

**Summary: Executive Budget Recommendation
for Fiscal Year 2016-17
DEPARTMENT OF TRANSPORTATION**



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	FY 2015-16 Year-to-Date as of 2/10/16	FY 2016-17 Executive	Difference: FY 2016-17 Vs. FY 2015-16	
			Amount	%
IDG/IDT	3,928,500	4,013,400	84,900	2.2
Federal	1,257,488,000	1,314,744,000	57,256,000	4.6
Local	50,293,500	50,418,500	125,000	0.2
Private	100,000	100,000	0	
Restricted	2,184,391,400	2,745,527,700	561,136,300	25.7
GF/GP	400,000,000	10,400,000	(389,600,000)	(97.4)
Gross	\$3,896,201,400	\$4,125,203,600	\$229,002,200	5.9%
FTEs	2,912.3	2,912.3	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 Year-to-Date (YTD) Appropriations		FY 2015-16 YTD (as of 2/10/16)	Executive Change from YTD
1. Debt Service	Gross	\$238,860,800	(\$935,500)
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.]	Federal	45,766,900	1,000
	Restricted	193,093,900	(936,500)
2. Information Technology	Gross	\$31,429,600	\$660,300
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.	Federal	520,500	0
	Restricted	30,909,100	660,300
3a. State Trunkline Road and Bridge Construction	Gross	\$839,663,400	\$218,113,500
Increases the capital 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 FAST Act, 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	202,676,500
3b. State Trunkline Road and Bridge Construction - GF/GP	Gross	\$214,847,250	(\$204,447,250)
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. Executive budget retains \$10.4 million GF/GP as one-time appropriation during ramp-up of the Road Funding Plan.	GF/GP	\$214,847,250	(\$204,447,250)

4. Local Federal Aid Road and Bridge Program	Gross	\$240,443,000	\$32,068,000
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.	Restricted	240,443,400	32,068,000
5. Local Bridge Program	Gross	\$26,828,600	\$640,000
Reflects 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
6a. MTF to Local Road Agencies	Gross	\$959,033,300	\$283,062,800
Increases MTF distribution to local road agencies to \$1.2 billion – \$797.5 million to county road commissions, and \$444.6 million to cities/villages – reflecting estimated MTF revenue and Act 51 statutory distribution. 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
6b. State and Local Road and Bridge Programs – GF/GP	Gross	\$158,631,650	(\$158,631,650)
Current year budget effectively 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. Executive budget eliminates this GF/GP distribution.	GF/GP	\$158,631,650	(\$158,631,650)
7. Rail Grade Surface Crossing – NEW	Gross	\$0	\$3,000,000
Includes \$3.0 million MTF for a new rail grade surface crossing program, established in 2015 PA 175, an amendatory act which was part of the Road Funding Package enacted November, 2015 and effective January 1, 2017.	Restricted	0	3,000,000
8. Transportation Economic Development Fund (TEDF)	Gross	\$38,770,500	\$4,877,000
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. Executive budget reflects the end of the redirection of TEDF revenue and the full distribution to TEDF programs in accordance with 1987 PA 231.	Restricted	38,770,500	4,877,000
9. Aeronautics Services	FTEs	54.0	0.0
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.	Gross	\$7,039,300	\$768,200
	Restricted	7,039,300	768,200
10. Bus Transit - Local Bus Operating Assistance	Gross	\$167,400,000	\$12,600,000
Increases support for state operating assistance to local public transit agencies to \$180.0 million CTF.	Restricted	167,400,000	12,600,000
11. 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. Executive budget increases CTF support to reflect increased CTF revenue. The department indicates that increased funding may be used for rail economic development projects. [See related Item #13, below.]	Federal	60,100,000	0
	Local	100,000	0
	Private	100,000	0
	Restricted	42,790,400	15,804,800
12. Transit Capital	Gross	\$31,160,800	\$28,996,300
Reflects anticipated increase in federal funds available through the <i>FAST Act</i> , increases baseline CTF support to reflect anticipated CTF revenue and the amount needed to match available federal transit grants local transit agencies. [See related Item #13, below.]	Federal	5,300,000	10,000,000
	Local	1,250,000	0
	Restricted	24,610,800	18,996,300
13. 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. Executive budget eliminates this GF/GP line.	GF/GP	\$25,000,000	(\$25,000,000)
14a. Airport Improvement Program	Gross	\$95,043,200	\$2,780,800
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.]	Federal	79,000,000	0
	Local	12,508,500	0
	Restricted	3,534,700	2,780,800

14b. 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. Executive budget eliminates this GF/GP line.	GF/GP	\$1,521,100	(\$1,521,100)
15. Detroit Metropolitan Wayne County Airport – NEW	Gross	\$0	\$8,775,000
Reflects 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
16. Economic Adjustments	Gross	N/A	\$6,979,000
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	N/A	84,900
	Restricted	N/A	6,894,100
17. End of Five-Year Early Retirement Sick Leave Payouts	Gross	N/A	(\$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	N/A	(1,441,100)

Major Boilerplate Changes From FY 2015-16

Sec. 303. Contingent Use of Capital Trunkline Funds for Maintenance - NEW

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. 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 a Roads Innovation Fund. Public Act 175 also established a process for “releasing” money from the Roads Innovation Fund, specifically, the Michigan Department of the Transportation 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.*” The Executive budget assumes that money in the Roads Innovation Fund will be released and distributed in accordance with the provisions of Section 10 of Act 51. However, the Executive budget also includes a boilerplate section requiring a report if the funds are not released. 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.