

Transportation Revenue Estimates FY 2004 Executive Budget



**Michigan Department of Treasury
Michigan Department of Transportation
Michigan Department of Management and Budget
February 19, 2003**

Transportation Revenue Estimates

February 19, 2003

FY 2002 Update

- Total Michigan transportation revenues were \$13.2 million (0.6 percent) below the May 2002 forecast.
- Gasoline tax collections were projected to be \$7.1 million (0.7 percent) below the May 2002 forecast.
- Vehicle registration taxes were \$9.3 million (1.1 percent) above the May 2002 forecast due to continued strength in light vehicle sales.
- Diesel and Motor Carrier Fuel Tax revenue were estimated to be \$7.0 million (5.1 percent) above target.
- Local agency accounts in the Aeronautics Fund and State Trunkline Fund were sharply below predicted values and a significant decrease from FY 2001 values.

FY 2003 and FY 2004 Revenue Estimates

- Total Michigan transportation revenues less transfers are expected grow 3.3 percent in FY 2003 and increase 4.5 percent in FY 2004.
- Baseline gasoline tax collections are projected to grow 1.2 percent in FY 2003 and 1.4 percent in FY 2004.
- Vehicle registration taxes are forecasted to grow 3.8 percent in FY 2003 and 3.9 percent in FY 2004.
- Baseline diesel and motor carrier fuel tax collections are projected to increase 1.1 percent in FY 2003 and increase 2.4 percent in FY 2004.
- Included in the estimates are proposals to increase the diesel tax rate and the liquefied petroleum gas rate to 19 cents effective October 1, 2003.
- There is a proposed reduction in the CTF sales tax transfer in FY 2003 and FY 2004. The proposed reduction is \$4.020 million in FY 2003 and is \$6.583 million in FY 2004.

Table 1
Transportation Revenue Estimates
FY 2001-2002
(thousands of dollars)

	<u>CAFR</u> <u>FY 2001</u>	<u>05/07/02</u> <u>ORTA</u> <u>Forecast</u> <u>FY 2002</u>	<u>2/19/03</u> <u>ORTA</u> <u>Forecast</u> <u>FY 2002</u>	<u>FY 2002</u> <u>Forecast</u> <u>Difference</u>	<u>Percent</u> <u>Difference</u> <u>from 5/02</u> <u>to 11/02</u>
Aeronautics Fund	\$30,004	\$48,863	\$24,929	(\$23,934)	-49.0%
State Trunkline Fund	\$86,268	\$86,636	\$82,002	(\$4,634)	-5.3%
Bluewater Bridge Fund	\$12,493	\$11,444	\$11,478	\$34	0.3%
Michigan Transportation Fund	\$1,911,550	\$1,961,495	\$1,972,895	\$11,400	0.6%
Comprehensive Transportation Fund	<u>\$78,369</u>	<u>\$77,212</u>	<u>\$81,136</u>	<u>\$3,924</u>	<u>5.1%</u>
Total	\$2,118,684	\$2,185,650	\$2,172,440	(\$13,210)	-0.6%

	<u>CAFR</u> <u>FY 2001</u>	<u>05/07/02</u> <u>FY 2002</u> <u>Growth</u> <u>Rate</u>	<u>2/19/03</u> <u>FY 2002</u> <u>Growth</u> <u>Rate</u>	<u>Percentage</u> <u>Point</u> <u>Difference</u>
Aeronautics Fund	43.2%	62.9%	-16.9%	-79.8%
State Trunkline Fund	4.0%	0.4%	-4.9%	-5.4%
Bluewater Bridge Fund	-24.4%	-8.4%	0.3%	8.7%
Michigan Transportation Fund	1.1%	2.6%	3.2%	0.6%
Comprehensive Transportation Fund	<u>6.5%</u>	<u>-1.5%</u>	<u>3.5%</u>	<u>5.0%</u>
Total	1.6%	3.2%	2.5%	-0.6%

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Table 2
Transportation Revenue Estimates
FY 2002-2003
(thousands of dollars)

	<u>2/19/03 ORTA Forecast FY 2002</u>	<u>05/07/02 ORTA Forecast FY 2003</u>	<u>2/19/03 ORTA Forecast FY 2003</u>	<u>FY2003 Forecast Difference</u>	<u>Percent Difference</u>
Aeronautics Fund	\$24,929	\$56,906	\$57,266	\$360	0.6%
State Trunkline Fund	\$82,002	\$82,264	\$77,003	(\$5,261)	-6.4%
Bluewater Bridge Fund	\$11,478	\$11,988	\$12,485	\$497	4.1%
Michigan Transportation Fund	\$1,972,895	\$2,055,666	\$2,019,680	(\$35,986)	-1.8%
Comprehensive Transportation Fund	<u>\$81,136</u>	<u>\$77,455</u>	<u>\$77,020</u>	<u>(\$435)</u>	-0.6%
Total	\$2,172,440	\$2,284,279	\$2,243,454	(\$40,825)	-1.8%

	<u>05/07/02 FY 2003 Growth Rate</u>	<u>2/19/03 FY 2003 Growth Rate</u>	<u>Percentage Point Difference</u>
Aeronautics Fund	16.5%	129.7%	113.3%
State Trunkline Fund	-5.0%	-6.1%	-1.0%
Bluewater Bridge Fund	4.8%	8.8%	4.0%
Michigan Transportation Fund	4.8%	2.4%	-2.4%
Comprehensive Transportation Fund	<u>0.3%</u>	<u>-5.1%</u>	<u>-5.4%</u>
Total	2.3%	3.3%	0.9%

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Table 3
Transportation Revenue Estimates
FY 2003-2004
(thousands of dollars)

	<u>CAFR</u> <u>FY 2001</u>	<u>2/19/03</u> <u>ORTA</u> <u>Forecast</u> <u>FY 2002</u>	<u>2/19/03</u> <u>ORTA</u> <u>Forecast</u> <u>FY 2003</u>	<u>2/19/03</u> <u>FY 2003</u> <u>Growth</u> <u>Rate</u>	<u>2/19/03</u> <u>Forecast</u> <u>FY2004</u>	<u>2/19/03</u> <u>FY 2004</u> <u>Growth</u> <u>Rate</u>
Aeronautics Fund	\$30,004	\$24,929	\$57,266	129.7%	\$57,827	1.0%
State Trunkline Fund	\$86,268	\$82,002	\$77,003	-6.1%	\$80,299	4.3%
Bluewater Bridge Fund	\$12,493	\$11,478	\$12,485	8.8%	\$13,210	5.8%
Michigan Transportation Fund	\$1,911,550	\$1,972,895	\$2,019,680	2.4%	\$2,118,770	4.9%
Comprehensive Transportation Fund	\$78,369	\$81,136	\$77,020	-5.1%	\$73,975	-4.0%
Total	\$2,118,684	\$2,172,440	\$2,243,454	3.3%	\$2,344,081	4.5%

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**Table 4
Common Cash Interest Earnings
FY 2001 - FY 2002**

<u>Fund</u>	<u>FY 2001 Actual</u>		
	<u>Average Fund Balance</u>	<u>Average Interest Rate</u>	<u>Interest Earnings</u>
Aeronautics Fund	\$14,277,751	5.31%	\$757,863
State Trunkline Fund	\$238,682,818	5.31%	\$12,669,284
Bluewater Bridge Fund	\$19,120,422	5.31%	\$1,014,912
Michigan Transportation Fund	\$206,947,155	5.31%	\$10,984,755
Comprehensive Transportation Fund	\$42,203,693	5.31%	\$2,240,172
Total	\$521,231,839		\$27,666,986

<u>Fund</u>	<u>FY 2002 ORTA Estimate 05/07/02</u>		
	<u>Average Fund Balance</u>	<u>Average Interest Rate</u>	<u>Interest Earnings</u>
Aeronautics Fund	\$15,821,440	2.50%	\$395,536
State Trunkline Fund	\$267,232,200	2.50%	\$6,680,805
Bluewater Bridge Fund	\$14,379,680	2.50%	\$359,492
Michigan Transportation Fund	\$180,015,400	2.50%	\$4,500,385
Comprehensive Transportation Fund	\$35,065,400	2.50%	\$876,635
Total	\$512,514,120		\$12,812,853

<u>Fund</u>	<u>November 2002 - 4th Quarter Estimates</u>			
	<u>Average Fund Balance</u>	<u>Average Interest Rate</u>	<u>Interest Earnings</u>	<u>Fund Balance</u>
	<u>FY 2002 4th Quarter</u>	<u>Rate</u>	<u>Earnings</u>	<u>11/07/02</u>
Aeronautics Fund	\$32,957,091	1.856%	\$152,921	\$20,580,732
State Trunkline Fund	\$403,239,856	1.856%	\$1,871,033	\$384,521,197
Bluewater Bridge Fund	\$17,205,485	1.856%	\$79,833	\$19,014,887
Michigan Transportation Fund	\$253,032,869	1.856%	\$1,174,073	\$237,774,527
Comprehensive Transportation Fund	\$26,621,392	1.856%	\$123,523	\$27,761,905
Total	\$733,056,692		\$3,401,383	\$689,653,248

<u>Fund</u>	<u>FY 2002 Actual</u>		
	<u>Average Fund Balance</u>	<u>Average Interest Rate</u>	<u>Interest Earnings</u>
Aeronautics Fund	\$24,978,368	2.034%	\$508,060
State Trunkline Fund	\$386,341,691	2.034%	\$7,858,190
Bluewater Bridge Fund	\$16,810,275	2.034%	\$341,921
Michigan Transportation Fund	\$221,022,075	2.034%	\$4,495,589
Comprehensive Transportation Fund	\$35,732,743	2.034%	\$726,804
Total	\$684,885,152		\$13,930,564

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Table 5
Interest Earnings on Transportation Funds
FY 2003 & FY 2004

ORTA & MDOT Estimate 05/07/02			
FY 2003			
<u>Fund</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u>Earnings</u>
Aeronautics Fund	\$10,000,000	3.25%	\$325,000
State Trunkline Fund	\$220,000,000	3.25%	\$7,150,000
Bluewater Bridge Fund	\$15,000,000	3.25%	\$487,500
Michigan Transportation Fund	\$180,000,000	3.25%	\$5,850,000
Comprehensive Transportation Fund	\$30,000,000	3.25%	\$975,000
Total	\$455,000,000		\$14,787,500

ORTA & MDOT Estimate 11/14/02						
<u>Fund</u>	FY 2003			FY 2004		
	<u>Average Balance</u>	<u>Interest Rate</u>	<u>Earnings</u>	<u>Average Balance</u>	<u>Interest Rate</u>	<u>Earnings</u>
Aeronautics Fund	\$20,000,000	1.90%	\$380,000	\$20,000,000	3.40%	\$680,000
State Trunkline Fund	\$310,000,000	1.90%	\$5,890,000	\$310,000,000	3.40%	\$10,540,000
Bluewater Bridge Fund	\$15,000,000	1.90%	\$285,000	\$15,000,000	3.40%	\$510,000
Michigan Transportation Fund	\$230,000,000	1.90%	\$4,370,000	\$230,000,000	3.40%	\$7,820,000
Comprehensive Transportation Fund	\$35,000,000	1.90%	\$665,000	\$35,000,000	3.40%	\$1,190,000
Total	\$610,000,000		\$11,590,000	\$610,000,000		\$20,740,000

Change in Forecast from 11/14/02						
<u>Fund</u>	FY 2003			FY 2004		
	<u>Average Balance</u>	<u>Interest Rate (p.p.)</u>	<u>Earnings</u>	<u>Average Balance</u>	<u>Interest Rate (p.p.)</u>	<u>Earnings</u>
Aeronautics Fund	\$10,000,000	-1.35%	\$55,000	NA	NA	NA
State Trunkline Fund	\$90,000,000	-1.35%	-\$1,260,000	NA	NA	NA
Bluewater Bridge Fund	\$0	-1.35%	-\$202,500	NA	NA	NA
Michigan Transportation Fund	\$50,000,000	-1.35%	-\$1,480,000	NA	NA	NA
Comprehensive Transportation Fund	\$5,000,000	-1.35%	-\$310,000	NA	NA	NA
Total	\$155,000,000		-\$3,197,500			NA

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Table 6
Transportation Revenue Updated Estimates
FY 2002, FY 2003 & FY 2004
(thousands)

	MAIN Object Code	CAFR FY 2002	2/19/03 ORTA Forecast FY 2002	Growth FY 2002	05/07/02 ORTA Forecast FY 2003	Growth FY 2003	2/19/03 ORTA Forecast FY 2003	Change in FY 2002 Forecast		2/19/03 ORTA Forecast FY 2004	Growth FY 2004
								May 02 to Jan03	Growth FY 2003		
AERONAUTICS FUND (114)											
Aviation Fuel Tax	1005	6,699	6,699	-0.1%	6,495	1.5%	6,800	305	1.5%	7,000	2.9%
Interest Earned	1901, 1924, 1925	508	508	-33.0%	325	-17.9%	380	55	-25.2%	680	78.9%
Local Agencies	1301,1305,1320,1325,1330	16,351	16,351	-23.7%	43,000	4.9%	43,000	0	163.0%	43,050	0.1%
Services	1530	838	838	20.3%	700	0.0%	700	0	-16.5%	726	3.7%
Licenses & Permits	1612, 1630, 1640	286	286	-9.2%	300	8.3%	300	0	5.1%	285	-4.8%
Miscellaneous	1520, 1720, 1795, 1810	248	248	179.9%	86	-4.4%	86	0	-65.4%	86	-0.1%
Airport Parking Tax Transfer					6,000		6,000	0		6,000	
SUBTOTAL AERONAUTICS		24,929	24,929	-16.9%	56,906	16.5%	57,266	360	129.7%	57,827	1.0%
STATE TRUNKLINE FUND (116)											
Local Agencies	1301,1305,1320,1325,1330	31,514	31,514	-13.0%	34,473	-20.4%	34,473	0	9.4%	33,447	-3.0%
Licenses & Permits	1630, 1640	15,794	15,794	-16.4%	19,540	0.5%	19,540	0	23.7%	19,180	-1.8%
Miscellaneous	various	26,643	26,643	48.6%	21,101	22.8%	17,100	(4,001)	-35.8%	17,132	0.2%
Interest, Common Cash & Misc Revenue	1901, 1924, 1925	8,050	8,050	-39.1%	7,150	7.0%	5,890	(1,260)	-26.8%	10,540	78.9%
SUBTOTAL TRUNKLINE FUND		82,002	82,002	-4.9%	82,264	-5.0%	77,003	(5,261)	-6.1%	80,299	4.3%
BLUEWATER BRIDGE FUND (118)											
Tolls and Rentals	1795	11,136	11,136	-3.0%	11,500	4.5%	12,200	700	9.6%	12,700	4.1%
Miscellaneous	various	0	NA	NA	0	NA	NA	NA	NA	NA	NA
Interest, Common Cash	1901	342	342	-66.3%	488	9.9%	285	(203)	-16.6%	510	78.9%
SUBTOTAL BLUEWATER BRIDGE FUND		11,478	11,478	0.3%	11,988	4.8%	12,485	497	8.8%	13,210	5.8%
MICHIGAN TRANSPORTATION FUND (119)											
Vehicle Registration Taxes	1080	827,347	827,347	6.4%	850,000	3.9%	859,000	9,000	3.8%	892,500	3.9%
Light Vehicle Sales (millions)			17.0		16.7		16.3			16.4	
Gasoline - Baseline	1045	938,912	938,912	0.6%	959,000	1.4%	950,000	(9,000)	1.2%	963,000	1.4%
Gasoline Tax - Electronic MF System							900			3,200	
Subtotal Gasoline Tax							950,900			966,200	
Diesel and MCFT - Baseline	1035, 1038	142,966	142,966	7.4%	139,000	2.2%	144,500	5,500	1.1%	148,000	2.4%
Diesel Tax 4 Cent Rate Increase							0			38,700	
Diesel Tax - Electronic MF System					44,000		3,100			8,900	
Diesel Simplification							(1,700)			(3,500)	
Subtotal Diesel and MCFT							145,900			192,100	
Diesel Fuel Licenses and Permits	1612, 1641	11	11	-77.3%	46	2.2%	10	(36)	-9.9%	10	0.0%
Liquefied Petroleum	1042	891	891	-7.7%	970	2.1%	900	(70)	1.0%	900	0.0%
LPG 4 cent rate increase							0			240	
Subtotal LPG							900			1,140	
Other Licenses and Permits & Miscellaneous Revenue	1635, 1640, 1795, 2015	58,271	58,271	5.9%	56,800	1.4%	58,600	1,800	0.6%	59,000	0.7%
Interest, Common Cash	1901	4,496	4,496	-59.1%	5,850	30.0%	4,370	(1,480)	-2.8%	7,820	78.9%
SUBTOTAL MTF REVENUE		1,972,895	1,972,895	3.2%	2,055,666	4.8%	2,019,680	(35,986)	2.4%	2,118,770	4.9%
COMPREHENSIVE TRANSPORTATION FUND (120)											
Sales Tax	1160	78,819	78,819	6.9%	74,500	0.0%	77,000	2,500	-2.3%	78,000	1.3%
CTF Reduction							(4,020)			(6,583)	
Interest	1901	727	727	-67.6%	975	11.2%	665	(310)	-8.5%	1,190	78.9%
Licenses & Permits	1630	293	293	13.3%	275	17.0%	275	0	-6.1%	270	-1.8%
Miscellaneous	1520, 1720, 1795	1,254	1,254	-39.6%	1,205	33.9%	2,600	1,395	107.3%	598	-77.0%
Local Agencies	1330	43	43	-34.1%	500	-28.6%	500	0	1069.1%	500	0.0%
SUBTOTAL CTF		81,136	81,136	3.5%	77,455	0.3%	77,020	(435)	-5.1%	73,975	-4.0%
TRANSPORTATION REVENUE LESS FEDERAL AID		2,172,440	2,172,440	2.5%	2,284,279	4.5%	2,243,454	(40,825)	3.3%	2,344,081	4.5%

Table 7
Transportation Revenue Updated Estimates
FY 2002, FY 2003 & FY 2004
(thousands)

	<u>MAIN Object Code</u>	<u>CAFR FY 2001</u>	<u>2/19/03 ORTA Forecast FY 2002</u>	<u>Growth FY 2002</u>	<u>2/19/03 ORTA Forecast FY 2003</u>	<u>Growth FY 2003</u>	<u>2/19/03 ORTA Forecast FY 2004</u>	<u>Growth FY 2004</u>
AERONAUTICS FUND (114)								
Aviation Fuel Tax	1005	6,706	6,699	-0.1%	6,800	1.5%	7,000	2.9%
Interest Earned	1901, 1924, 1925	758	508	-33.0%	380	-25.2%	680	78.9%
Local Agencies	1301,1305,1320,1325,1330	21,440	16,351	-23.7%	43,000	163.0%	43,050	0.1%
Services	1530	697	838	20.3%	700	-16.5%	726	3.7%
Licenses & Permits	1612, 1630, 1640	314	286	-9.2%	300	5.1%	285	-4.8%
Miscellaneous	1520, 1720, 1795, 1810	89	248	179.9%	86	-65.4%	86	-0.1%
Airport Parking Tax Transfer					6,000		6,000	
SUBTOTAL AERONAUTICS		30,004	24,929	-16.9%	57,266	129.7%	57,827	1.0%
STATE TRUNKLINE FUND (116)								
Local Agencies	1301,1305,1320,1325,1330	36,205	31,514	-13.0%	34,473	9.4%	33,447	-3.0%
Licenses & Permits	1630, 1640	18,898	15,794	-16.4%	19,540	23.7%	19,180	-1.8%
Miscellaneous	various	17,935	26,643	48.6%	17,100	-35.8%	17,132	0.2%
Interest, Common Cash & Misc Revenue	1901, 1924, 1925	13,230	8,050	-39.1%	5,890	-26.8%	10,540	78.9%
SUBTOTAL TRUNKLINE FUND		86,268	82,002	-4.9%	77,003	-6.1%	80,299	4.3%
BLUEWATER BRIDGE FUND (118)								
Tolls and Rentals	1795	11,478	11,136	-3.0%	12,200	9.6%	12,700	4.1%
Miscellaneous	various	0	NA	NA	NA	NA	NA	NA
Interest, Common Cash	1901	1,015	342	-66.3%	285	-16.6%	510	78.9%
SUBTOTAL BLUEWATER BRIDGE FUND		12,493	11,478	0.3%	12,485	8.8%	13,210	5.8%
MICHIGAN TRANSPORTATION FUND (119)								
Vehicle Registration Taxes	1080	777,903	827,347	6.4%	859,000	3.8%	892,500	3.9%
Light Vehicle Sales (millions)		17.5	17.0		16.3		16.4	
Gasoline - Baseline	1045	933,494	938,912	0.6%	950,000	1.2%	963,000	1.4%
Gasoline Tax - Electronic MF System					900		3,200	
Subtotal Gasoline Tax					950,900	1.3%	966,200	1.6%
Diesel and MCFT - Baseline	1035, 1038	133,150	142,966	7.4%	144,500	1.1%	148,000	2.4%
Diesel Tax 4 Cent Rate Increase					0		38,700	
Diesel Tax - Electronic MF System					3,100		8,900	
Diesel Simplification					(1,700)		(3,500)	
Subtotal Diesel and MCFT					145,900	2.1%	192,100	31.7%
Diesel Fuel Licenses and Permits	1612, 1641	49	11	-77.3%	10	-9.9%	10	0.0%
Liquefied Petroleum	1042	966	891	-7.7%	900	1.0%	900	0.0%
LPG 4 cent rate increase					0		240	
Subtotal LPG					900		1,140	26.7%
Other Licenses and Permits & Miscellaneous Revenue	1635, 1640, 1795, 2015	55,003	58,271	5.9%	58,600	0.6%	59,000	0.7%
Interest, Common Cash	1901	10,985	4,496	-59.1%	4,370	-2.8%	7,820	78.9%
SUBTOTAL MTF REVENUE		1,911,550	1,972,895	3.2%	2,019,680	2.4%	2,118,770	4.9%
COMPREHENSIVE TRANSPORTATION FUND (120)								
Sales Tax	1160	73,728	78,819	6.9%	77,000	-2.3%	78,000	1.3%
CTF Reduction					(4,020)		(6,583)	
Interest	1901	2,240	727	-67.6%	665	-8.5%	1,190	78.9%
Licenses & Permits	1630	258	293	13.3%	275	-6.1%	270	-1.8%
Miscellaneous	1520, 1720, 1795	2,077	1,254	-39.6%	2,600	107.3%	598	-77.0%
Local Agencies	1330	65	43	-34.1%	500	1069.1%	500	0.0%
SUBTOTAL CTF		78,369	81,136	3.5%	77,020	-5.1%	73,975	-4.0%
TRANSPORTATION REVENUE LESS FEDERAL AID		2,118,684	2,172,440	2.5%	2,243,454	3.3%	2,344,081	4.5%

Prepared By: Office Of Revenue and Tax Analysis, Michigan Department of Treasury

Filename: F:\orta\REVENUE\TRANS\FORECAST\November2002\FY2003&FY2004ExecBudgetForecast.xls]Table6

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Transportation Forecast Risks

February 19, 2003

- Continued weakness in economy is prolonged.
- Invasion in Iraq and potential terrorist activities may affect oil supply.