

# Wisconsin DOT

## Overview of 2015-17 Biennial Budget Request

November 2014



# Presentation Overview

- ▶ Current fund condition and the consequences of inaction
- ▶ Outcome-based investments that support safety, mobility and system preservation
- ▶ A revenue proposal that is adequate, sustainable and equitable



# Transportation Fund

## Projected FY16-17 Deficit

| Opening balance plus current law revenues       | \$3,222 million      |
|---|----------------------|
| Cost to continue                                | \$3,540 million      |
| Base deficit                                    | \$318 million        |
| <b>Additional project needs above FY15 base</b> |                      |
| Southeast Freeways (Zoo / I94 N-S / I94 E-W)    | \$619 million        |
| Hoan Bridge                                     | \$17 million         |
| Stillwater Bridge                               | \$20 million         |
| <b>“Realistic” deficit</b>                      | <b>\$974 million</b> |

# Budget Based on Current Revenues

- ▶ Realistically, the Zoo, I94 N-S, Hoan and Stillwater are so far along that they need to stay on their current schedules
- ▶ What if entire reduction were taken from the state highway program?
  - No additional GO bonding = 42% reduction from base
  - \$300 million in GO bonding added = 29% reduction from base
  - Significant project delays statewide, including I-39/90
- ▶ No funding available for emerging needs in maintenance and traffic operations, or for local road funding increases



# State Highway Program SE Freeways

- ▶ Transitions Southeast Freeways from a “project-based” budget to a “program-based” budget with base funding of \$350m per year
- ▶ Keeps Zoo and I-94 N-S on schedule
- ▶ Starts design engineering on I94 E-W and funds the start of environmental study on the 894 bypass





# State Highway Program

## Major Highways

- ▶ Keeps 12 enumerated projects on current schedule
- ▶ Simply maintaining current funding levels will delay completion of these projects as well as a number of key study projects by 6 years in total, including:
  - I 39/90
  - US 10/WIS 441
  - Verona Road – Phase 2
- ▶ Maintaining the current construction and study schedule allows identification and enumeration of future projects



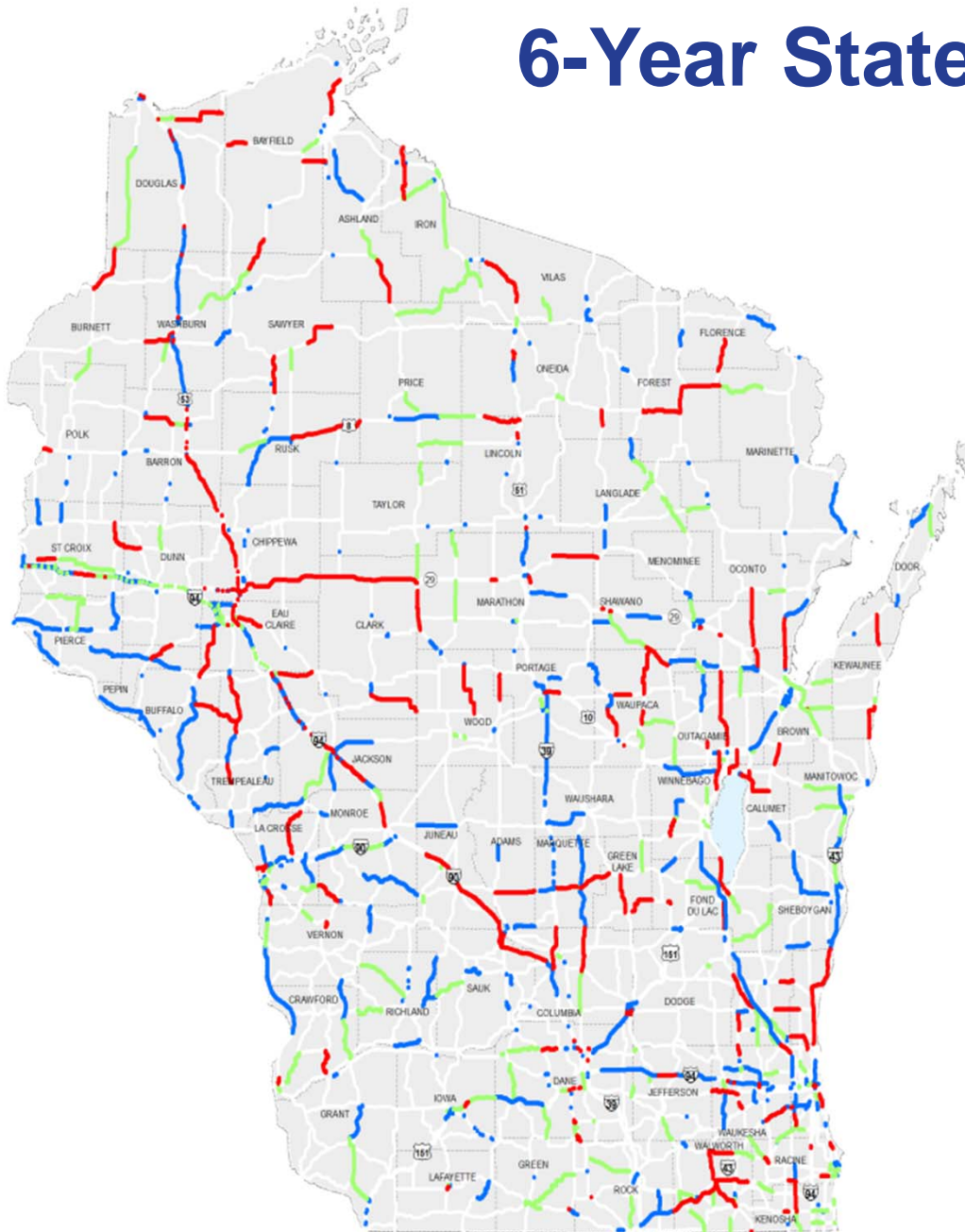
# State Highway Rehabilitation

Increase of \$50m in FY16 and \$179m in FY17 (\$452.7m over what current revenues could support)

|   | With requested revenues | No increase in revenues |
|---|-------------------------|-------------------------|
| Projects to preserve condition and improve safety on state highways and bridges (next 10 years) | 8,477 miles             | 6,285 miles             |
| Percent of backbone highways in poor condition (2025)   | 5%                      | 14%                     |



# 6-Year State Highway Program



2,148 miles remain on original program

1,065 miles advanced for earlier construction

1,245 miles added to program



# State Highway Program

## Maintenance and Operations

- ▶ Maintenance - \$25.0m in FY16 and \$32.7m in FY17:
  - Road salt (price has increased 97.3% over 10 years)
  - Salt storage facilities
  - Inspection/maintenance program for ancillary structures
  - Repairs to rest areas and waysides
  
- ▶ Traffic Operations – \$31.2m in FY16 and \$25.9m in FY17:
  - Pavement marking (safety)
  - Traffic control device maintenance
  - Replacement, rehabilitation and installation of ITS and signal devices



# Local Assistance

- ▶ Maintains General Transportation Aids
- ▶ Combines STP and LRIP into new Local Transportation Facility Improvement Program
  - Increases funding by \$30.1m
  - Removes FED funding to reduce complexity and increase local flexibility/control
  - Less complex projects can be locally let
- ▶ Increases local bridge funding by \$9.9m (11.9%)
- ▶ New funding levels will be implemented in FY17
- ▶ Total local funding increase = \$40 m/year



# Transit Assistance

- ▶ Funded by GPR appropriations
  - ▶ Fully funds CY15 aid established in last budget
  - ▶ Funds all tier adjustments to maintain share of costs
  - ▶ 2% across the board increase for each tier
  - ▶ New \$15m annual capital program (80/20 match)
  - ▶ \$16.1m/yr targeted program to increase transit service
  - ▶ New funding will be fully implemented in FY17
- 
- ▶ Additional transit investment = \$60.7m/biennium



# CNG Fueling Infrastructure Program

- ▶ Transit systems could realize significant ongoing fuel savings by switching their fleets from diesel to CNG
- ▶ CNG bus will return \$50k-\$80k in net cost savings over 12-year vehicle life
- ▶ Fueling infrastructure is a barrier to making the shift
- ▶ Cost of typical station ranges from \$2m to \$3.5m
- ▶ One-time \$30m bonding to create an 80/20 grant program to install CNG transit fueling stations
- ▶ Other municipal fleet vehicles could also be converted for additional savings





# Freight Rail Assistance

- ▶ \$10 per carload user fee for railroads operating on state-owned rail lines - \$963,000
- ▶ Separate SEG funded appropriation for Freight Rail
- ▶ Provides \$99.7m over the biennium:
  - Includes \$60m GO bonds for Freight Rail
  - \$8m increase over current biennium





# Harbors and Aeronautics

- ▶ Harbors
  - Provides \$17.2m over the biennium
  - Includes \$15.9m in GO bonds
  
- ▶ Aeronautics
  - Provides \$254.1m over the biennium
  - Reflects anticipated federal revenue



# Revenues



# Proposed Tax and Fee Changes

| Fee or Tax Change           | FY16/FY17 Revenue |
|-----------------------------|-------------------|
| Highway Use Fee             | \$378.9 million   |
| Motor Fuel Tax Changes      | \$358.4 million   |
| OS/OW Permit Fees           | \$8.8 million     |
| Hybrid/Electric Vehicle Fee | \$5.7 million     |
| Other Fee Changes           | \$3.0 million     |
| Diesel Light Vehicle Credit | (\$3.4 million)   |
| Total                       | \$751.4 million   |



# Highway Use Fee

- ▶ 2.50% of MSRP on all new autos and light trucks sold or first titled in Wisconsin
- ▶ Fee on \$32,000 purchase = \$800
- ▶ Amortized over 6 years at 3%, monthly cost is about \$12.15
- ▶ New vehicle purchases are typically financed, and this cost could also be financed



# Motor Fuel Tax Changes

- ▶ Convert from fixed \$0.309 excise tax to annually adjusted excise tax based on the average wholesale cost of fuel
  - Gasoline:  $\$0.135 + 8.0\%$  of average wholesale price
  - Diesel:  $\$0.163 + 8.0\%$  of average wholesale price
- ▶ Wholesale price floor is set such that tax can't go below \$0.359 for gasoline and \$0.409 for diesel
  - Effectively a 5 cent and 10 cent per gallon increase, respectively
- ▶ 5 percent maximum annual adjustment





# Hybrid/Electric Vehicle Fee

- ▶ \$50 annual add-on to registration fee for autos/light trucks
- ▶ Fee approximates the difference in fuel taxes paid by a hybrid sedan vs. gasoline sedan of the same type driven 12,000 miles per year
- ▶ Ensures these vehicle owners continue to pay their fair share of the operating costs of our infrastructure
- ▶ Like all vehicles they require services such as traffic operations, snow plowing, and State Patrol enforcement and roadside assistance



# Diesel Light Vehicle Credit

- ▶ A credit on the registration fee of diesel powered autos and light trucks
- ▶ Intended to offset the higher diesel fuel tax, so that the higher tax applies to commercial vehicles only
- ▶ Credit of \$25 per year approximates the additional taxes paid by a diesel vehicle that drives the average of 12,000 miles per year



# Impact on Typical User

- ▶ After implementing these tax and fee increases, Wisconsin drivers still get a good deal
- ▶ Motor fuel tax increases will cost owner of a late model sedan about \$28 per year
- ▶ Annual Cost of Operation - fuel tax increase and HUF spread over time would place Wisconsin in the middle compared to neighboring states



# Impact on Other Funds

## ▶ General Fund

- Transit Operating and Capital Programs - \$275.8m
- Transfer 1% of GPR taxes (up from .25%) - \$297.8m
- Reflects value of transportation investment to those who do not pay direct user fees

## ▶ Petroleum Inspection Fund

- Transfers any positive balances to the Transportation Fund - \$42m



# Use of Debt

- ▶ Bonding is a valuable finance tool for large infrastructure projects with a long service life
- ▶ New state revenues = less long term debt
- ▶ Request includes just over \$805.2m in borrowing compared to \$991.4m in the current biennium
- ▶ Broadening the use of TRBs - provides Southeast Freeway Megaprojects with a reliable program base

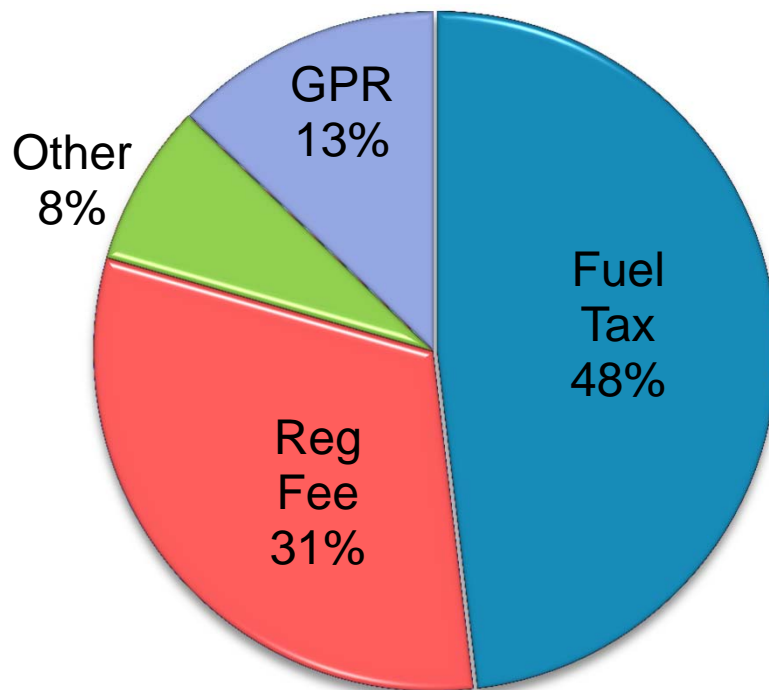




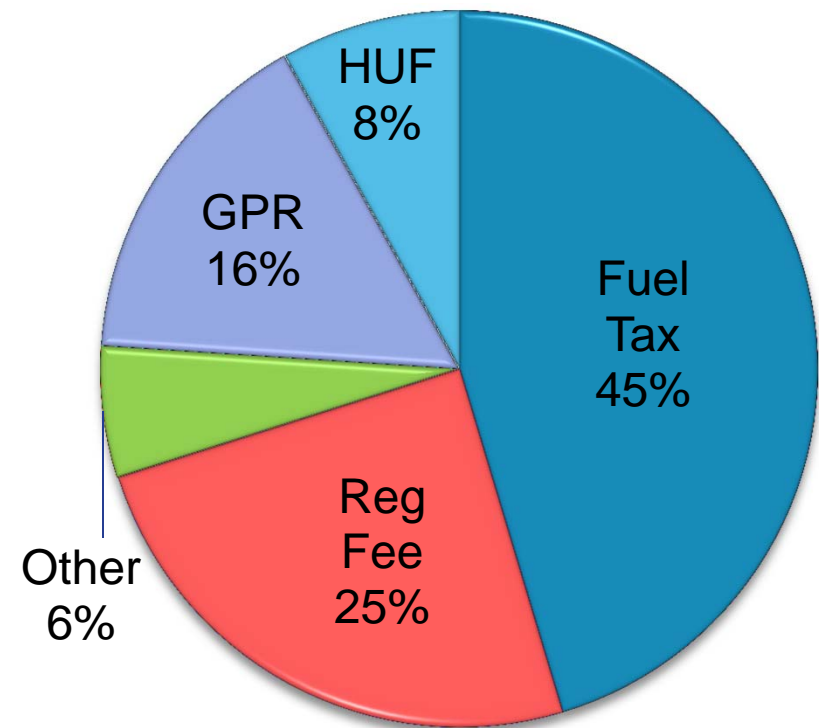
# “Broadening the Base”

## Source of State Tax/Fee Revenues

2013-15 Biennium  
Revenue



Proposed FY 17 Revenue



GPR includes:

- Ongoing and one-time transfers from the General Fund
- General Obligation bond debt service paid by the General Fund
- Transit funding

# Summary

## ▶ Adequate

- Follows most of the TFPC recommendations
- Keeps major projects on schedule
- Emphasis on preservation, maintenance & local projects

## ▶ Sustainable

- Greater use of fees that may have natural growth

## ▶ Equitable

- Broadens the base while keeping user-fee emphasis
- HUF structured on ability to pay
- Diesel differential recognizes truck impacts
- Typical auto will see less than \$30 increase in fees

