

Summary: Executive Budget Recommendation
TRANSPORTATION
FY 2004-05 House Bill 5614



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	FY 2003-04 YTD (as of 2/12/04)	Executive	House	Senate	Enacted	<i>Difference: Executive from FY 2003-04 YTD</i>	
						<i>Amount</i>	<i>%</i>
IDG/IDT	\$0	\$0				\$0	0.0
Federal	941,755,100	1,132,701,200				190,946,100	20.3
Local	5,800,000	5,800,000				0	0.0
Private	0	0				0	0.0
Restricted	2,160,263,600	2,153,986,400				(6,277,200)	(0.3)
GF/GP	0	0				0	0.0
Gross	\$3,107,818,700	\$3,292,487,600				\$184,668,900	5.9%
FTEs	3,056.3	3,050.3				(6.0)	(0.2)%

Overview

The \$3.1 billion state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation. Funding is provided from state-restricted, federal, and local revenue. There is no state GF/GP revenue in this budget.

Summary of FY 2004-05 Major Budget Issues

MTF Revenue

Approximately two-thirds of the state transportation budget – over \$2.0 billion - comes from Constitutionally- restricted revenue sources, primarily motor fuel taxes and vehicle registration fees. These revenues are credited to the Michigan Transportation Fund (MTF) for subsequent distribution to other state transportation funds and programs, and to local road agencies. The Executive assumes a reduction in MTF revenue of \$59.6 million from current year revenue estimates. This projected decrease is primarily due to the loss of one-time trailer registration fee revenue anticipated from PA 152 of 2003 (SB 554) amendments to the Michigan Vehicle Code. Note that the current year budget does not fully reflect all anticipated MTF revenue.

Federal Revenue

Approximately one-third of this budget – over \$1.1 billion – comes from federal revenue sources. The proposed Executive budget assumes an increase in federal funding for Michigan. At this time Congress has not yet passed a long-term reauthorization of the federal aid transportation program – the Transportation Equity Act for the 21st Century (TEA-21). TEA-21 was originally set to expire on September 30, 2003, and has been extended on a short-term basis. The amount of federal funds available for Michigan transportation programs will depend on the provisions of the enacted reauthorization bill.

Local Critical Bridge Program

Executive proposes to increase funding for the local Critical Bridge Program (\$5.75 million in the current year) to \$31.3 million. The \$25.6 million increase would come from a proposed redirection of one-half of the one-cent of the 19-cent per gallon gasoline excise tax currently earmarked for state trunkline bridges. This proposed redirection would be made through an amendment to Public Act 51 of 1951 (Act 51).

Local Bus Operating Assistance/CTF Revenue

Executive maintains Comprehensive Transportation Fund (CTF) operating support for local transit programs at the current-year level of \$161.7 million. Executive also recommends amending Act 51 to restore approximately \$4.4 million in revenue to the CTF, which had been redirected through by a technical change in PA 151 of 2003 (SB 539).

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive <u>Change</u>	
1. Debt Service		Gross	\$132,062,300	\$35,687,800
Debt service would increase to \$167.7 million - reflecting anticipated debt service schedules. Of this, approximately \$21.6 million represents debt service on a proposed 2004 bond issue for state trunkline projects.		Federal	24,000,000	20,000,000
		Restricted	108,062,300	15,687,800
2. Michigan Transportation Fund (MTF) Grants to Other State Departments (IDGs)		Gross	\$27,765,900	\$1,235,400
Executive recommends \$29.0 million in MTF grants to other state departments, including \$20.0 million to the Department of State, and \$7.8 million to the Department of Treasury, to reimburse those departments for the costs of collecting MTF revenue. Appropriation reflects provisions of PA 152 of 2003 (SB 554) and PA 151 of 2003 (SB 539).		Restricted	27,765,900	1,235,400
3. Highway Maintenance		FTEs	692.6	125.0
Executive proposes \$253.7 million for state trunkline maintenance—an increase of 8.4%. Part of this increase reflects the transfer of 74.0 positions, and \$7.7 million, from the Bureau of Highway appropriations unit. The increases also reflect costs of additional state trunkline lane miles (added through new construction and jurisdictional transfers) and road maintenance material costs. The Executive proposes to roll up the \$135.3 million <i>Contract operations</i> line item into a single <i>State trunkline operations</i> line.		Gross	\$234,028,600	\$19,697,500
		Restricted	234,028,600	19,697,500
4. State Trunkline Road and Bridge Construction		Gross	\$953,665,100	\$44,355,600
Funding for construction and reconstruction of state trunkline roads and bridges would total \$988.0 million. The proposed budget anticipates additional federal aid. The budget also reflects a decrease in estimated State Trunkline Fund revenue.		Federal	631,600,000	115,343,100
		Local	5,000,000	0
		Restricted	317,065,100	(70,987,500)
5. Critical Bridge Program		Gross	\$5,750,000	\$25,579,000
The Executive recommends \$31.3 million for this program – a five-fold increase. The increase would come from proposed redirection of one-half of the one-cent of the gasoline excise tax currently earmarked (in Act 51) to for state trunkline bridges. This new earmark would increase funding for the Critical Bridge Fund/Program by approximately \$25.6 million.		Restricted	5,750,000	25,579,000
6. MTF Distribution to Local Road Agencies		Gross	\$992,971,200	(\$4,790,600)
Appropriates \$988.2 million—\$634.4 million to county road commissions and \$353.7 million to cities and villages. This distribution is based on February 2004 MTF revenue estimates. Public Act 51 of 1951 (Act 51) provides a formula distribution of funds from the MTF to local road agencies (county road commissions, and incorporated cities and villages). Actual MTF distributions will be based on actual MTF revenue.		Restricted	992,971,200	(4,790,600)
7. Aeronautics Programs		Gross	\$6,518,900	\$1,681,900
The proposed appropriation reflects increased estimates of State Aeronautics Fund revenue.		Restricted	6,518,900	1,681,900
8. Public Transportation and Freight Services		FTEs	85.0	0.0
Proposes \$8.1 million with 85.0 authorized FTE positions.		Gross	\$6,650,000	\$1,414,700
This appropriations unit is identified as “Bureau of Urban and Public Transportation” in the current-year budget.		Restricted	6,650,000	1,414,700

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	Executive <u>Change</u>
9. <i>Bus Transit - Local Bus Operating Assistance</i>	Gross	\$161,680,000	\$0
Maintains state operating assistance for the state's 77 public transit agencies at the current-year level of 161.7 million (CTF).	Restricted	161,680,000	0
10. <i>Bus Transit - Non-Urban Operating/Capital</i>	Gross	\$10,900,000	\$3,700,000
Provides federal funds (from Federal Transit Act, Section 5311) to transit systems in "non-urbanized" areas (populations less than 50,000). Anticipates federal revenue increase.	Federal	10,700,000	3,700,000
	Restricted	0	0
	Local	200,000	0
11. <i>Specialized Services</i>	Gross	\$3,939,500	\$4,600,000
Line item supports transit services to the elderly and persons with disabilities. Executive recommends maintaining state support for this program at \$3.9 million, but also recognizes \$4.6 million from proposed new federal program.	Federal	0	4,600,000
	Restricted	3,939,500	0
12. <i>Bus Capital</i>	Gross	\$53,049,500	(\$14,374,100)
Recommends \$38.7 million for <i>Bus capital</i> line. The reduction in state-restricted (CTF) funding is made to bring the appropriation in balance with estimated available revenue. The department anticipates using 2002 CTF bond proceeds to match available federal funds and thereby offset the proposed reduction in this budget.	Federal	38,000,000	(8,000,000)
	Restricted	14,549,500	(6,374,100)
	Local	500,000	0
13. <i>Transportation to Work</i>	Gross	\$6,000,000	\$4,300,000
Maintains state support for this program ("Work first initiative" in the current-year budget) but anticipates \$4.3 million additional federal funding.	Federal	1,000,000	4,300,000
	Restricted	5,000,000	0
14. <i>Economics</i>	Gross	N/A	\$33,936,600
Proposed budget reflects \$33.9 million in anticipated cost increases, including \$11.5 million in salary and wage increases, \$19.7 million for retirement contributions, and \$3.3 million for other employee insurances. These increases were partially offset by reductions in workers compensation (\$135,000) and building occupancy charges (\$501,300).	Restricted	N/A	33,936,600
15. <i>Employee savings</i>	Gross	N/A	(\$8,684,000)
The Executive anticipates budgetary savings of \$8.7 million.	Restricted	N/A	(8,684,000)

Major Boilerplate Changes from FY 2003-04:

Sec. 206. Contingency Funds – NEW

Restores use of "boilerplate contingency" funds - \$200.0 million federal, \$40.0 million state, and \$1.0 million each local and private.