Legislative Fiscal Bureau

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June 1, 1999 | Joint Committee on Finance | Paper #931

Mass Transit Operating Assistance -- Basis for Aid (DOT -- Local Transportation Aid)

CURRENT LAW

Annual state mass transit operating assistance payments are based on estimated operating costs for that year.

GOVERNOR

No provision.

DISCUSSION POINTS

1. Under the current formula, the combined state and federal aid percentage for each tier of transit systems floats to a level that expends the state funds appropriated for that tier and the level of federal funds allocated to operating expenses. Local funds, consisting primarily of local property tax revenues and farebox revenues, fund the remaining portion of estimated costs. Because DOT must provide a uniform percentage of state and federal aid to all systems within a tier, each system's share of the state funding is affected by the cost changes of the other systems, as well as its own costs.

Incentive For High Cost Estimates

2. State transit aid payments are based on estimates of costs that are to occur during the year for which aid payments are made. It has been argued that using estimated costs as the basis for transit aid payments may provide an incentive for systems to develop higher cost estimates. That is, because systems do not receive additional aid if their costs are higher than originally estimated, a high initial estimate may be made to ensure that all potential costs are eligible for formula aid payments.

3. Annually, DOT retains 10% of the total transit contract amounts pending audits to determine if each system's actual operating expenses are consistent with the initial estimate in the contract. If a system's costs are higher than estimated, the system receives the withheld aid for its estimated costs, but does not receive additional aid for the higher costs. If a system's costs are lower than anticipated, DOT retains the state aid portion associated with the difference, and these funds lapse back to the transportation fund. Therefore, because the formula is based on cost estimates and funds are held in abeyance until the costs are verified, transit systems do not receive the full use of the state transit funding level in the year in which it is provided.

4. The inability to make aid determinations on a known cost basis causes some of the funds the Legislature intends to provide for mass transit to lapse. For example, over the past three fiscal years, DOT has lapsed the following amounts from the state-funded transit appropriations: $306,790 in 1995-96, $1,413,019 in 1996-97 and $778,786 in 1997-98.

Predictability of State Aid

5. DOT has indicated that the mass transit operating assistance formula changes proposed in the bill were developed, in large part, due to transit systems' concerns related to the unpredictability of state aid. The proposed formula changes (which are addressed in separate LFB papers) are aimed at improving the predictability of state aid by unlinking state aid amounts from the level of federal aid provided. Under these changes, the state aid percentage would still "float" based on the total operating expenses for the tier, but would be linked to federal aid only in applying the proposed state and federal combined maximum percentages of operating expenses for each tier.

6. Local governments like predictability associated with state funding so they can be certain of the portion of their systems' transit costs that needs to be covered with property taxes or other revenues in a given year.

7. Transit systems have indicated that the primary uncertainty associated with state aid under the current formula is that there is no way of knowing how their estimated costs compare with other systems within their tier. Under the bill, each system's percentage of costs covered by state aid would continue to be contingent on the level of costs of the various systems within the system's tier.

8. Most major state aid programs are based on prior-year data. The major state aid programs providing funding to local governments (shared revenue, property tax credits, general transportation aid and elementary and secondary school aid) use prior-year information to increase the reliability of aid payment estimates.

9. Basing transit aid payments on prior-year costs would allow DOT to provide an estimate of the level of state funding each system will receive some time before local units of government establish their subsequent calendar year budgets. For example, DOT could provide estimates of transit aid for calendar year 2000 in Fall, 1999, based on actual costs for 1998. Under this alternative, local units of governments could establish their transit budgets with greater certainty regarding the level of state transit aid they will receive.

10. Some argue that providing transit aid based on costs incurred during the year for which the aid payments are made allows systems to be reimbursed for new service provided during the year. Further, it allows the Department to fund new systems that begin to provide service during the year. However, DOT has indicated that it intends to change its administrative rule to exclude any costs associated with new or added service from funding eligibility, unless the costs were included in the annual application for funding.

11. It could be required that any system beginning or adding service in a year for which an aid payment is made would have to notify DOT of its intent to do so in the year prior to the service expansion. This notification could include an estimate of the projected annual operating costs for the service expansion, which could be added to the prior-year cost data (after adjusting for inflation) for purposes of calculating aid payments. This would differ from DOT's current policy, but would conform to the rule changes the Department has indicated it intends to pursue.

12. Under the shared revenue and general transportation aid programs, new expenditures must be borne entirely by local governments in the first two years they are incurred. The state begins to provide aid for these expenditures in the third year. Some have argued that this delay serves to ensure that there is local support for the expenditure and that this discourages spending decisions based on the availability of state aid. For mass transit aid, this could be accomplished by not providing an immediate cost adjustment for new service.

ALTERNATIVES TO BASE

1. Delete the current law requirement that annual state transit aid payments be based on estimated operating costs for that year, effective with calendar year 2000 payments. Rather, require that annual transit aid payments be made based on actual operating costs from the second preceding year. Specify that any system beginning or adding service in a year for which an aid payment is made would have to notify DOT of its intent to do so in the year prior to the service expansion and would have to provide an estimate of the projected annual operating costs for the service expansion. Require DOT to include these costs, to the extent the Department determines they are reasonable, plus the estimated costs of new service in the year preceding the aid payment in the cost base for calculating aid payments, with an adjustment for inflation to make all the aidable costs expressed in the same year's dollars.

2. Delete the current law requirement that annual state transit aid payments be based on estimated operating costs for that year, effective with calendar year 2000 payments. Rather, require that annual transit aid payments be made based on actual operating costs from the second preceding year.

3. Maintain current law.

Prepared by: Al Runde

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June 1, 1999 | Joint Committee on Finance | Paper #932

Lift Bridge Aid (DOT -- Local Transportation Aid)

CURRENT LAW

Municipalities are reimbursed, from a biennial appropriation, for 100% of actual costs incurred in operating and maintaining swing or lift bridges on connecting highways. If the biennial appropriation is insufficient to provide full reimbursement, payments are prorated in the manner deemed desirable by DOT.

GOVERNOR

Provide base level funding of $1,350,000 SEG annually for lift bridge aid.

DISCUSSION POINTS

1. Lift bridge aid is paid on the first Monday in July for costs incurred during the previous calendar year. For example, the $1.1 million paid in lift bridge aid in July, 1998, was in reimbursement for actual costs incurred by the cities during calendar year 1997 (the cities must submit documentation of their costs by January 31).

2. Presently, five cities operate 10 eligible lift bridges: Green Bay (Main Street), Manitowoc (8th and 10th Streets), Milwaukee (Broadway, Kinnickinnic, State and Wells Streets), Racine (Main and State Streets) and Two Rivers (Madison Street).

3. The bill would provide base level funding of $1,350,000. DOT indicates that actual calendar year costs for 1998, to be reimbursed in July, 1999 (fiscal year 1999-00) were $1,763,400, or $413,400 over base funding. The higher costs reflect an unanticipated repair on the Wells Street bridge in Milwaukee and the costs associated with reopening the Main Street bridge in Green Bay. Further, DOT indicates that, while a complete picture of 1999 costs in not yet available, it is reasonable to expect a $75,000 increase in 2000-01 to reflect ongoing costs associated with the recent reopening of the Main Street bridge.

4. If the funding increase for 1999-00 is not provided, DOT would have the option of prorating the July, 1999, payments. Alternatively, DOT could fully fund these payments, since the appropriation is biennial, and make the necessary proration in the July, 2000, payments. If the July, 1999, payments are prorated based on available funding, each municipality would receive a payment equal to 76.6% of its 1998 costs. The following table indicates the 1998 costs and the 1999-00 prorated lift bridge aid payments for each bridge, if only base level funding is provided and DOT makes the full proration in July, 1999.

1999-00 Lift Bridge Aid Under Full Funding and Prorated Payment

Bridge	1998 Actual Costs	Prorated Aid Under Base Funding	Difference
Green Bay -- Main Street	$73,128	$55,985	-$17,143
Manitowoc -- 8th Street	109,784	84,048	-25,736
Manitowoc -- 10th Street	127,081	97,290	-29,791
Milwaukee -- Broadway Street	256,629	196,469	-60,160
Milwaukee -- Kinnickinnic and 1st	142,998	109,476	-33,522
Milwaukee -- State Street	18,576	14,221	-4,355
Milwaukee -- Wells Street	503,176	385,220	-117,956
Racine -- Main Street	308,546	236,215	-72,331
Racine -- State Street	218,808	167,514	-51,294
Two Rivers -- Madison Street	4,652	3,561	-1,091
TOTAL	$1,763,378	$1,350,000	-$413,378

5. Based on higher-than-anticipated transportation fund revenues, which were identified subsequent to introduction of the budget, the Governor has recommended that lift bridge aid funding be increased by $413,400 to fully fund the 1998 lift bridge costs and to provide an additional $75,000 toward anticipated 1999 costs associated with the reopening of Green Bay's Main Street bridge.

ALTERNATIVES TO BASE

1. Provide $413,400 SEG in 1999-00 and $75,000 SEG in 2000-01 to increase funding for lift bridge aid.

Alternative 1	SEG
1999-01 FUNDING (Change to Base)	$488,400
[Change to Bill	*$488,400]*

2. Maintain current law.

Prepared by: Al Runde

TRANSPORTATION

Local Transportation Aid

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
3	General Transportation Aid -- Law Enforcement Costs
9	Elderly and Disabled Transportation Aids
10	Elderly and Disabled Capital Grant Program

LFB Summary Item for Introduction as Separate Legislation

Item #	Title
5	Local Highway Assessments

Transportation

Local Transportation Projects

(LFB Budget Summary Document: Page 583)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
6	Freight Rail Assistance -- Interest Rate (Paper #935)
7	Railroad Grade Crossings Committee (see Public Service Commission -- Office of the Commissioner of Railroads -- Paper #816)
9	Richard I. Bong Air Museum (Paper #936)
-	Sixth Street Bridge in Milwaukee (Paper #937)

(Gov) Agency: DOT - Local Transportation Projects
Freight Rail Assistance - Interest Rate

Recommendations:

Paper No. 935: Alternative 4

Comments: We should maintain current law here (i.e. Alternative 4). I don't know why DOT and the gov are always out to screw up the Freight Rail Assistance programs. FB says in paragraph 3 that these loans are needed by the industry because banks and other lenders won't make them, and important work won't get done. Paragraph 5 says that railroad companies probably won't use the loan program anymore if the gov's proposal is approved and DOT adds an interest rate. Paragraph 6 offers further support for maintaining current law.

DOT currently uses a formula that determines if an interest rate is warranted on FRIIP loans. That works fine. Why change it.

This is not an urban issue either. FRIIP is primarily used to maintain rail service on a number of low-density lines, primarily in rural areas. We are losing 100 miles of railroad line a year in Wisconsin each year as it is (see paragraph 7).

prepared by: Barry

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June 1, 1999 Joint Committee on Finance Paper #935

Freight Rail Assistance -- Interest Rate (DOT -- Local Transportation Projects)

[LFB 1999-01 Budget Summary: Page 585, #6]

CURRENT LAW

DOT provides low- or no-interest loans to railroads, shippers or local governments to perform a variety of capital improvements related to freight rail service through the freight rail infrastructure improvement program (FRIIP). As the loans are repaid, these funds are made available for new loans. DOT may make loans or grants for the acquisition, rehabilitation or construction of rail property for the purpose of preserving rail service through the freight rail preservation program (FRPP).

GOVERNOR

Require DOT to promulgate a rule establishing an interest rate for loans made under the freight rail infrastructure improvement program and the freight rail preservation program.

DISCUSSION POINTS

1. In the Executive Budget Book, the administration indicates that this provision was intended to establish a low-level interest rate for FRIIP loans. As the provision is written, however, DOT would be required to establish a rate for both FRIIP and FRPP loans. DOT does not typically make loans under FRPP, but has occasionally made loans under the program to rail transit commissions, which are public, multi-county entities organized to preserve freight rail service. Typically, these loans are made to cover a portion of the costs of track rehabilitation on publicly-owned rail lines. If the Committee decides to continue to allow DOT to make no-interest loans under FRPP, the bill would need to be amended to reflect this intent.

2. Although the bill would require DOT to establish a minimum interest rate for freight rail loans, any rate, including 0%, could be established. If the Committee decides to require a minimum interest rate above 0%, the bill would need to be amended to reflect this intent.

3. Since much of the capital in the freight rail industry is considered nonrecoverable by financial lenders, securing outside credit for capital improvements, particularly for track upgrades, may be difficult. Typically, railroads internally finance improvements. The rate of return from an investment must be fairly high, however, to induce the railroad to proceed with an improvement project. The freight rail infrastructure improvement program was created to provide an additional source of credit for improvements. These loans typically are used for improvements on lines where the associated return would not be great enough to induce an improvement without a subsidy.

4. Currently, DOT sets the interest rate on FRIIP loans so that the internal rate of return from an improvement is equal to or less than twice the prevailing cost of capital for the industry. If the expected rate of return is greater than twice the cost of capital, the interest rate is set so that the rate of return is just equal to twice the cost of capital. If the expected rate of return is less than twice the prevailing cost of capital, then no interest is charged. All but three FRIIP loans issued since the beginning of the program in 1994-95 have been interest-free.

5. The railroad that has submitted the largest number of applications under the program has indicated that it would probably not participate in the program if an interest rate is required, because many of the improvements have marginal benefits to the railroad, even if no interest is charged. Even a small interest rate, therefore, may substantially reduce the demand for FRIIP loans.

6. One of the benefits of FRIIP may be that it allows freight railroads to continue to offer service on low-density lines, particularly in rural areas. The shippers on these lines would lose the option of shipping products and raw materials by rail if the railroads abandoned these lines. If charging an interest rate on FRIIP loans causes service on low-service lines to decline, shippers and communities on these lines may be harmed.

7. DOT indicates that about 100 miles of railroad line are abandoned each year. The amount of FRIIP loan applications generally exceeds the amount available for making loans by a ratio of two to one.

ALTERNATIVES

1. Approve the Governor's recommendation to require DOT to promulgate a rule establishing an interest rate for loans made under the freight rail infrastructure improvement program and the freight rail preservation program.

2. Modify the Governor's recommendation by requiring DOT to promulgate a rule to establish an interest rate for loans made under the freight rail infrastructure improvement program, but not the freight rail preservation program.

3. Modify the Governor's recommendation by specifying that the interest rate established by DOT must be above 0%.

4. Maintain current law.

Prepared by: Jon Dyck

(Gov) Agency: DOT - Local Transportation Projects
Richard I. Bong Museum

Recommendations:

Paper No. 936: Alternative 1 (no action needed)

Comments: Personally I support alternative 2, but Jauch wants Alternative 1 (which approves the governor).

I think this is a lot of money for a memorial and will make others expect the same level of funding for their museums and memorials. Although it's a worthy project, it sets an expensive precedent.

prepared by: Barry

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June 1, 1999 Joint Committee on Finance Paper #936

Richard I. Bong Air Museum (DOT -- Local Transportation Projects)

[LFB 1999-01 Budget Summary: Page 587, #9]

CURRENT LAW

The transportation enhancements program primarily funds pedestrian and bicycle trail projects using federal highway aid. Under federal law, however, transportation enhancements funds can be used for any of the following purposes: (a) facilities for pedestrians and bicycles; (b) safety and educational activities for pedestrians and bicyclists; (c) acquisition of scenic easements and scenic or historic sites; (d) scenic or historic highway programs; (e) landscaping and other scenic beautification; (f) historic preservation, rehabilitation and operation of historic transportation buildings, structures or facilities (including historic railroad facilities and canals); (g) preservation of abandoned railway corridors (including the conversion of corridors to pedestrian or bicycle trails); (h) control and removal of outdoor advertising; (i) archaeological planning and research; (j) environmental mitigation to address pollution due to highway runoff or to reduce vehicle-caused wildlife mortality while maintaining habitat connectivity; and (k) establishment of transportation museums.

Under the state's grant program, every project must have a public sponsor that pays 20% of the project's cost. Projects are selected for funding by a committee composed of representatives of the Legislature, the public, the Wisconsin Historical Society and the Departments of Commerce, Natural Resources, Tourism and Transportation. Typically, project applications are solicited and approved for a three-year funding cycle. Base funding for the program is $6,248,000 FED.

GOVERNOR

Require DOT to allocate $1,000,000 FED in 1999-00 from the transportation enhancements program for making a grant to the City of Superior for the construction of the

Richard I. Bong Air Museum. Specify that the grant may not exceed 90% of the cost of constructing the museum.

DISCUSSION POINTS

1. The construction of the Richard I. Bong Heritage Center, honoring a World War II Army pilot from Poplar, is scheduled to begin in late 1999, provided that enough funds are raised from donations and public grants. The total projected cost of the Heritage Center, which would be built in the City of Superior, is $3.5 million, although project organizers hope to raise an additional $1.5 million to establish an endowment to support the ongoing maintenance of the building. The bill would provide $1,000,000 in federal enhancements funds in 1999-00 for the City of Superior to pay some of the cost of construction. In addition, the City of Superior and Douglas County have pledged $300,000 each for the project, which would leave the remaining $3.4 million to be raised from private donations.

2. The committee that selects enhancements projects gives a score to each project and then approves projects, according to their scores, depending upon how much funding is anticipated to be available. The City of Superior did not submit an application for the Richard I. Bong Heritage Center, so this project did not receive a score. However, the establishment of a transportation museum was not an eligible use of federal transportation enhancements funds until the passage of the federal Transportation Equity Act for the 21st Century, in June, 1998, which was after the application deadline (April, 1998) for the current state grant cycle.

3. In 1998, the enhancements selection committee approved grants for 88 projects totaling $22.8 million, to be distributed between 1998-99 and 2000-01. This amount was approved on the assumption that the base funding level of $6,248,000 would be maintained throughout the three-year period, which would allow a total of $18.7 million to be available for making grants. In addition, although $3,750,000 FED was provided in the enhancements appropriation in 1997-98, none of this amount was spent, so the committee made the decision to approve projects using the unspent funds from 1997-98, allowing a total of $22.5 million to be available.

4. The amount of funding available is $0.3 million less than the amount of grants approved. It is not unusual, however, for some projects to be canceled before construction begins, typically because the local sponsor can not provide the required 20% match. It is likely that enough projects would be canceled for this or other reasons to allow all approved projects that are not canceled to be funded. If the Governor's recommendation to require DOT to allocate $1,000,000 for the Bong Heritage Center is approved, then the size of the gap between the amount of approved grants and the amount of available funding would increase to $1.3 million.

5. During previous enhancements funding cycles, the amount of grants approved generally exceeded the amount of funds that were anticipated to be available over that period by about 10% to 20%. The decision to approve more grants than the amount of funding available was done with the expectation that enough projects would be canceled that all remaining projects could

be funded without exceeding the amounts appropriated.

6. DOT indicates that the current policy is to provide funding for all projects that are approved, even if they are not completed until several years after the funding cycle in which they were approved. Since there is the potential that all approved projects will eventually be funded, the decision was made to only approve grants approximately equal to the amount of funding provided in the enhancements appropriation. Adding the Bong Heritage Center to the list of approved projects would not force the cancellation of any other approved project, but could mean that DOT will make grants exceeding the amount appropriated for enhancements. It may be reasonable to expect, however, that enough project attrition will occur during the current enhancements cycle so that the amount of grants made would not exceed the amount appropriated.

7. The bill would specify that the grant made to the Richard I. Bong Heritage Center could not exceed 90% of the construction cost. Federal law regarding the use of enhancements funds allows flexibility in the matching percentage so that some project sponsors may be required to provide more or less than a 20% match as long as there is at least 20% in matching funds for the total amount of federal enhancements funds spent by the state. Allowing the City of Superior to provide as little as 10%, therefore, would require other approved projects to provide matching funds exceeding 20% to make up the difference. If this provision of the bill were eliminated, then no other projects would be required to provide a match greater than 20%. Given that the portion of the cost of the Bong Heritage Center that would be paid with nonfederal funds is more than enough to provide a 20% match, eliminating the 90% provision would not affect the amount paid by the City of Superior.

ALTERNATIVES

1. Approve the Governor's recommendation to require DOT to allocate $1,000,000 FED in 1999-00 from the transportation enhancements program for making a grant to the City of Superior for the construction of the Richard I. Bong Air Museum. Specify that the grant may not exceed 90% of the cost of constructing the museum.

2. Modify the Governor's recommendation by specifying that the grant may not exceed 80% of the cost of constructing the museum.

3. Maintain current law.

Prepared by: Jon Dyck

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June 1, 1999 | Joint Committee on Finance | Paper #937

Sixth Street Bridge in Milwaukee (DOT -- Local Transportation Projects)

CURRENT LAW

Certain bridges for which an agreement was reached between DOT and local governments prior to June 30, 1993, are eligible for construction or reconstruction under the accelerated local bridge improvement assistance program, with the state paying 75% of the cost of construction. The county and municipality in which the bridge is located each must pay 12.5% of the cost. Of the four bridges that were approved prior to June 30, 1993, three have been completed or are under construction. The fourth bridge, the Sixth Street Bridge in Milwaukee, has not yet been reconstructed.

GOVERNOR

No provision.

DISCUSSION POINTS

1. A provision of the federal Intermodal Surface Transportation Efficiency Act of 1991 allowed the Governor of Wisconsin to submit a request to use $241.0 million of interstate cost estimate (ICE) funds, which had been approved for building a transitway between Waukesha and Milwaukee, for a different project. In 1993, the Governor requested that the funds be used to fund the construction of a facility for buses and multi-occupant vehicles (HOV lanes) along I-94, from downtown Milwaukee to STH 164 near Waukesha.

2. Because there had been no agreement between the state and affected local governments on the construction of HOV lanes, no ICE funds have been used. The 1999 federal appropriations bill included a provision that allows the Governor to submit another request for using the funds for an alternative project or projects. The Governor was given the authority to decide how half of the ICE funds would be spent ($120.5 million), but was required to consult with local

government officials before making a request for using the other half.

3. Pursuant to these requirements, the Governor, the Milwaukee County Executive and the Mayor of the City of Milwaukee reached an agreement on April 26, 1999, for using the funds. The construction of the Sixth Street Bridge in Milwaukee is one component of the agreement.

4. The parties agreed to spend a total of $60 million on the Milwaukee bridge. DOT estimates that building a basic-design bridge to replace the existing Sixth Street Bridge would cost $52.0 million. A bridge of the design favored by the County and City, however, would cost an additional $8.0 million. The parties agreed that the current law funding shares (75% state, 12.5% county and 12.5% city) would apply to the $52.0 million basic-design cost and that the local governments would pay half of the additional $8.0 million cost (50% state and 50% local). In total, the state would pay $43.0 million and the local governments would pay $17.0 million.

5. Under the agreement, the state and local governments would use ICE funds to pay as much of their respective shares of the cost of the bridge as possible, although a 15% state or local match is required. Consequently, the state would use $36.5 million in ICE funds and $6.5 million SEG, while the local governments would use $14.5 million in ICE funds and $2.5 million in local funds.

6. The statutory provisions for the accelerated local bridge improvement assistance program provide that if discretionary federal funds are available for a bridge, then the shares paid by the state and local governments are reduced proportionately, which would be the case for the portion of the cost of the Sixth Street Bridge assumed to be the basic-design cost. The additional $8.0 million would be subject to a different funding share under the agreement, which would require a statutory change.

7. On May 3, 1999, the Department of Administration sent a letter to the Co-chairs of the Joint Committee on Finance requesting that the budget be amended to reflect the provisions of the ICE funds agreement. DOA requested that the appropriations for the accelerated local bridge improvement assistance program be increased in 1999-00 as follows: (a) $51,000,000 FED to reflect both the state and local use of ICE funds; (b) $6,500,000 SEG to provide the state match; and (c) $2,500,000 SEG-L to reflect the local match. In addition, DOA requested that a nonstatutory provision be included to allow the funding shares as agreed to by the state and the local governments.

ALTERNATIVES

1. Provide $51,000,000 FED (ICE funds), $6,500,000 SEG and $2,500,000 SEG-L in 1999-00 for the accelerated local bridge improvement assistance program. Specify that, notwithstanding current provisions related to the payment of the costs of a bridge under the accelerated local bridge improvement assistance program, the share of the costs paid by the state and local governments for the Sixth Street Bridge shall be as determined by the agreement on the use of the ICE funds.

Alternative 1	FED	SEG-L	SEG	TOTAL
1999-01 FUNDING (Change to Bill)	$51,000,000	$2,500,000	$6,500,000	$60,000,000

2. Maintain current law.

Prepared by: Jon Dyck

TRANSPORTATION

Local Transportation Projects

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
2	Chicago-Milwaukee Passenger Rail Service
3	Midwest Rail Initiative -- Crossing Devices
4	Freight Rail Preservation Program
5	Freight Rail Infrastructure Improvement Program
8	Harbor Assistance Program
10	Local Area Computer Network Administration
11	Water Permit Exemption for Other Transportation Projects
12	Bicycle and Pedestrian Facilities Program

LFB Summary Item to be Addressed in a Subsequent Paper

Item #	Title
1	Milwaukee Lakeshore Bicycle and Pedestrian Facilities Grants

Transportation

State Highway Program

(LFB Budget Summary Document: Page 588)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
1	State Highway Rehabilitation (Paper #945)
2	Major Highway Development -- Funding Level (Paper #946)
4	State Highway Maintenance and Traffic Operations (Paper #947)
5	Outdoor Advertising Sign Inventory System (Paper #948)
9	Transfer to Fund Planning Grants to Local Governments (Paper #949)

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June 1, 1999 | Joint Committee on Finance | Paper #945

State Highway Rehabilitation (DOT -- State Highway Program)

[LFB 1999-01 Budget Summary: Page 588, #1]

CURRENT LAW

The state highway rehabilitation program, which is funded through both federal and state appropriations, is principally responsible for repairing deteriorated highways and bridges on the state trunk highway system. Base funding for the program is $533,426,300 ($256,751,300 SEG and $276,675,000 FED).

GOVERNOR

Provide $6,605,100 FED in 1999-00 and $16,153,300 FED in 2000-01 to provide increases of 1.2% and 1.8%, respectively, for the state highway rehabilitation program.

DISCUSSION POINTS

1. The following table shows the funding for the program by funding source. The FED increases reflect the funding provided by this item. The SEG decreases reflect the net of the following: (a) standard budget adjustments (-$451,700 in 1999-00 and -$472,900 in 2000-01); (b) a separate item that would transfer funds to the highway administration appropriation (-$382,100 in 1999-00 and -$370,800 in 2000-01) to fund some of the costs of complying with new federal stormwater management regulations; and (c) a separate item that would provide funds ($15,800 annually) that would then be transferred to the public safety radio management PR appropriation to provide the state highway program's share of an increase in funding provided by the bill for the public safety radio management program.

Actual 1998-99 and Proposed 1999-01 Funding Levels

Fund	1998-99 Base	Governor 1999-00	Governor 2000-01	Governor Biennial Total
SEG	$256,751,300	$255,933,300	$255,923,400	$511,856,700
FED	276,675,000	283,280,100	292,828,300	576,108,400
TOTAL	$533,426,300	$539,213,400	$548,751,700	$1,087,965,100

2. With the passage of the federal Transportation Equity Act for the 21st Century (TEA-21), the state received significant increases in federal highway aid. The 1997-99 budget act estimated federal highway aid in both years of the biennium at $345 million. In 1998, the state received $409.9 million in federal highway aid, or $64.9 million more than the amount estimated. Of this amount, $34,380,000 FED was allocated to the highway rehabilitation program. In 1999, the state received $465.0 million, or $120.0 million more than the amount estimated. Of this amount, $73,710,300 FED was allocated to the highway rehabilitation program. The 1998-99 base shown in the table includes the $73,710,300 of additional federal funds provided in that year.

3. The following table compares the rate of growth in funding since 1996-97 that would result, if the funding levels in the bill were approved, for the state highway rehabilitation program and several other DOT programs. The percentages shown include both federal and state funds. The table also shows the change in the Consumer Price Index over the same period.

Percentage Increase in State and Federal Funding for Various Transportation Programs (1997-2001)

Program	AB 133
State Highway Rehabilitation	32.3%
Major Highway Development	35.8
State Highway Maintenance	14.6
Local Road Programs*	18.7
Mass Transit Aid	27.5
Consumer Price Index	8.9

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

4. The preceding table shows that the state highway rehabilitation program has grown more rapidly than the state highway maintenance, local road and mass transit aid programs. Some have argued that the budget should be modified to produce more even growth between

transportation programs. This would suggest limiting growth in the state highway rehabilitation and major highway development programs in this biennium.

5. DOT's draft highway plan for the period between 2000 and 2020 projects that expenditures will exceed available revenues by $4.2 billion over the 21 years, assuming that there are no major transportation tax increases and that motor fuel consumption does not increase. This gap between expenditures and revenues occurs primarily because of a few, periodic peaks in expenditures. These peaks correspond to several large highway projects on Milwaukee-area freeways. There is no projected gap, however, during the 1999-01 biennium, because the first large freeway project that would cause the gap, the reconstruction of the Marquette Interchange, will not start during the biennium.

6. Although there would be no gap between expenditures and revenues during the 1999-01 biennium, the plan assumes that the amount of resources available to the program will increase for inflation. The bill, however, would provide an increase for the program that is below the projected rate of inflation. Based on projected inflation rates from Standard and Poor's DRI of 2.4% in 1999-00 and 2.5% in 2000-01, the amounts needed to provide an inflationary increase for the program would be $12,802,200 in 1999-00 and $26,457,900 in 2000-01, which is more than the amount provided by the bill by $6,197,100 in 1999-00 and $10,304,600 in 2000-01.

7. A separate item in the budget would transfer $382,100 SEG in 1999-00 and $370,800 SEG in 2000-01 from the rehabilitation program to the highway administration and planning appropriation for administrative costs related to the implementation of a cooperative agreement between DOT and DNR regarding stormwater management. In addition, DOT estimates that implementing the agreement will increase the costs of rehabilitation projects by $4,415,500 in 1999-00 and $4,991,000 in 2000-01, primarily due to the need to built additional stormwater detention ponds in certain urbanized areas. Since the transfer of funds and additional costs reduce the buying power of the rehabilitation program, an additional $4,797,600 in 1999-00 and $5,361,800 in 2000-01 could be provided to offset the costs of complying with the stormwater agreement.

8. Although additional funding may be provided to offset programmatic cost increases, it should be noted that the stormwater requirement is only one example of program changes that may change the cost of projects. For instance, the cost of particular materials or fuel, process changes or changes in design standards may either increase or decrease program costs. Typically, budgetary adjustments have not been made to account for these changes.

9. In calculating pay plan reserves, DOT included salaries of employes who work in the rehabilitation program, estimated at $17,884,000 SEG. [Employes whose salaries and fringe benefits are paid with federal funds are not included in the pay plan calculations.] Increases provided for the rehabilitation program by the bill, however, could be used to supplement the salaries of rehabilitation program employes. In other words, providing an inflationary adjustment for the rehabilitation program in addition to using rehabilitation base salaries in calculating pay plan reserves provides, in effect, a double-increase for salary inflation. If a full inflationary adjustment

for the program is provided, the pay plan reserve amount could be lowered by $439,200 in 1999-00 and $1,098,100 in 2000-01.

ALTERNATIVES

Alternatives 2 and 3 in this section modify the bill by adding SEG funds. FED funds could also be used to increase the total program size, depending upon the relative availability of each funding source.

1. Approve the Governor's recommendation to provide $6,605,100 FED in 1999-00 and $16,153,300 FED in 2000-01 to provide increases of 1.2% and 1.8%, respectively, for the state highway rehabilitation program.

2. Modify the Governor's recommendation as follows: (a) provide an additional $6,197,100 SEG in 1999-00 and $10,304,600 SEG in 2000-01, which would provide a full inflationary adjustment of 2.4% in 1999-00 and 2.5% in 2000-01; and (b) reduce transportation fund reserves by $439,200 in 1999-00 and $1,098,100 in 2000-01 to subtract reserves calculated for rehabilitation program employes whose salaries and fringe benefits are funded with SEG funds. Specify that compensation increases for state highway rehabilitation employes whose salaries and fringe benefits are funded with SEG funds, up to the inflationary percentages provided for the state highway rehabilitation program, must be funded within the inflationary funding increases provided for the program.

Alternative 2	SEG
1999-01 FUNDING (Change to Bill)	$16,501,700
1999-01 RESERVES (Change to Bill)	- $1,537,300

3. Provide an additional $4,797,600 SEG in 1999-00 and $5,361,800 SEG in 2000-01 to offset the costs of complying with DOT's stormwater regulation agreement with DNR.

Alternative 3	SEG
1999-01 FUNDING (Change to Bill)	$10,159,400

4. Maintain current law.

Alternative 4	FED
1999-01 FUNDING (Change to Bill)	- $22,758,400

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June 1, 1999 | Joint Committee on Finance | Paper #946

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

[LFB 1999-01 Budget Summary: Page 576, #3 (part) and Page 589, #2]

CURRENT LAW

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

Major highway improvements are funded from three main sources: the state segregated transportation fund, federal highway aid and the proceeds of revenue bonds. Base funding for the program is $207,505,400 ($41,350,000 SEG, $55,620,100 FED and$110,535,300 SEG-S).

GOVERNOR

Provide $1,838,000 SEG, $1,708,000 FED and $2,675,000 SEG-S (revenue bond proceeds) in 1999-00 and $6,428,400 SEG, $2,328,400 FED and $3,871,900 SEG-S in 2000-01 to provide 3% annual inflationary increases for the major highway development program.

DISCUSSION POINTS

1. The following table shows the proposed funding for the program by funding source. The funding in each year of the biennium reflects the net effect of this item, plus the following: (a) standard budget adjustments (-$60,800 SEG annually); and (b) a separate item that would transfer funds to the highway administration appropriation (-$61,200 SEG in 1999-00 and -$59,400 SEG in

2000-01) to fund some of the costs of complying with new federal stormwater management regulations.

Actual 1998-99 and Proposed 1999-01 Funding Levels

Fund	1998-99 Base	Governor 1999-00	Governor 2000-01	Governor Biennial Total
SEG	$41,350,000	$43,066,000	$47,658,200	$90,724,200
FED	55,620,100	57,328,100	57,948,500	115,276,600
Bonding	110,535,300	113,210,300	114,407,200	227,617,500
TOTAL	$207,505,400	$213,604,400	$220,013,900	$433,618,300

2. With the passage of the federal Transportation Equity Act for the 21st Century (TEA-21), the state received significant increases in federal highway aid. The 1997-99 budget act estimated federal highway aid in both years of the biennium at $345 million. In 1998, the state received $409.9 million in federal highway aid, or $64.9 million more than the amount estimated. Of this amount, $5,730,000 FED was allocated to the major highway development program. In 1999, the state received $465.0 million, or $120.0 million more than the amount estimated. Of this amount, $14,685,000 FED was allocated to the major highway development program. The 1998-99 base shown in the table includes the $14,685,000 of additional federal funds provided in that year.

3. The following table compares the rate of growth in funding since 1996-97 that would result, if the funding levels in the bill were approved, for the major highway development program and several other DOT programs. The percentages shown include federal, state and revenue bond funds. The table also shows the change in the Consumer Price Index.

Percentage Increase in State and Federal Funding for Various Transportation Programs (1997-2001)

Program	AB 133
Major Highway Development	35.8%
State Highway Rehabilitation	32.3
State Highway Maintenance	14.6
Local Road Programs*	18.7
Mass Transit Aid	27.5
Consumer Price Index	8.9

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

4. The preceding table shows that the major highway development program has grown more rapidly than the other four transportation programs. Some have argued that the budget should be modified to produce more even growth between transportation programs. This would suggest limiting growth in the major highway development and state highway rehabilitation programs in this biennium.

5. In developing the most recent draft highway plan, which covers the period between 2000 and 2020, DOT developed a slightly higher threshold of traffic congestion than has been used in the past for determining when highway capacity improvements are needed. In part, a different threshold was envisioned in order to allow additional resources to be applied to highway preservation. The bill, however, would provide 3% annual increases for the major highway development program, which primarily involves capacity improvements, while the state highway rehabilitation program, which primarily involves system preservation, was provided with increases of 1.2% in 1999-00 and 1.8% in 2000-01.

6. Current projections of inflation by Standard and Poor's DRI are 2.4% in 1999-00 and 2.5% in 2000-01. Providing inflationary increases for the major highway development program, instead of 3% annual increases, would allow additional funds to be used for other DOT programs or, alternatively, could allow a reduction in the amount of revenue bonding proceeds used in the program. Increases of $4,980,100 in 1999-00 and $10,292,200 in 2000-01 would be sufficient to provide inflationary adjustments of 2.4% in 1999-00 and 2.5% in 2000-01, which would be less than the amount provided by the bill by $1,240,900 in 1999-00 and $2,336,500 in 2000-01.

7. A separate item in the budget would transfer $61,200 SEG in 1999-00 and $59,400 SEG in 2000-01 from the major highway development program to the highway administration and planning appropriation for administrative costs related to the implementation of a cooperative agreement between DOT and DNR regarding stormwater management. In addition, DOT estimates that implementing the agreement will increase the costs of major highway projects by $706,900 in 1999-00 and $799,000 in 2000-01, primarily due to the need to build additional stormwater detention ponds in certain urbanized areas. Since the transfer of funds and additional costs reduce the buying power of the major highway development program, an additional $768,100 in 1999-00 and $858,400 in 2000-01 could be provided to offset the costs of complying with the stormwater agreement.

8. Although additional funding may be provided to offset programmatic cost increases, it should be noted that the stormwater requirement is only one example of program changes that may change the cost of projects. For instance, the cost of particular materials or fuel, process changes or changes in design standards may either increase or decrease program costs. Typically, budgetary adjustments have not been made to account for these changes.

9. In calculating pay plan reserves, DOT included salaries of employes who work in the major highway development program, estimated at $1,057,000 SEG. [Employes whose salaries and fringe benefits are paid with federal funds are not included in the pay plan calculations.] Increases provided for the major highway development program by the bill, however, could be used to supplement the salaries of major highway development program employes. In other words,

providing an inflationary adjustment for the major highway development program in addition to using base salaries in calculating pay plan reserves provides, in effect, a double-increase for salary inflation. If a full inflationary adjustment for the program is provided, the pay plan reserve amount could be lowered by $26,000 in 1999-00 and $64,900 in 2000-01.

10. If the funding provided by the bill is approved, revenue bond proceeds would be used to fund 53% of the program in 1999-00 and 52% in 2000-01. In its budget request, DOT requested a 3% annual increase for the major highway development program using primarily bond proceeds. If the entire increase proposed in the bill was financed with revenue bonds, bonding would fund 54.7% of the program in 1999-00 and 56.0% of the program in 2000-01.

11. Historically, DOT's policy has been to recommend that about 55% of the major highway development program's costs be funded with bonding. During the 1995-97 biennium, however, bonds were used to fund about 65% of the program. Increases in SEG and FED funds for the program during the 1997-99 biennium decreased the percentage of the total program paid with bonds to 53% in 1998-99.

12. Concerns about increasing debt service for major highway development revenue bonds have caused some to recommend that the use of bonds be reduced. The following table shows the amount of debt service that would be paid under several different scenarios. The first column shows the debt service if the amount of bonding was kept at the current level ($110,535,300) for the next 10 years. The second column shows the amount of debt service that would result if the funding provided in the bill is approved, and bonding is kept at the 52% level throughout the period, assuming a 3% annual growth in the size of the program. The final two columns show the amount of debt service if the funding provided in the bill is approved, and bonding is used to fund 50% and 55% of the program, respectively, throughout the period, assuming a 3% annual growth in the size of the program.

Debt Service Under Several Revenue Bonding Scenarios (In Millions)

Fiscal Year	Constant Bonding	52% Bonding (Bill)	50% Bonding	55% Bonding
1999-00	$92.6	$92.6	$92.5	$92.7
2000-01	101.3	101.5	101.1	101.8
2001-02	111.0	111.6	110.8	112.4
2002-03	120.5	121.6	120.4	122.9
2003-04	134.5	136.4	134.9	138.3
2004-05	143.9	147.0	145.0	149.5
2005-06	153.5	158.0	155.6	161.1
2006-07	151.4	157.6	154.8	161.4
2007-08	161.9	170.2	167.0	174.6
2008-09	167.4	178.2	174.5	183.2

ALTERNATIVES

A. Funding Level

Alternatives 3 and 4 in this section modify the bill by adding or subtracting SEG funds. FED funds could also be used to either increase or decrease the total program size, depending upon the relative availability of each funding source. The amount of SEG-S used will depend upon the Committee's action on the next set of alternatives, which relate to the level of bonding.

1. Approve the Governor's recommendation to provide $1,838,000 SEG, $1,708,000 FED and $2,675,000 SEG-S (revenue bond proceeds) in 1999-00 and $6,428,400 SEG, $2,328,400 FED and $3,871,900 SEG-S in 2000-01 to provide 3% annual increases for the major highway development program.

2. Delete $1,240,900 SEG in 1999-00 and $2,336,500 SEG in 2000-01, to provide total increases of $4,980,100 in 1999-00 and $10,292,200 in 2000-01, which would provide inflationary increases of 2.4% in 1999-00 and 2.5% in 2000-01.

Alternative A2	SEG
1999-01 FUNDING (Change to Bill)	- $3,577,400

3. In addition to #1 or #2, reduce transportation fund reserves by $26,000 in 1999-00 and $64,900 in 2000-01 to subtract reserves calculated for major highway development program employes whose salaries and fringe benefits are funded with SEG funds. Specify that compensation increases for major highway development employes whose salaries and fringe benefits are funded with SEG funds, up to the inflationary percentages provided for the major highway development program, must be funded within the inflationary funding increases provided for the program.

Alternative A3	SEG
1999-01 RESERVES (Change to Bill)	- $90,900

4. Provide an additional $768,100 SEG in 1999-00 and $858,400 SEG in 2000-01 to offset the costs of complying with DOT's stormwater regulation agreement with DNR.

Alternative A4	SEG
1999-01 FUNDING (Change to Bill)	$1,626,500

5. Maintain current law.

Alternative A5	FED	SEG-S	SEG	TOTAL
1999-01 FUNDING (Change to Bill)	- $4,036,400	- $6,546,900	- $8,266,400	- $18,849,700

B. Level of Revenue Bonds

The alternatives in this section are based on the overall funding level provided by the bill. In cases where a change in other funding sources is associated with a particular level of bonding, the changes are reflected with SEG funds. FED funds could also be used, depending upon the relative availability of each funding source. If a different overall funding level is provided in the previous section, then adjustments to the SEG funding and revenue amounts shown would be required to implement the specific bonding policy.

1. Approve the Governor's recommendation to use 53% bonding in 1999-00 and 52% bonding in 2000-01 to fund the major highway development program. Provide increased revenue bonding authority of $179,666,000 to reflect this level of bonding.

2. Reduce the amount of bonding used to fund the major highway development program by $2,675,000 SEG-S (revenue bond proceeds) in 1999-00 and $3,871,900 SEG-S in 2000-01 to freeze the level of bonding at the 1998-99 base level of $110,535,300. Provide an additional $2,675,000 SEG in 1999-00 and $3,871,900 SEG in 2000-01 to replace the bonding. Provide increased revenue bonding authority of $173,119,100 to reflect this level of bonding. Increase estimated transportation fund revenue by $37,800 in 1999-00 and $204,700 in 2000-01 to reflect a reduction in revenue bond debt service.

Alternative B2	BR	SEG-S	SEG	TOTAL
1999-01 REVENUE (Change to Bill)	- $6,546,900	$0	$242,500	- $6,304,400
1999-01 FUNDING (Change to Bill)	$0	- $6,546,900	$6,546,900	$0

3. Reduce the amount of bonding used to fund the major highway development program by $6,408,100 SEG-S in 1999-00 and $4,400,200 SEG-S in 2000-01 to reduce the percentage of the program funded with revenue bond proceeds to 50%. Provide an additional $6,408,100 SEG in 1999-00 and $4,400,200 SEG in 2000-01 to replace the bonding. Provide increased revenue bonding authority of $168,857,700 to reflect this level of bonding. Increase estimated transportation fund revenue by $87,900 in 1999-00 and $416,700 in 2000-01 to reflect a reduction in revenue bond debt service.

Alternative B3	BR	SEG-S	SEG	TOTAL
1999-01 REVENUE (Change to Bill)	- $10,808,300	$0	$504,600	- $10,303,700
1999-01 FUNDING (Change to Bill)	$0	- $10,808,300	$10,808,300	$0

4. Increase the amount of bonding used to fund the major highway development program by $4,272,100 SEG-S in 1999-00 and $6,600,400 SEG-S in 2000-01 to increase the percentage of the program funded with revenue bond proceeds to 55%. Delete $4,272,100 SEG in 1999-00 and $6,600,400 SEG in 2000-01 to reflect the increase in bonding. Provide increased revenue bonding authority of $190,538,500 to reflect this level of bonding. Decrease estimated transportation fund revenue by $58,600 in 1999-00 and $332,500 in 2000-01 to reflect an increase in revenue bond debt service.

Alternative B4	BR	SEG-S	SEG	TOTAL
1999-01 REVENUE (Change to Bill)	$10,872,500	$0	- $391,100	$10,481,400
1999-01 FUNDING (Change to Bill)	$0	$10,872,500	- $10,872,500	$0

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

[LFB 1999-01 Budget Summary: Page 590, #4]

CURRENT LAW

The state highway maintenance, repair 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 employes or by private contractors. The base budget for the program is $147,594,600 SEG.

GOVERNOR

Provide $3,626,700 SEG in 1999-00 and $11,785,300 SEG in 2000-01 for highway maintenance and traffic operations. This would provide increases of 2.8% in 1999-00 and 6.1% in 2000-01, calculated on a base that excludes costs related to salaries and fringe benefits for state employes.

DISCUSSION POINTS

1. The bill would provide an above-inflation increase for the maintenance and traffic operations program to compensate for increases in the number of lane-miles and the amount of traffic on the state trunk highway system. Between 1994 and 1998, the number of state highway lane-miles increased by 3%. Between 1994 and 1997, which is the last year for which data is available, the number of vehicle-miles traveled on state highways increased by 10%. The increase in the number of lane-miles requires additional plowing and salt in winter and more pavement

repairs in summer, while additional traffic increases the demand for traffic signals and street lights.

2. The following table compares the rate of growth in funding since 1996-97 that would result, if the funding levels in the bill were approved, for the maintenance and traffic operations program and several other DOT programs. The percentages shown include both federal and state funds, although federal funds cannot generally be used for the principal highway maintenance program. The table also shows the change in the Consumer Price Index over the same period.

Percentage Increase in State and Federal Funding for Various Transportation Programs (1997-2001)

Program	AB 133
State Highway Maintenance	14.6%
State Highway Rehabilitation	32.3
Major Highway Development	35.8
Local Road Programs*	18.7
Mass Transit Aid	27.5
Consumer Price Index	8.9

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

3. In submitting its budget request, DOT estimated that the cost to continue the maintenance and traffic operations program at the same level as during 1998-99, assuming that there would continue to be growth in traffic and the number of lane-miles and assuming an inflation rate of 2.8% in 1999-00 and 2.9% in 2000-01, would be $6,741,600 in 1999-00 and $13,837,900 in 2000-01. Current projections of inflation for those years by Standard and Poor's DRI, however, are 2.4% in 1999-00 and 2.5% in 2000-01. Using these inflation rates, the cost to continue the program at the 1998-99 level of effort would be $6,319,100 in 1999-00 and $12,764,400 in 2000-01.

4. A separate item in the budget would use $314,000 FED annually to replace the same amount of SEG funds in order to pay 80% of the salary and fringe benefit costs associated with the traffic operations center with federal highway funds. The traffic operations center operates the traffic cameras and monitors, variable message signs and ramp meters on the Milwaukee area freeway system and serves as an emergency vehicle dispatcher in the event of an accident. Although FED funds would replace SEG funds, the bill would not reduce SEG funds in the maintenance and traffic operations appropriation by a corresponding amount, which would allow additional SEG resources to be used in the principal maintenance and traffic operations program. Retaining these funds in the appropriation would reduce the amounts that would need to be provided to continue the program at the 1998-99 level of effort to $6,005,100 in 1999-00 and

$12,450,400 in 2000-01. This is higher than the amounts provided by the bill by $2,378,400 in 1999-00 and $665,100 in 2000-01.

5. DOT requested a funding increase for maintenance and traffic operations that was less than the amount needed to continue the program at the 1998-99 level and the bill would provide the amount requested. DOT based its request on an evaluation of the relative priorities of transportation programs and the amount of transportation fund revenue that was estimated to be available at the time.

6. The bill would result in SEG spending on all transportation programs in 2000-01 that is greater than the estimated amount of transportation fund revenue collected during that year, which is possible because of a closing balance in 1999-00. The bill would provide a larger percentage increase for the maintenance and traffic operations program in the second year of the biennium than in the first year, contributing to the structural imbalance. An alternative that would reduce the structural imbalance by $4.0 million would be to provide the same increase in both years, while using the same total amount of funding. This would allow increases of $7,706,000 annually. Since the maintenance appropriation is a biennial appropriation, DOT could allocate funds within the biennium to either fiscal year. However, this would reduce the base for the 2001-03 budget, compared to the bill.

7. Increases above the base of $3,108,600 in 1999-00 and $6,424,400 in 2000-01 would be required to provide only an inflationary increase for the maintenance and traffic operations program, which would be less than the amount provided by the bill by $518,100 in 1999-00 and $5,360,900 in 2000-01.

ALTERNATIVES

1. Approve the Governor's recommendation to provide $3,626,700 SEG in 1999-00 and $11,785,300 SEG in 2000-01 for the highway maintenance and traffic operations program.

2. Provide an additional $2,378,400 SEG in 1999-00 and $665,100 SEG in 2000-01, to provide total increases of $6,005,100 SEG in 1999-00 and $12,450,400 SEG in 2000-01, which would be the amount needed to continue the program at the 1998-99 level of effort, given projected increases in the number of lane-miles and the amount of traffic.

Alternative 2	SEG
1999-01 FUNDING (Change to Bill)	$3,043,500

3. Provide $4,079,300 SEG in 1999-00 and delete $4,079,300 SEG in 2000-01 to provide equivalent total annual increases of $7,706,000, which would provide the same total amount of funding for the program over the biennium as the bill.

4. Delete $518,100 SEG in 1999-00 and $5,360,900 SEG in 2000-01, to provide total increases of $3,108,600 SEG in 1999-00 and $6,424,400 SEG in 2000-01, which would provide inflationary increases of 2.4% in 1999-00 and 2.5% in 2000-01.

Alternative 4	**SEG**
1999-01 FUNDING (Change to Bill)	- $5,879,000

5. Maintain current law.

Alternative 5	**SEG**
1999-01 FUNDING (Change to Bill)	- $15,412,000

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Outdoor Advertising Sign Inventory System (DOT -- State Highway Program)

[LFB 1999-01 Budget Summary: Page 590, #5]

CURRENT LAW

Federal and state laws require the Department of Transportation to regulate outdoor advertising signs along federal aid-eligible highways, with respect to their placement, size, illumination and spacing. DOT requires a permit to be issued for each new sign and charges a permit issuance fee that is deposited in the transportation fund and is intended to pay part of the cost of regulating signs. The current permit issuance fee, which is established by administrative rule, depends upon the size of the sign and ranges from $5 to $100.

GOVERNOR

Provide $510,000 SEG in 2000-01 for the procurement of a computerized inventory system for outdoor advertising signs along highways eligible for federal aid.

DISCUSSION POINTS

1. DOT indicates that the funding provided by the bill would be used to hire a contractor to establish and maintain a computerized sign inventory system. The system would use geographic information systems technology to keep track of the location of all signs on the state trunk highway system, as well as recording other information, such as a sign's physical characteristics, owner and the zoning classification for the area in which the sign is located. The contractor would provide ongoing updates of the inventory, eliminating the need for DOT staff to do periodic surveys of signs. Since the contractor would assume this function on an ongoing basis, the funding provided by the bill would become part of the permanent base funding.

2. The Department indicates that more detailed information is needed to properly enforce sign regulations. About one-third of the outdoor advertising signs on the state highway system (4,794 out of 14,990) are classified as nonconforming signs, which are signs that were

erected lawfully, but which would not be allowed to be erected at the same location under current law. A significant proportion of these signs were made nonconforming by the passage of a law in 1972, which placed restrictions on where signs can be placed. These nonconforming signs may be maintained, but may not be: (a) substantially altered; (b) moved to another location within a nonconforming area; (c) rebuilt if they are destroyed by weather; or (d) brought back into use after being abandoned or discontinued. A nonconforming sign that violates these restrictions loses its nonconforming status, which makes it subject to removal. Information on the physical characteristics of a sign, which is not always currently available, is needed to determine whether a sign has been significantly modified, such as if it has been enlarged or had lights added. If this information is not available or current, the requirements with respect to nonconforming signs may be difficult to enforce.

3. According to a 1996 Federal Highway Administration report, only Florida and Texas had more nonconforming signs than Wisconsin and only six other states had more than 3,000 nonconforming signs. A nonconforming sign is deemed to have been substantially changed if repairs or maintenance exceeding 50% of the replacement cost of the sign have been performed on the sign. It is assumed that all nonconforming signs will eventually require this level of repair or maintenance and so will lose their nonconforming status after a period of several years. The fact that the state has a large number of nonconforming signs may be an indication that the current level of regulation is not sufficient to adequately monitor nonconforming signs and require their removal if they become illegal.

4. Currently, a permit must be issued before a sign is erected. The fee for the permit, which is established by administrative rule, is paid upon issuance and no further fees are required to maintain the permit. In requesting funding for the inventory system, DOT indicated that the Department intends to amend the administrative rule that establishes the permit issuance fee to create an annual permit fee, which would replace the current permit issuance fee. The following table compares the current permit issuance fees with the proposed annual fees. DOT indicates that the proposed fees may be different than the fees shown here.

Sign Size (In Square Feet)	Current Issuance Fee	Sign Size (In Square Feet)	Proposed Annual Fee
8 or less	$5	Less than 64	$50
9 to 32	10	64 to 150	100
33 to 150	20	Over 150	150
151 to 1,200	50		
over 1,200	100		

5. Although the bill reflects $1,650,700 in additional revenue from the imposition of an annual permit fee, DOT now indicates that there may not be sufficient statutory authority to establish annual permit fees for signs by rule. If the Committee decides to allow DOT to charge an

annual permit fee, the bill would need to be amended to provide this authority.

6. Charging an annual fee may make it easier for DOT to track the status of signs, particularly to determine whether a specific sign is abandoned. Under current law, a sign is considered abandoned if: (a) its advertising message is obsolete, or if there is no message, for a period of 12 months or longer; (b) the sign is in substantial disrepair; or (c) the name of the owner does not appear on the sign. DOT indicates, however, that there are sometimes disagreements between DOT and sign owners on this issue, which can lead to litigation. To eliminate some of these disputes, the sign could be considered abandoned if the permit renewal fee is not paid within two months of the time the fee is due.

7. The proposed fees would generate an estimated $1,650,700 annually, which is more revenue than would be needed to hire a contractor to establish and maintain a computerized sign inventory system. DOT indicates that the intent was to generate revenues roughly equivalent to the current cost of regulating signs (estimated at $690,000 annually) and the cost of establishing the computer inventory system ($510,000, for a total of $1,200,000). In addition, the proposed fee was intended to offset a revenue loss resulting from a separate item in the bill that would deregulate signs that advertise activities conducted on the property on which the signs are located (on-property signs). This revenue loss is estimated at $7,800 in 1999-00 and $8,500 in 2000-01. However, the Department's proposed permit fees, when added to the revenue generated from the current fees from permit issuance (not including revenue from on-property signs), would generate a total of $1,663,500 annually, which would be higher than the cost of sign regulation.

8. One alternative to limit the permit fees would be to require DOT to initially establish the annual permit fees to generate an amount of revenue that approximates the cost of regulation. This amount would be $690,000, if the new inventory system is not approved, or $1,200,000, if the new inventory system is approved. Alternatively, the permit fees could be established to generate only the amount of revenue needed to pay the additional costs of the new inventory system, or $510,000.

9. Most states that allow outdoor advertising signs along federal aid highways charge an annual permit fee. According to a 1996 survey done by the Federal Highway Administration, the fees generally depend upon on the size of the sign, but vary widely between states. The maximum fees range from $5 to $350. The maximum fee proposed by DOT would fall in that range, but only a few states have a maximum fee of $100 or above. If the amount of revenue were initially limited to $1,200,000, $690,000 or $510,000 and these limits resulted in a proportionate reduction in all of the proposed fees, the maximum fee would be reduced to $108, $62 or $46, respectively.

10. The Senate Committee on Insurance, Tourism, Transportation and Corrections adopted a motion, on a vote of four to three, to delete the Governor's recommendation.

ALTERNATIVES

A. Outdoor Advertising Sign Inventory System

1. Approve the Governor's recommendation to provide $510,000 SEG in 2000-01 for contracting with a vendor to establish an inventory system for outdoor advertising signs and to perform ongoing updates to the inventory.

2. Maintain current law.

Alternative A2	SEG
1999-01 FUNDING (Change to Bill)	- $510,000

B. Annual Permit Renewal Fee

1. Allow DOT to create, by rule, an annual permit fee for outdoor advertising signs. Specify that the failure to pay the fee to renew a sign permit within two months of the time the permit fee is due shall be considered evidence that the sign has been abandoned. In addition, specify that the fees shall be initially established to limit the amount of additional, annual revenue (above the current base of $21,300) to one of the following amounts, beginning in 2000-01:

a. $1,650,700, which is the amount that would be generated from the fees proposed by DOT (total fee revenue would be $1,672,000).

b. $1,178,700, which is the amount that, when added to the base revenues, would produce enough revenue to cover the cost of the current regulation program plus the cost of the inventory system (total fee revenue would be $1,200,000).

Alternative B1b	SEG
1999-01 REVENUE (Change to Bill)	- $472,000

c. $668,700, which is the amount that, when added to the base revenues, would produce enough revenue to cover the cost of the current regulation program (total fee revenue would be $690,000).

Alternative B1c	SEG
1999-01 REVENUE (Change to Bill)	- $982,000

d. $510,000, which is the amount that would produce enough additional revenue to cover the additional cost of the inventory system (total fee revenue would be $531,300).

Alternative B1d	SEG
1999-01 REVENUE (Change to Bill)	- $1,140,700

2. Maintain current law.

Alternative B2	SEG
1999-01 REVENUE (Change to Bill)	- $1,650,700

Prepared by: Jon Dyck

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June 1, 1999 Joint Committee on Finance Paper #949

Transfer to Fund Planning Grants to Local Governments (DOT -- State Highway Program)

[LFB 1999-01 Budget Summary: Page 86, #2 and Page 592, #9]

CURRENT LAW

Federal transportation law requires each metropolitan area with a population greater than 50,000 to have a designated metropolitan planning organization (MPO) representing local governments. There are 11 MPOs in Wisconsin. Among other duties, MPOs are responsible for developing long-range transportation plans, which must address several issues, such as the promotion of economic vitality of the area, the safety of the system for motorists and nonmotorists, the accessibility and mobility of the transportation system, the protection of the environment and the promotion of energy conservation. The Department of Transportation allocates a portion of the state's federal highway aid to MPOs. In 1999, DOT allocated $2.6 million to the state's 11 MPOs.

Regional planning commissions (RPCs) are responsible for drafting and adopting master plans for the physical development of their regions, which are typically composed of multiple counties. All but five Wisconsin counties are served by a RPC (Columbia, Dodge, Jefferson, Rock and Sauk). Five of the state's nine RPCs are designated as MPOs, while the others generally perform planning duties for rural regions. In some cases, DOT allocates federal transportation aid to RPCs. In 1999, DOT allocated $0.5 million to RPCs.

DOT participates in some local transportation and land use planning efforts, typically in conjunction with a state highway project or projects.

GOVERNOR

Establish a grant program to finance local government planning activities as follows:

Local Planning Grant Program. Establish a new grant program under DOA and authorize the agency to provide grants to a county, city, village, town or regional planning commission to finance the cost of planning activities. Specify that the activities eligible for funding would include contracting for planning consultant services, public planning sessions and other planning outreach and educational activities, or for the purchase of computerized planning data, planning software or the hardware required to utilize that data or software. Stipulate that DOA must require the grantee to finance, from local resources, at least 20% of the costs of the product or services to be supported by the planning grant.

Funding. Create an annual appropriation under DOA to fund planning grants to local units of government. Provide $1,000,000 annually for such grants, to be funded from transfers from DOT's highway administration and planning federal funds appropriation. Modify DOT's highway administration and planning federal funds appropriation to permit the transfer of such monies to DOA. The amount of the DOT transfer would equal the amounts appropriated under DOA for the planning grants.

DOT Approval of Planning Grant Expenditures. Specify that, prior to the award of any planning grant from the new appropriation, DOA would be required to forward a detailed statement of the proposed grant expenditures to the Secretary of DOT and obtain the Secretary's written approval of the proposed expenditures. Federal law requires each state to designate one agency to administer federal highway aid. Since DOT is the designated agency in Wisconsin, the Secretary of DOT would have to approve the grants made by DOA under the new planning grant program.

DISCUSSION POINTS

1. DOA indicates that this item is intended to assist local governments in developing comprehensive plans. A separate item in the budget would specify that a comprehensive plan developed by a county, city, village, town or regional planning commission must include the following elements: (a) issues and opportunities; (b) housing; (c) transportation; (d) utilities and community facilities; (e) agricultural, natural and cultural resources; (f) economic development; (g) intergovernmental cooperation; (h) land use; and (i) implementation. DOA indicates that the Office of Land Information Services would administer the grant program.

2. The bill would require the transfer of $1,000,000 FED annually from DOT's highway and administration planning appropriation, but would not provide additional federal funds in that appropriation. Consequently, DOT would need to reduce base activities funded in this appropriation, which is used for highway research. An alternative would be to make the transfer from the federal departmental management and operations appropriation, which is used to fund planning functions. If no additional funds are provided in that appropriation, DOT would have to reduce the amount of funding provided to metropolitan planning organizations and regional planning commissions to perform federally-required planning functions.

3. The Federal Highway Administration (FHWA), which administers the federal highway funds that would be used for making the grants, indicates that federal highway funds may not be used for comprehensive planning unless the planning is done to directly support transportation planning and decisions. FHWA would review the grants made by DOA and decide if federal highway funds could be used for the purpose proposed by the grant recipient on a case-by-case basis.

4. Subsequent to the introduction of the bill, DOT proposed guidelines for making grants so that the grants would relate more directly to transportation planning. FHWA has reviewed these guidelines and has indicated that, if followed, the grants made would likely be an acceptable use of federal highway funds. In order to increase the chances that the grants would be acceptable to FHWA, the bill could be amended to specify that the grants must be related to transportation planning.

5. Since DOT currently allocates federal highway aid to metropolitan planning organizations and regional planning commissions for the purposes of transportation planning, narrowing the focus of grants made by DOA to transportation planning may result in some duplication of current planning efforts. If an increase in transportation planning is desired, the Committee could provide an additional $1,000,000 FED annually in DOT's existing departmental management and operations appropriation and DOT could be responsible for making the grants. If it is felt that the Office of Land Information Services should be involved in deciding what type of activities are funded, DOT could be required to make grants in consultation with DOA.

6. The flexibility in making grants could be increased if state funds were used instead of federal highway funds. In this case, grants could be made without regard to whether transportation planning was directly involved. Some argue that using state transportation funds for planning is appropriate since the development of effective comprehensive plans may reduce the costs of building and maintaining the transportation system.

7. Others argue that transportation funds should only be used for transportation planning and that a grant program that assists communities in developing comprehensive plans, which would include elements unrelated to transportation, should utilize GPR funding.

ALTERNATIVES

1. Approve the Governor's recommendation to establish a local planning grant program and require the transfer of $1,000,000 FED annually to DOA for making these grants.

2. Modify the Governor's recommendation by adopting one or more of the following:

a. Specify that the transfer would be made from DOT's departmental management and operations FED appropriation, instead of the highway administration and planning FED appropriation.

b. Specify that the grants can only be made for purposes related to transportation planning.

c. Specify that DOT would make the grants, instead of DOA, but that DOT must consult with DOA in making the grants.

d. Provide an increase of $1,000,000 FED annually under DOT to fund the grant program with above-base resources.

Alternative 2d	FED
1999-01 FUNDING (Change to Bill)	$2,000,000

e. Provide an increase of $1,000,000 SEG annually in DOT's departmental management and operations appropriation to fund the grant program with transportation fund resources and delete the federal funding transfer provisions.

Alternative 2e	SEG	SEG-S	TOTAL
1999-01 FUNDING (Change to Bill)	$2,000,000	- $2,000,000	$0

f. Provide an increase of $1,000,000 GPR annually in a new, annual appropriation under DOA to fund the grant program with general fund resources and delete the federal funding transfer provisions.

Alternative 2f	GPR	SEG-S	TOTAL
1999-01 FUNDING (Change to Bill)	$2,000,000	- $2,000,000	$0

3. Maintain current law.

Alternative 3	SEG-S
1999-01 FUNDING (Change to Bill)	- $2,000,000

Prepared by: Jon Dyck

TRANSPORTATION

State Highway Program

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
3	Major Highway Development -- USH 41 Project Enumeration
6	Outdoor Advertising Eligibility Change
7	Regulation of On-Property Outdoor Advertising Signs
8	Traffic Operations Center
10	Stormwater Management
11	Transfer Pavement Marking Positions to Planning
12	Scenic Byways Program

LFB Summary Items for Introduction as Separate Legislation

Item #	Title
13	Property Taxes in Condemnation Proceedings
14	Memorandum of Understanding for Hazardous Materials Remediation on DOT-Owned Property
15	Placement of Special Weight Limitation Signs
16	Corridor Land Use Planning

Transportation

Motor Vehicles

(LFB Budget Summary Document: Page 595)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
1&2	License Plates -- New Design Funding, Six-Year Redesign Intervals and New Design Issuance (Paper #955)
3	Driver's License Withdrawal for Failure to Pay a Forfeiture -- Funding Level (Paper #956)
4	Driver's License Withdrawal for Failure to Pay a Forfeiture -- Court Fee (Paper #957)
8	Third-Party Skills Testing for Class D Driver's Licenses (Paper #958)
9	Overweight/Oversize Vehicle Permitting System (Paper #959)
10	Repeal Financial Institutions Registration and Title Transaction Fee (Paper #960)
14	Camping Trailer Registration Fee (Paper #961)

(Base) Agency: DOT - Motor Vehicles
License Plates - New Design Funding

Recommendations:

Paper No. 955: Part A - Alternative 3
Part B - Alternative 1(c)
Part C - Alternative 1
Part D - Alternative 2
Part E - Alternative 2

Comments: **For Part A** - This is the big issue in this paper, and it's only because 3M (Jim Hough) is pushing it. They make the reflective sheeting that coats the plates, and they obviously want license plates to be replaced more often so they can sell the state more reflective sheeting.

Paragraph 5 says the 3M sheeting is warranted for 5 years, but I'm sure it would be good for 7. Plus, the really important thing here is the lettering on the plates, and FB says that will last longer than 5 years.

Paragraph 6 points out that the old yellow and black license plates used to be replaced every 7 years. Shouldn't technology have improved by now? Is this 3M reflective sheeting worse now than it was before. Or, if it wasn't used before, than why do we need it now? The last sentence of paragraph 9 points out that Minnesota - where 3M is located - replaces their license plates every 7 years (i.e. exactly what Alternative 3 here proposes to do).

(note: the gov's alternative is fine, and Foti is probably pushing it, but if Alternative 3 is approved, you and Gard will have an additional $827,000 to when it comes time to fund transportation projects. The more money you two can save today, the easier it will be later to reach agreement on a comprehensive transportation package.

For Part B - If Alternative A(3) is approved, then you should go with Alternative 1(c) here in Part B. That makes the replacement schedule for special plates the same as for regular plates, which just makes sense. Again, you would save money for later here by going with the 7-year replacement schedule. (note: By the same logic, if the gov's alternative passes in Part A, then alternative 1(a) make the most sense here).

For Part C - The gov's plan is bogus. DOT doesn't need to charge a "reissuance" fee to special plate holders when it's time to renew it. By this time, DOT should have already recouped the extra costs of producing special plates. We prohibited this fee in the last budget and the governor vetoed it (see paragraph 14). Plus, once DOT starts turning out the new special plates that all look alike - boring and monotonous - their costs should go down. There's no impact this biennium from again waiving the fee (see last sentence of paragraph 15).

For Part D - The sesquicentennial plates should be on the same replacement schedule as all the others. The gov's budget permanently exempts them from ever being replaced, but his office now says that was not their intent (see paragraph 16). Alternative 2 let's people hang on to their prized sesquicentennial plates a little longer, but ultimately they would be replaced on a regular schedule. Alternative 3 is also ok here, it just starts replacing them earlier.

For Part E - What alternative you choose here (plate redesign) is really contingent upon what you do in Part A (plate reissuance schedule) - for consistency reasons. If you approve A(3), then you should approve Alternative 2 here. If you approve A(1), then you should go with alternative 1 here.

((note: To maintain consistency, Parts A, B & E on this paper should probably be moved together - no matter what replacement schedule you choose, 3, 5 or 7 years).

prepared by: Barry

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May 11, 1999 | Joint Committee on Finance | Paper #955

License Plates--New Design Funding, Six-Year Redesign Intervals and New Design Issuance (DOT -- Motor Vehicles)

[LFB 1999-01 Budget Summary: Page 595, #1 and #2]

CURRENT LAW

The Department of Transportation issues license plates for vehicles as evidence that the vehicle is properly registered. In lieu of issuing new plates, DOT is authorized to issue a sticker, which is placed on the plate, indicating the expiration date of the registration.

DOT issues different types of plates for different types of vehicles and issues special plates representing special interest groups, such as veterans, firefighters, National Guard members and persons interested in supporting endangered resources.

DOT is required to replace most license plate types, with plates of a new design, in a three-year period beginning on July 1, 2000, and ending on June 30, 2003. This requirement was created by 1997 Act 237, the 1998-99 budget adjustment act.

The base budget for license plate issuance and renewal is $3,545,600 SEG.

GOVERNOR

Provide $967,200 SEG in 1999-00 and $2,034,200 SEG in 2000-01 for the costs associated with issuing license plates of a new design over a five-year period, beginning with registrations effective July 1, 2000.

Require DOT to develop new license plate designs by July 1, 2000 (which is already required under current law), and every sixth year thereafter, for the following plate types: (a) regular automobile plates; (b) light duty truck plates (under 8,000 pounds) and other motor truck plates; (c) disabled plates, except disabled veteran plates; (d) special group plates, except sesquicentennial plates (this includes military group plates, endangered resources plates, UW plates and firefighter/EMT plates); (e) plates for light farm trucks and dual purpose farm trucks (under 12,000 pounds); (f) National Guard plates; (g) amateur radio plates; (h) vehicle collector plates; (i) motor bus plates; (j) plates for motor homes or dual purpose motor homes; (k) school bus plates; and (l) other miscellaneous plates registered for five years for $5 (this includes certain special vehicles owned by nonprofit organizations). Eliminate a July 1, 2003, sunset of the redesign requirement to reflect the change making redesign an ongoing requirement. Prohibit DOT from developing a new design for the "children first" plate (which would be renamed "celebrate children" by the bill) until January 1, 2005.

Specify that, in each six-year design interval, these plates shall be as similar in appearance as practical. Eliminate the requirement that DOT consult with the following persons before specifying a plate design: (a) the Adjutant General, regarding the National Guard plate; (b) the President of the University of Wisconsin System, regarding UW plates; (c) the Secretary of the Department of Natural Resources, regarding the endangered resources plate; and (d) the Child Abuse and Neglect Prevention Board, regarding the "celebrate children" plate. Instead, require DOT only to consult with these persons or organizations regarding the words or symbols used on the respective plates. Eliminate the requirement that DOT receive approval, in writing, from these persons or organizations, of the words or symbols used on the respective plates. Eliminate the requirement that DOT consult with the President of the University of Wisconsin System on the color combination used for the UW plates and eliminate the requirement that the UW System President get the approval, in writing, of each University of Wisconsin chancellor prior to approving the words or symbols used on the plates for their respective campuses.

Eliminate the requirement that new plates be issued for all of these vehicles and plate types by July 1, 2003, and instead, require that new plates be issued for these vehicles by July 1, 2005 (except for vehicles registered with "celebrate children" and sesquicentennial plates). Modify a current law provision that gives DOT the authority to determine a new-plate issuance schedule for these vehicles, except farm trucks and $5 plate types, whose registration is renewed between July 1, 2000, and the end of the reissuance period (which is June 30, 2003, under current law, but would be June 30, 2005, under the bill) to eliminate this permissive authority after June 30, 2005 (a technical modification to the bill would be necessary to do this).

Eliminate the requirement that DOT issue new plates, upon registration renewal, for light farm trucks and dual purpose farm trucks and certain vehicles that are registered for $5 for a five-year period if the registration for those vehicles expires after June 30, 2000, and before January 1, 2004. Instead, require DOT to issue a new plate for these vehicles if a plate of the new design has not already been issued for the vehicle, effective July 1, 2000.

Require DOT, beginning with vehicle registrations effective on July 1, 2005, to issue plates of the design created for the six-year interval in which the issuance occurs, as follows: (a) for all original registrations for the vehicles and plate types specified above; and (b) for all registration renewals for these vehicle and plate types if a plate has not been issued for the vehicle during the previous six years. Specify that a new set of plates must be issued for these vehicles within five years of the date on which a new design must be developed for each six-year interval. Permanently exempt vehicles registered with sesquicentennial plates from this requirement.

DISCUSSION POINTS

1. DOT began issuing automobile plates of the current design in 1986, replacing plates of the previous design (black lettering on a yellow background) over a seven-year period. During the first several months of issuance, the new plates had blue lettering. All plates that were issued beginning in March, 1987, however, had red lettering, and nearly all of the plates with blue lettering have subsequently been replaced. Therefore, the oldest automobile plates still in use are about 12 years old.

2. For various reasons, license plates are gradually taken out of use over time. For instance, plates on vehicles moved out of the state are removed if the vehicle is registered in the new state. In addition, although plates can be moved from a vehicle that is sold or scrapped to a newly-registered vehicle, this is not always done and so the plate is discarded. Because of this attrition, there are relatively few plates still in use that were issued in the late 1980's. DOT indicates that 15% of plates are ten or more years old and 26% of plates are eight or more years old.

3. DOT indicates that plates will be replaced on a schedule so that the costs are roughly equivalent throughout the replacement period, with the oldest plates being replaced first. Although plate replacement will not begin until July 1, 2000, a funding increase is needed in 1999-00 because the production of the plates will begin several months in advance of that date.

4. The bill would extend the replacement schedule from three years to five years, which would require a lower annual funding increase. It may be helpful to compare the costs of replacing plates under several different scenarios, both with and without including the replacement of special license plates. The following table shows the funding that would be required to replace plates over three, five and seven years. [The costs shown in the table reflect a reestimate of the funding needed to replace plates, which, for the five-year scenario, would require a lower level of funding than the amount provided by the bill.] The first two columns show the cost of replacing all plates except special plates, while the third and fourth columns show the additional cost of replacing the special license plates (except sesquicentennial and "celebrate children" plates). The final two columns show the change to the bill under each schedule, assuming both special plates and all other plates are replaced using that schedule.

Cost to Replace License Plates Under Different Schedules

	No Special Plates		Special Plates Only		Total Change to Bill	
	1999-00	2000-01	1999-00	2000-01	1999-00	2000-01
Three-Year Schedule	$1,813,600	$3,605,400	$143,400	$286,800	$989,800	$1,858,000
Five-Year Schedule	845,400	1,790,700	86,100	172,100	-35,700	-71,400
Seven-Year Schedule	610,300	1,198,700	61,500	122,900	-295,400	-712,600

5. The reflective sheeting that coats the plates is warranted for five years. After this time, the reflective value of the sheeting declines (although the paint used for the lettering is independent of the sheeting and may still be legible after five years). If a three-year replacement schedule is used, plates that are issued in 1998 through the first half of 2000 (which would still be of the current design) would likely be replaced when they are still less than five years old.

6. If a seven-year replacement schedule is adopted, the last plates issued of the current design would be in use for longer than five years. However, the plates would be in use for a significantly shorter period of time than the oldest plates of the current design. The previous, black-on-yellow plates were also replaced over a seven-year period, and replacement of these plates began seven years following their initial issuance.

7. Extending the plate replacement schedule would mean that fewer plates would ultimately have to be replaced, because of plate attrition. The number of automobile and light truck plates still in use seven years after issuance is smaller (48%) than the number still in use after five years (59%), meaning that fewer plates would have to be replaced if a seven-year schedule is used.

8. Since extending the plate replacement schedule means that it would take longer to replace the oldest plates of the current design, there would be two distinct plate designs in use for a longer period of time.

9. In weighing the various alternatives for replacing plates, it may be helpful to consider the plate policies of Wisconsin's neighboring states. Iowa recently replaced all plates in one year. Illinois and Michigan began using their current plates over 15 years ago, but both may replace plates in the next several years. Officials in Illinois indicate that a three-year reissuance schedule would likely be used and officials in Michigan indicate that all plates would likely be replaced in one year. Minnesota has used plates of the current design since 1977, but replaces each plate after seven years.

Special Plates

10. The bill would require DOT to replace most of the special group license plates. This includes, among others, military group plates, University of Wisconsin plates, firefighter/EMT plates and endangered resources plates. As passed by the Legislature, Enrolled 1997 Assembly Bill 768 (enacted as 1997 Act 237) also required sesquicentennial plates to be replaced, between July 1,

2002, and July 1, 2003. This requirement, however, was vetoed by the Governor. The bill would modify requirements related to the replacement of special plates by permanently exempting sesquicentennial plates from the replacement requirement and delaying the development of a new design for the "celebrate children" plate until January 1, 2005.

11. In developing a design for the special plates, DOT is required to make the plates as similar in appearance as practical. Act 237 eliminated the requirement that DOT consult with certain representatives of the special groups before developing plate designs for those groups. The intent of this provision is to achieve greater consistency in plate color and design. DOT indicates that all special plates would have similar background and lettering color, but that a symbol on the left-hand side of the plate would identify the various special groups.

12. Replacing special plates with plates of a new design may disappoint some holders of those plates who are issued a new plate with a design similar to regular automobile plates. Some holders of special plates may acquire the plates, in part, because they like the distinct appearance of the plate, and because the special plate clearly identifies their group. Under current law (and under the bill), the distinctiveness of special plates would likely be reduced when they are replaced.

13. The cost of plate replacement could be reduced by eliminating the requirement that special plates be replaced. The savings that would result depend on the schedule that is used to replace plates, as shown in the third and fourth columns of the table under Point #4. This would, however, continue much of the current variation in license plate appearance.

Reissuance Fee for Special Plates

14. As passed by the Legislature, Enrolled 1997 Assembly Bill 768 would have prohibited DOT from charging a reissuance fee when plates are replaced if a vehicle is already registered, at the time of renewal, with a plate of the type being issued. The Governor vetoed this prohibition, however, which has the effect of requiring a reissuance fee where one is required under current law. Issuance and reissuance fees are charged for most special license plates and range from between $5 and $15.

15. The purpose of the issuance fee is to compensate DOT for the higher cost of developing, producing and issuing these types of plates. The recipient of a special plate must be willing to pay this additional cost in order to get the plate. If the Committee believes that it would be unfair to require the holders of special plates to get a new plate and to also require those persons to pay a reissuance fee, then the reissuance fee could be waived if a new set of special plates is simply replacing a set of the old design. DOT indicates that no special plates would be replaced during the 1999-01 biennium, so waiving the fee would not have a revenue impact in the biennium.

Sesquicentennial License Plates

16. DOA indicates that it was the Governor's intent to require the replacement of sesquicentennial plates during the 2000 to 2005 period, but the bill would permanently exempt these plates from the replacement requirement. [Current law requires these plates to be replaced between

July, 2002, and June, 2003.] DOT indicates that these plates would not be replaced during the 1999-01 biennium, even if their replacement were required as part of a three-, five- or seven-year schedule, because they are relatively new. Consequently, requiring their replacement would add to the total cost of replacing all plates, but none of those costs would be borne in the biennium. The estimated cost of replacing these plates would be, as follows: (a) about $1.1 million, if a three-year replacement schedule is used; (b) about $0.9 million if a five-year replacement schedule is used; and (c) about $0.8 million if a seven-year replacement schedule is used.

17. If it is believed that sesquicentennial plates should not be replaced in the initial replacement period beginning in July, 2000, but should be replaced eventually, the Committee could delete the bill provision that would permanently exempt these plates from being replaced. The effect of this would be to require their replacement in the next replacement cycle.

Six-Year Replacement Schedule

18. The bill would require DOT to develop new plate designs, and replace old plates with plates of the new design, on a six-year schedule, following the five-year replacement that would begin in July, 2000. Consequently, a new design will begin being issued in July, 2006, and then again in July, 2012, and so on.

19. If a different schedule is chosen for the replacement that begins in July, 2000, it may be advisable to alter the ongoing replacement requirement as well. For instance, if a seven-year replacement schedule is chosen, the ongoing replacement could be required every seven years, instead of every six years. The start of the next seven-year replacement cycle could begin when the current replacement cycle ends. [Under the bill, there would be a one-year period, from July 1, 2005, to July 1, 2006, in which no plates would be replaced.]

20. Another alternative would be to eliminate the requirement that the plates be replaced on a fixed schedule (after the initial replacement, beginning in July, 2000). This would allow a future Legislature to make a decision about the priority of replacing plates given other potential uses of transportation funds.

ALTERNATIVES TO BASE

A. Replacement of License Plates Other Than Special Plates

The alternatives under this section relate to the following plate types: (a) regular automobile plates; (b) light duty truck plates (under 8,000 pounds) and other motor truck plates; (c) disabled plates, except disabled veteran plates; (d) plates for light farm trucks and dual purpose farm trucks (under 8,000 pounds); (e) vehicle collector and amateur radio plates; (f) motor bus plates; and (g) other miscellaneous plates registered for five years for $5.

OK

1. Delete the current requirement that these plates be replaced on a three-year schedule and adopt the Governor's recommendation (with a technical modification) to replace them on a five-year schedule, from July, 2000, to June, 2005. Provide $845,400 SEG in 1999-00 and $1,790,700 SEG in 2000-01, which is the cost of replacing these plate types on this schedule.

Alternative A1	SEG
1999-01 FUNDING (Change to Base)	$2,636,100
[Change to Bill	*$0]*

NO

2. Provide $1,813,600 SEG in 1999-00 and $3,605,400 SEG in 2000-01, which is the cost of replacing these plate types on a three-year schedule, as required by current law, from July, 2000, to June, 2003.

Alternative A2	SEG
1999-01 FUNDING (Change to Base)	$5,419,000
[Change to Bill	*$2,782,900]*

#1

3. Delete the requirement that these plates be replaced on a three-year schedule and instead require them to be replaced on a seven-year schedule, from July, 2000, to June, 2007. Provide $610,300 SEG in 1999-00 and $1,198,700 SEG in 2000-01, which is the cost of replacing these plate types on this schedule.

Alternative A3	SEG
1999-01 FUNDING (Change to Base)	$1,809,000
[Change to Bill	*- $827,100]*

OK

4. Delete the current law requirement that these plates be replaced beginning in July, 2000, and provide $87,800 SEG in 1999-00 and $153,600 SEG in 2000-01, which is the cost of continuing the plate issuance program without any plate replacement.

Alternative A4	SEG
1999-01 FUNDING (Change to Base)	$241,400
[Change to Bill	*- $2,394,700]*

B. Replacement of Special License Plates

The alternatives in this section relate to the following plate types: (a) special group plates, except sesquicentennial and "celebrate children" plates; and (b) National Guard plates.

#1

1. Require the replacement of special license plates on the same schedule as approved for the replacement of other plates. Provide additional funding, as follows:

see next page

OK

a. $86,100 SEG in 1999-00 and $172,100 SEG in 2000-01 for replacement on a five-year schedule (Governor's recommendation, with a funding reestimate).

Alternative B1a	SEG
1999-01 FUNDING (Change to Base)	$258,200
[Change to Bill	*- $107,100]*

NO

b. $143,400 SEG in 1999-00 and $286,800 SEG in 2000-01 for replacement on a three-year schedule, as required under current law.

Alternative B1b	SEG
1999-01 FUNDING (Change to Base)	$430,200
[Change to Bill	*$64,900]*

c. $61,500 SEG in 1999-00 and $122,900 SEG in 2000-01 for replacement on a seven-year schedule.

Alternative B1c	SEG
1999-01 FUNDING (Change to Base)	$184,400
[Change to Bill	*- $180,900]*

OK

2. Eliminate the requirement that special license plates be replaced beginning in July, 2000.

Alternative B2	SEG
1999-01 FUNDING (Change to Base)	$0
[Change to Bill	*- $365,300]*

C. Special License Plate Reissuance Fee

1. Prohibit DOT from charging a plate reissuance fee if a vehicle is already registered at the time of renewal with a plate of the type being renewed. Specify that this would not prohibit DOT from charging a plate replacement fee (as allowed under current law) if the recipient requests a plate of a new design for a vehicle prior to the time that the plates for that vehicle would be replaced. These provisions would apply to the replacement schedule that begins in July, 2000, as well as any subsequent plate replacement cycle.

OK

2. Maintain current law. (This would require DOT to charge a reissuance fee, upon replacement of a plate, if one is currently required.)

D. Sesquicentennial Plate Replacement

No 1. Approve the Governor's recommendation (with a technical modification) to permanently exempt sesquicentennial plates from the replacement requirement.

#1 2. Exempt the sesquicentennial plates from the plate replacement requirement during the replacement cycle that would begin in July, 2000, but specify that sesquicentennial plates must be replaced during the next plate replacement cycle.

ok 3. Require sesquicentennial plates to be replaced during the replacement cycle that would begin in July, 2000.

E. Ongoing Plate Replacement Requirement

ok 1. Approve the Governor's recommendation to require the replacement of license plates every sixth year, starting in July, 2006.

#1 2. Require the replacement of license plates every seventh year, starting in July, 2007.

ok 3. Maintain current law. (This would impose no statutory requirement that plates be replaced on an ongoing basis.)

Prepared by: Jon Dyck

MO# Alt A-3

2 BURKE	Y
1 DECKER	Y
JAUCH	N
MOORE	Y
SHIBILSKI	Y
PLACHE	Y
COWLES	N
PANZER	N
GARD	N
PORTER	N
KAUFERT	N
ALBERS	N
DUFF	N
WARD	N
HUBER	Y
RILEY	Y

AYE 7 NO 9 ABS 0

MO# Alt A-1, E-1, B-1a

2 BURKE	Y
DECKER	Y
JAUCH	Y
MOORE	Y
SHIBILSKI	Y
PLACHE	Y
COWLES	Y
PANZER	Y
1 GARD	Y
PORTER	Y
KAUFERT	Y
ALBERS	Y
DUFF	Y
WARD	Y
HUBER	Y
RILEY	Y

AYE 16 NO 0 ABS 0

MO# C-1

2 BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 8 NO 8 ABS 0

MO# D-2

2 BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE 16 NO 0 ABS 0

MO#

BURKE	Y	N	A
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

AYE ____ NO ____ ABS ____