

## Financial Plan

The Statewide Transportation Improvement Program (STIP) financial plan addresses fiscal constraint requirements of the federal-aid surface transportation act, Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU, FFY04-FFY09). Wisconsin Department of Transportation's (WisDOT's) two principal financial assumptions are that existing federal revenue sources will continue at levels consistent with the SAFETEA-LU FFY2009 authorizations [since a new federal budget has not been past] and the State of Wisconsin's 2009-2011 Biennial Budget.

### **Revenue Assumptions**

The Wisconsin Department of Transportation annual budget is set biennially through the State of Wisconsin's budget process. The state fiscal year 2010 and 2011 (July 1-June 30) budgets included within this publication are from 2009 Wisconsin Act 28, the State of Wisconsin budget authorizing federal, state and local funding.

The final amount of federal fund obligation authority received in SFY09 was \$760 million (including FFY08 August Redistribution), nearly \$100 million above the amount that was initially approved to spend by Wisconsin's Legislature. The 2009-2012 STIP Financial Plan conservatively assumes \$651 million federal funds for SFY10-SFY12.

WisDOT's state and bond fund revenue estimates in the 2009-2011 Biennial Budget are based on statewide gas tax and user fee projections. WisDOT's three core state highway improvement programs (State Highway Rehabilitation, Majors and Maintenance) are proposed to receive a 1% increase in FY10 and a 2% increase in FY11. With the exception of the Southeast Freeway programs (I-94 North South Corridor and the Zoo Interchange project) most other improvement programs will not see an inflationary budget increase. So, rather than inflating all budgeted future year revenues for SFY10-SFY12, this analysis assumes the values included within the department's 2009-2011 Biennial Budget request. History demonstrates that the Wisconsin State Legislature and Governor typically approve higher transportation budget levels for the core state highway programs than the agency requests.

### **Program Cost and Schedule Assumptions**

WisDOT's Financial Integrated Improvement Programming System (FIIPS) estimates transportation improvement project costs in current year dollars. Each July, since 1996, WisDOT has inflated project costs an average of 2.5% in order to maintain current year dollars. It is impractical for the department to inflate project cost estimates to year of expenditure dollars without knowing the result of critical steps that determine the year a project will be let: preliminary engineering, public review, right of way acquisition, utility work and funding availability. Individual project cost estimates in the STIP listing are pulled directly from FIIPS and have not been inflated.

To change these values to federally mandated year of expenditure amounts for this publication, cost estimates have been inflated 2.5% per year beginning in CY11 in the Financial Summary table. Project estimates in CY10 have already been increased to reflect current cost expectations,

so they have not been inflated in the table.

The Federal Highway Administration requires state Departments of Transportation STIPs and Metropolitan Planning Organizations TIPs to document calendar year revenues and expenditures. Thus, scheduled expenditures are reported by calendar year (January 1 – December 31) based on letting or delivery dates. However, since the State of Wisconsin approves budgets by state fiscal year (July 1– June 30) the 2010-2013 STIP Financial Summary table shows revenue according to state fiscal year (SFY). Perceived over programming is common due to the six month offset between budget and programmed periods. All four years of the STIP are fiscally constrained, however, within Wisconsin's state fiscal years (July 1 – June 30).

With ARRA funds available in FFY2009, many of the WisDOT programs appear over programmed in SFY2010. The influx of the ARRA funds allowed each affected program to over schedule projects to ensure sufficient projects are available to use the ARRA funds and after natural attrition. If needed, WisDOT reserves the ability to refinance projects from federal to state or local, and to move projects within the four years of the STIP to maintain fiscal constraint.

Wisconsin's local improvement facilities legislative subprograms (Highway & Local Bridge Improvement Assistance 205, Local Transportation Facility Improvement Assistance 206, Congestion Mitigation and Air Quality 211 and Transportation Enhancement Activities 214) historically appear over programmed in the STIP Financial Summary table. These programs often receive additional federal earmark and local revenue funding that are scheduled on the projects, however, are not accurately reflected in the SFY budget. Wisconsin law allows the department to allot additional local revenue authority on an as needed basis depending on the summation of local municipal agreement revenue received within the fiscal year. Similarly, it is the department's policy to allot additional federal authority to programs in which federally funded Earmarks are programmed. Wisconsin was awarded SAFETEA-LU highway project earmarks in the High Priority Projects program (HPP), where funding is distributed in 20% increments from FFY2005 through FFY2009. Local governments that received an HPP are required to provide a 20% local match. If local project costs exceed the federal earmark amount plus the non-federal match, the local government sponsor is responsible for the additional costs. The majority of local municipalities have chosen to schedule their projects in FFY09 or later in order to wait until the full federal fund share is available. This bump in scheduled projects exacerbates the normal allowed local over programming that is needed to cover attrition and project deferral from insufficient local funding. Once final determinations of revenue for each year have been made, program leveling will be necessary in each of these programs, shifting projects out to years 2011-2012.