



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #772

Oversize/Overweight Vehicle Permit Surcharge (DOT -- Motor Vehicles)

[LFB 2003-05 Budget Summary: Page 431, #4]

CURRENT LAW

The weight, height, and length of vehicles traveling on highways of the state is limited by state statute. Some vehicles, depending upon the load being carried, are allowed to exceed these limitations, but are generally required to obtain a permit to do so. Fees are charged for permits, which are issued on a single-trip, multiple-trip, consecutive month, or annual basis.

The 1999-01 biennial budget act (Act 9) established a 10% surcharge on permit fees to generate revenue to fund an automated permit routing system that would use data on construction projects and bridge and pavement condition to automatically select a route for overweight and oversize trucks. The system, when completed, will allow motor carriers to apply for and receive permits electronically, during both business and non-business hours. The surcharge began with permits applied for after December 31, 1999, and is to sunset on June 30, 2003.

GOVERNOR

Extend the sunset date of the 10% surcharge on oversize/overweight permit fees from June 30, 2003, to June 30, 2005. Increase estimated transportation fund revenue by \$403,700 annually to reflect a continuation of this fee during the biennium.

DISCUSSION POINTS

1. Using funds provided by 1999 Act 9 and \$650,200 in other funding (a federal earmark and revenue generated from the sale of surplus property), DOT began developing the oversize/overweight permit issuance system during the 1999-01 biennium. At that time, the Department had estimated the cost of the system at \$1.10 million. However, prior to the

consideration of the 2001-03 budget bill, the Department reestimated the cost at \$5.77 million. The 2001-03 budget act (2001 Act 16) provided additional funding for the system with the intent of allowing the system to be completed in 2003-04. The Department now expects the system to be completed by the end of 2003-04 at a cost between \$5.2 million and \$5.7 million.

2. The estimated cost of the system is significantly higher than had been originally estimated because the Department's initial estimates, which were based on conversations with other states that had installed such systems, unintentionally included only the cost to purchase and install the software for the system. The cost to integrate the system with DOT's construction, road condition, and other data systems were excluded from the original estimate, but are included in the \$5.2 million to \$5.7 million estimate.

3. In its current stage of development, the system is being tested on a pilot-project basis for simple, single-trip permits. When the project has been completed the system will be able to issue many types of single- and multiple-trip permits.

4. A 10% surcharge on oversize/overweight permit fees was created by 1999 Act 9 with the intention of generating, by the time it was scheduled to sunset on June 30, 2003, an amount of revenue approximately equal to the estimated cost of the system. However, because the system will cost more than the original estimates, the surcharge will not generate enough revenue to equal the cost. By the end of 2002-03 (the current law sunset date), it will have generated about \$1.4 million in transportation fund revenue, which is equal to about one-quarter of the total estimated cost of the system. The bill would extend the surcharge an additional two years, to generate a total of about \$2.2 million, which would equal about 40% of the total cost of the system. (Surcharge revenue is deposited in the transportation fund, but is not specifically earmarked for the system. The funding to complete the system is provided through DMV's budget, and, therefore, is not directly dependent upon the surcharge revenue.)

5. In its deliberations on the 2001-03 budget bill, the Legislature adopted a provision that would have increased the surcharge from 10% to 15% and extended the sunset date on the surcharge to March 1, 2009. The combination of these measures would have generated enough revenue to approximately equal the cost of the system (net of \$650,200 in one-time federal funds and other DOT funds used on the system). However, these changes were vetoed by Governor McCallum. In his veto message, the Governor indicated that the fee increase would place "an unnecessary financial burden on our state's commercial motor carrier industry."

6. The following table shows the base permit fees, the additional amount that is added by the 10% surcharge, and the additional amount that would be added by a 15% surcharge (these amounts are rounded to the nearest dollar).

<u>Permit</u>	<u>Base Permit Fee</u>	<u>Surcharge (Rounded to Nearest \$1)</u>	
		<u>10%</u>	<u>15%</u>
Single-Trip Permits			
Overlength	\$15	\$2	\$2
Overwidth or Overheight	20	2	3
Overwidth and Overheight	25	3	4
Annual and Multiple-Trip Permits			
Overlength	\$60	\$6	\$9
Overwidth and/or Overlength	90	9	14
Overweight--90,000 lbs. or less	200	20	30
Overweight--Over 90,000 lbs. to 100,000 lbs.	350	35	53
Overweight--Over 100,000 lbs. Fee, In Addition to the Fee Required for a 100,000 lbs. Permit, for Each 10,000 lbs. or Fraction Thereof Above 100,000 lbs.	\$100	\$10	\$15
Consecutive Month Permits			
Fee in Addition to Prorated Annual Fee for Same Type of Permit*	\$15	\$1.50	\$2.25

* Total permit fee is rounded to the nearest whole dollar.

7. If the Committee determines that the surcharge revenue should generate enough revenue to equal the cost of the system, the 10% surcharge could be increased to 15%, effective with permits issued after December 31, 2003, and extended to March 31, 2011. This would increase estimated transportation fund revenue in the biennium, relative to the bill, by \$100,900 in 2003-04 and \$201,900 in 2004-05. However, given that inflation would erode the purchasing power of permit surcharge revenue over this amount of time, the surcharge, either at the 10% or 15% level, would have to be extended for a longer period of time to recover the real cost of the system. Over this amount of time, the purchasing power of the revenue generated by the base fee would also erode to an extent that a 10% or 15% adjustment to the base fee may be required to maintain its current purchasing power.

8. Another alternative to extending the sunset date of the surcharge or increasing the surcharge to 15% and extending the sunset date, would be to eliminate the sunset date. The base permit fee for single-trip permits has not been changed since the 1993-95 budget, while the base fee for annual and multiple-trip permits has not been changed since the 1981-83 budget. Given the relatively long time since these base permit fees have been changed, and the long amount of time that would be required to generate an amount of revenue to cover the nominal cost of the system, it may be reasonable to eliminate the surcharge sunset to make this increase a permanent part of the permit fee base. This could be done at the 10% surcharge level or the 15% surcharge level.

9. It could also be argued that since the total fee (base fee and surcharge) generates more revenue than is necessary to administer the permit program, that an increase is not justified. The base permit fees generate approximately \$4.0 million per year, which exceeds the administrative costs of issuing permits. Although DOT does not develop a separate operating budget for the permit issuance program, the budget for the entire motor carrier services section, of which the permit issuance unit is a part, is \$3.0 million.

10. On the other hand, although the administrative costs of permit issuance are lower than the amount of revenue generated by permit fees, it could be argued that the purpose of the oversize/overweight permit fees is, in part, to generate revenue to maintain the highway system, including the cost of building and maintaining a system that can accommodate some oversize or overweight loads. In this case, keeping the base fee at its current level would reduce, over time, the real contribution of the permit fee revenue toward the transportation system.

11. A separate item in the bill (discussed in LFB Paper #771) would allow the Department to charge a convenience fee for permit applications, to cover the cost of credit card charges. While the permit surcharge was established with the intent of generating revenue to pay the cost to develop the automated permit issuance system, the convenience fee would be intended to require permit applicants to pay a fee to support the cost of using the system.

ALTERNATIVES

1. Approve the Governor's recommendation to extend the sunset date of the 10% surcharge on oversize/overweight permit fees from June 30, 2003, to June 30, 2005.

2. Modify the Governor's recommendation by eliminating the surcharge sunset, thereby making the 10% surcharge part of the permanent permit fee base.

3. Modify the Governor's recommendation by increasing the surcharge on oversize and overweight permits from 10% to 15%, effective with permits issued after December 31, 2003, and extending the expiration of the permit surcharge from June 30, 2003, to March 31, 2011. Increase estimated transportation fund revenue by \$100,900 in 2003-04 and \$201,900 in 2004-05 to reflect the increase in the surcharge percentage.

Alternative 3	SEG
2003-05 REVENUE (Change to Bill)	\$302,800

4. Modify the Governor's recommendation by increasing the surcharge on oversize and overweight permits from 10% to 15%, effective with permits issued after December 31, 2003, and eliminate the sunset date of the surcharge, thereby making the 15% surcharge part of the permanent permit fee base. Increase estimated transportation fund revenue by \$100,900 in 2003-04 and \$201,900 in 2004-05 to reflect the increase in the surcharge percentage.

<u>Alternative 4</u>	<u>SEG</u>
2003-05 REVENUE (Change to Bill)	\$302,800

5. Delete provision. Decrease estimated transportation fund revenue by \$403,700 annually to reflect the decision not to extend the permit surcharge sunset date.

<u>Alternative 5</u>	<u>SEG</u>
2003-05 REVENUE (Change to Bill)	- \$807,400

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