



Background Briefing

TRANSPORTATION

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December 2015

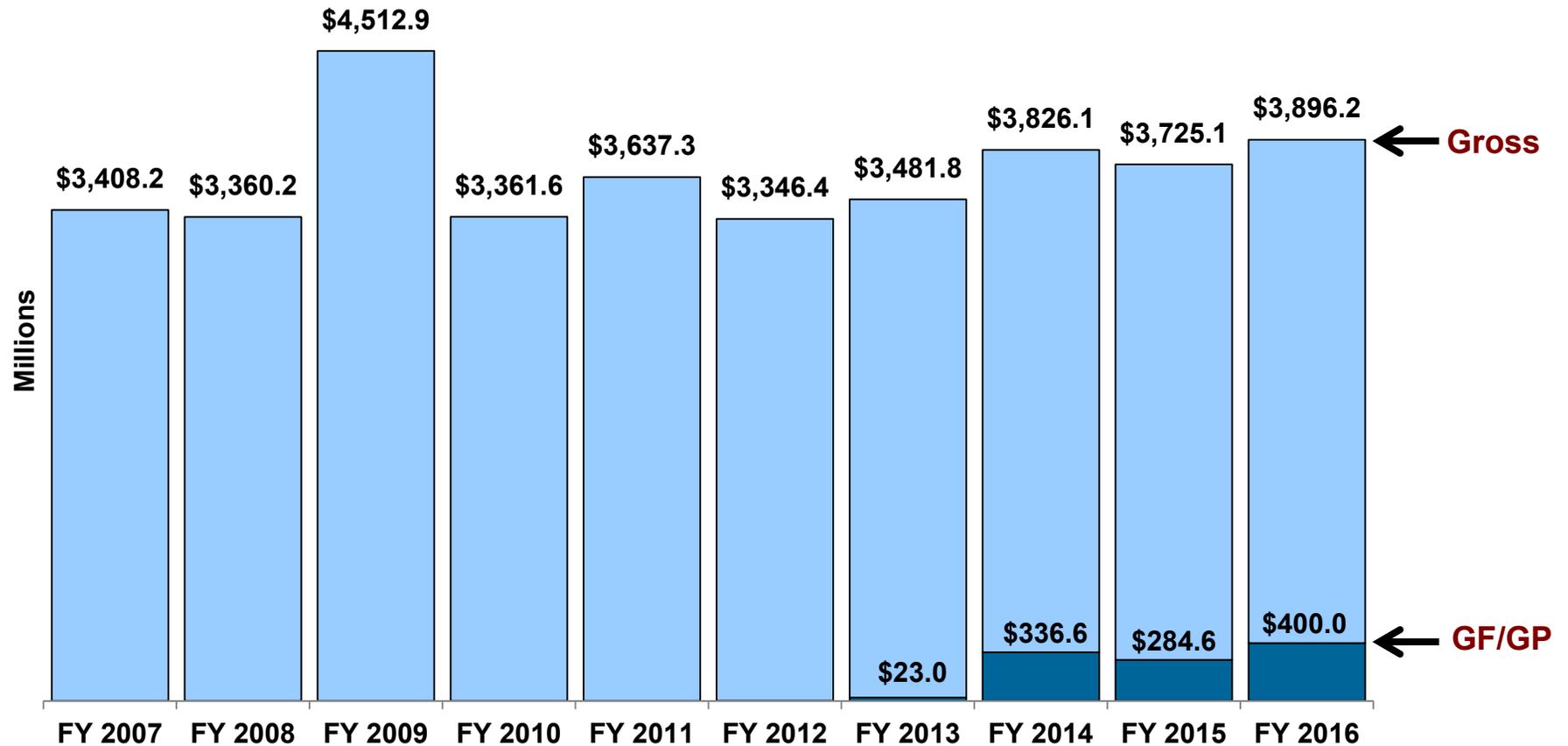
TRANSPORTATION

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

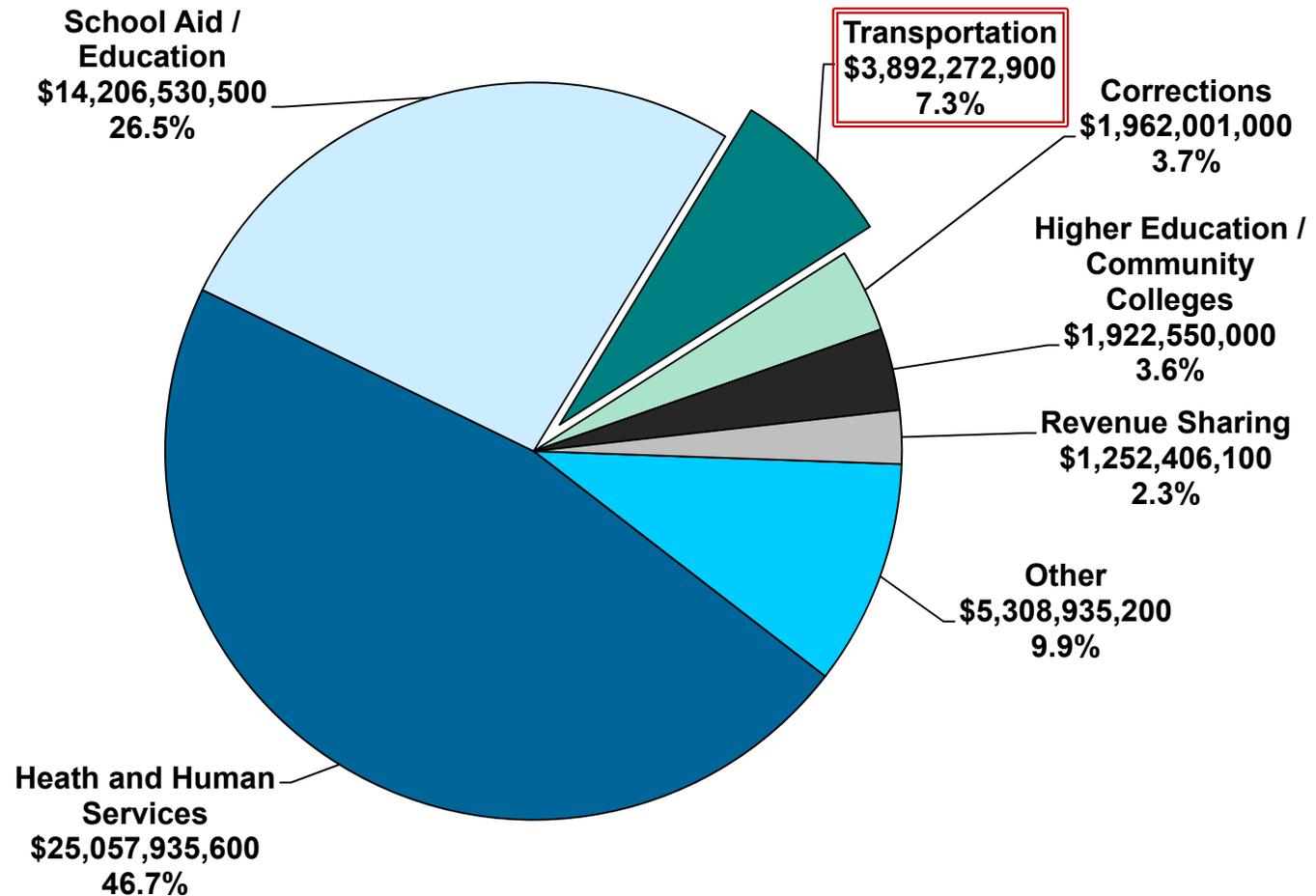
Aside from FY 2009 when additional federal funds were provided through the American Recovery and Reinvestment Act (ARRA), the Transportation budget has been relatively flat for the last decade.



Transportation Share of Total State Budget

The Transportation budget represents 7.3% of the total state budget

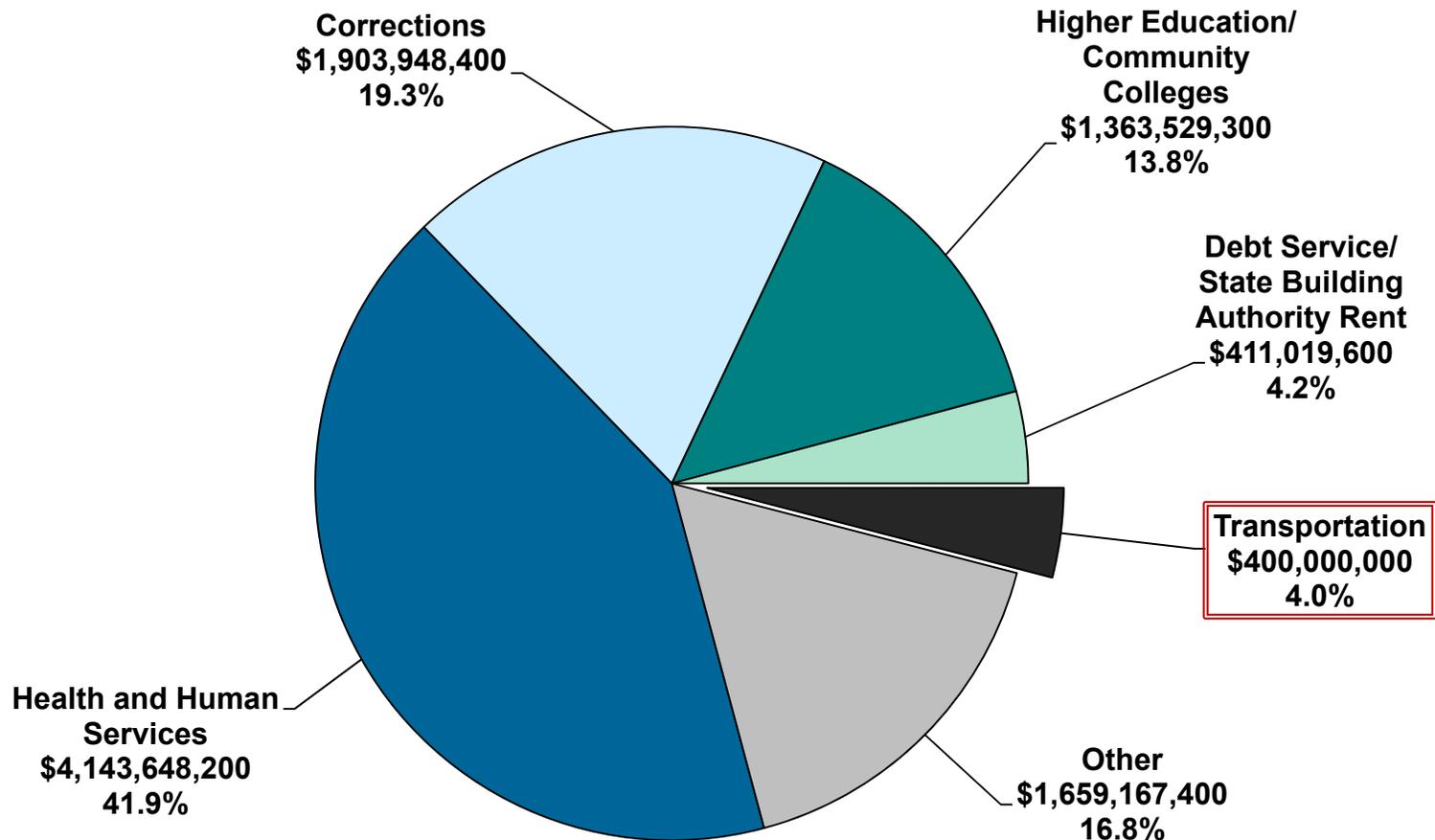
FY 2015-16 Adjusted Gross Total = \$53,602,631,300



Transportation Share of State GF/GP

The Transportation budget represents 4.0% of the total state GF/GP budget

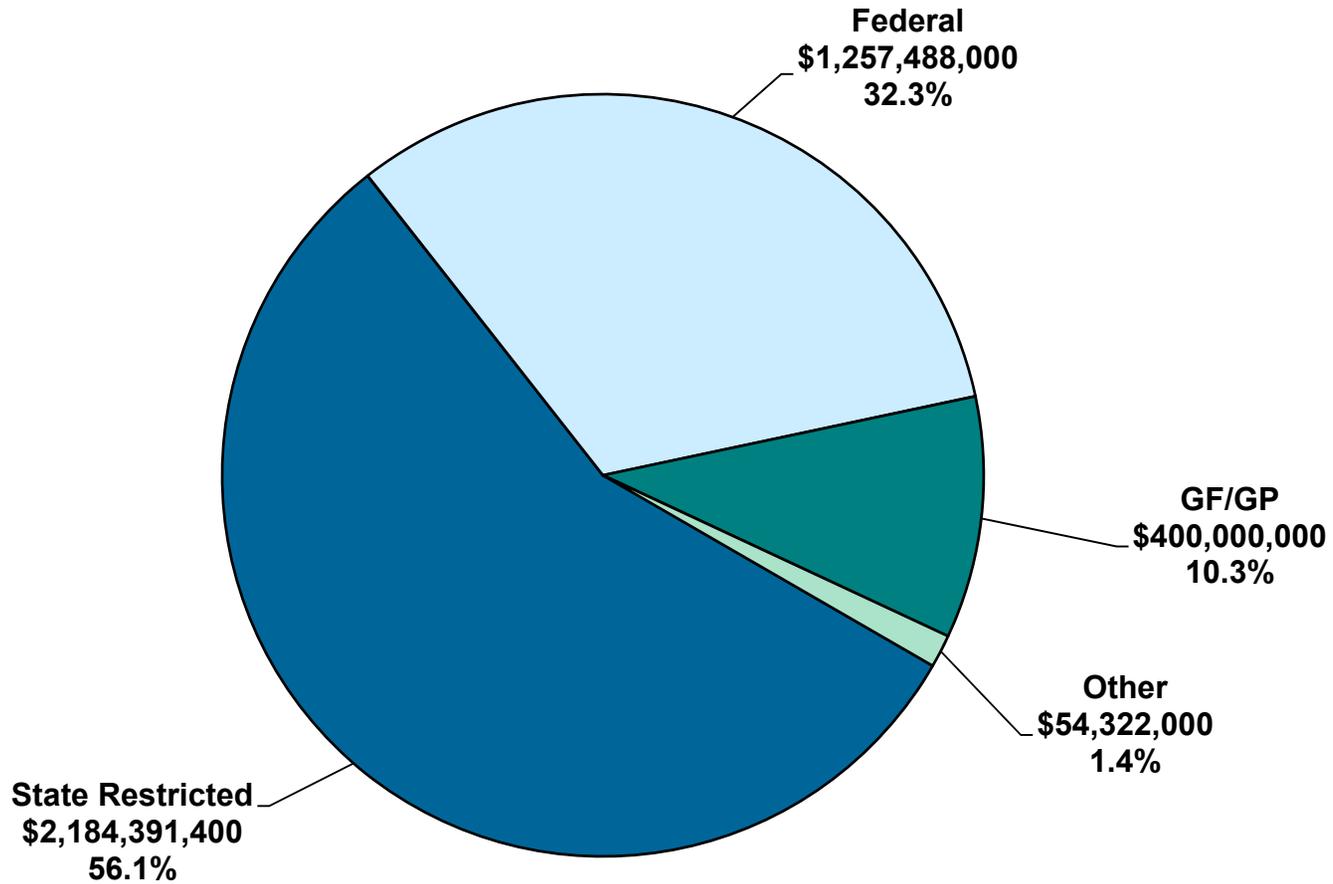
FY 2015-16 GF/GP Total = \$9,881,312,900



SOURCES OF FUNDING

Transportation Appropriated Revenue

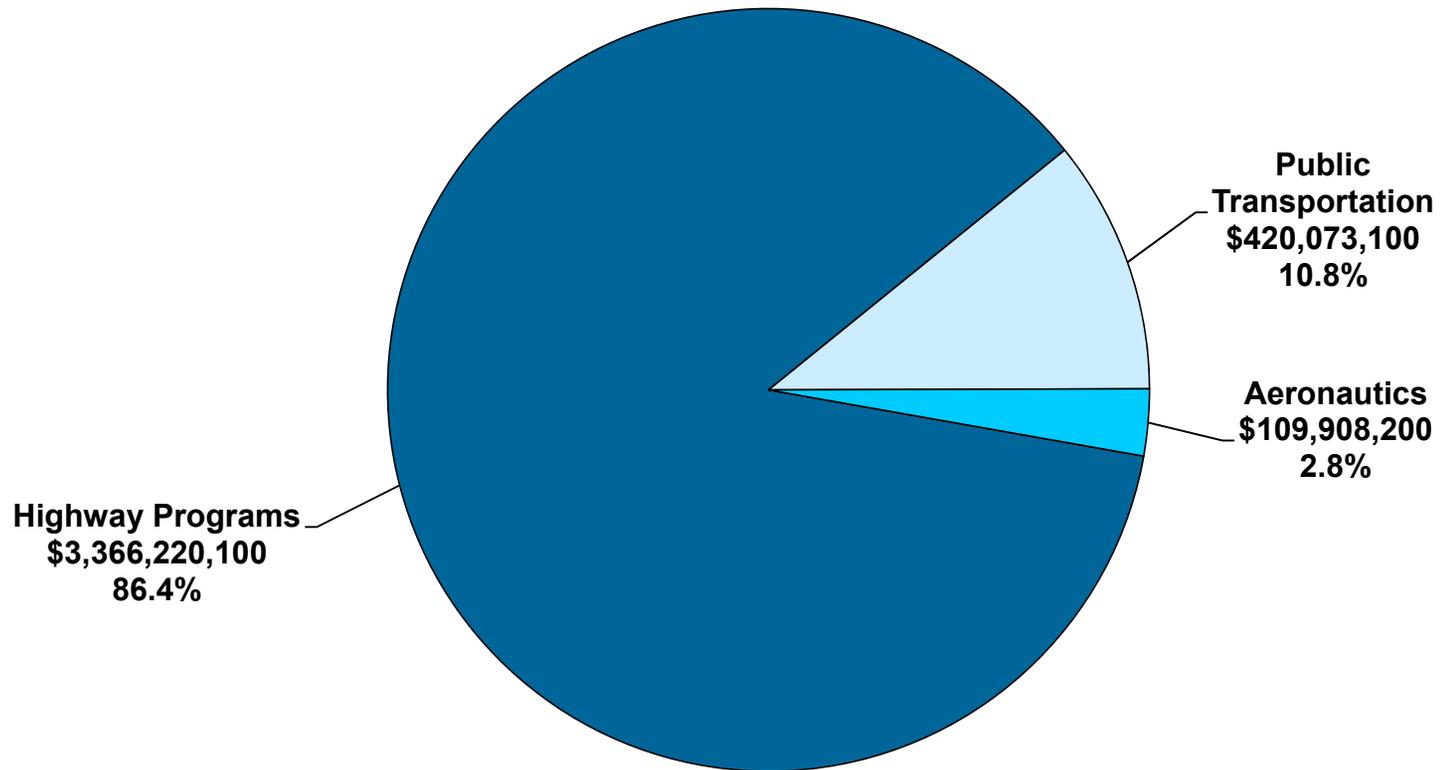
FY 2015-16 Gross Appropriations = \$3,896,201,400



APPROPRIATION AREAS

Major Transportation Program Categories

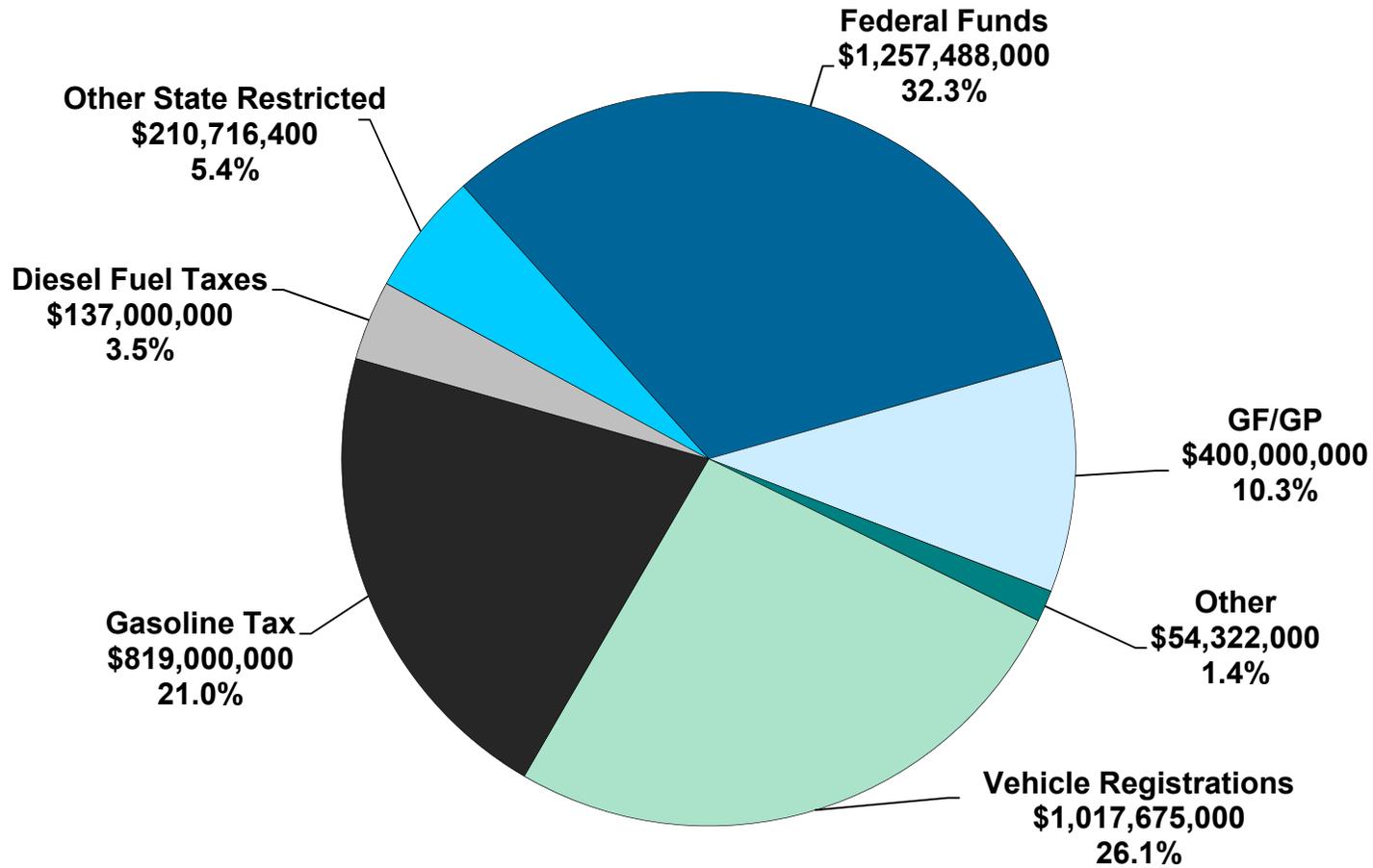
FY 2015-16 Gross Appropriations = \$3,896,201,400



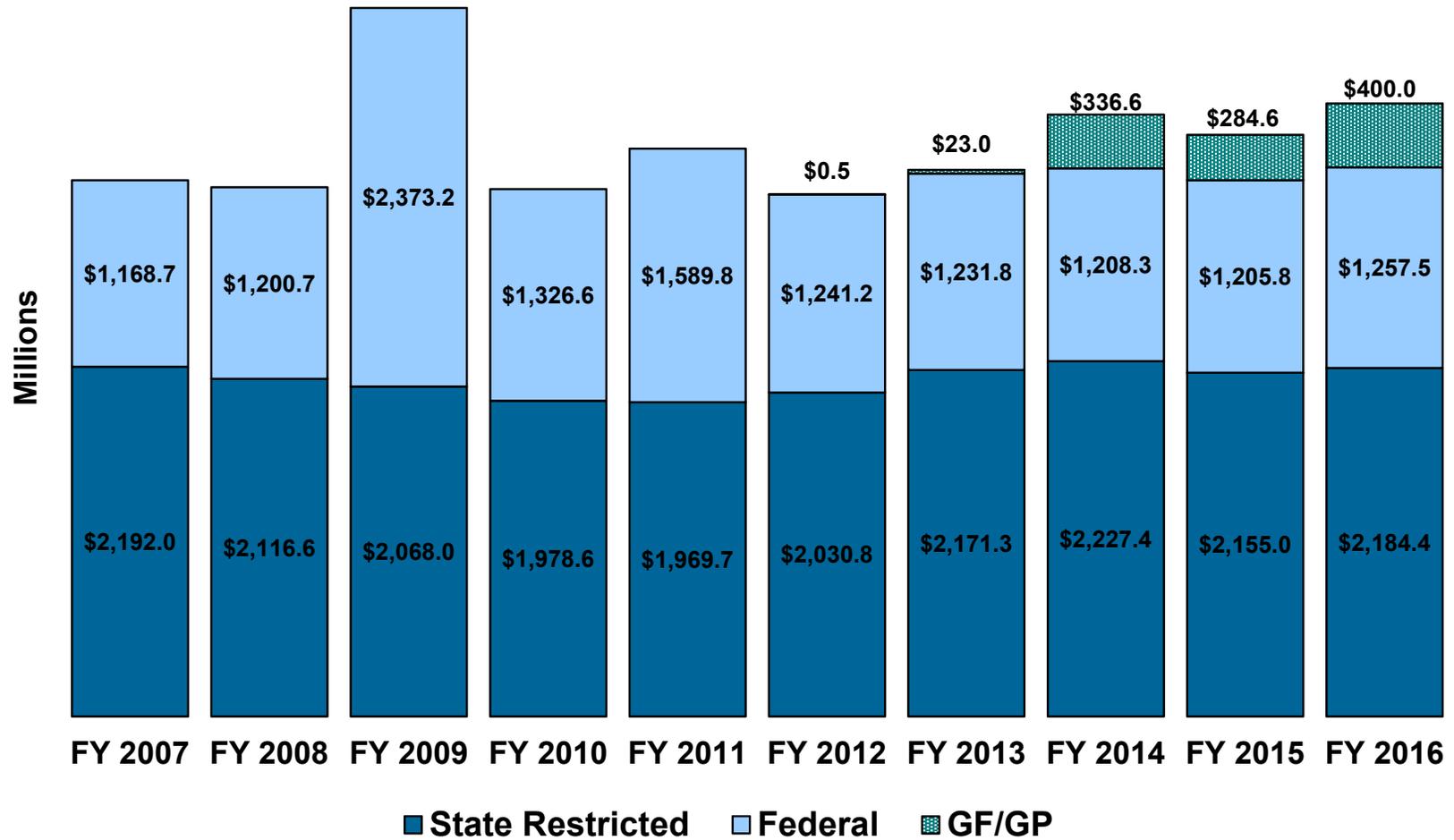
MAJOR BUDGET TOPICS

Transportation Revenue Detail

FY 2015-16 Gross Appropriations = \$3,896,201,400



Transportation Gross Appropriations Detail by Fund Source



Transportation Funding Sources

- **State Restricted Revenue**

- State restricted revenue is primarily from:

- Motor Fuel Taxes — primarily from the 19-cent per gallon gasoline excise tax and 15-cent per gallon diesel fuel excise tax
 - Vehicle Registration Taxes — as provided in the Michigan Vehicle Code

These revenue sources are constitutionally dedicated for transportation

Transportation Funding Sources

- **Federal Revenue**

- Funds made available to states through multi-year federal authorizing legislation; the current federal aid surface transportation program is Moving Ahead for Progress in the 21st Century Act (MAP-21)
- Federal aid surface transportation programs are supported by the federal Highway Trust Fund which receives revenue from federal motor fuel taxes, including 18.4 cent per gallon federal gasoline tax

- **Other Revenue**

- Budget includes \$50.3 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 – revenue which is not included in state transportation budget

Transportation Funding Sources

- **State GF/GP Revenue**

- Prior to FY 2011-12, GF/GP revenue had not been used in transportation budget since FY 2001-02
- FY 2015-16 includes \$400.0 million in State General Fund revenue
- General Fund appropriations for Transportation programs over last five fiscal years, FY 2011-12 through FY 2015-16, total nearly \$1.3 billion

Transportation Programs – Highway Programs

- 86.4% (\$3.37 billion) of FY 2015-16 budget appropriated for state and local road and bridge programs:
 - \$1.92 billion for state trunkline programs administered by MDOT
 - \$1.35 billion for local road agencies (county road commissions, cities, and villages)
- MDOT has jurisdiction over state trunkline highways, including interstate highways – generally the busiest and with statewide purpose
- Local road agencies have jurisdiction over county roads and municipal streets
- Highway funds are distributed according to Public Act 51 of 1951 (Act 51)

Transportation Programs – Public Transportation Programs

- 10.8% (\$420.1 million) of FY 2015-16 budget appropriated for public transportation programs including:
 - Capital and operating assistance to 81 local public transit agencies
 - Capital and operating assistance for Amtrak service to Michigan

- Distribution governed by Act 51

Transportation Programs – Aeronautics Programs

- 2.8% (\$109.9 million) of FY 2015-16 budget appropriated for Aeronautics programs including \$95.0 million federal Airport Improvement Program
- Airport Improvement Program supports capital improvements at locally owned public airports
- Governed by State Aeronautics Code (not Act 51)

State/Local Distribution of Transportation Funds

- Approximately 47% of the transportation budget is distributed to local units of government, or appropriated for programs of direct benefit to local units of government:
 - County road commissions/cities/villages
 - Public transit agencies
 - Locally owned public airports

Revenue Issues

- **Revenue Issue #1: Lack of Growth**

- FY 1997 was the last time there was a significant increase in dedicated state transportation revenue - through increases in the state gasoline tax and increases to commercial truck registration taxes
- State restricted Michigan Transportation Fund (MTF) revenue peaked in FY 2003-04
- Baseline transportation revenue has been flat - FY 2012-13 gross revenue and revenue distribution was the same as FY 1999-2000
- Some local road agencies received a smaller distribution of MTF revenue in FY 2012-13 than they did in FY 1997-98

Revenue Issues

- **Revenue Issue #2: Adequacy**

- 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, but does not have sufficient revenue to sustain performance goals
- State trunkline pavement condition will decline dramatically under existing revenue structure – estimated annual shortfall of \$1.023 billion to reach and sustain pavement performance goals – an additional \$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

State Trunkline Pavement Condition Combined Freeway and Non-Freeway

MDOT Historic and Projected RSL Pavement Condition



Source: Michigan Department of Transportation, 2014-2018 Five-Year Transportation Program

House Fiscal Agency: December 2015

Revenue Issues

▪ Revenue Issue #3: Federal Matching Requirements

- In recent years, MDOT has not had enough baseline state transportation revenue to match all available federal aid
- Starting in FY 2012-13, state General Fund revenue was used to provide state matching funds for federal-aid highway funds
- Since FY 2004-05, Michigan has used toll credits to provide a “soft match” for federal transit funds
- Federal-aid available to the state is determined by federal law – there is nothing that the state legislature or state government can do to increase federal revenue to the state

▪ Revenue Issue #4: Local Revenue Adequacy

- Local road agencies are experiencing similar revenue constraints and pavement condition deterioration

Revenue Issues – Road Funding Package

- In November, 2015, the Legislature passed bills to increase motor fuel and vehicle registration taxes effective January 1, 2017
- These increase would generate approximately \$613 million in the first full year of implementation
- 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 2020-2021, 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 and \$600 million would be redirected General Fund revenue

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

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