

FY 2015-16: DEPARTMENT OF TRANSPORTATION
Summary: Conference Report
Senate Bill 132 (S-2) CR-1



Analyst: William E. Hamilton

	FY 2014-15 YTD as of 5/25/15	FY 2015-16 Executive	FY 2015-16 House	FY 2015-16 Senate	FY 2015-16 Conference	Difference: Conference From FY 2014-15 YTD	
						Amount	%
IDG/IDT	\$3,786,900	\$3,928,500	\$3,928,500	\$3,928,500	\$3,928,500	\$141,600	3.7
Federal	1,223,599,500	1,257,488,000	1,257,488,000	1,257,488,000	1,257,488,000	33,888,500	2.8
Local	50,177,100	50,293,500	50,293,500	50,293,500	50,293,500	116,400	0.2
Private	7,866,000	100,000	100,000	100,000	100,000	(7,766,000)	(98.7)
Restricted	2,154,985,200	2,184,391,400	2,184,391,400	2,184,391,400	2,184,391,400	29,406,200	1.4
GF/GP	284,647,900	139,521,100	159,521,100	139,521,100	400,000,000	115,352,100	40.5
Gross	\$3,725,062,600	\$3,635,722,500	\$3,655,722,500	\$3,635,722,500	\$3,896,201,400	\$171,138,800	4.6
FTEs	2,918.3	2,918.3	2,918.3	2,918.3	2,918.3	0.0	0.0

Notes: (1) FY 2014-15 year-to-date figures include mid-year budget adjustments through March 24, 2015 including Executive Order 2015-5 and House Bill 4112. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

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. Most of the state-restricted revenue in this budget is constitutionally restricted – from motor fuel taxes and vehicle registration taxes – and 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.

The Conference Committee met on Tuesday, May 26, 2015, to consider Conference report for **Senate Bill 132 (S-2) CR-1**. **Senate Bill 132** was a stand-alone Transportation appropriations bill. However, the bill as passed the Senate on May 7, 2015 was essentially a shell bill – it shows Gross appropriations of only \$100. The bill was returned by the House on May 19, 2015 as a shell bill – the House-passed bill shows Gross appropriations of \$0.

The real differences between the House and Senate transportation budgets, as shown in the balance of this document, are between the two omnibus budget bills – **Article XVII of House Bill 4102 (H-1)** and **Article XVII of Senate Bill 133 (S-1)**. In effect, Conference report, CR-1, for **Senate Bill 132 (S-2)** resolves the differences between the House and Senate omnibus budget bills with respect to Transportation.

	FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Conference Change
Major Budget Changes From Adjusted FY 2014-15 Appropriations		
1. Debt Service	Gross	\$242,318,300 (\$3,457,500)
Debit service of \$238.9 million in the Executive budget reflects anticipated debt service schedules. [Total outstanding transportation-related debt at September 30, 2015, was \$1,960.4 million.]	Federal	45,726,400 40,500
	Restricted	196,591,900 (3,498,000)

House/Senate and Conference concur with Executive.

<u>Major Budget Changes From Adjusted FY 2014-15 Appropriations</u>		FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Conference Change
2. Support Services by Other State Departments			
Interdepartmental grants (IDGs) authorize the reimbursement of other state departments from restricted transportation funds for services provided to those transportation funds.	Gross	\$46,932,800	(\$414,800)
	Restricted	46,932,800	(414,800)
 <u>Executive</u> included \$20.0 million MTF for Department of State vehicle registration tax collection program, and \$2.7 million MTF for Department of Treasury motor fuel tax collection program – both the same as current year funding. Budget reflects a reduction of \$414,800 to reflect agency cost allocation adjustments.			
 <u>House/Senate</u> and <u>Conference</u> concur with <u>Executive</u>			
3. State Trunkline Maintenance			
<u>Executive</u> budget increased baseline support by \$10.0 million STF to reflect increased prices of maintenance materials, slope restoration/erosion control needed on urban freeways, and cost of ongoing problem of copper theft from electrical fixtures.			
	FTEs	747.7	(4.0)
	Gross	\$310,440,500	\$251,500
	Restricted	310,440,500	251,500
 <u>House</u> concurs with <u>Executive</u> . <u>Senate</u> did not include \$10.0 million increase. <u>Conference</u> concurs with <u>Senate</u> .			
[The remaining increase in the line in the Conference report reflects economic adjustments only. The change in FTE positions reflect position transfers; FTE position changes net to zero across the department.]			
4. State Trunkline Road and Bridge Construction			
<u>Executive</u> recommends \$839.7 million – \$15.0 million less than the current year – for the capital road and bridge construction/preservation program. This reflects a \$14.1 million decrease in restricted Blue Water Bridge Fund revenue, [additional Blue Water Bridge Fund revenue appropriated in FYs 2013-14 and 2014-15 to reflect the Blue Water Bridge Plaza project]. Reduced Blue Water Bridge Fund support is offset by a net increase of \$28.8 million in available STF revenue.			
	Gross	\$824,646,200	\$15,017,200
	Federal	742,277,800	0
	Local	30,000,000	0
	Restricted	52,368,400	15,017,200
 <u>House/Senate</u> and <u>Conference</u> concur with <u>Executive</u> .			
[Budget also includes a separate one-time appropriation of \$113.0 million GF/GP to match federal aid for state trunkline road and bridge construction. See below.]			
5. Local Bridge Program			
Reflects Act 51 earmarks to this program, including dedication of one-half cent of revenue raised by the motor fuel tax on gasoline.	Gross	\$26,477,400	\$351,200
	Restricted	26,477,400	351,200
 <u>House/Senate</u> and <u>Conference</u> concur with <u>Executive</u> .			
6. MTF to Local Road Agencies			
MTF distribution to local road agencies, \$615.7 million to county road commissions, and \$343.3 million to cities/villages reflects estimated MTF revenue and Act 51 statutory distribution.	Gross	\$930,801,500	\$28,231,800
	Restricted	930,801,500	28,231,800
 <u>House/Senate</u> and <u>Conference</u> concur with <u>Executive</u> .			

		FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Conference Change
--	--	---	---

Major Budget Changes From Adjusted FY 2014-15 Appropriations

7. Transportation Economic Development Fund (TEDF)

Executive recommends \$30.8 million, a decrease of \$10.7 million from the current year. This reflects the proposed redirection of \$12.0 million to the STF, offset in part by an anticipated \$1.3 million increase in interest earnings on the TEDF fund balance. The \$12.0 million TEDF redirection, all of which would come from Category "A," would be made in House Bill 4440, a bill to amend Public Act 231 of 1987.

Gross	\$41,515,800	(\$2,745,300)
Restricted	41,515,800	(2,745,300)

House concurs with Executive.

Senate includes \$38.8 million - \$8.0 million more in Category "A" than Executive/House.

Conference concurs with Senate.

[The Conference agreement appears to assume that Bill 4440 would be amended to allow the transfer of \$2.0 million to the STF, and \$2.0 million to the State Aeronautics Fund.]

8. Aeronautics Services

Executive reduces support for Office of Aeronautics to better reflect estimated SAF revenue; eliminates *Air service* grant program, funded in the current year at \$289,300.

FTEs	54.0	0.0
Gross	\$7,720,300	(\$663,300)
Restricted	7,720,300	(663,300)

House/Senate and Conference concur with Executive.

9. Bus Transit - Local Bus Operating Assistance

Maintains CTF support for local bus operating assistance at current year funding levels.

Gross	\$167,400,000	\$0
Restricted	167,400,000	0

House/Senate and Conference concur with Executive.

10. Rail Operations and Infrastructure

Supports rail freight economic development programs, as well as rail passenger service, including capital assistance for the Detroit-Chicago high speed rail corridor.

Gross	\$57,022,400	\$46,068,000
Federal	10,100,000	50,000,000
Local	100,000	0
Private	100,000	0
Restricted	46,722,400	(3,932,000)

Executive recognizes \$50.0 million in anticipated additional Federal Railroad Administration grant for capital improvement along the Detroit-Chicago Accelerated Rail Corridor. Budget reduces baseline CTF support to balance to anticipated CTF revenue.

House/Senate and Conference concur with Executive.

[Budget also includes a separate GF/GP appropriation of \$25.0 million transit capital and rail infrastructure; see below.]

		FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Conference Change
--	--	---	---

Major Budget Changes From Adjusted FY 2014-15 Appropriations

11. Bus Capital/Transit Capital

Executive reflects anticipated federal pass-through grants to local transit agencies and related state and local matching funds. Budget reduces baseline CTF support to balance to anticipated CTF revenue.

Gross	\$57,689,300	(\$26,528,500)
Federal	22,778,000	(17,478,000)
Local	1,250,000	0
Private	7,766,000	(7,766,000)
Restricted	25,895,300	(1,284,500)

The large reduction in FY 2015-16 funding as compared to the current year budget is primarily due to the inclusion in the current year-to-date figure of \$25.5 million related to the M-1 rail project in Detroit – \$17.8 million federal, and \$7.7 million in associated private funds – added to the current year budget in supplemental appropriation bill, House Bill 4112. These additional funds are not carried into FY 2015-16.

House/Senate and Conference concur with Executive.

[The proposed FY 2015-16 budget also includes a separate one-time appropriation of \$25.0 million GF/GP for transit capital and rail infrastructure. See below.]

10. Airport Improvement Program

Executive reflects anticipated federal funding, related local matching funds, and available state restricted SAF revenue for the federal Airport Improvement Program.

Gross	\$91,978,000	\$3,065,200
Federal	78,578,000	422,000
Local	12,392,100	116,400
Restricted	1,007,900	2,526,800

House/Senate concur with Executive.

Conference includes an additional \$2.0 million in SAF anticipating the redirection of TEDF revenue to the SAF in House Bill 4440.

**11. State Trunkline Road and Bridge Construction
[General Fund/General Purpose]**

Executive budget includes \$113.0 million in *one-time* GF/GP funding to ensure that the state match all available federal-aid highway funds.

Gross	\$127,000,000	(\$14,000,000)
GF/GP	\$127,000,000	(\$14,000,000)

House/Senate concur with Executive.

Conference agrees in total but re-designates the appropriation as “Ongoing general fund appropriations.”

**12. State and Local Road and Bridge Programs
[General Fund/General Purpose]**

Executive eliminated GF/GP line item that provided funding to the STF and to local road agencies according to the Act 51 distribution formula.

Gross	\$144,500,000	\$115,978,900
GF/GP	\$144,500,000	\$115,978,900

Senate concurs with Executive.

House retains this line, funded at \$20.0 million.

Conference provides \$260.5 million GF/GP for distribution to MDOT, county road commissions, and cities/villages according the Act 51 formula – \$2.5 million designated as “Ongoing general fund appropriations;” and \$258.0 million designated as “One-time basis only.”

Of this distribution, the STF would receive \$101.8 million, county road commissions, \$101.8 million; cities and villages, \$56.8 million.

<u>Major Budget Changes From Adjusted FY 2014-15 Appropriations</u>		FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Conference Change
13. Transit Capital and Rail Infrastructure	Gross	\$10,000,000	\$15,000,000
[General Fund/General Purpose]	GF/GP	\$10,000,000	\$15,000,000
<u>Executive</u> included provide \$25.0 million one-time GF/GP support to match federal transit and rail infrastructure grants.			
<u>House/Senate</u> concur with <u>Executive</u> .			
<u>Conference</u> agrees in total but re-designates the appropriation as "Ongoing general fund appropriations."			
14. Airport Safety, Security, and Improvement Program [General Fund/General Purpose]	Gross	\$2,047,900	(\$526,800)
	GF/GP	\$2,047,900	(\$526,800)
<u>Executive</u> would provide \$1.5 million one-time GF/GP support to match federal Airport Improvement Program funds.			
<u>House</u> concurs with <u>Executive</u> .			
<u>Senate</u> appropriates \$3.5 million; includes \$2.0 million from the TEDF.			
<u>Conference</u> agrees with <u>Executive/House</u> in total and appropriates \$1.5 million, but re-designates the appropriation as "Ongoing general fund appropriations."			
15. Regional Transit Authority (One-time)	Gross	\$1,100,000	(\$1,100,000)
	GF/GP	\$1,100,000	(\$1,100,000)
<u>Executive</u> eliminates current GF/GP line item that provided start-up funding for the Southeast Michigan Regional Transit Authority			
<u>House/Senate</u> and <u>Conference</u> concur with <u>Executive</u> .			
16. Dort Highway Expansion	Gross	\$0	\$0
[General Fund/General Purpose]	GF/GP	\$0	\$0
<u>Senate</u> included \$100 placeholder for this project.			
<u>Conference</u> does not include.			
17. Economics	Gross	N/A	(\$1,548,700)
Budget reflects net cost reduction of \$1.5 million Gross (\$0 GF/GP) for IDG		N/A	(8,400)
negotiated salary and wage amounts (2.0% base increase), insurance rate		N/A	(1,540,300)
increases, reductions in actuarially-determined retirement rates, and other economic adjustments.			

Major Boilerplate Changes From FY 2014-15

Sec. 204. Report on Program-Specific Metrics - MODIFIED

Conference includes new standard language regarding metrics for new or expanded programs

Sec. 205. Notification of Changes in Federal Rules - NEW

Conference report includes new language requiring notification of changes in federal rules that impact the department or require amendment of state laws.

Sec. 303. Report on Money Received by County Road Commissions/Cities& Villages - DELETED

Conference report deletes current reporting requirement – information is available on department website.

Sec. 308. Report on Prequalification Program – RETAINED

Conference retains report requiring report on the department's prequalification process, including unsatisfactory contractor performance rating.

Sec. 312. Workgroup on Transportation Coordination between Departments – DELETED

This section had required the department and the departments of Community Health, Human Services, Corrections, Treasury/Michigan Strategic Fund, along with one member of both the House and Senate to form a work group to study consolidation of transportation services. The one-time report, due March 1, 2015, is currently on the department website.

Major Boilerplate Changes From FY 2014-15

Sec. 315. Priority Roads Project Report – NOT INCLUDED

House bill had required a report, due November 1, 2015, on projects funded in full or in part through the priority roads investment program. Not included in Conference report.

Sec. 376. Prohibition on Studies of Highway Signs and Motorist Behavior – NEW

Senate had included a prohibition on the department from studying the association between highway signs and motorist behavior. Conference report concurs with the Senate.

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

Requires the department to use the E-Verify system to verify legal status of contractor and subcontractor new hires. Provides reporting requirement.

Sec. 382. Finalize Local Agency Cost Sharing Agreements – RETAINED

Requires the department to submit final bill to the local agency within two years of final payment to construction contractor. In his signing letter dated June 13, 2013, the Governor indicates that this boilerplate section "is considered enforceable to the extent that it does not alter or amend Act 51 of 1951 requiring local cost sharing."

Sec. 383. Report on Use of State Airfleet – MODIFIED

Requires quarterly report on use of MDOT-owned aircraft; recovery of department costs. No change from current year other than date reference and deletion of "purpose of travel" requirement – department does not have access to purpose of travel information for other state agencies.

Sec. 384. Detroit River International Crossing (DRIC) – RETAINED

Restricts the department's ability to obligate the state to expend state transportation revenue on the project, referenced by the Executive as the *New International Trade Crossing* (NITC). The current year budget states that "an expenditure for staff resources used in connection with project activities, which expenditure is subject to full and prompt reimbursement from Canada, shall not be considered an expenditure of state transportation resources." Conference retains without change.

Sec. 385. Detroit River International Crossing (DRIC) – RETAINED

Provides reporting requirements. Conference retains without change.

Sec. 394. Priority of Preservation – RETAINED

Directs the department and local road agencies to make preservation of the existing infrastructure a funding priority.

Sec. 401. Federal Aid Distribution Report – DELETED

Requires department to notify local agencies, Legislature, and state budget director on proposed distribution of federal funds between state and local units. Department indicates there is no longer a single announcement of federal aid.

Sec. 601. Road Construction Warranties – MODIFIED

Conference adopts new directives and reporting requirements with respect to warranty program.

Sec. 605. Outcomes and Performance Measures for Maintenance – NOT INCLUDED

Executive budget included section which requires the department to identify outcomes and performance measures for proposed \$10.0 million increase in baseline funding for state trunkline maintenance. The Conference report does not include increase in maintenance funding or related boilerplate section.

Sec. 660. Use of Alternative Materials – RETAINED

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

Sec. 712. Rail Passenger Feasibility Study – DELETED

Current year language directed the department to study feasibility of rail passenger service between Holland and Detroit, by way of Grand Rapids and Lansing; provides for report due date of May 1, 2015. This appears to be a one-time report.

Sec. 713. Commuter Rail Report – NEW

House bill included a directive that the department to report on status of commuter rail demonstration projects on or before November 1, 2015, including on the disposition of rail cars leased by the department. Conference concurs with House.

Sec. 741. Transit Buses - Safety Standard Report – DELETED

Current Year budget directs the department to study need, feasibility, and costs of increasing safety standard of transit buses; rollover test standard; provides for report due date of December 1, 2014. This is a one-time report and is currently on the department's website.

Sec. 902. Report on Airport Improvement Projects – DELETED

Conference deletes a current reporting requirement. Information is available from the department website.

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

Indicates that the GF/GP appropriation for state trunkline road and bridge construction shall be used to ensure that the state is able to match all available federal-aid highway funds.

Major Boilerplate Changes From FY 2014-15

Sec. 1002. State and Local Road and Bridge Programs – MODIFIED

Includes language directing use of GF/GP appropriation to STF, County road commissions, and cities/villages in accordance with Act 51 formula.

Sec. 1003. Bus Capital/Rail Infrastructure – RETAINED

Retains reporting requirement on use of GF/GP appropriation for transit capital and rail infrastructure.

Sec. 1005. Regional Transit Authority – DELETED

Current year budget includes section description of \$1.1 million appropriation to the RTA. [The proposed FY 2015-16 budget does not include this one-time line item.]

Sec. 1006. Detroit/Windsor Rail Tunnel – MODIFIED

Current year boilerplate included appropriation of \$10.0 million to the department to help facilitate the construction of a new rail tunnel under the Detroit River between Detroit and Windsor Ontario. Conference retains reporting requirement.

Sec. 1007. Detroit Greenways Coalition Grant – NOT INCLUDED

Senate had included boilerplate appropriation for this project. Conference does not include.

Sec. 1009. Dort Highway Expansion – NOT INCLUDED

Senate had included boilerplate appropriation for this project. Conference does not include.

