

House Appropriations Subcommittee on Transportation

Representative Matt Maddock, Chair

Director Paul C. Ajegba, P. E.
February 20, 2020



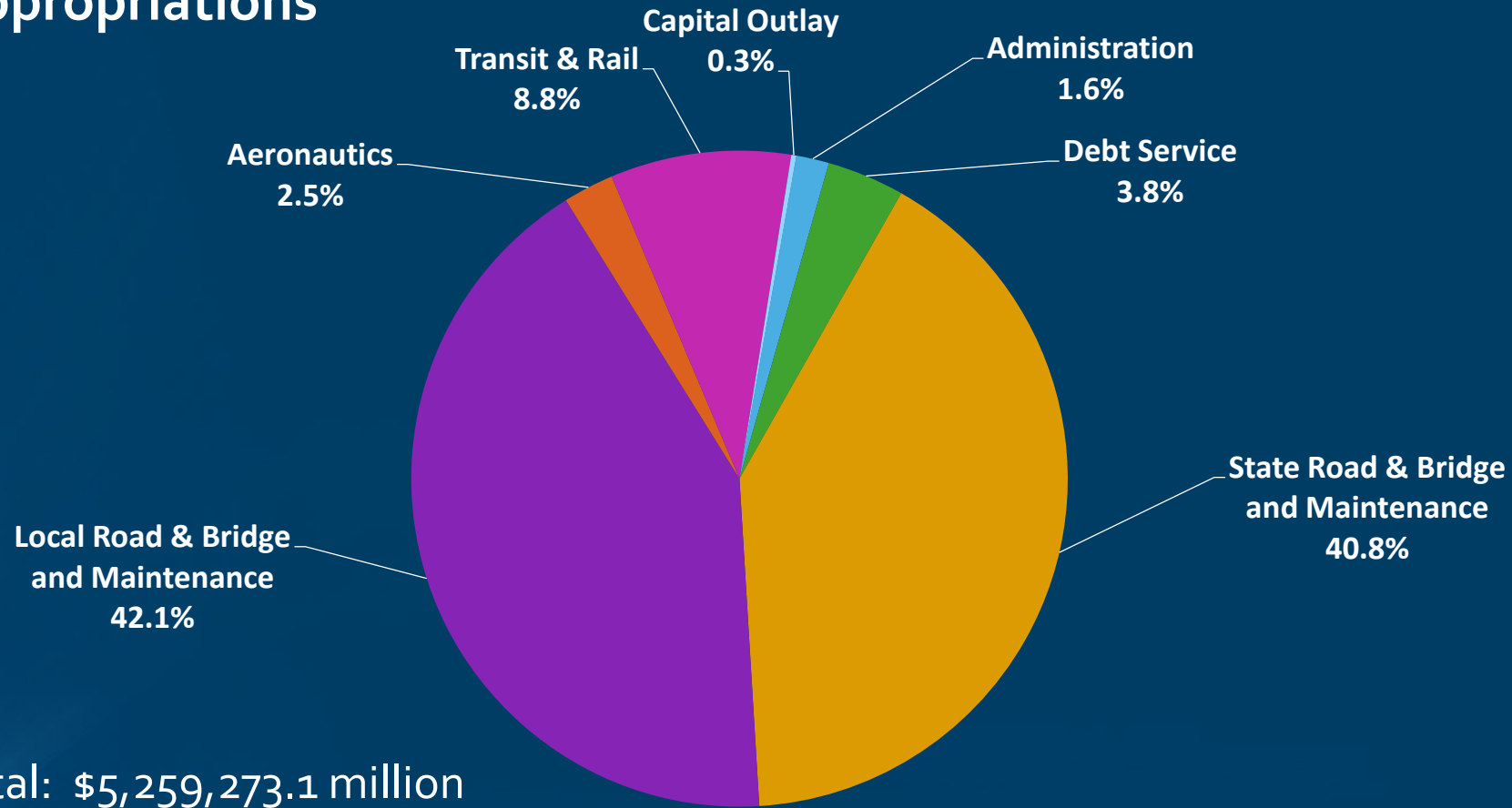
FY 2021

Governor's Recommended Budget



FY 2021 MDOT Budget Executive Recommendation

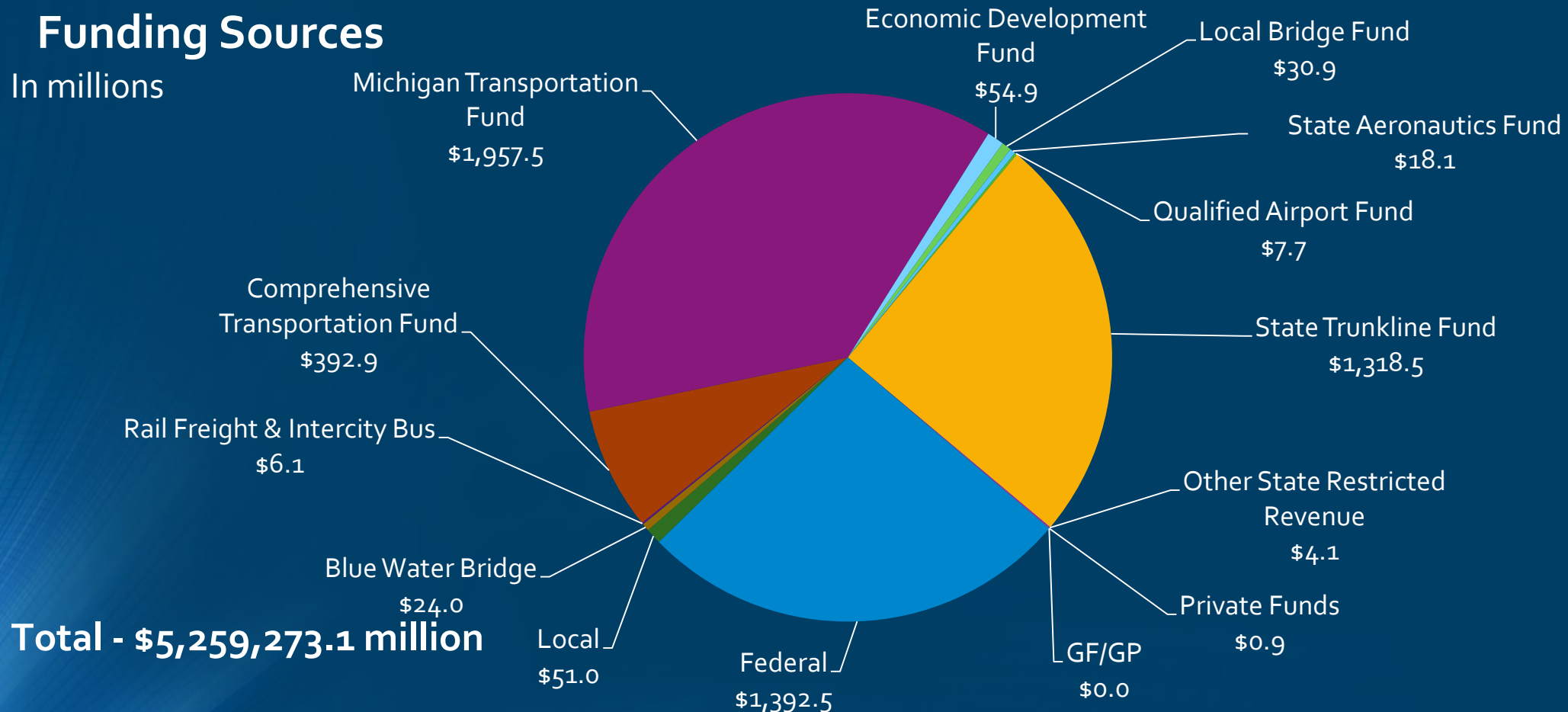
Appropriations



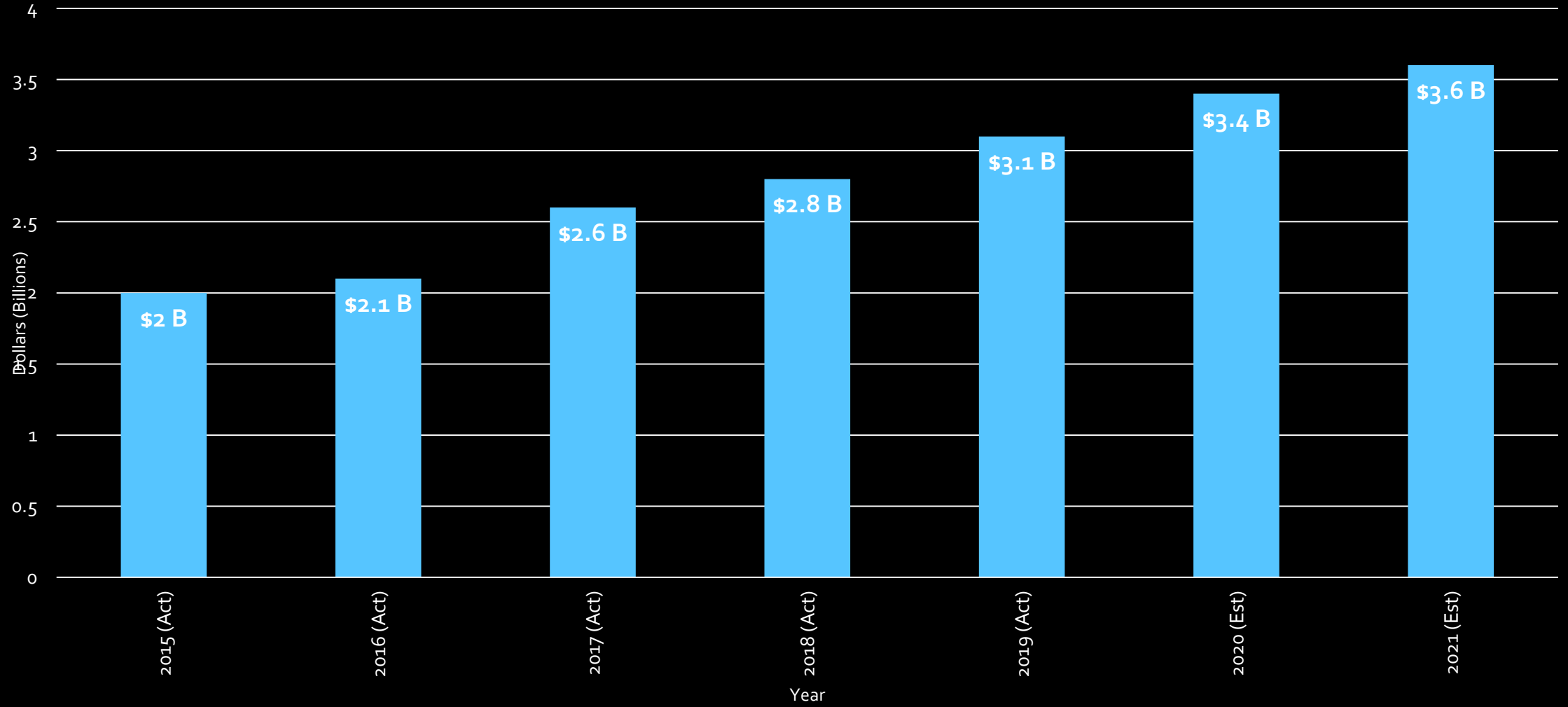
FY 2021 MDOT Budget Executive Recommendation

Funding Sources

In millions

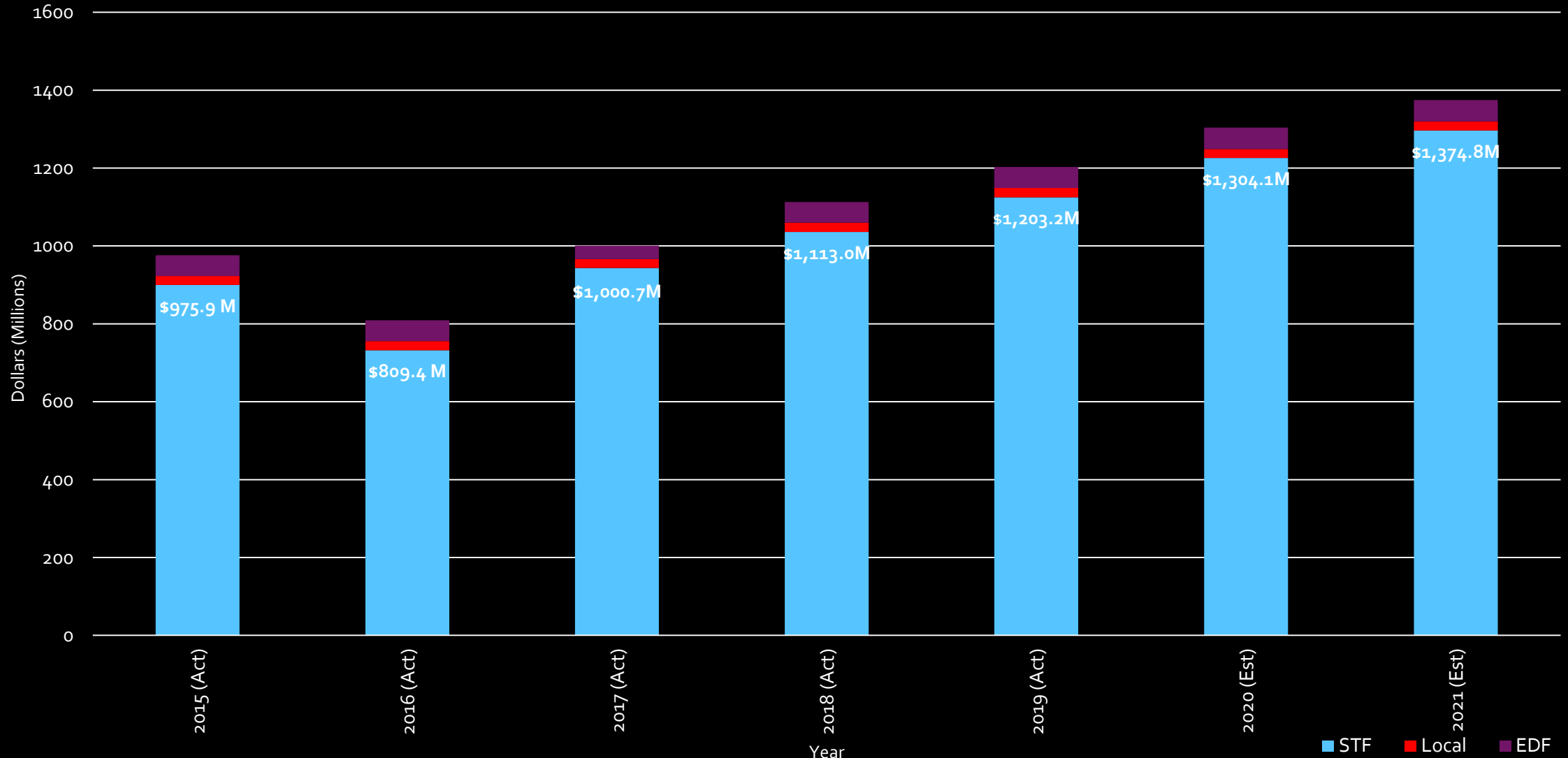


MTF Revenue, 2015-2021



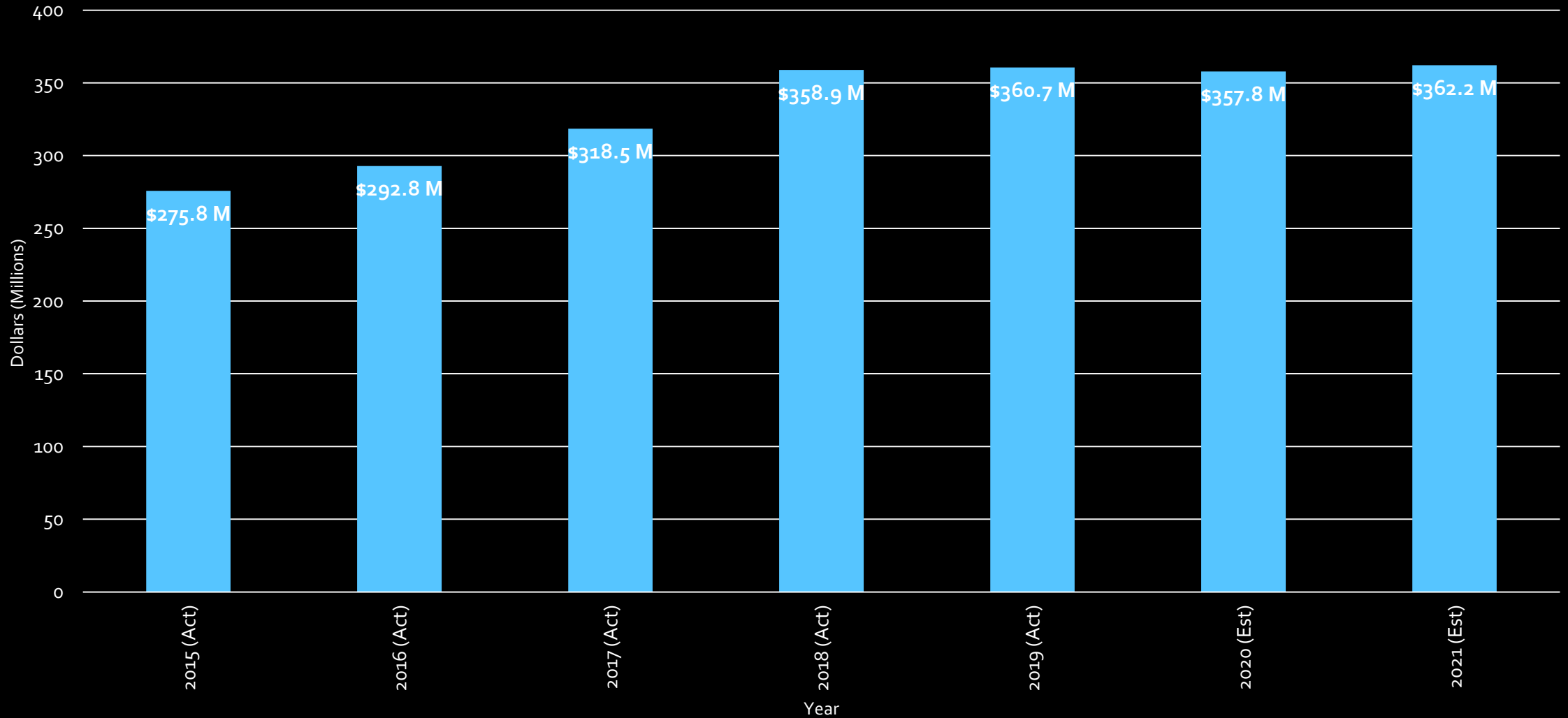
The MTF Increase is mainly driven by the phase-in of the Redirected Income Tax revenues.

State Trunkline, Local, EDF Revenue, 2015-2021



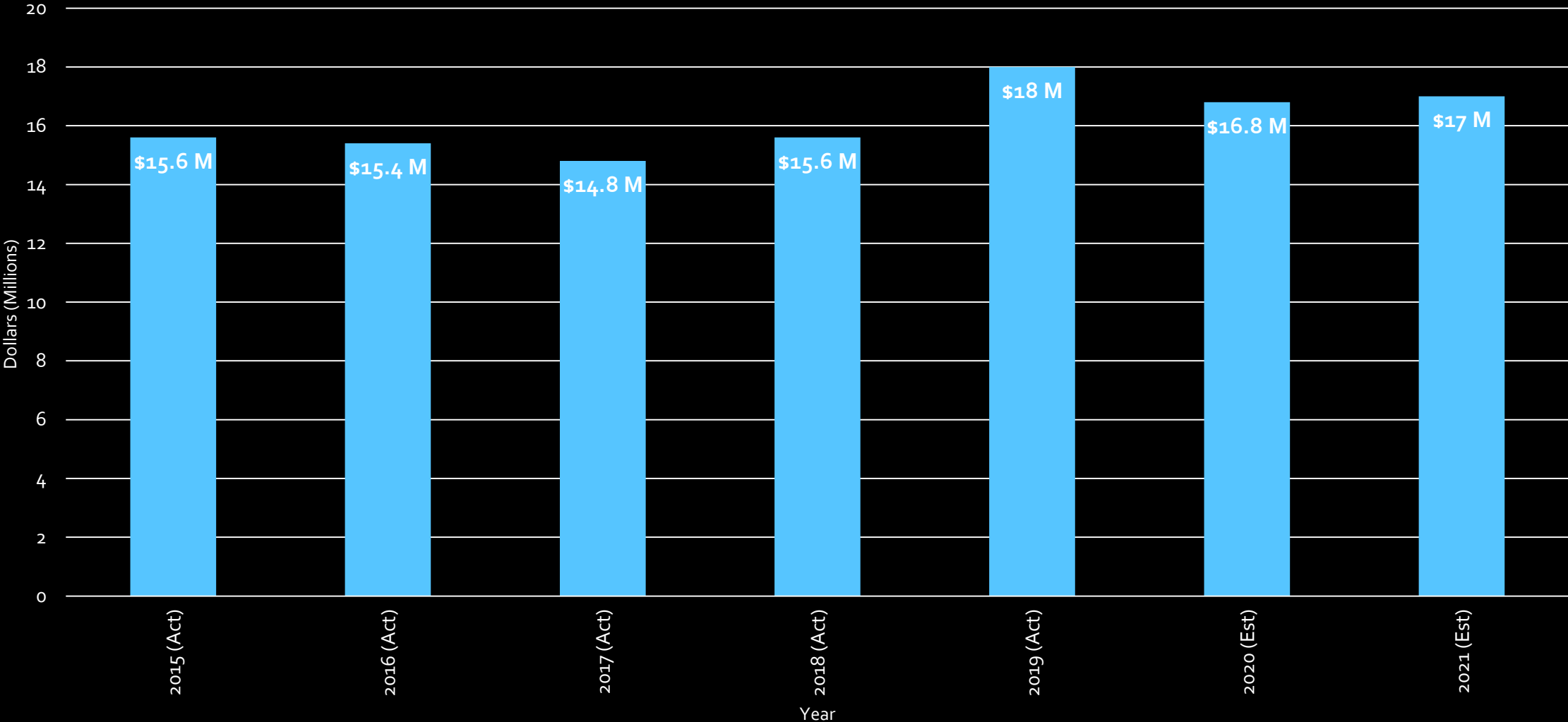
The STF increase is mainly driven by Redirected Income Tax revenues allocated from the MTF.

CTF Revenue, 2015-2021



The CTF received minimal benefit from the 2017 revenue package as they do not receive Redirected Income Tax or Recreational Marijuana Tax revenues earmarked to the MTF.

SAF Revenue, 2015-2021



SAF revenues are relatively flat. The FY2019 increase is associated with higher than projected sales tax collections.

FY 2021 Governor's Recommended Budget

Aeronautics Highlights

- Aviation Services program is essentially a continuation budget and includes the restoration of FY2020 economics (\$117,600) and FY2021 increases for employee economics (\$141,300).
- The Air Service Program is funded at 2017 levels.
- The Airport Safety, Protection, and Improvement Program increased by \$28.2 million (\$27M Federal and \$1.2M SAF).
- The Detroit Metro Wayne County Airport increased by \$1.8 million.



FY 2021 Governor's Recommended Budget

Rail Highlights

- Office of Rail increase for economics - \$123,200
- Rail Operations and Infrastructure increase - \$12.0 million
- Rail Passenger and Rail Freight Economic Development line item roll up to maximize the coordination of program outcomes and efficiencies.
- Continue to support rail-related economic development across the state
- Preserve passenger rail operations (Amtrak) on three Michigan services
- Continue to invest in the build-out of Michigan's accelerated rail program
- Continue targeted investments to assure service to shippers on state-owned freight lines
- Continue to invest in crossing safety through upgrades to motorist warning devices & reconstruction of crossing surfaces



FY 2021 Governor's Recommended Budget

Transit Highlights

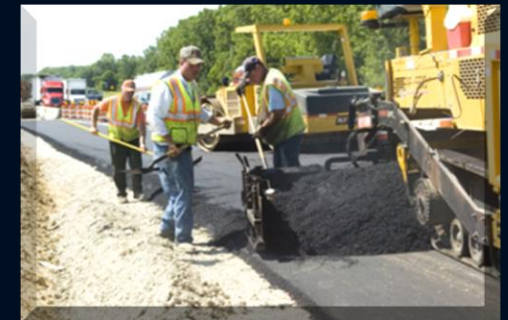
- Transit Capital Increase - \$7.2 million (Federal & CTF – rolls up Urban and Non-urban)
- Intercity Services Increase - \$2.0 million
- Marine Passenger Service Increase - \$5.0 million
- Service Initiatives Increase - \$3.9 million
- Specialized Services Increase - \$3.9 million (This is from the line item roll up of Transportation to Work)
- Passenger Transportation Services economic increase - \$193,200 (Includes the restoration of FY2020 employee economics)
- Sustain transit service levels
- Keep transit infrastructure in state of good repair
- Respond to federal funding opportunities and local investment initiatives



FY 2021 Governor's Recommended Budget

Road and Bridge Program Highlights

- State and Local Road and Bridge Total Increase - \$204.6 million
 - State R&B Increased- \$74.2M (\$39.6M - STF & \$35.6M – Federal)
 - Counties/Cities & Villages Increased - \$130.8M (\$118.6M -MTF and \$12.2M - Federal)
- Local Bridge Fund decreased - \$535,500
- Moveable Bridge Program increase for inflation- \$106,800
 - Supports 11 State and 11 Local moveable bridges



FY 2021 Governor's Recommended Budget

State Trunkline Highlights

Significant Construction Projects for FY 2021

Region	County	Route	Work Description	Total in Millions
Bay	Clare	US-127 S	Resurface	\$22.6M
Bay	Bay	I-75 N	Resurface	\$28.1M
Grand	Kent	I-196	Reconstruction	\$26.9M
Grand	Ottawa	US-31 N	Bridge Rehabilitation	\$14.2M
Metro	Wayne	I-94 E	Bridge Replacement	\$33.1M
Metro	Macomb	M-3	Reconstruction	\$46.3M
North	Charlevoix	US-31	Reconstruction	\$18.0M
North	Cheboygan	US-23	Resurface	\$7.5M
Southwest	Kalamazoo	I-94	Reconstruction	\$51.0M
Southwest	Kalamazoo	I-94	Reconstruction	\$34.1M
Superior	Marquette	US-41/M-28	Resurface	\$9.0M
Superior	Gogebic	US-2	Reconstruction	\$8.9M
University	Jackson	East I-94	Interchange Reconstruction	\$22.5M
University	Monroe	I-75 N	Bridge Replacement	17.0M

FY 2021 Governor's Recommended Budget Maintenance Highlights

- Maintenance Increases - Total \$9.9 million
- Includes the following adjustments:
 - Maintenance Material Increase - \$7.6 million
 - Employee Economics - \$2.3 million



FY 2021 Governor's Recommended Budget

Other Budget Highlights

- Design and Engineering Services Increase – Total \$7.2M.
- Includes the following Adjustments:
 - Signal Maintenance Program - \$2.4 million (STF)
 - Employee Economics - \$4.5 million (STF and MTF)
 - Increase for 2 Position Transfers - \$323,500 (STF)



FY 2021 Governor's Recommended Budget

Other Budget Highlights

- Rebuilding Michigan Office of Accountability and Transparency - \$3 million (Over 3-years)
- Planning Services Increase – Total \$2.4 million
 - State Planning and Research - \$2.0 million (Federal)
 - Employee Economics - \$490,200 (STF, MTF, and CTF)
 - Reduction for 1 Position Transfer - \$133,000 (STF)



FY 2021 Governor's Recommended Budget

Other Budget Highlights

- Debt Service Payments Decreased - \$13.6 million
- Interdepartmental Grants Increased - \$872,800
- Business Support Increased - \$48,500 (STF)
 - Includes 1 Position Transfer Reduction (\$130,500) and offset by Employee Economics (\$179,000)
- Programs Receiving Employee Economics Only:
 - Commission Audit, Blue Water Bridge Operations, Information Technology and Services, and Economic Development Program



FY 2021 Governor's Recommended Budget

- Includes the final phase-in of the redirected income tax revenues from \$468M to \$600M, or an increase of \$132M from FY2020
- Continues significant investments in state trunkline maintenance
- Includes no General Funds
- Matches all Federal Aid
- Innovative within resources available



BONDING PROGRAM





- Focused on rebuilding the state highways and bridges that are critical to the state's economy and carry the most traffic.
- Aimed at fixes that result in longer useful lives and improves the condition of the state's infrastructure.
- Addresses key corridors and rebuilds major segments of highly travelled interstate, as well as several other busy freeways and bridges
- With a corridor approach, MDOT can coordinate bridge projects along with the road projects





Benefits of this strategy:

- These are present day needs that will continue to go unaddressed in the near term absent this strategy
- The public will receive the benefit of the long-term fixes sooner – like better condition, better ride, less wear and tear on their vehicles, and supporting the economy
- The ability to advance more long-term fixes will reduce the frequency and intensity of maintenance required over the next decade
- These fixes modernize our transportation system, rather than continuing to cover up old infrastructure with band-aids
- Interest rates are at historic lows



Construction Expenditures:

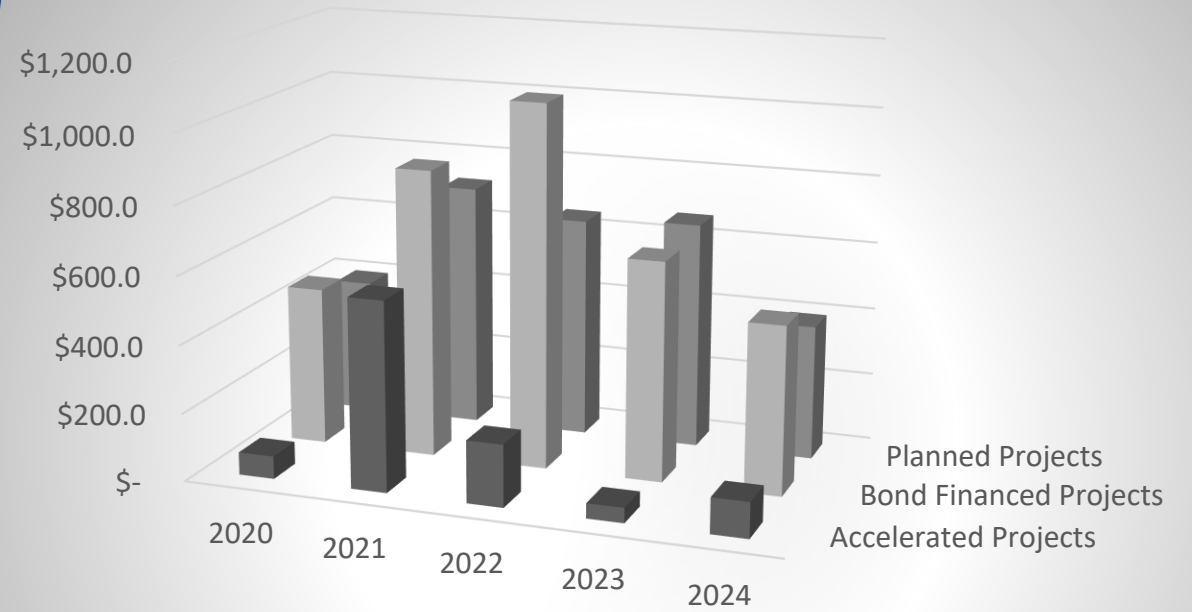
- Previous 5 Year Plan \$3.857 Billion
- New 5 Year Plan \$7.300 Billion
(Revised Revenue \$3.78 Billion + Bond Financed \$3.52 Billion)

122 Projects added to the 5 Year Plan

- 49 projects will be financed with bond proceeds
 - Some projects were converted from rehabilitation to reconstruction
 - Average fix life for these projects is 27.17
- 73 projects will be funded with transportation revenue sources
 - These projects extend the useful life of the statewide road and bridge system



By Fiscal Year



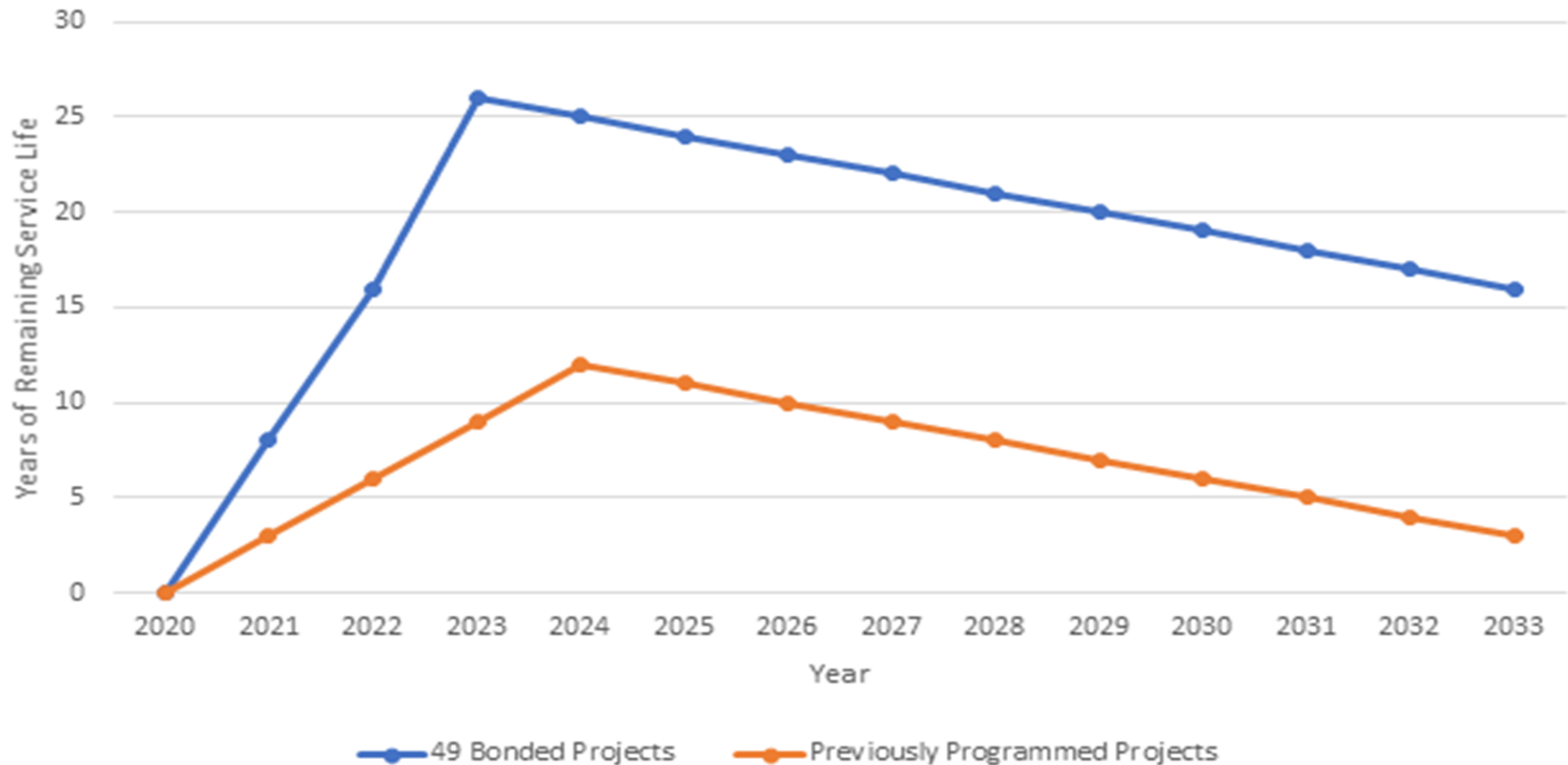
	2020	2021	2022	2023	2024
Accelerated Projects	\$66.6	\$556.7	\$182.7	\$44.0	\$104.4
Bond Financed Projects	\$466.1	\$847.7	\$1,064.9	\$643.2	\$493.7
Planned Projects	\$398.10	\$719.60	\$649.70	\$667.00	\$395.80

Accelerated Projects
 Bond Financed Projects
 Planned Projects

Rebuilding Michigan



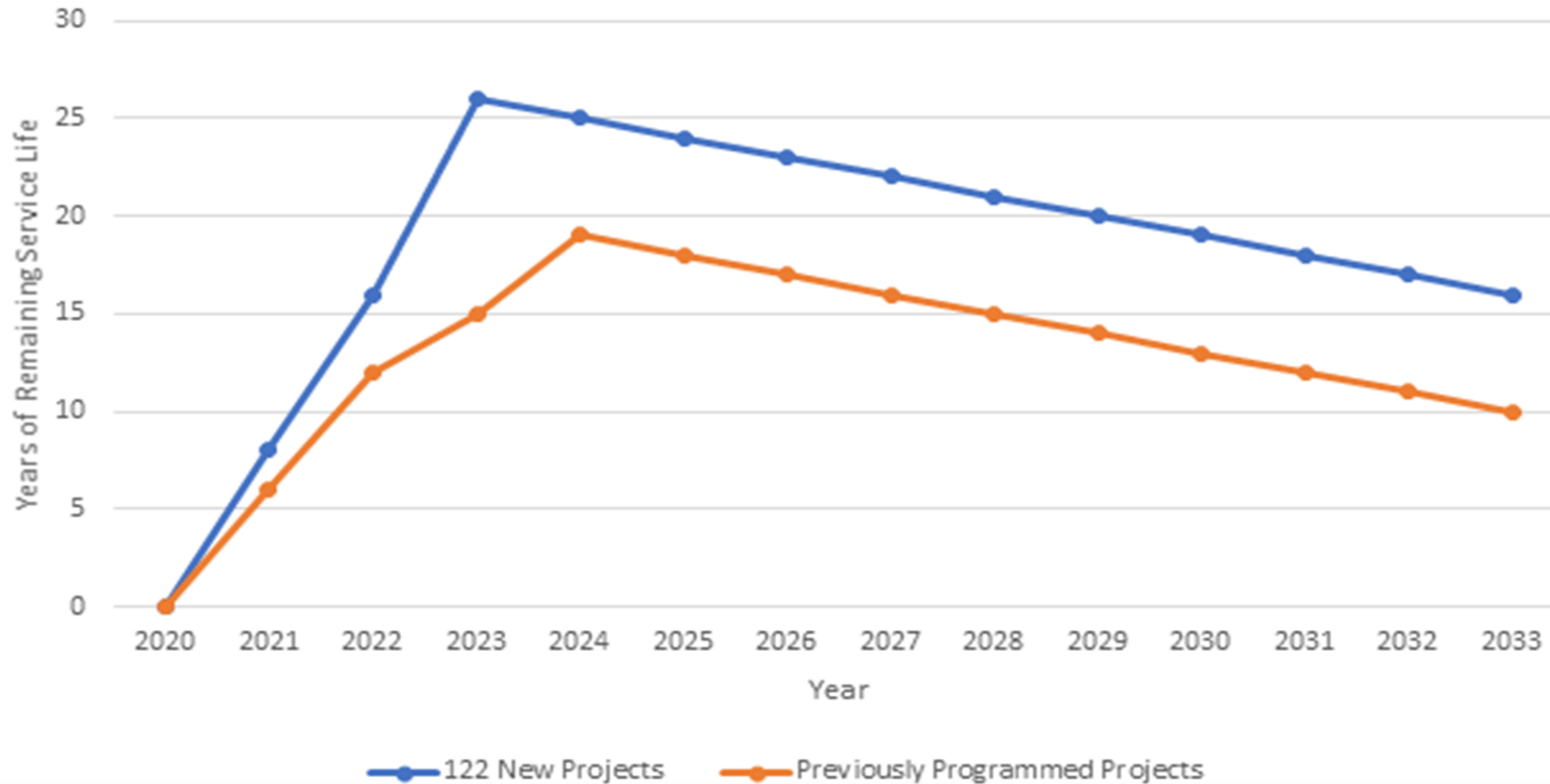
Pavement Life Cycle Comparison Rebuilding Bonded Projects vs Previously Programmed Projects
2020-2033



Rebuilding Michigan



Pavement Life Cycle Comparison Rebuilding New Projects vs Previously Programmed Projects
2020-2033





- Preliminary Finance Plan
 - Bonds Issued over 4-year Period
 - Expected Average Term of approximately 25 Years
 - Based on anticipated Useful Lives of the Projects being Financed
 - Current Rates for 25-year Bonds are 2.5% to 3.5%
- Bonding will Match our Cash Flow needs and the Project Schedules

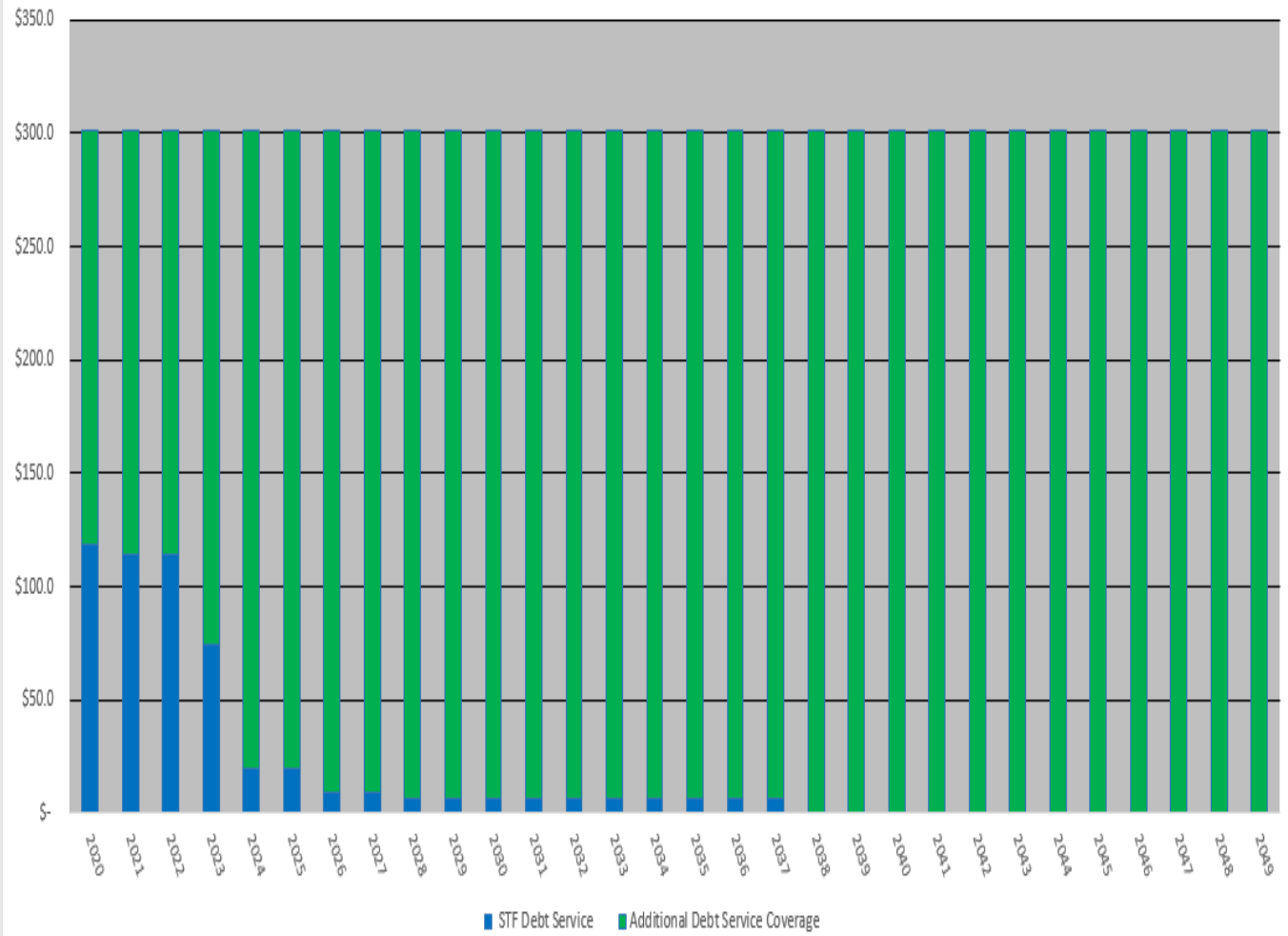


Rebuilding Michigan FY 2020 Example

Debt service coverage and additional capacity calculation	2020
	Revenues Compared to Debt Service
	To Remain within 4x Coverage
Constitutionally Restricted Revenues Transferred by Formula	\$ 1,062,290,000
Additional Constitutionally Restricted Revenues	\$ 141,709,675
Total Constitutionally Restricted Revenues Available for Debt Service: 🔍	\$ 1,203,999,675
Annual Debt Service on Outstanding Bonds	\$ 118,410,519
Debt Service Coverage	10.17
Amount Available after Current Debt Service	\$ 1,085,589,156
Maximum Future Annual Debt Service on Future Bonds and the Outstanding Bonds	\$ 301,000,000
Debt Service Coverage	4.00
Additional Annual Maximum Debt Service Capacity for MDOT to remain at or above 4X coverage	\$ 182,589,481

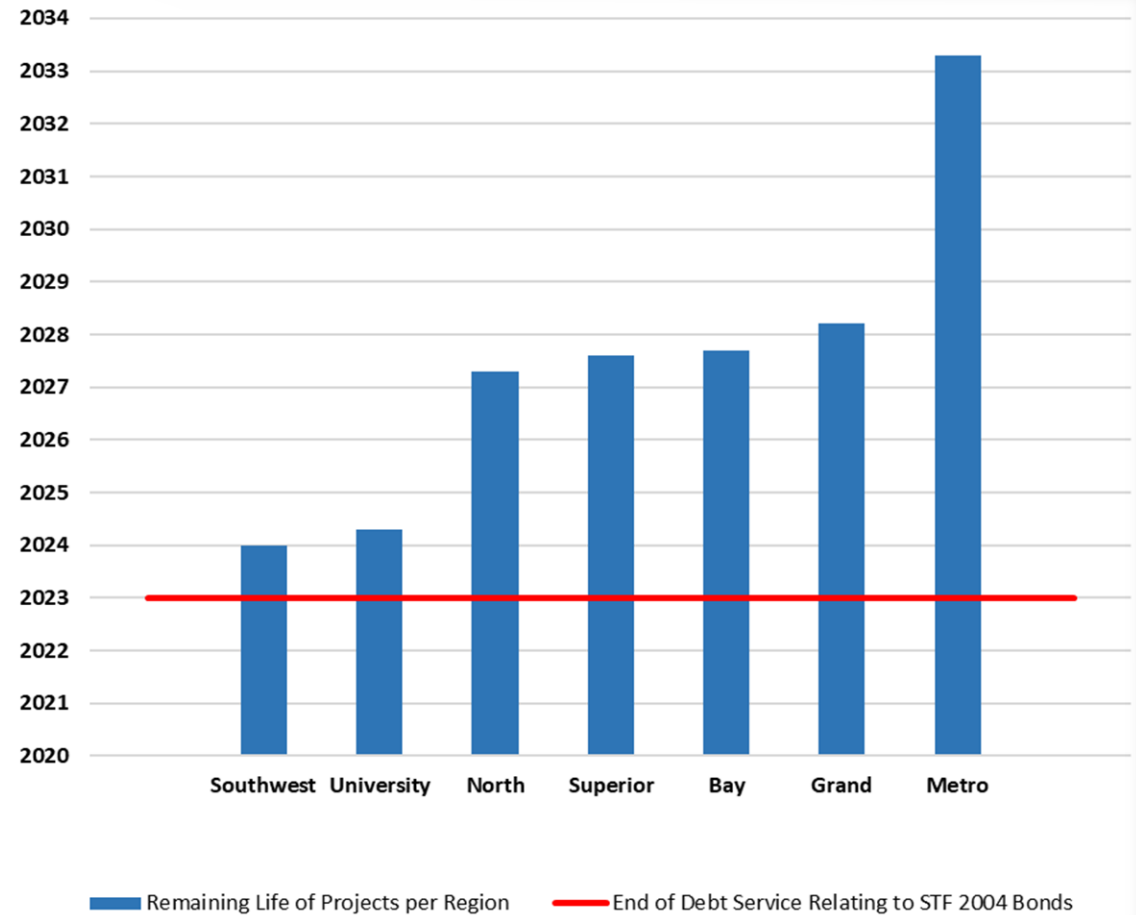


Repayment Schedule of Constitutionally Restricted Revenues for State Trunk Line Fund Debt Service
(in millions)





2004 State Trunk Line Fund Bond Proceeds Remaining Life of Projects by Region

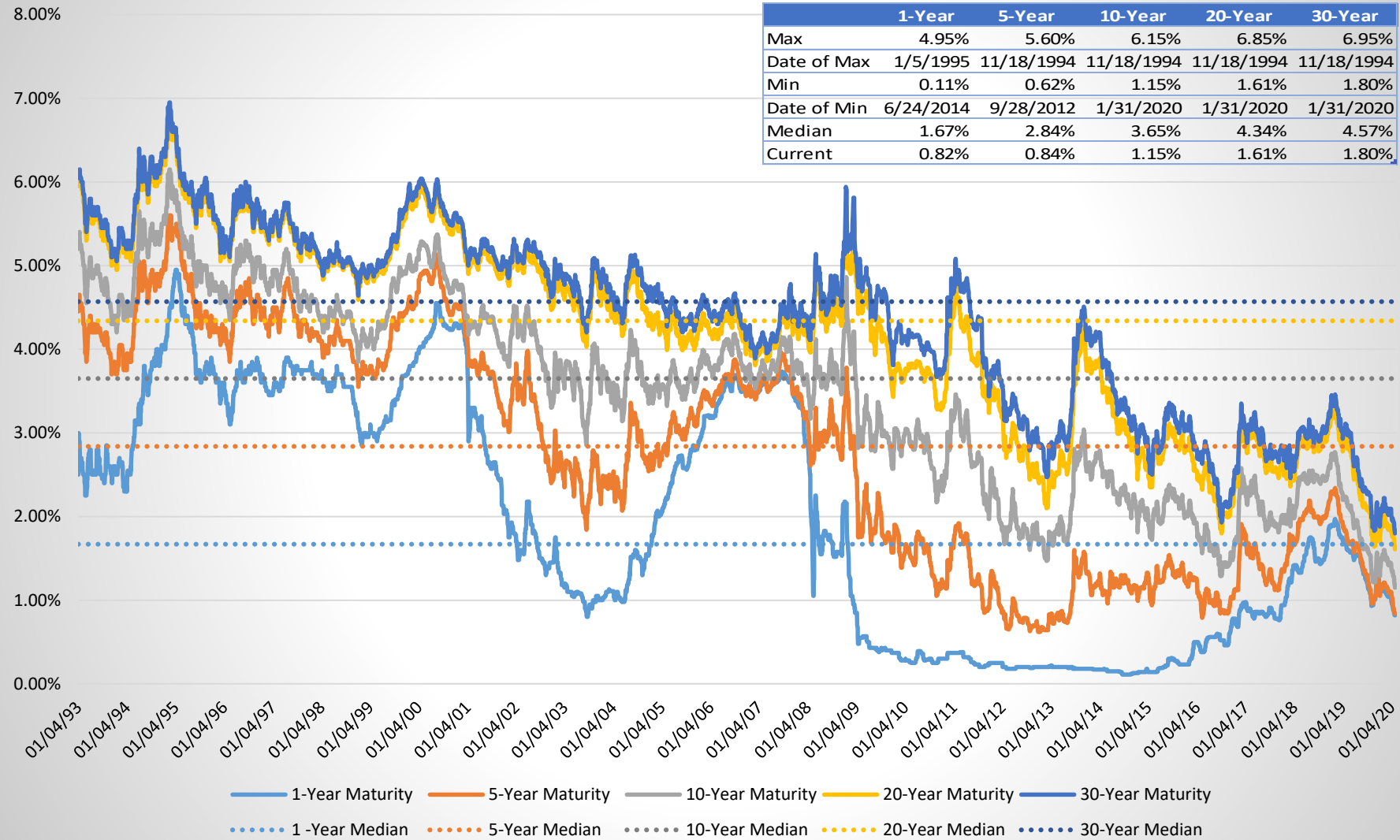


RSL of all the projects on MDOT's list is 7.5. An RSL of 7.5 would extend into 2027 with the remaining debt service for these bonds ending in 2023.

Note: STF 2004 bonds have no remaining debt service, however they were refunded by the STF 2005 refunding and STF 2014 refunding. Chart is for the remaining debt service left on the refunding bonds that relate to the STF 2004 bonds.



AAA General Obligation Yields (1993-2020)

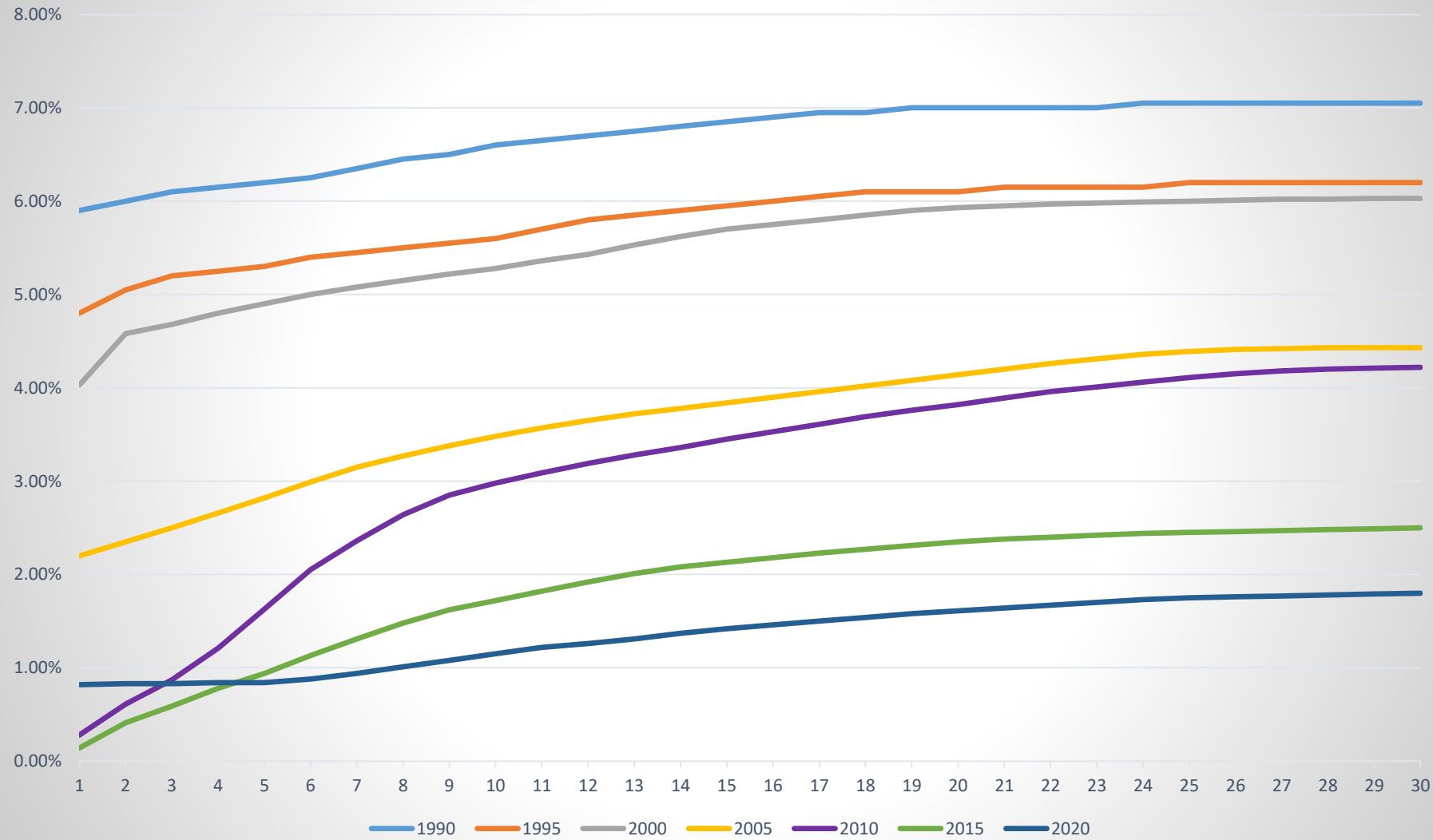


*Current as of 1/31/2020

Source: Thomson Reuters



Historical AAA General Obligation Yield Curves



*Data as of 1/31/XXXX

Source: Thomson Reuters

QUESTIONS?

