



Summary and Analysis

**1999-2001
Transportation
Budget**

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Summary/Analysis
1999-2001 Transportation Budget

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Overview of 1999-2001 transportation budget

The gains included in the final product of the 1999-2001 budget process pale in comparison to the transportation funding accomplishments made in the 1997-1999 budget. The 1997-1999 budget included sizable transportation revenue increases. In light of the revenue increases in the last biennium, there was little interest among elected leaders to increase revenues this time around.

Growth in the transportation program over the 1999-2001 biennium only reflects inflationary increases, projected travel growth and increased federal funding resulting from TEA 21 (Transportation Efficiency Act for the 21st Century). This constrained the expenditure side of the budget to inflationary increases or less for most programs. As the last section in this budget analysis concludes, a generally status quo 1999-2001 budget puts pressure on for the 2001-2003 budget cycle, as a sizable gap begins to emerge between growing needs and continued revenue at 1999-2001 levels.

Recap of budget approval process for 1999-2001 bill

In an era where it seems like there is no such thing as a "typical transportation budget process," the 1999-2001 budget approval steps were marked by delays. The Wisconsin Department of Transportation (WisDOT) submitted the modal portions of its budget on December 11, 1998...three months after the completed budget is usually submitted. This allowed little time for stakeholder response before the Governor presented his overall biennial budget.

Governor Thompson then submitted his budget to the Legislature on February 16, 1999 only slightly after the typical January time frame.

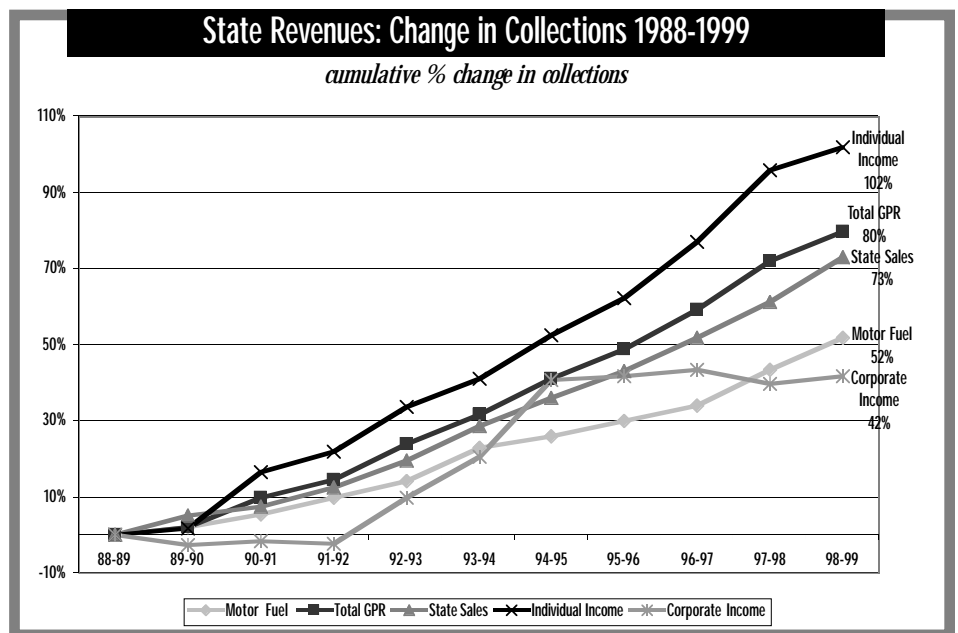
The Governor revised his transportation funding allocations in April of 1999 after learning of \$11.6 million in projected additional state revenues; he called for distribution of the funds primarily in the form of aids. WisDOT cited the reasons for these additional revenues as higher than anticipated motor fuel tax revenues in state fiscal year (SFY) 1999 (though expected to remain at that same level during SFY 2000 and 2001); dramatic growth in 1998 car and truck sales providing additional registration fee revenues; growth in property tax assessments for both the aeronautics and rail industries; and some additional investment earnings resulting from temporarily higher state fund balances due to the additional federal funds provided in TEA 21.

The Joint Finance Committee (JFC) then took up the budget, holding five statewide public hearings in March and April. During JFC deliberations on the transportation budget, the Legislative Fiscal Bureau recalculated the federal transportation revenues. This new estimate provided an additional \$25 million which the JFC incorporated into its calculations. The JFC approved its version of the budget in mid-June.

The budget was then forwarded to the Legislature, where the Assembly picked up the bill first. Here, several notable revisions were made such as introducing the concept of local segregated transportation accounts.

The Senate picked up the budget next, closely modeling their version after the JFC proposal, with larger increases in the Local Transportation Aids categories.

A Conference Committee of Assembly Republicans and Senate Democrats was then assembled to





hammer out an agreement on budget issues where there were differences between the two sides. There were 61 transportation-related discrepancies between the Senate and Assembly versions when the Conference Committee first convened in July. Negotiations were halted a few weeks later when the committee could not agree on what needed to be addressed first, tax cut or spending issues.

There was virtually no action on the budget for over two months until the Governor pressured both sides to resume talks. The Conference Committee completed its budget negotiations in early October and the bill was immediately passed in the Assembly and Senate. Nonetheless, this was well after most local governments had outlined their calendar year 2000 budgets.

After making 255 vetoes, including 20 in the transportation section of the budget, Governor Thompson signed the 1999-2001 state biennial budget into law on October 27, 1999.

TEA 21's impact

The passage of the Transportation Efficiency Act for the 21st Century

(TEA 21) has had a positive impact on transportation funding for the state. However, soon after TEA 21 was passed, some Wisconsin legislators floated plans to reduce the state's commitment to transportation...in essence, replacing state dollars with federal funds. Fortunately, these ideas did not gain a lot of support from the Governor's office or legislature as a whole.

By ensuring that funds in the Highway Trust Fund were spent on highways and transit, Wisconsin's federal revenue allocations experienced a significant increase (see graph below). The mechanism for adjusting allocations up or down depending on trust fund balances is known as Revenue Aligned Budget Authority (RABA); this dollars-in, dollars-out concept keeps transportation funding in line with travel and motor fuel consumption. This means when the economy does well, more products are shipped and personal travel increases; this also increases the revenues available to the trust fund.

So far, RABA adjustments have brought more transportation revenues

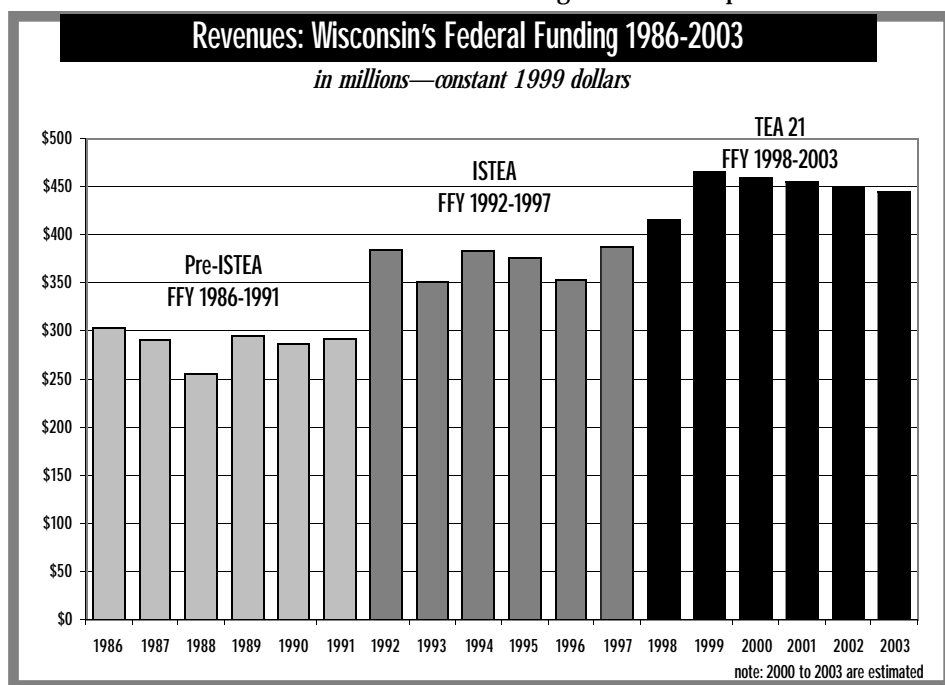
to Wisconsin than were originally authorized in TEA 21. However, this adjustable nature of TEA 21 also makes it difficult to predict future federal funds with accuracy. The future of RABA is somewhat uncertain, as the concept was undermined in the federal fiscal year 2000 appropriations process. Some RABA funds were spent outside of the structure designed in TEA 21 and many fear this has the potential to disrupt the carefully negotiated balances reached in TEA 21.

Role of federal funds in 1999-2001 budget process

When the Legislature was developing its 1997-99 biennial budget it was forced to estimate federal revenues for the next two years. Exact figures were unknown because in ISTEA (federal transportation authorization bill) was due for reauthorization during the biennium. They made a "best guess" estimate and included a provision in the 1997-1999 budget mandating that WisDOT return to the Joint Finance Committee with a recommended spending plan for additional federal funding, if it exceeded the Legislature's estimate by more than 5%.

TEA 21 funding levels exceeded that threshold, therefore a FY 1998 federal expenditure plan was submitted to JFC in July, 1998 and approved with little modification. A FY 1999 plan was approved by JFC on December 2, 1998. Both the FY 1998 and 1999 plans distributed the increased federal funds in basically the same manner as previous federal transportation funds.

The FY 1999 plan allocated \$127.1 million in highway federal-aid and \$11.3 million in non-highway federal aid. The FY 1999 plan established a new base that was used as the starting point for the entire 1999-2001 Biennial Budget. ♦



1999-2001 Transportation Revenues

The unpredictable nature of transportation funding is evident when reviewing the 1999-2001 budget evolution. WisDOT's original budget submission in December, 1998 estimated total revenues at \$4.02 billion, \$100 million less than the

transportation program is based primarily on inflation, travel growth and increased federal funding as a result of TEA 21. The 1999-2001 budget contains no increases in registration fees or motor fuel taxes.

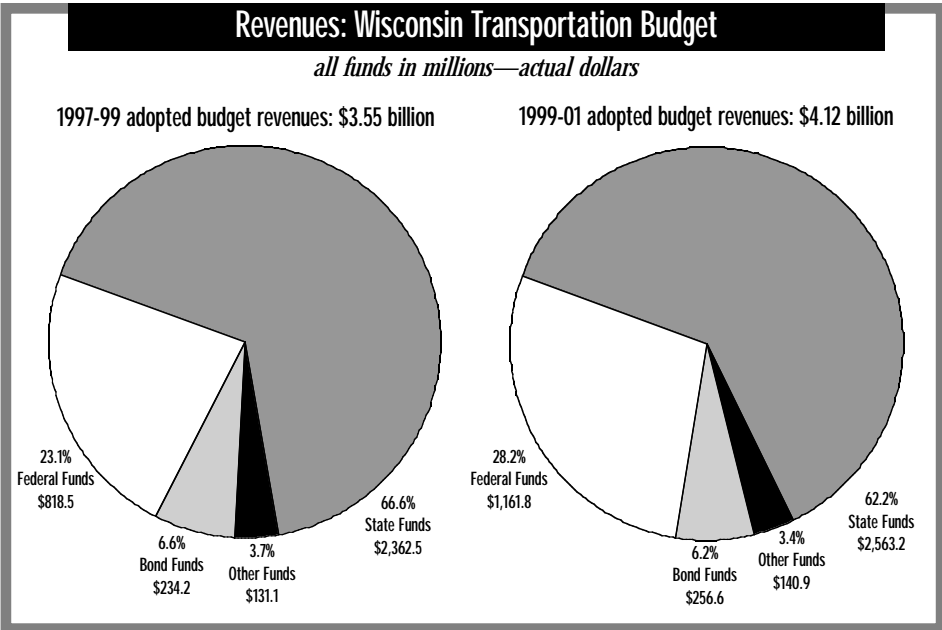
State funds: \$2,563.2 million

Revenues generated by the state are by far the largest portion of funding at 62.2%. However, state revenues play a smaller role in Wisconsin's overall funding picture than in the 1997-1999 budget when they accounted for 66.6% 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 on page 4). In the 1999-2001 budget, WisDOT does not request increases in registration fees or motor fuel taxes beyond those associated with indexing (inflation).

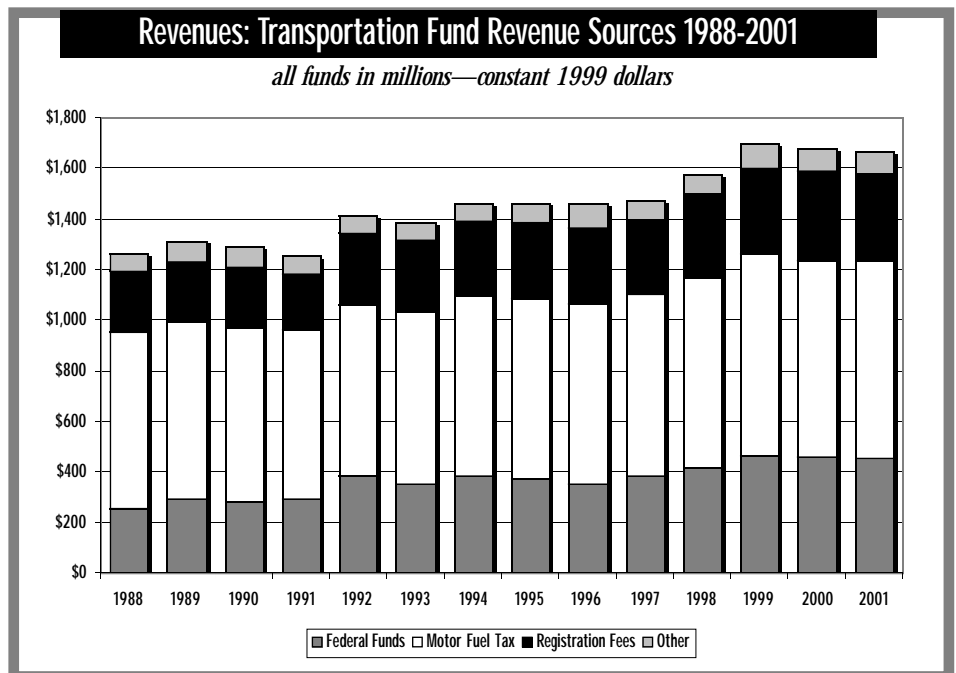
The 1999-2001 budget predicts growth in state-generated revenues of \$200.7 million for the biennium above approved 1997-1999 budget levels.

The two main 1999-2001 revenue sources for Wisconsin's



revenue projection of \$4.12 billion in the adopted 1999-2001 budget. The increase is a re-estimation of both state and federal funds. State fund projections for the biennium were increased in April, 1999 by \$11.6 million; the increase resulted primarily from higher than anticipated motor fuel tax and registration revenues. Federal funding projections increased \$80.3 million due to increased discretionary funds and increases in the Highway Trust Fund revenues, which is in turn redistributed to the states.

Revenue allocated to WisDOT programs is \$4.08 billion when allocations to other state agencies are removed. Growth in the



Transportation Fund are state motor fuel taxes which comprise 64.1% (\$1,627.3 million) and vehicle registration fees at 28.5% (\$722.6 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 1999-2001 actual revenue levels.

The 1999-2001 budget does not include any major new revenue sources thereby keeping Wisconsin's funding base extremely narrow.

Federal funds: \$1,161.8 million

The federal piece of Wisconsin's transportation funding pie increased in the 1999-2001 budget by 5.1% over the 1997-99 adopted budget. This is due, in large part, to the enactment of the Transportation Efficiency Act for the 21st Century (TEA 21). The actual federal figures for 1997-99 biennium came in at \$932.9 million.

TEA 21 only provides for surface transportation funding and programs like CMAQ and Transportation Enhancements. Federal funding for airport improvements is provided through the Airport Improvement

Program, currently going through the reauthorization process.

Bond funds: \$256.6 million

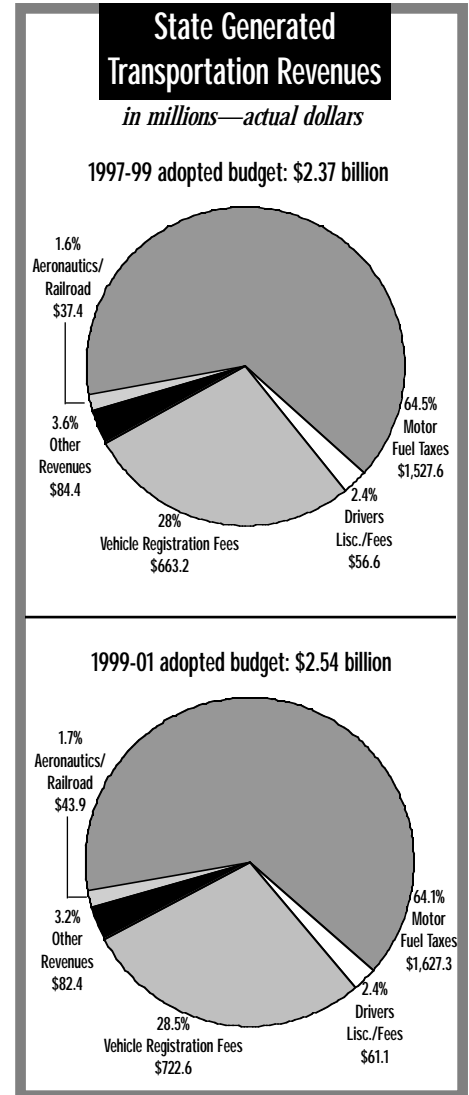
WisDOT issues transportation revenue bonds to help fund the Major Highway Program and construction of administrative facilities.

Other funds: \$140.9 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.



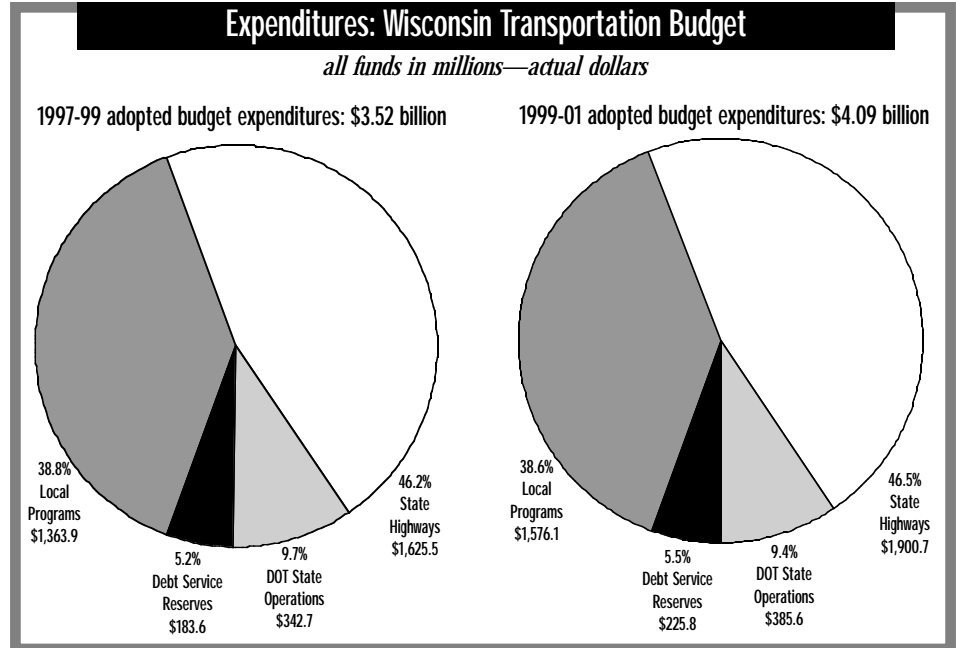
WisDOT Revenues to Other Agencies	
1997-1999 Biennial Budget	
Total Budget	3,546.3 million
Other Agencies	-30.6 million
WisDOT Allocation	\$3,515.7 million
1999-2001 Biennial Budget	
Total Budget	4,122.5 million
Other Agencies	-34.3 million
WisDOT Allocation	\$4,088.2 million



1999-2001 Transportation Expenditures

Transportation spending in Wisconsin over the 1999-2001 biennium will total \$4.09 billion. Overall, there were no big winners or losers among the modal elements of the transportation program; most programs received inflationary increases or less. As the graphs to the right show, the spending proportions closely reflect the 1997-1999 adopted budget.

Much more so than in previous budgets, the spending increases in this budget are often "front-end loaded." This means that the largest spending increases occur in the first year of the biennium, with amounts either staying flat or being reduced in the second year.



Expenditures: State Highway Program

Major Highways		
1999 Base:	\$192,820,400	Annual Change
Federal Plan	\$14,685,000	
2000 Budgeted:	\$219,504,400	5.8%
2001 Budgeted:	\$220,013,900	0.2%

Major Highways

The Major Highways component of the program handles the development or reconstruction of a highway. This allows the state to provide long-term solutions where there are serious safety, design and/or capacity deficiencies on heavily traveled portions of the state trunk highway system.

Inflationary increase over biennium. The 1999-2001 budget provides a 5.9% increase in the Majors program over the biennium, however this increase is almost exclusively (5.8%) in the first year of the

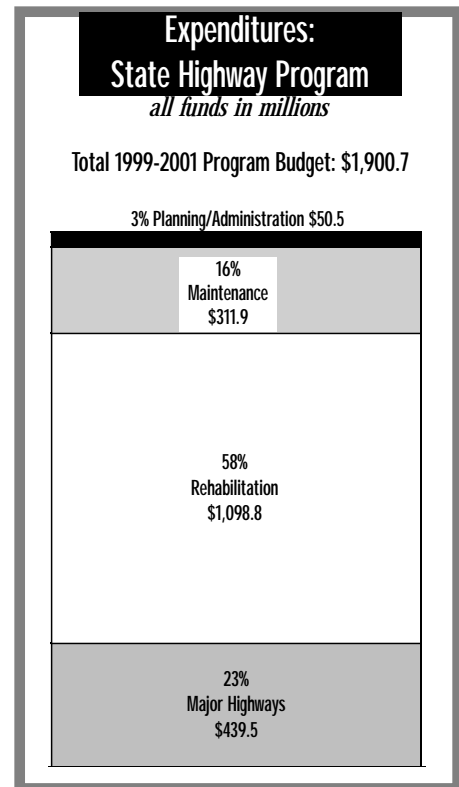
biennium.

Enumeration of Major Projects.

As part of the biennial budget, two new major highway projects were enumerated by the Legislature: 1) a portion of USH 41 in Oconto and Marinette counties; and 2) a project on STH 23 in Sheboygan and Fond du Lac counties.

Under Wisconsin Statutes, WisDOT cannot construct a project meeting the definition of a "major project" without an act of the Legislature to list it in the statutes. This act is termed enumeration, which may be accomplished in one of two ways.

- Major highway projects can be recommended to the Legislature for enumeration after they are evaluated and ranked by the Transportation Projects Commission (TPC). The TPC may





Budget Report

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recommend projects only if construction on them can begin within six years. The TPC did not meet in 1998, and therefore did not recommend any new enumerations.

- The Legislature can add projects without a TPC recommendation.

TPC statutory language

changed. WisDOT must receive approval from the TPC prior to preparing an environmental impact statement (EIS) or an environmental assessment (EA) for a potential major highway project. This requirement will begin with projects entering the preliminary engineering or design work phase after April 1, 2000.

Bonding level. The biennial budget authorizes bonding of the Major Program to cover 54.5% of the total funding level, down from 55% in the past.

State Highway Rehabilitation		
1999 Base:	\$461,716,000	Annual Change
Federal Plan	\$73,710,300	
2000 Budgeted:	\$547,174,200	2.2%
2001 Budgeted:	\$551,651,700	0.8%

State Highway Rehabilitation

The STH Rehabilitation Program consists of three subprograms:

- Existing Highways (3-R)
- State Bridges
- Interstate System

The STH Rehabilitation process is detailed in the state'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.

STH Rehabilitation funded under inflation. The 1999-2001 budget includes a 2.6% increase over the biennium, 2.2% in the first year.

Funds set aside to implement stormwater regulations

The Wisconsin Department of Transportation has set aside a total of \$5.65 million in FY 2000 and \$6.25 million in FY 2001 to implement stormwater regulations. With the exception of \$900,000 per year the legislature allocated for this purpose, the remainder of funding will be taken from the Major Projects and State Highway Rehabilitation program base levels.

WisDOT personnel costs to manage the implementation are expected to total almost \$1 million over the biennium.

State Highway Maintenance/Traffic Operations		
1999 Base:	\$148,724,600	Annual Change
2000 Budgeted:	\$155,672,300	4.7%
2001 Budgeted:	\$156,182,300	0.3%

State Highway Maintenance and Traffic Operations

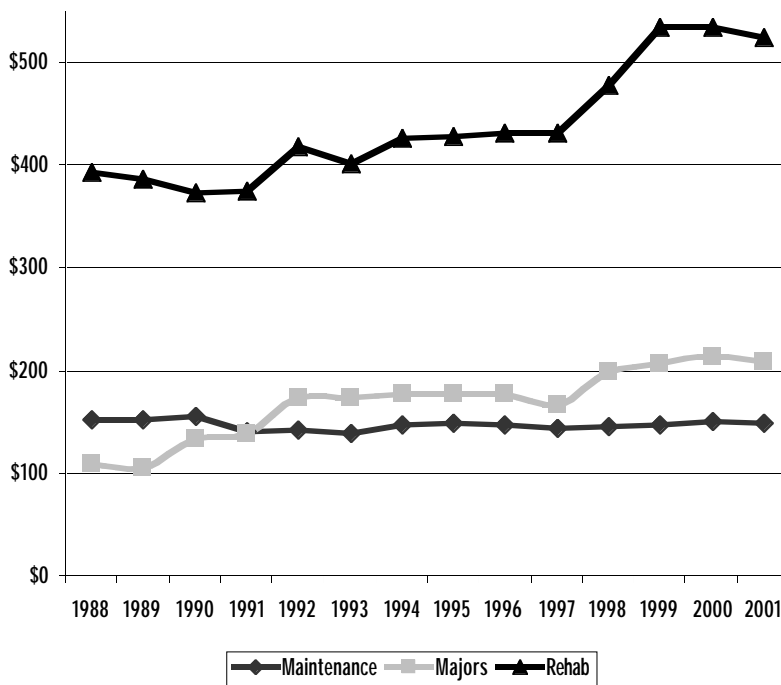
Maintenance on the STH system -- primarily snowplowing and routine preventative work -- is performed by contract with Wisconsin's 72 counties.

Funding attempts to meet needs. This program is recommended to receive a higher-than-inflation funding level for the first time since 1994; the FY 2000 funding boost of \$6.9 million is a 4.7% increase. WisDOT has stated that, even with the higher increase, this level does not fully fund all level-of-service needs suggested by projected growth in travel and lane miles. The increase in FY 2001 is 0.3%.

Reallocating personnel to Transportation Districts. To increase the local planning capabilities in Transportation Districts, a total of 12 positions will be transferred from the Maintenance and Traffic Program to the Planning and Local Assistance

Expenditures: State Highway Program 1988-2001

all funds in millions—constant 1999 dollars



Section of the Division of Transportation Districts (primarily to staff Districts 1, 2 and 3).

Outdoor Advertising Sign Permit System/Fees. The entire \$510,000 increase received in FY 2001 is for a modern inventory system for outdoor advertising signs. The funds will be used to cover the development and ongoing maintenance of the system. It is assumed that revenues from annual permits on outdoor signs will cover the expense.

Wisconsin Scenic Byways Program. A Scenic Byways Program was created as part of the 1999-2001 Biennial Budget. This program gives the DOT Secretary the discretion to designate roads in Wisconsin as scenic byways and apply to the federal government for national scenic byways designation. Since the budget provides no specific funding for the Scenic Byways Program, any program costs must be covered by the State Highway Maintenance, Repair and Traffic Operations section.

State Highway Administration & Planning		
1999 Base:	\$22,510,200	Annual Change
Federal Plan	\$2,396,700	
2000 Budgeted:	\$25,286,000	1.5%
2001 Budgeted:	\$25,231,000	-0.2%

State Highway Administration and Planning

This funding proposal accommodates the personnel and associated costs necessary to administer the state's biennial \$1.9 billion STH Program. A combination of state and federal funding comprises this category. The federal component was increased by \$2.4 million for FY 1999 as a result of TEA 21 providing increased funding for the State Planning and Research Program (SPR) and the Metropolitan Planning Program.

Environment and land use provisions...

Local planning efforts

The final budget contains an extensive package of planning-related provisions, including a grant to local governments for the transportation element of comprehensive plans. \$1 million annually will be transferred from WisDOT to a new appropriation in the Department of Administration to serve this purpose. General local planning activities can be funded by a new \$1.5 million annual GPR-funded grant program.

Finally, all local governments are required to have a comprehensive plan by January 1, 2010 with local programs and land use actions thereafter consistent with their plan.

Nitrogen Oxide (NOx) Emission Reductions

The budget places a restriction on the amount of NOx emission reductions the Wisconsin Department of Natural Resources (WisDNR) can require from specific electric-generating facilities in certain Northern and Western counties. This provision could cause emission caps on the mobile sector to tighten. By limiting the amount of reductions that can be required of certain utilities, a greater amount of emission reductions may be required from the mobile sector under the State NOx reduction plan.

DOT/DNR Agreement for Environmental Approval

WisDOT's rail, harbor and airport projects are now exempt from the permit, approval and public hearing requirement provisions outlined in the statutes, if the projects are carried out in accordance with the standard DOT/DNR cooperative agreement liaison process.

Offsite contamination source liability exemption

State agencies are now exempt from liability related to contamination originating from outside a state agency's property, if the state agency did not cause or contribute to the contamination. This change puts the responsibility for remediation on the person who owns the source of contamination, not the abutting property owner "receiving" the contamination.

Expenditures: Local Transportation Capital Assistance

Local Road & Bridge Program		
1999 Base:	\$146,169,800	Annual Change
Federal Plan	\$23,341,700	
2000 Budgeted:	\$243,355,000	43.6%
2001 Budgeted:	\$170,855,000	-29.8%
(includes Local Bridge Assistance and Local Trans. Fac. Impr.)		

Local Road and Bridge Program

The Local Road and Bridge Program comprises the largest share of transportation capital assistance programs. It contains two primary components: 1.) State and federal funding for bridge replacement; 2.) Federal aid for rehabilitation of local roads and streets.

High-Cost Local Bridge Program. The 6th Street Viaduct in Milwaukee is the last of the previously authorized high-cost local projects. The State of Wisconsin reached an agreement with the City of Milwaukee and Milwaukee County for the funding allocation on this project to consist of \$51 million in special federal Interstate Cost Estimate (ICE) funds and \$6.5 million in state funds.

Design-Build Contract on Sixth Street Bridge. The budget provides WisDOT with the authority to enter into a "design-build" contract for the 6th Street Bridge in Milwaukee subject to certain conditions. WisDOT is required to submit a report within five years to the Governor and Legislature describing the effectiveness of the design-build contract procedures.

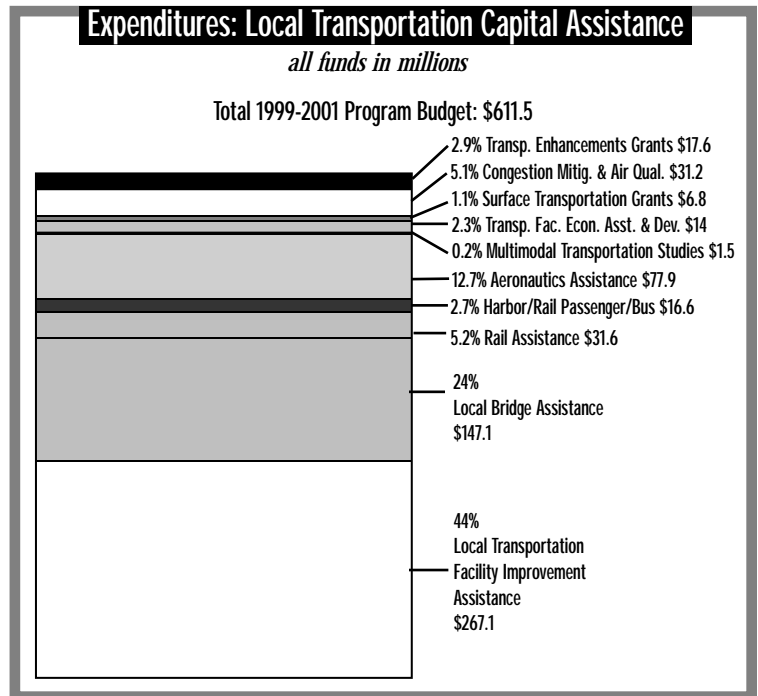
Local Road Improvement Program (LRIP). The LRIP program, a component of the Local Road and Bridge Program, addresses long-lasting infrastructure improvements to local roads and streets (county, town, and municipal). The basic LRIP program increases by

3.4% in the first year of the biennium (from \$15.2 million in 1999 to \$15.7 million in 2000) and then falls back to 1999 levels in the second year of the biennium. Of that \$500,000 increase in state funds for 2000, \$215,000 will go to CHIP (counties) and \$142,500 each for the TRIP (towns) and MSIP (municipalities).

In addition, the LRIP discretionary program adds a new MSIP discretionary program and funds it at \$1.3 million in the first year of the biennium and \$750,000 in the second year.

The TRIP discretionary (TRIP-D) program receives a \$1 million one-time increase in FY 2000, that will not be part of the \$500,000 "base" funding level.

Statewide Local Pavement Condition Inventory. The biennial budget includes provisions recommended by the Local Roads and Streets Council to collect the data necessary for the first statewide picture of the physical condition of local roads and streets by December 15, 2001. Every local government is directed to assess the physical condition of the highways under its jurisdiction, using a pavement rating system approved by WisDOT. This



data will be reviewed by WisDOT to assess the accuracy of mileage and other data concerning the local government report submittals.

TRIP-Funding/Pavement Rating Training. A portion of the increase in the TRIP-D program will be used to contract with the UW-Extension for training and technical support to assist local governments in assessing the physical condition of their roads and streets. This will assist in compliance with the Statewide Local Pavement Condition Inventory program discussed above.

Rail Assistance		
1999 Base:	\$14,392,000	Annual Change
Federal Plan	\$1,200,000	
2000 Budgeted:	\$15,795,900	1.3%
2001 Budgeted:	\$15,795,900	0.0%

Rail Assistance

Since the 1977-79 biennium, rail programs have been directed toward assisting localities which have

recently lost rail service. In addition, 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.

Freight rail infrastructure loans.

This program offers low or no interest loans to improve freight rail infrastructure. Loans are available to railroads, shippers and local governments for a variety of capital improvement projects such as track rehabilitation, track consolidation, intermodal facilities and industrial spurs. The proceeds from repaid loans are available for reinvestment in the program as a revolving fund. WisDOT's long-term goal is to make this program self-sustaining with a constant funding level, through revolving loans. The current size of the program's revolving loan is \$5.6 million per year.

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 requests \$4.5 million in new bonding authority for this program, the same level as the 1997-99 budget.

Funding for OCR-Ordered Rail/Highway Crossing

Improvements. In addition to continuing the recently-increased federal funding level of \$2.7 million annually for projects ordered by the Office of the Commissioner of Railroads (OCR), the budget increases state funding for these projects from

\$450,000 a year to \$700,000 annually. The Governor's veto message does indicate, however, that the increase will be held in unallotted reserve pending a joint WisDOT-OCR review of priorities among OCR's list of ordered projects.

Harbor/Rail Passenger/Bus		
1999 Base:	\$5,500,600	Annual Change
Federal Plan	\$341,300	
2000 Budgeted:	\$8,479,300	45.1%
2001 Budgeted:	\$8,170,600	-3.6%

Harbor/Rail Passenger/Bus

Harbor Assistance. The budget includes \$7 million in additional general obligation bonding and \$1 million in state funds for the Harbor Assistance Program. WisDOT is required to award grants to the cities of Marinette (\$4 million) and Milwaukee (\$800,000). 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.

Rail Passenger Assistance. The 1999-2001 budget continues funding Wisconsin's share of Amtrak's Hiawatha service between Milwaukee and Chicago. The service is eligible for federal highway aid funds as it serves as a form of traffic mitigation in the corridor. The service is eligible for 80% federal funds in FY 2000 and 90% in FY 2001.

Passenger Rail State

Improvement Grant Program. This new program will make grants available to local governments or private entities for construction or rehabilitation of passenger rail stations along existing or proposed

passenger rail routes. To be eligible for the grants, projects must be supported through adopted resolution by the local governing body. The grant is limited to 33% of construction costs or \$60,000, whichever is less (the entire program is only \$60,000 in FY 2000 and not funded in FY 2001). No grants can be awarded until the Governor's Blue Ribbon Task Force on Passenger Rail issues its final report which is due by the end of CY 2000.

Intercity Passenger Rail Service Crossing Repair. WisDOT received a \$500,000 federal earmark in FY 2000 to upgrade crossings along the designated high-speed rail corridor between Milwaukee and Chicago.

Aeronautics Assistance		
1999 Base:	\$38,998,800	Annual Change
2000 Budgeted:	\$38,912,700	-0.2%
2001 Budgeted:	\$38,955,700	0.1%

Aeronautics Assistance

Aeronautics Program funding comes primarily in the form of federal aid. This assistance is used for runway construction, extensive pavement rehabilitation, land acquisition and the construction of navigational aids and lighting systems.

The recently completed State Airport System Plan outlines needs and recommended airport classifications for Wisconsin's 100 public use airports for the next 20 years. Specific airport projects are then incorporated into the state's five-year program.

Aviation Career Education

(ACE) Program. A new appropriation was created for the ACE program which provides socially and economically disadvantaged youth with training and apprenticeship opportunities in aviation-related jobs.



Multimodal Transportation Studies

	1999 Base:	\$750,000	Annual Change
2000 Budgeted:	\$750,000		0.0%
2001 Budgeted:	\$750,000		0.0%

Multimodal Transportation Studies

In WisDOT's original budget submittal this funding category was set at \$1.95 million per year to fund two comprehensive commuter rail studies within the 1999-2001 biennium. They are proposed to look at alternatives and analyze Dane County or Milwaukee-Kenosha routes. In order for these projects to qualify for future federal funds, an in-depth study of this type is needed. However, those studies were removed from this funding category in the Governor's budget and will be funded, instead, out of other programs.

Transp. Facilities Economic Assist. & Dev.

	1999 Base:	\$7,000,000	Annual Change
2000 Budgeted:	\$7,000,000		0.0%
2001 Budgeted:	\$7,000,000		0.0%

Transportation Facilities Economic Assistance & Development

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. There is no increase in this program over the biennium. The state share of this matching grant program is \$3.5 million annually.

Surface Trans./Enhancements Grants & CMAQ

	1999 Base:	\$17,416,200	Annual Change
Federal Plan	\$9,417,000		
2000 Budgeted:	\$27,833,200		3.7%
2001 Budgeted:	\$27,833,200		0.0%

(includes all three categories)

Surface Transportation Grants, Transportation Enhancements, and Congestion Mitigation & Air Quality

Significant increases for these programs were incorporated into the 1999 base with jumps in federal funds for both the Enhancements (\$2.5 million) and Congestion Mitigation & Air Quality (CMAQ) (\$6.9 million) programs. There is a \$1 million increase in FY 2000 which reflects the special federal ICE (Interstate Construction Estimate) funding allocated for the Milwaukee Lakeshore Parkway.

All of the programs in this section award grants for projects that encourage the reduction of single-occupant vehicle travel or promote alternative travel modes.

Surface Transportation Discretionary Grant Program (STP-D) (\$2.7 million annually):

The federally funded STP-D program funds only capital projects. To date, this program has mainly covered transit capital purchases (buses and bus shelters) and bicycle/pedestrian facilities.

Transportation Enhancement Grants (\$6.2 million annually): A major funding source for "stand-alone" bicycle and pedestrian facilities (as opposed to paved shoulders called for in standard highway plans). This program can also provide funding for historical and archeological projects related to transportation, or for landscaping and other projects that enhance a transportation facility.

CMAQ (\$12.5 million annually): Eligibility for CMAQ grants is limited to areas that are not in compliance with federal air quality standards. Funds can be used for operating costs of expanded transit service or capital projects.

Assorted transportation-related budget provisions...

USH 8 Corridor Study.

WisDOT will conduct a corridor study of USH 8 in Barron, Polk, Price and Rusk counties. The results of the study must be reported to the respective county boards by June 30, 2001.

USH 10 Study of Potential Improvements. WisDOT will conduct a study of possible improvements to USH 10 between Marshfield and Osseo. The completed study will be presented to the Governor and Legislature.

Hartford Heritage Auto Museum. WisDOT will erect directional signs along USH 41 near the interchange with STH 60 for the Hartford Heritage Auto Museum, without charge.

America's Black Holocaust Museum. WisDOT will maintain the existing directional sign along I 43 for America's Black Holocaust Museum, without charge.

Village of Clear Lake Box Culvert. WisDOT will replace the railroad grade crossing under USH 63 near the village of Clear Lake with a box culvert with dimensions to accommodate the passage of snowmobiles under the highway.

Bong Air Museum. In FY 2000, WisDOT will provide up to \$1 million in federal funds to the city of Superior to assist in construction of the Richard I. Bong Air Museum. The grant amount awarded for the project may not exceed 80% of construction costs.

Expenditures: Transportation Aids

General Transportation Aids		
1999 Base:	\$326,483,400	Annual Change
2000 Budgeted:	\$337,502,200	3.4%
2001 Budgeted:	\$348,521,000	3.3%

General Transportation Aids

General Transportation Aids (GTA) is the largest local aid program. The GTA program pays 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 rate per mile in the GTA distribution formula increased \$108 over FY 1999, and is set at \$1,644 for CY 2000 (calendar year) and after.

The 1999-2001 budget includes the following GTA changes:

Local segregated account for highway purposes. WisDOT may not pay GTA to a local government unless it "establishes and administers a separate segregated account from which moneys may be used only for purposes related to local highways," and deposits all state or federal moneys for local highway purposes into that account.

In the Governor's veto message, he directed the Department of Revenue to create administrative rules to implement this provision in consultation with local governments and WisDOT.

Formulas suspended in CY 2001. In calendar year 2001, each local government will receive a GTA payment which is exactly the same amount it received in CY 2000.

Since CY 2001 funding levels do not increase over CY 2000, if formulas were left in place and some local governments received funding increases others, out of necessity,

would experience decreases. This suspension provision prevents any local government from experiencing a funding reduction in CY 2001.

Local mileage certification. The 1999-2001 budget contains a provision which states that local governments experiencing no mileage changes must file either a certified plat or a certified statement that no mileage changes have occurred. These will be due by December 15 of each odd-numbered year.

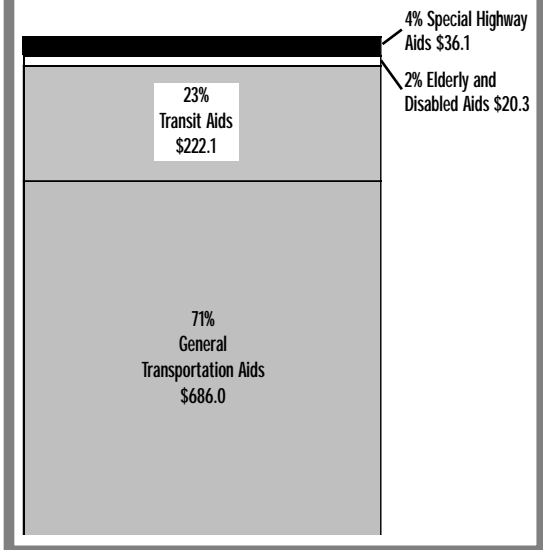
Beginning in CY 2001, the requirement for local governments to file certified plats with county clerks is eliminated and the mileage certification process is changed to an annual activity. For GTA calculations, however, mileage changes will continue to be reflected on a two-year delayed basis.

Clarifying the basis for determining the eligibility of

Expenditures: Transportation Aids

all funds in millions

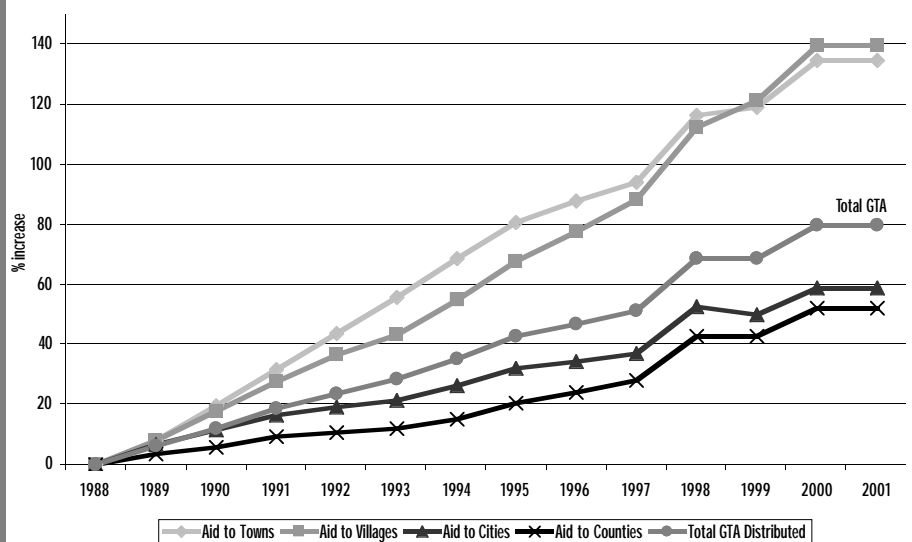
Total 1999-2001 Program Budget: \$964.6



police costs. The budget contains technical language recommended by the Local Roads and Streets Council which eliminates the requirement that police costs be included "to the extent they are highway related" in

General Transportation Aids: Relative Growth 1988-2001

percent growth based on actual dollars





the local expenditures used to distribute GTA funding. The requirement is replaced by more general language that some portion of local police costs, identified in consultation with local governments, be included.

Transit Aids		
1999 Base:	\$97,169,600	Annual Change
Federal Plan	\$7,600,000	
2000 Budgeted:	\$108,684,600	3.7%
2001 Budgeted:	\$113,452,500	4.4%

Transit Aids

Aid for public transit was increased \$12.6 million over the biennium. 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.

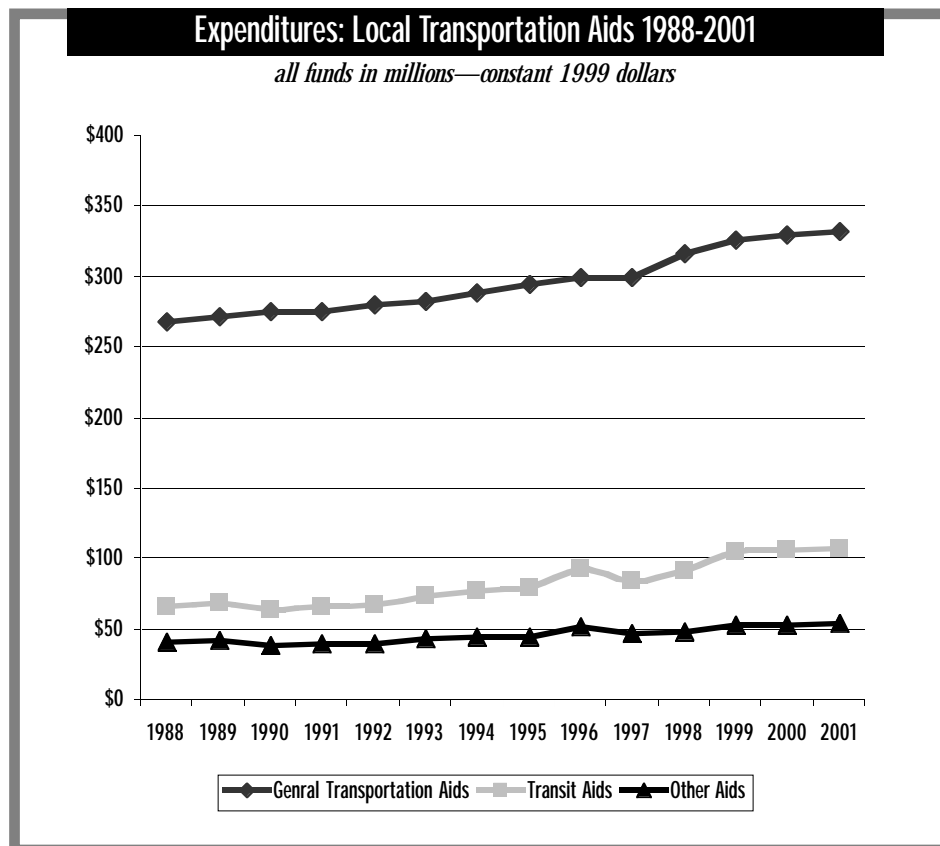
Local segregated account for transit purposes. WisDOT may not pay state public transit aid to a local government unless it "establishes and administers a separate segregated account from which moneys may be used only for purposes related to a mass transit system," and deposits into the account all state or federal moneys it receives for a mass transit system. The Governor's veto message directs the Department of Revenue to create administrative rules to implement this provision in consultation with local governments and WisDOT.

Tiers restructured. Four levels of transit systems (Milwaukee; Madison; medium-sized cities "Tier B;" and smaller-municipalities "Tier C") were created for funding distribution

purposes.

New distribution formula. For Tier B and C transit systems, state aid allocations will be based on a new calculation. This method will ensure that the combination of federal and state aid for each system within a tier is equal to a uniform percentage of eligible expenses the system incurred during the second preceding year.

Cost-efficiency standards. Beginning in CY 2000 WisDOT may not pay state transit aid unless cost-efficiency standards are set in administrative rule for each tier. When these rules are in place, WisDOT may reduce the amount of state aid paid to a system that incurs costs which are inconsistent with the cost-efficiency standards.



Light Rail expenditures prohibited. WisDOT is prohibited from spending any federal ICE (Interstate Cost Estimate) or state funds for any purpose related to a light rail mass transit system before July 1, 2001. Exceptions are made for a light rail mass transit system already under construction (City of Kenosha system) and light-rail related expenditures required under the USH 12 (Middleton to Lake Delton) memorandum of agreement signed in 1999.

Elderly and Disabled Aids		
1999 Base:	\$8,886,900	Annual Change
Federal Plan	\$300,000	
2000 Budgeted:	\$9,832,500	7.0%
2001 Budgeted:	\$10,469,000	6.5%

Elderly and Disabled Aids

WisDOT administers two programs to assist elderly and disabled residents meet their mobility needs: an aid program that provides assistance to counties based on eligible population and a capital grant program that helps non-profit organizations and local governments purchase vehicles.

E & D County Aids. The budget increases funding \$1.5 million in the biennium to provide a 7% increase in Elderly and Disabled Transportation Aid to Counties in FY 2000 and an additional increase of 8% in FY 2001.

E & D Capital Grants. Vehicle grants were also increased by 7% in FY 2000 and 8% in FY 2001.

Special Highway Aids		
1999 Base:	\$17,706,000	Annual Change
2000 Budgeted:	\$18,224,400	2.9%
2001 Budgeted:	\$17,921,000	-1.7%

Special Highway Aids

This budget item increases funding for Lift Bridge Aids by \$488,400 during the biennium and \$245,000 for Expressway Policing Aid to Milwaukee County. Covered areas are broken out as follows (biennial total in millions):

- Connecting Highway Aids: \$25.7
- Lift Bridge Aids: \$3.2
- County Forest Road Aids: \$0.6
- Flood Damage Aids: \$1.2
- Expressway Policing Aids: \$2.0
- Highway Safety, Local Assistance and Federal Funds: \$3.4



TDA perspectives on 1999-2001 biennial budget...

The time to look ahead to 2001-2003 is now

by Philip J. Scherer, Executive Director

At long last, the 1999-2001 budget is complete. At best, it could be described as a “status-quo” or “placeholder” budget. Certainly it was not a visionary commitment to the importance of transportation in Wisconsin. There were few noticeable winners or losers in the 1999-2001 budget, and many programs did not even receive inflationary increases.

The tardiness of this budget means it is already time for WisDOT to start preparing for the 2001-2003 budget process. As this conclusion emphasizes, the next budget is a critical time to address some of the major transportation funding needs. First, though, it is valuable to look at some of the aspects that make the 1999-2001 budget unusual...

TPC process for Majors

In the 1999-2001 budget, the Legislature stepped outside of the normal process for enumerating Major Projects. Projects are typically enumerated by the Transportation Projects Commission (TPC), however in this budget the Legislature enumerated two projects (USH 41 and STH 23) on its own.

As you may recall during the 1997-1999 biennium the TPC was not convened...no meetings, action or recommendations. The two-year hiatus was primarily because of the provision in the past biennial budget which stated that the TPC could not enumerate projects that could not be started in six years. This catch-up

period did not likely hurt the Majors program; however, if the TPC does not meet and enumerate projects for the 2001-2003 budget, delays in project delivery will likely result.

It is important to note, however, that the TPC process was modified in this budget to facilitate earlier input in the project review process by the commission. This will address recent criticisms on lack of involvement by the commission during the most formative stages of a project.

Project specifics abound

It is hard to recall a time when so many specific transportation projects were wrapped-up in a biennial budget. While the Governor’s veto eliminated many of the local provisions several still remain, for example:

- Sidewalks in Wisconsin Rapids
- Installation of traffic control signals at four specific intersections in state
- Directional signs for the Hartford Heritage Auto Museum and America’s Black Holocaust Museum
- Box culvert in Village of Clear Lake
- Milwaukee Lakeshore Walkway
- Bong Air Museum
- Flambeau River Recreational Bridge
- Little Lake Butte des Morts Trestle Trail Causeway
- Kinnickinnic River Bike Trail

Although many of these projects are needed and justified, the trend toward accomplishing more and more of them through the political process rather than through comprehensive planning and programming channels is

questionable. If an increasing number of legislators predicate their vote for any given transportation budget upon his or her ability to “deliver” a specific stop light, bicycle trail or intersection improvement, the potential for a fragmented and partisan budget grows. Over the years, Wisconsin legislators have tended to avoid this temptation.

Front-end loaded budget

The annual appropriations in this budget are “front-end loaded” much more than in past budgets; the largest spending increases occur in the first year of the biennium, with amounts either remaining flat or being reduced in the second year. This was a very deliberate and conscious effort by the legislature. As biennial budgets are developed, the last year of any biennium (referred to as the base year) is used as the starting point for discussing funding levels. Holding this figure (FY 2001) low will make it easier for legislators to keep the 2001-2003 budget figures lower as deliberations begin.

Challenges on horizon for 2001-2003

Probably the largest hurdle for transportation stakeholders to overcome in the next budget will be to overcome the mood that exists in much of the legislature and elsewhere...that transportation programs are flush with money. After the record-setting 1997-1999 budget and TEA 21 gains, the general feeling

is that transportation needs have been taken care of. This myth simply isn't true. Although those two transportation bills were very positive steps in the right direction, they were just that...steps.

As we all know, there are several large-scale funding needs on the horizon such as the Marquette Interchange and possibly the Midwest Regional Rail Initiative. In addition, the recently completed State Highway, Bicycle and Airport System Plans conservatively cite funding shortfalls. Additional plans will be developed in 2000 (transit and rail) to give us a better feel for the needs of those elements of our transportation system. Equally important, the costs associated with local road needs will be better identified after the Wisconsin Information System for Local Roads (WISLR) is in place.

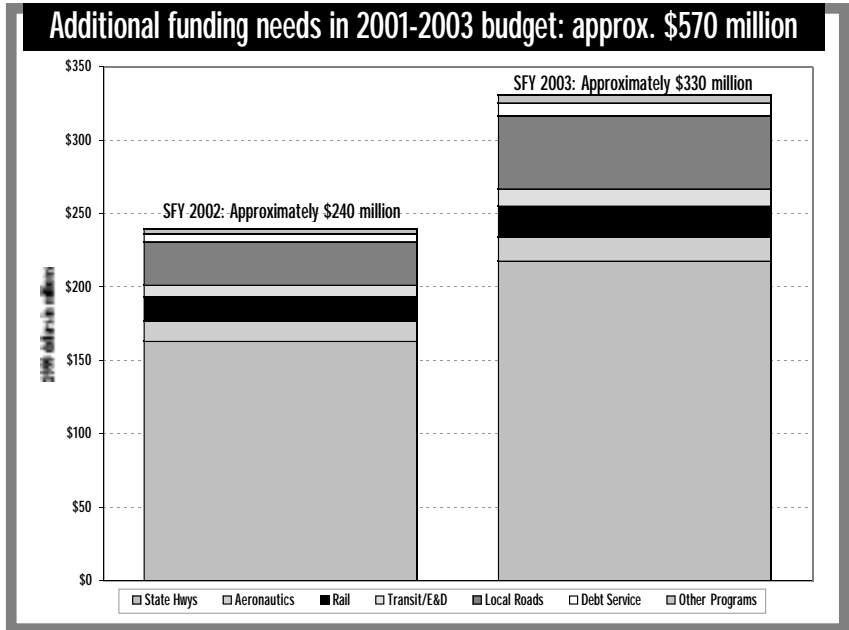
When all of these funding needs are added up, early estimates suggest funding should be increased by approximately \$570 million for the 2001-2003 biennium. Demonstrating these needs is the best way for transportation stakeholders to combat the myth of transportation as the "fat cat."

Revenue options require serious consideration

Wisconsin's funding base relies heavily upon fuel taxes and registration fees and increases in either of these areas are becoming increasingly difficult. As we continue to expand our modal options, increase planning/environmental efforts and respond to ever-increasing mobility needs, a broadening of the state's transportation revenue base must be considered.

Now is the time to dust-off the legislature's Transportation Finance Study Committee (TFSC) 1997 report. The committee reached innovative conclusions about the viability of some long-term funding options which deserve to be considered. In addition, it is time to study how to best fund aviation and rail (both passenger and freight).

The needs that once seemed on the distant horizon are now knocking at our door, Wisconsin needs to find ways soon to address them—starting in the 2001-2003 biennium.



Overview of Wisconsin's 2001-2003 funding needs

	FY 2001 (base year)	FY 2002	FY 2003
State Highways	\$953.1		
Inflationary adjustment		\$28.6	\$58.1
Shortfall identified in SHSP (approx.)		\$135.0	\$160.0
		<u>\$163.6</u>	<u>\$218.1</u>
Aeronautics	\$39.0		
Inflationary adjustment		\$1.2	\$2.4
Shortfall identified in SASP		\$12.9	\$13.2
		<u>\$14.1</u>	<u>\$15.6</u>
Rail (passenger and freight)	\$20.0		
Inflationary adjustment		\$0.6	\$1.2
Midwest Regional Rail Initiative		\$13.2	\$17.1
Will be further identified in 2000 plan		?	?
		<u>?</u>	<u>?</u>
Transit/Elderly and Disabled	\$124.0		
Inflationary adjustment		\$3.2	\$7.0
Will be further identified in 2000 plan		?	?
		<u>?</u>	<u>?</u>
Local Roads	\$537.2		
Inflationary adjustment		\$16.1	\$32.7
Improvement (clarified by new local road database)		?	?
		<u>?</u>	<u>?</u>
Debt Service	\$122.7		
Inflationary adjustment		\$3.7	\$7.5
Determined by legislature		?	?
		<u>?</u>	<u>?</u>
Other Programs	\$39.6		
Inflationary adjustment		\$1.2	\$2.4
Determined by legislature		?	?
		<u>?</u>	<u>?</u>



1999-2001 Transportation Budget: Totals for Biennium

All funds (state and federal)

	Base Year Doubled (FY 1999)	1999-2001 Budget	
		Dollars	% Change
Transportation Aids			
General Transportation Aids	652,966,800	686,023,200	5.1%
Transit Aids	209,539,200	222,137,100	6.0%
Elderly and Disabled Aids	18,373,800	20,301,500	10.5%
Special Highway Aids	35,412,000	36,145,400	2.1%
Total Transportation Aids	916,291,800	964,607,200	5.3%
Local Transportation Capital Assistance			
Local Trans. Fac. Impr. Assist.	251,928,200	267,128,200	6.0%
Local Bridge Assistance	87,094,800	147,081,800	68.9%
Rail Assistance	31,184,000	31,591,800	1.3%
Harbor/Rail Passenger/Bus	11,683,800	16,649,900	42.5%
Aeronautics Assistance	77,997,600	77,868,400	-0.2%
Multimodal Transp. Studies	1,500,000	1,500,000	0.0%
Transp. Fac. Econ. Asst. & Dev.	14,000,000	14,000,000	0.0%
Surface Transportation Grants	6,800,000	6,800,000	0.0%
Congestion Mitig. & Air Qual.	31,246,400	31,246,400	0.0%
Transp. Enhancements Grants	15,620,000	17,620,000	12.8%
Total Loc. Trans. Cap. Asst.	529,054,800	611,486,500	15.6%
State Highways			
Major Highways	415,010,800	439,518,300	5.9%
Rehabilitation	1,070,852,600	1,098,825,900	2.6%
Maintenance	297,449,200	311,854,600	4.8%
Admin. & Planning, Hwys.	49,813,800	50,517,000	1.4%
Total State Highways	1,833,126,400	1,900,715,800	3.7%
Other WisDOT areas			
Total WisDOT Operations	369,579,600	385,582,400	4.3%
Total Debt Service/Reserves	180,199,800	225,764,300	25.3%
Total Transportation Budget	3,828,252,400	4,088,156,200	6.8%

1999-2001 Transportation Budget: Totals by Fiscal Year

All funds (state and federal)

	Base Year (FY 1999)	FY2000 Budget		FY2001 Budget	
		Dollars	% Change	Dollars	% Change
Transportation Aids					
General Transportation Aids	326,483,400	337,502,200	3.4%	348,521,000	3.3%
Transit Aids	104,769,600	108,684,600	3.7%	113,452,500	4.4%
Elderly and Disabled Aids	9,186,900	9,832,500	7.0%	10,469,000	6.5%
Special Highway Aids	17,706,000	18,224,400	2.9%	17,921,000	-1.7%
Total Transportation Aids	458,145,900	474,243,700	3.5%	490,363,500	3.4%
Local Transportation Capital Assistance					
Local Trans. Fac. Impr. Assist.	125,964,100	139,814,100	11.0%	127,314,100	-8.9%
Local Bridge Assistance	43,547,400	103,540,900	137.8%	43,540,900	-57.9%
Rail Assistance	15,592,000	15,795,900	1.3%	15,795,900	0.0%
Harbor/Rail Passenger/Bus	5,841,900	8,479,300	45.1%	8,170,600	-3.6%
Aeronautics Assistance	38,998,800	38,912,700	-0.2%	38,955,700	0.1%
Multimodal Transp. Studies	750,000	750,000	0.0%	750,000	0.0%
Transp. Fac. Econ. Asst. & Dev.	7,000,000	7,000,000	0.0%	7,000,000	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	15,623,200	0.0%	15,623,200	0.0%
Transp. Enhancements Grants	7,810,000	8,810,000	12.8%	8,810,000	0.0%
Total Loc. Trans. Cap. Asst.	264,527,400	342,126,100	29.3%	269,360,400	-21.3%
State Highways					
Major Highways	207,505,400	219,504,400	5.8%	220,013,900	0.2%
Rehabilitation	535,426,300	547,174,200	2.2%	551,651,700	0.8%
Maintenance	148,724,600	155,672,300	4.7%	156,182,300	0.3%
Admin. & Planning, Hwys.	24,906,900	25,286,000	1.5%	25,231,000	-0.2%
Total State Highways	916,563,200	947,636,900	3.4%	953,078,900	0.6%
Other WisDOT areas					
Total WisDOT Operations	184,789,800	191,028,900	3.4%	194,553,500	1.8%
Total Debt Service/Reserves	90,099,900	103,066,400	14.4%	122,697,900	19.0%
Total Transportation Budget	1,914,126,200	2,058,102,000	7.5%	2,030,054,200	-1.4%



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