

FY 2013-14: DEPARTMENT OF TRANSPORTATION
Summary:
Senate Bill 184 (S-1) Conference Report



Analyst: William E. Hamilton

| | FY 2012-13 YTD as of 2/7/13 | FY 2013-14 Revised Executive | FY 2013-14 House | FY 2013-14 Senate | FY 2013-14 Conference | Difference: Conference From FY 2012-13 YTD | |
|-------------------|--------------------------------|------------------------------------|------------------------|------------------------|--------------------------|---|------------|
| | | | | | | Amount | % |
| IDG/IDT | \$3,531,900 | \$3,625,100 | \$3,625,100 | \$3,625,100 | \$3,625,100 | \$93,200 | 2.6 |
| Federal | 1,221,830,100 | 1,198,885,500 | 1,198,885,500 | 1,198,885,500 | 1,198,885,500 | (22,944,600) | (1.9) |
| Local | 52,080,200 | 50,177,100 | 50,177,100 | 50,177,100 | 50,177,100 | (1,903,100) | (3.7) |
| Private | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 0 | 0.0 |
| Restricted | 2,165,895,300 | 3,321,999,900 | 2,088,181,000 | 2,241,029,000 | 2,224,529,000 | 58,633,700 | 2.7 |
| GF/GP | 23,000,000 | 0 | 100,000,000 | 0 | 121,300,000 | 98,300,000 | 427.4 |
| Gross | \$3,466,437,500 | \$4,574,787,600 | \$3,440,968,700 | \$3,493,816,700 | \$3,598,616,700 | \$132,179,200 | 3.8 |
| FTEs | 2,918.30 | 2,918.3 | 2,918.3 | 2,918.3 | 2,918.3 | 0.0 | 0.0 |

Notes: (1) FY 2012-13 year-to-date (YTD) figures include mid-year budget adjustments through February 7, 2013.
(2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as one-time.
(3) "House" refers to House Bill 4328 (H-1) Article XVII. Note that in addition to line item appropriations shown in this table, House Bill 4328, as passed the House, includes a boilerplate appropriation of \$50.0 million GF/GP, as well as the appropriation of the total GF/GP lapse at the close of the 2012-13 fiscal year. (4) Senate refers to Senate Bill 184, as passed the Senate.

Overview

The Transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Approximately two-thirds of the revenue in this budget comes from state restricted revenue, with approximately one-third from federal sources. Almost all the state-restricted revenue in this budget is constitutionally restricted – from motor fuel taxes and vehicle registration taxes. Most of this revenue is first credited to the Michigan Transportation Fund (MTF) and then distributed in accordance with 1951 PA 51 (Act 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. Revenue related to taxes on aviation fuel and aircraft registrations is credited to the State Aeronautics Fund (SAF) for aeronautics programs.

Major Budget Changes From FY 2012-13 YTD Appropriations

1. State Trunkline Maintenance

Recognizes economic adjustments of \$2.3 million. Conference concurs with House and Senate and does not include Executive-proposed \$10.0 million increase in baseline revenue from proposed funding package.

| | FY 2012-13 Year-to-Date (as of 2/7/13) | FY 2013-14 Conference Change |
|--------------|--|------------------------------------|
| FTEs | 808.7 | 0.0 |
| Gross | \$273,395,700 | \$2,293,800 |
| Restricted | 273,395,700 | 2,293,800 |

2. State Trunkline Road and Bridge Construction

Current year budget includes as STF revenue \$100.0 million from a one-time shift of GF/GP revenue effected through 2012 PA 225, an amendment to the General Sales Tax Act.

| | FY 2012-13 Year-to-Date (as of 2/7/13) | FY 2013-14 Conference Change |
|--------------|--|------------------------------------|
| Gross | \$941,053,200 | (\$72,859,700) |
| Federal | 742,092,000 | 0 |
| Local | 30,000,000 | 0 |
| Restricted | 168,961,200 | (72,859,700) |
| GF/GP | \$0 | \$0 |

House recognized adjustments to baseline STF and Blue Water Bridge restricted revenue; included \$100.0 million GF/GP to ensure the state matches all available federal-aid highway funds.

Senate assumed \$130.0 million in additional STF restricted revenue from the passage of Senate Bill 6, a bill that would redirect to the STF the General Fund portion of the sales tax attributable to motor fuel sales.

Conference follows the House with regard to restricted funds; includes \$121.33 million GF/GP support in the One-time only appropriations unit.

| <u>Major Budget Changes From FY 2012-13 YTD Appropriations</u> | | <u>FY 2012-13 Year-to-Date (as of 2/7/13)</u> | <u>FY 2013-14 Conference Change</u> |
|---|--------------|--|--|
| 3. Local Federal Aid Road and Bridge Construction | Gross | \$240,443,000 | \$0 |
| Line currently used as placeholder for estimated federal aid revenue earmarked for local federal aid programs. | Federal | 240,443,000 | 0 |
| | Restricted | 0 | 0 |
| <u>Executive</u> proposed rolling current county road commission and city/village MTF funding into this line through new Act 51 funding formula. | | | |
| <u>Conference</u> concurs with <u>House/Senate</u> and retains current year funding. | | | |
| 4. Local Bridge Program | Gross | \$26,763,700 | (\$5,382,100) |
| <u>Executive</u> proposed elimination of this Act 51 earmark, effectively rolling into <i>Local federal aid and road and bridge construction</i> line item. | Restricted | 26,763,700 | (5,382,100) |
| <u>Conference</u> concurs with <u>House/Senate</u> recognize current Act 51 program, adjusted for anticipated decrease in baseline gasoline tax revenue. | | | |
| 5. MTF to Local Road Agencies | Gross | \$898,485,400 | \$9,613,000 |
| <u>Executive</u> had proposed rolling up Act 51 MTF distribution to county road commissions, (\$576.9 million in current year), and cities/villages, (\$321.6 million in current year), into <i>Local federal aid and road and bridge construction</i> line item. | Restricted | 898,485,400 | 9,613,000 |
| <u>Conference</u> concurs with <u>House/Senate</u> recognize current Act 51 program, adjusted for anticipated increase in net baseline MTF revenue as compared to estimates on which current year budget was based. Appropriation of \$908.1 million: County road commissions, \$583.0 million; cities/villages, \$325.1 million. | | | |
| 6. Local Program Fund | Gross | \$33,000,000 | \$0 |
| <u>Executive</u> proposes elimination of this Act 51 earmark, effectively rolling into <i>Local federal aid and road and bridge construction</i> line item. | Restricted | 33,000,000 | 0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and retains current Act 51 program. | | | |
| 7. Commercial Corridor Fund – NEW | Gross | \$0 | \$0 |
| <u>Executive</u> had proposed increases to motor fuel taxes and vehicle registration taxes to generate an estimated \$1.236 billion in additional dedicated revenue for transportation programs, much of the new revenue to be credited to a proposed a new fund/program, the Commercial Corridor Fund. | Restricted | 0 | 0 |
| <u>Conference</u> concurs with <u>Senate</u> and does not include increase in baseline revenue from proposed funding package. (The House had included placeholder.) | | | |
| 8. Basic Industry Logistics Transportation (BILT) – NEW | Gross | \$0 | \$0 |
| <u>Executive</u> had proposed new fund/program reflecting proposed revenue package and distribution formula, replacing the current Transportation Economic Development Fund (TEDF) and Rail Grade Crossing program. | Restricted | 0 | 0 |
| <u>Conference</u> concurs with <u>Senate</u> and does not include increase in baseline revenue from proposed funding package. (The House had included placeholder.) | | | |
| 9. Rail Grade Crossing | Gross | \$3,000,000 | \$0 |
| <u>Executive</u> proposes elimination of this Act 51 earmark, effectively rolling into new BILT program. | Restricted | 3,000,000 | 0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and retains current Act 51 program. | | | |
| 10. Transportation Economic Development Fund (TEDF) | Gross | \$32,058,200 | \$0 |
| <u>Executive</u> proposes elimination of program; effectively replaced by new BILT program. | Restricted | 32,058,200 | 0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and retains current program. | | | |

| Major Budget Changes From FY 2012-13 YTD Appropriations | | FY 2012-13 Year-to-Date (as of 2/7/13) | FY 2013-14 Conference Change |
|---|--------------|---|---|
| 11. Aeronautics Services | FTEs | 54.0 | 0.0 |
| Reflects economic increases of \$166,600, and offsetting adjustments to estimated SAF revenue, (\$779,200). | Gross | \$8,268,500 | (\$612,600) |
| | Restricted | 8,268,500 | (612,600) |
| <u>Conference</u> concurs with the Senate and includes funding for <i>Air service</i> [grant] program at \$301,200. | | | |
| <u>House</u> had included a placeholder. | | | |
| 12. Bus Transit - Local Bus Operating Assistance | Gross | \$166,624,000 | \$0 |
| <u>Executive</u> proposed \$14.5 million increase in baseline funding for program of state operating assistance to local public transit agencies. | Restricted | 166,624,000 | 0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and recognizes current funding levels. | | | |
| 13. Bus Transit - Non-Urban Operating/Capital | Gross | \$22,787,900 | \$2,400,000 |
| <u>Conference</u> concurs with <u>House/Senate</u> to recognize federal non-urban transit grants at MAP-21 funding levels. | Federal | 21,987,900 | 1,200,000 |
| | Local | 800,000 | 1,200,000 |
| 14. Discretionary State Operating – NEW | Gross | \$0 * | \$5,400,000 |
| <u>Conference</u> concurs with <u>House/Senate</u> and includes \$5.4 million CTF for a new line – an increase of \$3,400 assuming passage of the supplemental request. To be provided to urban transit agencies, other than the city of Detroit. | Restricted | 0 * | 5,400,000 |
| * <i>The Governor has proposed \$5,396,600 in current year supplemental</i> | | | |
| 15. Freight Property Management | Gross | \$1,000,000 | \$0 |
| <u>Executive</u> proposed \$1.0 million increase in baseline funding for program that maintains state-owned rail facilities. | Restricted | 1,000,000 | 0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and recognizes current funding levels. | | | |
| 16. Intercity Services | Gross | \$7,690,000 | (\$1,750,000) |
| Supports intercity bus service through operating and capital assistance. | Federal | 4,500,000 | 0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and reduces CTF revenue support. [Reflects Executive proposal.] | Local | 50,000 | 0 |
| | Restricted | 3,140,000 | (1,750,000) |
| 17. Rail Operations and Infrastructure | Gross | \$24,592,000 | \$1,500,000 |
| Supports rail passenger and rail freight programs. <u>Executive</u> had proposed \$27.0 million increase in CTF funding, including \$16.3 million to provide state operating support for AMTRAK Wolverine (Pontiac-Detroit-Chicago) service – service previously provided without cost to the state as part of AMTRAK national system, and \$3.0 million for related track maintenance. | Federal | 3,100,000 | 0 |
| | Local | 100,000 | 0 |
| | Private | 100,000 | 0 |
| | Restricted | 21,292,000 | 1,500,000 |
| <u>Conference</u> provides additional \$1.5 million in CTF funding above the current year baseline in order to provide for rail grade crossing pilot project (Sec. 736). <u>Conference</u> also concurs with <u>House/Senate</u> to establish new line item for <i>Wolverine</i> service. | | | |
| 17a. Rail Passenger Service/Wolverine – NEW | Gross | \$0 | \$19,333,000 |
| <u>Conference</u> concurs with <u>Senate</u> to establish new line item to recognize <i>Wolverine</i> service. <u>House</u> had provided a placeholder. | Restricted | 0 | 19,333,000 |
| 18. Marine Passenger Service | Gross | \$400,000 | \$0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and retains current year funding levels. | Restricted | 400,000 | 0 |

| Major Budget Changes From FY 2012-13 YTD Appropriations | | FY 2012-13 Year-to-Date (as of 2/7/13) | FY 2013-14 Conference Change |
|---|--------------|---|---|
| 19. Terminal Development | Gross | \$461,000 | \$0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and recognizes current funding levels. | Restricted | 461,000 | 0 |
| 20. Rural/Urban Intercity Connector – NEW | Gross | \$0 | \$0 |
| <u>Executive</u> had proposed new program funded at \$1.2 million CTF, reflecting proposed revenue package. | Restricted | 0 | 0 |
| <u>Conference</u> concurs with <u>Senate</u> and does not include. <u>House</u> had included a \$100 placeholder. | | | |
| 21. Rail Infrastructure Assistance – NEW | Gross | \$0 | \$0 |
| <u>Executive</u> had proposed new program funded at \$10.0 million CTF, reflecting proposed revenue package. | Restricted | 0 | 0 |
| <u>Conference</u> concurs with <u>Senate</u> and does not include. <u>House</u> had included a \$100 placeholder. | | | |
| 22. Specialized Services | Gross | \$8,913,800 | \$9,115,000 |
| Supports transit programs for elderly and disabled citizens. <u>Executive</u> adjusts federal and local revenue to reflect MAP-21 funding. | Federal | 2,485,000 | 7,415,000 |
| | Local | 2,485,000 | 1,700,000 |
| <u>Conference</u> concurs with <u>House/Senate</u> recognizing federal and local revenue adjustments; appropriation does not include increase in baseline CTF revenue from Governor's proposed funding package. | Restricted | 3,943,800 | 0 |
| 23. Municipal Credit Program | Gross | \$2,000,000 | (\$2,000,000) |
| It is not clear how this Act 51 earmark will work under Regional Transit Authority Act (2012 PA 387). | Restricted | 2,000,000 | (2,000,000) |
| <u>Conference</u> concurs with <u>Senate</u> and does not include. <u>House</u> had included a \$100 placeholder. | | | |
| 24. Bus Capital/Transit Capital | Gross | \$66,942,900 | (\$34,797,600) |
| Provides matching funds for federal transit grants to local transit agencies. | Federal | 28,300,000 | (23,300,000) |
| | Local | 5,000,000 | (3,750,000) |
| <u>Conference</u> concurs with <u>House/Senate</u> and adjusts federal revenue, and related state and local matching funds, to reflect MAP-21 funding. | Restricted | 33,642,900 | (7,747,600) |
| 25. Van Pooling | Gross | \$807,000 | \$0 |
| Provides state CTF funds for matching federal transit grants. | Restricted | 807,000 | 0 |
| <u>Conference</u> concurs with <u>House/Senate</u> and recognizes current funding levels. | | | |
| 26. Service Initiatives | Gross | \$1,865,000 | (\$182,100) |
| <u>Conference</u> concurs with <u>House/Senate</u> . | Federal | 1,150,000 | 0 |
| | Local | 200,000 | 0 |
| <i>In addition to the figures shown for FY 2012-13 YTD, an additional \$250,000 CTF was appropriated in 2012 PA 387 to support the establishment of a Regional Transit Authority in Southeast Michigan.</i> | Restricted | 515,000 | (182,100) |
| 27. Transportation to Work | Gross | \$9,700,000 | (\$5,000,000) |
| <u>Conference</u> concurs with <u>House/Senate</u> and appropriates \$4.7 million CTF, same as current year baseline; recognizes federal and local revenue adjustments; does not recognize increase in baseline CTF revenue from Governor's proposed funding package. | Federal | 2,700,000 | (2,700,000) |
| | Local | 2,300,000 | (2,300,000) |
| | Restricted | 4,700,000 | 0 |

| Major Budget Changes From FY 2012-13 YTD Appropriations | | FY 2012-13 Year-to-Date (as of 2/7/13) | FY 2013-14 Conference Change |
|---|--------------|---|---|
| 28. Regionalization Incentives – NEW | Gross | \$0 | \$0 |
| <u>Executive</u> had proposed new program funded at \$5.3 million CTF, reflecting proposed revenue package. | Restricted | 0 | 0 |
| <u>Conference</u> concurs with <u>Senate</u> and does not recognize proposed new program; <u>House</u> had included a \$100 placeholder. | | | |
| 29. Urban Modernization – NEW | Gross | \$0 | \$0 |
| <u>Conference</u> concurs with <u>Senate</u> and does not recognize proposed new program; <u>House</u> had included a \$100 placeholder. | Restricted | 0 | 0 |
| 30. Airport Improvement Program | Gross | \$107,733,200 | (\$14,628,900) |
| Reflects anticipated federal funding, related local matching funds, and available state restricted SAF revenue for the federal Airport Improvement Program. Reduction in FY 2013-14 SAF revenue due to the end of one-time General Fund revenue from sales tax made in 2012 PA 226. | Federal | 82,183,100 | (3,605,100) |
| | Local | 11,145,200 | 1,246,900 |
| | Restricted | 14,404,900 | (12,270,700) |
| <u>Executive</u> budget request had included \$508,300 in additional SAF revenue from a proposed increase in aircraft registration taxes. | | | |
| <u>Conference</u> concurs with <u>House/Senate</u> and does not recognize revenue from increase in aircraft registration taxes. As a result, this line item is \$207,100 SAF less than <u>Executive</u> . | | | |
| 31. Priority Roads Investment Program - NEW | Gross | \$0 | \$115,000,000 |
| <u>Conference</u> includes new one-time basis only line item, funded from new restricted fund source, "Roads and risks reserve fund." | Restricted | 0 | 115,000,000 |
| 32. Federal Aid Match – State Trunkline Program – NEW | Gross | \$0 | \$121,300,000 |
| <u>Conference</u> includes new one time only basis line item. Section 1001 identifies the intent of the appropriation as to ensure the state is able to match all available federal funds. | GF/GP | 0 | 121,300,000 |
| 34. Economics | Gross | | \$11,230,400 |
| <u>Conference</u> concurs with <u>House/Senate</u> and reflects increased costs of \$11.2 million for negotiated salary and wage amounts (1.0%), insurance rate increases, actuarially required retirement rate increases, and other economic adjustments. These adjustments are reflected in departmental/administrative line items. | IDG | | 108,000 |
| | Restricted | | 11,122,400 |
| 35. Other Differences | | | |
| <u>Conference</u> concurs with <u>Senate</u> and recognizes \$217,700 (Restricted) requested increases in baseline funding for Information Technology that were not included by the <u>House</u> . | | | |

Major Boilerplate Changes From FY 2012-13

Conference report includes almost all current year boilerplate. Major changes noted below.

Sec. 308. Contract Compliance – REVISED

Current year language requires department and local road agencies pursue compliance with contract specifications for construction and maintenance; provides for sanctions for unsatisfactory contractors; prohibits department from reducing or restricting a contractor's prequalification until all administrative appeals had been exhausted.

Conference adopts House language which provides for reporting requirement on the department's prequalification process and unsatisfactory contractor performance rating.

Sec. 311. Father Marquette National Memorial/Museum – NEW

Conference directs the department to work with the MEDC to update a 1992 study.

Sec. 313. State Infrastructure Bank – REVISED

Conference concurs with House; adds new subsection reporting requirement.

Major Boilerplate Changes From FY 2012-13

Sec. 353. Prompt Payment – RETAINED

Directs department to review contractor payment process; references Special Provision 109.10.

Sec. 381. E-Verify for Legal Status of Contractor/Subcontractor New Employees – RETAINED

Current year language requires the department to use the E-Verify system to verify legal status of contractor and subcontractor new hires; provides reporting requirement.

Sec. 382. Require Department to Settle Local Agency Cost Sharing Agreements - NEW

Conference adopts new language requiring the department to submit final bill to the local agency within two years of final payment to construction contractor.

Secs. 384 and 385. New International Trade Crossing (NITC) – REVISED/NEW

Conference adopts revised Sec. 384 restricting project expenditures; adopts new Sec. 385 reporting requirement.

Sec. 504. MTF Distribution – RETAINED

Requires use of MTF in accordance with Act 51 requirements. Conference retains current year language with minor style changes.

Sec. 601. Road Construction Warranties – RETAINED

Encourages use of road construction warranties; reporting requirement.

Sec. 603. Traffic Congestion – RETAINED

Directs department to consider traffic congestion be used as criteria in project selection.

Sec. 660. Use of Alternative Materials – RETAINED

Encourages department to examine the use of alternative road surface materials including crumb rubber from tires.

Sec. 711. Rail Passenger Service (AMTRAK) – REVISED

Conference adopts new reporting requirement.

Sec. 736. Rail Grade Crossing Pilot Project - NEW

Conference earmarks \$1.5 million for pilot project on high-speed rail corridor.

Sec. 901. Aeronautics Capital Program – REVISED

Permits department to contract for airport improvement projects on behalf of local airport owners.

Conference modifies local match requirements from 2.5% to 5% of project cost; requires local agencies to obtain authorization before submitting projects to federal agencies.

Sec. 1001. Matching Federal-Aid Highway Funds – NEW

Conference indicates that \$121.3 million in GF/GP revenue is intended to ensure that the state is able to match all available federal-aid highway funds. (Replaces Sec. 661 in House/Senate bills)

Sec. 1201. Anticipated FY 2014-15 Appropriations - REVISED

States legislative intent to provide appropriations for FY 2014-15, adjusting FY 2013-14 based on economic and other factors.

Sec. 1202. Identify Normal and Legacy Retirement costs for 2014-15 Appropriations - NEW

States legislative intent that the department identify retirement costs for FY 2014-15.