

February 4, 2015

Budget Update

Governor's Transportation Plan

Last night Governor Walker presented his 2015-2017 budget proposal to the legislature.

Despite the well-documented shortfall in the transportation fund and the need to revamp Wisconsin's transportation funding, the governor instead decided to increase reliance on bonding.

Below are the first-glance details of the governor's proposal:

Revenue

The governor proposed no increase in funding or change in funding mechanisms that would shore up Wisconsin's transportation fund for the current biennium and going forward.

The governor proposes to increasingly finance transportation programs through the use of bonding. Bonding in the current biennium would be \$1.3 billion, up from \$991 million in the last biennium.

Increased reliance on bonding, of course, will lead to growing debt service. Since 2000, debt service has grown from 7% of state transportation revenue to an anticipated 25% by 2018. This increased reliance on debt has taken off the table cash that could otherwise be used to fund state and local programs and makes a real solution to the state's transportation funding problem harder to achieve.

Program Funding

- Locals: The governor recommends maintaining the 4% increase for general transportation aids and transit operating aid that was enacted in the 2013-15 biennial budget.
- Elderly and Disabled aids: The governor's budget provides a 1% increase (\$438,000) in FY17 for elderly and disabled aids to counties.
- ZOO Interchange and Southeast Megaprojects: The governor's proposal includes \$106.2 million in increased funding for the Southeast Megaprojects Program, \$632.2 million in total funding over the biennium. This level of funding will keep the Zoo Interchange project on schedule for completion in 2018; however, the I-94 North/South will be delayed one year from 2021 to 2022. The proposal also includes the enumeration of I-94 East/West project to allow the department to begin work.

- Major Highway projects: The budget provides a \$100 million increase to keep all major highway project on schedule, including I-39/90. Total funding for the Major Highway Program would be \$836.1 for the biennium.
- State Highway Rehabilitation: Funding for the State Highway Rehabilitation Program is held at the 2013-15 biennium level in this proposal. A portion of the program's SEG funding is replaced with \$242.3 million in transportation fund-supported general obligation bonds.
- Stillwater/Hoan: Total funding of \$36.8 million is proposed to complete the Stillwater and Hoan bridge projects.
- Transportation Economic Assistance Grants: The funding for this program, which targets infrastructure investments to assist local businesses, is increased \$2 million a year in the governor's plan.
- Transportation Alternative Program: The governor proposes to zero out the \$1 million in annual SEG funding
- Freight Rail: The plan includes \$43 million in repurposed general obligation bonds.

Other Provisions

- Bike/Ped Facilities: The governor's budget recommends repealing requirements that exceed federal law related to the inclusion of bike and pedestrian facilities in the construction of new highway projects. This is an estimated \$7.4 million reduction in cost.
- Community Sensitive Design: The governor recommends prohibiting the department from funding community sensitive design on highway projects, saving approximately \$7 million. Local government would be allowed to cover the costs.
- Debt Coverage Ratio: In order to increase the amount of debt, the governor recommends pledging one half of the state's 30.9 cent motor fuel tax to the Transportation Revenue Bond program, increasing the debt service coverage in the program.
- PECFA: The proposal includes the termination of the Petroleum Environmental Cleanup Fund Award program. Fund balances would be used to retire program debt. "This will enable the revenues received for the Petroleum Inspection Fund to be reexamined for reallocation for other purposes in the future."

TDA with other stakeholders issued a statement on the budget last night. The Milwaukee Journal Sentinel editorialized on the governor's transportation budget summing it up in the headline, "Wisconsin needs a permanent fix for transportation funding — not a credit card."

<http://www.jsonline.com/news/opinion/wisconsin-needs-a-permanent-fix-for-transportation-funding--not-a-credit-card-b99437857z1-290731421.html>