TDA Transportation Development Association

February 11, 2005

2005-2007 Budget Update #2

At first glance, the 2005-2007 Executive Budget for transportation may not look so bad to many TDA members. Overall spending increases slightly, bonding is reduced and most programs were held constant or received modest increases. Dig a little deeper and you will find that this budget transfers a substantial amount of transportation revenue to the base funding of other programs. If this is allowed to become law, the transportation revenue will be lost in future budgets. This budget still relies heavily on bonding as a revenue source for programs. For instance, the Marquette Interchange is bonded for 20 years – which will significantly increase the overall cost of the project. The ongoing transfers and the cost of debt service will reduce future transportation budgets. In addition, transportation user fees - vehicle registrations, titling, and licensing - were increased to raise $97 million in new revenue. Unfortunately, all of that money and more are transferred to non-transportation purposes.

Transfers

$120 million – ongoing transfer to General Fund from 03-05 budget
$ 52 million – increase transfer to General Fund from 03-05 budget
$250 million – new transfer to General Fund in 06
$ 18 million – new transfer to General Fund in 07
$ 68 million – transfers to other agencies in 06 and 07

$508 million total transfer

The amount of this transfer is equal to transferring 8 cents of the 29-cent/gallon gas tax to the general fund

These transfers may become part of the base funding for other programs that continue in future budgets. We are still analyzing the documents and will be able to provide more detail in the near future.

Bonding

There is $781 million in total bonding for transportation, or approximately 13% of the budget. $250 million of which is backfilling the transfer to the general fund with general obligation bonds. Although there is a 9% reduction in bonding from last year's levels, this is still a historically high level of debt. The use of bonds is normally closer to 6% of revenue.

Fee Increases

According to WisDOT estimates, the fee increases included in the Governor's request will generate $97 million over two years.

Vehicle Registration Fee – increase $10 from $55 to $65

Truck Registration Fee – increased from $48.50, $61.50 and $77.50 to $65, $71 and $87

Duplicate Titles – increased from $8 to $20

Title Transfers – increased from $35 to $45. The $7.50 supplemental title transfer fee will now be deposited in the environmental fund instead of the transportation fund.

Car Rental Tax – increased from 3% to 5% and the proceeds transferred to Department of Tourism

Highway Programs

The Governor recommends providing funding to maintain FY05 funding levels for: the major highway program ($47.7 million FED in each year); and the state highway rehabilitation program ($101.1 million in each year). The Governor also recommends providing $250 million of GPR-supported general obligation bonds to replace an equal amount of state highway rehabilitation program expenditure authority in FY06. In addition, the Governor recommends reallocating funding in FY07 to reflect reduced expenditure needs for southeastern Wisconsin freeway system due to the scheduled completion of the Marquette Interchange project.

<u>Majors</u> – provide an additional $420,534,000 in transportation revenue bonding authority for majors. The funding will provide a 2% inflationary upper in each year ($4.7 million in 2006 and $9.5 million in 2007), ensure enumerated projects reach construction within statutory time frame ($50 million in 2007), and reduce the percentage of bonding in the program from 57% to 55% in 2006 and 52% in 2007.

<u>Rehabilitation</u> – provide a 2% inflationary upper for the rehabilitation program and additional funding to maintain highway pavement quality ($28.5 million in 06 and $36.5 million in 2007). The $250 million cash transfer will be taken from this program and replaced with $250 million in general fund bonds.

<u>Marquette/Southeast Freeways</u> - provide $345.4 million in FY06, of which $213.1 million is new transportation-supported general obligation bonding authority to complete the Marquette Interchange project on schedule. The Governor further recommends the following for Southeastern Wisconsin highways: address non-Marquette Interchange highway rehabilitation needs ($19.3 million in FY06 and $49.3 million in FY07); and begin preliminary engineering for the next phase of system reconstruction ($9.5 million in FY06 and $19.6 million in FY07).

Maintenance - provide a two percent increase in each year ($2.9 million in FY06 and $5.8 million in FY07) to adjust for inflationary costs; and an increase to cover additional costs related to growth in lane miles ($2.8 million in FY06 and $6.3 million in FY07).

Highway Operations - provide additional expenditure and position authority for highway operations including: $722,000 SEG and 10.0 FTE SEG positions for additional highway engineers; and $1.9 million SEG-FED annually for highway planning and research. The Governor further recommends allowing the state to assess civil payment penalties to contractors who submit fraudulent bids, false claims for payments, and false certifications of quality or compliance for state-funded highway projects.

Local Aids

GTA / LRIP / Lift Bridges – provide additional funding for general transportation aids, lift bridge aids and the Local Road Improvement Program. The funding is allocated as follows: (a) increase calendar year 2006 and 2007 general transportation aids for counties and municipalities by two percent in each year ($3.7 million in FY06 and $11.2 million in FY07); (b) fully fund lift bridge aids ($221,800 in FY06 and $265,200 in FY07); and (c) increase the Local Road Improvement Program by 2% in each year ($906,800 in FY06 and $1.8 million in FY07).

Transit and Elderly/Disabled Aids - provide additional funding for transit aids and elderly and disabled operating aids. The funding is allocated as follows: (a) increase calendar year 2006 and 2007 transit aids by 2% each year for all tiers ($493,300 in FY06 and $2.4 million in FY07); and (b) increase elderly and disabled operating aid by $2 million in FY06 and $4 million in FY07 (36% increase over the biennium).

Harbor Assistance Program - provide $350,000 in additional and $11.4 million of new transportation-supported general obligation bonding authority for harbor projects. Of the new bonding, $8.1 million is for shipbuilding projects in northeastern Wisconsin. This is a one-time increase for two private companies and will not necessarily increase investment available in HAP for public ports. The Governor is also recommending funding for Wisconsin's portion of the Soo Locks improvement project ($117,000 annually for 50 years).

Rail Assistance - recommend the following changes to maintain and improve Wisconsin's rail infrastructure and service: (a) provide $365,800 SEG and $1.4 million SEG-F in FY06 and $667,600 SEG and $2.6 million SEG-F in FY07 to fully fund Amtrak passenger rail service; (b) increase bonding authority for the Freight Rail Preservation Program by $6.5 million ($2 million over the previous biennium); (c) provide $800,000 in FY06 for final engineering for the Metra (KRM) commuter rail service in Southeastern Wisconsin; and (d) expand the potential uses for existing bonding authority for passenger rail capital improvements.

Airport Improvement Program - provide 2% increases in each year for the airport improvement program ($244,200 in FY06 and $493,400 in FY07).

TEA Grants – provide additional funding for Transportation Economic Assistance grants ($1.2 million in each year) for a total of $2.4 million in each year.

Surface Transportation Grants – provide funding for grants generally used for awards to local governments for bike and pedestrian paths ($3.4 million in each year).

Agency Position and Program Reductions - reduce expenditure and position authority in the department's state operations appropriations to create additional operational efficiencies and balance the budget by: a departmental reorganization; operational efficiencies; and program changes (-$20.5 million and 183 positions in 2006, and -$19.4 million and 236 positions in 2007).