



Budget Briefing: Transportation

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Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics
 - Transportation Revenue
 - Transportation Program Areas

Michigan's Transportation Budget

Michigan's Transportation budget supports:

- State and local road and bridge programs
 - Construction and preservation of the state trunkline highway system
 - Funding for local road systems (83 county road commissions and 531 cities and villages)
- Public transportation programs
 - Capital and operating assistance to 80 public transit agencies
 - Capital and operating assistance for rail passenger service in Michigan
- Aeronautics programs
 - Capital assistance to public use airports through the federal Airport Improvement Program
- Administration of the Michigan Department of Transportation (MDOT)

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2023-24 is October 1, 2023, through September 30, 2024.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

Funding Sources

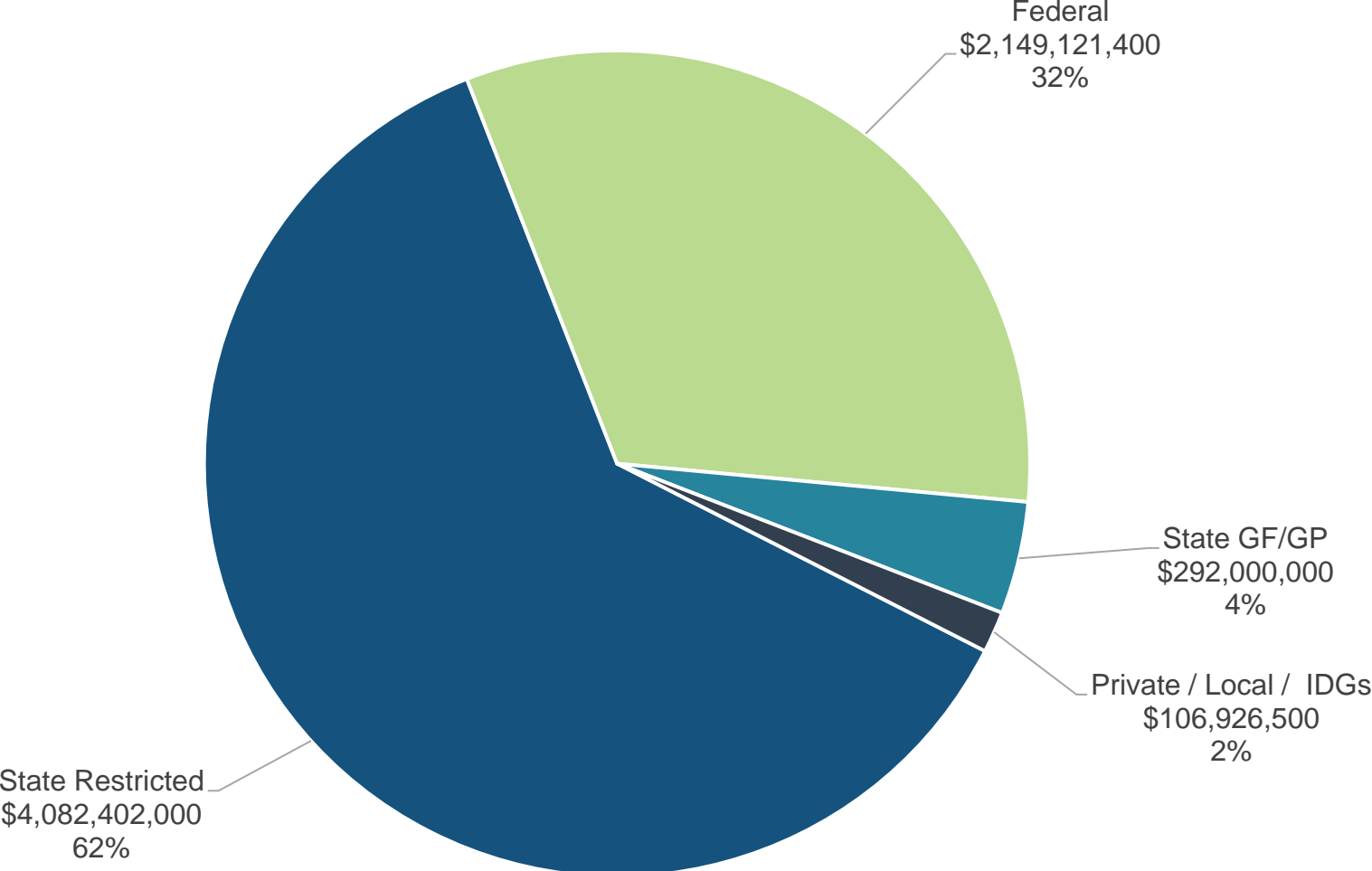
FY 2023-24 Transportation Budget

Fund Source	Funding	Description
Gross Appropriations	\$6,630,449,900	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	4,353,000	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$6,626,096,900	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	2,149,121,400	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	85,773,500	Revenue received from local units of government for state services
Private Revenue	16,800,000	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	4,082,402,000	State revenue restricted by the State Constitution, state statute, or other restriction which limits use for specific purposes.
State General Fund/General Purpose (GF/GP) Revenue	\$292,000,000	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes as determined by the legislature

Note: This table and other figures used in this presentation reflect the budget as enacted in June 2023, in Article 15 of 2023 PA 119 (House Bill 4437), as well as supplemental appropriations made in 2023 PA 321 (House Bill 4292).

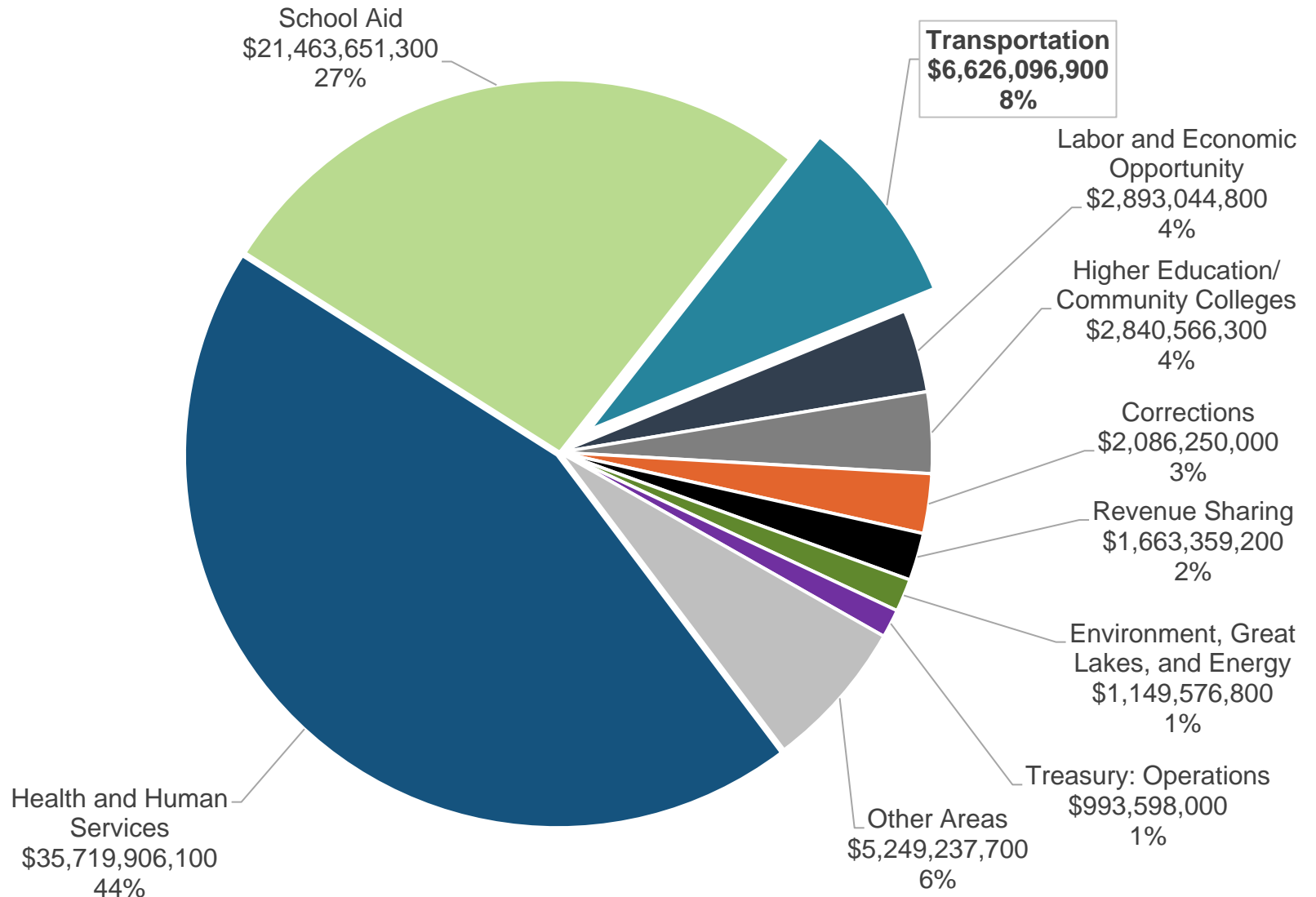
FY 2023-24 Fund Sources

State restricted revenue, primarily from motor fuel and vehicle registration taxes, is the largest fund source in the state transportation budget. Federal aid is the second largest.



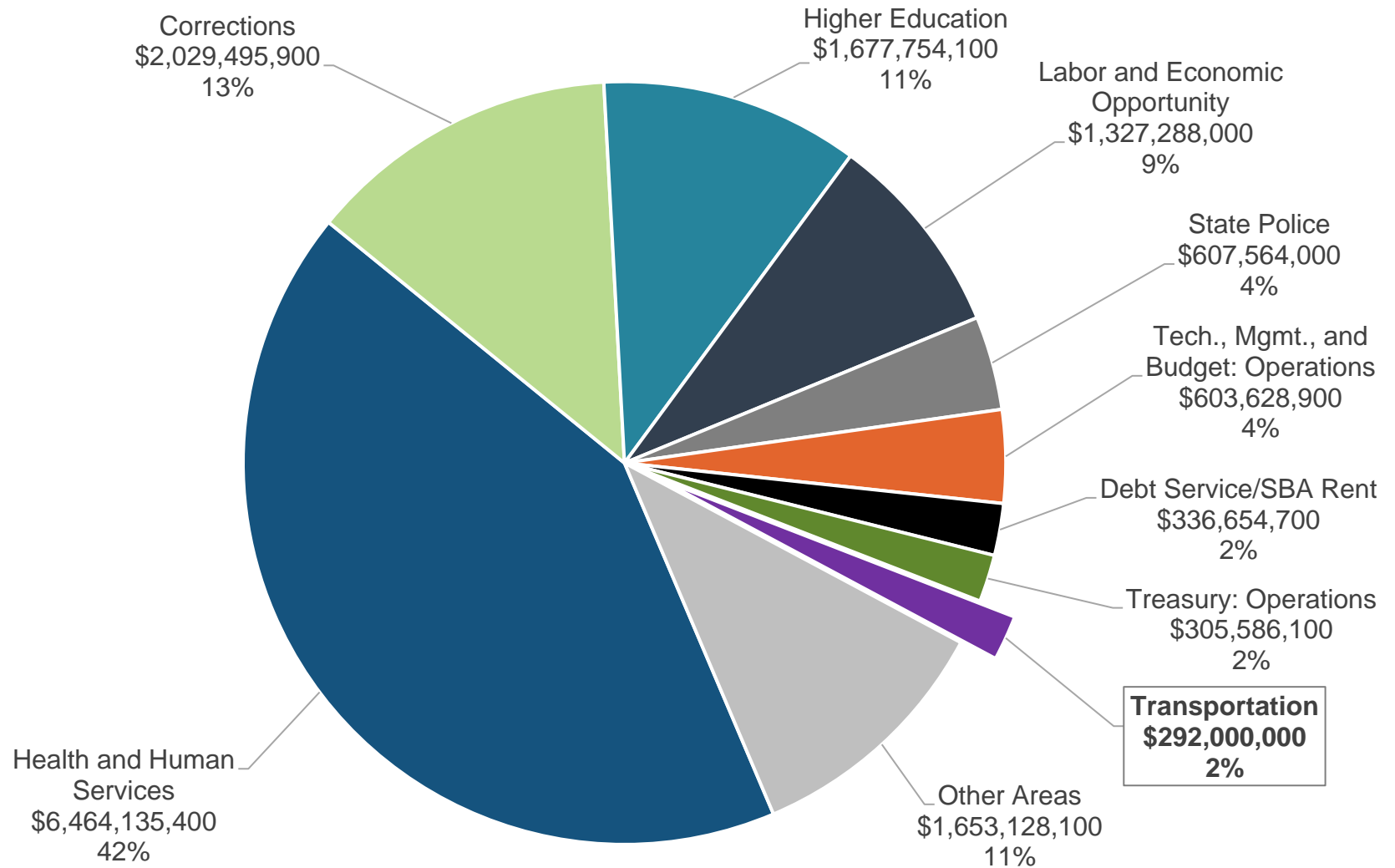
Transportation Share of Total State Budget

The Transportation budget represents **8%** of the **\$80.7 billion** state budget (adjusted gross) for FY 2023-24.



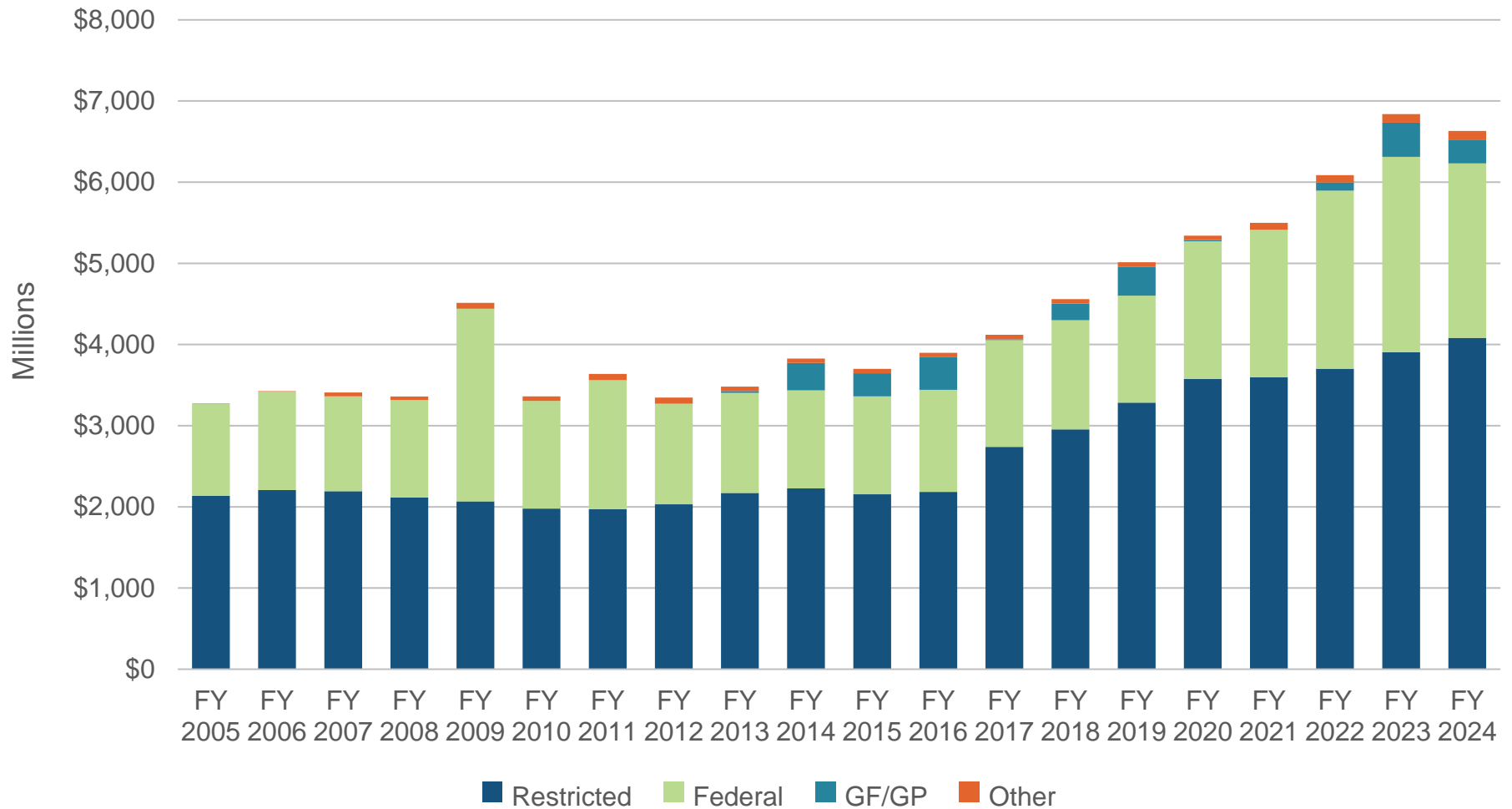
Transportation Share of Total GF/GP Budget

GF/GP appropriations in Michigan's FY 2023-24 budget totals **\$15.3 billion**. GF/GP appropriations in the Transportation budget total **\$292.0 million**, or 2% of the total.



Transportation Appropriations

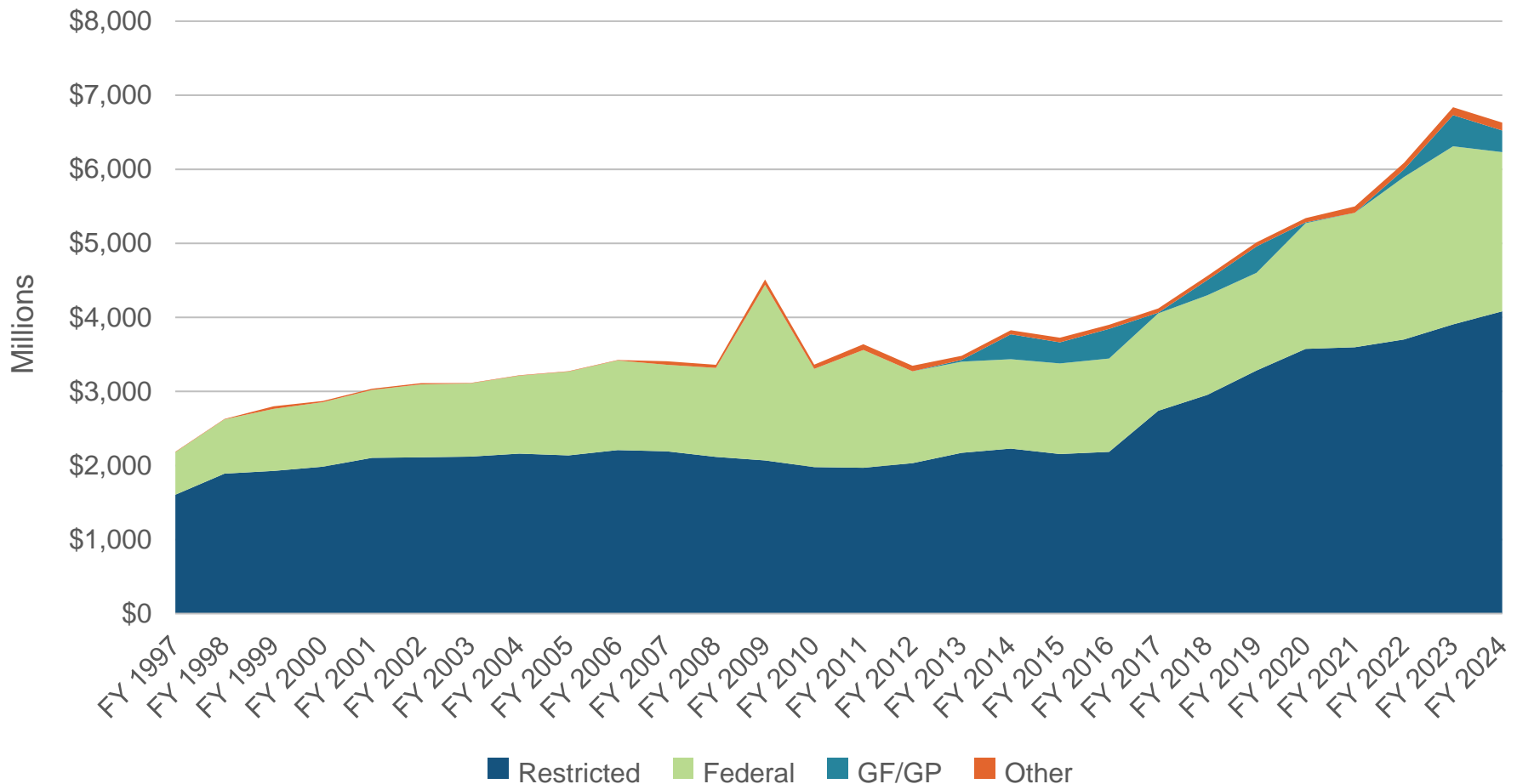
Increases in state restricted funds beginning in FY 2017 reflect the November 2015 Road Funding Package. In FYs 2020 and 2021 federal aid includes COVID relief funding. Federal fund increases in FYs 2022 and 2023 reflect IIJA.



Note: FY 2008-09 increase in federal funds reflects ARRA “stimulus” program funding.

Transportation Gross Appropriations (25-Year Time Horizon)

Excluding temporary federal “Stimulus” funds in FY 2009, transportation appropriations were relatively flat from FY 1998 through FY 2016. Increases beginning in FY 2017 reflect the impact of November 2015 Road Funding Package, as well as additional federal aid.



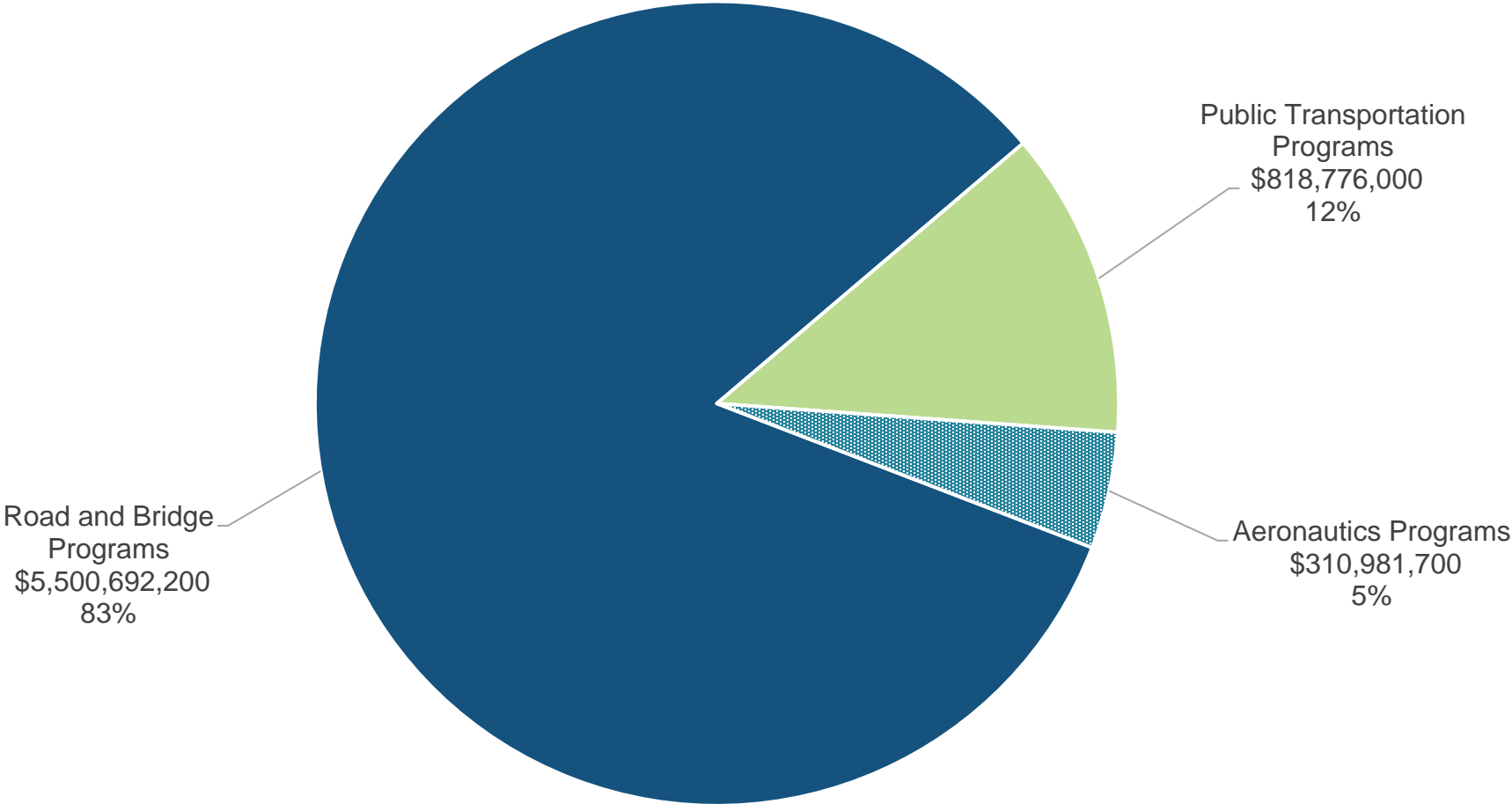
Appropriation Areas

Transportation Appropriation Areas

- State and local road and bridge programs
- Public transportation programs
- Aeronautics programs

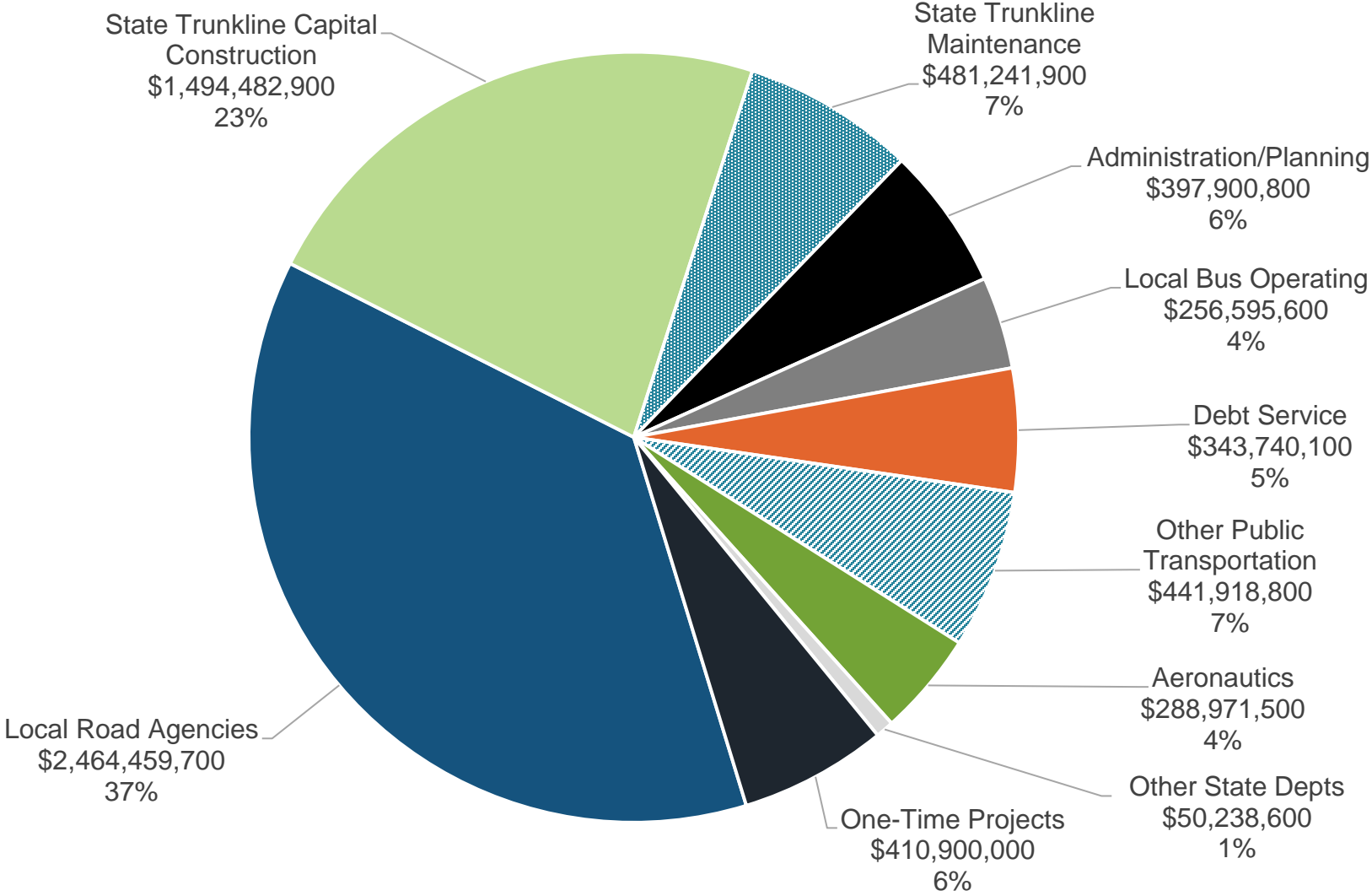
FY 2023-24 Gross Appropriations

There are three major program areas in the **\$6.6 billion** Transportation budget: road and bridge programs – including funds distributed to local road agencies – represent approximately **83%** of the budget; public transportation programs **12%**; and aeronautics programs **5%**.



FY 2023-24 Appropriation Detail

Over 37% of the Transportation budget is distributed or made available to local road agencies – not including one-time projects. State trunkline construction and maintenance are the next largest program areas in the budget.

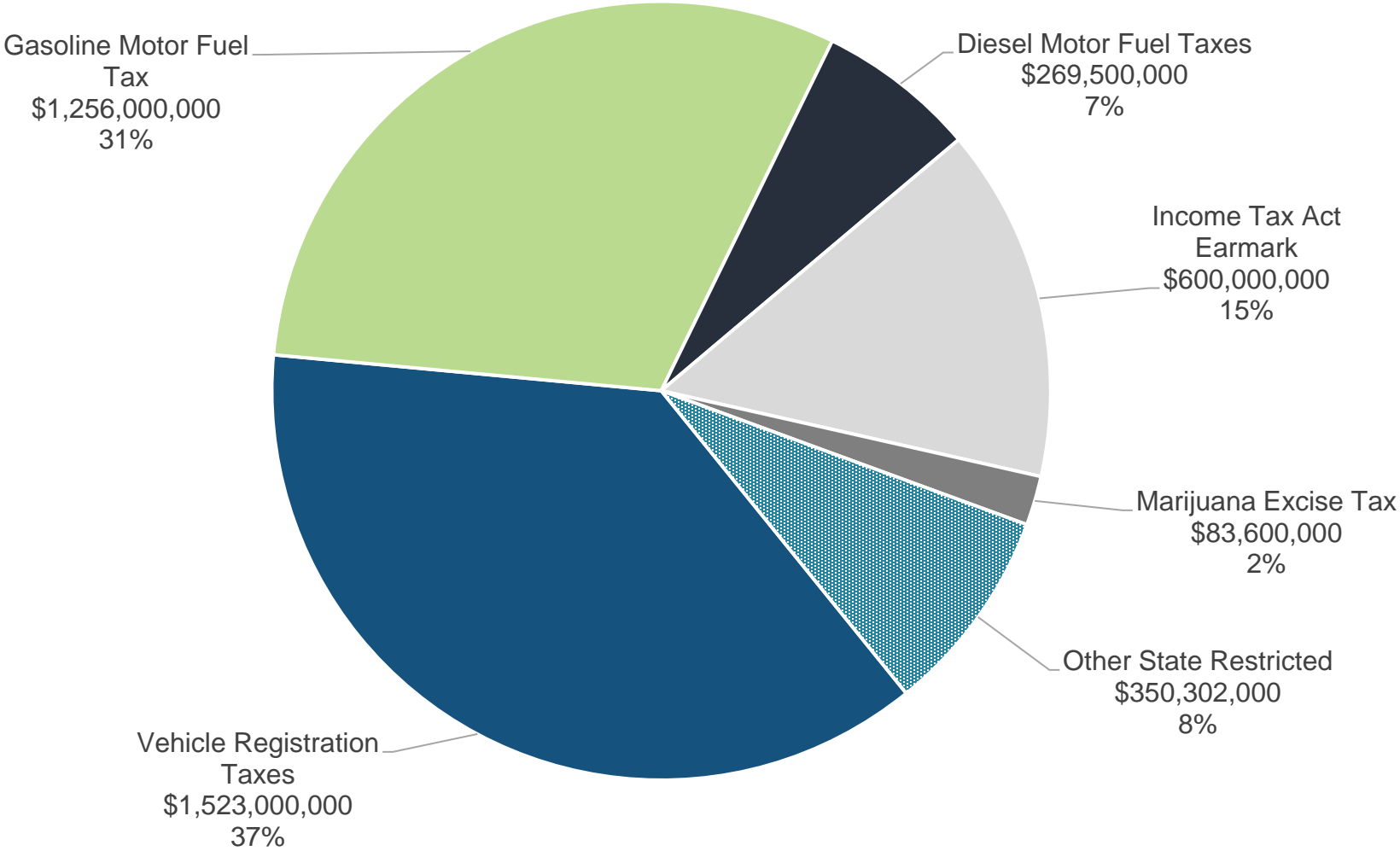


Major Budget Topics

Transportation Revenue

FY 2023-24 State Restricted Revenue

Michigan’s **\$6.6 billion** transportation budget includes **\$4.1 billion** from state restricted revenue sources. Of that total, **\$3.7 billion** – from motor fuel taxes, vehicle registration taxes, and earmarks of state income tax and marijuana excise tax – is credited to the **Michigan Transportation Fund (MTF)**



Transportation - State Restricted Revenue

Michigan Transportation Fund Sources

○ Motor Fuel Taxes

- The Motor Fuel Tax Act establishes a per-gallon tax on both gasoline and diesel motor fuel. The tax rate, which was **28.6** cents per gallon through December 31, 2023, was increased to **30.0 cents per gallon** effective **January 1, 2024**.

○ Vehicle Registration Taxes

- Various taxes on car, truck, and trailer registrations established in the Michigan Vehicle Code

○ Income Tax Earmark

- Earmark for state and local road and bridge programs established in the Income Tax Act is **\$600.0 million** in FY 2023-24.

○ Marijuana Excise Tax Earmark

- Earmark of an excise tax on recreational marijuana, estimated at **\$83.6 million** in FY 2023-24.

Transportation - State Restricted Revenue

Michigan Transportation Fund

- Revenue from motor fuel taxes, vehicle registration taxes, and earmarks of income tax revenue and marijuana excise tax revenue, are credited to the Michigan Transportation Fund (MTF).
- The MTF is the primary collection and distribution fund for state restricted transportation revenue. Of the \$4.1 billion in state restricted revenue in the FY 2023-24 transportation budget, **\$3.7 billion is credited to and distributed from the MTF.**
- Revenue from motor fuel taxes and vehicle registration taxes is constitutionally dedicated for transportation.
- Income tax and marijuana excise tax revenue is earmarked to the MTF from statutory (not constitutional) directives.
- State restricted revenue generally follows a distribution model.
- MTF revenue is distributed in accordance with Public Act 51 of 1951 (“Act 51”).

Transportation - State Restricted Revenue

Other State Restricted Revenue

- In addition to the state restricted MTF revenue sources described above, there are other state restricted transportation revenue sources recognized in the state transportation budget. These total \$350.3 million for FY 2023-24.
- Most of this other state restricted revenue is dedicated to specific targeted or categorical transportation programs including:
 - \$122.1 million in auto-related sales tax for public transportation purposes
 - \$20.9 million in various taxes earmarked for aeronautics programs
 - \$13.0 million in driver's license fees earmarked for the Transportation Economic Development Fund

The budget also recognizes \$31.9 million in Blue Water Bridge toll revenue.

Transportation - Federal Revenue

- Michigan's state transportation budget recognizes federal funds made available to the state through federal-aid transportation programs.
- Federal funds as reflected in Michigan's FY 2023-24 state transportation budget total **\$2.1 billion**, or 32% of the total state transportation budget.
- Federal funds are generally ***made available*** to states for qualified programs and projects. In this way, federal-aid transportation programs are different from programs funded with state restricted revenue which generally follow a ***distribution model***.

Transportation - Federal Revenue

- Federal-aid transportation programs are established in federal statute (23 US Code and 49 US Code) and funded through multi-year federal authorizing acts
- Federal-aid surface transportation programs were reauthorized as part of the Infrastructure Investment and Jobs Act (IIJA). IIJA was enacted November 2020 and provides funding for federal-aid transportation programs through September 30, 2026
 - Federal surface transportation programs are funded primarily from the Federal Highway Trust Fund which is supported by federal transportation taxes, including an **18.3** cent per gallon federal gasoline tax, commercial truck excise taxes, and through transfers of federal General Fund revenue
 - Federal-aid highway funds made available to Michigan are effectively suballocated between state trunkline and local road agency programs
 - Federal-aid surface transportation funds also provide capital grants for local public transit agencies and for rail passenger programs
 - The state transportation budget also recognizes federal Airport Improvement Program funds in support capital improvements at eligible public airports

Transportation - GF/GP Revenue

- Prior to FY 2011-12, GF/GP had rarely been used in the state transportation budget.
- Starting in FY 2011-12, GF/GP has been routinely included in Transportation appropriations.
- Between FY 2011-12 and FY 2023-24, Michigan's transportation budget has included **\$2.7 billion** in revenue from general tax sources: **\$2.4 billion** in direct GF/GP appropriations, and an additional **\$230.0 million** from general revenue sources shown in the budget as state restricted. These figures are in addition to revenue earmarked in the Income Tax Act, beginning in FY 2018-19, for state and local road agencies.
 - Of the **\$2.7 billion** in GF/GP appropriations, **\$1.4 billion** was distributed for general or baseline state and local road and bridge programs, with the balance for transit, rail, or aeronautics capital projects or for one-time special designated projects
- The FY 2023-24 Transportation budget includes **\$292.0 million** GF/GP, primarily for one-time targeted projects.

Transportation - Other Revenue

- In addition to state restricted, federal revenue, and GF/GP, the FY 2023-24 Transportation budget includes **\$106.9 million** in spending authority from other revenue sources (IDGs, Private, Local)
- **Local revenue of \$85.8 million** is the largest of these other sources
 - Appropriation of local revenue recognizes the local cost share of local federal aid projects, the required local contribution for certain state trunkline projects, and local matching funds for federally funded transit capital and aeronautics capital projects
 - Local funds shown in the budget are effectively “project-specific” – they are not used to support ongoing or baseline MDOT operations

Note: Local units of government also raise additional local revenue for local transportation programs: Local revenue sources include county or township road millages, city street millages, transit millages, local government general fund contributions for road and bridge or public transportation programs, and revenue raised locally for airport operations. These local revenue sources are not included in the state transportation budget

Transportation Program Areas

Road and Bridge Programs

- **\$5.5 billion (83.0%)** of the FY 2023-24 Transportation budget is appropriated for state and local road and bridge programs:
 - **\$2.8 billion** for state trunkline programs administered by MDOT
 - MDOT has jurisdiction over state trunkline highways, including interstate highways. State trunklines are generally the busiest roads and have a statewide or regional function
 - State trunkline programs include \$1.5 billion for state trunkline capital construction program and \$481.2 million for state trunkline maintenance
 - **\$2.7 billion** for local road agencies
 - County road commissions have jurisdiction over county roads; cities and villages have jurisdiction over municipal streets
- With the exception of one-time budget earmarks, most road and bridge program funds are distributed according to Public Act 51 of 1951 (Act 51)

Miles by Jurisdiction

(Mileage and VMT figures are from calendar year 2021)

	<u>Route Miles</u>		<u>Vehicle Miles Traveled</u>	
	<u>Miles</u>	<u>% of Total</u>	<u>Annual</u>	<u>% of Total</u>
State Trunklines	9,663	8.0%	50.03 billion	51.9%
County Roads	89,583	74.4%	30.76 billion	32.2%
City/Village Streets	21,248	17.6%	15.02 billion	15.9%
TOTAL	121,328	100.0%	96.66 billion	100.0%

Source: MDOT Bureau of Transportation Planning

Michigan Bridges by Jurisdiction (2022)

	<u>Structures</u>		<u>Deck Area*</u>		<u>Average Daily Traffic **</u>	
State Trunklines	4,610	40.1%	51.46	73.4%	89.3M	84.5%
County Roads	5,890	52.1%	13.62	19.4%	11.4M	10.8%
City and Village	886	7.8%	5.04	7.2%	5.0M	4.7%
TOTAL	11,264	100.0%	69.13	100.0%	105.7	100.0%

* Deck area is in million square feet.

** ADT is in million vehicles per day (1/1/2021 – 12/31/2021).

Source: MDOT Bureau of Transportation Planning

Public Transportation Programs

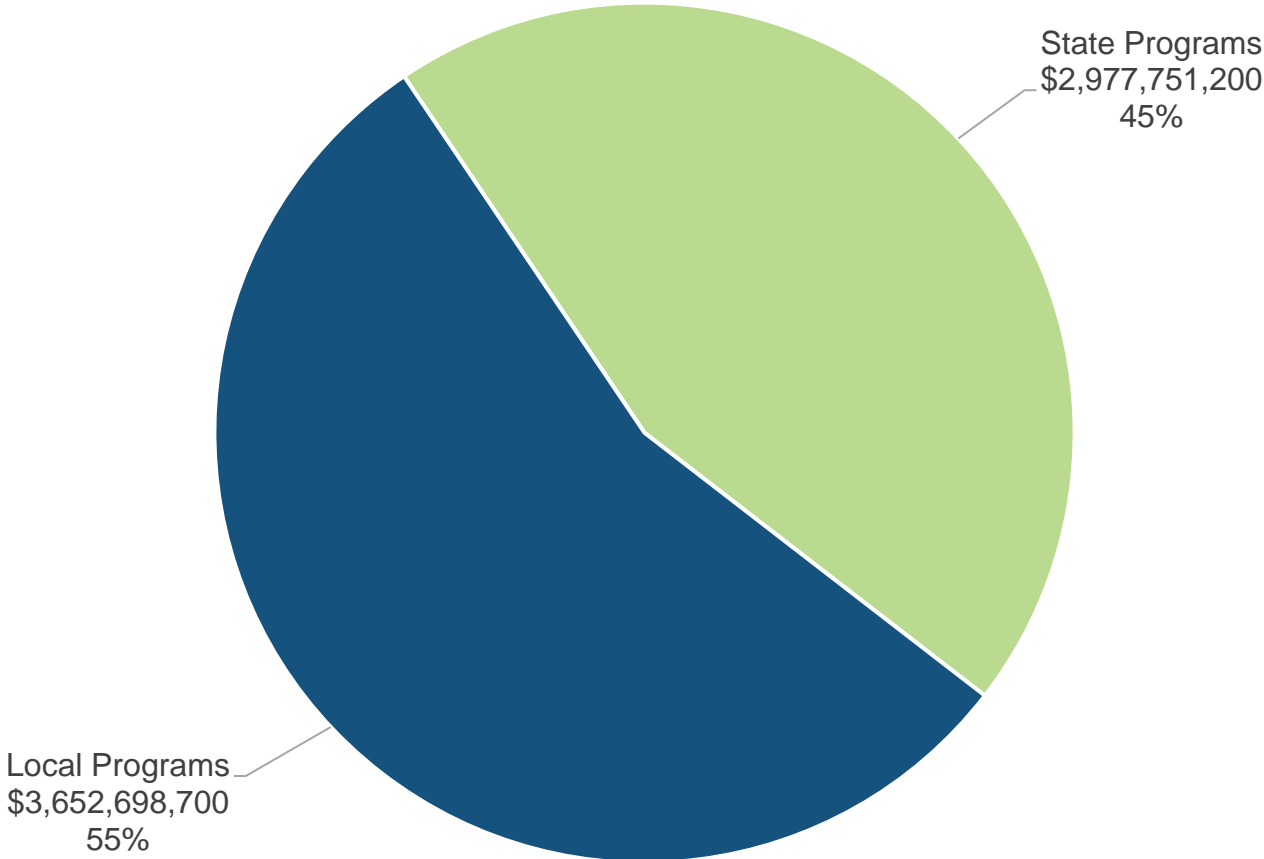
- **\$818.8 million (12.4%)** of the FY 2023-24 Transportation budget is appropriated for public transportation programs including:
 - Capital and operating assistance to 80 local public transit agencies
 - Capital and operating assistance for rail passenger service in Michigan
 - Other targeted public transportation programs (Detroit/Wayne County Port Authority, rail freight and transportation to work, specialized services for elderly and persons with disabilities)
- With the exception of one-time budget earmarks, appropriations for public transportation programs are largely governed by Public Act 51 of 1951.

Aeronautics Programs

- **\$311.0 million (4.7%)** of the FY 2023-24 Transportation budget is appropriated for aeronautics programs.
 - The largest share of aeronautics program funding is for capital improvement grants to 95 eligible publicly owned/ public use airports.
 - The state transportation budget provides no operating assistance for airports.
 - The FY 2023-24 budget recognizes **\$250.0 million** in federal capital improvement funding under the Airport Improvement Program as well as federal IIJA Infrastructure grants. The budget also recognizes \$25.0 million in related state, local, and private matching funds.
 - Of the publicly owned/ public use airports in Michigan, 15 are commercial service primary airports (regularly scheduled commercial air service)
 - Of the publicly owned/public use airports in Michigan, four are owned by MDOT with the balance owned by local units of governments
 - With the exception of one-time budget earmarks, appropriations for Aeronautics programs are governed by the State Aeronautics Code.

FY 2023-24 State/Local Programs

Over half of Michigan's \$6.6 billion FY 2023-24 Transportation budget is appropriated for local agency programs, i.e. funds distributed or made available to local road agencies, local public transit agencies, or locally owned public airports.



From Budget to Actual

- The above discussion has been of Michigan's transportation budget – the enacted FY 2023-24 budget and charts showing prior year's budget history.
- The balance of this presentation will review actual revenue and distribution of transportation funds. And more specifically, actual MTF revenue and distribution.
- **The distribution of MTF revenue is authorized in the budget. But actual distributions are based on *actual* revenue as distributed through the Act 51 formula.**

Michigan Transportation Fund (MTF) Revenue/Distribution

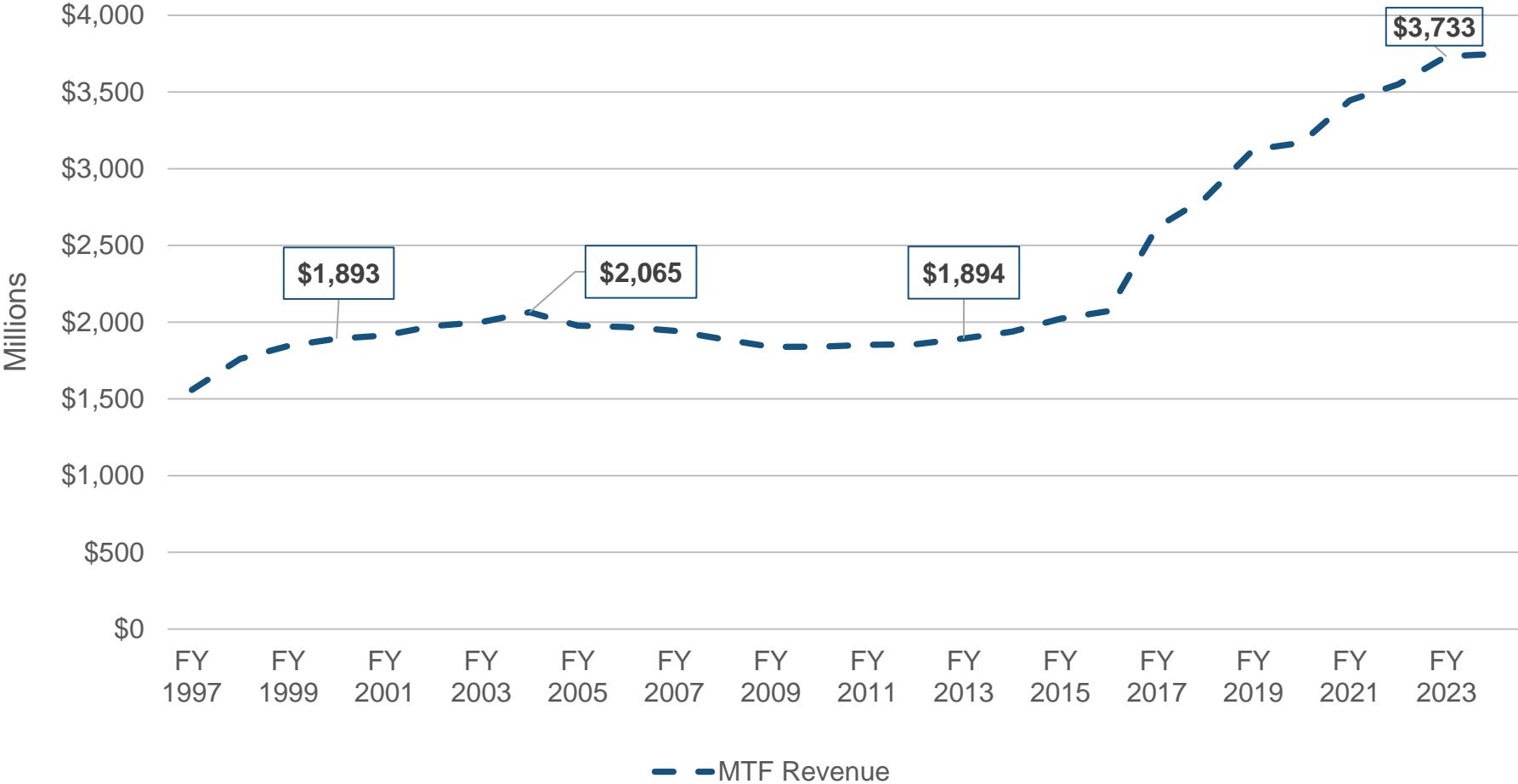
- As noted in previous slides, state restricted revenue is the largest fund source supporting Michigan's state transportation budget. And the largest share of state restricted revenue is credited to the MTF.
- Estimated MTF revenue for FY 2023-24 is \$3.7 billion.
- Motor Fuel Taxes and Vehicle Registration taxes are constitutionally restricted for transportation. Revenue from these taxes is credited to the MTF by statute: Public Act 51 of 1951.
- The MTF is the main collection and distribution fund for state restricted transportation revenue from motor fuel taxes and vehicle registration taxes.

Michigan Transportation Fund (MTF) Revenue/Distribution

- MTF revenue available for highway and public transportation programs was generally flat from FY 1998 through FY 2016
- Prior to passage of the November 2015 Road Funding Package, the last time there had been a significant increase in dedicated state transportation revenue was August 1997 after the legislature passed increases in the state motor fuel tax on gasoline and in commercial truck registration taxes
- MTF revenue peaked in FY 2004
- MTF revenue and distribution in FY 2013 was almost identical to MTF revenue and distribution in FY 2000 on a nominal basis
- MTF revenue began to increase in FY 2017 after the implementation of the November 2015 Road Funding Package beginning in January 2017

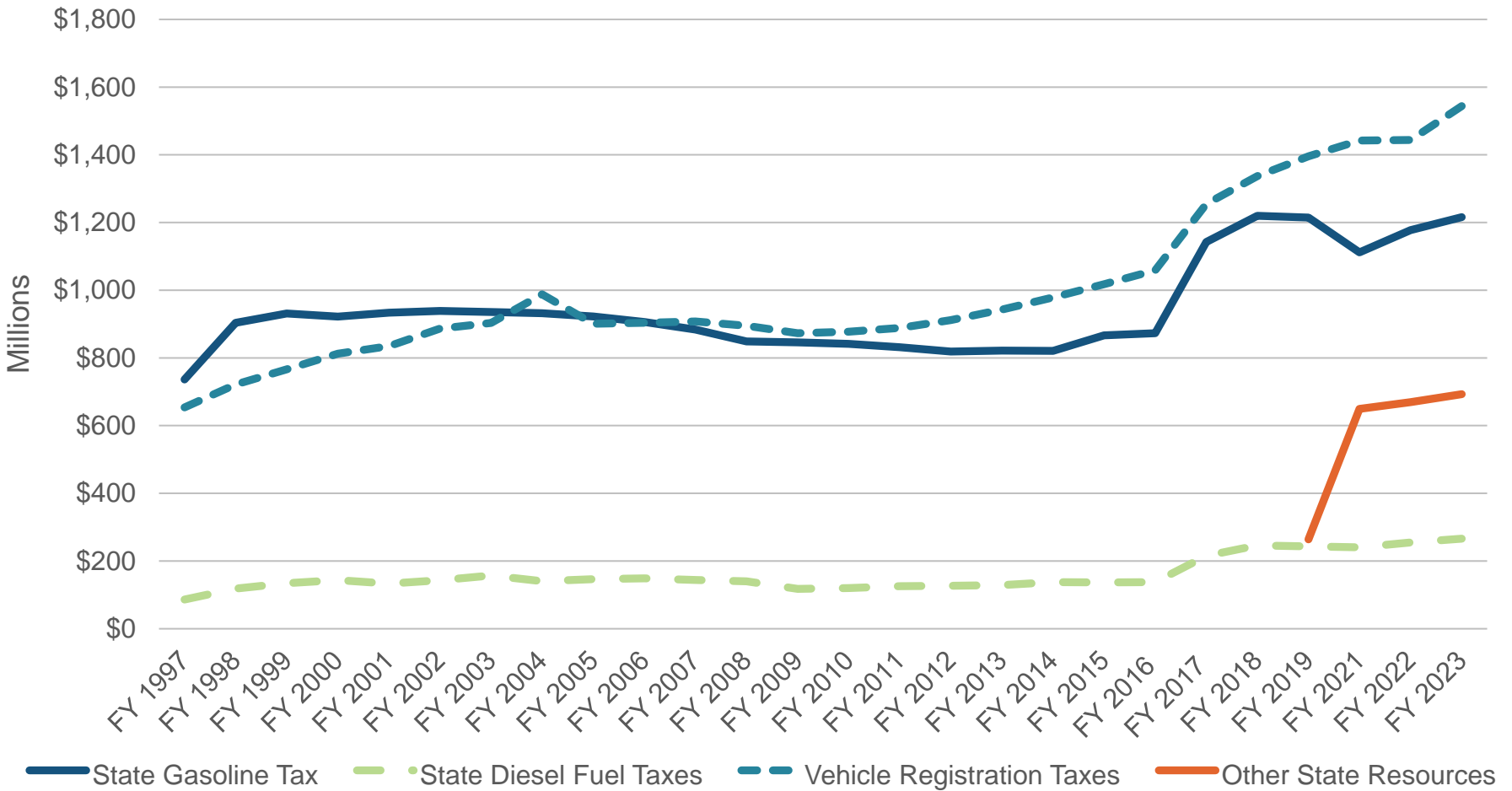
MTF Revenue History

Except for a one-time spike in FY 2004, MTF revenue was relatively flat from FY 1998 through FY 2016. The increase beginning in FY 2017 reflects the impact of the November 2015 Road Funding Package, effective January 1, 2017.



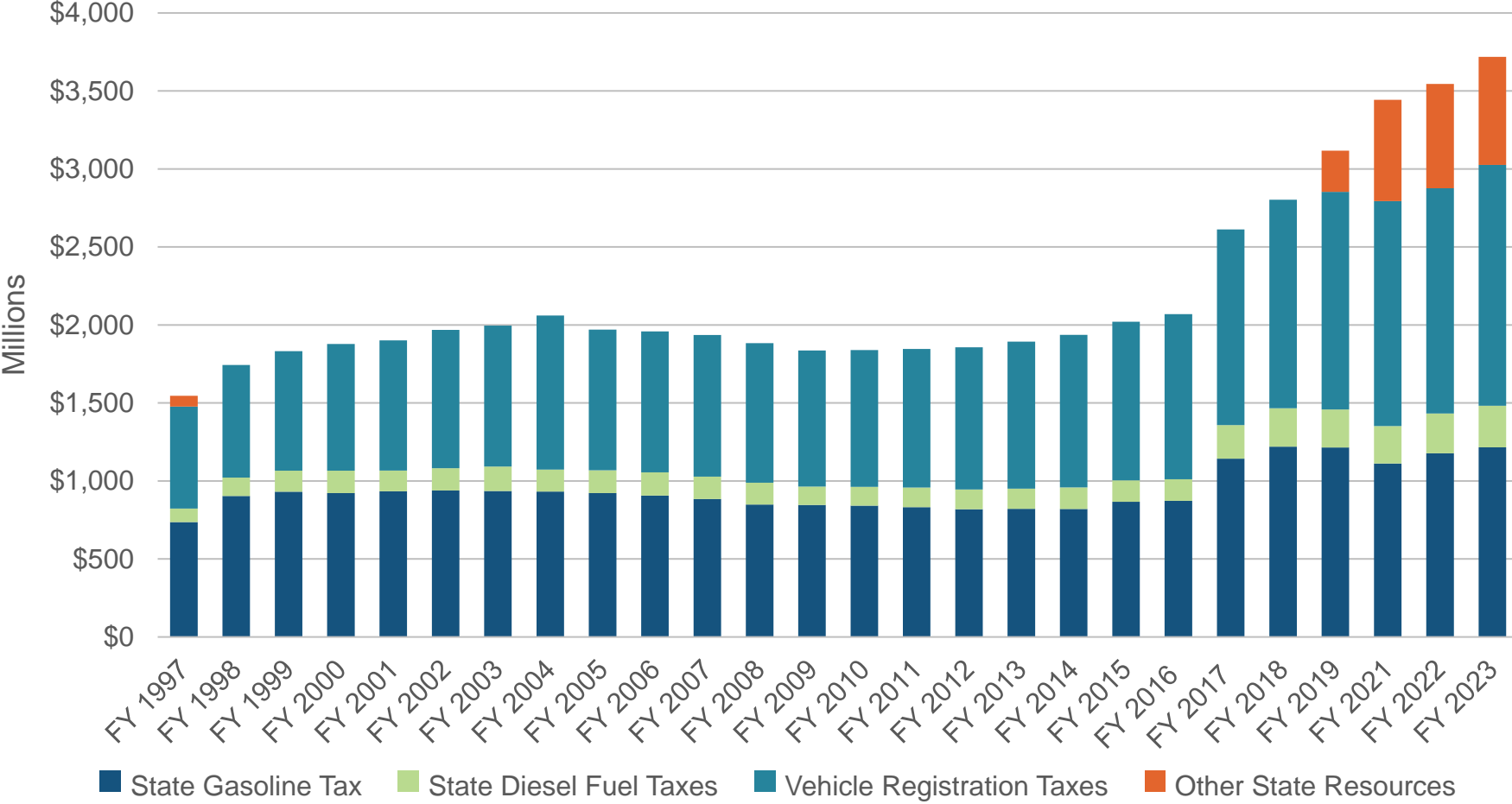
MTF Revenue Fund Source History

Vehicle registration taxes are the largest source of MTF revenue, followed by the motor fuel tax on gasoline. The increases beginning in FY 2016-17 reflect the impact of the November 2015 Road Funding Package, effective January 1, 2017.



MTF Revenue Fund Source History

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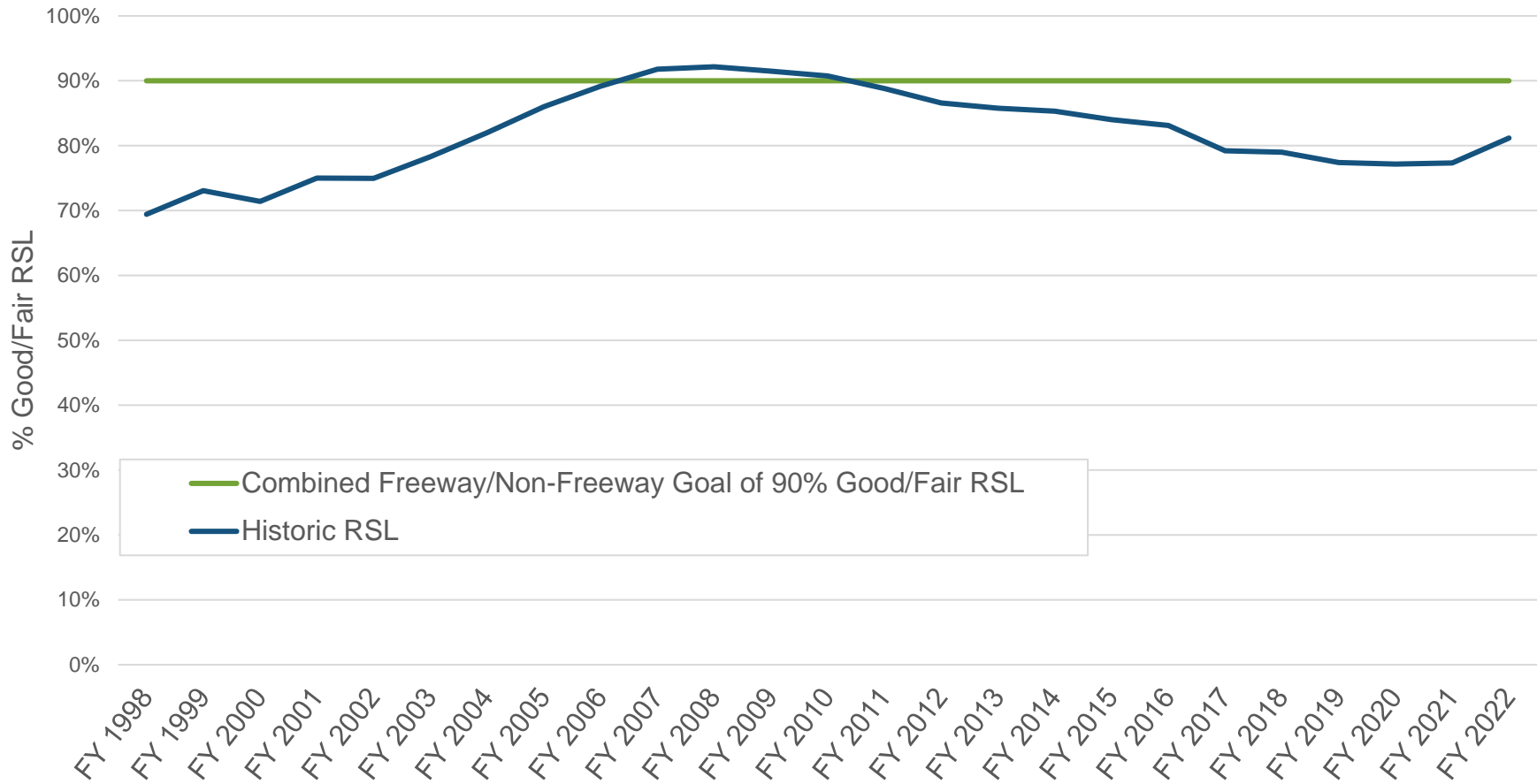


Pavement Condition / Revenue State Trunkline System

- In 1997, the State Transportation Commission established state trunkline pavement performance goals of 85% of non-freeway pavement and 95% of freeway pavement in “good” or “fair” condition by 2007 using a Remaining Service Life (RSL) model
- In 1998, the State Transportation Commission established similar performance goals for state trunkline bridges, with a goal target of 2008.
- MDOT met pavement performance goals in 2007, and bridge performance goals in 2008, but did not have sufficient revenue to sustain the performance goals
- MDOT estimates that it will need an additional \$2.0 billion annually (2023-2033) to attain and sustain trunkline pavement performance goals, and an additional \$25.0 million annually (2023-2033) to sustain trunkline bridge performance goals.
- Local road agencies have experienced similar revenue constraints and pavement condition deterioration

State Trunkline Combined Freeway/Non-Freeway Historic RSL Pavement Condition

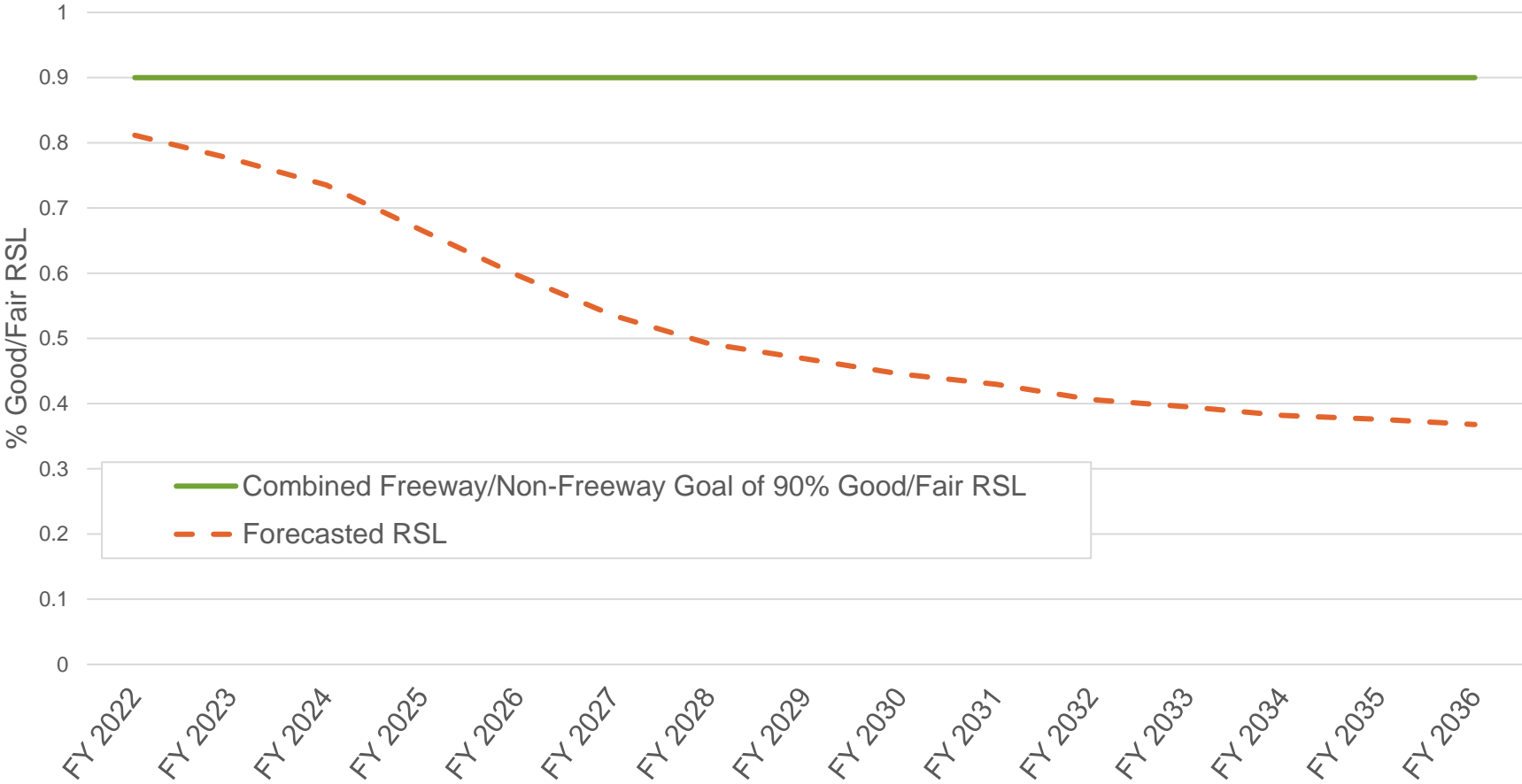
Percentage of Pavements with Remaining Service Life (RSL) of Good/Fair Historic Condition (1998-2022)



Source: Bureau of Transportation Planning (Updated 1/15/2024)

State Trunkline Combined Freeway/Non-Freeway Projected RSL Pavement Condition

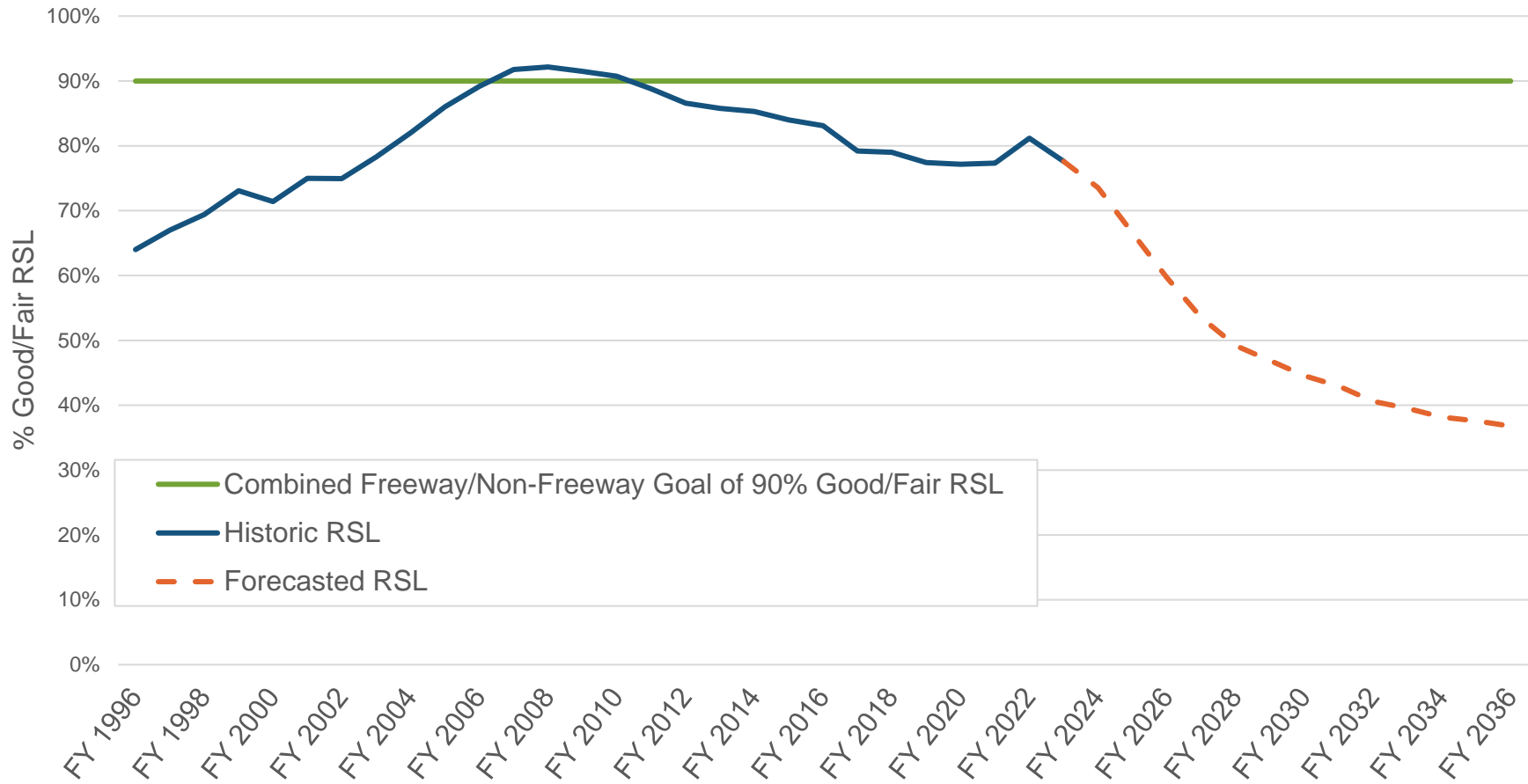
Percentage of Pavements with Remaining Service Life (RSL) of Good/Fair Forecasted Condition (2023 – 2036)



Source: Bureau of Transportation Planning (Updated 12/15/2023)

State Trunkline Combined Freeway/Non-Freeway Historic and Projected RSL Pavement Condition

Percentage of Pavements with Remaining Service Life (RSL) of Good/Fair
Historic and Forecasted Condition (1996 – 2036)



Source: Bureau of Transportation Planning (Updated 12/15/2023)

November 2015 Road Funding Package

- In November 2015, the legislature passed a 7-bill package, including bills to increase motor fuel and vehicle registration taxes effective January 1, 2017
- This generated **\$464.5 million** in additional MTF revenue in the first fiscal year of implementation (partial FY 2016-17)
- The annual increase in MTF revenue from the motor fuel and registration tax increases is approximately **\$622.0 million**
- The November 2015 Road Funding Package also included a redirection of certain income tax revenue to state and local road and bridge programs beginning in the 2018-19 fiscal year. Specifically:
 - **\$264.0 million** in FY 2018-19
 - **\$468.0 million** in FY 2019-20
 - **\$600.0 million** in FY 2020-21 and each fiscal year thereafter.
- As fully implemented in FY 2020-21, the November 2015 Road Funding Package provided approximately **\$1.2 billion** in additional revenue for transportation programs on an ongoing basis: **\$622 million** from increases in motor fuel and vehicle registration taxes, **\$600 million** from an earmark of income tax revenue

For more information about the Transportation budget:

HFA Resources

<http://www.house.mi.gov/hfa/Transportation.asp>

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