

**DEPARTMENT OF TRANSPORTATION**  
**Summary: Conference Report**  
**Article 13, House Bill 5396 (S-1) CR-1**

**Analyst: William E. Hamilton**

	FY 2019-20 YTD as of 2/6/20	FY 2020-21 Conference	Difference: Conference From FY 2019-20 YTD	
			Amount	%
IDG/IDT	\$3,974,300	\$4,063,100	\$88,800	2.2
<b>Federal</b>	1,352,350,100	1,424,196,100	71,846,000	5.3
<b>Local</b>	51,032,000	80,782,000	29,750,000	58.3
<b>Private</b>	900,000	900,000	0	0.0
<b>Restricted</b>	3,588,151,600	3,597,529,400	9,377,800	0.3
<b>GF/GP</b>	25,000,000	0	(25,000,000)	(100.0)
<b>Gross</b>	<b>\$5,021,408,000</b>	<b>\$5,107,470,600</b>	<b>\$86,062,600</b>	<b>1.7</b>
<b>FTEs</b>	2,824.3	2,824.3	0.0	0.0

*Notes:*

- (1) FY 2019-20 year-to-date figures are as of release of the executive budget on February 6, 2020 and do not include mid-year budget adjustments.
- (2) Appropriation figures include all proposed appropriation amounts and amounts designated as “one-time.”
- (3) Because of revenue uncertainty due to the COVID-19 pandemic, separate FY 2020-21 budget bills were not passed by the House or the Senate.

**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.

<b>Major Budget Changes From FY 2019-20 YTD Appropriations</b>	<b>FY 2019-20 Year-to-Date (as of 2/6/20)</b>	<b>FY 2020-21 Conference Change</b>
<b>1. State Trunkline Road and Bridge Construction</b>	<b>Gross \$1,329,604,600</b>	<b>(\$2,470,800)</b>
Appropriation for the state trunkline capital construction program would total \$1.3 billion, a net decrease of \$2.5 million. State restricted 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. State restricted revenue also includes the appropriation of \$7.2 million in Blue Water Bridge Fund revenue for capital projects.	Federal 786,694,500	35,632,600
	Local 30,003,500	0
	Restricted 512,906,600	(38,103,400)
	GF/GP \$0	\$0

The decrease in state restricted revenue is offset in part by an anticipated increase in available federal revenue.

<b>2. MTF to Local Road Agencies</b>	<b>Gross \$1,735,247,700</b>	<b>\$35,240,900</b>
The estimated MTF distribution to local road agencies (county road commissions, and cities and villages) would total \$1.8 billion, \$35.2 million more than the current year. This reflects the Act 51 distribution of MTF revenue from motor fuel and vehicle registration taxes as well as the local share of \$600.0 million earmarked for road and bridge programs in the Income Tax Act.	Restricted 1,735,247,700	35,240,900
	GF/GP \$0	\$0

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		<b>FY 2019-20 Year-to-Date (as of 2/6/20)</b>	<b>FY 2020-21 Conference Change</b>
<b><u>Major Budget Changes From FY 2019-20 YTD Appropriations</u></b>			
<b>3. State Trunkline Maintenance</b>			
Includes a baseline increase of \$7.6 million STF to offset increased maintenance material costs.		FTE 760.7	0.0
		<b>Gross \$405,641,800</b>	<b>\$7,625,600</b>
		Restricted 405,641,800	7,625,600
		GF/GP \$0	\$0
<b>4. State/Local Traffic Signal Billing (Design and Engineering Services)</b>			
Includes \$2.4 million in MTF spending authority for costs of maintenance on shared state/local traffic signals. This continues streamlining of traffic signal billing system that began in FY 2019-20 when \$600,000 MTF was appropriated for costs of signal energy on shared state/local traffic signal installations.		<b>Gross \$600,000</b>	<b>\$2,400,000</b>
		Restricted 600,000	2,400,000
		GF/GP \$0	\$0
<b>5. Debt Service</b>			
Includes \$215.1 million, a \$1.2 million increase from FY 2019-20, reflecting anticipated debt service schedules. Increased debt service supported by restricted revenue is offset, in part, by a reduction in debt service on bonds issued using a pledge of federal revenue.		<b>Gross \$213,897,500</b>	<b>\$1,198,800</b>
		Federal 81,155,000	(25,974,100)
		Restricted 132,742,500	27,172,900
		GF/GP \$0	\$0
The change in debt service supported by restricted revenue is primarily due to changes in STF debt service schedules, reflecting ongoing STF debt service on previously issued STF bonds, as well as changes resulting from STF refunding and new bond sales.			
<b>6. General Fund Earmark for Local Bridges</b>			
Removes the \$13.0 million GF/GP in the Fixing Michigan Roads and Bridges line item that had been earmarked in boilerplate for the Local bridge program. Note that the \$13.0 million figure in the FY 2019-20 YTD column reflects the appropriation as of February 6, 2020. This FY 2019-20 appropriation was subsequently eliminated through Executive Order 2020-155 (July 22, 2020), one of the actions taken to resolve a projected GF/GP budget shortfall.		<b>Gross \$13,000,100</b>	<b>(\$13,000,100)</b>
		Restricted 0	0
		GF/GP \$13,000,100	(\$13,000,100)
<b>7. Transportation Economic Development Fund (TEDF)</b>			
Reduces TEDF program by \$15.5 million to reflect anticipated reduction in available TEDF revenue. Most of this revenue reduction is a result of an agreement to redirect \$13.0 million in driver's license fee revenue from the TEDF to the state General Fund. This \$13.0 million fund shift is taken entirely from the competitive grant program Target Industries. In total, Target Industries was reduced from \$17.1 million to \$2.9 million, a decrease of \$14.2 million. The TEDF program is established and governed by statute, 1987 PA 231.		<b>Gross \$44,258,800</b>	<b>(\$15,464,300)</b>
		Restricted 44,258,800	(15,464,300)
		GF/GP \$0	\$0

Note that the \$44.3 million figure in the FY 2019-20 YTD column reflects the appropriation as of February 6, 2020. This FY 2019-20 appropriation was subsequently reduced by \$13.0 million through Executive Order 2020-155 (July 22, 2020), one of the actions taken to resolve a projected GF/GP budget shortfall. This reduction also reflected an agreement to redirect \$13.0 million in driver's license fee revenue from the TEDF to the state General Fund.

The redirection of \$13.0 million in driver's license fee revenue in both FYs 2019-20 and 2020-21, from the TEDF, Target Industries, to the state General Fund was effected through amendments to the Michigan Vehicle Code (Enrolled Senate Bill 1070) and to 1987 PA 231 (Enrolled Senate Bill 1071).

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**Major Budget Changes From FY 2019-20 YTD Appropriations**

**8. Local Bus Transit**

Reduces state operating assistance to local transit systems by \$3.0 million CTF. This CTF reduction was one element in 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 (TACF) in the Department of State budget. This fund shift will require an amendment to the Sales Tax Act.

	<b>FY 2019-20 Year-to-Date (as of 2/6/20)</b>	<b>FY 2020-21 Conference Change</b>
<b>Gross</b>	<b>\$226,777,900</b>	<b>(\$3,000,000)</b>
Federal	28,027,900	0
Local	2,000,000	0
Restricted	196,750,000	(3,000,000)
GF/GP	\$0	\$0

**9. Transit Capital**

Reduces CTF support by \$12.0 million for program that provides matching funds on behalf of local transit agencies to access federal transit capital grants. This CTF reduction was one element in an agreement to shift \$18.0 million in auto-related sales tax from the CTF to cover a deficit in the TACF in the Department of State budget. This fund shift will require an amendment to the Sales Tax Act. The budget retains the current year unrolling of the program into separate line items for Urban and Non-urban transit systems.

<b>Gross</b>	<b>\$69,620,700</b>	<b>\$39,450,000</b>
Federal	15,300,000	21,700,000
Local	1,250,000	29,750,000
Restricted	53,070,700	(12,000,000)
GF/GP	\$0	\$0

Although the budget reduces CTF support, the gross appropriation total would increase by \$39.5 million as a result of increases in federal and local spending authority for this line item.

**10. Service Initiatives**

Increases baseline CTF support by \$886,000 for program that funds transit-related research, training and development, and demonstration projects.

<b>Gross</b>	<b>\$7,589,100</b>	<b>\$886,000</b>
Federal	1,650,000	0
Local	325,000	0
Restricted	5,614,100	886,000
GF/GP	\$0	\$0

**11. Van Pooling**

Includes \$150,000 in CTF support for vanpool program, a reduction of \$45,000.

<b>Gross</b>	<b>\$195,000</b>	<b>(\$45,000)</b>
Restricted	195,000	(45,000)
GF/GP	\$0	\$0

**12. Rail Operations and Infrastructure**

Includes \$98.7 million for program that provides capital and operating support for rail passenger service in Michigan as well as rail freight and rail economic development programs. The increase reflects both increases in CTF support as well as increased federal spending authority in anticipation of federal capital rail grants.

<b>Gross</b>	<b>\$85,566,700</b>	<b>\$13,171,300</b>
Federal	10,000,000	10,000,000
Local	100,000	0
Private	100,000	0
Restricted	75,366,700	3,171,300
GF/GP	\$0	\$0

**13. Marine Passenger**

Reduces baseline CTF support to \$428,000, a reduction of \$572,000 for program that supports 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.

<b>Gross</b>	<b>\$1,500,000</b>	<b>(\$572,000)</b>
Local	500,000	0
Restricted	1,000,000	(572,000)
GF/GP	\$0	\$0

**14. Intercity Services**

Decreases CTF support by \$1.1 million for program that supports intercity bus service in Michigan. The decrease in CTF support is partially offset by a \$500,000 increase spending authority from the Intercity Bus Equipment Fund.

<b>Gross</b>	<b>\$7,860,000</b>	<b>(\$600,000)</b>
Federal	4,500,000	0
Local	160,000	0
Private	800,000	0
Restricted	2,400,000	(600,000)
GF/GP	\$0	\$0

**15. Detroit/Wayne County Port Authority (DWCPA)**

Includes \$400,000 in CTF support for DWCPA operations, a reduction of \$18,200.

<b>Gross</b>	<b>\$418,200</b>	<b>(\$18,200)</b>
Restricted	418,200	(18,200)
GF/GP	\$0	\$0

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<b><u>Major Budget Changes From FY 2019-20 YTD Appropriations</u></b>		<b>FY 2019-20 Year-to-Date (as of 2/6/20)</b>	<b>FY 2020-21 Conference Change</b>
<b>16. Airport Improvement Program (AIP)</b>		<b>Gross</b>	<b>\$95,477,300</b>
Includes \$121.1 million for program of federal aid for capital improvements to eligible local public airports in the state. Funding reflects an anticipated \$27.0 million increase in federal funds related to a new competitive grant application program. The \$1.4 million reduction in restricted revenue reflects an estimated reduction in available State Aeronautics Fund revenue, which is used to provide matching funds for federal AIP grants.		Federal	27,000,000
		Local	0
		Restricted	(1,400,800)
		GF/GP	\$0
		<b>Gross</b>	<b>\$25,599,200</b>
<b>17. Detroit Metropolitan Wayne County Airport</b>		<b>Gross</b>	<b>\$5,850,000</b>
Reduces Qualified Airport Fund support by \$1.5 million 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.		Restricted	(1,547,000)
		GF/GP	\$0
		<b>Gross</b>	<b>(\$1,547,000)</b>
<b>18. Elimination of One-Time Items</b>		<b>Gross</b>	<b>\$23,700,000</b>
Removes two one-time current year projects totaling \$23.7 million (\$12.0 million GF/GP). Of the \$23.7 million, \$1.0 million CTF was appropriated for a dock project related to the Soo Locks expansion project, and \$22.7 million (\$12.0 million GF/GP) was for a rail grade crossing project in Woodhaven Michigan.		Federal	(10,700,000)
		Restricted	(1,000,100)
		GF/GP	(\$11,999,900)
		<b>Gross</b>	<b>(\$23,700,000)</b>
<b>19. Economic Adjustments</b>		<b>Gross</b>	<b>NA</b>
Reflects increased costs of \$10.0 million Gross (\$0 GF/GP) for negotiated salary and wage increases (2.0% on October 1, 2020 and 1.0% on April 4, 2021), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.		IDG	88,800
		Federal	1,070,100
		Restricted	8,812,300
		GF/GP	\$0
		<b>Gross</b>	<b>\$9,971,200</b>

**Boilerplate Changes From FY 2019-20**

**Sec. 215. Communication with the Legislature – REVISED**

Includes language that prohibits, under specific circumstances, the department from taking disciplinary action against an employee for communicating with a legislator or legislative staff.

**Sec. 216. Report on FTE Positions and Remote Work – NEW**

Requires a quarterly report on staffing levels in relation to FTE authorization; employees authorized to work remotely; related cost savings.

**Sec. 217. Work Project Limits – NEW**

Requires that work project balances be exhausted before expenditure from part 1 appropriations.

**Sec. 218. State Administrative Board Transfers – NEW**

Provides for the legislature to intertransfer funds within this departmental budget if the State Administrative Board transfers funds from an appropriation within this departmental budget.

**Sec. 219. Record Retention – NEW**

Requires department to retain reports funded from Part 1 appropriations; record retention guidelines.

**Sec. 220. Impact of New Legislation – NEW**

Requires a report on specific policy changes made to implement new public acts enacted in prior calendar year.

**Sec. 221. Report on Proposed Federal Rule Changes – NEW**

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

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

Authorizes rental of department-owned public transportation properties at competitive market rates; requires that revenue from tenants be placed in an account for to maintain/improve property. Requires the department to charge public transit agencies and intercity carriers equal rates per square foot and fair market rates.

**Boilerplate Changes From FY 2019-20**

**Sec. 313. Report on State Infrastructure Bank – REVISED**

Requires a report on the State Infrastructure Bank; requires legislative approval prior to increasing the State Infrastructure Bank.

**Sec. 319. Rest Area Maintenance – DELETED**

Deletes current language requiring signs/telephone numbers for reporting unclean and unsafe conditions at rest areas.

**Sec. 324. State-Owned Airport Sale RFP – DELETED**

Deletes one-time requirement that the department develop a solicitation for proposals for the sale of two state-owned airports.

**Sec. 353. Prompt Payment – REVISED**

Directs department to review contractor payment process; references Special Provision 109.10. Includes new reporting requirement.

**Sec. 378. Report on Routing of International Hazardous Materials – NEW**

Establishes a new reporting requirement related to the routing of hazardous materials.

**Sec. 386. Toll Credits – REVISED**

Directs the department to use toll credits as a method in financing federal-aid highway projects; established priority in using toll credits; requires report on toll credits earned and year-end balance.

**Sec. 399. Capital Preventive Maintenance – NEW**

Requires the department to spend not less than 10% of state trunkline road and bridge appropriation on capital preventive maintenance.

**Sec. 403. Priority of Federal Transit Grants – DELETED**

Deletes section that establishes priority for federal Section 5310 transit grants.

**Sec. 505. Communication Availability of Grants – NEW**

Directs the department to regularly assess the need for, and to provide information about state and federal grants available to local units of government.

**Sec. 660. Use of Alternative Materials – REVISED**

Encourages the department to examine the use of alternative road surface materials; adds specific reference to flexible concrete.

**Sec. 707. Rail Strategic Plan Report – NEW**

Requires annual rolling 5-Year plan report on programs funded from the rail operations and infrastructure line item.

**Sec. 711. Rail Passenger Service Report – DELETED**

Deletes reporting requirement related to rail passenger service provided by Amtrak under contract with the department.

**Sec. 712. Rail Passenger Service RFP – DELETED**

Deletes one-time requirement for the solicitation for proposals for operation of daily round-trip rail passenger service between Grand Rapids and Chicago.

**Sec. 719. Transit Elderly and Medical Transport Cost per Rider – REVISED**

Indicates legislative intent 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.

**Sec. 720. Farebox Recovery Intent Language – NEW**

Indicates legislative intent that transit agencies strive to achieve at least 6% farebox recovery.

**Sec. 802. MDOT-Owned Airports – DELETED**

Deletes section that encouraged the department to find private entities or local public agencies to assume ownership and operating responsibility for department-owned airports.

**Sec. 804. MDOT-Owned Airplanes – DELETED**

Deletes section that prohibited the department from spending funds appropriated for airfleet operations and maintenance if the department owns a specific aircraft.

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**Boilerplate Changes From FY 2019-20**

**Sec. 806. State Aeronautics Code – DELETED**

Deletes a one-time requirement that the department to review website for consistency with state Aeronautics Code.