



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #717

Transfer from the Transportation Fund to the General Fund and Supplemental Vehicle Title Fee Revenue to the Environmental Fund (DOT--Transportation Finance)

Replace SEG Funds with GPR-Supported Bonds in the State Highway Rehabilitation Program (DOT -- State Highway Program)

[LFB 2005-07 Budget Summary: Page 468, #3; Page 471, #7; and Page 481, #2]

CURRENT LAW

Transportation fund revenues are generated from various transportation-related taxes and fees. Generally, over 90% of these revenues come from the combination of the motor fuel tax and vehicle registration and titling fees. Other sources are driver's license and other fees collected by the Division of Motor Vehicles, and state ad valorem property taxes on railroad and commercial airline property. With a few exceptions, transportation fund revenues are spent on programs within the Department of Transportation. The following programs are currently the only expenditures of transportation fund revenues in agencies other than DOT (shown with their base year amounts): (a) transfers to the conservation fund under motor fuel tax usage formulas for motorboats (\$12,725,100), snowmobiles (\$4,288,600), and all-terrain vehicles (\$1,405,600); (b) appropriations in the Department of Revenue for the administration of the motor fuel tax (\$1,388,400), railroad and airline ad valorem taxes (\$219,100), and the auto rental fee (\$37,600); (c) an appropriation for the distribution of ad valorem taxes collected on railroad terminal and repair facilities to the local governments where such property is located (\$1,331,100); (d) an appropriation in the Department of Commerce for the issuance of titles for mobile homes (\$94,200); and (e) an appropriation, created by 2003 Act 33, to supplement GPR expenditures for K-12 education aids (\$60,000,000).

The supplemental title fee is a \$7.50 charge collected on most vehicle title transactions. Currently, the revenue from this fee, estimated at \$11,250,000 in 2004-05, is deposited in the

transportation fund. Every fiscal year, an amount equal to the revenue generated by the supplemental title fee, minus \$555,000, is appropriated from the general fund for deposit in the nonpoint account of the environmental fund, and is the sole source of funding (besides interest earnings) in that account.

GOVERNOR

Transfer \$250,000,000 in 2005-06 and \$18,058,100 in 2006-07 from the transportation fund to the general fund.

Decrease funding for the state highway rehabilitation program by \$250,000,000 SEG in 2005-06 and increase the statutory bonding authorization for major highway and rehabilitation projects by \$250,000,000 (from \$565,480,400 to \$815,480,400) in the existing, GPR-supported, general obligation bond authorization for highway projects.

Convert 15 existing GPR appropriations in non-DOT agencies to transportation fund appropriations and create two new transportation fund appropriations in non-DOT agencies (Tourism and DWD). The following table shows these appropriations and the SEG amounts that would be provided by the bill.

<u>Appropriation</u>	<u>2005-06</u>	<u>2006-07</u>	<u>Biennial Total</u>
Aid for Pupil Transportation (DPI)	\$20,942,500	\$30,942,500	\$51,885,000
Economic Support (DWD)	2,881,400	2,638,500	5,519,900
Employment Transit Aids (DWD)	550,100	550,100	1,100,200
Emergency Medical Services Aids (DHFS)	2,200,000	2,200,000	4,400,000
Tourism Marketing (Tourism)	1,600,000	2,200,000	3,800,000
Regional Emergency Response Teams (DMA)	1,400,000	1,400,000	2,800,000
Emergency Response Equipment (DMA)	468,000	468,000	936,000
Emergency Response Training (DMA)	64,900	64,900	129,800
Emergency Response Supplement (DMA)	0	0	0
Civil Air Patrol Aids (DMA)	19,000	19,000	38,000
Justice TIME System (DOJ)	1,009,900	1,009,900	2,019,800
Car Kill Deer (DNR)	502,100	514,600	1,016,700
Park, Forest, and Riverway Roads (DNR)	321,400	321,400	642,800
Vehicle Emission Inspection and Maintenance (DNR)	44,900	44,900	89,800
Driver Education Local Assistance (WTCS)	307,500	307,500	615,000
Chauffeur Training Grants (WTCS)	191,000	191,000	382,000
Emergency Medical Technician Basic Training (WTCS)	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$32,502,700	\$42,872,300	\$75,375,000

Deposit revenue generated from the \$7.50 supplemental vehicle title fee, including the corresponding fee collected for manufactured homes, in the environmental fund instead of the transportation fund. Require the DOT Secretary, if the effective date of the bill is after July 1, 2005, to certify to the DOA Secretary, within 60 days after the effective date, the amount from the supplemental title fee that had been deposited in the transportation fund between July 1,

2005, and the effective date. Require the DOA Secretary to transfer this certified amount from the transportation fund to the environmental fund in 2005-06. Decrease estimated transportation fund revenue by \$11,250,000 annually to reflect this change.

Delete provisions that require an annual transfer from the general fund to the environmental fund equal to the amount generated by the supplemental title fee in the previous fiscal year (minus \$555,000). Specify that no transfer may be made from the GPR appropriation after the effective date of the bill. Require the DOA Secretary, if the effective date is after October 1, 2005, to transfer from the environmental fund to the general fund the amount of GPR funds that had been transferred to the environmental fund under the current law provision between July 1, 2005, and the effective date.

The following table summarizes the initiatives in the bill that involve the use of current transportation fund revenues for what are currently general fund purposes. In addition, the table shows the \$60,000,000 annual appropriation for K-12 education aids that was established by 2003 Act 33. Adding this amount increases the total transfers and appropriations under the bill to \$485,933,100.

	<u>2005-06</u>	<u>2006-07</u>	<u>Biennial Total</u>
Transfer to the General Fund	\$250,000,000	\$18,058,100	\$268,058,100
Convert GPR Appropriations to SEG	32,502,700	42,872,300	75,375,000
Supplemental Title Fee to Environmental Fund	<u>11,250,000</u>	<u>11,250,000</u>	<u>22,500,000</u>
Subtotal of AB 100 Initiatives	\$293,752,700	\$72,180,400	\$365,933,100
K-12 Education Aids (Current Law)	\$60,000,000	\$60,000,000	\$120,000,000
Grand Total	\$353,752,700	\$132,180,400	\$485,933,100

DISCUSSION POINTS

1. This paper discusses a series of initiatives that use transportation funds revenues for general fund purposes: (a) the transfer of transportation fund revenue to the general fund and the replacement of the transferred funds with GPR-supported bonds in the state highway rehabilitation program; (b) the conversion of 15 GPR appropriations in non-DOT agencies to SEG appropriations and the creation of two new SEG appropriations in non-DOT agencies; and (c) the deposit of revenues from the \$7.50 supplemental title fee in the environmental fund instead of the transportation fund. One of the new SEG appropriations, an appropriation in the Department of Tourism for tourism marketing, would be tied directly to revenue generated by an increase to the auto rental fee, and was dealt with in LFB Paper #711. On April 26, the Committee approved the increase in the auto rental fee and the creation of the transportation fund tourism marketing appropriation, but deleted the direct link between the two.

Transfer from the Transportation Fund to the General Fund

2. The 2003-05 biennial budget act (Act 33) included both a transfer of transportation fund revenues to the general fund and the creation of two transportation fund appropriations for general fund programs, for K-12 education aids and shared revenue. The shared revenue appropriation will sunset at the end of 2004-05, while the K-12 education aid is ongoing. The following table summarizes these decisions.

Use of Transportation Fund Revenues for General Fund Purposes Under 2003 Act 33

	<u>2003-04</u>	<u>2004-05</u>	<u>Biennial Total</u>
Transfer to the General Fund	\$100,000,000	\$75,000,000	\$175,000,000
K-12 Education Aid Appropriation	40,000,000	60,000,000	100,000,000
Shared Revenue Appropriation	<u>230,000,000</u>	<u>170,000,000</u>	<u>400,000,000</u>
Total	\$370,000,000	\$305,000,000	\$675,000,000

3. In part to make the transfer and appropriations possible, Act 33 reduced the amount of SEG funds provided in the highway improvement programs (major highway development, state highway rehabilitation, and southeast Wisconsin freeway rehabilitation) by a total of \$600.9 million, relative to the base. To partially replace those amounts, the act (with subsequent modifications under 2003 Act 64) authorized a total of \$565,480,400 in general obligation bonds. Of this amount, \$483,900,000 was for state highway rehabilitation and \$81,580,400 was for southeast Wisconsin freeway rehabilitation (specifically, the Marquette Interchange reconstruction project). These amounts were issued as a combination of 10-year and 20-year bonds, reflecting the fact that some highway projects funded with the proceeds have an expected design life of around ten years (such as pavement resurfacing projects), while others have a longer expected life (such as reconstruction projects).

4. Under the 2003-05 budget bill passed by the Legislature, the debt service on the bonds used to replace SEG funds in the highway programs would have been paid from the general fund, but in signing the bill into law as Act 33, the Governor included a partial veto that had the effect of switching the debt service to the transportation fund. Subsequent to the signing of Act 33, however, the Legislature passed and the Governor signed Act 64, which established the policy under which the debt service is paid from the transportation fund in the 2003-05 biennium, but will become a general fund responsibility beginning in 2005-06 and thereafter. In the 2003-05 biennium, debt service on these bonds was \$2,906,400 SEG in 2003-04 and is projected to increase to \$40,838,100 SEG in 2004-05. These amounts were projected to increase to \$63,878,600 GPR in 2005-06 and \$69,441,800 GPR in 2006-07, under the bill. It should be noted, however, that the amounts included in the bill do not reflect the effect of two recent bond refunding issuances, which took advantage of favorable interest rates to reduce debt service. Debt service payments are now estimated at \$39,834,600 GPR in 2005-06 and \$51,674,600 GPR in 2006-07, increasing to around \$61.5 million annually thereafter. The fiscal effect of the reduction in GPR debt service is included

in a separate paper under the Building Commission on GPR debt service reestimates.

5. Under the bill, there would be a direct relationship in 2005-06 between the amount of the fund transfer, the reduction in SEG funds in the state highway rehabilitation program, and the amount of bonds authorized to replace the SEG reduction, amounts that all would equal \$250,000,000. This is in contrast to Act 33, since the SEG reduction for the highway programs in that act was not completely replaced with bond funds. Assembly Bill 100 would also differ from Act 33 in that the debt service on the replacement bonds would be paid entirely from the general fund, whereas the debt service on the Act 33 bonds was paid from the transportation fund for the first two years.

6. In 2006-07, the amount of the transfer (\$18,058,100) would equal the savings associated with an initiative to reorganize the Department's operations, as well as make various program changes to increase efficiency, and other budget cuts not tied to specific program changes. In that year, there would be no specific reduction for highway construction projects and there would also not be bonds provided to replace the transferred funds. Since this transfer is one-time in nature, an amount equal to the savings associated with the departmental reorganization and budget reduction initiative would be available for transportation fund programs in 2007-08 and thereafter.

7. A case could be made that the savings generated from the departmental reorganization and budget reduction initiative are rightfully transportation fund resources and that any use of these amounts for general fund purposes, as with the \$250,000,000 transfer, should be replaced with GPR-supported bonds. In this case, additional bonds could be provided for one of the state highway construction programs, either as an increase in funding for that program or to replace SEG funds in that program for use in another program or programs.

8. Under the bill, since it was assumed that the first bonds from the \$250,000,000 authorization would not be issued until late in 2005-06, there was no debt service payment reflected for that year. The first debt service payment on the bonds was estimated at \$9,352,500 in 2006-07, the year after the year for which the bonds would be provided. Since the introduction of the bill, however, DOA has reassessed the issuance assumptions and decided that the bonds would be issued on an earlier schedule. Consequently, debt service payments on the \$250,000,000 of bonds are now estimated at \$1,875,000 in 2005-06 and \$16,830,000 in 2006-07. Debt service payments would eventually reach a maximum of \$29.9 million in subsequent years. These estimates are based upon the administration's intent to issue 20-year bonds for one-third of the amount and 10-year bonds for two-thirds of the amount, reflecting the mix of the type of projects funded with bonds in the state highway rehabilitation program. The fiscal effect of these reestimates are reflected in a separate paper under the Building Commission on GPR debt service reestimates.

9. The use of bonds for capital improvement projects is typically justified on the grounds that those projects produce an asset with a long usable life and, therefore, it is appropriate to, in effect, "pay" for the project over a period of several years. By spreading the cost of the asset out over a multi-year period, bonds allow the construction of projects to proceed that may otherwise have to be deferred if only current year revenues were used to finance them. However, the bonds authorized by the bill for the state highway rehabilitation program would not result in that type of

project acceleration since the bonds would replace an equal amount of SEG funds that could otherwise be used to fund the projects. Because the state's constitution precludes the issuance of general obligation bonds directly for purposes unrelated to a capital improvement, the bonding and fund transfer transaction in the bill is used to indirectly generate revenues for noncapital, general fund purposes.

10. Although the purpose of the \$250,000,000 bond authorization is not related to the construction of additional capital improvements, a case could be made that the use of the bonding to generate cash for general fund purposes is justified to minimize the short-term disruption on the state's revenues and expenditures that is caused by a period of slowed economic activity. In other words, the bonds may allow the state to maintain funding for state programs at a time when current revenues alone would not be sufficient to do so. If the economy fully recovers, the costs of fully funding general fund programs and for paying the debt service on the bonds could potentially be assumed with future general fund revenues.

11. The justification for using bonds outlined in the previous point may be valid if current general fund revenues and expenditures are imbalanced due to a temporary situation. If, however, the relationship between current revenues and expenditures reflects ongoing conditions, then the use of bonding to generate cash for ongoing expenditures may be more a matter of expediency, allowing difficult decisions regarding taxes, expenditures, or both to be delayed. Furthermore, since the use of bonding creates long-term, "unfunded" commitments (because the debt service will not reach its maximum until a year or two after the base year), it could make these decisions more difficult in the future. The bonding proposed under the bill, after the full amount is issued, would require annual debt service payments estimated at \$29.9 million. Adding these amounts to the \$61.5 million in annual debt service on the bonds authorized for the 2003-05 biennium would increase the total annual debt service to \$91.4 million.

Conversion of General Fund Appropriations to Transportation Fund Appropriations

12. The bill would convert 15 general fund appropriations to transportation fund appropriations and would create two transportation fund appropriations in non-DOT agencies. Of the 15 converted appropriations, all but the DPI aid for pupil transportation appropriation had been transportation fund appropriations prior to the 1997-99 biennium. The 1997-99 budget converted all non-DOT, transportation fund appropriations to GPR appropriations except for the DOR appropriations for the administration of transportation fund taxes and fees, the appropriations for making transfers to the conservation fund under the motorboat, snowmobile, and all-terrain vehicle formulas, and the appropriation for making terminal tax payments.

13. Proponents of funding these appropriations from the transportation fund point to their relationship to transportation as justification for the fund conversion. The following table briefly describes each program and, in cases where the connection to transportation may not be apparent, provides the justification that is commonly given for using transportation fund revenues.

Aid for Pupil Transportation	Provides funding for school districts for pupil transportation.
Employment Transit Aids	Provides funding for special transit services to help employees get to work, typically in areas not served by regular transit service.
EMS Aids and EMT Basic Training	Programs providing resources for emergency medical services. Justified on the grounds that traffic accidents result in injuries requiring emergency medical services.
Emergency Response Teams	Provides funding for hazardous materials spills cleanup training and equipment. Justified on the grounds that hazardous materials spills sometimes occur in the transport of such materials. Also, when this appropriation was funded from the transportation fund prior to 1997, the state levied a hazardous materials transportation fee, which was deposited in the transportation fund. The fee was declared unconstitutional in 1996, however, and is no longer collected.
Civil Air Patrol Aids	Provides aid for the general operations of the Civil Air Patrol. Justified on the grounds of its connection to aviation.
Justice TIME System	Funding to maintain the Department of Justice's transaction information for management of enforcement (TIME) system, which is a database containing criminal and driver records. Justified on the grounds of its use in traffic law enforcement.
Car Kill Deer	Provides funding for the removal of deer killed in collisions with vehicles.
Park, Forest, and Riverway Roads	Funding for the maintenance and construction on roads within properties maintained by the Department of Natural Resources.
Vehicle Emission Inspection and Maintenance	Funding for the Department of Natural Resources' administrative costs of the vehicle emission inspection and maintenance program.
Driver Education and Chauffeur Training Grants	Provides aid for technical college districts for driver's education and chauffeur training.

14. As with the appropriation conversions described above, the administration justifies the new appropriation in the Department of Workforce Development for economic support on the grounds of its relationship to transportation. The Executive Budget Book indicates that of the funding provided in this appropriation (\$2,881,400 SEG in 2005-06 and \$2,638,500 SEG in 2006-07), \$900,000 annually would be used to provide transportation services to TANF-eligible individuals under the Wisconsin Works program and \$1,981,400 SEG in 2005-06 and \$1,738,500 SEG in 2006-07 would be provided for W-2 contracts to pay for transportation services for W-2 participants. However, the appropriation would not require that this funding be used for these

purposes.

15. Generally, the 14 appropriations that were funded from the transportation fund prior to 1997 were originally created as transportation fund appropriations and remained so until the 1997-99 budget act. In 1997 there was a general feeling among many in the Legislature that the current transportation fund revenues were not sufficient to meet transportation program needs at the time and that there were sufficient general fund revenues to take over the responsibility for those appropriations. Some have argued that the fiscal condition of the two respective funds has now been reversed, so the conversion of the appropriations and the creation of the two new appropriations is appropriate.

16. If a decision is made to retain the converted and new appropriations as transportation fund appropriations, then a change would be needed to amend the statutory section under which the transportation fund is created. Under current law, the Secretary of the Department of Transportation is given authority over all expenditures made from transportation fund appropriations, except that this does not apply to the transportation fund appropriations in non-DOT agencies, which are listed individually in the statutory section pertaining to the fund. To make the new transportation fund appropriations consistent with the existing transportation fund appropriations in other agencies, any new transportation fund appropriations should be included in that statutory list.

17. The new transportation fund appropriations in other agencies under the bill would be added to the existing appropriation for K-12 school aids (\$60,000,000 SEG annually) under the Department of Public Instruction. That appropriation was created by 2003 Act 33, also on the grounds that it was for purposes related to transportation. School districts spend in excess of \$200 million on pupil transportation each year.

18. Although an argument can be made that each of the appropriations has some connection to transportation, a case could also be made that such connections are indirect and tenuous. There may be an understanding among the general public that transportation fund taxes and fees are collected only for DOT programs that provide for transportation infrastructure or other direct transportation services that benefit those who pay the taxes and fees. The use of the transportation fund revenues for programs in other agencies whose benefits are more general in nature may violate this understanding

Supplemental Title Fee Revenue to the Environmental Fund

19. As with the decision to convert several GPR appropriations to transportation fund appropriations, the decision to deposit revenues from the \$7.50 supplemental title fee into the environmental fund instead of the transportation fund would reverse a decision made in the 1997-99 biennial budget act. Again, the fiscal condition of the transportation fund relative to the general fund was the primary reason for making this decision in 1997, since it involved using general fund revenues for the nonpoint pollution programs, making it possible to use the supplemental title fee revenue, instead, for transportation programs. A reversal of the relative conditions of the two funds could be used in support of reversing the 1997 decision.

20. The supplemental title fee was created by 1991 Act 309, as the result of

recommendations of a Legislative Council special study committee on nonpoint water pollution. The act included several changes to nonpoint pollution programs designed to accelerate implementation of best management practices to control water pollution in priority watersheds. The report prepared by the study committee indicated that the implementation of the supplemental title fee was justified on the grounds that motor vehicles are a significant contributor of certain water pollutants, including zinc, copper, and lead. In addition, the use of road salt in winter further contributes to water pollution.

21. Although the bill would deposit the revenue from the supplemental title fee in the environmental fund, these revenues would continue to be pledged for the payment of transportation revenue bond debt service. DOA indicates that if these revenues are deposited in the environmental fund, the bill should be amended to specify that these revenues would no longer be pledged toward the payment of revenue bond debt service. Revenues from the supplemental title fee make up less than 3% of pledged revenues, so the decision to deposit these revenues in the environmental fund would have a relatively small impact on the transportation revenue bond program. Alternatively, the use of the supplemental title fee revenues in the environmental fund could be accomplished without reducing pledged revenues by continuing to pledge those revenues and, as under current law, deposit them in the transportation fund, but make an annual transfer to the environmental fund equal to the amount generated by the fee, similar to the current general fund transfer to the environmental fund.

General Discussion of Transportation Fund Appropriations and Supplemental Title Fee

22. While the transfers of funds from the transportation fund to the general fund are one-time in nature, the decisions to convert or create new transportation fund appropriations and to deposit the supplemental title fee in the environmental fund have ongoing fiscal effects on the general and transportation funds.

23. As noted above, both decisions are largely a reversal of decisions made in 1997 at a time when it was determined that the general fund could accept some of the burden from the transportation fund of funding certain programs. It was also pointed out above that the respective fiscal conditions of both funds at this time have been used to support a reversal of these decisions. However, the relatively good condition of the transportation fund is partly due to separate decisions in the bill both to raise certain transportation fund fees and to rely heavily on bonding to fund the Marquette Interchange reconstruction project and increases for the major highway development program. Any decisions that the Committee makes on the fees and use of bonding may have to be made in conjunction with the decisions made on the new, SEG appropriations and the supplemental title fee revenues.

24. The following table shows the transportation fee increases in the bill. As shown in the table, the total, biennial revenues generated by the fee increases would be \$101,557,700. This amount reflects a reestimate of revenues generated by the fee increases. The amount reflected in the bill from the increases is \$102,039,700.

<u>Item</u>	<u>Current Fee</u>	<u>AB 100 Proposed Fee</u>	<u>Estimated Revenue</u>	
			<u>2005-06</u>	<u>2006-07</u>
Vehicle Registration, Autos	\$55.00	\$65.00	\$17,183,900	\$34,978,000
Vehicle Registration, Light Trucks				
Under 4,500 Pounds	48.50	65.00	\$3,029,200	\$6,371,900
4,500 Pounds to 6,000 Pounds	61.50	71.00	2,096,200	4,409,300
6,000 Pounds to 8,000 Pounds	77.50	87.00	<u>743,400</u>	<u>1,563,700</u>
Total for Light Trucks			\$5,868,800	\$12,344,900
Vehicle Title*	35.00	45.00	11,250,000	15,000,000
Replacement Title	8.00	20.00	485,200	646,900
Vehicle Rental Fee (% of Gross Receipts)	3.0%	5.0%	<u>1,600,000</u>	<u>2,200,000</u>
Total Revenue			\$36,387,900	\$65,169,800
Biennial Total Revenue				\$101,557,700

* Includes the supplemental title fee (\$7.50), the environmental impact fee (\$9.00), and the basic title fee, which is \$18.50 currently and would be raised to \$28.50 under the bill.

25. The total, negative fiscal impact on the transportation fund condition of the decisions related to new or converted transportation fund appropriations (SEG funding increase) and the supplemental title fee revenues (transportation fund revenue decrease) would be \$97,875,000. These decisions effectively exhaust 96.4% of the biennial revenue generated by the transportation fund fee increases. Consequently, a case could be made that the increases to transportation fund fees would have very little benefit for DOT programs, but, instead, were included in the bill in order to avoid raising a general fund tax or fee, or, alternatively, reducing general fund expenditures.

26. Although a case may be made that the fiscal condition of the transportation fund is better than the general fund, there are some reasons for concern related to the transportation fund. For instance, the percentage of gross transportation fund revenues that are devoted to paying debt service has been increasing over the last several years, a trend that reduces the amount of revenues available for other program expenditures. One decade ago, the percentage of transportation fund revenues devoted to debt service was 6.5%, a percentage that would reach 9.7% in 2005-06 and 10.5% in 2006-07 under the bill. These percentages may increase further if additional bonding is used for the reconstruction of the southeast Wisconsin freeways. The Marquette Interchange reconstruction project is just the first of a series of large reconstruction projects on the southeast Wisconsin freeway system that DOT and the Southeastern Wisconsin Regional Planning Commission (SEWRPC) have indicated will be needed over the next two to three decades. The decision, under the bill, to use bonds for a significant portion of the cost of the Marquette Interchange reconstruction project suggests that bonding could become a significant source of funding for future freeway reconstruction projects. The ongoing use of bonding for these projects could ultimately result in annual debt service payments that exceed the annual amounts of bonding used. Some or all of the use of long-term bonding for the Marquette Interchange and future projects could perhaps be avoided using the funds that would be used on general fund purposes under the

bill.

27. If a determination is made that the use of transportation fund revenues for general fund purposes is necessary or appropriate at this time, but that this should be done without creating an ongoing impact on the use of transportation fund revenues for non-DOT programs, then an alternative approach would be to retain current law with respect to the appropriations, the supplemental title fee, or both, and, instead, increase the amount transferred from the transportation fund to the general fund. To fully fund each of the converted appropriations (except Tourism) at the same level as in the bill, the fund transfer would have to be increased by \$30,902,700 in 2005-06 and \$40,672,300 in 2006-07. To provide the same amount of revenues in the nonpoint account as the bill, the transfer would have to be increased by an additional \$11,250,000 annually and the GPR appropriation for transferring funds to that account would have to be amended to eliminate the current law provision that deducts \$555,000 annually from the amount of transportation fund revenues generated by the supplemental title fee to determine the GPR amount deposited in the nonpoint account. It should be noted that, unlike the bill, this alternative would create an additional, unfunded commitment for the general fund going into the 2007-09 biennium of \$40,672,300 annually for the appropriations and \$11,250,000 annually for the nonpoint pollution programs.

28. Although the alternative outlined in the previous point would not impact the funding for DOT programs, relative to the bill, a decision could be made to replace additional transferred amounts with additional GPR-supported bonding. Using the same assumptions on the timing of the issuance of bonds as were used by the administration, it is estimated that GPR debt service on the bonds to replace these transferred funds would be \$1,215,900 in 2006-07 for the bonds to fund the appropriation transfer and \$420,900 in 2006-07 for the bonds to replace the supplemental title fee revenue transfer. Once fully issued, debt service payments would be \$9.0 million on the bonds for the appropriation transfer and \$2.7 million for the bonds for the supplemental title fee transfer.

29. The Committee may decide, in addition or instead of the alternatives described above, to modify the K-12 education aids appropriation that was created by the 2003-05 biennial budget. As passed by the Legislature, the 2003-05 budget bill would have deleted that appropriation at the end of 2004-05, but the Governor vetoed this sunset date. A decision could be made to either delete the appropriation in both years or only in 2006-07, so that the use of transportation fund revenues for education aids would not continue in future years.

ALTERNATIVES

A. Transportation Fund to General Fund Transfer and Replacement Bonds

1. Approve the Governor's recommendation to: (a) transfer \$250,000,000 in 2005-06 and \$18,058,100 in 2006-07 from the transportation fund to the general fund; and (b) decrease funding for the state highway rehabilitation program by \$250,000,000 SEG in 2005-06 and increase the statutory bonding authorization for major highway and rehabilitation projects by \$250,000,000 in the existing, GPR-supported, general obligation bond authorization for highway projects. Provide \$9,352,500 GPR in 2006-07 in the existing, GPR debt service appropriation to reflect

estimated debt service payments on the bonds. [The debt service payments on the bonds are now estimated at \$1,875,000 GPR in 2005-06 and \$16,830,000 GPR in 2006-07, changes that are reflected in a separate paper on GPR debt service estimates.]

2. Modify the Governor's recommendation by increasing the statutory bonding authorization for major highway and rehabilitation projects by \$18,058,100, to \$268,058,100 in the existing, GPR-supported, general obligation bond authorization for highway projects to replace the full amount of the transfer. Provide \$135,400 GPR in 2006-07 to reflect estimated debt service payments on the additional bonds. [Under this alternative, an additional \$18,058,100 in bonds would be available for the state highway rehabilitation program in 2006-07. A separate decision could be made to reduce the SEG funding for that program to maintain the same level of funding for the program and allow the use of the SEG funding elsewhere in DOT's budget.]

<u>Alternative A2</u>	<u>GPR</u>	<u>BR</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$135,400	\$18,058,100	\$18,193,500

3. Delete provision.

<u>Alternative A3</u>	<u>GPR</u>	<u>BR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	- \$268,058,100			- \$268,058,100
2005-07 FUNDING (Change to Bill)	- \$9,352,500	- \$250,000,000	\$250,000,000	- \$9,352,500
2005-07 TRANSFER (Change to Bill)			- \$268,058,100	- \$268,058,100

B. Appropriation Conversions from GPR to SEG

1. Approve the Governor's recommendation to convert 15 GPR appropriations in non-DOT agencies to transportation fund appropriations and create a transportation fund appropriation in the Department of Workforce Development for economic support, but modify the Governor's recommendation to include these appropriations in a list of transportation fund appropriations in non-DOT agencies that are not under the authority of the DOT Secretary.

2. Delete the conversion of the appropriations to the transportation fund and the creation of the new transportation fund appropriation for economic support. Increase the amount transferred from the transportation fund to the general fund by \$30,902,700 in 2005-06 and \$40,672,300 in 2006-07 to provide sufficient general fund revenues to provide GPR funds for the programs at the same levels as under the bill.

<u>Alternative B2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$71,575,000	- \$71,575,000	\$0
2005-07 POSITIONS (Change to Bill)	3.75	- 3.75	0.00
2005-07 REVENUE (Change to Bill)	\$71,575,000		
2005-07 TRANSFER (Change to Bill)		\$71,575,000	

3. Increase the statutory bonding authorization for major highway and rehabilitation projects by an additional \$71,575,000 in the existing, GPR-supported, general obligation bond authorization for highway projects to replace the full amount of the transfer under Alternative #B 2. Provide \$231,800 GPR in 2005-06 and \$2,385,400 GPR in 2006-07 in the existing, GPR debt service appropriation to reflect estimated debt service payments on the bonds. [Under this alternative, an additional \$30,902,700 in bonds in 2005-06 and \$40,672,300 in 2006-07 would be available for the state highway rehabilitation program. A separate decision could be made to reduce the SEG funding for that program to maintain the same level of funding for the program and allow the use of the SEG funding elsewhere in DOT's budget.]

<u>Alternative B3</u>	<u>GPR</u>	<u>BR</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$2,617,200	\$71,575,000	\$74,192,200

4. Delete \$60,000,000 SEG annually and delete the transportation fund appropriation for K-12 education aids.

<u>Alternative B4</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	- \$120,000,000

5. Delete \$60,000,000 SEG in 2006-07 and delete the transportation fund appropriation for K-12 education aids, effective July 1, 2006.

<u>Alternative B5</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	- \$60,000,000

6. Delete provision. [This would fund the existing, GPR appropriations at the base level, but would not provide any increases or create any new GPR appropriations. Separate decisions could be made to do this.]

<u>Alternative B6</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$49,450,600	- \$71,575,000	- \$22,124,400
2005-07 POSITIONS (Change to Bill)	3.75	- 3.75	0.00

C. Supplemental Title Fee Revenue to the Environmental Fund

1. Approve the Governor's recommendation to deposit revenue generated from the \$7.50 supplemental vehicle title fee in the environmental fund instead of the transportation fund and eliminate the GPR appropriation for making transfers to the environmental fund, but modify the provision to specify that this revenue would no longer be pledged for the payment of debt service on transportation revenue bonds. Increase revenues to the nonpoint pollution account of the environmental fund by \$11,250,000 annually from the supplemental title fee and decrease revenues to the transportation fund by \$11,250,000 annually. Decrease funding by \$10,695,000 GPR annually to reflect the elimination of the general fund appropriation for making a transfer to the nonpoint account of the environmental fund and also decrease environmental fund revenues by that amount annually.

2. Retain current law with respect to the treatment of the supplemental title fee revenues, but create a transportation fund appropriation for making an annual transfer to the nonpoint account (NPA) of the environmental fund to replace the current law GPR appropriation. [This alternative results in the same amount of revenue deposited in the nonpoint account, but would continue to pledge the supplemental title fee revenues for the payment of transportation revenue bond debt service.]

<u>Alternative C2</u>	<u>SEG-NPA</u>	<u>SEG-DOT</u>
2005-07 REVENUE (Change to Bill)	\$0	\$22,500,000
2005-07 FUNDING (Change to Bill)	\$0	\$22,500,000

3. Delete the provisions modifying the treatment of supplemental title fee revenue. Increase the amount transferred from the transportation fund to the general fund by \$11,250,000 annually to provide sufficient general fund revenues to fund the nonpoint pollution programs at the same level as under the bill. Modify the appropriation for making the transfer from the general fund to the nonpoint account (NPA) of the environmental fund to specify that the amount transferred shall be equal to the transportation fund revenues generated by the supplemental title fee instead of, under current law, the amount generated by the fee minus \$555,000.

<u>Alternative C3</u>	<u>GPR</u>	<u>SEG-NPA</u>	<u>SEG-DOT</u>	<u>TOTAL</u>
2005-07 REVENUE (Change to Bill)	\$22,500,000	\$0	\$22,500,000	\$45,000,000
2005-07 FUNDING (Change to Bill)	\$22,500,000	\$0	\$0	\$22,500,000
2005-07 TRANSFER (Change to Bill)			\$22,500,000	

4. Increase the statutory bonding authorization for major highway and rehabilitation projects by an additional \$22,500,000 in the existing, GPR-supported, general obligation bond authorization for highway projects to replace the full amount of the transfer under Alternative #C 3. Provide \$84,400 GPR in 2005-06 and \$841,700 GPR in 2006-07 in the existing, GPR debt service appropriation to reflect estimated debt service payments on the bonds. [Under this alternative, an

additional \$11,250,000 in bonds would be available annually for the state highway rehabilitation program. A separate decision could be made to reduce the SEG funding for that program to maintain the same level of funding for the program and allow the use of the SEG funding elsewhere in DOT's budget.]

<u>Alternative C4</u>	<u>GPR</u>	<u>BR</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$926,100	\$22,500,000	\$23,426,100

5. Delete provision. [This alternative would reduce revenues in the nonpoint pollution account (NPA). Separate decisions would need to be made to maintain a positive balance in that account.]

<u>Alternative C5</u>	<u>GPR</u>	<u>SEG-NPA</u>	<u>SEG-DOT</u>	<u>TOTAL</u>
2005-07 FUNDING (Change to Bill)	\$21,390,000	\$0	\$0	\$21,390,000
2005-07 REVENUE (Change to Bill)	\$0	-\$1,110,000	\$22,500,000	\$21,390,000

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