

**Summary: Executive Budget Recommendation
for Fiscal Year 2022-23**



**Changes by Program or Line Item
DEPARTMENT OF TRANSPORTATION**

Analyst: William E. Hamilton

	FY 2021-22 Year-to-Date as of 2/9/21	FY 2022-23 Executive	Difference: FY 2022-23 vs. FY 2021-2	
			Amount	%
IDG/IDT	\$4,044,800	\$4,123,800	\$79,000	2.0
Federal	1,641,755,300	2,026,480,000	384,724,700	23.4
Local	80,782,000	85,773,500	4,991,500	6.2
Private	900,000	900,000	0	0.0
Restricted	3,702,373,400	3,903,771,600	201,398,200	5.4
GF/GP	0	279,900,000	279,900,000	--
Gross	\$5,429,855,500	\$6,300,948,900	\$871,093,400	16.0
FTEs	2,942.3	3,142.3	200.0	6.8

Notes: (1) FY 2020-21 year-to-date figures include mid-year budget adjustments through February 11, 2021. (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. The largest share of state restricted revenue in this budget comes from constitutionally restricted motor fuel taxes and vehicle registration taxes. This 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). Since FY 2018-19, a share of income tax revenue has been earmarked to the MTF for state and local road and bridge programs. 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.

Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations	FY 2021-22 YTD (as of 2/9/21)	Executive Change from YTD
1. State Trunkline Road and Bridge Construction	Gross \$1,328,645,000	\$323,224,600
Appropriation for the state trunkline capital construction program would total \$1.652 billion, a net increase of \$323.2 million from current year.	Federal 851,248,800	333,982,100
The increase in federal support of \$334.0 million represents the state trunkline share of the estimated increase in federal funds available to Michigan under the Infrastructure Investment and Jobs Act (IIJA), \$283.4 million, as well as the additional federal funds available for the capital construction program as a result of the end of debt service payments made with federal funds, \$50.6 million.	Local 30,003,500	0
	Restricted 447,392,700	(10,757,500)
	GF/GP \$0	\$0

The anticipated increase in available federal-aid is partially offset by a net decrease of \$10.8 million in state restricted support: Available STF revenue would decline by \$14.7 million – in part due to increases in STF funded debt service and increased STF funded trunkline maintenance. State restricted revenue also reflects a \$4.0 million increase in appropriated Blue Water Bridge Fund revenue, from \$4.0 million to \$8.1 million for Blue Water Bridge capital projects.

Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations FY 2021-22 YTD
(as of 2/9/21) Executive
Change
from YTD

2. State Trunkline Maintenance FTE 880.7 22.0
 Increases baseline funding by \$15.6 million STF, exclusive of economic adjustment and technical changes. Includes \$13.1 million to recognized increase costs associated with maintenance materials and services. Increases baseline support by \$2.5 million to provide a 22.0 FTE staffing increase. **Gross \$425,881,200 \$15,594,400**
 Restricted 425,881,200 15,594,400
 GF/GP \$0 \$0

3. MTF to Local Road Agencies **Gross \$1,823,329,700 \$87,645,700**
 Estimated MTF distribution to local road agencies (county road commissions, and cities and villages) would total \$1.9 billion, \$87.6 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. Restricted 1,823,329,700 87,645,700
 GF/GP \$0 \$0

MTF Distribution to Local Road Agencies			
	FY 2021-22	FY 2022-23	Difference
Cities/Villages	\$652,686,200	\$684,060,200	\$31,374,000
County Road Commissions	1,170,643,500	1,226,915,200	56,271,700
Total	\$1,823,329,700	\$1,910,975,400	\$87,645,700

4. Local Federal Aid and Road and Bridge Construction **Gross \$290,587,800 \$94,400,000**
 Includes \$385.0 million to recognize federal aid made available to local road agencies; the line reflects an Act 51 earmark. The increase of \$94.4 million reflects the local road agency share of the estimated increase in federal aid from IJJA. Federal 290,587,800 94,400,000
 GF/GP \$0 \$0

5. Local Bridge Program **Gross \$27,812,600 (\$831,000)**
 Includes \$27.0 million for the local bridge program, a program that receives funding from an Act 51 earmark of MTF revenue equal to one-half cent of the motor fuel tax on gasoline. The decrease reflects the estimated decrease in revenue generated from each penny of the motor fuel tax on gasoline as compared to the current year estimate. Although not specifically recognized in this line item, the program is also allocated a share of local federal aid. Restricted 27,812,600 (831,000)
 GF/GP \$0 \$0

6. Debt Service **Gross \$253,643,600 (\$28,343,100)**
 Includes \$225.3 million for debt service on previously issued bonds – bonds issued under a pledge of state restricted revenue or in anticipation of federal grants. The appropriation reflects anticipated debt service schedules. The most significant change is a \$50.6 million shift in the fund sources – from federal to STF – used to repay federal grant anticipation refunding bonds sold in 2016. Federal 50,582,100 (50,582,100)
 Restricted 203,061,500 22,239,000
 GF/GP \$0 \$0

7. Design and Engineering Services FTE 1,506.3 156.0
 Increases baseline funding by \$9.6 million, exclusive of economic adjustment. Baseline increases include: 154.0 FTE positions, funded at \$7.1 million, to support increased construction program; \$1.8 million increase for construction field services support contracts; \$206,000 for a local agency construction administration tool; \$475,400 for 2.0 FTE positions to assist local road agencies in National Historic Preservation Act compliance. **Gross \$177,078,900 \$9,575,500**
 Federal 23,529,800 0
 Restricted 153,549,100 9,575,500
 GF/GP \$0 \$0

Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations		FY 2021-22 YTD (as of 2/9/21)	Executive Change from YTD
8. Transportation Economic Development Fund (TEDF)	Gross	\$41,601,900	\$4,349,100
Includes \$46.0 million for the TEDF grant program, an increase of \$4.3 million. TEDF revenue comes from two statutory earmarks: an Act 51 earmark of MTF revenue, and an earmark of certain driver's license fees. The increase in available TEDF revenue is due to a \$3.8 million reduction in TEDF-funded debt service, as well as an anticipated increase in interest credited to the fund. The TEDF program is a targeted program established and governed by statute, 1987 PA 231.	Restricted	41,601,900	4,349,100
	GF/GP	\$0	\$0
9. Local Bus Transit Programs	Gross	\$226,777,900	\$14,817,700
Includes \$201.7 million CTF in state operating assistance to local transit systems, an increase of \$5.0 million. This increase is possible as a result on an increase in estimated available CTF revenue.	Federal	28,027,900	9,817,700
	Local	2,000,000	0
	Restricted	196,750,000	5,000,000
	GF/GP	\$0	\$0
Budget also recognizes additional federal-aid transit funding to rural transit systems made available under IIJA. Local revenue, used to match federal grants, would remain unchanged in the budget.			
10. Rail Operations and Infrastructure	Gross	\$104,356,200	\$31,494,500
Includes \$135.9 million for state rail programs including capital and operating support for rail passenger service in Michigan as well as rail freight and rail economic development programs. Increased CTF support reflects estimated increase in available CTF revenue. Also recognizes additional federal-aid for rail programs.	Federal	20,000,000	10,000,000
	Local	100,000	0
	Private	100,000	0
	Restricted	84,156,200	21,494,500
	GF/GP	\$0	\$0
11. Intercity Services	Gross	\$8,060,000	\$1,921,800
Budget provides \$10.0 million for program that supports intercity bus service in Michigan, an increase of \$1.9 million from current year. Budget recognizes additional federal aid for intercity programs made available under IIJA, as well as increased CTF support.	Federal	4,500,000	1,558,800
	Local	160,000	0
	Private	800,000	0
	Restricted	2,600,000	363,000
	GF/GP	\$0	\$0
12. Marine Passenger	Gross	\$1,012,000	\$3,952,000
Includes \$5.0 million for program that provides capital grants for marine passenger (ferry) service in Michigan, specifically for ferries that provide service to Beaver Island and to islands on the St. Mary's River in the eastern Upper Peninsula. The proposed budget, \$4.0 million more than current year, recognizes additional federal aid made available under IIJA, as well as increased CTF support,	Federal	0	2,652,000
	Local	500,000	0
	Restricted	512,000	1,300,000
	GF/GP	\$0	\$0
13. Airport Improvement Program (AIP)	Gross	\$121,576,500	\$36,885,400
Includes \$158.6 million for program of federal capital assistance to eligible local public airports in the state. Recognizes \$135.0 million in federal AIP funds, an increase of \$29.0 million from current year reflecting higher program funding targets under IIJA. Also recognizes increases in local matching funds and State Aeronautics Fund revenue. This program is shown in the state budget under the line item Airport Safety, Protection, and Improvement (ASAP).	Federal	106,000,000	29,000,000
	Local	12,508,500	4,991,500
	Restricted	3,068,000	2,893,900
	GF/GP	\$0	\$0
14. IIJA Airport Infrastructure Grants	Gross	\$0	\$95,000,000
Includes \$95.0 million federal spending authority for a new program, established under IIJA, of federal aid to public airports.	Federal	0	95,000,000
	GF/GP	\$0	\$0
15. Detroit Metropolitan Wayne County Airport	Gross	\$5,200,000	\$650,000
Increases Qualified Airport Fund support by \$650,000 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	5,200,000	650,000
	GF/GP	\$0	\$0

<u>Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations</u>		<u>FY 2021-22 YTD (as of 2/9/21)</u>	<u>Executive Change from YTD</u>
16. One-Time GF/GP – Critical Road and Bridge Infrastructure	Gross	\$0	\$150,000,000
Includes \$150.0 million in one-time GF/GP for critical road and bridge infrastructure.	GF/GP	\$0	\$150,000,000
17. One-Time GF/GP – Freeway Pumphouse Generators	Gross	\$0	\$66,600,000
Includes \$66.6 million in one-time GF/GP for freeway pumphouse backup generators at 164 locations.	GF/GP	\$0	\$66,600,000
18. One-Time GF/GP – Priority Grade Separation Projects	Gross	\$0	\$60,000,000
Includes \$60.0 million in one-time GF/GP for priority rail grade separation projects.	GF/GP	\$0	\$60,000,000
19. One-Time GF/GP – Replace Weather Station Equipment	Gross	\$0	\$3,900,000
Includes \$3.9 million in one-time GF/GP to replace 32 state-owned weather station equipment.	GF/GP	\$0	\$3,900,000
20. Back Out FY 2021-22 One-Time Federal COVID Relief	Gross	\$193,236,300	(\$193,236,300)
House Bill 4398, (2021 PA 133), an FY 2021-22 supplemental budget act, included \$193.2 million in Federal COVID-19 Relief funding under the American Rescue Plan Act: \$171.7 million for grants to airports, \$21.6 million for Federal Transit Administration rural area formula grants and grants targeted for elderly and disabled populations. This one-time funding was not included in the FY 2022-23 budget request.	Federal GF/GP	193,236,300 \$0	(193,236,300) \$0
21. Economic Adjustments	Gross	NA	\$9,981,600
Reflects increased costs of \$10.0 million Gross (\$0 GF/GP) for negotiated salary and wage increases (5.0% on October 1, 2022 and 0.5% to annualize the FY 2022 1.0% increase that began on April 1, 2022), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG Federal Restricted GF/GP	NA NA NA NA	79,000 1,006,100 8,896,500 \$0

Major Boilerplate Changes from FY 2021-22

The Executive Budget deletes a large number of boilerplate sections that had been included in the FY 2021-22 budget. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted.

Sec. 210. Contingency Authorizations/Transfers – REVISED

Increases contingent federal and state spending authority, to \$200.0 million and \$40.0 million, respectively, that may be transferred into budget through process defined in Section 393(2) of the Management and Budget Act.

Sec. 215. Communication with the Legislature – DELETED

Deletes section that prohibits department from taking disciplinary action against an employee for communicating with the Legislature. *The Governor's signing letter associated with the FY 2021-22 budget indicated that this section was unenforceable in that it impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers.*

Sec. 216. Report on FTE Positions and Remote Work – DELETED

Deletes reporting requirement on staffing levels in relation to FTE authorization; employees authorized to work remotely; and related cost savings.

Sec. 217. Use of Work Project Balances – DELETED

Deletes section that requires that work project balances be exhausted before expenditure from part 1 appropriations. *The Governor's signing letter associated with the FY 2021-22 budget indicated that this section was unenforceable in that impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers.*

Major Boilerplate Changes from FY 2021-22

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. *The Governor’s signing letter associated with the FY 2021-22 budget indicated that this section was unenforceable in that it impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers.*

Sec. 219. Record Retention – DELETED

Deletes section that requires department to retain reports funded from Part 1 appropriations and which established record retention guidelines.

Sec. 220. 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. 221. Severance Pay Report – DELETED

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

Sec. 395. Authority to Transfer Between Construction/Maintenance – NEW

Authorizes department to transfer up to \$10.0 million from the state trunkline road and bridge construction line item to state trunkline maintenance for certain specified activities. [This section had been included in prior enacted budgets (FYs 2016-17 through FY 2020-21) but was not included in FY 2021-22].

Sec. 1001. Critical Road and Bridge Infrastructure – NEW

Defines the uses of the one-time \$150.0 million GF/GP appropriation for critical road and bridge infrastructure appropriation; directs that funds be expended to support a reconstruction program for high priority roads, selected for inclusion in the program based on any of the following criteria: projects located on roads that are of critical economic importance; projects located on roads with high levels of vehicle traffic that support critical economic corridors; projects intended to increase the useful life of existing roads on key economic corridors; projects on roads that are coordinated with current or future bridge repair or reconstruction projects of critical economic importance. The section also provides for a program progress report due by September 30, 2023.

Sec. 1002. Priority Rail Grade Crossing/Separation Initiative – NEW

Defines the uses of the one-time \$60.0 million GF/GP appropriation for priority rail grade crossing/separation initiative; directs that funds be expended to support a local grant program for the separation of motor vehicle traffic and railroad traffic; provides that grant funds be awarded for any stage of design and construction related to a grade separation project or a project that improves traffic at a rail crossing without a full grade separation. The section establishes project selection criteria: grade separation projects that will eliminate significant blockages or backups; grade separation projects that will have a positive impact on the local economy, safety, and the efficient movement of goods and people. The section also provides for a program progress report due by September 30, 2023.

Supplemental Recommendations for FY 2021-22 Appropriations

**FY 2021-22
Recommendation**

1. Road and Bridge Programs – IJJA Revenue Increase

As noted above, IJJA, enacted into law November 2021, both extended authorization for federal-aid transportation programs and included increases in funding targets for those programs. Some funding increases impact the current state fiscal year and would be recognized through supplemental appropriations included in State Budget Office request dated February 9, 2022. The request identifies \$475.7 million in additional federal-aid transportation funds as a result of IJJA for recognition in FY 2021-22 state appropriations, including \$316.7 million in federal-aid highway program funds. Of the \$316.7 million in additional federal-aid highway funds, \$237.5 million are designated for state trunkline road and bridge capital construction programs, and \$79.2 million for local federal-aid road construction programs.

Gross	\$316,666,700
Federal	316,666,700
GF/GP	\$0

Supplemental Recommendations for FY 2021-22 Appropriations

**FY 2021-22
Recommendation**

2. Public Transportation Programs – IJJA Revenue Increase

Of the \$475.7 million in additional FY 2021-22 federal-aid transportation funds available to Michigan under IJJA, \$66.2 million is provided for federal transit grant programs administered by the FTA. The State Budget Office request would recognize increases in the following specific programs: transit capital, \$41.0 million; rural area formula (nonurban operating/capital) grants, \$9.8 million; service initiatives, \$7.7 million; specialized services, \$3.2 million; intercity bus services, \$1.6 million; marine passenger program, \$2.7 million. The budget would also recognize an additional \$227,900 in federal support for MDOT transit program administration.

Gross	\$66,161,000
Federal	66,161,000
GF/GP	\$0

3. IJJA Airport Infrastructure Grants – Federal Revenue Impacts

Includes \$97.8 million Gross in spending authority for a new program of federal aid to public airports established under IJJA; \$92.8 million in federal support plus \$5.0 million in local matching funds.

Gross	\$97,818,500
Federal	92,827,000
Local	4,991,500
GF/GP	\$0

4. Detroit New Center Intermodal Facility

Recognizes a \$10.0 million federal discretionary RAISE grant, awarded November 2021, for the construction of an intermodal facility (combined intercity bus and passenger rail) in the New Center area of Detroit.

Gross	\$10,000,000
Federal	10,000,000
GF/GP	\$0