



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

July 18, 2013

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 -- Agenda Item IV

REQUEST

The Department of Transportation requests a transfer of \$25,000,000 SEG in 2012-13 from the state highway rehabilitation appropriation to the state highway maintenance and traffic operations appropriation to fund a shortfall in the maintenance program due to costs for winter maintenance in the 2012-13 winter season that were higher than the amount budgeted for that purpose.

BACKGROUND

The state highway 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 minor repair of pavements and bridges, snow plowing and ice removal, mowing and other vegetation management, and the maintenance of highway rest areas and waysides. Most of this work is performed by counties under contract with the state. In addition, the program is responsible for the installation, repair, and maintenance of signs, highway lighting, pavement marking, and traffic signals.

Funding in 2012-13 for the principal SEG appropriation for the maintenance and traffic operations program is \$202,347,900. Of this amount, 59% is allocated to routine maintenance activities on state highways, performed by counties under contract with the state. The Department uses a formula to allocate an amount to each county, based primarily on the number and type of state highway miles in the county. The Department works with the counties to establish maintenance policies and adjust work levels to stay within the contract budget. Since expenditures for winter maintenance are variable, adjustments are made to spring and summer maintenance

work to account for this variability. In a few years over the past decade, however, winter maintenance costs have exceeded the amount that counties could feasibly absorb through spring and summer work reductions. On several occasions, the Department has requested a transfer of funding from the state highway rehabilitation SEG appropriation to the SEG appropriation for highway maintenance under s. 13.10 of the statutes. On other occasions, additional funds have been provided in response to high winter costs by other means, either an allocation of additional federal highway aid or through an appropriation made in a budget adjustment bill. The following table shows the supplements approved by the Committee or by the Legislature for winter maintenance costs since 2004-05.

**Budget Supplements for Highway Maintenance for Winter Maintenance Costs
(\$ in Millions)**

<u>Fiscal Year</u>	<u>Amount</u>	<u>Source</u>
2004-05	\$15.1	SEG appropriation transfer under s. 13.10
2006-07	16.0	Federal aid allocation
2008-09	24.8	Budget adjustment bill, SEG appropriation
2010-11	19.6*	SEG appropriation transfer under s. 13.10

* Request also included other maintenance items. Only the winter costs supplement is shown.

Beginning in 2013-14, maintenance and traffic operations functions currently funded from one SEG appropriation will be funded from two appropriations. The 2013-15 budget act created a new appropriation for routine maintenance activities done by contract, transferred \$120,000,000 of base funds from the existing appropriation to the new appropriation, and provided additional funding to increase the amount available for county contracts to \$122,500,000 SEG in 2013-14 and \$170,000,000 SEG in 2014-15. The existing appropriation (renamed "highway system management and operations") will fund other maintenance and traffic operations expenses, including the purchase of anti-icing salt for distribution to the counties. This appropriation is funded at \$82,881,000 SEG annually in the biennium,

ANALYSIS

The Department is requesting a transfer of \$25,000,000 SEG to the maintenance and traffic operations appropriation in 2012-13 from the state highway rehabilitation SEG appropriation to cover high winter maintenance costs. The 2012-13 winter season was more severe in most parts of the state than the five-year average (the basis of the Department's winter budget planning). In particular, snowfall totals were 46% above the five-year average on a statewide basis. As a result, counties incurred costs exceeding the amount budgeted for winter maintenance by an estimated \$14,440,000. In addition, the counties' use of salt exceeded the amount set aside for the season, as well as the Department's salt reserve, which required the Department to replenish supplies during the season, at a total cost of \$11,220,000. In total, therefore, winter costs exceeded the amount budgeted by \$25,660,000.

Because of the nature of winter maintenance, the Department has already incurred the encumbrances or expenses for which the request is being made. The Department is required by statute to reimburse counties for their actual expenses, so it is not possible to avoid those costs by providing a partial reimbursement of counties' costs. Similarly, the purchases of additional salt were made during the winter season to avoid depleting supplies. As a result, expenditures and encumbrances in the Department's highway maintenance and traffic operations exceed budget authority in the appropriation. [Although winter costs exceed budgeted amounts by \$25,660,000, some expenditures are not expected to be incurred in 2012-13. The Department's request of \$25,000,000 is the amount that would be needed to avoid having the Department's maintenance and traffic operations appropriation end the fiscal year in deficit.]

State agencies may not make payments in excess of funding budgeted by the Legislature. The Legislative Audit Bureau has indicated that in its view, it would be improper for the Department to cover program expenditures already paid in FY 2012-13 with funding budgeted by the Legislature in Act 20 for purposes in 2013-15.

Under the Department's request, the funds would be transferred from the SEG appropriation for state highway rehabilitation. The Department indicates that because the amount of funding provided for the state highway maintenance program was less in 2012-13 (by \$10,098,800) than in the previous year, a decision was made to reserve some funding in the state highway rehabilitation program in the event that high winter costs necessitated a transfer. Consequently, the approval of the request would not affect the Department's 2012-13 state highway rehabilitation project schedule.

CONCLUSION

Approve the Department of Transportation's request to transfer \$25,000,000 SEG in 2012-13 from the Department's appropriation for state highway rehabilitation to the appropriation for state highway maintenance and traffic operations.

Prepared by: Jon Dyck