



July 26, 2005

2005-2007 Final Budget Update, Governor's Vetoes

Yesterday, the Governor signed the 2005-2007 state budget which includes 139 line-item vetoes. While most transportation funding levels are maintained, the Governor's vetoes undo much of the legislature's attempts to restore the integrity of the Transportation Fund and reduce Transportation Fund debt. The highlights are:

Transfers

The final 2005-2007 budget increases the amount of transportation revenue to be transferred to the General Fund from the legislature's proposal of \$268 million to \$427 million. The Governor originally proposed a \$485 million transfer. At this point, only \$18 million of the \$427 transfer appears to be recurring. General fund bonding will offset \$250 million of the transfer.

Bonding

The Governor frees up cash for the transfer by vetoing the legislature's proposals to cash finance the Marquette Interchange and vetoing the reduction of bonding in the Major Highway Program.

- **Marquette:** The Governor's vetoes delete \$66 million in SEG base funding added by the legislature to cash finance the Marquette. Instead, \$213 million in 20 year transportation fund-supported general obligation bonds will be utilized to finish the project. Interest on these bonds will increase the cost of the project by at least \$150 million. More importantly, the state is now in a position where borrowing for the remaining \$5 billion Southeast Freeway reconstruction is more likely, potentially adding billions to the cost of the project.
- **Major Highway Program:** The legislature used \$42 million in SEG cash to reduce bonding in the Major program. However, the Governor used his veto authority to transfer the \$42 million and an additional \$10 million from Major to the General Fund. The \$52 million transfer was offset by a corresponding increase in bonding. The overall funding level did not change but the bonding levels did. The Governor originally proposed to bond 53% of the program, down from 57% in the last biennium. By infusing SEG funding, the legislature reduced the percentage of bonding in the program to 45%. After the vetoes, Major Highway Program bonding will be 55% of the program.

Other Changes

- **Zoo Interchange/Highway 45:** \$35 million of the \$38 million provided by the legislature for preliminary engineering work is vetoed.
- **Amtrak:** The Governor's vetoes remove the requirement for the agency to request additional funding through the 13:10 process. The Governor has expressed his intention to fully fund this service. At this time, the funding mechanism and amount are not clear.

- LRIP: \$5 million annual increase in a new discretionary appropriation is vetoed. As part of this veto, the Governor eliminates any restructuring of the discretionary part of the program.
- Regional Transit Authority (RTA): The Governor only makes a slight change to the RTA provision, removing the requirement that the Governor's appointment to the RTA be with the advice and consent of the Senate.
- Freight Rail Preservation Program: The Governor concurs with the \$5.5 million increase in bonding authority for the program but vetoes the requirement that the department allocate \$5 million annually to rail rehabilitation projects and \$1 million annually to rail bridge projects.
- Harbor Assistance: The Governor vetoes the requirement for the department to make a grant for the construction of a dockwall in the City of Marinette at the Waupaca Foundry.
- Highway Engineering Positions: \$2 million for 19 engineering positions added by the legislature is vetoed.
- Expressway Policing Aids: \$200,000 of a \$250,000 annual increase in this appropriation is vetoed.
- License Plate Rebasing: \$666,000 annual increase is vetoed.
- Earmark Grants: The Governor eliminates a requirement that WisDOT award grants to the Village of Oregon for streetscaping and Chippewa County for the construction of a pedestrian crossing and a handicap accessible ramp. The Governor also vetoes a provision requiring the department award a LRIP grant to the City of Sheboygan for Eisner Avenue.
- Sturgeon Bay Bridge: The Governor approves the Sturgeon Bay Bridge as passed by the legislature
- PECFA: The Governor approves a 1 cent reduction in the gas tax designated for PECFA (leaving 2 cents), but he vetoes the reduction in bonding authority and the requirement that the Department of Commerce develop a proposal for program phase-out in the next budget.

TDA staff is working on a comprehensive summary of the final budget.