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Editorial: Let's act to make state roads safer

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Wisconsin's highways in 2003 were the deadliest since 1981, and the first days of this year started out even worse.

After 837 people died on state highways last year, another 15 were killed in the first two days of 2004.

This is particularly discouraging because the trend since the early 1980s and through the 1990s was toward improved safety and far fewer fatalities.

While the old fatalities were often the result of drunken driving, the tightening of the laws and the increased focus on designated drivers had brought progress.

But the trend toward safety has reversed in the last five years, culminating with the deadly 2003 statistics.

Some key factors in the negative trend, according to a state Department of Transportation official, have been more crowded highways, longer commutes, increasing speeds and inattentive driving due to cell phones and other distractions. Moreover, 60 percent of vehicle occupants who were killed were not wearing seat belts.


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In past editorials we've urged the state to approve primary enforcement of seat-belt laws as one measure to reduce fatalities. Primary enforcement allows a law enforcer to stop a driver simply because he or she is not buckled up. At present, police can only ticket a driver for not wearing a seat belt after he has stopped the motorist for another violation. Statistical projections estimated 387 lives could have been saved in this state since 1995 if we had primary enforcement.

Along with primary enforcement should come higher fines for seat-belt violations. A \$25 penalty, for example, instead of the current \$10 fine might encourage people to buckle up.

Tighter enforcement of speed limits also could help.

While some people think laws curbing cell phone use are needed, the same result might be achieved with stricter enforcement of existing inattentive driving regulations.

A new factor in the death toll in 2003 was the large number of motorcycle fatalities. These weren't directly related to the Harley-Davidson 100th anniversary in Milwaukee, but the publicity about that event may have gotten more folks to try motorcycling last year. Accident data show that several of the motorcycle fatalities involved inexperienced riders making errors. A greater emphasis on training might reduce motorcycle accidents.

The state has already taken two steps to tighten the laws on driving under the influence of alcohol or drugs. The Legislature last year lowered the blood-alcohol content standard from .10 to .08. Another law that went into effect this year bans drivers from having any detectable illegal substances in their systems.

Another cure could be police setting up enforcement zones in dangerous areas.

The biggest step, however, would be for drivers to remember the basics such as watching their speeds, watching the vehicles around them and leaving adequate room between vehicles, according to the DOT.

Riding in cars is one of the most dangerous things that most of us are involved in. Let's resolve to keep that in mind and drive more carefully in the coming year.



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Asbjornson, Karen

From: Kurtz, Hunter
Sent: Friday, January 02, 2004 9:33 AM
To: Asbjornson, Karen
Subject: FW: Minnesota moving toward private financing of roads

CR email I have a copy but thought you might like to see this HK

-----Original Message-----

From: Kevin Soucie [mailto:kevinsoucie@msn.com]
Sent: Thursday, January 01, 2004 1:09 PM
To: sen.roessler@legis.state.wi.us
Cc: karen.asbjornsen@legis.state.wi.us; hunter.kurtz@legis.state.wi.us
Subject: Minnesota moving toward private financing of roads

Hi Carol,

I hope your Holidays were enjoyable. Thought you'd be interested in the Star Tribune article below. Best wishes to you in the New Year!

Kevin

Pawlenty: It's time to build toll roads

Laurie Blake
Star Tribune
Published 12/30/2003

Minnesota is ready to entertain proposals for privately financed road construction paid by driver tolls, Gov. Tim Pawlenty said Monday.

What the tolls would cost, how many years they would be collected and how much profit the builders would make would be negotiated later.

Early next month, the Minnesota Department of Transportation and private road builders will start talking about how to take the state into a new era of toll-paid lane additions in the Twin Cities metro area.

Promoted by the Pawlenty administration as a choice -- not a tax -- the tolls would be optional for drivers.

The choice would take the state into new territory: premium government service, available for a fee.

Pawlenty said Monday that allowing private builders to finance road construction with the promise of a profit paid in tolls is the quickest way to add lanes to ease increasing traffic congestion.

"The state of Minnesota is about 20 years behind on our transportation infrastructure," he said. Toll-financed construction is working in other states and, "the time has come to bring the concept to Minnesota."

Pawlenty was joined by U.S. Rep. Mark Kennedy, R-Minn.; Metropolitan Council Chairman Peter Bell, and Lt. Gov. Carol Molnau. The state can pursue toll lanes without legislative approval on state highways. Kennedy is pursuing legislation in Congress that would permit the use of toll lanes on federal interstates. Pawlenty and Molnau are asking for proposals on interstates as well, believing congressional approval will not be an obstacle.

"Traffic congestion is the region's Number One livability issue," Bell said. Toll lanes, which can also be used for high-speed bus service, are a good place to start addressing the problem, he said.

DFL legislative leaders said they are still awaiting a transportation plan from Pawlenty.

"The Pawlenty administration is not meeting the issue head on," said Sen. Dean Johnson, DFL-Willmar. "We need more revenue for investment in roads and bridges and transit. This proposal will give another alternative, but it's only a drop in the bucket of what is really needed in a state that is growing in population, growing in traffic and growing in commerce."

Rep. Alice Hausman, DFL-St. Paul, also noted that it's unclear from the information that Pawlenty has provided whether people will pay more or less for privately built roads.

Not needing the approval of legislators, Molnau, who is also the state's transportation commissioner, released a list of highways where MnDOT will consider toll-paid lane additions. The routes are all high-volume highways where drivers might be willing to pay a toll to get into new congestion-free lanes, she said.

Molnau expects private firms to study the map and come forward with ideas and questions. Then a more formal bidding process would begin, in which companies may compete with one another. Having never done this before, MnDOT does not have specific criteria, but it will be looking for projects that would widen significant segments of the freeway system within a reasonable time frame and at a reasonable cost, she said.

The earliest a toll project could get underway is two years, she said. Several years of construction would follow.

Earlier this year, the Pawlenty administration started pursuing plans to let solo drivers pay a toll for a congestion-free trip on the existing Interstate Hwy. 394 carpool-bus lane beginning next December.

The concept announced Monday would use tolls to pay for new lanes. When the lanes are paid for, the toll would end.

Pawlenty has turned to tolls to increase spending on road construction without raising the state's 20-cent gas tax.

He said he prefers tolls to a tax increase because tolls are targeted at users who benefit.

With the conversion to hybrid cars that use less gasoline, it's not wise for the state to hang its hat solely on the gas tax for the future, he said.

In Chicago-style freeway tolls, drivers must stop and pay at a booth. The Pawlenty administration, though, endorses a type of electronic collection system that keeps drivers moving. In those systems, users deposit money into an account and place an electronic device on their dashboard that can be read by an overhead machine. Each time they enter the lane, the toll is deducted.

To date, all of Pawlenty's transportation announcements have focused on roads. On Monday, he said transit initiatives are coming soon.

[Laurie Blake is at lblake@startribune.com.](mailto:lblake@startribune.com)

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Asbjornson, Karen

From: Kurtz, Hunter
Sent: Thursday, January 15, 2004 3:52 PM
To: Asbjornson, Karen
Subject: FW: Budget-busting highway projects

-----Original Message-----

From: NDavlantes@aol.com [mailto:NDavlantes@aol.com]
Sent: Thursday, January 15, 2004 3:46 PM
To: sen.roessler@legis.state.wi.us
Subject: Budget-busting highway projects

Dear Senator Roessler:

I am not a constituent but am writing to you as you are co-chair of the Joint Audit Committee. Last December, I read that several highway projects have run way over budget and were seemingly out of control. I heard that you would be holding a hearing on the audit that discovered this in January and I hope you will work to call those responsible to account.

It seems the roadbuilders get anything they want these days. As one who used to enjoy old Highway 110 out of Oshkosh and up to what is now old Highway 10, I was horrified to see what has become of what was once a lovely rural road. Who needs all this overbuilding? People from Illinois so they can get up to their vacation places quicker? If we're not careful, we will have paved over so much of this state no one will want to come here anymore. We're sacrificing that which once made us special.

All this coupled with the federal charges leveled on four eastern Wisconsin roadbuilders alleging bid-rigging collusion since 1996. Someone has got to rein in this industry. I hope your hearing can begin this process.

Is there some way I can be notified of when the hearing is likely to take place?

Sincerely,
Nancy Davlantes
5983 Sugarbush Lane
Greendale, WI 53129

Asbjornson, Karen

From: Halbur, Jennifer
Sent: Thursday, January 22, 2004 10:14 AM
To: Asbjornson, Karen
Subject: FW: Highway J/164 Project,(Wisc D.O.T.) in Washington County

CR inbox

-----Original Message-----

From: RKOEPK@aol.com [mailto:RKOEPK@aol.com]
Sent: Wednesday, January 21, 2004 7:58 PM
To: Sen.Roessler@legis.state.wi.us
Cc: Rep.Jeskewitz@legis.state.wi.us
Subject: Highway J/164 Project,(Wisc D.O.T.) in Washington County

I am sending this E-mail because I am unable to attend the Legislative Joint Audit Committee hearing regarding the above mentioned project that is scheduled for January 26, 2004, at 9:00 am, in Rm 411 of the State Capitol.

This is an unnecessary and wasteful project. This area is rural and does not need to be paved over to look like the City Of Milwaukee. The people that live hear want the area to remain as it is now. That's why we moved hear. Why can't this be government by the people,- not be dictated to by the state against our wishes. This must stop or the area will be forever ruined. You would think nothing about saving the rain forest or some land in Alaska, because that's politically correct. What about here in Wisconsin. Take the bulldozers and start leveling all the north woods why you could have roads all over, along with parking lots. Please our area is just as important to us. We are proud to have this nice rural area. Please do what you can to stop this nonsense before it's to late and the area is wrecked. Please, the project is not wanted, so why should it be forced down our throats.

Ron

Koepke

4069 Wexford Cir So

Richfield, Wis. 53076

-----Original Message-----

From: Gretchen Doege [mailto:gdoege@wi.rr.com]

Sent: Friday, January 23, 2004 6:08 AM

To: sen.roessler@legis.state.wi.us; rep.kaufert@legis.state.wi.us;
rep.jeskewitz@legis.state.wi.us; sen.cowles@legis.state.wi.us;
sen.darling@legis.state.wi.us; sen.plale@legis.state.wi.us;
sen.lassa@legis.state.wi.us; rep.kerkman@legis.state.wi.us; David
Cullen; rep.pocan@legis.state.wi.us
Subject: Testimony on Major Highway Project Audit

Dear Sen. Roessler Rep. Jeskewitz and members of the Legislative Audit
Committee,

Please accept the attached letter as testimony re. the Major Highway Program
audit. A hard copy will follow.

Thank you,

Gretchen Schuldt
Co-chair
Citizens Allied for Sane Highways

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz,
Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Jan. 23, 2004

Hard copy to follow

Dear Sen. Roessler and Rep. Jeskewitz,

Please accept this letter as Citizens Allied for Sane Highways' testimony regarding the Legislative Audit Bureau's evaluation of the Department of Transportation's (DOT's) major highway program.

Citizens Allied for Sane Highways is a coalition formed to oppose freeway expansion in Milwaukee. CASH members include Bike the Hoan, Friends of Walkers Point, Historic Concordia Neighborhood Association, Marquette University Students for an Environmentally Active Campus, Martin Drive Neighborhood Association, Merrill Park Neighborhood Association, Milwaukee Alliance, 9 to 5 Poverty Network Initiative, Milwaukee Preservation Alliance, Riverwest Neighborhood Association, Select Milwaukee, Sierra Club – Great Waters Group, Story Hill Neighborhood Association, Washington Heights Neighborhood Association, Water Tower Land Mark Trust, and the West End Vliet St. Business Association.

We are, obviously, a grass roots organization with a fairly narrow scope. The audit's findings, however, carry great implications for highway projects planned or proposed for southeastern Wisconsin and Milwaukee.

We first would like to express our great respect for the Legislative Audit Bureau. We are extremely fortunate to have such a high-caliber organization working on behalf of state taxpayers. We have just one concern about the audit itself. The document says that Wisconsin ranks below the national average in many measures of highway funding; it is just as easy to show the opposite. The General Accounting Office's "Trends in State Capital Investment in Highways," for example, says the state ranks *above* average in many measures of highway funding. When analyses differ so markedly, we believe the LAB has an obligation to point that out.

That aside, there can be no dispute that the LAB report reveals management and fiscal problems within DOT that are hurting both the agency's ability to carry out its mission and residents' ability to pay for it.

Of particular concern to CASH is DOT's "escalate-as-you-go" project planning. It is somewhat distressing to read in the audit that community input counts for just 10% when DOT is ranking major highway projects, but requests from a few local officials can greatly expand the scope of a project, at the expense of the entire state.

WisDOT, we hope, is the only agency that operates like this – it would be catastrophic for the state budget, for example, if the Department of Public Instruction or the Department of Tourism were able to simply hand out additional millions of dollars in state aids to local school districts or visitors' bureaus at the request of local superintendents or

tavern owners without having to explain to or get permission from the Legislature or the governor.

We are also very concerned about DOT's increasing reliance on bonding for revenue. We won't say much about this -- it's obvious that DOT's debt is increasing at an unacceptable rate and must be curtailed before it overwhelms the agency's ability to fund anything but debt service.

The audit also discloses DOT's failure to implement value engineering recommendations made by an outside consultant. WisDOT, as you know, is about to embark on the reconstruction of the Marquette Interchange without having all the funding in place. The agency rejected requests that it submit its Interchange plan for peer review. We understand that there is some urgency in the reconstruction of the Marquette, but we ask that the peer review option be reconsidered, if possible, particularly in light of the consultant's recommendation that DOT scale back the size and design of interchanges. An independent review of the DOT plan could also lead to cost-savings measures that would alleviate some of the financial stresses the project is sure to generate.

WisDOT also is expected to soon begin preliminary engineering in relation to the Southeastern Wisconsin Regional Planning Commission's \$6.2 billion freeway reconstruction and expansion plan. Given the audit's finding, we cannot have any confidence that WisDOT will seek out all available opportunities to control the costs of what is sure to be the most expensive public works history in the state, one that will drain resources from every corner of the state to rebuild freeways in Milwaukee.

CASH endorses all of the Legislative Audit Bureau's recommendations. In addition, CASH believes that the definition of "major highway project" should be amended to include a cost-only criterion so that any highway project with costs exceeding a certain threshold amount -- whether that is \$100 million or \$500 million -- would be considered a major highway project. CASH also believes that a formal process for approval of project expansions should be established.

Finally, CASH recommends that the votes of Transportation Commission be given more weight, and that a supermajority vote in both houses of the Legislature -- either 2/3 or 3/4 of members -- be required to override a Transportation Commission vote.

This audit, along with recent allegations of bid-rigging in state highway construction contracts, has raised doubts about the fiscal management and oversight of the State Department of Transportation. CASH asks the DOT and Legislature to adopt the recommendations of the Legislative Audit Bureau and take the other steps needed to restore the confidence of the public in this important agency.

Thank you,

Gretchen Schuldt
Co-chair
Citizens Allied for Sane Highways

Robert Trimmier,
Co-chair
Citizens Allied for Sane Highways



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

For Immediate Release

January 29, 2004

For More Information Contact:

Senator Carol Roessler
Representative Suzanne Jeskewitz

(608) 266-5300

(608) 266-3796

Co-Chairs Roessler and Jeskewitz To Introduce Legislation for Process Improvement in the DOT Major Highway Program

(Madison) On the heels of the Joint Legislative Audit Committee public hearing on the Legislative Audit Bureau's (LAB) evaluation of Department of Transportation's (DOT) Major Highway Program, Co-Chairs Carol Roessler (R-Oshkosh) and Suzanne Jeskewitz (R-Menomonee Falls) said they are drafting legislation to change the process for approval on Major Highway Program projects. Both the Legislative Audit Bureau's evaluation and the audit hearing exposed several areas in the process where changes would facilitate DOT's ability to more accurately estimate project costs and provide better reporting of those costs throughout the project.

"Cost overruns have become routine in Major Highway Program projects. When projects are recommended twelve years before construction is completed, holding the line on project costs is impossible," Roessler remarked. "And our current process for approving major highway projects doesn't allow for timely and real cost projections before approval is granted."

The Transportation Projects Commission (TPC) consists of the Governor, 3 citizen members appointed by the Governor to serve at his or her pleasure, 5 Senators, 5 Representatives to the Assembly, and the Secretary of DOT (nonvoting-member). Currently, the TPC may review and recommend DOT major highway proposals for enumeration every 2 years only if there is sufficient funding for a project to start construction within 6 years.

The TPC reviews DOT's requests after a preliminary Environmental Impact Statement is complete, and if the TPC agrees that the project should go forward, it recommends the project to the Legislature for enumeration. Projects can also be approved for enumeration by the Legislature without the approval of the TPC.

"We want to take the politics out of the process and give more accountability authority to the TPC," Jeskewitz stated. "The proposed legislation will require an additional step in the approval process so that the TPC and the Legislature will have a better picture of a project's cost and scope."

-more-

SENATOR ROESSLER
P.O. Box 7882 • Madison, WI 53707-7882
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ
P.O. Box 8952 • Madison, WI 53708-8952
(608) 266-3796 • Fax (608) 282-3624

The legislation will include provisions that will:

- Require a final environmental impact statement before enumeration;
- Prohibit the Legislature from enumerating projects without the approval of the TPC;
- Provide semi-annual progress reports on all projects that have been proposed and/or enumerated; and
- Provide for post-enumeration review by the TPC to approve cost increases that exceed 10 percent of total project costs.

“In his testimony, DOT Secretary Frank Busalacchi addressed the LAB recommendations for the DOT Major Highway Program projects,” Jeskewitz stated. “He assured us that the DOT will be providing the Joint Legislative Audit Committee with reports based on the LAB recommendations at several intervals over the next month to year.”

“These DOT reporting commitments, coupled with our legislative proposal, will give the TPC more up-to-date information as well as the teeth to ensure project cost accountability,” Roessler added.

Roessler and Jeskewitz agreed that, in their role as accountability agents for the taxpayer dollar, this legislation is imperative to ensure greater accountability and oversight of DOT Major Highway Program project costs.

Among their first actions as Co-Chairs, Roessler and Jeskewitz brought this audit forward for Committee approval. Roessler and Jeskewitz commend the LAB on their superb evaluation of the DOT Major Highway Program.

###

ROBERT L. COWLES
Wisconsin State Senator • 2nd Senate District

For More Information Contact:

FOR IMMEDIATE RELEASE
January 24, 2004

Senator Cowles or Todd Stuart
at 1-800-334-1465

Cowles to Introduce DOT Highway Costs Accountability Bill

Madison – Today State Senator Robert Cowles (R-Green Bay) announced he would introduce legislation that requires improved financial reporting for major highway projects. The proposed legislation is in response to developments in the last year and large future spending commitments. “I think we have a spending problem,” Cowles said. “The Legislature has not been able to restrain itself with new road projects and there has been a serious lack of accountability.”

The State Legislative Audit Bureau recently completed a study on the massive cost increases in road building projects. Costs associated with the state’s major highway program have exceeded initial estimates by 69.5 percent in the past ten years to \$284.2 million. Seven projects were detailed, and final costs exceeded original estimates ranging from a 45.2 percent increase up to a 262.4 percent increase. Work on a stretch of Highway 41 increased 167 percent to \$41.9 million. “The major highways program needs some accountability to the taxpayer. We need to have more information and greater oversight.”

The Legislative Audit Bureau made several recommendations to improve the program, including comprehensive and consistent cost information for road building projects. The bill adopts several of the Audit Bureau’s recommendations:

- Develop comprehensive accounting for environmental expenditures. These costs include administrative, maintenance, right-of-way, real estate, engineering, contingency, plus home or business relocation costs.
- Mandate an annual report on complete expenditure information for all major highway projects to the Transportation Projects Commission and the Legislature.
- Consistently communicate changes in project design and scope, so that all parties understand when project of funding needs expand beyond initial proposals.
- Detail the amount and cost of all real estate the DOT purchases for major highway projects before recommendation to the Transportation Projects Commission.

This legislation is even more critical in light of developments in the last year and future commitments. The state is looking at billions in expenditures to rebuild the Marquette Interchange and the Southeastern Wisconsin freeway system over the next 20 years. The 2003-2005 state budget transferred \$675 million out of the road account into the general fund. The legislative audit bureau highlighted hundreds of millions in rising costs of the DOT. And finally, four executives were accused of rigging bids for state projects worth more than \$100 million earlier this month.

“These factors combined put enormous pressure on the transportation fund,” said Cowles. “If we don’t take steps to address this issue, we are either heading toward a huge increase in the gas tax or the majors program

will
be

grinding to halt.”

Scott Reineck
690 Fox Ridge Road
Stevens Point, Wisconsin 54481

January 25, 2004

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53707

Dear Senator Roessler and Representative Jeskewitz:

I have just completed a reading of the Legislative Audit Bureau evaluation of the Wisconsin Department of Transportation's Major Highway Program. I must commend the Bureau on the reports' depth and the recommendations it has made to address concerns it has with regard to improving WisDOT accountability. Accountability is especially important during these fiscally troubling times. But just as WisDOT needs to demonstrate a higher level of accountability, that responsibility also must fall on the shoulders of the Transportation Projects Commission, Joint Legislative Committee on Finance, the Legislature and Governor.

Accountability begins with a comprehensive assessment of each prospective Major Highway Project and an unequivocal demonstration of need with regard to highway deficiency in condition, safety and economic value. Any Major Highway Project that is not proved to meet this standard by WisDOT should not be recommended for enumeration by the TPC. WisDOT must also provide justification for and keep track of where every dollar is spent.

Accountability requires that during the budget review process, the members of Joint Legislative Committee on Finance should not have the ability to add to or amend the list of Major Highway Projects submitted by the TPC or that are a part of any budget bill submitted by the Governor.

Accountability means that the Legislature will conduct a thorough review of how and where WisDOT is using the revenue it receives and that Wisconsin will not spend more on transportation than is taken in in revenue. The Legislature must be held responsible for and guarantee that it will not take on more debt than can be paid back during each biennial budget.

Lastly, accountability falls on our Governor's shoulders as he must prepare and submit the State biennial budget bill to the Legislature, scrutinize then approve or disapprove it with his signature into law.

Thank you for your acceptance and consideration of my comments on this important issue.

Sincerely,



Scott Reineck

p.s. \$150 million will be spent to expand USH 10 from I-39 to Marshfield, a project enumerated in 1989 without study, basis of need, or TPC recommendation.

Asbjornson, Karen

From: Seaquist, Sara
Sent: Monday, January 26, 2004 2:59 PM
To: Asbjornson, Karen
Subject: FW: WisDOT Maintenance Expenditures & Traffic Operations

Importance: High

-----Original Message-----

From: Romanski, Randy
Sent: Monday, January 26, 2004 2:58 PM
To: Sen.Roessler; Rep.Jeskewitz; Rep.Kaufert; Rep.Kerkman; Rep.Cullen; Rep.Pocan; Sen.Cowles; Sen.Darling; Sen.Plale; Sen.Lassa
Subject: WisDOT Maintenance Expenditures & Traffic Operations
Importance: High

Attached is the information you requested at today's Audit Hearing. Please call if you have questions.



LeibhamAinsworth.
pdf



Attachments.pdf

Randy Romanski
Executive Assistant
Wisconsin Department of Transportation
Office of the Secretary
Phone: 608.266.1114



Wisconsin Department of Transportation

www.dot.wisconsin.gov

Jim Doyle
Governor

Frank J. Busalacchi
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Telephone: 608-266-1113
FAX: 608-266-9912
E-Mail: sec.exec@dot.state.wi.us

January 16, 2004

The Honorable Joe Leibham, Chairman
Senate Committee on
Transportation and Infrastructure
409 South State Capitol
P. O. Box 7882
Madison, WI 53707-7882

The Honorable John Ainsworth, Chairman
Assembly Committee on Transportation
309 North State Capitol
P. O. Box 8952
Madison, WI 53708-8952

Dear Senator Leibham and Representative Ainsworth:

Thank you for your letter of December 18, 2003 expressing interest in the funding issues related to highway maintenance and traffic operations. The Department of Transportation appreciates your desire to learn more about how the program is managed. Information on historical expenditures, as well as how allocations were made within the program, is a good first step to understanding the challenges that face this program.

At the start of the 2003-05 biennial budget process, the Governor was faced with a difficult decision on how to solve a \$3.2 billion revenue shortfall in the General Fund and create a balanced budget. The final budget as passed by the Legislature and approved by the Governor found a way to invest \$4.9 billion in transportation including \$1.8 billion in roads. Although the Governor proposed to increase funding for maintenance and traffic operations, enactment of 2003 Wisconsin Act 33 resulted in a 3.8% reduction in the State Highway Maintenance and Traffic Operations appropriation from FY 03 to FY 04 and a 12.6% reduction from FY 02 to FY 04. Funding requests for inflation and system growth were not provided by the Legislature in Act 33. Similarly, the Legislature did not restore funding flexibility to enable the Department to effectively manage traffic and operational needs.

As a result of this reduction in funding, the Department was faced with difficult decisions. The Department believed it was prudent to implement program reductions to minimize adverse affects on safety and mobility on the State Trunk Highway (STH) system. The areas most affected included capital investment in traffic devices, preventative maintenance, and new method applications such as de-icing. In addition, the budget reductions also affected seasonal waysides, highway service patrols, Intelligent Transportation Systems (ITS), lighting, signing, and pavement marking activities.

These decisions were made in order to preserve basic operational needs. The magnitude of the budget change resulted in a reduction of \$12.6 million for county service contracts over the biennium. Historically, county services account for approximately 70% of the entire maintenance and traffic operations program. These reductions were designed to minimize the impacts in the counties capacity to provide service. As indicated previously, there were reductions made to non-county services such as waysides, service patrols, and ITS.

In preparation for the winter driving season, the Department adjusted the standards for winter services to reflect the impacts of the reduced funding for county contracts. This step was intended to adjust driver expectations and driving behaviors and to adjust the standards to which the counties, as service providers, may be held accountable.

Prior to the signing of Act 33, the Highway Maintenance and Traffic Operations program was funded through a biennial appropriation. The goal was to align funding and expenditures evenly between both years. However, in certain instances expenditures may vary in a particular year due to weather effects (mild or severe winter) or because of the length of time and structured process required to let a contract. Starting in FY 2004, the appropriation has changed to continuing. This effect will help the program to now balance funding and expenditures between biennia.

The attached chart shows the total budget and expenditures for both maintenance and traffic operations activities by fiscal year starting in 1998. The chart includes all funds (state, federal, and local) for both budget and expenditures. All federal funds received are only for running the traffic operations center in Milwaukee and for any Intelligent Transportation Systems (ITS) earmarks. Local funds are utilized to maintain border bridges and tourism facilities at DOT rest areas.

In nominal terms, the budget for maintenance and traffic operations has increased by only 15.4% over the six-year period from FY 1998 to FY 2004. When adjusted for inflation, funding for the maintenance and traffic operations program has been flat except for FY 2002 when \$191,104,900 was budgeted including \$27 million in state money to fund a new maintenance definition in 2001 Wisconsin Act 16. The change was made in s. 84.07 (1) Wis. Stats. and states, "*Maintenance activities also include the installation, replacement, rehabilitation, or maintenance of highway signs, traffic control signals, highway lighting, pavement markings and intelligent transportation systems.*"

In November 2002, the Joint Committee on Finance (JFC) approved a \$10 million base building increase from the un-appropriated balance in the Transportation Fund to partially offset the costs associated with the definitional change. As a result, the budget for FY 2003 was \$173,157,000. However, Act 33 cut state funding for maintenance and traffic operations to \$165,546,600 for FY 2004 and FY 2005. The end result is that the maintenance and traffic operations budget has been

Senator Leibham
Representative Ainsworth
January 16, 2004
Page 3

reduced by 12.6% from FY 02. This reduction, coupled with the lack of funding for lane miles added to the system, lost flexibility and no inflation adjustments to keep pace with cost increases has put a strain on the limited resources available.

Expenditures can vary in any particular year. For example, in FY 2001 the state experienced a harsh winter and spent more on snow plowing and salt than budgeted in that year. The JFC approved the Department's request for an additional \$8.5 million to cover some of the extra expenses incurred that year.

In contrast, the state experienced a mild winter in FY 2002. In addition, the late passage of the 2001-03 biennial budget caused the contracts for stand-alone projects to be delayed. These events required the Department to carry over a substantial amount of budget authority into FY 2003 resulting in lower expenditures in FY 2002.

Finally, expenditure data does not include any encumbrances for work that has already been programmed but has not yet been paid. These encumbrances will be accounted for in the budget amounts but will not show up in any expenditure numbers.

Thank you again for the opportunity to respond to your questions. If you need further information or clarification, please contact Dave Vieth, Director of the Bureau of Highway Operations, at 267-8999 or myself.

Sincerely,



Frank J. Busalacchi
Secretary

Attachment

Cc: Senator Mary Panzer, Senate Majority Leader
Senator Alberta Darling
Representative John Gard, Assembly Speaker
Representative Dean Kaufert

Highway Operations Historical Budgets and Expenditures

Program	1997-99 biennial budget			1999-01 biennial budget			2001-03 biennial budget		
	FY 1998	FY 1999	FY 2000	FY 2000	FY 2001	FY 2002	FY 2002	FY 2003	
Highway Operations Appropriations									
365 / State Funds	\$ 142,437,200	\$ 146,051,200	\$ 154,228,300	\$ 154,228,300	\$ 163,238,300	\$ 189,425,900	\$ 189,425,900	\$ 171,467,000	
375 / Local Funds	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 485,000	\$ 485,000	\$ 496,000	
385 / Federal Funds	\$ 800,000	\$ 880,000	\$ 1,194,000	\$ 1,194,000	\$ 1,194,000	\$ 1,194,000	\$ 1,194,000	\$ 1,194,000	
Total Funds Available	\$ 143,487,200	\$ 147,181,200	\$ 155,672,300	\$ 155,672,300	\$ 164,682,300	\$ 191,104,900	\$ 191,104,900	\$ 173,157,000	
Maintenance Operations Expenditures									
Roadway Maintenance	\$ 24,951,298	\$ 25,401,609	\$ 25,431,844	\$ 25,431,844	\$ 25,977,553	\$ 26,859,194	\$ 26,859,194	\$ 25,252,149	
Winter Operations	\$ 36,916,239	\$ 34,505,920	\$ 32,844,201	\$ 32,844,201	\$ 50,232,720	\$ 38,691,194	\$ 38,691,194	\$ 32,211,264	
Bridge Maintenance	\$ 3,394,681	\$ 3,873,236	\$ 3,783,326	\$ 3,783,326	\$ 5,024,941	\$ 4,024,941	\$ 4,024,941	\$ 4,173,788	
Roadsides and Facilities	\$ 25,737,838	\$ 27,259,649	\$ 28,964,448	\$ 28,964,448	\$ 30,259,863	\$ 29,762,784	\$ 29,762,784	\$ 29,775,175	
Local Bridge	\$ 1,265,541	\$ 1,300,109	\$ 1,324,308	\$ 1,324,308	\$ 1,361,927	\$ 1,596,391	\$ 1,596,391	\$ 1,493,819	
Sign Repair (knock downs)	\$ 787,829	\$ 882,544	\$ 851,872	\$ 851,872	\$ 818,224	\$ 713,969	\$ 713,969	\$ 604,994	
Special Maintenance	\$ 10,630,927	\$ 11,182,209	\$ 13,428,095	\$ 13,428,095	\$ 12,113,876	\$ 8,188,906	\$ 8,188,906	\$ 17,113,128	
County Supervision/Support	\$ 9,480,120	\$ 9,315,410	\$ 9,997,518	\$ 9,997,518	\$ 11,113,114	\$ 11,358,025	\$ 11,358,025	\$ 12,649,819	
State Staff/Program Support	\$ 8,684,647	\$ 9,375,550	\$ 9,427,258	\$ 9,427,258	\$ 11,986,235	\$ 10,342,094	\$ 10,342,094	\$ 11,207,354	
Maintenance Total	\$ 121,849,120	\$ 123,096,236	\$ 126,052,870	\$ 126,052,870	\$ 148,888,453	\$ 131,537,498	\$ 131,537,498	\$ 134,481,490	
Traffic Operations Expenditures									
Traffic Operations	\$ 3,387,805	\$ 3,710,322	\$ 3,816,665	\$ 3,816,665	\$ 5,090,651	\$ 4,320,683	\$ 4,320,683	\$ 4,901,364	
Pavement Marking	\$ 4,472,785	\$ 3,529,256	\$ 2,663,101	\$ 2,663,101	\$ 3,443,590	\$ 5,015,832	\$ 5,015,832	\$ 6,525,453	
Signing	\$ 4,667,109	\$ 4,656,055	\$ 5,387,660	\$ 5,387,660	\$ 5,545,493	\$ 6,833,448	\$ 6,833,448	\$ 8,659,894	
Electrical/Signals	\$ 6,372,260	\$ 5,766,623	\$ 5,515,231	\$ 5,515,231	\$ 7,449,424	\$ 7,349,497	\$ 7,349,497	\$ 11,931,327	
Regulations/Permits	\$ 1,042,810	\$ 1,020,310	\$ 880,859	\$ 880,859	\$ 1,103,790	\$ 1,141,203	\$ 1,141,203	\$ 1,204,244	
Traffic Improvement	\$ 2,129,266	\$ 1,966,178	\$ 1,700,645	\$ 1,700,645	\$ 72,701	\$ 78,273	\$ 78,273	\$ 738,163	
Traffic Ops Center	\$ 763,898	\$ 1,285,279	\$ 1,928,896	\$ 1,928,896	\$ 1,870,472	\$ 1,601,012	\$ 1,601,012	\$ 1,914,904	
ITS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 623,607	\$ 623,607	\$ 1,672,719	
Freeway Service Patrols	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 339,369	
Traffic Total	\$ 22,835,933	\$ 21,934,023	\$ 21,893,057	\$ 21,893,057	\$ 24,576,121	\$ 26,963,555	\$ 26,963,555	\$ 37,887,437	
Total Hwy Ops Expenditures	\$ 144,685,053	\$ 145,030,259	\$ 147,945,927	\$ 147,945,927	\$ 173,464,574	\$ 158,501,053	\$ 158,501,053	\$ 172,368,927	

Highway Operations Code Definitions

Maintenance Operations Expenditures

Roadway Maintenance:

Pothole repair, crack sealing, seal coating, repairing ruts, milling bumps, thin resurfacing, repair of concrete pavement, re-grading gravel shoulders, repairing shoulders, sweeping pavement, and all the necessary traffic control for any of this type of work

Winter Operations include:

Plow and apply chemicals, apply liquid anti-icing chemicals, and manage salt inventory

Bridge Maintenance includes:

Maintain/repair superstructure, maintain/repair substructure, waterway slope repair, lift bridge and ferry operations, traffic control for structures, bridge inspections

Roadsides and Facilities include:

Mowing, litter pickup, removal of woody vegetation, weed control, clean/repair culverts, maintain ditches, maintain/repair rest area and wayside buildings and grounds, maintain guardrail, retaining walls, noise barriers, etc.

Local Bridge includes:

Lift bridge operations on the local system

Sign Repair includes:

Permanent sign repair, temporary and emergency sign repair

Special Maintenance includes:

Large-scale pavement repair and bridge maintenance that affects pavement or structure life, emergency repairs, flooding, fire claim reimbursements and damage claims

County Supervision/Support includes:

Fixed cost reimbursements for general public liability insurance, equipment storage, patrol supervision, training

State Staff/ Program Support includes:

Salaries, fringe benefits and support costs

Traffic Operations Expenditures

Traffic Operations include:

Traffic safety engineering and university professional services to develop, design, and evaluate traffic safety and traffic operations improvements on the state highway system

Pavement Marking includes:

Pavement marking paint and other related materials

County highway department services to apply pavement-marking materials along the state highway system

Signing includes:

Traffic signs, posts, and other sign and sign mounting materials and hardware

County highway department services to install and maintain signs on the state highway system

Electrical/Signals includes:

Installing new signals and highway lighting, routine and emergency maintenance of existing signals and highway lighting, re-lamping of signals and lighting, all associated utility costs

Regulations/Permits includes:

Traffic regulations and studies, traffic plans and studies, crash and speed zone studies

Traffic Improvement includes:

Contracts for larger scale replacement or installation of signs, traffic signals, highway lighting, and pavement marking; Generally completed by private contractors instead of county highway departments

Traffic Ops Center includes:

Daily operation and maintenance of freeway traffic management that uses Intelligent Transportation Systems (ITS) in Southeastern Wisconsin and Dane County

ITS includes:

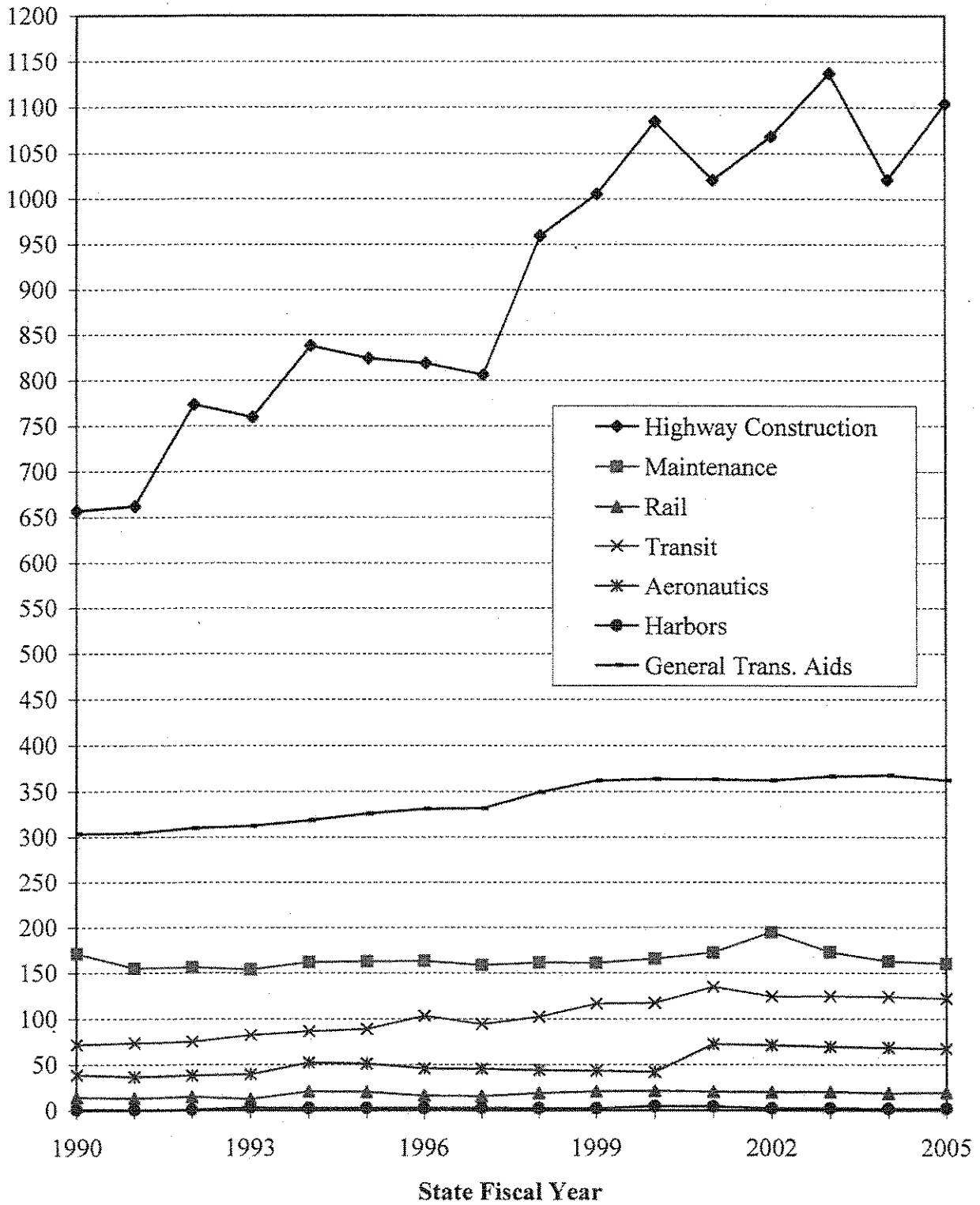
Communications systems for highway incident management, cameras and traffic and weather sensors for detecting traffic hazards and congestion, electronic signs and advisory radio systems for warning travelers of hazardous or congested traffic conditions, smart traffic signal systems and ramp meters to improve traffic flow and safety

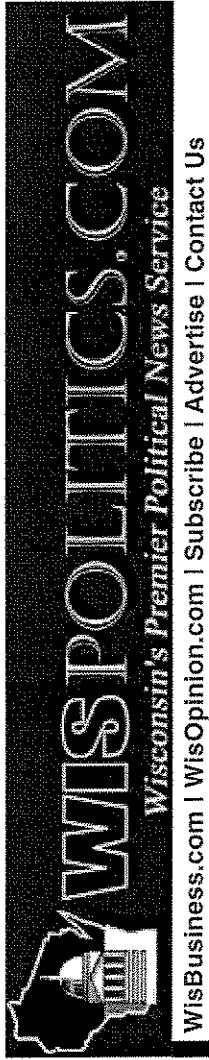
Freeway Service Patrols includes:

Law enforcement patrols and safety patrol contracts that relocate stranded motorists and their vehicles off of freeways in metro areas in southern Wisconsin during heavy traffic periods.

Patrols also remove hazardous roadway debris, and provide supplemental security surveillance

Modal Funding Comparison
 (All funds - in millions of constant 2003 dollars)

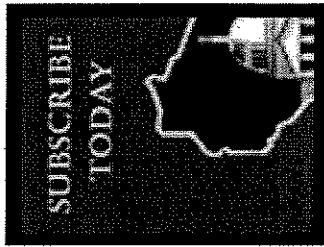




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WisPolitics: Busalacchi Says DOT to Host '101 on Bidding'
1/26/2004

LAB report finds major highway program costs skyrocket in 10 years

By Joanne M. Haas
WisPolitics.com

Saying he was "shocked" by the recent federal allegations of bid-rigging of state highway construction projects, State Transportation Secretary Frank Busalacchi today said the agency will host a one-day highway construction bidding seminar regarding the agency's "sound" bid process to show the public how seriously the agency views the topic.

Also today, legislators discussed recommendations to ensure greater accounting of the DOT's major highway program, where expenditures have increased 69.5 percent in the last 10 years to more than \$284.2 million in fiscal year 2002-03. The Legislative Audit Bureau found construction contract costs, which account for three-fourths of the program expenditures in FY 02-03, jumped 67.9 percent since FY 1993-94, while related real estate expenditures nearly quadrupled to \$43.8 million in that same 10 years.

"It will be a 101 on bidding," Busalacchi said of the DOT's one-day seminar for contractors expected to be slated sometime in March or April, adding bid and wire fraud will be covered. "We are trying to get in front of this, and let people know just how serious this can be."

Busalacchi announced the seminar during his testimony today before the Joint Legislative Audit Committee regarding the Legislative Audit Bureau's report of the major highway program.

"Last week, we were all shocked by the allegations of bid-rigging on state highway construction contracts," Busalacchi said. "We stand firmly by the integrity of the DOT's bid process. The public is served well by an honest fair bidding process. Those who chose to break the law and violate that process should be prosecuted."

The U.S. Attorney in Milwaukee on Jan. 13 charged four Wisconsin road constructive executives with bid rigging and wire fraud relating to state transportation projects worth about \$100 million.

Joint Committee Chair Sen. Carol Roesler, R-Oshkosh, wondered aloud if three years of debarment by the agency would be enough for bid-rigging.

"I don't condone what these people have allegedly done," Busalacchi said of the construction executives facing federal

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charges. "I don't want the public painting all of these contractors with the same brush."

He said one real problem facing the state is the fact the case involves big contracts "that provided a lot of capacity," as well as 700 to 800 good-paying jobs to people who had nothing to do with the case. "I know you can't lose two big companies and still deliver the program."

Committee member Rep. Dean Kaufert, R-Neenah, said he wanted the DOT to avoid going out of state to replace the contractors and lost workers. Busalacchi said the case is still being reviewed and he shared the same concerns about how to take care of the innocent workers and penalizing the guilty.

"I've never had to face this issue. This is very, very serious for the state," Busalacchi said. "What do we say to our people if we have cement trucks coming across state lines?"

While Busalacchi assured committee members the bid process is secure, he also assured the committee the agency had already started to implement some of the accounting system changes suggested by the LAB.

State law defines a major highway project as having a total cost of more than \$5 million and constructing a new route of 2.5 miles or more, or adds five or more miles of an existing highway or converts an existing multi-lane divided highway of 10 or more miles to freeway standards.

"I take seriously the responsibility I have to be accountable to taxpayers on the use of their dollars," Busalacchi said. "Our work has already started."

Auditors found it takes about 12 years from enumeration to construction completion which is one reason for the jump in program costs. Auditors found costs increased by \$20 million at least for seven current projects. Auditor Don Bezruski says agency's budget increases in 10 years were smaller than Corrections but larger than the University of Wisconsin Systems budget.

Janice Mueller, the lead auditor of the bureau, told the panel one of the problems in tracking costs is the information the DOT maintains "is incomplete."

There also was a call to reinforce the role of the Transportation Projects Commission. Projects now are approved in the budget process only. Committee member Rep. Mark Pocan, D-Madison, said the Joint Finance Committee has had a say in the spending of Stewardship dollars while there is no oversight by the Legislature regarding highway dollars which is a much larger sum of dollars.

In another topic, Committee member Rep. Suzanne Jeskewitz, R-Menomonee Falls, asked if the speed limit could be dropped to 55 miles per hour as one effort to reduce mounting traffic deaths. Busalacchi said the problem is not the 65 mph speed limit. "The problem is enforceability," he said, adding drivers are on cell phones, working computers and more. "We've got to get the public's attention and that is through enforcement."

Busalacchi said he plans to provide the committee more information concerning the audit's recommendations regarding accounting charges later this year.

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LOCAL NEWS
Posted Jan. 16, 2004

DOT bans companies implicated in road project bid-rigging case

Firms allegedly fixed prices to win contracts

Gannett Wisconsin Newspapers

MADISON — The state Department of Transportation on Thursday notified three road-building companies facing bid-rigging charges that they are banned from future state construction contracts.

"They are indefinitely suspended, and at this point, they can't be prime or subcontractors on any state project," DOT executive assistant Randy Romanski said.

Romanski said suspension could lead to debarment from the state road program, which can last up to three years.

A federal indictment unsealed this week alleges that the executives of two lakeshore firms rigged bids and fixed prices for at least 30 construction projects totaling more than \$100 million worth of work since 1997.

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James Maples, 73, president of Vinton Construction Co. in Manitowoc, and his son, Michael Maples, 51, vice president of the firm, face two federal charges. Ernest J. Streu, 55, president of Streu Construction Co. in Two Rivers, and his nephew, John Streu, 47, who is secretary and treasurer of the firm, also face those charges.

The Streus also head the Streu-Gulseth Construction Co. of Manitowoc, which also is suspended from further state contracts, according to a the written notice signed by Donald Miller, director of the DOT's Bureau of Highway Construction.

The federal charges are conspiring to rig bids for government highway projects and commission of wire fraud — between Wisconsin and Florida — while submitting the fixed bids via the Internet.

Filed by the Green Bay Press-Gazette

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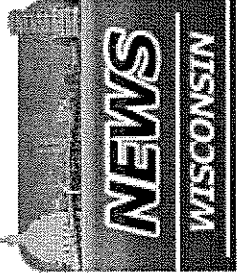


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By STEVE SCHULTZE sschultze@journal sentinel.com

Posted: Jan. 15, 2004

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Firms cited in bid-rigging allegations dropped from state bidding process

The state Department of Transportation on Thursday indefinitely suspended the two highway construction firms whose executives were charged earlier this week with federal felony bid rigging.

The immediate impact of the action will be to disqualify Vinton Construction Co. of Manitowoc and Streu Construction Co. of Two Rivers from competing for four state road contracts for which the firms had already submitted bids, said DOT official Randy Romanski.

Also, Streu-Gulseth Construction, which is headed by the same people as Streu Construction, was barred from DOT work indefinitely.

In addition, the four officials from those companies who were charged with bid rigging also were specifically suspended from competing for DOT work. They are Ernest Streu, 55, and John Streu, 47, of Streu

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Construction; and James Maples, 73, and Michael Maples, 51, of the Vinton firm.

The men are accused of conspiring on some 30 road projects worth \$100 million and dating to late 1996. An attorney for John Streu declined to comment Thursday on the DOT suspension. Lawyers for the three other executives accused of bid rigging couldn't be reached.

Bids on the four pending projects Vinton and Streu were seeking will be opened today in Madison. The projects were for improvements to U.S. Highway 51/I-39 in Columbia and Marquette counties, U.S. Highway 51 in Fond du Lac County, state Highway 42 in Algoma and Custer St. in Manitowoc.

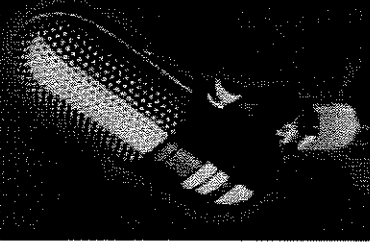
The DOT suspension document states that the agency determined, based on federal complaints and other evidence, that the Mapleses and Streus conspired to fix prices for projects for which contracts were awarded on Feb. 11, 2003, March 11, 2003, and Tuesday.

"The evidence provided indicates that immediate action is needed to protect the public interest," according to the suspension. The department could later move to formally disqualify the four men and their firms for up to three years, Romanski said.

Figures from the DOT show that the Streu firm had a total of \$115.4 million in state road contracts since 1997; Vinton had a total of \$79.2 million in state road work during the same period.

Executives from Cape Construction Co. of Caledonia went to federal authorities after suspecting one of their project managers was forwarding bid information to competitors. The subsequent investigation resulted in the charges against the Mapleses and Streus.

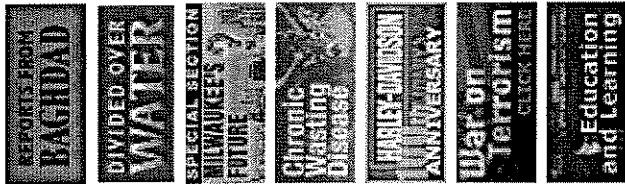
The Cape project manager who allegedly shared bid information with Vinton and Streu was fired Tuesday when the charges became public, said Tom Hanrahan, a lawyer for the Cape firm.



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The ex-Cape employee is identified in complaints only as a cooperating witness and has not been charged.

Graeme Zielinski of the Journal Sentinel staff contributed to this report.

From the Jan. 16, 2004 editions of the Milwaukee Journal Sentinel

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LOCAL NEWS

Posted Jan. 15, 2004

Localities could win if road builders lose

Firms accused in bid case could be forced to pay damages if convicted

By Ed Lowe
Post-Crescent staff writer

APPLETON — Outagamie County would be among parties sharing any collectable restitution ordered as a result of an alleged bid-rigging scam that started with a job at its airport in 1996.

The federal government would be last in line to collect, a federal attorney assigned to help prosecute representatives of two area road-construction firms said Wednesday.

Federal law concedes the federal government is better able to absorb financial losses from criminal cases than



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Two firms did \$48M in local jobs

Two area road-construction firms whose principals were charged Tuesday with rigging public bids combined to do \$48 million in road work in and near the Fox Cities since 1996. The totals do not include private contracts or work at public airports.

• **Streu Construction** of Two Rivers completed 23 state-administered contracts valued at \$115.4 million during the term, including \$20.3 million in work near the Fox Cities.

• **Vinton Construction** of Manitowoc completed 49 state-administered contracts valued at \$79.2 million, including \$27.8

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Asbjornson, Karen

From: Kelly, Jessica
Sent: Monday, January 26, 2004 2:34 PM
To: Asbjornson, Karen
Subject: Audit Committee

Senator Lassa wanted me to touch base with you to let you know that she is very interested in a proposal brought up in Committee today to give more DOT project oversight to the Transportation Projects Commission.

Could you please make sure to keep us in the loop regarding any proposal dealing with this?

Thanks.

Jessica Ford Kelly
Office of Senator Julie Lassa
State Capitol, 3-South
P.O. Box 7882
Madison, WI 53707-7882
608-266-3123 (Madison)
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Major Highway Program
 Legislative Audit Bureau
 January 2004

1

Comparison of Selected Budgets
 (in millions)

	<u>FY 93-94</u>	<u>FY 02-03</u>	<u>Change</u>
Corrections	\$ 326.1	\$ 975.7	199.2%
DOT	1,579.9	2,377.6	50.5
UW System	2,406.8	3,260.6	35.5

2

Highway Program Appropriations
 (in millions)

	<u>FY 93-94</u>	<u>FY 02-03</u>	<u>Change</u>
Rehabilitation	\$379.6	\$589.2	55.2%
Majors	156.8	241.6	54.1
Maintenance	131.4	176.6	34.4
SE Freeways	0.0	127.8	-
<u>Administration</u>	<u>17.7</u>	<u>27.0</u>	52.5
TOTAL	\$685.5	\$1,162.2	69.5% 3

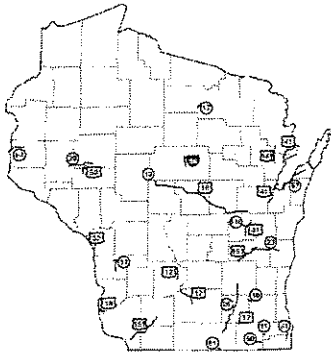
Funding Sources for Majors

(in millions)

	<u>FY 93-94</u>	<u>FY 02-03</u>
Revenue Bonds	\$106.1	\$130.2
Federal Funds	42.0	57.9
<u>Segregated Funds</u>	<u>8.7</u>	<u>53.5</u>
TOTAL	\$156.8	\$241.6

4

Location of Major Highway Projects
As of September 2003



Cost Increases

(in millions)

<u>Hwy</u>	<u>Original Estimate</u>	<u>Current Estimate</u>	<u>Increase</u>
12 Whitewater Bypass	\$ 10.1	\$ 36.6	262.4%
110 USH 41-STH 116	15.7	41.9	166.9
29 Chippewa Falls Bypass	77.2	164.0	112.4
64 Houlton-New Richmond	55.3	116.5	110.7
12 Sauk City-Middleton	64.1	129.8	102.5
53 Eau Claire Bypass	99.3	145.4	46.4
39 Wausau Beltline	151.5	220.0	45.2

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Reasons for Cost Increases

- ◆ Inaccurate initial estimates
- ◆ Expansion of scope
 - adding lanes
 - adding interchanges
 - building interchanges for higher speeds
- ◆ High real estate costs

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Value Engineering Study

- ◆ Intended to lower project costs while maintaining all state and federal design and safety standards
- ◆ Identified potential savings of \$382.0 million
- ◆ Per project potential savings ranged from 3 percent to 47 percent.

8

Environmental Issues

- ◆ Long-standing interest in cost of environmental regulation
- ◆ 1996 audit of DOT recommended tracking of costs
- ◆ DOT estimates \$29.1 million in FY 2001-02

9

Revenue Trends

(in millions)

Revenue Source	FY 93-94	FY 02-03	Change
State	\$957.5	\$1,386.6	44.8%
Federal	372.0	716.3	92.6
Revenue Bonds	107.8	136.1	26.3
General Obligation Bonds	61.5	3.8	(93.8)
Local	52.1	72.2	38.6
Program Revenue	0.3	4.9	--

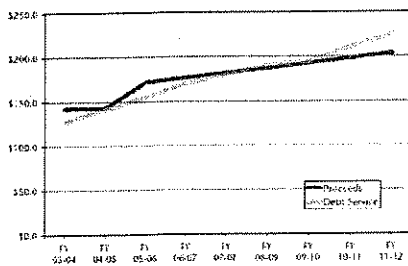
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Increasing Debt Service Costs

FY 2003-04	\$127.2 million
FY 2007-08	180.2
FY 2011-12	225.8

11

Comparison of Revenue Bond Proceeds to Debt Service Payments
(in millions)



State Highway Spending Comparisons

	(in millions)		
	Expenditures per Licensed Driver	Expenditures per Capita	
Illinois	\$214	\$135	
Indiana	527	357	
Iowa	306	207	
Michigan	177	124	
Minnesota	203	122	
Ohio	181	124	
Wisconsin	207	142	
National Average	245	166	13

Recommendations

- ◆ Improve financial and project cost reporting
- ◆ Provide consistent information in project planning documents
- ◆ Consistently communicate changes in project design and scope so effects on costs can be monitored

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Major Highway Program

Legislative Audit Bureau
January 2004

15

Testimony of WisDOT Secretary Frank Busalacchi
Legislative Audit Bureau (LAB) Report on the Major Highway Program
Joint Audit Committee Hearing
January 26, 2004 – 9 am – Room 411 South

OVERVIEW

- Thank you for this opportunity to discuss the Major Highway Program.
- We fully understand the important work done by the Legislative Audit Bureau.
- LAB conducted this review in a thorough and professional manner.
- We appreciate the effort made to talk with DOT staff and to give us the opportunity to respond to the audit report.
- DOT did its best to cooperate and provide complete information – although most of the time period under review occurred during past administrations and the oversight of former department Secretaries.
- Although I can only speak for the past 13 months, I take this report and its recommendations very seriously.

- I also take seriously the responsibility I have to be accountable to taxpayers on the use of their dollars.
- This is why I am here today to provide you with the specific steps the department is taking to address the audit report recommendations.
- Some activities may take a little time to address – but our work has begun.
- So, let me proceed to give you the details on what we're doing.

VALUE ENGINEERING

- The audit called on DOT to report to this committee by February 2nd our plans to implement the value engineering study.
- We will have information to you by the February 2 delivery date.
- While the specific details are still being fine-tuned, I can share a few general observations today.

- First, let me remind you the DOT commissioned this particular value engineering study to look at potential savings on 17 enumerated and 4 proposed major projects.
- The department conducts value engineering studies as a standard procedure for all projects valued at \$25 million or more.
- It never hurts to have another set of eyes look at a project, but VE studies are only one tool in any analysis.
- Some of the 2002 VE study recommendations make sense, others don't. I'll comment on just a couple areas.

The issue of building two lanes now instead of four

- This recommendation reduces costs in the short term by building two lanes instead of four on portions of major project highway corridors with lower traffic volumes.
- The VE study recommended this option for Highway 57 in Door County.
- Does it initially save money to build two lanes on Highway 57? Sure it does.

- Would a two-lane facility be as safe as a four-lane divided highway? No way, especially during busy tourist weekends.
- When I complete my comments today, we have some additional information to share with you about the Highway 57 project.
- In general, we have to balance any two on four decisions against the safety impacts.
- It is often safety concerns that motivate us to improve a particular road in the first place

Another recommendation is to scale back designs

- We will always consider this on a project-by-project basis.
- We work closely with local communities to build the type of systems the locals need and want for future development.
- We need to continue to make the type of investments that support economic development and help communities across the state grow and prosper.

- Sometimes building an interchange is the most responsible approach for a growing community – even though the price tag on the project goes up.
- This is also an important part of building local support for a project that can serve the long-term needs of a community.

Asphalt vs. concrete

- We are evaluating the recommendation to move to asphalt from concrete for some projects.
- The Department will continue to consider pavement choices. Concrete may still be the best choice for some projects and asphalt for others.

Cost estimates

- We have already implemented changes in the process for majors to improve financial management of the program.
- One of those changes involves completing additional design work before bringing them to the Transportation Projects Commission.

- This is a needed improvement. The additional design work allows for an improved cost estimate, even though it does cost more up front.
- Once again, the department will provide a full response to the value engineering study by February 2.

REAL ESTATE EXPENDITURES

- Another LAB recommendation involves real estate expenditures.
- The audit calls on the Department to track the number of acres and the cost of all real estate it purchases for each major highway project.
- We believe this is a very do-able task.
- Our Real Estate Automated Data System, called the READS system, already has the capacity to track acres and costs for individual parcels. *— Reads*
- We will focus on expanding the READS system capabilities so that data on individual parcels can be easily aggregated and reported at a total project level.

- Changing computer systems can be more complex than we'd like, but we're hopeful we can make the changes to get this additional data from the READS system in the very near future.
- The audit report also noted that real estate represents a significant portion of individual project costs and documented large cost increases in this area.
- The trend of increasing real estate costs is likely to continue given current funding levels and the current 12-year time lag between the enumeration and construction of a major highway project.

IMPROVED REPORTING TO THE TPC

- The audit recommended DOT create a report to include all expenditures associated with each major highway project and provide it to the Transportation Projects Commission every six months.
- In general, we agree with this recommendation.
- The TPC process works well – I know it is held in high regard by most members of the Legislature.

- Once again, the department believes this is a very do-able recommendation.
- We'd like to take the recommendation a step further to make it even better.
- The recommendation focuses on tracking expenditures only.
- The Department will create a report that will show the expenditures – the costs incurred to date – as well as an estimate of the cost to complete each project in the majors schedule.
- This will provide a very quick picture of what's been spent to date and what we expect to spend in the future.

ENVIRONMENTAL COSTS

- The audit recommended DOT track its overall and per project environmental expenditures, including those incurred by staff, consultants and contractors.
- LAB called for a report to be delivered to this committee by June 1, 2004.

- This recommendation is a good start and we're going to take our best shot to accomplish the task.
- I'll be honest; it is something that is easier said than done.
- Our current information systems are designed to track contract costs on a total bid item basis. The problem is that an individual bid item can be used to address many different functions on a project.
- An earthwork contract, for example, can be partly for roadway construction and partly for environmental mitigation. We need to isolate the components separately.
- We have a work plan in place. Here's how we are going to approach the project.
- We're going to divide the effort into three separate components that will be conducted concurrently. These include:
 1. Isolating and tracking the costs to complete environmental impact statements

2. Isolating and tracking construction contract costs for bid items related to environmental mitigation

3. Identifying, isolating, tracking, and verifying industry-related environmental costs

- When we have this information together, we'd like to come back and talk with you in more detail.
- Government agencies spend money and when someone asks us what we spend it on we ought to be able to provide an answer.
- This is an important thing to accomplish, however, there will be significant costs to do this.
- It may require more resources and is something we'll need to look at during the 2005-2007 budget process.

EA/EIS COST ESTIMATES

- The final LAB recommendation I want to touch on is the proposal for the Department to develop policies specifying that all project costs should be included in the project cost estimates presented in environmental documents.

- We've got no argument with this. It's a good idea.
- We're taking steps to make it happen and hope to have formal publication of the new guidance sometime this Fall.
- Our work plan on this recommendation focuses on five steps:
 1. Reviewing current guidelines for the development of Environmental Impact Statements and Environment Assessments.
 2. Identifying specific categories where cost estimates must be developed for each project.
 3. Developing criteria for estimating the cost of each category.
 4. Documenting criteria and requirements.
 5. Developing a process to measure compliance of each EIS/EA toward meeting the criteria.

CLOSING

- In closing, I want to once again emphasize accountability. We have an obligation to be accountable to taxpayers on the use of their dollars.
- Last week, we were all shocked by the allegations of bid rigging on state highway construction contracts.
- We stand firmly by the integrity of the DOT bid process.
- The public is well served by an honest, fair bidding process.
- Those who choose to break the law and violate that process should be prosecuted.
- The current system is sound, but we're going to work with even more vigor to make sure the construction bid process and all of our accounting systems maintain their integrity.
- We welcome the LAB recommendations as a way to help us be more accountable.
- We have some work to do and will need a little time to accomplish some things, but I assure you, the work has already started.

- I promise to keep you informed. In fact, I'd like to make a date to come back to you in early June to provide a comprehensive update on our progress.
- At this point, we have just a few examples of some specific projects to share.
- Mark Wolfgram, one of our division administrators, is going to walk you through the examples and then we'd be happy to take your questions.

END OF REMARKS