

Transportation

Departmentwide

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June, 2021

Joint Committee on Finance

Paper #630

Department of Transportation Administrative Facilities (Transportation -- Departmentwide)

[LFB 2021-23 Budget Summary: Page 600, #2]

CURRENT LAW

The Department of Transportation (DOT) owns and leases facilities across the state for various purposes, including the provision of work space for Division of Motor Vehicles (DMV) and State Patrol, as well as accommodating the Department's regional staff. The costs associated with these facilities (construction, remodeling, and maintenance) are funded with transportation revenue bonds. Debt service on these bonds is primarily paid with vehicle registration fee revenue, which has been pledged for this purpose and is the first draw on those revenues.

DISCUSSION POINTS

1. The primary use of transportation revenue bonds (TRBs) is the funding of major highway development projects. However, TRB proceeds are also used to fund the design and construction of DOT capital facilities projects (such as DMV service centers, State Patrol outposts, and communication towers), as well as some remodeling and maintenance costs. The specific projects on which the authorized bonds would be spent would typically be identified and incorporated into the Building Commission's biennial capital budget recommendations. Building program projects with a cost exceeding \$1,000,000 are generally required to be enumerated. To enumerate a project, the Legislature lists the project title, budget, and funding source in a nonstatutory provision enacted as part of the biennial budget bill. One exception to the requirement that individual projects be enumerated by the Legislature is the category of projects known as "All Agency" projects. These broad types of projects are enumerated under titles that indicate a general category of work and that establish an overall budget for the biennium for that purpose. The All Agency enumerations are used for types of projects, such as maintenance, that recur, and also where

the Commission may need to address specific unanticipated needs during the biennium.

2. The Department's 2021-23 biennial budget request included \$13.0 million in TRB bonding to fund its administrative facilities program in the biennium. Table 1 provides the Department's 2021-23 planned capital budget expenditures that are included in the Governor's 2021-23 recommended state building program. Although the Governor's recommendations to the Building Commission for the 2021-23 state building program were not approved by the Commission on a vote of 4-4, the DOT projects listed in the table were included under the "All Agency" designation.

TABLE 1

DOT Administrative Facilities Expenditure Plan -- 2021-23

<u>Capital Project Requests</u>	<u>Amount Requested</u>
Miscellaneous Small Projects	\$5,023,000
State Patrol - Four Tower Upgrades (locations to be determined)	3,956,000
Truax Field - HVAC Upgrades	1,500,000
State Patrol - Academy Dormitory Bathroom Upgrades	1,421,000
Truax Field - Parking Lot Replacement	600,000
Truax Field - Roof Replacement	<u>500,000</u>
Total Requested	\$13,000,000

3. In order to fully expend the proceeds of authorized TRB bonding, DOT is typically authorized SEG-S appropriation authority in an amount equal to the newly-authorized transportation revenue bonds each biennium. This SEG-S expenditure authority is used to expend the bond proceeds on DOT administrative and major highway development projects. Therefore, in providing \$13.0 million in bonding to fund the Department's project schedule, an increase of \$1,960,000 annually (and an increase in base level SEG-S funding from \$4,540,000 to \$6,500,000 annually) for DOT facility capital projects would be required to fully expend the proceeds of the recommended bonding.

4. The current project schedule would require \$13.0 million for the purposes shown in the Table 1. The Department indicates that this increase in bonding and SEG-S base funding would provide critical maintenance of existing administrative facilities and communication towers. However, the Department notes that recent increases to materials and construction costs may impact the scope of some projects and defer some work to future biennia. In addition, emergent needs could also change the planned list of projects.

5. Table 2 shows the funding provided for DOT administrative facilities projects over the past five biennia. While \$9.1 million in existing bonding authority (and SEG-S funding) was provided in the 2019-21 biennium to fund administrative facility projects, as noted in the below table, no new TRB bonding authority was provided. Instead, existing bonding authority was used and only SEG-S authority was provided in order to expend the existing bond proceeds. In total, over the last five

biennia, \$53.9 million in funding was provided to DOT to fund the construction and maintenance of DOT facilities. However, \$2.8 million less per biennium has been provided for DOT administrative facilities over the last two biennia compared to the prior three biennia.

TABLE 2

**DOT Administrative Facilities Funding
(\$ in Millions)**

<u>Biennium</u>	<u>Administrative Facilities</u>
2011-13	\$11.9
2013-15	11.9
2015-17	11.9*
2017-19	9.1
2019-21	<u>9.1*</u>
Total	\$53.9

*Previously authorized bonds were available to provide funding to the administrative facilities program; \$11.9 million in the 2015-17 biennium and \$9.1 million in the 2019-21 biennium.

6. DOT indicates that failure to fund these projects could have adverse effects on DOT facilities and operations, as well as future costs. According to DOT, not funding the planned projects during the 2021-23 biennium would result in additional future costs when even greater needs associated with these projects would be addressed in addition to potential facility and system failure in the meantime. For example, the Department indicates the statewide emergency communication network could suffer operational issues and create a public safety concern if the proposed upgrades were not funded in this biennium. DOT maintains over 50 Department-owned facilities, as well its tower facilities. This includes 18 facilities that have reached or exceeded their defined useful life of 40 years that range in age from 40 years to 58 years, with an average age of 49 years.

7. If the \$13.0 million in bonding is authorized for DOT administrative facility projects, reductions to transportation fund revenue associated with the debt service for the partial issuance of these additional bonds would be estimated to be \$81,300 in 2021-22 and \$602,800 in 2022-23. Once fully issued, debt service on the \$13.0 million in transportation fund-supported, 20-year bonds would be equal to \$1.0 million annually. Further, the Committee would have to incorporate these DOT projects as part of its action on the 2021-23 state building program. [Alternative 1]

8. Under Series 2021-A, DOA Capital Finance issued transportation revenue bonds that generated net proceeds that resulted in \$182,255,000 being available to fund DOT highway and administrative facility costs. However, \$33,765,000 of those proceeds, which were used to fund projects, were associated with bond premium proceeds received with that bond issue rather than existing bonding authority. As a result, \$33,765,000 in existing TRB bonding authority remains uncommitted to any highway or administrative facility projects after this bond issue. Of this amount,

\$13.0 million could be used if the Committee wanted to provide the additional funding to support the Department's project schedule without authorizing additional bonds.

9. Again, if the Committee were to designate \$13.0 million in uncommitted, existing bonding authority to fund DOT administrative facilities projects in the biennium, the Committee would have to incorporate these projects as part of the "All Agency" projects under its action on the 2021-23 state building program. Further, the Committee would also have to provide \$1,960,000 annually (and an increase in base level SEG-S funding from \$4,540,000 to \$6,500,000 annually) to provide DOT expenditure authority to expend those funds. Finally, debt service for the partial issuance of the existing bonding authority would be estimated to be \$81,300 in 2021-22 and \$602,800 in 2022-23. [Alternative 2]

10. Given other transportation programming and funding demands following the revenue challenges presented by the coronavirus pandemic, the Committee may prefer to maintain funding for administrative facilities projects at the base level of \$4,540,000 annually. However, the Department indicates that funding this program at \$9,080,000 in the 2021-23 biennium rather than at \$13,000,000, would delay two of the four State Patrol communication tower upgrade projects in addition to reducing the Department's small project fund by over 25%. If a \$9,080,000 funding level would be provided, the Committee could choose to authorize new bonding authority at that level [Alternative 3] or require DOT to use \$9,080,000 in uncommitted, existing bonding authority [Alternative 4]. Debt service associated with the partial issuance of these bonds would be an estimated \$56,800 in 2021-22 and \$421,100 in 2022-23.

11. Some ongoing concern exists about the overall level of transportation fund-supported debt, which will have to be repaid from transportation fund revenues. Even authorizing uncommitted, existing bonding would generate additional debt service by committing this bonding to projects in the biennium. Further, given the limited amount of SEG funding available due to the impact of pandemic as well as the state highway program demand, the Committee may want to focus the use of bonding to instead fund state highway improvement projects. If such concerns exist, the Committee could decide to provide no additional authority for DOT administrative facilities and limit the amount of transportation fund-supported bonds authorized. In doing so, the Committee could also delete \$4,540,000 SEG annually associated with the base level SEG-S funding that would no longer be needed if no projects would be funded [Alternative 5], or take no action [Alternative 6].

ALTERNATIVES

1. Authorize \$13,000,000 in transportation revenue bonds for DOT administrative facilities construction projects and increase SEG-S expenditure authority by \$1,960,000 annually. Estimate reductions to transportation fund revenue, associated with the partial issuance of these bonds of \$81,300 in 2021-22 and \$602,800 in 2022-23. The Committee would need to incorporate the DOT "All Agency" projects as part of its later action on the 2021-23 state building program actions.

ALT 1	Change to Base	
	Revenue	Funding
TRB	\$0	\$13,000,000
SEG-S	0	3,920,000
SEG-REV	<u>- 684,100</u>	<u>0</u>
Total	- \$684,100	\$16,920,000

2. Direct DOT to use \$13,000,000 in existing transportation revenue bond authority for the DOT administrative facility projects in the 2021-23 biennium. Increase SEG-S expenditure authority by \$1,960,000 annually from a base level of \$4,540,000 in order to fully expend the bond proceeds. Estimate reductions to transportation fund revenue, associated with the partial issuance of these bonds of \$81,300 in 2021-22 and \$602,800 in 2022-23. The Committee would need to incorporate the DOT "All Agency" projects as part of its action on the 2021-23 state building program actions.

ALT 2	Change to Base	
	Revenue	Funding
SEG-S	\$0	\$3,920,000
SEG-REV	<u>- 684,100</u>	<u>0</u>
Total	- \$684,100	\$3,920,000

3. Authorize \$9,080,000 in transportation revenue bonds for DOT administrative facilities construction projects. Estimate reductions to transportation fund revenue, associated with the partial issuance of these bonds of \$56,800 in 2021-22 and \$421,100 in 2022-23. The Committee would need to incorporate the relevant DOT "All Agency" projects as part of its action on the 2021-23 state building program actions.

ALT 3	Change to Base	
	Revenue	Funding
TRB	\$0	\$9,080,000
SEG-REV	<u>- 477,900</u>	<u>0</u>
Total	- \$477,900	\$9,080,000

4. Direct DOT to use \$9,080,000 in existing transportation revenue bond authority for the DOT administrative facility projects in the 2021-23 biennium. Estimate reductions to transportation fund revenue, associated with the partial issuance of these bonds of \$56,800 in 2021-22 and \$421,100 in 2022-23. The Committee would need to incorporate the relevant DOT "All Agency" projects as part of its action on the 2021-23 state building program actions.

ALT 4	Change to Base	
	Revenue	Funding
SEG-REV	- \$477,900	\$0

5. Delete the \$4,450,000 in SEG-S base level funding to reflect that no new bonding authority would be provided, or existing bonding authority committed, to fund DOT administrative facility projects in the biennium. The Committee would not incorporate the relevant DOT "All Agency" projects as part of its action on the 2021-23 state building program actions.

ALT 5	Change to Base	
	Revenue	Funding
SEG-S	\$0	- \$9,080,000

6. Take no action. The Committee would not incorporate the relevant DOT "All Agency" projects as part of its action on the 2021-23 state building program actions. Base level SEG-S funding of \$4,540,000 annually would remain.

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Transportation -- Departmentwide

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
3	Maintenance of Department Facilities

