

FY 2016-17: DEPARTMENT OF TRANSPORTATION
Summary: Conference Report
House Bill 5329 (H-2) CR-1



Analyst: William E. Hamilton

IDG/IDT	FY 2015-16 YTD as of 2/10/16 ⁽¹⁾	FY 2016-17 Executive	FY 2016-17 House ⁽³⁾	FY 2016-17 Senate ⁽⁴⁾	FY 2016-17 Conference	Difference: Conference	
						From FY 2015-16 YTD Amount	%
	\$3,928,500	\$4,013,400	\$4,013,400	\$4,013,400	\$4,013,400	\$84,900	2.2
Federal	1,257,488,000	1,314,744,000	1,314,744,000	1,314,744,000	1,314,744,000	57,256,000	4.6
Local	50,293,500	50,418,500	50,418,500	50,418,500	50,418,500	125,000	0.2
Private	100,000	100,000	100,000	100,000	100,000	0	0.0
Restricted	2,184,391,400	2,745,527,700	2,745,527,700	2,645,527,700	2,736,727,700	552,336,300	25.3
GF/GP	400,000,000	10,400,000	0	10,400,000	8,500,000	(391,500,000)	(97.9)
Gross ⁽²⁾	\$3,896,201,400	\$4,125,203,600	\$4,114,803,600	\$4,025,203,600	\$4,114,503,600	\$218,302,200	5.6%
FTEs	2,912.3	2,912.3	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." (3)"House" reflects House Bill 5294 (H-1) as passed the House, April 27, 2016. (4)"Senate" reflects Senate Bill 800 (S-1) as passed the Senate, May 4, 2016.

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 Conference Change	
1. Debt Service	Gross	\$238,860,800	(\$935,500)
House/Senate/Conference concur with Executive and provide \$237.9 million to reflect anticipated debt service schedules. [Total outstanding transportation-related debt at September 30, 2015, was \$1.8 billion.]	Federal	45,766,900	1,000
	Restricted	193,093,900	(936,500)
2. Support Services by Other State Departments	Gross	\$46,506,900	\$813,800
House/Senate/Conference concur with Executive and provide \$47.3 million for Interdepartmental grants (IDGs) that authorize the reimbursement of other state departments from restricted transportation funds for services provided to those transportation funds. IDGs include \$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.	Restricted	46,506,900	813,800
3. Information Technology	Gross	\$31,429,600	\$660,300
House/Senate/Conference concur with Executive and increase 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.	Federal	520,500	0
	Restricted	30,909,100	660,300

	FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 Conference Change
--	--	---

Major Budget Changes From FY 2015-16 YTD Appropriations

4a. State Trunkline Road and Bridge Construction

Executive budget proposal had increased state trunkline road and bridge construction/preservation program to \$1.1 billion, \$218.1 million more than the current year. This increase reflected 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. Executive budget also reflected a \$15.4 million increase in anticipated federal aid as a result of the *FAST Act*, the reauthorization of the federal surface transportation program; also \$18.4 million increase in restricted Blue Water Bridge Fund revenue in anticipation of Blue Water Bridge Plaza project.

	Gross	\$839,663,400	\$228,513,500
	Federal	742,277,800	15,437,000
	Local	30,000,000	0
	Restricted	67,385,600	213,076,500

House concurred with Executive with one exception: the House increased STF revenue by \$10.4 million reflecting an anticipated redirection from TEDF, Category A program. The redirection would be made in House Bill 4440.

Senate concurs with Executive with one exception: the Senate is \$35.2 million less in STF revenue than the Executive because the Senate does not assume the release of \$100.0 million from the Road Funding Plan "Lockbox" – See note related to Boilerplate Section 505, below.

Conference: Concurs with House.

4b. State Trunkline Road and Bridge Construction – GF/GP

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. Executive retains \$10.4 million GF/GP as one-time appropriation during ramp-up of the Road Funding Plan. House does not retain GF/GP funding for state trunkline road and bridge construction program.

	Gross	\$214,847,250	(\$204,447,250)
	GF/GP	\$214,847,250	(\$204,447,250)

Senate concurs with Executive and retains \$10.4 million in GF/GP support.

Conference: Concurs with House.

5. Local Federal Aid Road and Bridge Program

Conference concurs with Executive and 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 *FAST Act*, the reauthorization of the federal surface transportation program.

	Gross	\$240,443,000	\$32,068,000
	Restricted	240,443,400	32,068,000

6. Local Bridge Program

Conference concurs with Executive and reflects Act 51 earmarks to this program.

	Gross	\$26,828,600	\$640,000
	Restricted	26,828,600	640,000

7a. MTF to Local Road Agencies

Executive budget had included 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 distribution reflected 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. House concurred with Executive.

	Gross	\$959,033,300	\$283,062,800
	Restricted	959,033,300	283,062,800

Senate included less MTF revenue than the Executive - \$35.2 million less for county road commissions and \$19.6 million less for cities and villages – because the Senate bill did not assume the release of \$100.0 million from the Road Funding Plan "Lockbox" – See note related to Boilerplate Section 505, below.

Conference: Concurs with House.

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 Conference Change
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.	GF/GP	\$158,631,650	(\$158,631,650)
<u>House/Senate/Conference</u> concur with <u>Executive</u> and eliminate this GF/GP distribution.			
8. Rail Grade Surface Crossing – NEW	Gross	\$0	\$3,000,000
<u>House/Senate/Conference</u> concur with <u>Executive</u> and 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
9. Transportation Economic Development Fund (TEDF)	Gross	\$38,770,500	(\$14,322,900)
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 assumed the end of the redirection of TEDF revenue and the full distribution to TEDF programs in accordance with 1987 PA 231. <u>Senate</u> concurred with the <u>Executive</u> .	Restricted	38,770,500	(\$14,322,900)
<u>House</u> redirected \$10.4 million from TEDF, Category A program, to the State trunkline road and bridge construction program.			
<u>Conference</u> concurs with the <u>House</u> and redirects \$10.4 million from TEDF, Category A program, to the State trunkline road and bridge construction program. This redirection is reflected in <u>House Bill 4440 (H-4)</u> . <u>Conference</u> also reflects the Leadership Target decision to redirect an additional \$9.4 million from the TEDF Category A to the state General Fund. This fund shift would be made in <u>House Bill 5706</u> .			
10. Aeronautics Services	FTEs	54.0	0.0
<u>House/Senate/Conference</u> concur with <u>Executive</u> and provide \$768,200 (SAF) increases to reflect 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.	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> recommended an increase in state operating assistance to local public transit agencies to \$180.0 million CTF. <u>Senate</u> includes \$170.0 million CTF, \$10.0 million less than <u>Executive</u> , because the <u>Senate</u> does not assume the release of \$100.0 million from the Road Funding Plan "Lockbox" – See note related to Boilerplate Section 505, below.	Restricted	167,400,000	18,850,000
<u>House</u> increased funding to \$186.25 million by transferring \$6.25 million CTF from the Transit Capital line.			
<u>Conference</u> concurs with <u>House</u> .			
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/Senate/Conference</u> concur 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 <i>FAST Act</i> . Increases in baseline CTF reflect amount needed to match available federal transit grants for local transit agencies. <u>Senate</u> concurs with <u>Executive</u> .	Federal	5,300,000	10,000,000
	Local	1,250,000	0
	Restricted	24,610,800	12,746,300
<u>House</u> would redirect \$6.25 million CTF from this program to <i>Local Bus Operating</i> , as shown in Item #11, above.			
<u>Conference</u> concurs with <u>House</u> .			

Major Budget Changes From FY 2015-16 YTD Appropriations		FY 2015-16 Year-to-Date (as of 2/10/16)	FY 2016-17 Conference Change
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/Senate/Conference</u> concur 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. <u>House/Senate/Conference</u> concur 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/Senate/Conference</u> concur 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> budget includes 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). <u>House/Senate/Conference</u> concur with <u>Executive</u> .	Restricted	0	8,775,000
17. Special Grants (One-time) – NEW	Gross	\$0	\$8,500,000
<u>Conference</u> includes a new one-time line item to reflect Leadership target designation of three GF/GP funded road improvement projects: Right of way acquisition for US-31 in Berrien County; upgrading Weston road and Rodesiler highway in Lenawee county to provide an all-season truck route between M-52 and US-223; establishing access between M-53 and US 233 in Macomb County.	GF/GP	\$0	\$8,500,000
18. Economic Adjustments	Gross	NA	\$6,979,000
<u>Conference</u> concurs with <u>Executive/House/Senate</u> and reflects 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
19. End of Five-Year Early Retirement Sick Leave Payouts	Gross	NA	(\$1,441,100)
<u>Conference</u> concurs with <u>Executive/House/Senate</u> and 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 General; Sec. 270, Use of remanufactured parts; Sec. 271, Legacy costs.

Except as noted below, the Conference report retains 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. 233. Report on Costs of Services Provided to Local Units of Government – DELETED

House/Senate/Conference delete current report on the cost of services provided to local units of government.

Major Boilerplate Changes From FY 2015-16

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. Conference concurs with House and modifies to eliminate biennial audit and require a "risk-based" audit program.

Sec. 308. Report on Prequalification Process – DELETED

Conference concurs with House/Senate and deletes report on the department's prequalification process.

Sec. 319. Rest Area Maintenance – RETAINED

Current year requires the department to post signs/telephone numbers for reporting unclean and unsafe conditions at rest areas. House concurs with Executive and deletes. Conference concurs with Senate and retains.

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

Requires quarterly report on use of MDOT-owned aircraft; recovery of department costs. House had concurred with Executive and deleted subsection that indicates legislative intent that department work with Michigan State Police on employing fixed winged aircraft. Conference concurs with Senate and includes reporting requirement related to the subsection regarding MDOT/MSP fixed wing aircraft.

Sec. 393. Best Practices for Public Transportation – RETAINED

Directs the department to promote best practices in public transportation, including transit vehicle rehabilitation to reduce life-cycle cost. House retained subsection 1, but deleted a reporting requirement. Conference concurs with Senate and retains reporting requirement.

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

House/Senate/Conference concur with Executive and include new section that 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. Solicitation of Proposals for Contractual Services – NEW

Conference includes modified House language that would direct the department to obtain assurance that contractors can perform proposed services.

MICHIGAN TRANSPORTATION FUND

Sec. 505. Road Innovation Fund Report ("Lockbox") – 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." House budget assumes that \$100.0 million in Roads Innovation Fund money will be released and distributed in accordance with the provisions of Section 10 of Act 51; Senate budget did not assume the release. Conference concurs with House and assumes the release of the "lockbox" money.

House/Senate/Conference include new boilerplate section, Section 505, that 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 – RETAINED

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. House concurs with Executive and deletes. Conference concurs with Senate and retains.

Sec. 603. Traffic Congestion – DELETED

Directs department to consider traffic congestion as criteria in project selection. Conference concurs with House and deletes.

Sec. 610. Dead Deer – RETAINED

Current law indicates legislative intent with regard to cleanup of dead deer and other large animal remains. House concurs with Executive and deletes. Conference concurs with Senate and retains.

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. House/Senate/Conference retain.

Sec. 660. Use of Alternative Materials – MODIFIED

Encourages the department to examine the use of alternative road surface materials; use of crumb rubber from tires. Executive and House delete. Senate retains. Conference retains subsections 1 and 3; deletes subsection 3 dealing with crumb rubber.

Major Boilerplate Changes From FY 2015-16

TRANSIT AND RAIL RELATED FUNDS

Sec. 703. Rail Abandonment Notice – RETAINED

Requires notification of Legislature when railroad companies file for abandonment of lines. House concurs with Executive and deletes. Conference concurs with Senate and retains.

Sec. 704. Rail Operations and Infrastructure Report – NEW

Conference includes new Senate reporting requirement.

Sec. 705. City of Woodhaven Grade Separation – NEW

Conference includes new Senate intent language.

Sec. 706. Detroit/Wayne County Port Authority – MODIFIED

Conference modifies report due date to June 30.

Sec. 713. Commuter Rail Report – DELETED

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. Conference concurs with Senate and deletes.

AERONAUTICS FUND

Sec. 803. Third-party Management of MDOT Aircraft – NEW

Conference includes Senate language directing the department to request proposals for third party management of department aircraft.

ONE-TIME ONLY

Sec. 1001. Special Grants – NEW

Conference includes section specifying special road improvement project grants:

Berrien County – US-31 right of way acquisition; Lenawee County – Upgrading Weston Road and Rodesiler Highway to provide an all-season truck route between M-52 and US-223; Macomb County – M-53 at 33 Mile road access.

Sec. 1006. Detroit/Windsor Rail Tunnel – DELETED

Conference concurs with House/Senate and deletes report on project to construct a new rail tunnel under the Detroit River between Detroit and Windsor Ontario.