



Summary and Analysis

2001-2003
Transportation
Budget

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Summary/Analysis
2001-2003 Transportation Budget

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Overview of 2001-2003 transportation budget

The state's transportation program fared relatively well in the 2001-2003 biennial budget, considering the environment in which it was crafted. The Governor and legislators faced a soft economy, a structural deficit, and a general consensus that tax increases were not an option. A good number of state programs saw reductions in the resulting budget.

For three main reasons, we saw the development of a transportation budget that, in its broadest context, roughly keeps up with inflation. The first factor is the strength of the recent federal bills: TEA-21 and AIR-21 have substantially increased federal funding for highway, airport, and transit programs. The second factor is Wisconsin's commitment to indexing motor fuel taxes to the rate of inflation.

The third factor is the money made available through Interstate Cost Estimate (ICE) funds. This one-time federal funding will help make a number of transit and freeway improvements possible in the metro-Milwaukee area.

Combined, these elements allowed the Governor and the legislature to craft a fairly stable transportation budget for the next two years. With a few notable exceptions, growth in the transportation program over the 2001-2003 biennium basically reflects inflationary increases.

The biggest exception to the overall trend is the establishment of a separate funding category in the new budget to help address the unique needs of the southeast Wisconsin freeway system, including the Marquette Interchange. Efforts were made to establish these new allocations without jeopardizing other elements of the budget.

As discussed at length on page 4, there were a number of new initiatives and proposed program changes that arose during the budget's development, only to be deleted before the budget reached its final form. Some of these would have been particularly valuable to TDA members and to the transportation community, including a proposal for Corridor Study Grants, and a provision for additional required multi-year reporting from WisDOT.

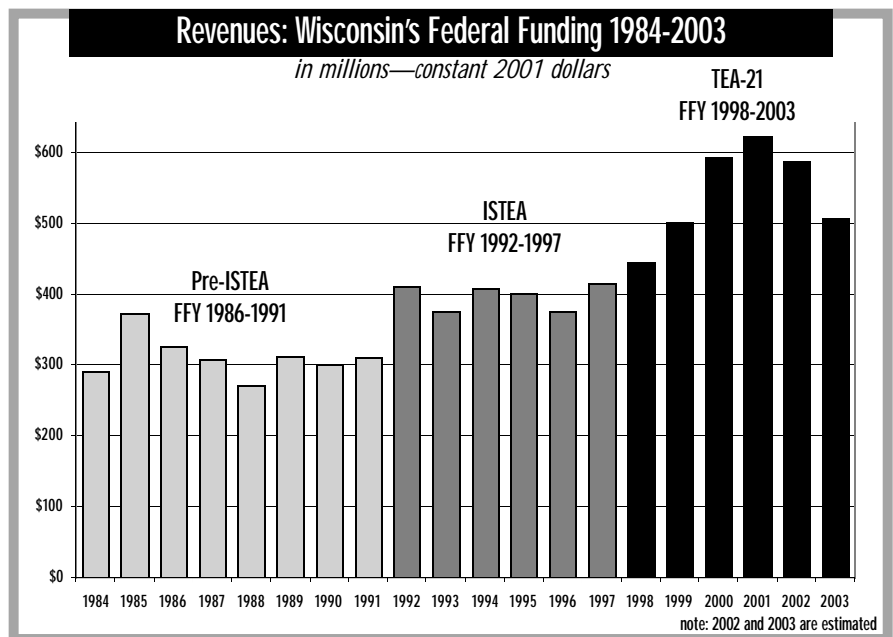
In addition, on the revenue side, the concept of dedicating a portion of the sales tax on motor vehicles was initiated in the Assembly version of the budget, but the measure did not make it into the budget as sent to the Governor by the Conference Committee.

During its development, the 2001-2003 budget contained an unusually large number of provisions for specific local projects. Many of these did not survive through to the final budget as signed by the Governor.

As always, some programs increased more than others, and some programs received cuts. While debates about the relative importance of individual transportation accounts are inevitable, it is important not to stop with the short-term biennial perspective. Instead, as a transportation community, we need to look at what is happening or not happening overall, over a period of time.

The 2001-2003 budget does not result in new revenues, or in any significant modifications to existing revenues. While it may fairly be said that the budget makes good use of existing revenues, it is important to remember that Wisconsin has a backlog of documented transportation needs. It is not unrealistic to say that we face an annual shortfall of approximately \$500 million.

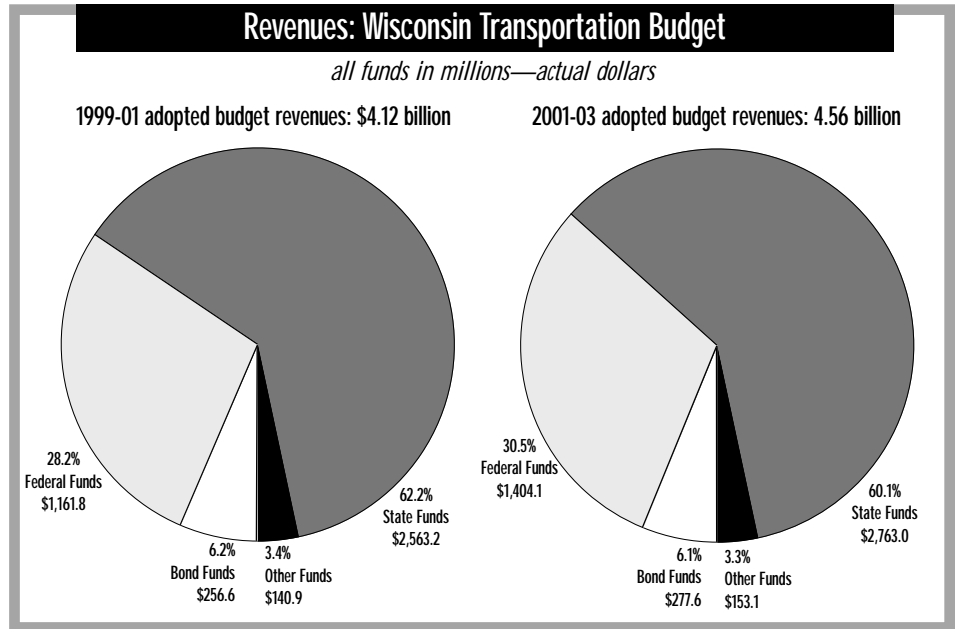
As the last section in this budget analysis concludes, a generally status quo 2001-2003 budget puts pressure on the 2003-2005 budget cycle.



2001-2003 Transportation Revenues

In the transportation section of the 2001-2003 biennial budget, revenue allocated to WisDOT programs is \$4.56 billion when allocations to other state agencies are removed. Growth in the transportation program is based primarily on inflation, travel growth, one-time federal ICE funds, and increased federal allocations as a result of TEA-21 and AIR-21. The 2001-2003 budget contains no increases in motor fuel taxes and only minor adjustments in registration fees.

However, the 2001-2003 budget act calls for a General Fund Lapse that will have a \$7.2 million annual impact on the transportation budget, and specifically on the Administration and Planning allocations. The state's constitution requires keeping a ten percent "emergency fund" balance in the General Fund; this balance should be approximately \$90 million. Because the fund is short, a total lapse of \$18.8 million from the segregated funds is mandated in order to reach

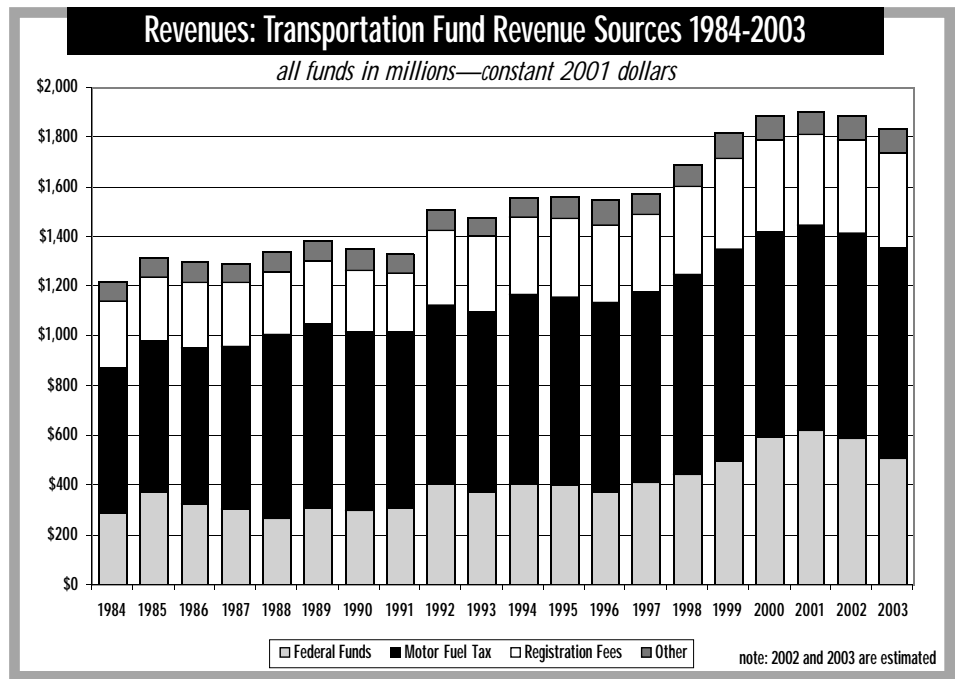


WisDOT Revenues to Other Agencies

1999-2001 Biennial Budget	
Total Budget	4,122.5 million
Other Agencies	-34.3 million
WisDOT Allocation	\$4,088.2 million

2001-2003 Biennial Budget	
Total Budget	4,597.8 million
Other Agencies	-38.9 million
WisDOT Allocation	\$4,558.9 million

Note: subject to change via the \$7.2 million General Fund transfer (see above for details).



Editor's note: the information in this Budget Summary has been compiled from WisDOT and Legislative Fiscal Bureau data.

the ten percent balance. The Department of Transportation share is \$7.2 million annually, and the Secretary must submit a plan for the annual lapse for Joint Finance Committee approval.

State funds: \$2,763.0 million

Revenues generated by the state are by far the largest portion of funding at 60.1%. However, state revenues play a smaller role in Wisconsin's overall funding picture than in the 1999-2001 budget when they accounted for 62.2% of the total budget.

The state's Transportation Fund includes state motor fuel taxes, vehicle registration fees, driver license fees, and other taxes and fees (see graph below).

The 2001-2003 budget predicts growth in state-generated revenues of \$199.8 million for the biennium above approved 1999-2001 budget levels.

The two main 2001-2003 revenue

sources for Wisconsin's Transportation Fund are state motor fuel taxes which comprise 63.7% (\$1,739.0 million) and vehicle registration fees at 28.7% (\$781.6 million). With state revenues relying so heavily upon the motor fuel tax, continued lower inflation rates (the factor the state's motor fuel tax rate is based upon) will limit 2001-2003 actual revenue levels.

The 2001-2003 budget does not include any major new revenue sources, thereby keeping Wisconsin's funding base extremely narrow. A \$2 fee increase for access to certain records is expected to result in added revenues of \$2.3 million in FY02 and \$4.6 million in FY03.

Federal funds: \$1,404.1 million

The federal piece of Wisconsin's transportation funding pie increased in the 2001-2003 budget to 30.5%, as compared to the 1999-01 adopted

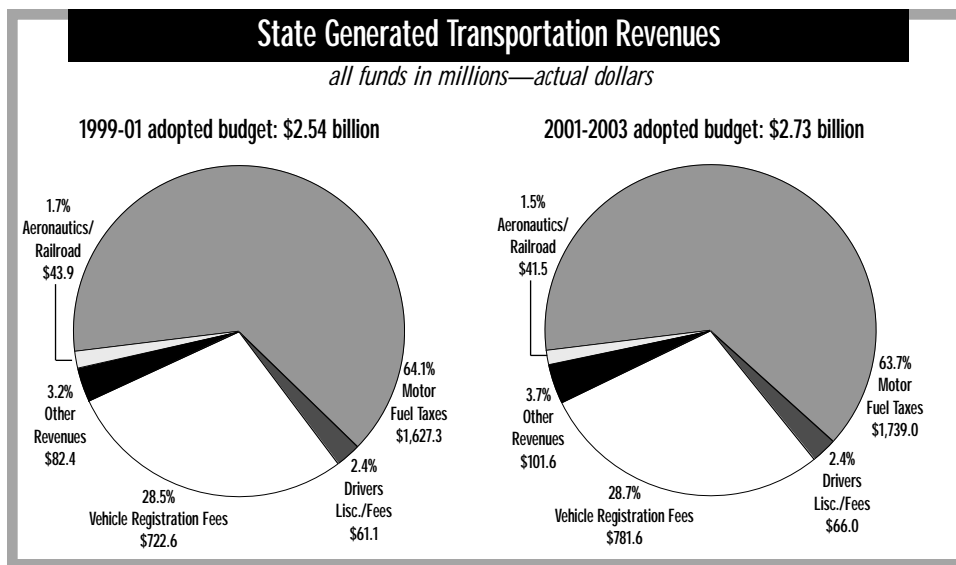
budget, where federal funds comprised 28.2% of the pie. This is due, in large part, to TEA-21, AIR-21, and revenue aligned budget authority (RABA).

Bond funds: \$277.6 million

WisDOT issues transportation revenue bonds to help fund the Major Highway Program and construction of administrative facilities.

Other funds: \$153.1 million

This category includes revenues from local governments, which pay a portion (usually 10-25%) of the costs for most local transportation projects. Local governments also help fund locally important features on state projects.



Provisions which didn't make it...

We recognize that many TDA members have followed the evolution of the biennial budget from its initial introduction by WisDOT through the Governor's proposal, the Joint Finance Committee actions, the Assembly and Senate recommendations, the Conference Committee's version, and finally the Governor's vetoes. Thus we include this brief overview of some elements that were in the budget proposals at some point, but which did not make it into the final budget.

This is, by no means, a complete list of all transportation items that were ever part of the budget. A great many individual proposals were very local in nature, for example: a specific stop-light, highway sign, or sound wall; localized speed limits, etc. In addition, we will not attempt to follow the fluctuating proposals for individual projects as they moved through the various budget stages. For more information on any particular budget items, whether included in this Summary or not, please do not hesitate to contact the TDA office at (608)256-7044 for assistance finding what you need.

Multimodal Transportation Studies.

A \$100,000 increase in this category was requested to implement a transportation corridor planning program for addressing multi-jurisdictional land use issues related to improvement projects. This statutory modification recognized that transportation corridor-based planning is needed in addition to local comprehensive planning.

These plans were to be used by WisDOT, local units of government, Regional Planning Commissions and the general public to better evaluate the relationship between land use and transportation across jurisdictional boundaries.

Required WisDOT Reports.

This initiative would have required several specific reports from WisDOT: a biennial report showing, in constant dollars, transportation revenues and project funding in all programs for at least fifteen preceding years; an annual report on construction schedules and funding for enumerated major highway projects; and a biennial status and condition report on state trunk highways.

Long-range Surface Transportation Investment Planning Committee.

This requirement would have called for creation of a committee to gather information relating to state and local needs for surface transportation planning. WisDOT is already completing twenty-year plans for all major modes of transportation in the state, and the proposed committee would have replicated these efforts and placed an unnecessary burden on department staff.

Study required for STH 11/USH 14 corridor between Janesville and I-43.

This provision would have required WisDOT to conduct a study of improvements to transportation capacity and safety in this corridor, setting aside the current procedure for

WisDOT to get approval from the TPC before conducting such assessments.

Transportation Fund Accounts.

This proposal would have created five accounts within the transportation fund, each with dedicated funding sources, as follows: *State & Local Highways Account, Aeronautics Account, Public Transportation Account, Multimodal Transportation Account, and Operations Account.*

Transfer of Sales Tax on Motor Vehicles to Transportation Fund.

This provision would have helped to address the shortfall in designated funding for needed transportation projects by a phased-in dedication of automotive-related sales tax revenues to the transportation fund. The measure would have transferred this revenue by ten-percent increments over ten years. In the first year, the sales tax was expected to generate about \$65 million additional for the transportation fund, and by the tenth year, about \$839 million. Although this measure was not included in the final budget, it has been introduced as AB-490.

USH 10 Project Completion Deadline.

This provision would have required WisDOT to complete any major highway development project involving USH 10 from Marshfield to Stevens Point by December 31, 2010.

Highway Corridor Planning Grant Program.

This new initiative would have provided up to \$500,000 annually for

grants to local governments for highway corridor planning activities.

Passenger Rail Restrictions.

This provision would have prohibited the use of bond proceeds authorized for passenger rail improvements unless state funds are limited to 20% of the project's cost, and unless Amtrak or another railroad has agreed to provide passenger rail service along the specific route. However, the requirement for Joint Finance Committee approval of such usage was maintained.

Transportation Planning Grants.

In the 1999-01 budget, one million dollars was transferred from this cate-

gory to the Wisconsin Department of Administration. The grant program provides grants to local governments for planning activities related to the transportation element of comprehensive land-use plans. In the 2001-2003 budget, WisDOT proposed that they administer this transportation-related grant program, but that change was not made.

Intercity Bus Initiative.

\$2.6 million in state funds was requested to restore intercity bus service on four Wisconsin routes. The program would pilot the resurrection of abandoned bus routes that connect cities with college campuses, a prime

intercity bus market, and would serve the elderly and disabled, college students, those with limited incomes, those without access to an automobile, and those unable to drive long distances.

Local Transportation Facilities Improvement Program.

WisDOT proposed merging "Local Highway & Bridge Improvement Assistance" and "Local Transportation Facility Improvement Assistance" into a new single program, in order to have the flexibility to shift overall resources to where they are most needed, and to be able to use all of the funds available.

**Notes and Definitions:**

SEG: Money from a segregated fund (i.e. the state transportation fund), as opposed to the state general fund.

SEG-L: Local dollars that go into the segregated funds (in this report, the transportation fund).

FED: Federal funds. For the purpose of this report, all federal funds are estimates. Federal funds estimates for 2002 are based on the current federal appropriations bill, which has not yet been approved, and estimates for 2003 are based on FHWA/WisDOT projections.

CY: Calendar year (January 1 through December 31).

FY: For the purpose of this report, the abbreviation FY refers to State Fiscal Year, which runs from July 1 through June 30.

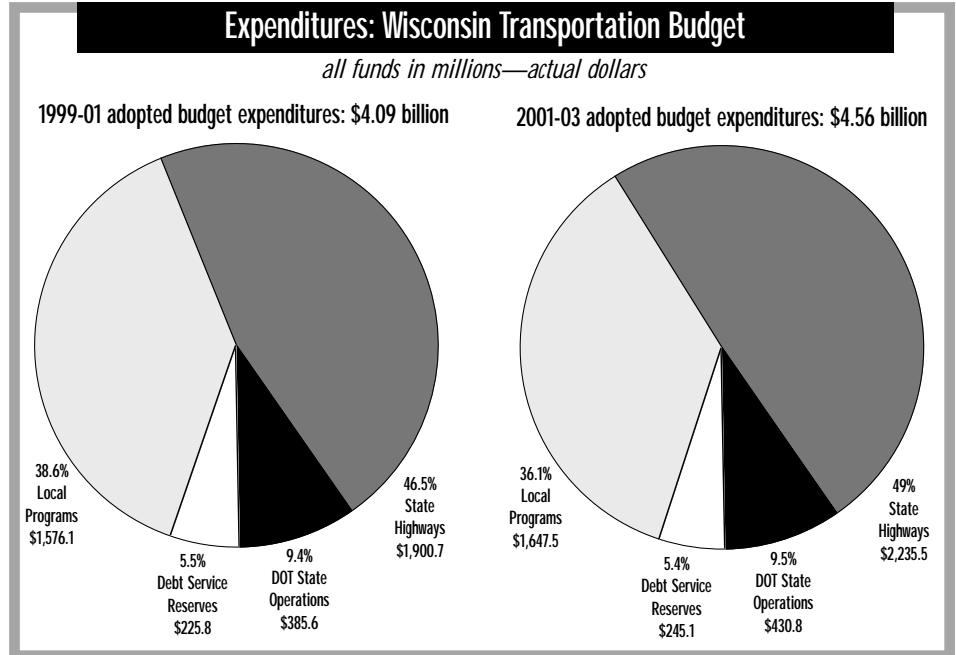
FFY: Federal Fiscal Year, which runs from October 1 through September 30.

STH: State trunk highway.

2001-2003 Transportation Expenditures

Transportation spending in Wisconsin over the 2001-2003 biennium will total \$4.56 billion. Overall, there were no big winners or losers among the modal elements of the transportation program; most programs received increases at or near the level of inflation. As the graphs to the right show, the spending proportions closely reflect the 1999-2001 adopted budget.

The budget does include new appropriations specific to reconstruction of the southeast Wisconsin freeway system, including the Marquette Interchange. See below for specific information on this and other changes to the modal elements of the budget.



Expenditures: State Highway Program

Major Highways

Major Highways		
2001 Base:	\$220,155,000	Annual Change
2002 Budgeted:	\$231,927,400	5.3%
2003 Budgeted:	\$241,616,600	4.2%

A major highway project is statutorily defined as a project that has a total cost of more than \$5 million, and a) constructs a new route of 2.5 or more miles, or b) adds lanes to five or more miles of an existing highway, or c) converts an existing highway of ten or more miles to freeway standards.

The Major Highways component of the State Highway Program provides long-term solutions where there are serious safety, design, and/or capacity deficiencies on heavily traveled portions of the state trunk highway system. The program has three sources of funding: state, federal, and

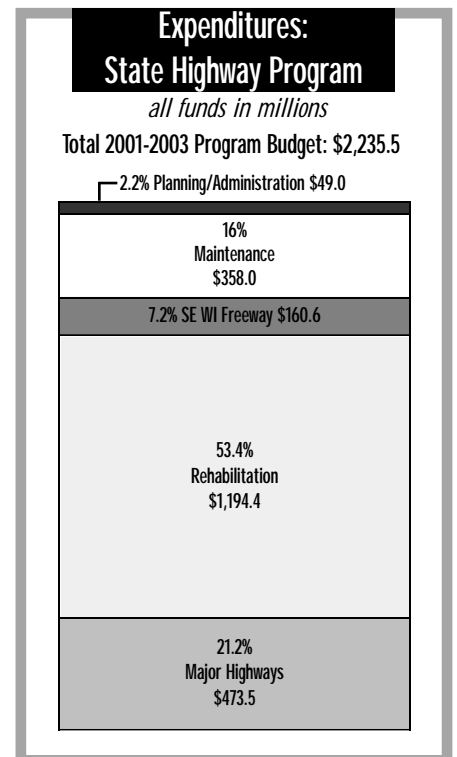
revenue bonds.

Funding increases. The 2001-2003 biennial budget provides increases of 5.3% in FY02 and 4.2% in FY03 for the Major Highway Program.

Bonding level. The biennial budget authorizes bonding to cover 54.8% of Major Highway Program funding in FY02, and 53.9% in FY03. This is a change from 54.5% in FY01.

Enumeration of Major Projects. As part of the biennial budget, three new major highway projects were enumerated by the Legislature: 1) STH 26 from Watertown to Janesville; 2) I 39/ USH 51 — Wausau Beltline; and 3) STH 17 relocation near Rhinelander.

Major highway projects are recommended to the Governor and Legislature for enumeration after they are evaluated and ranked by the Transportation Projects Commission



(TPC). The TPC may recommend projects only if construction on them can begin within six years. All three of the above-referenced projects were recommended by the TPC.

State Highway Rehabilitation

State Highway Rehabilitation		
2001 Base:	\$567,948,900	Annual Change
2002 Budgeted:	\$586,270,100	3.2%
2003 Budgeted:	\$608,124,700	3.7%

The STH Rehabilitation Program consists of four subprograms:

- Existing Highways (3-R: Resurfacing, Reconditioning, and Reconstruction)
- Pavement Replacements
- State Bridges
- Interstate System

The STH Rehabilitation Program is intended to protect the state's investment in its roadway and bridge systems. The program upgrades deteriorated systems and modernizes State Trunk Highways and bridges to meet current and projected travel needs. While the State Trunk Highway sys-

tem's 11,800 miles of road represents just 11 percent of Wisconsin's public roads and streets, the system carries 60 percent of all traffic.

The STH Rehabilitation process is detailed in WisDOT's Six-Year Highway Improvement Program, which is re-examined and updated every two years to reflect funding and priorities established in the state biennial budget. Inflationary adjustments are necessary to keep the program whole so that purchasing power is not eroded and projects can be completed as scheduled in the Six-Year Highway Improvement Program.

Ongoing STH Rehabilitation funding. The 2001-2003 biennial budget provides overall increases of 3.2% in FY02 and 3.7% in FY03 for the STH Rehabilitation Program. This includes:

- \$25 million in funding for the Park East Freeway removal in FY02.
- The one-time transfer of \$27 million SEG in FY02 into the Maintenance & Operations appropriation

to help with the transition to new Maintenance definitions. This transfer will not affect ongoing base funding for STH Rehabilitation, and the funding specifically covers newly defined Maintenance activities that were formally paid for out of the Rehabilitation program.

Park East Freeway Funding:

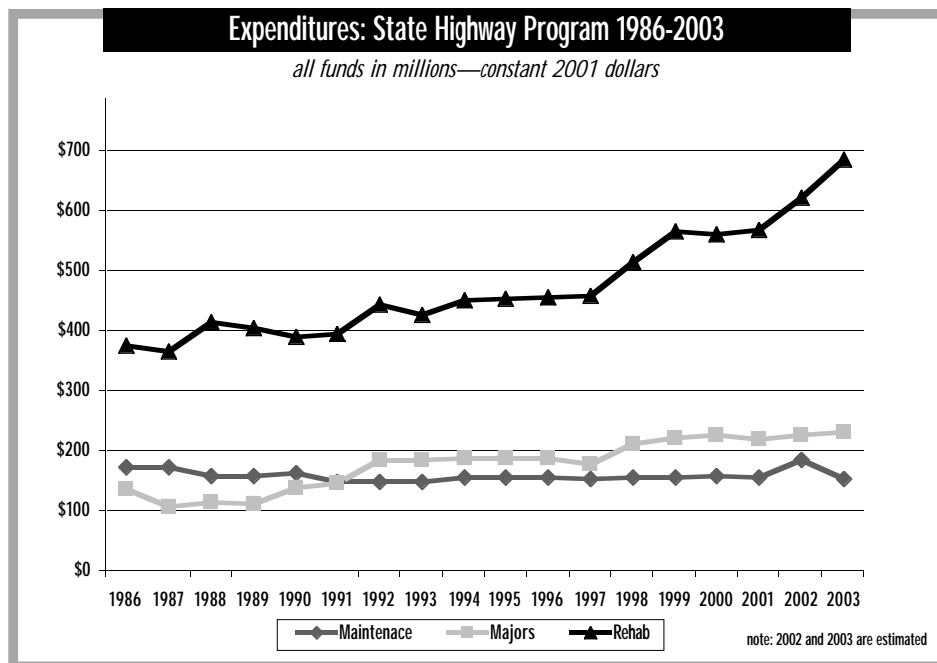
Funding was approved for the removal of the Park East Freeway spur in downtown Milwaukee. In April 1999, the City of Milwaukee, Milwaukee County, and the state committed to pursuing the termination of the Park East Freeway in a signed agreement relating to the allocation of \$241 million in Interstate Cost Estimate Substitution Project (ICE) funds. The project will cost a total of \$25 million in FY 2001. The state's share is limited to \$8 million, including any bridge costs. The balance of the project costs will be the responsibility of the City of Milwaukee.

The budget also allocates \$250,000 under the STH Rehabilitation Program for West Capitol Drive improvements, also known as the Capitol Court Project, in the City of Milwaukee.

New SE Wisconsin Freeway Appropriations

SE Wisconsin Freeway Reconstruction		
2001 Base:	0	Annual Change
2002 Budgeted:	\$52,325,400	N/A
2003 Budgeted:	\$108,318,500	107.0%

Due to the uniqueness and magnitude of needs associated with reconstruction of the Marquette Interchange and the southeastern Wisconsin freeway system, the budget reflects the recognized need for a long-term commitment to providing a dedicated source of funding. This was accomplished by establishing new and





separate appropriations, which are funded in this biennial budget with state and federal funds, above and beyond the appropriations for the regular State Highway Programs or any other transportation program.

Updated forecasts for federal and state transportation revenues became available during the budget process. The legislature directed the use of this money to begin funding the SE Wisconsin freeway reconstruction, including the Marquette Interchange. Excluding the one-time federal Interstate Cost Estimate (ICE) funds, the new base level of funding for the SE Wisconsin freeway reconstruction is \$45.9 million annually.

The appropriation for SE Wisconsin freeways includes \$12.7 million in FY02 and \$62.4 million in remaining one-time ICE funds allocated to the Marquette Interchange project as a result of the April 1999 agreement. \$39.6 million is provided in FY02 from new state revenues and new federal formula funds; another \$45.9 million is allocated in FY03.

These appropriations will be funding sources for improvement projects on freeways in the 7-county SEWRPC region. The budget breaks out all SE freeway system work, from interim repairs up to and including complete reconstruction. In order to fund interim repairs or to meet Marquette Interchange project deadlines, WisDOT may use funds on the Marquette Interchange that would otherwise be used for other SE Wisconsin freeway reconstruction projects, as long as reductions are made in subsequent allocations for the Marquette Interchange itself.

A provision that would have limited the source of funds for the SE free-

ways to this new appropriation was deleted from the budget. This eliminated restriction on funding sources means that the STH Rehabilitation appropriation could also be used; a proposed funding cap for future years was also eliminated.

Marquette Interchange preliminary work. Most SE freeway funding in this biennium will go to planning and engineering work on the Marquette Interchange. Actual construction will begin in FY04, provided that additional funding is available.

The bulk of the funding for this preliminary work will be provided from federal ICE funds. Based on the previously discussed April 1999 agreement, a total of \$75.2 million in ICE dollars will be allocated to the rebuilding of the Marquette Interchange. Under federal guidelines, use of ICE funds requires a 15 percent match; WisDOT will pay this match for the Marquette Interchange project as per the April 1999 agreement.

At one point in the process, a provision was placed in the budget that would have required that construction work on the Marquette Interchange be performed on a 24-hour basis; this provision was deleted from the final budget. A provision that would have required the reconstruction of the Marquette Interchange to address needed capacity projections was also deleted before the final budget was signed.

West Canal Street Extension. The budget provides a \$10 million grant for the reconstruction and extension of West Canal Street, which will help address traffic mitigation needs during the Marquette Interchange reconstruction and serve as a catalyst for redevelopment of the area. \$5 million

comes from the amount provided for the Marquette Interchange, \$2.5 million will be allocated from Indian gaming revenues, and an additional \$2.5 million from the Local Road Improvement Program. In order to receive the grant, the City of Milwaukee must contribute a matching \$10 million for the project.

State Highway Maintenance and Traffic Operations

STH Maintenance/Traffic Operations		
2001 Base:	\$157,511,800	Annual Change
2002 Budgeted:	\$192,954,900	22.5%
2003 Budgeted:	\$165,007,000	-14.5%

State Highway Maintenance and Traffic Operations services are performed primarily under contract by Wisconsin's 72 counties. The services encompass numerous activities important to the safety and convenience of drivers, including snowplowing, bridge inspections, maintenance on such items as signs, reflectors, traffic signals, and rest areas, along with other routine preventative work.

The 2001-03 biennial budget provides increases in state funding of \$34.2 million SEG in FY02 and \$6.3 million SEG for FY 03 for State Highway Maintenance and Traffic Operations. These increases include:

- inflation increases of 2.7% in FY02 and 1.8% in FY03,
- a one-time addition in FY02 of \$3.5 million to purchase a new salt reserve,
- and a one-time addition of \$27 million in FY02 to incorporate new Maintenance definitional changes.

The overall net increase in the base fund for STH Maintenance and Traffic Operations is \$7.5 million, or 4.8%.

Damage Claims. The budget creates an annual appropriation of \$1.85 million for damage claims to account for expenses related to repair of damages to signs and structures.

Funding adjustment for new ITS Definitional Changes to Highway Improvements. The budget provides a statutory definition for intelligent transportation systems (ITS): *a specialized computer system or other electronic, information processing, communication or technical system, including roadway detector loops, closed circuit TV, permanent variable message signs or ramp meters that are used to improve the efficiency or safety of a surface transportation system.*

The budget specifies that installation, maintenance, rehabilitation, or replacement of ITS systems, traffic signals, street lighting, and pavement markings must now be funded by the STH Maintenance program, unless the activities are incidental to the improvement of existing state trunk and connecting highways

Although the state has undertaken a considerable number of ITS activities in the past, they have previously been funded by the State Highway Rehabilitation program. The budget provides a one-time supplement to Maintenance of \$27 million in FY02 to be transferred from the Rehabilitation appropriation, in order to help incorporate these new activities.

In addition, WisDOT has the discretion to request up to \$10 million SEG in FY03, if it is needed to cover activities related to this definition change. Such additional funding must be subject to the approval of the Joint Finance Committee. The budget also now specifies that WisDOT may contract with a private entity, for certain activities, in addition to county or

municipal governments for performance of Maintenance activities. This measure does not change the historic role the counties have played in general STH Maintenance.

State Highway Administration and Planning

STH Administration and Planning		
2001 Base:	\$26,215,400	Annual Change
2002 Budgeted:	\$24,484,600	-6.6%
2003 Budgeted:	\$24,484,600	0.0%

This appropriation accommodates the personnel and associated costs necessary to administer the state's STH Program. A combination of state and federal funding comprises this category.

Although the 2001-03 biennial budget approves the levels requested by WisDOT for this appropriation, these numbers are likely to change. The Administration and Planning budget is targeted for reduction, subject to review by the Joint Finance Committee, to provide funds for WisDOT's share of the mandated General Fund Lapse (see page 2).



Expenditures: Local Transportation Capital Assistance

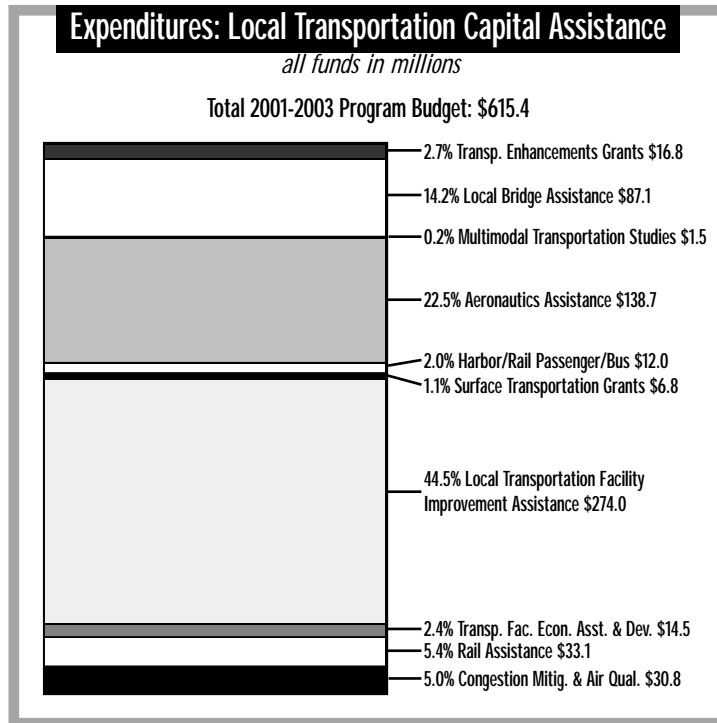
Local Road and Bridge Program

Local Road and Bridge Program		
2001 Base:	\$176,292,000	Annual Change
2002 Budgeted:	\$179,594,000	1.9%
2003 Budgeted:	\$181,512,400	1.1%
(includes Local Bridge Assistance and Local Trans. Fac. Impr.)		

The Local Road and Bridge Program comprises the largest share of transportation capital assistance programs. It contains two separate funding components, 1) Highway and Local Bridge Improvement Assistance and 2) Local Transportation Facility Improvement Assistance.

Local Road Improvement Program (LRIP). The LRIP program, a component of the Local Transportation Facility Improvement Assistance Program, addresses long-lasting infrastructure improvements to local roads and streets (county, town, and municipal). The budget allocated increases of \$1.7 million SEG and SEG-L in FY02, and \$2.6 million SEG and SEG-L in FY03. These totals include 6% annual increases for the basic LRIP allocation, as well as increases of \$750,000 annually for the discretionary allocation, to be divided evenly between town road, municipal street, and county highway discretionary programs.

In addition, the budget revises the amounts WisDOT is required to set aside for discretionary projects as follows: (a) \$1 million annually for the municipal street discretionary improvement program (was \$750,000), (b) \$750,000 annually for the town road discretionary improvement program (was \$500,000), and (c) \$5.25 million annually for the county highway discretionary improvement program (was \$5 million).



Rail Assistance

Rail Assistance		
2001 Base:	\$15,819,900	Annual Change
2002 Budgeted:	\$16,308,600	3.1%
2003 Budgeted:	\$16,808,600	3.1%

WisDOT is continuing programs aimed at preserving rail service which might otherwise be abandoned, providing financial assistance to freight rail service providers, and preserving selected abandoned rail corridors for future public purposes. Overall, the budget provides 3.1% increases in FY02 and FY03 for Rail Assistance.

Freight rail infrastructure loans. This program offers low or no-interest loans for a variety of capital improvement projects to improve freight rail infrastructure. The proceeds from repaid loans are available for reinvestment in the program as a revolving fund. A program level of \$11.1 million has been maintained for the past six years. By replacing state

funds with repaid loans, the program funding level remains constant: for FY02, a reduction of \$500,000 SEG is replaced by an increase of \$500,000 SEG-L, and in FY03 a reduction of \$1 million SEG is replaced by an increase of \$1 million SEG-L.

Freight Rail Service Preservation Program. This program helps continue freight rail service by assisting in the public acquisition and rehabilitation of rail lines and by acquiring abandoned railroad corridors that have the potential for future transportation or recreational uses. The budget allocated \$4.5 million in new bonding authority for this program, the same level provided in the last two biennia. Specifically, these will be General Obligation bonds, with a specific transportation fund appropriation to pay the debt service on these as well as for the bonding in the Harbor Assistance Program (see below).

Railroad crossing protection. The

budget increases state funding for the improvement and installation of rail-road crossing protection from \$700,000 annually to \$1.2 million for FY02 and \$1.7 million for FY03. Significant increases in rail traffic volumes, increased train speeds, increased highway traffic and increased commercial and residential construction in rural areas have resulted in additional exposures at highway/rail grade crossings. These trends are expected to increase, and public awareness of safety concerns at highway/rail grade crossings is growing. Thus, demand for the installation of additional warning devices is strong, and the increased funding will allow improvements to be made to more crossings in a shorter period of time.

Harbor/Rail Passenger/Bus

Harbor/Rail Passenger/Bus		
2001 Base:	\$6,175,600	Annual Change
2002 Budgeted:	\$5,949,300	-3.7%
2003 Budgeted:	\$6,065,200	1.9%

Passenger Rail Funding.

WisDOT, in cooperation with the Illinois DOT, is in the first year of a three-year contract with Amtrak to provide rail passenger service (the *Hiawatha* between Milwaukee and Chicago). The new contract was negotiated at a more favorable rate for Wisconsin, reducing the overall cost for the state to provide the service. However, the state is now eligible for less federal funding in FY 2003 (80% federal, 20% state) than in FY 2002 (90% federal, 10% state).

The budget's provisions reflect the new contract: WisDOT receives a reduction of \$22,400 SEG and \$201,500 SEG-F in FY02, and an increase of \$386,800 SEG and a

reduction of \$494,800 SEG-F in FY03. The additional SEG funds are needed in FY03 because the service will not be eligible for as much federal funding.

Provisions for Light Rail Transit Systems. The prohibition on the use of state or federal Interstate Cost Estimate (ICE) funds for the construction of light rail transit systems was extended to June 30, 2002. In addition, construction of a light rail system is prohibited in Milwaukee County unless a resolution is ratified by a referendum during the next general election.

Harbor Assistance. The Harbor Assistance Program provides financial assistance to harbor communities for dock surfacing and reinforcing, repairing or replacing mooring structures, and other improvements that maintain or improve waterborne commerce. The budget includes \$3 million in general obligation bonding and \$1.2 million in state funds to maintain the program at the same funding level as the past two biennia. In addition, the budget amends the administrative rule for harbor assistance to include harbor facilities used by ferries or cruise ships.

Aeronautics Assistance

Aeronautics Assistance		
2001 Base:	\$69,393,100	Annual Change
2002 Budgeted:	\$69,335,900	-0.1%
2003 Budgeted:	\$69,335,900	0.0%

Aeronautics Program funding is used for runway construction, pavement rehabilitation, land acquisition and the installation of navigational aids and lighting systems. The 2001-03 biennial budget provides an ad valorem tax exemption for air carriers

that operate a hub facility in Wisconsin, effective January 1, 2001. Two airlines meet the definition of a hub facility and therefore qualify for the exemption: Air Wisconsin and Midwest Express.

Effects of the provision include the following:

- Due to the exemption, transportation fund revenues are decreased by \$2.5 million each year.
- A new General-Purpose Revenue appropriation is created for the purpose of making a transfer to the transportation fund for aeronautics activities. Based on the total amount of the ad valorem tax that was paid by each exempt carrier in the most recent taxable year, this amount will be determined by July 1, 2004 and every July 1 thereafter.
- An Airport Financing Committee is created to study the financing of airport improvements in the state. The committee is required to report its findings and make recommendations by December 31, 2002.
- The concept of establishing a separate aviation account, which was included in earlier proposed legislation and supported by much of the aviation community, was not included in the budget.





Expenditures: Transportation Aids

General Transportation Aids

General Transportation Aids		
2001 Base:	\$348,521,000	Annual Change
2002 Budgeted:	\$353,757,200	1.5%
2003 Budgeted:	\$366,156,200	3.5%

General Transportation Aids (GTA) pay a portion of local governments' costs for activities such as road and street reconstruction, filling potholes, snow removal, grading shoulders, marking pavement, and repair of curbs and gutters. The budget provides increases for this program of 1.5% in FY02 and 3.5% in FY03.

Although GTA budget figures are established for the fiscal year (which runs from July 1 to June 30), actual fund distribution is based on the calendar year. Thus, for the first six months of each biennial budget, GTA payments are based upon figures established by the Legislature for the previous biennium.

Thus, the 2001-03 biennial budget increases for GTA provide calendar year increases of 3.0% for CY02 and 4.0% for CY03. These increases will provide a total of \$86.6 million in CY02 and \$90 million in CY03 for aids to counties, and \$272.4 million in CY02 and \$283.3 million in CY03 for aids to municipalities. The rate-per-mile for mileage based aids payments increases from \$1,704 per mile to \$1,755 in CY02 and \$1,825 in CY03.

Transit Aids

Transit Aids		
2001 Base:	\$119,952,500	Annual Change
2002 Budgeted:	\$121,303,400	1.1%
2003 Budgeted:	\$124,156,500	2.4%

State transit aid is the largest source of funding for the operating costs of Wisconsin's public transit systems.

State aid recipients include approximately 25 local bus systems and 40 shared-ride taxi systems. In addition, the budget for Transportation Employment Mobility Aids (formerly known as Demand Management) is also part of the Transit program.

Mass Transit Operating Assistance. Transit aid is provided in four separate appropriations: Tier A-1 (Milwaukee), Tier A-2 (Madison), Tier B (medium-sized cities and municipalities), and Tier C (areas with populations under 50,000).

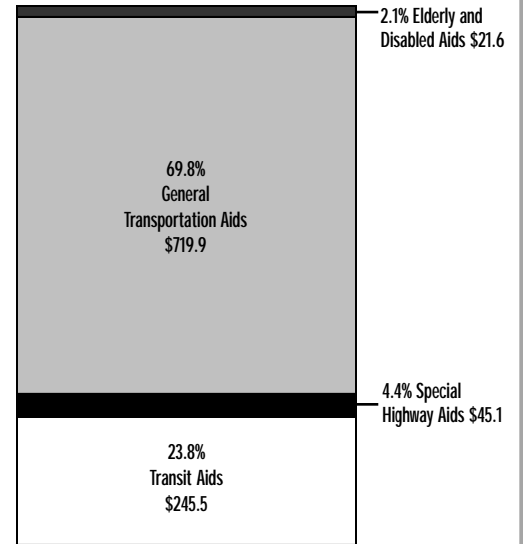
The budget provides increases in state funding of \$930,200 SEG in FY02 and \$4.2 million in SEG in FY03. As mentioned above with regard to GTA fund distribution, although the budget figures are established for the fiscal year (which runs from July 1 to June 30), actual fund distribution is based on the calendar year. Transit Operating Assistance payments are made quarterly, with funding for the new biennium retroactive to April 1, 2001. The 2001-03 budget provisions result in program increases of 4.0% for CY02 and 2.0% for CY03.

Operating assistance formula change. The budget changes the formula for distributing Urban Mass Transit Operating Assistance, returning to the method of formula distribution used in the 1997-1999 biennial budget. The 1999-2001 biennial budget made substantial changes to the state aid formula, which inadvertently resulted in funding problems for many of the state's mass transit systems. The new method caused funding to be less stable and predictable than the previous method. The 2001-

Expenditures: Transportation Aids

all funds in millions

Total 2001-2003 Program Budget: \$1,032.1



03 biennial budget reverts to the prior years' formulas.

Transportation Employment and Mobility Program (formerly Demand Management and Ride-sharing Program). The budget renames the Demand Management and Ride-Sharing Program; it also includes a new initiative to provide \$420,700 for Kenosha County to secure federal congestion mitigation and air quality funds for a transit parking facility in the City of Kenosha. Release of the funding is contingent upon an equal amount of local monies being provided.

Elderly and Disabled Aids

Elderly and Disabled Aids		
2001 Base:	\$10,469,000	Annual Change
2002 Budgeted:	\$10,694,800	2.2%
2003 Budgeted:	\$10,952,500	2.4%

WisDOT administers two programs to assist elderly and disabled residents meet their mobility needs: an aid pro-

gram that provides assistance to counties to provide and/or operate transportation services for these citizens based on eligible population, and a capital grant program that helps non-profit organizations and local governments purchase vehicles to provide these services.

E&D County Aids. The budget increases funding \$483,500 over the biennium, providing a 2.7% increase in Elderly and Disabled Transportation Aid to Counties in FY02, and 3.0% in FY03.

E&D Capital Grants. Federal funding increases in the capital grant program are projected to be 8% per year over the biennium.

Transportation Facilities Economic Assistance (TEA) Program

This program provides funding for time-sensitive transportation improvement projects and those that increase jobs in Wisconsin. Local governments apply for the grants in cooperation with private businesses.

The budget provides additional funding for the TEA Grant Program to target economic development in rural areas of the state. The increases are \$125,000 SEG and SEG-L annually, to provide total funding of \$7.25 million in SEG and SEG-L for FY02 and FY03, with half of that total being state funding.

A provision which arose in the budget process that would have specified that a portion of TEA funds be used for loans instead of grants was not included as part of the final budget.

Special Highway Aids

Special Highway Aids		
2001 Base:	\$17,921,000	Annual Change
2002 Budgeted:	\$27,098,500	51.2%
2003 Budgeted:	\$18,011,000	-33.5%

This budget item funds a variety of local road aids.

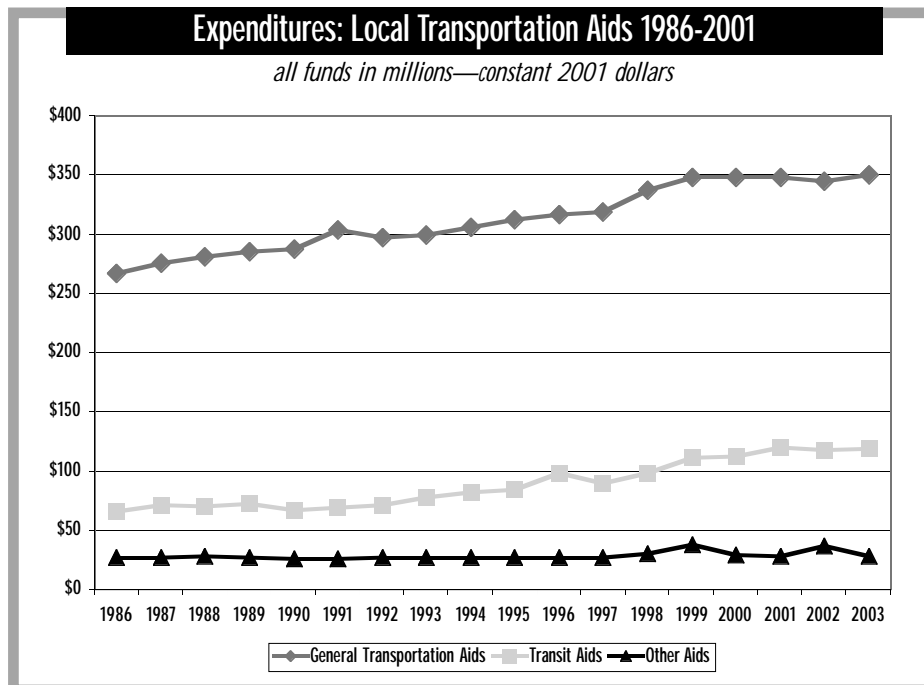
Grants to Local Professional Football Stadium Districts. The budget created a new SEG appropriation and supporting statutory language to provide grants to Local Professional

Football Stadium Districts. It allocated funding of \$9.1 million SEG in FY02 as a one-time grant for transportation-related infrastructure costs related to the renovation of Lambeau Field.

Lift Bridge Aids. Lift Bridge Aids reimburse the Cities of Milwaukee, Racine, Green Bay, Manitowoc and Two Rivers for costs associated with the operation and maintenance of ten lift bridges on connecting highways. Lift Bridge Aids are intended to reimburse local governments for their actual total annual expenditures. The budget increases state funding for Lift Bridge Aids from \$1.4 million annually to \$1,502,500 for FY02 and \$1,515,000 for FY03.

Other covered areas are broken out as follows (biennial totals in millions):

- Connecting Highway Aids: \$12.9**
- County Forest Road Aids: \$0.3**
- Flood Damage Aids: \$0.6**
- Expressway Policing Aids: \$1.0**
- Highway Safety, Local Assistance and Federal Funds: \$1.7**



TDA perspectives on 2001-2003 biennial budget...

The 2001-2003 budget could be viewed with mixed emotions

by Philip J. Scherer, Executive Director

Given the environment in which the transportation budget was crafted, it would be hard to say that it was not 'acceptable'. WisDOT, the Governor's office, and our state legislators cannot operate in a vacuum. Along with all of us, they are well aware that our economy is far from robust. Throughout the budget process, they were faced with the fact that the state anticipates a structural deficit for the 2001-03 biennium. That is, expected revenues will not be sufficient to maintain current programs at current levels. Translated, it is similar to having anticipated bills for the next two years that exceed your net household income. As a result, many state programs are actually facing funding cuts or at least a freeze in their overall budget.

Transportation is somewhat unique in that, for the most part, it is a segregated fund with dedicated sources of user-fee revenues and federal funds. As a result, most programs will increase at or near the anticipated level of inflation. Without the inflationary adjustment in the state motor fuel taxes due to indexing, and federal funding increases above the rate of inflation, most elements of the transportation budget would have been frozen at last year's levels and gone down in actual buying power.

However, given the fact that much

of the system is showing signs of age, and that demands on the system are growing exponentially, the increases fall far short of what is actually needed.

Specific funding for SE WI Freeway reconstruction a positive step

Thanks to a lot of hard work by a broad cross-section of transportation stakeholders, most decision makers are becoming acutely aware of the state's current and looming transportation needs — especially as they relate to the southeastern Wisconsin freeway system. That was very apparent from the Governor and Legislature's willingness to begin steps that will help fund needed improvements to that system.

Specifically, the budget establishes special funding to begin addressing those needs without impacting most other elements of the budget. This was only possible, however, because of significant increases in federal funding, some of which have been available for a number of years. A required agreement between the federal highway administration, the City of Milwaukee and the Governor's office on how to spend what are known as Interstate Cost Estimate (ICE) funds will allow for improvements to the freeway and transit systems serving Metropolitan Milwaukee.

Significant needs still exist

Although the 2001-03 budget is a realistic budget given the circumstances, it will fall far short of meeting documented needs. It is not unrealistic to place the state's shortfall in the range of \$500 million a year. The fact that WisDOT, the Governor, and the Legislature have recognized the need to fund the upgrade of the southeastern portion of the state's infrastructure system is a very positive step. However, the additional federal funding which made that possible does not exist for needs statewide.

Throughout the evolution of the 2001-03 budget, and in fact, throughout development of 1999-01 budget process, the transportation and business communities have shown restraint and have, in essence, gone along with the unwillingness to consider meaningful changes to Wisconsin's narrow revenue base. Despite living with the backlog of documented needs, most transportation stakeholders recognized all too well the impact of our nation's and state's economy on the budget process.

That's why most were understanding when, as WisDOT Secretary Mulcahy submitted his recommended budget to the Governor in September of 2000, he was up front in saying, "Our agency has prepared a workable plan within the constraints of the rev-

enue available". That is also why transportation stakeholders were not strongly critical as the budget worked its way through the Governor's office, the Joint Finance Committee, the Senate and Assembly, the Conference Committee and eventually back to the Governor's office for vetoes. It is a workable budget, given our overall fiscal challenges.

Long-term, however, our transportation needs must be squarely addressed. Status quo or workable budgets will not do the job for an extended period of time. The demands and expectations we place on virtually every segment of our transportation system continue to grow.

Part of the challenge is that we cannot continue to assume that Uncle Sam will bail us out. For a number of reasons, the increases experienced over the last six years will be impossible to replicate. In fact, it will be difficult to maintain federal funding at its current level.

Where do we go from here?

Clearly the time of reckoning is upon us – not two, four, or six years into the future. Over the last four years, TDA members and other leaders in the transportation community have talked about the need to lay the groundwork for meaningful improvements in how we fund transportation

in Wisconsin. The establishment of a dedicated funding category to help address the unique needs of the Southeast Wisconsin Freeway System is a positive step in that direction. But it is only that — one step in a long journey. Our mobility needs extend well beyond the freeways, and well beyond that portion of the state. From here on, the path gets steeper, and the needs are more comprehensive.

Even though the ink is barely dry on the Governor's signature, it is already time to begin looking ahead to the 2003-2005 budget, and working toward change. Every element of our transportation system and every corner of the state is in need of increased funding, and every transportation stakeholder has a responsibility to help in that effort. This must be that last in the series of basically status quo budgets.

The concern for the overall state of our economy is a justifiable one. One way to help climb out of that dilemma is through the development and maintenance of a responsive transportation system. If we meet the mobility needs of our tourism industry, our recreational industry, our agricultural community, our manufacturing industry, and our commercial sector, allowing them to be competitive in national and global markets, our economy will prosper and grow. As that happens,

revenues into our state's general fund in the form of both sales and income taxes will increase accordingly.

A logical first step

With unfunded needs in the range of \$500 million a year, tweaking the state's usual go-to revenue sources — motor fuel tax, vehicle registration fees and bonding — will not provide the needed dollars. Clearly, Wisconsin is going to have to do what virtually every other state in the nation has done. That is, broaden the revenue base it uses to fund transportation. TDA, WisDOT, the Legislature's 1997 Transportation Finance Study Committee, along with others have already begun to outline some options. It is time to begin pursuing them seriously.



2001-2003 Transportation Budget: Totals for Biennium

All funds (state and federal)

	Base Year Doubled (FY 2001)	2001-2003 Budget	
		Dollars	% Change from BYD
Transportation Aids			
General Transportation Aids	697,042,000	719,913,400	3.3%
Transit Aids	239,905,000	245,459,900	2.3%
Elderly and Disabled Aids	20,938,000	21,647,300	3.4%
Special Highway Aids	35,842,000	45,109,500	25.9%
Total Transportation Aids	993,727,000	1,032,130,100	3.9%
Local Transportation Capital Assistance			
Local Trans. Fac. Impr. Assist.	265,478,200	274,016,200	3.2%
Local Bridge Assistance	87,105,800	87,090,200	0.0%
Rail Assistance	31,639,800	33,117,200	4.7%
Harbor/Rail Passenger/Bus	12,351,200	12,014,500	-2.7%
Aeronautics Assistance	138,786,200	138,671,800	-0.1%
Multimodal Transp. Studies	1,500,000	1,500,000	0.0%
Transp. Fac. Econ. Asst. & Dev.	14,000,000	14,500,000	3.6%
Surface Transportation Grants	6,800,000	6,800,000	0.0%
Congestion Mitig. & Air Qual.	31,246,400	30,825,700	-1.3%
Transp. Enhancements Grants	18,825,600	16,825,600	-10.6%
Total Loc. Trans. Cap. Asst.	607,733,200	615,361,200	1.3%
State Highways			
Major Highways	440,310,000	473,544,000	7.5%
Rehabilitation	1,135,897,800	1,194,394,800	5.1%
SE WI Freeway Reconstruction	0	160,643,900	100.0%
Maintenance	315,023,600	357,961,900	13.6%
Admin. & Planning, Hwys.	52,430,800	48,969,200	-6.6%
Total State Highways	1,943,662,200	2,235,513,800	15.0%
Other WisDOT Areas			
Total WisDOT Operations	406,355,600	430,275,400	5.9%
Total Debt Service/Reserves	256,827,200	245,069,100	-4.6%
Total Transportation Budget	4,208,305,200	4,558,349,600	8.3%

source: WisDOT

2001-2003 Transportation Budget: Totals by Fiscal Year

All funds (state and federal)

	FY 2001 (Base Year)	FY 2002 Budget		FY 2003 Budget	
		Dollars	% Change from BY	Dollars	% Change from FY02
Transportation Aids					
General Transportation Aids	348,521,000	353,757,200	1.5%	366,156,200	3.5%
Transit Aids	119,952,500	121,303,400	1.1%	124,156,500	2.4%
Elderly and Disabled Aids	10,469,000	10,694,800	2.2%	10,952,500	2.4%
Special Highway Aids	17,921,000	27,098,500	51.2%	18,011,000	-33.5%
Total Transportation Aids	496,863,500	512,853,900	3.2%	519,276,200	1.3%
Local Transportation Capital Assistance					
Local Trans. Fac. Impr. Assist.	132,739,100	136,048,900	2.5%	137,967,300	1.4%
Local Bridge Assistance	43,552,900	43,545,100	0.0%	43,545,100	0.0%
Rail Assistance	15,819,900	16,308,600	3.1%	16,808,600	3.1%
Harbor/Rail Passenger/Bus	6,175,600	5,949,300	-3.7%	6,065,200	1.9%
Aeronautics Assistance	69,393,100	69,335,900	-0.1%	69,335,900	0.0%
Multimodal Transp. Studies	750,000	750,000	0.0%	750,000	0.0%
Transp. Fac. Econ. Asst. & Dev.	7,000,000	7,250,000	3.6%	7,250,000	0.0%
Surface Transportation Grants	3,400,000	3,400,000	0.0%	3,400,000	0.0%
Congestion Mitig. & Air Qual.	15,623,200	15,202,500	-2.7%	15,623,200	2.8%
Transp. Enhancements Grants	9,412,800	8,412,800	-10.6%	8,412,800	0.0%
Total Loc. Trans. Cap. Asst.	303,866,600	306,203,100	0.8%	309,158,100	1.0%
State Highways					
Major Highways	220,155,000	231,927,400	5.3%	241,616,600	4.2%
Rehabilitation	567,948,900	586,270,100	3.2%	608,124,700	3.7%
SE WI Freeway Reconstruction	0	52,325,400	100.0%	108,318,500	107.0%
Maintenance	157,511,800	192,954,900	22.5%	165,007,000	-14.5%
Admin. & Planning, Hwys.	26,215,400	24,484,600	-6.6%	24,484,600	0.0%
Total State Highways	971,831,100	1,087,962,400	11.9%	1,147,551,400	5.5%
Other WisDOT Areas					
Total WisDOT Operations	203,177,800	213,498,700	5.1%	216,776,700	1.5%
Total Debt Service/Reserves	128,413,600	114,104,800	-11.1%	130,964,300	14.8%
Total Transportation Budget	2,104,152,600	2,234,622,900	6.2%	2,323,726,700	4.0%

source: WisDOT



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