



TO: Speaker Robin Vos
Representative Jim Steineke
Representative John Nygren

FROM: Scott Manley
Senior Vice President of Government Relations
Wisconsin Manufacturers & Commerce

DATE: July 7, 2017

RE: Transportation Funding

Thank you for the opportunity to provide additional input with respect to the debate over Wisconsin's transportation finances. WMC has been an active participant in encouraging solutions to this challenging issue in a manner that is respectful of our state's economy as a whole.

WMC believes a high-quality transportation infrastructure is necessary to maintain our state's economic competitiveness. Three of our top industries – manufacturing, agriculture, and tourism – all rely upon roads, rails and ports to move goods and services in our economy. As such, we support funding at a level necessary to maintain a competitive transportation infrastructure in Wisconsin.

WMC also believes that despite considerable efforts by the Republican Legislature to reduce the income and property tax burden on Wisconsin citizens and businesses, Wisconsin remains overtaxed. According to the Tax Foundation, Wisconsin has the tenth-highest top rate for personal income taxes, and the fourth-highest effective property tax rate in the country. Raising taxes should be an option of last resort.

We know that Republican lawmakers take seriously their obligation to oversee state spending and ensure agencies are being good stewards of taxpayer dollars. Yet we are troubled by the findings of the nonpartisan Legislative Audit Bureau report issued earlier this year that found sixteen DOT projects had collectively run over budget by more than \$3 billion. The same audit also found that DOT failed to save \$289 million by not meeting its own performance goals. This magnitude of fiscal mismanagement is unacceptable to taxpayers, and would never be tolerated in the private sector. Nor does it inspire great confidence that the agency should be entrusted with additional tax or fee revenue without substantial changes to the agency's internal financial management.

Since taking on the role of DOT Secretary, we believe Dave Ross has shown a strong commitment to sound fiscal management. He and his team have already implemented cost containment and efficiency measures that will further stretch the buying power of our existing revenue. Through his efforts, \$65 million in existing funds were re-directed and over \$44 million in authorized transportation borrowing has not been issued. WMC is encouraged by these positive developments and we applaud the leadership of Secretary Ross to implement changes to "business as usual" at the DOT.



With these principles in mind, WMC offers the following suggestions for transportation savings and revenue enhancements:

Transportation Savings Measures

- **Repeal the state prevailing wage:** Wisconsin's prevailing wage law artificially inflates wages above the market rate for state transportation building projects. WMC believes tremendous savings could be realized by repealing the state prevailing wage and implementing the federal funding consolidation reform described below.
- **Preempt local environmental regulations:** Gas tax revenue is growing thanks to lower gas prices enabled by domestic fracking, which wouldn't be possible without sand from Wisconsin sand mines. To ensure nonmetallic mining is unencumbered by misguided local regulations, and Wisconsin is allowed to continue powering this domestic energy renaissance leading to more gas consumption, the Legislature should codify the Wisconsin Supreme Court's preemption standard in the *Lake Beulah Management District vs. Village of East Troy* case. Preempting local governments from regulating air and water quality, which is the purview of the DNR, would also assist aggregate mines that supply highway construction projects and thereby reduce construction costs.
- **Consolidate federal funding into fewer projects:** Limit the financial impact of federal conditions on state and local highway projects (including the Davis Bacon law) by concentrating federal funds into as few state projects as possible.
- **Reduce the number of DOT engineers:** Wisconsin currently employs 755 engineers for project design and review. We believe the private sector can perform these services in a more timely and cost-effective manner than government employees. We therefore recommend reducing 400 engineering positions at DOT, and instead utilize less-costly private sector engineering services.
- **Allow the design-build delivery model:** The Wisconsin DOT is currently required to use the design-bid-build delivery method for awarding highway construction projects. We believe that allowing the design-build model would save considerable money on certain projects by allowing the same firm to design and build the project.
- **Stop over-building by implementing "practical design":** The Legislature should statutorily codify DOT's adoption of "practical design" changes to the Facilities Design Manual that prevent overspending on projects through over-constructing them – without compromising motorist safety.
- **Align state and federal environmental reviews for DOT projects:** A recent administrative rule was adopted to conform the Wisconsin Environmental Policy Act to federal NEPA standards. This reform will begin paying dividends in reduced regulatory costs for state and local infrastructure projects. Further efforts to streamline environmental reviews and reduce regulatory obligations associated with infrastructure projects should be pursued.



Given Governor Walker's clear position against transportation tax and fee increases, and his promise to veto them, WMC does not believe revenue enhancements are politically viable in this budget cycle. This belief is further strengthened by the position of Senate Republicans against a gas tax or fee increase. With that said, and in the spirit of providing constructive input to a challenging problem, WMC suggests consideration of the revenue enhancements listed below.

Revenue Enhancement Measures

- **Gas tax and fee increase:** The WMC Board of Directors voted to approve a legislative agenda earlier this year that included a provision to support a gas tax increase of up to five cents per gallon, and a registration fee increase on automobiles and light trucks of up to \$25 per vehicle.
- **Diverting the PECFA tax for roads:** Utilize the two-cents per gallon currently being collected for the PECFA program to pay for transportation funding, while paying for the PECFA program obligations with another dedicated revenue source.
- **Transfer additional General Fund Revenue:** Allocate additional General Fund revenue to the Transportation Fund either by increasing the current 0.25% transfer, or transferring a portion of the sales tax from motor vehicle sales and/or motor vehicle parts and accessories.

We understand the opposition to increases in the gas tax or registration fees voiced by the Senate Republicans and Governor Walker. A recent survey of our own members demonstrates they are far from unanimous in their views with respect to transportation funding. Despite our organization's willingness to support modest revenue increases, we believe political realities constrain the options available in this present biennium.

We support the Governor's proposal to utilize contingency bonding to match whatever federal funding is made available, and we urge you to support this as a means to address infrastructure needs in Southeastern Wisconsin.

Our members support safe and reliable transportation infrastructure, but the issue starts with restoring trust in the agency charged with spending our transportation dollars. Secretary Ross has taken strong steps toward rebuilding that public trust, but additional work remains to be done. We believe the climate for a revenue increase will be more favorable after those additional steps are taken, and public confidence in the financial management of our transportation program is restored.

You and your caucus have done much to improve the economic competitiveness of our state through tax reform, regulatory reform, legal reform, and government efficiency measures. We look forward to working with you to make continued progress in these areas.