

**Summary: Executive Budget Recommendation
for Fiscal Year 2017-18
DEPARTMENT of TRANSPORTATION**



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	FY 2016-17 Year-to-Date as of 2/8/17	FY 2017-18 Executive	Difference: FY 2017-18 Vs. FY 2016-17	
			Amount	%
IDG/IDT	\$4,013,400	\$4,039,300	\$25,900	0.6
Federal	1,314,744,000	1,340,301,200	25,557,200	1.9
Local	50,418,500	50,532,000	113,500	0.2
Private	100,000	100,000	0	0.0
Restricted	2,736,727,700	2,952,470,500	215,742,800	7.9
GF/GP	9,750,000	0	(9,750,000)	(100.0)
Gross	\$4,115,753,600	\$4,347,443,000	\$231,689,400	5.6
FTEs	2,918.3	2,918.3	0.0	0.0

Notes: (1) FY 2016-17 year-to-date figures include mid-year budget adjustments through February 8, 2017. (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). Approximately two-thirds of the revenue in this budget comes 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.

Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations		FY 2016-17 YTD (as of 2/8/17)	Executive Change from YTD
1. Debt Service	Gross	\$237,925,300	(\$8,985,900)
Reduces debt service by \$9.0 million reflecting anticipated debt service schedules.	Federal	45,767,900	(7,984,600)
The reduction in federal-aid supported debt service reflects the 2016 refunding of \$607.1 million in federal grant anticipation notes. [Total outstanding transportation-related debt at September 30, 2016, was \$1,578.1 million.]	Restricted	192,157,400	(1,001,300)
	GF/GP	\$0	\$0
2. Asset Management Council	Gross	\$1,626,400	\$250,000
Increases MTF support by \$250,000 to provide for increased costs of data collection and education efforts. The line has not been increased since first established in 2002.	Restricted	1,626,400	250,000
	GF/GP	\$0	\$0
3. Information Technology	Gross	\$32,364,500	\$1,000,000
Increases baseline STF support by \$1.0 million to reflect increasing IT costs and increased use of e-construction technology.	Federal	520,500	0
	Restricted	31,844,000	1,000,000
	GF/GP	\$0	\$0
4. State Trunkline Maintenance	FTE	743.7	0.0
STF funding increase of \$8.5 million would be targeted for improved drainage and flooding mitigation in Metropolitan Detroit.	Gross	\$303,948,000	\$8,500,000
	Restricted	303,948,000	\$8,500,000
	GF/GP	\$0	\$0
5. State Trunkline Road and Bridge Construction	Gross	\$1,062,702,900	\$68,918,900
Support for the state trunkline road and bridge capital construction/preservation program would increase by \$68.9 million reflecting an anticipated increase of \$25.7 million in estimated federal aid and \$62.5 million in available state restricted STF revenue. The increase in state restricted revenue is partially offset by \$19.2 million reduction in Blue Water Bridge Fund revenue reflecting the end of one-time funding for Blue Water Bridge Plaza expansion project.	Federal	757,714,800	25,652,500
	Local	30,000,000	3,500
	Restricted	274,988,100	43,262,900
	GF/GP	\$0	\$0

Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations		FY 2016-17 YTD (as of 2/8/17)	Executive Change from YTD
6. Local Federal Aid Road and Bridge Program	Gross	\$272,511,000	\$5,889,300
Act 51 mandates that a portion of the federal-aid highway funds made available to the state be suballocated to local road agencies. Federal funds for local road agency construction and preservation programs would increase by \$5.9 million reflecting anticipated available federal revenue.	Restricted	272,511,000	5,889,300
	GF/GP	\$0	\$0
7. Local Bridge Program	Gross	\$27,468,600	\$814,300
Increase of \$814,300 reflects Act 51 earmarks to this program, including the dedication of one-half cent of the motor fuel tax on gasoline.	Restricted	27,468,600	814,300
	GF/GP	\$0	\$0
8. MTF to Local Road Agencies	Gross	\$1,233,570,100	\$138,560,600
MTF distribution to local road agencies would total \$1,372.1 million, an increase of \$138.6 million. County road commissions would receive \$880.9 million, an increase of \$89.0 million; cities/villages would receive \$491.2 million, an increase of \$49.6 million. These distributions reflect estimated MTF revenue and Act 51 statutory distribution formulas.	Restricted	1,233,570,100	138,560,600
	GF/GP	\$0	\$0
9. Transportation Economic Development Fund (TEDF)	Gross	\$24,447,500	\$17,671,600
The current year budget reflected the redirection of \$19.8 million in TEDF revenue – \$10.4 million to the STF and \$9.4 million to the state General Fund. TEDF appropriations would increase \$17.6 million reflecting the end of these one-time fund shifts, less a reduction in estimated TEDF interest revenue.	Restricted	24,447,500	17,671,600
	GF/GP	\$0	\$0
10. Local Bus Transit	Gross	\$212,277,900	\$2,000,000
Recognizes anticipated increase in federal transit grant to non-urban transit agencies.	Federal	24,027,900	2,000,000
	Local	2,000,000	0
	Restricted	186,250,000	0
	GF/GP	\$0	\$0
11. Intercity Services	Gross	\$6,250,000	\$1,610,000
Increases baseline support by \$1.6 million reflecting anticipated increases in CTF revenue and local matching funds.	Federal	4,500,000	0
	Local	50,000	110,000
	Restricted	1,700,000	1,500,000
	GF/GP	\$0	\$0
12. Rail Operations and Infrastructure	Gross	\$118,894,800	\$7,496,700
Supports rail passenger service, including operating support for three Amtrak routes in Michigan, as well as capital assistance for the Detroit-Chicago high speed rail corridor. Budget increases CTF support by \$7.5 million for capital improvements along the high-speed rail corridor.	Federal	60,100,000	0
	Local	100,000	0
	Private	100,000	0
	Restricted	58,594,800	7,496,700
	GF/GP	\$0	\$0
13. Transit Capital	Gross	\$53,907,100	\$5,496,400
Increases CTF support by \$5.5 million to match available federal transit grants local to transit agencies.	Federal	15,300,000	0
	Local	1,250,000	0
	Restricted	37,357,100	5,496,400
	GF/GP	\$0	\$0
14. Service Initiatives	Gross	\$2,889,200	\$500,000
Increases CTF support by \$500,000 million to match available federal transit grants for programs targeted for seniors.	Federal	1,650,000	0
	Local	325,000	0
	Restricted	914,200	500,000
	GF/GP	\$0	\$0
15. Capital Outlay – State Facilities/Salt Buildings	Gross	\$3,001,500	\$2,500,000
Increases STF funding by \$2.5 million for salt building and containment systems at counties that perform state trunkline maintenance work for MDOT under contract.	Restricted	3,001,500	2,500,000
	GF/GP	\$0	\$0
16. Airport Improvement Program	Gross	\$97,824,000	(\$3,881,000)
Reduces State Aeronautics Fund support by \$3.8 million to reflect revenue estimates. Revenue from the redirection of aviation-related sales tax made in the 2015 aviation funding package (Public Acts 258 through 262 of 2015) has been less than originally estimated.	Federal	79,000,000	0
	Local	12,508,500	0
	Restricted	6,315,500	(3,881,000)
	GF/GP	\$0	\$0

Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations		FY 2016-17 YTD (as of 2/8/17)	Executive Change from YTD
17. Detroit Metropolitan Wayne County Airport	Gross	\$8,775,000	(\$2,275,000)
Includes \$6.5 million for the Detroit Metro Airport, an earmark established in through amendment to the State Aeronautics Code made in the 2015 aviation funding package (Public Acts 258 through 262 of 2015). The budget reduces funding by \$2.3 million to reflect revenue estimates.	Restricted	8,775,000	(2,275,000)
	GF/GP	\$0	\$0
18. End of One-Time Special Projects/Grants	Gross	\$9,750,000	(\$9,750,000)
Reflects the end of \$8.5 million in one-time special project earmarks established in the original enacted budget for projects in Berrien, Lenawee, and Macomb counties; and \$1.2 million established in supplemental appropriation, Public Act 340 of 2016 for erosion control grants to local road agencies.	GF/GP	\$9,750,000	(\$9,750,000)
19. Technical and Revenue Adjustments	Gross	N/A	(\$7,882,400)
Other technical and revenue adjustments reduce appropriated state restricted revenue by \$7.9 million. The largest technical adjustments are a \$2.0 million MTF reduction in the Local Agency Wetland Mitigation Fund appropriation and a \$4.9 million MTF reduction for the Movable Bridge Fund. These adjustments are merely technical and adjust for the fact that the appropriation for these earmarks in FY 2016-17 was effectively twice the amounts prescribed in Act 51.	Restricted	N/A	(7,882,400)
	GF/GP	N/A	\$0
20. Economic Adjustments	Gross	N/A	\$3,255,900
Reflects increased costs of \$3.3 million Gross (\$0.0 GF/GP) for negotiated salary and wage increases (3.0% ongoing after removing the FY 2016-17 one-time 1.5% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG	N/A	25,900
	Federal	N/A	603,100
	Local	N/A	3,500
	Restricted	N/A	2,623,400
	GF/GP	N/A	\$0

Major Boilerplate Changes From FY 2016-17

Sec. 304. Confidentiality of Contractor Bid Documents – DELETED

Deletes section that requires the department to maintain confidentiality of bid documents except when necessary to defend a claim by the contractor.

Sec. 305. Rental of Public Transportation Properties – DELETED

Deletes section that authorizes department to rent space to public or private tenants at market rates and which requires the department charge transit agencies and intercity bus tenants equal rates. The section also requires the department to use rental revenue to maintain and improve the property.

Sec. 313(3). State Infrastructure Bank Report – DELETED

Deletes subsection that requires report on the State Infrastructure Bank.

Sec. 319. Rest Area Maintenance – DELETED

Deletes requirement that department post signs/telephone numbers for reporting unclean and unsafe conditions at rest areas.

Sec. 353. Prompt Payment – DELETED

Deletes section that directs department to review contractor payment process; references Special Provision 109.10.

Sec. 357. Local Federal Aid Project Review – DELETED

Deletes section that directs MDOT to complete local federal aid project reviews within 120 days.

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

Deletes section that 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

Deletes section that 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

Deletes requirement that department use the E-Verify system to verify legal status of contractor and subcontractor new hires.

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

Deletes section that requires department to submit final bill to the local agency within two years of final payment to construction contractor.

Major Boilerplate Changes From FY 2016-17

Sec. 383(5). Report on Use of State Airfleet – DELETED

Deletes subsection that indicates legislative intent that department work with Michigan State Police on employing fixed winged aircraft.

Sec. 393. Best Practices for Public Transportation – DELETED

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

Sec. 394. Priority of Preservation – DELETED

Deletes section that directs department and local road agencies to make preservation of the existing infrastructure a funding priority.

Sec. 395. Contingent Use of Capital Trunkline Funds for Maintenance – RETAINED

Retains section that was new in FY 2016-17 budget that allows the use of up to \$10.0 million from the capital road and bridge construction line for highway maintenance activities to support safety-related, high-priority, and other deferred maintenance needs on the state trunkline system.

Sec. 505. Road Innovation Fund Report – DELETED

Deletes section that had required the department to prepare a report on the amount of MTF revenue withheld if the Roads Innovation Fund created as part of the November, 2015 Road Funding Plan had not been released on or before October 1, 2016.

Sec. 601. Road Construction Warranties – DELETED

Deletes section that directs the department to work with the road construction and engineering consulting community on warranty program; identifies warranty considerations; and provides reporting requirements.

Sec. 605. Flood Mitigation – NEW

Includes new section establishing performance measures related to additional maintenance funding provided for flood mitigation.

Sec. 610. Dead Deer – DELETED

Deletes section that indicates legislative intent with regard to cleanup of dead deer and other large animal remains.

Sec. 612. Incentive/Disincentive – DELETED

Deletes section that requires department to establish guidelines for use of incentive/disincentive contracts; reporting requirement.

Sec. 703. Rail Abandonment Notice – DELETED

Deletes section that requires notice to Legislature when railroad companies file for abandonment of lines.

Sec. 705. City of Woodhaven Grade Separation – DELETED

Deletes section that indicates legislative intent that department assist the city of Woodhaven in established rail/street grade separation.

Sec. 802. MDOT-Owned Airports – DELETED

Deletes section that encourages department to find private entities or local public agencies to assume ownership of state owned airports.

Sec. 803. MDOT-Owned Airplanes – DELETED

Deletes section that had required the department to request proposals for management of the state airfleet.

Sec. 1001. One-time Special Projects – DELETED

Deletes one-time earmarks for projects in Berrien, Lenawee, and Macomb counties.