

State Transportation Commission

June 26, 2008

Director Kirk T. Steudle, P.E.

Overview

- **TF2 Update**
- **Highway and Maintenance Program
Financial Situation**

The image features a central black horizontal band containing the text 'TF2' in a white, bold, serif font. The background is a complex, low-poly 3D structure composed of various rectangular and cubic shapes in shades of red and orange, set against a black void. The lighting creates strong highlights and shadows, giving the geometric forms a three-dimensional appearance.

TF2

TF2/CAC Progress

- **TF2 meeting June 30 in Lansing**
 - **Discussing funding alternatives**
 - **Reviewing what other states are doing**
- **CAC developing “Needs” reports to present at July 21 TF2 meeting in Traverse City**



The background consists of a complex, abstract pattern of overlapping, semi-transparent red and black polygons, creating a 3D effect of stacked blocks or a fractured surface. The colors range from deep red to bright red, with black filling the negative space between the polygons.

MDOT Highway and Maintenance Program Financial Situation

Update on Maintenance

From last month's

Commission meeting:

- Winter cost overruns of approximately \$18M program**
- Adjustments were identified representing a 20% decrease in non-winter maintenance activities**

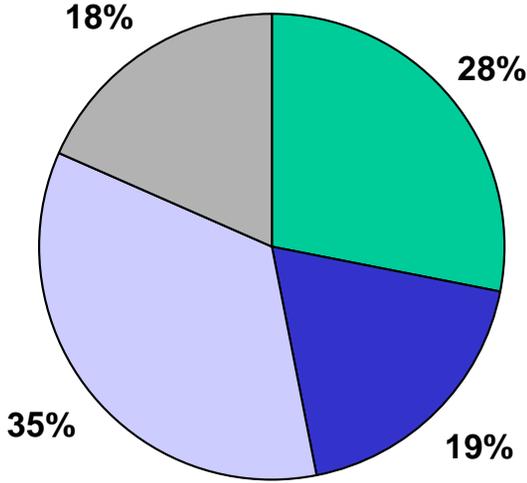


Maintenance Options

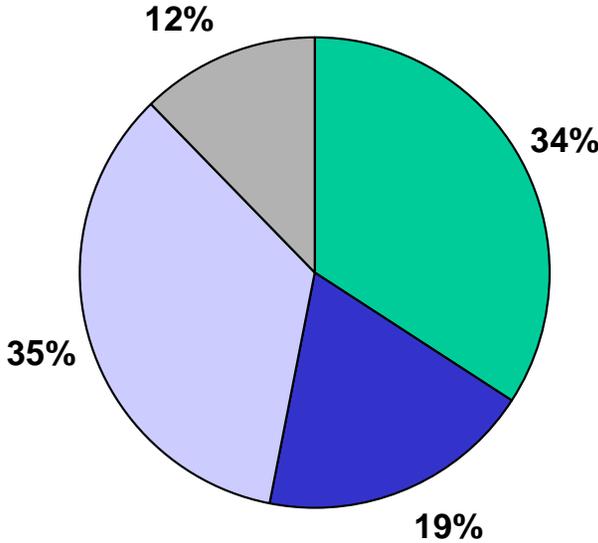
- **To address the overage, we considered:**
 - **Current financial constraint (lack of “M” funds)**
 - **Balancing needs with a constrained budget**
 - **Reductions were proposed in areas not as critical with respect to safety of the public**
- **Priority items like critical surface maintenance, replacement of failed culverts were among the critical work items to maintain the transportation system**

2008 Maintenance Budget

- Winter
- Non-Winter Fixed Costs
- Non-Winter Critical Safety & Health
- Non-Winter Other



3 Year Average Expenditures



FY 2008

Maintenance Options

- Since the May 2008 Commission meeting, MDOT identified approximately \$200,000 to address critical spot mowing and litter issues
- Continued recommendation of the cut backs in non-winter maintenance activities, given the overall revenue picture



“A Looming Financial Crisis for Transportation”

Travel trends down

State revenues declining = Uncertainty

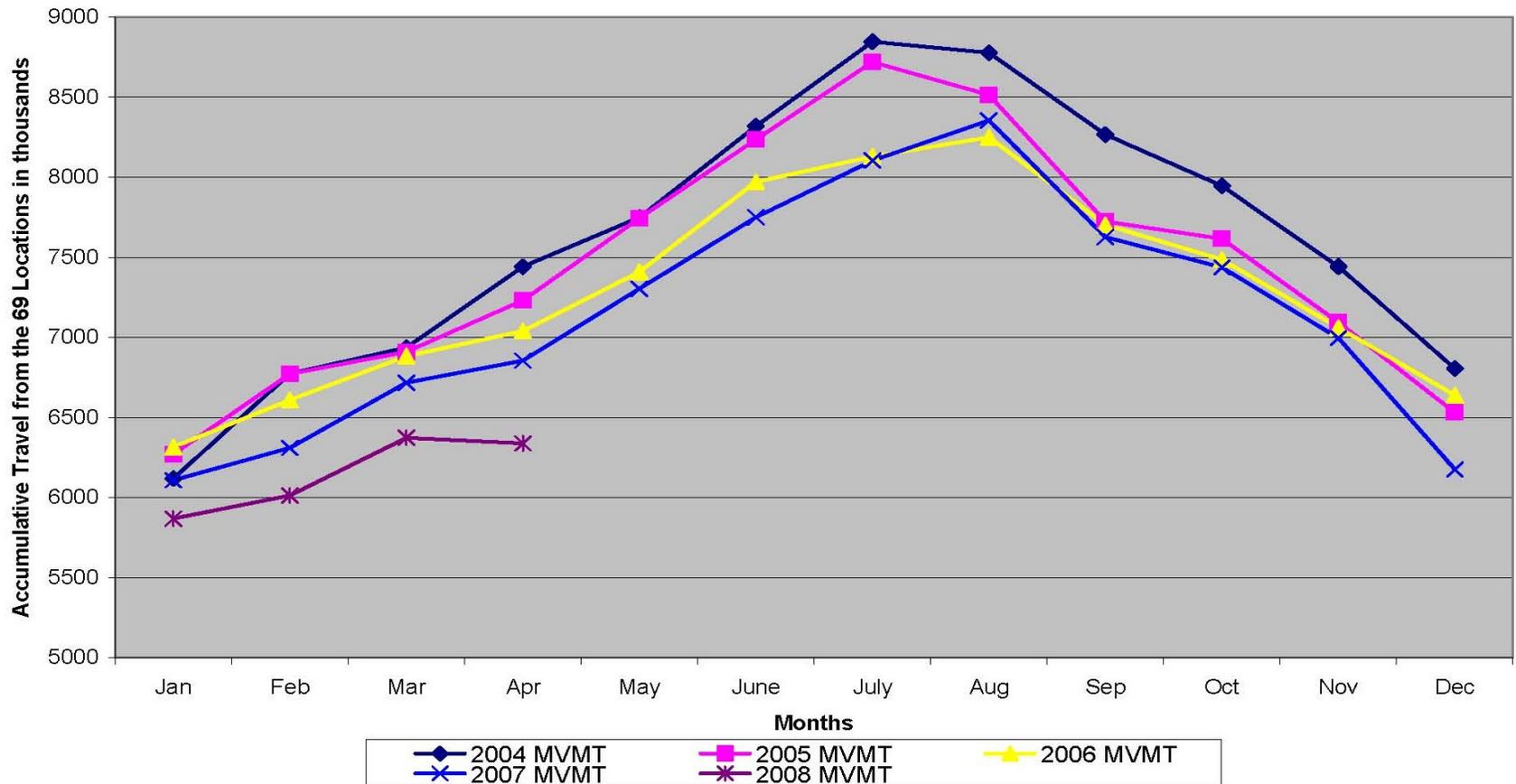
Federal revenue uncertain

Increasing costs

Travel Trends

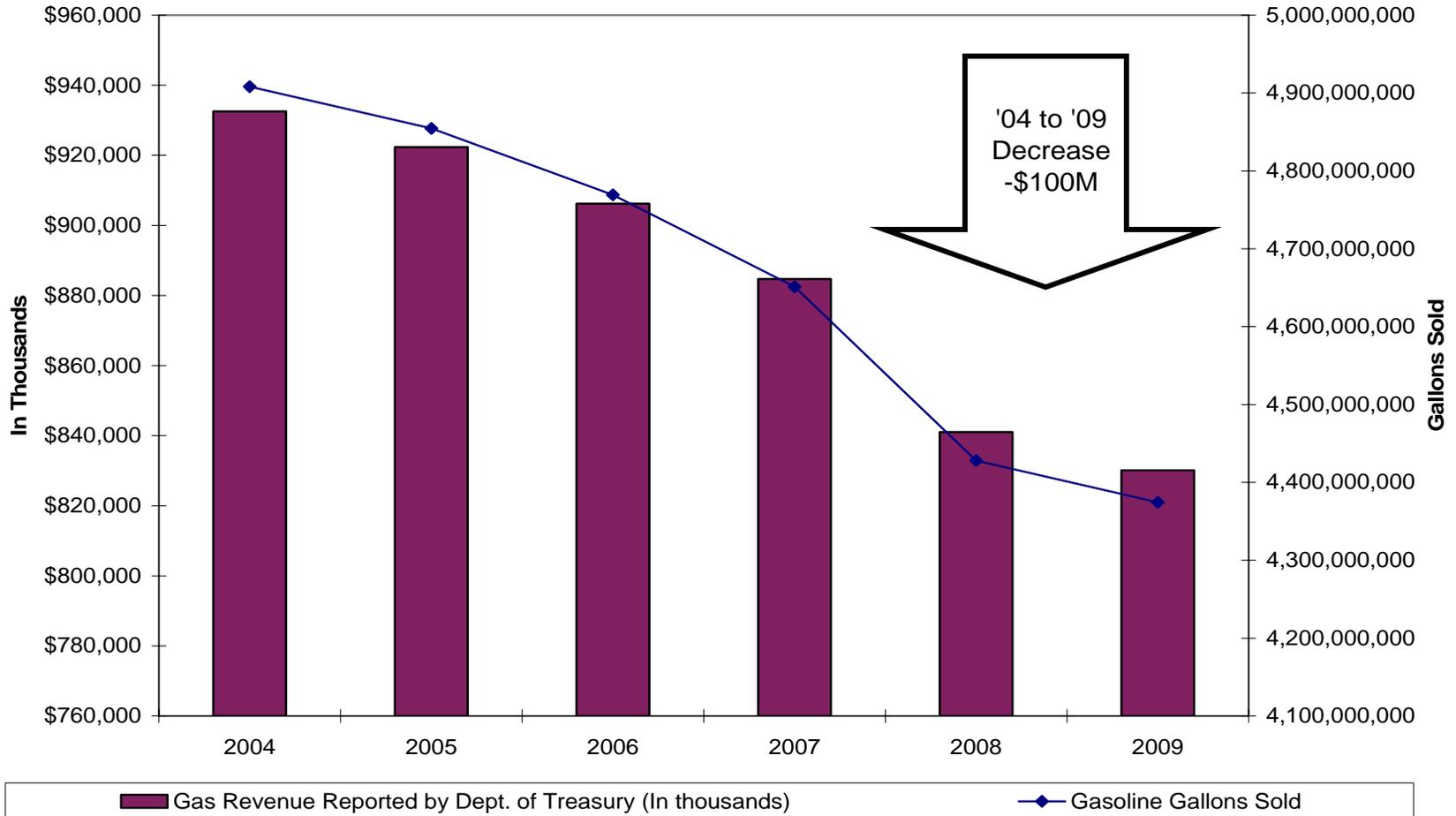
Gasoline prices are having a direct affect on travel in Michigan
Travel dropped by 4% (2.2 billion vehicle miles) from 2004 to 2007

Monthly Travel for Select PTR's
(Source : 75 MDOT Permanent Traffic Recorders)



State Revenue Trends-MTF

Gasoline Gallons Sold Compared with MTF Gasoline Revenue



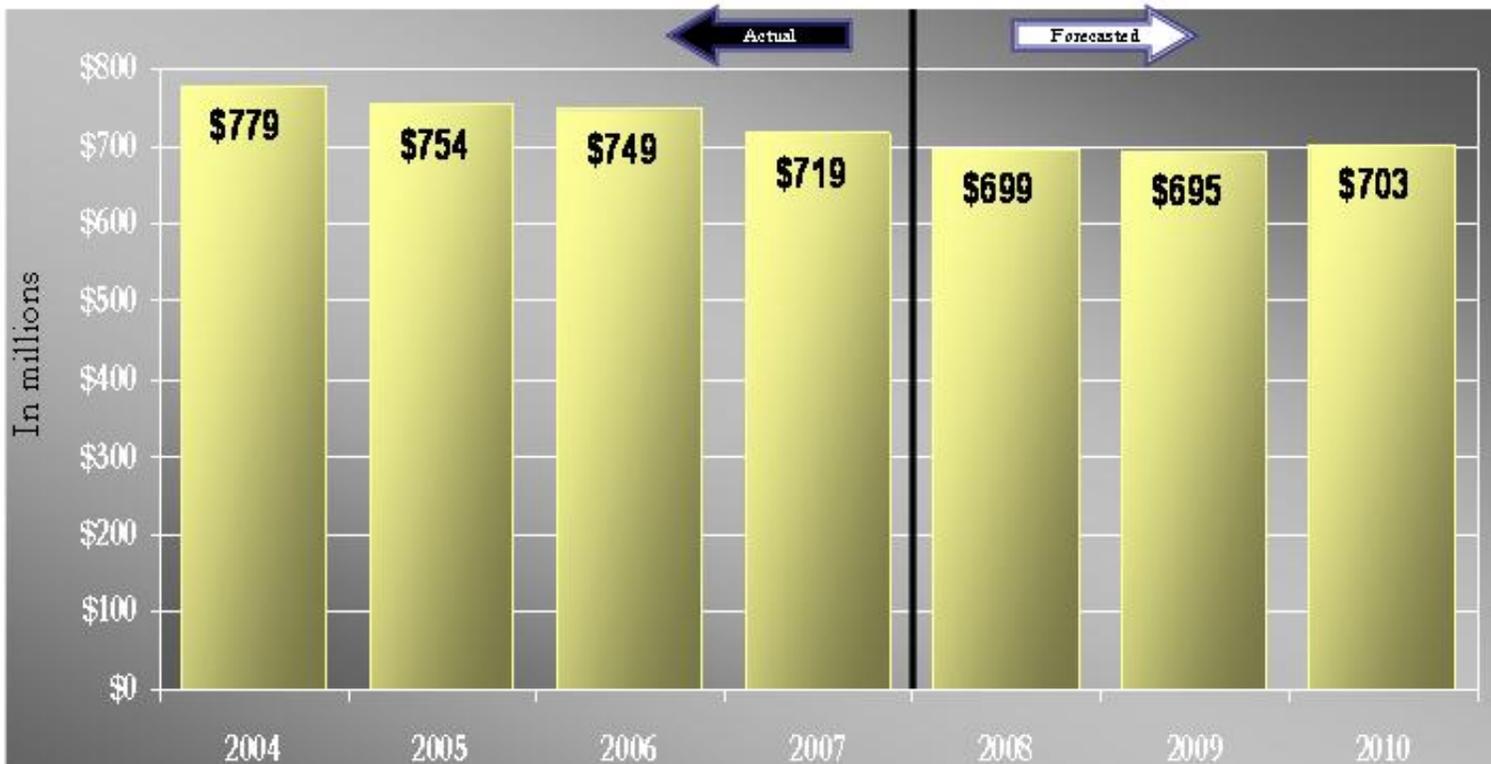
**2008 and 2009 Revenue and Gallons Sold estimated based on ERFD estimate 5/22/08

State Revenue Trends-STF

State Trunkline Fund

(share of MTF Distribution with a portion of Misc. Revenues)

State Revenue

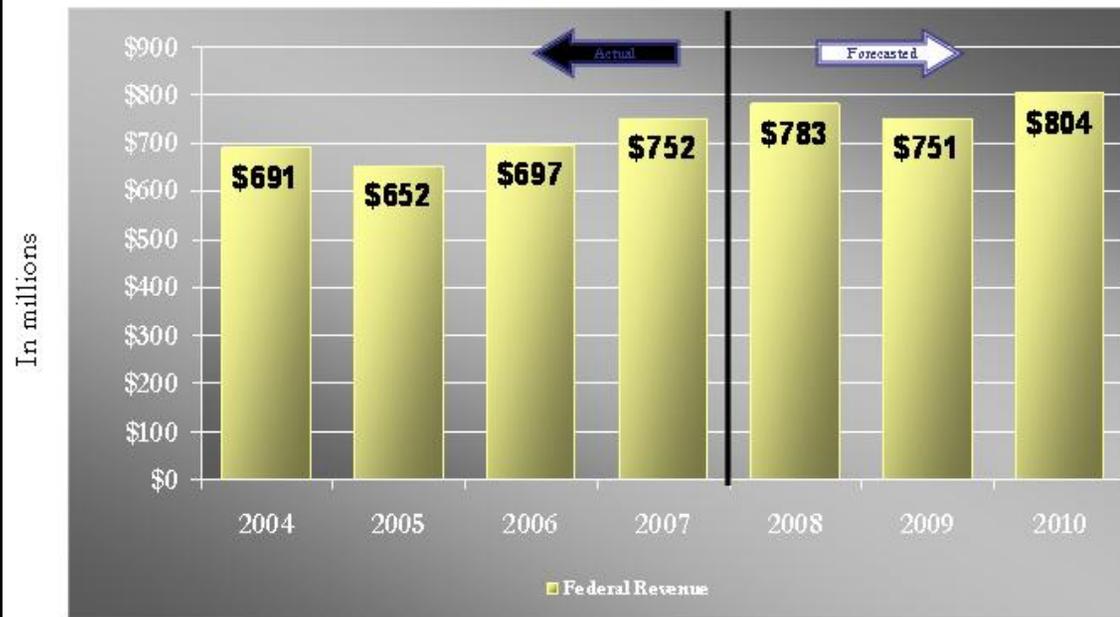


- State Trunkline Funds (STF) have declined 1% per year; this trend is forecasted to continue through 2009

Federal Revenue Trends

- This graph assumes continuation of SAFETEA-LU levels through 2010; however reauthorization in 2009 may change this assumption
- Recent estimates project the Highway Account to end FY 2009 with a negative \$3.2B balance

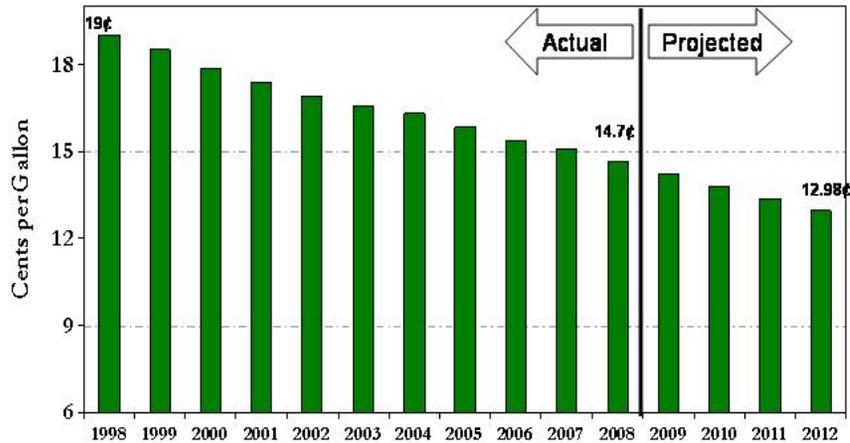
Federal Highway Funding Federal Revenue



Assumes 3.2 percent annual growth after SAFETEA-LU, however,
Highway Trust Fund is uncertain

Increased Costs of Materials and Reduced Buying Power

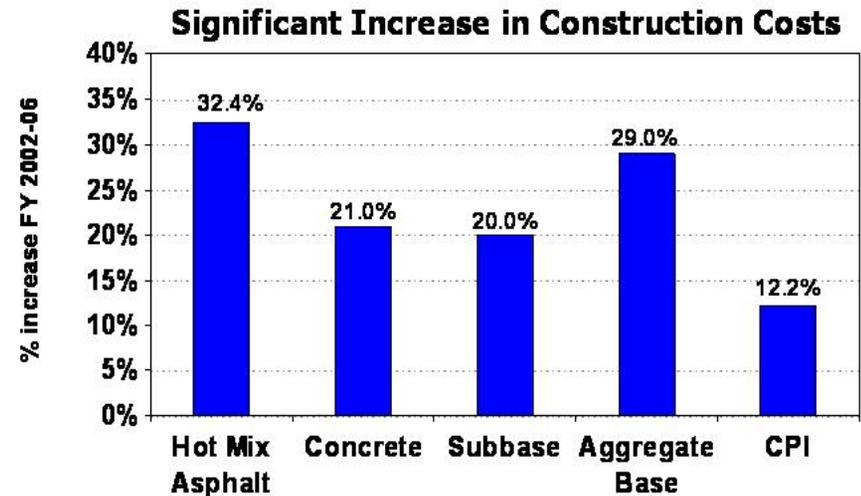
Decline in Purchasing Power



Actual Purchasing Power of the State Gas Tax has declined by 22.6% since 1998

Source: MDOT

Rising Costs



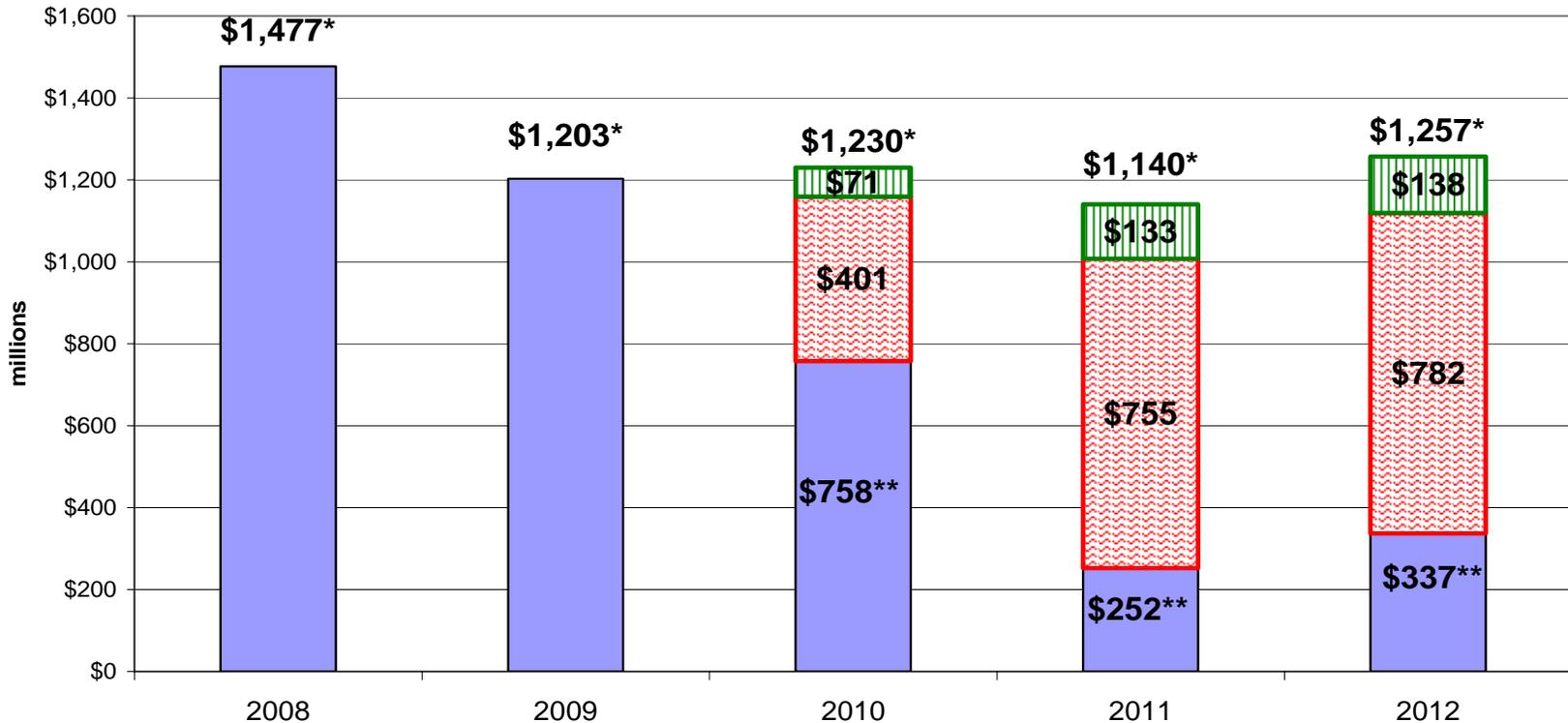
Source: CPI, U.S. Bureau of Labor Statistics, Construction Costs, MDOT

Inability to Match Federal-Aid

Highway and Maintenance Program

State Revenue Shortfall and Federal-Aid Lost

(assumes \$20M "M" program per year)



■ Program Total with Routine Maintenance ■ Federal Aid Lost ■ State Revenue Shortfall

* Highway and Maintenance Program Announced in 2008-2012 Five Year Transportation Program

** Resulting Program Amount (with declining state revenues and inability to match federal aid)

Summary

- **MDOT is facing tough choices**
- **MDOT may not be able to match all federal aid in the near future thus affecting**
 - **Investment levels**
 - **Flexibility to fund projects**
 - **Overall condition of Michigan's transportation infrastructure**



Questions