

**Summary: House-Passed
TRANSPORTATION
FY 2004-05 House Bill 5528 (as passed the House)**



3/30/04

Analyst: William E. Hamilton

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

	FY 2003-04 YTD (as of 2/12/04)	Executive	House Substitute	Senate	Enacted	Amount	%
IDG/IDT	\$0	\$0	\$0			\$0	0.0
Federal	941,755,100	1,132,701,200	1,132,701,200			190,946,100	20.3
Local	5,800,000	5,800,000	5,800,000			0	0.0
Private	0	0	0			0	0.0
Restricted	2,160,263,600	2,153,986,400	2,156,526,400			(3,737,200)	(0.0)
GF/GP	0	0	0			0	0.0
Gross	\$3,107,818,700	\$3,292,487,600	\$3,295,027,600			\$187,208,900	6.0%
FTEs	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 21st 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

A reduction made in the Committee substitute was not adopted in the House-passed bill. The House concurs with the Executive recommendation and retains current-year funding for this line at \$1,626,400.

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 House reduces the line to \$100, with a 595.7 FTE positions, 126.0 less than the Executive. The House redistributes the balance of the line to new line item, *Contract design services* (see related boilerplate Section 362).

Local Critical Bridge Program

The House 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 House 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 House 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.

Major Budget Changes from FY 2003-04 YTD Appropriations:

**FY 2003-04 YTD
(as of 2/12/04)**

**House
Change**

1. Debt Service 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.	Gross	\$132,062,300	\$35,687,800
	Federal	24,000,000	20,000,000
	Restricted	108,062,300	15,687,800
2. Michigan Transportation Fund (MTF) Grants to Other State Departments (IDGs) The House 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).	Gross	\$27,765,900	\$1,235,400
	Restricted	27,765,900	1,235,400
3. Asset Management Council A reduction made in the Committee substitute was not adopted in the House-passed bill. The House concurs with the Executive recommendation and retains current-year funding for this line at \$1.6 million.	Gross	\$1,626,400	\$0
	Restricted	1,626,400	0
4. Design and Engineering Services – Program Services 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. The House reduces the line to \$100, with 595.7 FTE positions, 126.0 less than the Executive recommendation. The House redistributes the balance of the line to new line item, <i>Contract design services</i> (see below).	FTEs	634.0	(38.3)
	Gross	\$29,998,000	(\$29,997,900)
	Restricted	29,998,000	(29,997,900)
5. Design and Engineering Services – Contract Design Services As noted above, the House 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.)	Gross	\$0	\$35,623,600
	Restricted	0	35,623,600
6. Highway Maintenance The House 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. The line also reflects costs of additional state trunkline lane miles (added through new construction and jurisdictional transfers) and road maintenance material costs. The House 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.	FTEs	692.6	125.0
	Gross	\$234,028,600	\$19,697,500
	Restricted	234,028,600	19,697,500
7. State Trunkline Road and Bridge Construction The House concurs with the Executive recommendation. 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.	Gross	\$953,665,100	\$44,355,900
	Federal	631,600,000	115,343,100
	Local	5,000,000	0
	Restricted	317,065,100	(70,987,000)
8. Critical Bridge Program The House 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.	Gross	\$5,750,000	\$25,579,000
	Restricted	5,750,000	25,579,000
9. MTF Distribution to Local Road Agencies The House concurs with the Executive and appropriates \$988.2 million—\$634.4 million to county road commissions and \$353.7 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.	Gross	\$992,971,200	(\$4,790,600)
	Restricted	992,971,200	(4,790,600)

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	House Change
10. Transportation Economic Development	Gross	\$39,972,400	\$2,500,000
The House 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
11. Aeronautics Programs	Gross	\$6,518,900	\$1,681,900
The House concurs with the Executive recommendation. The appropriation reflects increased estimates of State Aeronautics Fund revenue.	Restricted	6,518,900	1,681,900
12. Public Transportation and Freight Services	FTEs	85.0	0.0
The House 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.	Gross	\$6,650,000	\$1,414,700
	Restricted	6,650,000	1,414,700
13. Bus Transit - Local Bus Operating Assistance	Gross	\$161,680,000	\$0
The House concurs with the Executive and 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
14. Bus Transit - Non-Urban Operating/Capital	Gross	\$10,900,000	\$3,700,000
Provides federal funds (from Federal Transit Act, Section 5311) to transit systems in "non-urbanized" areas (populations less than 50,000). The House concurs with the Executive recommendation. The budget anticipates federal revenue increase.	Federal	10,700,000	3,700,000
	Local	200,000	0
15. Specialized Services	Gross	\$3,939,500	\$4,600,000
Supports transit services to the elderly and persons with disabilities. The House concurs with the Executive and maintains state support at \$3.9 million (CTF); recognizes \$4.6 million from proposed new federal program.	Federal	0	4,600,000
	Restricted	3,939,500	0
16. Bus Capital	Gross	\$53,049,500	(\$14,374,100)
The House concurs with the Executive and reduces 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
17. Transportation to Work	Gross	\$6,000,000	\$4,300,000
The House concurs with the Executive and 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
18. Economics	Gross	N/A	\$33,936,600
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
19. Employee savings	Gross	N/A	(\$8,684,000)
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. 364. US-131 Project Study – NEW

The House indicates that no funds may be expended on Practical Alternative 5, or Practical Alternative 5 modified as identified in the US-131 Improvement Study in St. Joseph County. The Section indicates legislative intent that the department construct a full limited access freeway along the US-131 planning corridor.

Sec. 365. Scrap Tire Pilot Project – NEW

The House directs the department to develop a pilot project using recycled scrap tires.

Sec. 401. Federal Aid – Distribution Report – RETAINED

House retains current year language.

Sec. 402. State/Local Federal Aid – RETAINED

House/Executive retain current year language.

Sec. 501. Motor Carrier Act – MODIFIES

House adopts Executive language (technical changes).

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

House/Executive retain current year language

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

House/Executive retain current year language

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

House 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

House retains current year language.

Sec. 601. Construction Warranties – MODIFIES

House adopts Executive language (technical changes).

Sec. 602. Manufactured Pipe Standards – RETAINED

House/Executive retain current year language.

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

House retains current year language (updates date reference).

Sec. 607. Unsafe Pedestrian Crossings – RETAINED

House retains current year language.

Sec. 608. Truck Inspection Stations – MODIFIES

House retains current year language (updates date reference).

Sec. 610. Dead Deer Removal – RETAINED

House retains current year language.

Sec. 611. Pavement Marking – MODIFIES

House retains current year language (updates date reference).

Sec. 612. Incentive/Disincentive Contracts - MODIFIES

House retains current year language (updates date reference).

Sec. 617. Pickford Interchange Earmark – RETAINED

House restores language vetoed from current year budget bill.

Major Boilerplate Changes from FY 2003-04:

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)
House adds language directing the department to proceed with project construction.

Sec. 701. Intercity Bus Equipment Fund – MODIFIES
House adopts Executive language (technical changes).

Sec. 702. Rail Preservation Fund – MODIFIES
House adopts Executive language (technical changes).

Sec. 703. Rail Abandonment Notice – RETAINED
House retains current year language.

Sec. 704. High Speed Rail Report – MODIFIES
House adopts Executive language (technical changes).

Sec. 705. Rail Infrastructure Loan Program – RETAINED
House/Executive retain current year language.

Sec. 706. Detroit/Wayne County Port Authority – MODIFIES
House adopts Executive language (technical changes).

Sec. 707. Local Bus Operating – MODIFIES
House adopts Executive language (technical changes).

Sec. 708. Intercity Bus Equipment Program – RETAINED
House/Executive retain current year language.

Sec. 709. Intercity Bus Essential Corridor – RETAINED
House retains current year language.

Sec. 710. Intercity Bus /Transit Coordination/Bidding – RETAINED
House/Executive retain current year language.

Sec. 711. Rail Passenger (AMTRAK) - MODIFIES
House retains current year language with technical changes.

Sec. 714. State-wide Demand/Response Service – RETAINED
House/Executive retain current year language.

Sec. 715. Unreserved CTF Fund Balance – MODIFIES
House retains current year language with technical changes.

Sec. 719. Rail Grade Separation Advances – RETAINED
House/Executive retain current year language.

Sec. 721. Guidelines for CTF Matching Federal Transit Funds – RETAINED
House/Executive retain current year language.

Sec. 722. Work First Initiative - Match for Federal Funds – MODIFIES
House adopts Executive language (technical changes).

Sec. 727. Local Bus Operating – Limitation on RTCC Funding – RETAINED
House retains current year language.

Sec. 801. State Aeronautics Fund Lapse – MODIFIES
House adopts Executive language (technical changes).

Sec. 802. Aeronautics Debt Service – RETAINED
House/Executive retain current year language.