

# State Transportation Commission

November 20, 2008

Director Kirk T. Steudle, P.E.  
Michigan Department of Transportation

# Overview

- ❖ Transportation Funding Task Force Update
- ❖ Draft Five-Year Transportation Program

Transportation Funding

Task Force

Update

# Preliminary Report Findings

- ❖ Quantify Transportation System Needs
- ❖ Identify Reforms, Efficiencies, and Best Practices
- ❖ Identify Immediate, Short Term, and Long Term Revenue Options

# Recommended Efficiencies

- ❖ Review Bonding & Bond Refinancing for Savings
- ❖ Reclassify MTF Funds to “Trust Funds”
- ❖ Extend Audit Authority to Other Experts
- ❖ Eliminate Reporting Redundancies
- ❖ Post Expenditures On-line
- ❖ Create Corridor Authorities
- ❖ Encourage Regionalism
- ❖ Expand Use of Value Engineering
- ❖ Expand Use of Asset Management Program
- ❖ Expand STC Oversight
- ❖ Establish Performance Standards

# Recommended Efficiencies

- ❖ Share Various Administrative Functions
- ❖ Re-establish State Offices Overseas
- ❖ Streamline Wetlands Mitigation Program
- ❖ Re-instate Various Aeronautic Programs
- ❖ Ensure State Match for all Federal \$
- ❖ Provide Incentives for Efficiency
- ❖ Eliminate Diversion of Transportation Funds
- ❖ Provide Incentives for Performance
- ❖ Allocate 95% of Funds to Tier 1&2 Airports
- ❖ Allocate New \$ Based on Vehicle Miles Traveled

# Revenue Recommendations

## ❖ Immediate Actions

- Increase Vehicle Registration Rates
- Eliminate Registration Discounts
- Adjust Motor Fuel Tax
- Equalize Diesel & Gas Fuel Tax Rates
- Abolish 1.5% Cost of Collection Allowance
- Increase Aviation Fuel Tax/Registration Fees
- Abolish Commercial Airline Refund

# Revenue Recommendations

## ❖ Short Term Options

- Reduce Interdepartmental Grants
- Increase Federal Aviation Block Grant
- Redirect Aviation Sales Tax to State Aeronautics Fund
- Change Aviation Fuel Tax to % of Price
- Encourage Local Revenue Options
- Implement Public-Private Partnerships
- Implement Toll Finance Options

# Revenue Recommendations

## ❖ Longer Term Options

- Increase Sales Tax & Dedicate to Transportation system
- Direct All/Portion of Sales Tax to MTF
- Direct All/Portion of Michigan National Resources Trust Fund to Roads
- Allow Reliever/Super Reliever Airports Eligible for Federal Primary Airport Funds

# Next Steps

## ❖ Legislative Action

- Legislation required for most recommendations
- Some items possible during lame duck session
- If no action during lame duck, next possible action could occur in late February

# TF2 Email & Website

## ❖ TF2 Email address

- **MDOT-TF2@michigan.gov**

## ❖ TF2 Website

- **www.michigan.gov/tf2**
  - **Schedules & minutes for all meetings**
  - **Committee resources & reports**



**FIVE-YEAR  
TRANSPORTATION  
PROGRAM**

**FY 2009 -2013**

# Presentation Objectives

- ❖ Review revenues available to support the program
- ❖ MDOT's investment strategies and funding issues
  - Current and Reduced Highway Investment Strategies
  - Discuss Highway Program impacts due to Reduced Investment Strategy
- ❖ Overview of the each program's objectives
- ❖ Obtain Transportation Commission agreement to post draft to website and seek public input and comment

# Five-Year Transportation Program Key Messages

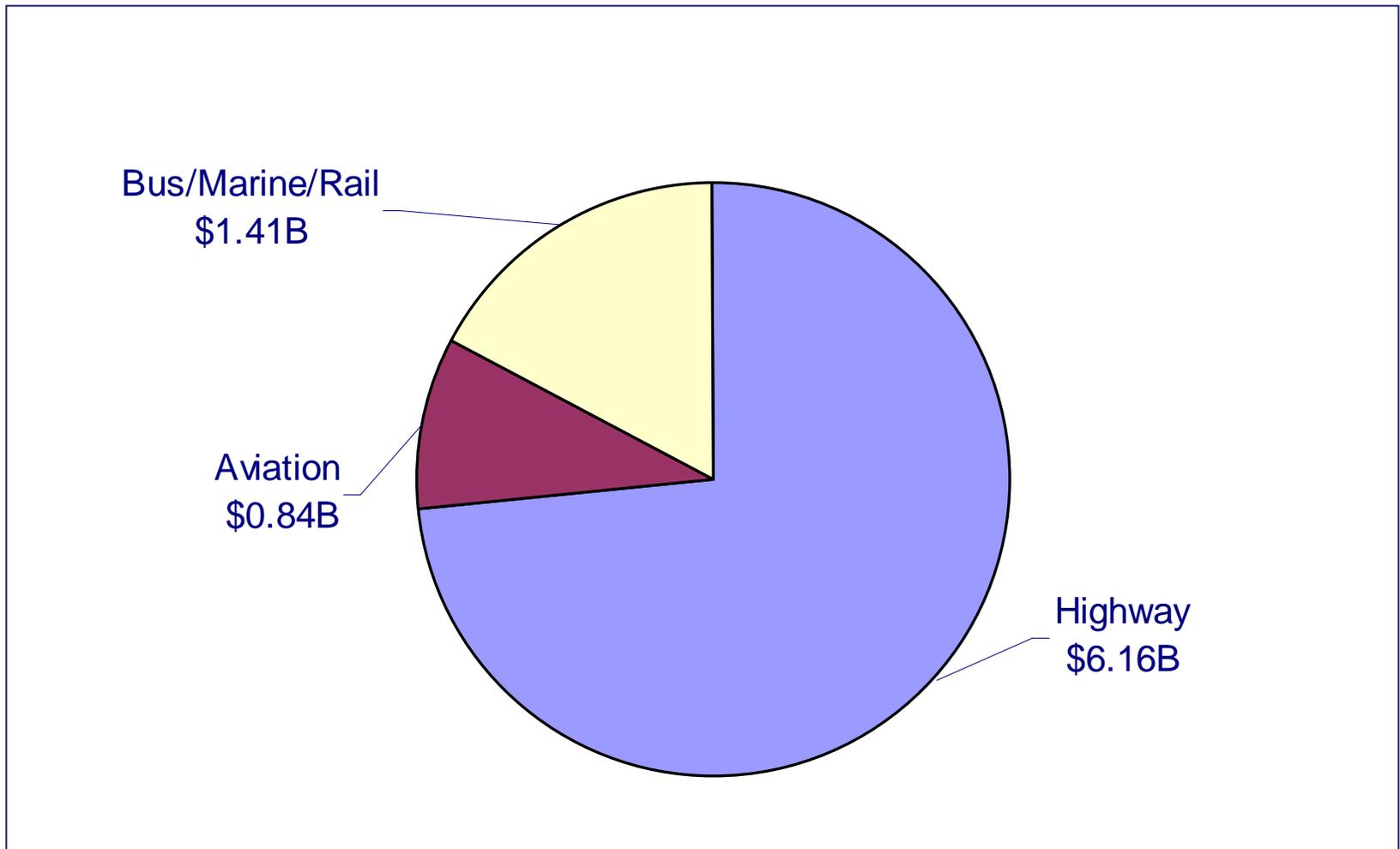
- ❖ Multi-Modal Five-Year Program
- ❖ Continues focus on system preservation and safety
- ❖ Balanced and comprehensive investment to support economic growth and protect quality of life

# Five-Year Transportation Program Key Messages

- ❖ Declining state revenue to support transportation is projected
- ❖ If additional state transportation revenues are not realized more than \$2 Billion in federal funding will be lost
- ❖ Outlines a reduced highway investment strategy to be implemented in fiscal year 2010 if necessary

# 2009-2013 Transportation Program INVESTMENTS

\$8.41 billion



Positive influences on Michigan's economy

# Highway Program

Presenter- Jim Fillwock

# Revenue Assumptions Highway Program

## ❖ Federal Revenue Assumptions

- Based on FHWA 2009 Notice of Apportionment
- 2009 flat through 2011, then 3.2% growth
- Assumes ability to match all federal funds available
- MDOT's share of federal aid for the trunkline program is estimated to be **\$3.9 billion**



# Revenue Assumptions Highway Program

## ❖ State Revenue Assumptions

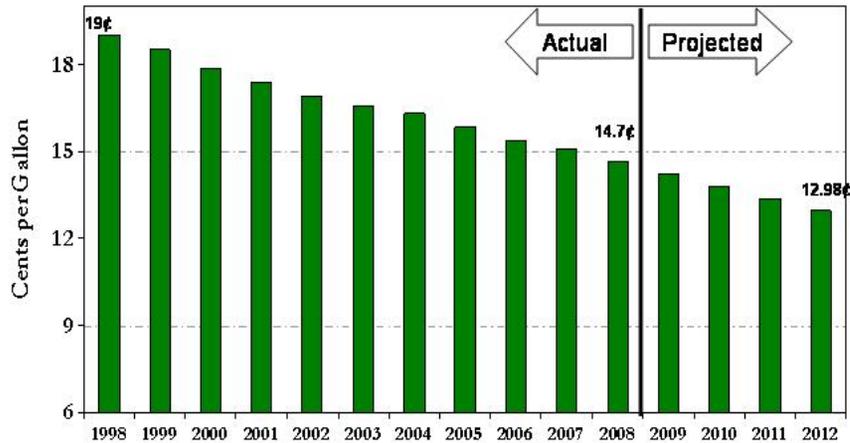
- Based on Department of Treasury Michigan Transportation Fund estimates for 2009
- Approximately 1% growth per year based on Bureau of Transportation Planning's Long Range Revenue Model through 2013
- Total state revenue, including bond revenue is estimated at **\$1.7 billion** for capital outlay, routine maintenance, and debt service

# Revenue Issues Highway Program

- ❖ **Uncertainty in Federal Funding**
  - Highway Trust Fund
  - Reauthorization
- ❖ **Decreased state revenues**
  - Volatile gas prices led to \$100M revenue decrease
- ❖ **Skyrocketing business and materials costs are eroding purchasing power**

# Inability to Match Federal Aid Highway Program

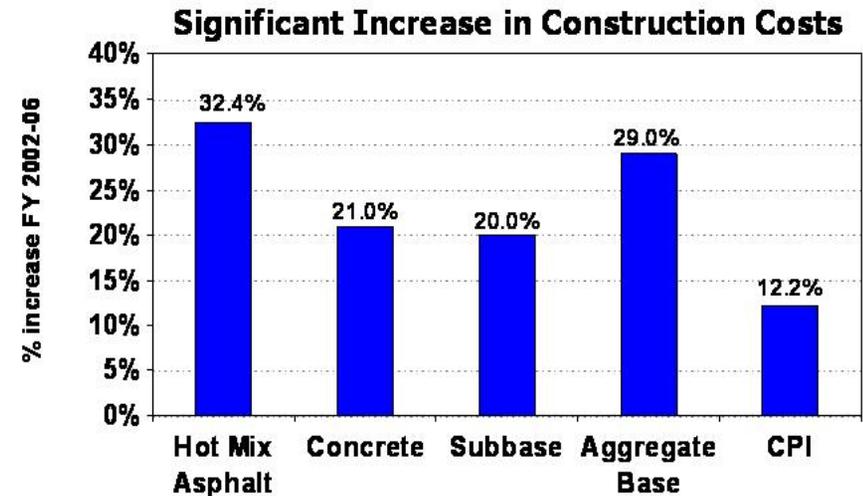
## Decline in Purchasing Power



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

Source: MDOT

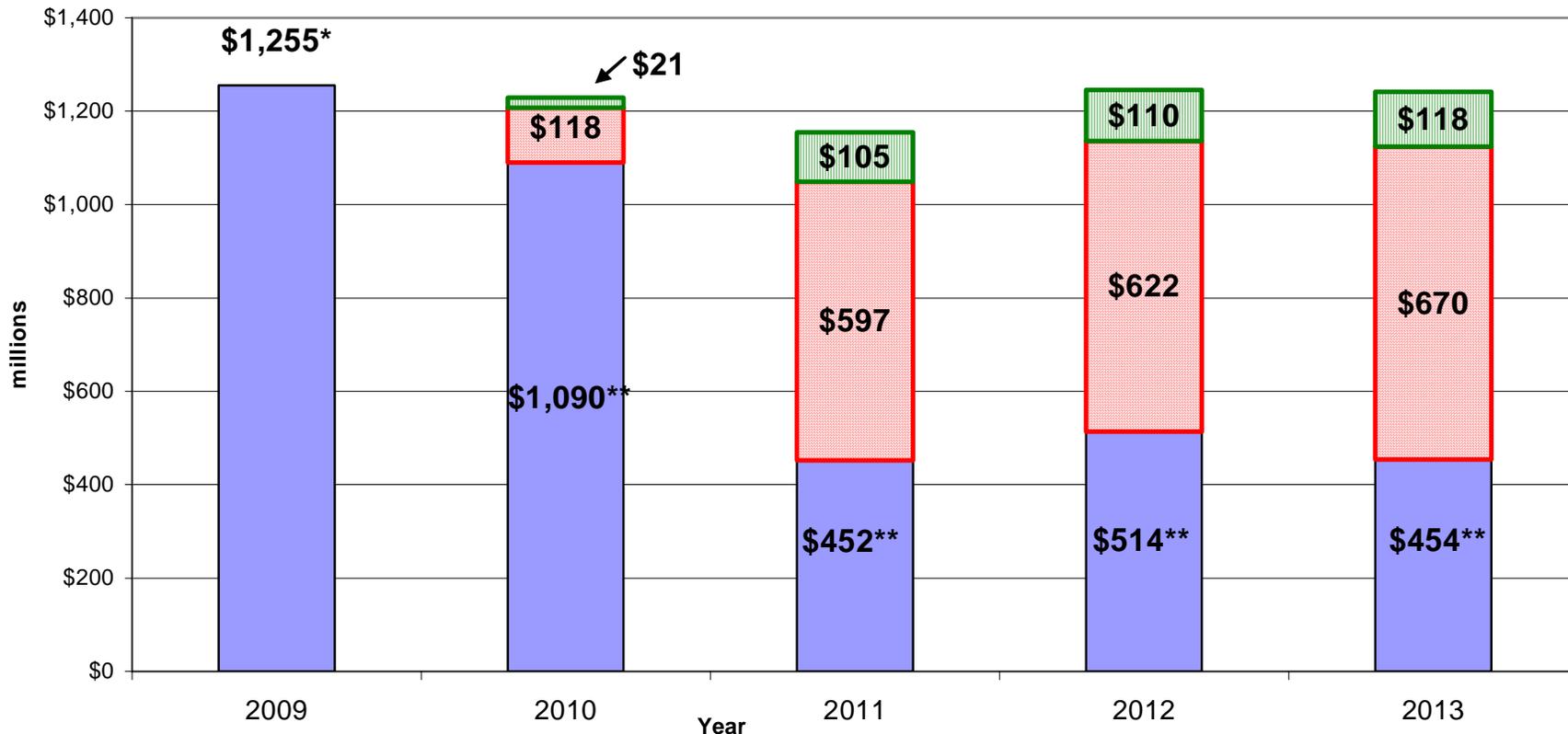
## Rising Costs



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

# Inability to Match Federal Aid Highway Program

## MDOT Highway and Maintenance Program State Revenue Shortfall and Federal-Aid Lost



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

\* 2009 Announced Highway and Maintenance Capital Program

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

# Inability to Match Federal Aid Highway Program

- ❖ Anticipated shortfall of state revenue and unmatchable federal-aid is nearly \$2.4 Billion over the 2010-2013 time frame



# Investment Strategy Highway Program

- ❖ Two highway investment strategies outlined
  - Current
  - Reduced
- ❖ Current strategy assumes ability to match all federal funds available
- ❖ Reduced strategy decreases the program by approximately \$400M each year beginning in fiscal year 2010

# Reduced Program Investment Strategy Highway Program

## ❖ Reduction Strategy Development Guidelines

- Continues to focus on preservation as well as safety and operations
- Provides funding for all highway capital programs
- Supports technology advances
- Maintains production schedule so program delivery can continue
- Maintains high priority projects on corridors of highest significance
- Even at current level, pavement condition will rapidly decline

# Investment Strategy Highway Program

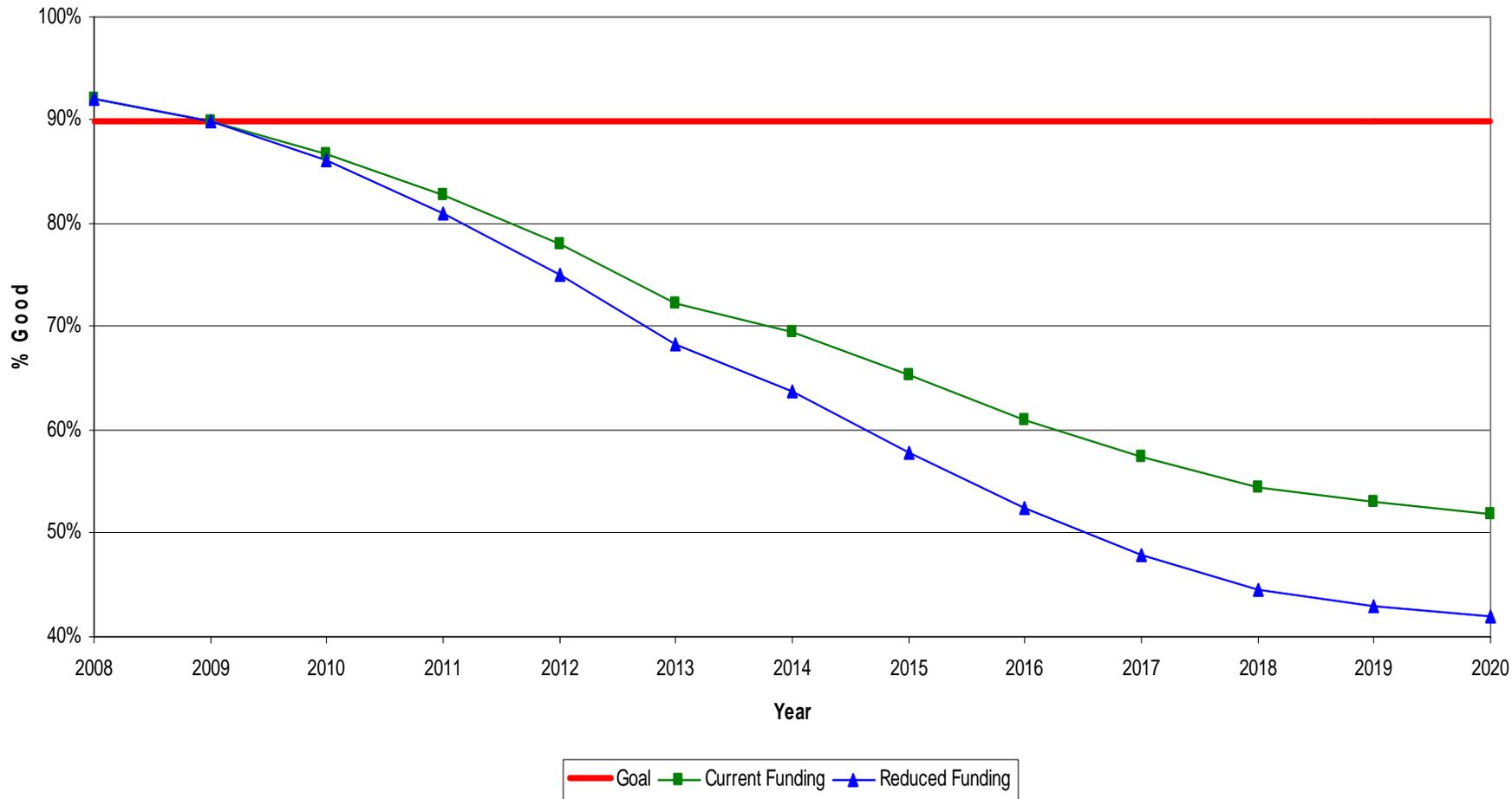
<u>Highway Program- (Annual/Avg)</u>	<u>Current</u>	<u>Reduced</u>
❖ Repair & Rebuild Roads	\$431 M	\$299 M
❖ Repair & Rebuild Bridges	\$207 M	\$144 M
❖ Capacity Improvements/ New Roads	\$58 M	\$31 M
❖ Safety	\$66 M	\$42 M
❖ Congestion Mitigation and Air Quality	\$42 M	\$24 M
❖ ITS	\$14 M	\$9 M
❖ Other	\$113 M	\$57 M
❖ Routine Maintenance	\$302 M	\$285 M
❖ TOTAL	\$1.233 B	\$891 M

# Revenue Shortfall Highway Program

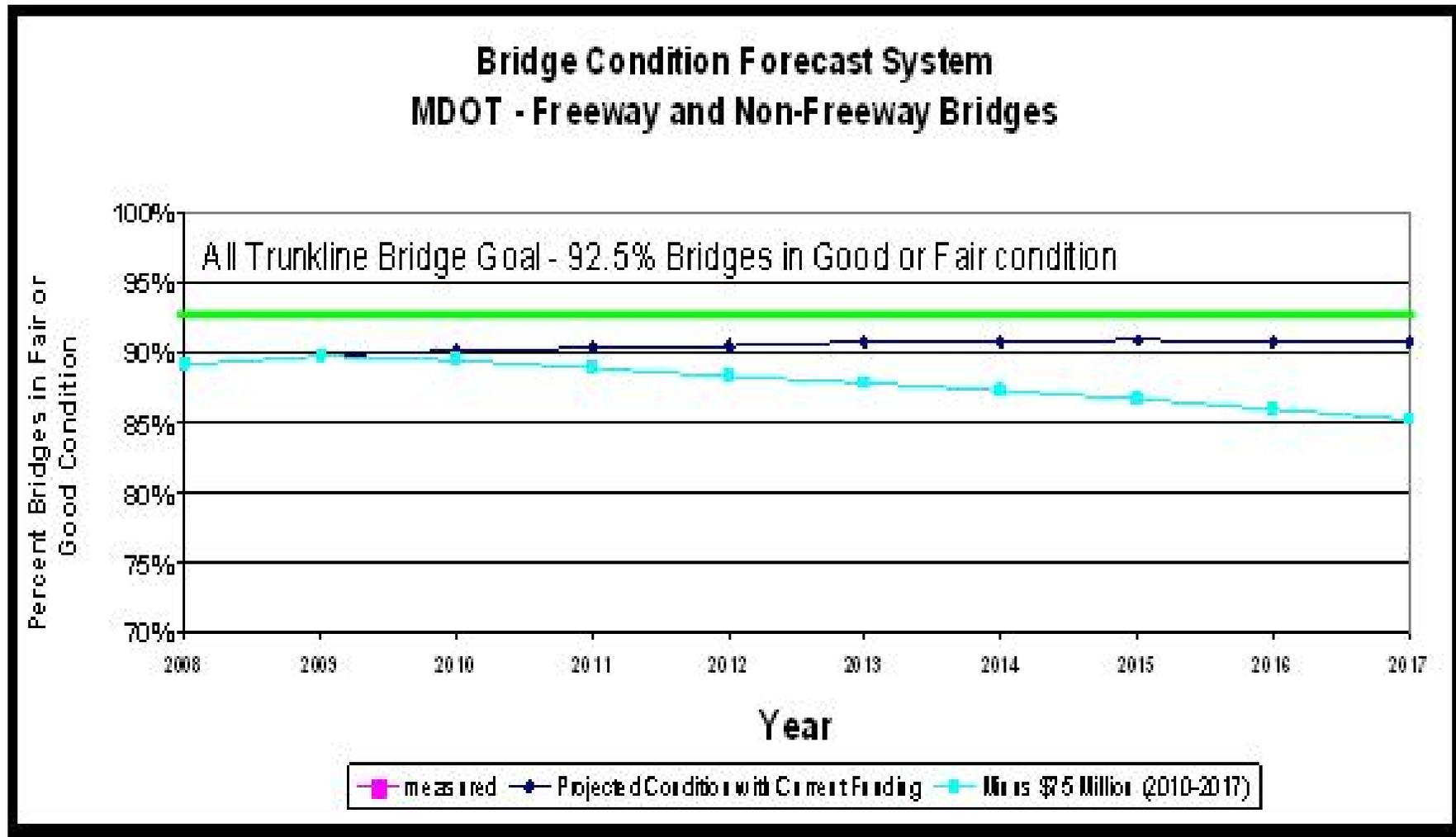
- ❖ Both Current and Reduced investments exceed estimated revenue
- ❖ Gap ranges from \$350M to \$500M over the 2009-2013 timeframe
- ❖ We will continue to monitor and make future adjustments as necessary

# Reduced Highway Program Impacts Preserving the Highway System

Pavement Condition Forecast Comparison  
Current Funding vs. Reduced Funding Strategies



# Reduced Highway Program Impacts Preserving the Highway System



❖ Will not meet the combined bridge condition goal

# Current Investment Strategy Highway Safety Program

- ❖ Reduce fatalities and injuries along MDOT trunkline through:
  - Updating and replacing signs that had their reflective coating worn away over time
  - Re-stripping pavements through the Pavement Marking program
  - Replacing aging guardrail
  - Installing cable median barriers to prevent some head-on collisions
  - Replace and re-time traffic signals to increase safety and efficiency



# Reduced Highway Program Impacts Highway Safety Program

<u>Program</u>	<u>Funding Reduction</u>	<u>Impact</u>
Signing	\$14M to \$6M	replacement cycle increases from 15 to 35 years
Pavement Marking	\$17M to \$8.5M	limited non-freeway rumble strips and no special marking replacement
Guardrail	\$16.5M to \$5.5	4 scheduled projects will not be let
Traffic Signals	\$11M to \$4.5	replacement cycle increases from 25 to 50 years and retiming cycle from 10 to 20 years

# Current Investment Strategy

## Air Quality, Operations, & Natural Resources

### ❖ Mobility

- Congestion Mitigation and Air Quality Program (CMAQ)-  
**\$209 million**
- Workzone Mobility initiative reduces construction related congestion
- Michivan Service

### ❖ Operations

- Intelligent Transportation System Program (ITS) –  
**\$68 million**
  - Incident Management, Traveler Information, Road Weather Information Systems

### ❖ Other Programs (TEDF, Enhancement, State Programs, Federal Programs) - **\$563 million**

# Reduced Highway Program Impacts Air Quality, Operations, & Natural Resources

<b><u>Program</u></b>	<b><u>Funding Reduction</u></b>	<b><u>Impact</u></b>
Roadsides	\$10M to \$1M	No Rest Area recon/rehab
Congestion Mitigation And Air Quality (CMAQ)	\$42M to \$24M	19 fewer projects delivered
Intelligent Transportation System (ITS)	\$14M to \$9M	Individual infrastructure deployment versus statewide deployment
Wetlands Mitigation	\$1M to \$500K	Suspension of wetland banking program
Enhancement	\$15M to \$2M	40 fewer miles of non- motorized facilities, 10 fewer miles of streetscapes in 25 communities

# Current Investment Strategy

## Expanding the Highway System

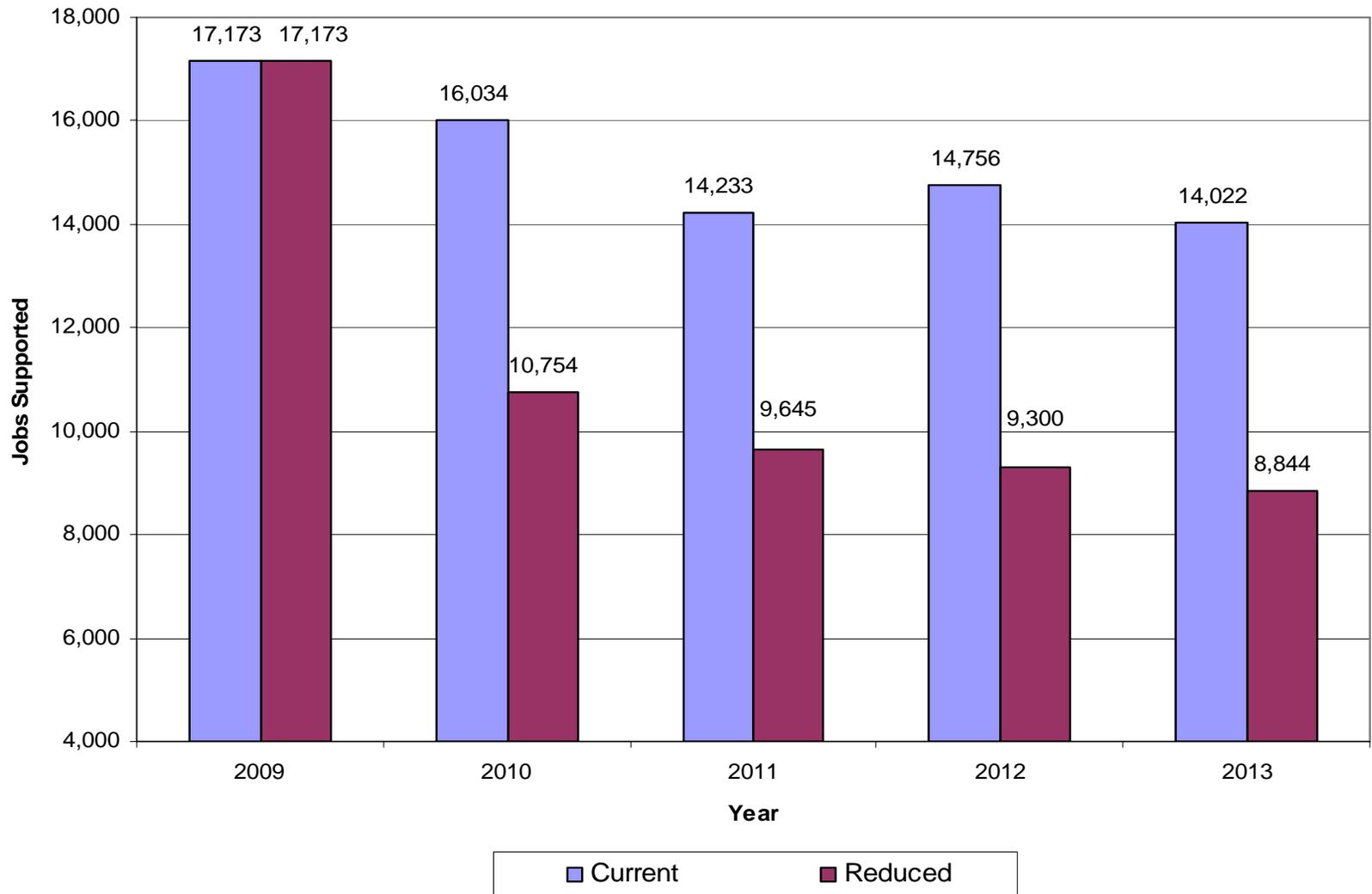
- ❖ Five construction Projects planned
  - US-131, Constantine, St Joseph County, New Route
  - I-94 at Sargent Road, Jackson County, Interchange Reconstruction
  - US-131 at 44th Street, Kent County, Interchange Reconstruction
  - US-31 (M-231), M-45 to I-96, Ottawa County, New Route/Improve Existing
  - I-96 at Latson Road, Livingston County New Interchange

# Reduced Highway Program Impacts Expanding the Highway System

- ❖ All but one expansion project will be delayed or removed as fully funded projects from the Five - Year Program if reduced strategy needs to be implemented
  - I-96 at Latson Road, Livingston County will be fully funded
  - US-131 at Constantine, St Joseph County and US-31 (M-231), Ottawa County will be partially funded

# Reduced Highway Program Impacts Supporting Economic Opportunities

Jobs Supported by MDOT's Highway Program 2009-2013



# Passenger Transportation

Presenter- Sharon Edgar

# Revenue Assumptions

## Multi-Modal ~ Passenger Transportation

### Federal Revenues - Local Transit/Rural Intercity Bus

- ❖ Annual formula apportionments from FTA
- ❖ Annual congressional earmarks to MDOT and rural transit agencies
- ❖ Assumed continuation of FY2009 levels

### Federal Revenues - Passenger Rail/Marine

- ❖ Federal funds intermittent – Congressional earmarks, special projects, competitive grants



# Revenue Assumptions

## Multi-Modal ~ Passenger Transportation

### State Revenues for Passenger Transportation

#### ❖ Comprehensive Transportation Fund (CTF)

- Assumed continuation (i.e., no growth) of FY 2009 CTF appropriation levels
  - FY 2009 CTF program – no sales tax diversions
  - Gas tax revenues declining
  - CTF revenues contribute 73% of total program

#### ❖ CTF also supports rail freight program



# Revenue Issues

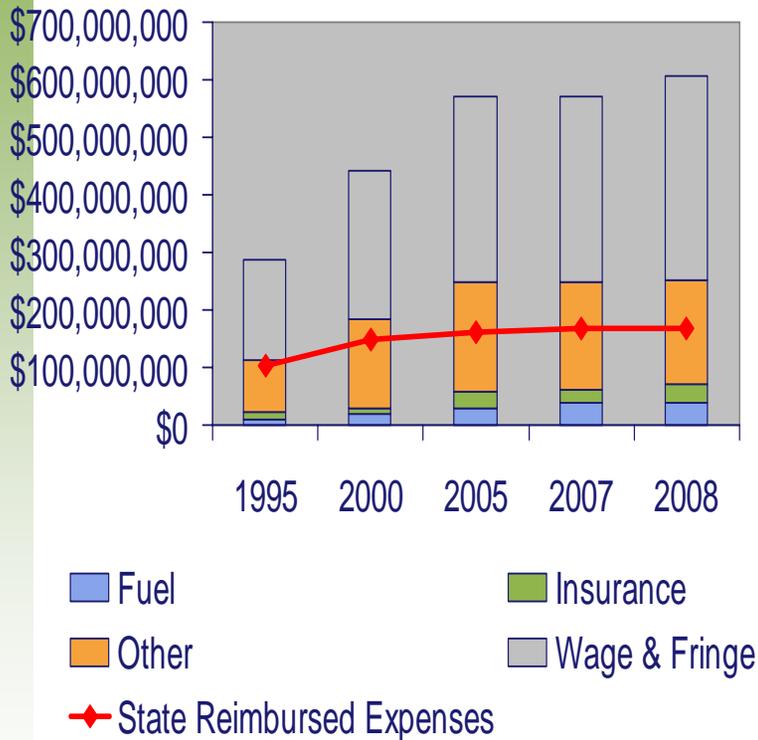
## Multi-Modal ~ Passenger Transportation

- ❖ FY2009-13 program represents an already reduced program
- ❖ Revenues static/declining while costs increasing
- ❖ MDOT adjusts program each year to fit the revenues available
- ❖ No funding for expansion

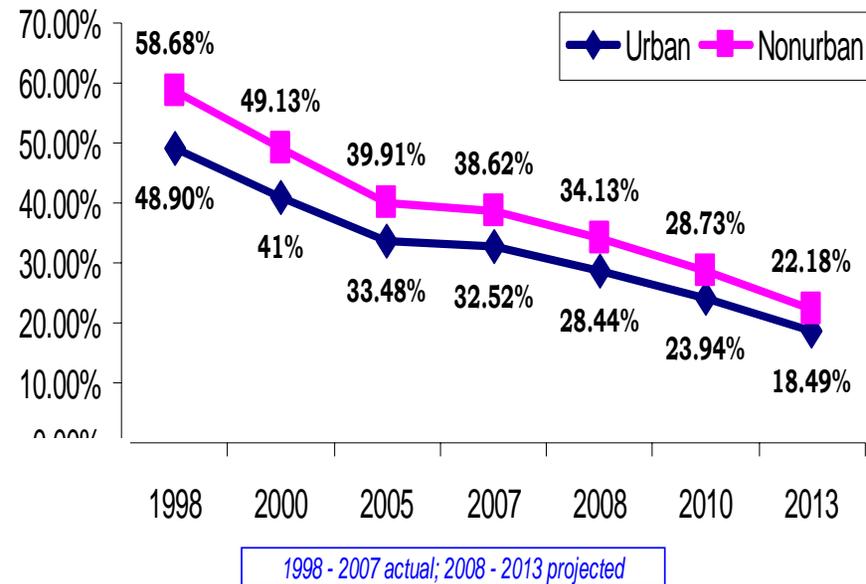


# Local Public Transit Costs vs. Revenues

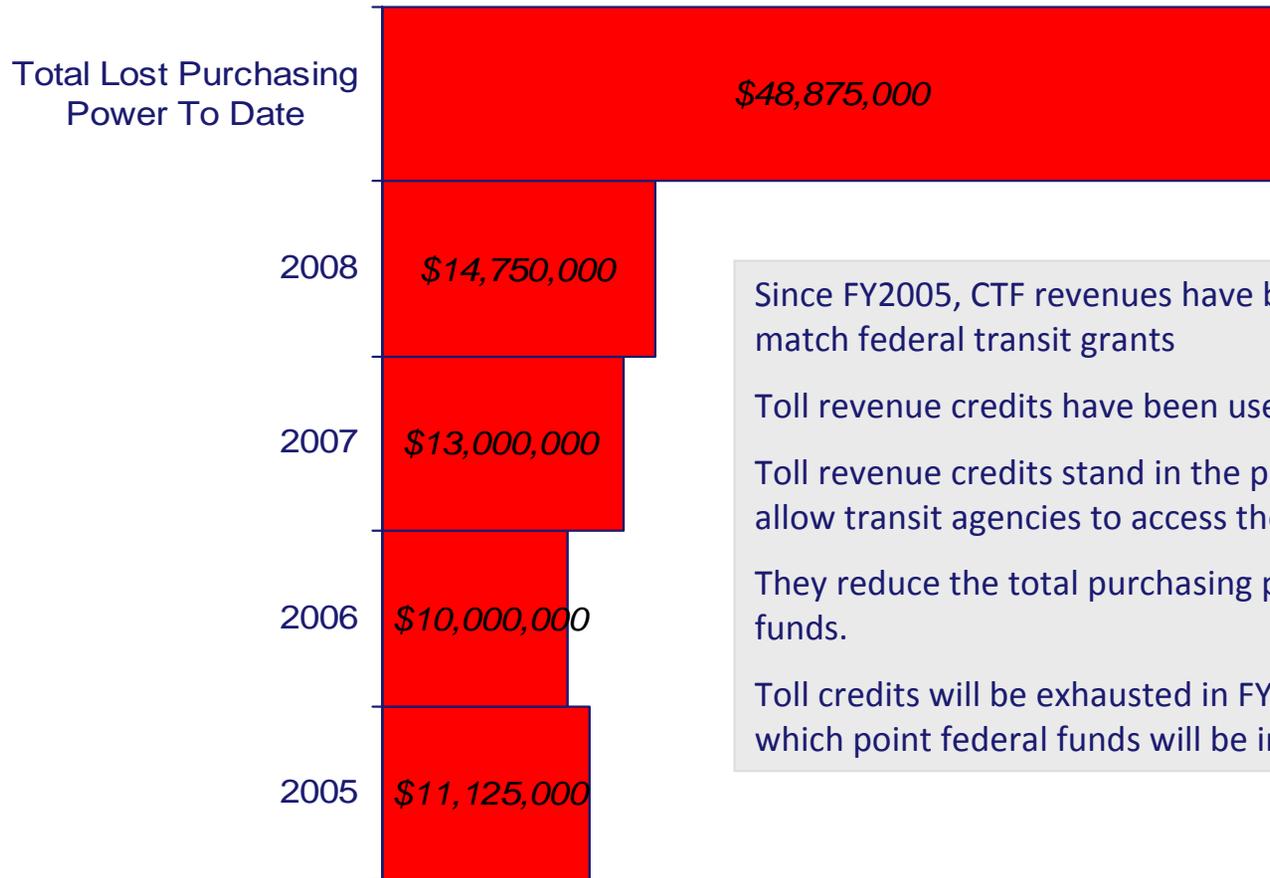
## Operating Expenses by Category



## State Share of Operating Expenses



# Insufficient Federal Match = Lost Purchasing Power



Since FY2005, CTF revenues have been insufficient to match federal transit grants

Toll revenue credits have been used to fill the gap

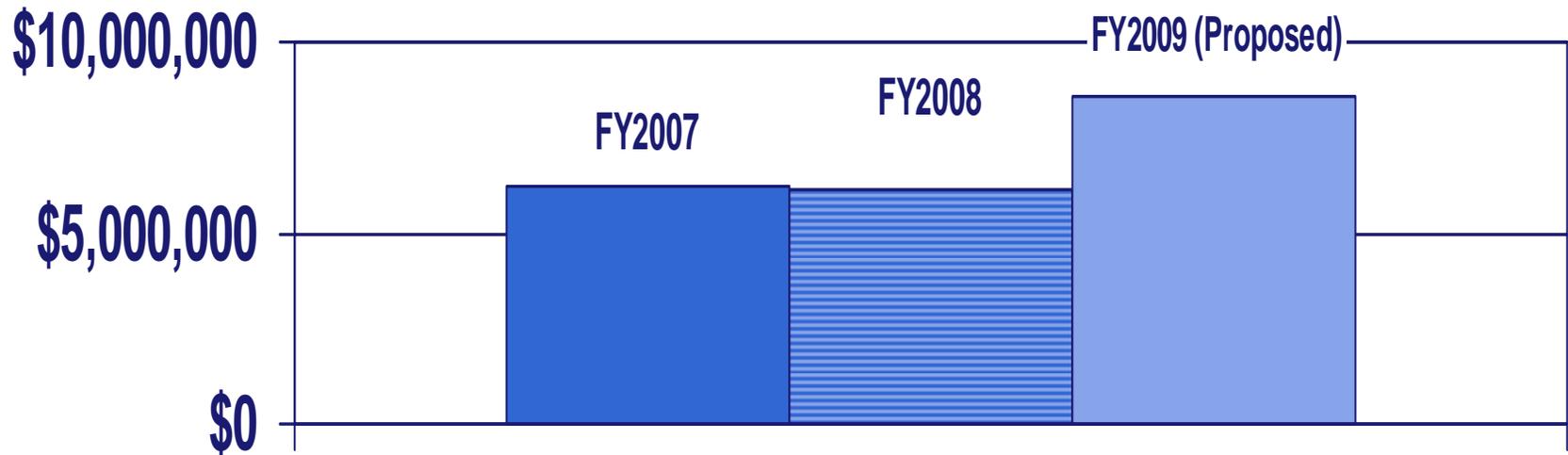
Toll revenue credits stand in the place of match and allow transit agencies to access the federal funds

They reduce the total purchasing power of the federal funds.

Toll credits will be exhausted in FY2009 or FY2010, at which point federal funds will be in jeopardy

Lost Purchasing Power from Use of Toll Credits as Match

# Intercity Passenger Contract Costs Increasing



## Amtrak Contract for Blue Water and Pere Marquette

- ❖ Passenger trains and intercity bus fuel costs also increasing
- ❖ Amtrak has requested an increase of up to \$2.4 million in the FY2009 contract

# Investment Strategy

## Multi-Modal ~ Passenger Transportation

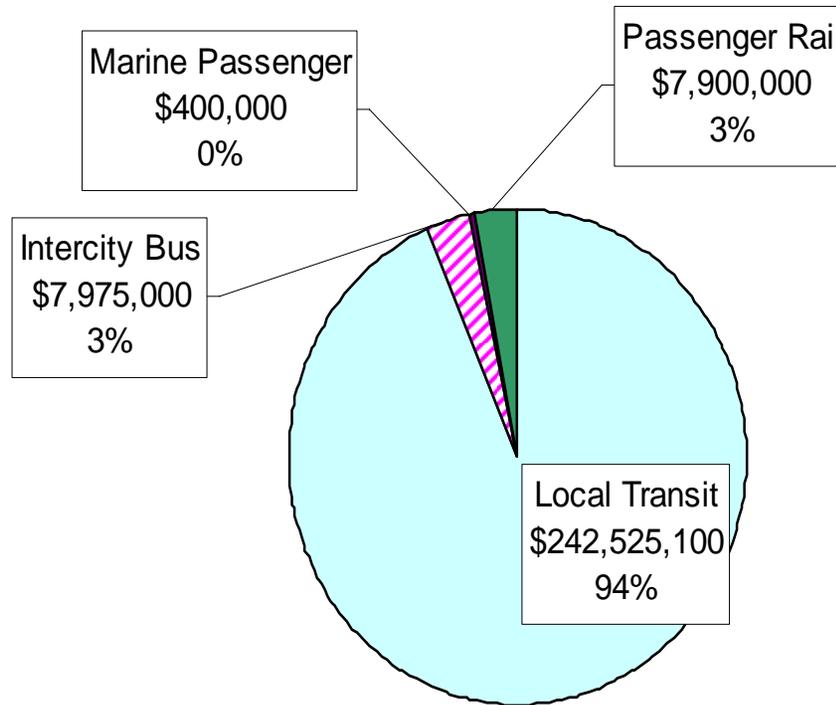
	<b>Annual Average</b>	<b>Five-Year Total</b>
<b>AVIATION</b>		
Aviation Improvement Program	\$167.5 million	\$837.5 million
Air Service Program	\$0.700 million	\$3.5 million
All Weather Airport Access Program	\$0.680 million	\$3.4 million
<b>PASSENGER TRANSPORTATION</b> (Local Transit, Intercity Bus, Passenger Rail)	<b>\$270 million</b>	<b>\$1,350 million</b>
<b>RAIL FREIGHT and PORTS</b>	\$12.8 million	\$64 million
<b>TOTAL</b>	<b>\$450.28 million</b>	<b>\$2,251.4 million</b>

The Passenger Transportation Program is one component of the Multi-Modal Program

# Investment Strategy

## Multi-Modal ~ Passenger Transportation

**FY2009 PASSENGER TRANSPORTATION BY MODE**



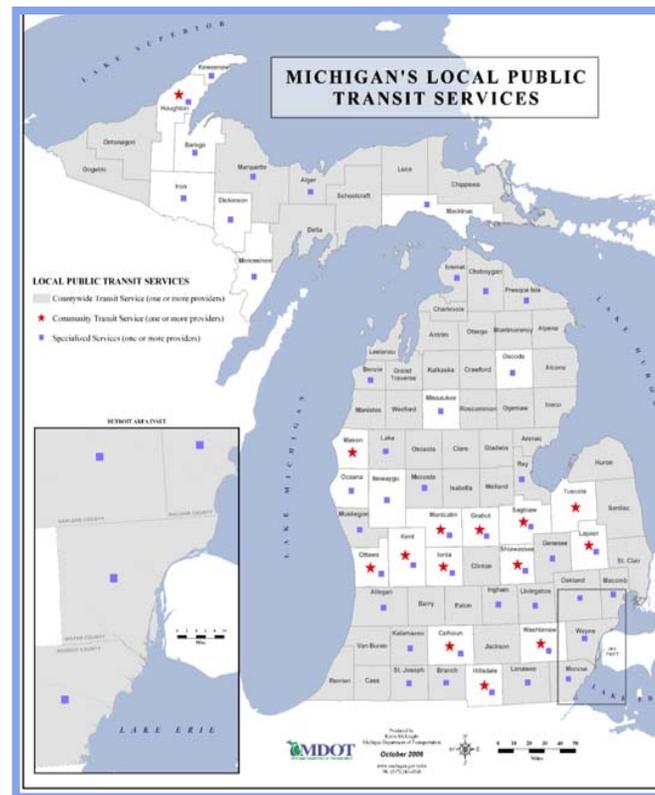
Breakdown of Five Year Program by mode will likely look like FY2009

# Program Objectives

## Multi-Modal ~ Passenger Transportation

### Local Transit:

- ❖ Objective: Preservation of existing transit services in all 83 Michigan counties via operating and capital assistance
- ❖ Reality:
  - State share of operating expenses will decline.
  - Expect loss of service - local decisions will determine where
- ❖ Objective: Match all available federal funds
- ❖ Reality:
  - Toll credits and remaining bond revenues will be exhausted in FY2009 or 2010
  - \$112 million a year in routine federal funds in jeopardy



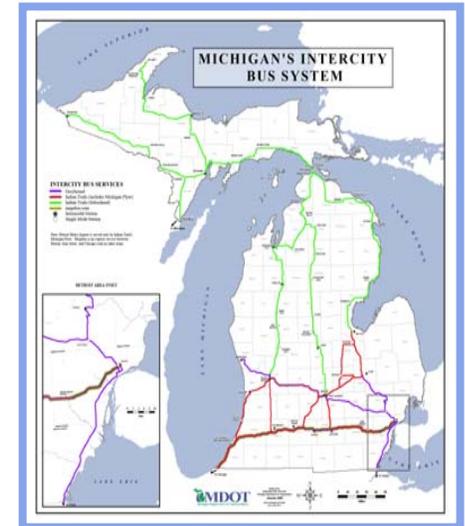
*80% of Michigan's population has access to local transit*

# Program Objectives

## Multi-Modal ~ Passenger Transportation

### Intercity Passenger:

- ❖ Objective: Maintain contracts with intercity carriers
- ❖ Reality: Insufficient revenues to meet contractor costs
- ❖ Match any available federal funds
- ❖ Reality: No state revenues
- ❖ Maintain infrastructure
- ❖ Reality: Minor repairs



*Five intercity bus routes  
serve 87 Michigan  
communities*

*Two passenger rail trains  
serve 22 Michigan  
communities*

# Rail Freight & Port

Presenter- Nikkie Johnson

# Revenue Assumptions

## Rail Freight & Port

- ❖ Total Rail Freight funding estimated at \$61.5M
  - \$19M Federal Aid
  - \$10.5M MTF
  - \$22M CTF
  - \$10M Rail Freight Fund
  
- ❖ FY 2009-2013 annual projections similar to FY 2008 actual
  
- ❖ Port operating assistance estimated at \$2.5M

# Funding Crisis

## Rail Freight

- ❖ Federal Aid dropped after SAFETEA-LU's enactment
- ❖ MTF unchanged since 1993
- ❖ Fewer safety enhancements

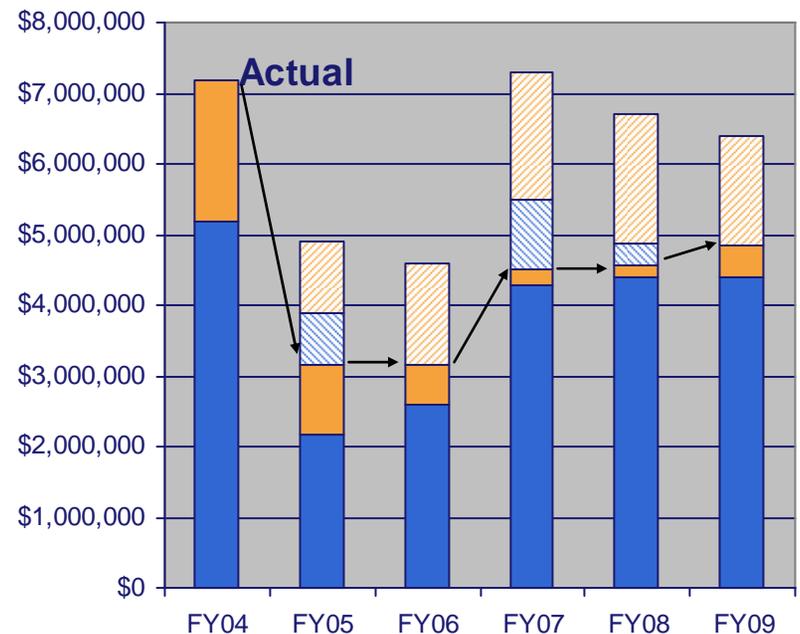
**Rail Freight Appropriations:  
Local Grade Crossings**



# Funding Crisis Rail Freight

- ❖ Preservation & development funds are 40% below FY 2000 levels
- ❖ Unallotments
- ❖ Delayed capital projects

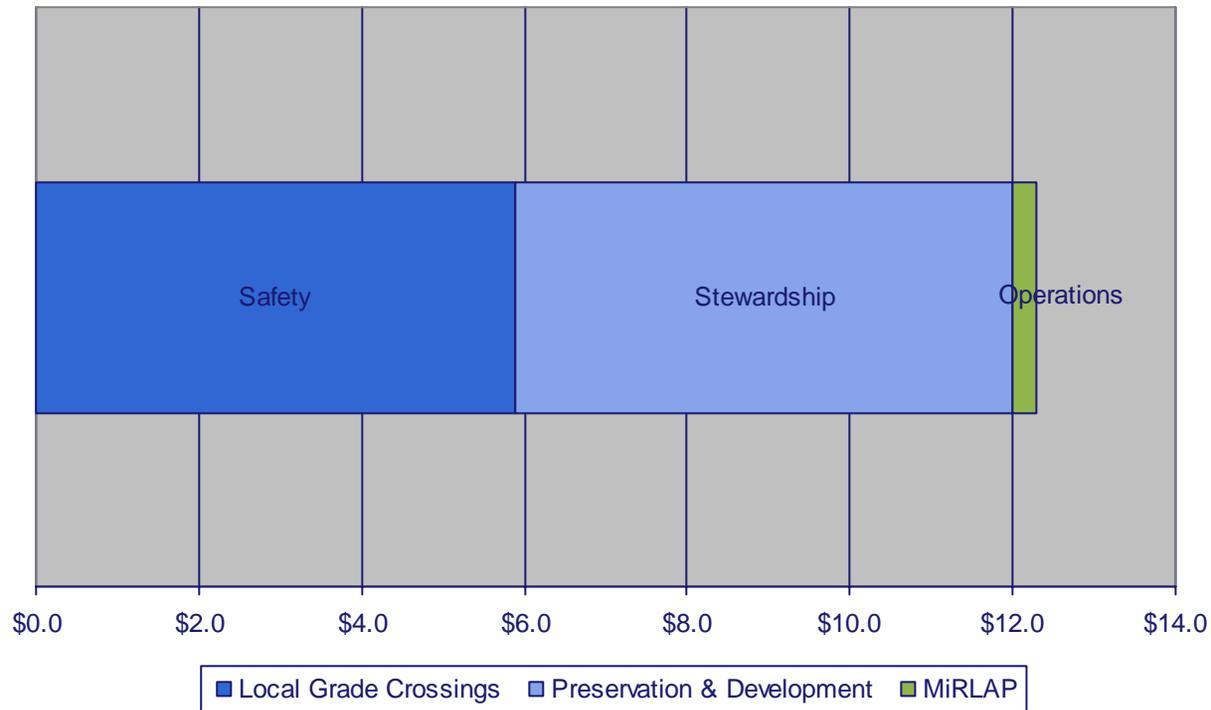
**Rail Freight Appropriations:  
System Preservation & Expansion**



- ▨ Additional Rail Freight Funds Programmed
- ▨ Additional CTF Appropriations
- Rail Freight Fund Actual
- CTF Actual

# Investment Strategy Rail Freight

Rail Freight Estimated Annual Program



# Highlights Rail Freight

- ❖ Grade crossing safety
- ❖ Management of state-owned rail lines
- ❖ Freight Economic Development Loan Program
- ❖ MiRLAP



# Highlights Rail Freight

- ❖ Rehabilitation of state-owned track between Cadillac and Yuma
- ❖ Safety improvements at local grade crossings
- ❖ Continuation of economic development and infrastructure loan programs



# Aeronautics

Presenter- Matthew Brinker

# Revenue Assumptions (Annual)

## Aeronautics

❖ Federal Funding \$105M

Airport and Airway Trust Fund (AATF)

- Passenger ticket taxes
- Cargo taxes
- Aviation fuel excise tax

❖ State Funding \$10M

State Aeronautics Fund (SAF)

- Aviation fuel excise tax
- Aircraft registration
- Licensing & permits

❖ Total

\$115M

# Funding Crisis Aeronautics

## Aviation Fuel Tax Revenue



\*2008 revenue is the lowest level in over a decade

# Funding Crisis Impacts Aeronautics

- ❖ All Weather Airport Access Program
- ❖ Airport Rescue and Fire Fighting (ARFF) Training
- ❖ Air Service Program
- ❖ Airport Inspection Program
- ❖ Runway and Airport Approach Marking



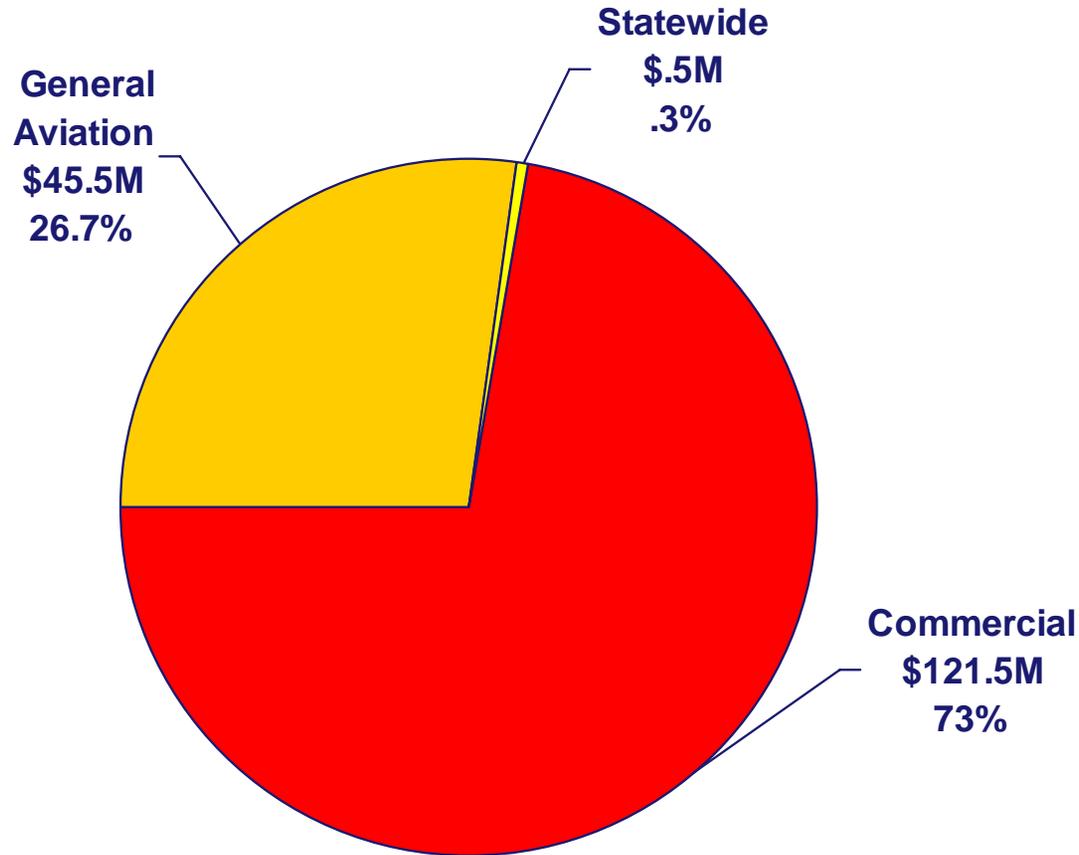
# Average Annual Breakdown Aeronautics

Commercial Service Airport Projects	\$121.5M
General Aviation Airport Projects	\$45.5M
<u>Statewide Capital Projects</u>	<u>\$.5M</u>

Airport Improvement Program (AIP) \$167.5M



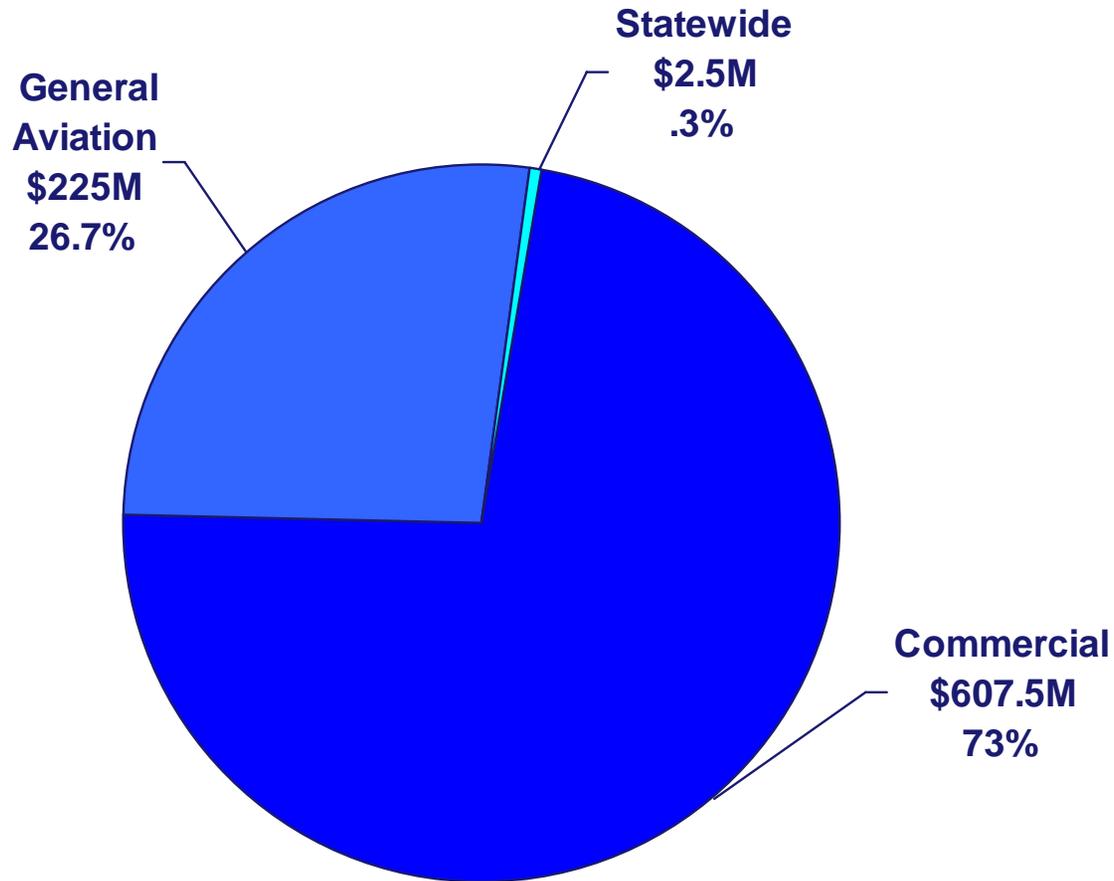
# AIP Breakdown by Airport Type Aeronautics



**Annual Average**

**\$167.5M**

# AIP Breakdown by Airport Type Aeronautics



**2009-2013**

**\$837M**

# Investment Strategy Aeronautics

- ❖ Invest the majority of resources at airports responding to critical state system goals and objectives
- ❖ Reduce airport facility and system deficiencies
- ❖ Preserve existing airport infrastructure
- ❖ Implement capacity improvement projects to maximize economic benefit

# Investment Strategy (Continued)

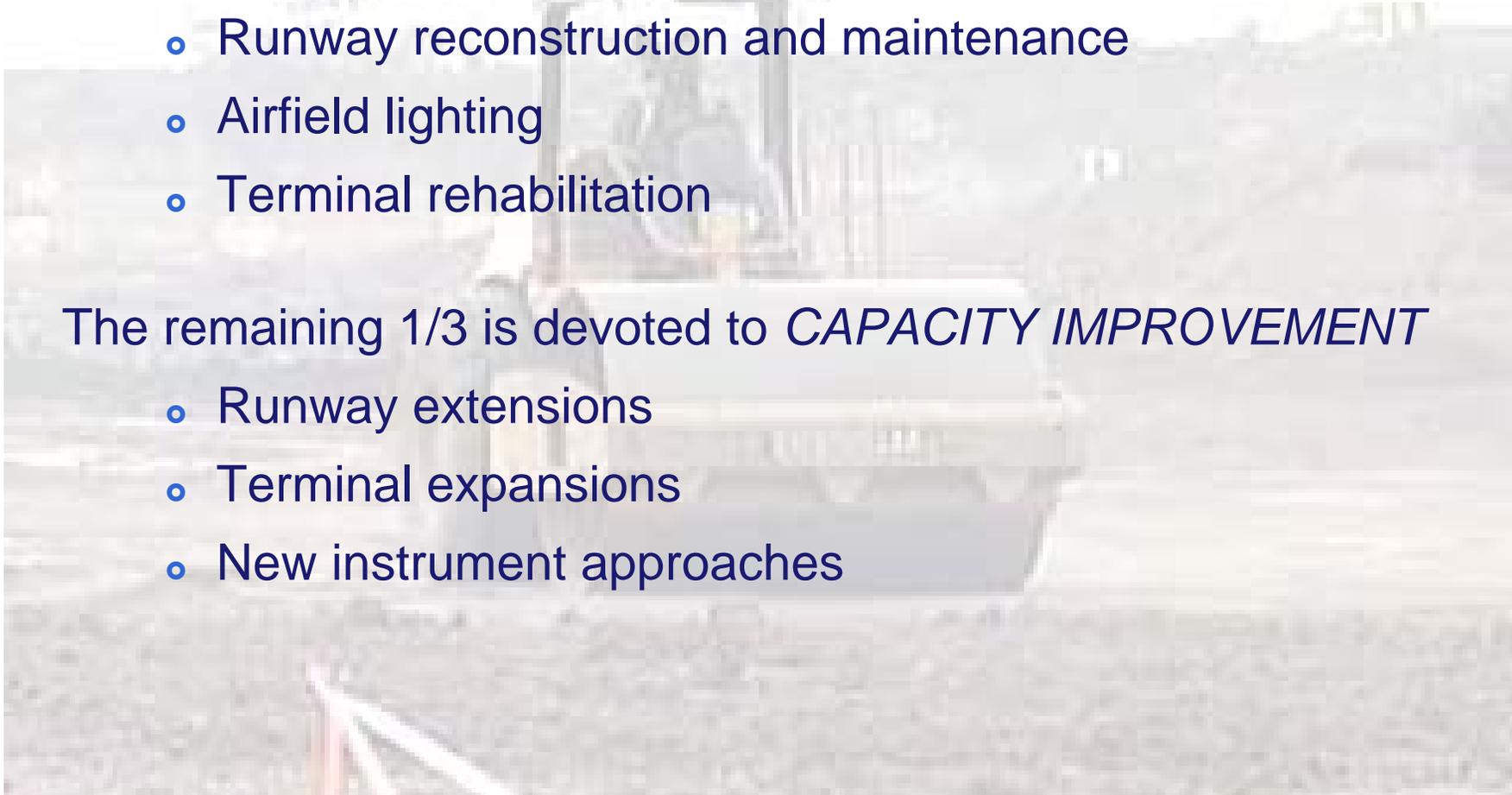
## Aeronautics

Approximately 2/3 of the FY2009-2013 Airport Improvement Program will be focused on *SYSTEM PRESERVATION*

- Runway reconstruction and maintenance
- Airfield lighting
- Terminal rehabilitation

The remaining 1/3 is devoted to *CAPACITY IMPROVEMENT*

- Runway extensions
- Terminal expansions
- New instrument approaches



# Project Highlights

## Aeronautics

- ❖ **Southwest Michigan Regional Airport (Benton Harbor)**  
Primary runway extension to accommodate international & long range domestic flights
- ❖ **Kalamazoo / Battle Creek International Airport (Kalamazoo)**  
Terminal building improvements and modernization
- ❖ **W.K. Kellogg Airport (Battle Creek)**  
Parallel runway for capacity enhancement
- ❖ **Jackson County - Reynold's Field (Jackson)**  
New primary runway to meet safety area requirements



# Project Highlights (Continued)

## Aeronautics

- ❖ **Capital Region International Airport (Lansing)**  
Primary runway extension to accommodate long-range/heavier aircraft
- ❖ **Oakland County International Airport (Pontiac)**  
Primary runway extension to accommodate long-range/heavier aircraft
- ❖ **Bishop International Airport (Flint)**  
Multi-modal cargo facility to accommodate air cargo growth
- ❖ **Gerald R. Ford International Airport (Grand Rapids)**  
Parking garage to boost passenger convenience & increase parking
- ❖ **Muskegon County Airport (Muskegon)**  
Crosswind/winter primary runway extension to provide additional capacity and safety



# Next Steps

- ❖ Review and incorporate Commission comments
- ❖ Post to Web site
- ❖ Summarize comments from the public
- ❖ Return for final approval in January
- ❖ Today's Action: Approval to post draft to the website and seek public input



# Budgetary Reporting Requirements

- ❖ Section 307 requires the Five-Year Program to be provided to the Legislature, the state budget office, and the House and Senate fiscal agencies before March 1<sup>st</sup>

Questions?