



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #760

Transportation Fund Condition Statement (DOT -- Transportation Finance)

Bill Agency

[LFB 2007-09 Budget Summary: Page 526, #1]

At the time the Legislative Fiscal Bureau's "Summary of Governor's Budget Recommendations" was prepared, the estimated, biennium-opening balance in the transportation fund was \$0 and the estimated closing balance was \$30,919,600. Since that time, the Department of Transportation (DOT) has reestimated revenues and this office has reviewed those reestimates and reestimated the revenues from the oil company assessment. The modified revenue estimates, as well as modifications to fund appropriations based on the Committee's earlier actions, are reflected in the following revised fund condition statement.

	<u>2007-08</u>	<u>2008-09</u>
Unappropriated Balance, July 1	\$0	\$62,975,000
Revenues		
Motor Fuel Tax	\$995,800,000	\$995,800,000
Oil Company Assessment	116,570,000	158,280,000
Vehicle Registration Fees	558,484,700	589,382,300
Less Revenue Bond Debt Service	-174,227,500	-180,403,000
Driver's License Fees	38,609,400	46,369,800
Miscellaneous Motor Vehicle Fees	24,300,500	24,408,500
Aeronautical Fees and Taxes	9,636,500	9,720,400
Railroad Property Taxes	19,037,200	19,418,000
Motor Carrier Fees	834,100	834,100
Investment Earnings	13,451,700	13,421,500
Miscellaneous Departmental Revenues	<u>19,662,000</u>	<u>19,870,800</u>
Total Annual Revenues	\$1,622,158,600	\$1,697,102,400
Total Available	\$1,622,158,600	\$1,760,077,400
Appropriations and Reserves		
DOT Appropriations	\$1,473,244,800	\$1,550,667,400
Other Agency Appropriations	79,521,300	96,804,700
Less Estimated Lapses	-1,000,000	-1,000,000
Compensation and Other Reserves	<u>7,417,500</u>	<u>13,790,400</u>
Net Appropriations and Reserves	\$1,559,183,600	\$1,660,262,500
Unappropriated Balance, June 30	\$62,975,000	\$99,814,900

Opening Balance

The opening balance of \$0 is based on the assumption that the Committee will approve a DOT request to reduce SEG appropriations by an amount sufficient to eliminate a projected deficit in that year. A provision of 2007 Act 5 would give the Committee the authority to approve such a request in 2006-07 and DOT has indicated it would submit a request just prior to the end of the fiscal year.

At the time that the budget was introduced, the deficit at the end of 2006-07, prior to any continuing appropriation lapses, was estimated at \$49.0 million. This amount is now estimated at \$47.0 million, resulting in a slight decrease in the amount that will have to be lapsed in order to eliminate the deficit. The Department intends to continue monitoring transportation fund revenue collections to determine if additional changes to this estimate are warranted prior to submitting a request to reduce appropriations.

Motor Vehicle Fuel Tax Revenue

Motor vehicle fuel tax revenues are estimated to be higher than the amounts originally included in the bill by \$25.4 million in 2007-08 and \$14.2 million in 2008-09. The higher estimates are due to higher fuel consumption projections in the biennium resulting from lower fuel price forecasts, forecasted improvement in Wisconsin disposable income, and higher than earlier projected fuel consumption in the first six months of 2007. For the three-year period from 2006-07 through 2008-09, fuel consumption is estimated to be 202.6 million gallons higher than earlier estimates, although overall fuel consumption is now projected to remain flat through the biennium. The following table indicates the currently 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>
2006-07	3,149.2	3,223.7	74.5	2.4%
2007-08	3,141.6	3,223.7	82.1	2.6
2008-09	3,177.7	3,223.7	46.0	1.4

Oil Company Assessment Revenue

Oil company assessment revenues are estimated to be higher than the amounts originally included in the bill by \$1.7 million in 2007-08 and \$1.0 million in 2008-09, due to higher fuel consumption projections in the 2007-09 biennium. Both the initial estimate in SB 40 and this reestimate assume an average yearly price of \$2.50 per gallon for gasoline and diesel fuel. Although prices have increased well above this level this spring, the May, 2007, forecast of the

economy by Global Insight, Inc., projects that the average price per gallon of gasoline will be \$2.59 for 2007, \$2.43 for 2008, and \$2.45 for 2009. The reestimates in this paper also reflect the Governor's intent relative to incorporating all current exemptions from the motor vehicle fuel tax as exemptions from the proposed assessment and also to exempt the E85 and biodiesel portions of motor vehicle fuel.

Vehicle Registration-Related Revenue

Gross vehicle registration revenues are projected to be higher than the earlier estimates by \$4.3 million in 2007-08 and \$3.7 million in 2008-09. Most of this change is due to an increase in estimated heavy truck registration revenues from interstate carriers, partially offset by a decrease in vehicle title revenues. There were also slight increases to registration revenues from automobiles and slight decreases from light trucks, relative to the prior estimates.

Revenue Bond Debt Service

Revenue bond debt service, which is paid from vehicle registration revenues prior to those revenues being deposited in the transportation fund, is projected to be lower than previously assumed, primarily because of more favorable interest rates. Relative to the earlier estimates, debt service payments are projected to be lower by \$5.0 million in 2007-08 and \$4.9 million in 2008-09. The combined effect of the estimated increase in registration-related revenue and the estimated decrease in debt service payments is an increase in net registration revenue of \$9.3 million in 2007-08 and \$8.6 million in 2008-09.

Other Revenues

Transportation fund revenues from other sources are now estimated to be higher than previous estimates by \$1.0 million in 2007-08 and \$0.3 million in 2008-09. These increases are driven by higher estimated investment earnings and railroad ad valorem tax collections, offset somewhat by lower aeronautical revenues.

Fund Appropriations

Earlier action by the Committee has resulted in a net reduction in transportation fund appropriations of \$3.8 million in 2007-08 and \$3.6 million in 2008-09. These changes included modifications to DOT appropriations as the result of action on the Department's administrative divisions, and modifications to other state agency appropriations due to a reestimate of transfers to the conservation fund under the formulas for motorboats, snowmobiles, and all-terrain vehicles, a reestimate of the appropriation for making a transfer to the nonpoint pollution account of the environmental fund under the bill, and deletion of a proposed appropriation for driver education aid for low-income pupils in the Milwaukee Public Schools. In addition, the Committee took several actions to transfer funding to the Committee's supplemental appropriation, resulting in a decrease in DOT appropriations and an increase in other agency appropriations, with no net change to total appropriations.

Summary

The biennium-ending balance is currently projected to be \$99,814,900, which is an increase of \$68,895,300, relative to the estimated balance under the Governor's bill at the time of introduction. The primary reasons for the increase are increases in revenues derived from the motor fuel tax and vehicle registration fees and a reduction in revenue bond debt service.

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