

### Fiscal Estimate - 2015 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>15-3790/2</b>	<b>Introduction Number</b> <b>AB-0565</b>
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**Description**  
 Funding for the Department of Transportation and making an appropriation

**Fiscal Effect**

**State:**

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input checked="" type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input checked="" type="checkbox"/> Decrease Costs
<input checked="" type="checkbox"/> Decrease Existing Appropriations		
<input checked="" type="checkbox"/> Create New Appropriations		

**Local:**

<input type="checkbox"/> No Local Government Costs	<b>5. Types of Local Government Units Affected</b>	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	

<b>Fund Sources Affected</b>	<b>Affected Ch. 20 Appropriations</b>
<input type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.395(2)(fq); 20.395(2)(fx); 20.395(3)(aq); 20.395(3)(bq); and 20.395(3)(cq)

<b>Agency/Prepared By</b> DOT/ John Etzler (608) 266-9637	<b>Authorized Signature</b> Nate Yahn (608) 266-1114	<b>Date</b> 1/20/2016
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## Fiscal Estimate Narratives

DOT 1/20/2016

LRB Number	<b>15-3790/2</b>	Introduction Number	<b>AB-0565</b>	Estimate Type	<b>Original</b>
<b>Description</b> Funding for the Department of Transportation and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

This bill makes several funding changes to certain highway improvement programs administered by DOT. Specifically, the bill does the following:

- Decreases the amount of state moneys available in the Department's existing appropriations for the State Highway Rehabilitation Program, the Major Highway Development Program, and the Southeast Wisconsin Freeway Megaproject Program.
- Increases the amount of state moneys available in the Department's appropriation for the Local Transportation Facility Improvement Program.
- Requires the Legislative Fiscal Bureau to adjust the amounts of federal moneys appropriated for these respective programs, such that the combined amount of state and federal moneys in each program remains unchanged.
- Prohibits DOT from entering into any new contracts after June 30, 2016, that would obligate federal moneys for local transportation facility improvement.

For the purposes of this fiscal estimate, the Department made the following assumptions:

- 1) The prohibition on DOT from entering into any new contracts after June 30, 2016, only applies to State/Municipal Agreements and does not preclude the Department from entering into other contracts necessary for project completion, such as design and construction contracts.

[Note: A State/Municipal Agreement (SMA) is a formal contract entered into between the Department and a municipality for a highway improvement project that identifies all components of the project, including: project need, design and scope, funding, ownership/management responsibilities, and legal requirements.]

- 2) The following federal funding amounts are retained by DOT: \$7.0 million in SFYs 2018 and 2019; and \$5.0 million in SFY 2020 and subsequent state fiscal years.

- 3) The use of federally funded earmarks, federal grants, and federal funds allocated to specific programs (e.g., Federal Lands Access Program), from the existing appropriation account under s. 20.395(2)(fx), Stats., for local transportation facility improvement, would be prevented by this bill.

[Note: This appropriation is currently used to receive, obligate and encumber these funds.]

### ESTIMATED COST SAVINGS

The Department anticipates some minor short-term savings in the design and construction delivery of highway projects for SFY 2017, as a result of the transfer of \$47.0 million in SFY 2017 to the new SEG appropriation for local transportation facility improvement prescribed under the bill. Most funds appropriated for SFY 2017 are allocated to projects that have already utilized federal funding, which will limit the potential cost savings achieved during the first year of implementation.

Highway projects advertised for bid, or "let", for which the state DOT is a party to the contract for the construction or improvement of the highway, are subject to the state prevailing wage law. Project spending related to in-house staff, consultants, real estate, design, and highway maintenance are not subject to prevailing wages. For highway construction projects let in SFY 2017, because the state DOT will be a party to the construction contracts, the state prevailing wage requirements will apply to those highway projects let during that state fiscal year.

The Department estimates that this bill will result in potential savings of 1 to 2 percent associated with project delivery costs, which account for 17 to 20 percent of the overall total project costs. With respect to the \$47.0 million in state funds transferred in SFY 2017 to the new appropriation created under the bill for local transportation facility improvement, this represents a total estimated cost savings of approximately \$80,000 to \$190,000.

## ADMINISTRATIVE

As this bill would not change the existing administration by DOT of the Local Transportation Facility Improvement Program, it is anticipated that this bill will result in no additional administrative costs for DOT.

## Long-Range Fiscal Implications

Indeterminate. Based on the various factors provided below, the Department estimates the total potential future savings generated under this bill to be between approximately \$575,000 and \$2,020,000 each year.

[Note: Due to limitations on possible changes to highway projects already approved for scheduling in future years, this estimate may be lower in some years.]

- Additional cost savings are anticipated from changes to existing program and eligibility requirements, which were made possible by the bill's removal of federal funds from the local transportation facility improvement appropriation. The amount of savings that could be generated in design and construction delivery costs are estimated to be 5 to 10 percent, in which delivery costs account for 17 to 20 percent of the overall total project costs.
- Considerations will be made regarding the expansion of project eligibility criteria and local lets for up to 10 percent of the overall program, which could generate an additional 3 percent savings on project delivery costs and 10 percent savings on construction let costs.
- Locally let construction projects may not be subject to prevailing wage requirements, if the state DOT is not a party to the contract for the construction or improvement of the highway, which could result in some project cost savings. The Department estimates that these savings could represent up to 5 percent of construction labor costs. On average, labor costs typically represent 20 to 25 percent of total construction costs.
- Construction costs are estimated to be an amount up to 83 percent of the overall total project costs.