



WISCONSIN LEGISLATURE

P.O. BOX 8952 • MADISON, WI 53708

September 21, 2016

Governor Scott Walker
Wisconsin State Capitol, 115 East
Madison, Wisconsin 53708

Dear Governor Walker,

We are pleased to hear that you agree more work needs to be done on Wisconsin's transportation budget. Assembly Republicans as well as members of the Senate have made it clear that we have concerns with the request. It doesn't address the long-term transportation needs of Wisconsin, it continues the state's heavy reliance on bonding, and the significant project delays will bring crowded highways and increased costs to taxpayers.

We all want what's best for employers, taxpayers and the future of Wisconsin. A long-term solution for transportation funding is essential for our economy. We welcome the opportunity to work with you on a sustainable plan that delivers a safe and reliable transportation system. But before developing alternatives to the budget request, it's important the people of Wisconsin understand the long-term impact this proposal will have on their roads.

Speaker Vos has asked the Assembly Transportation Committee Chair Keith Ripp (R-Lodi) to conduct informational hearings. Your office and the Department of Transportation have had months to develop a budget proposal, we would like to take the first step by holding hearings and asking experts about the future ramifications of the budget request. In order to move forward on developing an alternative plan, it's essential to learn the following: the rate in which Wisconsin highways are deteriorating, the list of highway projects that will be done and won't be done, the true extent of the project delays, and the resurfacing costs for highways that will ultimately need to be entirely reconstructed.

The committee also will explore the impact of the delayed rehabilitation of the SE Mega Projects. With 20 percent of Wisconsin jobs within two miles of the SE Freeway corridors, we must investigate the impact of these proposed delays. In fact, under your plan, the unfortunate reality is that these roads may not be done in our lifetime.

Throughout this transportation funding discussion, Assembly Republicans have consistently said we will first analyze the operations of the Wisconsin Department of Transportation (DOT). Lawmakers asked the Legislative Audit Bureau for an audit of the State Highway Program; the findings are due out this fall. Republicans in the Legislature also required the DOT to conduct a transportation fund solvency study. It's essential that we find every cost savings possible before there are any discussion of raising additional revenues.

It's important to note the cost saving measures that are already in place and other reforms that should be considered. Unless federally required, we eliminated the use of state funds for Community Sensitive Solutions effective in July 2015. Legislators also repealed the statute requiring bicycle and pedestrian facilities in the last budget, saving roughly \$380,000. Assembly Republicans will explore and embrace other reforms, because we know that every bit of savings counts. However, there is a real possibility that we won't find enough savings to make a meaningful difference.

By utilizing the information from the audit, solvency study, the review of the budget request in the Assembly Transportation Committee and public input, we hope to find a long-term sustainable solution for our transportation funding crisis. It's time to stop kicking the can down the road.

In 2013, your special commission, the Wisconsin Commission on Transportation Finance and Policy, estimated the state needs an annual increase of revenue of \$1.35 billion in each year until 2023 just to maintain current conditions. Without additional highway funding, the percentage of the system in poor or worse condition will go from 20 percent in 2014 to 42 percent in 2023. The commission also pointed out, "the state's decades-old transportation funding model is not keeping pace with current or future needs."

Further, consider the relationship between our fuel tax, the main funding source for our highways, and the construction cost index. Since 2008 the cumulative percentage change for the fuel tax was 2.8 percent; for the construction cost index, it was 46.5 percent. Clearly, the fuel tax isn't keeping up.

Assembly leaders believe that it is more conservative to pay for projects today than it is to borrow the money and let future generations deal with the debt. Our state has relied too heavily on bonding. Debt payments have doubled in the last ten years and 20-cents on every transportation dollar now goes to pay back transportation debt. The Legislative Fiscal Bureau estimates that percentage will increase more than a penny each year under the DOT Agency Budget Request and may increase to a quarter of the transportation budget in a few years. While, as you pointed out, debt service levels remain in line with recommendations from the Transportation Finance and Policy Commission, that doesn't necessarily mean that it's the right choice for Wisconsin's taxpayers, especially with the fact that the budget also delays important projects that will cost more in the future.

**Gross Transportation Fund Revenue and Transportation Fund -
Supported Debt Service under DOT's 2017-19 Budget Request***
(\$ in Millions)

	<u>Gross Transportation Fund Revenue</u>	<u>Transportation Fund Debt Service</u>	<u>Debt Service as a % of Revenue</u>
2017-18	\$1,872.4	\$407.9	21.8%
2018-19	1,872.7	429.2	22.9

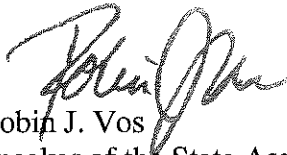
*Revenue and debt service values are estimates included in DOT 2017-19 budget request. Gross revenues are prior to the payment of debt service on transportation revenue bonds and exclude transfers from other funds.

Conservatives believe in asking people to pay for the programs they benefit from. It's why programs funded by user fees are often the norm in state government. Doctors, dentists and barbers pay fees that support their licensing programs. The concealed carry permit fee pays for that program. Revenues from ATV, snowmobile and boat registrations go toward the use of these recreational vehicles. In fact, we moved toward a self-sufficiency model this past budget for the state park system. These user fees were increased slightly to help make the parks more self-sustaining. When you look at the user fees in association with the transportation budget, Wisconsin is in the bottom third of the states.

There are no easy answers in the transportation funding crisis in our state. However, we are glad that you are willing to have an open dialogue on this important issue and we appreciate that the transportation budget was presented at an early date to allow for a robust public discussion.

You have often said that we must do what's best for the next generation and not worry about the next election. We look forward to using this theme as we work together with you and our Senate colleagues to create a fiscally conservative and responsible long-term funding solution.

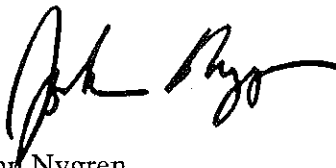
Sincerely,



Robin J. Vos
Speaker of the State Assembly
63rd Assembly District



Jim Steineke
Majority Leader
5th Assembly District



John Nygren
Assembly Chair, Joint Committee on Finance
89th Assembly District



Dan Knodl
Assistant Majority Leader
24th Assembly District