



Budget Briefing: Transportation

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Briefing Topics

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- Appropriations Areas
- Major Budget Topics
 - Transportation Revenue
 - Transportation Program Areas

Michigan's Transportation Budget

Michigan's **Transportation** budget supports:

- **State and local road and bridge** programs
 - Construction and preservation of the state trunkline highway system
 - Funding for local road systems (83 road commissions and 533 cities and villages)
- **Public transportation** programs:
 - Capital and operating assistance to 81 public transit agencies
 - Capital and operating assistance for rail passenger service in Michigan
- **Aeronautics** programs
 - Capital assistance to local airports through the federal Airport Improvement Program
- **Administration** of the Michigan Department of Transportation (MDOT)

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2016-17 is October 1, 2016 through September 30, 2017.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

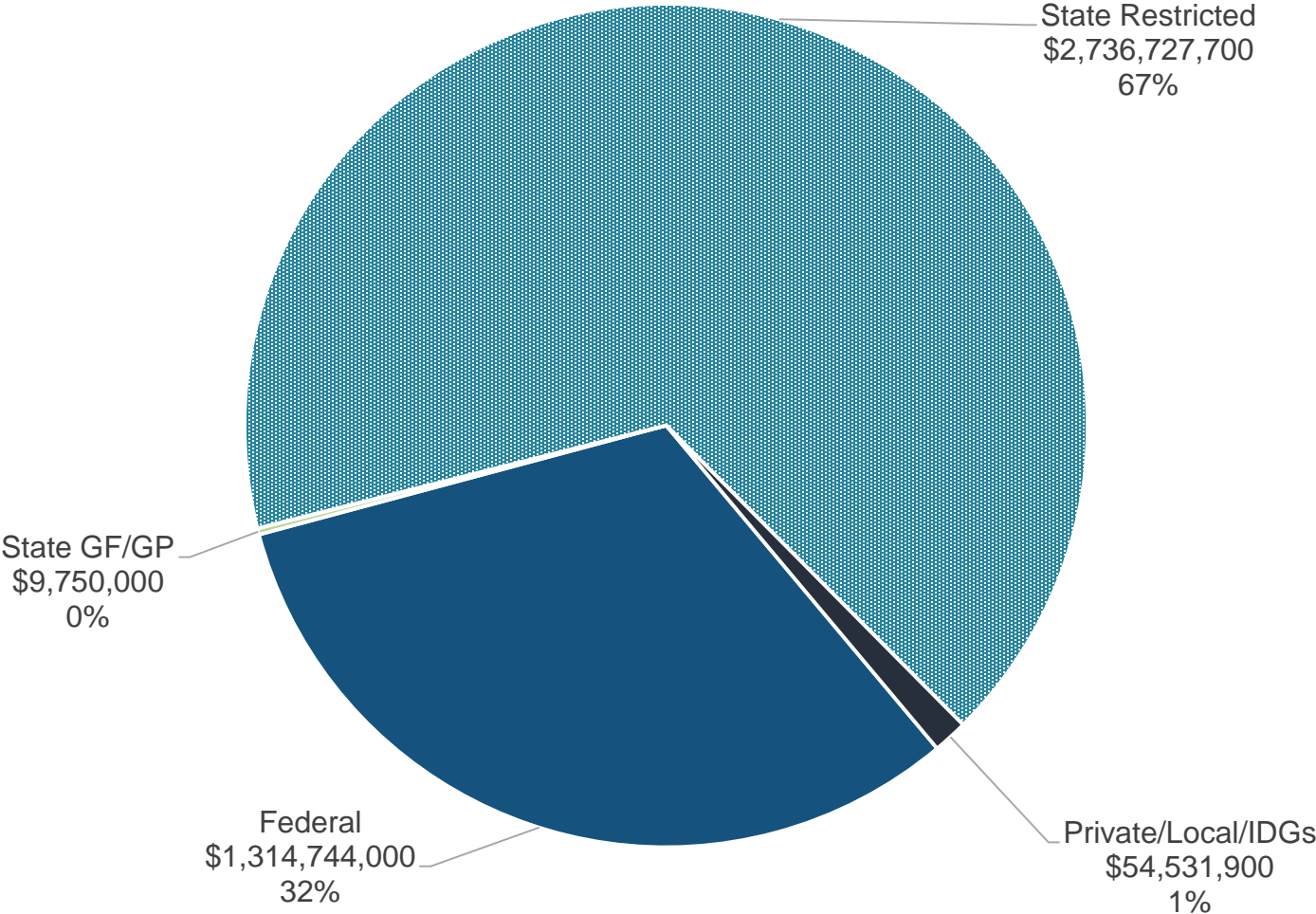
Funding Sources

FY 2016-17 TRANSPORTATION Budget

Fund Source	Funding	Description
Gross Appropriations	\$4,115,753,600	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	4,013,400	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$4,111,740,200	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,314,744,000	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	50,418,500	Revenue received from local units of government for state services
Private Revenue	100,000	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	2,736,727,700	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$9,750,000	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

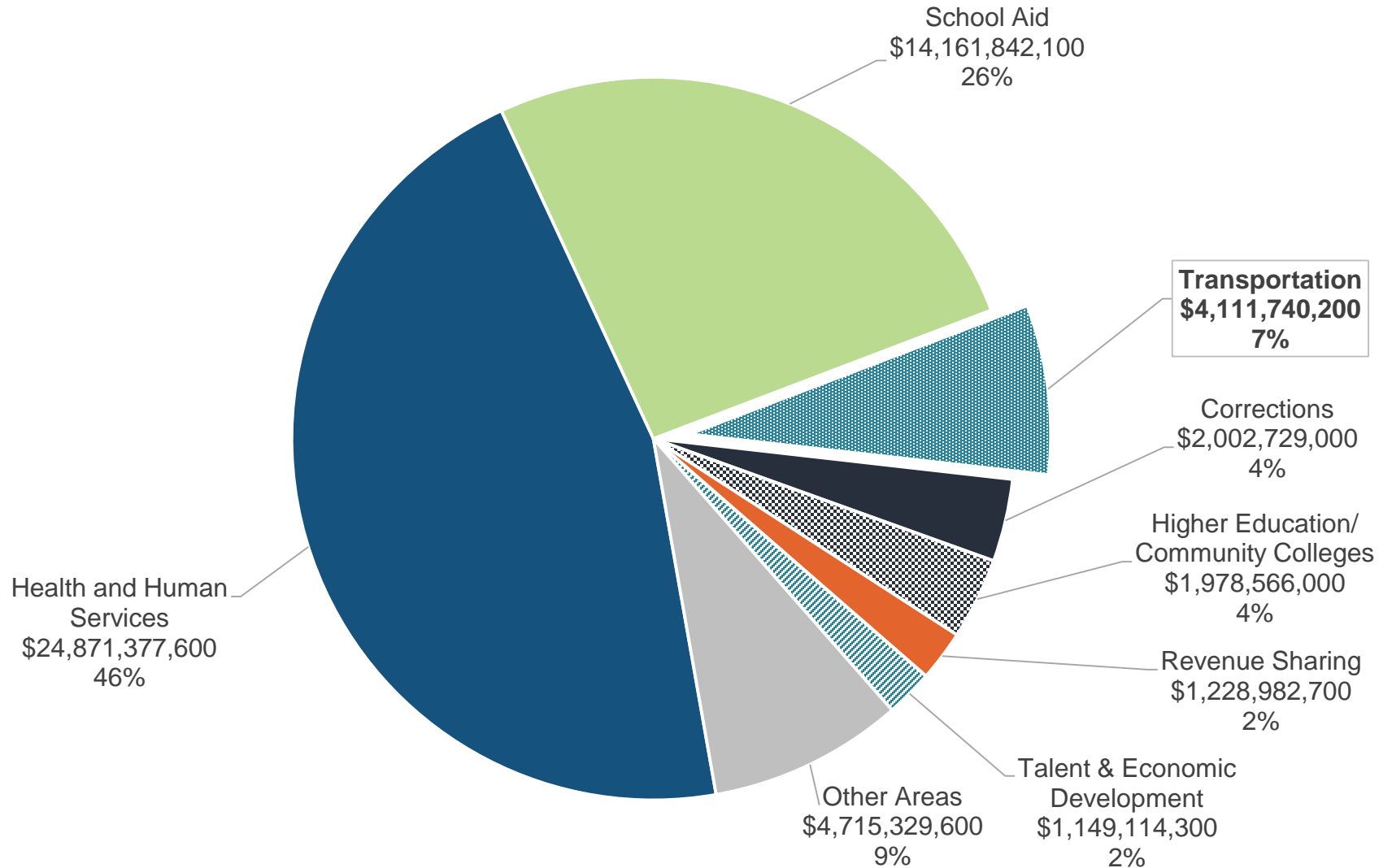
FY 2016-17 Fund Sources

Roughly two-thirds of the **\$4.1 billion** Transportation budget comes from state restricted revenue – primarily motor fuel and vehicle registration taxes. Approximately one-third comes from federal aid. State GF/GP represents less than one percent of this budget.



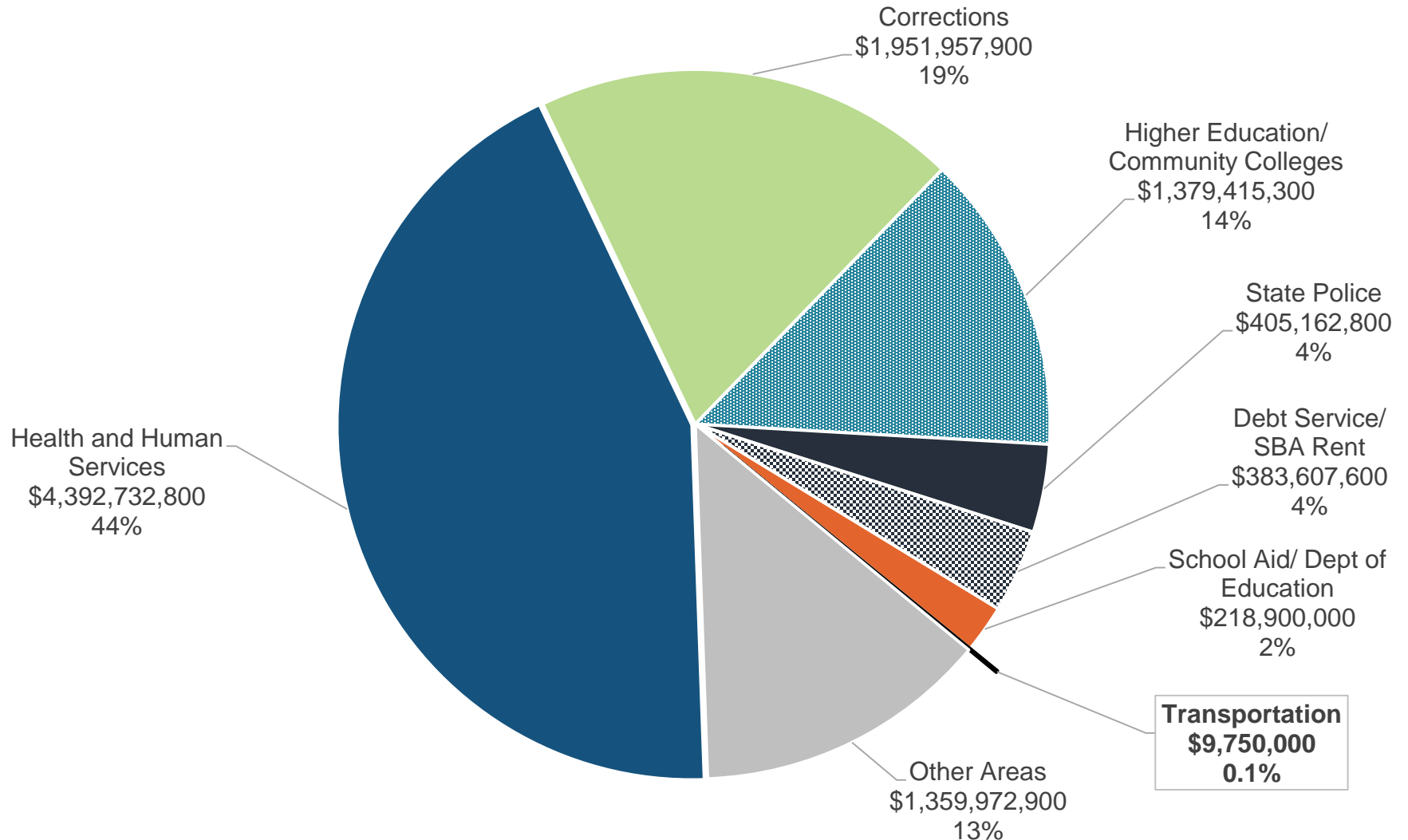
Transportation Share of Total State Budget

The Transportation budget represents approximately 8% of the **\$54.2 billion** state budget (adjusted gross) for FY 2016-17.



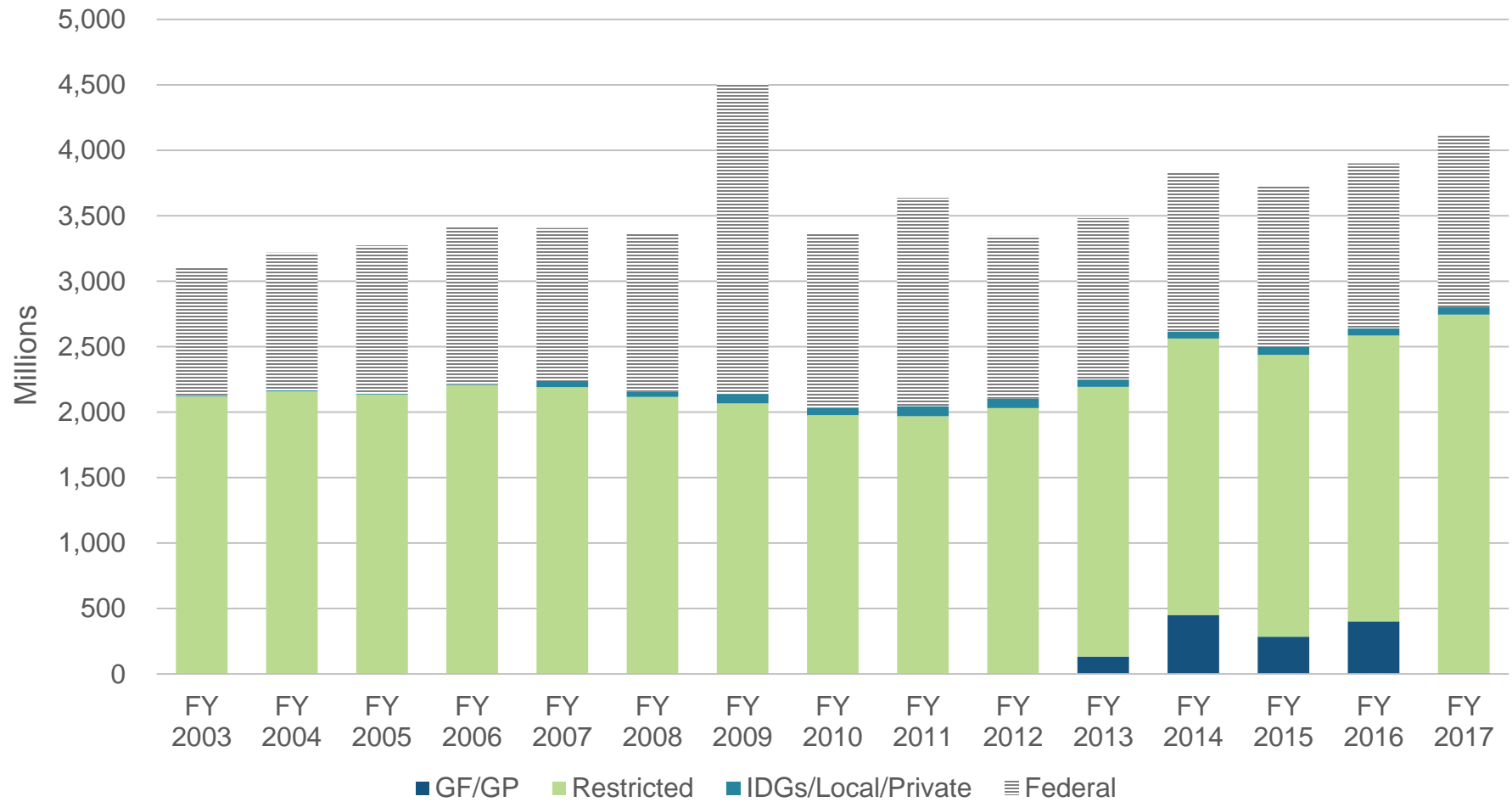
Transportation Share of Total GF/GP Budget

Transportation represents less than one-tenth of 1% of the state's **\$10.1 billion** GF/GP budget for FY 2016-17.



Transportation Funding History

In FYs 2012-13 through 2015-16, GF/GP represented a significant fund source. FY 2016-17 is the first year of additional revenue provided through the November 2015 Road Funding Package.



Note: GF/GP amounts in FYs 2012-13 and 2013-14 include GF/GP revenue sources that were shown as state restricted revenue in the budget.

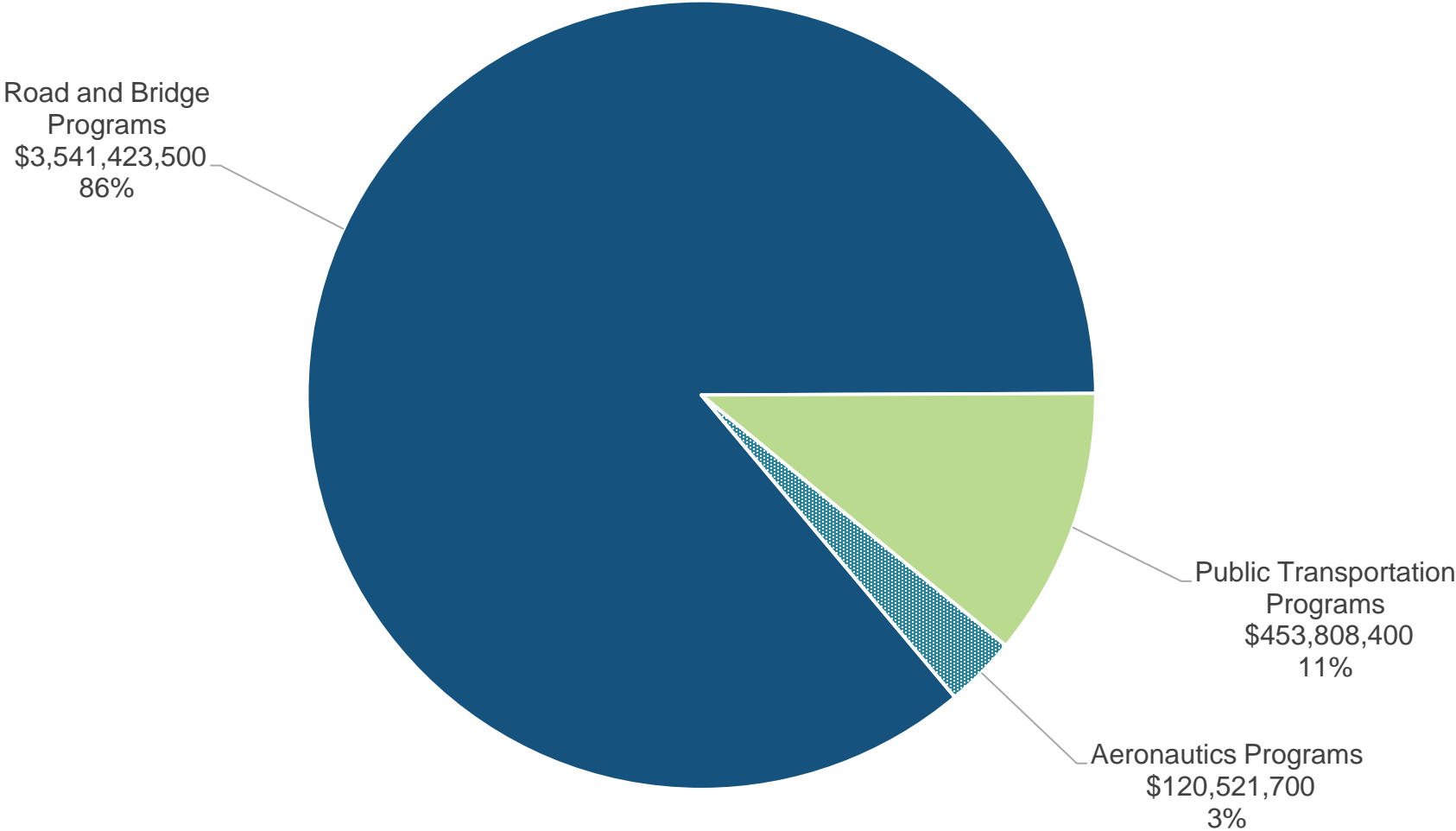
Appropriation Areas

Transportation Appropriation Areas

- State and local road and bridge programs
- Public transportation programs:
- Aeronautics programs

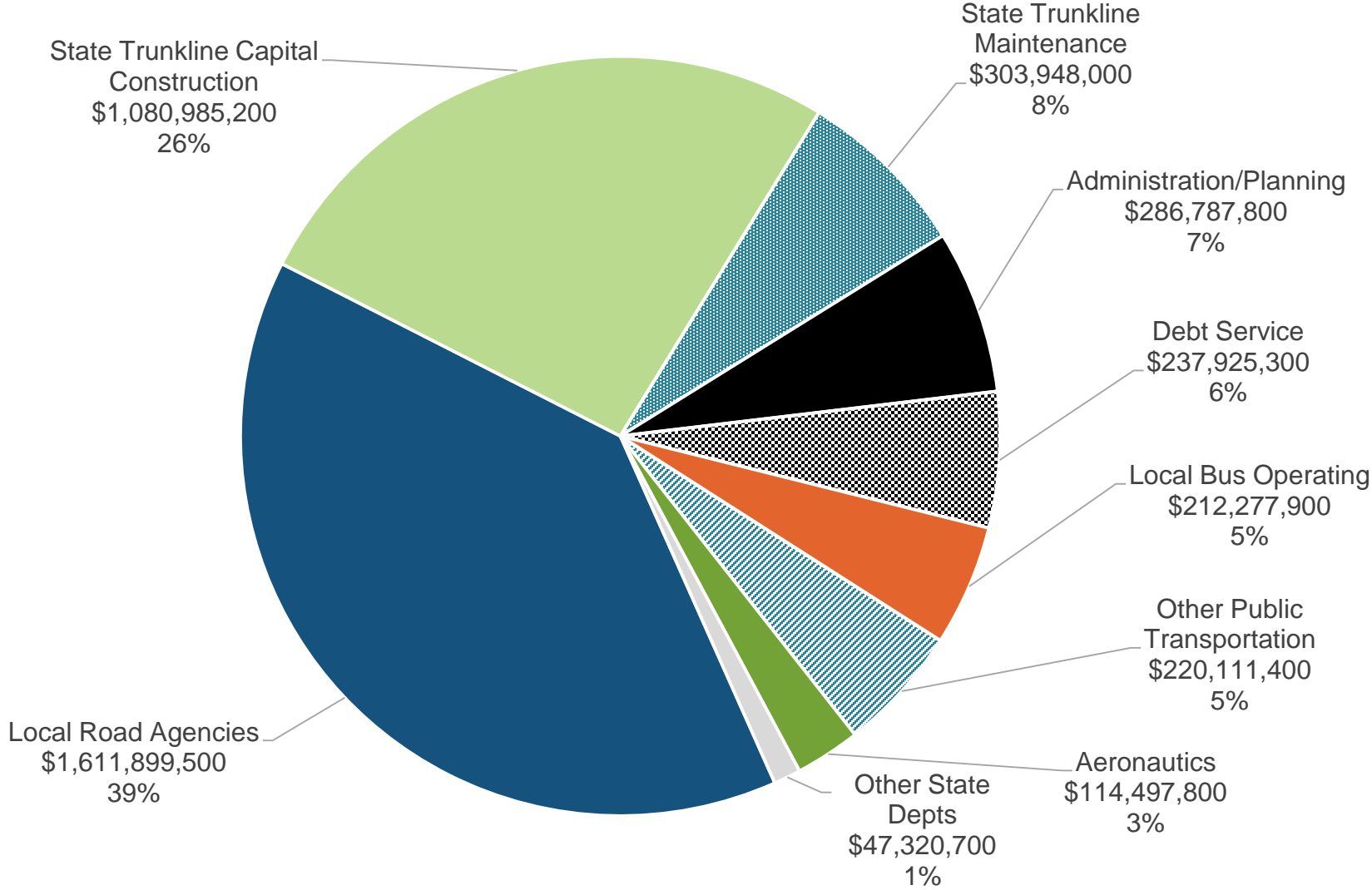
FY 2016-17 Gross Appropriations

There are three major program areas in the **\$4.1 billion** Transportation budget: **Road and bridge programs** – including funds distributed to local road agencies – represent approximately 86% of the budget; **public transportation** programs, 11%; and **aeronautics** programs, 3%.



FY 2016-17 Appropriation Detail

The three major program areas are shown in more detail below. Note that debt service, services provided by other state departments, and MDOT administrative/ planning functions are related to all three major program areas.

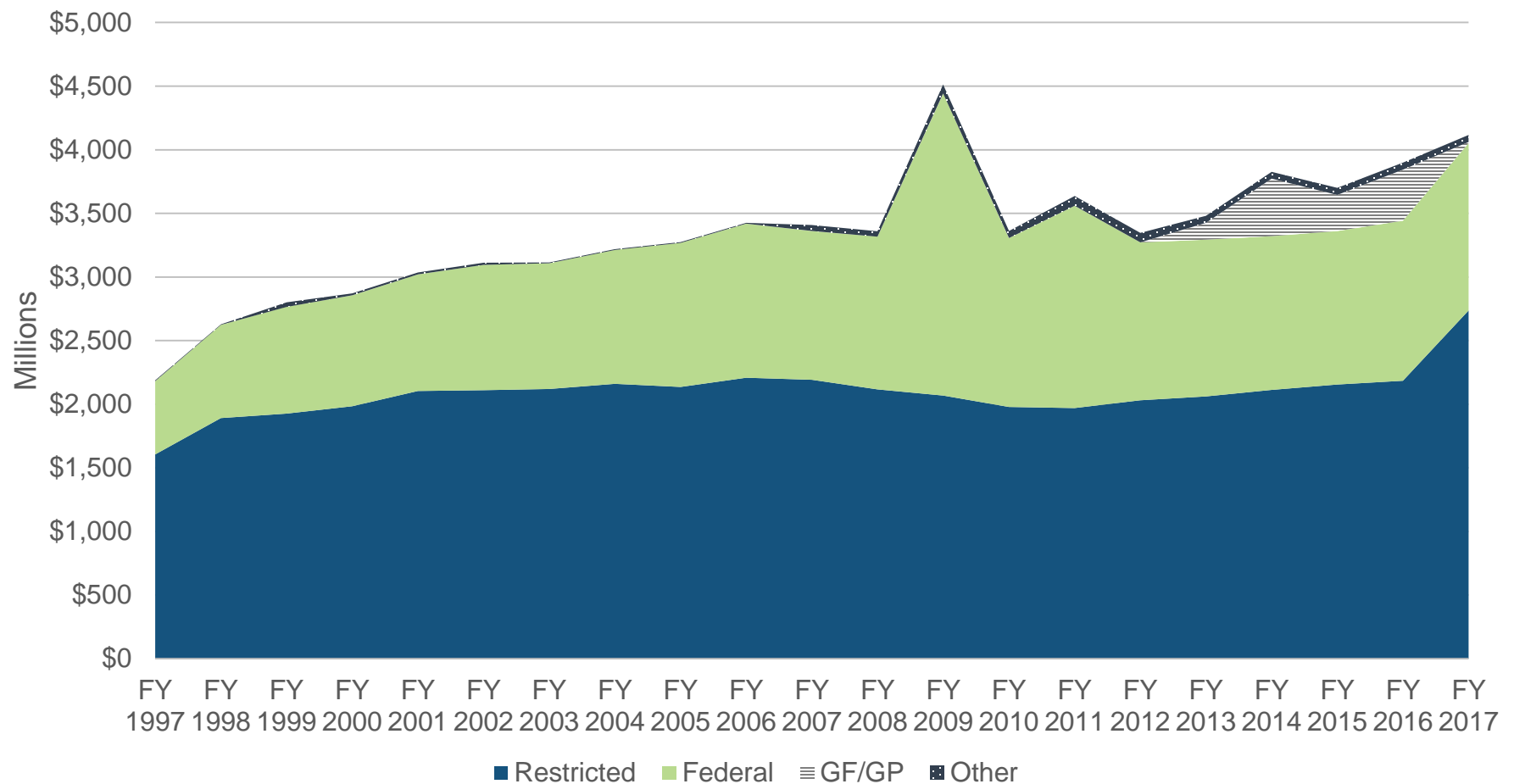


Major Budget Topics

Transportation Revenue

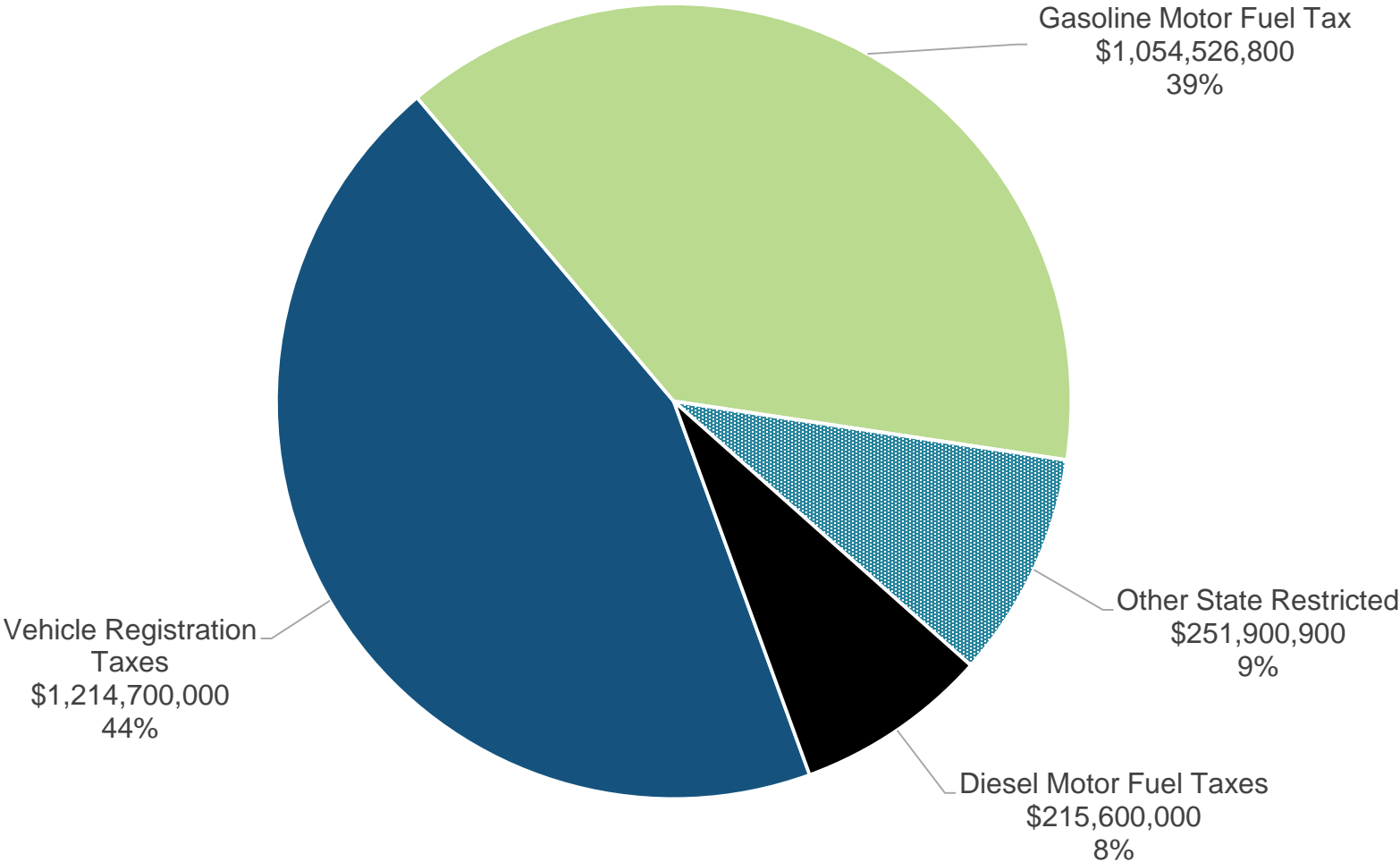
Transportation Gross Appropriations

Excluding temporary federal ARRA "stimulus" funds in FY 2008-09, total transportation appropriations were relatively flat from FY 1997-98 through FY 2015-16. The increase in FY 2016-17 reflects additional revenue provided through the Road Funding Package passed November 2015, and effective January 1, 2017, and an anticipated increase in federal aid.



FY 2016-17 State Restricted Revenue

Vehicle registration taxes make up the largest share of the \$2.7 billion in state restricted revenue appropriated for transportation, followed by the motor fuel tax on gasoline. Both motor fuel and vehicle registration taxes are scheduled to increase under the Road Fund Package, effective January 1, 2017.



Transportation - State Restricted Revenue

State restricted revenue in Transportation budget comes primarily from:

- **Motor Fuel Taxes**

- The motor fuel tax on gasoline is **19 cents** per gallon through December 31, 2016, and **26.3 cents** per gallon effective January 1, 2017.
- The motor fuel tax on diesel fuel is **15 cents** per gallon through December 31, 2016, and **26.3 cents** per gallon effective January 1, 2017.

- **Vehicle Registration Taxes**

- These taxes on passenger car, truck, and trailer registrations are established in the Michigan Vehicle Code

- Motor Fuel and Vehicle Registration taxes are constitutionally dedicated for transportation. By statute, Public Act 51 of 1951, they are credited to the Michigan Transportation Fund (MTF) and distributed according to the provisions of Public Act 51.

Transportation - Federal Revenue

- **Federal funds** are made available to states through multi-year federal authorizing legislation; the current federal aid surface transportation program is Fixing America's Surface Transportation Act - the *FAST Act*.
 - Federal motor fuel taxes dedicated to the federal Highway Trust Fund include the 18.4 cent per gallon federal gasoline tax
 - Federal-aid available to the state is determined by federal law – there is nothing that state government can do to increase federal revenue to the state
 - Federal funds are available for both state trunkline programs and local federal aid road projects.
 - *FAST Act* surface transportation funds also provide capital grants to local public transit agencies and rail passenger programs
 - Separate federal authorizing legislation provides funding for federal Airport Improvement Programs.

Transportation - GF/GP Revenue

- Prior to FY 2011-12, GF/GP revenue had not been used in **Transportation** budget since FY 2001-02 (as part of the Build Michigan III program).
- During five fiscal years, FY 2011-12 through FY 2015-16, Transportation appropriations included a total of **\$1.3 billion** in direct and indirect GF/GP funding, including **\$402.0 million** in FY 2015-16.
- The enacted FY 2016-17 Transportation budget reduced GF/GP to **\$9.75 million** – all for one-time designated projects

Transportation - Other Revenue

- In addition to state restricted, GF/GP, and federal revenue, the Transportation budget includes **\$54.5 million** in **other revenue sources** (Local, Private, IDGs). Local revenue is the largest of these other sources.
 - Local revenue in the Transportation budget totals **\$50.4 million**
 - Local revenue shown in the budget recognizes the local cost share of local federal aid projects, the local share required on certain state trunkline projects, and local matching funds for federally funded transit projects and aeronautics capital projects

Note: Local units of government also raise additional *local* revenue for *local* transportation programs – from county or township road millages, from city street millages, from transit millages, and from local agency general fund contributions for road and bridge or public transportation programs. This local revenue is not included in the state transportation budget.

Transportation Program Areas

Road and Bridge Programs

- \$3.5 billion, or 86%, of transportation budget is appropriated for **state and local road and bridge** programs:
 - **\$1.9 billion** for state trunkline programs administered by MDOT
 - **\$1.6 billion** for local road agencies (county road commissions, cities, and villages)
- MDOT has jurisdiction over state trunkline highways, including interstate highways – generally the busiest roads and streets with statewide purpose
- Local road agencies have jurisdiction over county roads and municipal streets.
- Road and bridge program funds are distributed according to Public Act 51 of 1951 (Act 51)

Public Transportation Programs

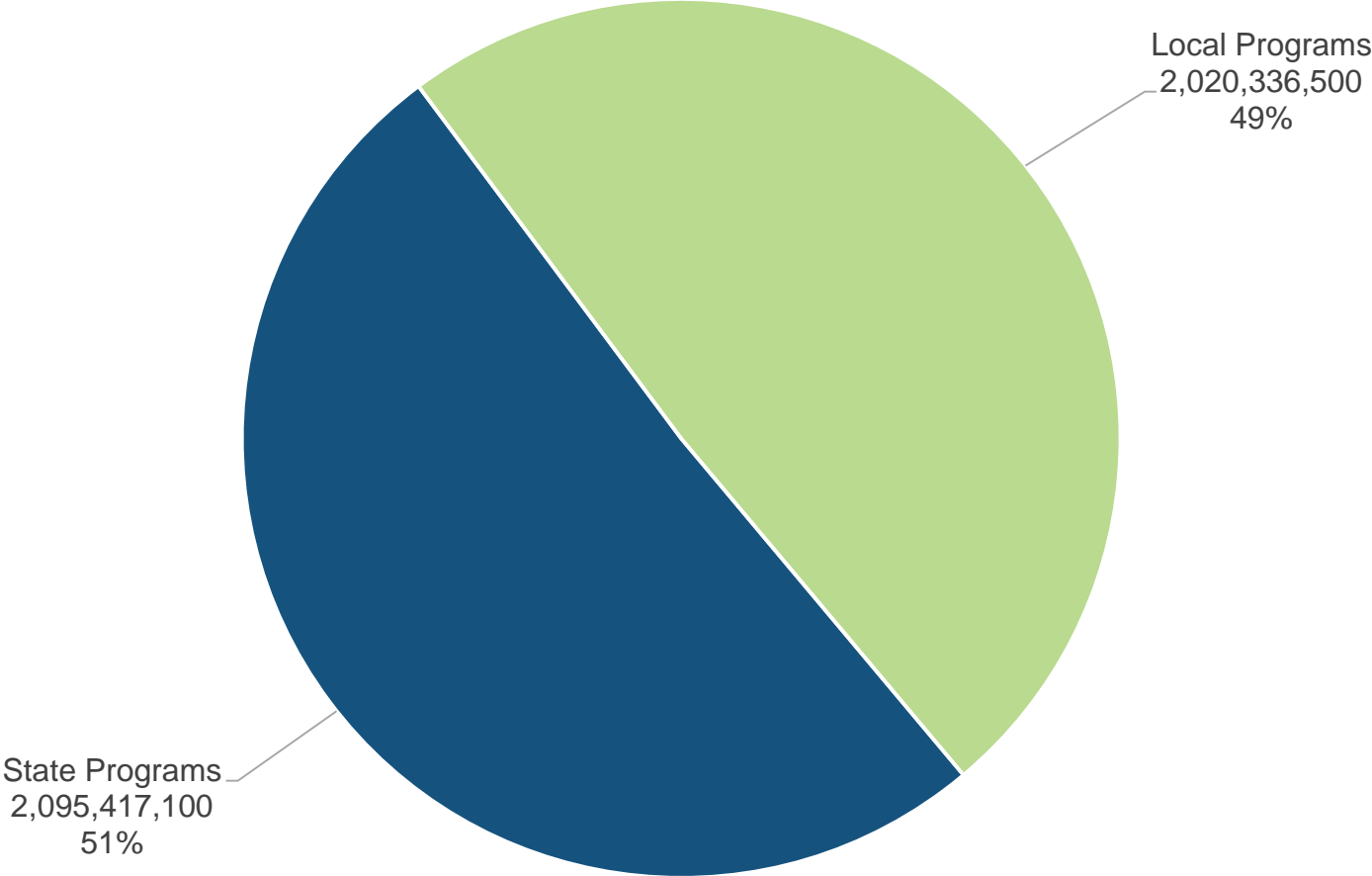
- 11% (\$453.8 million) of FY 2016-17 Transportation budget is appropriated for **public transportation** programs including:
 - Capital and operating assistance to 81 local public transit agencies
 - Capital and operating assistance for Amtrak rail passenger service to Michigan
 - Other targeted public transportation programs (Detroit/Wayne County Port Authority, transportation to work, specialized services for elderly and persons with disabilities)
- The appropriation of Transportation revenue to public transportation programs is largely governed by Public Act 51 of 1951

Aeronautics Programs

- 3% (\$120.5 million) of FY 2016-17 budget appropriated for **Aeronautics** programs including \$97.8 million federal Airport Improvement Program
 - **Airport Improvement Program** supports capital improvements at locally owned public airports
 - Aeronautics programs are governed by the **State Aeronautics Code**

FY 2016-17 Gross Appropriations

Approximately half of the **\$4.1 billion** Transportation budget is appropriated for local agency programs including funds distributed or made available to local road agencies, local public transit agencies, or locally owned public airports.

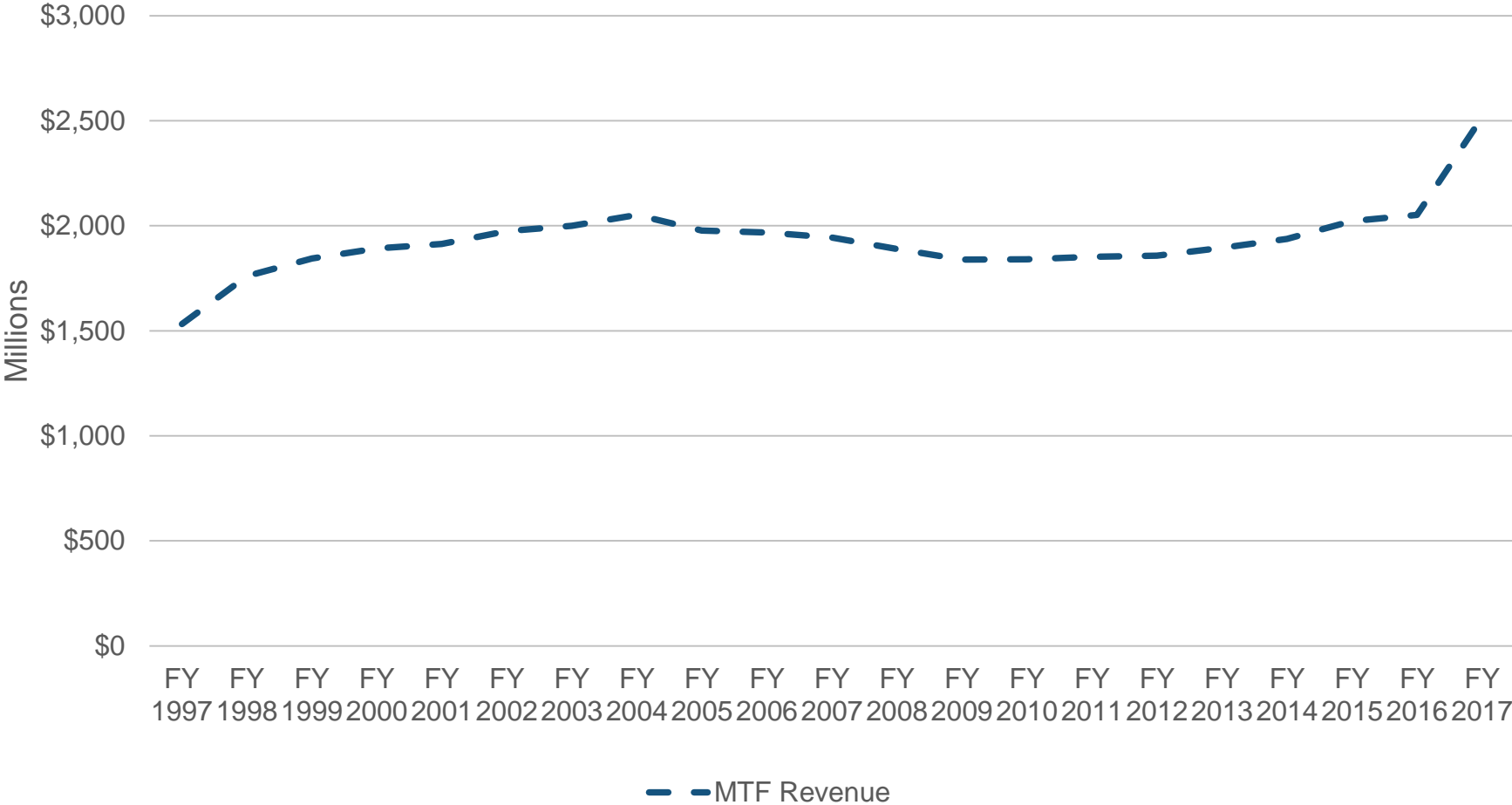


Michigan Transportation Fund (MTF) Revenue/Distribution

- State restricted **MTF revenue** for highway and public transportation programs was generally flat from FY 1999-2000 through FY 2015-16.
- Prior to passage of the Road Funding Package in November, 2015, the last time there had been a significant increase in dedicated state transportation revenue was August 1997 after the Legislature passed increases in the state motor fuel tax on gasoline and in commercial truck registration taxes.
- Michigan Transportation Fund (MTF) revenue peaked in FY 2003-04.
- MTF revenue and distribution in FY 2012-13 was almost identical to MTF revenue and distribution in FY 1999-2000.
- Some local road agencies received a smaller MTF distribution in FY 2012-13 than they had in FY 1997-98.

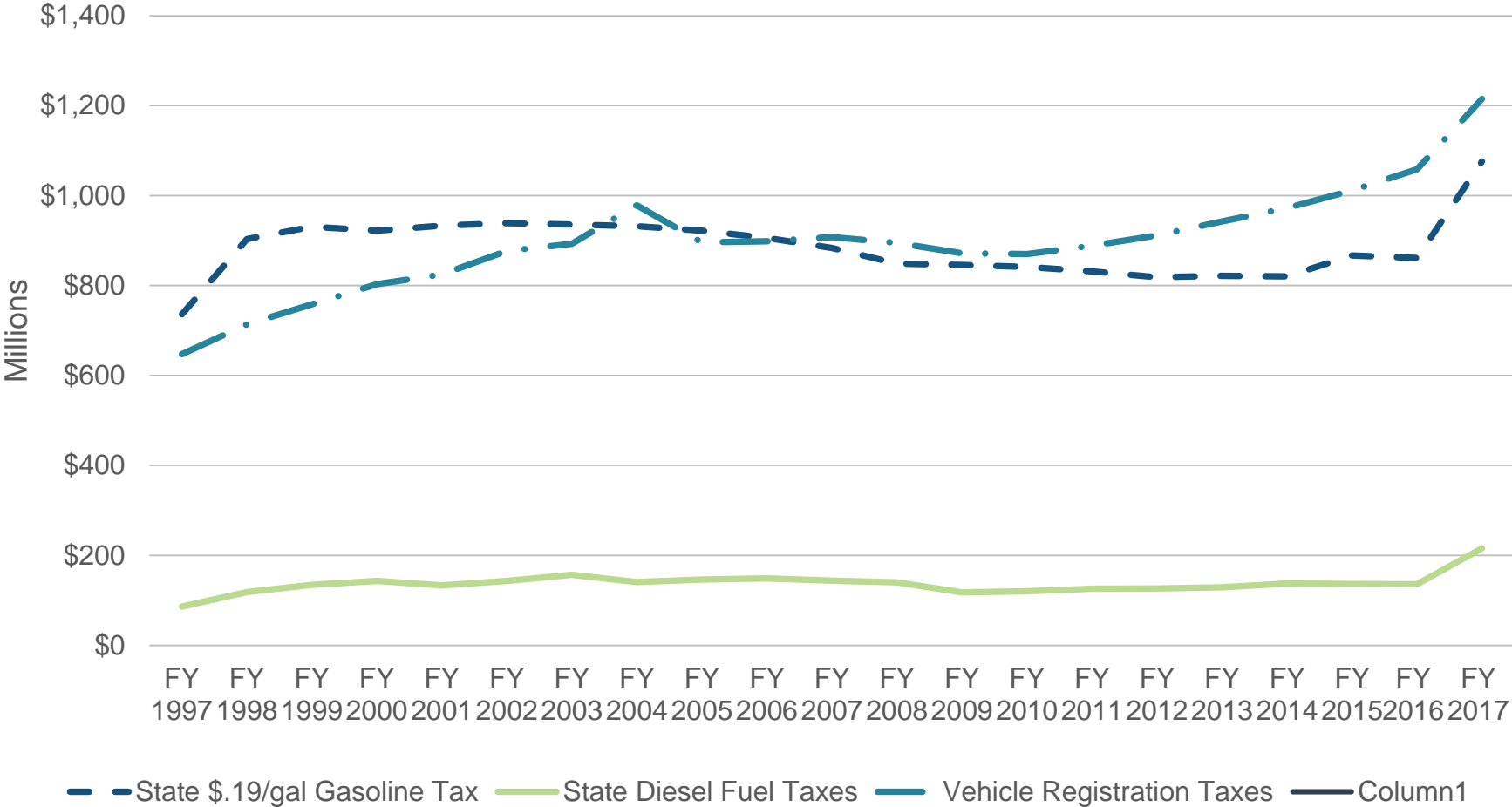
MTF Revenue History

Except for a one-time spike in FY 2003-04, MTF revenue was relatively flat from FY 1998-99 through FY 2015-16. The increase in FY 2016-17 reflects the Road Funding Plan, effective January 1, 2017.



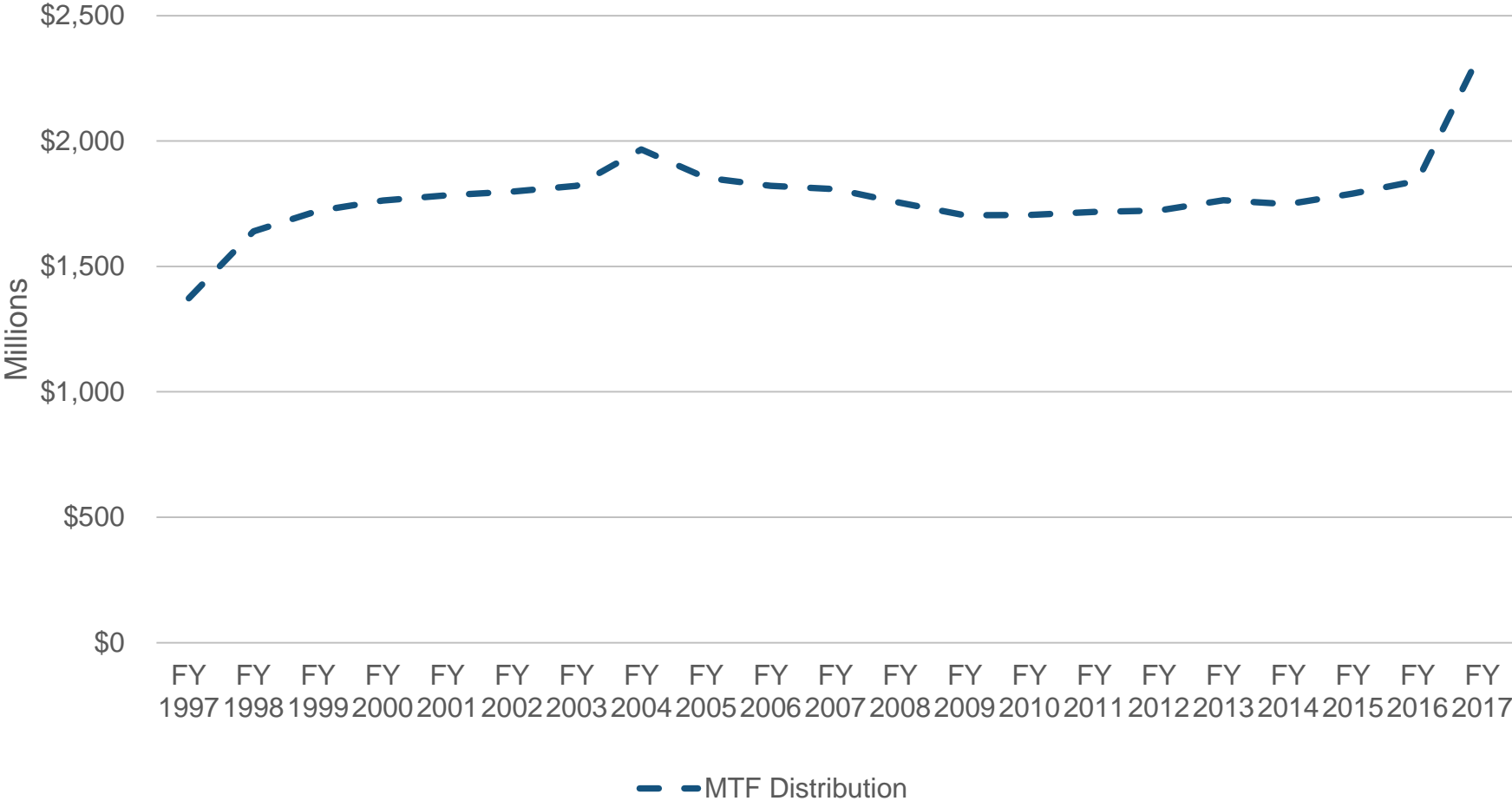
MTF Revenue Fund Source History

Vehicle registration taxes are the largest source of MTF revenue, followed by the motor fuel tax on gasoline. The increase in FY 2016-17 in both vehicle registration and motor fuel taxes reflect the Road Funding Plan, effective January 1, 2017.



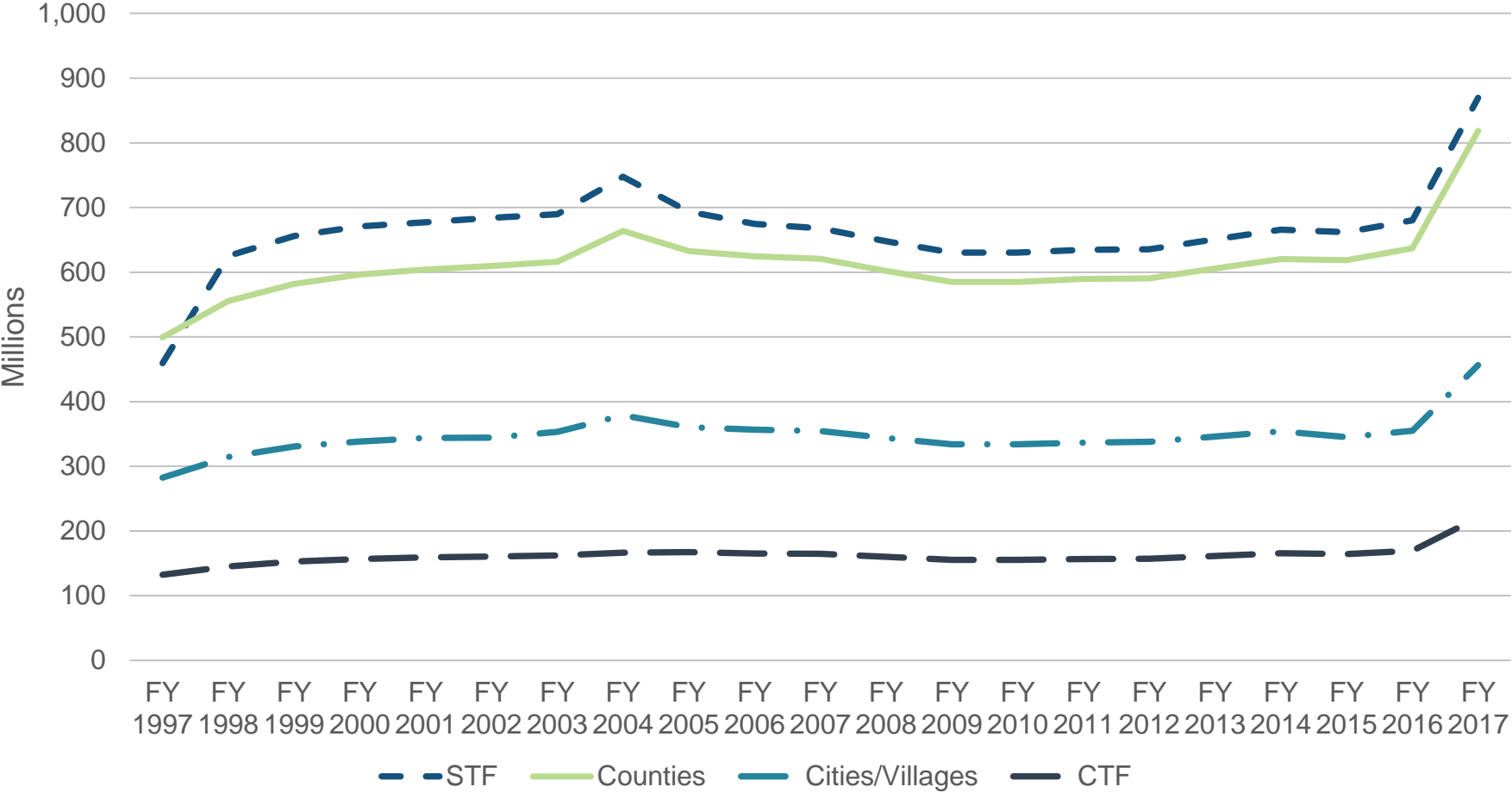
MTF Distribution History

Except for a one-time spike in FY 2003-04, MTF distribution to major recipients was relatively flat from FY 1998-99 through FY 2015-16. The increase in FY 2016-17 reflects the Road Funding Plan, effective January 1, 2017.



MTF Distribution History

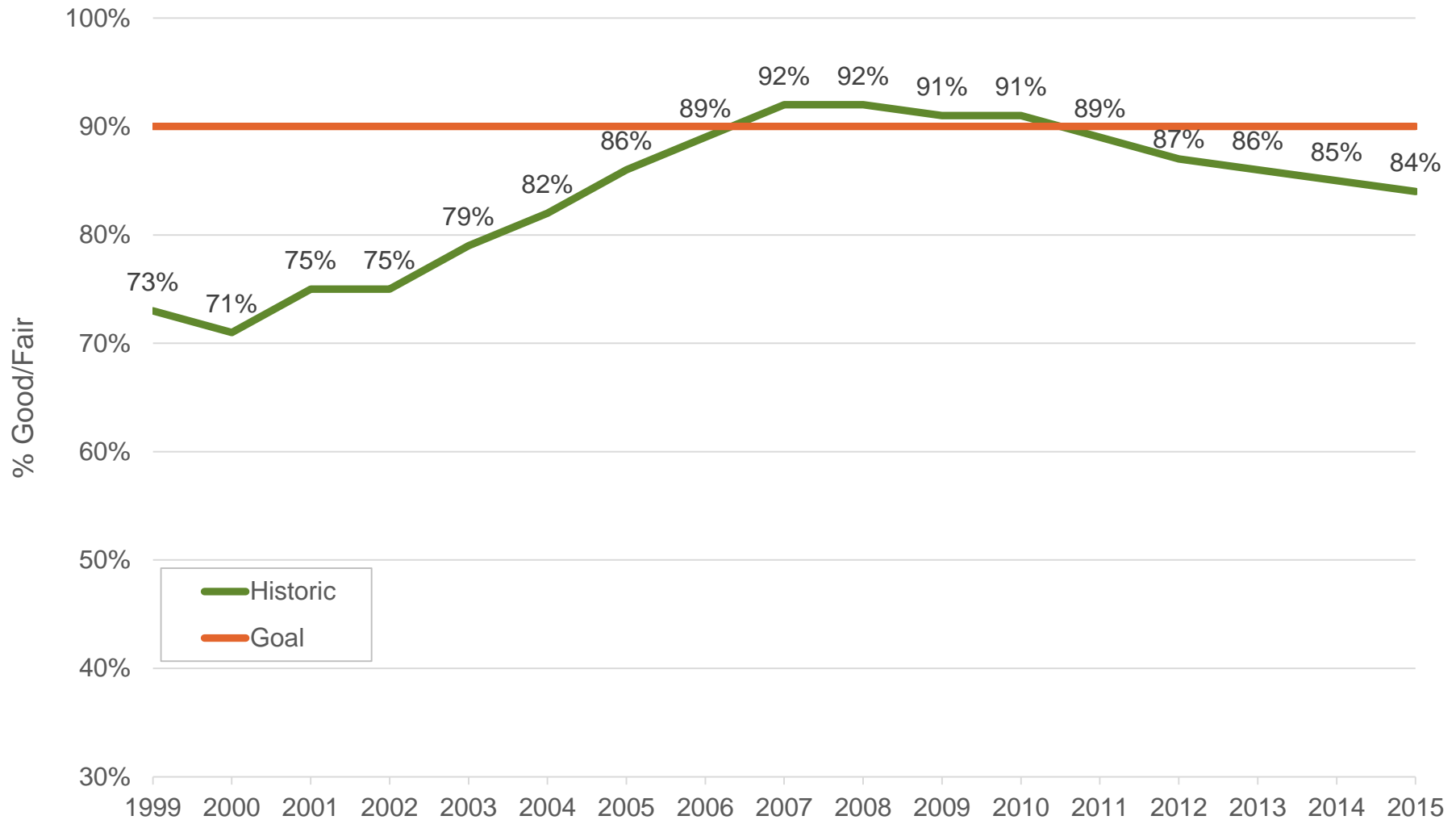
Except for a one-time spike in FY 2003-04, the MTF distribution to major MTF recipients - the State Trunkline Fund, local road agencies, the Comprehensive Transportation Fund (CTF) - was relatively flat from FY 1998-99 through FY 2015-16. The increase in FY 2016-17 reflects the Road Funding Plan, effective January 1, 2017.



Pavement Condition/Revenue

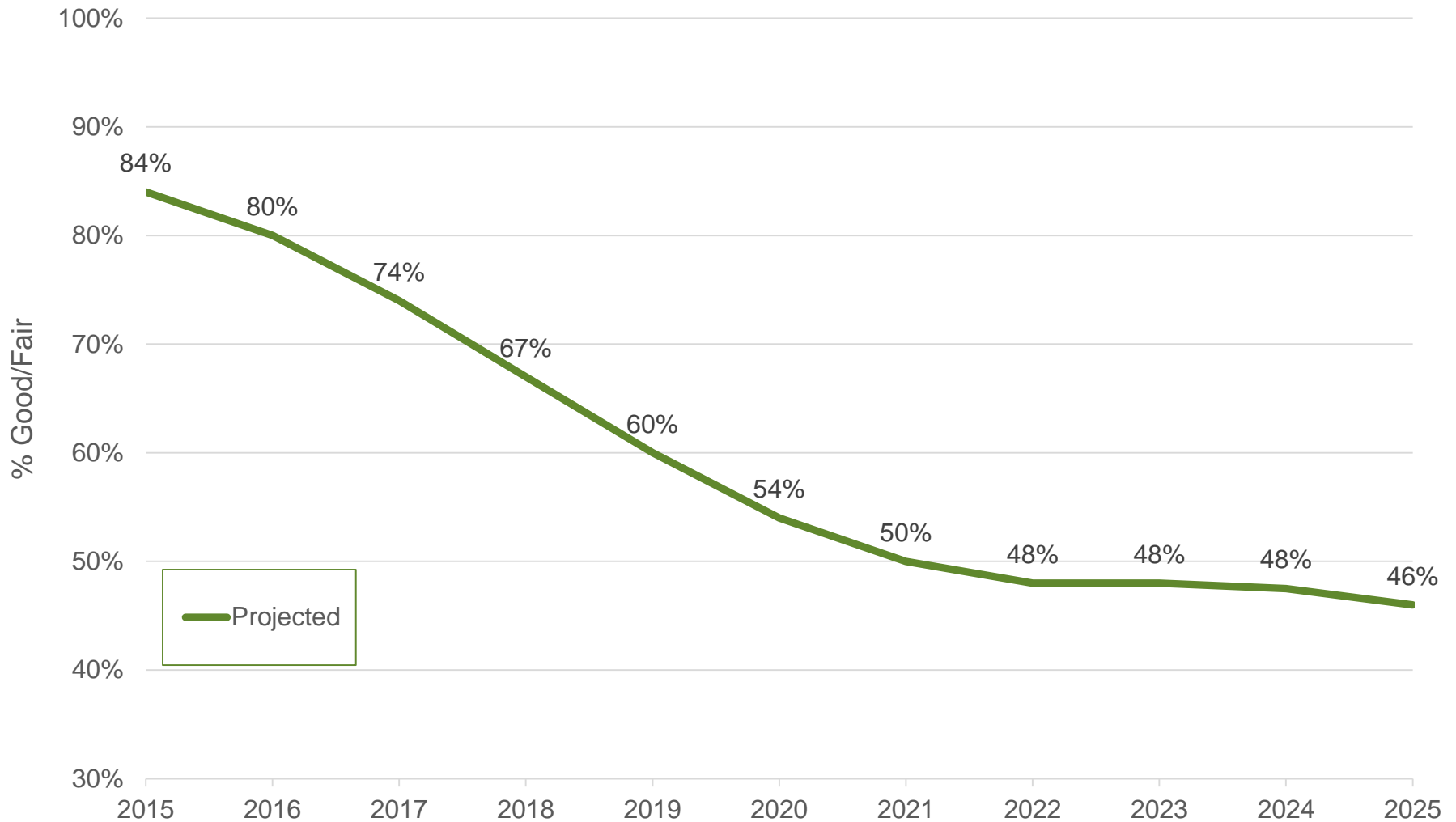
- In 1997, the State Transportation Commission established state trunkline pavement performance goals of 85% of non-freeway pavement and 95% of freeway pavement in "good" condition by 2007
- In 1998, the State Transportation Commission established state trunkline bridge performance goals of 85% of non-freeway bridges and 95% of freeway bridges in "good" condition by 2008
- MDOT met these performance goals in 2007 but did not have sufficient revenue to sustain the performance goals
- In 2015, MDOT estimated it would need additional annual funding of \$1.0 billion each year to reach and sustain state trunkline pavement performance goals, and \$110.0 million per year to sustain bridge performance goals.
- Estimated revenue shortfall is exclusive of other program needs such as capacity, safety, and economic development
- Local road agencies experienced similar revenue constraints and pavement condition deterioration

State Trunkline Combined Freeway/Non-Freeway Historic RSL Pavement Condition



Source: Michigan Department of Transportation, Bureau of Planning
September 2016

State Trunkline Combined Freeway/Non-Freeway Projected RSL Pavement Condition



Source: Michigan Department of Transportation, Bureau of Planning
September 2016

Road Funding Package

- In November, 2015, the Legislature passed a 7-bill package of bills, including bills to increase motor fuel and vehicle registration taxes effective January 1, 2017.
- The Road Funding Package is estimated to generate approximately **\$464.5 million** in additional MTF revenue in the first fiscal year of implementation (partial FY 2016-17).
- The Road Funding Package also included a redirection of income tax revenue from the state General Fund to transportation programs beginning in the 2018-19 fiscal year.
- Once fully implemented in FY 2020-21, the Road Funding Package is expected to generate approximately **\$1.2 billion** in additional revenue for transportation programs, of which, \$638 million would be new revenue from increases in motor fuel and vehicle registration taxes, and \$600 million would be from redirection of state General Fund revenue made in the Income Tax Act.
- Although the Road Funding Package would redirect to the MTF certain income tax revenue currently credited to the state General Fund, direct state GF/GP appropriations for transportation would likely end. The FY 2015-16 Transportation budget included \$400.0 million GF/GP. The FY 2016-17 budget includes \$9.75 million in GF/GP spending authority.

For more information about the Transportation budget:

HFA Resources

<http://www.house.mi.gov/hfa/Transportation.asp>

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