



Budget Briefing: Transportation

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Briefing Topics

- Funding Sources
- 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 county road commissions and 531 cities and villages)
- Public transportation programs
 - Capital and operating assistance to 82 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 2021-22 is October 1, 2021 through September 30, 2022.

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 that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that 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

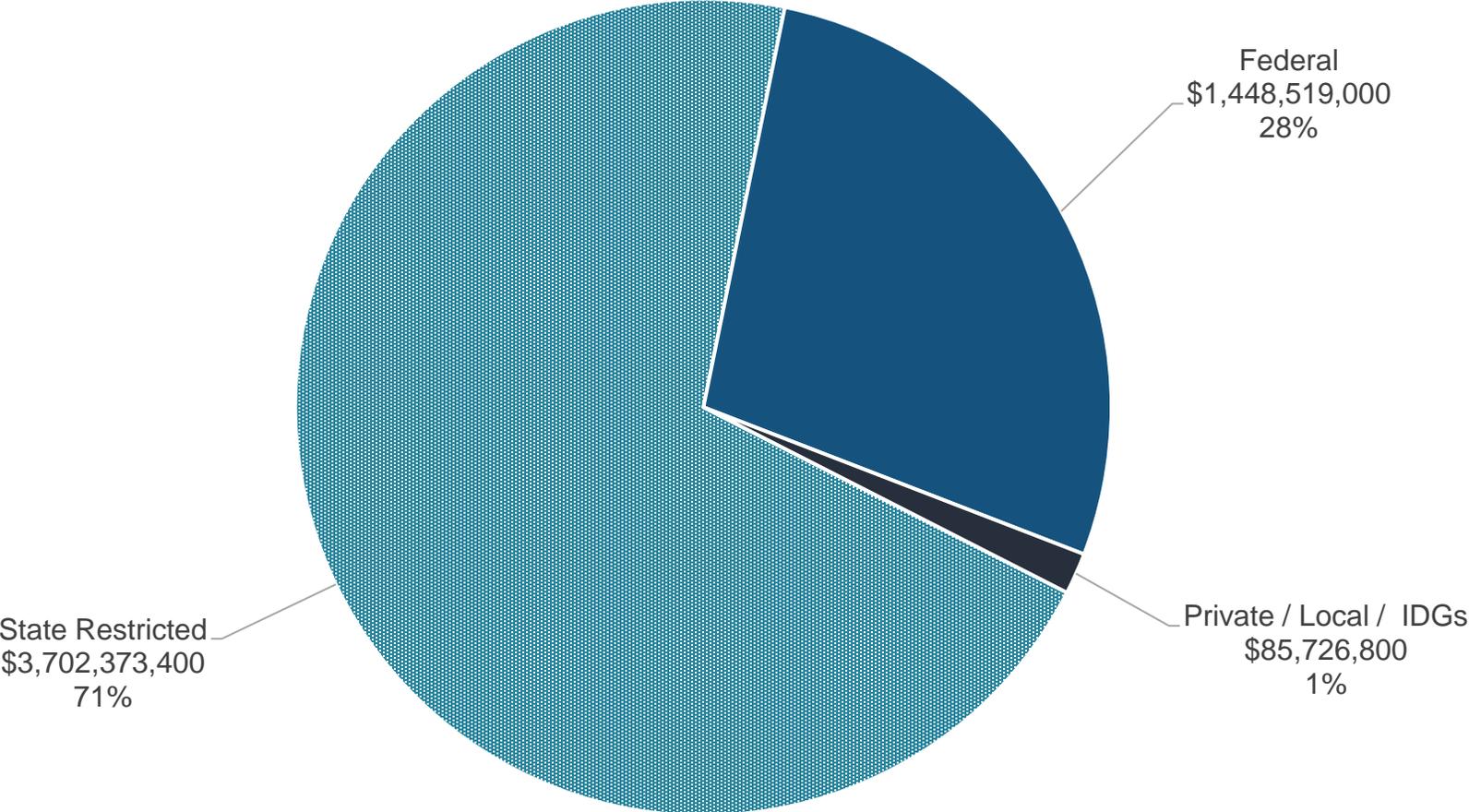
FY 2021-22 Transportation Budget

Fund Source	Funding	Description
Gross Appropriations	\$5,236,619,200	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	4,044,800	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$5,232,574,400	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,448,519,000	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	80,782,000	Revenue received from local units of government for state services
Private Revenue	900,000	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	3,702,373,400	State revenue restricted by the State Constitution, state statute, or boilerplate that is available only for specified purposes.
State General Fund/General Purpose (GF/GP) Revenue	\$0	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes as determined by the legislature

Note: This table and other figures used in this presentation reflect the budget as enacted on September 30, 2021 (2021 PA 87) and do not include subsequent supplemental appropriations.

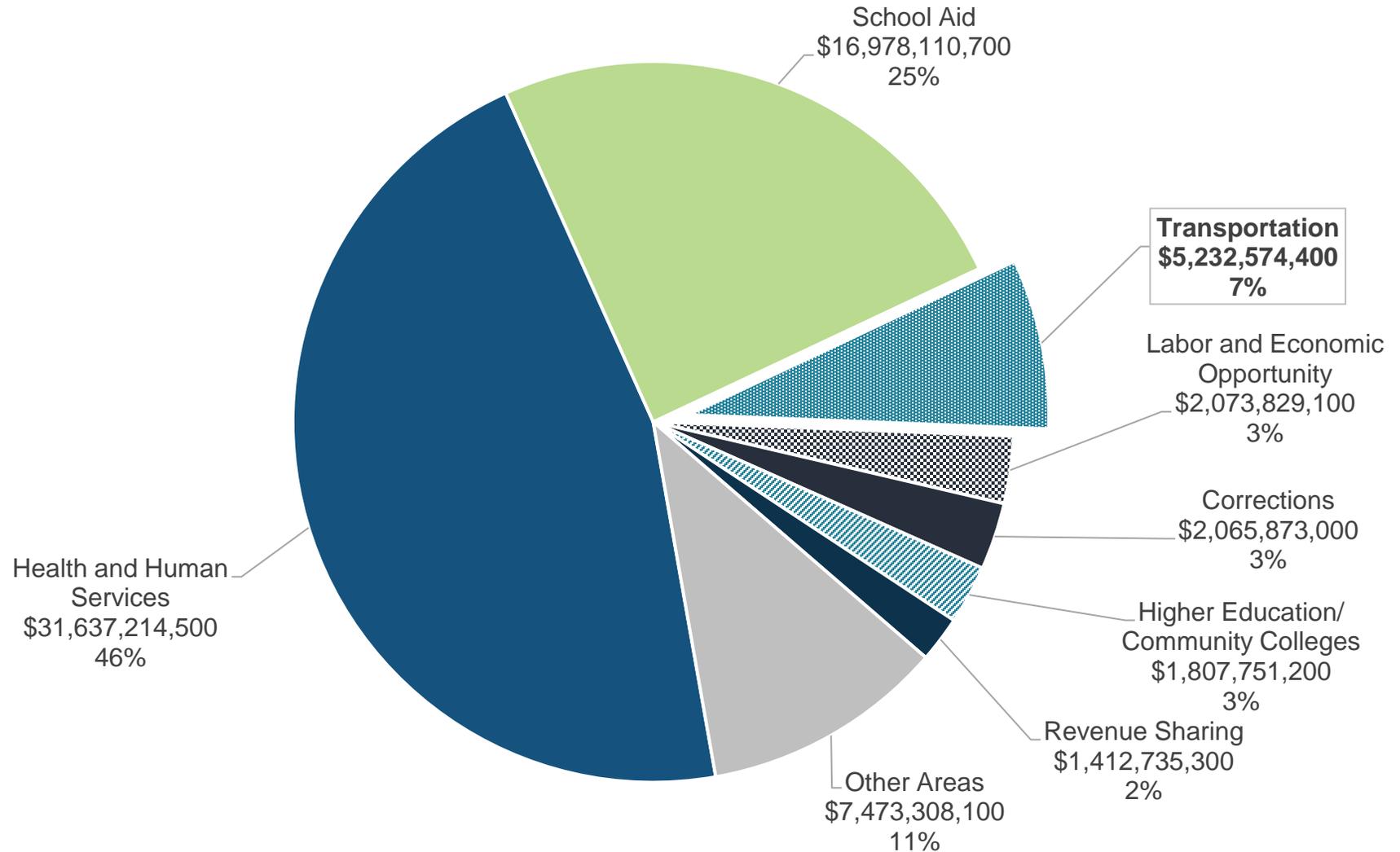
FY 2021-22 Fund Sources

State restricted revenue – primarily from motor fuel and vehicle registration taxes – is the largest fund source in the state transportation budget. Federal aid is the second largest. There was no direct GF/GP appropriation in the FY 2021-22 budget.



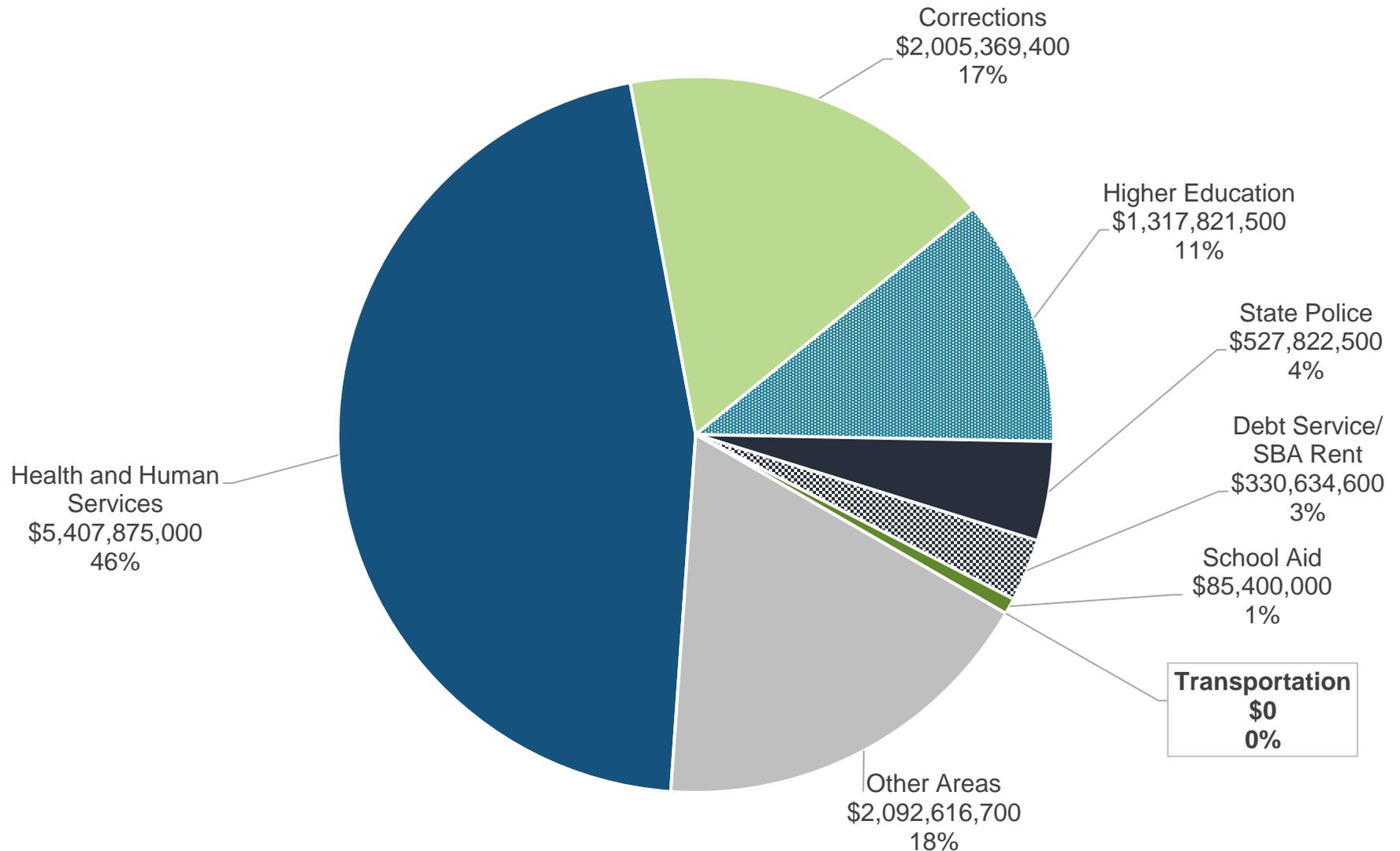
Transportation Share of Total State Budget

The Transportation budget represents over 7% of the \$68.7 billion state budget (adjusted gross) for FY 2021-22.



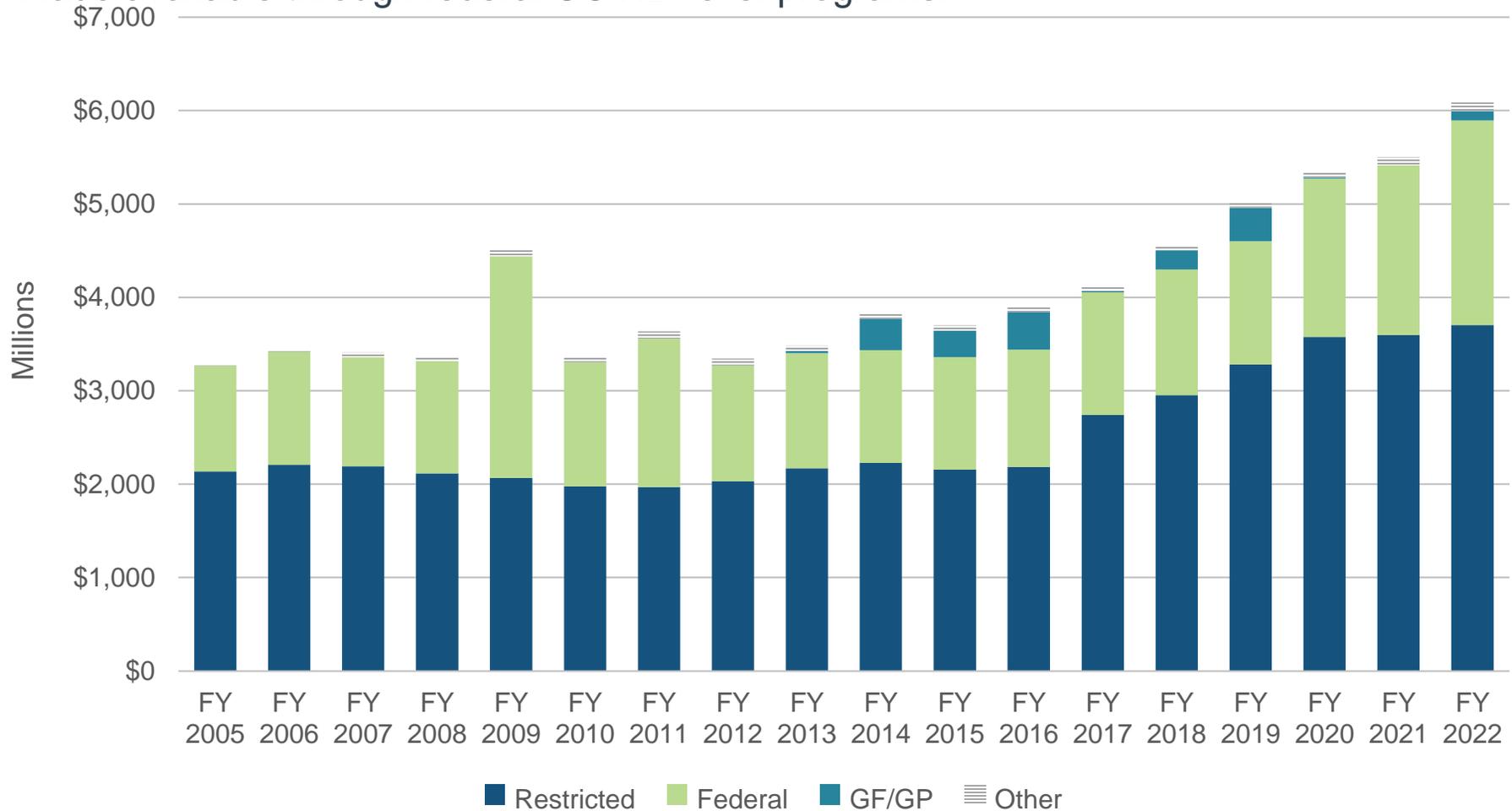
Transportation Share of Total GF/GP Budget

GF/GP appropriations in the state's FY 2021-22 budget total **\$11.8 billion**. There are no direct GF/GP appropriations in the FY 2021-22 Transportation budget.



Transportation Appropriations

Increases in state restricted funds beginning in FY 2016-17 reflect the November 2015 Road Funding Package. Budgets between FY 2012-13 and FY 2018-19 include direct GF/GP funding. Federal aid in FYs 2019-20 and 2020-21 include additional federal funds made available through federal COVID relief programs.



Note: The FY 2008-09 increase reflects additional funds made available to Michigan through the federal “Stimulus” program.

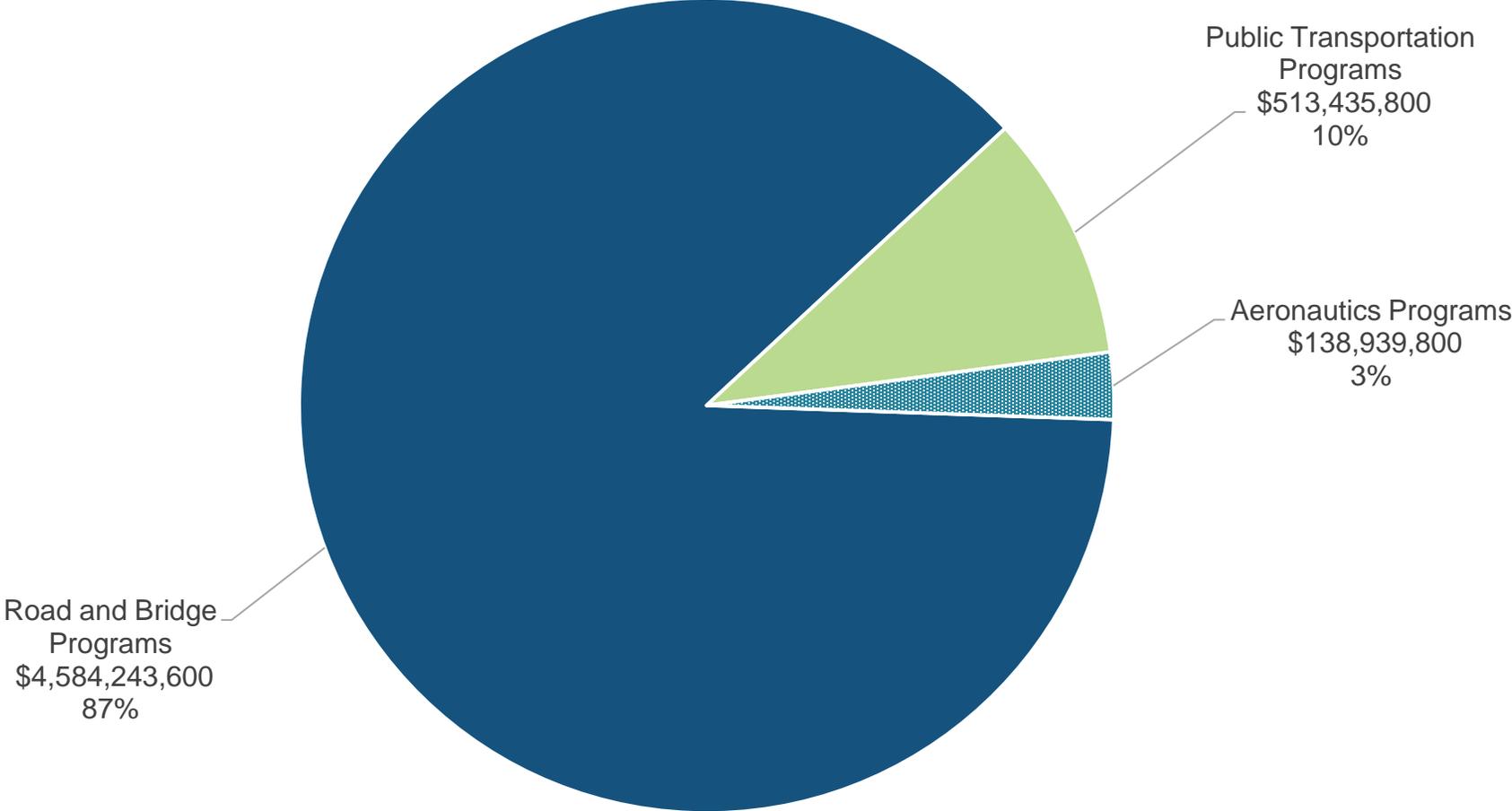
Appropriation Areas

Transportation Appropriation Areas

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

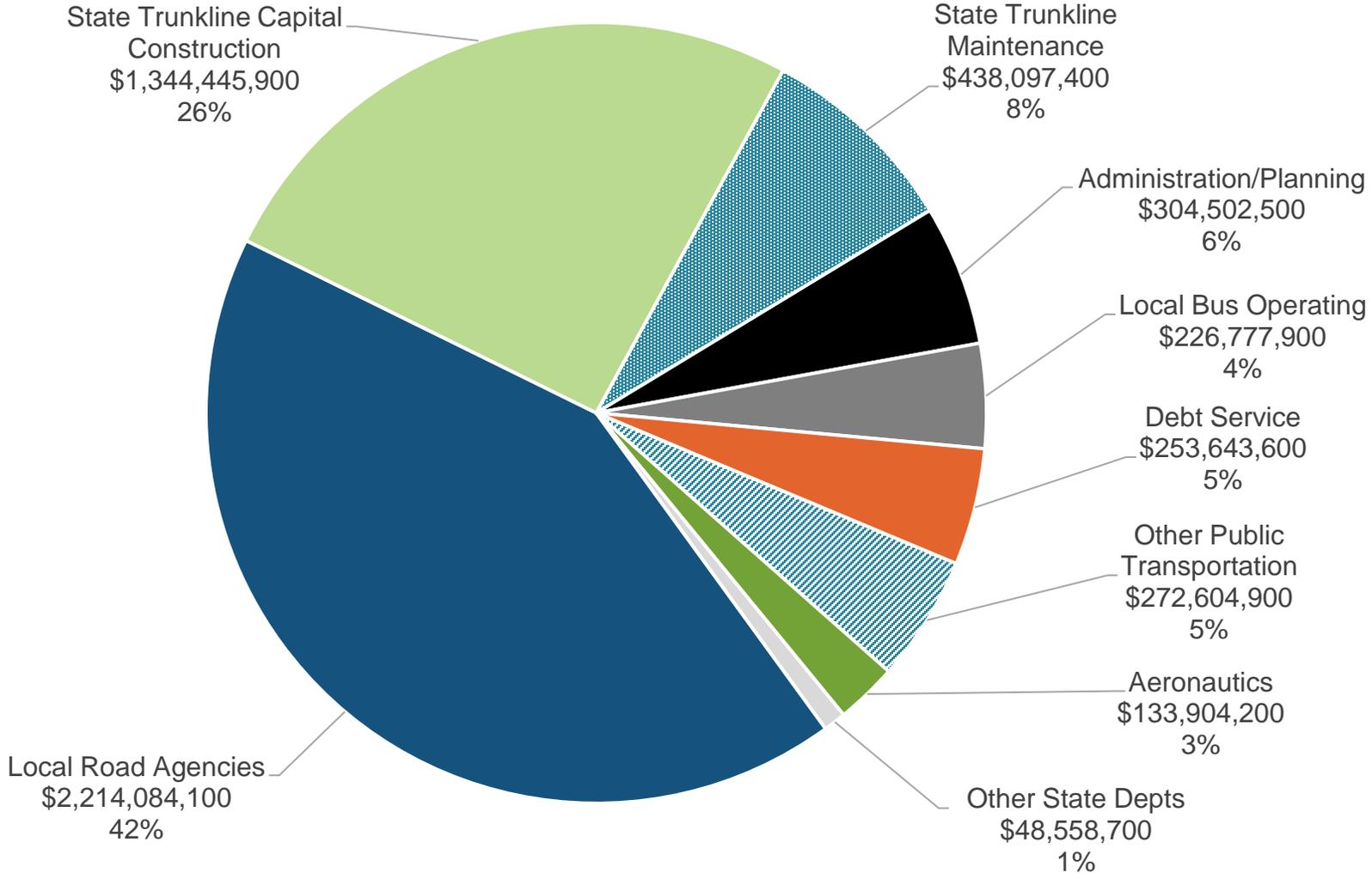
FY 2021-22 Gross Appropriations

There are three major program areas in the **\$5.2 billion** Transportation budget: Road and bridge programs – including funds distributed to local road agencies – represent approximately **87%** of the budget; public transportation programs **10%**; and aeronautics programs **3%**.



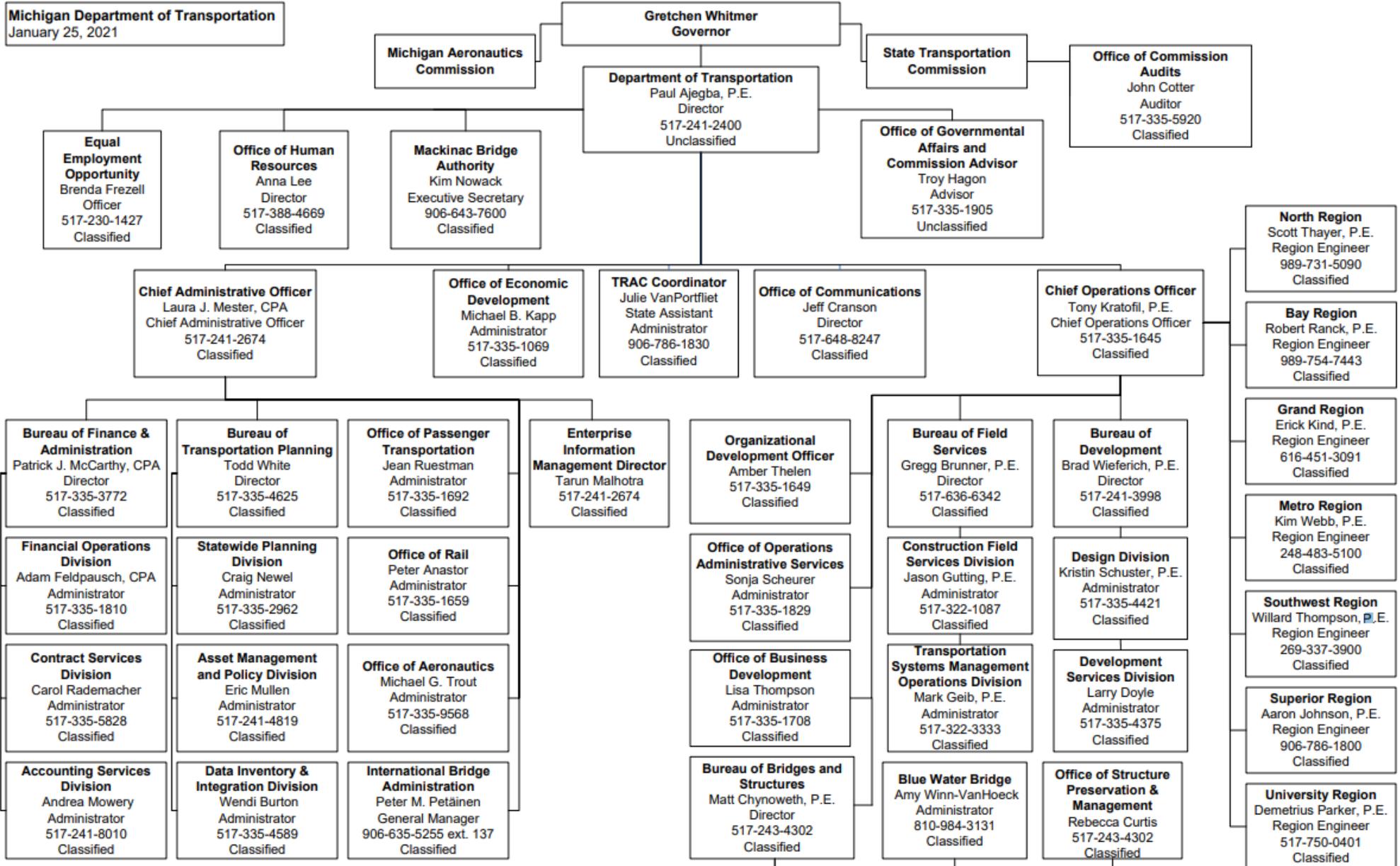
FY 2021-22 Appropriation Detail

Over **40%** of the Transportation budget is distributed or made available to local road agencies. Appropriations for MDOT administration and planning, debt service, and services provided by other state departments help support both state and local programs.



Major Budget Topics

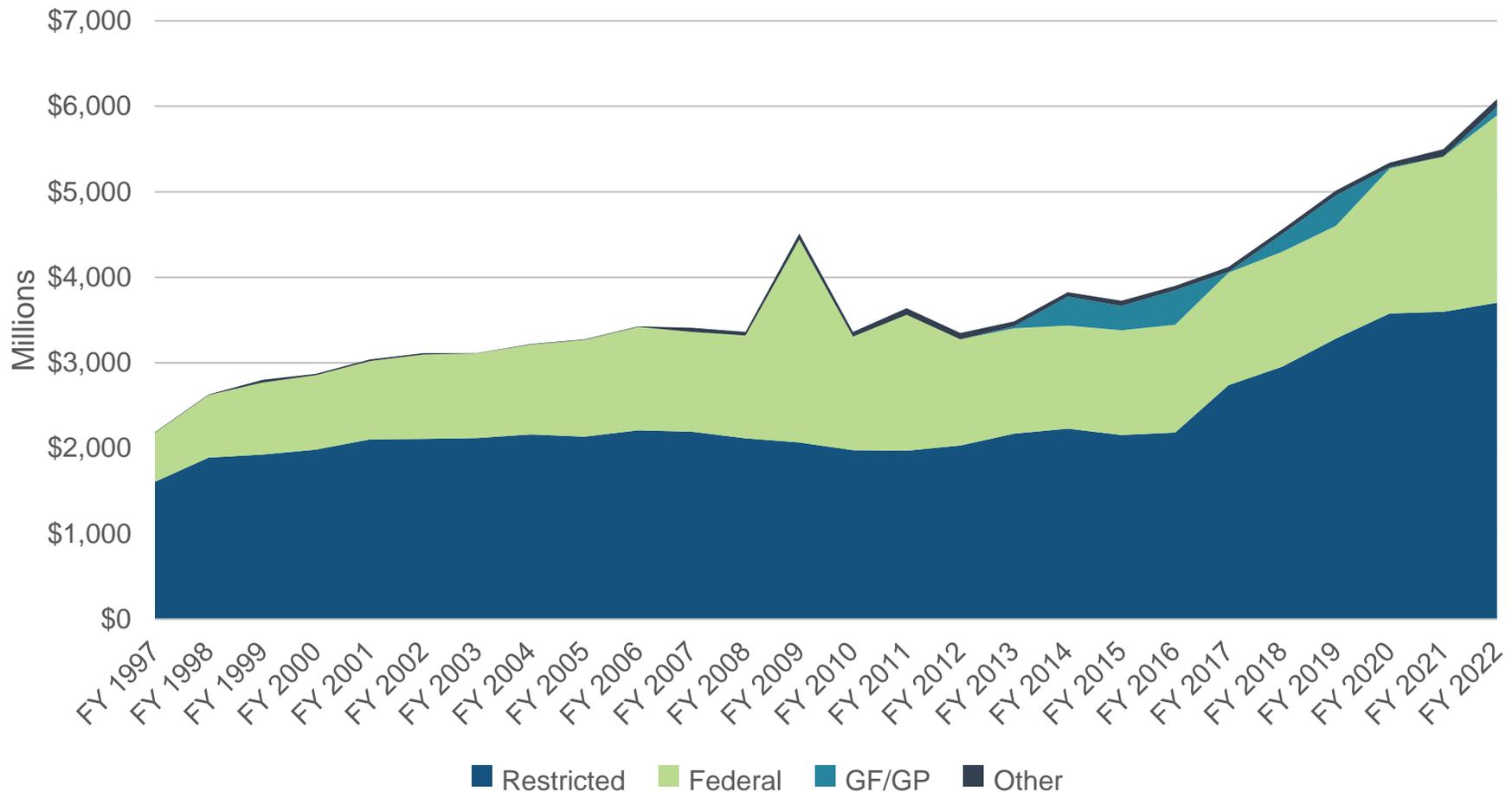
MDOT Organizational Chart



Transportation Revenue

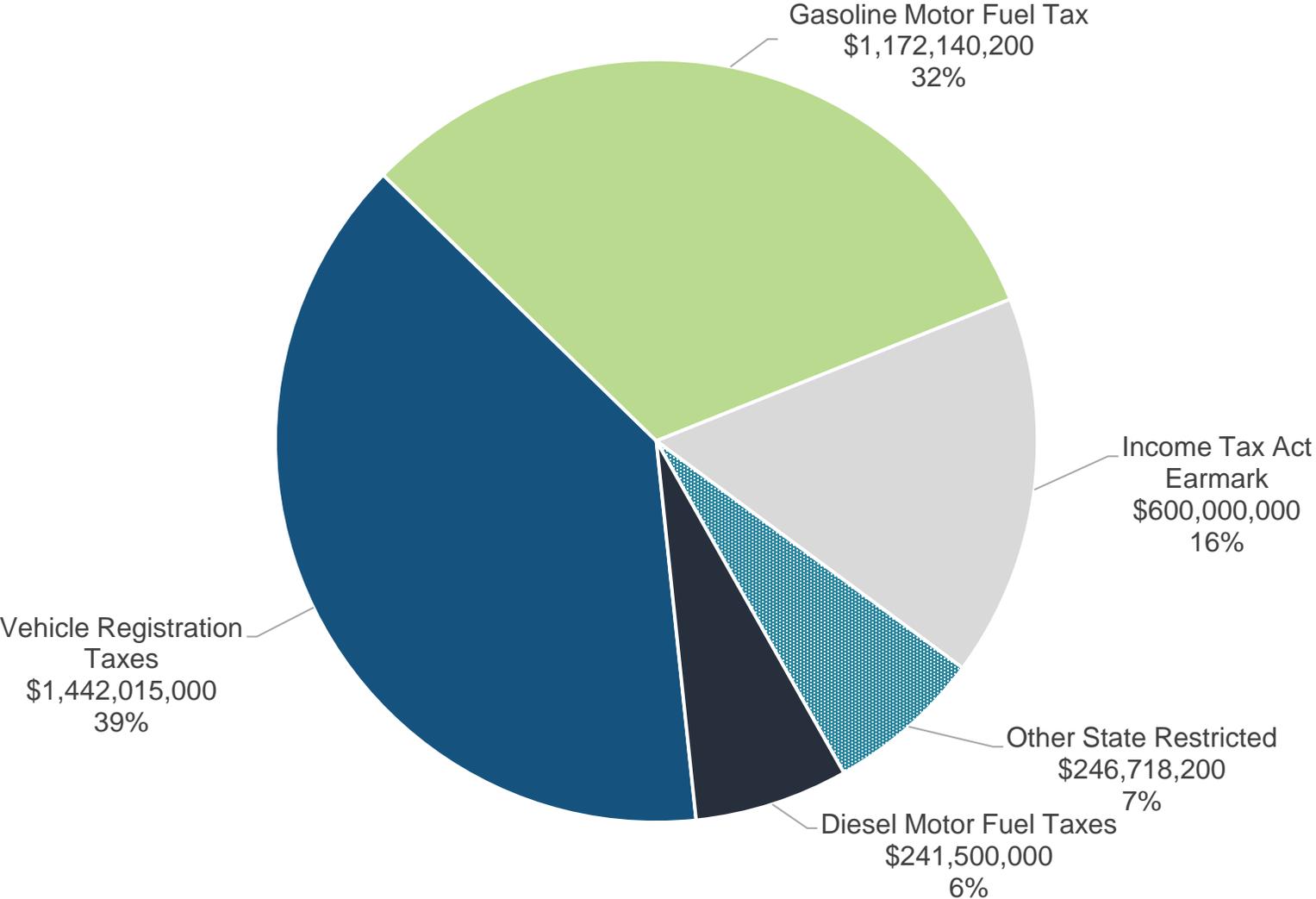
Transportation Gross Appropriations (25-Year Time Horizon)

Excluding temporary federal “Stimulus” funds in FY 2008-09, transportation appropriations were relatively flat from FY 1997-98 through FY 2015-16. Increases beginning in FY 2016-17 reflect the impact of November 2015 Road Funding Package.



FY 2021-22 State Restricted Revenue

FY 2021-22 state restricted revenue totals **\$3.7 billion**. The largest revenue sources are vehicle registration taxes and motor fuel taxes (gasoline and diesel). Restricted revenue also includes **\$600.0 million** from an earmark of income tax revenue.



Transportation - State Restricted Revenue

State restricted revenue in the Transportation budget comes primarily from motor fuel and vehicle registration taxes – taxes that are constitutionally dedicated for transportation. These taxes are credited to the Michigan Transportation Fund (MTF) and distributed according to the provisions of Public Act 51.

○ **Motor Fuel Taxes**

- The 2015 Road Fund Package amended the **Motor Fuel Tax Act** to set the tax rate at **26.3** cents per gallon for both gasoline and diesel motor fuel
- This rate was inflation-adjusted to **27.2** cents per gallon effective January 1, 2022, in accordance with the 2015 amendments to the Motor Fuel Tax Act

○ **Vehicle Registration Taxes**

- Various taxes on car, truck, and trailer registrations established in the Michigan Vehicle Code

○ **Income Tax Earmark**

- Earmark for state and local road and bridge programs established in the Income Tax Act is **\$600.0 million** in FY 2021-22 and each fiscal year thereafter

Transportation - Federal Revenue

- The state transportation budget recognizes federal funds made available to the state through federal-aid transportation programs.
- Federal-aid transportation programs are established in federal statute (23 US Code and 49 US Code) and funded through multi-year federal authorizing acts
- The current federal aid authorizing act, the Infrastructure Investment and Jobs Act (IIJA), was enacted November 2020 and provides funding for federal-aid transportation programs through September 30, 2026
 - Federal surface transportation programs are funded from the Federal Highway Trust Fund which is supported by federal transportation taxes, including an **18.4** cent per gallon federal gasoline tax, commercial truck excise taxes, and through transfers of federal General Fund revenue
 - Federal-aid highway funds made available to Michigan are effectively suballocated between state trunkline and local road agency programs
 - Federal-aid surface transportation funds also provide capital grants for local public transit agencies and for rail passenger programs
 - Federal Airport Improvement Program funds support capital improvements at public airports

Transportation - GF/GP Revenue

- Prior to FY 1996-97, GF/GP had rarely been used in the state transportation budget. Recent uses of GF/GP include the following:
 - FY 1996-97, **\$69.0 million** for state and local road and bridge programs as part of Build Michigan II
 - Over three fiscal years (FY 1999-00 to FY 2001-02), **\$170.0 million** as part of the Build Michigan III bond program
- Over nine fiscal years (FY 2011-12 through FY 2019-20) Transportation appropriations included a total of **\$1.9 billion** in direct and indirect GF/GP
 - Of the **\$1.9 billion** in GF/GP appropriations, **\$1.4 billion** was distributed to state and local road and bridge programs, with the balance for transit, rail, or aeronautics capital projects or for special designated projects
- Neither the FY 2020-21 nor the FY 2021-22 Transportation budgets included GF/GP appropriations

Transportation - Other Revenue

- In addition to state restricted, federal revenue, and, in some prior years, GF/GP, the FY 2021-22 Transportation budget includes **\$85.7 million** in spending authority from other revenue sources (Local, Private, IDGs)
- **Local revenue of \$80.8 million** is the largest of these other sources
 - Appropriation of local revenue recognizes the local cost share of local federal aid projects, the required local contribution for certain state trunkline projects, and local matching funds for federally funded transit capital and aeronautics capital projects
 - The appropriation of local revenue in the state Transportation budget allows MDOT to expend local funds for the local cost share of 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

- **\$4.6 billion (87%)** of the FY 2021-22 Transportation budget is appropriated for state and local road and bridge programs:
 - **\$2.4 billion** for state trunkline programs administered by MDOT
 - **\$2.2 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)

Miles by Jurisdiction (2018)

	<u>Route Miles</u>		<u>Vehicle Miles Traveled</u>	
	<u>Miles</u>	<u>% of Total</u>	<u>Annual</u>	<u>% of Total</u>
State Trunklines	9,664	8.0%	54.2 billion	53.0%
County Roads	89,597	74.4%	32.1 billion	31.4%
City/Village Streets	21,211	17.6%	16.0 billion	15.6%
TOTAL	120,472	100.0%	102.3 billion	100.0%

Michigan Bridges by Jurisdiction (2018)

	<u>Structures</u>		<u>Deck Area*</u>		<u>Average Daily Traffic **</u>	
State Trunklines	4,487	40.4%	4,619,000	73.5%	81.5	82.6%
County Roads	5,772	52.0%	1,222,800	19.5%	12.0	12.1%
City and Village	840	7.6%	442,900	7.0%	5.2	5.3%
TOTAL	11,099	100.0%	6,284,700	100.0%	98.7	100.0%

* Deck area is in square meters. ** ADT is in million vehicles per day.

Public Transportation Programs

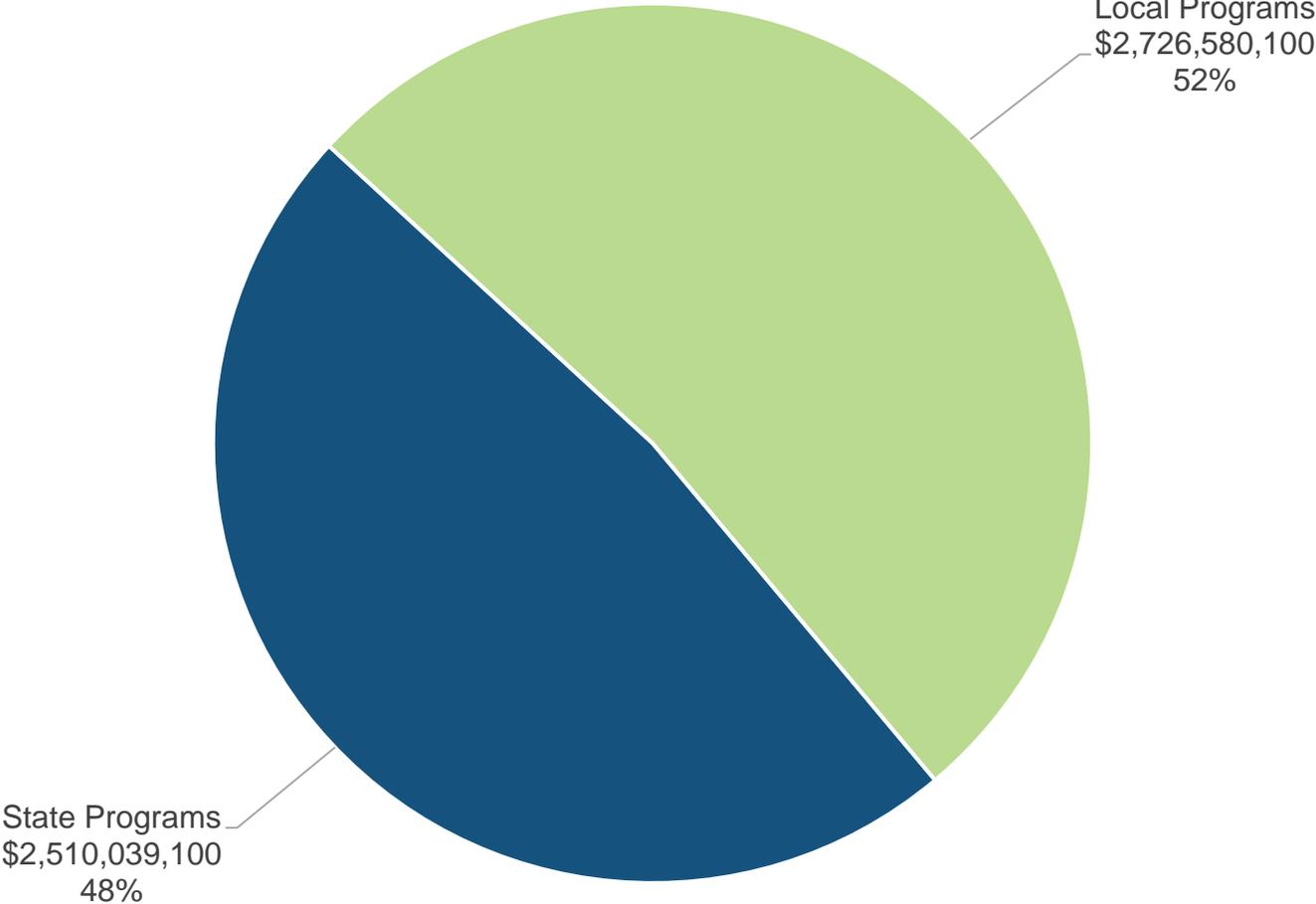
- **\$513.4 million (10%)** of the FY 2021-22 Transportation budget is appropriated for public transportation programs including:
 - Capital and operating assistance to 82 local public transit agencies
 - Capital and operating assistance for Amtrak rail passenger service to Michigan
 - Other targeted public transportation programs (Detroit/Wayne County Port Authority, rail freight and 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

- **\$138.9 million** (3%) of the FY 2021-22 Transportation budget is appropriated for aeronautics programs including **\$121.6 million** for the 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 2021-22 State/Local Programs

Approximately half of the **\$5.2 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.

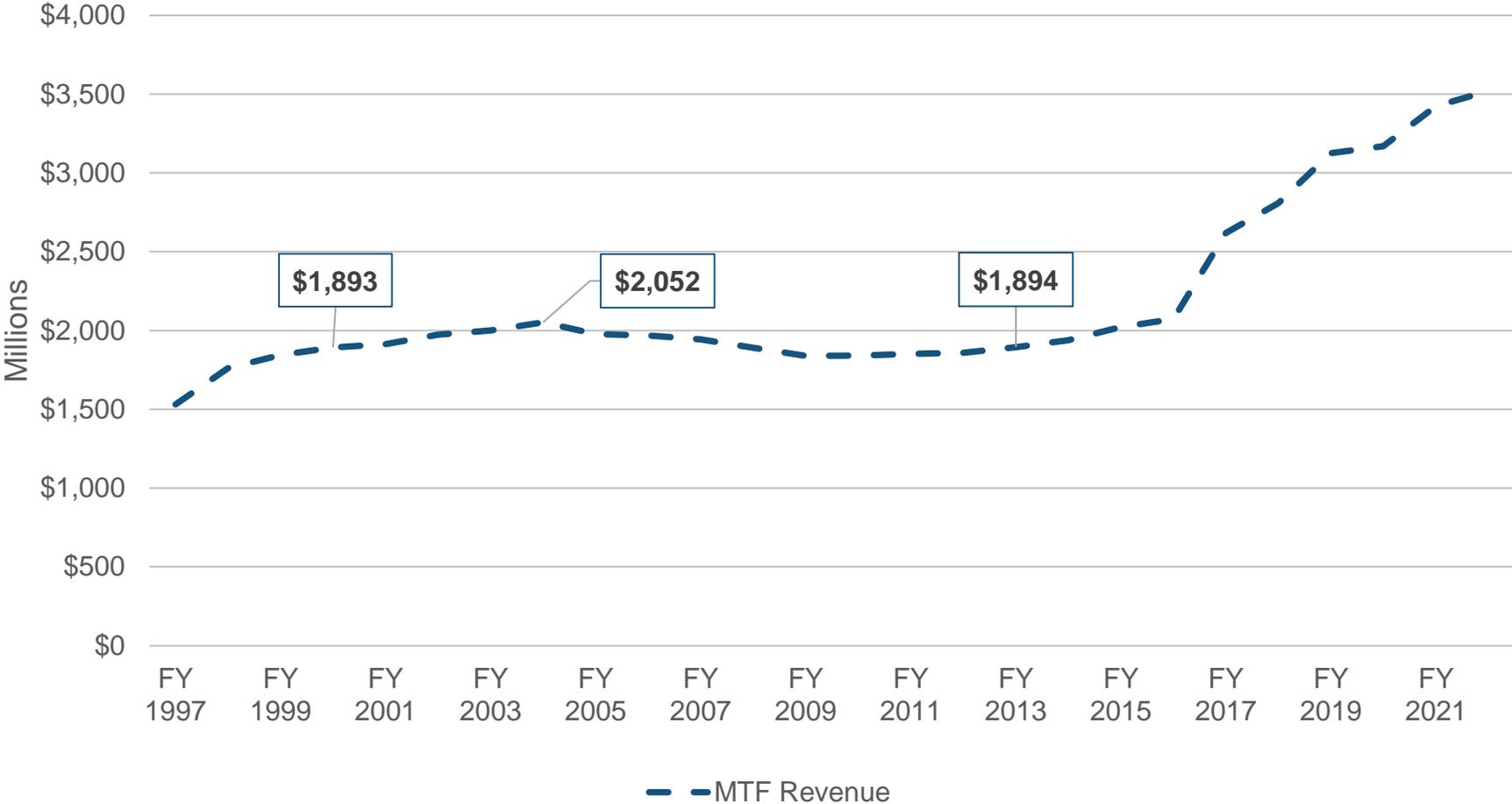


Michigan Transportation Fund (MTF) Revenue/Distribution

- The MTF is the main collection and distribution fund for state restricted transportation revenue from motor fuel taxes and vehicle registration taxes
- MTF revenue available for highway and public transportation programs was generally flat from FY 1999-00 through FY 2015-16
- Prior to passage of the November 2015 Road Funding Package, 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
- 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
- MTF revenue began to increase in FY 2016-17 after the January 2017 implementation of the November 2015 Road Funding Package

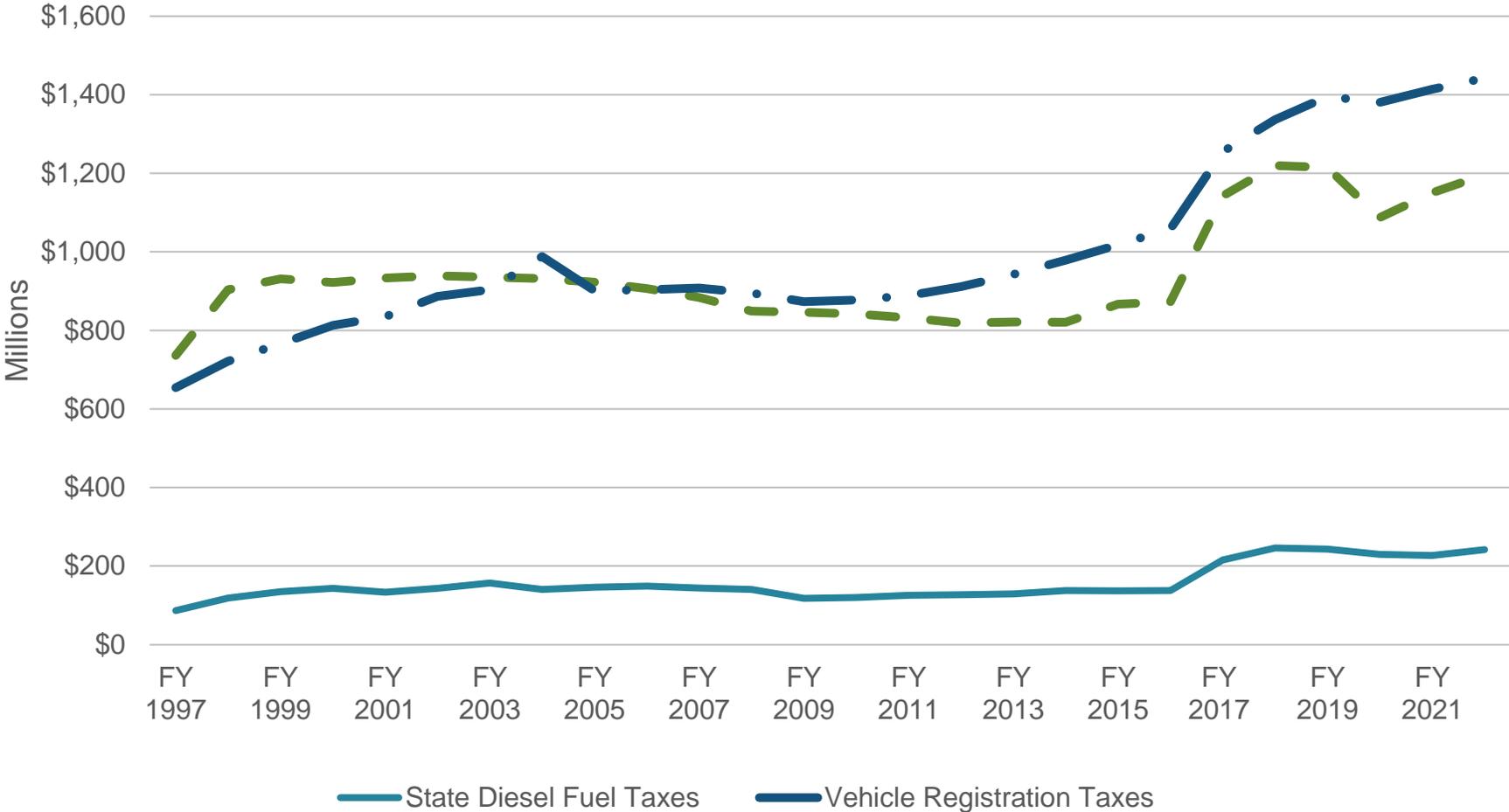
MTF Revenue History

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 beginning in FY 2016-17 reflects the impact of the November 2015 Road Funding Package, effective January 1, 2017.



MTF Revenue Fund Source History

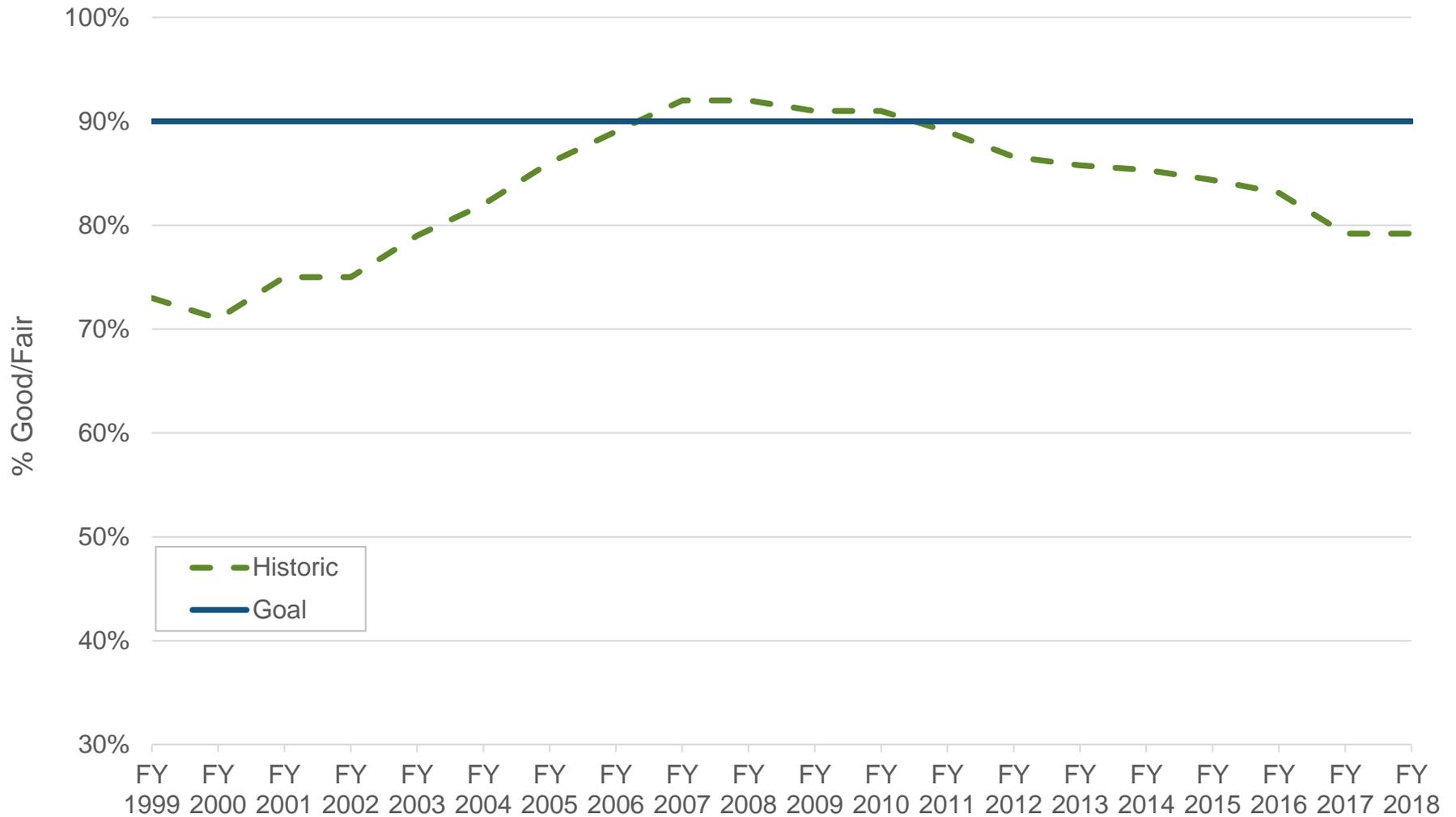
Vehicle registration taxes are the largest source of MTF revenue, followed by the motor fuel tax on gasoline. The increases beginning in FY 2016-17 reflect the impact of the November 2015 Road Funding Package, effective January 1, 2017.



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 using a Remaining Service Life (RSL) model
- 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 pavement performance goals in 2007 but did not have sufficient revenue to sustain the performance goals
- MDOT has estimated it would need additional annual funding of **\$1.9 billion** each year to reach and sustain state trunkline pavement performance goals, and **\$154.0 million** per year to sustain bridge performance goals *
 - *Pavement estimate as of February 2021, Bridge estimate as of January 2022*
- Local road agencies have experienced similar revenue constraints and pavement condition deterioration

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



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

MDOT has estimated it would need additional annual funding of \$1.9 billion each year to reach and sustain state trunkline pavement performance goals, and \$158 million per year to sustain bridge performance goals. *



* Pavement estimate as of February 2021, Bridge estimate as of January 2022.

November 2015 Road Funding Package

- In November 2015, the legislature passed a 7-bill package, including bills to increase motor fuel and vehicle registration taxes effective January 1, 2017
- This generated **\$464.5 million** in additional MTF revenue in the first fiscal year of implementation (partial FY 2016-17)
- The annual increase in MTF revenue from the motor fuel and registration tax increases is approximately **\$622.0 million**
- The November 2015 Road Funding Package also included a redirection of certain income tax revenue to state and local road and bridge programs beginning in the 2018-19 fiscal year. Specifically:
 - **\$264.0 million** in FY 2018-19
 - **\$468.0 million** in FY 2019-20
 - **\$600.0 million** in FY 2020-21 and each fiscal year thereafter.
- As fully implemented in FY 2020-21, the November 2015 Road Funding Package provided approximately **\$1.2 billion** in additional revenue for transportation programs on an ongoing basis: **\$622 million** from increases in motor fuel and vehicle registration taxes, **\$600 million** from an earmark of income tax revenue

For more information about the Transportation budget:

HFA Resources

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

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