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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: November 15, 2018

Re: DOT Report to JFC

Attached is a report on the fiscal status of the Highway Maintenance Appropriation from the Department of Transportation, pursuant to 2015 s. 13.10 Committee Action.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN:jm

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Office of the Secretary
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Secretary Dave Ross
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NOV 15 2018

J. Finance

November 14, 2018

The Honorable Alberta Darling, Co-Chair
Joint Committee on Finance
Room 317 East State Capitol
P.O. Box 7882
Madison, WI 53707-7882

The Honorable John Nygren, Co-Chair
Joint Committee on Finance
Room 309 East State Capitol
P.O. Box 8953
Madison, WI 53708

Dear Senator Darling and Representative Nygren:

I am pleased to submit the Department of Transportation's fiscal year 2019 (FY19) second quarter "Biannual Report to the Joint Committee on Finance on the Fiscal Status of Highway Maintenance Appropriations." The Department does not plan to request an increase in FY19 budget authority under ss. 13.10 and 13.101, Wis. Stats, for its state-funded highway maintenance appropriations. However, this report fulfills a requirement promulgated by the Committee in conjunction with the fiscal year 2015 s. 13.10, Wis. Stats., supplement to appropriation s.20.395 (3)(eq), Wis. Stats., *Highway System Management and Operations, state funds*. In granting the Department's request for a supplement, the Committee said:

"Stipulate that the approval of future requests for maintenance funding under s. 13.10 of the statutes is contingent upon the Department's submission of biannual reports to the Committee regarding the fiscal status of the routine maintenance and highway system management and operations appropriations...."

The Department is reporting on two state-funded highway maintenance appropriations.

- Appropriation s. 20.395 (3)(es), Wis. Stats., *Routine Maintenance, state funds*, provides funding for routine maintenance expenditures for the state trunk highway system carried out through contracts with each of the state's 72 counties. Activities include winter and non-winter routine maintenance such as snow plowing and de-icing; small crack filling and the application of sealcoats; interim repair of highway surfaces and roadside structures; bridge, drainage and culvert maintenance; mowing and vegetation control; sign maintenance and replacement, and other measures deemed necessary to provide adequate traffic service.
- Appropriation s. 20.395 (3)(eq), Wis. Stats., *Highway System Management and Operations, state funds*, provides funding for the Highway and Bridge Maintenance and Operations programs. This appropriation funds the purchase of road salt and non-routine maintenance of state highways and bridges carried out by state staff or private contractors. It also funds the Traffic Management, Systems and Operations program which supports the highway improvement program with traffic system planning, operates the Traffic Management Center, and maintains the state's traffic control devices and safety measures.

For each of these appropriations, the report includes:

- A summary of the Department's planned expenditures from these appropriations through the end of FY19;
- Estimates of the anticipated FY19 ending balances of these appropriations; and
- Anticipated events that could result in unfunded but essential spending.

Thank you for the opportunity to provide this information. If you have questions, please contact Dana Burmaster, Director of the Office of Policy, Finance and Improvement at 608-267-9618.

Sincerely,

A handwritten signature in black ink, appearing to be 'Dave Ross', written over a horizontal dashed line.

Dave Ross
Secretary

cc: State Budget Office, Department of Administration
Legislative Fiscal Bureau

November 14, 2018

Biannual Report to the Joint Committee on Finance on the Fiscal Status of Highway Maintenance Appropriations

The Wisconsin Department of Transportation (DOT) submits this report in compliance with a 2015 Joint Committee on Finance stipulation related to future supplemental funding requests for Highway System Management and Operations funding and Routine Maintenance funding. The report is accompanied by a letter of transmission addressed to the Joint Committee on Finance Co-Chairs.

At the time of this submission, the Department does not anticipate requesting an increase in state fiscal year 2019 (FY19) budget authority under ss. 13.10, Wis. Stats., in either s. 20.395 (3)(eq), Wis. Stats., *Highway System Management and Operations, state funds* or in s. 20.395 (3)(es), Wis. Stats., *Routine Maintenance, state funds*. However, the possibility exists that an unforeseen circumstance may result in unanticipated spending and necessitate such a request. Therefore, the Department is providing information on the status of both appropriations, as required by the Committee.

Joint Committee on Finance Requirement

In June 2015, the Department submitted a request to the Joint Committee on Finance, under authority of ss. 13.10, Wis. Stats., to approve an increase in FY15 budget authority of \$15,885,100 for the Highway Maintenance and Traffic Operations program to address funding shortfalls caused by non-discretionary spending in excess of available budget authority. The Committee approved the funding amount with the following requirement in connection with future s. 13.10, Wis. Stats., requests:

"Stipulate that the approval of future requests for maintenance funding under s. 13.10 of the statutes is contingent upon the Department's submission of biannual reports to the Committee regarding the fiscal status of the routine maintenance and highway system management and operations appropriations. Specify that these reports include the following information: (a) a summary of the Department's planned expenditures from these appropriations through the end of the current fiscal year; (b) estimates of the current and anticipated ending balances of these appropriations in the current fiscal year; and (c) a list of any anticipated, unfunded maintenance activities and the related costs for which DOT believes it will need funding in excess of annually appropriated amounts in the current fiscal year. Require that these reports be submitted to the Committee no later than 10 business days following the first day of the second and fourth quarters of the fiscal year, beginning with the report due in October, 2015."

The following sections provide background on the programs funded from these two appropriations as well as the information stipulated in (a), (b) and (c) in the Joint Committee on Finance's motion.

Program Background Information

A. Appropriation s. 20.395 (3)(eq), Wis. Stats., *Highway System Management and Operations, state funds* (numeric 365) funds two key DOT program areas: (1) Highway and Bridge Maintenance and Operations, and (2) Traffic System Management and Operations.

(1) The Highway and Bridge Maintenance and Operations program includes a wide range of activities to support maintenance and operational functioning of the state's highway system. While most routine maintenance activities are performed by the state's 72 counties under contract to the Department and funded from a separate appropriation, most road salt purchases and non-routine maintenance of state highways carried out by state staff or private contractors are funded from Appropriation 365. Activities include:

- Bridge maintenance and repairs;
- Maintenance and repair of roadside facilities, including rest areas, waysides and historic markers;
- Base and shoulder repair, culvert inspection and repair, and vegetation management;
- Non-routine highway maintenance such as emergency and corrective actions to repair road washouts, bridge hits, pavement blowouts and buckling;
- Centralized purchase and provision of winter salt to county highway departments;

- Winter maintenance activities not contracted to the state's county highway departments;
- Coordination and oversight of county maintenance providers and contracted inspection and repair providers;
- Inspection and maintenance of sign bridge structures, high mast light poles and monotubes;
- Asset management activities including data collection and analysis to assure safe and effective functioning of the state trunk highways system;
- Oversize overweight (OSOW) vehicle routing and permitting.

(2) The Traffic System Management and Operations program includes a wide range of activities to support the operations, maintenance, functionality, and safety of the state's highway system:

- Highway improvement project needs related to traffic system planning, design, deployment and management. Specific examples include:
 - Operational analysis to ensure consistent implementation of traffic modeling, traffic impact analyses and intersection control evaluation for highway improvement projects.
 - Traffic safety engineering to create safer highway designs and improve safety in work zones.
 - Work zone management to ensure consistent implementation of the federal safety rules in construction zones and to implement strategies to minimize traffic delays.
 - Planning and design of intelligent transportation system (ITS) infrastructure and signal systems.
- Deployment, repair, maintenance and enhancement of traffic systems and safety devices. Specific examples include:
 - Repair, replacement and maintenance of traffic control equipment, including ITS, signals and lighting.
 - Deployment and maintenance of signs providing traffic, safety and travel information.
 - Pavement marking and striping.
- Operation of the State Traffic Operations Center (STOC) and its information technology systems, which provide real-time traffic data to law enforcement, first responders, and the public.
- Collection, analysis and provision of travel and highway system information for use by government, business and the public.
- Coordination of the state's Emergency Transportation Operations and Traffic Incident Management programs which ensure coordinated operation of the transportation system during emergencies and traffic incidents.

B. Appropriation s. 20.395 (3)(es), Wis. Stats., *Routine Maintenance, state funds* (numeric 368) funds routine maintenance expenditures for the state trunk highway system.

The Routine Maintenance Program provides state funding for activities carried out through contracts with each of the state's 72 counties. These contracts, called Routine Maintenance Agreements (RMA), include winter maintenance activities such as plowing and de-icing, and non-winter routine maintenance such as small crack filling and the application of sealcoats; interim repair of highway surfaces and roadside structures; bridge, drainage and culvert repair; mowing, vegetation control; sign maintenance and replacement, roadside facility maintenance, and other measures deemed necessary to provide adequate traffic service and state highway maintenance.

The Department provides funding, sets standards, tracks data, and provides oversight to maintain the system. The counties provide labor, equipment, materials and facilities. The use of counties to provide these services is mutually beneficial because the Department does not have to hire its own maintenance crews or purchase equipment and maintenance materials. Counties benefit by more fully utilizing their equipment and staff.

Joint Committee on Finance Report Elements

The Joint Committee on Finance s. 13.10, Wis. Stats., motion specified the biannual report include three components, which are detailed in the following sections.

(a) A summary of the Department's planned expenditures from these appropriations through the end of the current fiscal year;

(b) estimates of the current and anticipated ending balances of these appropriations in the current fiscal year.

The table in Appendix 1 shows the FY19 funding levels, planned expenditures and projected ending balance for s. 20.395 (3)(eq), Wis. Stats., *Highway System Management and Operations, state funds - Appropriation 365*. It also shows the Chapter 20 appropriated amounts and the allocated funding in s.20.395 (3)(ex), Wis. Stats., *Highway System Management and Operations, federal funds (Appropriation 385)*, the federal counterpart to Appropriation 365.

The table in Appendix 2 shows the funding level and projected FY18 expenditures for s. 20.395(3)(es), Wis. Stats., *Routine Maintenance, state funds - Appropriation 368* and federal counterpart 20.395 (3)(ey), *Routine Maintenance, state funds - Appropriation 380*.

(c) a list of any anticipated, unfunded maintenance activities and the related costs for which DOT believes it will need funding in excess of annually appropriated amounts in the current fiscal year.

Potential unfunded costs fall into two categories: (1) emergency and/or unplanned but essential spending that cannot be deferred because it can pose a safety concern; and (2) other unfunded activities which are not directly tied to safety and can be deferred. This report only identifies emergency and/or unplanned but essential spending that cannot be deferred, since those are the costs most likely to result in an s. 13.10 request.

Emergency and/or Unplanned but Essential Spending

As noted above, the Department does not plan to request s. 13.10, Wis. Stats., supplemental funding for either Appropriation 365 or Appropriation 368. Further, it is the Department's intention to meet any emergencies by shifting funding from other purposes to the extent possible. However unanticipated events could result in spending demands that cannot be managed in this way.

Appropriation 365:

- Vendor reserve salt – Appropriation 365 funds most salt which is applied by the counties to the state trunk highway system under contract to the state. Each year the Department enters into a contract for salt, and purchases enough to have on hand an amount equal to 120-125% of the average amount used annually over the past five years. In addition, the Department contracts for "vendor reserve" salt. This option allows the Department to purchase the salt if it is needed at a known price. For the 2018-19 winter, the Department has contracted for the optional purchase of up to \$8.4 million in additional salt if winter weather makes this necessary. If winter severity or storm patterns necessitate a larger vendor reserve purchase and if fiscal management strategies are not sufficient, the Department could need to request supplemental funding.

Appropriation 368:

- During the upcoming winter of 2018-19 all or part of the state could experience significant snow and ice events resulting in additional county labor and equipment costs. The spending plan for Appropriation 368 includes an \$11 million winter reserve which is anticipated to be sufficient for this eventuality. However, it is possible costs could exceed this reserve. The winter of 2013-14 resulted in winter related costs totaling more than \$16 million above budgeted spending levels.

- It is possible FY19 could experience additional flooding events which could result in increased county costs. When a flooding emergency is declared, some costs are typically federally funded, but a portion of state trunk highway repair and clean-up is still borne by the routine maintenance program. The program has a \$2.5 million non-winter reserve to cover these costs. If flood damage were significant, spending above manageable levels could occur.

Appendix 1			
FY19 Highway Systems Management & Operations Spending Plan			
(State and Federal Funds)			
	Appropriation 365-State Funds	Appropriation 385- Federal Funds	Total FY 19
Revenues			
State Carryover Balance from Previous Fiscal Year	14,235,275		14,235,275
New State Funds (Chapter 20-Appn 365)	98,594,400		98,594,400
Federal Allotment (Prior Year - reallocation, not automatically carried over)		600,000	600,000
New Federal Funds (Chapter 20-Appn 385)		1,102,500	1,102,500
Total Funds Available	\$112,829,675	\$1,702,500	\$114,532,175
Expenditures			
Program-wide In-house Delivery			
Statewide in-house maintenance, Traffic Operations, Structures and Oversize Overweight Permitting Costs (Includes staff salary, fringe, program supplies, consultants that provide program and IT support, travel, rent, information technology hardware costs, telecommunications, utilities and equipment)	29,500,000	1,102,500	30,602,500
Highway and Bridge System Management and Operations			
Salt Costs - pre-season purchase	35,291,700		35,291,700
Vendor Reserve Salt - (set-aside, not yet purchased)	8,436,400		8,436,400
Maintenance Program Information and Tracking (Includes the Compass program which generates "score-card" information on the maintenance of the state trunk highway system, operations information systems providing asset inventory information, and IT systems development and support)	348,000		348,000
Rest Area Management Program (ongoing operations and maintenance)	6,717,000		6,717,000
Roadside Facilities and Wayside Maintenance (includes one-time funding for backlog of rest area repairs)	360,000		360,000
Rest Area Utilities	800,000		800,000
Automatic Vehicle Location/GPS and Maintenance Decision Support System (systems used by state and county maintenance personnel for snow plow routing and maintenance activity planning)	840,000		840,000
Oversize/Overweight Freight Permitting System replacement	2,000,000		2,000,000
State Weighing Enforcement Facility maintenance (BHM and WisDOT's Facilities Program jointly fund facility maintenance)	1,030,000		1,030,000
Roadsides (Adopt-a-Highway)	185,000		185,000
Subtotal	\$56,008,100	0	\$56,008,100
Traffic System Management and Operations			
Traffic Management Center Operations and Support (511 program, State Traffic Operations Center con	1,994,400	300,000	2,294,400
ATMS replacement - FY 19 phase	1,200,000	300,000	1,500,000
Traffic Operations, Safety and Work Zone Support (traffic safety engineering, trip generation data collection, traffic management standards support, etc.)	970,000	-	970,000
Electrical Device Utilities and Maintenance Costs (Operational and repair costs of lights, signals and ITS devices)	7,595,600	-	7,595,600
Pavement Marking (epoxy lets to private contractors)	6,419,000	-	6,419,000
Locating No-Passing Zones Project	746,415	-	746,415
Sign Manufacturing (the installation by county forces is funded in Appropriation 368)	1,900,000	-	1,900,000
Highway Sign Lifecycle Replacement	1,745,000	-	1,745,000
Lighting - phased replacement of outdated lights with light emitting diode (LED)	2,500,000	0	2,500,000
Subtotal	\$25,070,415	\$600,000	\$25,670,415
Bridge Maintenance (these are let contracts - most bridge maintenance is carried out by counties through RMAs and not shown here)			
Border bridge maintenance	500,000	0	500,000
Sign bridge repair	1,300,000	0	1,300,000
Subtotal	\$1,800,000	0	\$1,800,000
FY19 Projected Expenditure Total	\$112,378,515	\$1,702,500	\$114,081,015
Projected Balance end of FY19	\$451,160	\$0	\$451,160

Appendix 2			
FY 19 Routine Maintenance Spending Plan			
(Appropriation 368 - State Funds)			
	State (368)	Federal (380)	Total
Revenues			
Carryover Balance from FY18	2,247,878	0	2,247,878
368 FY19 Chapter 20 State Funds	188,366,500	0	188,366,500
Total Funds Available	\$190,614,378	\$0	\$190,614,378
Expenditures			
CY18 Routine Maintenance Agreements (RMA) - July thru December 2018 (Includes RMA contracts with 72 counties for routine maintenance of the state trunk highway system)	73,000,000	0	73,000,000
CY19 RMAs - January thru June 2019	73,000,000	0	73,000,000
Winter Reserve [1]	11,000,000	0	11,000,000
Non-winter Reserve (flooding, etc.)	2,500,000	0	2,500,000
Performance Based Maintenance Program (includes separate negotiated contracts with counties for routine maintenance activities promoting innovation, best practices and efficiency)	14,500,000	0	14,500,000
Discretionary Maintenance Agreements (additional funding available to meet individual county pavement maintenance marking and signing related needs)	0	0	0
Car-killed Deer Program (transferred from DNR in 2017-19 budget)	500,000	0	500,000
Water-Borne Pavement Marking	5,000,000	0	5,000,000
Highway Signing Backlog Needs	1,400,000	0	1,400,000
Program Operations (salt shed inspections, winter weather information, unreimbursed damage claims)	1,540,000	0	1,540,000
High Capacity Brine Equipment	2,000,000	0	2,000,000
Prior Year commitments; RMA, DMA, Salt Sheds, Salt Trucking	5,125,000	0	5,125,000
Unreimbursed Damage Claims	650,000	0	650,000
FY19 Projected Expenditure Total	\$190,215,000	\$0	\$190,215,000
Projected Balance end of FY19	\$399,378	\$0	\$399,378

[1] In spring of each year, unused reserve funding is allocated to the counties in supplemental (aka discretionary) maintenance