

FY 2016-17: DEPARTMENT OF TRANSPORTATION
Summary: As Reported by House Appropriations Committee
Article XVII, House Bill 5294 (H-1)



Analyst: William E. Hamilton

	FY 2015-16 YTD as of 2/10/16	FY 2016-17 Executive	FY 2016-17 House	FY 2016-17 Senate	FY 2016-17 Enacted	Difference: House From FY 2015-16 YTD	
						Amount	%
IDG/IDT	\$3,928,500	\$4,013,400	\$4,013,400			\$84,900	2.2
Federal	1,257,488,000	1,314,744,000	1,314,744,000			57,256,000	4.6
Local	50,293,500	50,418,500	50,418,500			125,000	0.2
Private	100,000	100,000	100,000			0	0.0
Restricted	2,184,391,400	2,745,527,700	2,745,527,700			561,136,300	25.7
GF/GP	400,000,000	10,400,000	0			(400,000,000)	(100.0)
Gross	\$3,896,201,400	\$4,125,203,600	\$4,114,803,600			\$218,602,200	5.6%
FTEs	2,912.3	2,912.3	2,912.3			0.0	0.0

Notes: (1) FY 2015-16 year-to-date figures include mid-year budget adjustments through February 10, 2016. (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). Approximately two-thirds of the revenue in this budget comes 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) and the Comprehensive Transportation Fund (CTF), and to local road agencies. Revenue related to taxes on aviation fuel and aircraft registrations is credited to the State Aeronautics Fund (SAF) for aeronautics programs.

Major Budget Changes From FY 2015-16 YTD Appropriations	FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
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1. Debt Service

Executive decreases debt service to \$237.9 million to reflect anticipated debt service schedules. [Total outstanding transportation-related debt at September 30, 2015, was \$1.8 billion.] House concurs with Executive.

Gross	\$238,860,800	(\$935,500)
Federal	45,766,900	1,000
Restricted	193,093,900	(936,500)

2. Support Services by Other State Departments

Interdepartmental grants (IDGs) authorize the reimbursement of other state departments from restricted transportation funds for services provided to those transportation funds. Executive budget includes \$20.0 million MTF for Department of State vehicle registration tax collection program (unchanged from current year), and \$2.7 million MTF for Department of Treasury motor fuel tax collection program (\$15,900 less than current year). The net increase across all IDG line items reflects economic increases of \$297,600, and a \$516,200 net increase for cost allocation adjustments.

Gross	\$46,506,900	\$813,800
Restricted	46,506,900	813,800

House concurs with Executive.

3. Information Technology

Executive increases baseline funding by \$660,300 to reflect a change in the way the DTMB charges state agencies for IT services, referred to as a Rated Service Model. House concurs with Executive.

Gross	\$31,429,600	\$660,300
Federal	520,500	0
Restricted	30,909,100	660,300

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
4a. State Trunkline Road and Bridge Construction	Gross	\$839,663,400	\$228,513,500
<u>Executive</u> increases state trunkline road and bridge construction/preservation program to \$1.1 billion, \$218.1 million more than the current year. This reflects an increase of \$184.3 million in STF revenue – in part due to increase in baseline MTF revenue and in part due to new revenue from the Road Funding Plan enacted in November, 2015 and effective January 1, 2017. Also reflects a \$15.4 million increase in anticipated federal aid as a result of the <i>FAST Act</i> , the reauthorization of the federal surface transportation program. Also reflects \$18.4 million increase in restricted Blue Water Bridge Fund revenue in anticipation of Blue Water Bridge Plaza project.	Federal	742,277,800	15,437,000
	Local	30,000,000	0
	Restricted	67,385,600	213,076,500
<u>House</u> concurs with <u>Executive</u> with one exception: the <u>House</u> increases STF revenue by \$10.4 million reflecting an anticipated redirection from TEDF, Category A program. The redirection would be made in House Bill 4440.			
4b. State Trunkline Road and Bridge Construction – GF/GP	Gross	\$214,847,250	(\$214,847,250)
Current year budget includes two line items that effectively distribute \$214.8 million GF/GP to the STF for the state trunkline road and bridge program. <u>Executive</u> retains \$10.4 million GF/GP as one-time appropriation during ramp-up of the Road Funding Plan. <u>House</u> does not retain GF/GP funding.	GF/GP	\$214,847,250	(\$214,847,250)
The increase in restricted and federal funds shown in Item 4a, above, and the reduction in GF/GP support described above, result in a net increase to state trunkline road and bridge construction appropriations of \$13.7 million.			
5. Local Federal Aid Road and Bridge Program	Gross	\$240,443,000	\$32,068,000
<u>Executive</u> recognizes the Act 51 mandated suballocation of federal aid highway funds in Michigan to local road agencies. Increase reflects anticipated federal aid revenue as a result of the <i>FAST Act</i> , the reauthorization of the federal surface transportation program. <u>House</u> concurs with <u>Executive</u> .	Restricted	240,443,400	32,068,000
6. Local Bridge Program	Gross	\$26,828,600	\$640,000
<u>Executive</u> and <u>House</u> reflect Act 51 earmarks to this program, including the dedication of one-half cent of the motor fuel tax on gasoline.	Restricted	26,828,600	640,000
7a. MTF to Local Road Agencies	Gross	\$959,033,300	\$283,062,800
<u>Executive</u> and <u>House</u> include an MTF distribution to local road agencies of \$1.2 billion – \$797.5 million to county road commissions, and \$444.6 million to cities/villages. This reflects estimated MTF revenue and the Act 51 statutory formula. The increase in MTF revenue reflects estimates of baseline motor fuel and vehicle registration tax revenue, as well as additional revenue provided through the Road Funding Plan passed November, 2015 and effective January 1, 2017.	Restricted	959,033,300	283,062,800
7b. State and Local Road and Bridge Programs – GF/GP	Gross	\$158,631,650	(\$158,631,650)
Current year budget distributes \$158.6 million GF/GP to local road agencies, \$101.8 million to county road commissions, and \$56.8 million to cities and villages. <u>Executive</u> eliminates this GF/GP distribution. <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$158,631,650	(\$158,631,650)
The increase in restricted MTF revenue shown in Item 7a, above, and the reduction in GF/GP support described above, result in a net increase in the distribution to local road agencies of \$124.4 million.			
8. Rail Grade Surface Crossing – NEW	Gross	\$0	\$3,000,000
<u>Executive</u> and <u>House</u> include \$3.0 million MTF for a new rail grade surface crossing program, established in 2015 PA 175, an amendatory act part of the Road Funding Package enacted November, 2015, and effective January 1, 2017.	Restricted	0	3,000,000

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 House Change
9. Transportation Economic Development Fund (TEDF)	Gross	\$38,770,500	(\$5,523,000)
The current year budget assumes the redirection of \$4.0 million in TEDF revenue, \$2.0 million to the STF and \$2.0 million for Aeronautics programs. <u>Executive</u> budget reflects the end of the redirection of TEDF revenue and the full distribution to TEDF programs in accordance with 1987 PA 231. <u>House</u> redirects \$10.4 million from TEDF, Category A program, to the State trunkline road and bridge construction program. This redirection would be effected in implementation bill, House Bill 4440.	Restricted	38,770,500	(\$5,523,000)
10. Aeronautics Services	FTEs	54.0	0.0
<u>Executive</u> increases of \$768,200 (SAF) reflects increase in dedicated aeronautics revenue from aviation funding package (Public Acts 258 through 262 of 2015). Of this increase, \$518,200 would enhance the department's current aviation support programs; \$250,000 would restore the Air Service Grant Program. <u>House</u> concurs with <u>Executive</u> .	Gross	\$7,039,300	\$768,200
	Restricted	7,039,300	768,200
11. Bus Transit - Local Bus Operating Assistance	Gross	\$167,400,000	\$18,850,000
<u>Executive</u> increases support for state operating assistance to local public transit agencies to \$180.0 million CTF. <u>House</u> increases to \$186.25 million by transferring \$6.25 million from the Transit Capital line, Item #13, below.	Restricted	167,400,000	18,850,000
12. Rail Operations and Infrastructure	Gross	\$103,090,400	\$15,804,400
Supports rail passenger service, including operating support for three Amtrak routes in Michigan, as well as capital assistance for the Detroit-Chicago high speed rail corridor. <u>Executive</u> budget increases CTF support to reflect increased CTF revenue. <u>House</u> concurs with <u>Executive</u> .	Federal	60,100,000	0
	Local	100,000	0
	Private	100,000	0
	Restricted	42,790,400	15,804,800
13. Transit Capital	Gross	\$31,160,800	\$22,746,300
<u>Executive</u> budget reflects anticipated increase in federal funds available through the FAST Act. Increases in baseline CTF reflect amount needed to match available federal transit grants for local transit agencies. <u>House</u> would redirect \$6.25 million CTF from this program to Local Bus Operating, as shown in Item #11, above.	Federal	5,300,000	10,000,000
	Local	1,250,000	0
	Restricted	24,610,800	12,746,300
14. Transit Capital and Rail Infrastructure – GF/GP	Gross	\$25,000,000	(\$25,000,000)
Current year budget includes \$25.0 million GF/GP for transit capital and/or rail infrastructure projects. <u>Executive</u> budget eliminates this GF/GP line. <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$25,000,000	(\$25,000,000)
15a. Airport Improvement Program	Gross	\$95,043,200	\$2,780,800
<u>Executive</u> reflects anticipated federal funding, related local matching funds, and available state restricted SAF revenue for the federal Airport Improvement Program. Net increase of \$2.8 million reflects \$4.8 million increase from aviation funding package (Public Acts 258 through 262 of 2015), less \$2.0 million from elimination of the use of TEDF revenue. [The redirection of TEDF revenue to the SAF in the current year would be made in House Bill 4440.] <u>House</u> concurs with <u>Executive</u> .	Federal	79,000,000	0
	Local	12,508,500	0
	Restricted	3,534,700	2,780,800
15b. Airport Improvement Program – GF/GP	Gross	\$1,521,100	(\$1,521,100)
Current year budget includes \$1.5 million GF/GP to provide matching funds for Airport Improvement Program grants. <u>Executive</u> budget eliminates this GF/GP line. <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$1,521,100	(\$1,521,100)
16. Detroit Metropolitan Wayne County Airport – NEW	Gross	\$0	\$8,775,000
<u>Executive</u> and <u>House</u> reflect new earmark for Detroit Metro Airport and related fund source, the Qualified Airport Fund, established through amendment to the State Aeronautics Code in the aviation funding package (Public Acts 258 through 262 of 2015).	Restricted	0	8,775,000
17. Economic Adjustments	Gross	NA	\$6,979,000
<u>Executive</u> and <u>House</u> reflect increased costs of \$6.9 million Gross (\$0 GF/GP) for negotiated salary and wage increases (1.0% ongoing, 1.5% lump sum), insurance rate increases, actuarially required retirement contributions, and other economic adjustments.	IDG	NA	84,900
	Restricted	NA	6,894,100

<u>Major Budget Changes From FY 2015-16 YTD Appropriations</u>		<u>FY 2015-16 Year-to-Date (as of 2/10/16)</u>	<u>FY 2016-17 House Change</u>
18. End of Five-Year Early Retirement Sick Leave Payouts	Gross	NA	(\$1,441,100)
Recognizes the end of employee accumulated leave-time payouts from the 2010 early retirement incentive, which were spread out over 5 years.	Restricted	NA	(1,441,100)

Major Boilerplate Changes From FY 2015-16

GENERAL SECTIONS (Secs. 201 through 271)

The current year budget act, 2015 PA 84, includes a number of General or standard boilerplate sections: Sec. 201, Total state spending/spending to local units; Sec. 202, Reference to Management and Budget Act; Sec. 203, Abbreviations; Section 204, New or expanded program metrics; Sec. 205, Report on federal law that impacts state law; Sec. 206, Contingency appropriations; Sec. 207, Transparency website; Sec. 208, Use of internet to fulfill reporting requirements; Sec. 209, Preference for American/Michigan goods/services; Sec. 210, Deprived/depressed communities; Sec. 215, Discipline of employees communicating with Legislature; Sec. 228, Report on GF/GP lapses; Sec. 229, Report on restricted fund revenue and balances; Sec. 233, Report on cost of services provided to local units of government; General; Sec. 235, Website metrics/scorecard; Sec. 260, Out-of-state travel report; Sec. 262, Use of attorneys other than the Attorney; Sec. 270, Use of remanufactured parts; Sec. 271, Legacy costs.

Except as noted below, both the Executive and the House retain all of the current year standard sections, in some cases with minor modifications. Note that at the request of the State Budget Office, many of these sections have been renumbered.

Sec. 204. Report on Specific Performance Benchmarks – RETAINED

Requires the department to identify specific performance benchmarks for new programs or program enhancements in excess of \$500,000. Executive deletes. House retains, renumbered as Sec. 233.

Sec. 205. Report on Proposed Federal Rule Changes – RETAINED

Requires the department to notify the Legislature on proposed federal rule changes that would impact state law. Executive deletes. House retains, renumbered as Sec. 217.

Sec. 215. Discipline of Employees Communicating with Legislature – RETAINED

Prohibits the department from disciplining employees for communicating with the legislature. Executive deletes. House retains.

Sec. 233. Report on Costs of Services Provided to Local Units of Government – DELETED

Executive and House delete current report on the cost of services provided to local units of government.

Sec. 270. Remanufactured Parts – DELETED

Executive and House delete intent section on use of remanufactured parts for repair and maintenance of state motor vehicle fleet.

DEPARTMENTAL SECTIONS

Sec. 306. Use of Transportation Funds by Other State Agencies/Biennial Audit – MODIFIED

Current law sets guidelines for use of transportation funds (Interdepartmental grants) by other state agencies; provides reporting requirements and biennial audit. Executive modifies to eliminate biennial audit.

House concurs with Executive in eliminating the audit requirement; directs the Auditor General to use a “risk-based” audit program for the use of transportation funds.

Sec. 308. Report on Prequalification Process – DELETED

Executive and House delete report on the department’s prequalification process.

Sec. 313. State Infrastructure Bank – RETAINED

Allows department to increase and make loans from the State Infrastructure Bank; provides for reporting requirement. Executive eliminates reporting requirement. House retains.

Sec. 319. Rest Area Maintenance – DELETED

Current year requires the department to post signs/telephone numbers for reporting unclean and unsafe conditions at rest areas. Executive and House delete.

Sec. 353. Prompt Payment – RETAINED

Directs department to review contractor payment process; references Special Provision 109.10. Executive deletes. House retains.

Sec. 357. Local Federal Aid Project Review – RETAINED

Current law directs MDOT to complete project reviews within 120 days; requires system for monitoring review process. Executive deletes. House retains.

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

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

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

Current law prohibits the department from studying the association between highway signs and motorist behavior. Executive deletes. House retains.

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

Current law requires the department to use the E-Verify system to verify legal status of contractor and subcontractor new hires. Provides reporting requirement. Executive deletes. House retains.

Major Boilerplate Changes From FY 2015-16

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

Requires the department to submit final bill to the local agency within two years of final payment to construction contractor. In his signing letter dated June 17, 2015, the Governor indicated that this boilerplate section was unenforceable; he considers the section to be in conflict with Act 51 of 1951 local cost sharing requirements.

Executive deletes. House retains.

Sec. 383. Report on Use of State Airfleet – MODIFIED

Requires quarterly report on use of MDOT-owned aircraft; recovery of department costs. Executive deletes subsection that indicates legislative intent that department work with Michigan State Police on employing fixed winged aircraft. House concurs with Executive.

Sec. 393. Best Practices for Public Transportation – MODIFIED

Directs the department to promote best practices in public transportation, including transit vehicle rehabilitation to reduce life-cycle cost. Executive deletes. House retains best practices language, deletes reporting requirement.

Sec. 394. Priority of Preservation – RETAINED

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

Sec. 395. Contingent Use of Capital Trunkline Funds for Maintenance – NEW

Executive and House include new section would allow the use of up to \$10.0 million from the capital road and bridge construction line for highway maintenance activities to support safety-related, high-priority, and other deferred maintenance needs on the state trunkline system.

Sec. 396. Prequalification Process for Contractual Service Contracts – NEW

House includes a new section directing the department to establish a prequalification process for service contract proposals.

MICHIGAN TRANSPORTATION FUND

Sec. 505. Road Innovation Fund Report – NEW

Public Act 175 of 2015, part of the Road Funding Plan passed November, 2015, amended Act 51 to establish a Roads Innovation Task Force and Roads Innovation Fund. Public Act 175 also established a process for "releasing" money from the Roads Innovation Fund, specifically, MDOT could to expend money from the fund "only after each house of the legislature approves a 1-time concurrent resolution on a record roll call vote to release money in the Roads Innovation Fund." Executive and House budgets assume that money in the Roads Innovation Fund will be released and distributed in accordance with the provisions of Section 10 of Act 51. Executive and House budgets also include a new boilerplate section; Section 505 would require the department to prepare a report on the amount of MTF revenue withheld if the Roads Innovation Fund is not released on or before October 1, 2016.

STATE TRUNKLINE FUND

Sec. 601. Road Construction Warranties – DELETED

Current law directs the department to work with the road construction and engineering consulting community on warranty program; identifies warranty considerations; provides a general reporting requirement as well as a report specific to the Auditor General's report on monitoring of warranties. Executive and House delete.

Sec. 603. Traffic Congestion – DELETED

Directs department to consider traffic congestion be used as criteria in project selection. Executive and House delete.

Sec. 610. Dead Deer – DELETED

Current law indicates legislative intent with regard to cleanup of dead deer and other large animal remains. Executive and House delete.

Sec. 612. Incentive/Disincentive – RETAINED

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

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. Executive and House delete.

TRANSIT AND RAIL RELATED FUNDS

Sec. 703. Rail Abandonment Notice – DELETED

Requires notification of Legislature when railroad companies file for abandonment of lines. Executive and House delete.

Sec. 711. Rail Passenger Service (AMTRAK) – RETAINED

Provides for reporting requirement. Executive deletes. House retains, updates date references

Major Boilerplate Changes From FY 2015-16

Sec. 713. Commuter Rail Report – RETAINED

Directs the department to report on status of commuter rail demonstration projects on or before November 1, 2015, including on the disposition of rail cars leased by the department. Executive deletes. House retains, updates date references.

AERONAUTICS FUND

Sec. 802. MDOT-Owned Airports – RETAINED

Legislature encourages the department to find private entities or local public agencies to assume ownership of state owned airports. Executive deletes. House retains.

ONE-TIME ONLY

Sec. 1006. Detroit/Windsor Rail Tunnel – DELETED

Current year requires report on project to construct a new rail tunnel under the Detroit River between Detroit and Windsor Ontario. Executive and House delete.