



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #623

State Highway Maintenance (Transportation -- State Highway Program)

Base Agency

[LFB 2017-19 Budget Summary: Page 448 and 449, #9, #10 and #11]

CURRENT LAW

The state highway maintenance and traffic operations program is responsible for a variety of activities related to the upkeep of state highways and highway rights-of-way, including minor repair of pavements and bridges, winter maintenance (such as snow plowing and ice removal), mowing and vegetation management, and the maintenance of highway rest areas and waysides. Most of this work is performed by counties under contract with the state. A separate component of the program is responsible for the installation, repair, and maintenance of signs, highway lighting, pavement marking, and traffic signals, as well as for some limited emergency or corrective maintenance activities (generally performed by private contractors). The main components of this program are supported by three appropriations: (a) a routine maintenance appropriation, which principally funds the county maintenance work (\$340.0 million SEG in 2015-17); and (b) two highway system management and operations appropriations, which principally fund DOT staff, certain winter maintenance costs, and private contractor maintenance (\$168.8 million SEG and \$6.2 million FED in 2015-17). Total 2015-17 funding for the program equals \$515.0 million.

GOVERNOR

Provide \$15,366,500 SEG in 2017-18 and \$18,366,500 SEG in 2018-19 for routine highway maintenance, which is generally performed by counties under contract with the state. The recommended amounts, when added to the 2016-17 adjusted base funding (\$170,000,000),

would provide total funding equal to \$185,366,500 in 2017-18 and \$188,366,500 in 2018-19 for this appropriation.

Provide \$16,000,000 SEG in 2017-18 and \$13,977,000 SEG in 2018-19 for the highway systems management and operations program, which is responsible for a variety of activities related to the upkeep of state highways, highway rights-of-way, and rest areas. The recommended amounts, when added to the 2016-17 adjusted base funding (\$84,666,300) and standard budget adjustments (-\$48,900 annually), would provide total funding equal to \$100,617,400 in 2017-18 and \$98,594,400 in 2018-19 for this appropriation.

Extend the sunset of the state, federal, and local appropriation accounts for intelligent transportation systems and traffic control signals, which fund the third major component of the state highway maintenance program, until June 30, 2021. Under current law, no moneys may be encumbered from these appropriation accounts after June 30, 2019.

DISCUSSION POINTS

Background

1. The 2013-15 biennial budget (Act 20) modified the appropriation structure for the state highway maintenance activities, by creating two new, SEG appropriations to replace the single SEG appropriation which had funded the principal activities of the highway maintenance, repair, and traffic operations program. These separate appropriations, described below, were created in order to address county and private contractor concerns about the amount of funding available for each type of state highway maintenance.

2. *Routine Maintenance.* Under the modified structure, the appropriation for routine maintenance activities funds the work done by counties on state highways under contract with the state, except in instances where sufficient county resources are not available. In order to exercise control over the amount of routine maintenance work done on state highways, the contract that DOT enters into with the counties establishes an annual maintenance budget for each county. County budgets are established based on each county's highway maintenance-related characteristics, such as number of lane miles, pavement types and conditions, and traffic volume. Once established, counties are expected to stay within their budget and may be directed to curtail certain maintenance activities late in the year, if expenditures earlier in the year were higher than expected. DOT works cooperatively with county highway departments to determine an appropriate level of state work sufficient to retain the man-power and equipment needed for winter maintenance.

3. *Highway Management and System Operations.* The highway system management and operations appropriation supports three maintenance program areas: highway maintenance, bridge inspection and maintenance, and traffic operations. Although other winter maintenance costs are generally paid from the routine maintenance appropriation, purchase of deicing salt for winter maintenance of roads is paid out of the highway system management and operations appropriation.

Funding Level

4. The Governor's recommendations would provide an overall increase (including the federal funding) to the state highway maintenance program of 11.7% as compared to the 2015-17 funding level. Part of the funding would be used to replace the \$4.0 million in one-time federal funding provided in the 2015-17 biennium. The provision of the additional state funding is part of the Governor's budgetary focus on increasing the state's commitments to the preservation and maintenance of existing state and local roads. The following table provides the composition of this increase by program component and funding type.

TABLE 1
State Highway Maintenance Program -- Biennial Funding Comparison

	<u>2015-17</u>	<u>2017-19</u>	<u>Biennial Change in Resources</u>	<u>% Change in Biennial Resources</u>
Routine Maintenance				
SEG	\$340,000,000	\$373,733,000	\$33,733,000	9.9%
Highway System Management & Operations				
SEG*	\$168,818,600	\$199,211,800	\$30,393,200	
FED	<u>6,205,000**</u>	<u>2,205,000</u>	<u>-4,000,000</u>	
Subtotal	\$175,023,600	\$201,416,800	\$26,393,200	15.1%
Maintenance Program Totals				
SEG	\$508,818,600	\$572,944,800	\$64,126,200	
FED	<u>6,205,000</u>	<u>2,205,000</u>	<u>-4,000,000</u>	
Total	\$515,023,600	\$575,149,800	\$60,126,200	11.7%

*Includes the following standard budget adjustments: (a) \$276,100 annually for overtime; (b) -\$55,200 annually for full funding continuing positions salaries and fringe benefits; and (c) -\$269,800 annually for turnover reduction.

**Includes one-time federal aid allocated for maintenance under a 2015-16 federal highway aid appropriations adjustment plan approved by the Joint Committee on Finance as submitted by DOT.

5. The Department's biennial budget requests for state highway maintenance for 2015-17 (\$120.9 million) and 2017-19 (\$69.7 million), reflect DOT's position that there are significant backlogs of unfunded work to be completed in this program. In several instances during the past decade, often due to the variability of winter maintenance costs, but also due to above-budget costs in other maintenance program areas, the Department has needed to request additional funding for the program, either as separate legislation or under s. 13.10 of the statutes. In some cases, the funding has been transferred to the program from the SEG appropriation for the state highway rehabilitation program, and in other instances funding has been provided through the reallocation of other resources, such as SEG transportation fund balances and federal highway aid.

6. Table 2 shows the funding supplements approved by the Committee or by the Legislature since 2006-07.

TABLE 2

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

<u>Fiscal Year</u>	<u>Amount</u>	<u>Source</u>
2006-07	\$16.0	Federal aid allocation
2008-09	24.8	Budget adjustment bill, SEG appropriation
2010-11	33.0	SEG appropriation transfer under s. 13.10
2012-13	25.0	SEG appropriation transfer under s. 13.10
2013-14	27.4	SEG appropriation supplement under s. 13.10
2014-15	15.9	SEG appropriation supplement under s. 13.10
2015-16	4.0	Federal aid allocation*

*One-time, federal aid redistribution.

7. Due to the relatively lengthy history of emergency, maintenance-related funding requests and DOT overspending its 2014-15 budget, the Committee in approving the 2014-15 s. 13.10 request required the Department to submit biannual reports on the status of its maintenance appropriation accounts. The most recent report indicates that DOT does not plan to request supplemental maintenance funding in the current fiscal year and that its maintenance appropriation accounts will likely end the year with slight balances. Since the 2014-15 request was approved, DOT has not requested any emergency maintenance funding.

8. *Routine Maintenance.* The Governor's recommendation would provide the same amount of routine maintenance funding that DOT included in its 2017-19 biennial budget request and the administration indicates that the funds would be used as DOT had requested: (a) \$7,791,500 annually to fund a backlog of work as well as maintain a certain level of pavement treatments, such as crack routing and sealing intended to extend the usable life of road surfaces; (b) \$2,000,000 in 2017-18 and \$5,000,000 in 2018-19 for reducing shoulder drop-offs and improving other roadway grade and drainage features; (c) \$5,000,000 annually for waterborne pavement marking (which would fund an additional 87 million feet of waterborne pavement marking per year on state highways); and (d) \$575,000 annually in onetime funding for the replacement of an estimated 23,000 ground and overhead mounted highway signs, which would begin to reduce a backlog of signs needing to be replaced. [Alternative A1]

9. The Department determines the appropriate level of maintenance funding with an estimating model that uses cost components (such as labor and materials), task standards, and size of system data to estimate the annual amount of funding needed to maintain the state's highways. The current routine maintenance funding level of \$170.0 million annually is the amount that DOT indicated during the 2013-15 budget process was needed to adequately maintain the state's highway system. However, the Governor's recommended funding of \$185.4 million in 2017-18 and \$188.4 million in 2018-19 for routine maintenance reflects the Department's latest level of service modeling of the funds that would be needed to keep pace with recent changes in pavement conditions and other routine highway system needs (such as pavement marking and deteriorating signage) that have been identified.

10. *Highway System Management and Operations.* The Governor's recommendation would provide the same amount of highway system management and operations funding that DOT included in its 2017-19 biennial budget request and the administration indicates that the funds would be used as DOT had requested: (a) \$6,419,000 annually for epoxy paint pavement marking; (b) \$2,946,000 in 2017-18 and \$923,000 in 2018-19 for maintenance and repair of state rest areas and waysides; (c) \$2,500,000 annually to fund half of a system-wide replacement of high pressure sodium lights with light emitting diode (commonly known as "LED" lights); (d) \$2,135,000 annually to replace deteriorated and/obsolete state highway signs; and (e) \$2,000,000 annually to replace the Department's oversize/overweight permitting software system. [Alternative B1]

11. *Intelligent Transportation Systems and Traffic Control Signals.* A provision of 2013 Act 20, the 2013-15 biennial budget act, created a new appropriation to support traffic signal and intelligent transportation (ITS) system installation, replacement, and rehabilitation. The statutes define an ITS system as a specialized computer system or other electronic, information processing, communication, or technical system, including roadway detector loops, closed circuit television, permanent variable message signs, or ramp meters, which is used to improve the efficiency or safety of a surface transportation system.

Potential Alternatives

12. As discussed in several other LFB issue papers related to transportation, significant state and local transportation infrastructure demands have coincided with limited transportation fund SEG resources currently available to meet those needs. For instance, the Governor's biennial budget recommendations would use relatively large amounts of SEG to increase funding for local transportation programs (\$75.9 million) and for state highway maintenance purposes (\$63.7 million). Conversely, the southeast Wisconsin freeway megaprojects program would be funded at only \$121.9 million in the 2017-19 biennium (a 70.6% reduction compared to that program's 2015-17 funding). In the 2017-19 biennium, this is \$312.2 million less than the \$434.1 million that DOT recently indicated would be needed fund planned construction activities for the Zoo Interchange project (\$165.4 million) and the I-94 North-South project (\$268.7 million). Other portions of the state highway improvement program (state highway rehabilitation and major highway development) would not see a delay in planned construction work relative to these programs' recent schedules.

13. The completion of the two southeast Wisconsin freeway megaprojects was delayed under the 2015-17 budget and would again be delayed under the Governor's 2017-19 budget recommendations. In relation to the slippage in these projects' completion timelines, there may be concern that the communities in the vicinity of these large-scale highway projects, on which substantial construction activities have now been ongoing for several years, would continue to experience adverse consequences from additional delays. For example, because of factors like temporary roadway alignments, changing signage, and active work areas, highway construction zones are generally less safe than completed highway segments. In addition, construction activities frequently result in increased congestion and delay which may also have adverse effects on business operations. Such consequences are likely to be of serious concern to the nearby communities and businesses in the southeast region of the state that would continue to be affected by the further delay of these projects.

14. In light of these concerns, the Committee could decide to provide a lesser amount to each maintenance program component. For instance, DOT's past five requests for supplemental SEG maintenance funding occurred over a four-biennium period and resulted in an average supplement of about \$25 million. In order to provide some additional maintenance funding related to past program need, but at a lower level than the Governor's recommendation, the Committee could instead provide an additional \$25 million for state highway maintenance purposes in the 2017-19 biennium (\$6.25 million per year to each program component). This would reduce the recommended funding level by \$38.7 million SEG (\$63.7 million recommendation - \$25 million alternative). [Alternatives A2 and B2]

15. Alternatively, the Committee could delete one or both of the increases that would be provided for state highway maintenance program components (a total of \$63.7 million). These funds would then be available for use in the state highway improvement program on work that is scheduled, but underfunded under the bill. If these recommendations are deleted, funding of \$170.0 million annually for routine maintenance and \$84.6 million for highway system management and operations would remain. [Alternatives A3 and B3]

16. In September, 2016, DOT estimated the value of the state highway system's ITS and signal assets at more than \$283 million, composed of \$188 million for signal systems and more than \$95 million for ITS devices and the fiber network. In providing this information, the Department also cited an existing backlog of work in this program equal to \$85.0 million.

17. Funding for this purpose, established in 2013-15, has remained at \$10 million SEG annually and the related appropriations are scheduled to sunset after June 30, 2019. The Governor's recommendations would extend the sunset of the SEG appropriation (as well as the unfunded FED and local appropriations) by two years, until June 30, 2021, but would not provide any additional funding specifically for ITS installation, replacement, and rehabilitation. [Alternative C1] In submitting its 2017-19 agency request, DOT requested an additional \$3.0 million FED annually to provide total resources equal to \$13.0 million annually in order to help reduce the \$85.0 million backlog more quickly and because of the recognition that the appropriations' sunset would expire before the backlog of work would be funded. This portion of DOT's funding request is not included in the Governor's budget recommendations.

18. At current funding levels (\$10.0 million annually), if no further deterioration of the ITS system were to occur over the next four years, which may be unlikely, a backlog of \$45.0 million in this program would remain at the time that program's funding would sunset under the Governor's recommendation. If concern exists about either the recommended, limited extension of the ITS appropriations' sunset provision or the backlog of work, the Committee could decide to do either of the following: (a) eliminate the sunset of the ITS appropriations, as requested by DOT [Alternative C2]; and/or (b) use \$3.0 million SEG annually of the recommended increase (\$1.5 million annually from each program component) to help reduce the existing backlog of ITS work somewhat more quickly (which would provide the total funding level requested by the Department for this purpose equal to \$13.0 million annually). [Alternative D1]

19. Since the bill was introduced, revenues and expenditures to the transportation fund for 2016-17, and the 2017-19 biennium have been reestimated [see LFB Paper #595]. As a result, the

transportation fund's 2017-19 biennium ending balance is currently \$93.4 million higher compared to the bill (\$101.8 million in total). Therefore, if the Committee decides to provide \$3.0 million annually in additional SEG to increase ITS maintenance funding, it could appropriate funds available in the transportation fund's balance. [Alternative D2]

ALTERNATIVES

A. Routine Maintenance

1. Approve the Governor's recommendations and provide \$15,366,500 in 2017-18 and \$18,366,500 in 2018-19 for routine highway maintenance, which is generally performed by counties under contract with the state. The recommended amounts, when added to the 2016-17 adjusted base funding (\$170,000,000), would provide total funding equal to \$185,366,500 in 2017-18 and \$188,366,500 in 2018-19 for this appropriation.

ALT A1	Change to	
	Base	Bill
SEG	\$33,733,000	\$0

2. Modify the Governor's recommendations by instead providing \$6,250,000 annually to the routine maintenance appropriation. This would provide \$176,250,000 annually in the 2017-19 biennium (but this would provide \$9,116,500 less in 2017-18 and \$12,116,500 less in 2018-19 compared to the Governor's recommendation,).

ALT A2	Change to	
	Base	Bill
SEG	\$12,500,000	-\$21,233,000

3. Delete the routine maintenance provision. Program funding for the routine maintenance program component would remain at \$170,000,000 million annually.

ALT A3	Change to	
	Base	Bill
SEG	\$0	-\$33,733,000

B. Highway System Management and Operations

1. Approve the Governor's recommendations and provide \$16,000,000 in 2017-18 and \$13,977,000 in 2018-19 for the highway systems management and operations program, which is responsible for a variety of activities related to the upkeep of state highways, highway rights-of-

way, and rest areas. The recommended amounts, when added to the 2016-17 adjusted base funding (\$84,666,300) and standard budget adjustments (-\$48,900 annually), would provide total funding equal to \$100,617,400 in 2017-18 and \$98,594,400 in 2018-19 for this appropriation.

ALT B1	Change to	
	Base	Bill
SEG	\$29,977,000	\$0

2. Modify the Governor's recommendation by instead providing \$6,250,000 annually to the highway system management and operations appropriation. This alternative, when added to the 2016-17 adjusted base funding (\$84,666,300) and standard budget adjustments (-\$48,900 annually), would provide total funding equal to \$90,867,400 annually for this appropriation (but this would provide \$9,750,000 less in 2017-18 and \$7,727,000 less in 2018-19 compared to the Governor's recommendation).

ALT B2	Change to	
	Base	Bill
SEG	\$12,500,000	-\$17,477,000

3. Delete the highway systems management and operations provision. For the highway systems management and operations state funds appropriation, the 2016-17 adjusted base funding (\$84,666,300) and standard budget adjustments (-\$48,900 annually), when combined, would result in total funding equal to \$84,617,400 annually.

ALT B3	Change to	
	Base	Bill
SEG	\$0	-\$29,977,000

C. Traffic Signal and Intelligent Transportation Systems Sunset Date

1. Approve the Governor's recommendation and extend the sunset of the state, federal, and local appropriation accounts for intelligent traffic systems and traffic control signals until June 30, 2021. Under current law, no moneys may be encumbered from these appropriation accounts after June 30, 2019.

2. Modify the Governor's recommendation by deleting the sunset of the state, federal, and local appropriation accounts for intelligent traffic systems and traffic control signals.

3. Delete provision. [DOT would not be able to encumber funds from these ITS appropriation accounts after June 30, 2019.]

D. Intelligent Transportation Systems and Traffic Control Signals Funding Level

1. Modify the Governor's recommendations, but instead use \$3,000,000 SEG annually of the maintenance funding increase (\$1,500,000 SEG annually from each program component's recommended increase) in the existing ITS and traffic signal appropriation to help reduce the existing backlog of ITS work and which would provide the total funding level requested by the Department for this purpose (\$13.0 million annually). The routine maintenance program component funding would total \$183,866,500 in 2017-18 and \$186,866,500 in 2018-19. The highway systems management and operations program component funding would total \$99,117,400 in 2017-18 and \$97,094,400 in 2018-19.

ALT D1	Change to	
	Base	Bill
SEG	\$33,733,000	\$0
SEG	<u>29,977,000</u>	<u>0</u>
Total	\$63,710,000	\$0

2. Provide \$3,000,000 SEG annually for the ITS program component to help reduce the existing backlog of ITS work (which would provide \$13.0 million annually for this purpose).

ALT D2	Change to	
	Base	Bill
SEG	\$6,000,000	\$6,000,000

Prepared by: John Wilson-Tepeli