Transportation Finance

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Prepared by

John Wilson-Tepeli

Wisconsin Legislative Fiscal Bureau
One East Main, Suite 301
Madison, WI 53703
http://legis.wisconsin.gov/lfb

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There are three principal funding sources for the state's transportation programs: the state transportation fund, bond proceeds, and federal funds. This paper discusses these three sources of funding separately and provides data on the amounts provided from each source. However, because the Legislature uses the three transportation funding sources somewhat interchangeably in making spending decisions, an analysis of expenditures that examines only one source in isolation would not provide a complete picture of spending decisions. Therefore, the final section of this paper describes the allocation of these funding types to the state's transportation programs.

Throughout this paper, unless otherwise specified, figures are provided for the 2015-16 fiscal year, as data for 2016-17 remained incomplete at the time of publication.

Transportation Fund

History of the Fund and Its Use in Budgeting for Transportation

The state transportation fund is the largest source of funding for transportation programs, with annual revenue (including transfers from other funds) of over $1.9 billion in the 2015-16 fiscal year. The transportation fund was created by the 1977-79 biennial budget act, although the basic components of the new fund were substantially similar to its predecessor, the highway fund, which was created in 1945. The new fund combined the revenue sources from the highway fund [the motor fuel tax, vehicle registration and titling fees, driver license fees, motor carrier fees, and other miscellaneous fees collected by the Department of Transportation (DOT)] with revenue from the ad valorem property tax on commercial airlines and aircraft registration fees. A subsequent act of the 1977-79 session added ad valorem property taxes on railroads to the list of revenue sources deposited into the transportation fund. Following the addition of the ad valorem tax collections, no major changes were made to the makeup of the transportation fund until the passage of the 2011-13 budget, which began the annual transfer of a percentage of general fund taxes to the fund.

Although the addition of the aviation and railroad taxes and fees to the fund added relatively small amounts of revenue to what had been the highway fund, the creation of a "unified" transportation fund in 1977 established a principle of transportation finance that continues today. That is, the Legislature now typically makes budgetary decisions for all modes of transportation without regard to the precise amounts collected from particular transportation taxes and fees. For instance, the Legislature makes appropriations from the transportation fund for airport improvements based upon an assessment of how much is appropriate for that purpose instead of how much revenue was collected from the aviation taxes and fees. Prior to the creation of the transportation fund, revenue from aviation taxes and fees was credited to a program revenue account and, therefore, funding for airport improvement projects was limited to the amount that was collected from these sources. Currently, transportation budgetary decisions for all modes of transportation and other DOT functions, such as the Division of Motor Vehicles, the State Patrol, and general administration, are generally made based upon this "transportation system" principle.

Overview of Transportation Fund Revenue

Table 1 shows the amounts collected from the major categories of transportation fund revenue for 2015-16. In the category called "vehicle registration fees," the total amount collected by the state from vehicle registration and other vehicle-related fees is shown, even though only a portion of this revenue is actually deposited in the transportation fund (67.2% in 2015-16). The remainder is used, prior to being deposited in the fund, to pay debt service and administrative costs associated with bonds issued in the state's transportation revenue bond program. The full amount of registration revenue (often called "gross registration revenue") is shown here to provide a complete picture of the revenue collected by the state from transportation-related taxes and fees.

Table 1: 2015-16 Transportation Fund Revenue Collections by Source

Source	Amount	Percent of Total
Motor Vehicle Fuel Tax	$1,037,724,200	53.7%
Vehicle Registration Fees	690,912,100	35.7
Transfers from Other Funds	65,268,100	3.4
Driver License Fees	39,677,700	2.1
Other Motor Vehicle Fees	28,156,100	1.5
Railroad Ad Valorem Tax	38,497,500	2.0
Aeronautical Taxes and Fees	6,791,800	0.4
Miscellaneous Revenue	24,295,000	1.3
Investment Earnings	1,326,200	0.1
Total	$1,932,648,700	100.0%

*Investment earnings are dividends resulting from interest earned on the transportation fund balance.

Note: Percent total does not add due to rounding.

Table 2 shows the annual amount of gross transportation fund revenue collected since 2005-06, the annual percentage growth of those amounts and the 10- and five-year average, compound growth rates. This includes revenue resulting from transfers from other funds. Over this period, revenue growth has resulted from a combination of factors, including increases in the volume of activity subject to transportation fees and taxes (such as the number of gallons of fuel consumed or the number of motor vehicles registered), enacted increases in tax and fee rates, and, more recently, transfers from other state funds.

Table 2: Gross Transportation Fund Collections History Including Transfers

Fiscal Year	Total Gross Revenue	Percent Change
2005-06	1,523,307,400	
2006-07	1,612,853,600	5.9%
2007-08	1,681,301,900	4.2
2008-09	1,693,611,600	0.7
2009-10	1,714,108,900	1.2
2010-11	1,739,924,200	1.5
2011-12	1,792,163,400	3.0
2012-13	1,883,663,800	5.1
2013-14	1,842,025,500	-2.2
2014-15	2,001,638,800	8.7
2015-16	1,932,648,700	-3.4
10-Year Average		2.4%
5-Year Average		2.1

The decline in revenue between 2014-15 and 2015-16, shown in Table 2, is partially explained by one-time transfers of $133.3 million from the general fund and $16.0 million from the petroleum inspection fund to the transportation fund in 2014-15. Though revenue in 2015-16 includes a $21.0 million one-time transfer from the petroleum inspection fund to the transportation fund, no one-time transfers of general fund revenue were made to the transportation fund during this fiscal year.

To help illustrate the relative impact on revenue growth of increases in transportation activities ("natural" growth) versus growth from tax and fee changes or transfers, Table 3 shows the volume of several key transportation revenue transactions. In other words, the annual percentage increases shown for each source are roughly equal to the annual, percentage revenue growth that could be expected from that source in the

Table 3: Motor Fuel Consumption and Motor Vehicle Registrations
(In Millions of Gallons and Thousands of Vehicles)

	Motor Fuel		Automobiles		Light Trucks		Heavy Trucks	
Fiscal Year	Gallons	% Change	Number	% Change	Number	% Change	Number	% Change
2005-06	3,195.6		3,414.8		902.6		230.0	
2006-07	3,259.8	2.0%	3,476.6	1.8%	910.4	0.9%	230.6	0.2%
2007-08	3,244.7	-0.5	3,521.2	1.3	907.1	-0.4	237.1	2.8
2008-09	3,146.6	-3.0	3,506.7	-0.4	894.7	-1.4	233.3	-1.6
2009-10	3,144.5	-0.1	3,516.3	0.3	891.8	-0.3	232.6	-0.3
2010-11	3,212.1	2.1	3,520.7	0.1	887.0	-0.5	233.4	0.3
2011-12	3,197.1	-0.5	3,531.0	0.3	884.2	-0.3	236.3	1.2
2012-13	3,141.5	-1.7	3,585.8	1.6	894.1	1.1	242.7	2.7
2013-14	3,221.7	2.6	3,617.2	0.9	900.5	0.7	251.3	3.6
2014-15	3,281.9	1.9	3,661.1	1.2	914.3	1.5	264.4	5.2
2015-16	3,353.7	2.2	3,692.9	0.9	931.6	1.4	274.5	4.8
10-Year Average		0.5%		0.8%		0.3%		1.8%
5-Year Average		0.9		1.0		1.0		3.3

absence of any changes to taxes or fees. For instance, motor fuel consumption, the tax on which accounts for about 53.7% of gross transportation fund collections, has grown by an average of 0.5% over the past 10 years and has grown by an average of 0.9% in the past five years. Comparatively, inflation has experienced average increases of 1.8% over the 10-year period and 1.5% over the five-year period. Vehicle registration counts, with the exception of the "Heavy Trucks" registrations, have grown at slightly higher rates, but also generally below inflation, and they account for a comparatively smaller share of fund revenue. By contrast, the total revenue growth rates shown in Table 2 are higher than the inflation rate over the same periods (about 2.4% in the 10-year average and 2.1% in the five-year average). This indicates that most of the revenue growth has occurred as the result of registration and license fee increases in 2008 and because of transfers from other funds.

Transportation Fund Taxes, Fees, and Other Revenue Sources

This section of the paper describes the categories of transportation taxes and fees that are deposited in the transportation fund.

Motor Vehicle Fuel Tax. The motor vehicle fuel tax is the largest source of revenue in the transportation fund, accounting for 53.7% of gross collections, including transfers, in 2015-16. The tax is imposed on a per-gallon basis on gasoline, diesel, and alternate fuels (such as compressed natural gas and liquid propane gas) used in motor vehicles. Currently, the fuel tax rate on diesel and gasoline is 30.9 cents per gallon. The last increase in the rate occurred on April 1, 2006, an adjustment (up from 29.9 cents per gallon) under the state's annual, inflation-based indexing formula. The rate indexing adjustment, which was begun in 1984, was repealed by 2005 Act 85, so any future changes will have to be enacted through legislation.

Alternate fuel tax rates are currently 22.6 cents per gallon for liquefied propane gas, 24.7 cents per gallon for compressed natural gas, and 19.7 cents per gallon for liquefied natural gas. For a more complete discussion of the motor vehicle fuel tax, see the Legislative Fiscal Bureau's informational paper entitled, "Motor Vehicle Fuel and Alternate Fuel Tax."

Vehicle Registration Revenue. The category identified as "Vehicle Registration Fees" in Table 1 is primarily composed of revenue from vehicle registration fees (84.2% of the total), but also includes other vehicle-related fees. The most significant of these other fees include title transfer fees ($69.50 for most transactions), the fee for late registration renewal ($10), special license plate issuance fees ($15), and registration and title counter service fees ($3 or $5, depending upon the type of transaction).

Wisconsin statutes create many different vehicle classifications for the purposes of vehicle registration. The fee for automobiles (a vehicle category that is defined to include sport utility vehicles and vans used primarily for passengers) was last raised on January 1, 2008, from $55 to $75. The fees for trucks and several other types of vehicles are based upon the weight of the vehicle. For most types of trucks and trailers, there are 19 different weight categories with fees that range from $75 for a truck that is 4,500 pounds or less, to $2,578 for a truck-semitrailer combination that is between 76,000 pounds and 80,000 pounds. Certain trucks that are used in agriculture or forestry, although also registered on the basis of weight, pay a fee that is less than the fee for other trucks. The fee for farm trucks, for instance, is 25% of the fee for a nonfarm truck of the same weight.

The truck fees were last raised on January 1, 2008, when the fees for light trucks were increased to between $75 and $106, depending upon gross weight, and fees for all weight classifications of heavy trucks were increased by 30%. Table 4 shows the history of the last several registration fee changes for automobiles and for trucks. The fee for the heaviest truck category, 80,000 pounds, is shown as an example, although in each instance in which fees were raised during the period shown, the fees for all or virtually all of the weight classifications were increased.

Table 4: Most Recent Changes to Vehicle Registration Fees

Date of Change	Old Fee	New Fee
Automobile		
September 1, 1981	$18.00	$25.00
September 1, 1991	25.00	40.00
December 1, 1997	40.00	45.00
October 1, 2003	45.00	55.00
January 1, 2008	55.00	75.00
80,000 Pound Truck		
January 1, 1982	$1,620.00	$1,700.00
September 1, 1991	1,700.00	1,850.00
December 1, 1997	1,850.00	1,987.50
January 1, 2008	1,987.50	2,578.00

Transfers from Other Funds. Over the past several biennia, revenue from traditional transportation user fees has been supplemented with one-time and ongoing transfers from other state funds. The transfers from the general fund and the petroleum inspection fund are distinct from transfers or lapses of transportation fund revenue to the general fund, which occurred in several recent biennia as a means of balancing the general fund budget.

In addition to specified one-time transfers, the 2011-13 budget act included a provision making an ongoing, annual transfer to the transportation fund, beginning in 2012-13. The transfer is equal to 0.25% of general fund taxes, as published in the general fund condition statement in the budget act, with a minimum annual transfer of $35,127,000. In 2015-16 the amount transferred was equal to $38,009,600, while a further $39,458,300 will be transferred in 2016-17. [See later section on the relationship between the transportation fund and the general fund for a history of these transfers.]

In addition, the transportation fund has received, or continues to receive, one-time and ongoing transfers from the petroleum inspection fund. An ongoing annual transfer has been made from this fund since 2004-05 ($6,321,700 per year through 2008-09 and $6,258,500 per year since then).

This ongoing transfer was supplemented by specified, one-time transfers from the petroleum inspection fund in the 2007-09 through 2015-17 biennia. Budgets for these biennia transferred surplus revenue in that fund to the transportation fund, as shown in Table 5. Surpluses in the petroleum inspection fund were generated largely as the result of the deferral of principal payments on certain petroleum inspection program debt, and decreases in funding needed for petroleum environmental cleanup fund awards.

Table 5: Petroleum Inspection Fund Transfers to Transportation Fund ($ in Millions)

	Transfers		
Fiscal Year	Ongoing	One-time	Total
2007-08	$6.3	$14.0	$20.3
2008-09	6.3	0.0	6.3
2009-10	6.3	10.0	16.3
2010-11	6.3	17.8	24.1
2011-12	6.3	19.5	25.8
2012-13	6.3	19.5	25.8
2013-14	6.3	16.0	22.3
2014-15	6.3	16.0	22.3
2015-16	6.3	21.0	27.3
2016-17	6.3	21.0	27.3

Looking at revenues to the transportation fund, excluding transfers from other funds, provides a picture of the growth in transportation fund revenue from transportation-related taxes and fees. Table 6 shows the changes in gross transportation fund revenue since 2005-06, with and without transfers from other funds.

Driver License Fees. Driver license revenue include the fees for original and renewal driver licenses, endorsements, and identification cards, but also other license-related fees, such as duplicate license fees, fees for late renewal, and reinstatement fees for licenses that have been suspended or revoked. Licenses for regular automobiles and light trucks ("Class D") and for commercial motor vehicles are generally valid for eight years. The fee for an original Class D license and for the renewal of this license, is $34. A provision of 2015 Act 55 increased the fee for an original Class D license from $28 to $34.The fee for a commercial driver's license is $74. Formally, these fees consist of a regular license fee ($24 and $64, respectively, plus a $10 "issuance" fee). On January 1, 2008, the $10 fee was added to all driver's license and related transactions to help support the cost of implementing the federal Real ID Act.

Other Motor Vehicle Fees. The most significant sources of revenue in the other motor vehicle fees revenue category are the fee for driver license abstracts (primarily sold to insurance companies for use in underwriting) and the vehicle rental fee. The fee for driver license abstracts is $5 per record for most types of records. The vehicle rental fee is a tax on the sales price from the rental of automobiles, mobile homes, motor homes, camping trailers, and limousines that are rented for a period of 30 days or less. The rate of the tax is 5%. This category also includes motor carrier registration fees, which are paid by com-

Table 6: Gross Transportation Fund Revenue with and without Transfers from Other Funds ($ in Millions)

Fiscal Year	Gross Transportation Fund Revenue	% Change	Fund Revenue, Less Other Fund Transfers	% Change
2005-06	$1,523.3		$1,517.0	
2006-07	1,612.9	5.9%	1,606.5	5.9%
2007-08	1,681.3	4.2	1,661.0	3.4
2008-09	1,693.6	0.7	1,687.3	1.6
2009-10	1,714.1	1.2	1,697.9	0.6
2010-11	1,739.9	1.5	1,715.9	1.1
2011-12	1,792.2	3.0	1,743.9	1.6
2012-13	1,883.7	5.1	1,720.3	-1.4
2013-14	1,842.0	-2.2	1,784.6	3.7
2014-15	2,001.6	8.7	1,808.4	1.3
2015-16	1,932.6	-3.4	1,867.4	3.3
10-Year Average		2.4%		2.1%
5-Year Average		2.1		1.7

mercial motor carrier companies, based on the number of vehicles operated in interstate commerce.

Railroad Ad Valorem Tax. Property owned by railroads is exempt from local property taxes and is subject, instead, to a state ad valorem tax. The value of railroad companies is determined on a systemwide basis, and then a portion is allocated to Wisconsin based upon each railroad's activity in the state. The Wisconsin portion of the railroad's property is taxed at the statewide average tax rate for property subject to local property taxes, net of state tax credits. In 2016, there were 10 railroad companies that paid this tax.

Aeronautical Taxes and Fees. The primary source of aviation-related revenue is the ad valorem tax on commercial airline property. Commercial airlines are exempt from local property taxes and, instead, are taxed under the state's ad valorem tax. The property of airlines is valued on a systemwide basis, and a portion of that value is allocated to Wisconsin based on a statutory formula intended to reflect each airline's activity in the state. The resulting value is taxed at the statewide average net tax rate. Airlines that operate a hub facility in the state are exempt from paying the ad valorem tax. In 2016, 18 airlines paid this tax and no airlines qualified for the hub exemption.

In 2015-16, the ad valorem tax on commercial airline property accounted for 75.1% of the revenue in the aeronautical taxes and fees category shown in Table 1. The remaining revenue in this category comes from two general aviation-related sources. First, aircraft that are not subject to the ad valorem tax (not including aircraft operated by an airline qualifying for the airline hub exemption) must pay an aircraft registration fee, which ranges from $60 for two years for an aircraft that is 2,000 pounds or less to $3,125 annually for an aircraft over 100,000 pounds. Second, general aviation fuel is subject to a fuel tax of six cents per gallon (air carrier companies are exempt from paying this tax).

Miscellaneous Revenue. Other revenue collected by the Department includes revenue from sales of surplus property, motor vehicle dealer license fees, salvage vehicle inspection fees, real estate lease income (primarily from leasing parking space), oversize or overweight truck permit fees, and outdoor advertising permit fees.

Investment Earnings. Investment earning revenue is generated on the cash balances maintained in the transportation fund. These balances are pooled with balances in other funds and invested on a short-term basis by the State Investment Board. The proportionate earnings attributable to the transportation fund's balances are credited to the fund on a monthly basis. In 2013-14, however, banking fees exceeded investment earnings, producing a net negative revenue in this category.

Relationship Between the Transportation Fund and the General Fund

During the 2003-05 through 2013-15 biennia, a series of financial transactions have occurred between the transportation and general funds. Between the 2003-05 and 2009-11 biennia, transportation fund revenue was used as part of a strategy to balance the general fund budget. In 2003-05 through 2007-09, general fund-supported bonds were issued for state highway projects in place of these transferred funds, although the total amount transferred was higher than the replacement bonds in each biennium. In 2009-11, general fund-supported bonds were issued in an amount greater than the total transferred from the transportation fund to the general fund. Subsequently, in the 2011-13, 2013-15, and 2015-17 biennia, general fund-supported bonds were issued for state highway projects, while general fund revenue was also transferred to the transportation fund. This section describes those budget management measures for each biennium.

2003-05 Biennium. The 2003-05 biennial budget act used a combination of direct appropriations from the transportation fund for general fund programs (shared revenue and K-12 education aids) and a transfer of revenue from the transportation fund to the general fund, for a total of $675.0 million. In addition, other budget measures resulted in administrative lapses totaling $7.6 million from transportation fund appropriations to the general fund. A total of $565.5 million in bonds were authorized for the state highway rehabilitation and southeast Wisconsin freeway rehabilitation programs to offset some of the transfer. During the 2003-05 biennium, the first debt service payments on the bonds were made from the transportation fund, totaling $43.9 million. Beginning in the 2005-07 biennium, however, debt service payments have been made from the general fund.

2005-07 Biennium. The 2005-07 biennial budget act made a transfer of $427.0 million from the transportation fund to the general fund instead of making direct appropriations from the transportation fund to specific general fund programs. In addition, other provisions resulted in an administrative lapse of $4.7 million from DOT appropriations to the general fund. The act authorized $250.0 million in general fund-supported bonds in the state highway rehabilitation program to partially replace the transferred revenue.

2007-09 Biennium. The 2007-09 biennial budget act (Act 20) and the 2008-09 budget adjustment act (Act 226) together resulted in a transfer of $162.0 million from the transportation fund to the general fund. Of this amount, $2.0 million was a direct transfer required under Act 226. The remainder was the result of provisions in both acts that required the Department of Administration (DOA) to lapse certain amounts from executive branch agency appropriations.

The acts did not identify the specific amounts that would be lapsed from any particular appropriation or even which appropriations would be affected. Instead, at DOA's discretion, a total of $153.2 million was lapsed in 2007-08 from transportation fund appropriations, primarily from the major highway development ($52.0 million) and the state highway rehabilitation ($101.0 million) programs. In 2008-09, an additional $6.8 million was lapsed to the general fund, primarily from the major highway development ($3.0 million) and state highway rehabilitation ($3.3 million) appropriations.

Act 226 provided $50.0 million in general fund-supported bonds for the state highway rehabilitation program to partially replace lapsed funds in the 2007-09 biennium.

2009-11 Biennium. The 2009-11 biennial budget act, like the 2007-09 budget, did not include a specific transfer of transportation fund revenue to the general fund. Instead, transfers in the biennium were made under the authority of two separate provisions that required the Department of Administration to lapse specific amounts from executive branch agencies. One of these provisions, included in 2007 Act 20, required a lapse of $200.0 million in the 2009-11 biennium. The other provision, included in 2009 Act 2 and later amended by 2009 Act 28, required a lapse totaling $479.8 million from executive branch agencies during the three-year period between 2008-09 through 2010-11.

Under these provisions, DOA lapsed a total of $125.6 million in the 2009-11 biennium from transportation fund appropriations or from unappropriated transportation fund balances ($84.8 million in 2009-10 and $40.8 million in 2010-11).

For the 2009-11 biennium, $204.7 million in general fund-supported bonds were authorized for the state highway rehabilitation program. Consequently, unlike in prior years, transportation programs received a net gain in this biennium.

2011-13 Biennium. No funds were directly transferred from the transportation fund to the general fund in the 2011-13 biennium. Instead, the budget act provided $115.4 million in general fund-supported bonds for the state highway rehabilitation program. In addition, the budget act provided for a total of $160.1 million in ongoing and one-time transfers from the general fund to the transportation fund. Beginning in 2012-13, the biennial budget act's statutory transfer provision, as described in an earlier section, made the first ongoing, annual transfer to the transportation fund from the general fund, transferring $35.1 million in general fund revenue. Of the one-time funding transferred from the general fund to the transportation fund in the budget act, $22.5 million was transferred in 2011-12 and $102.5 million was transferred in 2012-13.

2013-15 Biennium. As was the case in the prior biennium, no transfers were made from the transportation fund to the general fund. Rather, the biennial budget act authorized $200.0 million in general fund-supported bonds for the state highway program's Zoo Interchange project. In addition to ongoing statutory transfer amounts of $35.1 million in 2013-14 and $36.3 million in 2014-15, the act also provided a $133.3 million one-time transfer to the transportation fund from the general fund. As part of its budget management strategy, the Department of Administration decided to make the total amount of this one-time transfer in 2014-15.

2015-17 Biennium. As in the prior two biennia, no transfers were made from the transportation fund to the general fund during 2015-17. However, a provision of the biennial budget act authorized up to $350 million in contingent highway bonds for use in the state highway rehabilitation and/or major highway development programs during the biennium, subject to approval from the Joint Committee on Finance. Debt service payments on the first $175 million of any bonds issued under this provision are general fund supported. In November, 2015, subject to various conditions, the Committee approved the use of $350 million in bonds and stipulated that the debt service on the second, $175 million in bonds issued is to be paid from the transportation fund. In addition, ongoing statutory transfers of $38.0 million in 2015-16 and $39.5 million in 2016-17 were made from the general fund to the transportation fund.

Table 7 summarizes the interfund transactions relating to appropriations, general obligation bonds, and debt service for the 2003-05 through 2015-17 biennia. The amounts are expressed in terms of the impact on the transportation fund. Therefore, a negative figure represents a loss to the transportation fund while a positive figure represents a gain to the fund. The net gain to the transportation fund over the 14 years equals $560.9 million.

Constitutional Amendment

Use of transportation fund revenue for non-transportation-related purposes resulted in the drafting of a constitutional amendment related to the transportation fund and the Department of Transportation. The amendment, which established a transportation fund and Department of Transportation in the state's constitution, was passed by referendum in the November, 2014, general election, with 79.9% of voters (1,733,101) voting in favor of the amendment's passage and 20.1% (434,806) voting against it. The amendment is intended to prevent future lapses and transfers for any non-transportation-related use or any program not directly administered by the Department of Transportation, excluding those made by appropriations in statute as of December 31, 2010.

Under the amendment, section 11 of article VIII of the constitution was created to read:

> "All funds collected by the state from any taxes or fees levied or imposed for the licensing of motor vehicle operators, for the

Table 7: Impact to Transportation Fund of General Fund Transactions ($ in Millions)

	2003-05	2005-07	2007-09	2009-11	2011-13	2013-15	2015-17	14-Year Total
Transfers and Appropriations to General Fund	-$682.6	-$431.7	-$162.0	-$125.6	$0.0	$0.0	$0.0	-$1,401.9
Transportation Fund-Supported Debt Service*	-43.9	0.0	0.0	0.0	0.0	0.0	0.0	-43.9
Gen. Ob. Bonds for State Hwy. Projects, Gen. Fund-Supported	565.5	250.0	50.0	204.7	115.4	200.0	175.0	1,560.6
General Fund Transfers to Transportation Fund	0.0	0.0	0.0	0.0	160.1	206.1**	79.9***	446.1
Total	-$161.0	-$181.7	-$112.0	$79.1	$275.5	$406.1	$254.9	$560.9

*In the 2003-05 biennium, debt service on replacement bonds was initially paid from the transportation fund.
**Includes a transfer of $1.4 million under a transfer provision of the road disaster damage aid program.
***Includes an estimated transfer of $2.5 million under a transfer provision of the road disaster damage aid program.

titling, licensing, or registration of motor vehicles, for motor vehicle fuel, or for the use of roadways, highways, or bridges, and from taxes and fees levied or imposed for aircraft, airline property, or aviation fuel or for railroads or railroad property shall be deposited only into the transportation fund or with a trustee for the benefit of the department of transportation or the holders of transportation-related revenue bonds, except for collections from taxes or fees in existence on December 31, 2010, that were not being deposited in the transportation fund on that date. None of the funds collected or received by the state from any source and deposited into the transportation fund shall be lapsed, further transferred, or appropriated to any program that is not directly administered by the department of transportation in furtherance of the department's responsibility for the planning, promotion, and protection of all transportation systems in the state except for programs for which there was an appropriation from the transportation fund on December 31, 2010. In this section, the term "motor vehicle" does not include any all-terrain vehicles, snowmobiles, or watercraft."

Transportation Bonds

Bonds were first authorized directly by the state for highway, bridge, and administrative facility projects in 1969. [Prior to that time, counties could issue bonds for work on state highways and were reimbursed by the state for the debt service costs.] Currently, the state issues two types of transportation fund-supported bonds: transportation revenue bonds and general obligation bonds. This section describes the uses of these types of bonds and includes a discussion of the transportation fund debt service costs associated with the use of bonds.

Transportation Revenue Bonds

Transportation revenue bonds have been issued for the major highway development program and for administrative facilities (Department buildings, such as Division of Motor Vehicles service centers) since 1984. In general, the source of debt service payments for revenue bonds is limited to a specific fund consisting of fees, penalties, or excise taxes set up for that purpose. In the case of transportation revenue bonds, this fund consists of vehicle registration fees and other vehicle-related revenue, such as title fees. These are sometimes called "pledged" revenue since the state pledges the collections to a third-party trustee for the payment of debt service. The trustee processes the receipts, makes the debt service payments, and then returns the balance of the revenue to the state for deposit in the transportation fund.

Table 8 shows the amount of revenue bonds provided for projects over a 10-year period. Over this period, revenue bond usage averaged $164.9 million per year. High usage years in 2007-08 and 2008-09 offset reductions in cash funding made to address a projected transportation fund deficit and to free up funds for transfer to the general fund. In the most recent biennium, the total, anticipated revenue bond usage declined to $108.3 million in 2015-16 and $72.6 million in 2016-17 (this $180.9 million biennial total included $163.4 million in new authorization and $17.5 million in carryover bonding).

Table 8: Transportation Revenue Bond Appropriations

Fiscal Year	Major Hwy. Development	Admin. Facilities	Total
2007-08	$204,738,300	$6,000,000	$210,738,300
2008-09	195,395,600	6,000,000	201,395,600
2009-10	135,721,600	5,940,000	141,661,600
2010-11	165,721,600	5,940,000	171,661,600
2011-12	154,721,600	5,940,000	160,661,600
2012-13	159,721,600	5,940,000	165,661,600
2013-14	202,316,000	5,940,000	208,256,000
2014-15	202,316,000	5,940,000	208,256,000
2015-16	102,363,200	5,940,000	108,303,200
2016-17	66,649,000	5,940,000	72,589,000

General Obligation Bonds

The state has long used transportation fund-supported, general obligation bonds for freight rail and harbor improvement projects. More recently, however, these bonds have also been authorized for state highway improvement projects (although general obligation bonds were also used for highways prior to the creation of the transportation revenue bond program in 1984). Unlike with revenue bonds, which have a dedicated, but ultimately limited, revenue source for debt service payments, the state pledges the "full faith, credit, and taxing power" of the state for the payment of debt service on general obligation bonds. In the case of transportation fund-supported, general obligation bonds, the debt service is paid from sum sufficient (first-draw) appropriations from the transportation fund.

Table 9 shows the transportation fund-supported, general obligation bond authorization for the past five biennia, and illustrates the extent to which the state uses these bonds. With the beginning of major work on southeast Wisconsin freeway reconstruction projects in the 2005-07 biennium, the state relied on general obligation bonds as a significant source of financing, a pattern continuing through the 2015-17 biennium. Then, in the 2009-11, 2011-13, and 2015-17 biennial budgets, this type of bonds was also authorized for the state highway rehabilitation and major highway development programs, without reference to specific projects in those programs. In addition, the 2009-11 biennial budget provided general obligation bonds for the major interstate bridge program, for the construction of a new Stillwater bridge, a crossing of the St. Croix River in northwestern Wisconsin. Further, the 2013-15 budget act provided a $200 million general obligation bond authorization in support of the Hoan Bridge rehabilitation project in Milwaukee County.

In 2015-17, a total of $554.8 million in transportation fund-supported, general obligation bonds were initially authorized (an additional $175.0 million in general fund-supported bonds were authorized). Of this total, $300.0 million was provided to fund a portion of the second

Table 9: Transportation Fund-Supported General Obligation Bond Authorization ($ in Millions)

Biennium	Freight Rail Projects	Harbor Projects	SE Wisconsin Freeway Projects	Other State Highway Projects	Stillwater Bridge	Hoan Bridge	Total
2005-07	$12.0	$12.7	$213.1	$0.0	$0.0	$0.0	$237.8
2007-09	22.0	12.7	90.2	0.0	0.0	0.0	124.9
2009-11	60.0	12.7	250.3	110.0	225.0	0.0	658.0
2011-13	30.0	10.7	151.2	131.0	0.0	0.0	322.9
2013-15	52.0	15.9	107.0	0.0	0.0	200.0	374.9
2015-17	29.8	13.2	300.0	130.2*	20.0	16.8	510.0

*Under Section 9145(1v) of 2015 Act 55, a $44.8 million reduction to the initial $175.0 million authorization was required. The Department may submit a request in 2016-17 to replace the bonding reduction with transportation fund revenue.

phase of the Zoo Interchange project in Milwaukee County. In addition, $175.0 million in transportation fund-supported, contingent highway bonds were authorized in this biennium and subsequently provided for use in the state highway rehabilitation and southeast Wisconsin megaprojects programs. However, under a provision of the 2015-17 biennial budget act, this amount is required to be reduced by the amount that actual transportation fund revenue in 2015-16 exceeded the estimate of this revenue as stated in the biennial budget act. Consequently, this $175.0 million bond authorization was later reduced by $44.8 million to $130.2 million. As a result, as shown in Table 9, a net amount of $510.0 million is actually authorized. Also, the remaining bonds ($79.8 million) went to fund bridge, rail, and harbor infrastructure projects.

Measures of Debt Service Level

The issuance of bonds for transportation projects allows the benefits of the projects to be realized earlier than would be the case with cash financing, while spreading out the costs, through the payment of debt service, over the life of the improvement. However, continued reliance on bonds over a sustained period can result in debt service costs that consume an increasing share of transportation revenue. There are two principal measures of transportation fund debt service levels that have been used to evaluate the state's use of bonds.

The first measure applies only to the debt service associated with transportation revenue bonds. The "coverage ratio" is the relationship between the amount of pledged revenue received during a given time period and the amount of debt service payments in that period. Under the guidelines for the issuance of bonds under the transportation revenue bond program, new bonds may be issued only if the coverage ratio was at least 2.25 to 1 (or 2.25:1) for at least 12 consecutive months of the preceding 18 months (that is, pledged revenue is 2.25 times greater than the amount needed to pay debt service costs). However, it is generally considered that a ratio of 2.5:1 or more is desirable in order to maintain a cushion above the level at which the issuance of additional bonds would be precluded. A coverage ratio below 2.5:1 may also increase the risk that the rating for the bonds is downgraded, which would increase the interest costs associated with the bonds.

Table 10 shows the coverage ratios over a 10-year period. As the table shows, coverage ratios have been maintained at or above 3.0:1. The vehicle registration and title fee increases enacted in the 2007-09 biennium resulted in higher coverage ratios in the next few years, although the ratio has

Table 10: Revenue Bond Coverage Ratios ($ in Millions)

Fiscal Year	Revenue Bond Debt Service	Pledged Revenue	Coverage Ratio
2006-07	$152.7	$452.3	3.0:1
2007-08	167.4	538.3	3.2:1
2008-09	169.9	600.5	3.5:1
2009-10	170.6	610.4	3.6:1
2010-11	179.6	603.5	3.4:1
2011-12	194.5	634.1	3.3:1
2012-13	200.8	632.2	3.1:1
2013-14	215.8	658.7	3.1:1
2014-15	220.2	666.4	3.0:1
2015-16	226.3	688.3	3.0:1

recently declined as debt service has increased.

While the coverage ratio provides a measure of debt service compared to pledged revenue for the payment of the debt service, it does not provide information on the overall level of transportation fund debt service, since it excludes debt service on general obligation bonds. A more comprehensive measure is the total of all transportation debt service as a percentage of gross transportation fund revenue.

Table 11 shows this measure of debt service for the fiscal years since 2006-07. As the table shows, the percentage of gross transportation fund revenue, less transfers, devoted to debt service has generally increased over the period shown, suggesting that the use of bonding has grown at a faster rate than revenue.

Federal Funds

The state receives federal transportation funds for several different programs. This section provides information on the following types of federal aid: (a) highway aid; (b) airport aid; (c) transit aid; and (d) transportation safety aid.

Table 11: Debt Service as a Percentage of Gross Transportation Fund Revenue ($ in Millions)*

Fiscal Year	Total Debt Service	Gross Revenue	Debt Service as % of Revenue
2006-07	$165.3	$1,606.5	10.3%
2007-08	187.5	1,661.0	11.3
2008-09	191.0	1,687.3	11.3
2009-10	184.8	1,697.9	10.9
2010-11	197.2	1,715.9	11.5
2011-12	240.7	1,743.9	13.8
2012-13	259.5	1,720.3	15.1
2013-14	294.2	1,784.6	16.5
2014-15	314.4	1,808.4	17.4
2015-16	340.8	1,867.4	18.2

*Revenue is shown before the payment of revenue bond debt service and exclusive of transfers from other funds.

Federal Highway Aid

Federal highway aid is the largest category of transportation aid, with the state receiving $742.7 million in federal fiscal year 2016, including redistribution funds, which are reallocated to states in August or September of each year. The expenditure of this aid is authorized under federal surface transportation authorization acts. The most recent such act is the Fixing America's Surface Transportation (FAST) Act, which was signed into law in December, 2015, and which authorizes federal transportation aid from federal fiscal year 2016 through 2020.

Because of the large amount received, federal highway aid plays an important role in the state's overall transportation finance policy. This program also tends to draw the most legislative interest because of the flexibility that the state has with respect to the use of the funds. Unlike the other federal transportation programs, in which funds are generally received for narrowly prescribed purposes, federal highway aid may be spent within any of several different federal subprograms, for both state and local transportation projects. In Wisconsin, the Legislature has established a process whereby the funds are allocated in the biennial budget to the different state programs corresponding to the various federal program categories. These allocations may be adjusted later by the Joint Committee on Finance in the event that the amount of funds received differs by more than 5% from the amount allocated by the budget act (or by DOT for differences less than 5%).

Although a majority of federal highway aid is used in the state highway programs, significant amounts are also spent on local highway and bridge projects that are eligible for federal assistance. Smaller amounts are also spent for the following federally authorized purposes: (a) railroad crossing improvements (generally new signals or gates); (b) transportation alternatives; (c) congestion mitigation/air quality improvement projects (measures designed to reduce road congestion in ozone nonattainment areas); and (d) state and metropolitan transportation planning and research activities.

Table 12 shows the allocation of estimated federal highway aid in state fiscal year 2015-16 under the 2015-17 biennial budget act. The source for federal highway aid is the highway account of the federal highway trust fund. The revenue in the highway account originates from a portion of the federal excise tax on gasoline and diesel fuel, a tax on tires over 40 pounds, taxes on the sale of heavy trucks and trailers, and the federal heavy vehicle use tax. In addition, Congress has transferred federal general fund revenue to the highway trust fund in recent years to compensate for falling federal highway account revenue collections.

Table 12: Budgetary Allocation of Federal Highway Aid for 2015-16

State Appropriation	Amount
State Highway Rehabilitation	$451,843,000
Southeast Wisconsin Freeway Megaprojects	78,053,100
Major Highway Development	78,263,500
Local Transportation Facility Assistance	72,238,000
Local Bridge Assistance	24,409,600
Departmental Operations	13,737,200
Congestion Mitigation/Air Quality Improvement	10,719,000
Transportation Alternatives	7,049,300
Administration and Planning	3,519,300
Railroad Crossing Improvements	3,291,800
Highway System Mgmt. and Operations	5,102,500
Total Federal Highway Aid	$748,226,300

Federal Airport Aid

Federal airport aid is distributed in three forms: (a) entitlement funds, which are based on the number of enplanements at commercial service airports; (b) discretionary funds, which are distributed using a rating process for specific projects at general aviation or commercial airports; and (c) block grants, which are funds provided to states for use at general aviation airports. Entitlement funds and discretionary funds are received for either a particular airport or for a particular airport project, while the state has some discretion as to where block grant funds are used.

Federal airport improvement aid generally requires a nonfederal match, which depending upon the type of project, the match varies from 10% to 50%. In Wisconsin, the nonfederal portion is split evenly between state funds and local funds. The state received $44.6 million in federal airport aid in federal fiscal year 2016. Federal airport funds are provided from the federal airport and airway trust fund, which includes revenue from taxes on airline tickets, flight segment taxes, air cargo taxes, and aviation fuel taxes.

Federal Transit Aid

Wisconsin receives transit aid from several different federal programs. The state receives its largest amounts of federal transit aid through the federal urbanized area formula and rural area formula programs. Other federal transit programs include the seniors and individuals with disabilities aid program, the capital assistance program, which includes funding for new buses, new transit systems capital assistance (New

Starts, Small Starts and Core Capacity projects), and fixed guideway capital assistance. With some of these other programs, the state receives funding on a periodic basis in the form of Congressional earmarks or discretionary awards, while others provide funding on an annual basis based on a formula.

In federal fiscal year 2016, a total of $65.1 million in urbanized and nonurbanized area transit formula funds was distributed to Wisconsin transit systems, of which $20.1 million went directly to the Milwaukee Urbanized Area and $7.7 million went directly to the Madison Urbanized Area.

Other federal transit programs with funding apportioned in 2016 include the seniors and individuals with disabilities aid program ($4.7 million), the capital assistance program ($7.8 million), federal planning and safety aid ($2.0 million), and the rural transportation assistance program ($0.3 million). In 2016, Wisconsin did not receive any discretionary capital assistance funding.

Transit aid is provided from the mass transit account of the highway trust fund. This account is funded with a portion of the federal excise tax on gasoline and diesel fuel. For additional information on federal transit aid, see the Legislative Fiscal Bureau's informational paper entitled, "Transit Assistance."

Federal Transportation Safety Aid

The state receives most of its federal transportation safety funds from three programs. Two of them are general traffic safety programs, which are administered by the Department's Bureau of Transportation Safety within the Division of State Patrol, and the other is the motor carrier safety assistance program, administered by the State Patrol's motor carrier inspectors.

The two general traffic safety programs are the state and community highway safety grant program (typically referred to as the "section 402" program after the citation for the program in Title 23 of the U.S. Code) and the alcohol-impaired driving countermeasures incentive grant program [also referred to as "section 405(d)"].

The section 402 program provides funds with broad eligibility for funding state programs and local grants designed to increase safety through education initiatives, enhanced enforcement, and emergency response improvements. In order to receive section 402 funds, states are required to develop a plan that outlines several traffic safety goals and describes how the projects that would be funded are designed to meet those goals. In federal fiscal year 2016, the state received $5.1 million from this program.

The section 405(d) program provides grants to be used specifically to combat problems associated with impaired driving and underage alcohol consumption. This funding had been provided under the section 410 program, which became section 405(d) under the Moving Ahead for Progress in the 21st Century (MAP-21) federal authorization act, effective in federal fiscal year 2013. In order to receive these funds, the state must have a minimum number of certain laws or programs, such as an administrative license suspension law for drivers who are arrested with a blood alcohol level above the legal limit, a zero tolerance law for underage drivers, a graduated license law, and a program to target drivers who are arrested for very high blood alcohol concentrations. Under the FAST Act, in federal fiscal year 2016, the state received $2.9 million from the section 405(d) program.

The state's total federal fiscal year 2016 funding from section 402 ($5.1 million), section 405(d) ($2.9 million), and all other section 405 programs ($1.8 million) equals $9.8 million.

The Department also receives federal motor carrier safety assistance program funds for activities related to the enforcement of federal motor carrier laws. DOT uses these funds for a portion of the cost of the State Patrol's motor carrier inspectors, who conduct inspections at truck weigh stations and on roadsides. In 2016, the state received $4.9 million in federal funds from a combination of federal motor carrier safety grant programs.

Allocation of the Three Transportation Revenue Sources

This section focuses on the expenditure of the three types of transportation revenue described in this paper. An analysis of transportation expenditures that focuses on just one of these sources would provide an incomplete picture of legislative decisions, since the three sources are used interchangeably in certain key transportation programs. For this reason, this section discusses the allocation of the combined sum of all three sources to various transportation program categories. Table 13 shows this allocation for 2015-16. This analysis reflects the amounts shown in the statutory appropriations schedule, with adjustments made to include transportation revenue bond debt service (which is not reflected in an appropriation) and to reflect the actual amount of general obligation bond debt service paid. This table shows the allocation of funding to DOT programs, as well as the amounts appropriated for non-DOT programs (which are the transfers to the conservation fund for estimated motor fuel taxes paid by users of snowmobiles, all-terrain vehicles, utility terrain vehicles, and motorboats, the Department of Revenue appropriations for administering transportation fund taxes, a Department of Tourism appropriation for tourism marketing, and an appropriation for making payments to municipalities that have railroad terminal facilities). Of the total shown in Table 13, $1,912,036,100 is from the state transportation fund which includes funds carried into the fiscal year in the fund's balance, $865,247,300 is federal funds (including the federal highway aid shown in Table 12 plus all other federal aid), and $662,603,200 is bonds.

Table 13: Allocation of the Three Major Transportation Revenue Sources among All Functions

	2015-16 Allocation Amount	2015-16 Allocation Percentage
Highway Programs	$1,938,433,400	56.4%
Local Road Aids	569,009,900	16.5
Debt Service	340,773,400	9.9
Mass Transit Aids	152,587,600	4.4
Railroads, Harbors, and Airports	127,587,400	3.7
General Administration*	105,568,800	3.1
Division of Motor Vehicles	75,945,800	2.2
State Patrol	66,865,100	1.9
Other Programs**	36,557,700	1.1
Non-DOT Programs	26,557,500	0.8
Total	$3,439,886,600	100.0%

*Includes appropriations for administration and planning from the state highway program, departmental management appropriations, and the capital project bond authorization.

**Includes the transportation economic assistance program, transportation alternatives, congestion mitigation and air quality improvement grant program, traffic safety programs, expressway policing aids, and other smaller programs.