



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 15, 2003

Joint Committee on Finance

Paper #764

Federal Funds Reduction for Departmental Management and Operations and Highway Administration and Planning (DOT -- Other Divisions)

[LFB 2003-05 Budget Summary: Page 442, #4]

CURRENT LAW

Federal highway funds are used for various transportation planning and research activities through DOT's appropriations for highway administration and planning and for departmental management and operations. Base funding in the federal highway administration and planning appropriation is \$4,055,000 (excluding non-formula federal funds) and is used for transportation research, pavement condition data collection, and environmental planning and analysis. Base funding in the federal departmental management and operations appropriation is \$10,248,100 and is used for providing funding for the state's metropolitan planning organizations and regional planning commissions, long-range transportation planning activities, pavement condition monitoring activities, and the general management of the state highway program, including DOT's Bureau of State Highway Programs. Total base federal highway aid is \$567,000,000.

GOVERNOR

Reduce funding by a total of \$2,502,700 FED in 2003-04 and \$1,458,700 FED in 2004-05 for the Department's federal funds appropriations for departmental management and operations (a reduction of \$1,632,400 in 2003-04 and \$884,400 in 2004-05) and highway administration and planning (a reduction of \$870,300 in 2003-04 and \$574,300 in 2004-05) to reflect an estimated reduction in the amount of federal highway aid that the state will receive during the 2003-05 biennium.

DISCUSSION POINTS

1. The bill reflects estimates of federal highway aid that would decline, relative to the base, by 11.5% in 2003-04 and 7.0% in 2004-05, which represents a reduction in aid of \$65,199,900 in 2003-04 and \$39,899,900 in 2004-05. As a result of these reductions, the bill would reduce funding reflected in most of DOT's appropriations that receive federal highway aid. The federal highway aid amounts in the appropriation for highway administration and planning would be reduced by \$870,300 in 2003-04 and \$574,300 in 2004-05 and the amounts provided for departmental management and operations would be reduced by \$1,632,400 in 2003-04 and \$884,400 in 2004-05. These reductions amount to decreases for each appropriation, relative to the base, of 14.9% in 2003-04 and 7.6% in 2004-05.

2. Since the time that the bill was introduced, DOT has conducted a reestimate of federal highway aid, and concluded that the state will receive a higher level of aid during the 2003-05 biennium than had earlier been expected. According to this estimate, federal highway aid amounts are expected to be higher than the amounts included in the bill by \$66,879,900 in 2003-04 and \$52,835,900 in 2004-05. Relative to the base, these amounts would result in increases of \$1,680,000 in 2003-04 and \$12,936,000 in 2004-05.

3. In addition to conducting a reestimate of federal highway aid levels, the Department conducted a reestimate of transportation fund revenues and concluded that available transportation fund revenue would be lower than the amounts upon which the bill was based, thereby somewhat offsetting some of the additional federal funds. In combination, these estimates produced a net increase in available funds of \$62,073,900 in 2003-04 and \$36,358,700 in 2004-05, for a biennial total of \$98,432,600.

4. In announcing these reestimates, the Department recommended that most of the additional funding be provided for the major highway development and state highway rehabilitation programs, but the Department also recommended that federal funding be provided for the Department's highway administration and planning and departmental management and operations appropriations. Under the Department's recommendation, the appropriation for highway administration and planning would be increased by \$1,005,300 FED in 2003-04 and \$709,300 FED in 2004-05 and the appropriation for departmental management and operations would be increased by \$2,769,700 FED in 2003-04 and \$2,021,700 FED in 2004-05.

5. Although these two appropriations would be reduced in the bill by a total of \$3,961,400 over the biennium (\$2,502,700 FED in 2003-04 and \$1,458,700 FED in 2004-05), the Department has recommended a total increase in these appropriations of \$6,506,000, using the additional funding identified as a result of the reestimates. The amount of the recommended increase exceeds the total funding reduction in the bill by \$2,544,600. Consequently, the Department's recommendation would result in a net increase over the base for these two appropriations.

6. Although the inclusion of federal highway funds in the state appropriations schedule

establishes the intent of the Legislature as to how those funds should be spent, the Department is not legally limited to spending the amounts in the individual appropriations of federal funds. (These appropriations allow for the expenditure of "all moneys received.") When expenditures vary from the appropriated amounts, the Department must adjust its encumbrances among all federal funds appropriations to accommodate the changes. In the case of the highway administration and planning and departmental management and operations appropriations, expenditures have typically been higher than the appropriated amounts over the past several years, although the amounts in the appropriations schedule have not been adjusted accordingly. The Department indicates that the request for additional funds in the two appropriations would set these appropriations at the level that reflects the actual, anticipated expenditures in 2002-03.

7. The Department indicates that if the funding for state planning and research activities is not established at the current expenditure level, the Department may be required to take the following actions: (a) lay off as many as five persons and eliminate all LTE staff in the Bureau of State Highway Programs, which is responsible for the development of the six-year highway program and for the overall financial management of the highway program; (b) reduce the number of traffic counts and origin-destination studies conducted, which are used for the purposes of developing highway plans and which may be used by Congress in establishing federal highway aid formulas; (c) reduce funding for metropolitan planning organizations and regional planning commissions, which may result in a reduction in local highway planning staff; and (d) reduce the review of development plans, which are required under the Department's rules related to traffic access management along state highways, leading to the possible delay in the approval of those plans. The Department could reallocate SEG funding for these activities, but that would require a reduction in resources for other departmental functions.

8. In the context of a budget in which many state programs are being reduced, it may be appropriate to expect the programs that are supported with federal funds in the appropriations for highway administration and planning and departmental management and operations to be reduced as well. If funding is restored in these appropriations to the base level, the activities that are funded from the appropriations would be provided a lower amount of funding than is currently provided, which would require the Department to make some reductions in spending, but not as much of a reduction as under the bill. In this case, relative to the bill, increases of \$870,300 FED in 2003-04 and \$574,300 FED in 2004-05 would be provided for the highway administration and planning appropriation and increases of \$1,632,400 FED in 2003-04 and \$884,400 FED in 2004-05 would be provided for the departmental management and operations appropriation.

ALTERNATIVES

1. Approve the Governor's recommendation to reduce funding by a total of \$2,502,700 FED in 2003-04 and \$1,458,700 FED in 2004-05 for the Department's federal funds appropriations for highway administration and planning and departmental management and operations.

2. Modify the Governor's recommendation by providing increases of \$1,005,300 FED

in 2003-04 and \$709,300 FED in 2004-05 for highway administration and planning and increases of \$2,769,700 FED in 2003-04 and \$2,021,700 FED in 2004-05 for departmental management and operations. This alternative would provide an amount of funding in these appropriations equal to anticipated expenditures from these appropriations in 2002-03.

<u>Alternative 2</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	\$6,506,000

3. Delete provision. This would restore the base level of funding for both appropriations.

<u>Alternative 3</u>	<u>FED</u>
2003-05 FUNDING (Change to Bill)	\$3,961,400

Prepared by: Jon Dyck