



## Legislative Fiscal Bureau

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TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Transportation: Section 13.10 Request to Transfer Funding to the State Highway Maintenance and Traffic Operations Appropriation from the State Highway Rehabilitation Appropriation -- Agenda Item II

### REQUEST

The Department of Transportation (DOT) requests a transfer of \$33,000,000 SEG in 2010-11 from the state highway rehabilitation appropriation to the state highway maintenance and traffic operations appropriation to fund a shortfall in the maintenance budget due to high winter maintenance costs and for specific, high-cost maintenance and traffic operations projects in southeast Wisconsin.

### BACKGROUND

The state highway maintenance and traffic operations program is responsible for a variety of activities related to the upkeep of state highways and highway rights-of-way, including minor repair of pavements and bridges, snow plowing and ice removal, mowing and other vegetation management, and the maintenance of highway rest areas and waysides. Most of this work is performed by counties under contract with the state. In addition, the program is responsible for the installation, repair, and maintenance of signs, highway lighting, pavement marking, and traffic signals, except when those activities are conducted in conjunction with a highway improvement project.

Funding in 2010-11 for the principal SEG appropriation for the maintenance and traffic operations program is \$194,539,000. Of this amount, approximately 62% is allocated to state highway maintenance services performed by counties under contract. By statute, DOT is required to reimburse counties for their actual costs of performing work on state highways. The Department

manages total expenditures under the contracts by establishing an annual budget for each county, which sets the limit for the county's reimbursements. Counties and DOT must jointly determine the type and amount of maintenance work that can be done, making adjustments to planned work throughout the year as necessary to stay within the limits.

The Department's appropriation for state highway maintenance is a continuing appropriation, meaning any amounts provided in the appropriation in one fiscal year that are not obligated in that year carry over into the following fiscal year.

## **ANALYSIS**

The Department's request for \$33,000,000 consists of four components: (a) \$4,000,000 to reimburse counties for winter maintenance costs in 2010-11 that were higher than the amount budgeted for that purpose; (b) \$15,600,00 to restore reserves of road salt; (c) \$10,300,000 for emergency maintenance work on the Hoan Bridge in Milwaukee County; and (d) \$3,100,000 for the replacement of deteriorating highway lighting masts on the southeast Wisconsin freeway system.

At the time the Department's request was submitted, on March 11, 2011, the amounts requested were based on estimates of these four items. Since that time, the Department indicates that the cost of individual items has changed. Although these changes affect how the Department would allocate the requested funding, if approved, the Department has not modified the total amount of the transfer being requested. The following sections outline the individual elements of the request, including updated cost estimates for each.

### **Winter Maintenance Costs for Work Performed by Counties**

Typically, the Department budgets for winter maintenance using a variety of factors, including the average costs in previous years. Based on that methodology, the Department budgeted \$41.0 million for the 2010-11 winter. At the time the Department's request was submitted, the total amount incurred by counties for winter maintenance was not yet known, partly because winter maintenance cost invoices from earlier in the season had not been received, and partly because the winter season had not been completed. Nevertheless, the Department estimated that the final cost will be approximately \$45 million, or \$4.0 million more than the amount that had been budgeted for winter maintenance. The Department now indicates that high late-season costs added to that total. Although the final cost of winter maintenance (as well as spring maintenance) are still not known because some counties have not submitted all invoices, the Department indicates that, if approved, an additional \$7.3 million of the approved funds (for a total of \$11.3 million) would be allocated to county maintenance costs. The additional funds would be offset by a reduction in the amount of salt purchased with 2010-11 funds.

Normally, when winter costs exceed the amount budgeted, the Department adopts various measures to absorb those costs, including by directing counties to reduce spring and summer

maintenance activities. In addition, since the county maintenance budget is established on a calendar year basis, some winter costs incurred during one fiscal year can be delayed until the following fiscal year (but within the same calendar year) to reduce the impact in the spring. Regardless of the timing of the measures taken to absorb the additional maintenance costs, the capacity to perform other maintenance activities will be reduced if no additional funding is provided.

### **Road Salt Costs**

While the Department contracts with each county for highway maintenance work done in the county, the cost of road salt is not included in the contract. Instead, the Department purchases all of the road salt centrally to take advantage of lower unit costs, and distributes supplies to each county as needed. Normally, the Department maintains an inventory of salt at the beginning of the winter season equal to the average amount used in the winter, plus a reserve supply for occasions when usage exceeds the average. For the 2010-11 winter, the use of salt exceeded the total supply on hand, including the reserves, which required the Department to purchase additional salt during the season to maintain adequate supplies. The Department's request includes \$15.6 million for salt costs, which includes \$8.3 million for the cost of purchases made during the winter season and \$7.3 million to replenish salt reserves for next winter.

As noted above, the Department has determined that, if approved, the \$7.3 million requested for purchasing a salt reserve would be reallocated to county maintenance costs. As a result, additional salt would have to be purchased in 2011-12 that would otherwise be used for other maintenance purposes.

### **Hoan Bridge Repairs**

The Hoan Bridge is located on I-794, over the Milwaukee River. Due to extensive pavement deterioration on the bridge, the Department performed emergency repairs to the bridge deck, at a cost of \$8.3 million under the maintenance program (a cost that includes the repair contract plus associated administrative costs). In addition, the Department entered into another contract, for \$2.0 million (including associated administrative costs) to install netting on the underside of the bridge to prevent detached pieces of concrete from falling on roads and structures below. The work to install netting on the bridge has been completed, and the work for the surface repairs is underway, although it has not been completed. The Department indicates that the actual cost for this work is expected to be close to the amount originally requested.

### **Southeast Wisconsin Freeway Light Masts**

The final component of the Department's request is \$3,100,000 for the replacement of 22 highway lighting masts in the vicinity of the Zoo, Stadium, and Lake interchanges in Milwaukee County. Inspections of the masts in 2010 revealed corrosion that the Department determined posed a threat of structural failure. Because of this possibility, the Department determined that it was

necessary to replace the light masts as soon as possible. Consequently, the Department let a contract for this work in August, 2010, and the work has been completed. The amount requested was based on the actual cost for this work.

### **Transfer from the State Highway Rehabilitation Appropriation.**

To meet the funding needs outlined above, the Department requested a transfer of funds from the state highway rehabilitation SEG appropriation to the maintenance and traffic operations appropriation. The Department indicates that funding was reserved in the state highway rehabilitation appropriation in the event that high winter costs exceeded the amount budgeted for that purpose. Consequently, the Department indicates that sufficient unobligated authority exists in the state highway rehabilitation appropriation to make this transfer without affecting the project schedule established for the program.

### **Previously-Approved Appropriation Supplement for State Highway Maintenance**

In June, the Department submitted a request to the Committee to adjust various appropriations to address a projected deficit in the state transportation fund and to allocate additional federal highway aid among the Department's appropriations. This request, which was approved under a 14-day passive review process, included a \$15,000,000 increase for the state highway maintenance program. The Department indicates that these funds were programmed for pavement marking projects, which were done independently of the projects included in the present request. Consequently, the Department indicates that the supplement approved under the previous request does not reduce the need for additional supplements under the present request.

### **ALTERNATIVES**

1. Approve the Department's request to transfer \$33,000,000 in 2010-11 from the SEG appropriation for state highway rehabilitation to the SEG appropriation for highway maintenance and traffic operations.
2. Deny the request.

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