



Legislative Fiscal Bureau

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TO: Members
Senate Democratic Caucus

FROM: Jon Dyck, Fiscal Analyst

SUBJECT: Structural Condition of the Transportation Fund Under the Joint Committee on Finance Substitute Amendment to the 2011-13 Biennial Budget Bill

At the request of the members of the Senate Democratic Caucus, this memorandum provides information on the structural condition of the transportation fund going into the 2013-15 biennium, under provisions of the Joint Committee on Finance substitute amendment to the 2011-13 biennial budget bill.

Under the Joint Committee on Finance substitute amendment, total transportation fund revenues in 2012-13 are roughly equal to appropriations and reserves (\$1,670.1 million in revenues and \$1,669.5 million in appropriations and reserves). However, a portion of transportation fund revenues in that year are derived from one-time transfers from the general fund (\$102.5 million) and the petroleum inspection fund (\$19.5 million). Consequently, ongoing base expenditures would exceed ongoing base revenues by the total of these two, or \$122 million, in each year of the 2013-15 biennium.

In addition to the difference between ongoing expenditures and ongoing revenues, debt service payments are projected to increase in the 2013-15 biennium, as bonds authorized under the substitute amendment, as well as those authorized in earlier biennia, are fully issued. It is estimated that debt service on transportation bonds would increase over base year levels by \$28 million in 2013-14 and \$47 million in 2014-15. Adding these amounts to the difference between ongoing revenues and ongoing expenditures, produces a total of \$150 million in 2013-14 and \$169 million in 2014-15, for a biennial total of \$319 million.

This calculation would be similar to estimates of the general fund structural condition that this office has prepared. It should be noted, however, that the transportation budget is more reliant than the general fund budget on the use of bonds for ongoing program activity. Consequently,

maintaining 2012-13 base level expenditures for transportation programs would require not just compensating for the structural issues mentioned above, but also matching the amount of bonds used in the base year. This could be done either through the use of cash resources (state transportation fund or other fund revenues or federal aid) or by authorizing additional bonds. Under provisions of the substitute amendment, there would be a total of \$305 million in bonds used in 2012-13 for transportation projects. Consequently, maintaining total expenditures from all sources at the 2012-13 base level (assuming that federal aid remains constant) would require a combination of additional bonds and above-base cash revenues of \$455 million in 2013-14 and \$474 million in 2014-15.

Please contact me if you have additional questions.

JD/sas