

**Summary: Executive Budget Recommendation
for Fiscal Year 2019-20
DEPARTMENT OF TRANSPORTATION**



Analyst: William E. Hamilton

	FY 2018-19 Year-to-Date as of 3/5/19	FY 2019-20 Executive	Difference: FY 2019-20 Vs. FY 2018-19	
			Amount	%
IDG/IDT	\$4,092,500	\$3,974,300	(\$118,200)	(2.9)
Federal	1,318,271,700	1,341,650,100	23,378,400	1.8
Local	50,532,000	51,032,000	500,000	1.0
Private	900,000	900,000	0	0.0
Restricted	3,283,293,700	4,380,735,600	1,097,441,900	33.4
GF/GP	356,790,900	0	(356,790,900)	(100.0)
Gross	\$5,013,880,800	\$5,778,292,000	\$764,411,200	15.2
FTEs	2,824.3	2,824.3	0.0	0.0

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (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. Revenue from aviation fuel and registration taxes and from an earmark of the Airport Parking Tax is credited to the State Aeronautics Fund for aeronautics programs.

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations	FY 2018-19 YTD (as of 3/5/19)	Executive Change from YTD
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1. Transportation Revenue Increases/Fix Michigan Roads

The governor's budget assumes implementation of proposed increases in motor fuel tax rates on gasoline, diesel motor fuel, and alternative fuels used to propel motor vehicles on public roads. Specifically, the proposal would increase the current 26.3 cent-per gallon motor fuel tax rate by 45.0 cents per gallon in three steps: to 41.3 cents-per-gallon on October 1, 2019; to 56.3 cents per gallon starting on April 1, 2020; and to 71.3 cents per gallon effective October 1, 2020. The proposed motor fuel tax increases, as well as a related increase in the registration tax rate on alternative fuel vehicles (the registration tax rate on alternative fuel vehicles is tied to the motor fuel tax on gasoline) would generate an estimated \$1,264.8 million in new constitutionally dedicated revenue in FY 2019-20.

Gross	NA	<i>[See Item #s 2,</i>
GF/GP	NA	<i>3, and 4 below]</i>

Of this \$1,264.8 million figure, \$21.2 million of the increase in the motor fuel tax on gasoline would be credited to the Recreation Improvement Account, a restricted revenue account in the DNR budget. This constitutional earmark reflects non-road uses of gasoline.

After consideration of the Recreation Improvement Account earmark, the balance of new revenue constitutionally dedicated to transportation would total \$1,243.6 million.

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Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations

**FY 2018-19 YTD
(as of 3/5/19)**

**Executive
Change
from YTD**

**1. Transportation Revenue Increases/Fix Michigan Roads
(continued)**

Of the \$1,243.6 million in new dedicated transportation revenue, \$326.0 million would be distributed under the current Act 51 distribution formula and \$917.5 million would be distributed to a new Fix Michigan Roads Fund, described below.

The governor's proposal also assumes the end of the earmarking of Income Tax revenue for road programs. Under the current provisions of the Income Tax Act, the earmark is \$264.0 million in the current fiscal year, \$468.0 million in FY 2019-20, and would be \$600.0 million in FY 2020-21 and each fiscal year thereafter. FY 2018-19 was the first year of this statutory earmarking of Income Tax revenue for road programs; prior to FY 2018-19 this revenue had been credited to the state General Fund.

2. Fixing Michigan Roads Fund Distribution

The budget also reflects the governor's proposal with respect to the distribution of the new revenue from the proposed increase in motor fuel taxes. While baseline revenue from motor fuel and vehicle registration taxes would continue to be distributed according to the current provisions of Section 10 of Act 51, \$917.5 million in new revenue would be credited to a new Fixing Michigan Roads Fund in FY 2019-20. The Fixing Michigan Roads Fund would be governed by a proposed new distribution formula.

Gross	NA	\$917,524,800
Restricted	NA	917,524,800
GF/GP	NA	\$0

Of the \$917.5 million in new revenue, \$834.9 million would be distributed for road programs based primarily on the functional classification of the road. Functional classification refers to the classification of roads established by the Federal Highway Administration based on the service characteristics of the road. The proposed distribution based on functional classification would allocate \$645.5 million of the \$834.9 million to state trunkline road programs, with \$189.4 million available for local road agency programs. An additional \$55.1 million would be available for targeted local road agency programs, specifically, \$36.7 million for a local bridge program and \$18.4 million for a local rural economic corridor program. The governor's proposal would also allocate \$27.5 million for multi-modal innovation projects, including transit and mobility projects and rail and port investments.

The proposed Fixing Michigan Roads Fund and related distribution provisions would have to be established through amendment of Act 51.

3. State Trunkline Road and Bridge Construction

State trunkline capital construction/preservation program would increase by a net \$5.9 million; increases in state restricted revenue sources would be offset, in part, by an anticipated reduction in available federal revenue. The increase in state restricted revenue includes a \$463,500 increase in appropriated Blue Water Bridge Fund revenue for Blue Water Bridge capital projects, well as a \$28.2 million increase in available STF revenue, generated in part from proposed increases in motor fuel and vehicle registration tax revenue.

Gross	\$1,266,763,500	\$5,871,200
Federal	808,607,700	(22,750,700)
Local	30,003,500	0
Restricted	428,152,300	28,621,900
GF/GP	\$0	\$0

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations		FY 2018-19 YTD (as of 3/5/19)	Executive Change from YTD
4. MTF to Local Road Agencies	Gross	\$1,562,857,800	\$85,302,900
Reflects an \$85.3 million increase in the estimated MTF distribution to county road commissions and cities and villages. This increase reflects increases in estimate baseline revenue from motor fuel and vehicle registration taxes, local road agency share of \$326.0 million in new revenue from the proposed increases in motor fuel and alternative vehicle registration taxes; these increases would be offset in part by the elimination of the Income Tax earmark for road programs.	Restricted	1,562,857,800	85,302,900
	GF/GP	\$0	\$0
5. Debt Service	Gross	\$219,437,100	(\$5,539,600)
Includes \$213.9 million for debt service, a reduction of \$5.5 million from current year, reflecting debt service schedules. [Total outstanding transportation-related debt at September 30, 2018 was \$1.3 billion.]	Federal	35,863,400	45,291,600
	Restricted	183,573,700	(50,831,200)
	GF/GP	\$0	\$0
6. Support Services by Other State Departments	Gross	\$48,394,600	(\$317,600)
Includes \$48.1 million for Interdepartmental grants (IDGs) that authorize the reimbursement of other state departments from restricted transportation funds for services provided to those transportation funds. Specific IDGs include \$20.0 million MTF for Department of State vehicle registration tax collection program, \$2.8 million MTF for Department of Treasury motor fuel tax collection program, and \$11.9 million STF for Michigan State Police Commercial Vehicle Enforcement program and Criminal Justice Information Center. The budget reduces total transportation IDG funding to the Attorney General by \$495,200. The net change across all IDG line items reflects economic increases and cost allocation adjustments.	Restricted	48,394,600	(317,600)
	GF/GP	\$0	\$0
7. Information Technology	Gross	\$35,739,400	\$3,000,000
Increases STF support by \$3.0 million to provide for application modernization.	Federal	520,500	0
	Restricted	35,218,900	3,000,000
	GF/GP	\$0	\$0
8. Design and Engineering Services	FTE	1,473.3	33.0
Increases \$600,000 MTF for local traffic signal billing improvements. The budget also shifts \$3.1 million STF and 33.0 FTE positions from State trunkline maintenance operations to this line item\.	Gross	\$165,353,700	\$3,674,000
	Federal	23,529,800	0
	Restricted	141,823,900	3,674,000
	GF/GP	\$0	\$0
9. State Trunkline Maintenance	FTE	793.7	(33.0)
Includes a net increase of \$65.5 million STF for the following: \$51.2 million for deferred maintenance items; \$10.0 million for structure inspection compliance; \$7.4 million to offset increased maintenance material costs. The budget also shifts \$3.1 million STF and 33.0 FTE positions from this line item to Design and engineering services.	Gross	\$339,127,800	\$65,460,000
	Restricted	339,127,800	65,460,000
	GF/GP	\$0	\$0
10. Transportation Economic Development Fund (TEDF)	Gross	\$43,349,000	\$900,800
Increases TEDF program funding by \$900,800 reflecting an anticipated increase in available TEDF revenue. The TEDF budget would include \$17.1 million for the Target Industries program (Category A), an increase of \$454,800 as compared to the current year. The budget retains \$3.0 million for the TEDF categorical program, Community service infrastructure fund, established under 2018 PA 473, which amended the TEDF governing statute, 1987 PA 231.	Restricted	43,349,000	900,800
	GF/GP	\$0	\$0
11. Aeronautics Services	FTE	46.0	0.0
The governor recommends rolling up two current appropriation line items, Aviation services, and Airfleet operations and maintenance, into a single line item. The budget would retain funding for the Air service grant program at \$250,000. These changes net to \$0, exclusive of economic increases.	Gross	\$7,641,100	\$0
	Restricted	7,641,100	0
	GF/GP	\$0	\$0

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations		FY 2018-19 YTD (as of 3/5/19)	Executive Change from YTD
12. Local Bus Transit	Gross	\$220,777,900	\$6,000,000
Includes \$196.7 million CTF for local bus operating formula distribution to 81 local public transit agencies, an increase of \$6.0 million compared to current year appropriations.	Federal	28,027,900	0
	Local	2,000,000	0
	Restricted	190,750,000	6,000,000
	GF/GP	\$0	\$0
13. Transit Capital	Gross	\$66,612,600	\$1,288,000
Increases CTF support by \$1.3 million for program that provides matching funds on behalf of local transit agencies to access federal transit capital grants.	Federal	15,300,000	0
	Local	1,250,000	0
	Restricted	50,062,600	1,288,000
	GF/GP	\$0	\$0
14. Service Initiatives	Gross	\$4,589,200	\$6,000,000
Increases baseline CTF support by \$6.0 million for program that funds transit-related research, training and development, and demonstration projects.	Federal	1,650,000	0
	Local	325,000	0
	Restricted	2,614,200	6,000,000
	GF/GP	\$0	\$0
15. Specialized Services	Gross	\$17,938,900	\$5,375,000
Increases baseline CTF support by \$1.5 million for program that supports transit programs targeted at disabled and elderly populations. Budget also reflects \$3.9 million roll up of the Transportation to work line item into this line.	Federal	9,900,000	0
	Local	4,185,000	0
	Restricted	3,853,900	5,375,000
	GF/GP	\$0	\$0
16. Transportation to Work	Gross	\$3,875,000	(\$3,875,000)
Governor recommends rolling up this line item into the Specialized services line item.	Restricted	3,875,000	(\$3,875,000)
17. Rail Operations and Infrastructure	Gross	\$80,758,000	\$14,808,700
Includes \$14.8 million CTF increase for program that provides capital and operating support for rail passenger service in Michigan as well as rail freight and rail economic development programs.	Federal	10,000,000	0
	Local	100,000	0
	Private	100,000	0
	Restricted	70,558,000	14,808,700
	GF/GP	\$0	\$0
18. Intercity Services	Gross	\$7,360,000	\$2,500,000
Increases baseline CTF support by \$2.5 million for program that supports intercity bus service in Michigan.	Federal	4,500,000	0
	Local	160,000	0
	Private	800,000	0
	Restricted	1,900,000	2,500,000
	GF/GP	\$0	\$0
19. Marine Passenger	Gross	\$400,000	\$5,500,000
Increases baseline CTF support by \$5.0 million, and recognizes \$500,000 in local matching funds, for program that supports capital grants for marine passenger (ferry) service in Michigan.	Local	0	500,000
	Restricted	400,000	5,000,000
	GF/GP	\$0	\$0
20. Detroit/Wayne County Port Authority (DWCPA)	Gross	\$468,200	\$0
Maintains funding level established in FY 2018-19 supplemental appropriation act, 2018 PA 618. This line item helps support the DWCPA's annual operating budget.	Restricted	468,200	0
	GF/GP	\$0	\$0
21. Airport Improvement Program	Gross	\$94,813,200	\$664,100
Increases State Aeronautics Fund support by \$664,100 for the Airport Safety, Protection, and Improvement Program line item. This line item recognizes federal, state, and local funding for the federal Airport Improvement Program, a program of capital grants to local airports.	Federal	79,000,000	0
	Local	12,508,500	0
	Restricted	3,304,700	664,100
	GF/GP	\$0	\$0

<u>Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations</u>		<u>FY 2018-19 YTD (as of 3/5/19)</u>	<u>Executive Change from YTD</u>
22. Detroit Metropolitan Wayne County Airport	Gross	\$5,525,000	\$325,000
Increases Qualified Airport Fund support for Detroit Metro Airport by \$325,000 to reflect revenue estimates. The Qualified Airport Fund was established through an amendment to the State Aeronautics Code made in the 2015 aviation funding package (Public Acts 258 through 262 of 2015).	Restricted	5,525,000	325,000
	GF/GP	\$0	\$0
23. Elimination of One-Time Items	Gross	\$356,740,900	(\$356,740,900)
Eliminates \$356.7 million GF/GP in one-time appropriations. Current year one-time items include: \$300.0 million GF/GP distributed for road programs (\$65.4 million to cities and villages; \$117.3 million to county road commissions; and \$117.3 million for state trunkline preservation); \$52.0 million for the construction of a new lock at the Soo Locks; and \$4.5 million related to the construction of a utility tunnel at the Straights of Mackinac.	GF/GP	\$356,740,900	(\$356,740,900)
24. Economic Adjustments	Gross	NA	\$6,057,600
Reflects increased costs of \$6.1 million Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG	NA	50,500
	Federal	NA	837,500
	Restricted	NA	5,169,600
	GF/GP	NA	\$0

Major Boilerplate Changes From FY 2018-19

Sec. 215. Communication With the Legislature – DELETED

Prohibits the department from taking disciplinary action against an employee for communicating with a legislator or his/her staff.

Sec. 217. Report on Proposed Federal Rule Changes – DELETED

Requires the department to notify the legislature on proposed federal rule changes that would impact state law.

Sec. 270. Remanufactured Parts – DELETED

Requires use of remanufactured parts for repair and maintenance of state motor vehicle fleet.

Sec. 305. Lease of Space in Public Transportation Property – DELETED

Authorizes rental of department-owned public transportation properties at competitive market rates; requires that revenue from tenants be placed in an account for to maintain/improve property.

Sec. 319. Rest Area Maintenance – DELETED

Requires signs/telephone numbers for reporting unclean and unsafe conditions at rest areas.

Sec. 353. Prompt Payment – DELETED

Directs department to review contractor payment process; references Special Provision 109.10.

Sec. 357. Local Federal Aid Project Review – DELETED

Directs MDOT to complete project reviews within 120 days; requires system for monitoring review process.

Sec. 375. MDOT Open Houses and Groundbreaking Ceremonies – DELETED

Prohibits MDOT from reimbursing contractors or consultants for groundbreaking ceremonies, receptions, open houses, or press conferences related to transportation projects funded from appropriations.

Sec. 376. Prohibition on Studies of Highway Signs and Motorist Behavior – DELETED

Prohibits the department from studying the association between highway signs and motorist behavior.

Sec. 381. E-Verify for Legal Status of Contractor/Subcontractor New Employees – DELETED

Requires the department to use the E-Verify system to verify legal status of contractor and subcontractor new hires. Provides reporting requirement.

Sec. 382. Finalize Local Agency Cost Sharing Agreements – DELETED

Requires the department to submit final bill to the local agency within two years of final payment to construction contractor.

Major Boilerplate Changes From FY 2018-19

Sec. 386. Toll Credits – DELETED

Directs the department to use toll credits as a method in financing federal-aid highway projects; established priority in using toll credits; requires report on toll credits earned and year-end balance.

Sec. 387. Traffic Studies – DELETED

Requires the department to post traffic study on the department website.

Sec. 389. Long-Term Obligations – DELETED

Requires the department to notify legislature within 30 days of entering into long-term agreements that obligate future payments.

Sec. 390. Report on Restricted Funds and Accounts – DELETED

Requires the department to report on statutory authority for, revenue source and distribution, and ending balances of restricted funds and accounts.

Sec. 391. Prohibition on Motor Fuel Quality Testing – DELETED

Prohibits the department from performing or assisting any other state agency in performing, motor fuel quality testing.

Sec. 393. Best Practices for Public Transportation – DELETED

Directs the department to promote best practices in public transportation, including transit vehicle rehabilitation to reduce life-cycle cost.

Sec. 394. Priority of Preservation – DELETED

Directs the department and local road agencies to make preservation of the existing infrastructure a funding priority.

Sec. 396. Assurance that Contractors Have Ability to Perform Work – DELETED

Requires department to obtain assurance that contractors, other than construction contractors, have ability to complete work.

Sec. 403. Priority of Federal Transit Grants – DELETED

Establishes priority for federal Section 5310 transit grants.

Sec. 19-550. Fixing Michigan Roads Fund – NEW

Provides for the use of funds from the proposed Fixing Michigan Roads Fund.

Sec. 605. Flood Mitigation – DELETED

Establishes performance measures and reporting requirement related to additional maintenance funding provided for flood mitigation.

Sec. 606. Project on I-94/Between M60 and Sargent Road in Jackson County – DELETED

Expresses legislative intent with respect to project.

Sec. 610. Dead Deer – DELETED

Describes legislative intent regarding priority of cleanup of dead deer and other large animal remains.

Sec. 612. Incentive/Disincentive – DELETED

Requires department to establish guidelines for use of incentive/disincentive contracts; establishes a reporting requirement; report due January 1st of each year.

Sec. 613. Report on Engineering Costs – DELETED

Requires report on engineering costs including breakout of department and consultant costs, engineering as a percentage of construction costs.

Sec. 660. Use of Alternative Materials – DELETED

Encourages the department to examine the use of alternative road surface materials; use of crumb rubber from tires.

Sec. 670. Rehabilitation of Winter Maintenance Trucks – DELETED

Directs the department to investigate costs of refurbishing winter maintenance trucks.

Sec. 703. Rail Abandonment Notice – DELETED

Requires notification of Legislature when railroad companies file for abandonment of lines.

Sec. 704. Rail Operations and Infrastructure Report – DELETED

Requires report on anticipated expenditures from the rail operations and infrastructure line item.

Sec. 711. Rail Passenger Service Report – DELETED

Requires report rail passenger service provided by Amtrak under contract with the department.

Major Boilerplate Changes From FY 2018-19

Sec. 750. Rail Economic Development – DELETED

Directs department to spend not less than \$2.5 million CTF from Rail freight economic development line for rail freight economic development.

Sec. 751. State Rail Segment Earmark – DELETED

Includes \$2.0 million earmark from Rail operations and infrastructure line item for upgrades to a segment of state-owned rail line between Walton Junction and Traverse City.

Sec. 752. Notice of Rail Grant and Loan Programs – DELETED

Requires the department to notify representatives of rail industry of rail grant and loan programs.

Sec. 802. MDOT-Owned Airports – DELETED

Legislature encourages the department to find private entities or local public agencies to assume ownership and operating responsibility for department-owned airports.

Sec. 804. MDOT-Owned Airplanes – DELETED

Prohibits the department from spending funds appropriated for airfleet operations and maintenance if the department owns 5 or more aircraft; requires the department to notify when it owns four aircraft or fewer.

Sec. 1001. Earmarking One-Time \$175.0 Million GF/GP – DELETED

Governor eliminates language that prescribes the distribution of \$175.0 million GF/GP one-time appropriation to local road agencies.