

**Summary: Executive Budget Recommendation
for Fiscal Year 2024-25
DEPARTMENT OF TRANSPORTATION**



Analyst: William E. Hamilton

	FY 2023-24	FY 2024-25	Difference: FY 2024-25	
	Enacted as of 2/7/24		Executive	Amount
IDG/IDT	\$4,353,000	\$4,316,700	(\$36,300)	(0.8)
Federal	2,149,121,400	2,253,675,100	104,553,700	4.9
Local	85,773,500	87,448,500	1,675,000	2.0
Private	16,800,000	18,800,000	2,000,000	11.9
Restricted	4,082,402,000	4,232,048,900	149,646,900	3.7
GF/GP	288,100,000	185,000,000	(103,100,000)	(35.8)
Gross	\$6,626,549,900	\$6,781,289,200	\$154,739,300	2.3
FTEs	3,224.3	3,228.3	4.0	0.1

Note: Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Historically, two-thirds of the revenue in this budget has come from state restricted revenue, with approximately one-third from federal sources. State-restricted revenue in this budget includes revenue from motor fuel taxes, vehicle registration taxes, and from a \$600.0 million earmark of Income Tax Act revenue. Approximately \$3.7 billion in state restricted 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), the Comprehensive Transportation Fund (CTF), and local road agencies (county road commissions and cities/villages). Revenue from aviation fuel and registration taxes, as well as a portion of Airport Parking Tax revenue, is credited to the State Aeronautics Fund for aeronautics programs. Federal funds for transportation programs are authorized under the federal Infrastructure Investment and Jobs Act (IIJA).

Major Budget Changes from FY 2023-24 Enacted Appropriations		FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted
1. Debt Service	Gross	\$343,740,100	(\$3,036,400)
Debt Service would total \$340.7 million, \$3.0 million less than current year. Debt service is primarily based on debt service schedules for previously issued and outstanding bonds, including STF Rebuilding Michigan bonds issued in 2020, 2021, and 2023. Debt service also includes estimated debt service on remaining Rebuilding Michigan bonds the department anticipates issuing in late 2024.	Restricted	373,740,100	(3,036,400)
	GF/GP	\$0	\$0
2. Transportation Asset Management Council	Gross	\$1,876,400	\$423,600
Increases baseline support by \$423,600 MTF for increased data collection and information technology costs.	Restricted	1,876,400	423,600
	GF/GP	\$0	\$0
3. Finance, Contracts, Support Services – MICARS Support	Gross	\$27,123,200	\$156,200
Includes \$270,000 STF increase for MICARS cash receipt/accounts receivable system; reduces IDG support by \$113,800 to better reflect service costs for a net adjustment of \$156,200 Gross	IDG	4,353,000	(113,800)
	Restricted	22,770,200	270,000
	GF/GP	\$0	\$0
4. Transportation Planning Services	FTE	145.0	0.0
Recognizes additional \$2.0 million in federal Statewide Planning and Research (SPR) funds.	Gross	\$42,843,800	\$2,000,000
	Federal	24,000,000	2,000,000
	Restricted	18,843,800	0
	GF/GP	\$0	\$0

Major Budget Changes from FY 2023-24 Enacted Appropriations		FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted
5. State Trunkline Maintenance	FTE	909.7	0.0
Increases baseline STF support by \$17.9 million: \$12.8 million is related to increased cost of maintenance materials; \$5.1 million is for contract services, including contract state trunkline maintenance performed by county road agencies.	Gross	\$466,088,700	\$17,878,700
	Restricted	466,088,700	17,878,700
	GF/GP	\$0	\$0
6. State Trunkline Road and Bridge Capital Program	Gross	\$1,494,482,900	\$123,409,800
Includes \$123.4 million increase for the capital State Trunkline Road and Bridge Construction line item. This reflects a \$76.5 million increase in estimated federal funds made available under IIJA, and a net increase in state restricted funds of \$46.9 million: available STF revenue increases by \$48.5 million while Blue Water Bridge Fund (BWBF) support would decline by \$1.6 million.	Federal	1,195,230,900	76,542,800
	Local	30,003,500	0
	Private	10,000,000	0
	Restricted	259,248,500	46,867,000
	GF/GP	\$0	\$0
7. MTF to Local Road Agencies	Gross	\$1,949,687,800	\$100,991,500
Includes \$2.051 billion in estimated MTF distribution to local road agencies (county road commissions, and cities and villages), \$101.0 million more than the current year. This reflects the Act 51 distribution of estimated MTF revenue from motor fuel and vehicle registration taxes as well as local road agency share of \$600.0 million earmarked for road and bridge programs in the Income Tax Act. The actual distribution will be based on actual MTF revenue collections.	Restricted	1,949,687,800	100,991,500
	GF/GP	\$0	\$0
Increases in estimated MTF revenue reflect anticipated increases in motor fuel tax revenue due to the indexing of the motor fuel tax rate, increases in estimated vehicle registration taxes, and increases in revenue from an earmark of an excise tax on recreational marijuana.			
8. Local Bridge Fund/Program	Gross	\$27,398,500	(\$483,800)
Decrease of \$483,800 MTF reflects lower per-penny yield of the motor fuel tax on gasoline. The Local Bridge Fund/Program receives two statutory earmarks of MTF revenue: a fixed amount of \$5.0 million, and revenue equal to one-half cent of motor fuel tax revenue.	Restricted	27,398,500	(483,800)
	GF/GP	\$0	\$0
9. Movable Bridge Fund	Gross	\$6,016,600	\$150,500
Recognizes inflation adjustment of \$150,500 MTF pursuant to statute. The Movable Bridge Fund was established through a 2016 amendment to Act 51 to provide targeted funding for operation of publicly owned movable bridges in Michigan – 12 on the state trunkline system and 12 owned by local road agencies (8 separate jurisdictions). The earmark, originally \$5.0 million, is indexed for inflation.	Restricted	6,016,600	150,500
	GF/GP	\$0	\$0
10. Local Federal Aid and Road and Bridge	Gross	\$384,987,800	\$26,181,000
Recognizes \$26.2 million increase in federal-aid highway funds available for local road agency federal-aid projects. The increase reflects additional federal funds made available to Michigan under IIJA as allocated to local road agencies in accordance with Act 51.	Federal	384,987,800	26,181,000
	GF/GP	\$0	\$0
11. Blue Water Bridge Operations	FTE	44.0	3.0
Increases baseline support by \$515,800 BWBF, and authorizes a 3.0 FTE position staffing increase, for bridge operations and maintenance.	Gross	\$7,152,700	\$515,800
	Restricted	7,152,700	515,800
	GF/GP	\$0	\$0
12. Transportation Economic Development Fund (TEDF)	Gross	\$55,369,000	(\$2,642,700)
Includes \$52.7 million restricted TEDF support, a decrease of \$2.6 million. The decrease reflects a reduction in estimated driver's license fee revenue earmarked to the TEDF as well as reduced interest on the TEDF balance. The TEDF program is a targeted transportation program established and governed by statute, 1987 PA 231.	Restricted	55,369,000	(2,642,700)
	GF/GP	\$0	\$0

Major Budget Changes from FY 2023-24 Enacted Appropriations		FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted	
13a. Transit Programs – Local Bus Operating		Gross	\$216,750,000	\$5,000,000
Includes a \$5.0 million baseline increase in CTF funding. As described in Item 13b below, FY 2023-24 also included \$45.0 million in federal American Rescue Plan (ARP) COVID-19 relief funds as a one-time appropriation.		Federal	0	0
		Restricted	216,750,000	5,000,000
		GF/GP	\$0	\$0
13b. Local Bus Operating – Federal ARP Funds (One-Time)		Gross	\$45,000,000	(\$45,000,000)
Removes \$45.0 million one-time appropriation of federal ARP funding for local bus operating assistance.		Federal	45,000,000	(45,000,000)
		GF/GP	\$0	\$0
14. Transit Programs – Non-Urban Operating/Capital		Gross	\$39,845,600	\$780,900
Includes \$40.6 million for federal non-urbanized area formula grants under 49 USC 5311, an increase of \$780,900 in federal funds reflecting estimated increase in federal grants available to Michigan under IIJA.		Federal	37,845,600	780,900
		Local	2,000,000	0
		GF/GP	\$0	\$0
15. Transit Capital		Gross	\$222,717,500	\$36,883,800
Includes \$36.9 million increase. Increase represents \$22.4 million in additional federal aid made available to Michigan under IIJA, as well as \$14.5 million CTF available from the CTF fund balance. This line item represents federal transit capital grant programs and related state, local, and private matching funds.		Federal	121,641,400	22,425,800
		Local	31,000,000	0
		Private	2,000,000	0
		Restricted	68,076,100	14,458,000
		GF/GP	\$0	\$0
16. Service Initiatives		Gross	\$18,681,600	\$2,120,400
Includes \$2.1 million Gross net increase. Increase recognizes additional federal and local funds; includes \$2.0 million in private funds; reduces baseline CTF support by \$1.7 million.		Federal	9,327,200	186,500
		Local	325,000	1,675,000
		Private	0	2,000,000
		Restricted	9,029,400	(1,741,100)
		GF/GP	\$0	\$0
17. Specialize Services		Gross	\$30,312,400	\$262,500
Recognizes \$262,500 increase in estimated federal grant funding. Gross appropriation for public transportation program targeted for elderly and disabled populations would total \$30.6 million.		Federal	13,127,400	262,500
		Local	4,185,000	0
		Restricted	13,000,000	0
		GF/GP	\$0	\$0
18a. Rail Operations and Infrastructure		Gross	\$137,687,700	\$14,501,500
Includes \$14.5 million increase in baseline CTF support from available CTF fund balance. As described in Item 18b below, FY 2023-24 also included \$14.9 million CTF as a one-time appropriation.		Federal	30,000,000	0
		Local	100,000	0
		Private	2,000,000	0
		Restricted	105,587,700	14,501,500
		GF/GP	\$0	\$0
18b. Rail Operations and Infrastructure (One-Time)		Gross	\$14,900,000	(\$14,900,000)
Removes \$14.9 million CTF included as one-time in FY 2023-24.		Restricted	14,900,000	(14,900,000)
		GF/GP	\$0	\$0
19. Marine Passenger Service		Gross	\$5,152,000	\$15,053,000
Recognizes \$15.1 million increase in federal grants available to Michigan under IIJA. This line item that provides capital assistance to eligible public ferry services in Michigan.		Federal	2,652,000	15,053,000
		Local	500,000	0
		Restricted	2,000,000	0
		GF/GP	\$0	\$0
20. Capital Outlay - Airport Improvement Program (AIP)		Gross	\$179,983,500	\$3,647,700
Recognizes \$3.6 million increase in state restricted State Aeronautics Fund revenue for program of capital assistance to eligible local public airports in the state. This increase would come, in part, from a proposed increase in the state aircraft registration fee. The Gross appropriation total of \$183.6 million is supported by federal AIP funds, as well as state restricted, local, and private funds. This program is shown in the budget under the line item, Airport Safety, Protection, and Improvement (ASAP).		Federal	155,000,000	0
		Local	17,500,000	0
		Private	2,000,000	0
		Restricted	5,483,500	3,647,700
		GF/GP	\$0	\$0

Major Budget Changes from FY 2023-24 Enacted Appropriations		FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted	
21. Detroit Metropolitan Wayne County Airport		Gross	\$6,370,000	\$390,000
Increases Qualified Airport Fund support by \$390,000 to reflect revenue estimates. As provided through 2015 amendments to the State Aeronautics Code, Qualified Airport Fund revenue is appropriated to the Detroit Metropolitan Wayne County Airport.		Restricted	6,370,000	390,000
		GF/GP	\$0	\$0
22. IJJA Airport Infrastructure Grants		Gross	\$95,000,000	\$20,000,000
Includes \$115.0 million federal spending authority, an increase of \$20.0 million, for a program of federal aid to public airports established under Division J of IJJA.		Federal	95,000,000	20,000,000
		GF/GP	\$0	\$0
23. Removal of FY 2023-24 One-Time Appropriations #		Gross	\$344,100,000	(\$344,100,000)
Excluding one-time appropriations for Local bus operating, and Rail Operations and Infrastructure, described above, and MI Contracting Opportunity, described below, the Executive budget removes \$344.1 million Gross (\$285.1 million GF/GP) of one-time funding that was included in the FY 2023-24 budget to support the following:		Federal	14,000,000	(14,000,000)
<ul style="list-style-type: none"> • Intermodal Capital Investment Grants, (\$45.0 million CTF, \$5.0 million GF/GP) • Local Bridge Bundling Initiative, (\$80.0 million GF/GP) • Critical Infrastructure Projects, (\$118.6 million GF/GP) • New Technology and Mobility, (\$18.5 million GF/GP) • ARP – Mobility Fund Platform (\$3.5 million federal) • ARP – Mobility Challenge (\$3.5 million federal) • ARP – Air Service Revitalization (\$7.0 million federal) 		Restricted	45,000,000	(45,000,000)
		GF/GP	\$285,100,000	(\$285,100,000)
<i># Note that FY 2023-24 "Enacted" figures do not include \$3.9 million GF/GP supplemental appropriation for Critical Infrastructure Projects made in HB 4292, signed by the Governor December 18, 2023, but not effective until February 14, 2024.</i>				
24. MI Contracting Opportunity (One-Time)		FTE	0.0	1.0
Includes \$5.0 million in one-time GF/GP for program to increase contracting opportunities for socially or economically disadvantaged business concerns. This represents an increase of \$2.0 million GF/GP as compared to FY 2023-24. Also includes authorization for 1.0 FTE position. (Defined in boilerplate section 1003.)		Gross	\$3,000,000	\$2,000,000
		GF/GP	\$3,000,000	\$2,000,000
25. Blue Water Bridge Equipment and Facilities (One-Time)		Gross	\$0	\$990,000
Includes \$990,000 BWBF for one-time equipment and facilities.		Restricted	\$0	990,000
		GF/GP		\$0
26. \$150.0 million GF/GP for Federal Aid Match and Priority Local Bridge Investments (One-Time)		Gross	\$0	\$150,000,000
Includes \$150.0 million GF/GP of which an estimated \$95.0 million would provide sufficient funds to match all available federal-aid highway funds available to Michigan through IJJA. The balance of the \$150.0 million would be used to support local road agency bridge and culvert projects. (Defined in boilerplate section 1001.)		GF/GP	\$0	\$150,000,000
27. \$30.0 million GF/GP for Transit Innovation Grants (One-Time)		Gross	\$0	\$30,000,000
Includes \$30.0 million GF/GP to support local transit agency technology and innovation grants. (Defined in boilerplate section 1002.)		GF/GP	\$0	\$30,000,000

Major Budget Changes from FY 2023-24 Enacted Appropriations

28. Information Technology Investments

In addition to the budget changes shown above, the Governor's Department of Technology Management and Budget (DTMB) budget recommendation includes \$6.6 million in Information Technology and Investment Fund (ITIF) support for two MDOT information technology projects: (1) \$5.6 million to modernize the Act 51 distribution and reporting system (ADARS) (2) \$1.0 million to update the Office of Rail project management system.

29. Economic Adjustments

Reflects increased costs of \$10.9 million Gross (\$0 GF/GP) for negotiated salary and wage increases (5.0% on October 1, 2024), actuarially required retirement contributions, worker's compensation, building occupancy charges, rent, and other economic adjustments.

Gross	NA	\$10,936,500
IDG/IDT	NA	77,500
Federal	NA	0
Local	NA	0
Restricted	NA	10,859,000
GF/GP	NA	\$0

Major Boilerplate Changes from FY 2023-24

Sec. 207. Communication with the Legislature – DELETED

Deletes section that prohibits department from taking disciplinary action against an employee for communicating with the Legislature.

Sec. 212. Transparency Website – DELETED

Deletes section that requires the department to cooperate with the Department of Technology, Management and Budget to maintain a searchable website, accessible by the public, that provides expenditure and staffing information.

Sec. 213. Restricted Fund Report – DELETED

Deletes section that requires the department to work with the State Budget Office to provide a report on restricted fund revenues, expenditures, and fund balances. [This report is currently included in the annual Budget Presentation.]

Sec. 214. Key Metrics – DELETED

Deletes section that requires the department to maintain on a publicly accessible website information on key metrics and performance measures.

Sec. 218. Remote Work Policy – DELETED

Deletes section that indicates legislative intent that the department maximize the efficiency of the state workforce and, where possible, prioritize in-person work and post its in-person, remote, or hybrid work policy on its website.

Sec. 219. State Administrative Board Transfers – DELETED

Deletes section that authorizes the legislature to intertransfer funds within budget if the State Administrative Board transfers funds from an appropriation within this budget.

Sec. 221. Record Retention Policy – DELETED

Deletes section that prescribes the department's record retention policy.

Sec. 222. Impact of New Legislation – DELETED

Deletes section that requires a report on specific policy changes made to implement new public acts enacted in prior calendar year.

Sec. 223. Severance Pay Report – DELETED

Deletes section that established reporting requirements related to severance pay paid to department personnel upon the termination of employment.

Sec. 225. Work Project Expenditures – DELETED

Deletes section that requires that work project balances be exhausted before expenditure from part 1 appropriations.

Sec. 302. Report on Debt Service Coverage – DELETED

Deletes section that established a reporting requirement regarding debt service.

Sec. 311. Bridge Bundling Report – DELETED

Deletes reporting requirement related to 2021-2022 bridge bundling initiative.

Major Boilerplate Changes from FY 2023-24

Sec. 383. Report on State Airfleet – DELETED

Deletes reporting requirement regarding use of state airfleet.

Sec. 389. Long-Term Obligations – DELETED

Deletes reporting requirement related to long-term agreements that obligate the department to make future payments of over \$5.0 million for five or more years.

Sec. 393. Public Transportation Best Practices – DELETED

Deletes section that directs the department to promote best practices for public transportation and reported reporting requirement.

Sec. 399. Capital Preventive Maintenance – DELETED

Deletes section that directs the department to prioritize capital preventive maintenance; sets \$100.0 million minimum.

Sec. 601. Road Construction Warranties – DELETED

Deletes section that directs the department to maintain documentation to support acceptance of warranted projects; includes reporting requirement.

Sec. 612. Incentive/Disincentive Contracts – DELETED

Deletes section that directs the department to maintain documentation to support acceptance of warranted projects; includes reporting requirement.

Sec. 614. Earmark for Low Impact Development Stormwater Management Practices – DELETED

Deletes \$5.0 million earmark to incentivize and support the inclusion of low impact development stormwater management practices in trunkline and local road agency construction projects.

Sec. 615. Earmark for Federal Vehicle Usage Fee Pilot Program – DELETED

Deletes \$1.0 million earmark to provide the non-federal match for federal grants established under IIJA for a per-mile user fee pilot project.

Sec. 660. Alternative Materials – DELETED

Deletes section that encouraged the department to examine the use of alternative road surface materials. Subsection 2, which directed the department to establish a transportation innovation council, was deemed unenforceable in the governor's signing statement.

Sec. 707. Rail Strategic Plan – DELETED

Deletes section that required the department to report on a five-year rail strategic plan and that also earmarked \$20.0 million for rail-related economic and rail freight system preservation projects.

Sec. 1001. Federal Aid Match/ Priority Bridge Investments – NEW

Defines the use of the one-time \$150.0 million GF/GP appropriation: to ensure the department secures all federal-aid highway funds made available under IIJA; remaining funds to support a grant program for the rehabilitation and reconstruction of locally owned bridges and culverts.

Sec. 1002. Transit Innovation Grants – NEW

Defines the use of the one-time \$30.0 million GF/GP appropriation: 1) for studies in support of local and regional transit development; 2) development of transit facilities that support connections between local, regional, national, or international public transportation services.

Sec. 1003. MI Contracting Opportunity – NEW

Defines uses of the one-time \$5.0 million GF/GP Mi Contracting Opportunity line item; directs that funds be expended in support of activities that enhance the development and availability of contractors or suppliers for the delivery of department programs that are socially or economically disadvantaged as defined in Section 100002 of IIJA; establishes a revolving loan fund. [This section is a modified version of Sec. 1003 in the FY 2023-24 budget.]

Supplemental Recommendations for FY 2023-24 Appropriations

**FY 2023-24
Recommendation**

1. Employee Lump Sum Payments

Includes \$8.4 million GF/GP to cover costs of one-time lump sum payments for eligible state employees. The Civil Service Commission approved payments of \$2,250 for staff employed full-time as of December 23, 2023.

Gross	\$8,373,600
GF/GP	\$8,373,600