

TRANSPORTATION
Summary: FY 2010-11
House Bill 5889 – Draft 1
House Subcommittee Recommendation

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| IDG/IDT | FY 2009-10 | FY 2010-11 | FY 2010-11 | FY 2010-11 | FY 2010-11 | <i>Difference: House Subcommittee From FY 2009-10 YTD</i> | |
|-------------------|------------------------|------------------------|------------------------|------------|------------|---|---------------|
| | YTD | Executive | House Subcommittee | Senate | Conference | Amount | % |
| | \$0 | \$878,300 | \$878,300 | | | \$878,300 | 100% |
| Federal | | | | | | | |
| ARRA | 2,590,000 | | | | | (2,590,000) | (100%) |
| Non ARRA | 1,226,804,500 | 752,480,600 | 752,480,600 | | | (474,323,900) | (38.7) |
| Local | 56,073,400 | 56,496,000 | 56,496,000 | | | 422,600 | 0.8 |
| Private | 0 | 0 | 0 | | | | |
| Restricted | 1,974,170,100 | 1,951,074,400 | 1,949,604,500 | | | (24,565,600) | (1.2) |
| GF/GP | 0 | 0 | 0 | | | | |
| Gross | \$3,259,638,000 | \$2,760,929,300 | \$2,759,459,400 | | | (\$500,178,600) | (15.3) |
| FTEs | 3,014.3 | 3,022.3 | 3,022.3 | | | 8.0 | 0.2 |

Note: FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2010-11 Executive Budget.

Overview

The Transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Most of the state restricted revenue in this budget is constitutionally-restricted. Constitutionally-restricted transportation revenue – from motor fuel taxes and vehicle registration taxes – is first credited to the Michigan Transportation Fund (MTF) and then distributed in accordance with 1951 PA 51 to other state transportation funds and programs, including the State Trunkline Fund (STF) and the Comprehensive Transportation Fund (CTF) – and to local road agencies. The other major fund source in the budget is federal revenue. There is no state GF/GP revenue in this budget.

Summary of Major Budget Issues

The Executive budget reflected an anticipated reduction in state-restricted revenue MTF revenue – a \$47.2 million reduction from the amount on which the current year budget was based. The Executive budget also reflects the loss of \$475 million in federal-aid highway funds due to the anticipated \$84 million shortfall in STF revenue needed for the required non-federal match. The \$84 million figure is the amount of the shortfall after \$20 million in other STF program cuts made to help free up STF matching funds. Without these other STF program cuts, the shortfall would have been \$104 million and the anticipated loss of federal funds would have been \$575 million.

The anticipated loss of federal-aid highway funds is shown as a reduction in the state trunkline road and bridge program only. Federal funds set aside for local road agency programs are shown in this budget at \$248.7 million, the same as current year. However, it is not clear to what extent some local road agencies will also have trouble meeting federal program matching requirements.

The Executive did not propose any shifts in revenue either the Transportation Economic Development Fund (TEDF) or the CTF to the state General Fund.

The House substitute concurs with the Executive budget with the following exceptions:

The House substitute does not recognize economic or cost allocation increases for Interdepartmental grants for collection, enforcement, and other state agency support service. This results in a decrease in Gross appropriations of \$1.5 million as compared to the Executive recommendation, although this effectively retains \$1.5 million for state restricted transportation funds.

The House substitute includes \$40,000 for truck turnoffs in the TEDF forest roads program.

Major Budget Changes From FY 2009-10 YTD Appropriations

Except as noted, the House Substitute follows the Executive recommendation.

**FY 2009-10 YTD
(as of 2/12/10)**

**Change
From YTD**

1. Debt Service

Recommends \$246.8 million, reflecting anticipated debt service schedules. Budget includes \$7.5 million in a new fund source "IRS rebate" to reflect rebates associated with a new *Build America Bonds* issued by the department in 2009. This new fund source is included the bill and our analysis with other state restricted revenue.

| | | |
|--------------|----------------------|----------------------|
| Gross | \$251,637,300 | (\$4,824,300) |
| Federal | 58,163,500 | (12,331,400) |
| Restricted | 193,473,800 | 7,507,100 |

While the appropriation includes \$29.8 million related to CTF debt service, \$13.2 million of that amount would not be used for debt service; it would instead be transferred to a bond proceeds account for subsequent expenditure on public transportation capital projects. The department was able to reduce CTF debt service for three years by restructuring CTF bonds in May 2009. The \$13.2 million represents the second year of reduced CTF debt service. The transfer of this savings to a bond proceeds account is required by IRS regulations governing tax-free bonds, and would be authorized by proposed boilerplate Section 745.

2. Support Services Provided by Other State Departments –

The appropriation unit "*Collection, enforcement, and other agency support services*" includes 20 separate interdepartmental grant (IDG) line items which fund services provided by eight other state departments. Reflects \$721,500 in economic increases, \$747,500 increase in Treasury cost of revenue collection, and \$41,000 for other cost allocation adjustments.

| | | |
|--------------|---------------------|------------|
| Gross | \$49,702,300 | \$0 |
| Restricted | 49,702,300 | 0 |

MTF IDGs for the cost of collecting transportation taxes would total \$20.0 million to Department of State, and \$8.4 million to Department of Treasury.

The House substitute does not recognize economic or cost allocation increases for collection, enforcement, and other state agency support service. This results in a decrease in Gross appropriations of \$1.5 million as compared to the Executive recommendation, although this effectively retains \$1.5 million for state restricted transportation funds.

3. Executive Direction

Includes funding for *Unclassified salaries, Asset Management Council, and Office of Commission Audits*; reflects economic increases of \$165,200, and baseline STF reduction of \$178,700 – part of \$20.0 million in STF program reductions to free up STF matching funds for federal-aid road and bridge program.

| | | |
|--------------|--------------------|-------------------|
| FTEs | 37.3 | 0.0 |
| Gross | \$5,803,800 | (\$13,500) |
| Restricted | 5,803,800 | (13,500) |

4. Business Support

Appropriations unit includes line items *Business support, Economic development and enhancement, Property management, and Worker's compensation*. Employee-related economic increases of \$404,700 were offset by reduction in building occupancy costs of \$829,600. Also reflects \$245,200 baseline STF reduction – part of \$20.0 million in STF program reductions to free up STF matching funds for federal-aid road and bridge program.

| | | |
|--------------|---------------------|--------------------|
| FTEs | 57.0 | 1.0 |
| Gross | \$17,594,900 | (\$607,800) |
| Restricted | 17,594,900 | (607,800) |

5. Information Technology

Reflects economic adjustments, \$559,800; anticipated savings from DIT/DMB merger, and \$1.4 million baseline STF program reductions to free up STF matching funds for federal-aid road and bridge program.

| | | |
|--------------|---------------------|--------------------|
| Gross | \$29,313,200 | (\$874,200) |
| Federal | 510,800 | 9,700 |
| Restricted | 28,802,400 | (864,500) |

Major Budget Changes From FY 2009-10 YTD Appropriations

Except as noted, the House Substitute follows the Executive recommendation.

**FY 2009-10 YTD
(as of 2/12/10)** **Change
From YTD**

6. Finance, Contracts, and Support Services

Appropriations unit includes line items for *Financial operations, Contract services, Department services, Performance excellence, and Welcome center operations*. Economic increases of \$1.2 million, offset by \$1.2 million in STF baseline reductions – part of \$20.0 million in STF program reductions to free up STF matching funds for federal-aid road and bridge program. Executive budget also includes \$878,300 IDG from the Michigan Department of Agriculture (MDA) related to consolidation of accounting functions. This IDG reimburses the department for costs of housing the MDA accounting function.

| | | |
|--------------|---------------------|--------------------|
| FTEs | 230.5 | 7.0 |
| Gross | \$25,058,300 | \$1,043,800 |
| Restricted | 25,058,300 | 263,700 |
| IDG | | 878,300 |

7. Transportation Planning

Economic increases of \$1.7 million partially offset by \$363,700 in STF baseline reductions – part of \$20.0 million in STF program reductions to free up STF matching funds for federal-aid road and bridge program.

| | | |
|--------------|---------------------|--------------------|
| FTEs | 176.0 | 0.0 |
| Gross | \$36,616,600 | \$1,350,700 |
| Federal | 22,000,000 | 0 |
| Restricted | 14,616,600 | 1,350,700 |

8. Design and Engineering Services

Economic increases of \$8.5 million partially offset by \$3.8 million in STF baseline reductions – part of \$20.0 million in STF program reductions to free up STF matching funds for federal-aid road and bridge program.

| | | |
|--------------|----------------------|--------------------|
| FTEs | 1,494.8 | (2.0) |
| Gross | \$114,201,500 | \$4,284,500 |
| Federal | 23,529,800 | 0 |
| Restricted | 90,671,700 | 4,284,500 |

9. State Trunkline Maintenance

Economic increases of \$4.1 million partially offset by \$12.8 million in STF baseline reductions – part of \$20.0 million in STF program reductions to free up STF matching funds for federal-aid road and bridge program.

| | | |
|--------------|----------------------|----------------------|
| FTEs | 834.7 | 2.0 |
| Gross | \$286,528,100 | (\$8,333,200) |
| Restricted | 286,528,100 | (8,333,200) |

The House concurs with the Executive and rolls up the two current line items into a single *State trunkline operations* line.

10. State Trunkline Road and Bridge Construction

Includes \$298.6 million for state trunkline capital construction and reconstruction program. The reduction from the current year appropriation levels reflects decreasing available state restricted revenue, and anticipated loss of \$450.0 million in federal aid due to inability to provide required matching funds, and use of \$6.5 million federal in capital outlay. These reductions would be partially offset by a \$12.3 million reduction in STF debt service (including the IRS rebate).

| | | |
|--------------|----------------------|------------------------|
| Gross | \$793,918,800 | (\$495,282,000) |
| Federal | 706,812,600 | (468,793,100) |
| Local | 30,000,000 | 0 |
| Restricted | 57,106,200 | (26,488,900) |

11. Local Federal Aid Road and Bridge Construction

Recognizes \$248.8 million for federal aid programs of local road agencies (county road commissions, and certain cities). The appropriation is based on estimated federal revenue and Act 51 directive that 25% of most federal aid program funds be made available to local road agencies.

| | | |
|--------------|----------------------|------------|
| Gross | \$248,751,000 | \$0 |
| Federal | 248,751,000 | 0 |

Note that while the appropriation of federal funds for local road agency programs is the same as current year, it is not clear to what extent some local road agencies will have trouble meeting federal program matching requirements.

12. Local Bridge Fund

Act 51 earmark; reflects anticipated reduction in gasoline tax revenue.

| | | |
|--------------|---------------------|--------------------|
| Gross | \$26,905,000 | (\$105,200) |
| Restricted | 26,905,000 | (105,200) |

13. MTF Distribution to Local Road Agencies

The Executive recognizes \$858.8 million MTF (\$551.4 million to county road commissions, \$307.4 million to cities/villages) based on February 2010 revenue estimates and Act 51 formula; final distribution will be based on actual MTF revenue, which may be more or less than appropriations.

| | | |
|--------------|----------------------|-----------------------|
| Gross | \$886,145,400 | (\$27,388,900) |
| Restricted | 886,145,400 | (27,388,900) |

Major Budget Changes From FY 2009-10 YTD Appropriations*Except as noted, the House Substitute follows the Executive recommendation.***FY 2009-10 YTD
(as of 2/12/10)****Change
From YTD****14. Transportation Economic Development Fund (TEDF)**

The Governor's budget recommendation of \$43.4 million reflects restoration of \$12.0 million in driver's license fee revenue which had been transferred to the state General Fund in the current year. While the TEDF program would benefit from a \$54,800 reduction in TEDF-related debt service, that savings is off-set by anticipated \$1.3 million reduction in interest earnings on the TEDF fund balance.

| | | |
|--------------|---------------------|--------------------|
| Gross | \$33,767,000 | \$9,698,500 |
| Restricted | 33,767,000 | 9,698,500 |

The Executive budget includes a new TEDF line item for "Non-profit street railways" with an initial appropriation of \$1.0 million, and related boilerplate in Section 398. This appropriation would require an amendment to the TEDF authorizing legislation.

The House substitute includes \$40,000 earmark in Forest Roads line item for truck inspection turn-offs, and related boilerplate in Section 608.

15. Aeronautics and Freight Services

Reflects economic increases. Appropriations unit includes three operating line items: *Airport improvement services*, *Aviation services*, and *Freight and safety services*, as well as the *Aviation services* grant program.

| | | |
|--------------|---------------------|------------------|
| FTEs | 84.0 | 0.0 |
| Gross | \$11,230,400 | \$464,000 |
| Restricted | 11,230,400 | 464,000 |

16. Public Transportation Services

This appropriations unit administers passenger public transportation programs. Reflects economic increases and anticipated increase in federal aid.

| | | |
|--------------|--------------------|------------------|
| FTEs | 46.0 | 0.0 |
| Gross | \$5,455,400 | \$372,200 |
| Federal | 762,100 | 100,000 |
| Restricted | 4,693,300 | 272,200 |

17. Bus Transit - Local Bus Operating Assistance

Recommends \$166.6 million (CTF) for state operating assistance to local public transit agencies – unchanged since FY 2006-07.

| | | |
|--------------|----------------------|------------|
| Gross | \$166,624,000 | \$0 |
| Restricted | 166,624,000 | 0 |

18. Bus Transit - Non-Urban Operating/Capital

Recognizes anticipated increase in federal non-urban transit grants.

| | | |
|--------------|---------------------|------------------|
| Gross | \$21,800,000 | \$987,900 |
| Federal | 21,000,000 | 987,900 |
| Local | 800,000 | 0 |

19. Rail Passenger Service

Provides operating assistance to AMTRAK for Port Huron/Chicago and Grand Rapids/Chicago rail service with state restricted funds; federal revenue supports capital assistance.

| | | |
|--------------|--------------------|--------------------|
| Gross | \$8,667,000 | \$3,000,000 |
| Federal | 3,000,000 | 0 |
| Restricted | 5,667,000 | 3,000,000 |

Gross appropriations in this line would be \$11.7 million, including \$8.7 million from the CTF. The current year funding was increased by \$2.5 million (CTF) through legislative transfer approved March 3, 2010. This transfer is not reflected in the YTD figures in the column to the right.

20. Specialized Services

Recommends \$7.4 million; increase reflects anticipated federal and CTF revenue. Line supports transit programs for elderly and disabled citizens.

| | | |
|--------------|--------------------|------------------|
| Gross | \$7,248,100 | \$195,700 |
| Federal | 1,700,000 | 85,000 |
| Local | 1,700,000 | 0 |
| Restricted | 3,848,100 | 110,700 |

21. Municipal Credit Program

Executive recommends a restoration to Act 51 earmark level of not less than \$2.0 million; reflects anticipated CTF revenue.

| | | |
|--------------|--------------------|------------------|
| Gross | \$1,873,000 | \$127,000 |
| Restricted | 1,873,000 | 127,000 |

22. Bus Capital

Provides matching funds for federal transit grants to local transit agencies; Executive recommends a restoration to Act 51 earmark floor level of not less than \$8.0 million (CTF).

| | | |
|--------------|---------------------|--------------------|
| Gross | \$38,178,200 | \$3,121,800 |
| Federal | 28,000,000 | 300,000 |
| Local | 5,000,000 | 0 |
| Restricted | 5,178,200 | 2,821,800 |

Major Budget Changes From FY 2009-10 YTD Appropriations

Except as noted, the House Substitute follows the Executive recommendation.

**FY 2009-10 YTD
(as of 2/12/10)** **Change
From YTD**

23. State/Local Capital Facilities Projects

Current year appropriation is limited to "Special maintenance, remodeling, and additions" of department facilities. Executive recommends an increase in line of \$713,500 (STF); adds \$1.0 million for Salt/sand storage buildings at contract-maintenance agency locations; adds \$11.5 million for department facilities in Port Huron including Welcome center replacement, inspection station, Blue Water Bridge administration, and maintenance facilities – funded from a combination of state and federal funds.

| | | |
|--------------|--------------------|---------------------|
| Gross | \$2,288,000 | \$12,518,300 |
| Federal | 0 | 6,514,800 |
| Restricted | 2,288,000 | 6,003,500 |

29. AERO Capital Projects

Provides funding for FY 2010-11 Aeronautics Capital program; reflects anticipated federal program funding.

| | | |
|--------------|----------------------|--------------------|
| Gross | \$123,425,700 | (\$179,300) |
| Federal | 104,874,700 | (1,946,800) |
| Local | 16,023,400 | 422,600 |
| Restricted | 2,527,600 | 1,344,900 |

31. Economics

Reflects estimated additional funding needed to provide baseline service levels: \$5.7 million increase for salaries/wages, \$3.6 million increase for health insurance, \$7.8 million increase for retirement contributions, and \$57,900 projected workers compensation increase of. Estimated building occupancy costs would decrease by \$887,500.

| | | |
|--------------|------------|---------------------|
| Gross | N/A | \$16,256,600 |
| Restricted | N/A | 16,256,600 |

Major Boilerplate Changes From FY 2009-10

Secs. 321, 322, 323, and 324 Complete Streets – NEW

The House substitute adds three new sections regarding *Complete Streets* policies and modifies current Section 399 (and renumbers as Section 324).

Sec. 398. Non-Profit Street Railway – MODIFIED

Provides for appropriation for a street railway pursuant to Section 10e(22) of Public Act 51 of 1951. Current year appropriation is \$0; proposed FY 2010-11 budget appropriates \$1.0 million from the TEDF and modifies this boilerplate section to provide for a quarterly report on street railway construction spending, operating costs, revenue, and ridership.

The House substitute adds a boilerplate appropriation of \$100 from the TEDF for matching funds for transit-oriented development projects.

Sec. 661 Intent with Regard to Additional Revenue – NEW

The House substitute adds sections indicating the intent to restore delayed or deferred projects if additional revenue is available.

Sec. 711(5). Rail Passenger Transport of Bicycles – NEW

The House substitute adds a new subsection to encourage the department to work with rail carrier to identify ways to accommodate the reasonable transport of bicycles by passengers.

Sec. 745. Transfer of \$13.2 million CTF Debt service savings to bond proceeds account – NEW

Includes new section that authorizes the transfer of up to \$13.2 million from the CTF debt service line item to a restricted bond proceeds account are required by IRS regulations. This transfer is explained in detail under the "Debt Service" description, above.