

**Summary: Appropriations Committee Substitute**  
**TRANSPORTATION**  
**FY 2004-05 House Bill 5528 (H-1)**



**3/24/04**

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*Difference: House  
Committee Rec.  
from FY 2003-04 YTD*

	<b>FY 2003-04 YTD (as of 2/12/04)</b>	<b>Executive</b>	<b>House Substitute</b>	<b>Senate</b>	<b>Enacted</b>	<b>Amount</b>	<b>%</b>
<b>IDG/IDT</b>	\$0	\$0	\$0			\$0	0.0
<b>Federal</b>	941,755,100	1,132,701,200	1,132,701,200			190,946,100	20.3
<b>Local</b>	5,800,000	5,800,000	5,800,000			0	0.0
<b>Private</b>	0	0	0			0	0.0
<b>Restricted</b>	2,160,263,600	2,153,986,400	2,156,493,900			(3,769,700)	(0.0)
<b>GF/GP</b>	0	0	0			0	0.0
<b>Gross</b>	<b>\$3,107,818,700</b>	<b>\$3,292,487,600</b>	<b>\$3,294,995,100</b>			<b>\$187,176,400</b>	<b>5.9%</b>
<b>FTEs</b>	3,056.3	3,050.3	2,924.3			(132.0)	(4.3)%

**Overview**

The \$3.1 billion state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation. Funding is provided from state-restricted, federal, and local revenue. There is no state GF/GP revenue in this budget.

Approximately two-thirds of the state transportation budget – over \$2.0 billion - comes from Constitutionally-restricted revenue sources, primarily motor fuel taxes and vehicle registration fees. These revenues are credited to the Michigan Transportation Fund (MTF) for subsequent distribution to other state transportation funds and programs, and to local road agencies. Proposed FY 2004-05 appropriations from state restricted revenue are based on January 14, 2004 revenue estimates. Note that the current year budget is based on March 2003 revenue estimates and does not reflect additional MTF revenue anticipated from PA 152 of 2003 (SB 554).

Approximately one-third of the budget – over \$1.1 billion – comes from federal revenue sources. The amounts shown in the proposed FY 2004-05 budget are based on the department's best estimate of available federal revenues. At this time Congress has not yet passed a long-term reauthorization of the federal aid transportation program – the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21). TEA-21 was originally set to expire on September 30, 2003, and has been extended on a short-term basis. The amount of federal support for Michigan transportation programs will depend on the provisions of the enacted reauthorization bill.

**Summary of FY 2004-05 Major Budget Issues**

***Asset Management Council***

The H-1 substitute reduces the line by 20%, from \$1,626,400 to \$1,301,200. The \$325,200 reduction is redistributed to the State Trunkline Fund, county road commissions, and cities & villages in accordance with Act 51 formula.

***Design and Engineering Services***

The *Program services* line item supports department's design engineering functions. Executive recommended increasing the line from \$30.0 million in the current year, to \$35.6 million for FY 2004-05, with 721.7 FTE positions. The H-1 substitute would reduce the line to \$100, with a 595.7 FTE positions, 126.0 less than the Executive. The substitute would redistribute the balance of the line to new line item, *Contract design services* (see related boilerplate Section 362).

***Local Critical Bridge Program***

The Committee substitute concurs in the Executive's recommendation to increase funding for the local Critical Bridge Program by \$25.6 million – from a redirection of one-half cent of the state's 19-cent per gallon gasoline excise tax.

***Transportation Economic Development***

The substitute appropriates an additional \$2.5 million (MTF) for the Category F program (improvements to roads/streets in cities in rural counties). Brings total for line item to \$5.0 million.

***Local Bus Operating Assistance/CTF Revenue***

The substitute concurs with the Executive's recommendation to maintain Comprehensive Transportation Fund (CTF) operating support for local transit programs at the current-year level of \$161.7 million.

<b><u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u></b>		<b>FY 2003-04 YTD (as of 2/12/04)</b>	<b>House Sub. Change</b>
<b>1. Debt Service</b>	<b>Gross</b>	<b>\$132,062,300</b>	<b>\$35,687,800</b>
Debt service would increase to \$167.7 million - reflecting anticipated debt service schedules. Of this, approximately \$21.6 million represents debt service on a proposed 2004 bond issue for state trunkline projects.	Federal	24,000,000	20,000,000
	Restricted	108,062,300	15,687,800
<b>2. Michigan Transportation Fund (MTF) Grants to Other State Departments (IDGs)</b>	<b>Gross</b>	<b>\$27,765,900</b>	<b>\$1,235,400</b>
Committee concurs with Executive and recommends \$29.0 million in MTF grants to other state departments, including \$20.0 million to the Department of State, and \$7.8 million to the Department of Treasury, for the costs of collecting MTF revenue. Appropriation reflects provisions of PA 152 of 2003 (SB 554) and PA 151 of 2003 (SB 539).	Restricted	27,765,900	1,235,400
<b>3. Asset Management Council</b>	<b>Gross</b>	<b>\$1,626,400</b>	<b>(\$325,200)</b>
Executive had recommended \$1.6 million – the same as the current year. The H-1 substitute reduces the appropriation by 20% to \$1,301,200. The \$325,200 reduction was redistributed to state trunkline fund, county road commissions, and cities & villages in accordance with Act 51 formula.	Restricted	1,626,400	(325,200)
<b>4. Design and Engineering Services – Program Services</b>	<b>FTEs</b>	<b>634.0</b>	<b>(38.3)</b>
The <i>Program services</i> line item supports department's design engineering functions. Executive had recommended an increase the line from \$30.0 million in the current year, to \$35.6 million for FY 2004-05, with 721.7 FTE positions. Committee substitute would reduce the line to \$100, with 595.7 FTE positions, 126.0 less than the Executive recommendation. Subcommittee would redistribute the balance of the line to new line item, <i>Contract design services</i> (see below).	<b>Gross</b>	<b>\$29,998,000</b>	<b>(\$29,997,900)</b>
	Restricted	29,998,000	(29,997,900)
<b>5. Design and Engineering Services – Contract Design Services</b>	<b>Gross</b>	<b>\$0</b>	<b>\$35,623,600</b>
As noted above, the Committee reduced the <i>Program services</i> line item, and redistributed the balance of the line to new line item, <i>Contract design services</i> . (See related boilerplate Section 362.)	Restricted	0	35,623,600
<b>6. Highway Maintenance</b>	<b>FTEs</b>	<b>692.6</b>	<b>125.0</b>
Committee concurs with the Executive and recommends \$253.7 million for state trunkline maintenance, an increase of 8.4%. Part of this increase reflects the transfer of 74.0 positions, and \$7.7 million, from the Bureau of Highways appropriations unit. Also reflect costs of additional state trunkline lane miles (added through new construction and jurisdictional transfers) and road maintenance material costs. The substitute does not concur in the proposed roll up of the \$135.3 million <i>Contract operations</i> line item into a single <i>State trunkline operations</i> line.	<b>Gross</b>	<b>\$234,028,600</b>	<b>\$19,697,500</b>
	Restricted	234,028,600	19,697,500
<b>7. State Trunkline Road and Bridge Construction</b>	<b>Gross</b>	<b>\$953,665,100</b>	<b>\$44,470,100</b>
Funding for construction and reconstruction of state trunkline roads and bridges would total \$988.0 million. The proposed budget anticipates additional federal aid. The budget also reflects a decrease in estimated State Trunkline Fund revenue.	Federal	631,600,000	115,343,100
	Local	5,000,000	0
	Restricted	317,065,100	(70,873,000)
<b>8. Critical Bridge Program</b>	<b>Gross</b>	<b>\$5,750,000</b>	<b>\$25,579,000</b>
Committee concurs with Executive and recommends \$31.3 million for this program – a five-fold increase. The increase would come from proposed redirection of one-half of the one-cent of the gasoline excise tax currently earmarked for state trunkline bridges.	Restricted	5,750,000	25,579,000
<b>9. MTF Distribution to Local Road Agencies</b>	<b>Gross</b>	<b>\$992,971,200</b>	<b>(\$4,612,400)</b>
Appropriates \$988.4 million—\$634.6 million to county road commissions and \$353.8 million to cities and villages, based on February 2004 MTF revenue estimates. Act 51 provides a formula distribution of funds from the MTF to county road commissions, cities and villages. Actual MTF distributions will be based on actual MTF revenue.	Restricted	992,971,200	(4,612,400)

<b><u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u></b>		<b>FY 2003-04 YTD (as of 2/12/04)</b>	<b>House Sub. Change</b>
<b>10. Transportation Economic Development</b>	<b>Gross</b>	<b>\$39,972,400</b>	<b>\$2,500,000</b>
Committee recommends an additional \$2.5 million MTF for the Category F program (cities in rural counties), and retains \$40,000 earmark for truck inspection stations, in Category "F" (Forest Roads).	Restricted	39,972,400	2,500,000
<b>11. Aeronautics Programs</b>	<b>Gross</b>	<b>\$6,518,900</b>	<b>\$1,681,900</b>
Appropriation reflects increased estimates of State Aeronautics Fund revenue.	Restricted	6,518,900	1,681,900
<b>12. Public Transportation and Freight Services</b>	FTEs	85.0	0.0
Committee concurs with the Executive and recommends \$8.1 million with 85.0 authorized FTE positions for unit identified as " <i>Bureau of Urban and Public Transportation</i> " in the current-year budget.	<b>Gross</b>	<b>\$6,650,000</b>	<b>\$1,414,700</b>
	Restricted	6,650,000	1,414,700
<b>13. Bus Transit - Local Bus Operating Assistance</b>	<b>Gross</b>	<b>\$161,680,000</b>	<b>\$0</b>
Maintains state operating assistance for the state's 77 public transit agencies at the current-year level of \$161.7 million (CTF).	Restricted	161,680,000	0
<b>14. Bus Transit - Non-Urban Operating/Capital</b>	<b>Gross</b>	<b>\$10,900,000</b>	<b>\$3,700,000</b>
Provides federal funds (from Federal Transit Act, Section 5311) to transit systems in "non-urbanized" areas (populations less than 50,000). Anticipates federal revenue increase.	Federal	10,700,000	3,700,000
	Local	200,000	0
<b>15. Specialized Services</b>	<b>Gross</b>	<b>\$3,939,500</b>	<b>\$4,600,000</b>
Supports transit services to the elderly and persons with disabilities. Maintains state support at \$3.9 million (CTF); also recognizes \$4.6 million from proposed new federal program.	Federal	0	4,600,000
	Restricted	3,939,500	0
<b>16. Bus Capital</b>	<b>Gross</b>	<b>\$53,049,500</b>	<b>(\$14,374,100)</b>
Committee concurs with the Executive to reduce line to \$38.7 million. The reduction in CTF funding made to bring total CTF appropriations in balance with estimated CTF revenue. The department anticipates using 2002 CTF bond proceeds to match available federal funds.	Federal	38,000,000	(8,000,000)
	Restricted	14,549,500	(6,374,100)
	Local	500,000	0
<b>17. Transportation to Work</b>	<b>Gross</b>	<b>\$6,000,000</b>	<b>\$4,300,000</b>
Maintains current year CTF support (" <i>Work first initiative</i> " in the current-year budget); anticipates \$4.3 million additional federal funding.	Federal	1,000,000	4,300,000
	Restricted	5,000,000	0
<b>18. Economics</b>	<b>Gross</b>	<b>N/A</b>	<b>\$33,936,600</b>
Reflects \$33.9 million in anticipated cost increases, including \$11.5 million in salary and wage increases, \$19.7 million for retirement contributions, and \$3.3 million for other employee insurances. Increases partially offset by reductions in workers compensation (\$135,000) and building occupancy charges (\$501,300).	Restricted	N/A	33,936,600
<b>19. Employee savings</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$8,684,000)</b>
Committee/Executive anticipate budgetary savings of \$8.7 million.	Restricted	N/A	(8,684,000)

## **Major Boilerplate Changes from FY 2003-04:**

### ***Sec. 201. State Spending – MODIFIES***

Committee/Executive reflect Part 1 spending.

### ***Sec. 202. Management & Budget Act – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 203. Definitions – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 204. Civil Service Billing – MODIFIES***

Committee adopts Executive language (technical change).

### ***Sec. 205. Hiring Freeze – RETAINED***

Committee retains current year language.

### ***Sec. 206. Contingency Funds – NEW***

Committee concurs with Executive to restore use of “boilerplate contingency” funds - \$200.0 million federal, \$40.0 million state, and \$1.0 million each local and private.

### ***Sec. 207. Privatization – RETAINED***

Committee retains current year language.

### ***Sec. 208. Internet Reports – MODIFIES***

Committee adopts Executive language (eliminates quarterly reports).

### ***Sec. 209. Foreign Goods & Services – RETAINED***

Committee retains current year language directing the department to give priority to purchase of Michigan goods and services.

### ***Sec. 210. Deprived & Depressed Communities – RETAINED***

Committee retains current year language.

### ***Sec. 211. Receive and Retain Reports – RETAINED***

Committee retains current year language.

### ***Secs. 259 and 260. Information Technology – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 301. Permit Fees/ Bridge Tolls – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 303. Legislative report – RETAINED***

Committee retains current year language requiring report on spending by district.

### ***Sec. 304. Confidentiality of Bid Documents – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 305. Lease of Space in Public Passenger Properties – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 306. Audit of Transportation Funds – MODIFIES***

Committee adopts Executive change to biennial audit.

### ***Sec. 307. Rolling 5-Year Plan – MODIFIES***

Committee makes minor modification to current year language, retains February 1 reporting date.

### ***Sec. 308. Contract Compliance Required – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 309. Reduce Administrative Costs – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 310. State Transportation Commission Agenda – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 311. Local Advance Construct Projects – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 312. State Trunkline Fund Carry-forward – MODIFIES***

Committee adopts Executive language (technical change).

### ***Sec. 313. State Infrastructure Bank – – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 314. Internal Audit Report – MODIFIES***

Committee changes report date to February 1.

## **Major Boilerplate Changes from FY 2003-04:**

### ***Sec. 319. Signs at Rest Areas – RETAINED***

Committee retains current year language requiring signs identifying agency or contractor responsible for cleaning.

### ***Sec. 324. Construction Traffic Zone Enforcement – RETAINED***

Committee retains current year language earmarking \$500,000 for “Give ‘em a break campaign.”

### ***Sec. 334. MBE/WBE Program – NEW***

Committee requires department to continue program, reporting requirement.

### ***Sec. 353. Prompt Payment – RETAINED***

Committee retains current year language.

### ***Sec. 357. 120 Day Target for Local Project Review – RETAINED***

Committee retains current year language.

### ***Sec. 361. Bureau of Multi-modal Transportation Services - MODIFIES***

Committee adopts Executive language.

### ***Sec. 362. Contract Design Services - NEW***

Committee restricts use of new line item to engineering consulting firms, indicates legislative intent.

### ***Sec. 363. Log Truck Safety Study – RETAINED***

Committee retains current year language.

### ***Sec. 401. Federal Aid – Distribution Report – RETAINED***

Committee retains current year language.

### ***Sec. 402. State/Local Federal Aid – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 501. Motor Carrier Act – MODIFIES***

Committee adopts Executive language (technical changes).

### ***Sec. 502. Treasury Audits of Local Road Agencies – RETAINED***

Committee/Executive retain current year language

### ***Sec. 503. TEDF/Critical Bridge Fund Carry-Forward – RETAINED***

Committee/Executive retain current year language

### ***Sec. 504. Use of MTF Report (other state agencies )– MODIFIES***

Committee adopts Executive language to include “unreimbursed costs.” Does not include Executive-proposed new subsection (4) authorization for additional billings from other departments.

### ***Sec. 506. Prohibition on Stumpage Charges to County Road Commissions – RETAINED***

Committee retains current year language.

### ***Sec. 601. Construction Warranties – MODIFIES***

Committee adopts Executive language (technical changes).

### ***Sec. 602. Manufactured Pipe Standards – RETAINED***

Committee/Executive retain current year language.

### ***Sec. 603. Congestion as Criteria for 5-Year Plan – MODIFIES***

Committee retains current year language (updates date reference).

### ***Sec. 607. Unsafe Pedestrian Crossings – RETAINED***

Committee retains current year language.

### ***Sec. 608. Truck Inspection Stations – MODIFIES***

Committee retains current year language (updates date reference).

### ***Sec. 610. Dead Deer Removal – RETAINED***

Committee retains current year language.

### ***Sec. 611. Pavement Marking – MODIFIES***

Committee retains current year language (updates date reference).

### ***Sec. 612. Incentive/Disincentive Contracts - MODIFIES***

Committee retains current year language (updates date reference).

### ***Sec. 617. Pickford Interchange Earmark – RETAINED***

Committee restores language vetoed from current year budget bill.

### ***Sec. 621. Traffic Light at Bay Harbor (Emmet County) Earmark – RETAINED***

House restores language vetoed from current year budget bill.

### ***Sec. 622. Caledonia Township (M-37) Improvements (NEW)***

Committee adds language directing the department to proceed with project construction.

### ***Sec. 701. Intercity Bus Equipment Fund – MODIFIES***

Committee adopts Executive language (technical changes).

## **Major Boilerplate Changes from FY 2003-04:**

***Sec. 702. Rail Preservation Fund – MODIFIES***

Committee adopts Executive language (technical changes).

***Sec. 703. Rail Abandonment Notice – RETAINED***

Committee retains current year language.

***Sec. 704. High Speed Rail Report – MODIFIES***

Committee adopts Executive language (technical changes).

***Sec. 705. Rail Infrastructure Loan Program – RETAINED***

Committee/Executive retain current year language.

***Sec. 706. Detroit/Wayne County Port Authority – MODIFIES***

Committee adopts Executive language (technical changes).

***Sec. 707. Local Bus Operating – MODIFIES***

Committee adopts Executive language (technical changes).

***Sec. 708. Intercity Bus Equipment Program – RETAINED***

Committee/Executive retain current year language.

***Sec. 709. Intercity Bus Essential Corridor – RETAINED***

Committee retains current year language.

***Sec. 710. Intercity Bus /Transit Coordination/Bidding – RETAINED***

Committee/Executive retain current year language.

***Sec. 711. Rail Passenger (AMTRAK) - MODIFIES***

Committee retains current year language with technical changes.

***Sec. 714. State-wide Demand/Response Service – RETAINED***

Committee/Executive retain current year language.

***Sec. 715. Unreserved CTF Fund Balance – MODIFIES***

Committee retains current year language with technical changes.

***Sec. 719. Rail Grade Separation Advances – RETAINED***

Committee/Executive retain current year language.

***Sec. 721. Guidelines for CTF Matching Federal Transit Funds – RETAINED***

Committee/Executive retain current year language.

***Sec. 722. Work First Initiative - Match for Federal Funds – MODIFIES***

Committee adopts Executive language (technical changes).

***Sec. 727. Local Bus Operating – Limitation on RTCC Funding – RETAINED***

Committee retains current year language.

***Sec. 801. State Aeronautics Fund Lapse – MODIFIES***

Committee adopts Executive language (technical changes).

***Sec. 802. Aeronautics Debt Service – RETAINED***

Committee/Executive retain current year language.