

**Summary: Executive Budget Recommendation
for Fiscal Years 2013-14 and 2014-15
DEPARTMENT OF TRANSPORTATION**



Analyst: William E. Hamilton

	FY 2012-13 Year-to-Date as of 2/7/13	FY 2013-14 Executive	Difference: FY 2013-14 Vs. FY 2012-13		FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14	
			Amount	%		Amount	%
IDG/IDT	\$3,531,900	\$3,625,100	\$93,200	2.6	\$3,702,700	\$77,600	2.1
Federal	1,221,830,100	1,198,885,500	(22,944,600)	(1.9)	1,198,699,700	(185,800)	0.0
Local	52,080,200	50,177,100	(1,903,100)	(3.7)	50,177,100	0	0.0
Private	100,000	100,000	0.0	0.0	100,000	0	0.0
Restricted	2,165,895,300	3,321,999,900	1,156,104,600	53.4	3,345,365,600	23,365,700	0.7
GF/GP	23,000,000	0	(23,000,000)	(100.0)	0	0	--
Gross	\$3,466,437,500	\$4,574,787,600	\$1,108,350,100	32.0	\$4,598,045,100	\$23,257,500	0.5
			0				
FTEs	2,918.3	2,918.3	0.0	0.0	2,918.3	0.0	0.0

Notes: (1) FY 2012-13 year-to-date figures include mid-year budget adjustments through February 7, 2013. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2014-15 figures are projected budget amounts only and would not be legally binding appropriations. (4) Budget changes described below are based on the "Schedule of Program" sections included in the Executive Budget; amounts listed in those schedules are informational in nature and could be potentially adjusted administratively, without legislative approval, within the larger line items into which programs have been rolled up.

Overview

The 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. Almost all the state-restricted revenue in this budget is constitutionally restricted – from motor fuel taxes and vehicle registration taxes. Most of this revenue 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 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
1. State Trunkline Maintenance	FTEs	808.7	0.0	0.0
Recognizes economic adjustments of \$2.3 million; increase in baseline revenue from proposed funding package, \$10.0 million.	Gross	\$273,395,700	\$12,293,800	\$0
	Restricted	273,395,700	12,293,800	0
2. State Trunkline Road and Bridge Construction	Gross	\$941,053,200	(\$100,068,000)	(\$4,860,800)
Reflects end of sales tax revenue shift from GF/GP to STF made in 2012 PA 225 (\$100.0 million); shift of driver's license fee revenue from STF to new Basic Industry Logistics Transportation (BILT) fund, (\$12.0 million); other STF revenue adjustments, (\$13.9 million); recognizes \$25.8 million in Blue Water Bridge (BWB) Fund revenue for BWB Plaza project.	Federal	742,092,000	0	0
	Local	30,000,000	0	0
	Restricted	168,961,200	(100,068,000)	(4,860,800)

FY 2014-15 reflects estimated STF revenue.

		Executive Changes			
Major Budget Changes From FY 2012-13 YTD Appropriations		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15	
3. Local Federal Aid Road and Bridge Construction		Gross	\$240,443,000	\$938,685,200	(\$400)
Line currently used as placeholder for estimated federal aid revenue earmarked for local federal aid programs. Executive proposes rolling current county road commission and city/village MTF funding into this line through new Act 51 funding formula.		Federal	240,443,000	0	0
		Restricted	0	938,685,200	(400)
FY 2014-15 reflects minor revenue estimate adjustment.					
4. Local Bridge Program		Gross	\$26,763,700	(\$26,763,700)	\$0
Executive proposes elimination of this Act 51 earmark, effectively rolling into <i>Local federal aid and road and bridge construction</i> line item. (See above)		Restricted	26,763,700	(26,763,700)	0
5. MTF to Local Road Agencies		Gross	\$898,485,400	(\$898,485,400)	\$0
Executive proposes rolling up Act 51 MTF distribution to county road commissions, (\$576.9 million in current year), and cities/villages, (\$321.6 million in current year), into <i>Local federal aid and road and bridge construction</i> line item. (See above)		Restricted	898,485,400	(898,485,400)	0
6. Local Program Fund		Gross	\$33,000,000	(\$33,000,000)	\$0
Executive proposes elimination of this Act 51 earmark, effectively rolling into <i>Local federal aid and road and bridge construction</i> line item. (See above)		Restricted	33,000,000	(33,000,000)	0
7. Commercial Corridor Fund – NEW		Gross	\$0	\$1,131,779,300	\$16,781,500
Proposed increases to motor fuel taxes and vehicle registration taxes would generate an estimated \$1.236 billion in additional dedicated revenue for transportation programs. Executive proposes new fund, the Commercial Corridor Fund, as the recipient of most of this new revenue under a new distribution formula. The fund is identified as a "pass through mechanism by which funds will be distributed to state and local road agencies." Distribution method has not yet been identified.		Restricted	0	1,131,779,300	16,781,500
FY 2014-15 adjustment reflects estimated available revenue.					
8. Basic Industry Logistics Transportation (BILT) – NEW		Gross	\$0	\$58,259,700	(\$1,319,400)
Executive proposes new fund/program reflecting proposed revenue package and distribution formula. The fund would replace the Transportation Economic Development Fund and Rail Grade Crossing program. BILT would be competitive grant program to finance "transportation improvements that support private investment in the areas of manufacturing, tourism, and agriculture."		Restricted	0	58,259,700	(1,319,400)
FY 2014-15 adjustment reflects estimated available revenue.					
9. Rail Grade Crossing		Gross	\$3,000,000	(\$3,000,000)	\$0
Executive proposes elimination of this Act 51 earmark, effectively rolling into new BILT program. (See below)		Restricted	3,000,000	(3,000,000)	0
10. Transportation Economic Development Fund (TEDF)		Gross	\$32,058,200	(\$32,058,200)	\$0
Executive proposes elimination of program; effectively replaced by new BITL program. (See above)		Restricted	32,058,200	(32,058,200)	0
11. Aeronautics Services		FTEs	54.0	0.0	0.0
Reflects economic adjustments, \$166,600; adjustment to estimated SAF revenue, (\$779,200) including reduction of <i>Air service</i> grant program from \$700,000 to \$301,200.		Gross	\$8,268,500	(\$612,600)	(\$1,952,800)
		Restricted	8,268,500	(612,600)	(1,952,800)
FY 2014-15 reflects estimated available SAF revenue.					

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		<u>Executive Changes</u>			
		<u>FY 2012-13 YTD (as of 2/7/13)</u>	<u>FY 2012-13 to FY 2013-14</u>	<u>FY 2013-14 to FY 2014-15</u>	
12. Bus Transit - Local Bus Operating Assistance		Gross	\$166,624,000	\$14,527,800	\$0
Provides state operating assistance to local public transit agencies; current year CTF funding unchanged since FY 2006-07. Executive proposes increase in baseline funding reflecting additional revenue from proposed funding package.		Restricted	166,624,000	14,527,800	0
13. Bus Transit - Non-Urban Operating/Capital		Gross	\$22,787,900	\$2,400,000	\$0
Recognizes federal non-urban transit grants; reflects MAP-21 funding levels.		Federal	21,987,900	1,200,000	0
		Local	800,000	1,200,000	0
14. Discretionary State Operating – NEW		Gross	\$0	\$5,400,000	\$0
The statutory formula for distributing local bus operating assistance favors transit agencies that generate local funds to support transit operations; reduced local funding for transit agency operations generally results in reduced state operating assistance as well. Because of the way the state operating assistance is calculated, anticipated reductions in Detroit general fund support for the Detroit Department of Transportation (DDOT) will also reduce the amount of state assistance provided to other urban transit agencies. The Executive proposes additional CTF funding for those urban transit agencies affected by the reduction in Detroit general fund support for DDOT.		Restricted	0	5,400,000	0
(See Supplemental request, below)					
15. Freight Property Management		Gross	\$1,000,000	\$1,000,000	\$0
Program to maintain state-owned rail facilities. Increase in CTF funding for baseline program provided by proposed revenue package.		Restricted	1,000,000	1,000,000	0
16. Intercity Services		Gross	\$7,690,000	(\$1,750,000)	\$1,000,000
Supports intercity bus service through operating and capital assistance. Increase in FY 2014-15 CTF funding reflects proposed revenue package.		Federal	4,500,000	0	0
		Local	50,000	0	0
		Restricted	3,140,000	(1,750,000)	1,000,000
17. Rail Operations and Infrastructure		Gross	\$24,592,000	\$27,042,900	\$0
Supports rail passenger and rail freight programs. Of the proposed funding increase, \$19.3 million (CTF) reflects new state funding required under federal law for AMTRAK Wolverine (Pontiac-Detroit-Chicago) service – service previously provided without cost to the state as part of AMTRAK national system. Additional \$7.7 million CTF increase in baseline program provided by proposed revenue package.		Federal	3,100,000	0	0
		Local	100,000	0	0
		Private	100,000	0	0
		Restricted	21,292,000	27,042,900	0
Current year funding also includes a separate one-time appropriation of \$11.0 million GF/GP to match federal rail passenger and/or rail freight program grants.					
(See Item #33, below)					
18. Marine Passenger Service		Gross	\$400,000	\$0	\$600,000
No change proposed for FY 2013-14; increase in CTF funding in FY 2014-15 reflects additional funding from proposed revenue package		Restricted	400,000	0	600,000
19. Terminal Development		Gross	\$461,000	\$689,000	\$1,000,000
Increase in baseline program; increase in CTF reflects proposed revenue package.		Restricted	461,000	689,000	1,000,000
20. Rural/Urban Intercity Connector – NEW		Gross	\$0	\$1,200,000	\$0
Program detail not yet available; increase in CTF reflects proposed revenue package.		Restricted	0	1,200,000	0

Major Budget Changes From FY 2012-13 YTD Appropriations		Executive Changes		
		FY 2012-13 YTD (as of 2/7/13)	FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
21. Rail Infrastructure Assistance – NEW	Gross	\$0	\$10,000,000	\$0
Program detail not yet available; increase in CTF reflects proposed revenue package.	Restricted	0	10,000,000	0
22. Specialized Services	Gross	\$8,913,800	\$14,578,100	\$0
Supports transit programs for elderly and disabled citizens.	Federal	2,485,000	7,415,000	0
Adjusts federal and local revenue to reflect MAP-21 funding; increase in CTF reflects proposed revenue package.	Local	2,485,000	1,700,000	0
	Restricted	3,943,800	5,463,100	0
23. Municipal Credit Program	Gross	\$2,000,000	(\$2,000,000)	\$0
Eliminates current Act 51 earmark for transit services in Southeast Michigan reflecting proposed new distribution formula.	Restricted	2,000,000	(2,000,000)	0
24. Bus Capital/Transit Capital	Gross	\$66,942,900	(\$34,797,600)	\$3,500,000
Provides matching funds for federal transit grants to local transit agencies. Adjusts federal and local sources to reflect MAP-21 funding; CTF reflects proposed revenue package.	Federal	28,300,000	(23,300,000)	0
	Local	5,000,000	(3,750,000)	0
	Restricted	33,642,900	(7,747,600)	3,500,000
Current year funding also includes a separate one-time appropriation of \$12.0 million GF/GP to match federal transit capital grants. (See Item #32, below)				
25. Van Pooling	Gross	\$807,000	\$989,800	\$0
Provides increased state CTF funds for matching federal transit grants.	Restricted	807,000	989,800	0
26. Service Initiatives	Gross	\$1,865,000	(\$182,100)	\$0
CTF revenue used for matching federal grants.	Federal	1,150,000	0	0
	Local	200,000	0	0
<i>In addition to the figures shown for FY 2012-13 YTD, an additional \$250,000 CTF was appropriated in 2012 PA 387 to support the establishment of a Regional Transit Authority in Southeast Michigan.</i>	Restricted	515,000	(182,100)	0
27. Transportation to Work	Gross	\$9,700,000	(\$2,618,400)	\$0
Adjusts federal and local revenue to reflect MAP-21 funding; increase in CTF reflects proposed revenue package.	Federal	2,700,000	(2,700,000)	0
	Local	2,300,000	(2,300,000)	0
	Restricted	4,700,000	2,381,600	0
28. Regionalization Incentives – NEW	Gross	\$0	\$5,284,700	\$0
Program detail not yet available; increase in CTF reflects proposed revenue package.	Restricted	0	5,284,700	0
29. Urban Modernization – NEW	Gross	\$0	\$50,540,200	\$2,181,400
Program detail not yet available; increase in CTF reflects proposed revenue package.	Restricted	0	50,540,200	2,181,400
30. Airport Improvement Program	Gross	\$107,733,200	(\$14,421,800)	(\$1,336,900)
Reflects anticipated federal funding, related local matching funds, and available state restricted SAF revenue for the federal Airport Improvement Program. Estimated SAF revenue includes \$540,000 in additional revenue from a proposed increase in aircraft registration taxes. However, net SAF revenue will fall in FY 2013-14 due to the end of one-time redirection of sales tax revenue from the General Fund to the SAF (\$10.0 million). This redirection was made in 2012 PA 226	Federal	82,183,100	(3,605,100)	0
	Local	11,145,200	1,246,900	0
	Restricted	14,404,900	(12,063,600)	(1,336,900)
FY 2014-15 reflects estimated SAF revenue.				
31. State Employee Lump-Sum Payment	Gross	\$3,260,800	(\$3,260,800)	\$0
Eliminates one-time appropriation for negotiated one-time lump sum payments to state employees.	IDG	14,800	(14,800)	0
	Restricted	3,246,000	(3,246,000)	0

<u>Major Budget Changes From FY 2012-13 YTD Appropriations</u>		FY 2012-13 YTD (as of 2/7/13)	Executive Changes	
			FY 2012-13 to FY 2013-14	FY 2013-14 to FY 2014-15
32. Federal Match – Transit Capital	Gross	\$12,000,000	(\$12,000,000)	\$0
Eliminates one-time General Fund item.	GF/GP	\$12,000,000	(\$12,000,000)	\$0
33. Federal Match – Rail Operations/Infrastructure	Gross	\$11,000,000	(\$11,000,000)	\$0
Eliminates one-time General Fund item.	GF/GP	\$11,000,000	(\$11,000,000)	\$0
34. Economics	Gross	N/A	\$11,230,400	\$7,662,600
Reflects increased costs of \$11.2 million for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially-required retirement rate increases, and other economic adjustments. These adjustments are reflected in the line item changes described above.	IDG	N/A	108,000	77,600
	Restricted	N/A	11,122,400	7,585,000

Additional \$7.7 million increase projected for FY 2014-15.

Major Boilerplate Changes From FY 2012-13

NOTE: No boilerplate language proposed specific to FY 2014-15.

Sec. 308. Contract Compliance – DELETED

Requires MDOT and local road agencies pursue compliance with contract specifications for construction and maintenance; provides for sanctions for unsatisfactory contractors; prohibits department from reducing or restricting a contractor's prequalification until all administrative appeals had been exhausted.

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 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. 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. 384. New International Trade Crossing (NITC) – DELETED

Restricts spending on Detroit-Windsor crossing project.

Sec. 385. Private Facility Toll Credits – DELETED

Requires use of toll credits earned from private toll facilities to match available federal funds; restricts use.

Sec. 401. Federal Aid Distribution Report – DELETED

Requires department to notify local agencies, Legislature, and state budget director on proposed distribution of federal funds between state and local units.

Sec. 503. TEDF/Local Bridge Fund Carryforward – DELETED

Provides carryforward authority for TEDF and Local Bridge funds; prevents diversion for other purposes; authorizes use of federal, local, or private funds for program.

Sec. 504. MTF Distribution – REVISED

Requires use of MTF in accordance with Act 51 requirements; modified to reflect Commercial Corridor Fund and BILT fund.

Sec. 601. Road Construction Warranties – DELETED

Encourages use of road construction warranties; reporting requirement.

Sec. 603. Traffic Congestion – DELETED

Directs department to consider traffic congestion be used as criteria in project selection.

Sec. 660. Use of Alternative Materials – DELETED

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

Major Boilerplate Changes From FY 2012-13

Sec. 661. Matching Federal-Aid Highway Funds – DELETED

Indicates that \$100.0 million in STF revenue represented estimated revenue from passage of Senate Bill 351 (2012 PA 225) and was intended to ensure that the state is able to match all available federal-aid highway funds.

Sec. 703. Rail Abandonment Notice – DELETED

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

Sec. 711. Seven-Day Rail Passenger Service (AMTRAK) – DELETED

Directs department to negotiate with a rail carrier to provide seven-day Port Huron/Chicago and Grand Rapids/Chicago service; provides certain directives; report on capital projects.

Sec. 741. Report on Bus Transit Roll-Over Safety Standards – DELETED

Report on bus roll-over standards due December 1, 2012.

Sec. 901. Aeronautics Capital Program – REVISED

Permits department to contract for airport improvement projects on behalf of local airport owners; modifies local match requirements from 2.5% to 5% of project cost; requires local agencies to obtain authorization before submitting projects to federal agencies.

Sec. 905. Airport Improvement Program Matching Funds – DELETED

Indicated that \$10.0 million in SAF revenue represented estimated revenue from passage of House Bill 4025 (2012 PA 226) and was intended to ensure that the state is able to match all available federal airport improvement funds.

<u>Supplemental Recommendations for FY 2012-13 Appropriations</u>		<u>FY 2012-13 Recommendation</u>
1. Discretionary State Operating – NEW		
The statutory formula for distributing local bus operating assistance favors transit agencies that generate local funds to support transit operations; reduced local funding for transit agency operations generally results in reduced state operating assistance as well. Because of the way the state operating assistance is calculated, anticipated reductions in Detroit general fund support for the Detroit Department of Transportation (DDOT) will also reduce the amount of state assistance provided to other urban transit agencies. The Executive proposes additional CTF funding for those urban transit agencies affected by the reduction in Detroit general fund support for DDOT.	Gross Restricted	\$5,396,600 5,396,600