



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #735

Transportation Fund Condition Statement (DOT -- Transportation Finance)

[LFB 2003-05 Budget Summary: Page 408, #1]

At the time the Legislative Fiscal Bureau's 2003-05 Budget Summary was prepared, the estimated biennium-opening balance in the transportation fund was \$22,211,700 and the estimated closing balance was \$22,456,200. Since that time, DOT has reestimated revenues and this office has reviewed those reestimates. As a result, the closing balance for 2003-05 has been reestimated at -\$21,283,200. The modified revenue and expenditure figures are displayed in the following fund condition statement.

	<u>2003-04</u>	<u>2004-05</u>
Unappropriated Balance, July 1	\$22,211,700	-\$4,806,000
Revenues		
Motor Fuel Tax	\$926,000,600	\$984,196,600
Vehicle Registration Fees	416,800,300	448,542,100
Less Revenue Bond Debt Service	-135,113,200	-174,029,500
Driver's License Fees	29,458,100	29,757,700
Miscellaneous Motor Vehicle Fees	21,830,000	22,229,500
Aeronautical Fees, Taxes, and General Fund Transfer	7,464,400	10,149,200
Railroad Property Taxes	12,863,300	13,573,800
Motor Carrier Fees	3,000,000	3,000,000
Investment Earnings	5,346,300	8,100,400
Miscellaneous Departmental Revenues	<u>15,215,800</u>	<u>16,294,100</u>
Total Annual Revenues	\$1,302,865,600	\$1,361,813,900
 Total Available	 \$1,325,077,300	 \$1,357,007,900
Appropriations, Reserves, and Fund Transfers		
DOT Appropriations	\$1,014,487,600	\$1,091,580,800
Shared Revenue Payments	230,000,000	170,000,000
K-12 Equalization Aid Payments	40,000,000	60,000,000
Other Agency Appropriations	20,545,800	21,336,900
Transfers to the General Fund	15,000,000	15,000,000
Less Estimated Lapses	-1,000,000	-1,000,000
Compensation and Other Reserves	<u>10,849,900</u>	<u>21,373,400</u>
Net Appropriations, Reserves, and Transfers	1,329,883,300	\$1,378,291,100
 Unappropriated Balance, June 30	 -\$4,806,000	 -\$21,283,200

Opening Balance

The current projected opening balance is based on a provision of 2003 Wisconsin Act 1 that requires that Department to lapse enough funds from the Department's administrative appropriations to produce a fund balance at the end of 2002-03 of \$22,211,700.

Motor Vehicle Fuel Tax Revenues

Over the 2003-05 biennium, motor vehicle fuel tax revenues are estimated to be \$19.8 million lower than the amounts originally included in the bill. The lower estimates are due to both lower fuel consumption projections in 2003-04 and lower than projected fuel tax rates in the biennium relative to earlier estimates. The following table indicates the projected consumption of taxable gallons of motor fuel compared with DOT's original estimates.

**Taxable Gallons of Motor Fuel
(Gallons in Millions)**

<u>Fiscal Year</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Difference</u>	<u>Percent Change</u>
2002-03	3,194.2	3,209.7	15.5	0.49%
2003-04	3,282.4	3,232.2	-50.2	-1.53
2004-05	3,366.9	3,368.5	1.6	0.05

For the three-year period, fuel consumption is estimated to be 33.1 million gallons lower than earlier estimates. However, overall fuel consumption is projected to increase by 2.2% in 2002-03 compared to 2001-02, and then increase by 0.7% in 2003-04 and 4.2% in 2004-05.

As mentioned earlier, some of the motor fuel tax revenue reductions are also associated with the lower than projected increases in the fuel tax rates in the 2003-05 biennium. When the bill was submitted, the motor fuel tax rate was 28.1 cents per gallon. As projected, the fuel tax rate was increased to 28.5 cents per gallon on April 1, 2003. However, reestimated fuel tax rates are projected to be lower each year of the biennium than the rates originally estimated, based on more current inflation projections.

Changes in Estimated Fuel Tax Rates

<u>Tax Rate as of April 1</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Difference</u>
2003	28.5¢	28.5¢ (Actual)	0.0¢
2004	29.2	29.1	-0.1
2005	29.9	29.6	-0.3

The fuel tax rate is indexed, on April 1 of each year, by the rate of inflation in the previous calendar year. When the 2003-05 biennial budget bill was submitted, the original tax rate estimates shown in the above table were based on an inflation factor of 1.6% for calendar year 2002, 2.3% for calendar year 2003, and 2.4% for calendar year 2004. Actual inflation for calendar year 2002 was 1.6%. Future inflation projections have been lowered to 2.2% for 2003 and to 1.6% for 2004. These inflation projections result in lower estimated fuel tax rates in the biennium.

Vehicle Registration-Related Revenue

Gross vehicle registration revenue is projected to be lower than the earlier estimate by \$13.3 million for the 2003-05 biennium. Gross registration revenue includes revenue from vehicle registration fees, as well as other registration-related revenue, including late fees, title fees, DMV counter service fees, and other minor revenue sources. DOT indicates that a flat economic recovery, combined with lower consumer confidence, has contributed to lower than anticipated automobile registrations in 2002-03. New automobile sales declined by 5.9% in calendar year 2002. This has resulted in lower than projected automobile registrations for 2002-03, the base year from which the 2003-05 estimates are derived. It is estimated that total registration transactions will increase by 2.6% in 2003-04 and 2.8% in 2004-05.

Other Revenues

Driver's license revenues are now estimated to be lower than the earlier estimates by \$8.6 million over the 2003-05 biennium. The decreases are due to lower than anticipated driver's license revenues to date for 2002-03, the base year for which the 2003-05 estimates are derived. This is largely due to the completion of the phase-in to an eight-year driver's license, which was not wholly reflected in earlier 2002-03 estimates. DOT continues to estimate that driver's license revenue will grow by 1.0% per year off this lower 2002-03 base year amount, which was the projected growth in the earlier estimate. However, due to the lower base year estimate, applying the same growth rate to driver's license revenues in the biennium results in lower estimated revenues compared to earlier estimates.

Based on new estimates of changes in the statewide average tax rate and airline property value that is apportioned to the state, revenue from aeronautical fees and taxes is anticipated to be lower than the previous estimate by \$1.5 million over the 2003-05 biennium. Based on new estimates of changes in the statewide average tax rate and railroad property value that is apportioned to the state, revenue from railroad ad valorem taxes is anticipated to be higher than the previous estimate by \$0.8 million over the 2003-05 biennium.

Miscellaneous motor vehicle revenues include abstract sales fees, vehicle rental fees, reinstatement fees, and other various departmental fees related to motor vehicle transactions. Compared to earlier estimates, these revenues are anticipated to be higher by \$0.6 million over the 2003-05 biennium.

It is now estimated that investment earnings will be lower than had been anticipated in the earlier estimate by \$7.6 million over the 2003-05 biennium. The difference is due primarily to lower than anticipated interest rates.

Miscellaneous department revenues are difficult to project because of the large number of different revenue sources and the large lump sum amounts that are occasionally deposited to this revenue account. These revenues are expected to be higher than earlier estimates by \$3.6 million over the 2003-05 biennium.

Appropriations, Reserves, and Transfers

No previous Committee action has affected either the revenues or the expenditures from the transportation fund. Further, DOT estimates do not include any change in expenditures compared to the expenditures, reserves, and transfers from the transportation fund included in the bill. No estimated lapses from the transportation fund were included in the bill. However, DOT currently estimates lapses to the fund of \$1.0 million annually over the 2003-05 biennium.

Summary

Due to the 2003 Wisconsin Act 1 requirement, the biennium-opening balance continues to be estimated at \$22,211,700. The June 30 closing balances are now estimated at -\$4,806,000 in 2003-04 and -\$21,283,200 in 2004-05. The 2003-05 biennium-ending balance is \$43,739,400 lower than the estimated closing balance prior to these reestimates.

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