



Legislative Fiscal Bureau

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June 23, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Request for Use of Federal Economic Stimulus Funding for State and Local Transportation Projects -- Agenda Item V

REQUEST

The Governor requests approval for the expenditure of \$29,300,000 of federal economic stimulus funds for nine state trunk highway improvement projects and two local street projects, shown in the table below. The Department of Transportation has not provided the estimated cost of individual projects to avoid adverse effects on the bidding process.

State Highway Projects

<u>County</u>	<u>Highway</u>	<u>Project Location</u>	<u>Project Type</u>
Florence	USH 2	Michigan State Line to Pewaubic Road	Rehabilitation
Lincoln	USH 8	McCord Road to Klade Road	Rehabilitation
Milwaukee	I-94	70th Street to 32nd Street	Multiple Bridges
Monroe	STH 131	Midway Avenue to CTH M	Rehabilitation
Richland	STH 58	USH 14 to CTH N	Rehabilitation
Rusk	STH 73	South County Line to USH 8	Rehabilitation
Vilas	STH 47	Country Lane to West Bolton Lake Lane	Rehabilitation
Walworth	I-43	USH 12 to USH 83	Multiple Bridges
Waukesha	I-94	STH 16 to Milwaukee County Line	Multiple Bridges

Local Highway Projects

<u>County</u>	<u>Highway</u>	<u>Project Location</u>	<u>Project Type</u>
Kenosha	14th Ave.	25th Street to 31st Street	Reconstruction
Milwaukee	E. College Ave.	S. Pennsylvania Ave. to S. Packard Ave.	Rehabilitation

In addition, the Governor requests approval of the expenditure of \$21,500,000 of economic stimulus funds, received as a discretionary grant for the reconstruction of the Wisconsin Avenue and Juneau Avenue lift bridges in the City of Milwaukee.

BACKGROUND

The state received \$529.1 million under a formula component of the American Recovery and Reinvestment Act of 2009 (ARRA) for distributing highway and bridge funding. With the passage of 2009 Wisconsin Act 2, the Legislature allocated \$298.7 million of that amount to a list of state highway improvement projects and directed that the Governor submit requests for the allocation of any other ARRA funds to the Joint Committee on Finance. Since that time, the Committee has approved several requests allocating funds to local highway, bridge, and transportation enhancements projects, plus several additional state highway projects.

The last Committee approval of highway and bridge funds occurred in August, 2009, when the Committee accepted the Governor's request for \$74.4 million for both local and state projects. This amount consisted of \$54.5 million in funds that had not yet been allocated and an estimated \$20.9 million in savings reallocated from other projects, resulting because actual project construction and delivery costs were lower than initial estimates. At the time the August request was made, the Department indicated that the list of approved projects was estimated to cost \$92.6 million, or \$17.2 million above the amount of available funds, which would allow any additional project savings to be used without the need to submit an additional request. However, the Department indicates that project savings are now expected to be sufficient to fund the full list of projects approved last August, plus provide funding for additional projects. Since many projects are currently or will soon be under construction, a precise estimate of the amount of remaining highway and bridge funds is unknown. The cost of the list of projects included in the Governor's current request is expected to exceed the amount of additional funds available to ensure that the Department can utilize all remaining funds prior to the final federal deadline, which is September 30, 2010. The Department indicates that the two local projects would be given priority and that any approved state highway projects that are not funded with ARRA funds would be completed through the Department's normal state highway program.

Under the federal ARRA legislation, 30%, or \$158.7 million, of the total amount of funding distributed by formula to each state must be allocated to local areas within the state, based upon population. Although these allocated funds could be used on either state highway projects or projects on federally-eligible local streets, the Department made the decision to provide the full amount of the allocated funds to projects under local jurisdiction. However, because much of the

savings from the early projects was reallocated to additional local projects, the Department now estimates that about \$197 million will be used for local highway and bridge projects.

In general, the Department chose state highway projects for the current request because it was determined that these projects posed less risk for delay, and thus could be let prior to the federal deadline. The state highway projects included in the Governor's request were selected from projects that the Department determined could be advanced from the 2011 letting schedule. In addition, the Department indicates that an attempt was made to select several projects in economically distressed areas, satisfying one of the priorities of the federal legislation. The two local projects were chosen for different reasons. The Milwaukee project was selected to utilize remaining funds from Milwaukee's allocation. The Kenosha project had been advanced at an earlier project approval stage, but questions about its eligibility for funding caused it to be delayed. The eligibility issues have now been resolved, allowing it to proceed.

In addition to the Governor's request for funding for the eleven highway and bridge projects, the Governor has requested approval of \$21,500,000 for the reconstruction of the Juneau Avenue and Wisconsin Avenue lift bridges in the City of Milwaukee. The City applied for and received funding for the lift bridge projects under a discretionary grant component of the economic stimulus act, but the state will administer the grant.

ALTERNATIVES

1. Approve the Governor's request for: (a) \$29,300,000 in federal economic stimulus funds for 11 local and state highway and bridge projects; and (b) \$21,500,000 in discretionary grant stimulus funds for two Milwaukee lift bridge reconstruction projects.
2. Deny the request.

Prepared by: Jon Dyck