

April 7, 1995

PUBLIC HEARING HELD

Present: (15) Representatives Brancel, Foti, Schneiders, Ourada, Harsdorf, Porter, Linton and Coggs and Senators Leean, Weeden, Farrow, Schultz, Cowles, Panzer, and Chvala.

Absent: (1) Senator George.

Appearances For the Bill

DEPARTMENT OF TRANSPORTATION

Mr. Chuck Thompson, Secretary, Department of Transportation, Madison; James McDonnell, Department of Transportation, Madison.

Appearances Against the Bill

Appearances for Information Only

Registrations For the Bill

Registrations Against the Bill

MO# Roll Call
 DOT Budget Briefing

BRANCEL	(Y)	N	A
FOTI	(Y)	N	A
SCHNEIDERS	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
PORTER	(Y)	N	A
LINTON	(Y)	N	A
COGGS	(Y)	N	A
LEEAN	(Y)	N	A
WEEDEN	(Y)	N	A
FARROW	(Y)	N	A
SCHULTZ	(Y)	N	A
COWLES	(Y)	N	A
PANZER	(Y)	N	A
GEORGE	Y	N	A
CHVALA	(Y)	N	A

AYE 15 NO ABS 1



WISCONSIN DEPARTMENT OF TRANSPORTATION

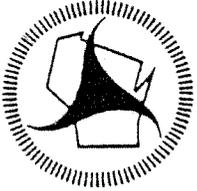
ANN AGNEW
EXECUTIVE ASSISTANT TO THE SECRETARY
OFFICE OF THE SECRETARY

4802 SHEBOYGAN AVE., ROOM 120B
P.O. BOX 7910, MADISON, WI 53707

(608) 266-1113 OFFICE
(608) 266-9912 FAX NUMBER

Packet Includes:

- **Secretary Thompson's transmittal letter**
- **WisDOT 1995-97 budget**
- **1995-97 funding dilemma**
- **Impacts of no increase budget**
- **How new revenues are spent**
- **Major projects timetable**
- **Oil company franchise fee**
- **Wisconsin comparison with other states**
 - * State revenue per vehicle mile of travel
 - * Interstate motor fuel tax comparisons
 - * State fuel taxes and tax structure
 - * Multi-state comparison on transportation financing



Wisconsin Department of Transportation

Tommy G. Thompson
Governor

Charles H. Thompson
Secretary

OFFICE OF THE SECRETARY
P. O. Box 7910
Madison, WI 53707-7910

April 6, 1995

To the Members of the Joint Committee on Finance:

Thank you, in advance, for providing me with the opportunity to testify before your committee tomorrow on the subject of Governor Tommy Thompson's 1995-97 state transportation budget. I look forward to providing you with my perspectives on this very important issue.

Attached with this letter, for your information, is a series of overview materials on Governor Thompson's transportation budget that I will be referencing in my testimony tomorrow. These materials, some of which you already have received, provide an outline of the transportation budget, how its revenues are invested, and the statewide impacts of a "no revenue increase" alternative. Additional materials illustrate citizen support for Translinks 21, which helped shape the budget, and the budget's impacts on our major highway project schedule. A one-page explanation of the oil company franchise fee has been updated to reflect new developments.

I hope you will find these background materials helpful in advance of my testimony before your committee. If you have any questions in the meantime, please feel free to call me or DOT Executive Assistant Ann Agnew at 608/266-1113. Again, thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script that reads "Charles H. Thompson".

Charles H. Thompson
Secretary

WisDOT 1995-97 BUDGET

Wisconsin's total biennial transportation budget: **\$3.4 billion**
Increase over 1993-95: **\$294 million**

General: Governor Thompson's 1995-97 state transportation budget puts a down-payment on a long term investment in the quality of Wisconsin's future, its economy and its citizens.

Over the next two years, transportation revenues are projected to increase by \$106 million. But this increase in revenues is more than completely offset by lower-than-budgeted federal aids (\$56 million), the need to replace one-time funding sources that are no longer available (\$26 million), and higher interest payments on bonds and standards reserves (\$26 million).

Given that the cost of providing current programs is also rising due to inflation, WisDOT would have faced a total shortfall of \$137 million in 1995-97. Gov. Thompson's budget provides the revenues needed to fill this shortfall, maintain programs, and begin to implement Translinks 21.

How the \$3.4 billion 1995-97 budget is spent:

State Highway Programs	\$1.6 billion
Local Transportation Aids and Improvements	\$1.3 billion
WisDOT State Operations	\$333 million
Interest payments on transportation bonds	\$143 million
Other standard reserves	\$7 million

How the \$294 million in new revenues are spent:

Critical costs that must be met **\$222 million**

- Cover shortfall to keep programs "whole" \$137 million
- Repair freeways in southeastern Wisconsin \$51 million
- Complete Highway 29 by the year 2000 \$34 million

Additional investments in a quality system: **\$72 million**

- State highway rehabilitation program \$33 million
- Local road and street aids (over inflation) \$16 million
- Local Road Improvement Program \$9 million
- High-cost local bridges \$6 million
- Freight rail improvements (bonding) \$5 million
- Other programs \$5 million
- Transit operating assistance (over inflation) \$4 million
- Reductions in WisDOT operations budget \$6 million cut

TOTAL **\$294 million**

State Highway Investments

Because highways will remain the basis of Wisconsin's transportation system and serve as economic lifelines through 2020, the budget increases investments in state highways.

- \$206 million increase to maintain, resurface, and reconstruct aging portions of the state highway system. Keeps Corridors 2020 on track.

Critical costs that must be met: *\$152 million*

- Inflation for construction and rehabilitation programs \$53 million
- Resurfacing of I-94 in southeastern Wisconsin \$51 million
- Completion of Highway 29 by the year 2000 \$34 million
- Inflation and growing workload costs for the state highway maintenance program \$14 million

New federal mandates: *\$21 million*

- Comply with new federal mandates affecting state highways \$21 million

Additional investments in a quality system: *\$33 million*

- Rebuild existing routes with longer-lasting pavements \$31 million
- Year-round highways (remove seasonal weight limits) \$2 million

Local Road Investments

Local roads are key to a quality infrastructure and long-term economic growth within communities. The budget helps address critical and costly repair needs facing many aging local roadways.

- \$78 million increase for local road programs. The budget begins to phase-in the goal to provide 30% state funding for county road costs and 24% for municipal costs.

Critical costs that must be met: *\$35 million*

- Inflation for state share of local road and street costs \$32 million
- Inflation for local bridges and connecting highways \$2 million
- Inflation for the Local Road Improvement Program \$1 million

Additional investments in a quality system: *\$43 million*

- Increase local road and street aids by 5-6% annually \$16 million
- Increase in Local Road Improvement Program funding (includes \$10 million local match) \$19 million
- Increase high-cost local bridge program funding for bridges in Chippewa, Milwaukee and Portage counties (includes \$2 million local match) \$8 million

Budget also focuses on efficiency:

- Creates a Local Road and Street Council to review state and federal policies, look at needs and cost pressures, and find ways to deliver services more efficiently.

Urban Transit Investments

Transit is a key part of the state's transportation system and helps get people to jobs. Wisconsin is one of the strongest financial supporters of transit in the nation.

- \$15 million increase for state transit operating assistance. The budget funds 45% of transit operating costs in Milwaukee County, Madison and twelve mid-sized cities. The state share of transit costs would drop well below 40% without this increase.

Critical costs that must be met:

\$11 million

- Inflation for state transit operating assistance and maintain current state share of operating costs (44% in Milwaukee and Madison, 42% for other systems) \$11 million

Additional investments in a quality system:

\$4 million

- Provide 45% state share of costs for large and mid-size systems \$4 million

Budget also focuses on efficiency:

- Creates a new Transit Council to look at cost-pressures and identify the appropriate state and local role in transit services. With input from the council, WisDOT will develop new efficiency standards that all systems must meet to be eligible for state assistance.

AMTRAK

Gov. Thompson saved four of seven daily Chicago-Milwaukee round trips, at least through June 1995. Negotiations with Amtrak are continuing to keep that service through June 1996. As needed, and once the specific costs are determined, the budget will provide the resources to fund continued service.

Over the long term, Gov. Thompson also will continue to look at potential ways of securing permanent Chicago-Milwaukee passenger train service, including public-private partnerships.

Elderly and Disabled Services

Investments in Elderly and Disabled services are increased by over \$500,000 to maintain current levels of service. Governor Thompson has directed WisDOT to produce a detailed study of all costs related to elderly and disabled transportation services, due July 1, 1996, to help chart the most cost-effective way to fund and provide service with local partners.

Freight Rail

The budget continues an \$11 million revolving loan fund for freight rail and adds \$4.5 million to provide grants for infrastructure improvements on publicly-owned lines.

Oil Company Franchise Fee

An Oil Company Franchise Fee is created as a new revenue source to raise \$270 million. The fee will be assessed at fuel terminals as a percentage of the costs for each gallon of motor fuel sold in Wisconsin. Oil products and fuel for airplanes and trains are exempt from the fee.

The franchise fee, because of the way it is structured, is preferable over an increase in the state motor fuel tax. By state law, any increase in the fuel tax rate must be fully passed on to consumers. The franchise fee, however, is structured so that all of the fee does not necessarily have to be passed on at the pump. Part of the fee that is not passed on also can be claimed by oil companies as a business deduction on the federal corporate income tax. Given this flexibility of the fee structure, oil companies will be able to decide how to spread the costs and potentially pass some of them on to consumers.

Impacts of a "no increase" budget:

- Inflation, lower-than-budgeted federal funding, rising environmental costs, and other factors would leave WisDOT \$137 million short of what's needed to maintain current programs at current levels. This would mean:
 - Delaying \$72 million in committed state highway projects.
 - a 3-5% decrease in road aids to counties, towns, cities and villages.
 - a 5% reduction in state aid for transit.
- In addition, other critical needs exist that would:
 - Shift \$51 million from committed highway projects throughout the state to fund critically-needed repairs to the I-94 east-west freeway in southeastern Wisconsin.
 - Delay \$34 million in other state highway projects to keep the commitment to complete Highway 29 by the year 2000.
- In all, critically needed projects would require an investment of \$222 million to meet all commitments.

1995 - 1997 Transportation Funding Dilemma

Dollars in Millions

Cost to continue current programs

Underfunding of ISTEA and federal sanctions	\$56
Base Year Adjustments	26
Debt Service and reserves	26

Inflation and new mandates

State Highway Program inflation	67
Local program inflation	47
✓ \$32 million -- Road Aids (\$11 M towns, \$10 M cities, \$7 M counties \$4 M villages)	
✓ \$11 million -- Transit	
✓ \$ 4 million -- Other (Local Bridges, Local Road Improvement Program, connecting hwys., elderly/disabled service)	
Federal mandates on state highways (Clean Water Act, soils clean up, metrication, etc.)	21

TOTAL 243

Revenue Growth 106

TOTAL SHORTFALL -137

Widespread Impacts of No Increase Budget

- State Highway Program -- \$123 million in projects deferred to fund critical costs:
 - ✓ \$51 million SE Wisconsin freeway repair
 - ✓ \$13 million Major Highway Program inflation
 - ✓ \$59 million 3-R inflation/mandates

- Local Streets -- State share of funding for local road maintenance decreases:
 - ✓ Cities/villages: 3.7% cut (-\$5 million)
 - ✓ Counties: 3.2% cut (-\$2 million)
 - ✓ Towns: Per-mile rate down from \$1,350 to \$1,300 (-\$2.5 million)

 - ✓ Additional property tax pressures to meet local road needs

- Local Road Improvement Program -- Spending decrease in real terms for one of the most popular aid programs at the local level

- High-cost bridges -- No funding for needed bridges in Chippewa Falls, Portage County and Milwaukee

- Transit -- State operating assistance for most systems reduced 5%, from 42% to 37%.
 - ✓ Milwaukee County: \$5 million loss; state share drops from 44% to 39%.
 - ✓ Madison: \$1.2 million loss; state share drops from 45% to 40%.

 - ✓ Additional property tax pressures to maintain transit service

- All other programs remain at 1995 levels, with no adjustment for inflation

How New Transportation Revenues are Spent

Critical Costs

Dollars in Millions

Fund Shortfall	\$137	
Southeastern WI Freeway Repair	51	
STH 29 completion commitment	34	
Subtotal		\$222

Other Major Items

STH Rehabilitation Program	\$ 33	
Local Road Aids (over inflation)	16	
Local Road Improvement Program	9	
High-Cost Bridges	6	
Freight Rail bonding	5	
Other Programs	5	
Transit Operating Assistance (over inflation)	4	
Administrative Cost Savings	-6	
Subtotal		<u>\$ 72</u>
TOTAL		\$294
Total SEG		270
Bonding		24

1994 – 2005 Major Projects Timetable

Hwy	Description	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
18/151	Verona Bypass	Backbone												
26	Fort Atkinson Bypass	Connector												
61	Sandy Hook – Dickeyville	Backbn												
151	Beaver Dam – Waupun	Backbone												
11	Janesville & Beloit Bypass					Connector								
12	Sauk City – Middleton				Connector									
12	Whitewater Bypass				Connector									
31	STH 142 – STH 11	Non-Corridors 2020												
36	Burlington – STH 100	Connector												
50	Lake Geneva – Slades Corners			Connector										
151	Waupun – Fond du Lac				Backbone									
794	Lake Arterial	Non-Corridors 2020												
151	Fond du Lac Bypass					Connector								
57	Random Lake – IH 43							Non-Corridors 2020						
45	New London Bypass	Connct												
57	STH 54 – Dyckesville			Connector										
76	Appleton – Greenville		Non-Corridors 2020											
110	USH 41 – STH 116			Connector										
141	Abrams – STH 22			Backbone										
54	Wisconsin Rapids – Plover	Connector												
13	Marshfield Mobility Study		Connector											
35	River Falls – IH 94	Connector												
64	Houlton – New Richmond				Connector									
51	Merrill – CTH S	Backbone												
51	Tomahawk Bypass (add lanes)					Backbone								
53	Trego – Hawthorne	Backbone												
29	Chippewa Falls Bypass			Backbone										
10	Highway 10 Corridor	Backbone												
29	Highway 29 Corridor	Backbone												
41	Freeway Conversion	Backbone												

 = Corridors 2020

 = Non-Corridors 2020

Oil Company Franchise Fee

- Expected revenue: \$270 million over the biennium.

- Starting date: October 1, 1995

- 4.85% fee on oil companies, based on average retail price of motor vehicle fuel sold in Wisconsin.

- Key advantages:
 1. Motor fuel taxes must by law be passed to customers; fees do not; decision rests with industry.
 2. Any part of the fee not passed on by oil companies receives federal income tax benefits.
 3. Fairness -- motorists pay based on how much they use the transportation system.
 4. Provides another source of pledged revenue to bolster transportation revenue bonds.

Highway User Fees: How Wisconsin Compares with Other States

Wisconsin fees are below national average

- In 1993, Wisconsin's total highway user fees ranked about 5% below the national average on a per vehicle mile of travel basis. Fees in Illinois, Iowa and Minnesota were above the national average. (Source: U.S. DOT. See Attachment #1.)

Wisconsin's motor fuel tax rate may seem high...

- Wisconsin's 1993 composite motor fuel tax rate of 22.9 cents per gallon ranked above all other Midwestern states and the national average of 17.4 cents. (See Attachments #2 and #3.)

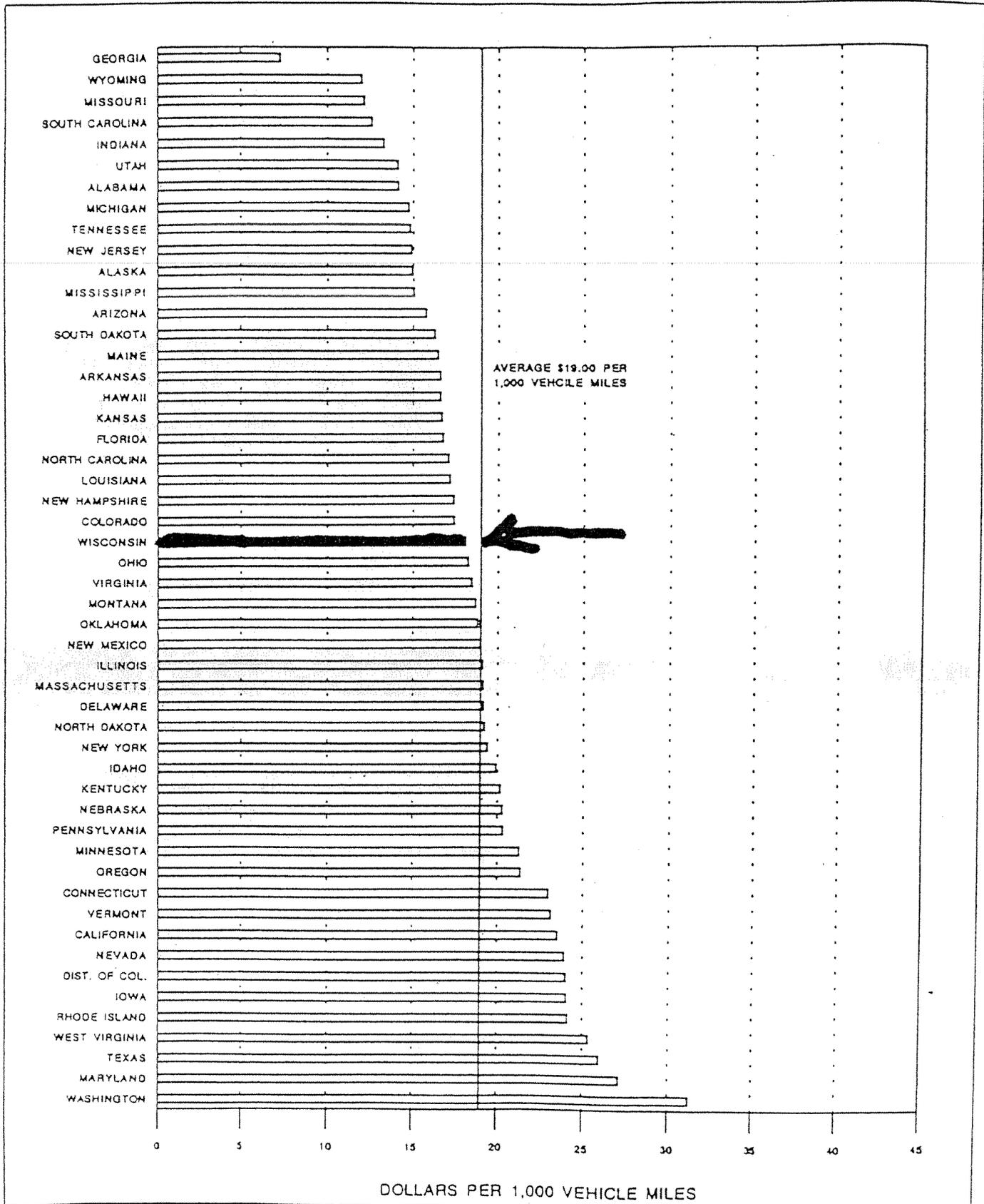
But other factors must be considered

- Wisconsin and South Carolina are the only two states in the nation that rely solely on standard highway user fees -- and heavily on motor fuel taxes -- to pay for state transportation programs. Motor fuel taxes account for 73% of Wisconsin's state transportation revenues, compared to a national average of slightly over 50%.
- Other states complement motor fuel taxes with toll roads, general funds, vehicle sales taxes, value-based auto fees, motor fuel sales taxes, truck weight-distance taxes and other sources to pay for transportation. (See Attachment #4.)
- If all state highway and transit revenue sources were converted to equivalent motor fuel tax rates, Wisconsin's rates would be well below the Midwest and national averages, and lower than the rates in Illinois, Iowa and Minnesota. (See Attachment #2.)
- When all transportation financing methods are considered, Wisconsin's transportation revenues ranks below the national average.

Why Wisconsin relies heavily on the motor fuel tax

- The motor fuel tax is a fair way of financing transportation for two reasons:
 1. As a user fee, the motor fuel tax results in motorists paying for transportation programs in proportion to the amount they use the transportation system.
 2. Non-residents pay the motor fuel tax when they buy fuel and use highways in Wisconsin. A vehicle registration fee is paid only by state residents.

STATE HIGHWAY-USER REVENUE PER VEHICLE MILE OF TRAVEL 1993



Interstate Motor Fuel Tax Comparisons

	1993 Fuel Tax Rate	All Sources Equivalent Rate*
Illinois	18.4	37.6
Indiana	16.3	24.9
Iowa	19.8	44.5
Michigan	15.0	27.5
Minnesota	18.4	38.5
Ohio	21.0	32.1
WISCONSIN	22.9	31.5
Midwest Average	18.6	32.7
U.S. Average	17.4	33.8

* Represents the motor fuel tax rate that would be required to produce the amount of revenue generated by all other transportation funding sources

State Fuel Taxes and Tax Structure

(Fuel Taxes as of January 1, 1995)

<u>State</u>	<u>Cents/Gallon</u>	<u>Tax Structure</u>
Wisconsin	23.1/23.1 diesel	Motor fuel tax Vehicle registration fee (flat) No personal property tax on vehicles No vehicle sales tax for transportation No GPR sources for highway/transit No tolls No sales tax on motor fuel
Illinois	24.5/27.5	Motor fuel tax Vehicle registration fee (flat) Sales tax on motor fuel Sales tax on car/truck purchases Income/sales tax -- GPR for transportation GPR support for transit Toll facilities
Indiana	15.0/27.0	Motor fuel tax Vehicle registration fee (flat) Sales tax on motor fuel Income/sales tax -- GPR for transportation GPR support for transit Personal property tax on motor vehicles Toll facilities
Iowa	20.0/22.5	Motor fuel tax Value & weight based vehicle registration fee Sales tax on car/truck purchases GPR support for transit
Michigan	21.6/15.6	Motor fuel tax Value & weight based vehicle registration fee Sales tax on motor fuel GPR support for transit Toll facilities
Minnesota	20.0/20.0	Motor fuel tax Value based vehicle registration fee Sales tax on car/truck purchases GPR support for transit
Ohio	22.0/25.0	Motor fuel tax Vehicle registration fee (flat) Income/sales tax -- GPR for transportation GPR support for transit Toll facilities

TRANSPORTATION FINANCING: A MULTI-STATE COMPARISON

Description of Funding Sources	States Using This Source
Sales tax on motor vehicle fuel - States charge a sales tax on the pump price (which usually includes any motor vehicle fuel tax as well) of motor vehicle fuel, in addition to the motor vehicle fuel tax.	California, Connecticut, Georgia, Hawai'i, Illinois, Indiana, Michigan, New York, Oklahoma, Pennsylvania
Oil Company Franchise Tax - Some states use a gross receipts tax applied to petroleum based products made into motor vehicle fuels.	New York, Pennsylvania, Rhode Island
Sales tax on motor vehicles dedicated to transportation - Many states impose a sales tax on new and used vehicles, but not all states use this source of funding for transportation purposes such as Wisconsin. The states listed here dedicate at least a portion of these revenues to transportation programs.	Arizona, Hawai'i, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Oklahoma.
Motor vehicle special titling fees - These are titling fees imposed in addition to any fees for issuing title certificates. They may be based on the value of the vehicle or the weight of the vehicle.	Delaware, District of Columbia, Kentucky, Maryland, New Mexico, Texas, Vermont, Virginia, West Virginia.
Personal property tax or excise tax on motor vehicles - These states charge an annual fee based on the value of the car. Not all of the revenues are necessarily dedicated to transportation purposes.	Alabama, Arizona, Arkansas, Colorado, Connecticut, Georgia, Indiana, Kansas, Kentucky, Maine, Massachusetts, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, North Carolina, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wyoming.
Truck Weight-Distance Tax - This tax imposes a differential rate for miles travelled within the state on trucks of various weight classes.	Alabama, Arizona, Idaho, Kentucky, Nevada, New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, Washington.
Road and crossing tolls - These states charge fees for travel on a given roadway, or for bridge crossings.	Alaska, California, Connecticut, Delaware, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Virginia, Washington, West Virginia.
General Fund investment in transportation - These states use general fund revenues for highways and or mass transit.	Every state <u>except</u> Idaho, Louisiana, Massachusetts, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Wisconsin.