported by House Appropriations Committee
House Bill 5791 (H-2)



Analyst: William E. Hamilton

	FY 2021-22 YTD as of 2/9/22	FY 2022-23 Executive	FY 2022-23 House	FY 2022-23 Senate	FY 2022-23 Conference	Difference: House From FY 2021-22 YTD	
						Amount	%
IDG/IDT	\$4,044,800	\$4,123,800	\$4,123,800			\$79,000	2.0
Federal	1,641,755,300	2,026,480,000	2,026,480,000			384,724,700	23.4
Local	80,782,000	85,773,500	85,773,500			4,991,500	6.2
Private	900,000	900,000	900,000			0	0.0
Restricted	3,702,373,400	3,903,771,600	3,903,771,700			201,398,300	5.4
GF/GP	0	279,900,000	753,900,000			753,900,000	--
Gross	\$5,429,855,500	\$6,300,948,900	\$6,774,949,000			\$1,345,093,500	24.8
FTEs	2,942.3	3,142.3	3,142.3			200.0	6.8

Notes: (1) FY 2021-22 year-to-date figures include mid-year budget adjustments through February 9, 2022. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Historically, two-thirds of the revenue in this budget has come from state restricted revenue, with approximately one-third from federal sources. Most of the state-restricted revenue in this budget is constitutionally restricted – from motor fuel taxes and vehicle registration taxes – and is first credited to the Michigan Transportation Fund (MTF) and then distributed in accordance with 1951 PA 51 (Act 51) to other state transportation funds and programs, including the State Trunkline Fund (STF), the Comprehensive Transportation Fund (CTF), and local road agencies (county road commissions and cities/villages). Revenue from aviation fuel and registration taxes, as well as a portion of Airport Parking Tax revenue, is credited to the State Aeronautics Fund for aeronautics programs.

Major Budget Changes from FY 2021-22 YTD Appropriations

1. Debt Service

Executive includes \$225.3 million for debt service on previously issued bonds – bonds issued under a pledge of state restricted revenue or in anticipation of federal grants. The appropriation reflects anticipated debt service schedules. The most significant change is a \$50.6 million shift in fund sources – from federal to STF – used to repay federal grant anticipation refunding bonds sold in 2016. House concurs with Executive.

	FY 2021-22 Year-to-Date (as of 2/9/22)	FY 2022-23 House Change
Gross	\$253,643,600	(\$28,343,100)
Federal	50,582,100	(50,582,100)
Restricted	203,061,500	22,239,000
GF/GP	\$0	\$0

2. Design and Engineering Services

Executive increases baseline funding by \$9.6 million, exclusive of economic adjustment. Baseline increases include: 154.0 FTE positions, funded at \$7.1 million, to support increased construction program; \$1.8 million increase for construction field services support contracts; \$206,000 for a local agency construction administration tool; \$475,400 for 2.0 FTE positions to assist local road agencies in National Historic Preservation Act compliance. House concurs with Executive.

FTE	1,506.3	156.0
Gross	\$177,078,900	\$9,575,500
Federal	23,529,800	0
Restricted	153,549,100	9,575,500
GF/GP	\$0	\$0

3. State Trunkline Maintenance

Executive increases baseline funding by \$15.6 million STF, exclusive of economic adjustment and technical changes. Includes \$13.1 million to recognized increase costs associated with maintenance materials and services. Increases baseline support by \$2.5 million to provide a 22.0 FTE staffing increase. House concurs with Executive.

FTE	880.7	22.0
Gross	\$425,881,200	\$15,594,400
Restricted	425,881,200	15,594,400
GF/GP	\$0	\$0

Major Budget Changes from FY 2021-22 YTD Appropriations

4. State Trunkline Road and Bridge Construction

Executive recommendation for the trunkline capital construction program would total \$1.652 billion, a net increase of \$323.2 million from current year. The increase in federal support of \$334.0 million represents the state trunkline share of the estimated increase in federal funds available to Michigan under the Infrastructure Investment and Jobs Act (IIJA), \$283.4 million, as well as the additional federal funds available for the capital construction program as a result of the end of debt service payments made with federal funds, \$50.6 million.

	FY 2021-22 Year-to-Date (as of 2/9/22)	FY 2022-23 House Change
Gross	\$1,328,645,000	\$323,224,600
Federal	851,248,800	333,982,100
Local	30,003,500	0
Restricted	447,392,700	(10,757,500)
GF/GP	\$0	\$0

The anticipated increase in available federal-aid is partially offset by a net decrease of \$10.8 million in state restricted support: Available STF revenue would decline by \$14.7 million – in part due to increases in STF funded debt service and increased STF funded trunkline maintenance. State restricted revenue also reflects a \$4.0 million increase in appropriated Blue Water Bridge Fund revenue, from \$4.0 million to \$8.1 million for Blue Water Bridge capital projects.

House concurs with Executive.

5. MTF to Local Road Agencies

Executive includes \$1.9 billion for the estimated MTF distribution to local road agencies (county road commissions, and cities and villages), \$87.6 million more than the current year. This reflects the Act 51 distribution of estimated MTF revenue from motor fuel and vehicle registration taxes as well as local road agency share of \$600.0 million earmarked for road and bridge programs in the Income Tax Act.

Gross	\$1,823,329,700	\$87,645,700
Restricted	1,823,329,700	87,645,700
GF/GP	\$0	\$0

MTF Distribution to Local Road Agencies			
	FY 2021-22	FY 2022-23	Difference
Cities/Villages	\$652,686,200	\$684,060,200	\$31,374,000
County Road Commissions	1,170,643,500	1,226,915,200	56,271,700
Total	\$1,823,329,700	\$1,910,975,400	\$87,645,700

House concurs with Executive.

6. Local Federal Aid and Road and Bridge Construction

Executive includes \$385.0 million to recognize federal aid made available to local road agencies; the line reflects an Act 51 earmark. The increase of \$94.4 million reflects the local road agency share of the estimated increase in federal aid from IIJA. House concurs with Executive.

Gross	\$290,587,800	\$94,400,000
Federal	290,587,800	94,400,000
GF/GP	\$0	\$0

7. Local Bridge Program

Executive includes \$27.0 million for the local bridge program, a program that receives funding from an Act 51 earmark of MTF revenue equal to one-half cent of the motor fuel tax on gasoline. The decrease reflects the estimated decrease in revenue generated from each penny of the motor fuel tax on gasoline as compared to the current year estimate. Although not specifically recognized in this line item, the program is also allocated a share of local federal aid. House concurs with Executive.

Gross	\$27,812,600	(\$831,000)
Restricted	27,812,600	(831,000)
GF/GP	\$0	\$0

<u>Major Budget Changes from FY 2021-22 YTD Appropriations</u>		<u>FY 2021-22 Year-to-Date (as of 2/9/22)</u>	<u>FY 2022-23 House Change</u>
8. Transportation Economic Development Fund (TEDF)	Gross	\$41,601,900	\$4,349,100
<u>Executive</u> includes \$46.0 million for the TEDF grant program, an increase of \$4.3 million. TEDF revenue comes from two statutory earmarks: an Act 51 earmark of MTF revenue, and an earmark of certain driver's license fees. The increase in available TEDF revenue is due to a \$3.8 million reduction in TEDF-funded debt service, as well as an anticipated increase in interest credited to the fund. The TEDF program is a targeted program established and governed by statute, 1987 PA 231. <u>House</u> concurs with <u>Executive</u> .	Restricted	41,601,900	4,349,100
	GF/GP	\$0	\$0
9. Local Bus Transit Programs	Gross	\$226,777,900	\$19,817,700
<u>Executive</u> includes \$201.7 million CTF in state operating assistance to local transit systems, an increase of \$5.0 million. This increase is possible as a result of an increase in estimated available CTF revenue. Also recognizes additional federal-aid transit funding to rural transit systems made available under IIJA. Local revenue, used to match federal grants, would remain unchanged in the budget. <u>House</u> also recognizes the increase in federal support and includes an increase of \$10.0 million in restricted CTF support, \$5.0 million more than the <u>Executive</u> . The additional \$5.0 million comes from a shift of \$5.0 million CTF to Local bus operating from Transit capital, as described below.	Federal	28,027,900	9,817,700
	Local	2,000,000	0
	Restricted	196,750,000	10,000,000
	GF/GP	\$0	\$0
10. Transit Capital	Gross	\$109,070,700	\$63,005,400
<u>Executive</u> recognizes \$41.0 increase in estimated federal support, and \$27.0 million increase in CTF support for program that provides matching funds on behalf of local transit agencies to access federal transit capital grants. <u>House</u> also recognizes the increase in federal support and includes an increase of \$22.0 million in restricted CTF support, \$5.0 million less than the <u>Executive</u> ; the House would shift \$5.0 million from Transit capital to Local bus operating, as described above.	Federal	37,000,000	41,000,000
	Local	31,000,000	0
	Restricted	41,070,700	22,005,400
	GF/GP	\$0	\$0

Major Budget Changes from FY 2021-22 YTD Appropriations

11. Rail Operations and Infrastructure

Executive includes \$135.9 million for state rail programs, an increase of \$31.5 million from current year. This program includes capital and operating support for rail passenger service in Michigan as well as rail freight and rail economic development programs. Executive budget includes \$10.0 million increase in federal-aid for rail programs as well as \$21.5 million increase in CTF support. House concurs with Executive, but earmarks the \$21.5 million CTF increase in boilerplate section 707.

	FY 2021-22 Year-to-Date (as of 2/9/22)	FY 2022-23 House Change
Gross	\$104,356,200	\$31,494,500
Federal	20,000,000	10,000,000
Local	100,000	0
Private	100,000	0
Restricted	84,156,200	21,494,500
GF/GP	\$0	\$0

12. Intercity Services

Executive provides \$10.0 million for program that supports intercity bus service in Michigan, an increase of \$1.9 million from current year. Budget recognizes additional federal aid for intercity programs made available under IIJA, as well as increased CTF support. House concurs with Executive.

	Gross	\$8,060,000	\$1,921,800
Federal		4,500,000	1,558,800
Local		160,000	0
Private		800,000	0
Restricted		2,600,000	363,000
GF/GP		\$0	\$0

Major Budget Changes from FY 2021-22 YTD Appropriations		FY 2021-22 Year-to-Date (as of 2/9/22)	FY 2022-23 House Change	
13. Marine Passenger		Gross	\$1,012,000	\$3,952,000
<u>Executive</u> includes \$5.0 million for program that provides capital grants for marine passenger (ferry) service in Michigan, specifically for ferries that provide service to Beaver Island and to islands on the St. Mary's River in the eastern Upper Peninsula. The proposed budget, \$4.0 million more than current year, recognizes additional federal aid made available under IIJA, as well as increased CTF support. <u>House</u> concurs with <u>Executive</u> .		Federal	0	2,652,000
		Local	500,000	0
		Restricted	512,000	1,300,000
		GF/GP	\$0	\$0
14. Airport Improvement Program (AIP)		Gross	\$121,576,500	\$36,885,400
<u>Executive</u> includes \$158.6 million for program of federal capital assistance to eligible local public airports in the state. Recognizes \$135.0 million in federal AIP funds, an increase of \$29.0 million from current year reflecting higher program funding targets under IIJA. Also recognizes increases in local matching funds and State Aeronautics Fund revenue. This program is shown in the state budget under the line item Airport Safety, Protection, and Improvement (ASAP). <u>House</u> concurs with <u>Executive</u> .		Federal	106,000,000	29,000,000
		Local	12,508,500	4,991,500
		Restricted	3,068,000	2,893,900
		GF/GP	\$0	\$0
15. IIJA Airport Infrastructure Grants		Gross	\$0	\$95,000,000
<u>Executive</u> includes \$95.0 million federal spending authority for a new program, established under IIJA, of federal aid to public airports. <u>House</u> concurs with <u>Executive</u> .		Federal	0	95,000,000
		GF/GP	\$0	\$0
16. Detroit Metropolitan Wayne County Airport		Gross	\$5,200,000	\$650,000
<u>Executive</u> increases Qualified Airport Fund support by \$650,000 reflecting revenue estimates. As provided through 2015 amendments to the State Aeronautics Code, Qualified Airport Fund revenue is appropriated to the Detroit Metropolitan Wayne County Airport. <u>House</u> concurs with <u>Executive</u> .		Restricted	5,200,000	650,000
		GF/GP	\$0	\$0
17. One-Time GF/GP – Critical Road and Bridge Infrastructure		Gross	\$0	\$0
<u>Executive</u> requests \$150.0 million in one-time GF/GP for critical road and bridge infrastructure. <u>House</u> does not include.		GF/GP	\$0	\$0
18. One-Time GF/GP – Freeway Pumphouse Generators		Gross	\$0	\$0
<u>Executive</u> requests \$66.6 million in one-time GF/GP for freeway pumphouse backup generators at 164 locations. <u>House</u> does not include. (Included in Senate Bill 565 using federal funds.)		GF/GP	\$0	\$0
19. One-Time GF/GP – Priority Grade Separation Projects		Gross	\$0	\$100
<u>Executive</u> includes \$60.0 million in one-time GF/GP for priority rail grade separation projects. <u>House</u> includes as a \$100 placeholder (MTF).		Restricted	0	100
		GF/GP	\$0	\$0
20. One-Time GF/GP – Replace Weather Station Equipment		Gross	\$0	\$3,900,000
<u>Executive</u> requests \$3.9 million in one-time GF/GP to replace 32 state-owned weather station equipment. <u>House</u> concurs with <u>Executive</u> .		GF/GP	\$0	\$3,900,000
21. One-Time GF/GP – Distribution to Local Road Agencies		Gross	\$0	\$750,000,000
<u>House</u> includes \$750.0 million GF/GP for distribution to local road agencies: county road commissions, \$481.5 million; and cities and villages, \$268.5 million. Distributed to specific agencies in accordance with Act 51 formula per Sec. 1001.		GF/GP	\$0	\$750,000,000

	FY 2021-22 Year-to-Date (as of 2/9/22)	FY 2022-23 House Change
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Major Budget Changes from FY 2021-22 YTD Appropriations

22. Back Out FY 2021-22 One-Time Federal COVID Relief	Gross	\$193,236,300	(\$193,236,300)
House Bill 4398, (2021 PA 133), an FY 2021-22 supplemental budget act, included \$193.2 million in Federal COVID-19 Relief funding under the American Rescue Plan Act: \$171.7 million for grants to airports, \$21.6 million for Federal Transit Administration rural area formula grants and grants targeted for elderly and disabled populations. This one-time funding was not included in the FY 2022-23 budget request. <u>Executive</u> does not include these current year one-time items. <u>House</u> concurs with Executive.	Federal	193,236,300	(193,236,300)
	GF/GP	\$0	\$0

23. Economic Adjustments	Gross	NA	\$9,981,600
<u>Executive</u> budget reflects increased costs of \$10.0 million Gross (\$0 GF/GP) for negotiated salary and wage increases (5.0% on October 1, 2022 and 0.5% to annualize the FY 2022 1.0% increase that began on April 1, 2022), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments. <u>House</u> concurs with Executive.	IDG	NA	79,000
	Federal	NA	1,006,100
	Restricted	NA	8,896,500
	GF/GP	NA	\$0

Major Boilerplate Changes from FY 2021-22

Sec. 210. Contingency Authorizations/Transfers – RETAINED

Executive increases contingent federal and state spending authority, to \$200.0 million and \$40.0 million, respectively, that may be transferred into this budget through process defined in Section 393(2) of the Management and Budget Act. House retains current contingent authorization limits.

Sec. 215. Communication with the Legislature – RETAINED

Executive deletes section that prohibits department from taking disciplinary action against an employee for communicating with the Legislature. House retains.

The Governor's signing letter for 2021 PA 87 indicated that this section was unenforceable in that it impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers.

Sec. 216. Report on FTE Positions and Remote Work – RETAINED

Executive deletes reporting requirement on staffing levels in relation to FTE authorization; employees authorized to work remotely; and related cost savings. House retains.

Sec. 217. Use of Work Project – RETAINED

Executive deletes section that requires that work project balances be exhausted before expenditure from part 1 appropriations. House retains.

The Governor's signing letter for 2021 PA 87 indicated that this section was unenforceable in that impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers.

Sec. 218. State Administrative Board Transfers – RETAINED

Executive deletes section that provides for the legislature to intertransfer funds within departmental budget if the State Administrative Board transfers funds from an appropriation within this departmental budget. House retains.

The Governor's signing letter for 2021 PA 87 indicated that this section was unenforceable in that impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers.

Sec. 219. Record Retention – RETAINED

Executive deletes section that requires department to retain reports funded from Part 1 appropriations and which established record retention guidelines House retains.

Sec. 220. Impact of New Legislation – RETAINED

Executive deletes section that requires a report on specific policy changes made to implement new public acts enacted in prior calendar year. House retains.

Sec. 221. Severance Pay Report – RETAINED

Executive deletes new reporting requirements related to severance pay paid to department personnel upon the termination of employment. House retains.

Major Boilerplate Changes from FY 2021-22

Sec. 222. Restrictions on Covid-19 Passport – RETAINED

Executive deletes section that established restrictions on the use of Covid-19 “passports” to document vaccination status. House retains.

Sec. 224. Limitation on Remote Work – NEW

House includes language prohibiting “An executive branch department, agency, board, or commission that receives funding under part 1” from permitting a state employee who was not working remotely, either full-time or part-time, before February 28, 2020, to work remotely, either full-time or part-time, during FY 2022-23.

Sec. 395. Authority to Transfer Between Construction/Maintenance – NEW

Executive includes language to authorize the department to transfer up to \$10.0 million from the state trunkline road and bridge construction line item to state trunkline maintenance for certain specified activities. [This section had been included in prior enacted budgets (FYs 2016-17 through FY 2020-21) but was not included in FY 2021-22]. House concurs with Executive.

Sec. 399. Capital Preventive Maintenance – REVISED

Executive strikes section that requires the department to make capital preventive maintenance a program priority. House modifies to direct that not less than \$200.0 million be allocated for capital preventive maintenance treatments for pavement preservation.

Sec. 613. Earmark for Industrial Magnetic Roadway Sweepers – NEW

House earmarks \$750,000 STF from state trunkline operations for the procurement of industrial magnet roadway sweepers.

Sec. 614. Earmark for Low Impact Development Stormwater Management Practices – NEW

House earmarks \$5.0 million to incentivize and support the inclusion of low impact development stormwater management practices in trunkline and local road agency construction projects.

Sec. 615. Vehicle Miles Traveled (VMT) Study – NEW

House includes language requiring the department to conduct a study of the feasibility of VMT as a basis for transportation funding in replacement of motor fuel taxes.

Sec. 707. Rail Strategic Plan – REVISED

Executive retains current section that provides for a rail strategic plan. House retains but modifies to direct that from the funds appropriated in part 1 for rail operations and infrastructure, not less than \$21.5 million be allocated for support of rail-related economic development projects and rail freight system preservation projects.

Sec. 757. Feasibility Study – Rail Passenger Service from New Buffalo to Traverse City – NEW

House includes language requiring the department to conduct a study of the feasibility of rail passenger service from New Buffalo to Traverse City Michigan.

Sec. 1001. Distribution of \$750.0 million to Local Road Agencies – NEW

House includes section that directs that the one-time GF/GP distribution to county road commissions be distributed among county road commissions in accordance with Sec. 12 of Act 51, and the one-time GF/GP distribution to cities and villages be distributed among cities and villages in accordance with Sec. 13 of Act 51.

Sec. 1002. Priority Rail Grade Crossing/Separation Initiative – NEW

Defines the uses of the part 1 appropriation for priority rail grade crossing/separation initiative; directs that funds be expended to support a local grant program for the separation of motor vehicle traffic and railroad traffic; provides that grant funds be awarded for any stage of design and construction related to a grade separation project or a project that improves traffic at a rail crossing without a full grade separation. The section establishes project selection criteria: grade separation projects that will eliminate significant blockages or backups; grade separation projects that will have a positive impact on the local economy, safety, and the efficient movement of goods and people. The section also provides for a program progress report due by September 30, 2023.