



Legislative Fiscal Bureau

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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
Revenues		
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
Appropriations and Reserves		
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)

Fiscal <u>Year</u>	Original <u>Estimate</u>	Revised <u>Estimate</u>	<u>Difference</u>	Percent <u>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

Tax Rate as <u>of April 1</u>	Original <u>Estimate</u>	Revised <u>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)**

<u>Fiscal Year</u>	<u>Gross</u>		<u>Debt</u>		<u>Net</u>	
	<u>Registration- Related Revenue</u>	<u>Percent Change</u>	<u>Service</u>	<u>Percent Change</u>	<u>Registration- Related Revenue</u>	<u>Percent Change</u>
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 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 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.

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