

FY 2021-22: DEPARTMENT OF TRANSPORTATION
Summary: As Reported by House Appropriations Committee
House Bill 4409 (H-1)



Analyst: William E. Hamilton

	FY 2020-21 YTD as of 2/11/21	FY 2021-22 Executive	FY 2021-22 House	FY 2021-22 Senate	FY 2021-22 Conference	<i>Difference: House From FY 2020-21 YTD</i>	
						<i>Amount</i>	<i>%</i>
IDG/IDT	\$4,063,100	\$4,044,800	\$4,044,800	\$	\$	(\$18,300)	(0.5)
Federal	1,424,196,100	1,448,519,000	1,448,519,000			24,322,900	1.7
Local	80,782,000	80,782,000	80,782,000			0	0.0
Private	900,000	900,000	900,000			0	0.0
Restricted	3,597,529,400	3,702,273,400	3,701,593,400			104,064,000	2.9
GF/GP	0	0	600,000,000			600,000,000	--
Gross	\$5,107,470,600	\$5,236,519,200	\$5,835,839,200	\$	\$	\$728,368,600	14.3
FTEs	2,824.3	2,942.3	2,818.6			(5.7)	(0.2)

Notes: (1) FY 2020-21 year-to-date figures include mid-year budget adjustments through February 11, 2021. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The state transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation (MDOT). Historically, two-thirds of the revenue in this budget has come 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), the Comprehensive Transportation Fund (CTF), and local road agencies (county road commissions and cities/villages). Revenue from aviation fuel and registration taxes, as well as a portion of Airport Parking Tax revenue, is credited to the State Aeronautics Fund for aeronautics programs.

Major Budget Changes from FY 2020-21 YTD Appropriations

1. State Trunkline Road and Bridge Construction

Executive recommendation for the state trunkline capital construction program would total \$1.3 billion, a net increase of \$1.5 million. An anticipated increase in available federal-aid is partially offset by a decrease of \$24.3 million in available state restricted STF revenue: Available STF revenue reflects the STF share of estimated MTF revenue from motor fuel and vehicle registration taxes, as well as the STF share of \$600.0 million earmarked for road and bridge programs in the Income Tax Act. Available STF revenue also reflects uses of STF revenue, including debt service and increased state trunkline maintenance costs.

	FY 2020-21 Year-to-Date (as of 2/11/21)	FY 2021-22 House Change
Gross	\$1,327,133,800	\$1,511,200
Federal	822,327,100	28,921,700
Local	30,003,500	0
Restricted	474,803,200	(27,410,500)
GF/GP	\$0	\$0

The reduction in restricted revenue also reflects a \$3.0 million reduction in the appropriation of Blue Water Bridge Fund revenue, from \$7.1 million to \$4.1 million for Blue Water Bridge capital projects.

House concurs with Executive.

Major Budget Changes from FY 2020-21 YTD Appropriations		FY 2020-21 Year-to-Date (as of 2/11/21)	FY 2021-22 House Change
2. State Trunkline Maintenance			
<u>Executive</u> includes \$425.9 million STF for state trunkline routine maintenance, a baseline increase of \$10.5 million, exclusive of position transfers and economics. Specific increases include: \$3.5 million for an additional 76.0 FTE positions in permanent direct state maintenance forces, reducing use of temporary winter maintenance employees accordingly; \$2.9 million and 42.0 FTE positions to reestablish direct maintenance forces in Monroe County; and \$4.1 million to reflect increased costs of maintenance materials. <u>House</u> concurs with Executive with respect to funding but does not include the FTE authorization increase.	FTE	760.7	1.3
	Gross	\$405,641,800	\$10,508,800
	Restricted	405,641,800	10,508,800
	GF/GP	\$0	\$0
3. MTF to Local Road Agencies			
<u>Executive</u> budget reflects the estimated MTF distribution to local road agencies (county road commissions, and cities and villages) would total \$1.8 billion, \$52.8 million more than the current year. This reflects the Act 51 distribution of estimated MTF revenue from motor fuel and vehicle registration taxes as well as local road agency share of \$600.0 million earmarked for road and bridge programs in the Income Tax Act. <u>House</u> concurs with Executive.	Gross	\$1,770,488,600	\$52,841,100
	Restricted	1,770,488,600	52,841,100
	GF/GP	\$0	\$0
4. Local Bridge Program			
<u>Executive</u> includes \$27.8 million for the local bridge program, a program that receives funding from an Act 51 earmark of MTF revenue equal to one-half cent of the motor fuel tax on gasoline. The increase reflects an increase in estimated gasoline tax revenue as compared to the current-year estimate. Although not specifically recognized in the budget, the program is also allocated a share of local federal aid. <u>House</u> concurs with Executive.	Gross	\$27,000,100	\$812,500
	Restricted	27,000,100	812,500
	GF/GP	\$0	\$0
Note that as described further below, the Executive has proposed a one-time current-year supplemental appropriation of \$300.0 million GF/GP for the repair or replacement of approximately 120 critical bridges owned by local road agencies.			
5. Debt Service			
<u>Executive</u> includes \$253.6 million for debt service on previously issued bonds – bonds issued under a pledge of state restricted revenue or in anticipation of federal grants. The appropriation reflects anticipated debt service schedules. Increased STF debt service is offset, in part, by a reduction in debt service on bonds issued using a pledge of federal revenue. <u>House</u> concurs with Executive.	Gross	\$215,096,300	\$38,547,300
	Federal	55,180,900	(4,598,800)
	Restricted	159,915,400	43,146,100
	GF/GP	\$0	\$0
6. Transportation Economic Development Fund (TEDF)			
<u>Executive</u> includes \$41.6 million for the TEDF program, an increase of \$12.8 million. The increase primarily reflects the restoration of \$13.0 million to the TEDF/Target Industries categorical program; the current-year budget had redirected \$13.0 million in driver's license fee revenue from the TEDF to the state General Fund. The TEDF program is a targeted program established and governed by statute, 1987 PA 231. <u>House</u> concurs with Executive.	Gross	\$28,794,500	\$12,807,400
	Restricted	28,794,500	12,807,400
	GF/GP	\$0	\$0
7. Local Bus Transit			
<u>Executive</u> includes \$196.7 million CTF for state operating assistance to local transit systems, an increase of \$3.0 million. [The current-year budget had included a \$3.0 million CTF reduction as part of an agreement to shift \$18.0 million in auto-related sales tax from the CTF to cover a deficit in the Transportation Administration Collection Fund in the Department of State budget.] <u>House</u> concurs with Executive.	Gross	\$193,750,000	\$3,000,000
	Restricted	193,750,000	3,000,000
	GF/GP	\$0	\$0

Major Budget Changes from FY 2020-21 YTD Appropriations		FY 2020-21 Year-to-Date (as of 2/11/21)	FY 2021-22 House Change
8. Service Initiatives	Gross	\$8,475,100	\$0
<u>Executive</u> includes a baseline increase of \$2.8 million CTF for this targeted transit line item. <u>House</u> shifts proposed CTF increase to a new one-time Rail freight/Rail economic development line item, (see below).	Federal	1,650,000	0
	Local	325,000	0
	Restricted	6,500,100	0
	GF/GP	\$0	\$0
9. Van Pooling	Gross	\$150,000	\$0
<u>Executive</u> includes a baseline increase of \$45,000 CTF for this targeted transit line item. <u>House</u> shifts proposed CTF increase to a new one-time Rail freight/Rail economic development line item, (see below).	Restricted	150,000	0
	GF/GP	\$0	\$0
10. Rail Operations and Infrastructure	Gross	\$98,738,000	\$0
<u>Executive</u> includes \$104.4 million for state rail programs including capital and operating support for rail passenger service in Michigan as well as rail freight and rail economic development programs, a \$5.6 million increase in CTF support. <u>House</u> shifts proposed CTF increase to a new one-time Rail freight/Rail economic development line item, (see below).	Federal	20,000,000	0
	Local	100,000	0
	Private	100,000	0
	Restricted	78,538,000	0
	GF/GP	\$0	\$0
11. Intercity Services	Gross	\$7,260,000	\$800,000
<u>Executive</u> increases CTF support by \$800,000 for program that supports intercity bus service in Michigan. Increased CTF support reflects estimated increase in available CTF revenue. <u>House</u> concurs with Executive.	Federal	4,500,000	0
	Local	160,000	0
	Private	800,000	0
	Restricted	1,800,000	800,000
	GF/GP	\$0	\$0
12. Marine Passenger	Gross	\$928,000	\$84,000
<u>Executive</u> increases state restricted CTF support by \$84,000 reflecting increase in available CTF revenue. This program provides capital grants for marine passenger (ferry) service in Michigan, specifically for ferries that provide service to Beaver Island and to islands on the St. Mary's River in the eastern Upper Peninsula. <u>House</u> concurs with Executive.	Local	500,000	0
	Restricted	428,000	84,000
	GF/GP	\$0	\$0
13. Airport Improvement Program (AIP)	Gross	\$121,076,500	\$500,000
<u>Executive</u> includes \$121.6 million for program of federal aid for capital improvements to eligible local public airports in the state. The increase reflects an increase in estimated available State Aeronautics Fund revenue. In this line item, State Aeronautics Fund is used to provide matching funds for federal AIP grants. <u>House</u> concurs with Executive.	Federal	106,000,000	0
	Local	12,508,500	0
	Restricted	2,568,000	500,000
	GF/GP	\$0	\$0
14. Detroit Metropolitan Wayne County Airport	Gross	\$4,303,000	\$897,000
<u>Executive</u> increases Qualified Airport Fund support by \$897,000 reflecting revenue estimates. As provided through 2015 amendments to the State Aeronautics Code, Qualified Airport Fund revenue is appropriated to the Detroit Metropolitan Wayne County Airport. <u>House</u> concurs with Executive.	Restricted	4,303,000	897,000
	GF/GP	\$0	\$0
15. Unclassified Salaries	FTE	6.0	(5.0)
<u>House</u> eliminates funding for five of the six unclassified positions recognized in the current-year budget.	Gross	\$828,600	(\$655,200)
	Restricted	828,600	(655,200)
	GF/GP	\$0	\$0
16. One-Time: Local Road and Bridge Bundling Initiative	Gross	\$0	\$226,000,000
<u>House</u> includes \$226.0 million GF/GP for new one-time item, defined in boilerplate Section 1001.	Restricted	0	0
	GF/GP	\$0	\$226,000,000
17. One-Time: Transportation Bond Repayment Sinking Trust Fund	Gross	\$0	\$374,000,000
<u>House</u> includes \$374.0 million GF/GP for new one-time item. Boilerplate Section 1002 tie-bars the appropriation to passage of two other bills.	Restricted	0	0
	GF/GP	\$0	\$374,000,000
18. One-Time: Rail Freight/Rail Economic Development	Gross	\$0	\$8,492,500
<u>House</u> includes \$8.5 million CTF for new one-time item.	Restricted	0	8,492,500
	GF/GP	\$0	\$0

		FY 2020-21 Year-to-Date (as of 2/11/21)	FY 2021-22 House Change
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Major Budget Changes from FY 2020-21 YTD Appropriations

19. Economic Adjustments

Reflects net decrease of \$2.3 million Gross (\$0 GF/GP). Budgeted increases for salaries and wages (negotiated 2.0% increase on October 1, 2021 and 1.0% on April 1, 2022), and increases related to actuarially required retirement contributions, worker's compensation, and building occupancy charges, are offset by a reduction in calculated contributions for retiree medical benefits. Executive and House include.

Gross	NA	(\$2,254,600)
IDG	NA	(18,300)
Federal	NA	(315,500)
Restricted	NA	(1,920,800)
GF/GP	NA	\$0

Major Boilerplate Changes from FY 2020-21

Sec. 215. Communication with the Legislature – RETAINED

Executive deletes section that prohibits department from taking disciplinary action against an employee for communicating with the Legislature. House retains.

Sec. 216. Report on FTE Positions and Remote Work – RETAINED

Executive deletes reporting requirement on staffing levels in relation to FTE authorization; employees authorized to work remotely; and related cost savings. House retains.

Sec. 217. Work Project Limits – RETAINED

Executive deletes section that requires that work project balances be exhausted before expenditure from part 1 appropriations. House retains.

Sec. 218. State Administrative Board Transfers – RETAINED

Executive deletes section that provides for the legislature to intertransfer funds within departmental budget if the State Administrative Board transfers funds from an appropriation within this departmental budget. House retains.

Sec. 219. Report Retention Requirements – RETAINED

Executive deletes section that provides for retention of certain records. House retains.

Sec. 220. Impact of New Legislation – RETAINED

Executive deletes section that requires a report on specific policy changes made to implement new public acts enacted in prior calendar year. House retains.

Sec. 221. Report on Proposed Federal Rule Changes – RETAINED

Requires the department to notify the Legislature on proposed federal rule changes that would impact state law. Executive and House include.

Sec. 222. Severance Pay Report – NEW

House includes new reporting requirements related to severance pay paid to department personnel upon the termination of employment.

Sec. 223. Prohibition on Covid-19 Passport – NEW

House includes restrictions on the use of Covid-19 "passports" to document vaccination status.

Sec. 301. Permit Fees/Bridge Tolls – REVISED

Executive retains current section that provides for permit and FOIA processing fees; but deletes subsection that directs a bridge authority to hold 3 public hearings on any toll increase. [The bill does not make appropriations for a bridge authority.] House concurs with Executive.

Sec. 302. Prohibition on Establishment of Non-Directional Markings – NEW

House includes new prohibition on use of appropriated funds to establish non-directional markings on public roads or streets.

Sec. 305. Lease of Space in Public Transportation Property – REVISED

Executive deletes section that authorizes rental of department-owned public transportation properties at competitive market rates. House revises to strike language prescribing rental rates.

Sec. 308. Real Estate Property Report – NOT INCLUDED

Executive deletes reporting requirement on all real estate owned or held by the department. House concurs and does not include this section.

Major Boilerplate Changes from FY 2020-21

Sec. 309. Employee Accountability Systems Report – NOT INCLUDED

Executive deletes reporting requirement for employee accountability systems. House concurs and does not include this section.

Sec. 313. Report on State Infrastructure Bank – REVISED

Executive strikes phrase that requires legislative approval prior to increasing the State Infrastructure Bank. House concurs.

Sec. 319. Rest Area Maintenance – RETAINED

Executive deletes current language requiring signs/telephone numbers for reporting unclean and unsafe conditions at rest areas. House retains.

Sec. 328. FOIA Reporting – NOT INCLUDED

Executive deletes section that establishes new reporting requirement with respect to Freedom of Information Act requests. House concurs and does not include this section.

Sec. 353. Prompt Payment – RETAINED

Executive deletes section that directs department to review contractor payment process; references Special Provision 109.10. House retains.

Sec. 357. Local Federal Aid Project Review –RETAINED

Executive deletes section that directs MDOT to complete project reviews within 120 days; requires system for monitoring review process. House retains.

Sec. 375. MDOT Open Houses and Groundbreaking Ceremonies – RETAINED

Executive deletes section that prohibits MDOT from reimbursing contractors or consultants for groundbreaking ceremonies, receptions, open houses, or press conferences related to transportation projects funded from appropriations. House retains.

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

Executive deletes section that prohibits the department from studying the association between highway signs and motorist behavior. House retains.

Sec. 377. Limitation on Contracting with Firm Employing Former Director – RETAINED

Executive deletes section that prohibits the department from making expenditure for contractual services, under specific conditions, with a vendor if a former director has direct input into contract solicitation, negotiation, or receives compensation. House retains.

Sec. 378. Report on Routing of International Hazardous Materials – NOT INCLUDED

Executive deletes reporting requirement related to the routing of hazardous materials. House concurs and does not include this section.

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

Executive deletes section that requires the department to use the E-Verify system to verify legal status of contractor and subcontractor new hires and which provides reporting requirement. House retains.

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

Executive deletes section that requires the department to submit final bill to the local agency within two years of final payment to construction contractor. House retains

Sec. 386. Toll Credits – REVISED

Executive deletes section that provides for a report on use of toll credits as a method in financing federal-aid highway projects, which established priority in using toll credits, and which required a report on toll credits earned and year-end balance. House retains reporting requirement but strikes subsection that establishes priority order of use.

Sec. 387. Traffic Studies – RETAINED

Executive deletes section that requires the department to post the results of formal traffic studies on the department website. House retains.

Sec. 389. Long-Term Obligations – RETAINED

Executive deletes reporting requirement related to long-term agreements that obligate the department to make future payments of over \$5.0 million for five or more years. House retains.

Major Boilerplate Changes from FY 2020-21

Sec. 390. Report on Restricted Funds and Accounts - NOT INCLUDED

Executive deletes requirement that the department to report, within 14 days of the Executive budget recommendation, on prior year's revenues, expenditures, and ending balances of certain restricted funds and accounts, as unencumbered General Fund appropriations, and unexpended federal earmarks. House concurs with Executive.

Sec. 391. Prohibition on Motor Fuel Quality Testing – NOT INCLUDED

Executive deletes section that prohibits the department from performing or assisting any other state agency in performing motor fuel quality testing. House concurs with Executive.

Sec. 393. Public Transportation Best Practices – RETAINED

Executive deletes section that directs the department to promote best practices in public transportation, including transit vehicle rehabilitation to reduce life-cycle cost. House retains.

Sec. 394. Priority of Preservation– RETAINED

Executive deletes section that directs the department and local road agencies to make preservation of the existing infrastructure a funding priority. House retains.

Sec. 399. Capital Preventive Maintenance – REVISED

Executive strikes section that requires the department to spend not less than 10% of state trunkline road and bridge appropriation on capital preventive maintenance. House modifies to make capital preventive maintenance a priority.

Sec. 612. Incentive/Disincentive Contracts – RETAINED

Executive deletes requirement that MDOT establish guidelines for use of incentive/disincentive contracts and which requires report by January 1 of each year. House retains.

Sec. 613. Report on Engineering Costs – RETAINED

Executive deletes report on department engineering costs related to federal aid capital projects. House retains.

Sec. 660. Use of Alternative Materials – RETAINED

Executive deletes section that encourages the department to examine the use of alternative road surface materials; adds specific reference to flexible concrete. House retains.

Sec. 661. Alternative Design and Material Study Group – RETAINED

Executive deletes directive that the department to establish a new stakeholder group to review submission of innovative construction material and design specifications. House retains

Sec. 703. Rail Abandonment Notice – RETAINED

Executive deletes requirement that MDOT notify legislature when railroad companies file for abandonment of lines. House retains

Sec. 704. Rail Operations and Infrastructure Report – RETAINED

Executive deletes reporting requirement related to obligations made from the Rail Operations and Infrastructure line item. House retains.

Sec. 719. Transit Elderly and Medical Transport Cost per Rider – NOT INCLUDED

Executive deletes intent language that for transit providers in the 20 counties with a population greater than 100,000 determine cost per rider, and that those transit systems request proposals from ride sharing companies for 50% of the system's anticipated service. House concurs and does not include.

Sec. 720. Farebox Recovery Intent Language – RETAINED

Executive strikes section that indicates legislative intent that transit agencies strive to achieve at least 6% farebox recovery. House retains.

Sec. 736. Rail Freight [Propane] Project – NEW

Executive includes language earmarking \$10.0 million for a rail freight development project in support of delivery, storage, and distribution of propane in the Upper Peninsula. House includes new language that would prohibit the use of appropriated funds for a rail freight development project in support of delivery, storage, and distribution of propane in the Upper Peninsula.

Major Boilerplate Changes from FY 2020-21

Sec. 752. Notice of Rail Grant and Loan Programs – REVISED

Executive deletes requirement that the department notify representatives of rail industry of rail grant and loan programs. House modifies to encourage the department to meet with rail representatives.

Sec. 753. Marine Passenger Service – NOT INCLUDED

Executive deletes section that prescribes use of the Marine Passenger Services appropriation. House concurs and does not include.

Sec. 1001. Local Road and Bridge Building Initiative – NEW

House includes section to define the part 1 appropriation for the local road and bridge bundling initiative; directs the department to make expenditures to support a statewide program for the rehabilitation or replacement of road and bridges owned by local road agencies. Requires a progress report by September 30.

Sec. 1002. Transportation Bond Repayment Sinking Trust Fund – NEW

House requires appropriation to be credited to the Transportation Bond Repayment Sinking Trust Fund established in House Bill 4669; tie-bars appropriation to House Bills 4669 and 4082.