

**Summary: Executive Budget Recommendation
for Fiscal Year 2023-24
TRANSPORTATION**



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	FY 2022-23 Year-to-Date as of 2/8/23	FY 2023-24 Executive	Difference: FY 2023-24 vs. FY 2022-23	
			Amount	%
IDG/IDT	\$4,123,800	\$4,353,000	\$229,200	5.6
Federal	2,026,480,000	2,090,121,400	63,641,400	3.1
Local	85,773,500	85,773,500	0	0.0
Private	16,800,000	16,800,000	0	0.0
Restricted	3,905,021,600	4,082,402,000	177,380,400	4.5
GF/GP	91,250,000	303,000,000	211,750,000	232.1
Gross	\$6,129,448,900	\$6,582,449,900	\$453,001,000	7.4
FTEs	3,056.3	3,224.3	168.0	5.5

Notes: (1) FY 2022-23 year-to-date figures include mid-year budget adjustments through February 8, 2023. (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, 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 2022-23 Year-to-Date (YTD) Appropriations	FY 2022-23 YTD (as of 2/8/23)	Executive Change from YTD
1. Debt Service	Gross \$225,300,500	\$118,439,600
Provides \$343.7 million for debt service on bonds issued under a pledge of state restricted revenue – an increase of \$118.4 million as compared to current year. Of the total, approximately \$102.0 million represents debt service on previously issued and outstanding bonds, and approximately \$123.0 million reflects estimated debt service on bonds MDOT anticipates issuing in 2023 as part of the \$3.5 billion Rebuilding Michigan bond program.	Restricted 225,300,500	118,439,600
	GF/GP \$0	\$0

<u>Major Budget Changes from FY 2022-23 Year-to-Date (YTD) Appropriations</u>	FY 2022-23 YTD (as of 2/8/23)	Executive Change from YTD
2. Baseline Staffing and STF Funding Increases	FTE 2,879.3	165.0
Increases authorized program staffing by 165.0 FTE positions across a number of STF-funded operating and service line items. Also increases funding by \$9.1 million STF to better align funding with FTE authorization. Specific increases by line item:	Gross \$638,520,400	\$9,081,000
	Federal 0	0
	Restricted 638,520,400	9,081,000
	GF/GP \$0	\$0

Business Support: 4.0 FTEs, \$588,200; Commission Audit: \$1.2 million, (no increase in FTE authorization); Office of Transportation Economic Development: 1.0 FTE, \$111,600; Finance, Contracts, Support Services: 10.0 FTEs, \$1.6 million; Planning Services: 3.0 FTEs, \$489,900; Design/Engineering: 139.0 FTEs, \$4.3 million; Maintenance Operations: 8.0 FTEs, \$879,700.

In addition to the STF-funded lines, the budget request for Office of Rail includes an additional 2.0 FTE positions and a \$300,500 increase in CTF support.

3. Design and Engineering Services – Budget Realignment	FTE 1,572.3	0.0
Shifts federal and state restricted funding between the capital State Trunkline Road and Bridge line item and Design and Engineering operating line items. See corresponding action in Item #5, below.	Gross \$190,254,100	\$58,857,400
	Federal 23,529,800	(10,000,000)
	Restricted 166,724,300	68,857,400
	GF/GP \$0	\$0

Note that these fund shifts affect only the internal structure of the budget and do not affect actual funds available for the capital trunkline road and bridge construction program.

4. State Trunkline Maintenance	FTE 901.7	0.0
Increases STF support by \$21.7 million to recognized increased costs associated with maintenance materials and contract services.	Gross \$443,561,300	\$21,698,500
	Restricted 443,561,300	21,698,500
	GF/GP \$0	\$0

5. Road and Bridge Program – Revenue Adjustments/Fund Shift	Gross \$1,661,869,600	(\$162,230,600)
Funding for the capital State Trunkline Road and Bridge Construction line item would decrease by a net \$162.2 million. While federal funds would increase by \$10.0 million, state restricted funds would decline by a net \$172.2 million. The increase in federal funds, and \$68.9 million of the decrease in restricted funds, relate to the budget realignment described in Item #3, above, which affects only the internal structure of the budget and not actual funds available for the capital trunkline road and bridge construction program.	Federal 1,185,230,900	10,000,000
	Local 30,003,500	0
	Private 10,000,000	0
	Restricted 436,635,200	(172,230,600)
	GF/GP \$0	\$0

Additional reductions in state restricted STF revenue of \$116.3 million are a result of increases in STF-funded operating lines as well as increases in STF-funded debt service. These reductions in state restricted revenue are offset in part by a \$12.6 million increase Blue Water Bridge Fund support – funds used to support capital projects at the Blue Water Bridge.

6. MTF to Local Road Agencies	Gross \$1,910,975,400	\$39,028,900
The estimated MTF distribution to local road agencies (county road commissions, and cities and villages) would total \$1.95 billion, \$39.0 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 1,910,975,400	39,028,900
	GF/GP \$0	\$0

Major Budget Changes from FY 2022-23 Year-to-Date (YTD) Appropriations		FY 2022-23 YTD (as of 2/8/23)	Executive Change from YTD
7. Transportation Economic Development Fund (TEDF)	Gross	\$45,951,000	\$9,418,000
Includes \$55.4 million for the TEDF program, an increase of \$9.4 million. The increase primarily reflects a \$6.0 million reduction in TEDF debt service, as well as increases in estimated interest earnings on the TEDF balance. Funding for the TEDF/Target Industries categorical program would increase by an additional \$3.0 million due to the end of an earmark for the TEDF/Community Service Infrastructure Program (Category "B"), established in 2018 PA 473. The TEDF program is a targeted transportation program established and governed by statute, 1987 PA 231.	Restricted	45,951,000	9,418,000
	GF/GP	\$0	\$0
8. Transit Programs – Local Bus Operating Assistance	Gross	\$201,750,000	\$15,000,000
Increases state operating support for local public transit by \$15.0 million CTF. The increase is possible as a result of an increase in available CTF revenue. CTF revenue is derived from an Act 51 earmark of MTF revenue and an earmark of "auto-related" sales tax. For FY 2023-24, this baseline revenue would be supplemented by \$79.4 million available from the CTF fund balance.	Restricted	201,750,000	15,000,000
	GF/GP	\$0	\$0
9. Transit Capital	Gross	\$179,076,100	\$43,641,400
Recognizes \$43.6 million increase in estimated federal support for transit capital programs.	Federal	78,000,000	43,641,400
	Local	31,000,000	0
	Restricted	2,000,000	0
	GF/GP	68,076,100	0
		\$0	\$0
10. Specialized Services	Gross	\$26,541,300	\$3,771,100
Includes a baseline increase of \$3.8 million CTF for this targeted transit line item. The increase is made possible as a result of an increase in available CTF revenue.	Federal	13,127,400	0
	Local	4,185,000	0
	Restricted	9,228,900	3,771,100
	GF/GP	\$0	\$0
11. Van Pooling	Gross	\$195,000	\$205,000
Increases state support for targeted van pool program \$205,000 CTF.	Restricted	195,000	205,000
	GF/GP	\$0	\$0
12. Marine Passenger Service	Gross	\$4,964,000	\$188,000
Increases CTF support by \$188,000 for line item that provides capital assistance to eligible public ferry services in Michigan.	Federal	2,652,000	0
	Local	500,000	0
	Restricted	1,812,000	188,000
	GF/GP	\$0	\$0
13. Capital Outlay – Salt Storage and other Property Maintenance	Gross	\$5,501,500	\$2,499,000
Increases STF support by \$2.5 million for construction of salt storage facilities and capital maintenance of other MDOT-owned facilities.	Restricted	5,501,500	2,499,000
	GF/GP	\$0	\$0
14. Capital Outlay - Airport Improvement Program (AIP)	Gross	\$160,461,900	\$19,607,800
Includes \$180.0 million for program of federal capital assistance to eligible local public airports in the state, a net increase of \$19.6 million. Recognizes \$155.0 million in federal AIP funds, an increase of \$20.0 million from current year. Also reflects estimated available State Aeronautics Fund revenue. This program is shown in the budget under the line item Airport Safety, Protection, and Improvement (ASAP).	Federal	135,000,000	20,000,000
	Local	17,500,000	0
	Private	2,000,000	0
	Restricted	5,961,900	(392,200)
	GF/GP	\$0	\$0
15. Detroit Metropolitan Wayne County Airport	Gross	\$5,850,000	\$520,000
Increases Qualified Airport Fund support by \$520,000 reflecting 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	5,850,000	520,000
	GF/GP	\$0	\$0

Major Budget Changes from FY 2022-23 Year-to-Date (YTD) Appropriations		FY 2022-23 YTD (as of 2/8/23)	Executive Change from YTD
16. IJJA Airport Infrastructure Grants	Gross	\$95,000,000	\$0
Current year includes \$95.0 million federal spending authority for a new program established under Division J of IJJA, of federal aid to public airports. Proposed budget retains \$95.0 million for this program.	Federal	95,000,000	0
	GF/GP	\$0	\$0
17. One-Time – Intermodal Capital Investments Grants	Gross	\$0	\$160,000,000
Includes \$160.0 million (\$100.0 million GF/GP, \$60.0 million CTF) for a one-time program in support of intermodal capital grants.	Restricted	0	60,000,000
	GF/GP	\$0	\$100,000,000
18. One-Time GF/GP – Michigan Bridge Bundling Initiative	Gross	\$0	\$200,000,000
Includes \$200.0 million in one-time GF/GP for a targeted program to address failing or critical bridges in need of rehabilitation or replacement.	Restricted	0	0
	GF/GP	\$0	\$200,000,000
19. One-Time GF/GP – MI Contracting Opportunity	Gross	\$0	\$3,000,000
Includes \$3.0 million in one-time GF/GP for program to increase contracting opportunities for socially or economically disadvantaged business concerns.	Restricted	0	0
	GF/GP	\$0	\$3,000,000
20. Back Out FY 2022-23 One-Time Items	Gross	\$92,500,000	(\$92,500,000)
Removes one-time FY 2022-23 items not carried forward for FY 2023-24: Replace Weather Station Equipment, \$3.9 million GF/GP; Airport Infrastructure Grants, \$25.0 million GF/GP; Basic Marine Dock, \$700,000 CTF; Magnetic Roadway Sweepers, \$350,000 GF/GP; Priority Grade Separation Projects, \$12.0 million GF/GP; Technical Assistance, Planning, and IJJA Match Grants, \$25.0 million GF/GP; Upper Peninsula Freight Rail Infrastructure, \$550,000 CTF; Category “B” TEDF projects, \$25.0 million (in supplemental, 2023 PA 1.)	Restricted	1,250,000	(1,250,000)
	GF/GP	\$91,250,000	(\$91,250,000)
21. Economic Adjustments	Gross	NA	(\$84,800)
Reflects net decrease in estimated costs of \$84,800 Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% on October 1, 2023), actuarially required retirement contributions, worker’s compensation, building occupancy charges, rent, and other economic adjustments.	IDG	NA	(8,300)
	Federal	NA	(136,100)
	Restricted	NA	59,600
	GF/GP	NA	\$0

Major Boilerplate Changes from FY 2022-23

General Note on Boilerplate Section Revisions/Deletions

The executive recommendation did not include some reporting requirements, or certain legislative directives or restrictions on appropriations. General section deletions include: Sec. 211, requires searchable website for department financial and staffing information; Sec. 212, requires report on restricted fund balances; Sec. 213, requires scorecard of key metrics of department performance measures; Sec. 214, identifies legacy costs included in department budget; Sec. 215, prohibits department from disciplining employees for communicating with legislature; Sec. 217, prohibits part 1 expenditures until related work project balances have been exhausted; Sec. 219, requires department to follow record retention guidelines; Sec. 220, requires report on policy changes implemented to implement a public act affecting the department; Sec. 221, report on severance pay agreements made by the department; Sec. 222, prohibits use of COVID-19 passports and employment restrictions related to vaccine status; Sec. 223, requires report on proposed federal rule changes; Sec. 224, directs department to prioritize in-person work.

Sec. 210. Legislative Contingency Transfer Authorization – REVISED

Provides for legislative contingency transfer process; increases federal authorization to \$200.0 million from the current \$40.0 million; and state restricted authorization to \$40.0 million, from the current \$5.0 million. Local and private contingency authorization limits would remain at \$1.0 million each.

Sec. 211. Access to State and Local Services – NEW

Prohibits appropriations from being used to restrict or interfere with actions related to diversity, equity, and inclusion, to restrict or impede community access to government programs, or restrict an individual’s ability to exercise the right to reproductive freedom; requires local governments to report on actions that attempt to restrict duties of local health officers.

Major Boilerplate Changes from FY 2022-23

Sec. 218. State Administrative Board Transfers – DELETED

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

Sec. 302. Report on Debt Service Coverage – DELETED

Deletes section that established a reporting requirement regarding debt service.

Sec. 601. Report on Warranty Projects – DELETED

Deletes section that requires documentation of warranty projects and establishes reporting requirement.

Sec. 1001. Intermodal Capital Investment Grants – NEW

Defines the \$160.0 million intermodal capital investment grant program for capital needs that improve rail, marine, intercity, and local transit infrastructure or equipment, eligible for funding under Sections 10d or 10s of Act 51, or Fixed Guideway Capital Grants Program under IIJA Section 300005. Authorizes local match requirement. Directs department to develop program guidelines and selection criteria in coordination with the Michigan Infrastructure Office.

Sec. 1002. Bridge Bundling Initiative – NEW

Defines \$200.0 million initiative for the rehabilitation or reconstruction of certain state and local bridges using “bundling” contracting method. Establishes selection criteria: locally owned bridges must have been previously considered for funding under the local bridge program; state owned bridges must be classified as “serious” or “critical” under U.S. National Bridge Inventory criteria.

Sec. 1003. MI Contracting Opportunity – NEW

Defines the \$3.0 million 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. Provides for a revolving loan program and revolving loan fund established within the department.