



## Legislative Fiscal Bureau

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

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May 29, 2001

Joint Committee on Finance

Paper #925

### State Highway Maintenance and Traffic Operations (DOT -- State Highway Program)

[LFB 2001-03 Budget Summary: Page 666, #8]

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#### CURRENT LAW

The state highway maintenance and traffic operations program is responsible for activities such as minor pavement and bridge repairs, roadside mowing, snow and ice clearing, pavement marking and sign and traffic signal installation on the state trunk highway system. Most of the work related to minor pavement repair and snow and ice clearing is performed by county crews under contract with the state, while activities related to pavement marking and traffic signal installation are performed by DOT employees or by private contractors. The base level of funding for the program is \$156,067,800 SEG.

#### GOVERNOR

Provide \$7,451,000 SEG in 2001-02 and \$15,651,600 SEG in 2002-03 for highway maintenance and traffic operations to provide increases of 5.4% in 2001-02 and 5.7% in 2002-03 for the program, calculated on a base that excludes costs related to salaries and fringe benefits for state employees.

#### DISCUSSION POINTS

1. The increases provided by the bill would adjust the program for anticipated inflation at assumed rates of 2.7% in 2001-02 and 3.0% in 2002-03 (\$3,711,500 in 2001-02 and \$7,946,700 in 2002-03) and increases in the number of lane miles and amount of traffic on the state trunk

highway system (\$3,739,500 in 2001-02 and \$7,704,900 in 2002-03). DOT indicates that the number of vehicle-miles traveled has increased at about 3.5% per year and the number of lane-miles has increased at about 1% per year over the last several years. DOT indicates that the above-inflationary funding increases would compensate for this growth, allowing service levels to be maintained.

2. 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 were used to calculate the inflation component, the funding increase could be reduced by \$1,694,100 in 2002-03. DOT indicates, however, that the cost of many items associated with the maintenance and traffic operations program, such as fuel and salt, are increasing at a rate that exceeds the general inflation rate.

3. 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 maintenance and traffic operations program and several other DOT programs. The percentages shown include federal, state and revenue bond funds. As shown in the table, the maintenance program has received the smallest percentage increase of these five major programs.

**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.

4. DOT indicates that the cost associated with performing winter maintenance in 2000-01 exceeded the three-year average winter maintenance cost by \$15.7 million, due to higher fuel costs and frequent snowstorms. In order to manage the additional cost, the Department reduced certain spring maintenance activities, but determined that making further reductions would be detrimental to the highway system. As a result, the Department made a request for a \$8.5 million supplement under s. 13.10 of the statutes, which the Committee approved on May 9, 2001.

5. The maintenance and traffic operations program is funded by a biennial appropriation, which allows the Department to reduce expenditures in the second year of the biennium if maintenance costs in the first year are particularly high. However, if the higher costs occur in the second year of the biennium, as in the winter of 2000-01, the Department's flexibility to absorb those costs is reduced. The Committee could reduce the funding provided in the bill by \$8,500,000, which would, in effect, require the Department to partially absorb the additional costs in 2000-01 in the 2001-03 biennium. Funding provided by the bill for the program could be reduced by \$2,639,500 SEG in 2001-02 and \$5,860,500 in 2002-03 (for a total decrease of \$8,500,000), which would provide annual increases for the program of 3.5%.

6. 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.

Annual Percentage Increase	Change to Bill	
	<u>2001-02</u>	<u>2002-03</u>
1%	-\$6,076,400	-\$12,888,600
2	-4,701,800	-10,098,200
3	-3,327,100	-7,280,100
4	-1,952,500	-4,434,700
5	-577,900	-1,561,700
6	796,700	1,338,700

7. DOT has followed a policy of obtaining a reserve of de-icing salt at the beginning of each winter equal to 30% of the normal amount of salt used. Because of the frequent snow and ice storms experienced in the state during the winter of 2000-01, DOT exhausted this salt reserve. In the DOT's request for a \$8,500,000 supplement under s. 13.10 of the statutes, the Department indicated that the one-time cost to restore this reserve would be approximately \$3.5 million. This amount was not requested, but DOT asked that the Committee give consideration to providing this amount during its deliberations on the 2001-03 budget. The Committee could provide \$3,500,000 SEG in 2001-02, in addition to other amounts provided, or could decide to not provide this amount, which would require the Department to purchase a salt reserve from within the other amounts provided.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to provide \$7,451,000 SEG in 2001-02 and \$15,651,600 SEG in 2002-03 for highway maintenance and traffic operations to provide increases of 5.4% in 2001-02 and 5.7% in 2002-03 for the program. This would provide inflationary increases of 2.7% in 2001-02 and 3.0% in 2002-03 plus an additional amount to account for increase in lane miles and the amount of traffic on the state trunk highway system.

2. Modify the Governor's recommended funding level by reducing funding by \$1,694,100 SEG in 2002-03. Under this alternative, inflationary increases would be provided, using the current inflation projections of 2.7% in 2001-02 and 1.8% in 2002-03, plus an additional amount to account for additional lane miles and the increases in the amount of traffic on the state trunk highway system.

<b>Alternative 2</b>	<b>SEG</b>
<b>2001-03 FUNDING</b> (Change to Bill)	-\$1,694,100

3. 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	
		<u>2001-02</u>	<u>2002-03</u>
a.	1.0%	-\$6,076,400	-\$12,888,600
b.	2.0	-4,701,800	-10,098,200
c.	3.0	-3,327,100	-7,280,100
d.	3.5	-2,639,500	-5,860,500
e.	4.0	-1,952,500	-4,434,700
f.	5.0	-577,900	-1,561,700
g.	6.0	796,700	1,338,700
h.	2.7/1.8*	-3,739,500	-9,399,000

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

4. Provide \$3,500,000 SEG in 2001-02 for the purchase of a salt reserve. This alternative could be adopted separately or in addition to other alternatives.

<b>Alternative 4</b>	<b>SEG</b>
<b>2001-03 FUNDING</b> (Change to Bill)	\$3,500,000

5. Maintain current law.

<b>Alternative 5</b>	<b>SEG</b>
<b>2001-03 FUNDING</b> (Change to Bill)	-\$23,102,600

Prepared by: Jon Dyck