



Legislative Fiscal Bureau

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October 21, 2003

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 602: Bonding Authorization for Highway Projects

Assembly Bill 602 was introduced on October 20, 2003, and referred to the Joint Committee on Finance.

BACKGROUND

In passing the '2003-05 biennial budget bill (Enrolled SB 44), the Legislature authorized \$377,082,100 in general fund-supported, general obligation bonds for state highway rehabilitation and major highway development projects. In addition, the Legislature modified the conditions under which \$100,000,000 in existing transportation fund-supported, general obligation bonds could be used to allow those bonds to be used, with certain restrictions, on the Marquette Interchange reconstruction project. (Previously, the bonds could only be used, with Joint Committee on Finance approval, to replace any shortfalls in the amount of federal highway aid received by the state. Enrolled SB 44 also reduced the amount of this authorization by \$40,000,000, from \$140,000,000 to \$100,000,000.)

In signing the bill, the Governor vetoed the \$377,082,100 in general fund-supported bonds for highway projects. In addition, the Governor deleted selected digits in the authorization of the \$100,000,000 in transportation fund-supported bonds to increase the authorization to \$1,000,000,000. Provisions governing the use of the transportation fund-supported bonds were also modified through a partial veto to allow the bonds to be used for state highway rehabilitation or southeast Wisconsin freeway rehabilitation projects. In his veto message, the Governor indicated that of the \$1,000,000,000 authorized, a total of \$565,480,400 would be used during the 2003-05 biennium, as follows: (a) \$253,900,000 in 2003-04 and \$230,000,000 in 2004-05 for state highway rehabilitation; and (b) \$15,924,200 in 2003-04 and \$65,656,200 in 2004-05 for southeast

Wisconsin freeway rehabilitation (the Marquette Interchange project). Debt service on these amounts is estimated at \$3,317,000 SEG in 2003-04 and \$37,746,700 SEG in 2004-05. Once the full \$565,480,400 has been issued, the annual debt service is estimated to increase, beginning in 2005-06, to \$69,169,800.

SUMMARY OF BILL

AB 602 would reduce the amount of the general obligation bond authorization provided for highway projects from \$1,000,000,000 to \$565,480,400, a reduction of \$434,519,600. In addition, effective on July 1, 2005, the bill would: (a) delete the SEG appropriation for the payment of debt service on these bonds; and (b) modify an existing GPR debt service appropriation in DOT so that debt service payments on the bonds will be paid from the general fund after that date.

FISCAL EFFECT

AB 602 would result in an estimated, annual reduction in transportation fund debt service costs, beginning in 2005-06, of \$69,169,800, and a corresponding annual increase of \$69,169,800 in GPR debt service costs beginning in that year. Under the bill, the debt service on the bonds would continue to be paid from the transportation fund during the 2003-05 biennium, estimated at \$3,317,000 in 2003-04 and \$37,746,700 in 2004-05.

As noted above, the bill would result in a reduction in bonding authorization of \$434,519,600. Of the \$565,480,400 in remaining bonds, it is anticipated that the \$483,900,000 issued for state highway rehabilitation projects would be 10-year bonds, while the remaining \$81,580,400, for the Marquette Interchange project, would be 20-year bonds. As noted above, the annualized debt service on the full amount of bonding will be \$69.2 million, but this is estimated to decline to \$6.9 million annually once the 10-year bonds have been retired.

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