

TRANSPORTATION

Summary: Executive Budget Recommendation FY 2007-08

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| | FY 2006-07 YTD | FY 2007-08 Executive | FY 2007-08 House | FY 2007-08 Senate | FY 2007-08 Enacted | Difference: Enacted From FY 2006-07 YTD | |
|-------------------|----------------------|-------------------------|---------------------|----------------------|-----------------------|--|---------------|
| | | | | | | Amount | % |
| IDG/IDT | 0 | 0 | | | | 0 | 0 |
| Federal | 1,169,336,300 | 1,200,740,600 | | | | 31,404,300 | 2.69 |
| Local | 47,500,000 | 42,850,000 | | | | (4,650,000) | (9.79) |
| Private | 0 | 0 | | | | 0 | 0 |
| Restricted | 2,225,029,000 | 2,121,665,000 | | | | (103,364,000) | (4.65) |
| GF/GP | 0 | 0 | | | | 0 | 0 |
| Gross | 3,441,865,300 | 3,365,255,600 | | | | (76,609,700) | (2.23) |
| FTEs | 3,036.3 | 3,035.3 | | | | (1.0) | (.03) |

Note: FY 2006-07 YTD figures shown above do not include the reductions made in Executive Order 2007-3 approved by the Senate Committee on appropriations on March 22, 2007, and by the House Committee on Appropriations on March 29, 2007. The EO reduced state-restricted appropriations by \$34.9 million; \$6.0 million from the Transportation Economic Development Fund, \$20.6 million from the Comprehensive Transportation Fund, and \$8.4 million for defined benefit actuarial adjustments.

Summary of Major Budget Issues

Overview

The transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation. Approximately 2/3 of the budget is from constitutionally-restricted state revenue sources—primarily from motor fuel taxes and vehicle registration taxes credited to the Michigan Transportation Fund (MTF). MTF revenue is distributed to other state transportation funds and programs, and to local road agencies, in accordance with 1951 PA 51 (Act 51). Approximately 1/3 of the budget is from federal sources. There is no state General Fund /General Purpose (GF/GP) revenue in this budget.

The Executive budget is primarily a continuation budget; it proposes no new programs, taxes, or tax increases. The reduction from the current year budget reflects a net decrease in estimated transportation revenue from the estimates used to develop the current year budget. The Executive proposes to redirect \$13 million in drivers' license fee revenue from the Transportation Economic Development Fund (TEDF) to the state General Fund through amendment of the Michigan Vehicle Code.

| <u>Major Budget Changes From FY 2006-07 YTD Appropriations</u> | | <u>FY 2006-07 YTD</u> | <u>Enacted Change From YTD</u> |
|--|--------------|-----------------------|------------------------------------|
| 1. Debt Service | Gross | \$207,620,000 | \$15,992,200 |
| Reflects anticipated debt service schedules including \$25.1 million for Jobs Today bonds which may be issued in 2007. | Federal | 55,000,000 | 80,000 |
| | Restricted | 152,620,000 | 15,912,200 |
| 2. Grants (IDGs) to Other State Departments | Gross | \$46,112,200 | \$1,227,600 |
| Includes \$20.0 million MTF to Department of State and \$8.0 million MTF to Department of Treasury (\$696,800 less than current year) for cost of collecting MTF revenue. State Trunkline Fund (STF) grant to the Michigan State Police would increase by \$1.6 million to \$9.6 million based on cost allocation. | Restricted | 46,112,200 | 1,227,600 |
| 3. Information Technology | Gross | \$27,876,500 | \$606,800 |
| Increase reflects net after economics, administrative savings, and pilot program to convert unsupported client/sever software. | Federal | 1,446,900 | 0 |
| | Restricted | 26,429,600 | 606,800 |

Major Budget Changes From FY 2006-07 YTD Appropriations

| | | FY 2006-07 YTD | Enacted Change From YTD |
|--|--------------|-----------------------|------------------------------------|
| 4. Engineering Services | FTEs | 802.2 | (17.1) |
| Line item supports department's engineering functions; includes \$3.0 million in additional federal funds for Safe Routes to Schools, a federally-mandated program new in 2006. Other changes reflect economics, administrative savings, and internal position transfers. | Gross | \$55,537,900 | \$2,741,900 |
| | Federal | 11,151,300 | 3,668,000 |
| | Restricted | 44,386,600 | (926,100) |
| 5. State Trunkline Maintenance | FTEs | 825.6 | 3.1 |
| Reflects state trunkline lane miles added by new construction and jurisdictional transfers, and economic increases. Executive recommends roll-up of State trunkline operations and Contract operations lines. | Gross | \$275,164,900 | \$3,442,800 |
| | Restricted | 275,164,900 | 3,442,800 |
| 6. State Trunkline Road and Bridge Construction | Gross | \$987,862,200 | (\$36,346,600) |
| Appropriates \$951.5 million (\$36.3 million decrease from current-year), reflecting anticipated federal and STF revenue. Decrease in available STF revenue (\$61,735,500) partially offset by \$5.6 million in Blue Water Bridge Fund revenue appropriated for capital projects at the Blue Water Bridge. | Federal | 754,536,100 | 19,835,700 |
| | Local | 30,000,000 | 0 |
| | Restricted | 203,326,100 | (56,182,300) |
| 7. MTF Distribution to Local Road Agencies | Gross | \$970,967,800 | (\$40,575,700) |
| Appropriates \$971.0 million MTF (\$623.4 million to county road commissions, \$347.6 million to cities/villages) based on MTF revenue estimates and Act 51 formula; final distribution will be based on actual MTF revenue which may be more or less than appropriations. | Restricted | 970,967,800 | (40,575,700) |
| 8. Transportation Economic Development Program | Gross | \$41,766,800 | (\$12,632,500) |
| Provides \$29.1 million for statutory distribution per 1987 PA 231; reflects Executive recommendation to redirect \$13.0 million drivers' license fee revenue from TEDF to state General Fund. <i>Although not shown in the FY 2006-07 YTD column to the right, Executive Order 2007-3 reduced TEDF Target Industries by \$6.0 million in the current year.</i> | Restricted | 41,766,800 | (12,632,500) |
| 9. Aeronautics Programs | FTEs | 56.0 | 0.0 |
| Executive would roll-up Airport improvement services and Aviation services. Retains funding for Air service program at \$700,000, based on State Aeronautics Fund revenue. | Gross | \$7,693,500 | \$117,000 |
| | Restricted | 7,693,500 | 117,000 |
| 10. Freight Services | FTEs | 36.0 | (8.8) |
| Freight and safety services, formerly part of Public transportation services, would be transferred to new Aeronautics and Freight Services appropriations unit to reflect department reorganization. Reduction reflects position transfers net of economic adjustments. | Gross | \$4,121,100 | (\$816,000) |
| | Restricted | 4,121,100 | (813,000) |
| 11. Public Transportation Services | FTEs | 38.0 | 8.0 |
| Reflects economics and position transfers. | Gross | \$4,111,100 | \$1,205,400 |
| | Federal | 738,100 | 24,000 |
| | Restricted | 3,373,000 | 1,181,400 |
| 12. Bus Transit – Local Bus Operating Assistance | Gross | \$166,624,000 | \$0 |
| Includes \$166.6 million from the Comprehensive Transportation Fund (CTF) for state operating assistance to local public transit agencies, unchanged from the current year. | Restricted | 166,624,000 | 0 |
| 13. Rail Passenger Service | Gross | \$8,200,000 | \$0 |
| Supports Port Huron/Chicago and Grand Rapids/Chicago rail service. | Federal | 1,000,000 | 0 |
| | Restricted | 7,200,000 | 0 |

Although not shown in the FY 2006-07 YTD column to the right, Executive Order 2007-3 reduced current year CTF support by \$813,500.

Major Budget Changes From FY 2006-07 YTD Appropriations

| | <u>FY 2006-07 YTD</u> | <u>Enacted Change From YTD</u> |
|--------------|------------------------------|---|
| Gross | \$64,726,500 | (\$16,112,900) |
| Federal | 30,000,000 | 0 |
| Local | 7,500,000 | (2,500,000) |
| Restricted | 27,226,500 | (13,612,900) |

14. Bus Capital

Provides match funds for Federal Transit Administration grants to local transit agencies; line reflects reduction in CTF revenue estimates, and reduction in local matching funds.

Although not shown in the FY 2006-07 YTD column to the right, Executive Order 2007-3 reduced current year CTF support for Bus Capital by \$16.3 million to reflect reductions in estimated CTF revenue.

15. Economics

Includes: salaries/wages (\$6.6 million increase); retirement and insurance contributions (\$2.0 million net increase); building occupancy charges (\$1.7 million). Projected workers compensation would increase \$10,000.

| | | |
|--------------|------------|---------------------|
| Gross | N/A | \$10,354,500 |
| Federal | N/A | 707,600 |
| Restricted | | 9,646,900 |

Major Boilerplate Changes From FY 2006-07

Sec. 206. Contingency Funds – NEW

Provides for \$40.0 million federal, \$40.0 million state-restricted, and \$1.0 million each local and private contingency funds as authorized under Section 393(2) of the DMB Act.

Other Boilerplate Changes – *The Executive budget bill does not include a number of reporting requirements initiated by the Legislature in the current year budget.*