



**Kalamazoo County
Road Commission**

**TRANSPORTATION
FUNDING IN MICHIGAN**

William E. Hamilton, Senior Fiscal Analyst

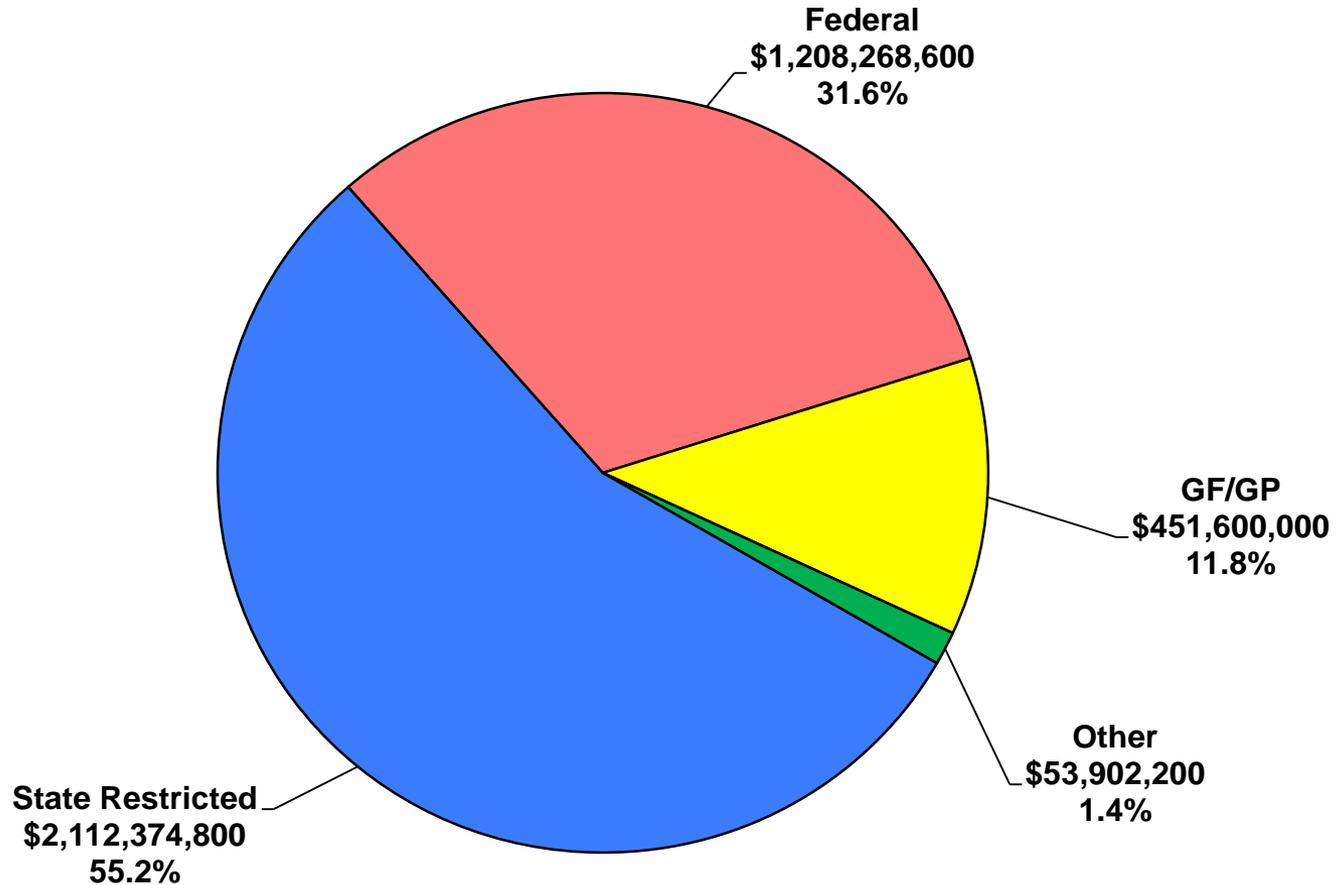
August 6, 2014

The fiscal information in this background briefing is based on data through August 2014.

Transportation Appropriated Revenue

FY 2013-14 Gross Appropriations = \$3,826,145,600

Shorthand = \$3.8 billion

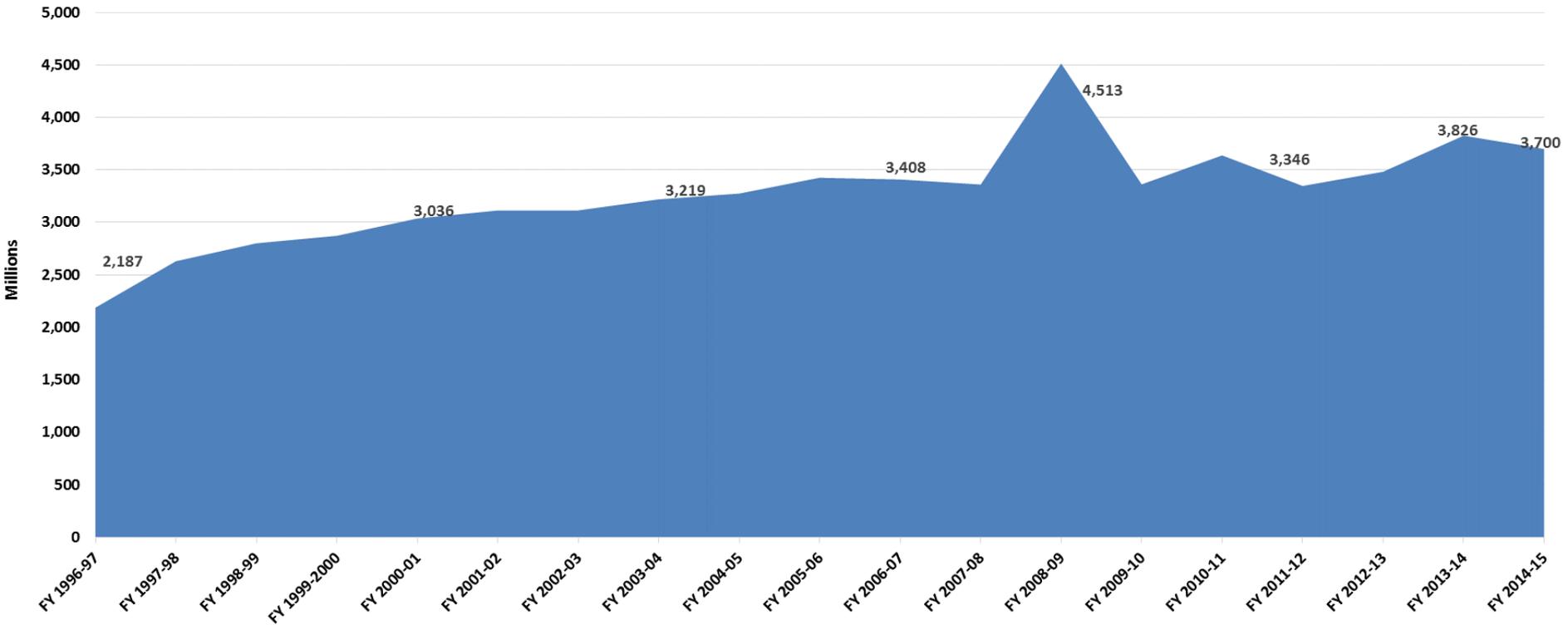


Michigan Transportation Appropriations

FY 1996-97 – FY 2014-15

Gross Appropriations

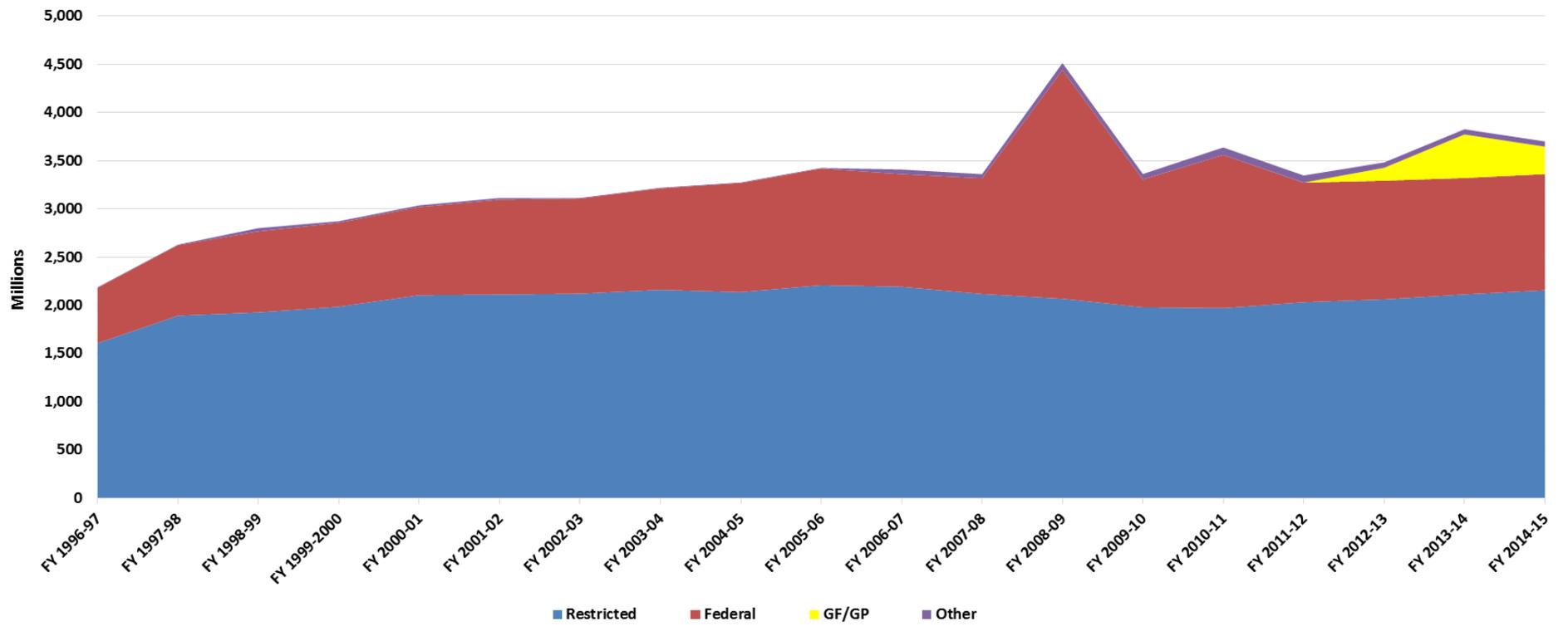
Excluding temporary federal stimulus funds, total funding for transportation purposes has been relatively flat since FY 1997-98



Michigan Transportation Appropriations

FY 1996-97 – FY 2014-15
Breakdown by Fund Source

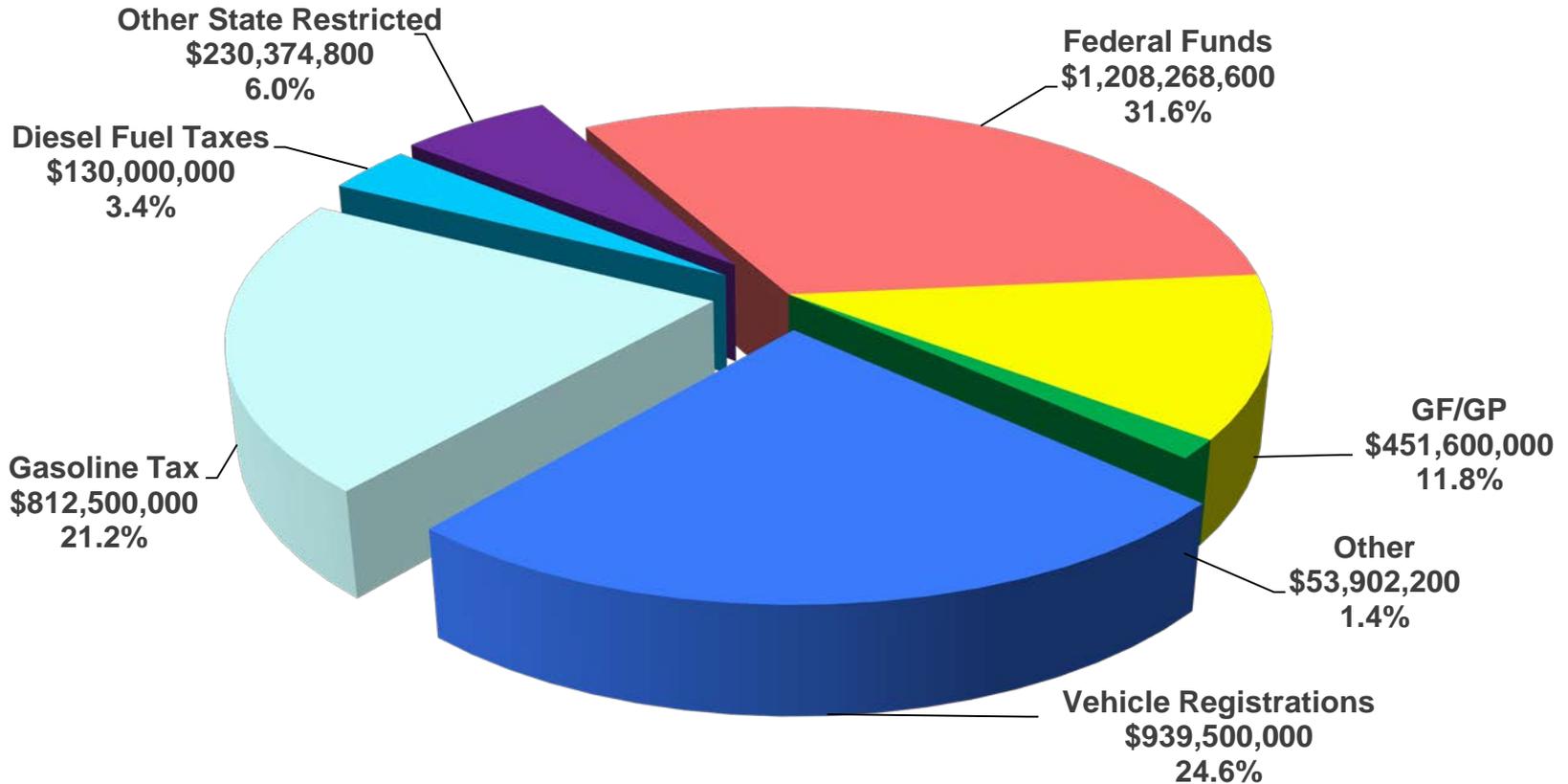
Excluding temporary federal stimulus funds, total funding for transportation purposes has been relatively flat since FY 1997-98



SOURCES OF FUNDING

Transportation Revenue Detail

FY 2013-14 Gross Appropriations = \$3,826,145,600



Transportation Funding Sources

- **State Restricted Revenue**
 - **State restricted revenue is primarily from:**
 - **Motor Fuel Taxes — primarily from the 19-cent per gallon gasoline excise tax and 15-cent per gallon diesel fuel excise tax**
 - **Vehicle Registration Taxes — as provided in the Michigan Vehicle Code**

These revenue sources are constitutionally dedicated for transportation

Transportation Funding Sources

- **Federal Revenue**
 - Funds made available to states through multi-year federal authorizing legislation; the current federal aid program is Moving Ahead for Progress in the 21st Century Act (MAP-21)
 - Federal motor fuel taxes dedicated to the federal Highway Trust Fund include the 18.4 cent per gallon federal gasoline tax

- **Other Revenue**
 - Budget includes \$50.2 million from local revenue sources
 - Local revenue in budget recognizes local match required for some state trunkline projects, for federally funded local transit capital projects, and for aeronautics capital projects
 - Local units of government also raise additional local revenue for local transportation programs – revenue which is not included in state transportation budget

Transportation Funding Sources

- **State GF/GP Revenue**
 - Prior to FY 2011-12, GF/GP revenue had not been used in transportation budget since FY 2001-02 (Build Michigan III)
 - Last three fiscal years included direct and indirect GF/GP revenue:
 - FY 2011-12 included \$500,000 GF/GP boilerplate earmark
 - FY 2012-13 included direct appropriation of \$23.0 million GF/GP “one-time” to match federal funds plus \$110.0 million GF/GP transferred to through amendment of the Sales Tax Act
 - FY 2013-14 included \$451.6 million GF/GP:
 - \$121.3 million GF/GP “one-time” to match federal funds
 - \$115.0 million GF/GP transferred to “Roads and risks reserve fund”
 - \$100.0 million for “Special winter maintenance”
 - \$115.0 million for “Priority roads investment program”

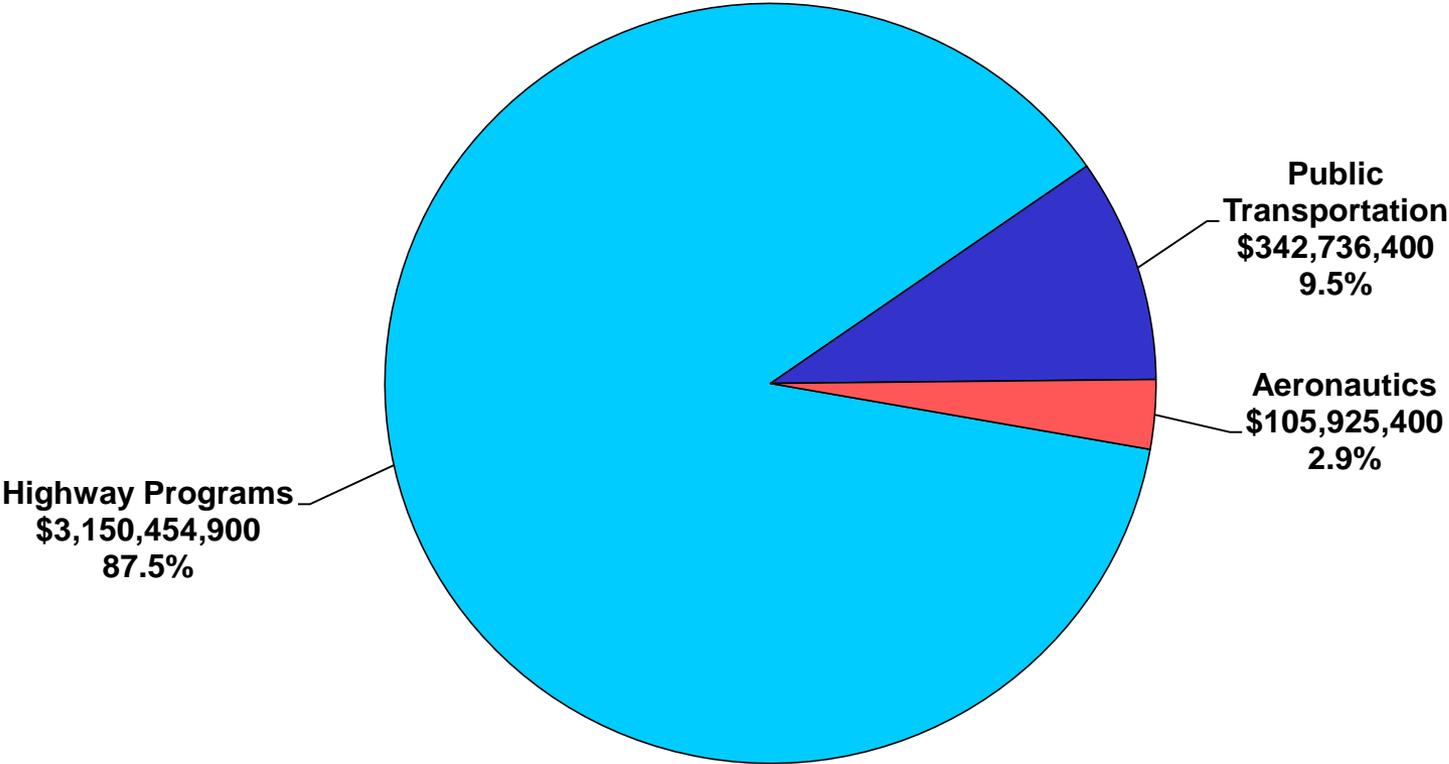
Transportation Funding Sources

- **State GF/GP Revenue - Continued**
 - **FY 2014-15 includes \$284.6 million in State General Fund revenue**
 - **General Fund appropriations for Transportation programs from over last four fiscal years, FY 2011-12 through FY 2014-15 total \$869.7 million.**

MAJOR TRANSPORTATION PROGRAMS

Major Transportation Program Categories

FY 2013-14 Gross Appropriations = \$3,599,166,700 *
[based on original enacted budget]



Highway Programs

- **87.5% (\$3.15 billion) of FY 2013-14 budget appropriated for state and local road and bridge programs:**
 - **\$1.92 billion for state trunkline programs administered by MDOT**
 - **\$1.23 billion for local road agencies (county road commissions, cities, and villages)**
- **MDOT has jurisdiction over state trunkline highways, including interstate highways – generally the busiest and with statewide purpose**
- **Local road agencies have jurisdiction over county roads and municipal streets**
- **Highway funds are distributed according to Public Act 51 of 1951 (Act 51)**

Public Transportation Programs

- **9.5% (\$342.7 million) of FY 2013-14 budget appropriated for public transportation programs including:**
 - **Capital and operating assistance to 79 local public transit agencies**
 - **Capital and operating assistance for AMTRAK service to Michigan**

- **Distribution governed by Act 51**

Aeronautics Programs

- **Aeronautics**
 - **2.9% (\$105.9 million) of FY 2013-14 budget appropriated for Aeronautics programs including \$93.1 million federal Airport Improvement Program**
 - **Airport Improvement Program supports capital improvements at locally owned public airports**
 - **Governed by State Aeronautics Code (not Act 51)**

State/Local Distribution of Transportation Funds

Approximately 45% of the budget is distributed to local units of government, or appropriated for programs of direct benefit to local units of government:

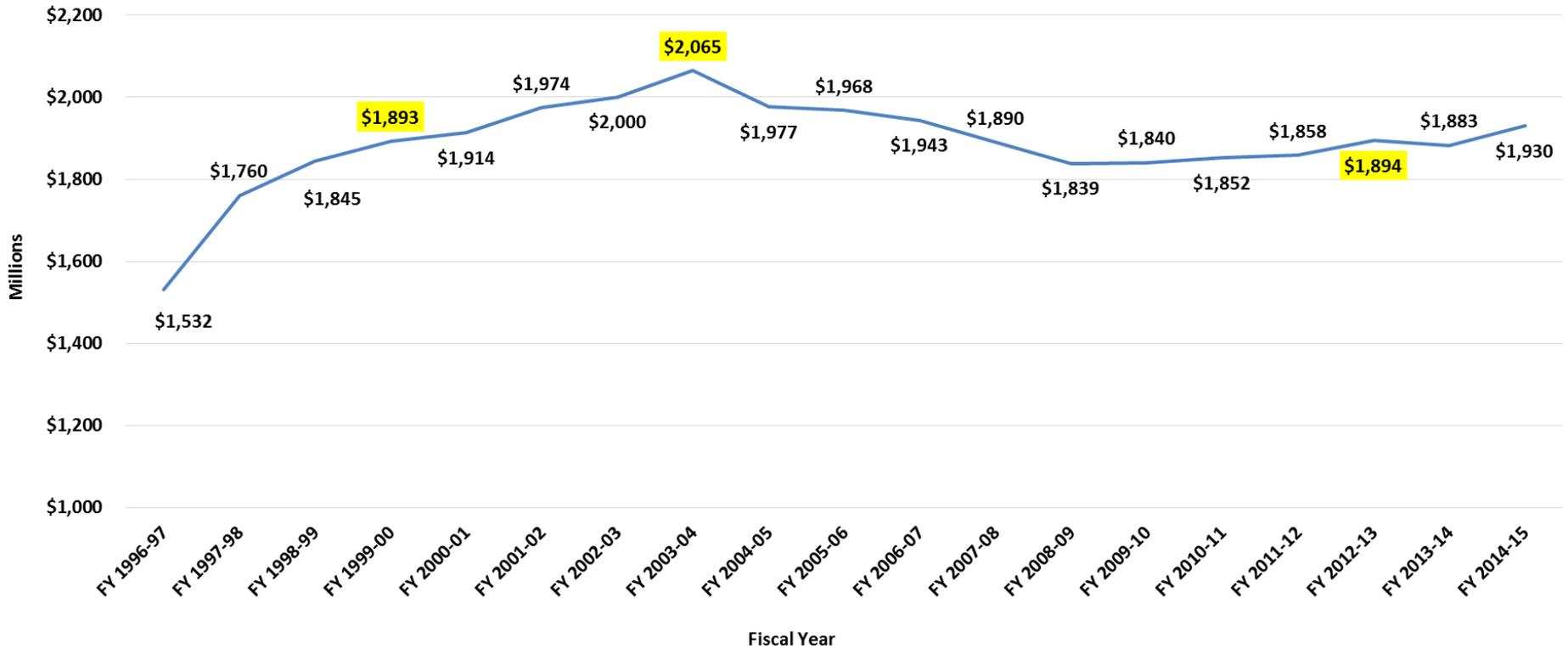
- County road commissions/cities/villages
- Public transit agencies
- Locally owned public airports

ISSUES

Revenue Issues

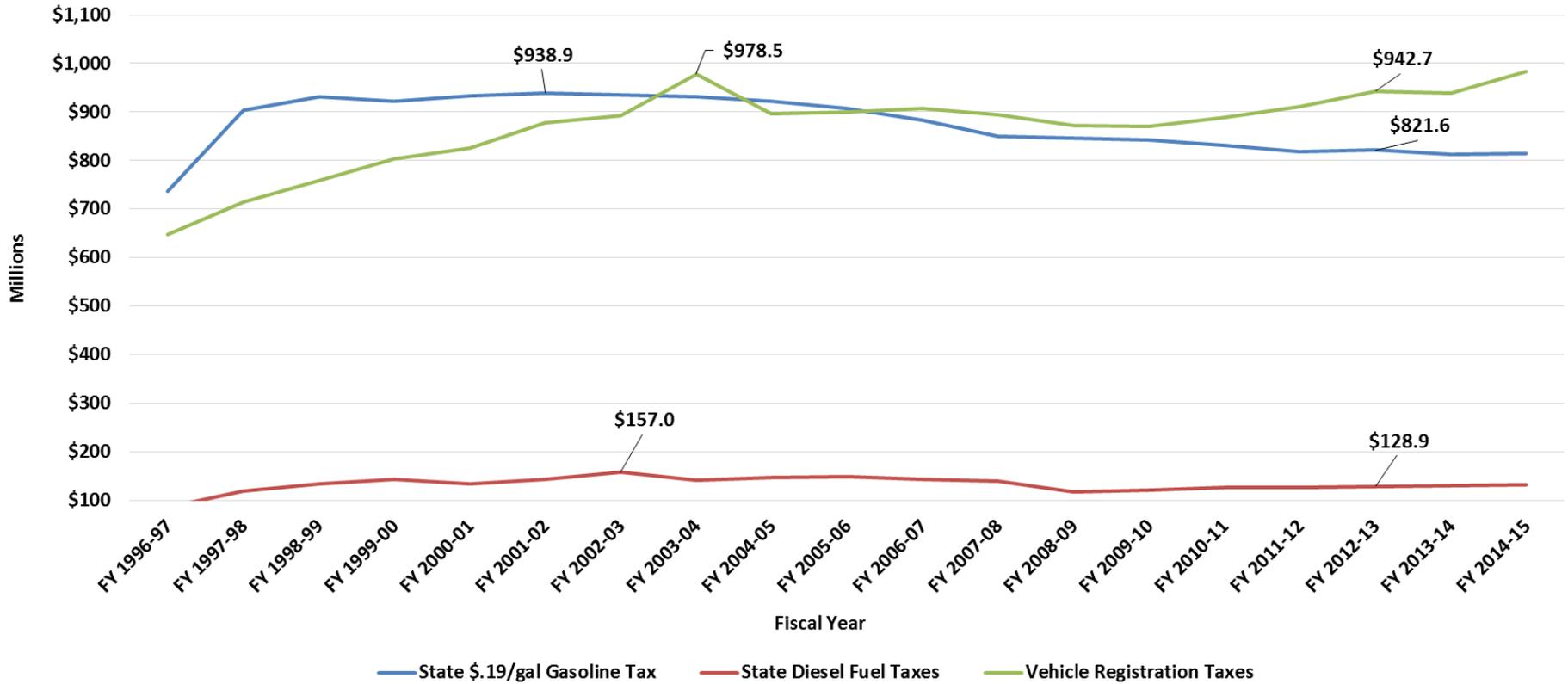
- **Revenue Issue #1**
 - **FY 1997 was the last time there was a significant increase in dedicated state transportation revenue - through increases in the state gasoline tax and increases to commercial truck registration taxes.**
 - **State restricted Michigan Transportation Fund (MTF) revenue peaked in FY 2003-04.**
 - **As shown in MTF Revenue History slide, baseline transportation revenue has been flat - FY 2012-13 gross revenue and revenue distribution was the same as FY 1999-2000.**
 - **Some local road agencies received a smaller distribution of MTF revenue in FY 2012-13 than they did in FY 1997-98.**

MTF Revenue History

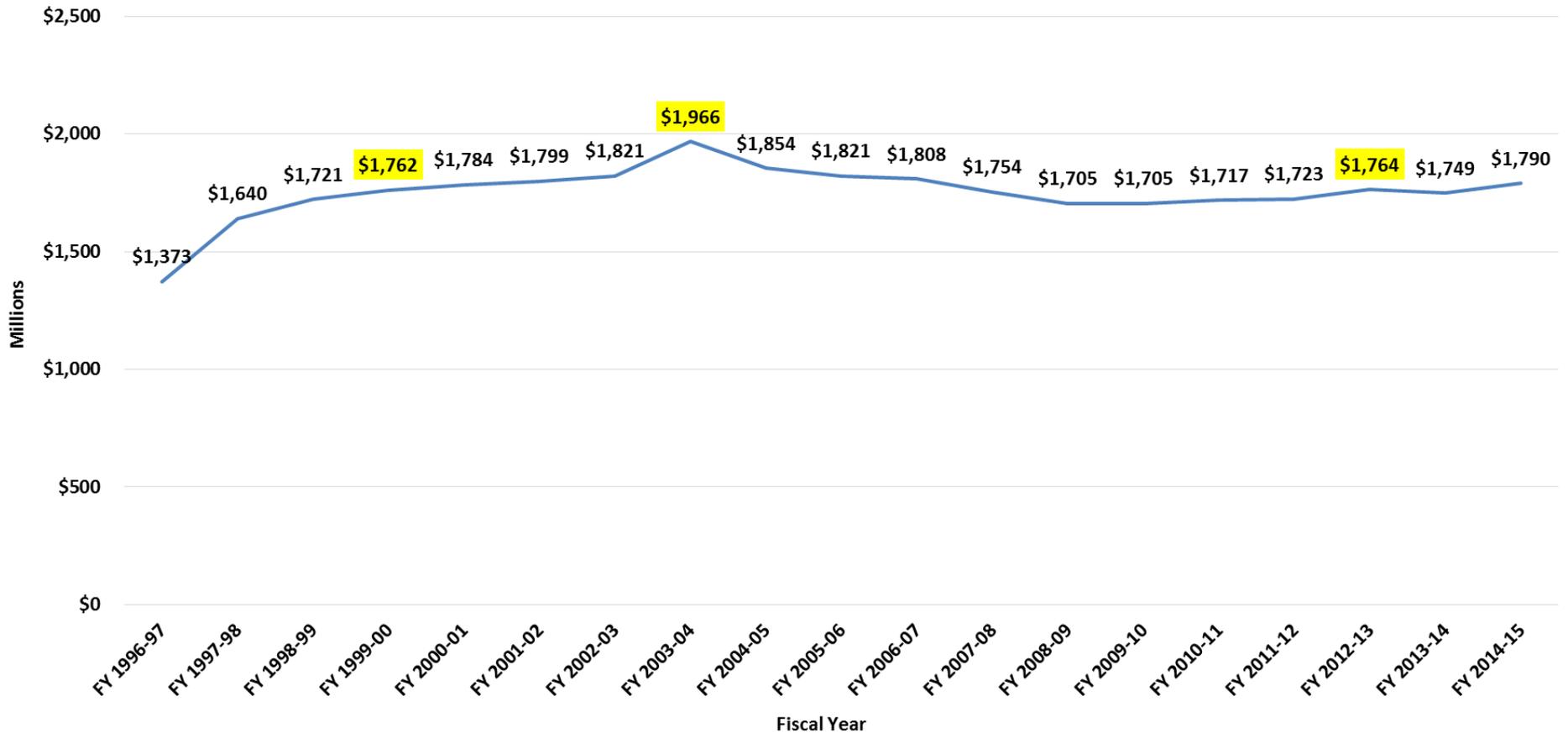


MTF Revenue History – Detail

Motor Fuel and Vehicle Registration Taxes



MTF Distribution to State Trunkline Fund, County Road Commissions, Cities/Villages, Comprehensive Transportation Fund

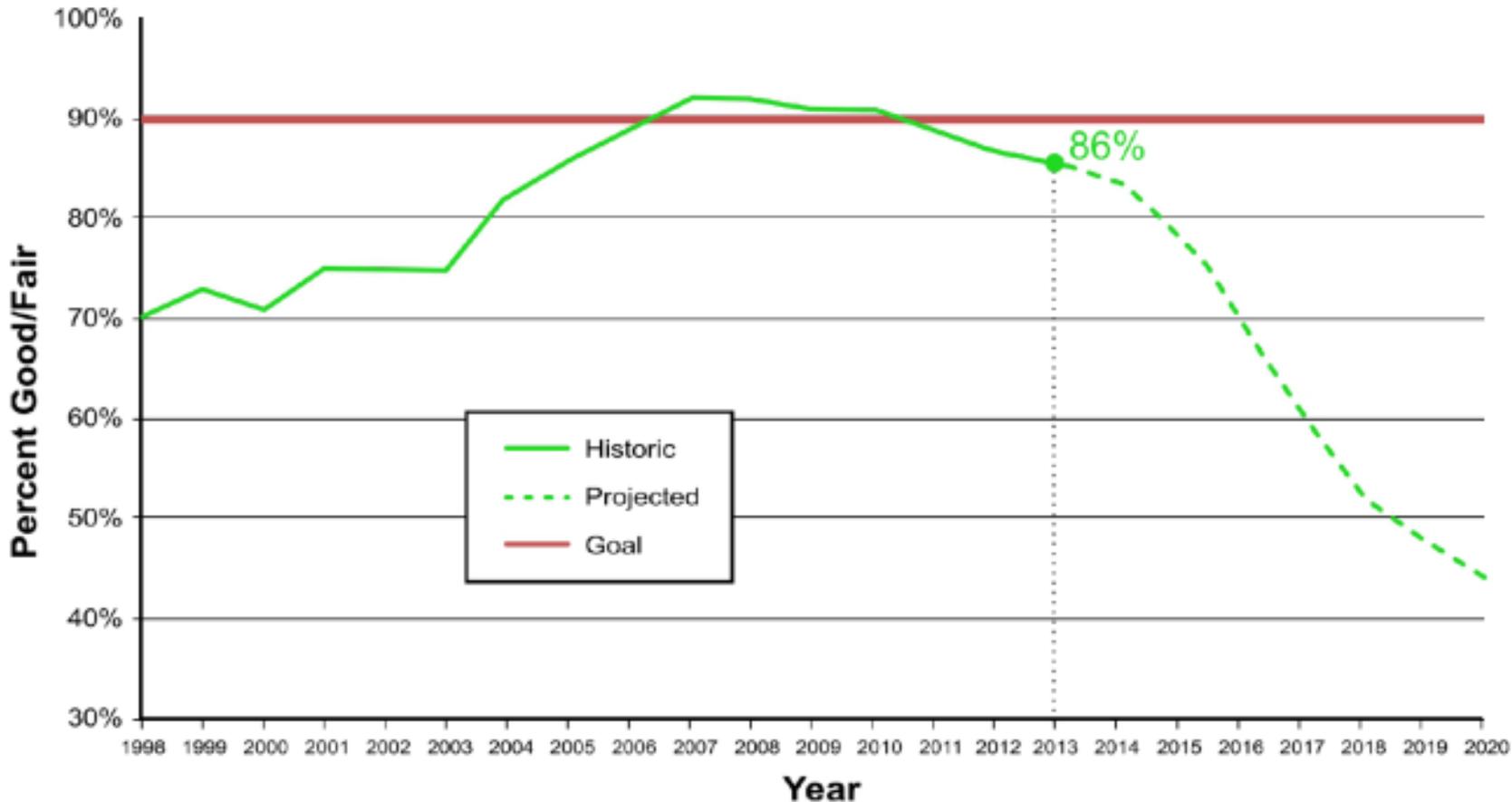


Revenue Issues

- **Revenue Issue #2**
 - **In 1997, the State Transportation Commission established state trunkline pavement performance goals of 85% of non-freeway pavement and 95% of freeway pavement in “good” condition by 2007**
 - **In 1998, the State Transportation Commission established state trunkline bridge performance goals of 85% of non-freeway bridges and 95% of freeway bridges in “good” condition by 2008**
 - **MDOT does not have sufficient revenue to sustain performance goals and complete needed capacity improvement projects**

State Trunkline Pavement Condition Combined Freeway and Non-Freeway

MDOT Historic and Projected RSL Pavement Condition



Source: Michigan Department of Transportation, 2014-2018 Five-Year Transportation Program

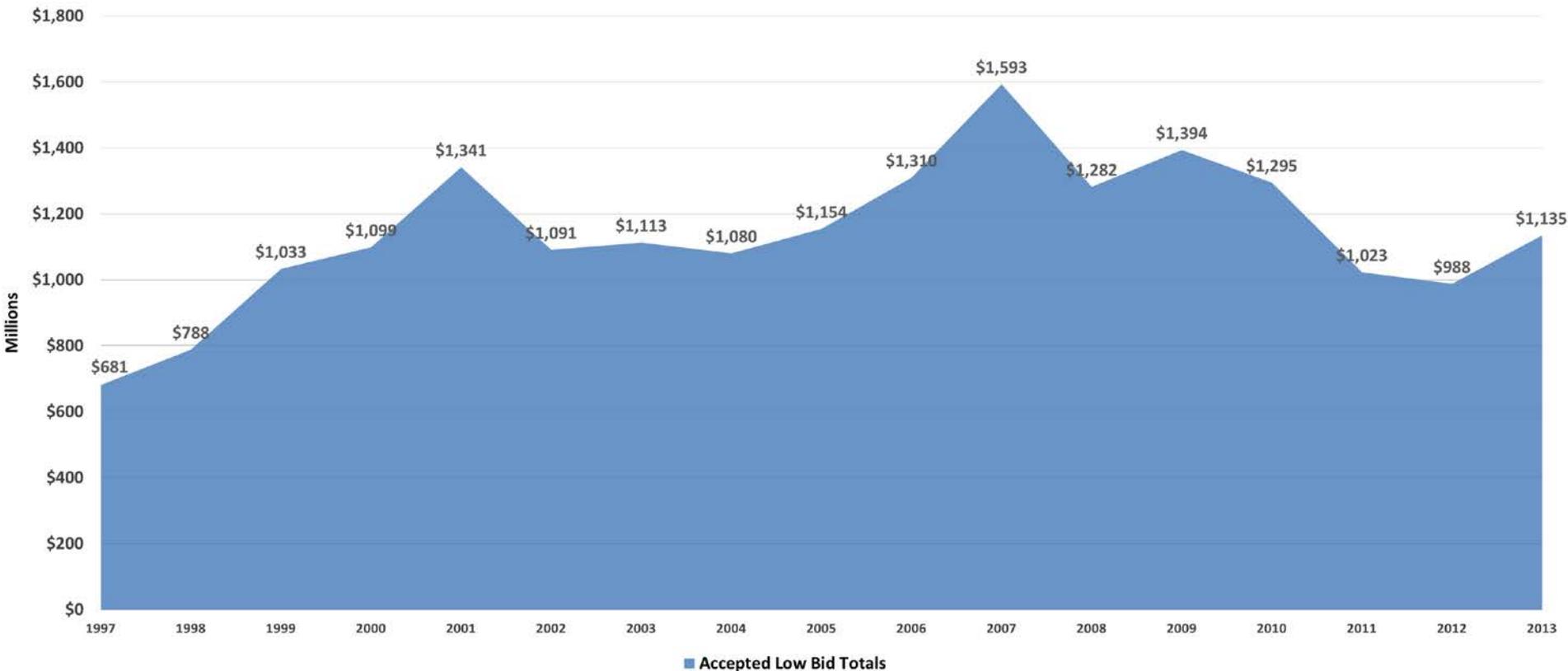
House Fiscal Agency: August 2014

Revenue Issues

- **Revenue Issue #3**
 - **MDOT anticipates that there will not be enough baseline state transportation revenue in the next five years to match all available federal aid**
 - **If the department is unable to provide necessary state matching funds, the state may lose approximately \$500 million per year in federal aid starting in FY 2014-15**
 - **Federal-aid available to the state is determined by federal law – there is nothing that the state legislature or state government can do to increase federal revenue to the state**

- **Revenue Issue #4**
 - **Local road agencies are experiencing similar revenue constraints and pavement condition deterioration**

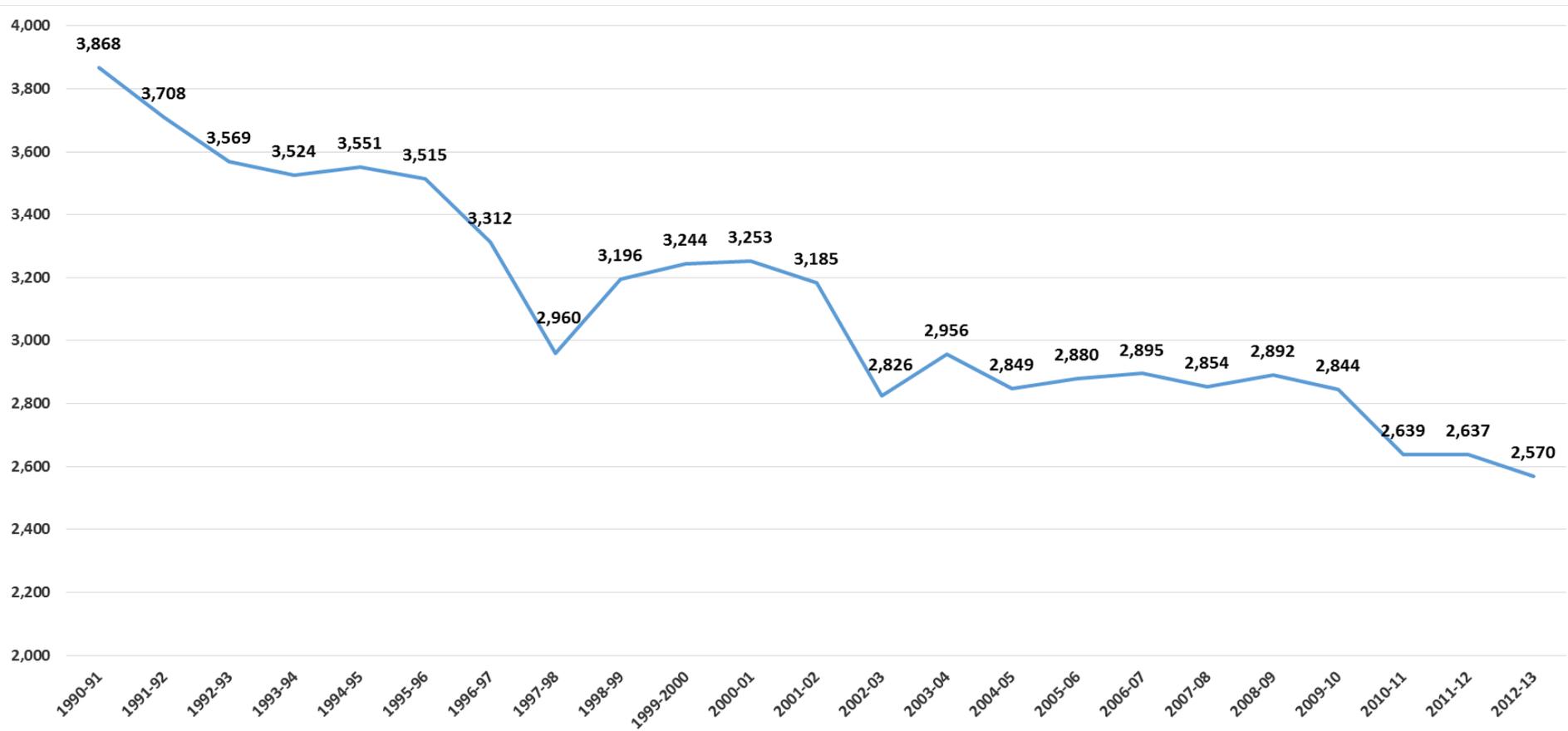
MDOT Construction Contract Awards State/Local/Aero/Transit/Rail



Michigan Department of Transportation

Average Annual Classified Employees

FY 1990-91 – FY 2012-13



**For more information about the
Transportation budget, contact:**

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