

Summary: Executive Budget Recommendation for Fiscal Year 2022-23

Impact of Changes to Revenue Estimates DEPARTMENT OF TRANSPORTATION



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| | FY 2021-22 Year-to-Date as of 2/9/22 | FY 2022-23 Executive | Difference: FY 2022-23 vs. FY 2021-22 | |
|--------------|--|-------------------------|--|-------------|
| | | | 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 2021-22 year-to-date figures include mid-year budget adjustments through February 9, 2022. (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 2/9/22) | Executive Change from YTD |
|--|--|--|
| 1. Road and Bridge Programs – Federal Revenue Impacts | Gross \$1,240,469,000 | \$377,800,000 |
| The Infrastructure Investment and Jobs Act (IIJA) enacted into law November 2021, extended authorization for federal-aid transportation programs through September 30, 2026 and included increases in funding targets for those programs. Michigan's estimated share of federal-aid highway program funding under IIJA would total \$1.6 billion for FY 2022-23, an increase of \$377.8 million as compared to current year (\$283.4 million for the state trunkline capital construction program, and \$94.4 million for the local federal aid construction program). | Federal 1,240,469,000 | 377,800,000 |
| | GF/GP \$0 | \$0 |

| <u>Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations</u> | | FY 2021-22 YTD (as of 2/9/22) | Executive Change from YTD |
|---|--------------|--|--|
| 2. Road and Bridge Programs – State Revenue Impacts | | | |
| Estimated MTF revenue available for distribution to the STF and local road agencies would total \$3.0 billion, an increase of \$149.7 million as compared to current year estimates. The amount of available MTF for distribution to the STF and local road agencies is the net amount, after various statutory deductions, of estimated gross MTF revenue. The increase in gross MTF revenue of \$157.4 million, or 4.47% as compared to current year estimates, primarily reflects increases in estimated revenue from motor fuel taxes, vehicle registration taxes, and certain marijuana excise taxes. | Gross | \$2,865,100,500 | \$149,708,900 |
| | Restricted | 2,865,100,500 | 149,708,900 |
| | GF/GP | \$0 | \$0 |
| The estimated MTF distribution to county road commissions would increase by \$56.3 million to \$1.2 billion; the estimated MTF distribution to cities and villages would increase by \$31.4 million, to \$684.0 million. The STF share of the MTF distribution would total \$1.3 billion, an increase of \$55.2 million as compared to current year estimates. | | | |
| 3. Transit Programs – Federal Revenue Impacts | | | |
| Michigan's estimated share of federal transit grants under programs administered by the Federal Transit Administration (FTA) would total \$148.2 million, an increase of \$66.2 million as compared to current year funding. This increase reflects higher program funding targets under IIJA and is reflected as increases to the following 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 | \$82,050,000 | \$66,161,000 |
| | Federal | 82,050,000 | 66,161,000 |
| | GF/GP | \$0 | \$0 |
| 4. Transit Programs – State Revenue Impacts | | | |
| CTF support for transit programs would increase by \$32.7 million. Of this, \$27.0 million would increase CTF support for Transit capital, the line item used to provide the required non-federal match for federal-aid grants. CTF support for Local bus operating would increase by \$5.0 million, from \$196.7 million to \$201.7 million. | Gross | \$257,574,000 | \$32,705,400 |
| | Restricted | 257,574,000 | 32,705,400 |
| | GF/GP | \$0 | \$0 |
| This additional CTF revenue is available because of an anticipated \$47.1 million increase in gross CTF revenue, from \$373.9 million in the current year, to \$409.7 million in FY 2022-23. CTF revenue comes from two primary sources: an Act 51 earmark of MTF revenue, and an earmark of "auto-related" sales tax. For FY 2022-23, this baseline revenue would be supplemented by \$35.8 million available from the CTF fund balance as well as miscellaneous CTF revenue sources. | | | |
| 5. Rail Programs – Federal Revenue Impacts | | | |
| Includes \$10.0 million increase in federal funds for rail passenger program capital grants administered by the Federal Railroad Administration (FRA). This increase reflects anticipated FRA grants available under IIJA. | Gross | \$20,000,000 | \$10,000,000 |
| | Federal | 20,000,000 | 10,000,000 |
| | GF/GP | \$0 | \$0 |
| 6. Rail Programs – State Revenue Impacts | | | |
| CTF support for rail operations and infrastructure programs would increase by \$21.5 million. CTF support in this program is used, in part, to support rail passenger service in Michigan, including to provide matching funds needed for FRA capital grants. The increase in CTF support reflects the increase in estimated available CTF revenue for FY 2022-23, as described in <i>Item 4</i> above. | Gross | \$78,156,200 | \$21,494,500 |
| | Restricted | 78,156,200 | 21,494,500 |
| | GF/GP | \$0 | \$0 |

| Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations | | FY 2021-22 YTD (as of 2/9/22) | Executive Change from YTD |
|---|--------------|--|--|
| 7. Airport Improvement Programs – Federal Revenue Impacts | Gross | \$106,000,000 | \$29,000,000 |
| Recognizes \$135.0 million in federal funds for the Airport Improvement Program (AIP), an ongoing program of federal grant funding for capital improvements at public airports. This program is shown in the state budget under the line item Airport Safety, Protection, and Improvement (ASAP). The budget includes a \$29.0 million increase in federal support as compared to current year, reflecting higher program funding targets under IIJA. | Federal | 106,000,000 | 29,000,000 |
| | GF/GP | \$0 | \$0 |
| 8. IIJA Airport Infrastructure Grants – Federal Revenue Impacts | Gross | \$0 | \$95,000,000 |
| Includes \$95.0 million in spending authority for a new program of federal aid to public airports established under IIJA. | Federal | 0 | 95,000,000 |
| | GF/GP | \$0 | \$0 |
| 9. 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 is based on anticipated debt service schedules. The budget reflects a shift in the fund sources used for repayment of debt service issued using a pledge of federal revenue – from federal funds to STF. | Federal | 50,582,100 | (50,582,100) |
| | Restricted | 203,061,500 | 22,239,000 |
| | GF/GP | \$0 | \$0 |
| 10. 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. Also includes \$1.8 million increase for construction field services support contracts, \$206,000 increase for a local agency construction administration tool, \$475,400 increase 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 |
| 11. 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 |
| 12. 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 |
| 13. 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 |
| 14. 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 |
| 15. 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 |

| <u>Major Budget Changes from FY 2021-22 Year-to-Date (YTD) Appropriations</u> | | <u>FY 2021-22 YTD (as of 2/9/22)</u> | <u>Executive Change from YTD</u> |
|---|--------------|--|--|
| 16. 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 |
| 17. 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 | 193,236,300 | (193,236,300) |
| | GF/GP | \$0 | \$0 |
| 18. 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 | NA | 79,000 |
| | Federal | NA | 1,006,100 |
| | Restricted | NA | 8,896,500 |
| | GF/GP | NA | \$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 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 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.*

Sec. 218. State Administrative Board Transfers – DELETED

Deletes section that provides for the legislature to intertransverse funds within departmental budget if the State Administrative Board transfers funds from an appropriation within this departmental budget. *The Governor's signing letter 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.*

Sec. 219. Record Retention – DELETED

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

Major Boilerplate Changes from FY 2021-22

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 selected 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 – IJA Revenue Increase

As noted above, IJA, 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 IJA 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 |

2. Public Transportation Programs – IJA Revenue Increase

Of the \$475.7 million in additional FY 2021-22 federal-aid transportation funds available to Michigan under IJA, \$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 |

Supplemental Recommendations for FY 2021-22 Appropriations

**FY 2021-22
Recommendation**

3. IIJA Airport Infrastructure Grants – Federal Revenue Impacts

Includes \$97.8 million in spending authority for a new program of federal aid to public airports established under IIJA; \$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 |