

**Summary: Executive Budget Recommendation  
for Fiscal Year 2018-19  
DEPARTMENT OF TRANSPORTATION**



Analyst: William E. Hamilton

	FY 2017-18	FY 2018-19	Difference: FY 2018-19	
	Year-to-Date as of 2/7/18	Executive	Vs. FY 2017-18 Amount	%
<b>IDG/IDT</b>	\$4,039,300	\$4,092,500	\$53,200	1.3
<b>Federal</b>	1,340,301,200	1,318,271,700	(22,029,500)	(1.6)
<b>Local</b>	50,532,000	50,532,000	0	0.0
<b>Private</b>	100,000	900,000	800,000	800.0
<b>Restricted</b>	2,954,470,500	3,156,293,700	201,823,200	6.8
<b>GF/GP</b>	0	175,000,000	175,000,000	--
<b>Gross</b>	<b>\$4,349,443,000</b>	<b>\$4,705,089,900</b>	<b>\$355,646,900</b>	<b>8.2</b>
<b>FTEs</b>	2,826.3	2,826.3	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) 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, approximately two-thirds of the revenue in this budget has come from state restricted revenue, with approximately one-third from federal sources. Most of the state-restricted revenue in this budget is constitutionally restricted – from motor fuel taxes and vehicle registration taxes – and is first credited to the Michigan Transportation Fund (MTF) and then distributed in accordance with Public Act 51 of 1951 (Act 51) to other state transportation funds and programs, including the State Trunkline Fund (STF), the Comprehensive Transportation Fund (CTF), and local road agencies. Revenue from aviation fuel and registration taxes and from an earmark of the Airport Parking Tax is credited to the State Aeronautics Fund for aeronautics programs.

**Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

**1. State Trunkline Road and Bridge Construction**

Funding for the state trunkline capital construction/preservation program would increase by \$81.4 million reflecting anticipated increases in federal and state restricted revenue sources. The increase in state restricted revenue includes a \$1.1 million increase in Blue Water Bridge Fund revenue for Blue Water Bridge capital projects, well as a \$55.1 million increase in available STF revenue. The STF revenue increase reflects the anticipated increase in ongoing MTF revenue from motor fuel and vehicle registration taxes, as well as the STF share of \$150.0 million in Income Tax revenue that was earmarked to the MTF in the November 2015 Road Funding Package.

	FY 2017-18 YTD (as of 2/7/18)	Executive Change from YTD
<b>Gross</b>	<b>\$1,140,756,800</b>	<b>\$81,436,200</b>
Federal	783,367,300	25,240,400
Local	30,003,500	3,500
Restricted	327,386,000	56,192,300
GF/GP	\$0	\$0

**2. MTF to Local Road Agencies**

The estimated MTF distribution to county road commissions and cities and villages would increase by \$121.3 million reflecting an anticipated increase in ongoing MTF revenue from motor fuel and vehicle registration taxes, as well as the local road agency share of \$150.0 million in Income Tax revenue that was earmarked to the MTF in the November 2015 Road Funding Package.

	Gross	Executive Change from YTD
<b>Gross</b>	<b>\$1,372,100,700</b>	<b>\$121,331,100</b>
Restricted	1,372,100,700	121,331,100
GF/GP	\$0	\$0

**Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations**

**3. GF/GP for Road Programs – One-Time**

The November 2015 Road Funding Package redirected certain Income Tax revenue that had formerly been credited to the state General Fund to the MTF. This redirection was to be phased in: \$150.0 million starting in FY 2018-19; \$325.0 million starting in FY 2019-20; and \$600.0 million beginning in FY 2020-21 and each fiscal year thereafter. The initial \$150.0 million redirection is recognized in STF and local road agency programs described in Item #s 1 and 2, above.

<b>Gross</b>	<b>\$0</b>	<b>\$175,000,000</b>
GF/GP	\$0	\$175,000,000

The Governor’s budget recommends the one-time appropriation of \$175.0 million GF/GP in FY 2018-19 for distribution to the STF and local road agencies according to Act 51 formula. This would effectively accelerate by one year the increase in the Income Tax revenue earmark scheduled for FY 2019-20.

The amount distributed to local road agencies would total \$106.6 million. The amount distributed to the STF would total \$68.4 million, of which \$20.0 million would be earmarked for Next Generation Technologies and Service Delivery projects including vehicle communications infrastructure improvement projects in four counties.

**4. Debt Service**

Includes \$219.9 million for debt service, a reduction of \$9.5 million from current year, reflecting anticipated debt service schedules. [Total outstanding transportation-related debt at September 30, 2017 was \$1.4 billion.]

<b>Gross</b>	<b>\$228,939,400</b>	<b>(\$9,502,300)</b>
Federal	37,783,300	(7,582,400)
Restricted	191,156,100	(1,919,900)
GF/GP	\$0	\$0

**5. Support Services by Other State Departments**

Provides \$48.4 million for Interdepartmental grants (IDGs) that authorize the reimbursement of other state departments from restricted transportation funds for services provided to those transportation funds. Specific IDGs include \$20.0 million MTF for Department of State vehicle registration tax collection program, \$2.7 million MTF for Department of Treasury motor fuel tax collection program, and \$11.8 million STF for Michigan State Police Commercial Vehicle Enforcement program and Criminal Justice Information Center. The net increase across all IDG line items reflects economic increases and cost allocation adjustments.

<b>Gross</b>	<b>\$47,428,400</b>	<b>\$966,200</b>
Restricted	47,428,400	966,200
GF/GP	\$0	\$0

**6. Asset Management Council**

Provides \$1.9 million MTF for ongoing costs of Asset Management Council – primarily pavement condition data collection and analysis, as well as training and education. Budget eliminates \$2.0 million that was added to current year through supplemental appropriation (Public Act 201 of 2017) for inspection and inventory of culverts on the local road system.

<b>Gross</b>	<b>\$3,876,400</b>	<b>(\$2,000,000)</b>
Restricted	3,876,400	(2,000,000)
GF/GP	\$0	\$0

**7. Information Technology**

Increases STF support by \$2.0 million to provide for workstation replacement and application modernization.

<b>Gross</b>	<b>\$33,465,900</b>	<b>\$2,000,000</b>
Federal	520,500	0
Restricted	32,945,400	2,000,000
GF/GP	\$0	\$0

**8. Transportation Planning**

Increase of \$2.7 million in federal authorization reflects anticipated increase in funding for Statewide Planning and Research program.

FTE	137.0	0.0
<b>Gross</b>	<b>\$36,245,200</b>	<b>\$2,750,000</b>
Federal	19,250,000	0
Restricted	16,995,200	2,750,000
GF/GP	\$0	\$0

**9. Design and Engineering Services**

Includes \$2.0 million STF increase as part of \$10.0 million program of priority maintenance of critical state trunkline bridges. (An additional \$8.0 million is included State trunkline maintenance).

FTE	1,473.3	0.0
<b>Gross</b>	<b>\$161,253,100</b>	<b>\$2,000,000</b>
Federal	23,529,800	0
Restricted	137,723,300	2,000,000
GF/GP	\$0	\$0

**10. State Trunkline Maintenance**

Provides \$20.3 million increase in STF support for following specific program areas: Priority maintenance of critical state trunkline bridges program, \$8.0 million; Priority maintenance of culverts, including rehabilitation or replacement, \$8.0 million; \$4.3 million to offset increased maintenance material costs and added state trunkline mileage.

FTE	793.7	0.0
<b>Gross</b>	<b>\$317,593,400</b>	<b>\$20,337,600</b>
Restricted	317,593,400	20,337,600
GF/GP	\$0	\$0

<b>Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations</b>		<b>FY 2017-18 YTD (as of 2/7/18)</b>	<b>Executive Change from YTD</b>
<b>11. Transportation Economic Development Fund (TEDF)</b>	<b>Gross</b>	<b>\$42,119,100</b>	<b>(\$11,770,100)</b>
Recommends permanent redirection of \$13.0 million of certain drivers' license fee revenue from the TEDF, Target Industries, to the state General Fund. (Requires statutory change.) Also reflects increase in anticipated interest on fund balance.	Restricted	42,119,100	(11,770,100)
	GF/GP	\$0	\$0
<b>12. Local Bus Transit</b>	<b>Gross</b>	<b>\$216,277,900</b>	<b>\$3,000,000</b>
Provides \$189.2 million CTF, an increase of \$1.0 million from current year, for local bus operating formula distribution to 81 local public transit agencies. Also recognizes \$2.0 million anticipated increase in federal transit grants to non-urban transit agencies.	Federal	26,027,900	2,000,000
	Local	2,000,000	0
	Restricted	188,250,000	1,000,000
	GF/GP	\$0	\$0
<b>13. Transit Capital</b>	<b>Gross</b>	<b>\$53,907,100</b>	<b>\$5,496,400</b>
Increases CTF support by \$5.5 million for program that provides matching funds on behalf of local transit agencies to access federal transit capital grants.	Federal	15,300,000	0
	Local	1,250,000	0
	Restricted	37,357,100	5,496,400
	GF/GP	\$0	\$0
<b>14. Service Initiatives</b>	<b>Gross</b>	<b>\$3,389,200</b>	<b>\$1,200,000</b>
Increases CTF support by \$1.2 million for program that funds transit-related research, training and development, and demonstration projects.	Federal	1,650,000	0
	Local	325,000	0
	Restricted	1,414,200	1,200,000
	GF/GP	\$0	\$0
<b>15. Transportation to Work</b>	<b>Gross</b>	<b>\$3,700,000</b>	<b>\$175,000</b>
Increase in CTF funding in support of Blue Water Transportation Commission's Job Access/Reverse Commute program.	Restricted	3,700,000	175,000
<b>16. Rail Operations and Infrastructure/Rail Freight Economic Dev.</b>	<b>Gross</b>	<b>\$124,759,700</b>	<b>(\$42,551,700)</b>
Includes \$7.2 million CTF increase for program that includes capital and operating support for rail passenger service in Michigan. Also reduces federal funds by \$50.1 million from the current year to better align with anticipated federal grants.	Federal	60,100,000	(50,100,000)
	Local	100,000	0
	Private	100,000	0
	Restricted	64,459,700	7,548,300
The Governor proposes rolling two current lines, Rail operations and infrastructure, and Rail freight economic development, into a single line.	GF/GP	\$0	\$0
<b>17. Intercity Services</b>	<b>Gross</b>	<b>\$8,060,000</b>	<b>(\$700,000)</b>
Recognizes anticipated private funds made available for program that supports intercity bus service in Michigan. Reduces CTF support by \$1.5 million.	Federal	4,500,000	0
	Local	160,000	0
	Private	0	800,000
	Restricted	3,400,000	(1,500,000)
	GF/GP	\$0	\$0
<b>18. Detroit Wayne County Port Authority</b>	<b>Gross</b>	<b>\$200,000</b>	<b>\$268,200</b>
Includes \$468,200 CTF, a \$266,200 increase as compared to current year.	Restricted	200,000	268,200
	GF/GP	\$0	\$0
<b>19. Airport Improvement Program</b>	<b>Gross</b>	<b>\$93,943,000</b>	<b>\$570,000</b>
Increases State Aeronautics Fund support by \$570,000.	Federal	79,000,000	0
	Local	12,508,500	0
	Restricted	2,434,500	570,000
	GF/GP	\$0	\$0
<b>20. Detroit Metropolitan Wayne County Airport</b>	<b>Gross</b>	<b>\$6,500,000</b>	<b>(\$975,000)</b>
Reduces Qualified Airport Fund support for Detroit Metro Airport by almost \$1.0 million to reflect revenue estimates. The Qualified Airport Fund was established through an amendment to the State Aeronautics Code made in the 2015 aviation funding package (Public Acts 258 through 262 of 2015).	Restricted	6,500,000	(975,000)
	GF/GP	\$0	\$0
<b>21. Technical and Revenue Adjustments</b>	<b>Gross</b>	<b>NA</b>	<b>(\$688,900)</b>
Budget reflects other technical and revenue adjustments to appropriated state restricted revenue.	Federal	NA	(7,476,500)
	Local	NA	3,500
	Restricted	NA	6,784,100
	GF/GP	NA	\$0

<u>Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations</u>	<u>FY 2017-18 YTD (as of 2/7/18)</u>	<u>Executive Change from YTD</u>
<b>22. Economic Adjustments</b>	<b>Gross</b>	<b>NA</b>
Reflects increased costs of \$5.9 million Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG	NA
	Federal	NA
	Restricted	NA
	GF/GP	NA
		<b>\$5,926,400</b>
		53,200
		936,000
		4,937,200
		\$0

**Major Boilerplate Changes From FY 2017-18**

**Sec. 215. Communication with the Legislature – DELETED**

Prohibits the department from taking disciplinary action against an employee for communicating with a legislator or his/her staff.

**Sec. 217. Report on Proposed Federal Rule Changes – DELETED**

Requires the department to notify the Legislature on proposed federal rule changes that would impact state law.

**Sec. 270. Remanufactured Parts – DELETED**

Requires use of remanufactured parts for repair and maintenance of state motor vehicle fleet.

**Sec. 305. Lease of Space in Public Transportation Property – DELETED**

Authorizes rental of department-owned public transportation properties at competitive market rates; requires that revenue from tenants be placed in an account for to maintain/improve property.

**Sec. 319. Rest Area Maintenance – DELETED**

Requires signs/telephone numbers for reporting unclean and unsafe conditions at rest areas.

**Sec. 353. Prompt Payment – DELETED**

Directs department to review contractor payment process; references Special Provision 109.10.

**Sec. 357. Local Federal Aid Project Review – DELETED**

Directs MDOT to complete project reviews within 120 days; requires system for monitoring review process.

**Sec. 375. MDOT Open Houses and Groundbreaking Ceremonies – DELETED**

Prohibits MDOT from reimbursing contractors or consultants for groundbreaking ceremonies, receptions, open houses, or press conferences related to transportation projects funded from appropriations.

**Sec. 376. Prohibition on Studies of Highway Signs and Motorist Behavior – DELETED**

Prohibits the department from studying the association between highway signs and motorist behavior.

**Sec. 381. E-Verify for Legal Status of Contractor/Subcontractor New Employees – DELETED**

Requires the department to use the E-Verify system to verify legal status of contractor and subcontractor new hires. Provides reporting requirement.

**Sec. 382. Finalize Local Agency Cost Sharing Agreements – DELETED**

Requires the department to submit final bill to the local agency within two years of final payment to construction contractor.

**Sec. 393. Best Practices for Public Transportation – DELETED**

Directs the department to promote best practices in public transportation, including transit vehicle rehabilitation to reduce life-cycle cost.

**Sec. 394. Priority of Preservation – DELETED**

Directs the department and local road agencies to make preservation of the existing infrastructure a funding priority.

**Sec. 396. Assurance that Contractors Have Ability to Perform Work – DELETED**

Requires department to obtain assurance that contractors, other than construction contractors, have ability to complete work.

**Sec. 403. Priority of Federal Transit Grants – DELETED**

Establishes priority for federal Section 5310 transit grants.

**Sec. 606. Project on I-94 Between M-60 and Sargent Road in Jackson County – DELETED**

Expresses Legislative intent with respect to project.

**Sec. 610. Dead Deer – DELETED**

Describes legislative intent regarding priority of cleanup of dead deer and other large animal remains.

**Sec. 612. Incentive/Disincentive – DELETED**

Requires department to establish guidelines for use of incentive/disincentive contracts; establishes a reporting requirement; report due January 1st of each year.

## **Major Boilerplate Changes From FY 2017-18**

### ***Sec. 613. Report on Engineering Costs – DELETED***

Requires report on engineering costs including breakout of department and consultant costs, engineering as a percentage of construction costs.

### ***Sec. 660. Use of Alternative Materials – DELETED***

Encourages the department to examine the use of alternative road surface materials; use of crumb rubber from tires.

### ***Sec. 703. Rail Abandonment Notice – DELETED***

Requires notification of Legislature when railroad companies file for abandonment of lines.

### ***Sec. 704. Rail Operations and Infrastructure Report – DELETED***

Requires report on anticipated expenditures from the rail operations and infrastructure line item.

### ***Sec. 750. Rail Economic Development – DELETED***

Directs department to spend not less than \$2.5 million CTF from Rail freight economic development line for rail freight economic development.

### ***Sec. 803. MDOT-Owned Airplanes – DELETED***

Requires the department to request proposals for management of the state airfleet; also requires the department to sell one of two state-owned planes.

### ***Sec. 1001. Earmarking One-Time \$175.0 million GF/GP – NEW***

Indicates that the GF/GP appropriation to county road commissions of \$68.4 million, and the GF/GP appropriation to cities and villages of \$38.1 million, shall be distributed according to Act 51, Sections 12, and 13, respectively. Also indicates that the \$68.4 million appropriation to the STF shall be expended in accordance with the provisions of Section 11 of Act 51, as well as projects related to connected vehicles, hydrogen fueling stations, and enhanced transportation services for senior citizens and persons with disabilities.