

STATE OF WISCONSIN

SENATE CHAIR
Alberta Darling

317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-5830



ASSEMBLY CHAIR
John Nygren

308 East, State Capitol
P.O. Box 8953
Madison, WI 53708-8953
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: April 22, 2019

Re: DOT Report to JFC

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



Wisconsin Department of Transportation
Office of the Secretary
4822 Madison Yards Way, S903
Madison, WI 53705

Governor Tony Evers
Secretary Craig Thompson
wisconsin.gov
Telephone: (608) 266-1114
FAX: (608) 266-9912
Email: sec.exec@dot.wi.gov

April 15, 2019

APR 22 2019
J. FINANCE

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) fourth quarter "Biannual Report to the Joint Committee on Finance on the Fiscal Status of Highway Maintenance Appropriations." The Department does not expect 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.

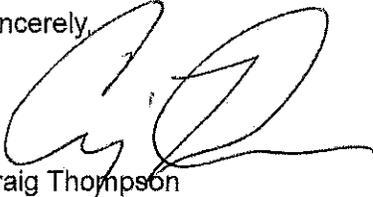
- Appropriation s. 20.395 (3)(es), Wis. Stats., *Routine Maintenance, state funds*, provides funding for routine maintenance expenditures for the state trunk highway system carried out through contracts with each of the state's 72 counties. Activities include winter and non-winter routine maintenance 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 for state trunk highways and non-routine maintenance for state highways and bridges that is 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 Management and Budget at 608-267-9618.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Thompson', written over a horizontal line.

Craig Thompson
Secretary-Designee

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

April 15, 2019

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.

The 2018-19 winter had a relatively mild start followed by heavy snow, ice, and sub-zero temperatures, straining operational and material resources. As of March, the 2018-19 winter severity index was 25 percent above average, with some counties being hit much harder than others. In preparation for this possibility, at the beginning of the fiscal year the department had reserved \$11 million in program funds to cover unanticipated winter costs, and \$2.5 million to cover non-winter weather events such as flooding.

As winter costs rose, it became apparent the reserve would not be sufficient. The Department identified federal funding to supplement budgeted segregated state funding for certain federally eligible activities. This allowed the segregated winter reserve to be increased to \$15 million. Unless late winter weather or spring flooding significantly exceeds expectations, the Department does not anticipate an FY19 request for supplemental funding under ss. 13.10, Wis. Stats, for either s. 20.395 (3)(eq), Wis. Stats., *Highway System Management and Operations, state funds* or s. 20.395 (3)(es), Wis. Stats., *Routine Maintenance, state funds*

This report provides information on the status of both maintenance appropriations, as required by the committee.

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:
- Salt for state highways (this purchase does not include salt used for local or county roads);
 - 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 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.
 - Electrical device (ITS, lights, signals) utility fees
 - Deployment and maintenance of signs providing traffic, safety and travel information.
 - Pavement marking and striping.
 - Operation of the Traffic Management Center 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 Enhancement 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, 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. County crews are also responsible for performing corrective activities to restore roadways and repair items such as signs, signals and guardrails following damage from vehicular crashes, bridge hits and severe precipitation or wind storms.

The Department provides funding, sets standards, tracks data, and provides oversight to maintain the state highway 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.

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(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.

Table 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.

Table 2 shows the funding level and projected FY19 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.

Changes from the first FY19 report provided November 14, 2018 are shown in yellow.

Updated 4/1/19			
FY19 Highway Systems Management & Operations Spending Plan (State and Federal Funds)			
	Appropriation 365-State Funds	Appropriation 385- Federal	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
Federal allotment February 2019		5,000,000	
Total Funds Available	\$112,829,675	\$6,702,500	\$119,532,175
Expenditures			
Program-wide In-house Delivery			
Statewide in-house Maintenance, Traffic Operations, Structures and Oversize Overweight Permitting Costs	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	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			
Statewide Traffic Operations Center Operations and Support (511 program, State Traffic Operations)	1,994,400	300,000	2,294,400
ATMS replacement - FY19 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	7,595,600	-	7,595,600
Pavement Marking (epoxy lets to private contractors)	3,353,400	3,150,000	6,419,000
Locating No-Passing Zones Project	746,415	-	746,415
Sign Manufacturing (the installation by county forces is funded in Appropriation 368)	700,000	1,250,000	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	\$20,804,815	\$5,000,000	\$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 and high mast lighting repair/replacement	700,000	600,000	1,300,000
Subtotal	\$1,200,000	600,000	\$1,800,000
FY19 Projected Expenditure Total	\$107,512,915	\$6,702,500	\$114,215,415
Projected Balance end of FY19	\$5,316,760	\$0	\$5,316,760

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Updated 4/1/19			
FY 19 Routine Maintenance Spending Plan (Appropriation 368 - State and Federal Funds)			
	State (368)	Federal (380)	Original 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
FHWA Flood Reimbursement		3,000,000	3,000,000
February Federal Allotment		4,000,000	4,000,000
Total Funds Available	\$190,614,378	7,000,000	197,614,378
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)	65,000,000	0	60,000,000
CY19 RMAs - January thru June 2019	81,000,000	0	86,000,000
Winter Reserve	15,000,000	0	15,000,000
Non-winter Reserve (flooding, etc.)	2,500,000	3,000,000	5,500,000
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	0	0	0
Car-killed Deer Program	500,000	0	500,000
Water-Borne Pavement Marking TMAs	1,000,000	4,000,000	5,000,000
Highway Signing Backlog Needs	1,400,000	0	1,400,000
Program Operations (WisDOT staff support, salt shed inspections, winter weather information)	1,700,000	0	1,700,000
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	650,000.00	0	650,000
FY19 Projected Expenditure Total	\$190,375,000	\$7,000,000	\$197,375,000
Projected Balance end of FY19	\$239,378	\$0	\$239,378

(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 is taking steps to avoid an s. 13.10, Wis. Stats., supplemental funding request for Appropriation 365 and Appropriation 368 in FY19. It is the department's intention to cover additional unanticipated emergency related costs 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 368 – Routine Maintenance:

- As noted earlier, the FY19 spending plan for Routine Maintenance reserved \$11 million in case of higher-than-expected winter costs. However, this reserve was not sufficient. To create a larger reserve the Department allocated \$4 million in federal funds for federally eligible pavement marking activities carried out by county forces. Federal funding was used instead of a portion of state funding, allowing the winter reserve to be increased to \$15 million. However, late season storms or spring flooding could exceed even this larger reserve.
- The Department additionally reserved \$2.5 million in Appropriation 368 for other weather-related damage events. Severe flooding last summer and fall have already utilized this annual non-winter reserve. When a flooding emergency is declared by the Governor, a majority of the costs may be reimbursed by the Federal Highway Administration (FHWA). The Department is in the process of billing FHWA for reimbursement for up to \$3 million of last fall's flooding costs. However, the state pays these costs up front and the turnaround time for federal reimbursement is often up to a year, resulting in funding challenges. In addition, depending on the extent of upcoming spring floods, spending above manageable levels in FY19 could still occur.

Appropriation 365 Highway System Management and Operations:

- For the 2018-19 winter, the Department contracted for the optional purchase of up to \$8.4 million in additional "vendor reserve" salt which is only purchased if needed. Due to the winter severity, the Department purchased all \$8.4 million of contracted reserve using one-time carryover funds in Appropriation 365. Therefore, the department's salt inventory is most likely sufficient for late season weather.

Preparing for FY20

As discussed, the Department has taken steps to cover higher-than-expected winter and flooding related costs to date in FY19. Barring extreme events during the rest of the fiscal year an s. 13.10 supplemental request should not be needed.

The Department is also taking steps to manage funds to avoid a request in FY20. However, expected higher salt prices and other factors make a request possible.

As noted above, a carry-over of uncommitted funding into FY19 enabled the purchase of the \$8.4 million in vendor reserve salt at FY19 prices. Salt costs are expected to rise for the FY20 purchase. If all the vendor reserve is not needed in FY19, this will reduce the amount that is purchased at higher prices in FY20.

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Even with the purchase of the full amount of the FY19 contract, the inventory going into the winter of FY20 is expected to be lower than normal, increasing the FY20 needed purchase. Salt prices have continued to increase steadily and are now 21% higher than 5 years ago and 9 percent higher this winter than last. At the time of this report, salt demand in Wisconsin and neighboring states exceeds supply. The Department anticipates the price per ton will increase significantly for next winter.

In preparation, the Department allocated \$5 million in federal funds to the Highway System Management and Operations federal appropriation for pavement marking and sign bridge projects that are federally eligible. By using federal funds for a portion of activities more typically 100% state funded, the Department anticipates carrying over a \$5 million balance in 365 that can be used towards next year's large salt purchase.