To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Elderly and Disabled Transportation Assistance (DOT -- Local Transportation Aid)

[LFB Summary: Page 588, #4]

CURRENT LAW

Base funding for elderly and disabled transportation assistance is $5,749,600 SEG for county assistance and $2,265,400 ($712,300 SEG, $453,100 SEG-L and $1,100,000 FED) for capital grants.

GOVERNOR

Increase funding for elderly and disabled specialized transportation services as follows:

a. *County Assistance Program.* Increase funding by $172,500 SEG in 1997-98 and $350,200 SEG in 1998-99. Total funding would equal $5,922,100 SEG in 1997-98 and $6,099,800 SEG in 1998-99.

b. *Capital Grant Program.* Increase funding by $26,700 ($21,400 SEG and $5,300 SEG-L) in 1997-98 and $54,200 ($43,400 SEG and $10,800 SEG-L) in 1998-99. Total funding would equal $2,292,100 ($733,700 SEG, $458,400 SEG-L and $1,100,000 FED) in 1997-98 and $2,319,600 ($755,700 SEG, $463,900 SEG-L and $1,100,000 FED) in 1998-99.

DISCUSSION POINTS

1. The bill would provide 3% annual increases in state funding for the county assistance and capital grant programs.

2. Based on the forecast of the economy by DRI/McGraw-Hill, providing inflationary increases of 2.8% in 1998 and 3.0% in 1999 would allow elderly and disabled transportation assistance to be maintained at the same real level. The amount of funding necessary to provide such increases is estimated to be $161,000 SEG in 1997-98 and $338,300 SEG in 1998-99 for county assistance and $19,900 SEG and $5,000 SEG-L in 1997-98 and $41,900 SEG and $10,500 SEG-L in 1998-99 for the capital grant program. Compared to the bill, this would represent decreases of $13,000 SEG and $300 SEG-L in 1997-98 and $13,400 SEG and $300 SEG-L in 1998-99.

3. A number of individuals provided public testimony in support of funding increases for elderly and disabled transportation assistance, citing a lack of available services for individuals eligible for this program.

ALTERNATIVES TO BASE

1. Adopt the Governor's recommendation to provide $172,500 SEG in 1997-98 and $350,200 SEG in 1998-99 for the county assistance program and $21,400 SEG and $5,300 SEG-L in 1997-98 and $43,400 SEG and $10,800 SEG-L in 1998-99 for the capital grant program.

Alternative 1	SEG	SEG-L	TOTAL
1997-99 FUNDING (Change to Base)	$587,500	$16,100	$603,600
[Change to Bill	*$0*	*$0*	*$0]*

2. Provide $161,000 SEG in 1997-98 and $338,300 SEG in 1998-99 for the county assistance program and $19,900 SEG and $5,000 SEG-L in 1997-98 and $41,900 SEG and $10,500 SEG-L in 1998-99 for the capital grant program to fund increases equal to 2.8% in 1997-98 and 3.0% in 1998-99.

Alternative 2	SEG	SEG-L	TOTAL
1997-99 FUNDING (Change to Base)	$561,100	$15,500	$576,600
[Change to Bill	*- $26,400*	*- $600*	*- $27,000]*

3. Provide annual elderly and disabled transportation assistance increases for 1997-98 and 1998-99 at one of the following percentages. Set the county assistance and capital grant appropriations as shown below.

County Assistance Program

% Annual Increase in Aid	Fiscal Year Amount 1997-98	Fiscal Year Amount 1998-99	Change to Base 1997-98	Change to Base 1998-99	SEG Change to Bill 1997-98	SEG Change to Bill 1998-99
a. 1%	$5,807,100	$5,865,200	$57,500	$115,600	-$115,000	-$234,600
b. 2%	5,864,600	5,981,900	115,000	232,300	-57,500	-117,900
c. 4%	5,979,600	6,218,800	230,000	469,200	57,500	119,000
d. 5%	6,037,100	6,339,000	287,500	589,400	115,000	239,200

Capital Grant Program

% Annual Increase in Aid		Fiscal Year Amount 1997-98	Fiscal Year Amount 1998-99	Change to Base 1997-98	Change to Base 1998-99	Change to Bill 1997-98	Change to Bill 1998-99
e. 1%	SEG	$719,400	$726,600	$7,100	$14,300	-$14,300	-$29,100
	SEG - L	454,900	456,700	1,800	3,600	-3,500	-7,200
f. 2%	SEG	726,500	741,000	14,200	28,700	-7,200	-14,700
	SEG - L	456,700	460,300	3,600	7,200	-1,700	-3,600
g. 4%	SEG	740,800	770,400	28,500	58,100	7,100	14,700
	SEG - L	460,200	467,600	7,100	14,500	1,800	3,700
h. 5%	SEG	747,900	785,300	35,600	73,000	14,200	29,600
	SEG - L	462,000	471,400	8,900	18,300	3,600	7,500

Prepared by: Cheryl McIlquham

MO#_____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE_____ NO _____ ABS_____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Lift Bridge Aid (DOT -- Local Transportation Aid)

[LFB Summary: Page 589, #5]

CURRENT LAW

Under current law, lift bridge aids are provided to reimburse municipalities for the actual costs incurred in operating and maintaining swing or lift bridges on connecting highways. Presently, five municipalities operate 10 eligible lift bridges. In 1996-97, $1,400,000 SEG is provided in a biennial appropriation for these aids. Payments are prorated if costs exceed the appropriation.

GOVERNOR

Decrease funding by $290,000 SEG in 1997-98 and $100,000 SEG in 1998-99 to reflect estimated payments. Total funding would be $1,110,000 SEG in 1997-98 and $1,300,000 SEG in 1998-99.

MODIFICATION TO BASE

Decrease funding by $340,000 SEG in 1997-98 and $50,000 SEG in 1998-99 to provide total funding of $1,060,000 SEG in 1997-98 and $1,350,000 SEG in 1998-99.

Explanation: Although the total amount provided over the biennium under the bill appears reasonable, a transfer of $50,000 from 1997-98 to 1998-99, relative to the bill, would more accurately reflect the amount estimated to be expended each year.

Modification	SEG
1997-99 FUNDING (Change to Base)	- $390,000
[Change to Bill	*$0]*

Prepared by: Cheryl McIlquham

MO# Modification to BASE

1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

TRANSPORTATION

Local Transportation Aid

LFB Summary Items for Which No Issue Papers Have Been Prepared

Item #	Title
3	Reestimate of Federal Transit Funding

MO# Item #3

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

Transportation

Local Transportation Projects

(LFB Budget Summary Document: Page 589)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
1	Milwaukee Brewers Stadium Infrastructure (Paper #835)
2	Passenger Rail Service (Paper #836)
4	Freight Rail Infrastructure Improvement Program (Paper #837)
7	Railroad Crossing Repair Assistance (Paper #838)
8	Assessment of Wisconsin Railroads to Fund Railroad Crossing Improvements (see Paper #693)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Milwaukee Brewers Stadium Infrastructure (DOT -- Local Transportation Projects)

[LFB Summary: Page 589, #1]

CURRENT LAW

The memorandum of understanding (MOU) concerning the stadium that was signed by the state, the City of Milwaukee, Milwaukee County and the Milwaukee Brewers identified maximum expenditures of $72 million for related infrastructure improvements. The state agreed to fund costs related to the stadium interchange and USH 41, including highway construction, utility siting and relocation, right-of-way acquisition and relocation and associated hazardous material remediation. The city and county agreed to share equally in the costs associated with pad improvements, parking areas, the removal of the existing stadium and associated hazardous material remediation. Under the MOU, the state's share of the infrastructure costs was estimated at $36 million.

In the 1995-97 transportation budget, $15 million was put in reserve for this purpose, to be used through the highway rehabilitation program. An additional $9 million from a federal demonstration grant is also available for these costs. Therefore, the remaining state share is $12 million.

GOVERNOR

Provide $3,000,000 SEG in 1997-98 and $9,000,000 SEG in 1998-99 for the state's share of infrastructure costs related to the construction of a new baseball stadium for the Milwaukee Brewers. Provide these funds through a new, continuing appropriation for transportation aid to the professional baseball park district. Specify that these funds could be used for costs for the

development, construction, reconstruction or improvement of bridges, highways, parking lots, garages, transportation facilities or other functionally related or auxiliary facilities or structures associated with construction of the stadium.

DISCUSSION POINTS

1. In order to provide the $36 million state share of stadium infrastructure costs that was estimated in the MOU, an additional $12 million would be needed, which the bill would provide. The majority ($24 million) of the state share involves work on the state trunk highway system (primarily the relocation of USH 41). DOT will act as the project manager for this work. However, for stadium infrastructure work not on the state trunk highway system (such as interior roadways and parking lots), the stadium district will act as the project manager. Therefore, under the bill, the additional $12 million will be paid as aid to the stadium district.

2. Although the final cost of the STH rehabilitation project is not yet known, DOT anticipates that it will be close to the $24 million already provided for this purpose. If the cost is more than this, the Department expects that the stadium district would return some of the $12 million to DOT. For example, if work on USH 41 costs $25 million, the stadium district would return $1 million of the $12 million provided in SB 77 to DOT and the district would use the remaining $11 million for other projects.

3. DOT anticipates that during each year of the biennium, the entire amount would be sent to the stadium district in one payment ($3,000,000 in 1997-98 and $9,000,000 in 1998-99). The bill would establish a continuing appropriation to make these payments. However, given that the full payments would likely be made with one check each year, an annual appropriation may be appropriate.

4. Since the $12 million provided under the bill would complete the state's commitment to this project, this appropriation could be repealed at the end of 1998-99.

5. Staff at the Southeastern Wisconsin Professional Baseball Park District indicate that the $12 million would be used to construct interior roadways that would connect the stadium's parking lots to local streets and USH 41. It should be noted that the MOU does not specify whether the state or the county and city would be responsible for the cost of constructing the interior roadway system.

6. An argument could be made that the state's commitment for infrastructure costs will be fulfilled when the activities related to the state highway system are completed, regardless of whether those activities cost less than $36 million. Under the MOU, the $36 million amount was identified as the estimated cost of state highway improvements. The MOU does not specifically commit the state to spending the full $36 million.

7. It could also be argued that the state should provide the entire $36 million identified in the MOU, regardless of the types of activities funded with those dollars. However, since the $12 million will not be spent on the state highway system, an alternative would be to use general purpose revenue to make the $12 million aid payment to the District.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide $3,000,000 SEG in 1997-98 and $9,000,000 SEG in 1998-99 in the form of aid to the stadium district through a new, continuing appropriation for costs related to the development, construction, reconstruction or improvement of bridges, highways, parking lots, garages, transportation facilities or other functionally related or auxiliary facilities or structures associated with construction of the stadium.

Alternative 1	SEG
1997-99 FUNDING (Change to Base)	$12,000,000
[Change to Bill	*$0]*

2. Provide $3,000,000 SEG in 1997-98 and $9,000,000 SEG in 1998-99 in the form of aid to the stadium district through a new, annual appropriation for costs related to the development, construction, reconstruction or improvement of bridges, highways, parking lots, garages, transportation facilities or other functionally related or auxiliary facilities or structures associated with construction of the stadium. Specify that the appropriation be repealed on June 30, 1999.

Alternative 2	SEG
1997-99 FUNDING (Change to Base)	$12,000,000
[Change to Bill	*$0]*

3. Provide $3,000,000 GPR in 1997-98 and $9,000,000 GPR in 1998-99 in the form of aid to the stadium district through a new, annual appropriation for costs related to the development, construction, reconstruction or improvement of bridges, highways, parking lots, garages, transportation facilities or other functionally related or auxiliary facilities or structures associated with construction of the stadium. Specify that the appropriation be repealed on June 30, 1999.

Alternative 3	GPR	SEG	TOTAL
1997-99 FUNDING (Change to Base)	$12,000,000	$0	$12,000,000
[Change to Bill	*$12,000,000*	*- $12,000,000*	*$0]*

4. Take no action.

Alternative 4	SEG
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $12,000,000]*

Prepared by: Jon Dyck and Kelsie Doty

MO# Alt #2

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 11 NO 5 ABS____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Passenger Rail Service (DOT -- Local Transportation Projects)

[LFB Summary: Page 590, #2]

CURRENT LAW

The state has a contract with the National Railroad Passenger Corporation, or Amtrak, to operate six daily round trips between Chicago and Milwaukee. The cost for running the service, known as the Hiawatha route, is covered by ticket revenue, Amtrak (which receives money from the federal government) and the states of Wisconsin and Illinois. The current contract expires June 30, 1997.

GOVERNOR

Provide $2,300,000 annually of federal congestion mitigation and air quality improvement funds to help pay Wisconsin's share of the cost to run the Hiawatha train service between Milwaukee and Chicago. Create FED and SEG-L (local funds) continuing appropriations for the purpose of passenger rail service and promotion and renumber the current SEG appropriation.

Create authority for DOT to do the following: (a) acquire equipment for the purpose of providing rail passenger service or support services for passenger rail; (b) enter into agreements with other states to assist or promote rail passenger service; and (c) conduct its own marketing studies and promotional activities, in addition to contracting for such services, as is allowed under current law. Eliminate the requirement that DOT must ensure, before contracting for marketing studies and promotional activities, that a local government spends at least an equal amount on similar or complementary activities. Delete the requirement that DOT must give priority to funding additional passenger service over marketing studies or promotional activities.

Expand DOT's current authority to contract with Amtrak or railroads to provide passenger rail service to permit the Department to do the following: (a) contract with other persons to provide passenger rail service; and (b) contract with Amtrak, railroads or other persons to provide support services for passenger rail service. Permit DOT, as a condition of these contracts, to provide for the sale or lease of passenger rail equipment acquired by the Department. Allow DOT to enter into contracts for rail passenger service or support services without using competitive bidding or competitive sealed proposals.

DISCUSSION POINTS

Funding for Passenger Rail Service

1. Late in 1989, Wisconsin and Illinois began sponsoring two daily round trips on the Hiawatha route in addition to the three that were run by Amtrak as part of its national passenger rail system. The states paid a portion of the costs of running the two round trips that was not covered by ticket revenue.

2. Over the period of the next several years, the states sponsored additional routes which increased costs. In December, 1994, Amtrak announced that it planned to discontinue all Hiawatha service due to federal budget cuts. After negotiations with the states, Amtrak agreed to continue providing service if the states paid a higher proportion of the costs. The following table shows the amount that Wisconsin has been required to pay for maintaining service, and the number of round trips that the states directly subsidized. For the purposes of comparison, the annualized cost and cost per supported trip are also shown.

Contract Period	Number of Supported Round Trips	Wisconsin's Costs	Annualized Cost	Cost Per Supported Trip
Nov., 1989, to Oct., 1990	2	$196,812	$196,812	$98,406
Nov., 1990, to June, 1991	2	108,562	162,843	81,422
July, 1991, to June, 1992	4	229,737	229,737	57,434
July, 1992, to June, 1993	4	274,262	274,262	68,566
July, 1993, to June, 1994	4	435,481	435,481	108,870
July, 1994, to March, 1995	4	406,037	541,383	135,346
April, 1995, to June, 1995	4	112,000	448,000	112,000
July, 1995, to Sept., 1996	6	3,320,943	2,656,754	442,792
Oct., 1996, to June, 1997	6	2,192,000	2,922,667	487,111

3. The current contract requires the state to pay a fixed amount that, unlike the prior agreements, does not depend upon ticket revenue.

4. The bill would provide $2.3 million annually of federal congestion mitigation and air quality improvement (CMAQ) funds to pay Wisconsin's share of contract costs during the 1997-99 biennium. This, coupled with base funding of $572,500 SEG, would provide $2,872,500 annually.

5. The $2.3 million figure was an estimate of the amount needed to provide service based on the assumption that the costs would be the same as under the current contract. However, the state has just signed a new three-year contract with Amtrak in which the costs exceed the amounts that the bill would provide. The following table shows what the state must pay in the next three years under the contract and additional funding that would be needed to fund these payments.

Fiscal Year	Contract Amount	Funding Under Bill	Difference
1997-98	$3,650,000	$2,872,500	$777,500
1998-99	3,412,500	2,872,500	534,000
1999-00	3,712,000	N.A.	N.A.

6. The new contract would continue to provide six daily round trips, but has a number of new elements. Most significantly, the state has agreed to pay $687,500 in capital improvements in the first year. Included in these improvements are the replacement of the cab cars and the construction of a maintenance facility in Milwaukee. These improvements are expected to make the service more efficient.

7. DOT has proposed to cover a portion of the additional costs by using $620,000 FED in 1997-98 and $430,000 FED in 1998-99 from the CMAQ appropriation, which funds projects in southeastern Wisconsin that are intended to reduce congestion or improve air quality. Since the use of CMAQ money requires a 20% match, DOT proposes increasing the SEG rail passenger service appropriation by $157,500 in 1997-98 and $110,000 in 1998-99 to fully fund the match.

Statutory Changes

8. The bill would make a number of changes to expand DOT's authority to provide or contract with other parties to provide passenger rail services or support services for passenger rail. The bill would also allow the Department greater flexibility in promoting the service.

9. One of the most significant changes would allow DOT to purchase equipment and sell or lease it to service providers. This would potentially allow more firms to bid for contracts to provide service, since they would not have to own the expensive equipment to be eligible. DOT indicates, however, that there are no plans to purchase any equipment during the 1997-99 biennium.

10. Since the new contract with Amtrak requires the state to pay for some equipment and maintenance facilities, in its proposal to fund that contract, DOT also asked for statutory changes that would allow it to contract for or acquire equipment or support facilities (including, but not limited to, station improvements, passenger platforms, parking areas and equipment maintenance shops).

11. Another change in the bill would allow DOT to contract with a wider array of service providers. Currently, DOT can contract only with Amtrak or applicable railroads. Expanding this authority to include "other qualified persons" would allow more firms to bid to provide service, which may increase the competitiveness of such bidding. The bill would also allow DOT to enter into these contracts without using competitive bidding or competitive sealed proposals. DOT indicates that this change was added because typically the owner of the track that would be used for passenger service is the only party eligible to enter into the contract.

12. Another change would allow DOT to enter into agreements with other states for the provision of passenger rail service. Currently, a consortium of states is exploring the possibility of expanding passenger rail service throughout the midwest, with the goal of creating subsidy-free service. In order to join this effort, know as the Midwest Rail Initiative, DOT needs the authority to enter into agreements with these states.

13. The bill would also allow DOT to conduct its own marketing studies and promotional activities. Currently, DOT can pay for promotion or marketing studies, but must contract for these services. The bill would also delete the requirement that a local government must spend at least as much on marketing studies or promotion before DOT can expend funds for these purposes. Finally, the bill would eliminate the requirement that DOT give priority to funding additional passenger service over marketing studies or promotional activities. These changes would make it easier to fulfill a provision in the new contract in which the state agrees to spend money on advertising equal to about 3.7% of total state payments.

14. The changes in the bill related to promotion and marketing studies would give DOT more flexibility in promoting the service. They would, for instance, allow DOT to respond quickly when it determines that promoting a certain event will increase ridership. While these changes may help DOT to increase ridership, this will not reduce the amount the state must pay Amtrak. Unlike prior contracts, the current contract, as well as the new contract beginning on July 1, 1997, requires the state to pay a fixed amount for the service.

15. Although additional promotion would not decrease what the state owes Amtrak, making these changes may still be warranted if the goals of such promotion, such as increased attendance at Wisconsin events or reduced highway congestion are viewed as beneficial.

ALTERNATIVES TO BASE

A. Funding for Passenger Rail Service

1. Approve the Governor's recommendation to provide $2,300,000 FED annually of congestion mitigation and air quality improvement funds (CMAQ) to pay the cost of passenger rail service. Create FED and SEG-L (local funds) continuing appropriations for the purpose of passenger rail service and promotion and renumber the current SEG appropriation.

Alternative 1	FED
1997-99 FUNDING (Change to Base)	$4,600,000
[Change to Bill	*$0]*

2. Provide $2,920,000 FED in 1997-98 and $2,730,000 FED in 1998-99 of congestion mitigation and air quality improvement funds (CMAQ) to pay the cost of passenger rail service through a new FED, continuing appropriation for the purpose of passenger rail service and promotion. Provide $157,500 SEG in 1997-98 and $110,000 SEG in 1998-99 to fully fund the 20% match for these funds. Reduce the congestion mitigation and air quality improvement appropriation by $620,000 FED in 1997-98 and $430,000 FED in 1998-99 to reflect the use of a portion of the base funding from this appropriation for passenger rail service. Create a SEG-L, continuing appropriation for passenger rail service and renumber the current SEG appropriation.

Alternative 2	FED	SEG	TOTAL
1997-99 FUNDING (Change to Base)	$4,600,000	$267,500	$4,867,500
[Change to Bill	*$0*	*$267,500*	*$267,500]*

3. Take no action.

Alternative 3	FED
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $4,600,000]*

B. Statutory Changes

1. Approve the Governor's recommendation to expand DOT's authority to contract for passenger rail services or support services (including the authority to enter into contracts without using a competitive bidding process), allow for the acquisition of equipment related to passenger rail service and increase DOT's flexibility for doing promotion and marketing studies.

2. Approve the Governor's recommendation to make statutory changes related to the provision of passenger rail, but modify the changes in one or more of the following areas:

a. Expand the authority of DOT to acquire or contract for the provision of equipment or support services related to passenger rail by also including support facilities, including, but not limited to, equipment maintenance shops, station improvements, passenger platforms and parking areas.

b. Retain current law with respect to requiring competitive bidding or competitive sealed bids when contracting for passenger rail services or support services.

c. Retain current law with respect to promotion and marketing studies, requiring that DOT contract for such services, give priority to additional passenger rail service before money is spent on promotion or marketing studies and only spend an amount equal to or less than amounts spent by local governments on complementary studies or promotion.

3. Take no action.

Prepared by: Jon Dyck

MO# AK #A2

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

MO# AH #B2a

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 1 ABS ____

Representative Jensen

TRANSPORTATION

Bonding Authorization for Amtrak Extension or Commuter Rail

Motion:

Move to specify that railroad track or station improvements related to the extension of Amtrak's Hiawatha service from Milwaukee into Waukesha County or the establishment of commuter rail in this corridor are allowable uses of the $50 million of existing bonding authority which was authorized for capital costs related to the development of passenger rail service between Milwaukee and Madison and Milwaukee and Green Bay. Specify that the prerequisites for using the bond proceeds for the Green Bay or Madison service also apply to service to Waukesha County.

Specify that station improvements related to existing passenger rail service are also an eligible use of the $50 million of bonding authority. Specify that DOT must receive the approval of the Joint Committee on Finance to use bond proceeds for this purpose.

Note:

In the 1993-95 budget, the Legislature authorized $50 million in general obligation bonding authority for capital costs related to passenger rail service between Milwaukee and Madison and Milwaukee and Green Bay. DOT may not use any bond proceeds unless it has demonstrated to the Joint Finance Committee that Amtrak or the applicable railroad has agreed to provide service on the route and the Committee approves the use of the proceeds. None of this bonding has been used.

This motion would expand the allowable uses of this bonding authority to include track or station improvements related to the extension of Amtrak's Hiawatha route into Waukesha County or the establishment of commuter rail in this corridor or station improvements related to existing passenger rail service. The motion would also require DOT to get approval from the Committee before using the bond proceeds for these purposes.

Currently, Amtrak is discussing the possibility of extending service into Waukesha County using tracks owned by Canadian Pacific Railroad (CP Rail). Such service would be provided on a demonstration basis during the resurfacing project on the East-West Freeway.

Motion #1726

VOTE OVER →

MO# 1726

1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 15 NO 1 ABS ____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Freight Rail Infrastructure Improvement Program (DOT -- Local Transportation Projects)

[LFB Summary: Page 591, #4]

CURRENT LAW

Through the freight rail infrastructure improvement program (FRIIP), DOT provides low- or no-interest loans to railroads, shippers or local governments to perform a variety of capital improvements related to freight rail service. These improvements are designed to make freight rail transportation more efficient and competitive. As the loans are repaid, these funds are made available for new loans.

GOVERNOR

Provide $1,000,000 SEG-L in 1997-98 and $1,500,000 SEG-L in 1998-99 to reflect estimated loan repayments into the freight rail infrastructure improvement program's revolving fund. The loan repayments accounting for this increase represent the first substantial repayments since the program began. The loan repayments would be added to base SEG funding of $5,579,800 to create a total of $6,579,800 in 1997-98 and $7,079,800 in 1998-99 available for disbursement as new loans.

DISCUSSION POINTS

1. Since much of the capital in the freight rail industry is considered nonrecoverable by financial lenders, the availability of credit for capital improvements, particularly track

upgrades, has been a concern of the industry. The freight rail improvement program was created to provide an additional source of credit for improvements in order to enhance the competitiveness of the industry.

2. Under FRIIP, DOT makes loans both to railroads and shippers served by railroads. The program, which is in its fourth year, is now starting to receive repayments on loans. About $1,000,000 is expected in 1996-97 and $1,500,000 is expected in 1997-98. The bill would maintain base SEG funding at $5,579,800, and make the repayments from 1996-97 available for new loans in 1997-98 and the repayments from 1997-98 available for new loans in 1998-99.

3. An alternative to the bill would be to reduce SEG funding by an amount equal to loan repayments, thereby keeping the program at its current size. DOT's budget request included a recommendation that SEG funding be reduced by $1,000,000 in 1997-98 and $1,500,000 in 1998-99. With the anticipated repayments, the amount available for new loans would have remained constant at about $5.6 million per year.

4. DOA indicates that the DOT recommendation was not included in the budget because the demand for loans is sufficiently high to justify an increase in the size of the loan fund.

5. DOT has recently received applications for loans totaling $14.1 million for the 1997-98 program. Loans will be awarded in the fall. If the provisions in the bill are approved, loans totaling about 47% of applications could be awarded. If an alternative similar to DOT's budget request is chosen, loans totaling about 40% of applications could be awarded.

6. The decision on whether to reduce SEG funding would impact the growth of the revolving loan fund. Typically, loans are repaid in equal payments over a period of ten years. Assuming that all loans follow this model, at least $23.4 million in additional loan repayments would be available for new loans over the next ten years if SEG funding were kept at its current level throughout that time. If SEG funding is reduced as under DOT's budget request, but no further SEG reduction occurs in the future, the minimum level of additional loan repayments available for new loans during that time would drop to $17.6 million.

Interest Rates

7. An option for increasing the amount that is repaid to the state would be to require DOT to charge an interest rate that is at least as high as what the transportation fund would earn if the funds were not loaned. Charging this rate, which is the rate earned on the state investment fund (currently 5.26%), would increase the amount that is repaid to the state, which would increase the amount that could be made available for new loans.

8. Currently, DOT sets the interest rate so that the internal rate of return from an improvement is equal to or less than twice the prevailing cost of capital for the industry. If the expected rate of return is greater than twice the cost of capital, the interest rate is set so that the rate of return is just equal to twice the cost of capital. If the expected rate of return is less than twice the prevailing cost of capital, then no interest is charged. All but two FRIIP loans issued to date have been interest-free.

9. The procedure for determining the interest rate is based on statements from the industry that a rate of return of about twice the cost of capital is required before a railroad will make an improvement. The FRIIP program, therefore, is intended to induce improvements that result in public benefit, but which do not have sufficiently high private benefits to convince the railroad to make the investment without support.

10. Requiring a minimum interest rate would likely discourage some potential loan recipients from applying. DOT indicates that the nonrailroad entities (typically shippers) who are now receiving loans probably would not accept loans for the types of improvements that they are currently doing if interest were charged. The railroad that has received most of the loans to date, however, would likely continue using the program.

11. Since charging an interest rate equal to the state investment fund rate may discourage some improvements that have a public benefit, a partial subsidy on the rate may be appropriate. Another option would be to set the minimum interest rate at one-half the state investment fund rate.

ALTERNATIVES TO BASE

A. Funding Level

1. Approve the Governor's recommendation to provide $1,000,000 SEG-L in 1997-98 and $1,500,000 SEG-L in 1998-99 for freight railroad improvement loans.

Alternative 1	SEG-L
1997-99 FUNDING (Change to Base)	$2,500,000
[Change to Bill	*$0]*

2. Reduce funding by $1,000,000 SEG in 1997-98 and $1,500,000 SEG in 1998-99, and increase funding by $1,000,000 SEG-L in 1997-98 and $1,500,000 SEG-L in 1998-99 to reflect loan repayments. This would keep the amount of funding available for loans at the same level as in the 1995-97 biennium.

Alternative 2	SEG-L	SEG	TOTAL
1997-99 FUNDING (Change to Base)	$2,500,000	- $2,500,000	$0
[Change to Bill	*$0*	*- $2,500,000*	*- $2,500,000]*

B. Interest Rate

1. Establish a minimum interest rate for FRIIP loans equal to the rate earned on the state investment fund at the time the loan is approved.

2. Establish a minimum interest rate for FRIIP loans equal to one-half of the rate earned on the state investment fund at the time the loan is approved.

3. Take no action.

Prepared by: Jon Dyck

MO# AH*A2

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 12 NO 4 ABS ____

MO# AH*B1

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 14 NO 2 ABS ____

Representative Albers

TRANSPORTATION

Delayed Effective Date for Minimum Interest Rate Provisions for FRIIP

Motion:

Move to specify that the actions taken by the Committee to require DOT to charge an interest rate on freight rail infrastructure improvement program loans that are as least as high as the rate earned on the state investment fund would only apply to loan applications received after December 31, 1997. Multi-year loans for which applications were received by April 1, 1997, would be treated under the current policy regarding interest rates.

Note:

Applications for FRIIP loans are due by April 1 of each year. Consequently, the applications that will be reviewed and approved in 1997-98 were submitted with the expectation that the current policy regarding loans would apply. This motion would ensure that these loans, and any applications for new loans received before 1998 would continue to be subject to the current interest rate policy. Also, this motion would specify that applications for multi-year loans that were received before April 1, 1997, will continue to be treated under current policy regarding interest rates.

MO# 3163

2 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
1 ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

Motion #3163

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Railroad Crossing Repair Assistance (DOT -- Local Transportation Projects)

[LFB Summary: Page 592, #7]

CURRENT LAW

The railroad crossing repair assistance program offers reimbursement, equal to 85% of costs, to railroads for repairs to railroad crossings on state trunk highways. Unlike other programs related to railroad crossings, the focus of this program is on the smoothness of the crossing, rather than the installation or maintenance of safety devices. Base funding for the program was eliminated in the 1995-97 budget, but costs were covered during the biennium by a continuing appropriation balance. This balance was $660,100 at the beginning of the biennium, but is estimated to drop to $40,000 by the end of 1996-97.

GOVERNOR

Transfer $180,000 SEG in 1997-98 and $250,000 SEG in 1998-99 from the state highway rehabilitation appropriation to the railroad crossing repair assistance appropriation.

DISCUSSION POINTS

1. The bill would transfer funds from the rehabilitation appropriation to the railroad crossing assistance appropriation, which, when added to the projected balance in that appropriation at the end of 1996-97, would provide $220,000 in 1997-98 and $250,000 in 1998-99. At the time the budget was prepared, the remaining balance in the appropriation was projected to be $70,000 and thus, the amounts transferred from the rehabilitation appropriation

under the bill were expected to be sufficient to provide $250,000 in each year. In order to make $250,000 available in each year, an additional $30,000 would need to be transferred in 1997-98.

2. In its budget request, DOT recommended that: (a) the unencumbered balance at the end of 1996-97 be transferred to the highway rehabilitation program; and (b) statutory changes be made to make the rehabilitation appropriation the funding source for reimbursement. DOT indicated that covering these costs out of the rehabilitation program would provide more flexibility to handle a backlog of projects that may arise in any given year. Conversely, in a year in which needs were lower, more could be spent on highway rehabilitation.

3. DOA indicates that the bill would maintain a separate appropriation in order to maintain the visibility of the program. Under both alternatives, the funding would be covered from resources currently in the highway rehabilitation program.

4. The decision on whether to keep a separate appropriation for rail crossing repair assistance may depend on the relative weight given program flexibility and program visibility.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to transfer $180,000 SEG in 1997-98 and $250,000 SEG in 1998-99 from the state highway rehabilitation appropriation to the railroad crossing repair assistance appropriation. This would make $220,000 available in 1997-98 and $250,000 available in 1998-99.

2. Transfer $210,000 SEG in 1997-98 and $250,000 SEG in 1998-99 from the state highway rehabilitation appropriation to the railroad crossing repair assistance appropriation. This would make $250,000 available in each year of the biennium.

3. Transfer the balance in the railroad crossing repair assistance appropriation at the end of 1996-97 to the state highway rehabilitation appropriation and specify that payments for railroad crossing repair assistance be made out of the rehabilitation appropriation.

4. Take no action.

Prepared by: Jon Dyck

MO# Alt #2

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS ____

Senator Jauch

TRANSPORTATION

Transfer of Funds For Railroad Crossing Protection Device Maintenance to Device Installation

Motion:

Move to transfer $500,000 SEG in 1997-98 from the appropriation for railroad crossing protection device maintenance to the appropriation for railroad crossing protection device installation.

Note:

The railroad crossing protection device maintenance program reimburses railroads for up to 50% of costs incurred to maintain warning devices. Funding in the bill for this program is $2,250,000 SEG annually. The installation program pays for the cost of installing new warning devices where the Office of the Commissioner of Railroads determines that a device is needed. Funding in the bill for this program is $450,000 SEG and $1,000,000 FED annually.

This motion would result in a one-time transfer from the crossing maintenance program to the crossing installation program. Currently, $1,255,000 would be needed to fund crossing devices that have been ordered by the Office of the Commissioner of Railroads (OCR). Existing funding in the program would be sufficient to fund all of these projects, but it is likely that new signals will be ordered.

The Commissioner is in the process of reviewing the existing orders to determine whether crossing devices are still warranted at all of the locations. In some cases, warning signals may no longer be needed because traffic on the lines is less than what it was when the OCR issued the original order. In other cases, the Commissioner has determined that improvements to the existing signals, rather than entirely new signals, would be sufficient to improve the safety of the crossing. The OCR indicates that, after this review, the total cost of the backlog may be reduced by as much as 50%.

There are about 2,500 existing crossing devices in the state. Federal law requires railroads to test each device monthly and make any needed repairs. The crossing maintenance program can reimburse railroads for up to 50% of the costs of this inspection and maintenance, but funding has typically not be sufficient to provide the full 50%. Since railroads are required to maintain the crossings, this motion would result in their paying for a larger share of costs for one year.

VOTE OVER →

MO# 1716

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
2 DECKER	Y	N	A
GEORGE	Y	N	A
/ JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 14 NO 2 ABS ____

TRANSPORTATION

Local Transportation Projects

LFB Summary Items for Which No Issue Papers Have Been Prepared

Item #	Title
3	Freight Rail Preservation Program
5	Harbor Assistance Program
6	Reduce Required Vertical Clearance for Structures Above Railroads
9	Railroad Crossing Improvement and Protection Installation
10	Transportation Enhancements Program

MO# Items #3, 5, 9 & 10

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 16 NO 0 ABS____

MO# Item #6 — NOT APPROVED

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE____ NO____ ABS____

Transportation

State Highway Program

(LFB Budget Summary Document: Page 593)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
1	State Highway Rehabilitation -- Funding Level (Paper #853)
2	Major Highway Development -- Funding Level (Paper #854)
4	State Trunk Highway Maintenance Inflation (Paper #855)
-	East-West Freeway Resurfacing Reserve (Paper #856)

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

State Highway Rehabilitation -- Funding Level (DOT -- State Highway Program)

[LFB Summary: Page 593, #1]

CURRENT LAW

The state highway rehabilitation program, which is funded through both federal and state appropriations, is principally responsible for repairing deteriorated roads and bridges. The program is divided into three components: (a) existing highways (typically referred to as the "3R" program because it involves resurfacing, reconditioning and reconstruction of noninterstate state highways); (b) the interstate improvement program; and (c) state bridges.

GOVERNOR

Provide $2,500,000 SEG and $9,391,200 FED in 1997-98 and $12,100,000 SEG and $8,958,600 FED in 1998-99 for state highway rehabilitation.

DISCUSSION POINTS

1. The following table compares the funding provided for the state highway rehabilitation program in 1996-97 (base funding plus $14,400,000 FED added by the Joint Committee on Finance due to actual federal aid being higher than anticipated) with the funding level proposed under the bill.

Actual 1996-97 and Proposed 1997-99 Funding Levels

Fund	Actual 1996-97	1997-98	1998-99
SEG	$218,602,100	$214,632,600	$224,162,600
FED	197,488,600	192,131,000	191,698,400
TOTAL	$416,090,700	$406,763,600	$415,861,000

2. The change in funding from 1996-97 to 1997-98 and 1998-99 reflects several items affecting the state highway rehabilitation appropriations, including standard budget adjustments and the transfer of funds among appropriations to more accurately reflect DOT's organizational structure. In order to provide a consistent basis for comparison of funding levels, the 1996-97 figures in the following table have been modified to reflect these more technical budgeting changes.

Funding Comparison With 1996-97 Modified to Reflect Technical Changes

Fund	Modified 1996-97	1997-98	1998-99
SEG	$212,359,600	$214,632,600	$224,162,600
FED	197,139,800	192,131,000	191,698,400
TOTAL	$409,499,400	$406,763,600	$415,861,000

3. Compared to the modified 1996-97 figure, SEG funding increases by $2,273,000 in 1997-98 and $11,803,000 in 1998-99. This reflects the net effect of this item ($2,500,000 in 1997-98 and $12,100,000 in 1998-99), a decrease to fund railroad crossing repairs (-$180,000 in 1997-98 and -$250,000 in 1998-99) and projected savings from a proposed change to the required vertical clearance for structures above railroad tracks (-$47,000 annually). Although FED funding decreases by $5,008,800 in 1997-98 and $5,441,400 in 1998-99 compared to the modified 1996-97 figure, this item shows increases of $9,391,200 in 1997-98 and $8,958,600 in 1998-99 because the additional $14,400,000 in federal aid received in 1996-97 was not included in the base funding level.

4. Every two years DOT prepares the *Six-Year Highway Improvement Program*, which includes an anticipated schedule of rehabilitation projects. In preparing the schedule, DOT assumes that funding increases will be provided each biennium over the six-year period to cover inflation. Therefore, in order to maintain the schedule as it appears in the last six-year program (prepared in January, 1996) an inflationary increase would be needed. Since this schedule was prepared before the $14.4 million in federal aid was added to the program last December, the increases needed would be calculated from a base of $395,099,400 ($409,499,400 minus $14,400,000).

5. Compared to this base, the bill would fund increases of 3.0% in 1997-98 and 2.3% in 1998-99.

6. Based on forecasts of the consumer price index by DRI/McGraw-Hill, general inflation is expected to be 2.8% inand 3.0% in 1999. Based on these projections, an inflationary adjustment would require increases of $11,062,800 in 1997-98 and $23,247,600 in 1998-99. These are $828,400 less in 1997-98 and $2,189,000 more in 1998-99 than the amounts in the bill.

7. One frequently cited measure regarding the condition of the state highway system is the number of miles that are in need of rehabilitation. DOT indicates that in 1995, which was the last time a comprehensive inventory of the condition of the system was taken, 3,050 miles of state highways, or about 26%, were in need of rehabilitation. The standards that are used to determine when a segment of highway is in need of rehabilitation are based on the condition of the pavement and the underlying base, as well as various other factors, such as accident rates, traffic levels, lane widths and the presence of sharp curves and hills.

8. Given that resources are limited, it may not be possible to reduce the number of substandard miles. Instead, an alternate goal may be to fund the rehabilitation program at a level so that the number of substandard miles does not increase.

9. Currently, segments of highway are deteriorating to a substandard level faster than other substandard segments are being rehabilitated. Consequently, an inflationary increase in the program would not be sufficient to keep the number of miles in need of rehabilitation from increasing. DOT projects that an inflationary adjustment alone would result in a 50-mile increase in the number of substandard miles by the end of the next biennium.

10. With an additional $14 million each year on top of an inflationary increase, DOT indicates that it could keep the number of substandard miles from increasing. However, this would require that certain highways be repaired at a less than ideal improvement level, which may be more costly in the long run. Under this scenario, for instance, DOT may use a thinner overlay on a repaving project than it usually would given traffic conditions. While this would be less costly, it would also require rehabilitation sooner than would otherwise be needed. In reality, DOT would probably not do this, since the Department's policy is to use an optimal investment strategy whenever possible. If DOT continued to follow this policy, a $14 million increase over inflation could still result in an increase in the number of substandard miles.

11. With an additional $21 million per year over inflation, DOT indicates that it could keep the number of substandard miles from increasing and also use an improvement level that minimizes long-term costs on the system.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide $2,500,000 SEG and $9,391,200 FED in 1997-98 and $12,100,000 SEG and $8,958,600 FED in 1998-99 for state highway rehabilitation, which would provide 3.0% and 2.3% increases over the modified 1996-97 base.

Alternative 1	FED	SEG	TOTAL
1997-99 FUNDING (Change to Base)	$18,349,800	$14,600,000	$32,949,800
[Change to Bill	*$0*	*$0*	*$0]*

2. Provide $1,671,600 SEG and $9,391,200 FED in 1997-98 and $14,289,000 SEG and $8,958,600 FED in 1998-99 for the rehabilitation program, which would provide 2.8% and 3.0% annual increases over the modified 1996-97 base.

Alternative 2	FED	SEG	TOTAL
1997-99 FUNDING (Change to Base)	$18,349,800	$15,960,600	$34,310,400
[Change to Bill	*$0*	*$1,360,600*	*$1,360,600]*

3. Provide $15,671,600 SEG and $9,391,200 FED in 1997-98 and $28,289,000 SEG and $8,958,600 FED in 1998-99 for the rehabilitation program, which would provide 2.8% and 3.0% annual increases over the modified 1996-97 base, plus an additional $14 million annually.

Alternative 3	FED	SEG	TOTAL
1997-99 FUNDING (Change to Base)	$18,349,800	$43,960,600	$62,310,400
[Change to Bill	*$0*	*$29,360,600*	*$29,360,600]*

4. Provide $22,671,600 SEG and $9,391,200 FED in 1997-98 and $35,389,000 SEG and $8,958,600 FED in 1998-99 for the rehabilitation program, which would provide 2.8% and 3.0% annual increases over the modified 1996-97 base, plus an additional $21 million annually.

Alternative 4	FED	SEG	TOTAL
1997-99 FUNDING (Change to Base)	$18,349,800	$58,060,600	$76,410,400
[Change to Bill	*$0*	*$43,460,600*	*$43,460,600]*

5. Take no action.

Alternative 5	FED	SEG	TOTAL
1997-99 FUNDING (Change to Base)	$0	$0	$0
[Change to Bill	*- $18,349,800*	*- $14,600,000*	*- $32,949,800]*

Prepared by: Jon Dyck

MO#_____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE_____ NO _____ ABS_____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Major Highway Development -- Funding Level (DOT -- State Highway Program)

[LFB Summary: Page 594, #2]

CURRENT LAW

Major highway projects are defined as projects that have an estimated cost exceeding $5,000,000 and consist of at least one of the following: (a) construction of a new highway of 2.5 miles or more in length; (b) relocation of 2.5 miles or more of existing roadway; (c) the addition of one or more lanes at least five miles in length; or (d) the improvement of 10 miles or more of an existing divided expressway to freeway standards.

Major highway improvements are funded from three main sources: federal highway aid, the state segregated transportation fund and the proceeds of revenue bonds. In 1996-97, total funding for the program was $162,179,000.

GOVERNOR

The following table compares the funding provided for the major highway development program in 1996-97 (including the $7,600,000 FED increase added at the Committee's December, 1996, meeting under s. 13.10) with the funding level proposed under the bill. The SEG and total funding decreases reflect standard budget adjustments.

Major Highway Development Funding Level

Fund	1996-97	1997-98	1998-99
SEG	$10,708,600	$10,523,100	$10,523,100
FED	40,935,100	75,935,100	40,935,100
SEG-S (Bonding)	110,535,300	75,535,300	110,535,300
TOTAL	$162,179,000	$161,993,500	$161,993,500

DISCUSSION POINTS

1. The bill would maintain the funding for the major highway development program at the 1996-97 level, after making standard budget adjustments. Due to inflation, this would decrease the real size of the program.

2. Based on forecasts of the consumer price index by DRI/McGraw-Hill, general inflation is expected to be 2.8% in 1998 and 3.0% in 1999. Using these figures, the major highway program under the bill would drop, in constant 1997 dollars, from $162.0 million in 1997 to $157.6 million in 1998 and to $153.0 million in 1999.

3. Periodically, DOT prepares an anticipated construction schedule for the enumerated major highway projects. These schedules are typically based on the assumption that the real size of the program will remain constant into the future. If the program is not adjusted for inflation, or if it is cut, as was the case in the 1995-97 budget, the schedule must be adjusted. Last fall, DOT prepared a schedule of projects for the Transportation Projects Commission that was based on the 1996-97 funding level.

4. DOT recently prepared a revised schedule, based on the funding level in the bill (see the attachment). As shown, the reduction in the real size of the program would result in delays for 12 projects, ranging from one year to two years. Since project schedules represent estimates based on factors other than funding, including the time needed to prepare projects for construction, the schedules will change in the future, even if the real funding level is maintained.

5. In order to maintain the previous schedule (except for changes made for nonbudgetary reasons), the program would have to be adjusted for inflation. Based on the DRI forecast, this would require $4,535,800 in 1997-98 and $9,531,700 in 1998-99.

6. Although the real size of the major highway program would fall under the bill, in the last ten years the program has nearly doubled in real terms. In its audit of transportation programs and revenues, the Legislative Audit Bureau reported a 98.1% increase in constant

dollars. Further, in 1996-97, the majors program represented 21.6% of all highway expenditures, while in 1987-88 it composed just 13% of the total program.

7. The growth in the major highway program over this period reflects the adoption of the Corridors 2020 plan by the Governor and the Legislature and the increased funding needed to implement that plan. However, if additional transportation revenues are not adopted as part of this budget, a reevaluation of the spending patterns within the highway program may be appropriate.

8. Under the bill, DOT projects that the number of substandard miles of existing state highway would increase from 3,050 to 3,100, even though an increase is provided for the highway rehabilitation program. To keep this from occurring and to make repairs consistent with life-cycle cost minimization principles, DOT indicates that an additional $21 million per year would be needed.

9. The appropriate balance between funding for new highways and for repairing existing highways may be affected by decisions on transportation revenue increases. However, in the context of a budget without such increases, some have argued that consideration should be given to spending less on new projects and shifting the funds to the highway rehabilitation appropriation, even though this would result in further delays for currently enumerated projects. Since bonding can not be used for rehabilitation and there is a limited amount of SEG used in the major highway program, a transfer of this magnitude would need to be done using federal funds.

10. Conversely, others have argued that the economic development, safety and traffic congestion benefits of major highway projects makes it important to continue the program at its current real size, or to increase funding if a revenue increase is adopted.

11. One option to increase the real size of the program would be to increase funding to restore the real funding level that the program had in 1994-95. Excluding an increase targeted specifically to accelerate the STH 29 project, the 1995-97 transportation budget cut the program by $43.9 million over the biennium, although higher-than-expected federal aid allowed $18.8 million to be put back into the program. Because the program was reduced, projects that had not yet started were delayed by two to three years from the 1995 schedule. To restore the program to the 1994-95 level, while maintaining the STH 29 increase, increases of $31,068,100 in 1997-98 and $36,860,000 in 1998-99 would be needed.

ALTERNATIVES TO BASE

The Governor's recommendation to substitute $35 million in federal aid for an equivalent amount of revenue bonding, as well as the overall role of revenue bonding in funding major

highway projects, is dealt with in a separate paper. Therefore, these alternatives portray all the changes to base as if they are either SEG or FED changes.

1. Approve the Governor's recommendation to maintain funding for the major highway development program at the 1996-97 adjusted base level (after making standard budget adjustments).

2. Provide $4,535,800 SEG in 1997-98 and $9,531,700 SEG in 1998-99 to fund a 2.8% increase in 1997-98 and a 3.0% increase in 1998-99 for the major highway development program.

Alternative 2	SEG
1997-99 FUNDING (Change to Base)	$14,067,500
[Change to Bill	*$14,067,500]*

3. Provide $31,068,100 SEG in 1997-98 and $36,860,000 SEG in 1998-99 to fund the major highway development program at the same real size as in 1994-95, while also maintaining the increase provided in the 1995-97 biennium for the STH 29 acceleration.

Alternative 3	SEG
1997-99 FUNDING (Change to Base)	$67,928,100
[Change to Bill	*$67,928,100]*

4. Transfer $21,000,000 FED annually from the major highway development program to the state highway rehabilitation program.

Prepared by: Jon Dyck

MO#_____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE_____ NO _____ ABS_____

ATTACHMENT

Anticipated Final Lettings for Enumerated Major Highway Projects

	State Trunk Highway	Projected Year of Final Lets* 1996 Schedule	Under Bill	Difference
Projects Enumerated in 1987				
Lake Arterial Project	794	1999	2001	2
Projects Enumerated in 1989				
Beaver Dam to Fond du Lac	151			
Beaver Dam to Waupun		1997	1999	2
Waupun to Fond du Lac		2004	2005	1
Green Bay to IH 94	29			
Green Bay to Chippewa Falls		2000	2000	0
Chippewa Falls to IH 94		2003	2003	0
Appleton to Marshfield**	10			
USH 45 to STH 110		2005	2006	1
STH 110 to Waupaca		2002	2002	0
Waupaca to USH 51		2007	2007	0
Wisconsin Rapids to Plover	54	1999	1999	0
Trego to Hawthorne	53	1999	1999	0
Burlington to STH 100	36	1997	1998	1
Projects Enumerated in 1991				
Tomahawk Bypass	51	2001	2001	0
Whitewater Bypass	12	2002	2002	0
STH 142 to STH 11	31	2001	2001	0
I-94 to River Falls	35	1999	1999	0
Appleton to Greenville	76	1998	1998	0
Lake Geneva to Slades Corners	50	2001	2002	1
STH 54 to Dykesville	57	2004	2004	0
USH 41 to STH 116	110	2002	2002	0
Abrams to STH 22	141	2003	2003	0
STH 145 to Abrams	41			
USH 45 to Winnebago County		2000	2000	0
Kaukauna to CTH F		2003	2002	-1
Suamico to Abrams		2003	2003	0
Projects Enumerated in 1993				
Janesville Bypass	11	2003	2004	1
Sauk City to Middleton	12	2004	2005	1
Marshfield Mobility Study	13	2003	2005	2
Houlton to New Richmond	64	2006	2006	0
Fond du Lac Bypass	151	2006	2008	2
Random Lake to IH 43	57	2003	2003	0
Projects Enumerated in 1995				
Belmont to Dodgeville	151	2007	2008	1
Oconomowoc Bypass	16/67	2008	2008	0
Eau Claire Freeway	53	2007	2008	1
Total				

*This represents the projected year in which final lets will be made. In some instances, construction may continue into the following year.

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

State Trunk Highway Maintenance Inflation (DOT -- State Highway Program)

[LFB Summary: Page 596, #4]

CURRENT LAW

The state highway maintenance, repair and traffic operations program is responsible for activities such as minor pavement and bridge repairs, roadside mowing, snow and ice clearing, pavement marking and sign installation on the state trunk highway system. Most of the work is performed by county crews under contract with the state. The base budget for the program is $139,477,500 SEG.

GOVERNOR

Increase funding by $3,508,700 SEG in 1997-98 and $7,122,700 SEG in 1998-99 to provide 3% annual inflationary increases in the highway maintenance and traffic operations program.

DISCUSSION POINTS

1. The bill would provide an inflationary adjustment for the major cost component of the SEG highway maintenance, repair and traffic operations appropriation. The major cost component accounts for about 84% of the total appropriated amount and is composed primarily of the contracts with counties to perform maintenance on state trunk highways. The remaining costs, which are primarily the salaries of the DOT staff who oversee maintenance, were excluded from the calculation since salary increases are budgeted separately through pay plan reserves.

2. DOT estimates that not providing inflation for maintenance would force counties to reduce maintenance staff by a total of 90 employees each year of the biennium. DOT indicates that this reduction would be felt primarily in the area of winter maintenance.

3. The inflationary adjustment provided in the bill is based on a 3% annual inflation rate. However, based on forecasts of the consumer price index by DRI/McGraw-Hill, general inflation is expected to be 2.8% in 1998 and 3.0% in 1999. Based on these projections, an inflationary adjustment would require increases of $3,274,800 in 1997-98 and $6,881,800 in 1998-99, which, over the biennium, would be $474,800 less than the funding provided in the bill.

4. In a December, 1996, evaluation of transportation programs and revenues, the Legislative Audit Bureau reported that funding for maintenance and traffic operations declined by 9.3% in real terms between 1987-88 and 1996-97. At the same time, the number of state highway lane miles increased by 2.5%. Because funding for maintenance has declined in real terms over time, an increase above inflation may be warranted.

5. Since the program was increased by an amount less than inflation in the 1995-97 budget, one option would be to restore the real level of funding that the program had in 1994-95. Based on the consumer price index for 1996 and projections for 1997, 1998 and 1999, increases of $4,340,800 in 1997-98 and $7,979,700 in 1998-99 would be required to restore the real 1994-95 level. Over the biennium, this would be $1,689,100 higher than the funding provided in the bill.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide $3,508,700 SEG in 1997-98 and $7,122,700 SEG in 1998-99 for highway maintenance and traffic operations, which would provide a 3% annual increase.

Alternative 1	SEG
1997-99 FUNDING (Change to Base)	$10,631,400
[Change to Bill	*$0]*

2. Provide $3,274,800 SEG in 1997-98 and $6,881,800 SEG in 1998-99 for highway maintenance and traffic operations, which would provide 2.8% and 3.0% annual increases.

Alternative 2	SEG
1997-99 FUNDING (Change to Base)	$10,156,600
[Change to Bill	*- $474,800]*

3. Provide $4,340,800 SEG in 1997-98 and $7,979,700 SEG in 1998-99 for highway maintenance and traffic operations, which would restore the real funding level provided in 1994-95.

Alternative 3	SEG
1997-99 FUNDING (Change to Base)	$12,320,500
[Change to Bill	*$1,689,100]*

4. Take no action.

Alternative 4	SEG
1997-99 FUNDING (Change to Base)	$0
[Change to Bill	*- $10,631,400]*

Prepared by: Jon Dyck

MO#_____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A
BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE_____ NO _____ ABS_____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

East-West Freeway Resurfacing Reserve (DOT -- State Highway Program)

CURRENT LAW

1995 Act 113 placed $13,349,000 in 1995-96 and $13,349,000 in 1996-97 in reserve in the transportation fund until June 30, 1999, for the rehabilitation of the East-West freeway from downtown Milwaukee to Waukesha. The Act specified that DOT could not encumber any funds for this project unless the Joint Committee on Finance transferred the funds in reserve in the transportation fund to the STH rehabilitation appropriation for this purpose. On April 16, 1996, the Committee approved the release of $25,698,000 for East-West freeway rehabilitation. The remaining $1,000,000 was kept in reserve, however, because the Committee objected to spending this amount on six variable message signs to be used for traffic mitigation.

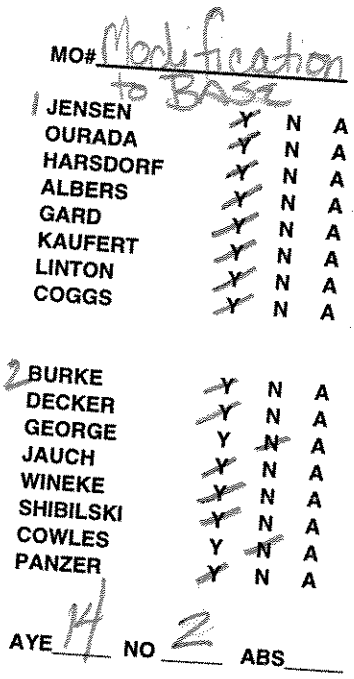
GOVERNOR

No provision.

MODIFICATION TO BASE

Eliminate the transportation fund reserve account for the purpose of funding construction activities relating to highway resurfacing or bridge repair on the East-West Freeway from downtown Milwaukee to Waukesha, allowing the remaining $1,000,000 in the reserve to lapse to the transportation fund.

Explanation: The reserve provision would expire at the end of the 1997-99 biennium, but to have the remaining $1,000,000 balance available to appropriate during

the biennium, the reserve account must be eliminated. The reserve is currently treated as a reduction in available revenues for 1996-97. Since the estimate of the ending balance for 1996-97 in LFB Paper #810 (-$4.6 million) was based on the assumption that the amount reserved would not be spent in 1996-97, deleting the reserve would not change that figure.

Prepared by: Jon Dyck