



Background Briefing

TRANSPORTATION

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December 2013

The fiscal information in this background briefing is based on data through December 31, 2013.

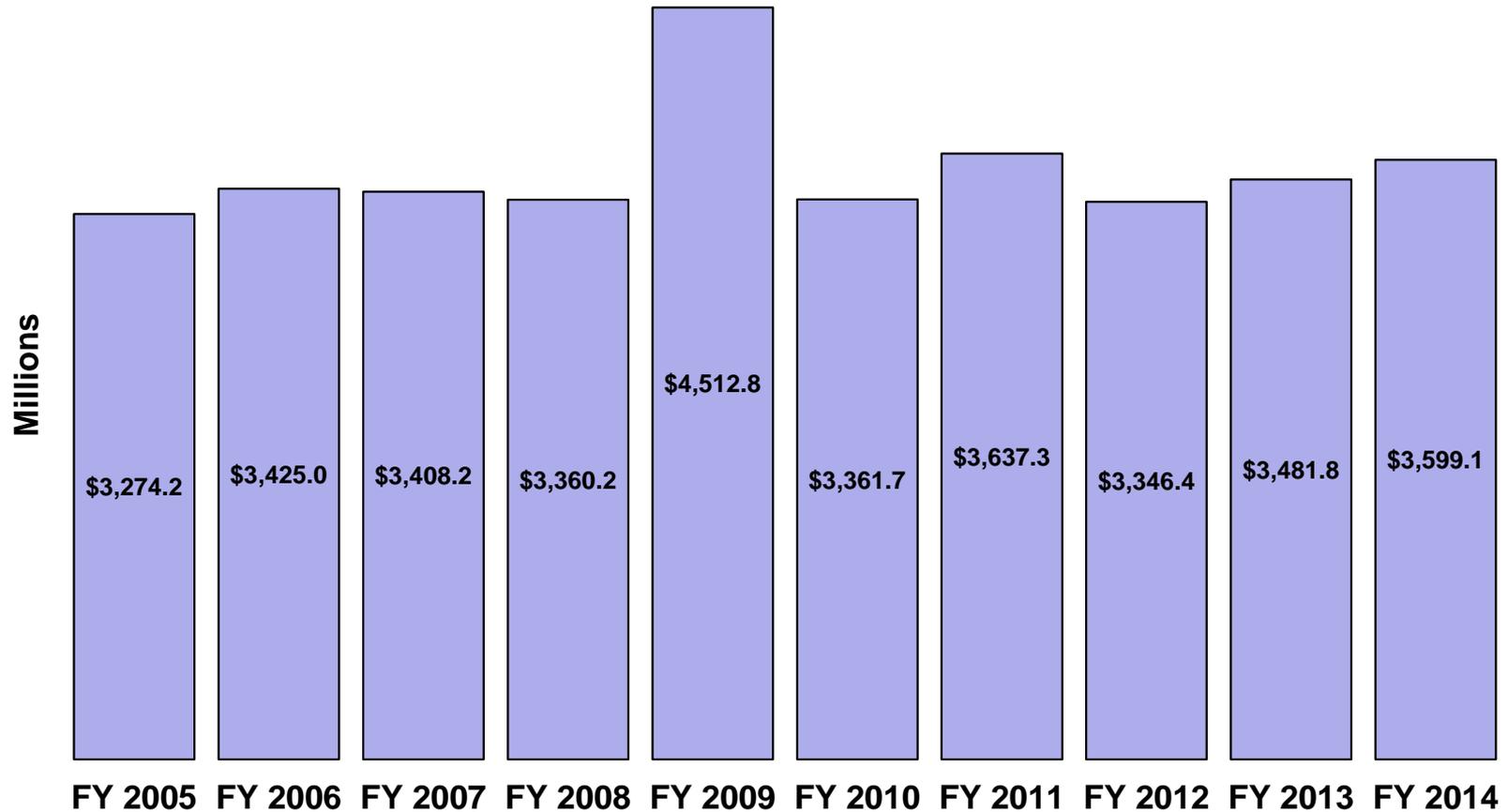
Budget Description

The state transportation budget supports:

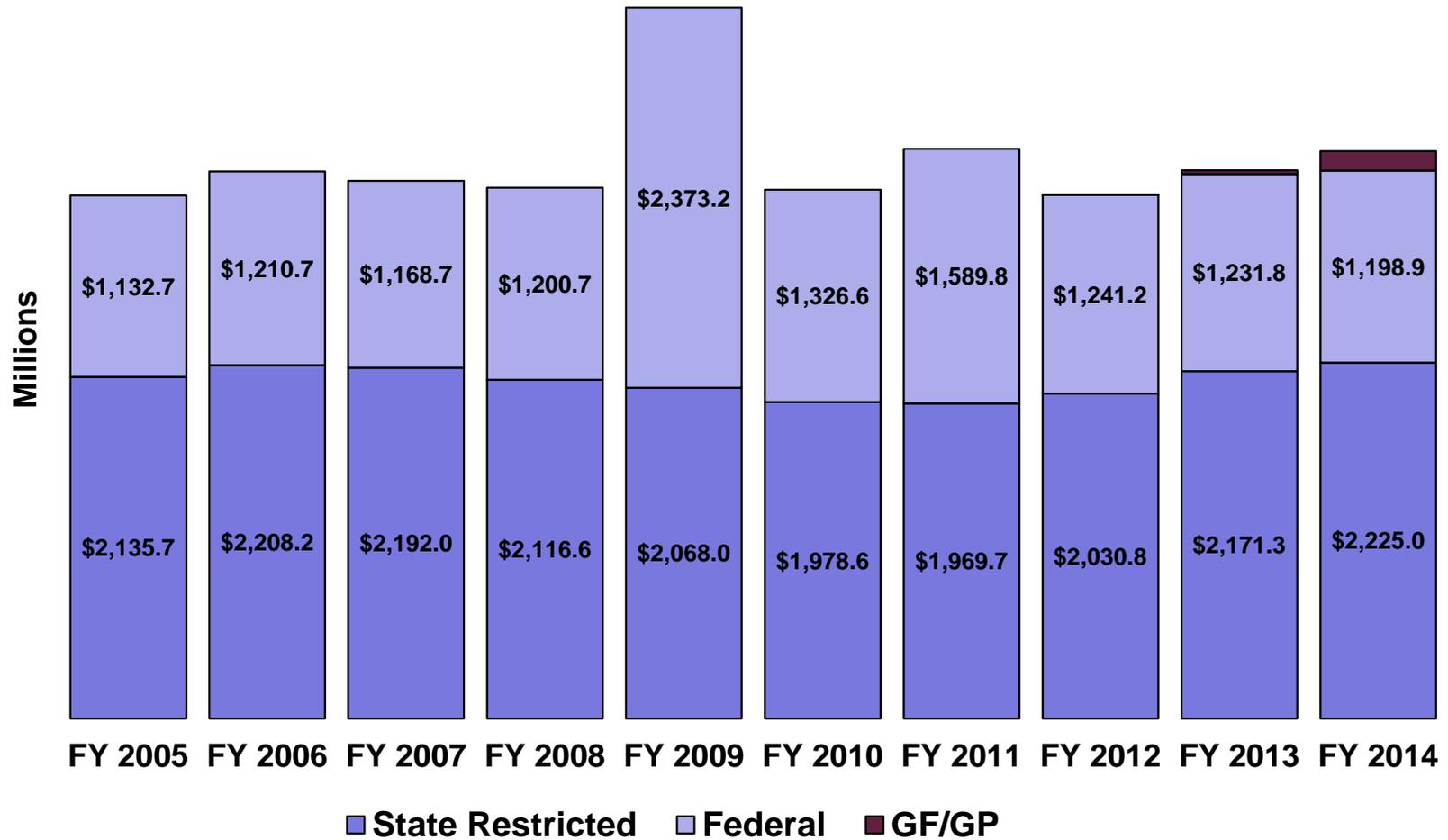
- **State and local highway programs**
- **Public transportation programs**
- **Aeronautics programs**
- **Administration of the Michigan Department of Transportation (MDOT)**

Transportation Gross Appropriations

The increase in FY 2009 was due to additional federal funds provided through the American Recovery and Reinvestment Act (ARRA).



Transportation Gross Appropriations

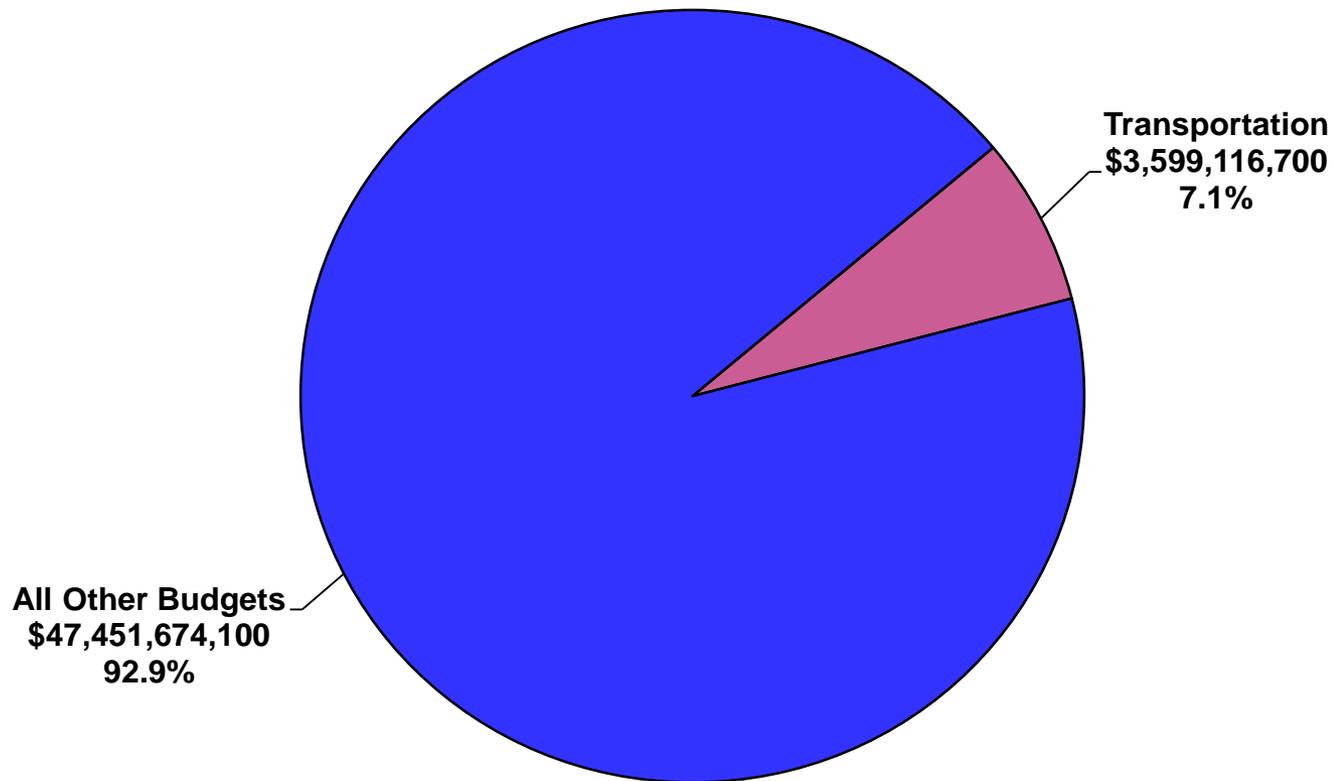


Transportation Share of State Budget

- **FY 2013-14 budget appropriates \$3.6 billion for state transportation programs**
- **This represents approximately 7% of the \$51.0 billion total state budget**
- **FY 2013-14 transportation budget includes direct appropriation of \$121.0 million GF/GP and up to \$230.0 million GF/GP shown in the budget as a restricted transportation fund – the Roads and Risks Reserve Fund**

Transportation Share of State Budget

FY 2013-14 Total = \$51,050,790,800

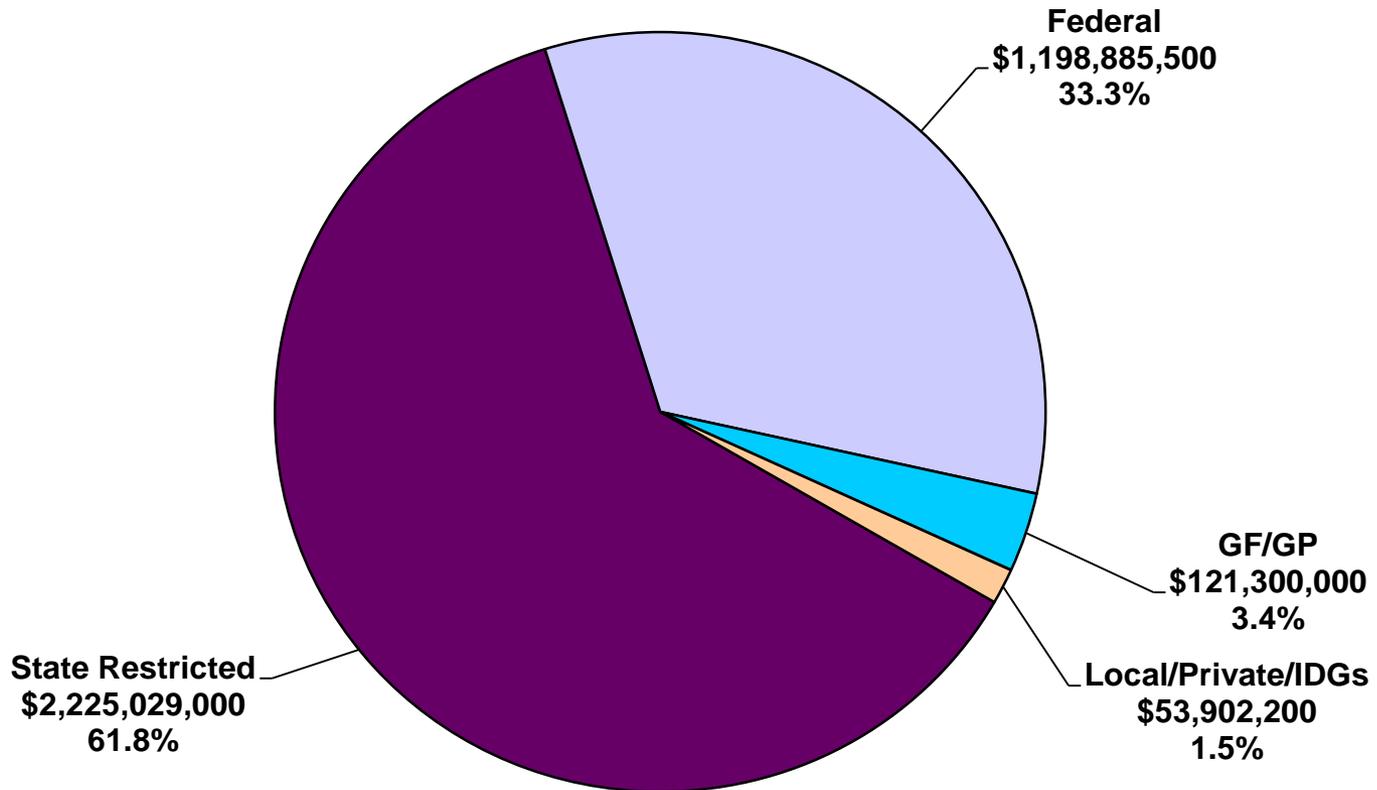


SOURCES OF FUNDING

Transportation Appropriated Revenue

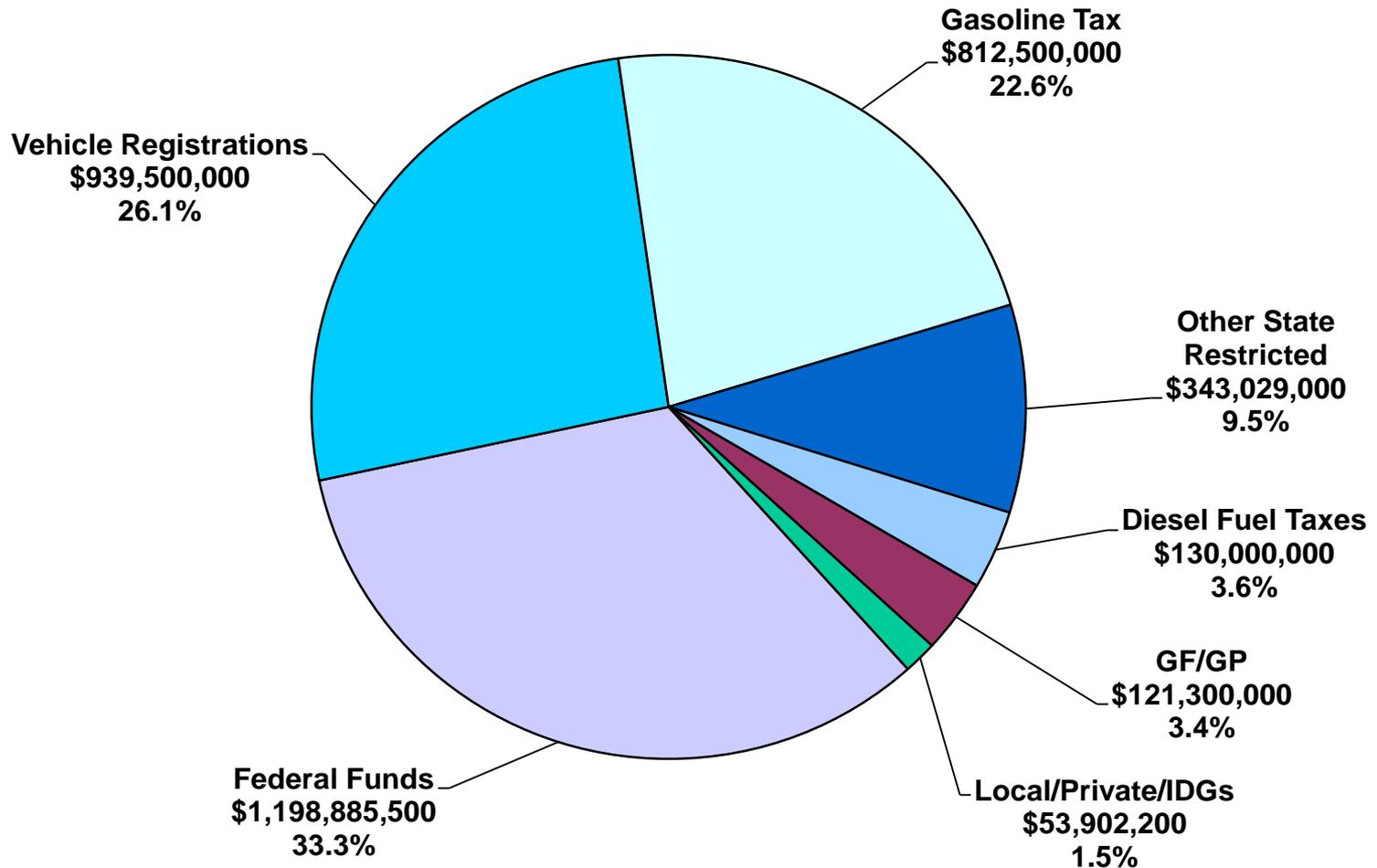
“Other” includes IDGs, local revenue, and private revenue

FY 2013-14 Total = \$3,599,166,700



Transportation Revenue Detail

FY 2013-14 Total = \$ 3,599,116,700



Transportation Funding Sources

- **State restricted revenue**
 - **Motor fuel taxes and vehicle registration taxes are constitutionally restricted to transportation purposes “after payment of necessary collection expenses”
— Article IX, Section 9, 1963 Michigan Constitution**

 - **State restricted revenue is primarily from:**
 - **Motor Fuel Taxes — primarily from the 19-cent per gallon gasoline excise tax and diesel fuel taxes**
 - **Vehicle Registration Taxes — as provided in the Michigan Vehicle Code**

Transportation Funding Sources

- **Federal revenue**
 - Funds made available to states through multi-year federal authorizing legislation; the current federal aid program is titled Moving Ahead for Progress in the 21st Century Act (MAP-21)
 - Federal motor fuel taxes dedicated to the federal Highway Trust Fund include the 18.4 cent per gallon federal gasoline tax

- **Local revenue**
 - Budget includes \$50.2 million from local revenue sources
 - Local revenue in budget recognizes local match required for some state trunkline projects, for federally funded local transit capital projects, and for aeronautics capital projects
 - Local units of government also raise additional local revenue for local transportation programs which is not included in state transportation budget

Transportation Funding Sources

- **State GF/GP revenue**
 - Prior to FY 2011-12, GF/GP funding had not been used in transportation budget since FY 2001-02 (as part of Build Michigan III)
 - FY 2011-12 included \$500,000 GF/GP boilerplate earmark
 - FY 2012-13 included direct appropriation of \$23.0 million GF/GP “one-time basis” plus \$110.0 million GF/GP transferred to transportation restricted funds through Sales Tax Act amendment
 - FY 2013-14 includes up to \$351.0 million in GF/GP revenue:
 - direct appropriation of \$121.3 million GF/GP “one-time basis” to ensure match for all available federal funds
 - up to \$230.0 million GF/GP transferred to new restricted transportation “Roads and risks reserve fund”

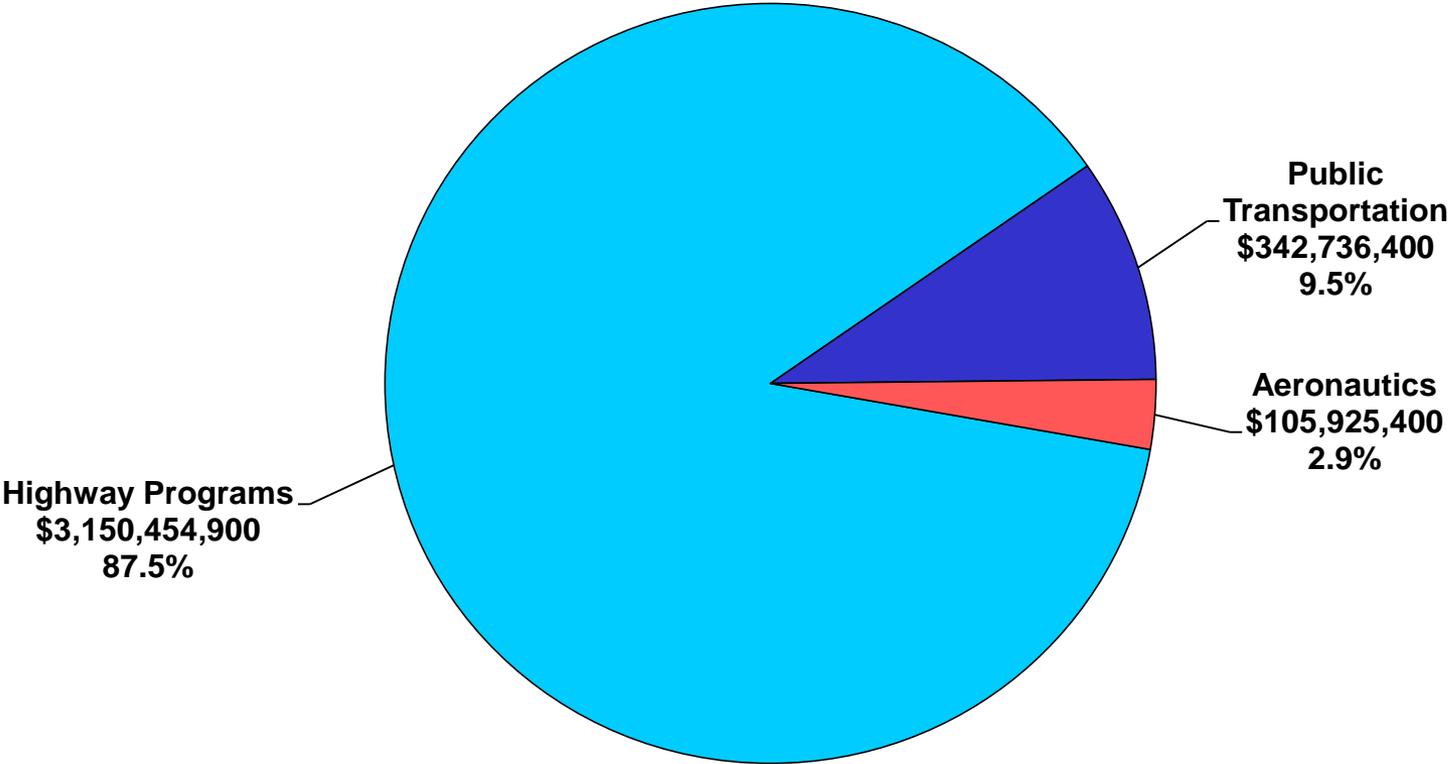
Transportation Funding Sources

- **Roads and Risks Reserve Fund**
 - **Established through boilerplate earmark of \$230.0 million GF/GP in General Government budget article of the omnibus state budget act**
 - **Half of these funds - \$115.0 million are recognized in the enacted transportation budget**
 - **The remaining \$115.0 million may be available for appropriation on February 1, 2014**

MAJOR TRANSPORTATION PROGRAMS

Major Transportation Program Categories

There are three major program categories funded in the transportation budget: Highway Programs, Public Transportation Programs, and Aeronautics Programs



Major Transportation Program Categories

- **87.5% of the budget for state and local highway/street programs**
- **9.5% for public transportation programs, including capital and operating support for local public transit agencies**
- **2.9% for aeronautics programs, including Capital Outlay airport improvement programs**

Statutory Authority for Distribution of State Revenue

- **Public Act 51 of 1951 (Act 51) governs distribution of most transportation revenue**
- **Provides for distribution between**
 - **Highway and public transportation programs**
 - **State and local road agencies**

Highway Programs

- **87.5% (\$3.15 billion) of FY 2013-14 budget appropriated for state and local road and bridge programs:**
 - **\$1.92 billion for state trunkline programs administered by MDOT**
 - **\$1.23 billion for local road agencies (county road commissions, cities, and villages)**
- **Distributed according to Public Act 51 of 1951**
- **MDOT has jurisdiction over state trunkline highways, including interstate expressways – generally the busiest and with statewide purpose**
- **Local road agencies have jurisdiction over county roads and municipal streets**

Other Transportation Programs

- **Public Transportation**
 - **9.5% (\$342.7 million) of FY 2013-14 budget appropriated for public transportation programs including:**
 - **Capital and operating assistance to 79 local public transit agencies**
 - **Capital and operating assistance for AMTRAK service to Michigan**
 - **Distribution governed by Public Act 51 of 1951**
- **Aeronautics**
 - **2.9% (\$105.9 million) of FY 2013-14 budget appropriated for Aeronautics programs including \$93.1 million for federal Airport Improvement (Capital Outlay)**
 - **Governed by State Aeronautics Code (not Act 51)**

ISSUES

Revenue Issues

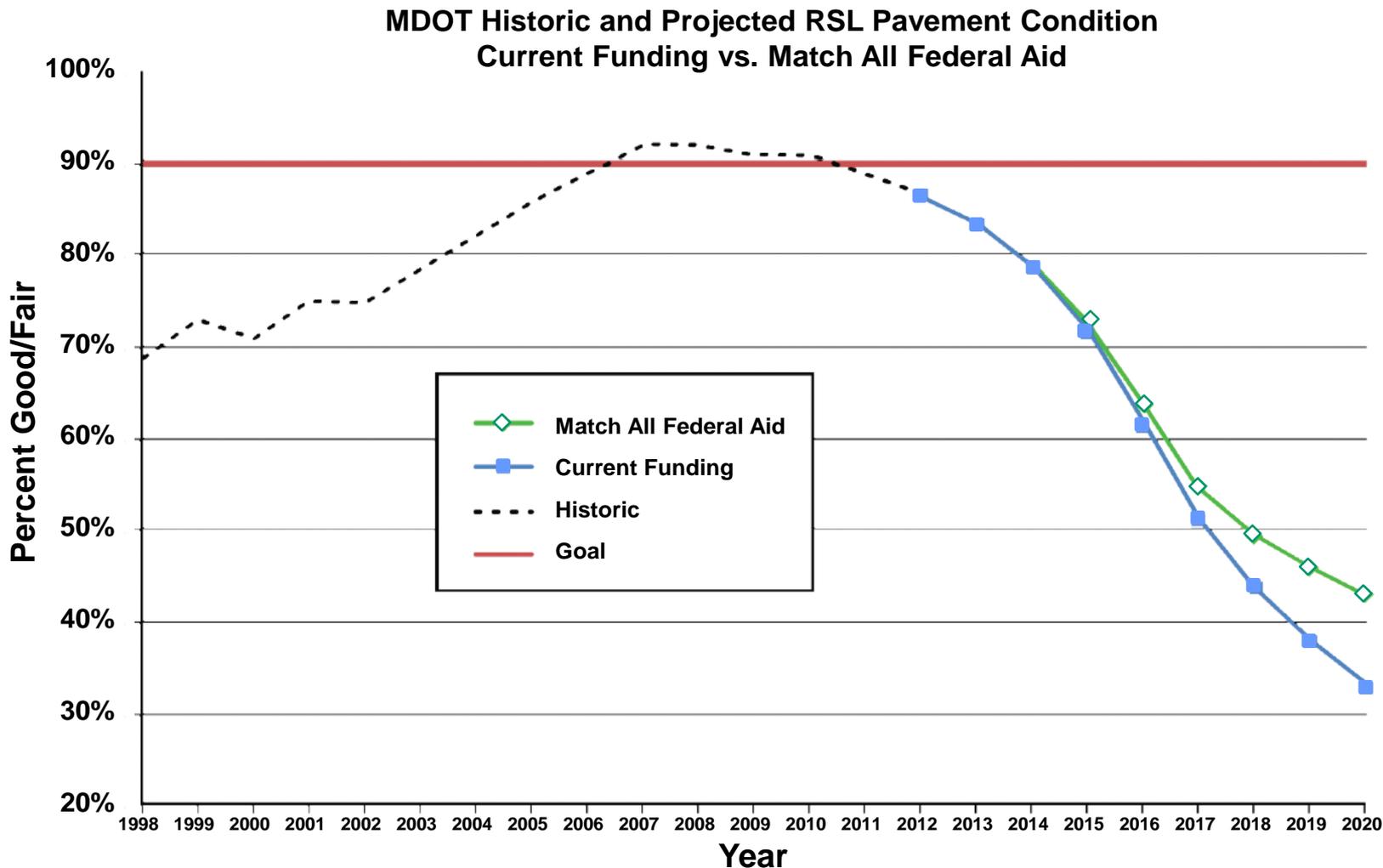
- **Revenue Issue #1**

- **In 1997, the State Transportation Commission established state trunkline pavement performance goals of 85% of non-freeway pavement and 95% of freeway payment 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 does not have sufficient revenue to sustain performance goals and complete needed capacity improvement projects**

- **Revenue Issue #2**

- **MDOT anticipates that there will not be enough baseline state transportation revenue in the next five years to match all available federal aid**
- **If the department is unable to provide necessary state matching funds, the state may lose approximately \$500 million per year in federal aid starting in FY 2014-15**

State Trunkline Pavement Condition Combined Freeway and Non-Freeway



Source: Michigan Department of Transportation, 2013-2017 Five-Year Transportation Program

House Fiscal Agency: December 2013

**For more information about the
Transportation budget, contact:**

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