

**House Standing Committee
Transportation and
Infrastructure**

**TRANSPORTATION
FUNDING IN MICHIGAN**

William E. Hamilton, Senior Fiscal Analyst

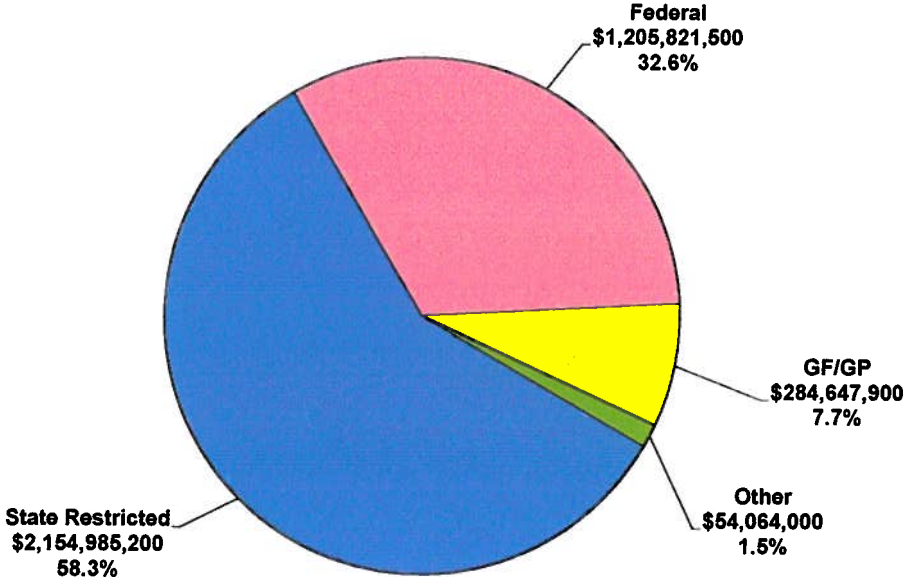
January 27, 2015

The fiscal information in this background briefing is based on data through December 2014.

Transportation Appropriated Revenue

FY 2014-15 Gross Appropriations = \$3,699,518,600

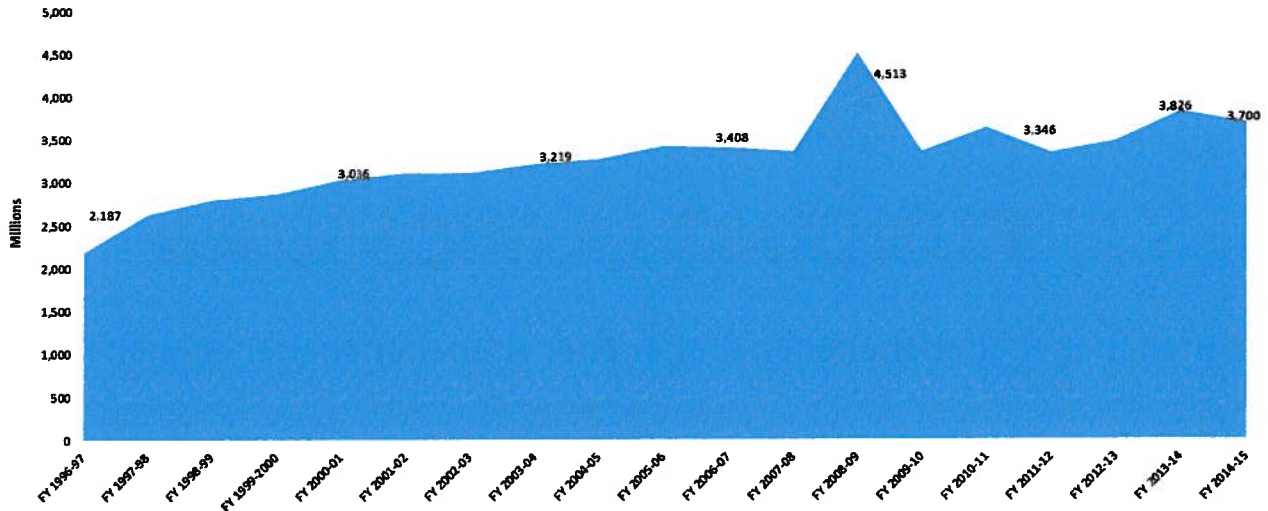
Shorthand = \$3.7 billion



Michigan Transportation Appropriations

FY 1996-97 – FY 2014-15
Gross Appropriations

Excluding temporary federal stimulus funds, and state General Fund, baseline funding for transportation purposes has been relatively flat since FY 1997-98

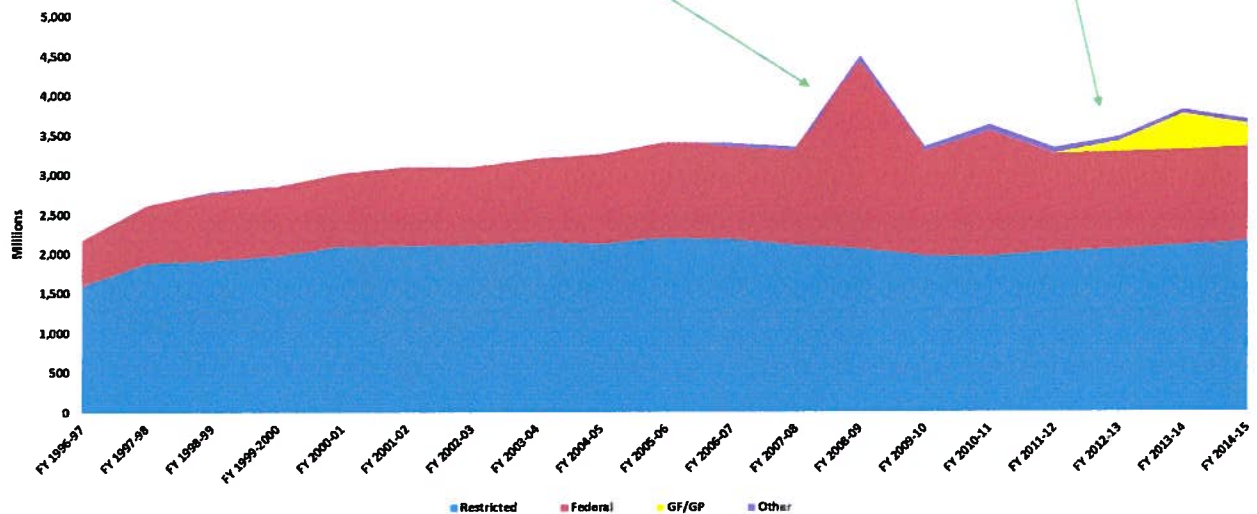


Michigan Transportation Appropriations

FY 1996-97 – FY 2014-15
Breakdown by Fund Source

State General Fund/General Purpose (GF/GP) beginning in FY 2011-12

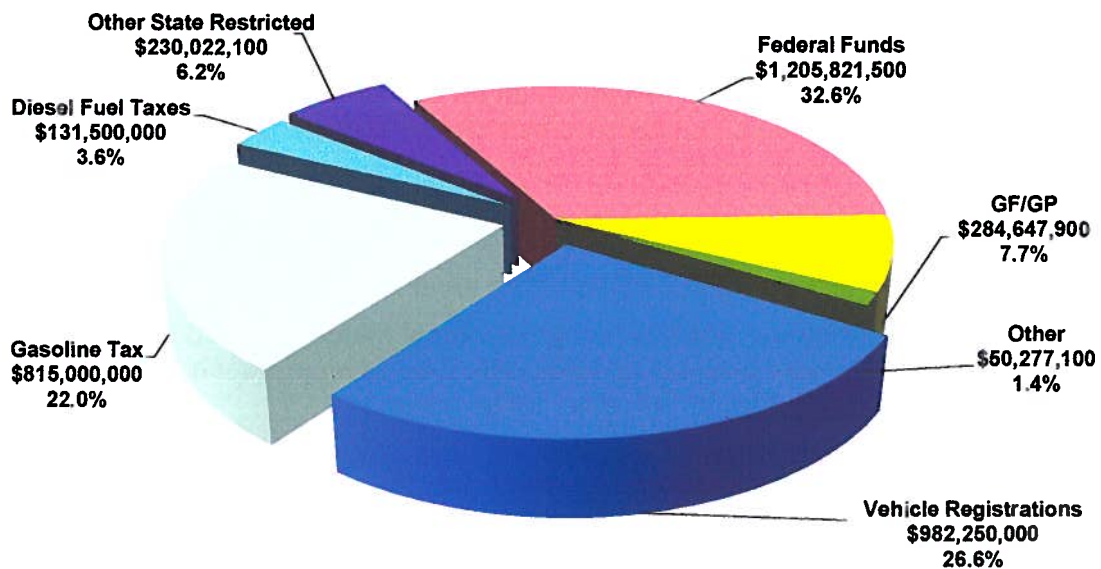
Increase in federal funds in FY 2008-09 from Federal Stimulus



SOURCES OF FUNDING

Transportation Revenue Detail

FY 2014-15 Gross Appropriations = \$3,699,518,600



Transportation Funding Sources

- **State Restricted Revenue**
 - **State restricted revenue is primarily from:**
 - **Motor Fuel Taxes — primarily from the 19-cent per gallon gasoline excise tax and 15-cent per gallon diesel fuel excise tax**
 - **Vehicle Registration Taxes — as provided in the Michigan Vehicle Code**

These revenue sources are constitutionally dedicated for transportation

Transportation Funding Sources

- **Federal Revenue**
 - **Funds made available to states through multi-year federal authorizing legislation; the current federal aid surface transportation program is Moving Ahead for Progress in the 21st Century Act (MAP-21)**
 - **Federal aid surface transportation programs are supported by the federal Highway Trust Fund which receives revenue from federal motor fuel taxes, including 18.4 cent per gallon federal gasoline tax**
- **Other Revenue**
 - **Budget includes \$50.2 million from local revenue sources**
 - **Local revenue in budget recognizes local match required for some state trunkline projects, for federally funded local transit capital projects, and for aeronautics capital projects**
 - **Local units of government also raise additional local revenue for local transportation programs – revenue which is not included in state transportation budget**

Transportation Funding Sources

- **State GF/GP Revenue**
 - Prior to FY 2011-12, GF/GP revenue had not been used in transportation budget since FY 2001-02 (Build Michigan III)
 - Last three fiscal years included direct and indirect GF/GP revenue:
 - FY 2011-12 included \$500,000 GF/GP boilerplate earmark
 - FY 2012-13 included direct appropriation of \$23.0 million “one-time” GF/GP to match federal transit/rail grants plus \$110.0 million GF/GP transferred through amendment of the Sales Tax Act - \$100.0 million to State Trunkline Fund; \$10.0 million to State Aeronautics Fund.
 - FY 2013-14 included \$451.6 million GF/GP:
\$121.3 million “one-time” to match federal funds
\$115.0 million transferred to “Roads and risks reserve fund”
\$100.0 million for “Special winter maintenance”
\$115.0 million for “Priority roads investment program”

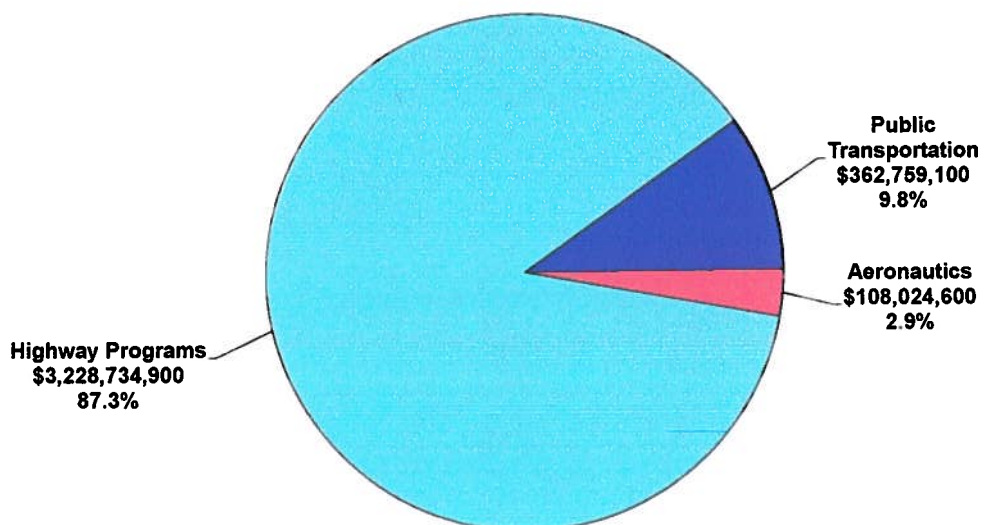
Transportation Funding Sources

- **State GF/GP Revenue - Continued**
 - FY 2014-15 includes \$284.6 million in State General Fund revenue
 - General Fund appropriations for Transportation programs over the last four fiscal years, FY 2011-12 through FY 2014-15, total \$869.7 million.

MAJOR TRANSPORTATION PROGRAMS

Major Transportation Program Categories

FY 2014-15 Gross Appropriations = \$3,699,518,600



Highway Programs

- **87.3% (\$3.23 billion) of FY 2014-15 budget appropriated for state and local road and bridge programs:**
 - **\$1.88 billion for state trunkline programs administered by MDOT**
 - **\$1.35 billion for local road agencies (county road commissions, cities, and villages)**
- **MDOT has jurisdiction over state trunkline highways, including interstate highways – generally the busiest and with statewide purpose**
- **Local road agencies have jurisdiction over county roads and municipal streets**
- **Highway funds are distributed according to Public Act 51 of 1951 (Act 51)**

Public Transportation Programs

- **9.8% (\$362.8 million) of FY 2014-15 budget appropriated for public transportation programs including:**
 - **Capital and operating assistance to 79 local public transit agencies**
 - **Capital and operating assistance for Amtrak service to Michigan**
- **Distribution governed by Act 51**

Aeronautics Programs

- **Aeronautics**
 - 2.9% (\$108.0 million) of FY 2014-15 budget appropriated for Aeronautics programs including \$78.6 million federal Airport Improvement Program
 - Airport Improvement Program supports capital improvements at locally owned public airports
 - Governed by State Aeronautics Code (not Act 51)

State/Local Distribution of Transportation Funds

Approximately 46% of the transportation budget is distributed to local units of government, or appropriated for programs of direct benefit to local units of government:

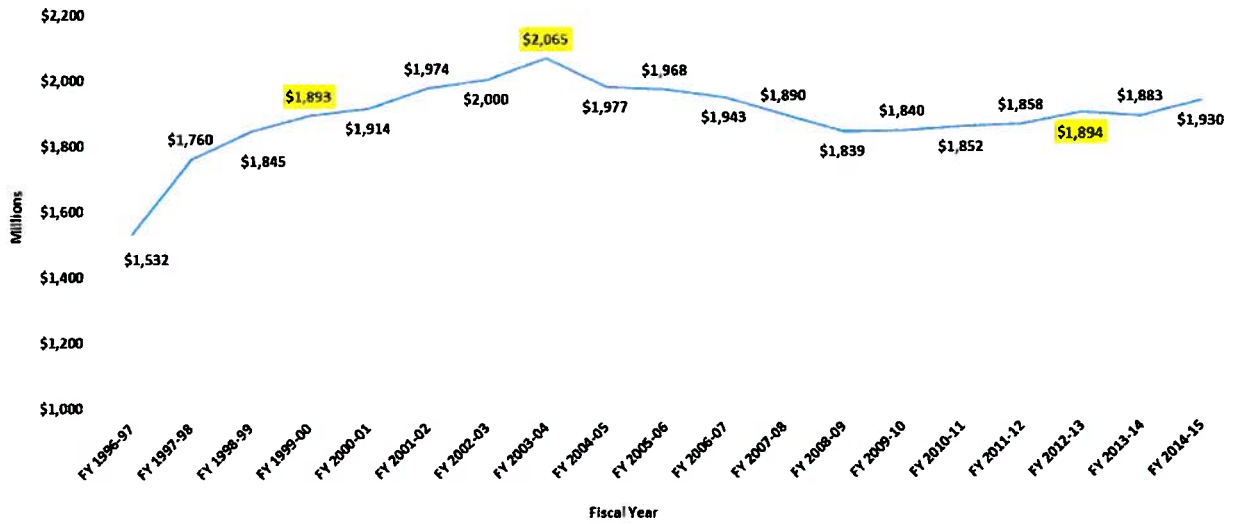
- County road commissions/cities/villages
- Public transit agencies
- Locally owned public airports

ISSUES

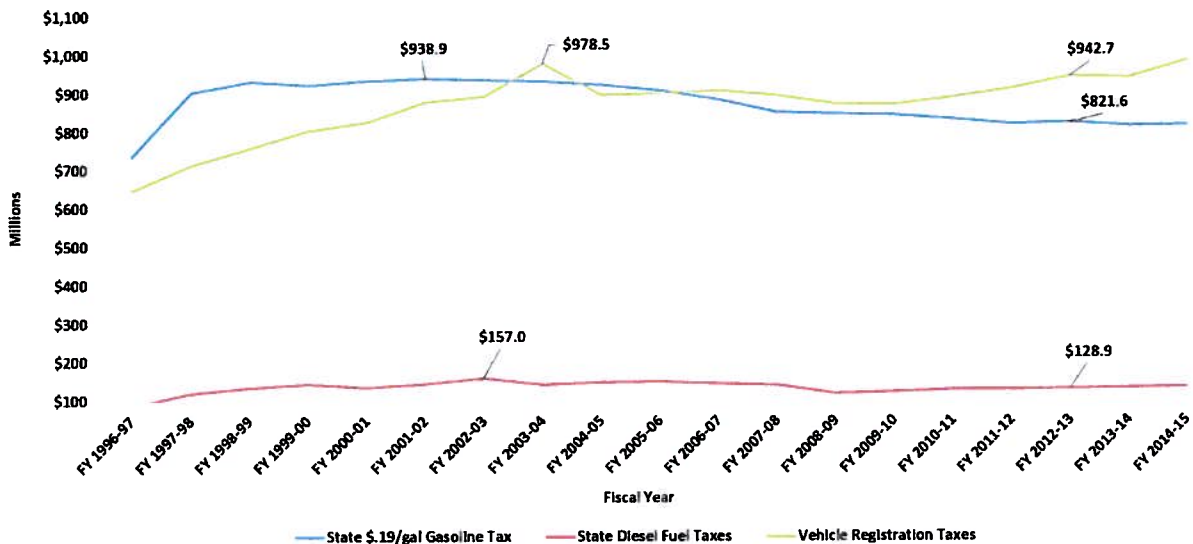
Revenue Issues

- **Revenue Issue #1**
 - **FY 1997 was the last time there was a significant increase in dedicated state transportation revenue - through increases in the state gasoline tax and increases to commercial truck registration taxes.**
 - **State restricted Michigan Transportation Fund (MTF) revenue peaked in FY 2003-04.**
 - **As shown in MTF Revenue History slide, baseline transportation revenue has been flat - FY 2012-13 gross revenue and revenue distribution was the same as FY 1999-2000.**
 - **Some local road agencies received a smaller distribution of MTF revenue in FY 2012-13 than they did in FY 1997-98.**

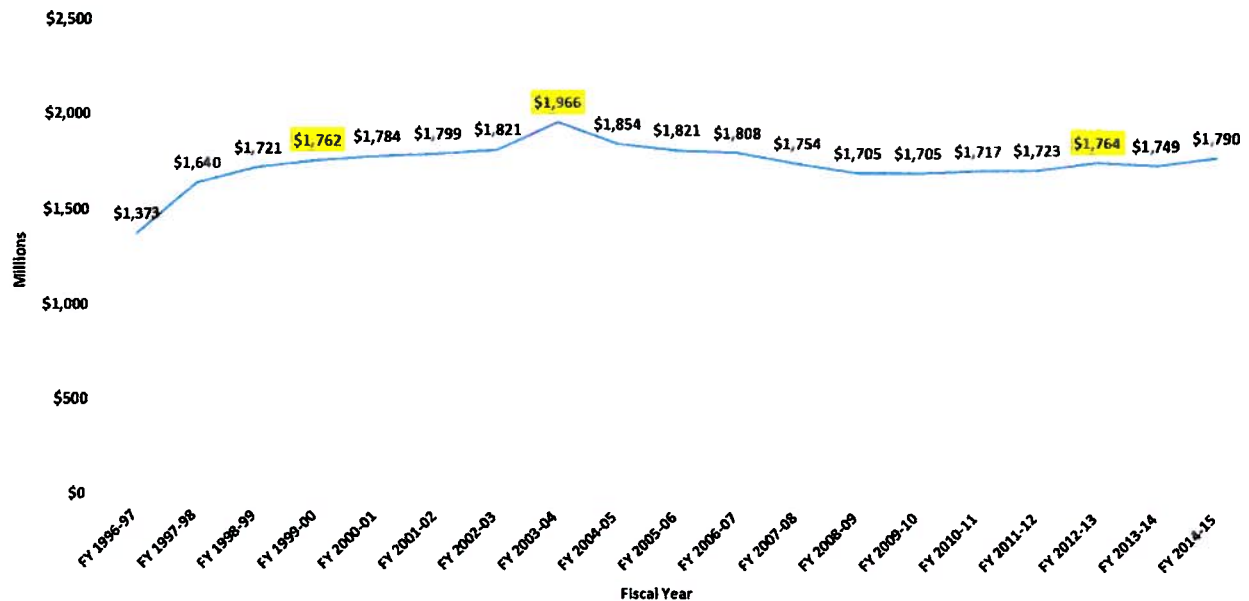
MTF Revenue History



MTF Revenue History – Detail Motor Fuel and Vehicle Registration Taxes



MTF Distribution to State Trunkline Fund, County Road Commissions, Cities/Villages, Comprehensive Transportation Fund



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21

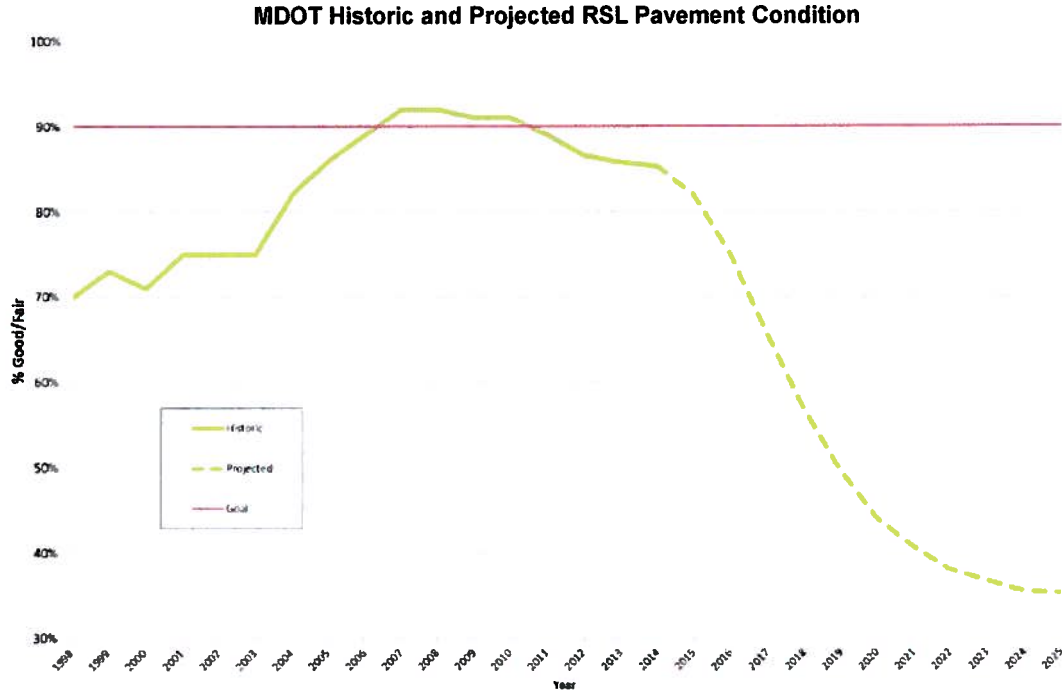
Revenue Issues

- **Revenue Issue #2**
 - In 1997, the State Transportation Commission established state trunkline pavement performance goals of 85% of non-freeway pavement and 95% of freeway payment in “good” condition by 2007
 - In 1998, the State Transportation Commission established state trunkline bridge performance goals of 85% of non-freeway bridges and 95% of freeway bridges in “good” condition by 2008
 - MDOT met these performance goals, but does not have sufficient revenue to sustain performance goals
 - State trunkline pavement condition will decline dramatically under existing revenue structure - estimated annual shortfall of \$1.023 billion to reach and sustain pavement performance goals – an additional \$110.0 million per year to sustain bridge performance goals.
 - Estimated revenue shortfall is exclusive of other program needs such as capacity, safety, and economic development

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22

State Trunkline Pavement Condition Combined Freeway and Non-Freeway



Source: Michigan Department of Transportation, 2014-2018 Five-Year Transportation Program
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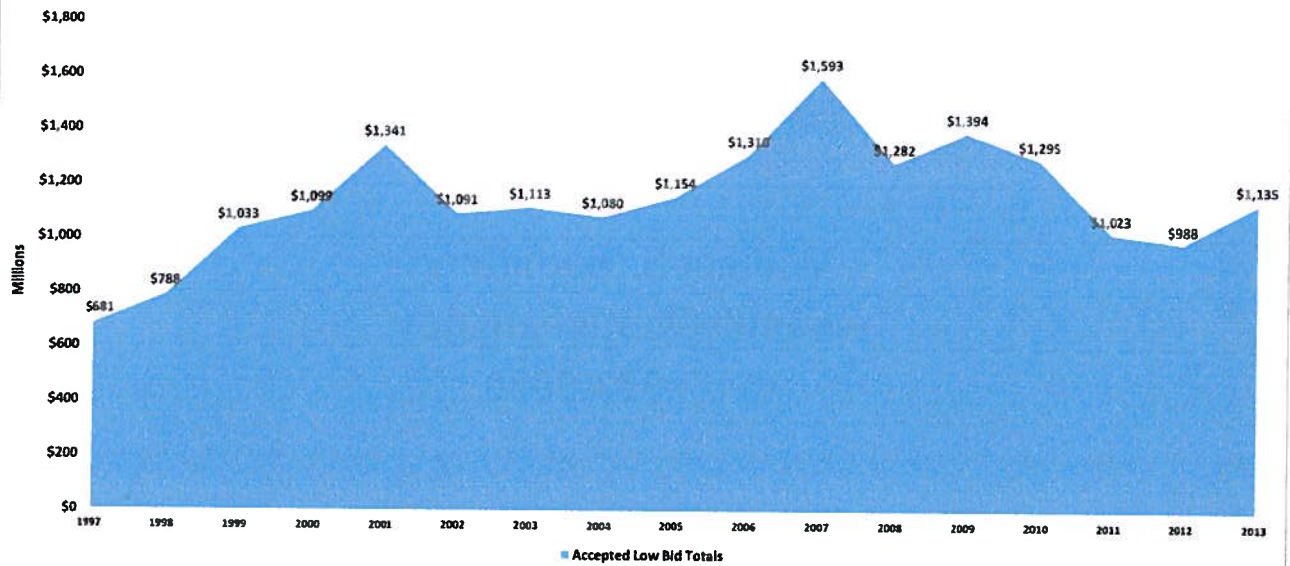
23

Revenue Issues

- **Revenue Issue #3**
 - MDOT does not have enough baseline state transportation revenue to match all available federal aid
 - Starting in FY 2012-13, state General Fund revenue has been used to provide state matching funds for federal-aid highway funds
 - Since FY 2004-05, Michigan has used toll credits to provide a “soft match” for federal transit funds
 - Federal-aid available to the state is determined by federal law – there is nothing that the state legislature or state government can do to increase federal revenue to the state

- **Revenue Issue #4**
 - Local road agencies are experiencing similar revenue constraints and pavement condition deterioration

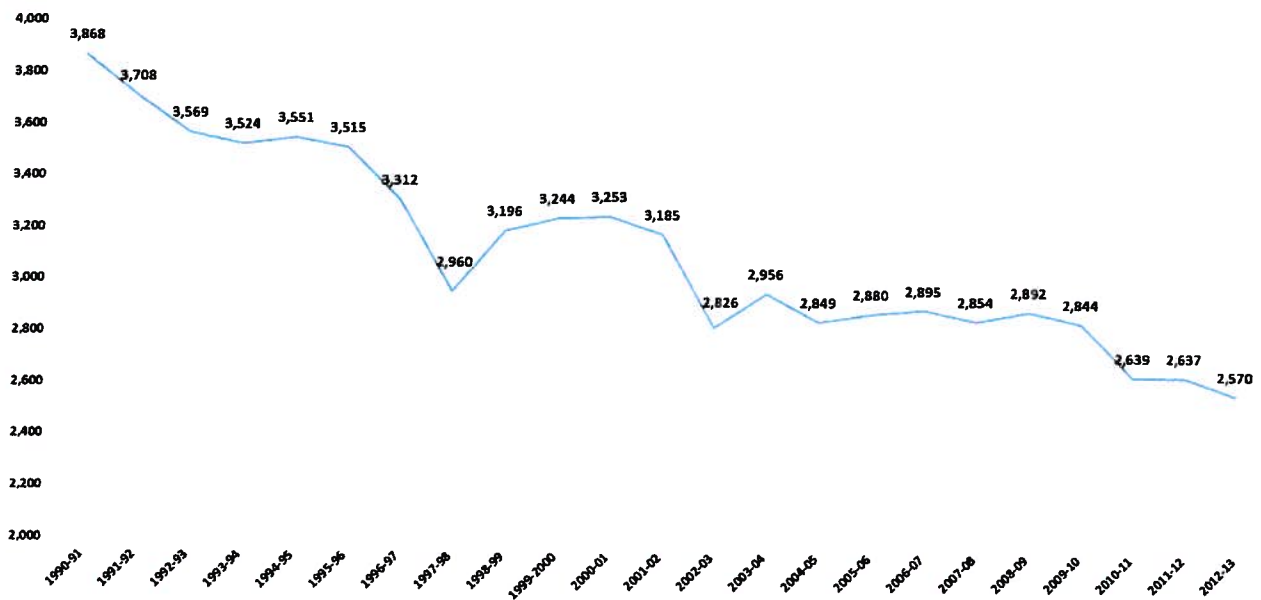
MDOT Construction Contract Awards State/Local/Aero/Transit/Rail



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25

Michigan Department of Transportation Average Annual Classified Employees FY 1990-91 – FY 2012-13



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26

**For more information about the
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