



Budget Briefing: Transportation

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Briefing Topics

- Funding Sources
- Appropriations Areas
- Major Budget Topics
 - Transportation Revenue
 - Transportation Program Areas

Michigan's Transportation Budget

Michigan's **Transportation** budget supports:

- **State and local road and bridge** programs
 - Construction and preservation of the state trunkline highway system
 - Funding for local road systems (83 road commissions and 531 cities and villages)
- **Public transportation** programs:
 - Capital and operating assistance to 81 public transit agencies
 - Capital and operating assistance for rail passenger service in Michigan
- **Aeronautics** programs
 - Capital assistance to local airports through the federal Airport Improvement Program
- **Administration** of the Michigan Department of Transportation (MDOT)

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2019-20 is October 1, 2019 through September 30, 2020.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

Line Item: Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

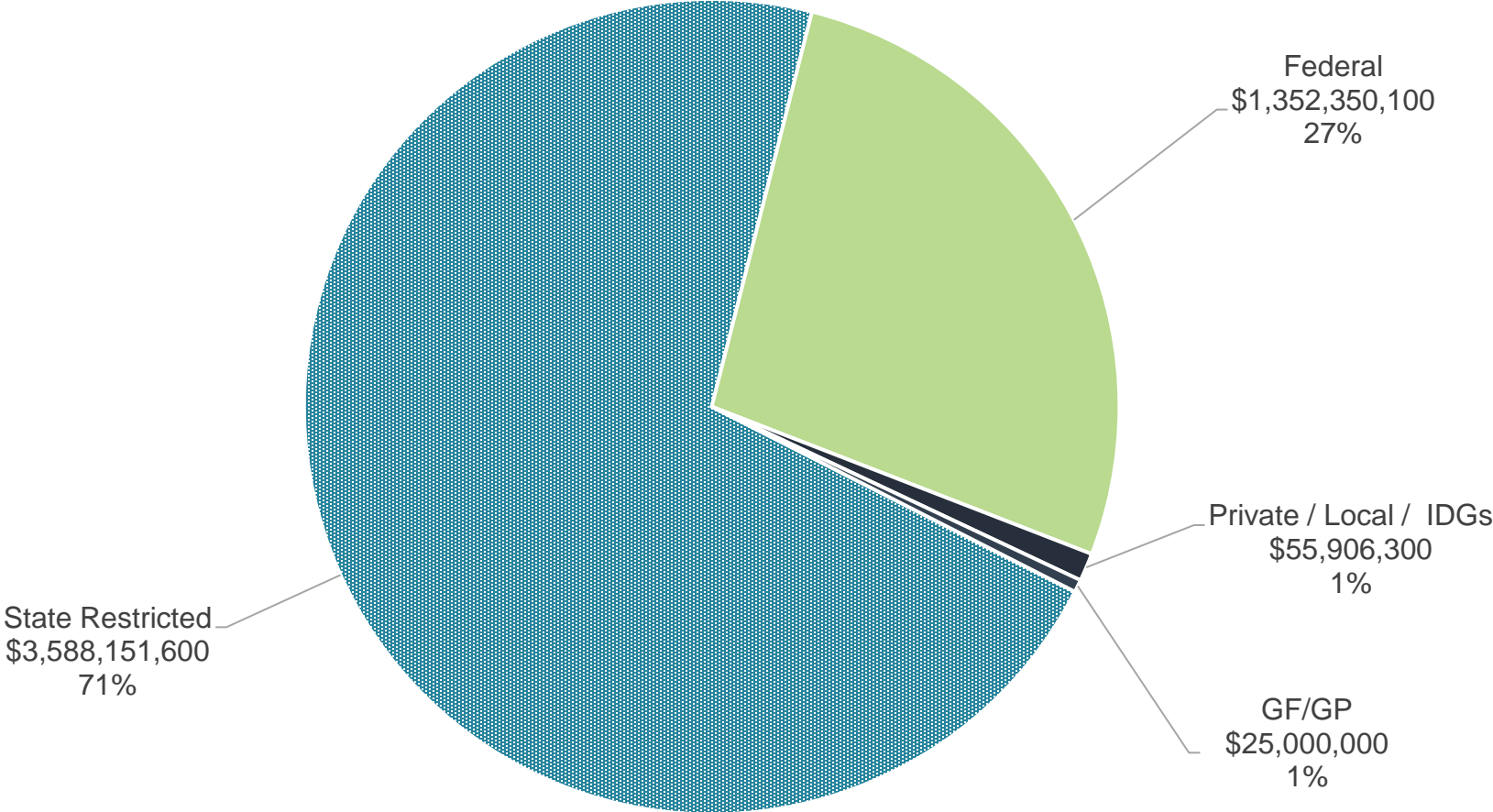
Funding Sources

FY 2019-20 Transportation Budget

Fund Source	Funding	Description
Gross Appropriations	\$5,021,408,000	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	3,974,300	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$5,017,433,700	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,352,350,100	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	51,032,000	Revenue received from local units of government for state services
Private Revenue	900,000	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	3,588,151,600	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$25,000,000	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

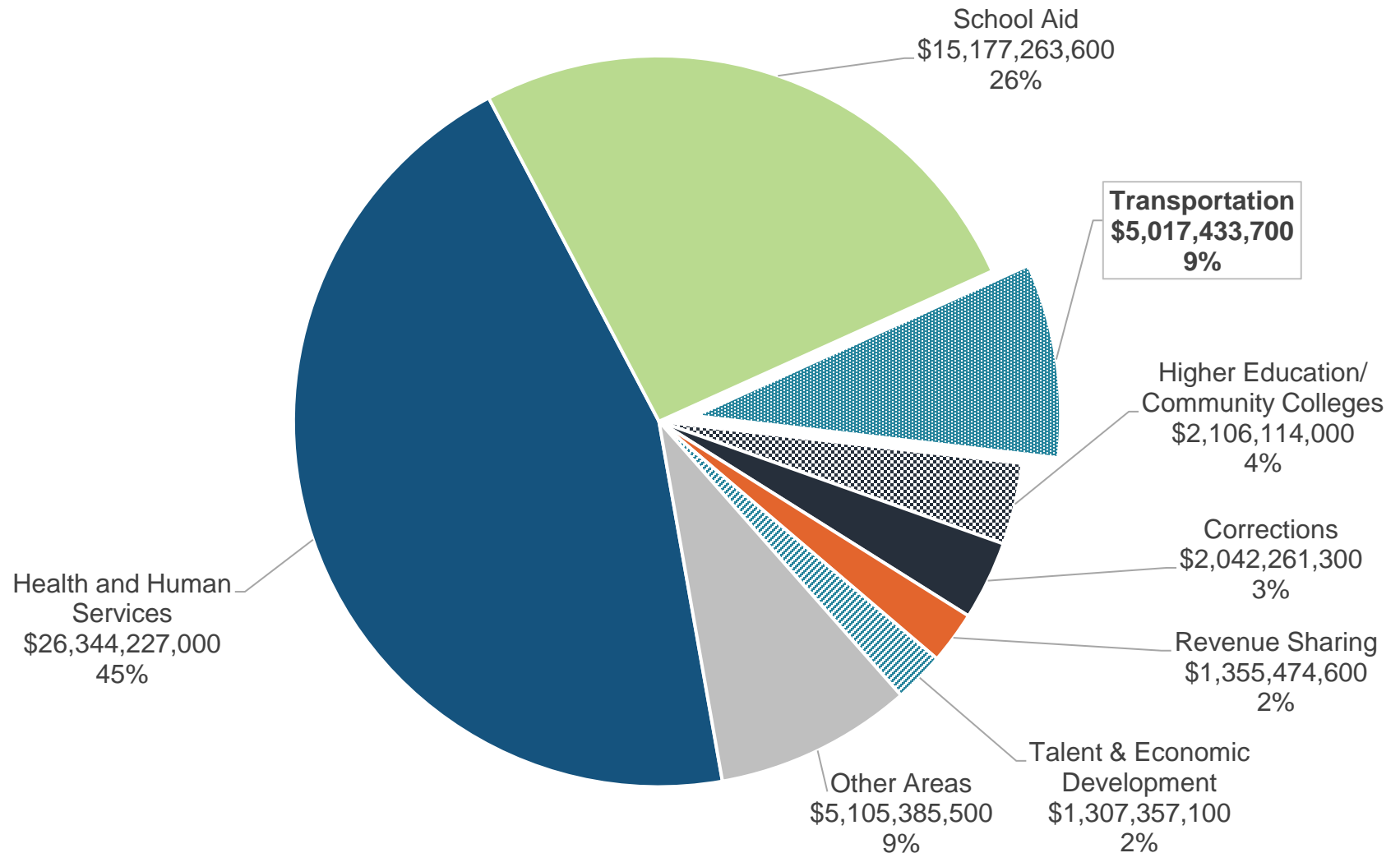
FY 2019-20 Fund Sources

State restricted revenue – primarily from motor fuel and vehicle registration taxes – and federal aid, represent the largest fund sources in the state transportation budget . The FY 2019-20 budget also includes **\$25.0 million GF/GP**.



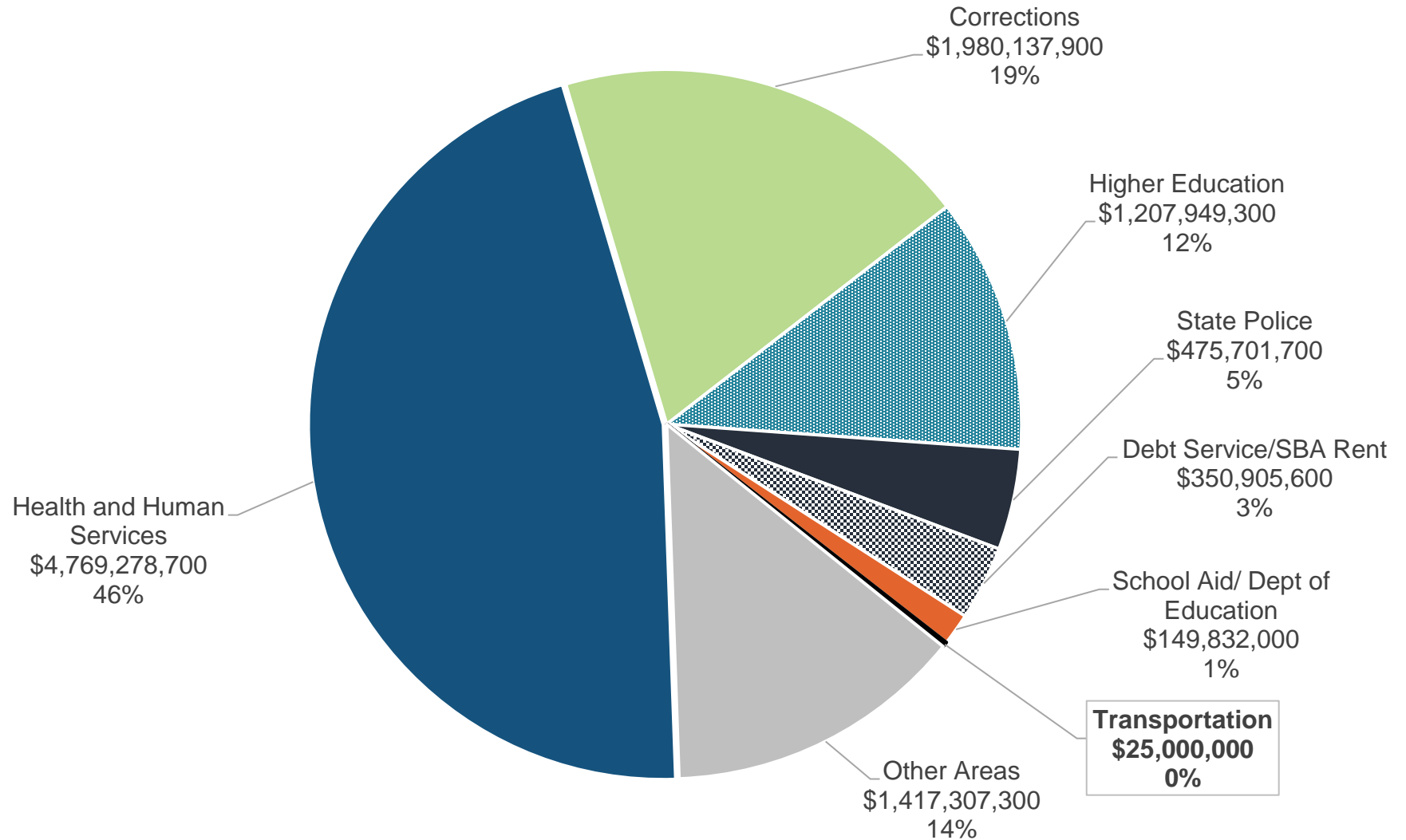
Transportation Share of Total State Budget

The Transportation budget represents approximately 9% of the **\$58.5 billion** state budget (adjusted gross) for FY 2019-20.



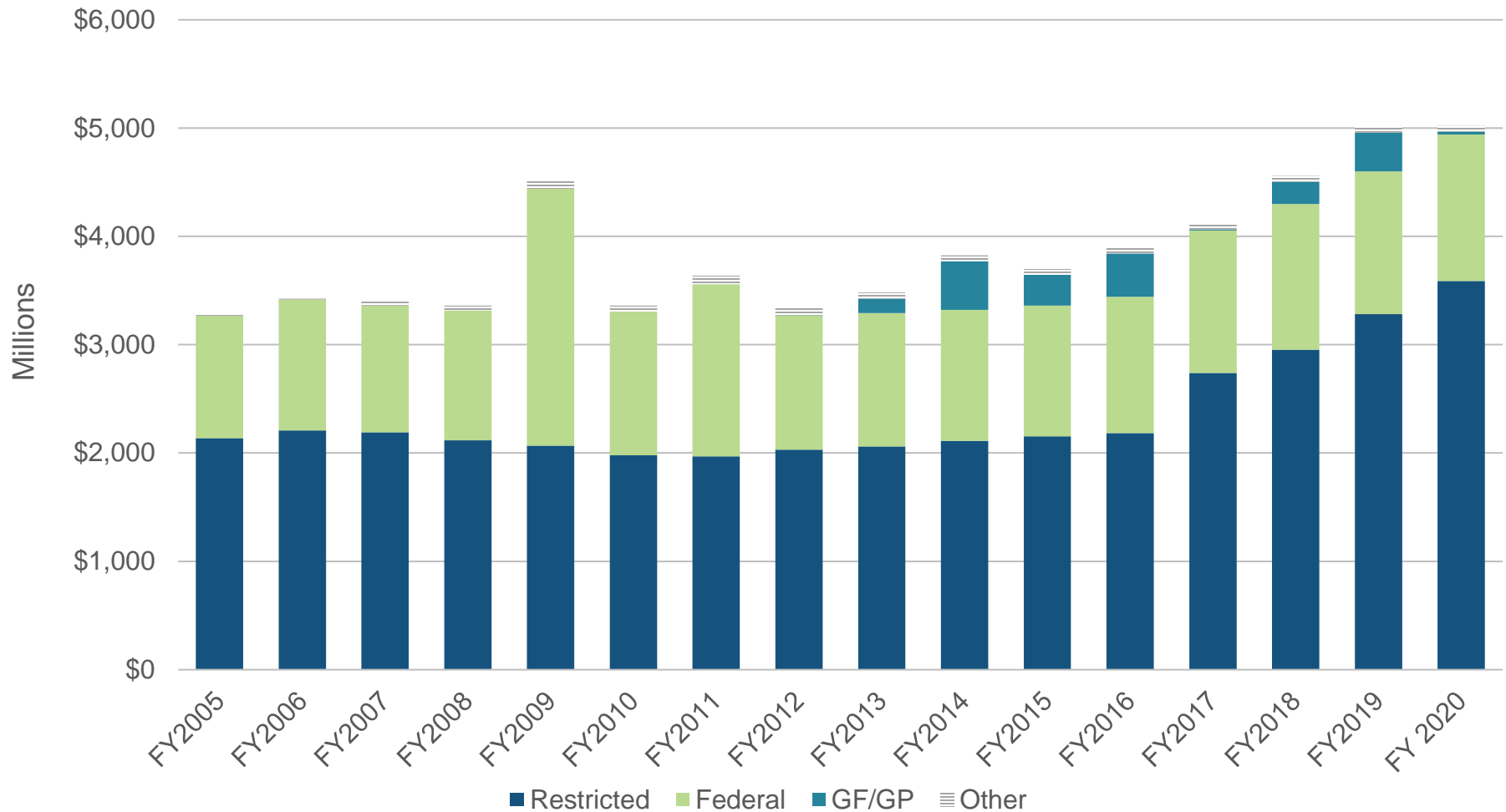
Transportation Share of Total GF/GP Budget

The FY 2019-20 Transportation budget includes **\$25.0 million GF/GP** – less than **1%** of the state's total **\$10.4 billion GF/GP** budget.



Transportation Appropriations

Increases in state restricted funds beginning in FY 2016-17 reflect the November 2015 Road Funding Package. Between FY 2012-13 and FY 2018-19, GF/GP became a significant fund source in this budget.



Note: The FY 2008-09 increase reflects additional funds made available to Michigan through the federal "Stimulus" program.

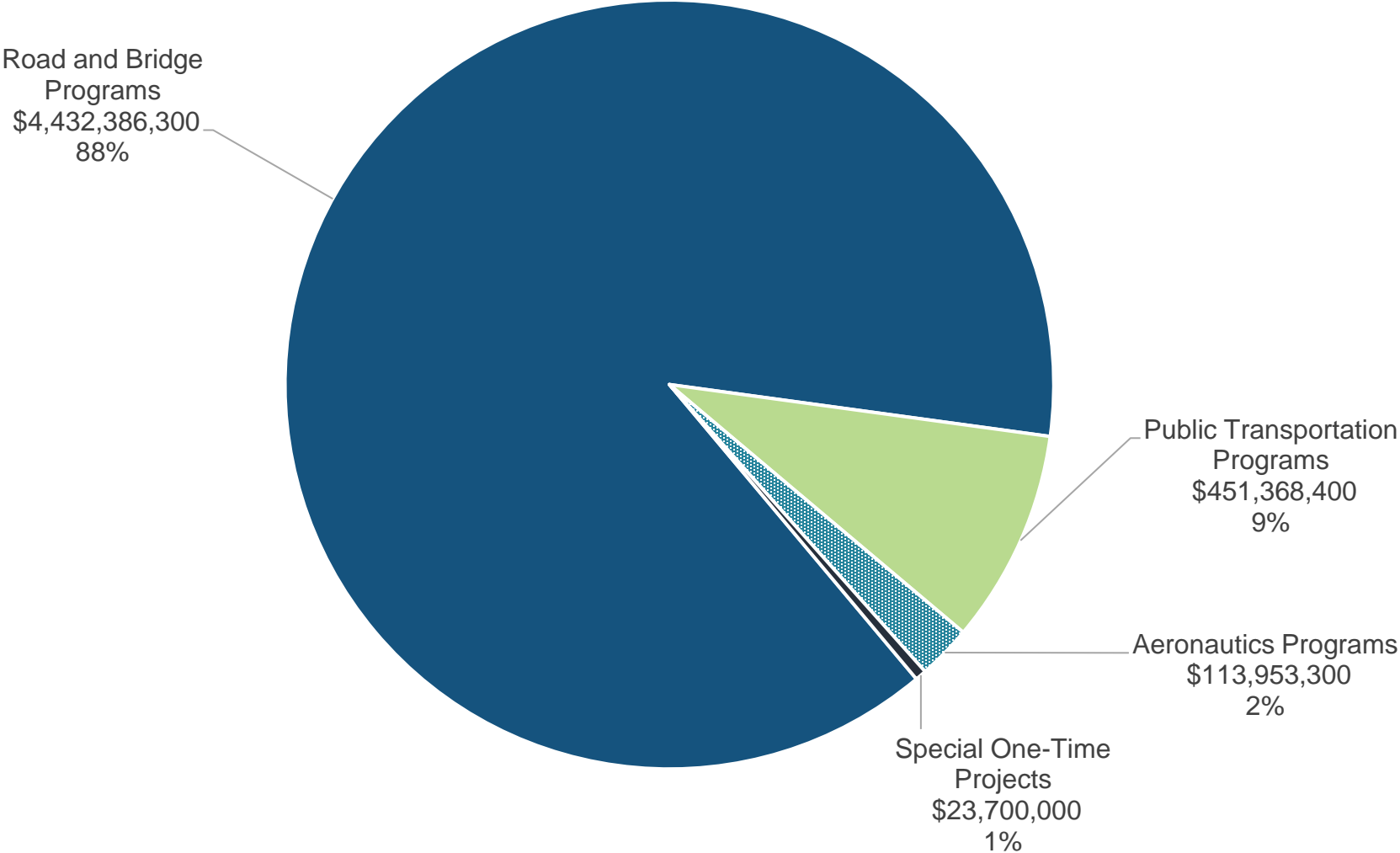
Appropriation Areas

Transportation Appropriation Areas

- State and local road and bridge programs
- Public transportation programs:
- Aeronautics programs

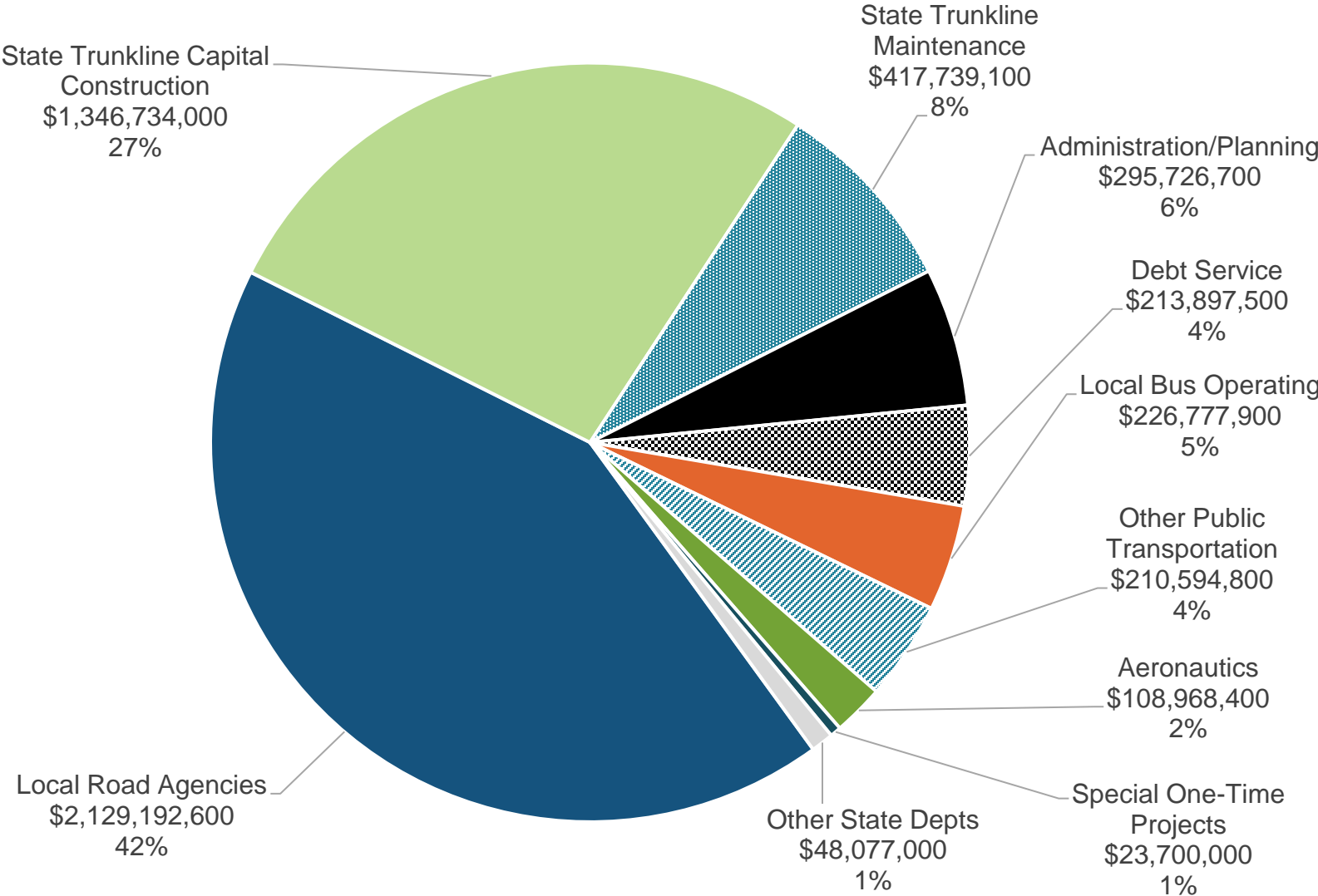
FY 2019-20 Gross Appropriations

There are three major program areas in the **\$5.0 billion** Transportation budget: **Road and bridge programs** – including funds distributed to local road agencies – represent approximately 88% of the budget; **public transportation** programs 9%; and **aeronautics** programs 2%. Special One-Time Projects represent 1% of the budget.



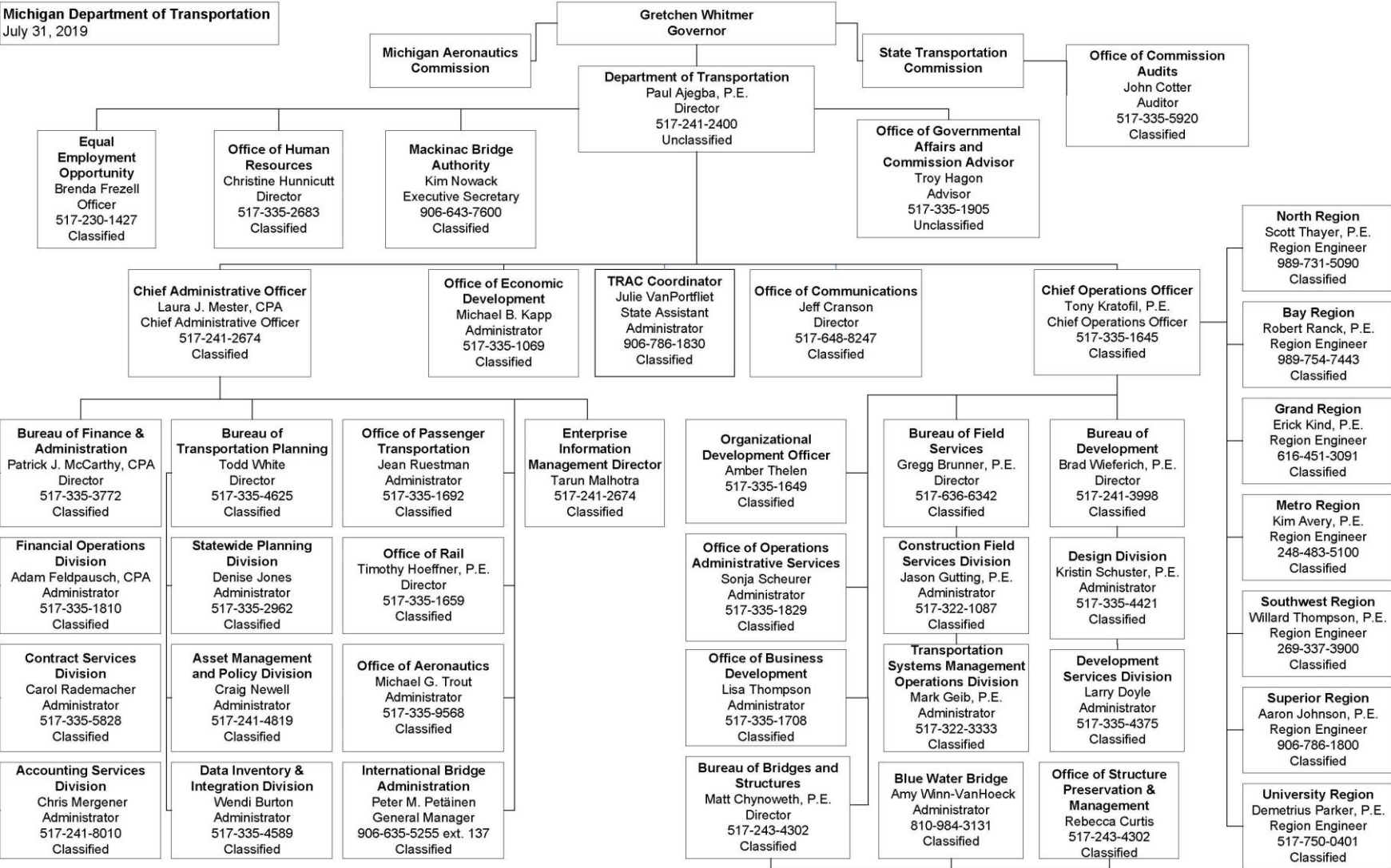
FY 2019-20 Appropriation Detail

Over 40% of the Transportation budget is distributed or made available to local road agencies. Note that MDOT administration and planning, debt service, and services provided by other state departments are all related to the three major program areas.



Major Budget Topics

MDOT Organizational Chart

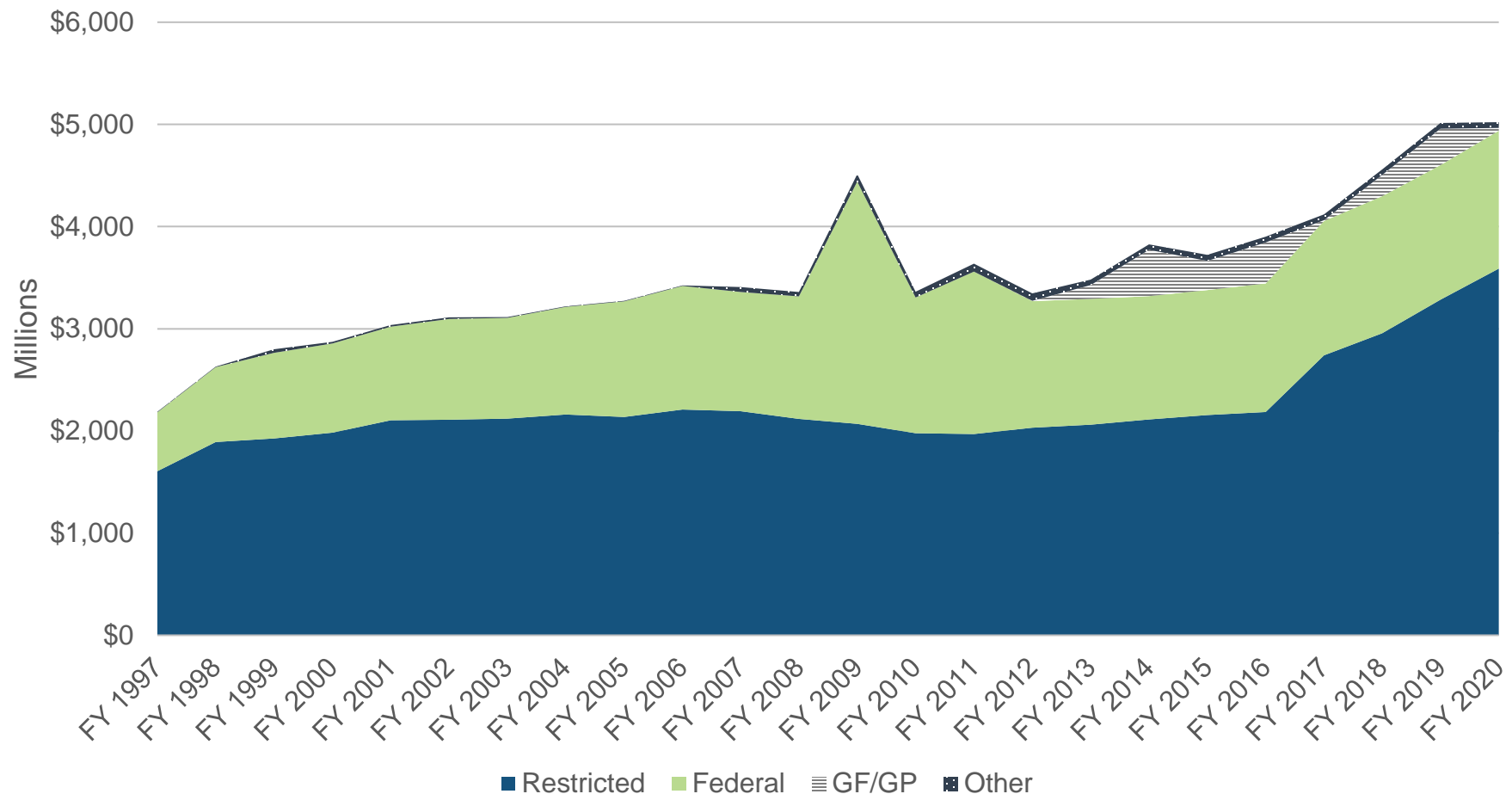


Transportation Revenue

Transportation Gross Appropriations

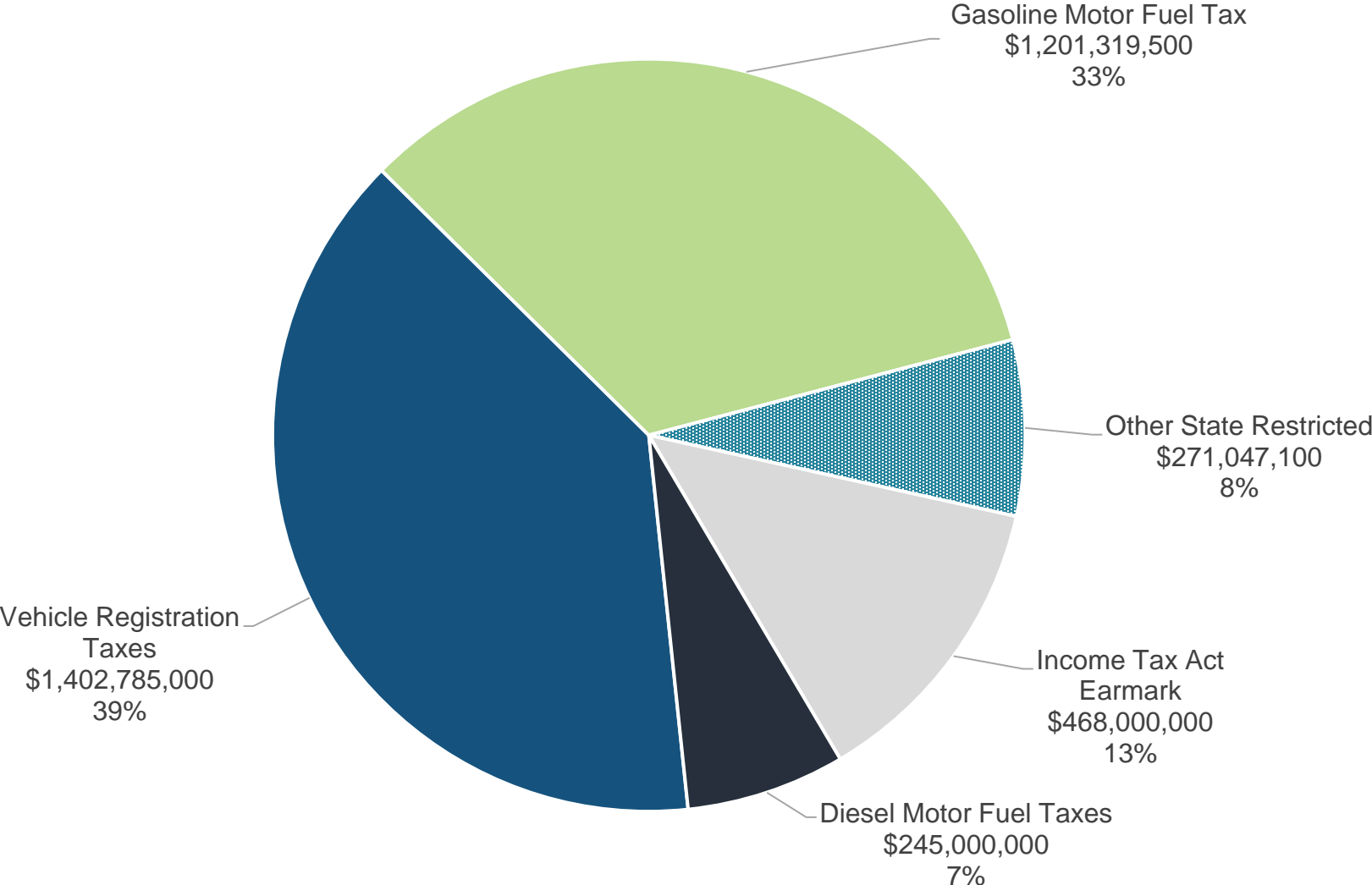
FY 1996-97- 2019-20

Excluding temporary federal “Stimulus” funds in FY 2008-09, transportation appropriations were relatively flat from FY 1997-98 through FY 2015-16. Increases beginning in FY 2016-17 reflect the impact of November 2015 Road Funding Package.



FY 2019-20 State Restricted Revenue

FY 2019-20 appropriated state restricted revenue totals \$3.6 billion; Vehicle registration taxes are the largest tax source, followed by Motor Fuel taxes on gasoline and diesel. Includes \$468.0 million from Income Tax revenue.



Transportation - State Restricted Revenue

State restricted revenue in Transportation budget comes primarily from motor fuel and vehicle registration taxes – taxes that are **constitutionally dedicated** for transportation. These taxes are credited to the **Michigan Transportation Fund (MTF)** and distributed according to the provisions of Public Act 51.

- **Motor Fuel Taxes**

- The Motor Fuel Tax Act establishes a per-gallon tax on both gasoline and diesel motor fuel of **26.3 cents** per gallon.

- **Vehicle Registration Taxes**

- Various taxes on car, truck, and trailer registrations established in the Michigan Vehicle Code.

- **Income Tax Earmark**

- Earmark for state and local road and bridge established in the Income Tax Act totals **\$468.0 million** in FY 2019-20.

Transportation - Federal Revenue

- **Federal funds** are made available to states through multi-year federal authorizing legislation; the current federal aid surface transportation program is Fixing America's Surface Transportation Act - the *FAST Act*.
 - Federal motor fuel taxes dedicated to the federal Highway Trust Fund include the 18.4 cent per gallon federal gasoline tax
 - Federal-aid available to the state is determined by federal law – there is nothing that state government can do to increase federal revenue to the state
 - Federal funds are available for both state trunkline programs and local federal aid road projects
 - *FAST Act* surface transportation funds also provide capital grants to local public transit agencies and rail passenger programs
 - Separate federal authorizing legislation provides funding for federal Airport Improvement Programs.

Transportation - GF/GP Revenue

- Prior to FY 1996-97 GF/GP had rarely been used in the state transportation budget. Recent uses of GF/GP include the following:
- FY 1996-97, \$69.0 million for state and local road and bridge programs as part of Build Michigan II.
- Over three fiscal years (FY 1999-2000 to FY 2001-02), \$170.0 million as part of the Build Michigan III bond program.
- Over eight fiscal years (FY 2011-12 through FY 2018-19) Transportation appropriations included a total of **\$1.8 billion** in direct and indirect GF/GP.
 - Of the \$1.8 billion in GF/GP appropriations, \$1.4 billion was distributed state and local road and bridge programs, with the balance for transit, rail, or aeronautics capital projects or for special designated projects.
- The FY 2019-20 Transportation budget includes **\$25.0 million** in direct GF/GP appropriations.

Transportation - Other Revenue

- In addition to state restricted, federal revenue, and GF/GP, the Transportation budget includes **\$55.9 million** in **other revenue sources** (Local, Private, IDGs). Local revenue is the largest of these other sources.
 - Appropriated local revenue totals **\$51.9 million**
 - Appropriated local revenue recognizes the local cost share of local federal aid projects, the local share required on certain state trunkline projects, and local matching funds for federally funded transit capital and aeronautics capital projects
 - The appropriation of local revenue in the state transportation budget allows MDOT to expend local funds for the local cost share of projects.

Note: Local units of government also raise additional *local* revenue for *local* transportation programs – from county or township road millages, from city street millages, from transit millages, and from local agency general fund contributions for road and bridge or public transportation programs. This local revenue is not included in the state transportation budget.

Transportation Program Areas

Road and Bridge Programs

- **\$4.4 billion (88%)** of the FY 2019-20 Transportation budget is appropriated for **state and local road and bridge** programs:
 - **\$2.3 billion** for state trunkline programs administered by MDOT
 - **\$2.1 billion** for local road agencies (county road commissions, cities, and villages)
- MDOT has jurisdiction over state trunkline highways, including interstate highways – generally the busiest roads and streets with statewide purpose
- Local road agencies have jurisdiction over county roads and municipal streets.
- Road and bridge program funds are distributed according to Public Act 51 of 1951 (Act 51)

Miles by Jurisdiction

	<u>Route Miles</u>		<u>Vehicle Miles Traveled</u>	
	<u>Miles</u>	<u>% of Total</u>	<u>Annual</u>	<u>% of Total</u>
State Trunklines	9,664	8.02%	54.2 billion	52.99%
County Roads	89,597	74.37%	32.1 billion	31.37%
City/Village Streets	21,211	17.61%	16.0 billion	15.64%
TOTAL	120,472	100.00%	102.3 billion	100.00%

Source: 2018 data from MDOT Bureau of Transportation Planning, Asset Management Division

Michigan Bridges by Jurisdiction

	<u>Structures</u>		<u>Deck Area*</u>		<u>Average Daily Traffic **</u>	
State Trunklines	4,487	40.4%	4,619,000	73.5%	81.5	82.6%
County Roads	5,772	52.0%	1,222,800	19.5%	12.0	12.1%
City and Village	840	7.6%	442,900	7.0%	5.2	5.3%
TOTAL	11,099	100.0%	6,284,700	100.0%	98.7	100.0%

* Deck area is in square meters. ** ADT is in million vehicles per day.

Source: MDOT Bridge Operation Unit, National Bridge Inventory data as of February, 2017.

Public Transportation Programs

- **\$451.4 million (9%)** of FY 2019-20 Transportation budget is appropriated for **public transportation** programs including:
 - Capital and operating assistance to 81 local public transit agencies
 - Capital and operating assistance for Amtrak rail passenger service to Michigan
 - Other targeted public transportation programs (Detroit/Wayne County Port Authority, rail freight and transportation to work, specialized services for elderly and persons with disabilities)
- The appropriation of Transportation revenue to public transportation programs is largely governed by Public Act 51 of 1951

Aeronautics Programs

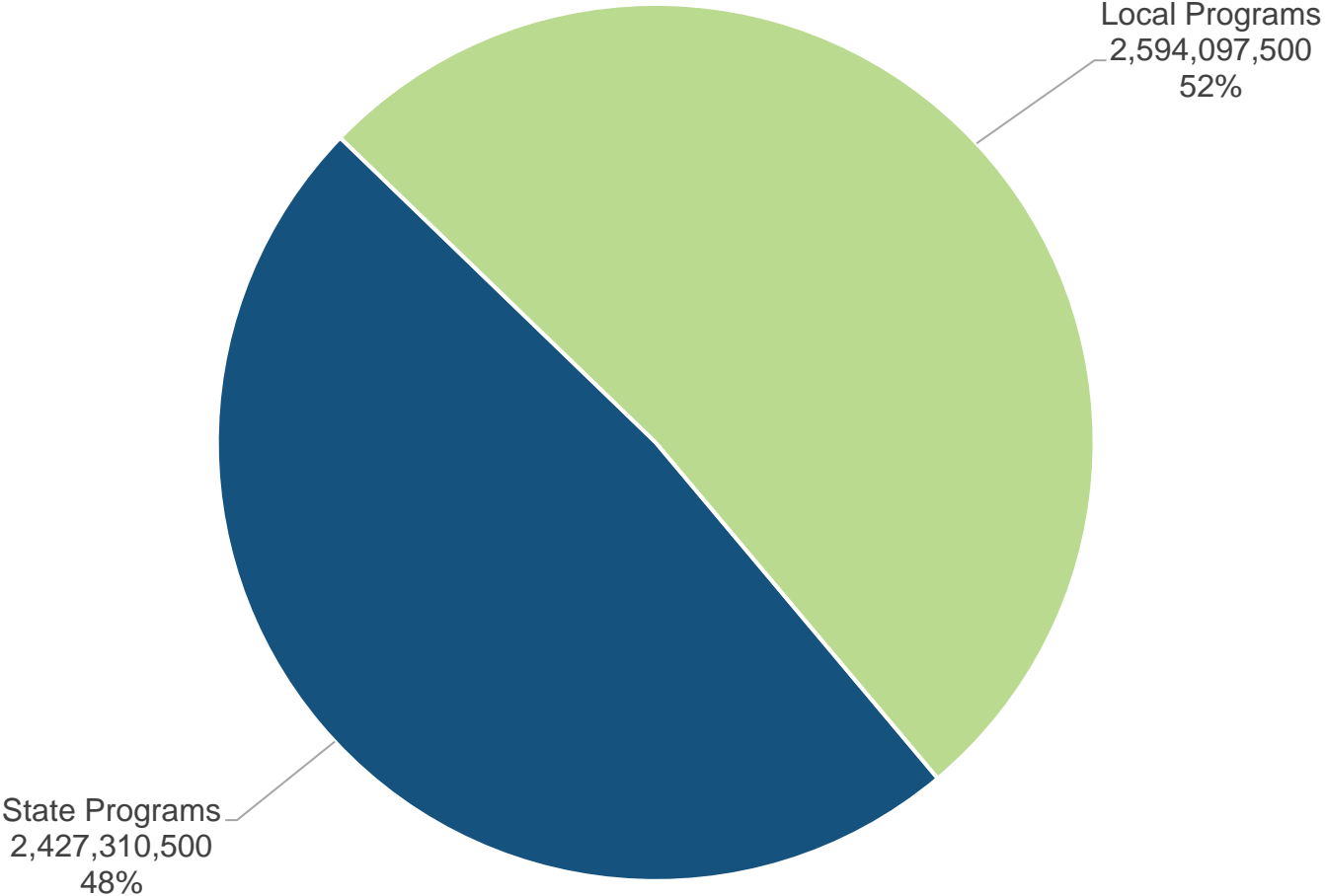
- **\$114.0 million (2%)** of FY 2019-20 Transportation budget appropriated for **aeronautics** programs including \$95.5 million for the federal Airport Improvement Program
 - **Airport Improvement Program** supports capital improvements at locally owned public airports
 - Aeronautics programs are governed by the **State Aeronautics Code**

Special One-Time Projects

- FY 2019-20 Transportation budget includes **\$23.7 million Gross (\$12.0 million GF/GP)** for special designated projects:
 - **Carbide Docks**, \$1.0 million CTF related to one element of a federal Army Corps of Engineers project to construct a new large-capacity lock at the Soo Locks.
 - **Rail Grade Separation Project**, \$22.7 million Gross (\$12.0 million GF/GP), for a specific rail grade crossing project in Woodhaven, Michigan.

FY 2019-20 State/Local Programs

Approximately half of the **\$5.0 billion** Transportation budget is appropriated for local agency programs including funds distributed or made available to local road agencies, local public transit agencies, or locally owned public airports.

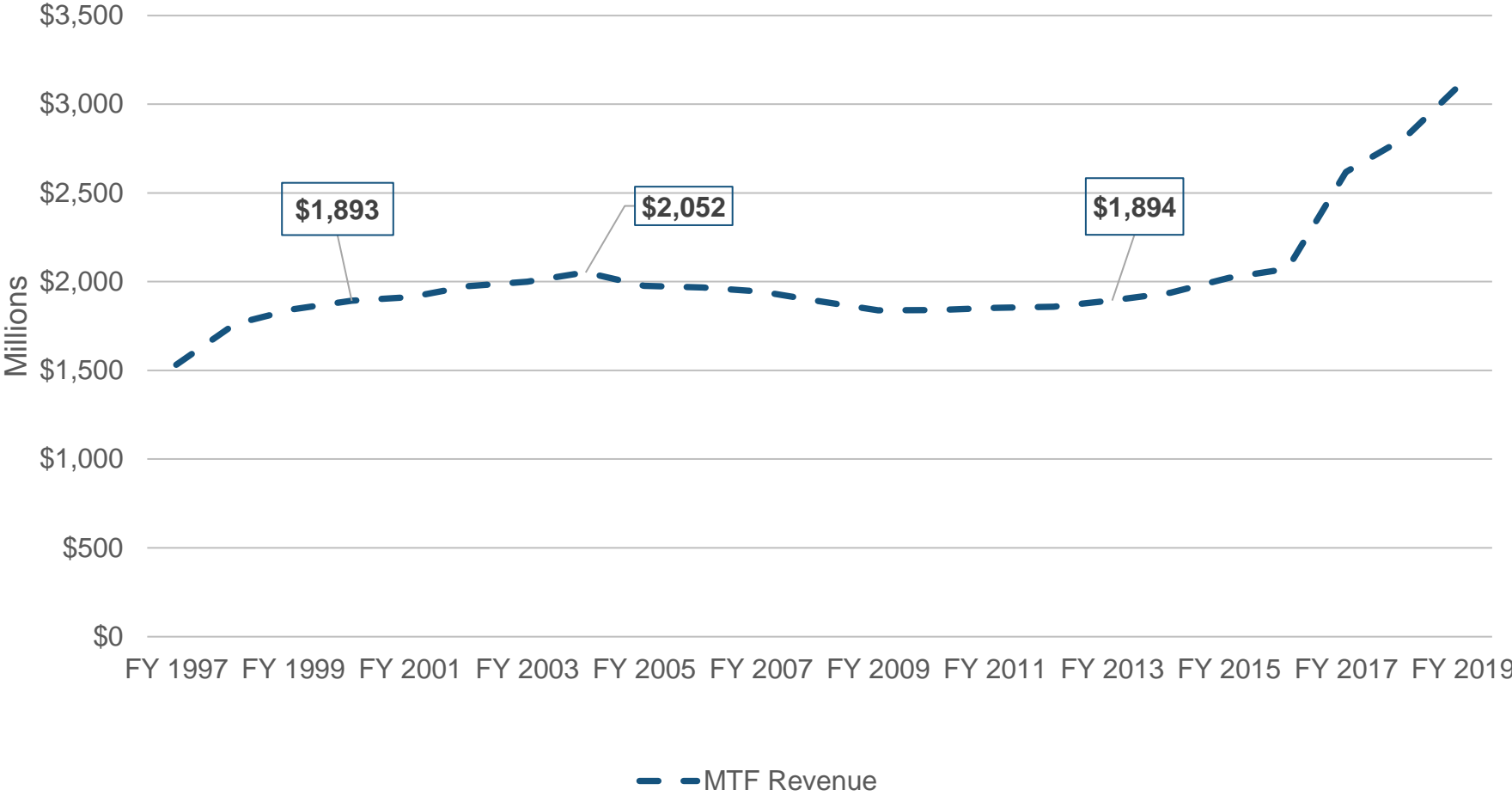


Michigan Transportation Fund (MTF) Revenue/Distribution

- The MTF is the main collection and distribution fund for state restricted transportation revenue.
- MTF revenue available for highway and public transportation programs was generally flat from FY 1999-2000 through FY 2015-16.
- Prior to passage of the Road Funding Package in November 2015, the last time there had been a significant increase in dedicated state transportation revenue was August 1997 after the Legislature passed increases in the state motor fuel tax on gasoline and in commercial truck registration taxes.
- MTF revenue peaked in FY 2003-04.
- MTF revenue and distribution in FY 2012-13 was almost identical to MTF revenue and distribution in FY 1999-2000.
- MTF revenue began to increase in FY 2016-17 after the January 2017 implementation of the November 2015 Road Funding Package.

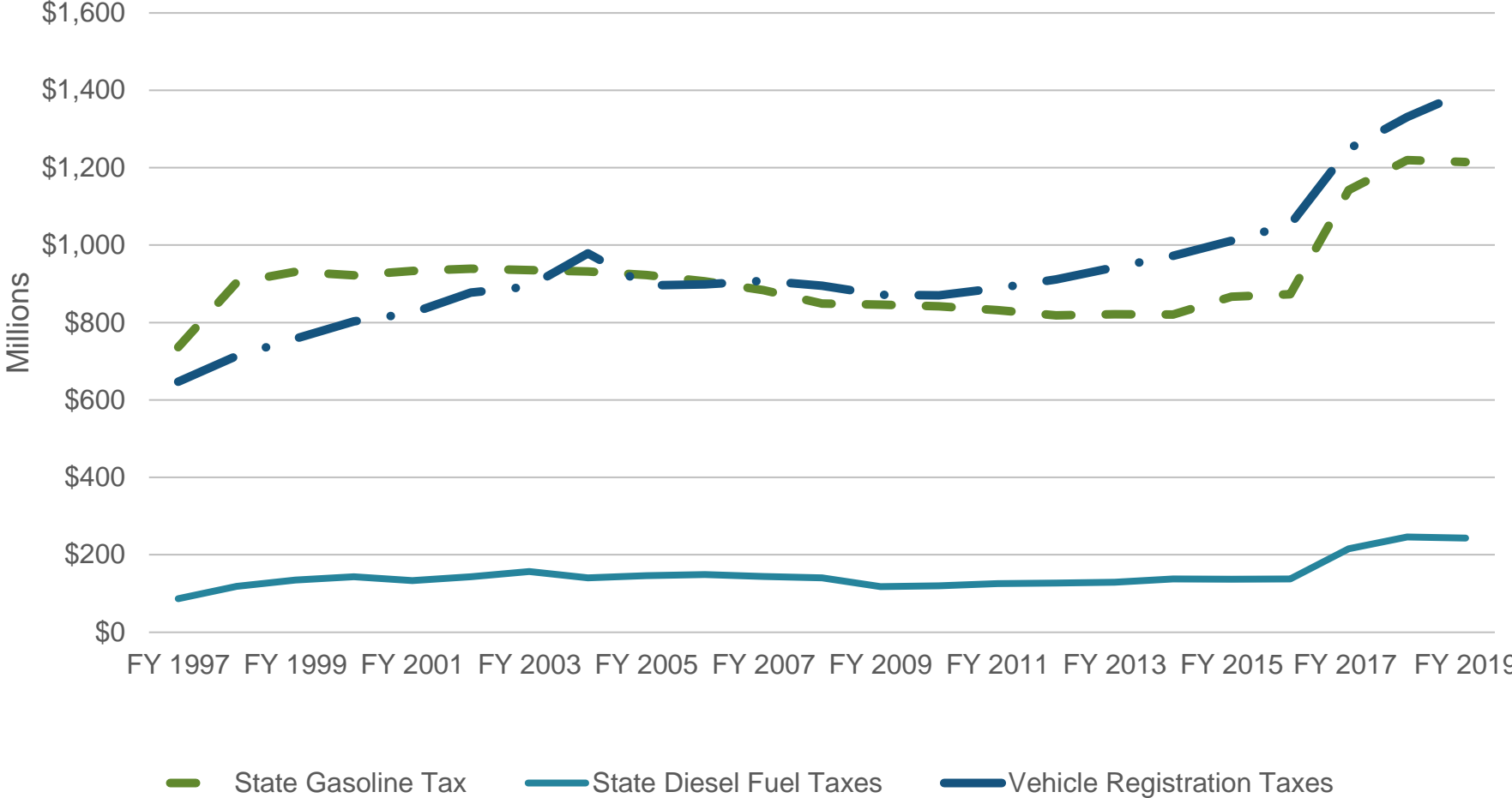
MTF Revenue History

Except for a one-time spike in FY 2003-04, MTF revenue was relatively flat from FY 1998-99 through FY 2015-16. The increase beginning in FY 2016-17 reflects the impact of the November 2015 Road Funding Package, effective January 1, 2017.



MTF Revenue Fund Source History

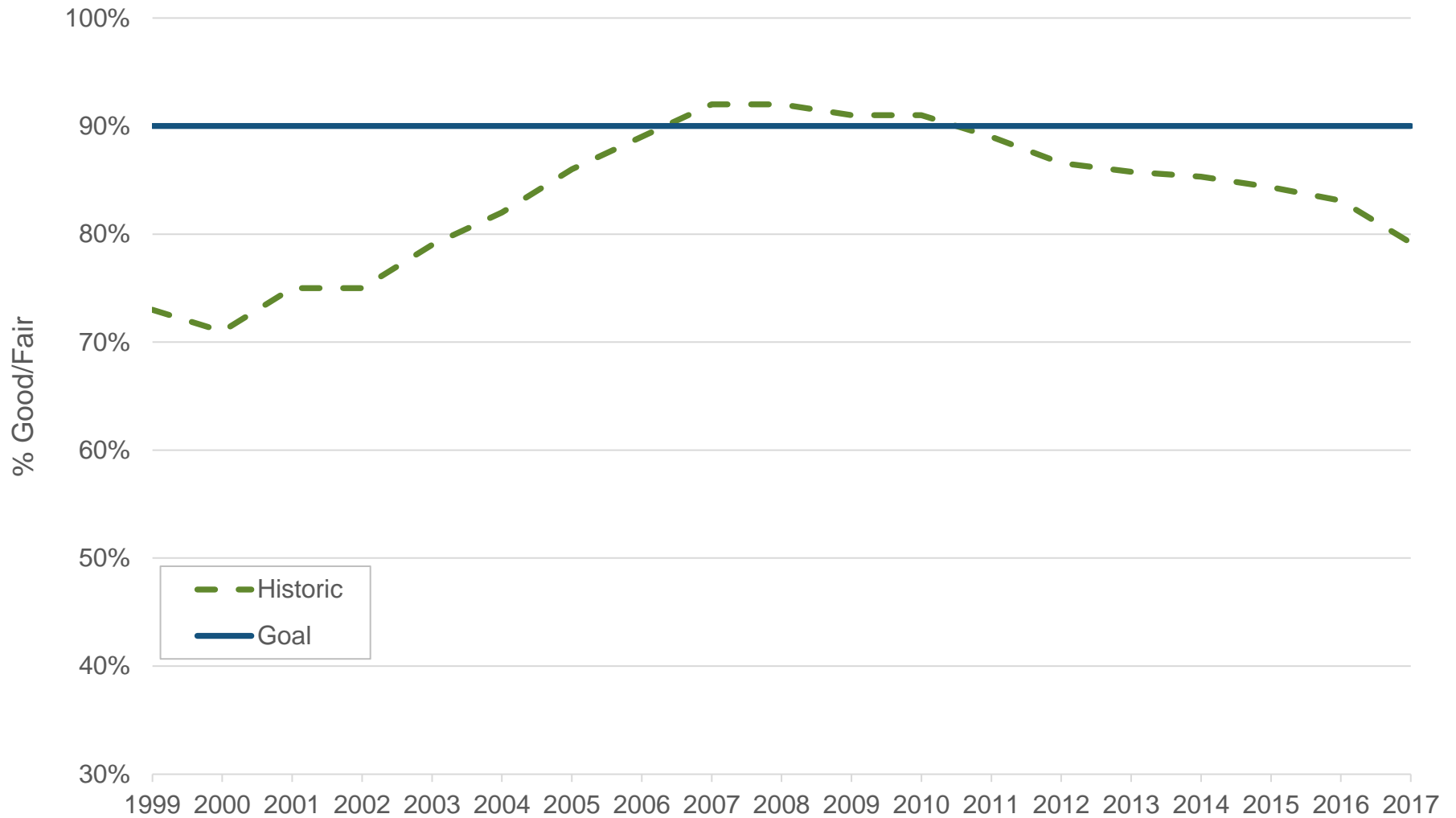
Vehicle registration taxes are the largest source of MTF revenue, followed by the motor fuel tax on gasoline. The increases beginning in FY 2016-17 reflect the impact of the November 2015 Road Funding Package, effective January 1, 2017.



Pavement Condition/Revenue

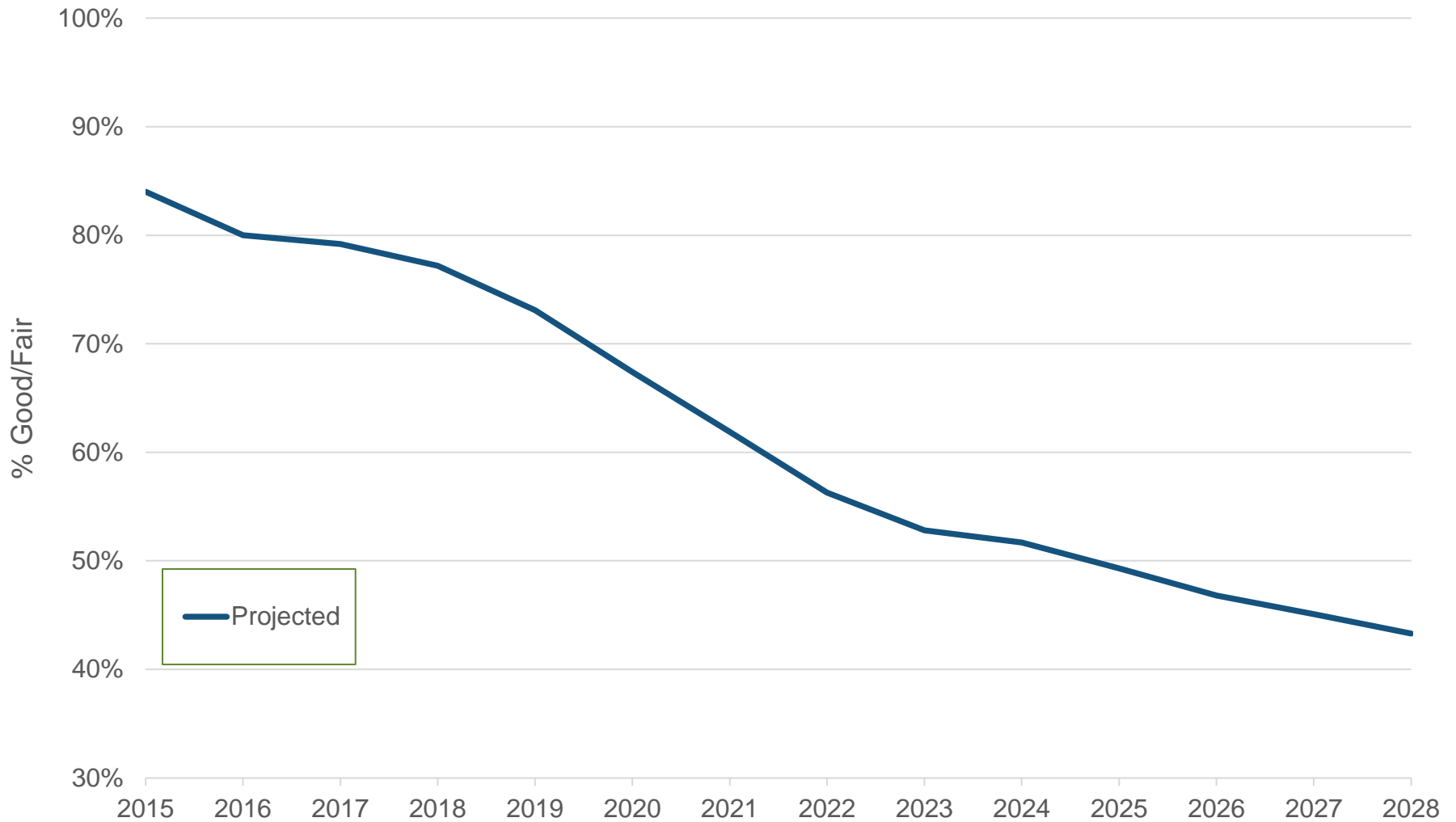
- In 1997, the State Transportation Commission established state trunkline pavement performance goals of 85% of non-freeway pavement and 95% of freeway pavement in “good” condition by 2007.
- In 1998, the State Transportation Commission established state trunkline bridge performance goals of 85% of non-freeway bridges and 95% of freeway bridges in “good” condition by 2008.
- MDOT met these pavement performance goals in 2007 but did not have sufficient revenue to sustain the performance goals.
- In 2015, MDOT estimated it would need additional annual funding of \$1.0 billion each year to reach and sustain state trunkline pavement performance goals, and \$110.0 million per year to sustain bridge performance goals.
- Estimated revenue shortfall is exclusive of other program needs such as capacity, safety, and economic development.
- Local road agencies experienced similar revenue constraints and pavement condition deterioration.

State Trunkline Combined Freeway/Non-Freeway Historic RSL Pavement Condition



Source: Michigan Department of Transportation, Bureau of Planning
August 2018

State Trunkline Combined Freeway/Non-Freeway Projected RSL Pavement Condition



Source: Michigan Department of Transportation, Bureau of Planning
August 2018

Road Funding Package

- In November, 2015, the Legislature passed a 7-bill package, including bills to increase motor fuel and vehicle registration taxes effective January 1, 2017.
- **This generated \$464.5 million** in additional MTF revenue in the first fiscal year of implementation (partial FY 2016-17)
- The annual increase in MTF revenue from the motor fuel and registration tax increases is approximately **\$640.0 million**.
- The Road Funding Package also included a redirection of certain income tax revenue to state and local road and bridge programs beginning in the 2018-19 fiscal year. Specifically:
 - \$264.0 million in FY 2018-19
 - \$468.0 million in FY 2019-20
 - \$600.0 million in FY 2020-21 and each fiscal year thereafter.
- Once fully implemented in FY 2020-21, the Road Funding Package is expected to generate approximately **\$1.2 billion** in additional revenue for transportation programs: \$640 million in new revenue from increases in motor fuel and vehicle registration taxes, and \$600 million from the redirection of Income Tax revenue.

For more information about the Transportation budget:

HFA Resources

<http://www.house.mi.gov/hfa/Transportation.asp>

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