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BILL ANALYSIS

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Senate Bill 865 (S-1 as reported)
Committee: Appropriations

Throughout this document Senate means Appropriations Committee.

FULL-TIME EQUATED (FTE) CLASSIFIED POSITIONS/FUNDING SOURCE	FY 2017-18 YEAR-TO-DATE*	FY 2018-19 SEN. FULL COMM.	CHANGES FROM FY 2017-18 YEAR-TO-DATE AMOUNT	PERCENT
FTE Positions	2,820.3	2,820.3	0.0	0.0
GROSS	**4,349,443,000**	**4,540,089,900**	**190,646,900**	**4.4**
Less:				
Interdepartmental Grants Received	4,039,300	4,092,500	53,200	1.3
ADJUSTED GROSS	**4,345,403,700**	**4,535,997,400**	**190,593,700**	**4.4**
Less:				
Federal Funds	1,340,301,200	1,318,271,700	(22,029,500)	(1.6)
Local and Private	50,632,000	51,432,000	800,000	1.6
TOTAL STATE SPENDING	**2,954,470,500**	**3,166,293,700**	**211,823,200**	**7.2**
Less:				
Other State Restricted Funds	2,954,470,500	3,166,293,700	211,823,200	7.2
GENERAL FUND/GENERAL PURPOSE	**0**	**0**	**0**	**0.0**
PAYMENTS TO LOCALS	**1,717,843,100**	**1,863,548,900**	**145,705,800**	**8.5**

*As of February 7, 2018.

FY 2017-18 Year-to-Date Gross Appropriation $4,349,443,000

Changes from FY 2017-18 Year-to-Date:

1. **Michigan Transportation Fund Revenue Adjustments.** The Governor's budget included increases to STF & Bluewater Bridge Fund ($56.0 million), County Road Commissions ($77.9 million), Cities & Villages ($43.4 million), the Transportation Economic Development Fund ($1.2 million), and the Local Bridge Program ($117,900). The Senate concurred. — 178,969,000

2. **Priority Maintenance.** The Governor included STF increases for the maintenance of bridges ($8.0 million), culverts ($8.0 million), and Program development, delivery, and system operations ($2.0 million). The Senate concurred. — 18,000,000

3. **Transit and Rail Program Adjustments.** The Governor included funding increases from the Comprehensive Transportation Fund (CTF) to the following programs: Rail Ops & Infrastructure ($6.3 million), Transit Capital ($7.2 million), Local Bus Operating ($1.0 million), Detroit/Wayne County Port Authority ($268,200). The Senate concurred, and moved $3,000,000 of Rail Freight Funds to the One-time section for the Ann Arbor/Traverse City Rail Project. See Item 7, below. — 11,985,300

4. ***New* TEDF Category B, Community Service Infrastructure Fund.** The Senate included a new section, Category B, to assist cities & villages with populations of 10,000 or less with road resurfacing and construction. The new line was created with TEDF Category A funds, and is ongoing. — 7,000,000

5. **Highway Maintenance Adjustments.** The Governor's recommendation included adjustments for increased materials costs ($4.0 million) and maintenance of 49 new STF lane miles ($337,600). The Senate concurred. — 4,337,600

6. ***New* Salt Storage Shed Project.** The Senate added a one-time appropriation for rural salt shed storage projects. The line was funded with TEDF, Category A, funds.	3,000,000
7. ***New* Ann Arbor/Traverse City Rail Project.** The Senate added a one-time appropriation for a passenger rail project, repairing the line from Ann Arbor to Traverse City. The line was funded with the Rail Freight Fund.	3,000,000
8. **IT Systems Upgrades.** The Governor included $2.0 million to support work station replacement and application modernization. The Senate concurred.	2,000,000
9. **CTF Program Adjustments.** The Governor included increases to two CTF funded programs: $1.2 million to support increased requests from local transit agencies for the Service Initiatives line item and $175,000 for the Transportation to Work line to support the Blue Water Transportation Commission's Job Access/Reverse Commute (JARC) program. The Senate concurred.	1,375,000
10. **Technical Adjustments.** The recommendation included adjustments to IDGs ($893,900) and the Moveable Bridge statutory increase ($112,400). The Senate concurred.	1,006,300
11. **One-Time General Fund for Roads.** The Governor included a one-time distribution of $175.0 GF/GP for roads to be divided among the Department ($68.4 million), Counties ($68.4 million), and Cities & Villages ($38.2 million). $20.0 million from the Department's share was intended to fund 3 Next Generation Technologies projects, including the installation of dedicated short-range communications units on roads in four counties, the construction of hydrogen fuel cell charging stations in 3 locations and a mobility pilot program for seniors and persons with disabilities. The Senate removed the FY 2018-19 one-time funding proposal after approving the funding in an FY 2017-18 supplemental (2018 PA 82).	0
12. **Federal Funding Adjustments.** Increases in federal funding are anticipated for federal highway funds ($24.0 million), transportation planning ($2.8 million), and local transit agencies ($2.0 million); however, a large reduction is anticipated for passenger and freight rail ($50.1 million). The Senate concurred.	(21,045,600)
13. **Transportation Economic Development Fund Reduction.** The Governor's recommendation includes a permanent redirection of $13,000,000 of Category A funding (targeted industries) to the General Fund. The Senate reduced the redirection of Category A funding to the General Fund to $3,000,000, redirected $7,000,000 to Category B (Distressed Community Service Fund as an ongoing new program, and redirected $3,000,000 to the One-time section for rural salt storage sheds. See items 4 and 6, above.	(13,000,000)
14. **Debt Service Adjustments.**	(9,502,300)
15. **Aviation Program Adjustments.** Reduced revenue from aviation fuel taxes will result in an overall decrease of funding for Airport Improvement Programs.	(404,800)
16. **Supplemental Reduction.** The Governor's recommendation did not include one-time supplemental funding for the current year: PA 201 of 2017.	(2,000,000)
17. **Economic Adjustments.** Includes $5,926,400 Gross and $0 GF/GP for total economic adjustments, of which an estimated $3,772,900 Gross and $0 GF/GP is for legacy retirement costs (pension and retiree health).	5,926,400
18. **Comparison to Governor's Recommendation.** The Senate is $165,000,000 Gross and $175,000,000 GF/GP under the Governor.	
Total Changes	$190,646,900
FY 2018-19 Senate Appropriations Committee Gross Appropriation	**$4,540,089,900**

Boilerplate Changes from FY 2017-18 Year-to-Date:

1. **Communication with the Legislature.** The Governor removed a section prohibiting the Department from taking disciplinary action against employees who speak with the Legislature. The Senate retained the section. (Sec. 215)

2. **Federal Rule Change Notification.** The Governor removed a requirement that the Department inform the legislature of proposed federal rule changes that would require amendments to Michigan law. The Senate retained the section. (Sec. 217)

3. **Remanufactured Parts.** The Governor removed a requirement that the Department prioritize the use of remanufactured parts for the maintenance of its auto fleet. The Senate retained the section. (Sec. 270)

4. **Commercial Space at Public Terminals.** The Governor removed a section that required space leased by the Department be rented on a competitive market rate basis and that placed restrictions on uses for lease revenue. The Senate retained the section. (Sec. 305)

5. **State Infrastructure Bank Program.** The Governor deleted a subsection that required an annual report on the program to the legislature and the State Budget Office. The Senate retained the subsection and updated the reporting dates. (Sec. 313)

6. **Rest Area Signage.** The Governor removed a section that required signage with contact information be posted for the contractor responsible for rest area maintenance. The Senate retained the section. (Sec. 319)

7. **Contractor Payment Process.** The Governor removed a section requiring prompt payment of contractors and Departmental review of the payment process. The Senate retained the section. (Sec. 353)

8. **Local Federal Aid Project Review.** The Governor removed a section requiring review of local Federal aid projects within 120 days of receipt. The Senate retained the section. (Sec. 357)

9. **Groundbreaking Ceremony Reimbursement Prohibition.** The Governor removed a section prohibiting reimbursement to contractors or consultants for costs associated with groundbreaking ceremonies. The Senate retained the section. (Sec. 375)

10. **Billboard Safety Studies.** The Governor removed a section prohibiting safety studies on the impacts of billboards on motorist safety. The Senate retained the section. (Sec. 376)

11. **E-Verify System Application for all Construction Contracts.** The Governor removed a section requiring the use of the E-Verify system to verify that all persons hired by a contractor are legally present and authorized to work in the United States. Removal of this section also relieves the Department of an annual reporting requirement to the legislature on the use of the E-Verify system. The Senate retained the section. (Sec. 381)

12. **Final Cost-Sharing.** The Governor removed a section that requires the Department to submit a final cost-sharing bill to local agencies, when applicable, within 2 years after the date of the final contract payment. The Senate retained the section. (Sec. 382)

13. **Department-Owned Aircraft.** The Senate removed language from subsection 4 prohibiting legislators from using state-owned aircraft unless the aircraft is already scheduled by state agencies for state business. (Sec. 383)

14. **Gordie Howe International Bridge.** The Senate amended two sections to replace "Detroit River International Crossing" with "Gordie Howe International Bridge". (Secs. 384 & 385)

15. **Best Practices.** The Governor removed a section that required the Department to employ and report on best practices for transportation services in the state. The Senate retained the section. (Sec. 393)

16. **Funding Prioritization.** The Governor removed a section that required the Department and local agencies to prioritize funding for existing road networks. The Senate retained the section. (Sec. 394)

17. **Contractual Eligibility.** The Governor removed a section that required applicants for contractual services, other than construction contracts, meet eligibility requirements. The Senate retained the section. (Sec. 396)

18. **Work Project Balances and Federal Earmarks.** The Governor removed a section that required the Department to report annually all work project balances and all federal earmarks not expended for the preceding fiscal year. The Senate retained the section. (Sec. 397)

19. **Community Service Infrastructure Fund.** The Senate added a section describing the new Category B line for Economic Development. The new line creates a matching program to assist cities and villages with populations of 10,000 or less for road and bridge rehabilitation, construction, maintenance, etc. (Sec. 399)

20. **Replacement Buses for Rural Transit Agencies.** The Governor removed a section that required the department to include rural transit buses in its 5310 federal grant application. The Senate retained the section. (Sec. 403)

21. **Flooding Mitigation.** The Governor amended this section to remove reference to the highway maintenance line item and to require the Department to report on flooding mitigation activities in Wayne, Oakland, and Macomb Counties. The Senate retained the section from the previous year and updated the date references. (Sec. 605)
22. **I-94 Reconstruction in Jackson County.** The Governor removed a section that required the department to fund a rebuilding and modernization project in Jackson County and to prepare the project for the receipt of federal funds. The Senate retained the section. (Sec. 606)
23. **Large Animal Removal.** The Governor removed a section requiring the department to prioritize removal of large animal remains from state highways. The Senate retained the section. (Sec. 610)
24. **Contract Incentives & Disincentives.** The Governor removed a section requiring the Dept. to establish and report annually on contract incentives and disincentives for the prior fiscal year. The Senate retained the section. (Sec. 612)
25. **Capital Federal Aid Construction Project Reporting.** The Governor removed a section that required the department to report on all capital federal aid participating construction projects completed in the prior fiscal year. The Governor removed the report, claiming it was underutilized and required excessive staff time to produce it. The Senate retained the section. (Sec. 613)
26. **Alternative Road Surface Materials.** The Governor removed a section that encouraged the Department to examine the use of alternative or recycled materials for road construction. Removal of this section included removal of the annual reporting requirement on the use of such materials. The Senate retained the section. (Sec. 660)
27. **Winter Maintenance Truck Refurbishment.** The Governor removed a section requiring the department to investigate and report on any cost savings for the refurbishment of maintenance trucks as opposed to replacement. The Senate retained the section and updated date references. (Sec. 670)
28. **Railroad Abandonment Notification.** The Governor removed a section that required the Department to notify the Legislature if and when the Department receives notification of a railroad company's intent to abandon a rail line. The Senate retained the section. (Sec. 703)
29. **Rail Operations and Infrastructure Reporting.** The Governor removed a section to require reporting on rail and infrastructure programs. The Senate retained the section and updated date references. (Sec. 704)
30. **Rail Freight Economic Development Spending.** The Governor removed a section that required the department to spend $2.5 million of Comprehensive Transportation Fund on freight economic development. The Senate concurred. (Sec. 750)
31. **Department Ownership and Operation of Airports.** The Governor removed a section that encouraged the Department to find private entities or local public agencies to assume ownership and operating responsibility of Department owned airports. The Senate concurred. (Sec. 802)
32. **Aging Aircraft.** The Governor removed a section that required the Department to issue an RFP for competitive bids to manage and sell the Department's aging aircraft fleet. The Senate concurred. (Sec. 803)
33. **Airport Improvement Programs.** The Governor modified a section to require local units of government to provide 50% of any non-federal share of an airport construction or improvement project, up from a 5% minimum. The Senate retained the section without the Governor's changes. (Sec. 901)
34. **One-Time General Fund Distribution for Roads.** The Governor included a new section to divide the $175.0 million of General Fund One-Time dollars appropriated in Part 1. The Section divides the money as follows: $68,425,000 to the state trunkline for roads and projects for connected vehicles, hydrogen fueling stations, and transportation services for the elderly and persons with disabilities; $68,425,000 for county road commissions; $38,150,000 for cities and villages. The Senate removed the section.
35. ***(New)* Rural Salt Storage.** The Senate added a new section for construction and maintenance projects for rural county salt storage facilities. (Sec. 1002)
36. ***(New)* Ann Arbor/Traverse City Passenger Rail Line.** The Senate added a new section for the design, engineering and repair of a passenger rail line connecting Ann Arbor and Traverse City. (Sec. 1003)

Date Completed: 4-20-18 Fiscal Analyst: Michael Siracuse

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberation.