I

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GOVERNOR

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WISCONSIN DEPARTMENT OF
ADMINISTRATION

Date: April 20, 2001

To: Members, Joint Committee on Finance

From: George Lightbourn, Secretary
Department of Administration

Subject: Section 13.10 Request from the Department of Transportation for a Supplement for State Trunk Highway Maintenance Activities

Request

The department requests a one-time supplement of $8,500,000 SEG in fiscal year 2000-01 from the Committee's appropriation under s. 20.865(4)(u) to the department's highway maintenance, repair and traffic operations, state funds appropriation under s. 20.395(3)(eq) for state trunk highway maintenance activities.

Background

Traditionally, the majority of state trunk highway maintenance activities are performed by county work forces under contract with the state. Currently, the Department of Transportation (DOT) indicates that county contracts will account for approximately 70 percent of the department's highway maintenance, repair and traffic operations appropriation budget of $109,655,100 SEG in fiscal year 2000-01. In addition, the department allocates federal funding of $1,194,000 SEG-F for the staff and operations of the Traffic Operations Center in Milwaukee from the maintenance program.

During the winter months, these contracted activities include snow removal, de-icing and drift control along the state trunk highway system. Expenditures for these activities during the past three years have averaged $33.2 million. However, due to heavier snowfall in December, colder temperatures and higher fuel prices, DOT is projecting these costs to exceed $48.9 million. The increased costs have resulted from an increase in equipment costs of $6.0 million, a $2.5 million deficit in the existing salt budget and the need for an additional $3.5 million to replenish salt reserves.

The department is not requesting the additional funding required to replenish the salt reserves at this time. Instead, DOT is requesting the Legislative Fiscal Bureau to consider including this item for review by the Joint Committee on Finance when it takes up the department's 2001-03 biennial budget.

Analysis

The transportation fund is projected to have an ending balance of $37,396,300 in fiscal year 2000-01. However, due to higher fuel prices and a slowdown in the overall economy, it is possible that the actual revenues for fiscal year 2000-01 and the 2001-03 biennium could be lower than anticipated. Currently, DOT is in the process of reviewing the revenue estimates. While the reestimates are unlikely to affect the department's ability to support funding for the requested funds in this year, any changes to the transportation fund's ending balance will impact the levels of funding provided for other transportation programs as proposed in the Governor's 2001-03 biennial budget.

In fiscal year 2000-01, the department budgeted $98.5 million SEG for county contracted costs. However, due to the severity of the winter weather and rising fuel prices, the actual costs of these expenditures have exceeded the budgeted costs by $6.0 million SEG.

In order to offset these increased costs, the department has delayed the signing of up to $5.0 million in discretionary maintenance agreements with counties that were scheduled for completion this spring. These agreements are usually signed in January for such activities as bringing shoulders up to grade, filling roadway cracks and patching potholes. However, some counties have indicated that if DOT continues to be unable to fulfill these agreements, some counties would be forced to layoff portions of their work force.

In addition to the maintenance costs, DOT is requesting $2.5 million SEG to pay for salt purchase costs incurred during the past year. Traditionally, the department maintains a volume of salt equal to 130 percent of an average for the last five years and maintains the option to purchase an additional 20 percent later in the season if needed. The department indicates that before the fiscal year 2000-01 winter season, the salt reserves totaled 635,000 tons. However, by the end of December these reserves were depleted to 341,600 tons.

Due to the unusually high demand for salt during the early months of winter, DOT purchased additional salt in order to meet the anticipated demand for the rest of the winter season. This action was taken in anticipation that the high levels of demand for salt during the months of November and December would continue throughout the winter season. However, the purchase of the additional salt was not included as part of the department's salt budget. Therefore, the maintenance appropriation currently has an approximately $2.1 million SEG deficit. The $2.5

million SEG is being requested to cover this deficit and other outstanding receipts related to the salt purchase the department made earlier.

Recommendation

Approve the request.

Prepared by: John M. Etzler
266-1039

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 4, 2001

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Material for the Committee's May 9 Section 13.10 Meeting

Attached is a paper, prepared by this office, on Funding for State Highway Maintenance and Traffic Operations which is scheduled for the Committee's May 9 meeting under s. 13.10.

The meeting is scheduled to begin at 10:15 a.m. in Room 411 South, State Capitol.

BL/sas
Attachment

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 9, 2001

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Transportation: Section 13.10 Request for Funding for State Highway Maintenance and Traffic Operations

REQUEST

The Department of Transportation requests a supplement of $8,500,000 from the transportation fund for the state highway maintenance and traffic operations program to fund a projected deficit in the program due to high costs associated with winter maintenance activities.

BACKGROUND

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 2000-01 SEG budget for the highway maintenance and traffic operations program is $154,738,300. Of this amount, about 70.9% is budgeted for maintenance services provided by counties. For each calendar year, DOT signs contracts with the counties that establish a budget for the routine maintenance services during that year. DOT monitors the work performed by counties to try to ensure that they do not exceed their budget. In some cases, higher costs must be offset by reductions in activities in certain areas. For instance, if the cost of snow removal in a particular month is high, DOT may advise a county to do less vegetation management, such as mowing or trimming, or fewer shoulder repairs after the winter season ends. However, the statutes require

DOT to reimburse counties for the actual costs they incur, so DOT can not require counties to absorb a portion of the higher costs.

DOT purchases all of the road salt used on state highways and distributes it to counties as needed. The Department's practice is to have a supply of salt at the start of the winter season that is equal to 130% of the amount of salt used in the average winter. In addition, DOT maintains an option with suppliers to obtain an additional amount of salt equal to 20% of what is normally required in an average winter.

DOT's request for a $8,500,000 supplement for the maintenance and traffic operations program is in response to higher costs than were budgeted for winter maintenance. Overall, the total cost of winter maintenance for the past season exceeded the average for the previous three years by about 47%, or $15.7 million. There are three principal reasons for the higher cost. First, significant costs for overtime were incurred because of the frequent snowstorms in December and icy conditions in February. Second, fuel costs were significantly higher than in past years. Third, because of the frequent storms and icy conditions, DOT used its entire stock of salt and had to exercise its option to purchase additional salt from suppliers. Because of nationwide supply disruptions and high demand, the additional salt was nearly twice as costly as what the Department normally pays for salt.

DOT believes that even though winter costs exceeded the average cost of winter maintenance by $15.7 million, some of this additional cost can be absorbed by deferring or reducing certain maintenance activities and by not filling certain vacancies among state maintenance staff. The Department, for instance, delayed the purchase of road signs and the construction of salt storage facilities. In addition, some maintenance activities, such as vegetation management in highway rights-of-way and drainage ditch maintenance will be reduced or delayed. The Department indicates, however, that it is expected that these actions will be insufficient to absorb the full amount of the additional winter costs and so is requesting a supplement to avoid further reductions in maintenance services. The Department believes that deferring certain types of maintenance activities, such as roadway maintenance, will lead to more costly repairs in the long run, since pavement cracks and potholes can lead to more significant pavement deterioration if not treated or may create safety hazards.

If the funding is not provided, DOT has indicated what types of maintenance activities will be deferred or cancelled. Generally, services provided off the roadway, such as vegetation management, and drainage ditch maintenance will be the first activities to be canceled. Also, the Department has already delayed opening seasonal waysides. DOT indicates that seasonal waysides may not be opened to avoid the maintenance costs associated with those facilities. If these actions do not result in enough savings, some roadway maintenance may need to be deferred, such as shoulder repair and grading, crack filling and pothole repair. It should be noted that in some cases, these activities have already been reduced or canceled to absorb the higher winter costs and will not be resumed even if the supplement is provided, particularly in the case of vegetation management.

DOT notes that, in addition to creating more costly repairs in the future, generating savings by deferring maintenance projects would require some counties to temporarily lay off county maintenance employees. For each calendar year, DOT and the counties determine how many employees will be needed to perform maintenance activities on state highways. Although there is some seasonal variation in the size of county workforces, an effort is made to balance the maintenance workload throughout the year to maintain a relatively stable county workforce. Deferring or reducing spring maintenance activities by an amount necessary to compensate for the full amount associated with the higher winter costs would require counties to modify their maintenance plans for calendar year 2001, leaving less work than had been anticipated for the county work crews. DOT estimates that 80% of all county maintenance employees working on state highway maintenance may have to be laid off if the supplement is not provided.

According to DOT, the $8,500,000 supplement that has been requested has two components. First, through December, DOT had reimbursed counties for $6,000,000 more than had been budgeted for county maintenance contracts for calendar year 2000, due primarily to high costs in December. High winter maintenance reimbursements have been incurred or are expected for the first months of calendar year 2001, but these costs will be offset by savings from the deferral or reduction of other maintenance projects in the remaining months of fiscal year 2000-01. DOT believes, however, that delaying additional projects in order to cover the calendar year 2000 deficit would involve the deferral of the type of roadway and shoulder maintenance projects that must be done in order to avoid creating more costly problems in the future. The other component of DOT's request is to cover a deficit of $2,500,000 associated with the purchase of additional salt.

These amounts have already been paid out of funds that had been budgeted for spring maintenance activities. Therefore, although DOT's request of $8,500,000 corresponds to specific deficit amounts in salt purchases and county contracts, DOT would use the funding for various spring maintenance activities and would have the discretion to spend the supplement on whatever is determined to be the highest priority.

ANALYSIS

DOT's request would appropriate funds from the transportation fund. At the time of the submittal of the Governor's 2001-03 budget, it was estimated that the balance in the transportation fund on June 30, 2001, would be $37,396,300. The actual amount of the biennium-ending balance will vary depending upon variation in factors such as fuel consumption, vehicle registration revenue and the amount by which the motor vehicle fuel tax rate is increased by statutory indexing provisions. Additional information on the estimated transportation fund balance may be available at the time the Committee considers the Department's request.

The Governor's budget would leave an estimated transportation fund balance of $2,315,300 on June 30, 2003. In other words, most of the 1999-01 biennium-ending balance would be used in the 2001-03 biennium. Approving the Department's request for additional funds for the maintenance and traffic operations program, therefore, will reduce the amount that can be provided for transportation programs in 2001-03, relative to the Governor's budget, assuming that revenues

remain about the same. The Governor's budget would provide $23,102,600 for the maintenance and traffic operations program in 2001-03. Of this amount, $11,444,400 would be for above-inflationary increases to reflect increased costs associated with increases in the number of state highway lane miles and the amount of traffic on the state trunk highway system.

The maintenance and traffic operations program is funded by a biennial appropriation. This allows the Department to reduce expenditures in the second year of a 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 this case, then the Department's flexibility to absorb those costs is reduced. Although the Department is not able to reduce costs in the first year of the 2001-03 biennium to pay for higher costs in 2000-01, the Committee could consider providing the requested supplement with the expectation that the amount provided in the 2001-03 biennium would be reduced. In this case, the higher costs in 2000-01 would be, in effect, at least partially absorbed through expenditure reductions in the next biennium. The Committee can not reduce funding for the program in 2001-02 in acting on DOT's request for a supplement, but may ask DOT to prepare a plan to reduce costs in the program during the 2001-03 biennium by the amount of the supplement. The plan's recommendations could be considered when the Legislature makes 2001-03 funding decisions for DOT programs.

It should be noted, however, that some activities, such as the construction of salt storage facilities and the purchase of crash-safe work zone signs have already been deferred to the 2001-03 biennium. These costs, which are not part of the Department's request, will have to be absorbed in the 2001-03 biennium. The Department has indicated that efforts were made to resolve the maintenance deficit without requesting a supplement, but that all of the costs could not be absorbed without having a detrimental effect on pavement conditions and highway safety.

Nevertheless, the Committee may determine that the need to provide maintenance services must be balanced by the need to provide funding for maintenance and other transportation programs next biennium. In this case, the Committee could provide only part of what DOT requested, which would require DOT to defer or reduce other maintenance activities. For instance, the Committee could provide 75% of what the Department requested, or $6,375,000. In this case, as DOT has indicated, higher-cost repairs may be incurred in the future and the quality of some pavements may be negatively affected over the next several months. In addition, some counties may be required to lay off maintenance staff and some services, such as opening seasonal waysides, may not be restored. If the Legislature does not provide additional funds next biennium to compensate for the higher costs that may result from this decision, the Department would have to compensate for these costs by deferring or reducing other maintenance activities in the upcoming biennium.

In its request, DOT noted that the state maintenance and traffic operations program will incur additional costs next fiscal year to restore the excess salt reserve prior to next winter. In addition, because of the high demand for salt this winter in many parts of the country, salt prices are expected to be higher than in the past. The Department estimates that restoring the 30% salt reserve would cost $3.5 million. DOT did not request funding for the purchase of a salt reserve at this time, asking instead that an alternative for the provision of this be presented to the Committee during its

deliberations for the 2001-03 budget. At that time, the Committee may decide to require DOT to absorb the additional cost of purchasing a salt reserve or provide the funding for the reserve so that none of these costs need to be absorbed.

It may be possible, however, for some salt to be purchased and delivered at a lower cost currently than during the next fiscal year. DOT indicates that a supplier has agreed to deliver salt to certain counties under last year's salt procurement contract. It is expected that the price for salt under that contract would be lower than the price for salt next fiscal year. The Department estimates that the cost to purchase the maximum amount of salt that can be stored in those counties would be $4.8 million. If the same amount of salt were purchased next fiscal year at the price that is expected to be paid in that year, the cost would be $2.4 million higher. Providing funding now for the purchase of salt, therefore, may result in savings.

DOT indicates, however, that if the $8.5 million supplement (or some other amount) were provided, the funding would be used for spring maintenance activities under contract with the counties, despite the potential savings, since the spring maintenance activities are considered to be of a higher priority. The $4.8 million could be provided specifically for salt, however, either in addition to or in place of any supplement for spring maintenance activities.

ALTERNATIVES

1. Approve DOT's request for a $8,500,000 SEG supplement for the state highway maintenance and traffic operations appropriation in 2000-01 to cover a projected deficit in the program associated with high winter maintenance costs.

2. Approve one or more of the following:

a. Provide a $8,500,000 SEG supplement for the state highway maintenance and traffic operations appropriation in 2000-01 to cover a projected deficit in the program associated with high winter maintenance costs.

b. Provide a $6,375,000 SEG supplement for the state highway maintenance and traffic operations appropriation in 2000-01 to fund 75% of what DOT requested for the program.

c. Provide $4,800,000 SEG for the state highway maintenance and traffic operations appropriation in 2000-01 to allow DOT to purchase salt under a current salt supply contract.

d. Require DOT to prepare a plan to reduce costs in the maintenance and traffic operations program during the 2001-03 biennium by the amount of the supplement and provide this plan to the Joint Committee on Finance by May 15.

3. Deny the request.

Prepared by: Jon Dyck

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 16 NO 0 ABS 0

Wisconsin Department of Transportation
www.dot.state.wi.us

Scott McCallum
Governor

Terrence D. Mulcahy, P.E.
Secretary

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November 28, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 317 East, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 308 East, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Summary of Request

The Wisconsin Department of Transportation (DOT) is resubmitting its request to the Joint Committee on Finance, under authority of sections 13.10 and 13.101, Wis. Stats., to approve an increase of $2,000,000 in Fiscal Year 2002 Department Management and Operations, state funds appropriation under 20.395(4)(aq), Wis. Stats., from the Transportation Fund (Fund 11). The increase would then be lapsed to the General Fund to comply with 2001 Wisconsin Act 16 requirements for a lapse of $7.2 million.

Request Background

Section 9101 of Act 16 provides for an $18,800,000 lapse to the General Fund in each year of the Biennium from program revenues or segregated revenue funded agencies. The DOT share of this lapse is $7,211,700.

DOT prepared a lapse plan for FY 2002 and submitted it to the Department of Administration (DOA). The plan includes operations cuts of approximately 4%. Another component of the plan is using a portion of the Transportation Fund balance to accommodate the remaining reductions. Using the balance minimizes impacts to key department programs and services. Appropriating a portion of the balance will allow DOT to meet the lapse requirement avoiding employee layoffs that would increase Motor Vehicle wait times and affect delivery of the planned construction program.

The Department of Administration (DOA) has forwarded the reduction recommendations to the Committee, which include the remainder of DOT's plan. The recommendations include Fiscal 2002 WisDOT reductions totaling $5,211,700.

The department did not submit reduction recommendations to DOA for FY 2003. Additional time is necessary to determine more permanent changes in the way the department does business.

DOT is requesting that a portion of the balance remaining in the Transportation Fund at the end of the last biennium be used to fund the $2,000,000 difference between the required reductions and the DOA recommendations.

How the Request meets Statutory Criteria
Section 9101 of Act 16 requires DOA notification to the Committee of all lapse or transfer recommendations. This request facilitates the DOT lapse plan.

DOT is making this request because it was not possible to implement the entire reduction amount without compromising the department mission and without layoff of permanent staff. Additional reductions beyond 4% would seriously compromise our ability to deliver critical services that our citizens expect from DOT.

It is important to obtain a timely review of the request because we have completed one half of the fiscal year. Approval delay will further reduce the department's ability to implement reductions and increase their severity on customers and stakeholders.

Thank you for your consideration of our request. Should you have questions on this request, please contact Alice Morehouse, Director of the Office of Policy and Budget, at 267-9618.

Sincerely,

Terry Mulcahy

Terry Mulcahy, P.E.
Secretary

cc: Governor Scott McCallum
Secretary George Lightbourn, Department of Administration
Joint Committee on Finance Members

Wisconsin Department of Transportation
www.dot.state.wi.us

Scott McCallum
Governor

Terrence D. Mulcahy, P.E.
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December 12, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 317 East, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 308 East, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

On October 4, 2001 the Department of Transportation (DOT) submitted a plan to the Department of Administration detailing how DOT would meet the required $7.2 million annual lapse from the Department's operating appropriations to the General Fund. The Department's plan was comprised of a number of initiatives. In particular, one initiative involved reducing the number of Division of Motor Vehicles (DMV) customer service locations. We proposed this action to both save operating funds and to make more efficient use of limited staff resources.

However, in response to customer demands and constituent comments to state legislators, the Department has modified the number of DMV customer service centers recommended for closing. Specifically, 23 of the 48 sites will remain open with some modification to the hours of service or staff available at the travel sites. We will make every effort to ensure these changes have minimal customer service impact.

The reduction in savings between the original plan to close 48 service centers and the closing of only 25 sites will be covered primarily from increased vacancies due to the continued statewide hiring freeze. The reduction will be covered by DMVs appropriation; s.20.395(5)(cq), Wis. Stats.

Thank you for considering the above adjustment to the agency's lapse plan. If you have questions or require additional information, please contact Alice Morehouse, Director of the Office of Policy and Budget, at 267-9618.

Sincerely,

Terry Mulcahy

Terry Mulcahy, P.E.
Secretary

cc: Bob Lang, Legislative Fiscal Bureau

Wisconsin Department of Transportation
www.dot.state.wi.us

Scott McCallum
Governor

Terrence D. Mulcahy, P.E.
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December 13, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 317 East, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 308 East, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

This letter replaces the letter I sent you on December 12, 2001. I apologize for any confusion.

On October 4, 2001 the Department of Transportation (DOT) submitted a plan to the Department of Administration detailing how DOT would meet the required $7.2 million annual lapse from the Department's operating appropriations to the General Fund. The Department's plan was comprised of a number of initiatives. In particular, one initiative involved reducing the number of Division of Motor Vehicles (DMV) customer service locations. We proposed this action to both save operating funds and to make more efficient use of limited staff resources.

However, in response to customer demands and constituent comments to state legislators, the Department has modified the number of DMV customer service centers recommended for closing. Specifically, 24 of the 48 sites will remain open or will reopen with some modification to the hours of service or staff available at the travel sites. We will make every effort to ensure these changes have minimal customer service impact.

The reduction in savings between the original plan to close 48 service centers and the closing of only 24 sites will be covered primarily from increased vacancies due to the continued statewide hiring freeze. The reduction will be covered by DMVs appropriation; s.20.395(5)(cq), Wis. Stats.

Thank you for considering the above adjustment to the agency's lapse plan. If you have questions or require additional information, please contact Alice Morehouse, Director of the Office of Policy and Budget, at 267-9618.

Sincerely,

Terry Mulcahy, P.E.
Secretary

cc: Bob Lang, Legislative Fiscal Bureau

AGENCY: 13.10 Request from DOT

ISSUE: Highway Maintenance

Alt 1 - Gard Burke

RECOMMENDATION: Alternative 2(a)&(c)&(d)

SUMMARY: Give the highway guys their money – but it means less is available for the next biennium. Also, FB says it would be wise to pay for road salt now rather than waiting. And, lastly, make DOT report back with a plan to reduce costs in the future.

DOT should be taken to the woodshed for their over the top reaction to the Committee's earlier decision. Not the best way to make friends on the Committee or in the Legislature.

BY: Barry

XIV. Department of Transportation – This item will not be taken up at this time.

I. Department of Transportation – Terrence D. Mulcahy, P.E., Secretary

The department requests a supplement of $8,500,000 SEG in fiscal year 2000-01 from the Committee's appropriation under s. 20.865(4)(u) to the department's highway maintenance, repair and traffic operations, state funds appropriation under s. 20.395(3)(eq) for state trunk highway maintenance activities.

Governor's Recommendation

Approve the request.

I

Wisconsin Department of Transportation

www.dot.state.wi.us

Scott McCallum
Governor

Terrence D. Mulcahy, P.E.
Secretary

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April 6, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
316 South, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
315 North, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Summary of Request

The Wisconsin Department of Transportation (WisDOT) requests the Joint Committee on Finance, under authority of sections 13.10 and 13.101, Wisconsin Statutes, approve an increase of $8.5 million in the Highway Maintenance, Repair and Traffic Operations, State Funds appropriation under s. 20.395(3)(eq), Wis. Stats., from the Transportation Fund (Fund 11).

Due to the emergency nature of the request and pending biennial budget deliberations, the Department respectfully requests that you consider this at the Committee's April meeting.

Request Background

Maintenance and traffic operations service encompasses numerous activities that are important to the safety, mobility, and convenience of the traveling public. These are the services necessary to keep the public investment in the state highway system available, safe, and efficient on a day-to-day basis.

Wisconsin is unique in that the state trunk highway (STH) system, totaling over 30,000 lane miles, is maintained primarily by contracting with each of the State's 72 counties. The Department is responsible for providing the funding, standards, and oversight to effectively maintain this state owned system of highways. Contracts with counties to provide STH system maintenance accounts for a significant portion of the total maintenance and traffic operations budget. The primary contract cost components include county labor, equipment costs, and materials, most notably road salt.

The SFY 2001 budget for Maintenance and Traffic Operations is $154,738,300 in SEG funds. Of that amount, $109,655,100, or over 70%, is budgeted for base county services. In addition, federal funding of $1,194,000 is budgeted for the staff and operations of the Traffic Operations Center (TOC) in Milwaukee.

It should be noted that federal funds generally are not eligible to be used for state maintenance work. The TOC effort in District-2 is designed to meet, among other things, traffic congestion problems in the absence of increased capacity on the system. The TOC efforts are aimed at addressing increasing traffic problems and not maintenance needs.

The state highway system has seen traffic volumes increase by nearly 1/3 from 45.5 billion vehicle miles traveled in 1991 to 59.4 billion this year, while lane miles of road have grown slower. The resulting higher intensity of use on the state highway system, along with growing expectations for around the clock service, require counties to provide a high level of service in order to meet public expectations. These high standards, e.g. system cleared of snow during and after snowstorms, salting, etc., are reflected in the contracts the Department signs with the counties who provide excellent service on the STH system.

The winter of 2000-01 has been particularly challenging to the counties and WisDOT in their efforts to achieve safety and mobility for the public and commerce on Wisconsin's STH network. December was one of the harshest winter months on record, with record snow totals in many counties and near record cold temperatures, which limited the melting ability of de-icing chemicals.

The winter of 2000-01 will result in the highest level of costs for county labor, equipment, and salt use in recent years. Overall winter operations expenditures for the past three years have averaged $33.2 million. This year's cost will exceed $45 million. While invoices are not yet available for the entire year, current projections indicate costs could total as much as $48.9 million.

Winter Season	County Labor	Equipment Costs	Cost of Materials	Total Costs for Winter
2000-01	$15,800,000	$17,700,000	$15,400,000	$48,900,000
1999-00	$10,926,900	$10,937,800	$11,327,700	$33,192,400
1998-99	$10,590,000	$10,823,400	$11,497,900	$32,911,300
1997-98	$10,432,900	$10,463,700	$12,450,700	$33,347,300

The Department has identified three problem areas: 1) Labor and equipment costs totaling $6 million over budget; 2) A $2.5 million deficit within the existing salt budget; and 3) The need to replenish salt reserves which will cost $3.5 million.

Labor and Equipment Costs

Costs for county labor and equipment through December are $6 million over budget. These costs reflect very high demands for service hours of both plow operators and equipment. Equipment costs have also been affected by increased fuel costs that were nearly 80% higher this season.

Additionally, without supplemental funding, the state will not be able to honor all of its commitments. Due to the status of the appropriation, the Department has delayed signing $5 million in contracts with the counties for planned maintenance projects. These projects are needed to deal with typical impacts of weather and traffic on pavements, structures, and drainage facilities. Such projects include bringing shoulders back up to grade and filling roadway cracks and potholes, problems that are more severe this year due to extreme winter conditions. This essential work is needed to keep the system safe and available to the public and is part of the overall state/county partnership to provide highway maintenance services

Another important impact of not being able to follow through on planned maintenance projects is the expectation of layoffs by some county highway departments. One large Wisconsin county has estimated that, should the state not have funding available for the planned work, the county would be faced with a need to layoff from 20 to 40 employees for as long as three months.

The costs of layoffs are high, since the county must pay unemployment costs on a reimbursement basis. Layoffs could also result in the potential loss of skilled workers who may not return. Beyond those concerns, layoffs would mean necessary maintenance services would not be accomplished, affecting safety and service to the public. The Department's unique cooperative relationship could be severely damaged as a result of not meeting these contractual obligations. Counties would have a lack of confidence in the state's ability to meet future contractual obligations.

Salt Costs for Current Fiscal Year

The Department will need $2.5 million to pay for current fiscal year salt usage. The Department had a total of 635,000 tons of salt stockpiled at the beginning of this winter, nearly 100,000 tons above what had ever been used on the STH system. However, by the end of December, 293,400 tons of salt had already been used. This was 126% above the 1995-1999 November-December five-year average. By the end of February, salt supplies were nearly exhausted in some areas. The $2.5 million requested reflects additional incurred costs for salt purchased this fiscal year.

Replenish Salt Reserve

An additional $3.5 million will be needed to replenish the salt inventory due to the massive amount of salt usage. The Department stocks a volume of salt equal to 130% of the five-year average use with an option to obtain an additional 20%, if needed, in order to be prepared for an unusually harsh winter. The severity of this past winter has depleted those reserves. While the Department may be able to spread the replenishment of salt reserves over a couple of years in order to limit the financial impact, this would cause the state to be vulnerable to anything more than an average winter in 2001-02.

Providing for a reserve is prudent and is a good investment. It avoids having to buy salt on an emergency basis at emergency prices in a bad year, or risk not being able to obtain salt due to high demand. The severe conditions this winter, compounded by salt supply problems due to untimely mine production problems and weather induced interruptions in transportation channels, resulted in a shortage of salt that required service level reductions on state highways.

The public and legislators raised concerns about the risks to safety and travel as a result of the lack of available salt. The Department would like to position itself to meet future demand, especially if the state experiences similar winters.

The Department is not requesting funding to replenish the salt reserve at this time. Instead, the Department would request that the Legislative Fiscal Bureau consider including this item for review by the Joint Committee on Finance when it takes up the Department's 2001-03 biennial budget. Inasmuch as this is an emergency situation, the Department and the Governor did not have the opportunity to reflect this need in either budget. The Department recognizes that the replenishment of the salt reserve should be examined in the totality of overall Department needs for the upcoming biennium.

The Department has worked with counties to constrain expenditures under the contracts for winter maintenance, but the obligation to provide essential winter service exceeded the funding available to pay for those services. We believe the level of effort to address the severe winter conditions is consistent with the level of service expected by the public.

How the Request Meets Statutory Criteria

Section 84.07(1), Wis. Stats., requires that the state trunk highway system be maintained by the state at state expense. In addition, the statute places responsibility for the maintenance of the state trunk highway system on the Department and provides the Department the authority to make rules and contract with counties and municipalities to fulfill that responsibility.

Section 84.07(1), Wis. Stats., defines maintenance activities as "*the application of protective coatings, the removal and control of snow, the removal, treatment and sanding of ice, and all other operations, activities and processes required on a continuing basis for the preservation of the highways on the state trunk system*" ... "*and all measures deemed necessary to provide adequate traffic service.*"

Section 84.07(2), Wis. Stats., further defines the relationship between the Department and the counties in providing maintenance on the state trunk highway system – "*When any county or municipality maintains the state trunk highways within or beyond the limits of the county or municipality, including interstate bridges, in compliance with the arrangement with the department, the department shall pay the actual cost of the maintenance, including the allowance for materials and the use of county or municipal machinery and overhead expenses agreed upon in advance.*"

This winter has resulted in unforeseen labor, equipment and salt cost, resulting in the Department seeking emergency relief under s. 13.10, Wis. Stats.

Planned Activities

After the request is approved, the Department will notify the counties of our ability to meet contractual labor and equipment costs. The salt costs, incurred this fiscal year, will have been paid. The Department will also be able to meet its commitments to counties for planned spring maintenance activities.

Thank you for your consideration of our request. Should you have questions on this request, please contact Alice Morehouse at 267-9618.

Sincerely,

Terrence D. Mulcahy, P.E.
Secretary

cc: Governor Scott McCallum
Secretary George Lightbourn, Department of Administration
Joint Committee on Finance Members

Wisconsin Department of Transportation
www.dot.state.wi.us

Scott McCallum
Governor

Terrence D. Mulcahy, P.E.
Secretary

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October 4, 2001

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 317 East, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 308 East, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Summary of Request
The Wisconsin Department of Transportation (DOT) requests the Joint Committee on Finance, under authority of sections 13.10 and 13.101, Wis. Stats., approve an increase of $2,000,000 in Fiscal Year 2002 Department Management and Operations, state funds appropriation under 20.395(4)(aq), Wis. Stats., from the Transportation Fund (Fund 11). The increase would then be lapsed to the General Fund to comply with 2001 Wisconsin Act 16 requirements for a lapse of $7.2 million.

Request Background
Section 9101 of Act 16 provides for an $18,800,000 lapse to the General Fund in each year of the Biennium from program revenues or segregated revenue funded agencies. The DOT share of this lapse is $7,211,700.

DOT prepared a lapse plan for FY 2002 and submitted it to the Department of Administration (DOA). The plan includes operations cuts of approximately 4%. Another component of the plan is using a portion of the Transportation Fund balance to accommodate the remaining reductions. Using the balance minimizes impacts to key department programs and services. Appropriating a portion of the balance will allow DOT to meet the lapse requirement avoiding employee layoffs that would increase Motor Vehicle wait times and affect delivery of the planned construction program.

The Department of Administration (DOA) will be presenting their reduction recommendations to the Committee that will include the remainder of DOT's plan. The recommendations will include Fiscal 2002 WisDOT reductions totaling $5,211,700.

The department did not submit reduction recommendations to DOA for FY 2003. Additional time is necessary to determine more permanent changes in the way the department does business.

DOT is requesting that a portion of the balance remaining in the Transportation Fund at the end of the last biennium be used to fund the $2,000,000 difference between the required reductions and the DOA recommendations.

How the Request meets Statutory Criteria
Section 9101 of Act 16 requires DOA notification to the Committee of all lapse or transfer recommendations. This request facilitates the DOT lapse plan.

DOT is making this request because it was not possible to implement the entire reduction amount without compromising the department mission and without layoff of permanent staff. Additional reductions beyond 4% would seriously compromise our ability to deliver critical services that our citizens expect from DOT.

It is important to obtain a timely review of the request because we have completed one fourth of the fiscal year. Approval delay will further reduce the department's ability to implement reductions and increase their severity on customers and stakeholders.

Thank you for your consideration of our request. Should you have questions on this request, please contact Alice Morehouse, Director of the Office of Policy and Budget, at 267-9618.

Sincerely,

Terry Mulcahy, P.E.
Secretary

cc: Governor Scott McCallum
Secretary George Lightbourn, Department of Administration
Joint Committee on Finance Members

STATE OF WISCONSIN
DEPARTMENT OF JUSTICE

JAMES E. DOYLE
ATTORNEY GENERAL

Burneatta L. Bridge
Deputy Attorney General

114 East, State Capitol
P.O. Box 7857
Madison, WI 53707-7857
608/266-1221
V/TTY 608/267-8902

October 5, 2001

Mr. David Schmiedicke
State Budget Director
Department of Administration

Mr. Robert Lang
Director
Legislative Fiscal Bureau

Dear Mr. Schmiedicke and Mr. Lang:

Pursuant to the instructions given to each state agency in Secretary Lightbourn's recent letter regarding various cuts mandated by 2001 Wisconsin Act 16, we provide you with the following information. We are concerned that the rationale and process employed by the Department of Administration appears to allocate to the Department of Justice a share of reductions which far exceeds the amount attributable to our agency based upon actual experience.

First, the clear language in Section 9101 (26n) of Act 16 requires a calculation for budget reduction purposes, of the annual salary and fringe benefits costs for GPR positions which, as of July 1, 2001 had been vacant for nine months or more. The Department of Justice has three positions that would potentially fall into this category. The total budget reduction that should be attributable to those positions is approximately $188,100 annually. One of these three positions is an attorney position for which virtually all costs in the past several years have been charged to the Department of Employee Trust Funds. We are now told that our Department's "share" of this reduction is $519,300 annually, apparently because of decisions made at the Department of Administration to exempt some agencies from this reduction exercise. This is more than two and one-half times the fiscal reality of our actual vacancy experience.

The Department of Justice has made a concerted effort throughout this difficult budget process to not request any special exemptions or treatment, unless we believed that our essential law enforcement mission would be compromised. We object, however, to being allocated an unfair share of the vacancy reduction cut. Attributing a larger cut than is actually borne out by our vacancy experience completely defeats the assumed public purpose of taking the cut from vacancies in the first place---to not unduly disrupt existing operations.

Second, the language in Section 9101 (22k) of Act 16 as vetoed, requires a lapse of amounts related to FY01 expenditures for membership dues for any state or national organization. The Department of Justice spent $6,366 for this purpose in FY01. However, we are now told that our share of this cut is $26,500 annually. This is more than four times our actual FY01 expenditures. Once again, our Department remains committed to contributing fully to these efforts to reduce state expenditures, but we should not be subjected to arbitrary calculations that are not reflected by our actual experience.

Despite these concerns, in order to meet the specific dollar figures mandated by the Department of Administration, our plan is as follows:

Longer Term Vacancies [Sec. 9101 (26n)]

- Three GPR-funded positions were vacant for nine months as of July 1, 2001, with salary and fringe benefits costs totaling $188,100. Of these three positions, one is an attorney vacancy for which virtually all costs have been charged to the Department of Employee Trust Funds. The annual cost for this position is $103,900. The Department of Justice believes this position should more appropriately be viewed as equivalent to a program revenue position and not be affected by Act 16.

- Of the $84,200 "net" cost associated with the two remaining positions affected, $32,800 will be transferred from appropriation 201 (state operations) to appropriation 101. The balance of $51,400 relates to a position already funded in appropriation 101, so no reallocation of this amount is required.

- The Department of Justice proposes to transfer $435,100 from appropriation 102 (special counsel) to appropriation 101. This will make up the difference between the $519,300 vacancy rate allocated to the Department of Justice by the Department of Administration versus the Department of Justice's actual experience. The base for the special counsel appropriation was $1,100,000, which the Legislature re-estimated to $850,000 annually. Expenditures in this GPR sum-sufficient appropriation have averaged $549,400 in the last three years. As of September 30, 2001, expenditures were only $89,256. If this trend holds for the rest of FY02 and on into the future, then expenditures of $357,024 would occur. In short, this account can afford such a re-estimation.

If the above transfers are accomplished, the Department of Justice will be able to meet its inordinately large share of the vacancy cut while avoiding any significant disruption to our existing law enforcement operations.

Dues and Membership Reductions [Sec. 9101 (22k)]

Secretary Lightbourn's recent letter contained no instructions on how we are to satisfy this requirement. However, based upon information provided by the State Budget Office staff, we understand that the dues cut will also be allocated to appropriation 101. We again suggest, however, that if we are to be required to cut more than the amount attributable to the Department's actual dues experience, the difference be made up by a further reduction in appropriation 102, special counsel. Thus, we propose a transfer of $20,200 from appropriation 102 (special counsel) to appropriation 101.

Program Revenue Lapses [Sec. 9101 (23r)]

Secretary Lightbourn's letter indicates that $132,300 is to be lapsed from our appropriation under sec. 20.455(2)(ja), *Law enforcement training fund, state operations*. We have no better option for meeting this requirement, so no reallocation is requested.

We believe this letter presents a fair and appropriate response to the Department of Administration's interpretation of the cuts and lapses required by 2001 Act 16. We have enclosed a spreadsheet detailing the specific transfers to accomplish these changes. If you have questions, please do not hesitate to contact me.

Sincerely,

Burneatta Bridge

Burneatta Bridge
Deputy Attorney General

cc: Senator Brian Burke
Representative John Gard
Jack Benjamin
JoAnna Richard

enc.

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

November 11, 2002

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Transportation: Request for $10,000,000 SEG in 2002-03 for the State Highway Maintenance And Traffic Operations Appropriation -- Agenda Item II

REQUEST

The Department of Transportation requests a supplemental appropriation of $10,000,000 SEG in 2002-03 for the state highway maintenance and traffic operations appropriation. DOT also requests that this increase in the appropriation be reflected in the 2002-03 appropriation base for the purpose of the preparation of the 2003-05 biennial budget.

BACKGROUND

The maintenance and traffic operations program is responsible for a variety of activities related to the upkeep of state highways and highway rights-of-way, including the minor repair of pavements and bridges, snow plowing and ice removal, mowing and other vegetation management, the maintenance of highway rest areas and waysides, and the installation and repair of signs, highway lighting, pavement marking, and traffic signals. The program also is responsible for managing the state's intelligent transportation systems (ITS), which are systems designed to improve traffic flow and provide the public with information on traffic conditions in urban areas using such devices as freeway ramp meters, variable message signs, and traffic cameras. Most of the maintenance of state highways is done by county work crews through contract with the state. DOT pays counties for the work using various reimbursement rates for machinery and labor. Other program activities, such as the maintenance of rest areas or the manufacture and installation of signs, traffic signals, and ITS projects, are done by state crews or through contracts with private firms.

In the 2001-03 biennium, funding for the program is $189,425,900 SEG in 2001-02 and $161,467,000 SEG in 2002-03 and $1,194,000 FED annually. The federal funding is used primarily for the management of the ITS program. The SEG appropriation is a biennial appropriation, meaning that any funds that are not spent in the first year of a biennium carry over into the second year. Funds in the second year that are not spent by the end of the fiscal biennium lapse to the transportation fund.

A provision of 2001 Act 16 modified the definition of a "highway improvement" to, among other things, exclude "the installation, replacement, rehabilitation, or maintenance of highway signs, traffic control signals, highway lighting, pavement markings, or intelligent transportation systems, unless incidental to building, fabricating, or bettering a highway or street." The effect of this change has been to require DOT to fund these activities from the maintenance and traffic operations appropriations rather than the appropriations for state highway rehabilitation, as had previously been the case. At the time of the budget deliberations, DOT estimated that in a typical year a total of $27,000,000 was spent from the rehabilitation appropriations on these activities, as follows: (a) $3,000,000 for traffic signs; (b) $3,000,000 for traffic signals; (c) $1,000,000 for traffic lighting; (d) $7,000,000 for pavement marking; and (e) $13,000,000 for intelligent transportation systems. Since that time, the Department has reassessed the amount of rehabilitation funds that had been spent on these activities and determined that, although the share of funds spent on each is different, the total of $27,000,000 is still reflective of the sum spent on these activities in a typical year.

In order to account for the shift in funding responsibilities from the highway rehabilitation appropriation to the highway maintenance and traffic operations appropriation, Act 16 transferred $27,000,000 SEG in 2001-02 from the state highway rehabilitation appropriation to the state highway maintenance and traffic operations appropriation. However, no funds were transferred in 2002-03, which accounts for why the funding in the program's SEG appropriation is higher in 2001-02 than in 2002-03. Instead, the Act 16 provision permitted the Department to submit a request to the Joint Committee on Finance under s. 13.10 of the statutes to transfer up to $10,000,000 SEG in 2002-03 from the rehabilitation appropriation to the maintenance appropriation. On July 31, 2002, the Department made a request to transfer the full $10,000,000. However, the Department submitted a letter to the Co-Chairs on September 6, 2002, in which the request was amended to request a supplemental appropriation of $10,000,000 SEG for the maintenance program, instead of the appropriation transfer.

ANALYSIS

In making the request, DOT claims that the Act 16 provision has put a strain on the highway maintenance program, since it requires the cost of the transferred functions to be absorbed by the program without providing any additional funding for those functions in 2002-03. The Department also indicates, unrelated to the Act 16 provision, that longer-term trends of increasing costs for fuel, labor, and equipment, as well as increases in traffic and lane-miles, have added to the financial

strain on the maintenance program, making it more difficult to absorb the additional costs caused by the Act 16 provision.

The Department has developed two spending plans for 2002-03, one based on the assumption that the $10,000,000 supplement will not be approved and one that assumes that the $10,000,000 will be available. Both plans, however, use $9.5 million in savings carried over from 2001-02, resulting from: (a) cuts in various services in 2001-02, such as traffic signals, ITS projects, pavement markings, and signs; and (b) a reduction in the use of road salt due to the relatively mild winter in 2001-02. Other savings in winter maintenance were offset because work crews completed other maintenance projects, such as bridge, drainage, pothole, and shoulder maintenance, that had been deferred during the spring of 2001, when a high-cost winter forced cutbacks.

The Department would use the $10,000,000 supplement as follows: (a) $5.6 million for pavement marking; (b) $2.6 million for routine maintenance services provided by counties; (c) $1.0 million for new sign installations; and (d) $0.8 million for freeway service patrols provided on southeastern Wisconsin and Dane County freeways, which help clear disabled vehicles from the highway.

Without the $10,000,000 supplemental appropriation, pavement marking projects and highway sign installations would be funded at about one-third of the level that had been planned for 2002-03 prior to the Act 16 provision. Incident management services (service patrols) would be funded at about three-fourths of the previously planned level. The Department indicates that if the $10,000,000 is approved, pavement marking would be restored to the planned level, but sign installations would be funded at 88% of the previously planned level. Even with the $10,000,000 supplement, funding for the installation of new highway lighting and traffic signals would be cut completely in 2002-03 (previously planned at $1.6 million and $3.2 million, respectively). Signals and lights may be installed, however, if they are included as part of a highway improvement project or, in the case of traffic signals, if they qualify for federal hazard elimination safety funding. In addition, even if the $10,000,000 is approved, the Department will not do stand-alone ITS projects in 2002-03, including some projects for which the state has received federal funds, but which require a state match.

Without the $10,000,000 supplement, funding for county maintenance services in calendar year 2003 would increase by 1.8% over the 2002 amount. The additional $2.6 million would increase the percentage increase in 2003 to 4.4%. The Department argues that an increase in funding for routine maintenance is justified due to increases in equipment and labor costs and the growth in the number of lane miles of state highway. Some county highway commissioners have indicated that the failure of funding to keep pace with increasing costs in the routine maintenance program has required counties to curtail some maintenance activities, such as mowing, shoulder and ditch maintenance, and crack sealing. The commissioners note that some of the activities that are curtailed are preventive maintenance measures that, if not done, could lead to higher repair costs in the future. It should be noted that the funding status of the routine maintenance part of the highway maintenance program is not directly related to the Act 16 changes. Rather, the issues

raised by DOT and the county highway commissioners regarding routine maintenance have been ongoing concerns, related to the overall funding level for the program.

With regard to the current reimbursement method, some have noted that since the Department is required by statute to reimburse counties for maintenance work done on state highways, the counties may have little or no incentive to manage costs carefully. On the other hand, some county highway commissioners, who are responsible for administering the maintenance work under state contract, note that DOT gives each county a routine maintenance budget at the start of the year, which limits overall expenditures. Therefore, a county that is not cost-conscious may be unable to complete higher-priority maintenance work later in the year due to budget constraints. They also note that the Department has recently begun to track expenditures more carefully and, therefore, may direct the counties to cut back on certain activities if it appears that the county may not stay within the budget.

In addition to requesting the $10,000,000 supplemental appropriation, the Department has also requested that the supplement be included in the 2002-03 appropriation base for the purposes of the preparation of the 2003-05 biennial budget. In making this request, DOT argues that the supplement would be used to fund ongoing responsibilities, and so the funding should also be ongoing. Whether or not the Committee approves this portion of the request, the Legislature would have to appropriate above-base funds in both years of the 2003-05 biennium in order to fund the program at the 2002-03 level, since $9.5 million of the 2002-03 budget will be funded with one-time savings carried over from 2001-02. If the Committee does not approve this portion of the Department's request, the next Legislature would need to provide an increase of $19.5 million annually to fund the program at the same level as in 2002-03, since this is the amount of one-time funding that would be used in the 2002-03 budget ($10.0 million from this request and $9.5 million in funds carried over from the 2001-02 appropriation). If the Committee approves the Department's request to make the supplemental appropriation part of the base, then the next Legislature would need to provide $9.5 million annually in the 2003-05 biennium to fund the program at the 2002-03 level.

The supplemental appropriation would be made from the balance of the transportation fund. DOT has recently completed a review of transportation fund revenues in preparation of the agency's 2003-05 biennial budget request. In doing this, the Department incorporated actual transportation fund expenditures and revenues from 2001-02 and estimated fund revenues for the three-year period from 2002-03 to 2004-05, based on economic forecast data. Largely as a result of lower-than-expected revenue bond debt service costs and higher-than-expected motor fuel consumption, the 2001-02 transportation fund ending balance was higher than the estimated balance in Act 16. Incorporating this balance into projections for 2002-03, it is estimated that the 2001-03 biennium-ending balance will be $27.8 million. The Department has estimated that because of natural growth in revenue and the $27.8 million opening balance, there will be a total of $134.3 million in revenue over the amount needed to fund base-level appropriations in the 2003-05 biennium. If the Committee approves the Department's request for a $10,000,000 supplemental appropriation for the maintenance and traffic operations appropriation, the estimated 2001-03 biennium-ending balance

would be reduced to $17.8 million. If the Committee also approves the Department's request to make the increase part of the ongoing base for the appropriation, the amount of estimated revenue over base-level appropriations for the 2003-05 biennium would be reduced by a total of $30,000,000, to $104.3 million.

In evaluating the Department's request, the Committee may wish to review the Committee's authority to provide supplements under section 13.101 of the statutes. Section 13.101, in relevant part, specifies that the Committee may provide a supplementary appropriation at a meeting under s. 13.10 if the Committee finds that all of the following apply: (a) the purposes for which the supplement is being considered have been authorized or directed by the Legislature; (b) no funds are available for the purposes for which the supplement is being considered; and (c) an emergency exists. Since DOT requested the supplement for the normal activities conducted under the maintenance and traffic operations program, it could be presumed that the Legislature, having created the program, has given authorization for those purposes, thus satisfying the first condition. The question of whether the second and third conditions are satisfied can be evaluated in two ways. First, the Committee could consider the following questions: (a) Are the funds currently appropriated for the maintenance and traffic operations program insufficient to perform the necessary activities of the program? and (b) Does the inability to perform the program activities constitute an emergency? These questions, which can be considered in light of the analysis presented in the previous paragraphs, deal directly with the merits of the Department's request.

However, the Committee may wish to consider the issue of its authority to approve the request in the context of the Act 16 maintenance provision. In adopting the budget provision, the Legislature created a mechanism for addressing maintenance program shortfalls (that is, the transfer of funds from the highway rehabilitation appropriation). Therefore, the Committee could consider the following questions: (a) Can a determination be made that insufficient funds are available for the maintenance program if the Committee has not exercised its authority, given to it by the Legislature, to transfer funds to the maintenance program from the highway rehabilitation program? or (b) Does an emergency within the maintenance program exist, sufficient to justify a supplemental appropriation, if a transfer of funds could provide the same amount of funding that the requested supplemental appropriation would provide?

In its September 6 letter to the Co-Chairs, which amended the July 31 request, the Department indicates that the reason for asking for a supplemental appropriation instead of a transfer is the possibility that the state's federal highway aid might be lower in 2003 than was anticipated when the biennial budget was under consideration. This reduction in federal highway aid could reduce the amount of total funds available for state highway rehabilitation, and a transfer of SEG funds out of the program would exacerbate the loss of funds for that program. A supplemental appropriation, in contrast, would not affect the funding for the state highway rehabilitation program in this biennium.

It should be noted, however, that the Legislature included a provision in the budget adjustment bill, 2001 Act 109, to compensate for any substantial reduction in federal highway aid.

That provision provided $140,000,000 in transportation fund-supported, general obligation bonds for use in the event that federal aid is less than 95% of the sum of the estimated amounts included in DOT's federal appropriations in the Chapter 20 appropriation schedule. If this happens, the provision allows DOT to submit a request to the Joint Committee on Finance to use an amount of the bond proceeds, not exceeding the amount by which federal aid falls short of the Chapter 20 estimates, to replace the "lost" federal funds. The Committee may approve, or modify and approve, such a request. It could be argued that, by creating a mechanism to compensate for the loss of federal funds, the Legislature has reduced the potential impact on the highway rehabilitation program of a reduction in federal highway aid. This, in turn, may reduce the urgency of the funding situation, upon which the Department justified its request for a supplemental appropriation, rather than a transfer of funds. The amount of federal highway aid that the state will receive in federal fiscal year 2003 will not be known until after Congress passes an appropriation bill for transportation.

Finally, in deciding whether to provide a supplemental appropriation, instead of a transfer of funds from the highway rehabilitation appropriation to the maintenance program, the Committee may want to consider the effect of the Act 16 provision on both programs. As was mentioned in the earlier analysis, the Act 16 provision added approximately $27,000,000 in funding responsibilities for the maintenance and traffic operations appropriation, with no corresponding funding increase for these activities in 2002-03. The converse is true for the state highway rehabilitation appropriation. The funding responsibilities of the highway rehabilitation appropriation were reduced by approximately $27,000,000, but the funding for the program was not reduced in 2002-03, thereby allowing that amount of funding to be spent on other program responsibilities. In light of this effect on the rehabilitation program, it could be argued that the Legislature anticipated that a possible reduction of $10,000,000 in funding for the highway rehabilitation program was justified. A transfer of $10,000,000 from the rehabilitation program to the maintenance and traffic operations program should still leave $17,000,000 more available for other activities of the rehabilitation program than would have otherwise been the case.

Given the authority provided to the Department and the Committee under the Act 16 provision, one alternative to approving the Department's request for a supplemental appropriation for the maintenance and traffic operations appropriation, would be to approve the Department's original request of July 31, thereby transferring $10,000,000 SEG to the maintenance and traffic operations appropriation from the state highway rehabilitation appropriation.

On the other hand, the Committee could determine that the Act 16 provision was intended to enhance the purchasing power of the rehabilitation appropriation for highway construction projects and that the transfer of funds away from the rehabilitation appropriation to fund maintenance would counteract this intent. The Department indicates that as federal funding for highway improvements increased during the late 1990s, the decision was made to spend part of that increase on activities designed to increase safety and improve traffic operations. For instance, the Department installed raised reflective markings along the center line of many multilane highways in the state with funding from the highway rehabilitation program. While the Department's expenditure authority

under the rehabilitation program at that time was sufficiently broad to allow for this type of expenditure, the decision to use the rehabilitation program had the effect of reducing the amount of funding available in the program, relative to what would have otherwise been the case, for roadway construction projects. With the Act 16 change to the definition of "highway improvement," this type of expenditure must be funded from the highway maintenance and traffic operations appropriation, thus increasing the relative amount of funding available for roadway construction.

ALTERNATIVES

A. Maintenance Funding

1. Approve the Department's September 6 request to provide a $10,000,000 SEG supplement in 2002-03 for the highway maintenance and traffic operations appropriation.

2. Approve the Department's original, July 31 request to transfer $10,000,000 SEG in 2002-03 from the state highway rehabilitation appropriation to the highway maintenance and traffic operations appropriation.

3. Deny the request.

B. Appropriation Base

1. Approve the Department's request to include $10,000,000 (in supplement or transfer) in the 2002-03 appropriation base for the maintenance and traffic operations appropriation for the purposes of the preparation of the 2003-05 biennial budget.

2. Deny the request.

+ item #4 from motion #504

Prepared by: Jon Dyck

MO# A 1 + B1 + item #4 motion 504

	BURKE	Y	N	A
1	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	~~PLACHE~~	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	ROSENZWEIG	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 13 NO 3 ABS ____

Representative Gard
Representative Huebsch

TRANSPORTATION

Supplemental Maintenance Funding and Report on the Privatization of State Highway Maintenance

Motion:

Move to approve DOT's request to provide $10,000,000 SEG in 2002-03 for the maintenance and traffic operations appropriation from the unappropriated balance in the transportation fund and to include this amount in the 2002-03 appropriation base for the purposes of the preparation of the 2003-05 biennial budget.

Require the Department, no later than March 31, 2003, to provide to the Committee a report that evaluates statutory or program management options to use the private sector for state highway maintenance in all 72 counties, to maximize the productivity and improve the cost-effectiveness of delivering maintenance services. Specify that the report shall evaluate at least the following options:

1. Pilot programs that would allow, encourage or require some counties to reduce their permanent year-round staffing to a level needed to provide basic services on the state highway system, by contracting with the private sector to provide supplementary service on an "on call" basis.

2. Contracting with the private sector to perform defined sub-elements of the maintenance program over a large geographic area, such as weed and brush control, mowing, patching, or joint repair.

3. Contracting with the private sector to perform all state highway maintenance in entire counties, groups of counties, within state highway corridors, or any other logical geographic basis.

4. Modifying the manner in which the Department reimburses counties for equipment costs, including the reimbursement for the cost of equipment depreciation, to optimize the economic use of machinery on the highway and minimize long-term equipment costs by maximizing long-term maintenance in favor of frequent equipment turnover.

Specify that the report shall also include one table showing the level of state contracts with, and any supplementary funding provided to, each county for fiscal years 1998-02, and a second table showing winter maintenance costs for the same fiscal years.

Note:

This motion would approve the Department's request to provide $10,000,000 SEG for the maintenance and traffic operations program in 2002-03 and include that amount in the appropriation base for the purposes of the preparation of the 2003-05 biennial budget. In addition, the motion would require DOT to prepare a report to the Committee by March 31, 2003, that evaluates several alternatives for the privatization of the provision of maintenance services.

[Change to Base: $10,000,000 SEG]

A1+B1 from paper + reporting requirements

MO# 504

	BURKE	Y	N	A
	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
Risser	~~PLACHE~~	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	ROSENZWEIG	Y	N	A
0	GARD	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
2	HUEBSCH	Y	N	A
	HUBER	Y	N	A
	COGGS	Y	N	A

AYE 8 NO 8 ABS ____

Representative Gard
Senator Decker
Representative Huebsch

TRANSPORTATION

Use of Bonding Proceeds to Compensate for a Reduction in Federal Highway Funds

Motion:

Move to authorize the Department to use the proceeds of up to $140,000,000 in transportation fund-supported, general obligation bonds, authorized by 2001 Act 109, as needed to replace delayed or reduced federal formula funds estimated for FY 2003 in s. 20.395 for major highway projects, state highway rehabilitation projects, and southeast Wisconsin freeway projects.

Specify that the bonds may be used only in an amount necessary to maintain, but not exceed the level of federal formula funds in DOT's federal highway appropriations.

Require the Department to report the level of federal formula funds Wisconsin will receive, after the FFY 2003 transportation appropriations bill or an omnibus appropriations bill is enacted and formula funds are distributed to the states by the Federal Highway Administration.

Require the Department to propose a comprehensive federal plan incorporating specific levels of authorized bonding, if federal formula funds are less than 95% of the estimates in the appropriations under s. 20.395.

Note:

Wisconsin 2001 Act 109 authorized $140,000,000 in transportation fund-supported, general obligation bonds to compensate for reductions in federal highway aid received by the state, relative to the amount estimated by the 2001-03 biennial budget act, Act 16. The Act 109 provision allows

the Department to submit a request to the Joint Committee on Finance for use of the bonds if the amount of federal aid to be received by the state is less than 95% of the amount shown in the appropriation schedule for the fiscal year. The Department is prohibited from requesting an amount that exceeds the difference between the amount that the state will receive and the estimated amount in the Chapter 20 appropriation schedule.

Since Congress has not yet passed an appropriation act for transportation for federal fiscal year 2003, the amount of federal highway aid that the state will receive in that year remains uncertain. It is considered possible that Congress may defer action on many appropriation bills until the next Congressional session, allowing federal funding to continue to the states in the mean time under continuing resolutions. Consequently, the total amount that the state will receive in federal fiscal year 2003 (corresponding to state fiscal year 2002-03) may not be known until next spring, although it is also considered possible that the final amount could be significantly less than the amount of federal highway aid included in the 2002-03 Chapter 20 appropriations.

This motion would authorize DOT to use an amount of the $140,000,000 in authorized bonding without having to submit a request to the Committee first, although the Department would still be prohibited from using an amount that exceeds the amount of "lost" federal funds. The motion would also direct the Department, in determining the appropriate amount of bonds to be used, to consider only federal funds received under the federal programs in which funding is distributed by formula. Thus, any Congressional earmarks that the state receives as part of the 2003 appropriation act would be excluded from the calculation.

MO# 508

BURKE	Y	(N)	A
(2) DECKER	(Y)	N	A
MOORE	Y	(N)	A
SHIBILSKI	(Y)	N	A
Risser ~~PLACHE~~	Y	(N)	A
WIRCH	(Y)	N	A
DARLING	(Y)	N	A
ROSENZWEIG	(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 11 NO 5 ABS ____

Representative Gard
Senator Decker
Representative Huebsch

TRANSPORTATION

Southeast Wisconsin Freeway Rehabilitation Funding

Motion:

Move to require DOT to submit a request to the Joint Committee on Finance that transfers amounts from the 2002-03 SEG, FED and SEG-L appropriations for state highway rehabilitation to the corresponding appropriations for southeast Wisconsin freeway rehabilitation equal to the amounts allocated to the rehabilitation of southeast Wisconsin freeways in the 2002-03 state highway rehabilitation appropriations. Require DOT to submit its request no later than ~~November 18~~ December 6, 2002.

Require DOT, in submitting the request, to also calculate the appropriate level of base funding for the 2003-05 biennium to be transferred by averaging the percentage of state highway rehabilitation funding used on the southeast Wisconsin freeway system over the previous six years, multiplied by the total statewide appropriations for STH rehabilitation in FY 2003. Specify that, for the purposes of this calculation, the amount of rehabilitation funding used on southeast Wisconsin freeways in 2002-03 shall be the amount of funding currently programmed by the Department on those freeways in 2002-03.

Require DOT, for the purposes of these calculations, to consider only amounts used or programmed on the freeways that were included as part of the southeast Wisconsin freeway system in the Southeastern Wisconsin Regional Planning Commission's 2002 study of the freeway system. Prohibit the Department from including in the transfer any amount that is now allocated for projects in other parts of the state.

Note:

Wisconsin 2001 Act 109 included a provision that prohibits the Department from using the appropriations for state highway rehabilitation and major highway development for the rehabilitation of southeast Wisconsin freeways, which has the effect of requiring rehabilitation projects on these freeways to be funded from the appropriations for southeast Wisconsin freeway rehabilitation. In addition, the provision required DOT to submit a request to the Joint Committee

on Finance for transferring funds in the state highway rehabilitation appropriations that are allocated for rehabilitation projects on southeast Wisconsin freeways to the appropriations for southeast Wisconsin freeway rehabilitation. The request was to be submitted to the Committee for the first quarterly meeting occurring following the effective date of the act, which was July 30.

This motion would direct the Department to submit such a request by November 18, 2002. The motion would also direct the Department to calculate the amount of base funding to be transferred for the 2003-05 biennium by multiplying the six-year average of rehabilitation program expenditures on the southeast Wisconsin freeway system by the amount in the rehabilitation appropriations in 2002-03. The motion would also direct the Department, in calculating the amount to be transferred, to include only amounts used on freeways that were considered to be part of the southeast Wisconsin freeway system in the Southeastern Wisconsin Regional Planning Commission's (SEWRPC) 2002 study of the freeway system. The statutes define southeast Wisconsin freeways as a state trunk highway located in Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington or Waukesha counties that has four or more lanes of traffic physically separated by a median or barrier and gives preference to through traffic by limiting access to interchanges only. The freeways included in SEWRPC's study may exclude certain highways, such as the Lake Parkway, that would be defined as a southeast Wisconsin freeway under the statutory definition.

MO# 506

BURKE	Y	N	A
(2) DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
Risser ~~PLACHE~~	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
ROSENZWEIG	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 15 NO 1 ABS ___

II. Department of Transportation – Thomas E. Carlsen, P.E., Acting Secretary

The department requests an ongoing supplement of $10,000,000 SEG from the Committee's appropriation under s. 20.865(4)(u) to the department's highway maintenance, repair and traffic operations appropriation under s. 20.395(3)(eq) to cover costs associated with activities including pavement markings, Intelligent Transportation Systems and traffic control systems.

Governor's Recommendation

Approve the request.

WISCONSIN DEPARTMENT OF
ADMINISTRATION

SCOTT McCALLUM
GOVERNOR
GEORGE LIGHTBOURN
SECRETARY
Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842
TTY (608) 267-9629

Date: November 8, 2002

To: Members, Joint Committee on Finance

From: George Lightbourn, Secretary
Department of Administration

Subject: Section 13.10 Request from the Department of Transportation for Funding for Maintenance, Repair and Traffic Operations.

Request

The department requests an ongoing supplement of $10,000,000 SEG from the Committee's appropriation under s. 20.865(4)(u) to the department's highway maintenance, repair and traffic operations appropriation under s. 20.395(3)(eq) to cover costs associated with activities including pavement markings, Intelligent Transportation Systems and traffic control systems.

Background

2001 Wisconsin Act 16 included language that changed the definition of highway maintenance activities under the auspices of the Department of Transportation. The definitional change transferred certain services from the state highway rehabilitation program to the maintenance, repair and traffic operations program, including projects to install or replace traffic signals, pavement markings, signing and lighting. In order to meet that obligation, Act 16 provided a one-time transfer of $27,000,000 SEG in fiscal year 2001-02 from the state highway rehabilitation program and nonstatutory authority to request an additional transfer of $10,000,000 SEG from the state highway rehabilitation appropriation in fiscal year 2002-03. As these were one-time transfers, no changes were made to the department's base funding levels.

The department submitted a request in July 2002 for the $10,000,000 SEG transfer from the state highway rehabilitation appropriation per Act 16. The department also requested that it be a base adjustment for the purpose of the 2003-05 biennial budget. The department is amending the original request because, in addition to the increased services required by the definitional change in Act 16, it is anticipated that Wisconsin's federal highway funding for fiscal year 2002-03 will be up to $80,000,000 less than previously estimated. As a federal appropriations bill for transportation has not yet been passed, the actual

amount of federal highway funding that Wisconsin will receive is unknown.

The department is requesting a $10,000,000 SEG supplement from the unappropriated transportation fund balance in lieu of the transfer request. This amendment also includes a provision requesting that the increase be a base adjustment for the purpose of the 2003-05 biennial budget.

Analysis

Wisconsin's state trunk highway system is maintained primarily by contracting with each of the state's 72 counties. These contracts account for a significant portion of this appropriation's budget. The department provides funding, oversight and standards to the counties to maintain the state's highways. The highest cost components are county labor, equipment and materials, such as road salt. In recent years, the costs to provide the same level of service has increased due to the state trunk highway system carrying greater volumes of traffic and the definitional change in Act 16. The new definition transferred responsibility for highway sign installation and repair, highway lighting, pavement markings and Intelligent Transportation Systems when they are incidental to building, fabricating or bettering a highway or street from the state highway rehabilitation program to maintenance, repair and traffic operations.

Other factors leading to increased costs are inflation and the loss of federal funding. Although Act 16 provided one time transfers and an increase of funding based on inflation, the price for labor and materials has been growing more rapidly than the rate of inflation. The decrease in federal funding impacts the department's ability to fulfill the additional responsibilities as defined by Act 16. The requested $10,000,000 SEG will primarily be used to restore service patrols, meet traffic maintenance needs and provide a base adjustment for county services.

Recommendation

Approve the request.

Prepared by: Carole Schaeffer
266-1039

Wisconsin Department of Transportation
www.dot.state.wi.us

Scott McCallum
Governor

Thomas E. Carlsen, P.E.
Acting Secretary

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Madison, WI 53707-7910

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September 6, 2002

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
Room 317 East, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
Room 308 East, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

On July 31, 2002, the Department of Transportation (DOT) submitted a request to the Joint Committee on Finance to transfer funding from the State Highway Rehabilitation Program to the Maintenance, Repair and Traffic Operations Program, consistent with 2001 Wisconsin Act 16, Section 9152 (7q). The purpose of this letter is to amend that request.

At this time, DOT is requesting approval to use $10 million of the unappropriated transportation fund balance in lieu of transferring funds from the rehabilitation program. Additionally, we request that this be a base adjustment for the purposes of the 2003-05 biennial budget. The justification of need provided in our original letter remains the same. It is critical that additional funding be provided for the maintenance, repair and traffic function to ensure the department can fulfill its contractual obligations with the counties and provide for a safe and efficient transportation system.

The department is amending its request because federal funding available for the repair and rehabilitation of the State's highway system for fiscal year 2003 will be less than anticipated in Act 16. This is the result of a decline in Revenue Aligned Budget Authority (RABA) funds available to Wisconsin. The need to repair and rehabilitate our State's highway infrastructure is critical to the economic health of our state. Reallocating funds from State Highway Rehabilitation at this time further limits the work that can be completed.

After careful consideration, we believe that using a portion of the unappropriated balance will ensure that as much funding as possible is available for both of these critical programs. The unappropriated fund balance at the end of fiscal year 2002 was $15.6 million more than anticipated by Act 16, due to lower than anticipated debt service cost and higher than anticipated motor fuel revenues.

Thank you for considering this change to our original request. If you have questions or require additional information, please contact Alice Morehouse, Director of the Office of Policy and Budget, at 267-9618.

Sincerely,

Thomas E. Carlsen, P.E.
Acting Secretary

Wisconsin Department of Transportation
www.dot.state.wi.us

Scott McCallum
Governor

Thomas E. Carlsen, P.E.
Acting Secretary

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July 31, 2002

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
317 East, State Capitol
Madison, WI 53702

The Honorable John Gard, Co-Chair
Joint Committee on Finance
308 East, State Capitol
Madison, WI 53702

Dear Senator Burke and Representative Gard:

Summary of Request:
2001 Wisconsin Act 16, Section 9152 (7q) permits the Department of Transportation to submit a request to the Joint Committee on Finance for the transfer of funding from the State Highway Rehabilitation Program to the Maintenance, Repair and Traffic Operations Program to cover costs associated with such activities as pavement markings, Intelligent Transportation Systems (ITS), and traffic control systems. The department requests that the Joint Committee on Finance, under authority of sections 13.10 and 13.101 Wisconsin statues, approve the transfer of $10,000,000 from appropriation s. 20.395 (3) (cr) Highway Rehabilitation state funds to s. 20.395 (3) (eq) Highway Maintenance, Repair and Traffic Operations state funds to address on-going and recently mandated activities. The department is requesting that the increase to the Maintenance, Repair and Traffic Operations appropriation be treated as a base adjustment to both appropriations for purposes of the 2003-05 biennial budget.

Request Background:
Maintenance and traffic operations services encompass numerous activities that are important to the safety, mobility, and convenience of the traveling public. These services are necessary to keep the public investment in the state highway system available, safe, and efficient on a day-to-day basis.

Wisconsin is unique in that the state trunk highway (STH) system, totaling over 30,000 lane miles, is maintained primarily by contracting with each of the State's 72 counties. The department is responsible for providing the funding, standards, and oversight to effectively maintain this state owned system of highways. Contracts with the counties account for the most significant portion of the total maintenance and traffic operations budget. The primary contract cost components include county labor, equipment costs, and materials (most notably road salt).

The use of counties and local governments to maintain the STH system is mutually beneficial. Fewer state employees are required, and the employment associated with the activity is locally based. Moreover, fixed costs such as equipment and storage and maintenance facilities are shared between the state and the counties. Therefore, the state and county together require only one set of maintenance facilities and equipment instead of two, and in the winter, county crews efficiently plow all major rural roads as well as State Highways.

Budget Authority

Act 16 authorized funding levels for highway maintenance and traffic operations of $189,425,900 SEG for SFY02 and $161,467,000 SEG for SFY03. The amount in SFY02 includes a one-time transfer of $27,000,000 due to a new maintenance definitional change in **Act 16** that resulted in additional activities and subsequently more costs. Of the base budget amount, approximately 54% in SFY02 and 64% in SFY03 is budgeted for services provided by counties. The remaining balance is allocated across department activities such as salt purchases, highway safety, traffic engineering, traffic signals, bridge maintenance/inspection, rest area and roadside maintenance, renewal and replacement of pavement markings, and repairing and installing new signs.

2001 Wisconsin Act 16 Definitional Change

Act 16 provided a new definitional change for maintenance under s. 84.07 (1): "*Maintenance activities also include the installation, replacement, rehabilitation, or maintenance of highway signs, traffic control signals, highway lighting, pavement markings, and intelligent transportation systems.*" These activities are funded through the highway improvement program only when they are incidental to building, fabricating, or bettering a highway or street.

To partially account for the shift in costs from the highway improvement program to highway maintenance, **Act 16** provided a one-time transfer of $27 million in SFY02 from the State Highway Rehabilitation (SHR). The transfer was only for SFY02 and did not provide any increase in base funding for the 2003-05 biennial budget. **Act 16** does allow the department to request an additional $10 million transfer in SHR state funds to maintenance in SFY03 under the Joint Committee on Finance s. 13.10 review.

Prior to the shift between programs caused by the definitional change, projects to install or replace traffic signals, pavement markings, signing, and lighting were commonly a part of the six-year improvement program with an average annual cost of around $20 million. The definition changes also covered a wide array of emerging services and activities to more safely and efficiently move traffic, known as ITS. These ITS costs are in addition to the costs for traffic features listed above.

Cost to Continue and Unplanned Directives Issues

In addition to the definitional change, the Maintenance and Traffic Operations program needs to keep pace with the increasing costs of providing the same service level. These cost increases are a result of the STH system carrying greater volumes of traffic and experiencing some modest growth in size and the program accommodating unplanned directives in the form of mandates. If these needs are not funded, the department must absorb these additional costs and make decisions as to what activities will be eliminated or reduced.

Higher inflationary adjustments are needed to continue providing essential maintenance services for the STH system. The maintenance budget must keep pace with increasing prices for materials and labor (including benefits) to be able to provide the same level of service on the STH system. For instance, county base labor rates alone for CY02 increased by 4.89% and fuel costs have jumped by 28% over the past five years. However, inflationary adjustments provided in **Act 16** were 2.7% in SFY02 and 1.8% in SFY03 to account for both inflation and system growth. In addition, the bill provided a one-time funding amount of $3.5 million in SFY02 for salt purchases needed to replenish salt reserves depleted as a result of the severe winter of 2001.

Increased usage is defined as vehicle miles traveled (VMT). The state highway system has seen traffic volumes increase by nearly 30% from 45.5 billion miles in 1991 to 57.2 billion miles in 2000. Costs related to greater system utilization include the added cost to accomplish work under heavier traffic (added time to plow, perform traffic control, incident management, etc.) and also the addition of more features such as signals signs, and pavement markings needed to manage the system as the intensity of highway utilization grows and service demands evolve.

The growth in the maintainable highway miles needs to be recognized and incorporated into funding levels so that the same service levels can be provided. For instance, in SFY02 the growth in level-of-service lane miles alone increased by 351 miles and since 1994 it has increased by roughly 6.6%. This increase in growth means that the department must provide the same number of services on the net additions to pavement miles, bridges, and related highway features including added traffic signals, signs, and lighting.

This higher amount of required service (e.g. highways cleared of snow, salting, etc.) is mostly reflected in the contracts the department negotiates with the counties who perform the majority of the work and have provided excellent and consistent service across the entire STH system.

Act 16 also required the department to pay out of existing base funds for traffic control signals in the cities of Grantsburg and West Salem at a total estimated cost of $150,000.

These projects were not part of the department's standard six-year programming process for statewide stand-alone projects, and Act 16 did not provide any additional funding.

SFY02 and SFY03 Spending Plan

The department prepared a biennial Highway Maintenance, Repair and Traffic Operations work plan that identified funding needs for all maintenance and operations programs in both SFY02 and SFY03, which responds to the challenges of **Act 16.**

Meeting our contractual obligations with the counties is a high priority. The 2.7% and 1.8% (SFY02 and SFY03) increases in funding were applied to the county services portion of the maintenance program. But they were insufficient to cover the increases to the county services portion of the maintenance program associated with real system growth and any inflationary needs associated with higher labor, equipment, and fuel costs. Necessary county services on the STH system are being reduced or scaled back over the biennium as a result of the shortfall in funding.

There are also other planned reductions in department activities for both SFY02 and more specifically SFY03 including:

- Roadway Maintenance (pavement research, work zone safety initiative, and changeable message boards)
- Winter Maintenance Initiative
- Maintenance of roadside Facilities (rest areas and historical markers)
- Weed Control
- Pavement markings
- Traffic Operations and Research
- Signs, Sign bridges, Signals, Lighting (new installation, repair, and replacement)
- Incident management (service patrols)
- Intelligent Transportation Systems (ITS) stand-alone projects

SFY02 Activities

The department was able to generate $4 million savings from salt purchases, winter maintenance activities, and the winter emergency reserve. In addition, $5.4 million in other activities were deferred in SFY02. Deferred projects include temporarily delaying several traffic operations, incident management and ITS projects, as well as traffic maintenance activities such as pavement markings, signs, and signals.

As a result of these cost savings and deferred projects, a total of approximately $9.4 million of SFY02 funds can now be used in the SFY03 budget to help offset the large funding shortfall. See Appendix A for the list of the savings incurred and the deferred activities from SFY02.

Although the state experienced lower winter maintenance costs due to the mild weather, some of these resources were already redirected to previously deferred activities such as:

- Tree and brush trimming in wetland areas
- Repair of deteriorated inlets and drainage structures
- Bridge maintenance
- Filling pavement cracks and potholes
- Sealing joints
- Repairing shoulders, signs, and beam guards
- Cleaning catch basins and roadside ditches
- Grading gravel shoulders

The net result is that the department manages the maintenance and operations budget on a biennial basis.

How the Request Meets Statutory Criteria:
Section 84.07(1), Wis. Statutes requires that the STH system be maintained by the state at state expense. It places responsibility for the maintenance of the STH system on the department and provides the department the authority to make rules and contract with counties and municipalities to fulfill that responsibility. It defines maintenance activities as "*the application of protective coatings, the removal and control of snow, the removal, treatment and sanding of ice, and all other operations, activities and processes required on a continuing basis for the preservation of the highways on the state trunk system*"...*and all measures deemed necessary to provide adequate traffic service.*"

Section 84.07(1), Wis. Statutes, further defines the relationship between the department and the counties in providing maintenance on the STH system "*. . . and may contract with any county highway committee or municipality to have all or certain parts of the work maintaining the state trunk highways within or beyond the limits of the county or municipality, including interstate bridges . . .*" The department pays the actual cost of the maintenance, including the allowance for materials and the use of county or municipal machinery and overhead expenses agreed upon in advance.

Finally, **Act 16** Section 9152 (7q) allows the department to seek additional maintenance activities funding: "*the department of transportation may submit to the committee a request for the transfer of moneys not to exceed $10,000,000...for the purpose of funding the installation, replacement, rehabilitation, or maintenance of highway signs, traffic control signals, highway lighting, pavement markings, and intelligent transportation systems.*"

Planned Activities:
Should the request be approved, the department will begin to implement the deferred activities to help restore several important maintenance services for winter operations, roadside facilities, and signs, lights, and signals. Specific activities include:

- Restore reserve for winter and emergencies
- Restore attenuators and message boards for roadway work
- Restore salt storage program
- Restore rest area maintenance custodial services
- Restore roadside facility utilities
- Restore roadside facility maintenance projects
- Restore weed control
- Provide for county services for traffic operations
- Restore sign bridge inspection effort
- Restore sign materials and posts
- Restore sign manufacturing
- Complete transition to crashworthy sign standards
- Provide inflation for county electrical services
- Provide for Diggers Hotline
- Restore traffic signal controller needs
- Provide for pavement marking contracts with balance
- Restore programmed re-lamping of lights in Transportation District 2
- Restore programmed sign bridge repairs
- Restore programmed signal maintenance and repairs

The $10 million in increased funding will primarily be used to restore service patrols, traffic maintenance needs, and a portion of traffic signals, and provide a base adjustment for county services in SFY03. The list below provides a prioritized list of the specific activities and funding levels that will be restored using the $10,000,000:

1. Restore pavement marking contracts to programmed level	$	5,608,984
2. Provide proportional base adjustment for county services	$	2,591,000
3. Partially restore signs to programmed level	$	1,022,939
4. Restore D2 service patrol reductions net of fed fund changes	$	565,232
5. Restore D1 service patrol reductions	$	211,845
Total	**$**	**10,000,000**

However, the requested $10,000,000 funding increase only partially restores the maintenance activities planned for reductions, even with the SFY02 deferred activities and savings. It does not fully fund the needs of the Maintenance and Operations program. The following is a summary list of those unmet needs associated with the existing level of service:

(1) Remaining un-funded added activities from the definitional change
(2) Rising costs of labor and materials and increasing system size (cost to continue)
(3) Unplanned directives and mandates

The total annual base amount needed to meet on-going maintenance activity levels is $40,000,000. The department recognizes that the remaining un-funded needs should be examined in the totality of overall department needs for the upcoming biennium and the 2003-05 biennial budget process.

Thank you for your consideration of our request. Should you have questions on this request please contact Alice Morehouse, Director of the Office of Policy and Budget, at 267-9618

Sincerely,

Thomas E. Carlsen, P.E.
Acting Secretary

cc: Governor Scott McCallum
Secretary George Lightbourn, Department of Administration
Joint Committee on Finance Members

Attachment: Appendix A

Appendix A

FY02 Deferred Work and Savings

Savings	
Winter and Emergency Reserve	$1,500,000
Salt	$2,500,000
Total savings	**$4,000,000**
Deferred Activities	
Winter Research Programs and Product Evaluation	$198,000
Ground Penetrating Radar Contract	$70,000
Bridge Deck Thermography	$200,000
Implement NCHRP 350 Crashworthy Standards	$400,000
Traffic Operations, Incident Mgmt and ITS Programs	$1,300,000
Traffic Major Maintenance Standalone Projects:	
Pavement Markings	$700,000
Signs	$385,000
Sign Bridge Repair, Replacement, Rehab	$100,000
Signals, New Installations	$1,600,000
Truck mounted attenuators/changeable message boards	$360,000
Pavement Research and Product Evaluation	$100,000
Winter maintenance Initiative	$65,000
Total deferrals	**$5,478,000**
Total funds shifted from FY02 to FY03	$9,478,000