



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #931

Automated Oversize/Overweight Permit Issuance System (DOT -- Motor Vehicles)

[LFB 2001-03 Budget Summary: Page 669, #2]

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 9) established a temporary 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 or oversize trucks. The system would 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 expire on July 1, 2003. The surcharge is estimated to generate \$398,200 in 2001-02 and \$403,700 in 2002-03. Act 9 provided \$447,800 SEG in 1999-00 and \$193,800 SEG in 2000-01 for the purchase and installation of the system.

GOVERNOR

Provide \$1,082,100 SEG in 2001-02 and \$1,153,700 SEG in 2002-03 for data processing necessary to implement an automated oversize/overweight permit issuance system for commercial motor carriers. Extend the expiration of the current 10% surcharge on oversize and overweight permits from July 1, 2003, to January 1, 2008.

DISCUSSION POINTS

1. When DOT first proposed implementing the automated oversize/overweight permit issuance system for the 1999-01 budget, it was believed that the total cost of purchasing and installing the system would be \$1.10 million. The Department now estimates that the total amount needed for the system is \$5.77 million. DOT indicates that the 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, and not the cost to integrate the system with DOT's construction, road condition and other databases. The new estimate includes all of these costs.

2. Although Act 9 provided a total of \$641,600 for the permit system, DOT estimates that, by the end of the current biennium, \$1,291,800 will have been spent on the system. The additional funding (totaling \$650,200) is expected to be provided with a federal grant for intelligent transportation systems (\$443,000) and revenue generated from the sale of surplus Department property (\$207,200). Under current law, a portion of the proceeds from the sale of surplus property is deposited in an appropriation for operating budget supplements, which was the source for part of the additional funding for the system.

3. The ongoing base for the implementation of the permit system project is \$193,800 SEG. In its budget request, DOT had asked for enough additional funding to finish the system by the end of 2003-04. The bill would provide a slightly lower amount that, if carried over as part of the base into the 2003-05 biennium, would allow the system to be completed in 2004-05. DOT indicates that if this level of funding is provided, the Department's goal is to still finish the system by the end of 2003-04, either by using base resources or perhaps by scaling back on some elements of the system.

4. DOT estimates that the surcharge will have generated about \$1.4 million by the end of the 2001-03 biennium, when it is due to expire. The bill would extend the 10% surcharge on oversize and overweight permits for an additional four and one-half years, from July 1, 2003, to January 1, 2008. This extension would generate an additional \$1.8 million, bringing the eight-year total between 2000 and 2007 to \$3.2 million, if the number and type of permits remains constant over that period.

5. When the surcharge was created, it was intended to generate an amount of revenue approximately equal to the estimated cost of the system. If the surcharge is extended as proposed in the bill and the final cost of the system is \$5.77 million, the surcharge would generate an amount of revenue equal to about 55% of the cost. Since the motor carriers who apply for permits will be the primary beneficiaries of the system, it may be appropriate to extend the surcharge for a longer period than proposed by the bill or increase the surcharge percentage in order to generate enough revenue from the motor carriers who use the system to equal the cost of the system. Since the Department will use the federal grant and proceeds from the sale of surplus property for a portion of the cost, the amount that would need to be generated to cover the remaining cost would be 11% less than the full cost of the system.

6. If the 10% surcharge were extended to October 1, 2012, the total amount of

surcharge revenue generated would be approximately equal to the estimated remaining cost of the system. Similarly, enough additional revenue could be generated to equal the estimated remaining cost of the system if the permit surcharge were increased to 15%, effective with permits issued after December 31, 2001, and were extended to March 1, 2009. Increasing the surcharge to 15% of the permit fee would increase estimated transportation fund revenues in the 2001-03 biennium by \$99,600 in 2001-02 and \$201,900 in 2002-03.

7. After determining that the system would cost more than the amount of revenue that would be generated by the surcharge, as established by Act 9, DOT held discussions with representatives of the motor carrier industry about options for generating additional revenue. The representatives of the motor carrier industry indicated that they were opposed to increasing the surcharge percentage dramatically to generate enough revenue to pay for the system by the end of the 2001-03 biennium. They did express a willingness to extend the 10% surcharge to January 1, 2008, in order to generate additional revenue to pay for a portion of the additional cost. The motor carriers argued that DOT will benefit because less staff time will be spent processing permit applications.

8. An alternative that would require the motor carriers who use the system to pay for approximately three-fourths of the cost of the system, net of the amount of the cost paid with the federal grant and the proceeds from the sale of surplus property, would increase the surcharge to 15%, effective with permits issued after December 31, 2001, and extend the surcharge until January 1, 2007. This alternative would increase transportation fund revenue by \$99,600 in 2001-02 and \$201,900 in 2002-03.

9. 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). Increasing the surcharge from 10% to 15% would add \$1 to the cost of a single trip permit and between \$3 to \$18 to the cost of a multiple trip or annual permit for vehicles with a gross weight up to 100,000 pounds. The fee for multiple trip or annual overweight permits for vehicles over 100,000 pounds would be increased by \$18, plus an additional \$5 for each 10,000 pounds or fraction thereof above 100,000 pounds.

<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.

10. If completing the system is not a priority, the base funding and the funding provided by the bill could be deleted. In addition, the surcharge could be eliminated, effective with permits applied for after September 31, 2001. If this alternative is chosen, DOT would be able to implement the portion of the system that has been completed. DOT indicates that, under this alternative, the system would be able to automatically issue permits for simple permit applications, which account for about 5% of all permit applications. This alternative would result in a SEG funding reduction of \$193,800 annually, relative to the base, and \$1,275,900 in 2001-02 and \$1,347,500 in 2002-03, relative to the bill. Estimated transportation fund revenues would be decreased by \$298,700 in 2001-02 and \$403,700 in 2002-03.

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$1,082,100 SEG in 2001-02 and \$1,153,700 SEG in 2002-03 for data processing necessary to implement an automated oversize/overweight permit issuance system for commercial motor carriers. Extend the expiration of the current 10% surcharge on oversize and overweight permits from July 1, 2003, to January 1, 2008.

2. Modify the Governor's recommendation by extending the expiration of the current 10% surcharge on oversize and overweight permits from July 1, 2003, to October 1, 2012, which

would generate an amount of revenue approximately equal to the estimated cost of the permit issuance system, net of the amount of the federal grant and surplus property proceeds used for the project.

3. Modify the Governor's recommendation by increasing the surcharge on oversized and overweight permits from 10% to 15%, effective with permits issued after December 31, 2001, and extending the expiration of the permit surcharge from July 1, 2003, to March 1, 2009, which would generate an amount of revenue approximately equal to the estimated cost of the permit issuance system, net of the amount of the federal grant and surplus property proceeds used for the project. Increase estimated transportation fund revenues by \$99,600 in 2001-02 and \$201,900 in 2002-03 to reflect the increase in the surcharge percentage.

<u>Alternative 3</u>	<u>SEG</u>
2001-03 REVENUE (Change to Bill)	\$301,500

4. Modify the Governor's recommendation by increasing the surcharge on oversized and overweight permits from 10% to 15%, effective with permits issued after December 31, 2001, and extending the expiration of the permit surcharge from July 1, 2003, to January 1, 2007, which would generate an amount of revenue approximately equal to three-fourths of the estimated cost of the permit issuance system, net of the amount of the federal grant and surplus property proceeds used for the project. Increase estimated transportation fund revenues by \$99,600 in 2001-02 and \$201,900 in 2002-03 to reflect the increase in the surcharge percentage.

<u>Alternative 4</u>	<u>SEG</u>
2001-03 REVENUE (Change to Bill)	\$301,500

5. Delete \$1,275,900 SEG in 2001-02 and \$1,347,500 SEG in 2002-03 to remove funding provided in the bill and base funding for the data processing necessary to implement an automated oversized/overweight permit issuance system for commercial motor carriers. Delete a provision that requires DOT to develop and implement an automated system for designating the route to be traveled by a vehicle that is issued an oversized or overweight permit. Delete the provision that establishes a 10% surcharge on oversized and overweight permits, effective with permits applied for after September 31, 2001. Decrease estimated transportation fund revenues by \$298,700 in 2001-02 and \$403,700 in 2002-03 to reflect the elimination of the surcharge.

<u>Alternative 5</u>	<u>SEG</u>
2001-03 REVENUE (Change to Bill)	- \$702,400
2001-03 FUNDING (Change to Bill)	- \$2,623,400

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