

House Appropriations

Transportation Subcommittee

February 17, 2016

Director Kirk T. Steudle, P.E.



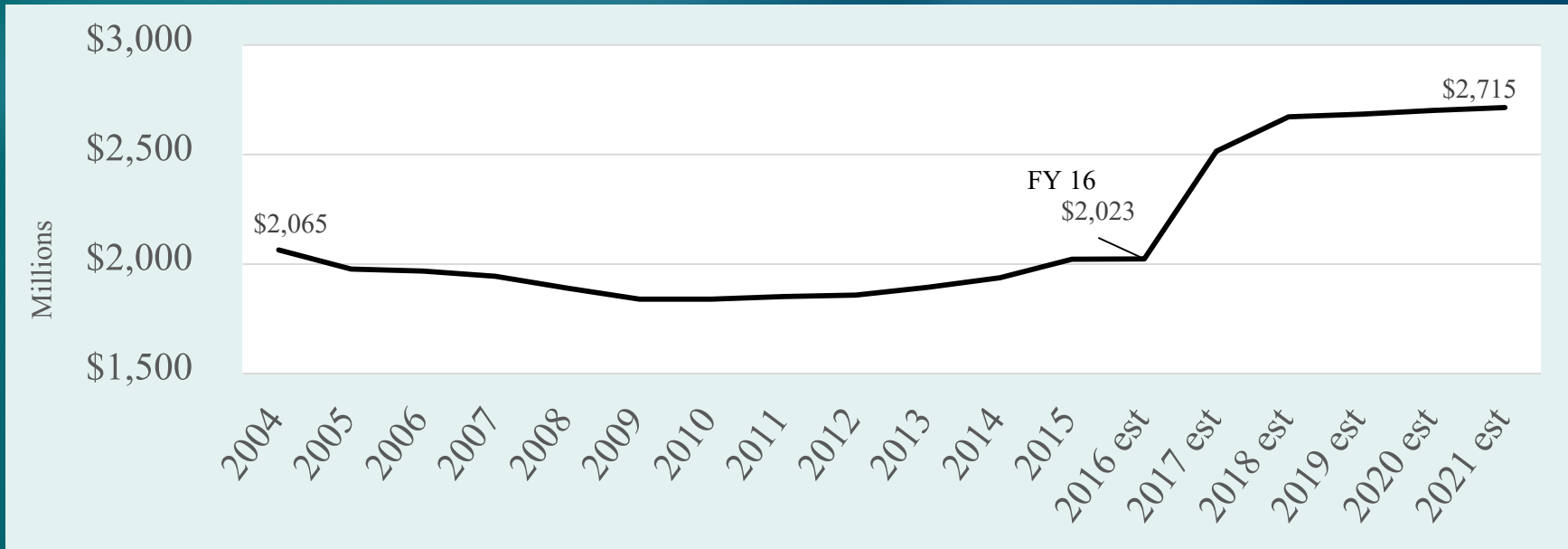
New Revenue Package and
Fixing America's Surface
Transportation (FAST) Act



New State Revenue Package

- Beginning in January 2017:
 - \$410 M in additional fuel tax revenues annually
 - Tax on gasoline & diesel fuel rises to 26.3¢ & provides for diesel parity
 - 20% increase in vehicle registration fees totaling \$190 M annually
- General Funds transferred to transportation & distributed through 3-way Act 51 formula for road agencies:
 - 2019: \$150 M
 - 2020: \$325 M
 - 2021: \$600 M
- Beginning in 2022, gas tax will be indexed, rising in proportion to increases in Consumer Price Index, or 5%, whichever is less

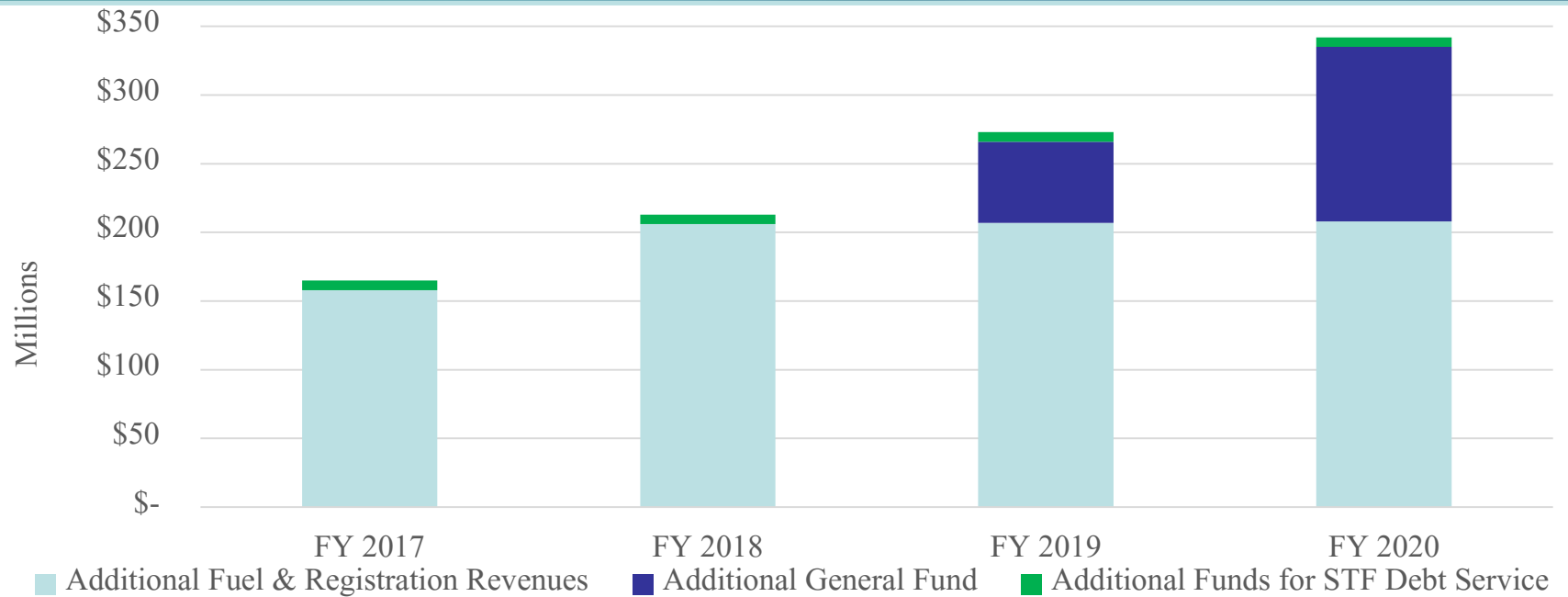
Michigan Transportation Fund Revenue



State Revenue Package increases MTF by \$1.2 billion.

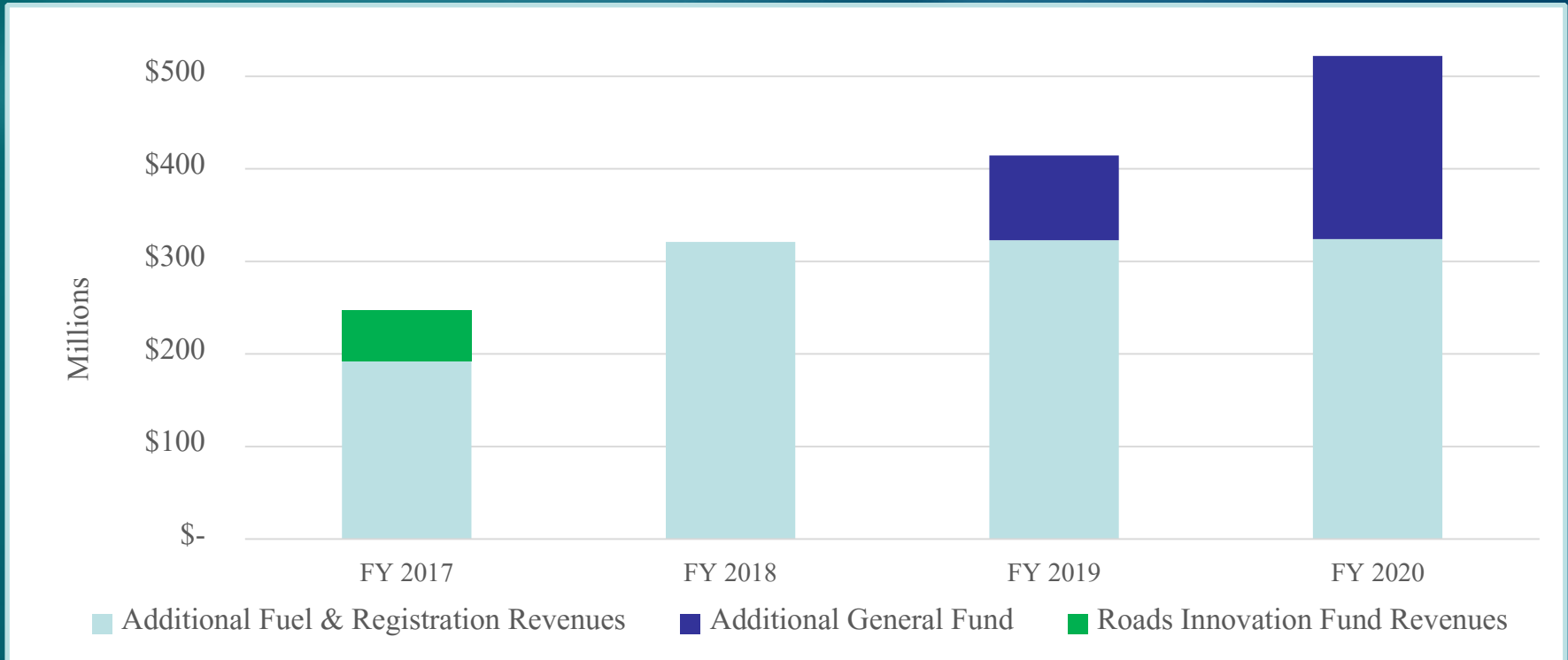
Gas/Diesel taxes increased to 26.3¢ per gallon on January 1, 2017 and inflated using CPI starting in 2022. Registration fees for most vehicles will increase by 20% in January 2017. Fees will be added to electric and plug-in hybrid cars which will equalize road-user fees for vehicles that use little or no taxed fuel.

Additional State Revenues above the 5 Year Plan to the State Trunkline Fund (STF)



	FY 2017	FY 2018	FY 2019	FY 2020
Additional Fuel & Registration Revenue	\$ 158 M	\$ 206 M	\$ 207 M	\$208 M
Income Tax Redirection	\$ 0	\$ 0	\$ 59 M	\$127 M
Additional Funds for STF Debt Service	\$ 7 M	\$ 7 M	\$ 7 M	\$ 7 M
STF Revenue Package Total	\$165 M	\$ 213 M	\$273 M	\$ 342 M
State Funds needed to match Federal Aid	-\$ 122 M	-\$ 126 M	-\$ 129 M	-\$132 M
Available for Trunkline Program	\$43 M	\$ 87 M	\$ 144 M	\$210 M

Additional State Transportation Revenues to Counties, Cities & Villages



	FY 2017	FY 2018	FY 2019	FY 2020
Additional Fuel & Registration Revenue	\$ 192 M	\$ 321 M	\$ 323 M	\$324 M
Roads Innovation Fund	\$ 55 M	\$ 0	\$ 0	\$0
Income Tax Redirection	\$ 0	\$ 0	\$ 91 M	\$ 198 M
Local Revenue Package Total	\$246 M	\$ 321 M	\$414 M	\$ 522 M

Non-Monetary Provisions

- **Administrative Expenses:** MDOT administrative expenses limited to 8% of its budget
- **Pavement Warranties:** Road agencies required to buy pavement warranties for projects over \$2 million
- **Competitive Bidding:** All agencies are required to competitively bid out projects costing more than \$100,000
- **Longer-lived Pavements:** MDOT will prepare a report on potential for constructing longer-lived pavements
- **Roads Innovation Fund:**
 - \$100 million/year in fuel-tax revenue
 - Funding will be released by resolution of the Legislature, and distributed through the usual Act 51 formula
 - After the Legislature releases funds, the \$100 million appropriation will cease

Next Steps

- Funding phased in to allow construction industry time to prepare
- Now is the time to focus efforts on asset management process
- Decisions to be made about how to invest CTF funds for rail and transit
- Work with local agencies, MPO's, regional planning agencies and transit providers going forward
- MDOT already at work on the study of long-lived pavement designs.

Fixing America's Surface Transportation (FAST) Act

- Five years of federal funding certainty
 - FY 2016-2020
- Largely avoids controversial new initiatives
- Fully paid for
- Continues & improves changes in MAP-21
 - Performance management
 - Freight planning
 - Program simplification
- Some issues remain on the horizon
 - Continues reliance on non-transportation revenue sources
 - Deficit between revenue and funding to approach \$20 billion/year



FAST Act

Nationwide Funding

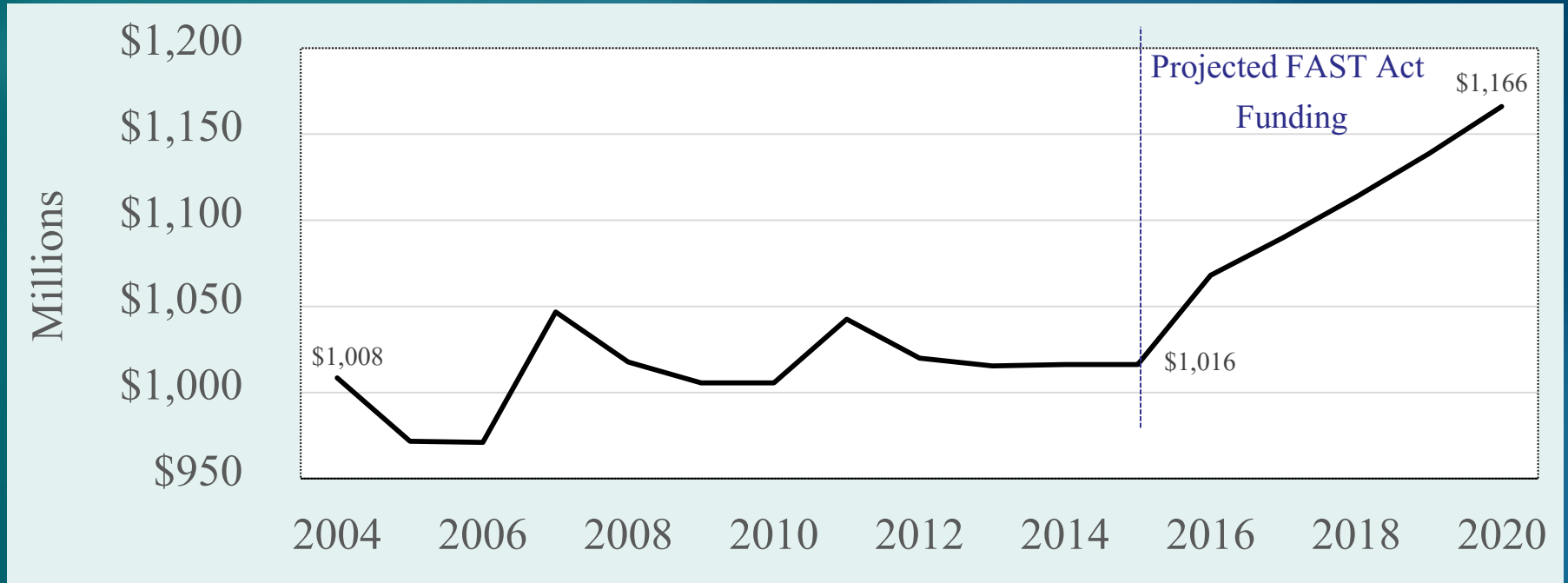
(in millions)	FY 2015	FY 2016-2020 Annual Average	Increase FY 15 vs. FY 2016-20 annual avg.	FY 2016-2020 Total
Highways	\$40,995	\$45,038	9.9%	\$225,190
Transit	\$10,689	\$12,223	14.3%	\$61,113
Safety	\$1,252	\$1,392	11.2%	\$6,960
Rail	\$1,390	\$2,071	49.0%	\$10,355
Other	\$98	\$308	213.6%	\$1,541
Total	\$54,424	\$61,032	12.1%	\$305,158

FAST Act

Highway Funding to Michigan

(in millions)	MAP-21	FAST Act				
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Apportioned Highway Program Funding	\$1,016	\$1,068	\$1,090	\$1,114	\$1,139	\$1,166
Increase from Prior Year	0.0%	5.1%	2.2%	2.2%	2.2%	2.4%

Highway Funding to Michigan



Fixing America's Surface Transportation (FAST) Act was passed in FY 2015 for the next 5 years (FY 16 – FY 20). An increase over FY 15 for FY 16 – FY 20 of 9.9% (\$150 million).

Highway Highlights

- Maintains existing formula-based programs
- Distribution of funding among states unchanged
- New project eligibilities include:
 - V2I
 - Projects to reduce failure of critical infrastructure
 - TIFIA subsidy
 - Improvements to separate pedestrians & traffic
 - Enhancement of habitat & forage for pollinators
- Lost eligibility for some non-infrastructure safety projects



Highway Highlights

- Continues focus on freight
 - National highway freight network & national freight strategic plan
 - National highway freight program
 - Formula-based
 - Investments on Interstate & freight connecting routes
 - Nationally significant freight & highway projects
 - Competitive
 - Aimed at large projects - \$100M or more
 - Requires state freight plans



Highway Highlights

- Design Standard Flexibility
 - NACTO & other guides
- Size & weight standards largely maintained
- Opportunity for toll pilot program
- Additional planning focus on resiliency, enhancing travel and tourism



Federal Transit Funding

(in millions)	MAP-21	FAST Act				
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Apportioned Transit Program Funding	\$131.6	\$133.7	\$136.4	\$139.4	\$142.6	\$145.7
Increase from Prior Year	0.2%	1.6%	2.1%	2.2%	2.3%	2.2%

Most of Transit funding is formula based

Transit Highlights

- Reinstates funds for bus & bus facilities
- Raises Fixed Guideway Small Starts threshold
- Strengthens minimum safety standards
- Allows funds for joint transit/rail projects
- Pilot program to coordinate services
- Increases Buy America content for buses
- Expands cooperative procurement options



Rail Funding

(in millions)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Amtrak – NEC		\$450	\$474	\$515	\$557	\$600
Amtrak – National Network		\$1,000	\$1,026	\$1,085	\$1,143	\$1,200
Total Amtrak	\$1,390	\$1,450	\$1,500	\$1,600	\$1,700	\$1,800
Consolidated Rail Grants		\$98	\$190	\$230	\$255	\$330
Good Repair Grants		\$82	\$140	\$175	\$300	\$300
Restoration/ Enhancement Grants		\$20	\$20	\$20	\$20	\$20
Amtrak IG		\$20	\$20	\$21	\$21	\$22
Rail Total	\$1,390	\$1,670	\$1,870	\$2,046	\$2,296	\$2,472

Rail Highlights

- Requires separate accounting for Amtrak – NEC & National Network
- Creates state supported routes committee
- Authorizes \$440M/year to make grants for passenger rail projects
- Continues efforts to introduce competition to passenger rail



Highway Trust Fund

- Some issues remain on horizon
 - Continues reliance on non-transportation revenue sources
 - Federal Reserve Surplus Fund: \$53B
 - Strategic Petroleum Reserve: \$6B
 - Bank to bank dividends: \$6B
 - Customs fees: \$5B
 - Deficit between revenue & funding to approach \$20B/year by end of this authorization
- Authorizes funding to study funding alternatives



FY 2017

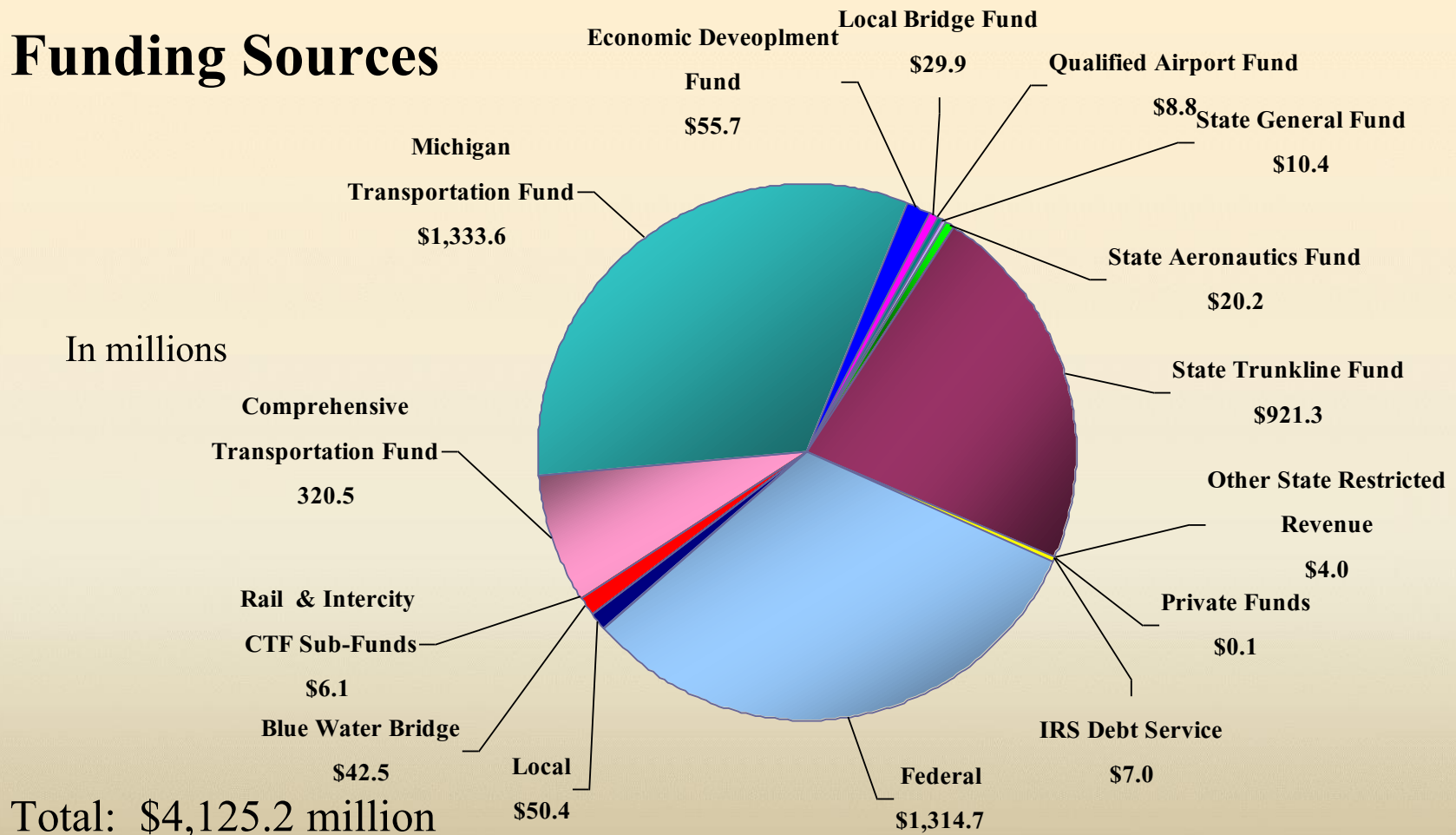
Executive Recommendation



FY 2017 Governor's Recommended Budget

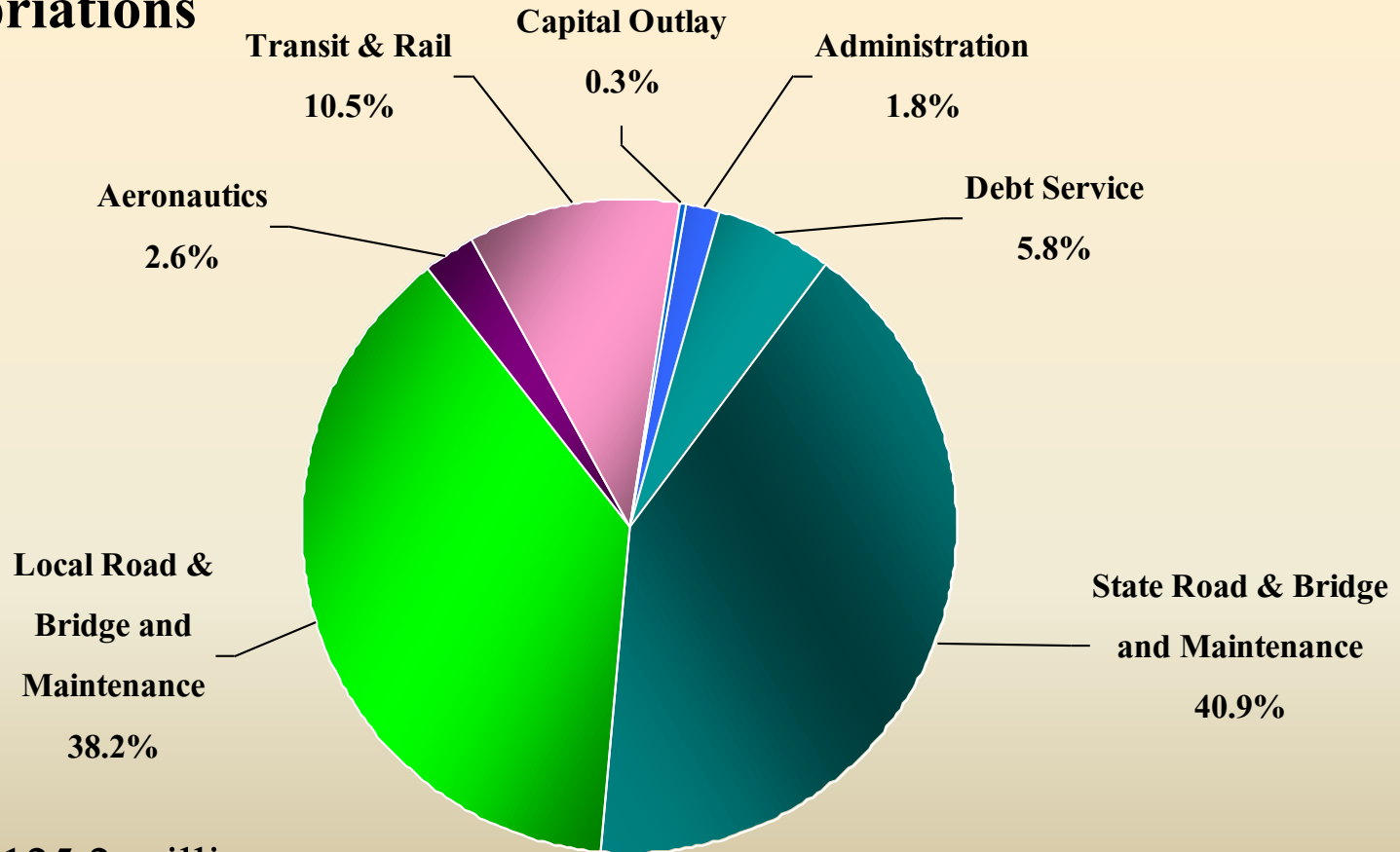
Funding Sources

In millions



FY 2017 Governor's Recommended Budget

Appropriations



Total: \$4,125.2 million

FY 2017 Governor's Recommended Budget

Aeronautics Highlights

- New Funding for Qualified Airport Fund of \$8.8 M to Detroit Metro Airport
- Airport Improvement Program increased by \$2.8 M
- Aeronautic Services increased by \$609,500
- Air Service Program restored at \$250,000



FY 2017 Governor's Recommended Budget

Rail Highlights

- Rail operations/Infrastructure Increase (State) - \$15.8 M
- Preserve passenger rail operations on three Michigan services
- Continue to invest in the build-out of Michigan's accelerated rail program
- Accommodate statewide rail-related economic development opportunities
- Initiate grade crossing surface improvement program for roads under local jurisdiction



FY 2017 Governor's Recommended Budget

Transit Highlights

- Increase local bus operating assistance program from \$167.4M to \$180M a year (\$12.6M)
- Transit Capital Increase (State/Federal) - \$29.0 M
- Preserve existing local transit and rural intercity bus services and infrastructure



FY 2017 Governor's Recommended Budget

Transit Highlights (cont.)

- Match federal aid formula funds for maintenance and replacement of local bus infrastructure
- Additional CTF revenues will:
 - Help to stabilize state operating assistance to local transit agencies
 - Leverage competitive federal grants to keep our bus assets in a state of good repair and capitalize some urban modernization



FY 2017 Governor's Recommended Budget

State Trunkline Highlights

- Includes General Fund Revenue for the Road & Bridge Program of \$10.4 M – One-time Funding and maintains revenue at FY 2016 level
- Includes \$3 M for a new Rail Grade Crossing Surface Improvement Program



FY 2017 Governor's Recommended Budget

State Trunkline Highlights Significant Construction Projects for FY 2017

Region	County	Route	Work Description	Total In millions
Bay	Bay	I-75	Major Reconstruction	\$10.8M
Bay	Genesee	I-69	Reconstruction	\$18.0M
Grand	Kent	US-131	Reconstruction	\$21.0M
Metro	Macomb	M-59	Reconstruction	\$35.2M
Metro	Wayne	I-94	Bridge Replacement	\$50.4M
Metro	Wayne	I-75	Deck Replacement	\$87.4M
Metro	Wayne	I-75	Bridge Removal and New Structures	\$34.1M
North	Iosco	US-23	HMA Reconstruction	\$11.4M
Southwest	Berrien	I-94	HMA Overlay	\$17.8M
Southwest	Berrien	I-94	Mill and HMA Overlay	\$11.9M
Southwest	Calhoun	I-94	HMA Overlay	\$11.8M
Superior	Delta	US-2	Bridge Replacement	\$19.4

Maintenance – FY 2017

- New Boilerplate allows:
 - \$10 M from State Road & Bridge for Highway Maintenance
- Funding will support the following critical work activities:
 - Winter Maintenance
 - Non-winter/Deferred Maintenance
 - Asset management approach to required Road & Bridge maintenance



FY 2017 Governor's Recommended Budget

- Includes a new State Revenue Package
- Includes new Federal Reauthorization Revenue - FAST
- Includes \$10.4 M of General Fund
- Innovative within resources available
- Matches all Federal Aid





Better

Faster

Cheaper

Safer

Smarter