



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #896

### *Marquette Interchange Reconstruction*

## **Federal Highway Formula Aid (DOT -- Transportation Finance)**

[LFB 2001-03 Budget Summary: Page 648, #2]

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### **CURRENT LAW**

The federal government provides highway aid to the states in the form of authorization to obligate funds from the federal highway trust fund. The authorization, which is distributed to the states by formula, is approved on a multi-year basis, but Congress annually limits how much of that authorization can be obligated. The limit that is placed on obligation authority determines the spendable amount of federal highway formula aid.

The state budgets for federal highway formula aid by estimating the total amount of obligation authority the state will receive during the two federal fiscal years that correspond to the two state fiscal years of the biennium. This funding is apportioned among various FED appropriations in DOT. The amounts in the Chapter 20 appropriations schedule reflect the intent of the Legislature on how these funds should be spent, but DOT may spend more or less than the appropriated amount if the total amount of federal highway aid is more or less than the amount estimated. If the difference between the amount estimated and the amount received exceeds 5%, then DOT must submit a plan to the Joint Committee on Finance for adjusting the Department's appropriations to reflect the revised federal aid amount. The Committee may approve or modify and approve this plan.

### **GOVERNOR**

Reestimate federal highway formula aid at \$545,556,900 in 2001-02 and \$560,681,000 in 2002-03. The following table shows, by appropriation, how the bill would allocate federal aid during 2001-03. The first column shows the base level for each appropriation, doubled to provide a biennial comparison. The base includes amounts appropriated by 1999 Act 9, totaling

\$503,600,000, plus \$19,288,800 in additional 2001 federal highway aid that was allocated among these appropriations by the Joint Committee on Finance in December. The base does not include \$8,000,000 in additional 2001 federal highway aid that the Committee allocated to the local roads for job preservation program for making a grant to the City of Janesville, since this was a one-time expenditure. The second and third columns show the funding recommended by the Governor and the change to the base.

| <u>Appropriation</u>                                 | <u>Appropriation</u>   |                        | <u>Change to</u>    |
|--|------------------------|------------------------|---------------------|
|  | <u>Base</u>            | <u>2001-03</u>         | <u>Base</u>         |
|  | <u>Doubled</u>         | <u>Governor</u>        | <u>Doubled</u>      |
| Rail Passenger Service                               | \$7,350,800            | \$6,654,500            | -\$696,300          |
| Local Bridge Improvement                             | 52,576,400             | 0                      | -52,576,400         |
| Local Transportation Facility Improvement            | 151,439,400            | 204,015,800            | 52,576,400          |
| Transportation Enhancements Grants                   | 13,460,400             | 13,460,400             | 0                   |
| Railroad Crossing Improvement                        | 7,098,600              | 7,098,600              | 0                   |
| Surface Transportation Grants                        | 5,440,000              | 5,440,000              | 0                   |
| Congestion Mitigation/Air Quality Improvement        | 24,997,000             | 24,997,000             | 0                   |
| Major Highway Development                            | 115,897,000            | 115,897,000            | 0                   |
| State Highway Rehabilitation                         | 631,364,200            | 648,060,500            | 16,696,300          |
| Marquette Interchange Reconstruction                 | 0                      | 42,735,200             | 42,735,200          |
| Highway Maintenance and Traffic Operations           | 2,388,000              | 2,388,000              | 0                   |
| Highway Administration and Planning                  | 10,600,000             | 8,110,000              | -2,490,000          |
| Departmental Management and Operations               | 17,456,200             | 20,510,300             | 3,054,100           |
| Motor Vehicle Emission Inspection<br>and Maintenance | <u>5,709,600</u>       | <u>6,870,600</u>       | <u>1,161,000</u>    |
| <b>TOTAL</b>   | <b>\$1,045,777,600</b> | <b>\$1,106,237,900</b> | <b>\$60,460,300</b> |

## DISCUSSION POINTS

1. The amount estimated in the bill for federal fiscal year (FFY) 2002 is \$15,847,800 above the \$529,709,100 that the state will receive in FFY 2001, and the amount estimated for FFY 2003 is \$30,971,900 above the FFY 2001 amount. The total amount in the 2000-01 appropriation base is lower than the \$529,709,100 that the state will receive in 2001 because the base appropriations do not include \$8,000,000 in 2001 aid that was allocated on a one-time basis to the local roads for job preservation program for making a grant to the City of Janesville. However, the amount of federal highway formula aid allocated to all 2000-01 appropriations, including the amount provided for the Janesville grant, totaling \$530,888,800, is slightly higher than the amount that will be received due to a federal rescission of certain funds to reflect an across-the-board

reduction passed by Congress in December, 2001.

2. The Federal Highway Administration (FHWA) has preliminarily estimated that the state will receive \$567,000,000 in FFY 2002 under the President's budget, which is \$21,443,100 higher than the amount estimated in the bill.

3. The current multi-year federal transportation authorization act, titled the Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), includes a provision that automatically increases state aid amounts if revenue receipts in the federal highway trust fund exceed amounts estimated in the act. The President's FFY 2002 budget, which was submitted in February, estimates that this provision will result in an additional \$4.5 billion for the highway program. FHWA's estimate of Wisconsin's formula highway aid in 2002 includes the effect of much of this additional amount, although the President's budget would use \$201 million of this amount for other programs, which would require Congress to change the TEA-21 mechanism. The previous administration also submitted budgets that would differ slightly from the TEA-21 formula, but Congress did not adopt these changes. If Congress does not adopt this provision, the state's 2002 aid could potentially be slightly higher.

4. Other factors could lower the amount that the state will receive. For instance, Wisconsin's share of the total amount of federal highway aid could decrease under the formulas that are used to distribute the aid. In addition, Congress could take action that further decreases the total amount of aid that is distributed to the states. The FHWA will estimate the highway aid for all states using the formulas (with any modifications passed by Congress) after the President signs the transportation appropriation act for 2002.

5. No federal highway formula aid estimate has been prepared by FHWA for 2003. It should be noted that the amount estimated for 2002 would be 7.0% higher than the amount received in 2001, in part because of significantly higher-than-anticipated collections in the federal highway trust fund. Given trends toward slower growth or, in some areas, reductions in the nationwide consumption of motor fuel, it may be prudent to assume that there will be no increase from 2002 to 2003. In this case, Wisconsin would also receive \$567,000,000 in 2003, which exceeds the amount estimated in the bill by \$6,319,000.

6. If the estimates of federal highway aid contained in the budget bill are too high or too low, DOT would adjust encumbrances accordingly and would choose which appropriations to modify. If the difference is greater than 5%, however, DOT would have to submit a plan to the Joint Committee on Finance for making the adjustments.

7. The differences between the federal highway formula aid estimates contained in the bill and the reestimate is less than 5%. Therefore, if the estimates in the bill are not modified to reflect these reestimates, but the state actually receives the amounts in the reestimates, the Legislature will not have an opportunity to decide how the additional amount should be allocated. Reflecting a higher level of federal formula aid in the budget may allow a more thorough examination of competing priorities for all transportation revenues.

8. Most states, including Wisconsin, typically receive an amount of additional federal aid, usually in late summer or early fall, from a redistribution of obligation authority that had been set aside for activities managed by FHWA, such as highway research contracts, but which was not fully used. In addition, any federal highway aid that is not used by a state will be redistributed to other states. For FFY 2000, Wisconsin received \$3.7 million of redistributed funds. The estimates of aid for FFY 2002 and FFY 2003 do not include any amounts that the state may receive through redistribution in those years, since these amounts can vary from year to year.

## **SUMMARY**

The bill reflects estimated federal highway aid of \$545,556,900 in 2001-02 and \$560,681,000 in 2002-03. Based on information provided by the Federal Highway Administration, it is estimated that the state will receive \$567,000,000 in 2001-02. It is also estimated that the state will receive \$567,000,000 in 2002-03. These amounts are \$21,443,100 higher in 2001-02 and \$6,319,000 higher in 2002-03 than the amounts in the bill. The actual amounts that the state will receive will not be known until after Congress passes the FFY 2002 and FFY 2003 transportation appropriation bills.

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