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# Marquette Interchange Reconstruction

## LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
	<b>Transportation Finance</b>
1	Transportation Fund Condition Statement (Paper #895)
2	Federal Highway Formula Aid (Paper #896)
	<b>State Highway Program</b>
1 (part)	Marquette Interchange Reconstruction (Paper #920)
1 (part)	Marquette Interchange Reconstruction -- Use of State Highway Rehabilitation Funds (Paper #921)



## Legislative Fiscal Bureau

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

May 22, 2001

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: 2001-03 Budget Issue Paper # 895 -- **Revised Paper**

Yesterday, Budget Issue Paper # 895, prepared by this office, was distributed to your offices. The paper provides a new transportation fund condition statement.

After this issue paper was distributed, an error was discovered in the application of revised interest rates to quarterly estimates of the transportation fund's cash balance. This error caused investment earnings to be overstated by a total of \$1,629,100. Correcting this error lowers the estimated June 30, 2003, closing balance in the transportation fund by a corresponding amount.

Attached is a **Revised Budget Issue Paper # 895**. It replaces the original paper.

BL/FA/sas  
Attachment

## Marquette Interchange Reconstruction

### Paper #895 - Transportation Fund Condition Statement

- **No action needed.** Just for information. Bottom line is that FB is re-estimating the closing balance of the transportation fund to be -\$5.5 million in 02-03. But, not to fear, because the main reason for the negative number is the \$8.5 million payment JFC just made for highway maintenance (waysides). We'll make up this deficit relatively easy. FB can expand on that if you want.

### Paper #896 - Federal Highway Formula Aid

- **No action needed.** Just for information. Bottom line is \$28 million increase in estimated federal highway aid over the next 2 years.

### Paper #920 - Marquette Interchange Reconstruction

- **Alternative 3.** FB is giving us an opportunity to be good planners and avoid a crisis situation with the transportation fund next session and beyond. Overall, DOT is projecting that this project will cost \$1.1 billion in 2001 dollars. FB, with more realistic projections and inflation factored in, say \$1.4 billion is more accurate. We should set aside some money this session to pay for future debt service and set out a bond program.
- Obviously, this is huge and has a big impact on the transportation fund over many biennia. We have a chance today to set the framework for a long-term funding plan that will help avoid crisis management next session and beyond that involves gas tax and fee increases. And can probably help avoid an unproductive arguments between Metro-Milwaukee area legislators and others around the state.
- The simple fact is that the Marquette Interchange will be rebuilt and it will cost a lot of money. It's DOT's #1 priority. We can do it the way FB is recommending in Alt 3 or we can do it the hard way next session. If we don't plan ahead, DOT will start delaying other road project to pay for the Marquette.
- (NOTE: If people want to give a little to the roadbuilders, you could trim \$10-\$20 million from the first year and approve the balance of alt 3.)

**Paper #921 - Marquette Interchange Reconstruction/Rehab**

- **Alternative 2.** This is a way to give non-Milwaukee area legislators a little comfort that funding for the Marquette Interchange will not continually chip away at their local projects. It helps fence off the rehab program.

Representative Gard

Senator Burke

Senator Decker

**MARQUETTE INTERCHANGE RECONSTRUCTION**

**Marquette Interchange and Southeast Wisconsin Freeway Reconstruction Funding**

[Papers #920, #921 and #171]

**Motion:**

Delete the bill's appropriations for Marquette Interchange reconstruction and, instead, create SEG, SEG-L and FED appropriations for southeast Wisconsin freeway reconstruction. Require DOT to make a request to the Joint Committee on Finance under s. 13.10 of the statutes, for the first such quarterly meeting after the enactment of the bill, for transferring base funds currently allocated to the reconstruction of southeast Wisconsin freeways from the appropriations for state highway rehabilitation to the appropriations for southeast Wisconsin freeway reconstruction. Specify that such a request, and the Committee's action on the request, may not include base funding for projects in other parts of the state or funding that is not allocated to reconstruction of the southeast Wisconsin freeways.

Transfer SEG-S amounts that would be provided for Marquette Interchange reconstruction (\$2,264,300 in 2001-02 and \$4,732,300 in 2002-03) to the SEG-S appropriation for major highway development and transfer corresponding SEG amounts from the major highway development program to the SEG appropriation for southeast Wisconsin freeway reconstruction. Delete the SEG-S appropriation for the Marquette Interchange reconstruction and delete the authority of the Building Commission to issue revenue bonds for the Marquette Interchange project.

Transfer SEG and FED amounts provided by the bill for Marquette Interchange reconstruction to the appropriations for southeast Wisconsin freeway reconstruction and modify those amounts as follows: (a) reduce funding by \$50,000 FED in 2002-03 to reflect the actual amount of federal interstate cost estimate (ICE) funds available for the Marquette Interchange project; (b) transfer \$5,700,900 SEG in 2001-02 and \$7,010,900 SEG in 2002-03 from the state highway rehabilitation program to the SEG appropriation for southeast Wisconsin freeway reconstruction; (c) provide \$5,700,900 FED in 2001-02 and \$7,010,900 FED in 2002-03 for the state highway rehabilitation program to replace SEG transferred to the southeast Wisconsin freeway reconstruction appropriation; and (d) provide \$15,742,200 FED in 2001-02 and delete \$691,900 FED in 2002-03 for southeast Wisconsin freeway reconstruction.

Restrict the funding of the Marquette Interchange to the appropriations for southeast Wisconsin freeway reconstruction. Require DOT to allocate \$160,643,900, including \$75,150,000

in federal ICE funds, from amounts appropriated in the 2001-03 biennium in the appropriations for southeast Wisconsin freeway reconstruction for costs associated with the reconstruction of the Marquette Interchange, but allow DOT to reduce this level, except for the federal ICE funds, if allocating this amount would result in the lapse of federal highway funds. Specify that the amounts by which this allocation is reduced may be spent on other southeast Wisconsin freeway reconstruction projects. Limit DOT's use of funds appropriated for southeast Wisconsin freeway reconstruction for the Marquette Interchange reconstruction project to \$160,643,900 in the 2001-03 biennium and to \$45,918,500 annually thereafter, but allow DOT to temporarily shift other funds appropriated for southeast Wisconsin freeway reconstruction to this project in order to meet project deadlines, as long as future funds allocated to the Marquette Interchange reconstruction project would replace these funds. Allow DOT to shift SEG and FED funding between projects constructed from the southeast Wisconsin freeway reconstruction appropriations to minimize project costs. Prohibit DOT from transferring any state highway rehabilitation funding to the southeast Wisconsin freeway reconstruction appropriations or from making any other adjustments to the appropriations for southeast Wisconsin freeway reconstruction or the allocations for the Marquette Interchange reconstruction project unless the Department receives approval for these modifications through a request submitted under s. 13.10 of the statutes.

Define "reconstruction" as the rebuilding of highways or bridges, including enhanced safety, improved design or additional lane or ramp capacity and any activities associated with or necessary for such rebuilding, including design engineering, traffic mitigation, real estate acquisition and utility facility relocation. Define "Marquette Interchange" as the roadways, shoulders, and related ramps encompassing interstates 43, 94 and 794, bounded by 25<sup>th</sup> Street to the west, North Avenue to the north, the southern end of Burnham Canal to the south and the Milwaukee River to the east. Permit DOT to make interim repairs to the Marquette Interchange or other segments of the southeast Wisconsin freeway system from the amounts appropriated for southeast Wisconsin freeway reconstruction that are not allocated to Marquette Interchange reconstruction.

Modify the Governor's recommendation with respect to the funding of the reconstruction of West Canal Street in Milwaukee by requiring DOT to make a grant of \$10,000,000 to the City of Milwaukee for the reconstruction of West Canal Street (\$5,000,000 from tribal gaming revenue and \$5,000,000 from any funds appropriated for southeast Wisconsin freeway reconstruction), if the City contributes \$10,000,000 toward the cost of the project, without specifying the source of the funds. Require DOT to request up to \$5,000,000 in additional tribal gaming revenue in its 2003-05 budget request, if the Department determines that additional funds are needed to complete the West Canal Street project, and to request a statutory provision requiring the City of Milwaukee to match the additional funds on a one-to-one basis in order to receive an additional grant.

Note:

The motion would establish SEG and FED appropriations for southeast Wisconsin freeway reconstruction as the funding source for the reconstruction of the Marquette Interchange. It would increase the funding allocated for the interchange by \$27,712,100 over the biennium to provide total funding for the project of \$160,643,900. Ongoing base funding allocated to the project would

be established at \$45,918,500 annually.

The motion would require DOT to request a transfer under s. 13.10 of the statutes of base funds allocated to southeast Wisconsin freeway reconstruction projects from the appropriations for state highway rehabilitation to the new appropriations for southeast Wisconsin freeway reconstruction. DOT would be required to allocate a total of \$160,643,900 of the funds in these appropriations during 2001-03 to the Marquette Interchange project, although this amount could be reduced to avoid the lapse of federal funds. Any funds that are not used on the Marquette Interchange project could be used on other southeast Wisconsin freeway reconstruction projects. Funds that are not allocated to the Marquette Interchange could be used on the interchange project under certain circumstances, as long as those funds are later replaced by future funds allocated to the Marquette Interchange project. Information provided by DOT indicates that a total of \$23.3 million in 2002 and \$11.7 million in 2003 is programmed for reconstruction on highways that are considered Corridors 2020 backbone routes in the Department's Waukesha District (Fond du Lac, Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington and Waukesha Counties). These amounts may exclude some other costs, including design engineering, that are associated with these projects, but may also include reconstruction on some highways that are considered Corridors 2020 backbone routes, but are not considered to be southeast Wisconsin freeways.

The motion would also modify the Governor's recommendations related to funding the West Canal Street project. Under the motion, the City of Milwaukee would have to contribute \$5,000,000 less towards the project to receive a \$10,000,000 DOT grant, but only \$20,000,000 in total funds would be specifically identified for the project in the 2001-03 biennium, instead of \$25,000,000. However, DOT would be required to request additional tribal gaming revenue for the 2003-05 biennium if it is determined that additional funds are needed to complete the project. The motion would also remove the requirement that federal ICE funds be used for the project.

This motion would substitute for the alternatives under Papers #171, #920 and #921.

[Change to Bill: \$27,712,100 FED]

By reading page 11  
instructions all  
test above 40  
to 45 and 50. The  
instructions are as follows:

MO# \_\_\_\_\_

BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

### MARQUETTE INTERCHANGE RECONSTRUCTION

#### 13<sup>th</sup> Street Interchange

**Motion:**

Move to require DOT, in the reconstruction of the Marquette Interchange, to include an interchange at 13<sup>th</sup> Street. Require DOT to keep the current 13<sup>th</sup> Street interchange open to traffic during the reconstruction project.

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**Note:**

DOT estimates that the cost of adding an interchange at 13<sup>th</sup> Street would cost \$5 million. The cost of including this interchange has been included in the project cost estimates outlined in the tables in points 7 and 13 of LFB Paper # 920.

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	X	N	A
DARLING	X	N	A
WELCH	X	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	X	N	A
HUBER	X	N	A
COGGS	X	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

MARQUETTE INTERCHANGE RECONSTRUCTION

Sunset for Southeast Wisconsin Freeway Reconstruction Appropriations

[Amendment to Motion #812]

Motion:

Move to sunset the appropriations of Motion #812 for southeast Wisconsin freeway reconstruction on June 30, 2011. Specify that any balances in those appropriations would be transferred to the appropriations for state highway rehabilitation on June 30, 2011.

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS \_\_\_\_\_

MARQUETTE INTERCHANGE RECONSTRUCTION

Relocation of Aldrich Chemical

Motion:

Move to require the Department of Transportation to submit the Department's proposed relocation assistance agreement with Aldrich Chemical to the Joint Committee on Finance for the Committee's review and approval under a 14-day passive review process. Specify that if the Co-Chairs of the Committee schedule a meeting to review the agreement that the Department cannot implement the agreement without the Committee's approval. Require the Department to include in the proposed agreement a designation of the relative responsibilities of each party regarding the remediation of any environmental contamination on the property.

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

MARQUETTE INTERCHANGE RECONSTRUCTION

Sale of Naming Rights of Highways and Bridges

Motion:

Move to authorize DOT to sell the naming rights to highways and bridges on the state trunk highway system and require DOT to sell such naming rights to the maximum extent possible and to the extent that such sales are allowed under federal law. Prohibit DOT from selling the naming rights of highways and bridges for which a name is designated by statute.

Note:

This motion would authorize DOT to sell the naming rights of highways and bridges and would require DOT to do so to the maximum extent possible and to the extent that such a sale is allowed under federal law. Federal law places restrictions on the placement of commercial signs in some highway rights-of-way that may interfere with the sale of naming rights in certain circumstances. The revenue collected from the sale of naming rights would be deposited in the transportation fund, but it is unknown how much revenue could be generated from the sale of naming rights.

MO#			
BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
WIRCH	Y	<input checked="" type="radio"/> N	A
DARLING	<input checked="" type="radio"/> Y	N	A
WELCH	Y	<input checked="" type="radio"/> N	A
GARD	<input checked="" type="radio"/> Y	N	A
KAUFERT	<input checked="" type="radio"/> Y	N	A
ALBERS	<input checked="" type="radio"/> Y	N	A
DUFF	Y	<input checked="" type="radio"/> N	A
1 WARD	<input checked="" type="radio"/> Y	N	A
2 HUEBSCH	<input checked="" type="radio"/> Y	N	A
HUBER	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A

Motion #809

AYE 6 NO 10 ABS \_\_\_\_\_



## Legislative Fiscal Bureau

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May 23, 2001

Joint Committee on Finance

Paper #895 Revised

### *Marquette Interchange Reconstruction*

## Transportation Fund Condition Statement (DOT -- Transportation Finance)

[LFB 2001-03 Budget Summary: Page 647, #1]

At the time the Governor submitted the 2001-03 budget bill, the estimated biennium-opening balance in the transportation fund was \$37,396,300 and the estimated closing balance was \$2,315,300. Since that time, DOT has reestimated revenues and this office has reviewed those reestimates. In addition, the Joint Committee on Finance approved the Department's request for a \$8,500,000 supplement in 2000-01 for the highway maintenance and traffic operations program under s. 13.10 of the statutes, which affects the opening balance, and has made modifications to the budget bill affecting appropriations and revenues. As a result, the closing balance for 2001-03 has been reestimated at -\$5,554,100. The modified revenue and expenditure figures are displayed in the following fund condition statement.

	<u>2001-02</u>	<u>2002-03</u>
Unappropriated Balance, July 1	\$33,614,600	\$20,673,200
<b>Revenues</b>		
Motor Fuel Tax	\$848,308,500	\$890,704,600
Vehicle Registration Fees	388,758,900	392,868,500
Less Revenue Bond Debt Service	-105,496,900	-117,329,600
Driver's License Fees	33,849,200	32,113,800
Miscellaneous Motor Vehicle Fees	16,840,500	19,807,600
Aeronautical Fees and Taxes	10,069,600	9,040,300
Railroad Property Taxes	12,139,200	12,710,600
Motor Carrier Fees	3,204,900	3,236,900
Investment Earnings	9,401,200	11,132,200
Miscellaneous Departmental Revenues	<u>13,547,400</u>	<u>13,767,100</u>
Total Annual Revenues	\$1,230,622,500	\$1,268,052,000
 Total Available	 \$1,264,237,100	 \$1,288,725,200
<b>Appropriations and Reserves</b>		
DOT Appropriations	\$1,224,741,200	\$1,269,601,300
Other Agency Appropriations	18,767,500	19,834,900
Less Estimated Lapses	-3,000,000	-3,000,000
Compensation and Other Reserves	<u>3,055,200</u>	<u>7,843,100</u>
Net Appropriations and Reserves	\$1,243,563,900	\$1,294,279,300
 Unappropriated Balance, June 30	 \$20,673,200	 -\$5,554,100

### Opening Balance

The current projected opening balance of \$33,614,600 reflects reestimates of 2000-01 revenues, actual amounts appropriated for sum sufficient payments for the terminal tax distribution and transfers to the conservation fund for the water resources, snowmobile and all-terrain vehicle accounts and the approval of a DOT request under s.13.10 of the statutes for a \$8.5 million supplement for the highway maintenance and traffic operations program.

### Motor Vehicle Fuel Tax Revenues

Over the 2001-03 biennium, motor vehicle fuel tax revenues are estimated to be \$16.3 million lower than the amounts originally included in the bill, due to lower fuel consumption projections. The decline in estimated fuel tax revenue is due to lower projections of consumption of taxable gallons of motor fuel in 2000-01 and in the 2001-03 biennium, relative to earlier estimates. The following table indicates the projected consumption of taxable gallons of motor fuel compared with DOT's original estimates.

**Taxable Gallons of Motor Fuel  
(Gallons in Millions)**

<u>Fiscal Year</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Difference</u>	<u>Percent Change</u>
2000-01	3,115.7	3,051.1	-64.6	-2.07%
2001-02	3,169.3	3,083.1	-86.2	-2.72
2002-03	3,223.7	3,143.0	-80.7	-2.50

Higher fuel prices are the primary factor impacting the lower consumption projections. Overall fuel consumption is projected to decline by 1.9% in 2000-01 compared to 1999-00, and then increase by 1.0% in 2001-02 and 1.9% in 2002-03.

Some of the revenue reductions associated with the lower consumption projections will be offset by higher than projected increases in the fuel tax rates in 2000-01 and in the 2001-03 biennium. When the bill was submitted, the motor fuel tax rate was 26.4 cents per gallon and the fuel tax rate was projected to increase to 27.0 cents per gallon on April 1, 2001, 27.6 cents per gallon on April 1, 2002, and 28.3 cents per gallon on April 1, 2003. However, reestimated fuel tax rates in the biennium are projected to be higher each year than the rates originally estimated based on more current inflation projections.

**Changes in Estimated Fuel Tax Rates**

<u>Tax Rate as of April 1</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Difference</u>
2001	27.0¢	27.3¢ (Actual)	0.3¢
2002	27.6	28.2	0.6
2003	28.3	28.8	0.5

The fuel tax rate is indexed, on April 1 of each year, by the rate of inflation in the previous calendar year. When the 2001-03 biennial budget bill was submitted, the original tax rate estimates shown in the above table were based on an inflation factor of 2.4% for calendar year 2000, 2.2% for calendar year 2001 and 2.5% for calendar year 2002. Actual inflation for calendar year 2000 was 3.4%. Future inflation projections have been increased to 3.3% for 2001 and have been lowered to 2.1% for 2002. These inflation projections result in higher estimated fuel tax rates in the biennium.

**Vehicle Registration-Related Revenue**

Gross vehicle registration revenue is projected to be higher than the earlier estimate by \$9.4 million in 2000-01 and also higher for the 2001-03 biennium, by \$12.0 million. Gross

registration revenue includes revenue from vehicle registration fees, as well as other registration-related revenue, including late fees, title fees, DMV counter service fees and other minor revenue sources.

Although the number of registered vehicles is projected to be lower than the earlier estimate, it is estimated that the average registration fee paid by trucks will be higher than was originally anticipated, which would more than offset the lower number of registered vehicles. The higher average truck registration fee reflects a shift in the truck fleet toward heavier trucks.

It is also now estimated that revenue from registration late fees will be higher than the earlier estimates, by \$1.0 million in 2000-01 and by \$4.0 million in the 2001-03 biennium. Revenue from the \$7.50 supplemental title fee is estimated to be slightly higher than the earlier estimates, both in 2000-01 and in the 2001-03 biennium.

Debt service on transportation revenue bonds is estimated to be lower than earlier estimates by \$6.6 million in 2000-01 and by \$4.3 million in the 2001-03 biennium. Since revenue bond debt service is reflected as a reduction to registration revenues, a reduction in the debt service estimate results in an increase to net registration revenue. Debt service is estimated to be lower primarily because the contracts for certain major highway development projects that were anticipated to be funded with bond proceeds were funded with FED or SEG funds. This has allowed the use of bonding to be deferred slightly, which was not anticipated when the earlier estimate was prepared.

The following table shows the new registration-related revenue and revenue bond debt service projections and the percentage changes from the prior years.

**Gross Registration-Related Revenue and Revenue Bond Debt Service  
(In Millions)**

Fiscal Year	Gross		Debt		Net	
	Registration- Related Revenue	Percent Change	Service	Percent Change	Registration- Related Revenue	Percent Change
2000-01	\$379.0	4.7%	\$87.9	4.4%	\$291.1	4.8%
2001-02	388.8	2.6	105.5	20.0	283.3	-2.7
2002-03	392.9	1.0	117.3	11.2	275.5	-2.7

**Other Revenues**

Driver's license revenues are now estimated to be higher than the earlier estimates by \$0.4 million in 2000-01, but are anticipated to be lower than earlier estimates by \$5.4 million over the 2001-03 biennium. The difference is due primarily to a reduction in one-time revenue associated with the end of the four-year phase-in period of the eight-year driver's license, which

was not incorporated in the earlier estimate. During the phase-in period, which will end in February, 2002, DMV has issued eight-year licenses to some drivers and four-year license extensions to others. After February, the volume of license renewals will decline because some drivers who would have otherwise renewed their licenses at that time will not need to do so because they were issued eight year licenses four years earlier.

Based on new estimates of changes in the statewide average tax rate and airline property value that is apportioned to the state, revenue from aeronautical fees and taxes is anticipated to be higher than the previous estimate by \$0.7 million in 2000-01 and by \$1.4 million over the 2001-03 biennium. Based on new estimates of changes in the statewide average tax rate and railroad property value that is apportioned to the state, revenue from railroad ad valorem taxes is anticipated to be lower than the previous estimate by \$0.3 million in 2000-01 and by \$0.6 million over the 2001-03 biennium.

It is now estimated that investment earnings will be higher than had been anticipated in the earlier estimate by \$2.9 million in 2000-01 and by \$1.2 million over the 2001-03 biennium. The difference is due primarily to higher-than-anticipated cash balances and slightly different interest rates.

#### **Prior Committee Actions Affecting Revenues, Appropriations and Reserves**

In previous action, the Committee made several changes that affected transportation revenues, appropriations and reserves. In action taken on DOT's administrative divisions, transportation fund revenues were increased by \$0.8 million, appropriations were increased by \$0.4 million and fund reserves were decreased by \$0.1 million over the 2001-03 biennium, relative to the bill. The Committee also approved a reestimate of transfers to the snowmobile and all-terrain vehicle accounts to reflect higher-than-anticipated motor fuel tax rates and a higher number of registered recreational vehicles. It was estimated that an additional \$1.2 million will be transferred from the transportation fund to those accounts over the 2001-03 biennium.

#### **Summary**

Incorporating the preceding reestimates and prior action taken by the Committee, the biennium-opening balance is now estimated to be \$33,614,600, which is \$3,781,700 lower than earlier estimates. The June 30 closing balances are now estimated at \$20,673,200 in 2001-02 and -\$5,554,100 in 2002-03. The 2001-03 biennium-ending balance is \$7,869,400 lower than the estimated closing balance in the bill.

Prepared by: Jon Dyck and Al Runde



## Legislative Fiscal Bureau

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May 23, 2001

Joint Committee on Finance

Paper #896

### *Marquette Interchange Reconstruction*

## **Federal Highway Formula Aid (DOT -- Transportation Finance)**

[LFB 2001-03 Budget Summary: Page 648, #2]

### **CURRENT LAW**

The federal government provides highway aid to the states in the form of authorization to obligate funds from the federal highway trust fund. The authorization, which is distributed to the states by formula, is approved on a multi-year basis, but Congress annually limits how much of that authorization can be obligated. The limit that is placed on obligation authority determines the spendable amount of federal highway formula aid.

The state budgets for federal highway formula aid by estimating the total amount of obligation authority the state will receive during the two federal fiscal years that correspond to the two state fiscal years of the biennium. This funding is apportioned among various FED appropriations in DOT. The amounts in the Chapter 20 appropriations schedule reflect the intent of the Legislature on how these funds should be spent, but DOT may spend more or less than the appropriated amount if the total amount of federal highway aid is more or less than the amount estimated. If the difference between the amount estimated and the amount received exceeds 5%, then DOT must submit a plan to the Joint Committee on Finance for adjusting the Department's appropriations to reflect the revised federal aid amount. The Committee may approve or modify and approve this plan.

### **GOVERNOR**

Reestimate federal highway formula aid at \$545,556,900 in 2001-02 and \$560,681,000 in 2002-03. The following table shows, by appropriation, how the bill would allocate federal aid during 2001-03. The first column shows the base level for each appropriation, doubled to provide a biennial comparison. The base includes amounts appropriated by 1999 Act 9, totaling

\$503,600,000, plus \$19,288,800 in additional 2001 federal highway aid that was allocated among these appropriations by the Joint Committee on Finance in December. The base does not include \$8,000,000 in additional 2001 federal highway aid that the Committee allocated to the local roads for job preservation program for making a grant to the City of Janesville, since this was a one-time expenditure. The second and third columns show the funding recommended by the Governor and the change to the base.

<u>Appropriation</u>	<u>Appropriation Base Doubled</u>	<u>2001-03 Governor</u>	<u>Change to Base Doubled</u>
Rail Passenger Service	\$7,350,800	\$6,654,500	-\$696,300
Local Bridge Improvement	52,576,400	0	-52,576,400
Local Transportation Facility Improvement	151,439,400	204,015,800	52,576,400
Transportation Enhancements Grants	13,460,400	13,460,400	0
Railroad Crossing Improvement	7,098,600	7,098,600	0
Surface Transportation Grants	5,440,000	5,440,000	0
Congestion Mitigation/Air Quality Improvement	24,997,000	24,997,000	0
Major Highway Development	115,897,000	115,897,000	0
State Highway Rehabilitation	631,364,200	648,060,500	16,696,300
Marquette Interchange Reconstruction	0	42,735,200	42,735,200
Highway Maintenance and Traffic Operations	2,388,000	2,388,000	0
Highway Administration and Planning	10,600,000	8,110,000	-2,490,000
Departmental Management and Operations	17,456,200	20,510,300	3,054,100
Motor Vehicle Emission Inspection and Maintenance	<u>5,709,600</u>	<u>6,870,600</u>	<u>1,161,000</u>
<b>TOTAL</b>	<b>\$1,045,777,600</b>	<b>\$1,106,237,900</b>	<b>\$60,460,300</b>

## DISCUSSION POINTS

1. The amount estimated in the bill for federal fiscal year (FFY) 2002 is \$15,847,800 above the \$529,709,100 that the state will receive in FFY 2001, and the amount estimated for FFY 2003 is \$30,971,900 above the FFY 2001 amount. The total amount in the 2000-01 appropriation base is lower than the \$529,709,100 that the state will receive in 2001 because the base appropriations do not include \$8,000,000 in 2001 aid that was allocated on a one-time basis to the local roads for job preservation program for making a grant to the City of Janesville. However, the amount of federal highway formula aid allocated to all 2000-01 appropriations, including the amount provided for the Janesville grant, totaling \$530,888,800, is slightly higher than the amount that will be received due to a federal rescission of certain funds to reflect an across-the-board

reduction passed by Congress in December, 2001.

2. The Federal Highway Administration (FHWA) has preliminarily estimated that the state will receive \$567,000,000 in FFY 2002 under the President's budget, which is \$21,443,100 higher than the amount estimated in the bill.

3. The current multi-year federal transportation authorization act, titled the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), includes a provision that automatically increases state aid amounts if revenue receipts in the federal highway trust fund exceed amounts estimated in the act. The President's FFY 2002 budget, which was submitted in February, estimates that this provision will result in an additional \$4.5 billion for the highway program. FHWA's estimate of Wisconsin's formula highway aid in 2002 includes the effect of much of this additional amount, although the President's budget would use \$201 million of this amount for other programs, which would require Congress to change the TEA-21 mechanism. The previous administration also submitted budgets that would differ slightly from the TEA-21 formula, but Congress did not adopt these changes. If Congress does not adopt this provision, the state's 2002 aid could potentially be slightly higher.

4. Other factors could lower the amount that the state will receive. For instance, Wisconsin's share of the total amount of federal highway aid could decrease under the formulas that are used to distribute the aid. In addition, Congress could take action that further decreases the total amount of aid that is distributed to the states. The FHWA will estimate the highway aid for all states using the formulas (with any modifications passed by Congress) after the President signs the transportation appropriation act for 2002.

5. No federal highway formula aid estimate has been prepared by FHWA for 2003. It should be noted that the amount estimated for 2002 would be 7.0% higher than the amount received in 2001, in part because of significantly higher-than-anticipated collections in the federal highway trust fund. Given trends toward slower growth or, in some areas, reductions in the nationwide consumption of motor fuel, it may be prudent to assume that there will be no increase from 2002 to 2003. In this case, Wisconsin would also receive \$567,000,000 in 2003, which exceeds the amount estimated in the bill by \$6,319,000.

6. If the estimates of federal highway aid contained in the budget bill are too high or too low, DOT would adjust encumbrances accordingly and would choose which appropriations to modify. If the difference is greater than 5%, however, DOT would have to submit a plan to the Joint Committee on Finance for making the adjustments.

7. The differences between the federal highway formula aid estimates contained in the bill and the reestimate is less than 5%. Therefore, if the estimates in the bill are not modified to reflect these reestimates, but the state actually receives the amounts in the reestimates, the Legislature will not have an opportunity to decide how the additional amount should be allocated. Reflecting a higher level of federal formula aid in the budget may allow a more thorough examination of competing priorities for all transportation revenues.

8. Most states, including Wisconsin, typically receive an amount of additional federal aid, usually in late summer or early fall, from a redistribution of obligation authority that had been set aside for activities managed by FHWA, such as highway research contracts, but which was not fully used. In addition, any federal highway aid that is not used by a state will be redistributed to other states. For FFY 2000, Wisconsin received \$3.7 million of redistributed funds. The estimates of aid for FFY 2002 and FFY 2003 do not include any amounts that the state may receive through redistribution in those years, since these amounts can vary from year to year.

#### **SUMMARY**

The bill reflects estimated federal highway aid of \$545,556,900 in 2001-02 and \$560,681,000 in 2002-03. Based on information provided by the Federal Highway Administration, it is estimated that the state will receive \$567,000,000 in 2001-02. It is also estimated that the state will receive \$567,000,000 in 2002-03. These amounts are \$21,443,100 higher in 2001-02 and \$6,319,000 higher in 2002-03 than the amounts in the bill. The actual amounts that the state will receive will not be known until after Congress passes the FFY 2002 and FFY 2003 transportation appropriation bills.

Prepared by: Jon Dyck





## Legislative Fiscal Bureau

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May 23, 2001

Joint Committee on Finance

Paper #920

### *Marquette Interchange Reconstruction*

## **Marquette Interchange Reconstruction (DOT -- State Highway Program)**

[LFB 2001-03 Budget Summary: Page 661, #1 (part)]

### **CURRENT LAW**

The reconstruction and repair of state highways and bridges are funded through both state and federal appropriations for the state highway rehabilitation program. Base funding for the program is \$565,948,900 (\$250,266,800 SEG and \$315,682,100 FED).

The Marquette Interchange is the conjunction of interstates 94, 43 and 794, adjacent to Marquette University and downtown Milwaukee

### **GOVERNOR**

Provide \$1,750,000 SEG, \$26,868,000 FED and \$2,264,300 SEG-S (revenue bond proceeds) in 2001-02 and \$6,250,000 SEG, \$91,067,200 FED and \$4,732,300 SEG-S in 2002-03 to begin preliminary work related to the reconstruction of the Marquette Interchange in Milwaukee, including preliminary engineering, final design, real estate acquisition and traffic mitigation.

Create four, continuing appropriations for Marquette Interchange reconstruction to account for SEG funds, federal funds, revenue bond proceeds and local funds provided for the project. Specify that revenue bond proceeds may be used for the Marquette Interchange reconstruction project. Permit the Building Commission to issue revenue bonds for the reconstruction of the Marquette Interchange, but specify that not more than \$6,996,600 (the amount appropriated by the bill) may be issued for this purpose. Create a revenue bond appropriation for the administrative costs of bond issuance and modify an existing clearing account appropriation to reflect the change allowing the use of bonds for the reconstruction

project. Clarify that the funding of the Marquette Interchange reconstruction project shall be subject to current law restrictions on the purchase of land, easements or development rights in land that is more than one-quarter of a mile from a highway project.

## DISCUSSION POINTS

1. The Marquette Interchange was initially constructed between 1964 and 1968. The bridges and pavements in the interchange have been repaired periodically since that time, but DOT indicates that the bridges in the interchange now need to be replaced due to their deteriorated condition. Consequently, the Department has tentatively scheduled the reconstruction of the interchange for the four-year period between 2004 and 2007 and is currently studying various alternative designs for its replacement. A decision on a final recommended alternative is expected to be made in the fall of 2001.

2. The area being studied extends, in the east-west direction, from the 35<sup>th</sup> Street interchange on I-94 to the Lake Interchange on I-794, a distance of about three miles. In the north-south direction, the area under study extends from the North Avenue interchange on I-43 to the Burnham Canal, a distance of about 2.5 miles. For the purposes of describing the construction in this area, DOT has divided the project into four segments: (a) the core, extending to the Burnham Canal to the south, 25<sup>th</sup> Street to the west, the Milwaukee River to the east and State Street to the north; (b) the north leg, extending from State Street to North Avenue; (c) the east leg, extending from the Milwaukee River to the Lake Interchange; and (d) the west leg, extending from 25<sup>th</sup> Street to 35<sup>th</sup> Street. Only the core of the interchange and the north leg would be reconstructed during the period between 2004 and 2007.

3. DOT has estimated the cost of reconstructing the interchange using the assumption that the freeways would be improved to current engineering standards, which includes eliminating left-hand ramps and increasing the clearance on all the bridges. With these assumptions, DOT tentatively estimates that reconstructing the interchange core will cost \$549 million and reconstructing the north leg will cost \$121 million, for a total of \$670 million, in 2001 dollars. In addition, DOT has estimated the cost of adding interchanges at three locations that were not included in the "base" interchange improvement estimate. Adding interchanges at 13<sup>th</sup> Street (\$5 million), Walnut Street (\$44 million) and Plankinton Avenue (\$47 million) would increase the total core and north leg cost to \$766 million. The east and west legs, which would be reconstructed separately after the core and north legs are completed, are estimated to cost \$183 million and \$120 million, respectively. In total, DOT has identified potential costs for the core and the three legs of \$1,069 million, in 2001 dollars. It should be noted that all of these estimates are based on average costs for similar types of freeway work. Since the Department is still in the preliminary stage of the design process, it is possible that refinements to the design and unforeseen circumstances will ultimately increase the cost of the project above these levels.

4. Of the \$117,935,200 FED provided by the bill for the interchange reconstruction project over the biennium, \$75,200,000 (\$12,750,000 in 2001-02 and \$62,450,000 in 2002-03)

would be interstate cost estimate (ICE) funds. A 1999 agreement between Governor Thompson and the City and County of Milwaukee allocated \$75.15 million, out of a total of \$241 million in ICE funds available to the state, to the Marquette Interchange reconstruction project. The bill would provide \$75.20 million in ICE funds in the federal appropriation for Marquette Interchange reconstruction, which is \$50,000 more than was allocated to the project under the agreement. A correction would be necessary to reflect the actual amount of available ICE funds.

5. The following table shows the funds provided by the bill for the project, by funding source, with a correction to reflect the actual amount of ICE funds available for the project.

**Marquette Interchange Funding in the Bill**

<u>Funding Source</u>	<u>2001-02</u>	<u>2002-03</u>	<u>Biennial Total</u>
SEG	\$1,750,000	\$6,250,000	\$8,000,000
FED-Formula	14,118,000	28,617,200	42,735,200
FED-ICE	12,750,000	62,400,000	75,150,000
SEG-S (revenue bonds)	<u>2,264,300</u>	<u>4,732,300</u>	<u>6,996,600</u>
<b>Total</b>	<b>\$30,882,300</b>	<b>\$101,999,500</b>	<b>\$132,881,800</b>

6. DOT indicates that the funding provided by the bill would be used for activities needed to prepare for construction on the interchange. This includes the preparation of the final designs for the project, purchasing real estate, relocating utility facilities, traffic mitigation (including the construction of temporary roads and a grant of \$5.0 million for improvements on West Canal Street) and the widening of the Wisconsin Avenue bridge (over I-43) and the Highrise Bridge (I-94 over the Menomonee River valley).

7. If the funding provided in the bill is approved, the remaining estimated cost of the project during the period between 2003-04 and 2006-07, including the cost of providing interchanges at 13<sup>th</sup> Street, Walnut Street and Plankinton Avenue and some preliminary work related to the construction of the east and west legs, would be \$663 million, in 2001 dollars. Since this estimate may not account for all of the contingencies that could be encountered in the construction of a large highway project, it may be prudent to assume that the cost will be somewhat higher than this. In order to account for this possibility, the remainder of this analysis assumes that the actual cost of the project will be 15% higher than DOT's preliminary estimate. The following table shows how much additional funding would be required between 2004 and 2007, using a 15% higher real cost and the following assumptions: (a) the annual inflation rate between 2001 through 2007 will be 3%; (b) the federal formula highway aid, SEG funds and bonding funds that would be provided under the bill in 2002-03 (equaling \$39.6 million) will be maintained as part of the ongoing base through 2006-07; and (c) construction costs will be spread evenly over the four years between 2003-04 and 2006-07, but the costs of preliminary work (including some work associated with the east and west legs) will be incurred in the years that they are currently anticipated.

**Estimated Annual Funding Requirements for the  
Marquette Interchange Reconstruction  
(In Millions)**

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Estimated Annual Project Cost	\$232.0	\$196.1	\$212.6	\$227.3
-Ongoing Base Funding	<u>-39.6</u>	<u>-39.6</u>	<u>-39.6</u>	<u>-39.6</u>
Net Funding Requirement	\$192.4	\$156.5	\$173.0	\$187.7

8. If the Legislature decides to fund the Marquette Interchange project with cash, except for the amount of bonding provided in the bill (\$25.9 million, if additional authorization is provided to maintain the base level until the completion of the project in 2006-07), additional funding could be provided by dedicating revenue from "natural" transportation fund revenue growth, transferring base funding from the highway rehabilitation, major highway development or other transportation programs, increasing transportation taxes and fees or adopting some combination of these alternatives. For instance, the following combination of actions would generate approximately \$177 million per year for the project, which would be enough to fund the estimated costs as identified in the previous scenario: (a) dedicating \$7 million from natural revenue growth; (b) dedicating 5% of the 2002-03 SEG and FED base for the major highway development and state highway rehabilitation programs to the Marquette Interchange project (about \$35 million); (c) increasing the motor fuel tax by two cents per gallon (about \$64 million); (d) increasing vehicle registration fees by 10%, which equates to \$4.50 for automobiles (about \$35 million); and (e) increasing the vehicle title fee by \$20 (about \$36 million).

9. This office has estimated that the amount of federal highway formula aid that will be received in both 2002 and 2003 is \$567,000,000 (see LFB Paper #896). This exceeds the amounts estimated in the bill by \$21,443,100 in 2001-02 and \$6,319,000 in 2002-03. These amounts could be provided for the Marquette Interchange project without affecting the funding for other transportation programs, which would reduce the amount of additional funding that would be required to complete the project, relative to the previous scenario. However, \$163 million per year in additional tax and fee increases or diversions from other transportation programs would still be required to complete the project under this scenario.

10. The amount of tax and fee increases or diversions from other transportation programs could be reduced by funding a portion of the cost of the project with bond proceeds, which would spread the cost of the project over a longer period of time. The Committee could adopt a funding strategy for the Marquette Interchange project of establishing a base funding level in 2002-03 that would be used in future biennia to make annual debt service payments associated with the bonding that is used on the project. Under this strategy, most of the base funding level would be used directly for project expenditures in 2003-04, with the balance of project costs being

funded with bonds. In subsequent years, the amount of the base funding level used directly for the project would be reduced by an amount necessary to pay the debt service on the bonds issued for the project.

11. Toward the goal of establishing a higher, non-bonding base funding level for the project, the Committee could exchange the revenue bonds provided in the bill for the Marquette Interchange project (\$2,264,300 in 2001-02 and \$4,732,300 in 2002-03) with SEG funds from the major highway development program, keeping both programs funded at the same total level. DOA indicates that the bonding amounts provided for the Marquette Interchange were derived by reducing the percentage of bonding used in the major highway development program from 55%, which has traditionally been a target level of bonding for the program, to 54% in 2001-02 and 53% in 2002-03, and providing this difference for the Marquette Interchange. Exchanging the bonding provided for the Marquette Interchange appropriations for SEG in the major highway development program would increase the percentage of bonding used in the major highway development program, but would not change the total amount of bonding in the highway program and, therefore, would not affect the total amount of revenue bond debt service, relative to the bill (there would be a potential increase in revenue bond debt service in future biennia, depending on actions of future Legislatures).

12. Providing additional SEG instead of SEG-S for the Marquette Interchange and providing the additional federal funds that it is now estimated that the state will receive would establish an ongoing, non-bonding base funding level of \$45.9 million in 2002-03, instead of \$34.9 million under the bill, and would increase the total amount of funding providing in the 2001-03 biennium from \$132.9 million to \$160.6 million.

13. The following table shows a funding scenario for the project using the following assumptions: (a) a FED and SEG base of \$45.9 million will be provided in 2002-03 and will be maintained as part of the ongoing base for the project, but the amount that will be used directly for project expenditures will be reduced each year by the amount necessary to pay debt service on bonds issued for the project; (b) transportation fund-supported, general obligation bonds will be issued to cover the remaining costs of the project (instead of revenue bonds, as under the bill) and the annual interest rate on these bonds will be 5.0%; (c) one semi-annual payment will occur in the fiscal year that the bonds are issued; and (d) \$18.7 million of the \$27.7 million provided in federal formula funds in 2001-03 will replace federal ICE funds in the 2001-03 biennium and this amount will be used to reduce the total amount of additional funding needed for the project in 2003-04 (the remaining \$9.0 million would be used on other preliminary activities that have been identified by the Department, but that are not funded by the bill).

**Marquette Interchange Construction Funding Scenario**  
(In Millions)

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Bonds Issued	\$165.0	\$170.1	\$201.4	\$233.4	--
Carry-Over ICE Funds	18.7	--	--	--	--
Ongoing SEG and FED Base	45.9	45.9	45.9	45.9	45.9
Minus Debt Service on Bonds	-6.6	-19.9	-34.7	-52.0	-61.3
Total Net Expenditures	\$223.0	\$196.1	\$212.6	\$227.3	--
Unfunded Debt Service	\$0.0	\$0.0	\$0.0	\$6.1	\$15.4

14. As shown in the preceding table, the amount of base funds under this scenario would be sufficient to fund the ongoing debt service in the first three years, but would fall short of the debt service requirements beginning in 2006-07. In 2007-08, which is when debt service payments would reach the maximum level under this scenario, debt service payments would exceed the amount of base funding available by \$15.4 million. Debt service payments would remain at this level for 16 years, beginning in 2007-08.

15. In order to implement the funding strategy outlined in the previous points during the 2001-03 biennium, additional SEG funds would have to replace the SEG-S funds (with a corresponding switch in funds for the major highway development program) and the additional estimated federal funds would have to be provided for the project. In addition, DOT could be required to submit a budget request for the 2003-05 biennium that does the following: (a) requests the approval of transportation fund-supported, general obligation bonds for the project; (b) requests the authorization of an amount of bonding sufficient to complete the project; and (c) requests modifications to SEG and FED base funds for the project in the amounts needed to pay the debt service on the bonds issued for the project.

16. The federal highway aid program has discretionary programs for interstate and high-cost bridge projects that would be a potential source of funding for the Marquette Interchange reconstruction. If the state is successful in obtaining funds from these programs for the Marquette Interchange, the amount of bonding identified in the previous scenario could be reduced, which would reduce the ongoing funding commitment required to pay debt service. For example, if the state received \$25 million per year in discretionary funds for four years, the level of bonding could be reduced by \$118 million and the unfunded debt service in 2007-08 would drop to \$6.0 million.

17. Federal formula funds require a 20% nonfederal match and federal ICE funds require a 15% match. However, the amount of funding available in the SEG and SEG-S Marquette Interchange appropriations is insufficient to provide the match for the full amount of federal funds that would be provided in the bill. Because of the limited amount of matching funds provided by the bill, only \$82,171,000 out of the \$132,881,800 in total funds provided by the bill could be spent if only the Marquette Interchange SEG and SEG-S appropriations are used to provide a nonfederal

match (assuming that the federal formula funds would be spent first to avoid a lapse of these funds at the end of the federal fiscal year).

18. In order to provide the same total amount of funds as the bill, but allow the full amount to be utilized, federal formula funds could be exchanged for an equal amount of SEG funds in the state highway rehabilitation program. Under this alternative, the Marquette Interchange reconstruction appropriation would be modified as follows: (a) an increase of \$1,412,200 SEG in 2001-02 and \$5,747,100 SEG in 2002-03; and (b) a decrease of \$1,412,200 FED in 2001-02 and \$5,747,100 FED in 2002-03. The inverse adjustments would be made to the SEG and FED appropriations for state highway rehabilitation, keeping both programs funded at the same total level as under the bill.

19. If the additional federal funds are provided for the project (\$21,443,100 in 2001-02 and \$6,319,000 in 2002-03), no SEG funds would be available to provide a nonfederal match. Consequently, a similar funding source switch with the highway rehabilitation program could be implemented to allow this same total amount of funds to be spent on the Marquette Interchange. In this case, an additional \$4,288,700 SEG in 2001-02 and \$1,263,800 SEG in 2002-03 would be transferred from the state highway rehabilitation program and would be replaced by equal amounts of federal funds from the Marquette Interchange appropriation.

## ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$1,750,000 SEG, \$26,868,000 FED and \$2,264,300 SEG-S (revenue bond proceeds) in 2001-02 and \$6,250,000 SEG, \$91,067,200 FED and \$4,732,300 SEG-S in 2002-03 to begin preliminary work related to the reconstruction of the Marquette Interchange in Milwaukee and to create four, continuing appropriations for Marquette Interchange reconstruction to account for SEG funds, federal funds, revenue bond proceeds and local funds provided for the project.

2. Approve the Governor's recommended funding mechanism for the Marquette Interchange project, with the following modifications: (a) reduce funding by \$50,000 FED in 2002-03 to reflect the actual amount of federal ICE funds available for the project; (b) transfer \$1,412,200 SEG in 2001-02 and \$5,747,100 SEG in 2002-03 from the state highway rehabilitation program to the SEG appropriation for the Marquette Interchange reconstruction; and (c) transfer \$1,412,200 FED in 2001-02 and \$5,747,100 FED in 2002-03 from the amounts provided for the Marquette Interchange reconstruction to the state highway rehabilitation program.

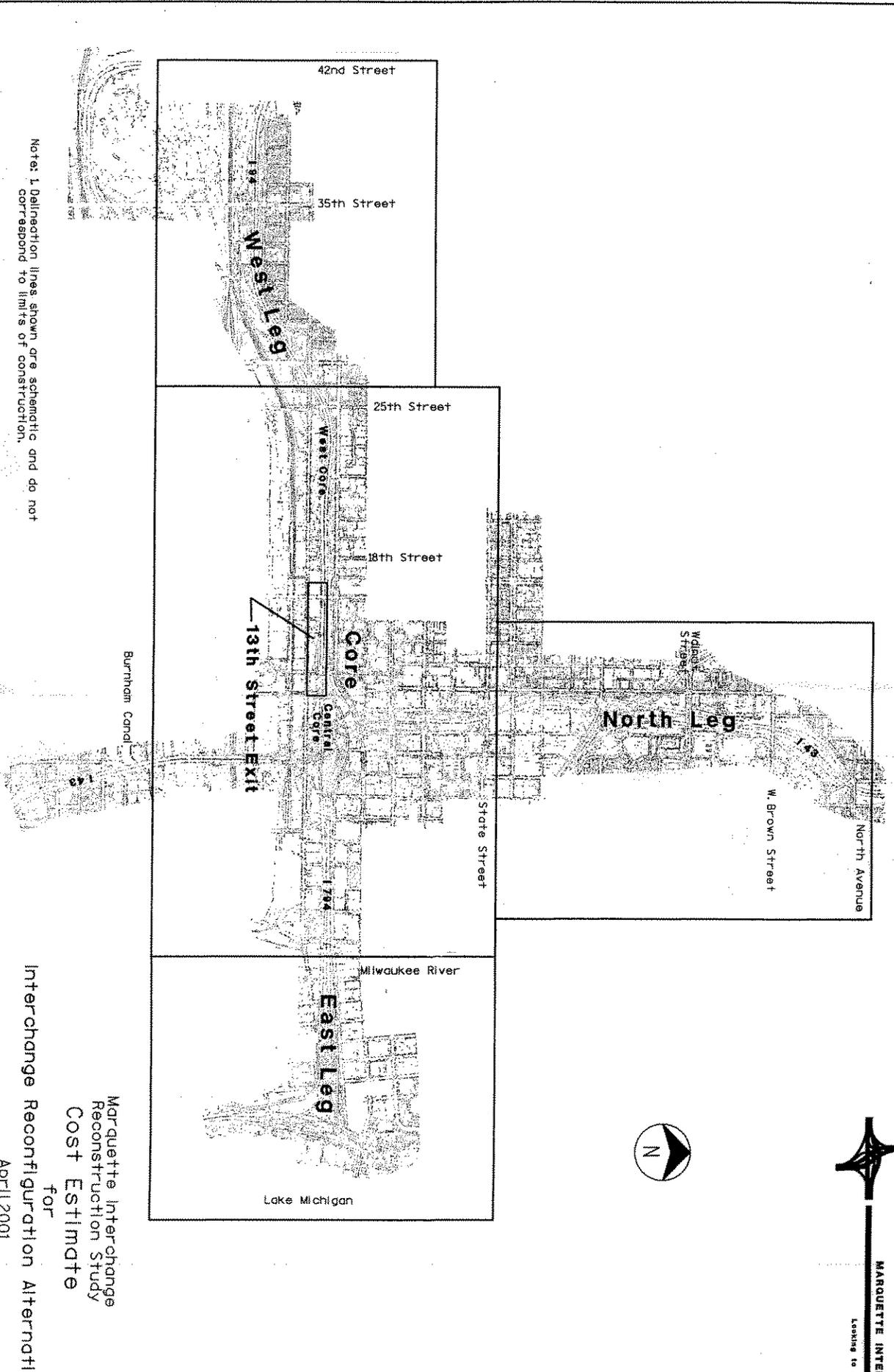
3. Modify the Governor's recommendation as follows: (a) reduce funding by \$50,000 FED in 2002-03 to reflect the actual amount of federal ICE funds available for the project; (b) transfer \$2,264,300 SEG-S in 2001-02 and \$4,732,300 SEG-S in 2002-03 from the amounts provided for the Marquette Interchange reconstruction to the major highway development program; (c) transfer \$2,264,300 SEG in 2001-02 and \$4,732,300 SEG in 2002-03 from the major highway development program to the SEG appropriation for Marquette Interchange reconstruction; (d)

transfer \$5,700,900 SEG in 2001-02 and \$7,010,900 SEG in 2002-03 from the state highway rehabilitation program to the SEG appropriation for Marquette Interchange reconstruction; (e) provide \$5,700,900 FED in 2001-02 and \$7,010,900 FED in 2002-03 for the state highway rehabilitation program to replace SEG transferred to the Marquette Interchange reconstruction appropriation; (f) provide \$15,742,200 FED in 2001-02 and delete \$691,900 FED in 2002-03 for the Marquette Interchange reconstruction; and (g) delete the SEG-S appropriation for the Marquette Interchange reconstruction and delete the authority of the Building Commission to issue revenue bonds for the Marquette Interchange project. Under this alternative, a total of \$52,325,400 in 2001-02 and \$108,318,500 in 2002-03 would be provided for the Marquette Interchange reconstruction, for a biennial total of \$160,643,900. The ongoing SEG and FED base for the project would be \$45,918,500.

In addition, require DOT to include a Marquette Interchange reconstruction funding proposal with its 2003-05 budget request that does the following: (a) requests the approval of transportation fund-supported, general obligation bonds for the project; (b) requests the authorization of an amount of bonding sufficient to complete the project; and (c) requests modifications to SEG and FED base funds for the project in the amounts needed to pay the debt service on the bonds issued for the project.

Alternative 3	FED
2001-03 FUNDING (Change to Bill)	\$27,762,100

Prepared by: Jon Dyck



Note: 1. Delineation lines shown are schematic and do not correspond to limits of construction.

Marquette Interchange  
 Reconstruction Study  
 Cost Estimate  
 for  
 Interchange Reconfiguration Alternatives  
 April 2001



## Legislative Fiscal Bureau

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May 23, 2001

Joint Committee on Finance

Paper #921

### *Marquette Interchange Reconstruction*

## **Marquette Interchange Reconstruction -- Use of State Highway Rehabilitation Funds (DOT -- State Highway Program)**

[LFB 2001-03 Budget Summary: Page 661, # 1 (part)]

### **CURRENT LAW**

The state highway rehabilitation program is principally responsible for repairing deteriorated highways and bridges on the state trunk highway system. Base funding for the program is \$565,948,900 (\$250,266,800 SEG and \$315,682,100 FED).

The Marquette Interchange is the conjunction of interstates 94, 43 and 794, adjacent to Marquette University and downtown Milwaukee.

### **GOVERNOR**

Specify that the reconstruction of the Marquette Interchange shall be funded from the following appropriations: (a) the SEG, FED, SEG-S and SEG-L appropriations for the Marquette Interchange reconstruction project; (b) the appropriation for the administrative costs of bond issuance; (c) the SEG, FED and SEG-L appropriations for state highway rehabilitation; and (d) a new, PR (tribal gaming proceeds) appropriation for the reconstruction of West Canal Street in Milwaukee.

### **DISCUSSION POINTS**

1. The bill would create SEG, FED, SEG-S and SEG-L appropriations for the reconstruction of the Marquette Interchange, but would also include the SEG, FED and SEG-L

appropriations for state highway rehabilitation in the list of appropriations that shall be used for the funding of the interchange reconstruction.

2. The reconstruction of the core and north leg of the interchange is expected to cost between \$670 million and \$766 million, in 2001 dollars, with most of the work taking place between 2004 and 2007. The bill would provide a total of \$132.9 million in the appropriations for Marquette Interchange reconstruction, but only \$39.6 million of this amount would be ongoing funding. Therefore, in the 2003-05 biennium, DOT would be required to fund the project from the rehabilitation program appropriations to keep the project on schedule, if no additional funding is provided in the Marquette Interchange appropriations. Depending on the extent to which the rehabilitation appropriations are used to fund work on the Marquette Interchange, this would require the Department to reduce other construction activity in the rehabilitation program by as much as one-third of its current level, which would significantly impact other scheduled highway rehabilitation projects.

3. If additional funding is provided in the Marquette Interchange appropriations either in the 2001-03 biennium or the following two biennia, it may not be necessary to use the state highway rehabilitation appropriations to complete the project. However, if the costs of the project increase above what is available in the Marquette Interchange appropriations, under the bill DOT would have the flexibility to use some rehabilitation program funds. The funding structure created by the bill, therefore, would allow DOT to make adjustments in the funding of the project as it progresses.

4. Some concerns have been raised about the potential impact of the Marquette Interchange reconstruction project on the rest of the rehabilitation program. If the Committee wants to prevent the rehabilitation program from being affected by unanticipated changes in the cost of the Marquette Interchange project without the approval of the Legislature, one alternative would be to specify that the reconstruction of the interchange could only be funded from the appropriations for the Marquette Interchange reconstruction.

5. The Committee may decide to require the interchange to be funded only from the Marquette Interchange appropriations, but also decide that it is appropriate to use a portion of the current base funding in the rehabilitation program on the Marquette Interchange project. In this case, an amount of base funding for the rehabilitation program could be transferred to the Marquette Interchange appropriations either in the context of a biennial budget, budget adjustment legislation or upon DOT's submission of a request to the Committee, but the Department would not otherwise be allowed to use rehabilitation funds for the Marquette Interchange project.

6. Federal highway formula funds generally lapse at the end of the federal fiscal year (September 30) if they are not encumbered prior to that time. For this reason, DOT sometimes requests allotment adjustments to move federal funds from one appropriation to another in order to ensure that all available federal funds are used. In addition, the actual amount of federal funds received by the state may be either higher or lower than the amounts estimated in biennial budget acts. If these differences are 5% or less than the total amount of aid estimated, DOT makes

adjustments to federal appropriations to account for the differences (a difference greater than 5% requires approval of the Joint Committee on Finance). It is possible that similar adjustments (either increases or decreases) could be made to the FED amounts appropriated for the Marquette Interchange during the course of the project.

7. If it is decided to restrict the funding of the Marquette Interchange to only the appropriations for the project, the Committee could allow DOT to seek approval of the Committee under a 14-day passive review process for funding shifts that involve the appropriations for the Marquette Interchange. This would create a process under which the appropriations could be adjusted to reflect such things as the receipt of additional federal aid, the provision of matching funds for federal aid and the need to deal with unexpected contingencies in the reconstruction project.

8. If the Committee decides to restrict the funding of the Marquette Interchange reconstruction project only to the appropriations created by the bill, the terms "reconstruction" and "Marquette Interchange" would need to be defined in the statutes. It may be appropriate to allow DOT to retain the ability to fund repairs to the interchange in an emergency situation from the rehabilitation appropriations and sunset this provision at the end of 2007, which is after the project is due to be completed.

9. The definition of the Marquette Interchange could correspond with the area that DOT indicates will be under construction between 2004 and 2007, which is the roadways, shoulders and related ramps encompassing interstates 43, 94 and 794, bounded by 25<sup>th</sup> Street to the west, North Avenue to the north, the southern end of Burnham Canal to the south and the Milwaukee River to the east. Future Legislatures could modify the project boundaries if it is determined that this funding mechanism should be retained for other work on the Milwaukee freeway system.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to specify that the reconstruction of the Marquette Interchange shall be funded from the following appropriations: (a) the SEG, FED, SEG-S and SEG-L appropriations for the Marquette Interchange reconstruction project; (b) the appropriation for the administrative costs of bond issuance; (c) the SEG, FED and SEG-L appropriations for state highway rehabilitation; and (d) a new, PR (tribal gaming proceeds) appropriation for the reconstruction of West Canal Street in Milwaukee.

2. Modify the Governor's recommendation by restricting the funding of the reconstruction of the Marquette Interchange to the newly-created appropriations for the Marquette Interchange reconstruction. Define "reconstruction" as the rebuilding of highways or bridges and any activities associated with or necessary for such rebuilding, including design engineering, traffic mitigation, real estate acquisition and utility facility relocation. Define "Marquette Interchange" as the roadways, shoulders and related ramps encompassing interstates 43, 94 and 794, bounded by 25<sup>th</sup> Street to the west, North Avenue to the north, the southern end of Burnham Canal to the south

and the Milwaukee River to the east. Specify that this restriction does not apply to the emergency repair of portions of the interchange that are deemed necessary by the Department to ensure the safe movement of traffic within the interchange. Specify that this restriction does not apply after December 31, 2007.

Prohibit DOT from making any adjustments to the appropriations for the Marquette Interchange reconstruction unless the Department first submits the proposed adjustments to the Joint Committee on Finance. Limit the appropriations affected by the proposed modification to those for state highway rehabilitation and the Marquette Interchange reconstruction. Specify that if the Co-chairs do not notify DOT within 14 working days after the date of the Department's notification that the Committee has scheduled a meeting to review the proposed appropriation adjustments, DOT may implement the adjustments. Specify that if, within 14 working days after the Department's notification, the Co-chairs notify DOT that the Committee has scheduled a meeting to review the proposed adjustments, DOT may make the appropriation adjustments only upon approval, or modification and approval, of the Committee.

Prepared by: Jon Dyck

# Administration

## Agency Services

### *Bill Agency*

(LFB Budget Summary Document: Page 66)

#### **LFB Summary Items for Which Issue Papers Have Been Prepared**

<u>Item #</u>	<u>Title</u>
1	Division of State Agency Services -- Conversion to Program Revenue (Paper #141)
4 (part)	Replacement of Existing Aircraft (Paper #142)



## Legislative Fiscal Bureau

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

May 23, 2001

Joint Committee on Finance

Paper #141

### **Division of State Agency Services -- Conversion to Program Revenue (DOA -- Agency Services and Program Supplements)**

[LFB 2001-03 Budget Summary: Page 66, #1 and Page 525, #2]

#### **CURRENT LAW**

The current GPR-funded functions of the DOA's Division of State Agency Services consist of a portion of the Administrator's office, a portion of Wisconsin Air Services administration and the entire Bureau of Procurement. The operating budget for these functions is \$1,983,700 GPR annually and 26.25 GPR positions.

#### **GOVERNOR**

Authorize DOA to assess any agency or municipality to which it provides procurement services for the costs of such services. Further specify that DOA may identify savings that have been realized by a state agency to which it provides services and may assess an agency for not more than the amount of the savings identified by the Department. Create a PR continuing appropriation under DOA to be funded by revenues from the charges to state agencies for procurement services and from assessments for procurement savings realized by the agencies receiving those services.

Delete \$1,983,700 GPR and 26.25 GPR positions in 2002-03 and provide \$671,500 PR in 2001-02 and \$3,395,800 PR and 26.25 PR positions in 2002-03 to reflect the conversion of the remaining GPR-funded portions of the Division of State Agency Services to program revenue derived from the agency charges and assessments. Under the bill, PR funding and positions would be allocated as follows: (1) \$2,024,400 PR in 2002-03 and 25.5 PR positions, funded from the procurement services assessments, to support the procurement function and a portion of the Administrator's office; (2) \$671,500 PR in 2001-02 and \$1,284,100 PR in 2002-03, funded from the procurement services assessments and budgeted in unallotted reserve, to support the

estimated master lease costs associated with a new electronic procurement system; (3) \$128,000 PR in 2002-03 and 1.75 PR positions, funded from DOA overhead cost assessments for administrative services, to support the costs of a portion of Wisconsin Air Services administration and Division support staff; and (4) minor funding and position reallocations due to the funding conversion and functional realignments, -\$40,700 PR in 2002-03 and -1.0 PR position.

Associated with this funding conversion, modify the GPR, PR and SEG program supplements appropriations for financial services under Program Supplements to permit supplemental funding for procurement services provided by DOA, except for the charges for identified procurement savings. The bill would provide \$1,332,500 GPR in 2002-03 under Program Supplements to offset increased costs for state agencies related to the procurement funding conversion. In addition, modify current GPR, PR and SEG supplemental appropriations for financial services supplements to also allow funding to be provided out of these appropriations for the purpose of providing procurement services supplements.

## DISCUSSION POINTS

1. The current budget initiative to convert the state procurement function to program revenue funding that would be derived from charges to state agencies for procurement services and from assessments paid from procurement cost savings is the outgrowth of a recent review of state purchasing procedures.

2. *Potential Cost Savings through the Application of E-Procurement Procedures.* In September, 2000, DOA's Division of State Agency Services began to explore possible modifications to the state's existing procurement operations with the view of transforming the function by taking advantage of emerging electronic procurement ("E-procurement") technologies. This initial action led to the convening of an interdisciplinary team of agency procurement and IT professionals to explore current state procurement processes and develop possible alternatives to the current system

3. Later in the fall of 2000, DOA retained a consultant to analyze the state's current procurement operations and to make recommendations on how to make procurement "a more effective and efficient" process. The review and analysis of DOA's procurement functions is also an aspect of an on-going "E-government" initiative, designed to increase Internet-based government-to-government and government-to-citizen interactions.

4. On November 30, 2000, the consultant's general findings with respect to the state's purchasing processes were presented to the interdisciplinary team. The consultant's assessment determined that:

- The creation, routing and approval of requisitions and purchase orders is largely a manual process.

- The mix of manual and automated purchasing and financial systems results in redundant processes and inefficiencies. The consultant found, for example, that there was no uniformity across state agencies in their requisition, purchase order, receiving, invoicing, payment and accounting system transactions.

- Multiple levels of approval on purchasing decisions add time and complexity to the state's purchasing activities.

- The lack of standardization of commodity codes inhibits accurate reporting of purchases and makes it more difficult for the state to match up with vendors who use standardized national coding and commodity naming conventions.

- No centralized system currently exists for the state to automatically track its purchasing expenditures.

5. The consultant recommended that:

- The state implement a variety of currently available E-procurement practices, such as reverse auctions, online ordering of commodities and electronic payment for commodity purchases, all of which could reduce current state procurement processing costs and commodity purchase prices; and

- The state pursue the development of a data system to track state purchasing activity and expenditure data. This automated system could be developed either by upgrading in-house purchasing systems or by the purchase of currently available procurement software packages.

6. *Funding the DOA Procurement Function from Cost Savings.* The bill would specifically authorize DOA to assess agencies (and municipalities using DOA's services) for the costs of procurement services provided by the Department. Under this new authority, DOA could identify a portion of any savings realized by an agency from DOA-provided procurement services and then assess the agency for not more than the amount of the identified savings. This new authority would enable DOA to fund the costs associated with the procurement function funding conversion from assessments from savings deriving primarily from reverse auction-type purchases of commodities.

7. In a "reverse auction," the state would first advertise the need for a specific commodity and set a cut-off date for the submission of bids to provide the commodity. Vendors could go online and submit their lowest bid for the product; furthermore, any vendor's bid could be revised up until the time of the announced cut-off date for bids. Since each vendor would have full knowledge of all other submitted bids, they would have the option of lowering an initial bid in order to become the lowest bidder by the bid submission deadline. This type of procedure tends to produce lower prices for the purchaser (the state and participating municipalities).

8. Reverse auction procedures are currently authorized in 16 states according to a 2001 survey undertaken by the National Association of State Procurement Officials, with additional

updated information provided by DOA. Of these 16 states, only about five or six of these, including Wisconsin, are currently conducting such auctions on an ongoing basis or as pilot programs.

9. Wisconsin has been conducting reverse auctions on a pilot basis for selected commodities for at least two years. During this two-year period, the reverse auctions produced total bids of \$184,342,200 for nearly two dozen commodities. Compared to the historic bid levels for these same commodities purchased previously under competitive sealed bid procedures (\$193,744,200), the state appears to have achieved commodity net cost savings of \$9,402,000, or 4.9%, for all the items purchased through the reverse auction pilot.

10. Since agencies have budgeted their supplies and services costs based on the historic costs associated with their commodity purchases, any decreased cost of the commodity due to the use of a reverse auction procedure would result in a savings to the agency. Under the Governor's recommendation, the costs of operation of the PR-funded DOA procurement function would be supported, to a significant degree, from these types of agency savings.

11. The bill does not specify how DOA would develop an assessment mechanism to recover the costs of the procurement function from state agencies. While the Department could negotiate the amount of the assessment on a case-by-case basis, especially where a reverse auction might produce important cost savings, DOA would most likely impose a uniform fee on the amount of the agency purchase order. In theory, the individual agencies would be able to fund the costs of the charge from the cumulative savings generated during the fiscal year from the reverse auction process. Or, a slightly higher fee might have to be developed and applied only to those purchases where the use of reverse auction techniques would be feasible.

12. DOA has developed projections, based on total state agency purchase order activity, to determine whether a uniform procurement fee of 0.35% applied to the amount of agency purchase order activity would be sufficient to fund the Department's projected procurement operations costs. These projections were applied to executive branch agencies, based on 1999-00 fiscal year purchase order activity. These projections assume cumulative procurement savings by an agency equivalent to 1% per year from which the procurement fee would be funded. The projected net savings accruing to the agency are also identified. These projections are presented in Table 1:

TABLE 1

1999-00 Agency Purchasing Expenditures, Proposed Fee Amounts and E-Procurement Savings

<u>Agency</u>	<u>FY 00 Purchase Order Activity</u>	<u>0.35% Procurement Fee</u>	<u>1.0% Procurement Savings</u>	<u>Estimated Net Savings (Savings - Fee)</u>
University of Wisconsin System	\$276,479,419	\$967,678	\$2,764,794	\$1,797,116
Health and Family Services	219,137,971	766,983	2,191,380	1,424,397
Transportation	112,068,523	392,240	1,120,685	728,445
Correction	101,299,872	354,550	1,012,999	658,449
Administration	84,319,716	295,119	843,197	548,078
Workforce Development	66,913,711	234,198	669,137	434,939
Revenue	42,052,912	147,185	420,529	273,344
Natural Resources	32,557,709	113,952	325,577	211,625
Public Instruction	24,230,644	84,807	242,306	157,499
Educational Communications Board	8,779,752	30,729	87,798	57,068
Agriculture, Trade and Consumer Protection	7,605,412	26,619	76,054	49,435
Tourism	6,895,207	24,133	68,952	44,819
Justice	6,491,925	22,722	64,919	42,198
Veterans Home	6,448,118	22,568	64,481	41,913
Employee Trust Funds	5,243,467	18,352	52,435	34,083
Public Defender	4,863,067	17,021	48,631	31,610
Commerce	4,580,781	16,033	45,808	29,775
Military Affairs	4,237,217	14,830	42,372	27,542
Insurance	3,652,139	12,782	36,521	23,739
State Fair Park	3,310,070	11,585	33,101	21,515
Investment Board	2,283,921	7,994	22,839	14,845
Financial Institutions	2,113,206	7,396	21,132	13,736
Veterans Affairs	1,525,443	5,339	15,254	9,915
Public Service Commission	1,036,354	3,627	10,364	6,736
Employment Relations	721,462	2,525	7,215	4,690
Regulation and Licensing	577,575	2,022	5,776	3,754
State Treasurer	476,027	1,666	4,760	3,094
Board of the Commissioner of Public Lands	180,709	632	1,807	1,175
Secretary of State	75,878	266	759	493
Ethics Board	45,851	160	459	298
Personnel Commission	26,177	92	262	170
<b>TOTAL</b>	<b>\$1,030,230,235</b>	<b>\$3,605,805</b>	<b>\$10,302,303</b>	<b>\$6,696,495</b>

13. DOA believes that perhaps only about one-third of agency procurements might actually be susceptible to reverse auction procurements from which potential savings might be realized. If this is the case, the actual DOA procurement fee, if set as a uniform percentage and applied only to reverse auction procurements, would need to be set at a rate of approximately 1.0%

of the amount of the affected purchase in order to generate the required level of funding.

14. A possible fee of approximately 1.0% does not appear to be out of line with the types of procurement fees being charged in the half dozen other states with E-procurement procedures. Based on the 2001 state procurement survey undertaken by the National Association of State Procurement Officials, these fee structures range from 0.5% to 2.71% per transaction, with a majority of the fees clustering in the 0.8% to 1.25% range.

15. Because of: (a) the uncertainty concerning how the procurement fees might be established; and (b) the potential amounts involved, the Committee may conclude that legislative review of the methodology to be used by DOA to determine the fee may be appropriate. If the proposed funding conversion is approved, the Department could be directed to submit its methodology for determining the procurement fees and assessments to the Legislature for approval as an administrative rule.

16. *Uncertainties Concerning DOA's Ability to Fully Fund the Procurement Funding Conversion.* The bill would permit state agencies to be supplemented for the costs of procurement services provided by DOA, other than for charges that would be paid from any identified procurement savings. A total of \$1,332,500 GPR in 2002-03 would be provided under Program Supplements for this purpose. Supplements from the appropriate PR and SEG accounts could also be provided to agencies supported from those funding sources.

17. The rationale for reserving the supplemental funding is that the implementation of E-procurement procedures to all state agencies will be a considerable undertaking (even granting that the agency will have all of 2001-02 to begin this task) and that full, initial success in achieving the desired cost savings from the outset cannot always be assured. Further, during a period of budgetary constraints, agencies may choose to eliminate some discretionary procurements, which might make it more difficult to realized the desired level of savings.

18. Other, longer range uncertainties include the fact that after the initial one or two rounds of reverse auction-type procurements for certain commodities, most of the potential for additional cost savings to state agencies will arguably have been achieved and relatively few additional significant savings would be anticipated. Further, if agencies consistently achieve savings on their supplies and services budget lines, there is also the question of whether the Legislature would allow agencies to retain these savings or delete these amounts from agencies' budgets. In any case, the supplementation concern appears to be more of an issue for this fiscal biennium, as agencies would likely budget for the costs of DOA procurement services in future biennia.

19. DOA staff are committed to making the E-procurement initiative work, and there is certainly reason to believe that during the near term, at least, important commodity cost savings are still possible from the reverse auction and other approaches. Additionally, with total purchase order activity among executive branch agencies exceeding \$1 billion annually, only relatively modest procurement savings are actually required to fully fund the procurement conversion at the proposed budget levels.

20. Given these considerations, if the Committee chooses to authorize the funding conversion, it may wish to consider what level of additional funding, if any, it wishes to budget under Program Supplements to support the costs of state agencies' unfunded DOA-provided procurement services.

21. The bill would provide \$1,332,500 GPR for this in 2002-03 to fund shortfalls incurred by GPR-funded agencies. Assuming that a fee would be charged to executive branch agencies sufficient to generate a minimum of the \$3,308,500 budgeted in 2002-03 to support the DOA procurement services function, a total of \$1,024,000 GPR in 2002-03 would actually appear to be required to supplement GPR-funded agencies. This reduction of \$308,500 GPR in 2002-03 is based on the GPR base level funding split for all state operations appropriations.

22. The Committee could also conclude that agencies with purchase order volume in excess of \$100 million annually [UW System, Health and Family Services, Transportation and Corrections] should be able to achieve sufficient savings under the new E-procurement approaches to fund the required DOA fees and assessments without the need for an additional supplementation. Based on this alternative, \$2,489,100 in procurement fees would likely be generated from the four largest executive branch agencies, and \$819,400 would likely be generated by all the remaining smaller agencies.

23. It could be argued that the smaller agencies might not have either the mix of commodity types or the volume of purchases to generate the required level of savings to fund the DOA assessments; consequently, these smaller agencies should be able to seek a supplement, if required, to fund the DOA procurement charges. Based on the GPR funding split for the state operations appropriations supporting these smaller agencies, a total of \$280,800 GPR in 2002-03 would need to be reserved under Program Supplements. Compared to the Governor, this would represent a reduction of \$1,051,700 GPR in 2002-03.

24. Alternatively, the Committee could provide no additional Program Supplements funding, thereby requiring agencies to pay DOA charges and assessments from base level funding. DOA would also have the option of seeking additional statutory authority to impose additional E-procurement fees on vendors to help fund the initiative.

25. *DOA Procurement Services Appropriation.* The new PR-funded procurement services appropriation would be established as a continuing appropriation. Under a continuing appropriation, legislative oversight of expenditures is lessened because the dollar amounts in the appropriation schedule are merely estimates of the amount of funds that the agency expects to spend for these purposes. By having a continuing appropriation, expenditures that agencies wish to make are not limited to any legislatively-established appropriation level. Rather, an agency may expend as much as the accumulated revenue level in the appropriation will allow. Further, depending on the purpose of the appropriation, an agency may collect the full costs of its operation through chargebacks to users of its services at whatever level of expenditures are actually made. Consequently, the dollar amounts which the Legislature includes in the appropriation schedule do not serve as a limit on the amount that an agency can actually expend for the purpose of the appropriation.

26. DOA believes that having a PR continuing appropriation for the procurement services function would be desirable because of the inherent uncertainties with respect to establishing the new system. This is particularly the case where costs of developing a new system cannot be fully determined in advance. Since no legislative approval would be required for increased expenditures above budgeted levels, the Department could make any expenditure from the appropriation that it considers necessary to carry out its procurement-related responsibilities.

27. It could be argued that creation of a continuing appropriation would greatly lessen the Legislature's ability to review, monitor and evaluate the financial status of the appropriation. Further, the 14-day review process under s. 16.515 is always available to provide for increased expenditure authority for annual appropriations. If the Committee believes that these considerations have merit, it could modify the bill to change the continuing appropriation to an annual appropriation.

28. However, since the agency's procurement services initiative is a major initiative and budgetary uncertainties are likely, particularly during the implementation stage, the Committee could also consider the option of authorizing the establishment of a biennial appropriation for the new procurement services function. Under a biennial appropriation, funds appropriated in the first fiscal year but unexpended remain available for expenditure in the second fiscal year. At the end of the two-year period, any remaining funds lapse to the source fund. Creation of a biennial appropriation for the procurement services function would provide DOA with additional expenditure flexibility, while the Legislature would have the assurance that no more than the amounts appropriated for the entire biennium would be expended.

28. *Funding for an Electronic Procurement System.* Funding of \$671,500 PR in 2001-02 and \$1,284,100 PR in 2002-03 is budgeted in unallotted reserve for the estimated costs associated with master lease payments for a new electronic procurement system. The Department is uncertain whether it will upgrade an existing system or purchase a currently available software package. Since these decisions will impact the budgeted costs of the procurement services funding conversion and will affect the amount of the procurement fee that will need to be established to recover the Department's procurement services costs, the Committee may wish to reserve the electronic procurement system funding in its s. 20.865(4)(g) supplemental appropriation for release to the Department under s. 16.515 procedures, pending the agency's determination of its actual funding needs for an electronic procurement system.

## **ALTERNATIVES TO BILL**

### **A. Procurement Services and Related Funding Conversion**

1. Approve the Governor's recommendation to: (a) authorize DOA to assess agencies for the costs of procurement services including a portion of identified procurement savings; (b) delete \$1,983,700 GPR and 26.25 GPR positions in 2002-03 and provide \$671,500 PR in 2001-02 and \$3,395,800 PR and 26.25 PR positions in 2002-03 to convert the remaining GPR-funded portions of the Division of State Agency Services to program revenue; and (c) budget \$671,500 PR

in 2001-02 and \$1,284,100 PR in 2002-03 of the above amounts in unallotted reserve for the estimated costs associated with anticipated master lease payments for a new electronic procurement system.

2. Modify the Governor's recommendation by: (a) directing DOA to submit its methodology for determining the procurement fees and assessments to the Legislature for approval as an administrative rule; and (b) transferring \$671,500 PR in 2001-02 and \$1,284,100 PR in 2002-03 from DOA's procurement services appropriation to the Committee's s. 20.865(4)(g) appropriation for release to the Department under s. 16.515 procedures, pending the agency's determination of its actual funding needs for an electronic procurement system.

3. Maintain current law.

<u>Alternative A3</u>	<u>GPR</u>	<u>PR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Bill)	\$1,983,700	- \$4,067,300	- \$2,083,600
2002-03 POSITIONS (Change to Bill)	26.25	- 26.25	0.00

**B. Appropriation Type**

1. Approve the Governor's recommendation to create a PR continuing procurement services appropriation under DOA funded from procurement assessments and charges.

2. Modify the Governor's recommendation by creating a PR biennial procurement services appropriation under DOA funded from procurement assessments and charges.

3. Modify the Governor's recommendation by creating a PR annual procurement services appropriation under DOA funded from procurement assessments and charges.

4. Maintain current law.

**C. Program Supplements Funding for State Agency Procurement Services Charges**

1. Approve the Governor's recommendation to provide \$1,332,500 GPR in 2002-03 under Program Supplements to offset increased costs for state agencies related to the procurement funding conversion and to modify current GPR, PR and SEG supplemental appropriations for financial services supplements to allow funding to be provided out of these appropriations for the purpose of providing procurement services supplements.

2. Modify the Governor's recommendation by deleting \$308,500 GPR in 2002-03 to reflect a revised estimate of the supplemental funding need for GPR-funded executive branch state agencies.

<b>Alternative C2</b>	<b>GPR</b>
2001-03 FUNDING (Change to Bill)	- \$308,500

3. Modify the Governor's recommendation by deleting \$1,051,700 GPR in 2002-03 to reflect a revised estimate of the supplemental funding need for GPR-funded executive branch state agencies with \$100 million or less in annual purchase order activity.

<b>Alternative C3</b>	<b>GPR</b>
2001-03 FUNDING (Change to Bill)	- \$1,051,700

4. Delete the supplemental funding and appropriations language changes under Program Supplements.

<b>Alternative C43</b>	<b>GPR</b>
2001-03 FUNDING (Change to Bill)	- \$1,332,500

Prepared by: Darin Renner

MO# A-2, B-2, C-3

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
WIRCH	Y	<input checked="" type="radio"/> N	A
DARLING	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
WELCH	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
GARD	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
KAUFERT	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
ALBERS	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
DUFF	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
WARD	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
HUEBSCH	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
HUBER	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A

AYE 8 NO 8 ABS \_\_\_\_\_

MO# B-2, C-3

BURKE	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
DECKER	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
MOORE	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
SHIBILSKI	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
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WIRCH	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
DARLING	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
WELCH	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
GARD	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
KAUFERT	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
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HUEBSCH	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
HUBER	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
COGGS	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A

AYE 16 NO 0 ABS \_\_\_\_\_

ADMINISTRATION – AGENCY SERVICES

Audit of Procurement Services

[LFB Paper #141]

Motion:

Move to request the Joint Committee on Legislative Audit to direct the Legislative Audit Bureau to conduct an audit of the procurement services being provided by the Department of Administration to state agencies and the accuracy of the charges and assessments to state agencies for those services. Specify that the audit report be submitted by January 1, 2004.

MO#			
BURKE	Y	N	A
DECKER	Y	N	A
MOORE	Y	N	A
SHIBILSKI	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
DARLING	Y	N	A
WELCH	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUEBSCH	Y	N	A
HUBER	Y	N	A
COGGS	Y	N	A

AYE 14 NO 2 ABS \_\_\_\_\_