



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #922

State Highway Rehabilitation -- Funding Level (DOT -- State Highway Program)

[LFB 2001-03 Budget Summary: Page 663, #3]

CURRENT LAW

The state highway rehabilitation program is principally responsible for repairing deteriorated highways and bridges on the state trunk highway system. Base funding for the program is \$565,948,900 (\$250,266,800 SEG and \$315,682,100 FED).

GOVERNOR

Provide \$6,721,300 SEG and \$8,201,500 FED in 2001-02 and \$23,456,600 SEG and \$8,494,800 FED in 2002-03 for the program to provide increases of 2.7% in 2001-02 and 3.0% in 2002-03, calculated on a base that excludes costs related to salaries for state employees.

DISCUSSION POINTS

1. The following table shows the bill's proposed funding for the program by funding source. Federal funds are divided into federal highway formula funds and federal interstate cost estimate (ICE) funds, which the bill would provide for the demolition of the Park East Freeway in Milwaukee. The funding in each year of the biennium reflects the net effect of this item, plus the following: (a) standard budget adjustments (-\$112,000 SEG annually); and (b) an increase of \$1,200,000 SEG and \$21,250,000 FED-ICE in 2001-02 for the demolition of the Park East Freeway.

Actual 2000-01 and Proposed 2001-03 Funding Levels

<u>Fund</u>	<u>2000-01 Base</u>	<u>Governor</u>	
		<u>2001-02</u>	<u>2002-03</u>
SEG	\$250,266,800	\$258,076,100	\$273,611,400
FED-Formula	315,682,100	323,883,600	324,176,900
FED-ICE	0	21,250,000	0
Total	\$565,948,900	\$603,209,700	\$597,788,300

2. The following table compares the rate of growth in funding since 1996-97 that would result if the funding levels in the bill (or the intended level of funding in the case of the major highway development program) were approved, for the state highway rehabilitation program and several other DOT programs. The percentages shown include federal, state and revenue bond funds. As shown in the table, the state highway rehabilitation program would receive a larger increase relative to the local road programs and the state highway maintenance program, compared to the funding level for these programs in 1996-97.

Percentage Increase in State and Federal Funding for Various Transportation Programs (Fiscal Years 1997-2003)

<u>Program</u>	<u>Governor</u>
Major Highway Development*	46.1%
Mass Transit Aid	45.7
State Highway Rehabilitation**	44.1
Local Road Programs***	29.8
State Highway Maintenance	23.3

*Adjusted to reflect the amount that the Governor intended to provide in 2002-03, which is less than the amount actually in the bill by \$4,529,100.

**Does not include funding provided in a separate appropriation for the reconstruction of the Marquette Interchange. If this funding were included, the increase for the rehabilitation program would be 68.7%.

***Includes general transportation and connecting highway aid, local roads improvement program and local bridge and highway improvement assistance.

3. Current projections of inflation in 2001-02 and 2002-03 by Standard and Poor's DRI are 2.7% and 1.8%, respectively. If these inflation rates are used to provide an inflationary adjustment instead of the assumed rates in the bill (2.7% and 3.0%, respectively) funding could be reduced by \$7,020,900 SEG in 2002-03. However, certain costs in the state highway rehabilitation program, such as fuel costs, may be increasing at a rate that exceeds general inflation, which may justify an above-inflationary increase.

4. The Committee could consider other funding alternatives for the program. The

following table shows the change to the bill's funding level for several annual percentage increases. The funding mix between FED and SEG funds could be modified depending upon the Committee's decisions on the funding for other transportation programs.

Annual Percentage Increase	SEG Change to Bill	
	2001-02	2002-03
1%	-\$9,441,900	-\$20,934,800
2	-3,961,000	-9,808,500
3	1,519,900	1,427,300
4	7,000,800	12,772,800
5	12,481,700	24,227,900
6	17,962,700	35,792,700

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$6,721,300 SEG and \$8,201,500 FED in 2001-02 and \$23,456,600 SEG and \$8,494,800 FED in 2002-03 for the program to provide increases of 2.7% in 2001-02 and 3.0% in 2002-03.

2. Modify the Governor's recommended funding level provided for the program as shown in the table to provide the percentage increases shown.

	Annual Percentage Increase	SEG Change to Bill	
		2001-02	2002-03
a.	1.0%	-\$9,441,900	-\$20,934,800
b.	2.0	-3,961,000	-9,808,500
c.	3.0	1,519,900	1,427,300
d.	4.0	7,000,800	12,772,800
e.	5.0	12,481,700	24,227,900
f.	6.0	17,962,700	35,792,700
g.	2.7/1.8*	0	-7,020,900

* Current inflation projections for 2001-02 and 2002-03.

3. Maintain current law.

Alternative 3	FED	SEG	TOTAL
2001-03 FUNDING (Change to Bill)	- \$16,696,300	- \$30,177,900	- \$46,874,200

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