



## February 16, 2007      **Budget Update #2: Governor's 2007-2009 Transportation Budget**

The Governor's budget proposes an increase in transportation revenue, which is a positive step. The \$296 million net increase to the transportation fund – new revenue less transfers – begins to close the gap on the annual \$700 million shortfall in transportation funding as identified by the Road to the Future Committee. However, TDA has long-standing concerns about the continued use of transportation revenue for programs outside the core transportation programs administered by WisDOT. In addition, the buying power of most transportation programs has been seriously eroded by high inflation in the last several years. The inflationary increases in this proposal actually result in real world purchasing power cuts to many programs.

### **Fee Increases**

The \$461 million increase in revenue is generated by the following fees:

- Vehicle Registration Fee – increase \$20 from \$55 to \$75
- Truck Registration Fee – increase from \$48.50, \$61.50 and \$77.50 to \$75, \$84 and \$106, respectively
- Oil Company Assessment – establish a 2.5% assessment on the earnings of oil companies from the sales of motor fuel in Wisconsin. The proposal prohibits oil companies from passing this assessment on to consumers.
- Security Verification Fee – increase the fee for driver's license and identification products \$10. The revenue generated by this addition to the base fee will offset most of the cost of implementing REAL ID. REAL ID was passed by Congress and signed into law by President Bush on May 11, 2005, creating national standards for the issuance of state driver license and identification cards. States must be REAL-ID compliant by May of 2008.

### **Transfers**

In this budget proposal, the Governor transfers (or utilizes for non-transportation purposes) \$165 million, as follows:

- \$70 million in the current biennium would be utilized to pay some of the debt service on the 20-year general obligation bonds issued for state highway rehabilitation projects in the previous 2 budgets. Remember, these bonds were only issued as replacement funding after the Governor's more than \$1.1 billion in transfers. Since July 1, 2005 (Act 64, October 2003) the debt service on these bonds has been paid out of the general fund. The total debt service for the over \$730 million of replacement bonding is approximately \$95 million a year. The Governor allocated \$26.6 million of this debt service to the transportation fund in FY08 and \$43.3 million in FY09 with the general fund paying the difference. If this stands, the transportation fund will likely pay at least \$86.6 million in the next biennium and the amount could be increased each and every biennium until the bonds are paid off.
- \$56 million would fund pupil transportation aids.
- \$30 million in supplemental title fees would be transferred from the transportation fund to the environmental fund for nonpoint source pollution control and abatement. The fee would also be raised by \$2.
- \$9 million of appropriations in other departments would be funded with transportation revenue. This amount includes funding for the Department of

Natural Resource vehicle inspection/maintenance program, emergency medical services in the Department of Health and Family Services budget, and emergency response teams and civil air patrol aids for the Department of Military Affairs.

These transfers/funding sources would most likely become part of the base funding for these programs and continue in future budgets.

**Program Funding**

Major Highway Program –provide a 1.5% inflationary upper in each year (\$4.5 million in FY08 and \$9.0 million in FY09), and maintain the percentage of bonding in the program at approximately 55%. The Governor also requests an additional \$384 million in transportation revenue bonding authority.

State Highway Rehabilitation Program – provide a 3% inflationary increase (\$18 million) for the rehabilitation program in FY08 and a 4% inflationary increase (\$43.2 million) in FY09.

Southeastern Wisconsin Freeways - provide \$25.2 million in FY08 and \$66.2 million in FY09 for the Interstate 94 reconstruction between the Mitchell Interchange and the Illinois state line. The Governor requests \$90.2 million in SEG-supported general obligation bonding authority for the I-94 project. The Governor proposes to fund approximately 37% of the project with bonds, which is similar to the financing of the Marquette Interchange. The Governor also recommends \$17 million in FY08, \$7 million in FY09 and 25 FTE positions in each year for preliminary engineering of the Zoo Interchange.

Maintenance – provide a total increase of \$66 million over the biennium. The increase is comprised of a 2.5% increase in each year (\$3.9 million in FY08 and \$8.0 million in FY09) to adjust for inflationary costs and an increase to cover additional costs related to growth in lane miles (\$3.5 million in FY08 and \$7.8 million in FY09). In addition, the highway maintenance program receives \$21.5 million in each year of the biennium to cover increased cost of contracting for county services and other routine maintenance activities.

GTA / Aeronautics/ LRIP – provide each program 2% per year. See table of increases below.

	<u>FY08</u>	<u>FY09</u>
GTA	\$7.7 million	\$15.5 million
Aeronautics Assistance	\$252,200	\$509,500
LRIP	\$943,400	\$1.9 million

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 2008 and 2009 transit aids by 2% each year for all tiers (\$2 million in FY08 and \$4.1 million in FY09); and (b) increase elderly and disabled operating aid by 2 % each year (\$265,900 in FY08 and \$537,100 in FY09).

Harbor Assistance Program - provide \$12.7 million of new transportation-supported general obligation bonding authority for harbor projects.

Rail Assistance - recommend the following changes to maintain and improve Wisconsin's rail infrastructure and service: (a) provide \$1.3 million in FY08 and \$1.5 million in FY09 to fully fund Amtrak passenger rail service and add a new car to the

Hiawatha line; (b) authorize an additional \$32 million of GPR-supported general obligation bonding authority for passenger rail capital improvements; (c) expand the potential uses for existing bonding authority for passenger rail capital improvements; (d) increase bonding authority for the Freight Rail Preservation Program by \$22 million; (e) provide \$1 million in FY08 for engineering for the Metra (KRM) commuter rail service in Southeastern Wisconsin.

Safe Routes to School – provide funding to administer the Safe Routes to School Program, which provides grants to local governments for projects to enhance bicycling and walking routes to schools (\$5 million in FY08 and \$3.5 million in FY09, approximately 90% federal funding).

Surface Transportation Grants – provide funding for grants generally used for awards to local governments for bike and pedestrian paths (\$3.4 million in FY09).

The Governor's proposal now goes to the Joint Committee on Finance, which will hold hearings on the budget in these cities: Milwaukee, March 20; DeForest, March 21; Chippewa Falls, March 27; Prairie du Chien, April 4; Rhinelander, April 11; and Green Bay, April 12.