Legislative Fiscal Bureau
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May 29, 2001 | Joint Committee on Finance | Paper #922

State Highway Rehabilitation -- Funding Level (DOT -- State Highway Program)

[LFB 2001-03 Budget Summary: Page 663, #3]

CURRENT LAW

The state highway rehabilitation program is principally responsible for repairing deteriorated highways and bridges on the state trunk highway system. Base funding for the program is $565,948,900 ($250,266,800 SEG and $315,682,100 FED).

GOVERNOR

Provide $6,721,300 SEG and $8,201,500 FED in 2001-02 and $23,456,600 SEG and $8,494,800 FED in 2002-03 for the program to provide increases of 2.7% in 2001-02 and 3.0% in 2002-03, calculated on a base that excludes costs related to salaries for state employees.

DISCUSSION POINTS

1. The following table shows the bill's proposed funding for the program by funding source. Federal funds are divided into federal highway formula funds and federal interstate cost estimate (ICE) funds, which the bill would provide for the demolition of the Park East Freeway in Milwaukee. The funding in each year of the biennium reflects the net effect of this item, plus the following: (a) standard budget adjustments (-$112,000 SEG annually); and (b) an increase of $1,200,000 SEG and $21,250,000 FED-ICE in 2001-02 for the demolition of the Park East Freeway.

Actual 2000-01 and Proposed 2001-03 Funding Levels

		Governor	
Fund	2000-01 Base	2001-02	2002-03
SEG	$250,266,800	$258,076,100	$273,611,400
FED-Formula	315,682,100	323,883,600	324,176,900
FED-ICE	0	21,250,000	0
Total	$565,948,900	$603,209,700	$597,788,300

2. The following table compares the rate of growth in funding since 1996-97 that would result if the funding levels in the bill (or the intended level of funding in the case of the major highway development program) were approved, for the state highway rehabilitation program and several other DOT programs. The percentages shown include federal, state and revenue bond funds. As shown in the table, the state highway rehabilitation program would receive a larger increase relative to the local road programs and the state highway maintenance program, compared to the funding level for these programs in 1996-97.

Percentage Increase in State and Federal Funding for Various Transportation Programs (Fiscal Years 1997-2003)

Program	Governor
Major Highway Development*	46.1%
Mass Transit Aid	45.7
State Highway Rehabilitation**	44.1
Local Road Programs***	29.8
State Highway Maintenance	23.3

*Adjusted to reflect the amount that the Governor intended to provide in 2002-03, which is less than the amount actually in the bill by $4,529,100.

**Does not include funding provided in a separate appropriation for the reconstruction of the Marquette Interchange. If this funding were included, the increase for the rehabilitation program would be 68.7%.

***Includes general transportation and connecting highway aid, local roads improvement program and local bridge and highway improvement assistance.

3. Current projections of inflation in 2001-02 and 2002-03 by Standard and Poor's DRI are 2.7% and 1.8%, respectively. If these inflation rates are used to provide an inflationary adjustment instead of the assumed rates in the bill (2.7% and 3.0%, respectively) funding could be reduced by $7,020,900 SEG in 2002-03. However, certain costs in the state highway rehabilitation program, such as fuel costs, may be increasing at a rate that exceeds general inflation, which may justify an above-inflationary increase.

4. The Committee could consider other funding alternatives for the program. The

following table shows the change to the bill's funding level for several annual percentage increases. The funding mix between FED and SEG funds could be modified depending upon the Committee's decisions on the funding for other transportation programs.

Annual Percentage Increase	SEG Change to Bill 2001-02	2002-03
1%	-$9,441,900	-$20,934,800
2	-3,961,000	-9,808,500
3	1,519,900	1,427,300
4	7,000,800	12,772,800
5	12,481,700	24,227,900
6	17,962,700	35,792,700

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $6,721,300 SEG and $8,201,500 FED in 2001-02 and $23,456,600 SEG and $8,494,800 FED in 2002-03 for the program to provide increases of 2.7% in 2001-02 and 3.0% in 2002-03.

2. Modify the Governor's recommended funding level provided for the program as shown in the table to provide the percentage increases shown.

	Annual Percentage Increase	SEG Change to Bill 2001-02	2002-03
a.	1.0%	-$9,441,900	-$20,934,800
b.	2.0	-3,961,000	-9,808,500
c.	3.0	1,519,900	1,427,300
d.	4.0	7,000,800	12,772,800
e.	5.0	12,481,700	24,227,900
f.	6.0	17,962,700	35,792,700
g.	2.7/1.8*	0	-7,020,900

* Current inflation projections for 2001-02 and 2002-03.

3. Maintain current law.

Alternative 3	FED	SEG	TOTAL
2001-03 FUNDING (Change to Bill)	- $16,696,300	- $30,177,900	- $46,874,200

Prepared by: Jon Dyck

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May 29, 2001 | Joint Committee on Finance | Paper #923

Park East Freeway (DOT -- State Highway Program)

[LFB 2001-03 Budget Summary: Page 664, #4]

CURRENT LAW

A 1999 agreement between Governor Thompson and the City and County of Milwaukee allocated a total of $241 million in federal interstate cost estimate (ICE) funds available to the state among various transportation projects in southeastern Wisconsin. In compliance with federal law, the agreement allocated one-half of the ICE funds to the state and the other half to the local governments. It specified that $21,250,000 of ICE funds would be used for the Park East Freeway demolition project, of which, $6,800,000 would be from the state's share and $14,450,000 would be from the local share.

GOVERNOR

Provide $21,250,000 FED, $1,200,000 SEG and $2,550,000 SEG-L in 2001-02 in the state highway rehabilitation program for the demolition of a portion of the Park East Freeway (STH 145) in Milwaukee, the construction of a new bridge spanning the Milwaukee river and surface street improvements to accommodate increased traffic. Specify that the maximum state share for the demolition project shall be $8,000,000, of which $6,800,000 shall be federal interstate cost estimate (ICE) funds received by the state, as provided in an agreement entered into on April 20, 1999, between the City of Milwaukee, Milwaukee County and the state. Specify that the local share of the project shall not be less than $17,000,000, of which $14,500,000 shall be ICE funds received by the City or County, as provided in the 1999 agreement.

MODIFICATION

Specify that of the $17,000,000 minimum local share for the Park East Freeway project, $14,450,000, instead of $14,500,000 under the bill, shall be ICE funds received by the City or County.

Explanation: The bill's statutory requirement that local governments use not less than $14,500,000 in ICE funds is based on a rounded figure, cited in the agreement. The unrounded figure, which is the basis for the appropriation adjustment, is $14,450,000. This amount more precisely reflects the provisions of the agreement, which require the local governments to pay not less than $17,000,000 of the total project cost, of which 85% would be ICE funds and 15% would be a local match, as required under federal law.

Prepared by: Jon Dyck

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May 29, 2001 | Joint Committee on Finance | Paper #924

Major Highway Development -- Funding Level (DOT -- State Highway Program)

[LFB 2001-03 Budget Summary: Page 664, #5]

CURRENT LAW

Major highway projects are defined as projects that have an estimated cost exceeding $5,000,000 and consist of at least one of the following: (a) construction of a new highway 2.5 miles or more in length; (b) relocation of 2.5 miles or more of existing roadway; (c) the addition of one or more lanes at least five miles in length; or (d) the improvement of 10 miles or more of an existing divided expressway to freeway standards.

Major highway improvements are funded from three main sources: the state segregated transportation fund, federal highway aid and the proceeds of revenue bonds (identified as SEG-S). Base funding for the program is $220,155,000 ($42,299,300 SEG, $57,948,500 FED and $119,907,200 SEG-S).

GOVERNOR

Provide $3,996,200 SEG and $2,363,600 SEG-S in 2001-02 and $11,049,400 SEG and $10,028,700 SEG-S in 2002-03 for the program.

DISCUSSION POINTS

1. Although the appropriations schedule reflects an increase of $10,028,700 in revenue bond proceeds for the major highway development program in 2002-03, DOA indicates that this is an error and that the Governor intended to provide an increase of just $5,499,600. The increase in the statutory authorization of revenue bonds and the debt service estimates reflected in the transportation fund condition statement that was submitted with the bill are based on the amount that the Governor intended to provide. The revised fund condition statement (LFB Paper #895)

reflects the higher amount of bonding that is actually in the bill. Adjusting the debt service estimate in the revised condition statement to reflect the amount of bonding that the Governor intended to provide for the program would increase estimated transportation fund revenue by $50,800 in 2002-03.

2. After making the correction to reflect the amount that the Governor intended to provide for the program, the bill would increase the program by 2.9% in 2001-02 and 4.5% in 2002-03, calculated on a base that excludes costs related to the state-funded salaries for state employees. The following table shows the proposed funding for the program by funding source, reflecting standard budget adjustments (-$87,400 SEG annually) and the amount of additional funding that the Governor intended to provide (not the amount actually provided by the bill). The Governor would fund 54% of the program in 2001-02 and 53% of the program in 2002-03 with revenue bond proceeds, compared to 54.5% in the base year.

		Governor	
Fund	2000-01 Base	2001-02	2002-03
SEG	$42,299,300	$46,208,100	$53,261,300
FED	57,948,500	57,948,500	57,948,500
Bonding	119,907,200	122,270,800	125,406,800
Total	$220,155,000	$226,427,400	$236,616,600

3. At the Committee's May 23 executive session, the Committee approved a transfer of $2,264,300 SEG in 2001-02 and $4,732,300 SEG in 2002-03 from the major highway program to the Marquette Interchange reconstruction project and the reverse transfer of revenue bond proceeds. This would result in 55% of the Governor's intended funding level being financed with revenue bond proceeds.

4. The following table compares the rate of growth in funding since 1996-97 that would result if the funding levels in the bill (or the intended level of funding in the case of the major highway development program) were approved, for the major highway development program and several other DOT programs. The percentages shown include federal, state and revenue bond funds.

Percentage Increase in State and Federal Funding for Various Transportation Programs
(Fiscal Years 1997-2003)

Program	Governor
Major Highway Development*	46.1%
Mass Transit Aid	45.7
State Highway Rehabilitation**	44.1
Local Road Programs***	29.8
State Highway Maintenance	23.3

* Adjusted to reflect the amount that the Governor intended to provide in 2002-03, which is less than the amount actually in the bill by $4,529,100.

** Does not include funding provided in a separate appropriation for the reconstruction of the Marquette Interchange. If this funding were included, the increase for the rehabilitation program would be 68.7%.

*** Includes general transportation and connecting highway aid, local roads improvement program and local bridge and highway improvement assistance.

5. The preceding table shows that the major highway development program has grown more rapidly than the other four transportation programs. Some have argued that the budget should be modified to produce more even growth between transportation programs.

6. Others have argued that if additional funds are available for the state highway program, the need to rehabilitate and maintain existing state highways is a higher priority than expanding highways. In this case, instead of providing an above-inflationary increase for the major highway development program, additional funding could be provided for the state highway rehabilitation or highway maintenance and traffic operations programs or for the reconstruction of the Marquette Interchange.

7. Major highway development is one of the few transportation programs that the bill would provide with a funding increase that exceeds the rate of inflation. DOA indicates that the above-inflationary increase was provided because it was felt that costs in the program are growing faster than the general rate of inflation. In this case, an above-inflationary increase would be needed to avoid the delay of some projects.

8. The cost of major highway development projects often exceeds the amount that these projects were estimated to cost at the time of enumeration. A number of factors may explain the higher cost for these projects. For example, the cost of certain project elements, particularly the cost of real estate acquisitions, has increased faster than general inflation, as measured by the consumer price index. In addition, as a project is moved through the final design stage, DOT sometimes makes changes to the scope of the project, such as the addition of interchanges, bridges, frontage roads or changes in the alignment, that add to the cost. These changes are sometimes made at the request of local communities or residents affected by the project or may be in response to unanticipated problems with the initial plans.

9. While some reasons for increases in the cost of projects may be difficult to control, the addition of features, such as interchanges or frontage roads, is a decision made by DOT based on

a consideration of available funding and the need for the additional features. These decisions, however, can result in the delay of other projects unless additional funding is provided. The Department has recently begun a process whereby changes to the scope of a project that would increase the estimated cost by more than $500,000 must be reviewed and approved by a committee of DOT staff from all parts of the state. DOT expects that this committee will help control the costs of projects since project managers in one part of the state may be reluctant to approve changes to a project in another part of the state because of the delays that this may cause for their projects. It could be argued that the incentive for controlling costs would be reduced if funding for the program increases at a rate faster than the actual rate of inflation affecting the program.

10. If the Committee makes a decision to provide only an inflationary adjustment for the major highway development program, funding would be reduced by $453,000 in 2001-02 and $11,127,100 in 2002-03, reflecting current estimates of inflation of 2.7% in 2001-02 and 1.8% in 2002-03. This alternative would reduce funding in 2002-03 by $6,598,000, relative to what the Governor intended to provide for the program in that year. DOT indicates that the likelihood that projects are delayed would increase if only an inflationary increase is provided and project costs increase at a rate faster than inflation.

11. Since some costs in the major highway development program may increase faster than the projected rate of inflation and since some of these costs, such as real estate costs and the cost of fuel, are out of the control of the Department, an above-inflationary increase may be justified. However, it should be noted that increases in the cost of certain inputs in the major highway development program are also likely to affect costs in other programs, such as the state highway rehabilitation and highway maintenance programs, as well as the costs associated with building and maintaining local roads and operating urban mass transit systems.

12. The Committee may decide to increase the program by different percentages. The following table shows several annual percentage increases and the change to the bill as modified by the Committee's previous decision to provide 55% of the program with bonding. Each of these alternatives would result in 55% of the program being funded with bonding proceeds. The final two columns show the change in estimated transportation fund revenue due to changes in debt service associated with the amount of bonding used under each scenario.

Annual Percentage Increase	SEG Change to Bill 2001-02	SEG Change to Bill 2002-03	SEG-S Change to Bill 2001-02	SEG-S Change to Bill 2002-03	SEG-REV Change to Bill 2001-02	SEG-REV Change to Bill 2002-03
1%	-$1,877,400	-$5,468,300	-$2,294,700	-$11,212,500	$25,200	$264,600
2	-893,000	-3,469,800	-1,091,400	-8,770,000	12,000	164,500
3	91,500	-1,451,700	111,800	-6,303,300	-1,200	64,100
4	1,076,000	586,100	1,315,000	-3,812,600	-14,500	-36,600
5	2,060,400	2,643,700	2,518,300	-1,297,900	-27,700	-137,500
6	3,044,900	4,720,900	3,721,500	1,241,000	-40,900	-238,700

ALTERNATIVES TO BILL

1. Modify the Governor's recommendation by deleting $4,529,100 SEG-S in 2002-03 to provide total funding increases for the major highway development program of $3,996,200 SEG and $2,363,600 SEG-S in 2001-02 and $11,049,400 SEG and $5,499,600 SEG-S in 2002-03, which is the amount the Governor intended to provide for the program. Increase estimated transportation fund revenue by $50,800 in 2002-03 to reflect a reduction in the amount of revenue bond debt service. This alternative would provide increases for the program of 2.9% in 2001-02 and 4.5% in 2002-03.

Alternative 1	SEG	SEG-S
2001-03 REVENUE (Change to Bill)	$50,800	$0
2001-03 FUNDING (Change to Bill)	$0	-$4,529,100

2. Modify the Governor's recommended funding level provided for the program as shown in the table to provide the annual percentage increases shown. Each scenario would fund 55% of the program with revenue bonds, which is the level that previous Committee action established. Modify estimated transportation fund revenue as shown to reflect changes associated with debt service on bonds. In addition, modify the bonding authorization to reflect the changes in the SEG-S appropriation.

	Annual Percentage Increase	SEG Change to Bill		SEG-S Change to Bill		SEG-REV Change to Bill	
		2001-02	2002-03	2001-02	2002-03	2001-02	2002-03
a.	1%	-$1,877,400	-$5,468,300	-$2,294,700	-$11,212,500	$25,200	$264,600
b.	2	-893,000	-3,469,800	-1,091,400	-8,770,000	12,000	164,500
c.	3	91,500	-1,451,700	111,800	-6,303,300	-1,200	64,100
d.	4	1,076,000	586,100	1,315,000	-3,812,600	-14,500	-36,600
e.	5	2,060,400	2,643,700	2,518,300	-1,297,900	-27,700	-137,500
f.	6	3,044,900	4,720,900	3,721,500	1,241,000	-40,900	-238,700
g.	2.7 & 1.8*	-203,800	-2,969,100	-249,200	-8,158,000	2,700	106,700

* Current inflation rate projections for fiscal years 2001-02 and 2002-03.

3. Maintain current law. Modify the bonding authorization to reflect the reduction in the SEG-S appropriation and increase estimated transportation fund revenues by $26,500 in 2001-02 and $232,800 in 2002-03 to reflect lower debt service on revenue bonds.

Alternative 3	SEG	SEG-S
2001-03 REVENUE (Change to Bill)	$259,300	$0
2001-03 FUNDING (Change to Bill)	- $15,045,600	- $27,437,900

Prepared by: Jon Dyck

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May 29, 2001 | Joint Committee on Finance | Paper #925

State Highway Maintenance and Traffic Operations (DOT -- State Highway Program)

[LFB 2001-03 Budget Summary: Page 666, #8]

CURRENT LAW

The state highway maintenance and traffic operations program is responsible for activities such as minor pavement and bridge repairs, roadside mowing, snow and ice clearing, pavement marking and sign and traffic signal installation on the state trunk highway system. Most of the work related to minor pavement repair and snow and ice clearing is performed by county crews under contract with the state, while activities related to pavement marking and traffic signal installation are performed by DOT employees or by private contractors. The base level of funding for the program is $156,067,800 SEG.

GOVERNOR

Provide $7,451,000 SEG in 2001-02 and $15,651,600 SEG in 2002-03 for highway maintenance and traffic operations to provide increases of 5.4% in 2001-02 and 5.7% in 2002-03 for the program, calculated on a base that excludes costs related to salaries and fringe benefits for state employees.

DISCUSSION POINTS

1. The increases provided by the bill would adjust the program for anticipated inflation at assumed rates of 2.7% in 2001-02 and 3.0% in 2002-03 ($3,711,500 in 2001-02 and $7,946,700 in 2002-03) and increases in the number of lane miles and amount of traffic on the state trunk

highway system ($3,739,500 in 2001-02 and $7,704,900 in 2002-03). DOT indicates that the number of vehicle-miles traveled has increased at about 3.5% per year and the number of lane-miles has increased at about 1% per year over the last several years. DOT indicates that the above-inflationary funding increases would compensate for this growth, allowing service levels to be maintained.

2. Current projections of inflation in 2001-02 and 2002-03 by Standard and Poor's DRI are 2.7% and 1.8%, respectively. If these inflation rates were used to calculate the inflation component, the funding increase could be reduced by $1,694,100 in 2002-03. DOT indicates, however, that the cost of many items associated with the maintenance and traffic operations program, such as fuel and salt, are increasing at a rate that exceeds the general inflation rate.

3. The following table compares the rate of growth in funding since 1996-97 that would result if the funding levels in the bill (or the intended level of funding in the case of the major highway development program) were approved, for the state highway maintenance and traffic operations program and several other DOT programs. The percentages shown include federal, state and revenue bond funds. As shown in the table, the maintenance program has received the smallest percentage increase of these five major programs.

Percentage Increase in State and Federal Funding for Various Transportation Programs
(Fiscal Years 1997-2003)

Program	Governor
Major Highway Development*	46.1%
Mass Transit Aid	45.7
State Highway Rehabilitation**	44.1
Local Road Programs***	29.8
State Highway Maintenance	23.3

* Adjusted to reflect the amount that the Governor intended to provide in 2002-03, which is less than the amount actually in the bill by $4,529,100.

** Does not include funding provided in a separate appropriation for the reconstruction of the Marquette Interchange. If this funding were included, the increase for the rehabilitation program would be 68.7%.

*** Includes general transportation and connecting highway aid, local roads improvement program and local bridge and highway improvement assistance.

4. DOT indicates that the cost associated with performing winter maintenance in 2000-01 exceeded the three-year average winter maintenance cost by $15.7 million, due to higher fuel costs and frequent snowstorms. In order to manage the additional cost, the Department reduced certain spring maintenance activities, but determined that making further reductions would be detrimental to the highway system. As a result, the Department made a request for a $8.5 million supplement under s. 13.10 of the statutes, which the Committee approved on May 9, 2001.

5. The maintenance and traffic operations program is funded by a biennial appropriation, which allows the Department to reduce expenditures in the second year of the biennium if maintenance costs in the first year are particularly high. However, if the higher costs occur in the second year of the biennium, as in the winter of 2000-01, the Department's flexibility to absorb those costs is reduced. The Committee could reduce the funding provided in the bill by $8,500,000, which would, in effect, require the Department to partially absorb the additional costs in 2000-01 in the 2001-03 biennium. Funding provided by the bill for the program could be reduced by $2,639,500 SEG in 2001-02 and $5,860,500 in 2002-03 (for a total decrease of $8,500,000), which would provide annual increases for the program of 3.5%.

6. The Committee could consider other funding alternatives for the program. The following table shows the change to the bill's funding level for several annual percentage increases.

Annual Percentage Increase	Change to Bill 2001-02	Change to Bill 2002-03
1%	-$6,076,400	-$12,888,600
2	-4,701,800	-10,098,200
3	-3,327,100	-7,280,100
4	-1,952,500	-4,434,700
5	-577,900	-1,561,700
6	796,700	1,338,700

7. DOT has followed a policy of obtaining a reserve of de-icing salt at the beginning of each winter equal to 30% of the normal amount of salt used. Because of the frequent snow and ice storms experienced in the state during the winter of 2000-01, DOT exhausted this salt reserve. In the DOT's request for a $8,500,000 supplement under s. 13.10 of the statutes, the Department indicated that the one-time cost to restore this reserve would be approximately $3.5 million. This amount was not requested, but DOT asked that the Committee give consideration to providing this amount during its deliberations on the 2001-03 budget. The Committee could provide $3,500,000 SEG in 2001-02, in addition to other amounts provided, or could decide to not provide this amount, which would require the Department to purchase a salt reserve from within the other amounts provided.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $7,451,000 SEG in 2001-02 and $15,651,600 SEG in 2002-03 for highway maintenance and traffic operations to provide increases of 5.4% in 2001-02 and 5.7% in 2002-03 for the program. This would provide inflationary increases of 2.7% in 2001-02 and 3.0% in 2002-03 plus an additional amount to account for increase in lane miles and the amount of traffic on the state trunk highway system.

2. Modify the Governor's recommended funding level by reducing funding by $1,694,100 SEG in 2002-03. Under this alternative, inflationary increases would be provided, using the current inflation projections of 2.7% in 2001-02 and 1.8% in 2002-03, plus an additional amount to account for additional lane miles and the increases in the amount of traffic on the state trunk highway system.

Alternative 2	SEG
2001-03 FUNDING (Change to Bill)	- $1,694,100

3. Modify the Governor's recommended funding level provided for the program as shown in the table to provide the percentage increases shown.

	Annual Percentage Increase	SEG Change to Bill 2001-02	2002-03
a.	1.0%	-$6,076,400	-$12,888,600
b.	2.0	-4,701,800	-10,098,200
c.	3.0	-3,327,100	-7,280,100
d.	3.5	-2,639,500	-5,860,500
e.	4.0	-1,952,500	-4,434,700
f.	5.0	-577,900	-1,561,700
g.	6.0	796,700	1,338,700
h.	2.7/1.8*	-3,739,500	-9,399,000

* Current inflation projections for 2001-02 and 2002-03.

4. Provide $3,500,000 SEG in 2001-02 for the purchase of a salt reserve. This alternative could be adopted separately or in addition to other alternatives.

Alternative 4	SEG
2001-03 FUNDING (Change to Bill)	$3,500,000

5. Maintain current law.

Alternative 5	SEG
2001-03 FUNDING (Change to Bill)	- $23,102,600

Prepared by: Jon Dyck

TRANSPORTATION

State Highway Program

Bill Agency

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
6	Major Highway Development -- Project Enumeration
7	Delete Enumeration of Completed Major Highway Development Projects
9	Reestimate Highway Maintenance Local Funds
10	Damage Claims Appropriation
11	Utility Facilities Within Highway Rights-of-Way
12	Scenic Byways Program
14	Confidentiality of Certain Information Collected for the Disadvantaged Business Enterprise Program

LFB Summary Items Addressed at a Previous Committee Executive Session

Item #	Title
1	Marquette Interchange Reconstruction (Papers #920 and #921)
2	Reconstruction of West Canal Street in Milwaukee (Paper #171)

LFB Summary Item for Introduction as Separate Legislation

Item #	Title
13	Intelligent Transportation Systems

Senator Burke
Senator Welch
Representative Kaufert

OFFICE OF THE COMMISSIONER OF RAILROADS

OCR Assessment Cap and Attorney Position

[Paper # 785]

Motion:

Move to approve the Governor's recommendation to provide $22,500 PR annually for salary increases for railroad safety analysts, with the following modifications: (a) increase the limit on the assessment used to fund the operations of the Office of the Commissioner of Railroads from 1.75% of railroad companies' intrastate revenues to 1.85% of such revenues; and (b) convert 1.0 PR railroad safety analyst position in OCR to a 1.0 PR attorney position. Provide $25,900 in 2001-02 and $36,400 PR in 2002-03 to provide the difference in salary and fringe benefits cost between the railroad safety position and the new attorney position.

Note:

Under current law, the operations of the Office of the Commissioner of Railroads are funded from direct assessments, which are related to specific investigations, and remainder assessments, which are assessed on all railroad intrastate revenue. The total assessments must equal the expenditures of the Office plus an additional 10% surcharge that is deposited in the general fund. The total assessment, however, must not exceed 1.75% of the railroads' intrastate revenues in the year prior to when the assessment is made. This motion would increase that cap to 1.85%

The Office of the Commissioner of Railroads has 7.0 FTE positions, including 1.0 program assistant, 4.0 railroad safety analysts, 1.0 attorney and the Railroad Commissioner. This motion would also convert one of the railroad safety analyst positions to an attorney. Of the four railroad safety analyst positions, two are currently vacant.

[Change to Bill: $62,300 PR]

Motion #864

MO#____________________

1	BURKE	Y	N	A
	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
2	WELCH	Y	N	A
	GARD	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
	HUEBSCH	Y	N	A
	HUBER	Y	N	A
	COGGS	Y	N	A

AYE 16 NO 0 ABS ____

ok

or 2 a, b + c

Legislative Fiscal Bureau
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May 29, 2001 Joint Committee on Finance Paper #785

Railroad Safety Analyst Salary Funding (PSC -- Office of the Commissioner of Railroads)

[LFB 2001-03 Budget Summary: Page 577, #2]

CURRENT LAW

The Office of the Commissioner of Railroads (OCR) regulates railroads and monitors the safety of railroad crossings. Investigations of railroad crossings are conducted by the Office's railroad safety analysts, who file reports on the conditions at the crossing. The Commissioner may order improvements at the crossing, including the installation of signal lights or gates, or may order that the crossing be closed, based on the reports filed by the safety analysts.

The Office has 7.0 FTE positions, including 1.0 program assistant, 4.0 railroad safety analysts, 1.0 attorney, who serves as the hearing examiner for the Office, and the Railroad Commissioner, who is appointed by the Governor for a six-year term.

The operations of the Office are funded through direct and remainder assessments on railroads. Assessments are limited to 1.75% of railroad companies' revenues derived from intrastate operations. Base funding for the Office is $504,900 PR.

GOVERNOR

Provide $22,500 PR annually to increase the salary and fringe benefits for the Office's railroad safety analysts to improve the Office's ability to recruit and retain safety analysts.

DISCUSSION POINTS

1. The proposed funding would allow the wages of the Office's four safety analyst positions to be increased by $2.00 per hour. The current starting salary for these positions is

$15.138 per hour, or about $31,500 annually. The current maximum salary for these positions, corresponding with 22 or more years of experience, is $20.287 per hour, or about $42,200 annually. An increase of $2.00 per hour would increase the annual salary range to $35,600 to $46,400.

2. Of the four safety analyst positions, one has been vacant for about seven months and the other has been vacant for about eight months. One of these positions was created in October, 1997, as part of the 1997-99 budget, but remained vacant for 28 months. It was filled in March of 2000, but became vacant again in August of 2000 and has remained vacant since. The other vacancy was the result of a retirement. OCR argues that these positions have been vacant for long periods because the salary is not competitive with similar positions in the railroad industry.

3. OCR argues that the long periods of vacancy among these positions has had a negative impact on the ability of the Office to complete its statutory duties. For instance, the Office indicates that there are about 150 outstanding petitions for the review of railroad crossings, but that the Office can only investigate about 35 petitions per year with existing staff.

4. The position advertisement for the railroad safety analysts indicates that these positions require an advanced knowledge of signal systems and maintenance requirements as well as railroad operating practices and track and bridge construction requirements. In addition, the position requires the ability to collect, analyze and evaluate technical information relating to railroad safety and the ability to present this information orally and in writing.

5. Although the salary for these positions may be low in relation to what a person with similar skills could be paid in DOT or in the railroad industry, the current collective bargaining agreement for these positions does not allow a person to be hired above the minimum salary or for a person to be advanced through the pay grid other than by seniority. Therefore, the funding provided by the bill could not be used to increase either the starting salary of these positions or increase the salary of the current incumbents unless the collective bargaining agreement were amended to allow this or the positions were moved to a different bargaining unit that allows more flexibility on pay issues.

6. DOA indicates that the funding was included in the budget to allow for wage flexibility in the event that the contract for these positions could be modified to allow for such an increase. It was determined, in addition, that because OCR is a small agency, these costs could not be absorbed and, therefore, additional funding would be needed in the event that contract modifications are negotiated.

7. There is a possibility that the negotiations between the state and the union representing these positions would not allow wage flexibility, in which case no funding would be needed for additional salary. Furthermore, if a new contract does allow wage flexibility, the amount needed for a pay increase is uncertain, since the contract may allow more or less of an increase than the funding provided would allow. One alternative would be to delete the proposed funding and specify that a request may be submitted under s. 16.515 of the statutes to supplement OCR's appropriation by an amount necessary to provide for any pay increases following the completion of

contract negotiations.

8. Although an increase in the salary for the railroad safety analysts may increase the likelihood that these positions are filled, the Office may not be able to generate enough revenue through railroad assessments to pay for its operations if the positions are filled, due to the statutory cap on assessments. OCR's total assessment, plus an additional 10% surcharge that is deposited in the general fund, may not exceed 1.75% of railroads' prior year gross operating revenues derived from intrastate operations. The trend in the railroad industry has been an increase in long-haul operations and a decline in shorter-haul operations, which has resulted in a decline in intrastate revenues. Since OCR has had vacant positions, this has not been a problem because the Office's expenditures have been below its budget authority. However, if OCR's budget remains at the base level in the 2001-03 biennium and the Office expends that amount, the total assessment would equal 1.91% of intrastate revenues, assuming that intrastate revenues remain at the 1999 level in 2001 and 2002. If the increases for additional salary were to be provided or if intrastate revenues decline below the 1999 level, the Office would further exceed the cap.

9. Under current law, an agency with a projected PR appropriation deficit is required to submit a plan under s. 16.513 of the statutes to DOA for assuring that there are sufficient moneys to meet projected expenditures. If DOA approves or modifies and approves the plan, the Department is required to submit the plan to the Joint Committee on Finance for approval under a 14-day passive review process. OCR's assessments, however, are made following the fiscal year in which the expenditures occurred and are based on intrastate revenues in the prior calendar year. Consequently, any PR appropriation deficit would not be apparent until after expenditures are made. One alternative would be to require OCR to submit a plan under s. 16.513, in the event that expenditures exceed the 1.75% cap, that allows the Office to assess railroads for an amount that exceeds 1.75% of intrastate revenues. As under current law, any plan that DOA approves would be required to be submitted to the Joint Committee on Finance for approval under a passive review process. Although this alternative would allow OCR to assess railroads above the 1.75% cap, it would not allow the Office to exceed the amounts in the Chapter 20 appropriation schedule.

10. Although allowing OCR to assess railroads above the 1.75% cap may allow the Office to fund its expenses during the 2001-03 biennium, funding the ongoing expenses of the Office could be a problem if intrastate revenues continue to decline. A different basis may be needed to assess railroads in the future, given the long-haul trends in the railroad industry. An additional alternative would be to require OCR to submit recommendations for changing the assessment mechanism in its 2003-05 budget request.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $22,500 PR annually to increase the salary and fringe benefits for the Office's railroad safety analysts.

2. Delete the Governor's recommendation and adopt one or more of the following:

a. Specify that OCR may submit a request under s. 16.515 of the statutes during the 2001-03 biennium for increasing the budget authority of the Office to provide wage increases for the Office's railroad safety analysts commensurate with the contract agreement negotiated for those positions.

b. Specify that OCR's assessment for the cost of its operations plus the required 10% surcharge may exceed 1.75% of revenues derived from railroads' intrastate operations if OCR submits a plan under s. 16.513 of the statutes and DOA and the Joint Committee on Finance approve such a plan.

c. Require OCR to submit recommendations for changing the basis for assessing railroads for the Office's cost of operations with its 2003-05 budget request.

Alternative 2	PR
2001-03 FUNDING (Change to Base)	$0
[Change to Bill	*- $45,000]*

Prepared by: Jon Dyck

PUBLIC SERVICE COMMISSION

Office of the Commissioner of Railroads

Bill Agency

LFB Summary Item for Which No Issue Paper Has Been Prepared

Item #	Title
3	Clerical Support Funding

LFB Summary Item Addressed at a Previous Committee Executive Session

Item #	Title
1	Railroad Crossing Hearing Examiner (Paper #125)

Senator Burke
Representative Kaufert
Representative Coggs
Senator Darling
Senator Plache

MEDICAL COLLEGE OF WISCONSIN

Family Medicine Appropriation

Motion:

Move to expand the eligible uses of funding under the Medical College of Wisconsin family medicine and practice appropriation to include all family medicine educational activities.

Note:

Under current law, the Medical College of Wisconsin (MCW) receives $3,371,900 GPR annually under the family medicine and practice appropriation for the development and operation of family practice residency programs.

This motion would allow the funds to be used for any family medicine educational activities.

MO#

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
2 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS

Motion #1207

MEDICAL COLLEGE OF WISCONSIN

Bill Agency

LFB Summary Item to be Addressed in a Subsequent Paper

Item #	Title
1	Debt Service Reestimate

Coggs motion - allows them to expand program to serve underrepresented minorities.

AGENCY: DPI- General School Aids

ISSUE: Funding Level (Paper 730)

Card ok

ALTERNATIVE: 1

SUMMARY:

This option maintains two-thirds funding of partial school revenues.

By: Bob

Alt 1 ok

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May 29, 2001 | Joint Committee on Finance | Paper #730

General School Aids Funding Level (DPI -- General School Aids)

[LFB 2001-03 Budget Summary: Page 529, #1 and #2]

CURRENT LAW

The state has a goal of funding two-thirds of K-12 partial school revenues. For the purposes of the two-thirds funding goal, state funding is defined as the sum of state general and categorical school aids and the school levy tax credit. With certain limited exceptions, partial school revenues is defined as the sum of state school aids and property taxes levied for school districts.

The state provided $4,695.6 million in 1999-00 and $4,932.6 million in 2000-01 to meet two-thirds funding of partial school revenues. The two-thirds funding commitment is calculated on a statewide basis; the level of state aid received by an individual district may be higher or lower than two-thirds, depending on the district's per member shared costs and equalized value.

In 2000-01, the state appropriated $3,931.9 million in general school aids. General school aids include equalization aid, integration (Chapter 220) aid and special adjustment aid. In the 2000-01 base year, school districts are eligible for $3,843.6 million in equalization aid, $86.6 million in integration aid and $1.7 million in special adjustment aid.

Each year by May 15, the Departments of Public Instruction and Administration and the Legislative Fiscal Bureau must jointly certify to the Joint Committee on Finance an estimate of the amount necessary in the general school aids appropriation which, in combination with the amounts provided in the other state aid and levy credit appropriations, would achieve the two-thirds funding level in the following school year. Annually, by June 30, the Committee must determine the amount to be appropriated in the following school year.

GOVERNOR

Increase state funding to meet two-thirds funding of partial school revenues from the base amount of $4,932,579,300 in 2000-01 to $5,108,584,600 in 2001-02 and $5,292,765,000 in 2002-03. These funding increases would represent annual increases over the prior year of 3.6% in each year of the 2001-03 biennium.

Of those amounts, general school aids funding would increase from $3,931,871,500 in 2000-01 to $4,087,327,900 in 2001-02 and $4,250,046,700 in 2002-03. These proposed funding levels would be an increase of $155,456,400 in 2001-02 and $318,175,200 in 2002-03 compared to the base. That represents annual increases over the prior year of 4.0% in each year of the 2001-03 biennium.

A summary of these funding amounts with the administration's estimates of partial school revenues at the time of budget submission is presented in the following table.

State Support for K-12 Education -- Governor's Proposal
($ in Millions)

	2000-01	Governor's Proposal	
	Base Year	2001-02	2002-03
State Funding:			
General School Aids	$3,931.9	$4,087.3	$4,250.0
Categorical Aids	531.4	552.0	573.4
School Levy Credit	469.3	469.3	469.3
Total	$4,932.6	$5,108.6	$5,292.7
Partial School Revenues	$7,403.7	$7,662.9	$7,939.1
State Share	66.62%	66.67%	66.67%

DISCUSSION POINTS

1. Based on current estimates of projected K-12 partial school revenues and categorical aids under the bill, it is estimated that an additional $12 million in 2001-02 and $15 million in 2002-03 in general school aids funding would be needed to meet the state's two-thirds funding goal, compared to the bill. Restated as a change to the base, this change to general school aids would total $70 million, which would reflect the effects of the reestimate of $27 million as well as the effects of other bill provisions relating to revenue limits and categorical aids that impact general school aids funding, totaling $43 million.

2. As an alternative to providing additional GPR funding for general school aids, the Committee could repeal the current law two-thirds funding goal and appropriate, on a sum certain basis, the amounts in SB 55, which would provide an estimated 66.5% in 2001-02 and 66.4% of

partial school revenues in 2002-03.

3. School district revenue limits restrict the amount of revenue obtained through the combination of general school aids, the property tax levy and computer aid. Under revenue limits, any increase in the amount of general school aids would be offset with a decrease in the school property tax levy. Similarly, any decrease in the amount of general school aids would be offset by an increase in the school property tax levy.

4. If the Committee modifies provisions relating to revenue limits or school aids, the amount of funding needed to attain the two-thirds funding goal will change. Although each alternative or motion before the Committee identifies the estimated change to two-thirds funding, there can be interaction effects that would require an additional adjustment to general school aids to properly meet the two-thirds goal.

5. Specifically, under the two-thirds funding calculation, if categorical aids are increased, there is a reduction in general school aids equal to one-third of the increase in categorical aids. This reduction is made so that total state aid does not exceed the two-thirds funding goal. Similarly, if categorical aids are decreased, there is an increase in general school aids equal to one-third of the decrease in categorical aids in order to maintain two-thirds funding of partial school revenues.

ALTERNATIVES TO BASE

1. As a change to the bill, provide $12 million in 2001-02 and $15 million in 2002-03 for equalization aid to maintain the goal of two-thirds funding of partial school revenues.

Alternative 1		GPR
2001-03 FUNDING	(Change to Base)	$544,000,000
	[Change to Bill	*$27,000,000]*

2. Delete the current law requirement that the state fund two-thirds of partial school revenues and instead appropriate the amount of funding provided in the bill for equalization aid on an annual sum certain basis.

Alternative 2		GPR
2001-03 FUNDING	(Change to Base)	$474,000,000
	[Change to Bill	*$0]*

Prepared by: Russ Kava

MO# Alt. 1

2	BURKE	Y	N	A
	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	WELCH	Y	N	A
1	GARD	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
	HUEBSCH	Y	N	A
	HUBER	Y	N	A
	COGGS	Y	N	A

AYE 14 NO ____ ABS 2

AGENCY: DPI

ISSUE: Secondary cost ceiling (Paper 731)

ALTERNATIVE: 1 (/////////doublecheck/////////)

SUMMARY:

Card - 2
Russ - 4

WEAC likes 1.
Decker and Moore have probs, prefer ~~2~~ 4.
MPS likes 3.....

The idea here is to restore some of the value of the secondary cost ceiling compared to statewide shared cost revenue. This would help many districts.

By: Bob

Alt 1 ok

Decker - no
Moore - no 4

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May 29, 2001 Joint Committee on Finance Paper #731

Secondary Cost Ceiling (DPI -- General School Aids)

[LFB 2001-03 Budget Summary: Page 532, #3]

CURRENT LAW

There are three guaranteed valuations used in the equalization formula that are applied to three different shared cost levels. Each district receives a distinct aid amount and percentage of state support for each tier of the formula, based on its shared costs eligible for aid on that tier.

Primary tier. The first tier is for shared costs up to the primary cost ceiling of $1,000 per member. State aid on these primary shared costs is calculated using a statutory guaranteed valuation of $2,000,000 per member, and is based on a comparison of the school district's equalized valuation per member to the $2,000,000. State aid equals the amount of costs that would be funded by the missing portion of the guaranteed tax base. Every district receives at least the primary aid amount; primary aid cannot be reduced by negative aids generated at the secondary or tertiary aid levels.

Secondary tier. The second tier is for shared costs that exceed $1,000 per member but are less than the secondary cost ceiling, which is equal to $6,533 per member in 2000-01. The secondary cost ceiling is adjusted for inflation annually. The state's sharing of secondary costs is calculated using the secondary guaranteed valuation. The secondary guarantee is not set statutorily, but is allowed to float to a level that fully distributes the available amount of funding for general school aids. In 2000-01, the secondary guaranteed valuation is $874,011.

Tertiary tier. The third tier is for shared costs that exceed the secondary cost ceiling of $6,533 per member. State aid on these tertiary shared costs is calculated using the statewide average equalized valuation per member, which is $303,298 in 2000-01. If a school district's tertiary aid is a negative number, this amount is deducted from its secondary aid. As noted above, if the sum of a district's secondary and tertiary aid is a negative number, this amount is not deducted from its primary aid amount.

GOVERNOR

Set the secondary cost ceiling per member under the equalization aid formula equal to $6,900 in 2001-02 and $7,300 in 2002-03. Beginning in 2003-04 and in each year thereafter, the secondary cost ceiling would continue to be adjusted annually for inflation.

DISCUSSION POINTS

1. The equalization aid formula operates under the principle of equal tax rate for equal per pupil costs, or tax base equalization. In pure form, this means that a school district's property tax rate does not depend on the property tax base of the district, but rather depends on the level of costs. Simply stated, there is an inverse relationship between equalization aid and property valuations; those districts with low per pupil property valuations receive a larger share of their costs through the equalization formula than districts with high per pupil property valuations. The purpose of this policy is to minimize the differences among school districts' abilities to raise revenue for educational programs.

2. To this end, the tertiary level of the equalization formula is intended to serve two purposes. First, it serves as a disincentive for higher spending levels by causing districts to receive aid at much lower levels for costs incurred above the secondary cost ceiling, or lose aid attributable to those costs if a district's per member equalized value is greater than the tertiary guarantee. Second, it attempts to narrow the per pupil spending disparities among school districts by redistributing aid to districts that spend at lower levels.

3. The current three-tiered cost sharing formula was enacted in 1995 Act 27 and first applied to equalization aid paid in 1996-97. The same disincentive effect and redistribution of aid was incorporated in the previous two-tired formula. The following table shows the secondary cost ceiling and total statewide shared costs per member for each year since 1996-97. As shown in the table, the secondary cost ceiling was equal to 97.2% of the statewide shared cost per member in 1996-97. In 2000-01, this percentage declined to 88.8%.

Secondary Cost Ceiling and Statewide Shared Cost Per Member

	Secondary Cost Ceiling		Statewide Shared Cost Per Member		Secondary Cost Ceiling as Percent of Statewide Shared Cost Per Member
Fiscal Year	Amount	% Change	Amount	% Change	
1996-97	$5,936		$6,105		97.2%
1997-98	6,102	2.8%	6,438	5.4%	94.8
1998-99	6,285	3.0	6,763	5.0	92.9
1999-00	6,430	2.3	7,061	4.4	91.1
2000-01	6,533	1.6	7,355	4.2	88.8

4. As a result of the decline in the secondary cost ceiling relative to statewide shared

cost per member, a relatively larger share of school district costs are aided at the tertiary, rather than the secondary, tier of the equalization aid formula. In 1996-97, 173 districts had shared costs per member lower than the secondary cost ceiling. By comparison, in 2000-01, only 21 had shared costs per member lower than the secondary cost ceiling.

5. Administration officials indicate that the Governor's recommendation is designed to restore some of the value of the secondary cost ceiling relative to statewide shared cost per member. By setting the secondary cost ceiling statutorily in the 2001-03 biennium, it can be adjusted to a level that more closely reflects its historical relationship to statewide shared costs per member. Returning to the inflationary adjustment in future biennia would allow for an ongoing increase in the secondary cost ceiling consistent with current law.

6. This provision would increase the amount of shared costs that would be aided at the secondary level and reduce the amount of shared costs that would be aided at the tertiary level of the equalization aid formula. Because districts receive a greater share of their costs from the state at the secondary than at the tertiary aid level, many districts could be assisted by an increase in the secondary cost ceiling. Those districts that would receive additional aid would generally be those with shared costs per member above the resulting secondary cost ceiling, while those with shared costs below the resulting secondary cost ceiling would generally tend to lose aid. Aid eligibility for primary aid only districts would remain unchanged.

7. Increasing the secondary cost ceiling could reduce the disincentive for higher spending by districts with shared costs per member between the current secondary cost ceiling and the proposed higher ceiling. This could divert state aid from school districts with per pupil costs below the current secondary cost ceiling to districts with higher costs. Arguably, districts subject to negative tertiary aid should be encouraged to decrease their costs to a level closer to the current secondary cost ceiling, rather than adjusting the formula in such a way that would benefit higher-cost school districts.

8. There are five factors used in the computation of equalization aid: membership, shared cost, equalized property valuation, the state's guaranteed valuation and the total amount of funding available for distribution. It is not possible to make accurate projections of the these variables for a future school year, or to make accurate projections of the distributional effect of the proposed change in the secondary cost ceiling. However, the distributional effect of various alternatives can be illustrated with the data used to calculate equalization aid in 2000-01, with the secondary cost ceiling of $6,533 adjusted proportionately with any proposed changes.

9. Each school year, the secondary cost ceiling is adjusted by the average percentage change in the consumer price index for all urban consumers (CPI-U) for the calendar year ending on the second preceding December. For the 2001-02 school year, the secondary cost ceiling will be adjusted based on the average CPI change in 1999. For the 2002-03 school year, it will be adjusted based on the average CPI change in 2000. Based on Department of Labor statistics, the average change in the CPI-U was 2.2% in 1999 and 3.4% in 2000. Thus, under current law, the secondary cost ceiling will be $6,677 in 2001-02 and $6,904 in 2002-03. The Governor's recommendation

would then set the secondary cost ceiling 3.3% higher than current law in 2001-02 and 5.7% higher than current law in 2002-03.

10. Had the secondary cost ceiling been 3.3% higher in 2000-01, which is equivalent to the increase recommended by the Governor in 2001-02, it would have been $6,749. Over $5.9 million would have been redistributed among school districts, with nearly 350 districts receiving additional aid and nearly 50 receiving less aid. Aid eligibility for over 30 districts would have remained unchanged. Districts with shared costs per member at or below the new secondary cost ceiling would have tended to lose aid. Had the secondary cost ceiling been 5.7% higher in 2000-01, which is equivalent to the increase recommended by the Governor in 2002-03, it would have been $6,905. Over $15.9 million would have been redistributed among school districts, with nearly 330 districts receiving additional aid and nearly 70 receiving less aid. Aid eligibility for over 30 districts would have remained unchanged. Districts with shared costs per member below approximately $6,870 would have tended to lose aid.

11. It could be argued that all costs at or below the statewide shared cost per member should be aided at the more generous secondary level, and only if costs exceed the statewide per pupil amount should districts be penalized with a lower aid rate or negative tertiary aid. While under current law the secondary cost ceiling is adjusted annually for inflation, it may be more consistent to tie the secondary cost ceiling to the actual statewide costs per member in the prior year, rather than to an inflationary increase from a base amount that is below the statewide per pupil amount.

12. Setting the secondary cost ceiling equal to statewide shared cost per member, however, would reduce the disincentive effects of the tertiary aid level to an even greater extent than the Governor's recommendation, providing even less incentive for districts to maintain costs at a relatively lower level.

13. Had the secondary cost ceiling been set at the prior year statewide shared cost per member in 2000-01, it would have been $7,355. Over $55.7 million would have been redistributed among school districts, with nearly 260 districts receiving additional aid and nearly 140 receiving less aid. Aid eligibility for over 30 districts would have remained unchanged. Districts with shared costs per member below approximately $7,130 would have tended to lose aid.

14. To ensure that the secondary cost ceiling continues to increase at a level more consistent with statewide shared cost per member while still providing for disincentives for spending on the part of school districts, the Committee could chose to set the secondary cost ceiling equal to a percentage of statewide shared cost per member. For example, the secondary cost ceiling could be set at 90% of statewide shared cost per member in the prior year, given that the secondary cost ceiling has been at approximately that level of shared costs in 1999-00 and 2000-01 and would be expected to be at approximately that level in 2001-02 and 2002-03 under the Governor's budget bill.

15. Had the secondary cost ceiling been set at 90% of the prior year statewide shared

cost per member in 2000-01, it would have been $6,620. Nearly $1.6 million would have been redistributed among school districts, with nearly 370 districts receiving additional aid and nearly 30 receiving less aid. Aid eligibility for over 30 districts would have remained unchanged. Districts with shared costs per member at or below the new secondary cost ceiling would tend to lose aid.

16. It could be argued, however, that the negative tertiary aid feature of the equalization aid formula is functioning as intended with the inflationary increase allowed under current law. By reducing aid for higher-cost, higher-value districts, the aid formula acts as a disincentive to further cost increases that could widen the spending disparity between school districts. In addition, the aid lost by these higher-cost, higher-value districts is redistributed under the formula to lower-cost, lower-value districts, which could assist those districts in increasing their spending or reducing their property tax.

ALTERNATIVES TO BASE

1. Adopt the Governor's recommendation to set the secondary cost ceiling per member under the equalization aid formula equal to $6,900 in 2001-02 and $7,300 in 2002-03. Beginning in 2003-04 and in each year thereafter, the secondary cost ceiling would continue to be adjusted annually for inflation.

2. Beginning with equalization aid paid in 2001-02, define the secondary cost ceiling of the equalization aid formula to equal 90% of prior year statewide shared costs per member. Delete the requirement that the secondary cost ceiling be adjusted annually for inflation.

3. Beginning with equalization aid paid in 2001-02, define the secondary cost ceiling of the equalization aid formula to equal 100% of prior year statewide shared costs per member. Delete the requirement that the secondary cost ceiling be adjusted annually for inflation.

4. Take no action.

Prepared by: Russ Kava

MO# Alt 2

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
1 GARD	Y	N	A
2 KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS

PUBLIC INSTRUCTION -- GENERAL SCHOOL AIDS

Two-Thirds Funding of Debt Service for School Districts with Lower Values

Motion:

Move to provide $7,500,000 GPR in 2002-03 in a sum sufficient appropriation established to pay aid on debt service on school district bonds or notes issued after July 1, 2001, that have been approved by a referendum. Delete $10,000,000 GPR in 2001-02 and $30,000,000 GPR in 2002-03 from general school aids to adjust two-thirds fund of partial school revenues.

Specify that debt service paid on bonds or notes issued after July 1, 2001, that have been approved by a referendum would be excluded from shared costs. Provide that the debt levy to pay debt service on bonds or notes issued after July 1, 2001, that have been approved by a referendum would be excluded from the definition of partial school revenues. Specify that the new GPR sum sufficient appropriation for debt service aid would not be considered state aid for purposes of the two-thirds funding calculation.

Provide that for debt service paid in the prior year on bonds or notes issued after July 1, 2001, that have been approved by a referendum, school districts would receive state aid from the new sum sufficient appropriation, calculated as follows:

a. for school districts with equalized value below two-thirds of the statewide average equalized value per member, state aid would equal two-thirds of their debt service costs;

b. for school districts with equalized value between two-thirds and 100% of the statewide average equalized value per member, state aid would equal the following percentage times their debt service costs:

$$66.67\% \times \left[1 - \frac{\text{(School District Value/Member)} - \text{(2/3 x Statewide Value/Member)}}{\text{1/3 x Statewide Value/Member}} \right]$$

This formula would smoothly phase-out the percentage of debt service aid paid for districts with values between 2/3 of statewide value/member and 100% of statewide value per member;

c. for school districts with equalized value at or above 100% of the statewide average equalized value per member, no state aid would be paid.

Note:

This motion would establish a state aid payment for debt service paid on school district bonds or notes issued after July 1, 2001, that have been approved by a referendum. This state aid payment would be separate from other parts of the school finance system, so that the GPR appropriation would not count towards the state's two thirds funding goal, the debt levy for these bonds or notes would be excluded from partial school revenues and debt service costs on these bonds or notes would be excluded from shared cost under general school aids. Instead, state aid would be paid from a separate appropriation created for this purpose, and any debt service costs not aided by the state would be paid from the property tax.

The fiscal estimate for this motion is speculative. For purposes of this estimate, it is assumed that one-half of the projected increase in the debt levy in 2001-02 and all of the increase in the debt levy in 2002-03 is attributable to bonds or notes issued after July 1, 2001.

Based on these assumptions, partial school revenues would be reduced by an estimated $15,000,000 in 2001-02 and $45,000,000 in 2002-03, and general school aids would be decreased by $10,000,000 in 2001-02 and $30,000,000 in 2002-03. Payments from the new sum sufficient appropriation would first be made in 2002-03, since they would be made on prior year debt service costs. The actual costs to the state would depend on which districts issue bonds and notes and the amount of the borrowing. For the purposes of this estimate, it is assumed that aid in 2002-03 would total 50% of the debt service costs incurred in 2001-02, which would involve estimated payments of $7,500,000 in 2002-03.

[Change to Base: -$32,500,000 GPR]
[Change to Bill: -$32,500,000 GPR]

MO#________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
1 DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 8 NO 8 ABS ____

Senator Darling

PUBLIC INSTRUCTION -- GENERAL SCHOOL AIDS

Debt Levy Limit for Calculation of Partial School Revenues

Motion:

Move to limit the amount of referenda-approved school district debt levy included in the definition of partial school revenues, beginning in 2001-02, to the lesser of the actual referenda-approved debt levy or $460 million. Delete $20 million GPR in 2001-02 and $40 million GPR in 2002-03 from general school aids to adjust two-thirds funding of partial school revenues.

Note:

Under current law, revenues needed by a school district for the payment of general obligation debt service approved by a referendum is not subject to revenue limits. In 2000-01, the referenda-approved school district debt levy is estimated at $460 million. The debt levy is projected to be $490 million in 2001-02 and $520 million in 2002-03. Under this motion, partial school revenues would be reduced by $30 million in 2001-02 and $60 million in 2002-03 as compared to the base and the bill. The amount of state funding needed to maintain two-thirds funding would be reduced by $20 million GPR in 2001-02 and $40 million GPR in 2002-03, with a corresponding increase in the statewide school property tax levy in each year.

[Change to Base: -$60,000,000 GPR]
[Change to Bill: -$60,000,000 GPR]

MO#________________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
1 DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 7 NO 9 ABS ____

Senator Darling

PUBLIC INSTRUCTION -- GENERAL SCHOOL AIDS

Payment of General School Aids

Motion:

Move to increase the amount of equalization aids paid on the 4th Monday in July of each year from $75 million to $175 million, beginning with aid paid in the 2002-03 school year.

Note:

Equalization aid is currently distributed to school districts according to the following statutory payment schedule: 15% on the third Monday in September; 25% on the first Monday in December; 25% on the fourth Monday in March; and 35% on the third Monday in June. A school district may also request to receive payments equal to 10% of its total aid entitlement each month from September to June, at the cost of compensating interest payments to the state. The state pays $75 million of equalization aid on a delayed basis, with school districts receiving these monies on the fourth Monday in July of the following school year.

Under this motion, general fund expenditures in 2002-03 would be reduced by $100 million compared to base as a result of the payment delay. Equalization aid eligibility for school districts would not be affected.

[Change to Base: -$100,000,000 GPR]
[Change to Bill: -$100,000,000 GPR]

MO#______________________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
1 DARLING	Y	N	A
WELCH	Y	N	A
2 GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 5 NO 11 ABS _____

PUBLIC INSTRUCTION

General School Aids

Base Agency

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
4	Special Adjustment Aid
5	Clarify Treatment of Computer Aid for Equalization Aid Purposes

MO#________________

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS ____