



Legislative Fiscal Bureau

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August 27, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Transportation: 2008-09 Transportation Fund Deficit Plan -- Agenda Item IX

REQUEST

The Department of Transportation (DOT) requests the approval of a plan to address a projected deficit in the transportation fund of \$49,141,700 at the close of 2008-09. DOT, using its current law authority, has already addressed \$15,923,600 of the deficit by lapsing funds from various annual and biennial appropriations at the end of 2008-09. To address the remaining deficit of \$33,218,100, DOT's plan would make a total of \$33,300,000 SEG in reductions to two DOT continuing appropriations in 2008-09: a \$15,000,000 SEG reduction to the major highway program appropriation and an \$18,300,000 SEG reduction to the state highway rehabilitation appropriation.

BACKGROUND

Transportation fund revenue collections did not keep pace with the appropriation levels established for the 2007-09 biennium. DOT's request indicates that all sources of transportation fund revenues were lower than expected, but motor vehicle fuel tax and registration fee revenue collections were hindered the most. Despite the moderation in motor fuel prices over the past year, the economic slowdown has negatively impacted fuel consumption. The economic recession has also led to the first decline in light truck and automobile registrations in over 30 years.

Under section 85.62 of the statutes, if DOT determines that at the close of any biennium net appropriations and fund reserves from the transportation fund will exceed estimated transportation fund revenues by more than \$30,000,000, the Department is required to develop a plan to eliminate the deficit by reducing Department appropriations from the transportation fund. The DOT Secretary is required to submit the plan to the Joint Finance Committee under a 14-day passive review process. If the Committee approves the plan, the appropriations shall be reduced as specified in the

plan. An objection was raised to DOT's proposed plan and the plan was placed on the Committee's agenda.

In addition to the proposed actions under the deficit plan, under 2007 Acts 20 and 226, and 2009 Act 2, as part of the overall lapse requirements for state agencies under these Acts, DOT lapsed \$162,011,200 from the transportation fund to the general fund during the 2007-09 biennium. These lapse amounts came primarily from the major highway development and state highway rehabilitation program appropriations.

According to DOT, the State Comptroller's office has indicated that, for accounting purposes, the 2008-09 fiscal year will be closed no later than September 4, 2009. After that date, no further adjustments can be made to agency appropriations.

ANALYSIS

Based on actual revenues, DOT indicates that the transportation fund would have closed 2008-09 with a \$49,141,700 deficit. However, using its general authority to lapse from annual and biennial appropriations, DOT reduced that shortfall to \$33,218,100 by lapsing \$15,923,600 from the appropriations indicated in the following table.

DOT Appropriations	
Lift Bridge Aids	\$104,400
County Forest Road Aids	700
Transportation Aids to Counties	100
Transportation Aids to Municipalities	100
Aviation Career Education	38,200
State-Owned Lift Bridge Operations and Maintenance	8,300
Highways Administration and Planning	2,095,000
Department Management and Operations	3,424,100
Transportation Safety	361,100
Vehicle Registration and Driver Licensing	5,517,000
Vehicle Inspection and Traffic Enforcement	577,500
Pretrial Intoxicated Driver Intervention Grants	47,700
Motor Vehicle Inspection and Maintenance Contract	29,100
Debt Service Sum Sufficient Appropriations	2,704,300
Other Agencies	
Tourism - Tourism Marketing	50,500
Revenue - Fuel Tax Administration	85,500
Revenue - Rental Vehicle Fee Administration	100
Revenue - Railroad and Air Carrier Tax Administration	38,300
Natural Resources - Sum Sufficient Appropriations	<u>1,841,600</u>
Total 2008-09 Lapses	\$16,923,600
Less Budgeted Lapses	<u>-1,000,000</u>
Net Additional Year End Lapses	\$15,923,600

As indicated earlier, under the DOT plan, the remaining \$33,218,100 deficit would be eliminated by reducing the 2008-09 SEG continuing appropriations for major highway development (by \$15,000,000) and state highway rehabilitation (by \$18,300,000). DOT's request indicates that these two continuing appropriation accounts have unencumbered balances that are sufficient to accommodate the proposed reductions. The request also indicates that these funds are not currently programmed for specific projects and that the proposed reduction will not impact the Department's current highway construction targets.

If the Committee approves the proposed \$33,300,000 reduction in the major highway development and state highway rehabilitation appropriations, the 2008-09 closing balance in the transportation fund would be \$81,900. The \$33,300,000 in continuing expenditure authority would no longer be available to carry out current or future highway construction program activities.

Under Act 28 (the 2009-11 biennial budget), the transportation fund is expected to end the 2009-11 biennium with a balance of \$3,238,300. This balance assumes that the closing fund balance for 2008-09, and the opening balance for 2009-10, is \$0. If the Committee does not approve the proposed reductions to the major highway development and state highway rehabilitation appropriations, the transportation fund would close 2008-09 with a \$33,218,100 deficit. Also, because the actual opening balance for 2009-10 would be -\$33,218,100, rather than \$0, the transportation fund would have a projected 2009-11 ending balance of -\$29,979,800. In this case, DOT would likely have to take administrative action to try to generate additional lapses from annual appropriations. This could be difficult in the context of the appropriation reductions and lapse requirements contained in 2009 Act 28.

If the Committee does not approve the proposed appropriation reductions, the appropriation authority would remain available in each appropriation account. If revenues to the transportation fund improve to a level that is able to support some or all of the current appropriation levels, DOT would have that appropriation authority available in the biennium to expend the funds on highway projects. DOT indicates that in the event revenues in the biennium would be sufficient to support the existing appropriation levels for the two continuing appropriations, enough highway program capacity exists that an estimated \$21,600,000 of the \$33,300,000 in appropriation authority could be used in the biennium to contract for major highway development and state highway rehabilitation projects. The remaining funds would likely be used for advanced real estate purchases and utility improvements on future highway program projects to be funded from the two highway-related appropriations.

ALTERNATIVES

1. Approve the Department's proposed deficit plan, including the request to reduce the 2008-09 major highway development appropriation by \$15,000,000 SEG and the 2008-09 state highway rehabilitation appropriation by \$18,300,000 SEG (the 2007-09 ending balance in the transportation fund would be \$81,900)

2. Deny the Department's request for approval of its deficit plan (the 2007-09 ending balance in the transportation fund would be -\$33,218,100).

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