

FY 2014-15: DEPARTMENT OF TRANSPORTATION
Summary: Conference Committee Report
Senate Bill 777 (S-1) CR-1



Analyst: William E. Hamilton

IDG/IDT	FY 2013-14 YTD as of 2/5/14	FY 2014-15 Executive	FY 2014-15 House	FY 2014-15 Senate	FY 2014-15 Conference	Difference: Conference From FY 2013-14 YTD	
						Amount	%
	\$3,625,100	\$3,786,900	\$3,786,900	\$3,786,900	\$3,786,900	\$161,800	4.5
Federal	1,198,885,500	1,205,885,500	1,205,885,500	1,205,885,500	1,205,885,500	7,000,000	0.6
Local	50,177,100	50,177,100	50,177,100	50,177,100	50,177,100	0	0.0
Private	100,000	100,000	100,000	100,000	100,000	0	0.0
Restricted	2,225,029,000	2,155,001,200	2,155,001,200	2,155,001,200	2,155,001,200	(70,027,800)	(3.1)
GF/GP	121,300,000	255,147,900	391,047,900	267,547,900	286,147,900	164,847,900	135.9
Gross	\$3,599,116,700	\$3,670,098,600	\$3,805,998,600	\$3,682,498,600	\$3,701,098,600	\$101,981,900	2.8
FTEs	2,918.3	2,918.3	2,918.3	2,918.3	2,918.3	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) House figures represent House Bill 5313, as passed the House.

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 60% 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.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 Conference Change
1. Debt Service	Gross	\$242,321,100	(\$2,800)
Concurs with Governor, reflects anticipated debt service schedules.	Federal	45,912,200	(185,800)
	Restricted	196,408,900	183,000
	FTEs	141.0	0.0
2. Transportation Planning	Gross	\$38,283,400	\$477,200
Concurs with Governor and recognizes economic adjustments of \$477,200; shift of \$1.5 million from STF to MTF to reflect reallocation of staff for Local agency program activity.	Federal	20,000,000	0
	Restricted	18,283,400	477,200
	FTEs	1,500.8	85.5
3. Design and Engineering Services	Gross	\$144,461,200	\$15,627,400
Concurs with Governor, recognizes economic adjustments, \$2.9 million; position transfers, \$9.2 million; and increase in baseline MTF support for Local agency program, \$3.5 million. Roll-ups of <i>Intelligent transportation systems</i> line into <i>Engineering services</i> .	Federal	23,529,800	0
	Restricted	120,931,400	15,627,400
	FTEs	808.7	(61.0)
4. State Trunkline Maintenance	Gross	\$275,689,500	\$34,751,800
Concurs with Governor, recognizes economic adjustments, \$1.0 million; reduction associated with position transfers (\$6.2 million); and increase in baseline STF funding, \$40.0 million.	Restricted	275,689,500	34,751,800

Note: FY 2013-14 supplemental appropriation, Senate Bill 608, enacted as 2014 PA 34, provided \$100.0 million GF/GP for *Special winter road maintenance*, of which, the department would receive \$39.1 million. This figure is not included in the above YTD total.

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 Conference Change
5. State Trunkline Road and Bridge Construction	Gross	\$868,193,500	(\$43,547,300)
Concurs with Governor, recommends \$824.6 million for MDOT's capital road and bridge construction/preservation program. Change from current year represents net changes in estimated available revenue as follows:	Federal	742,092,000	185,800
	Local	30,000,000	0
	Restricted	96,101,500	(43,733,100)
<p>Increase in federal funds of \$185,800 attributable to reduction in debt service attributable to federal funds. Net reduction in state restricted revenue due to reduction in Blue Water Bridge Fund appropriation, (\$8.5 million); increase in STF share of estimated MTF revenue, \$14.6 million; increase in estimated miscellaneous STF revenue, \$5.9 million; restoration of driver's license fee revenue to the Transportation Economic Development Fund, (\$13.0 million); increase in available STF due to reduction in STF debt service, \$1.6 million; economic increases in STF funded administrative units, (\$5.0 million); STF shift to State trunkline maintenance, (\$40.0 million); net of other miscellaneous STF revenue and program adjustments, \$620,400.</p> <p>Budget does not assume any increases in transportation revenue from changes to tax rates or tax bases, or changes to current statutory distribution programs. Budget also includes separate one-time GF/GP appropriations for state trunkline road and bridge construction - See Items 20a and 20b, below.</p>			
6. Local Bridge Program	Gross	\$21,381,600	\$5,095,800
Restores \$5.0 million Act 51 earmark to this program. [This is a technical adjustment.]	Restricted	21,381,600	5,095,800
7. MTF to Local Road Agencies	Gross	\$908,098,400	\$22,703,100
MTF distribution to county road commissions, \$597,608,200, and cities/villages, \$333,193,300, reflects estimated MTF revenue and Act 51 statutory distribution. Budget includes a separate one-time GF/GP appropriation for local road agencies - See Item 20b , below.	Restricted	908,098,400	22,703,100
<p>Note: FY 2013-14 supplemental appropriation, Senate Bill 608, enacted as 2014 PA 34, provided \$100.0 million GF/GP for <i>Special winter road maintenance</i>, of which local road agencies would receive \$60.9 million. This figure is not included in the above YTD total.</p>			
8. Transportation Economic Development Fund (TEDF)	Gross	\$32,058,200	\$9,457,600
Concurs with Governor, reflects restoration of \$12.0 million in driver's license fee revenue which had previously been redirected to the STF; offset in part by \$1.7 million increase in TEDF debt service, and \$880,000 reduction in estimated fund balance interest earnings.	Restricted	32,058,200	9,457,600
9. Bus Transit - Local Bus Operating Assistance	Gross	\$166,624,000	\$776,000
Concurs with Governor, increases CTF state operating assistance to local public transit agencies.	Restricted	166,624,000	776,000
10. Discretionary State Operating	Gross	\$5,400,000	(\$5,400,000)
Concurs with Governor, does not retain \$5.4 million <i>Discretionary state operating</i> line item, first established in FY 2012-13 budget.	Restricted	5,400,000	(5,400,000)

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		<u>FY 2013-14 Year-to-Date (as of 2/5/14)</u>	<u>FY 2014-15 Conference Change</u>
11. Rail Operations and Infrastructure/Wolverine	Gross	\$43,925,000	\$13,097,400
Line item supports rail freight economic development programs, as well as rail passenger service, including capital and operating assistance for Amtrak <i>Wolverine</i> (Pontiac-Detroit-Chicago) service – part of a high-speed rail corridor. Conference concurs with Governor, recognizes \$7.0 million in additional federal funds, \$2.1 million increase in baseline CTF support, and \$4.0 million anticipated increase in Rail Freight Fund support. Rolls up \$19.3 million <i>Wolverine</i> line item into <i>Rail operations and infrastructure</i> line.	Federal	3,100,000	7,000,000
	Local	100,000	0
	Private	100,000	0
	Restricted	40,625,000	6,097,400
Budget includes a separate one-time \$10.0 million GF/GP appropriation for transit capital and rail infrastructure - See Item 21 , below.			
Note: FY 2013-14 supplemental appropriation, Senate Bill 608, enacted as 2014 PA 34, provided \$11.7 million in additional spending authority to recognize a TIGER grant for high-speed rail corridor. This figure is not included in the above YTD total.			
12. Marine Passenger Service	Gross	\$400,000	\$0
No change proposed from current year funding.	Restricted	400,000	0
Note: FY 2013-14 supplemental appropriation, Senate Bill 608, enacted as 2014 PA 34, provided \$300,000 GF/GP in new spending authority for the Beaver Island Transportation Authority. This figure is not included in the above YTD total.			
13. Municipal Credit Program	Gross	\$2,000,000	\$0
No change in current Act 51 earmark for transit services in Southeast Michigan.	Restricted	2,000,000	0
14. Bus Capital/Transit Capital	Gross	\$32,145,300	\$0
Reflects anticipated federal pass-through grants to transit grants to local transit agencies and related state and federal matching funds. Conference concurs with Governor, no change from current year.	Federal	5,000,000	0
	Local	1,250,000	0
	Restricted	25,895,300	0
Budget includes a separate one-time appropriation of \$10.0 million GF/GP for transit capital and rail infrastructure - See Item 21 , below.			
15. Van Pooling	Gross	\$807,000	(\$612,000)
Provides CTF funds for matching federal transit grants. Concurs with Governor, reduces CTF to reflect anticipated program activity.	Restricted	807,000	(612,800)
16. Service Initiatives	Gross	\$1,682,900	\$2,514,400
Concurs with Governor, includes \$2.5 million increase in baseline CTF support.	Federal	1,150,000	0
	Local	200,000	0
	Restricted	332,900	2,514,100
17. Transportation to Work	Gross	\$4,700,000	\$0
Reflects anticipated federal MAP-21 funding and related local matching funds.	CTF	4,700,000	0
18. Airport Improvement Program	Gross	\$93,104,300	(\$1,126,300)
Reflects anticipated federal funding, related local matching funds, and available state restricted SAF revenue for the federal Airport Improvement Program.	Federal	78,578,000	0
	Local	12,392,100	0
	Restricted	2,134,200	(1,126,300)
Budget includes a separate one-time appropriation of \$2.0 million GF/GP for airport capital program - See Item 22 , below.			
19. Priority Roads Investment Program	Gross	\$115,000,000	(\$115,000,000)
Eliminates one-time line item funded through the Roads and Risks Reserve Fund.	Restricted	115,000,000	(115,000,000)

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		<u>FY 2013-14 Year-to-Date (as of 2/5/14)</u>	<u>FY 2014-15 Conference Change</u>
One-Time General Fund for Road and Bridge Programs			
Governor had recommended \$242.0 million GF/GP for the state trunkline construction program. The Conference report splits GF/GP appropriation into two separate line items, as described below:			
20a. Federal Aid Match for State Trunkline Road and Bridge Construction /State Trunkline Road and Bridge Construction	Gross	\$121,300,000	\$5,700,000
	GF/GP	\$121,300,000	\$5,700,000
Conference appropriates \$127.0 million in separate GF/GP line item to recognize funds needed to match available federal aid for state trunkline program. (See related boilerplate Sec. 1001.)			
20b. State and Local Road and Bridge Programs – NEW	Gross	\$0	\$144,500,000
	GF/GP	\$0	\$144,500,000
Conference includes \$144.5 million to be distributed according to Act 51 distribution formula: 39.1% STF; 39.1% county road commissions; 21.8% cities and villages, per related boilerplate Section 1002.			
21. Transit Capital and Rail Infrastructure – NEW	Gross	\$0	\$10,000,000
	GF/GP	\$0	\$10,000,000
Conference provides one-time GF/GP support to match federal transit and rail infrastructure grants. See related boilerplate Section 1003.			
22. Airport Safety, Safety, and Improvement Program – NEW	Gross	\$0	\$2,047,900
	GF/GP	\$0	\$2,047,900
Conference provides one-time GF/GP support to match federal Airport Improvement Program grants.			
23. High-speed rail crossing pilot project – NEW	Gross	\$0	\$1,500,000
	GF/GP	\$0	\$1,500,000
Conference provides one-time GF/GP support for rail grade crossing pilot project;. See related boilerplate Section 1004.			
24. Regional transit authority – NEW	Gross	\$0	\$1,100,000
	GF/GP	\$0	\$1,100,000
Conference provides one-time GF/GP support for regional transit authority; See related boilerplate Section 1005.			
25. Economics	Gross	N/A	\$5,942,400
	IDG	N/A	77,300
	Restricted	N/A	5,865,100
Reflects increased costs of \$5.9 million Gross (\$0 GF/GP) for negotiated salary and wage amounts (2.0% ongoing increase plus 0.5% lump sum payments), actuarially-required retirement rate increases, and other economic adjustments. These adjustments are reflected in many of the line item changes described above.			

Major Boilerplate Changes From FY 2013-14

Sec. 204. Specific Benchmarks of Performance or ROE – NEW

Provides for a new report on program benchmarks.

Sec. 271. Legacy Costs – NEW

New section identifies legacy costs.

Sec. 308. Contractor Prequalification Process/Report – REVISED

Provides for a report on the department's prequalification process and unsatisfactory contractor performance rating. Report due date changed to March 1, 2015.

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

Requires 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; provides for a report due March 1, 2015.

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

Requires report on use of MDOT-owned aircraft; recovery of department costs. Conference changes date references and makes the report specific to each of the department's airplanes; adds intent language that the department work with Michigan State Police on reciprocal agreement.

Major Boilerplate Changes From FY 2013-14

Secs. 384 and 385. Detroit River International Crossing (DRIC) – RETAINED

Conference retains current-year language:

Sec. 384 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). Section 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."

Sec. 385 provides reporting requirements.

Sec. 393. Best Practices for Public Transportation – NEW

Directs the department to promote best practices in public transportation, including transit vehicle rehabilitation to reduce life-cycle cost; adds a new reporting requirement by March 1, 2015 and references similar requirement made in FY 2011-12.

Sec. 394. Priority of Preservation – NEW

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

Sec. 601. Road Construction Warranties – REVISED

Encourages use of road construction warranties; **Conference** adds additional reporting requirement.

Sec. 660. Use of Alternative Materials – REVISED

Encourages the department to examine the use of alternative road surface materials; **Conference** provides new reporting requirement.

Sec. 712. Rail Passenger Feasibility Study – NEW

Directs 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.

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

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.

Sec. 802. Department-Owned Airports – NEW

States legislative intent that department find private or local owner/operator of department-owned airports.

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

Conference indicates that of the \$127.0 million is GF/GP appropriation is appropriated to the state trunkline road and bridge construction program and is intended to ensure that the state is able to match all available federal-aid highway funds

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

Conference directs that the one-time \$144.5 million GF/GP appropriation be distributed to the STF, county road commissions, and cities/villages in accordance with Act 51 formula – 39.1%, 39.1%, 21.8%.

Sec. 1003. Bus Capital/Rail Infrastructure – NEW

Conference requires a report on use of \$10.0 million GF/GP appropriation for transit capital and rail infrastructure.

Sec. 1004. Rail Grade Crossing Pilot Project – NEW

Conference includes description of \$1.5 million rail grade crossing pilot project.

Sec. 1005. Regional Transit Authority – NEW

Conference includes description of \$1.1 million appropriation.

Sec. 1006. Detroit/Windsor Rail Tunnel – NEW

Conference includes a boilerplate 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.