



## Legislative Fiscal Bureau

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May 23, 2001

Joint Committee on Finance

Paper #171

### *Tribal Gaming Revenue Allocations*

## **Reconstruction of West Canal Street in Milwaukee (DOT -- State Highway Program)**

[LFB 2001-03 Budget Summary: Page 662, #2]

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### **CURRENT LAW**

West Canal Street is a City of Milwaukee street that runs in an east-west direction to the south of I-94 in the vicinity of the Menomonee River. The street runs from 6<sup>th</sup> Street on the east to 40<sup>th</sup> Street on the west, although it is not contiguous throughout this length.

### **GOVERNOR**

Transfer \$3,500,000 PR in 2001-02 and \$1,500,000 PR in 2002-03 from the continuing appropriation for Indian gaming receipts to a new, continuing PR appropriation for making a grant to the City of Milwaukee for the reconstruction of West Canal Street. Require DOT to make grants totaling \$5,000,000 to the City from this appropriation if the City contributes \$10,000,000 toward the West Canal Street reconstruction project. Require DOT to make an additional grant to the City of not more than \$5,000,000 in federal interstate cost estimate (ICE) funds received by the state. Specify that this additional grant would be for the reconstruction of West Canal Street to serve as a transportation corridor for the purpose of mitigating traffic associated with the reconstruction of the Marquette Interchange and would be made only if the City contributes the \$10,000,000 toward the project and all of the following also apply: (a) the City makes another contribution toward the project from the City's share of federal ICE funds that is equal to the amount of the state ICE funds grant; and (b) the federal Department of Transportation approves the use of federal ICE funds for the reconstruction project. Specify that the state ICE funds grant would be made from a FED appropriation for the reconstruction of the Marquette Interchange. Specify that the provisions requiring DOT to make grants to the City of

Milwaukee would not apply after December 31, 2005. Delete the provision that would transfer funds from the Indian gaming receipts appropriation to the West Canal Street reconstruction appropriation, effective July 1, 2003.

**DISCUSSION POINTS**

1. The Forest County Potawatomi Community, which operates the Potawatomi Casino on West Canal Street, has sponsored a study of the expansion of West Canal Street, with the goal of improving traffic flow and encouraging economic development in the Menomonee River Valley. The proposed reconstruction of the street would remove railroad tracks from the street’s right-of-way, relocate and reconfigure a rail yard to accommodate an extension of the street, widen the street from two lanes to four lanes and extend the street westward to USH 41 at Miller Park.

2. The following table shows the funding identified in the bill for the project, by source, during the 2001-03 biennium.

**Funding for West Canal Street Reconstruction Identified in the Bill  
(In Millions)**

<u>Source</u>	<u>Amount</u>
City of Milwaukee General Funds	\$10.0
Federal Interstate Cost Estimate (ICE) Funds	
City Share	5.0
State Share*	5.0
Tribal Gaming Revenue	<u>5.0</u>
 Total	 \$25.0

\*From funds provided for the reconstruction of the Marquette Interchange.

3. As shown in the table, the amount of funds identified by the bill for the project is \$25.0 million. However, the City of Milwaukee estimates that the cost of the project would be about \$30 million, although this estimate excludes the cost of some potential environmental remediation and right-of-way acquisition related to this project as well as other infrastructure projects in the vicinity. DOA indicates that it is expected that the remaining funds would be provided through other sources.

4. Before construction can begin, the project must go through an environmental investigation process, which would involve, among other things, testing for the presence of soil contamination and developing strategies to mitigate any such environmental problems. Following this stage, the acquisition of real estate would be required for both the relocation of railroad tracks

and the rail yard and the expansion of the street. For these reasons, the City expects that actual construction would not begin until 2003 and at least a portion of the project could occur after that time.

5. Although the bill would not identify all of the funding to complete the project, it may be possible to construct the project in phases, making it unnecessary to provide all of the funding in the 2001-03 biennium. The source of additional funding could be state funds, additional federal funds provided to the state, federal funds provided to the City specifically for the project, additional City funds, additional tribal gaming revenue or private funds. It should be noted, however, that if the completion of the project is delayed until after 2003 because of a lack of funds or for other reasons, the project's utility as an alternate route for traffic during the reconstruction of the Marquette Interchange, which is a principal reason cited by DOA for providing a grant for the West Canal Street project, would be reduced. The reconstruction of the core of the Marquette Interchange is tentatively scheduled to start in 2004 and be completed in 2007.

6. The appropriations for making grants to the City of Milwaukee are continuing appropriations, which means that any funding that is provided in 2001-02 or 2002-03 in these appropriations would not lapse if it is not used. However, the provisions requiring DOT to make grants to the City of Milwaukee for the project would not apply after December 31, 2005. Consequently, if the City has not met the conditions for receiving the grants by this time, no grants would be made.

7. The decision of whether it is appropriate to provide state assistance for the West Canal Street project may depend upon the extent to which West Canal Street serves as an alternate route for traffic during the interchange work. DOT is currently conducting a study of design alternatives for the Marquette Interchange, but no traffic modeling has been conducted to determine the precise impacts on traffic that the project will have on specific local streets.

8. Some have argued that the improvement of West Canal Street will increase economic development in the Menomonee Valley. Since the reconstruction of the Marquette Interchange may have a negative impact on businesses in the downtown area and the Menomonee River Valley, it may be appropriate for the state to assist in the improvement of West Canal Street to help mitigate the negative economic impacts of the interchange construction. For this reason, it may be appropriate for the state to contribute to the West Canal Street project even if West Canal Street does not serve as a significant alternate route for traffic during the interchange project.

9. Of the \$25.0 million in funds identified by the bill, \$10.0 million would be federal interstate cost estimate (ICE) funds. A 1999 agreement between Governor Thompson and the City and County of Milwaukee allocated a total of \$241 million in ICE funds available to the state among various transportation projects in southeastern Wisconsin. The agreement, which was approved by the U.S. Department of Transportation, allocated \$75.2 million to the reconstruction of the Marquette Interchange, but no funds were specifically allocated to the West Canal Street project.

10. In compliance with federal law, the agreement allocated one-half of the ICE funds to

the state and the other half to the local governments. Although the bill refers to ICE funds received by the City, the 1999 agreement did not distinguish between ICE funds received by the City and ICE funds received by the County. If the Committee decides to retain the bill's use of local ICE funds for the reconstruction of West Canal Street, this provision would need to be modified to specify that these funds would be ICE funds allocated to the local governments under the agreement, instead of ICE funds received by the City.

11. The ICE funds agreement divided the local share of ICE funds (\$121.5 million) between three projects: the reconstruction of the Sixth Street Viaduct (\$14.45 million), the demolition of the Park East Freeway and related surface street improvements (\$14.45 million) and the remainder (\$92.6 million) to constructing transit improvements that are recommended as the result of a study of downtown transit options being sponsored by the Wisconsin Center District. Since the transit project would receive any ICE funds that are not used in the Sixth Street or Park East Freeway projects, any amendment to the ICE funds agreement to use savings from these projects for the West Canal Street project would reduce the amount of funds that would otherwise be available for the transit project under the terms of the agreement.

12. Since the ICE funds agreement did not allocate funds for the West Canal Street project, an amendment to the agreement would be needed to utilize these funds on that project. Such an amendment would require all of the parties to that agreement to consent to the change and would also require the approval of the U.S. DOT. However, both the City of Milwaukee and Milwaukee County have objected to the use of local ICE funds for the project. In this case, under the provisions of the bill, the City could still receive \$5.0 million in tribal gaming revenue for the project (as long as the City contributes \$10.0 million of other funds toward the cost of the project), but would not receive the additional \$5.0 million in ICE funds.

13. If the Committee decides to contribute a total of \$10.0 million towards the cost of the project, an alternate financing mechanism could be adopted. One alternative would be to specify that the City must provide at least \$15.0 million toward the cost of the project, without specifying the source of funds, in order to receive \$10.0 million from the state. Under this alternative, the same total amount of funds would be provided from both the state and from the City as under the bill, but the City would not be required to contribute local ICE funds. If this alternative is chosen, the Committee could retain the use of \$5.0 million in tribal gaming revenue for the project, but specify that that the other \$5.0 million could be provided with any funds appropriated for the reconstruction of the Marquette Interchange, instead of restricting this amount to federal ICE funds.

14. Of the funds identified for the project, \$5.0 million would be provided through an allocation of tribal gaming revenue. The Forest County Potawatomi Community have a memorandum of understanding (MOU) with the state as part of its gaming compact that states that the Governor shall undertake his best efforts to assure that the gaming funds paid to the state be used in Milwaukee and Forest Counties for, among other things, economic development initiatives in regions around casinos. Some have argued that the West Canal Street project would help encourage economic development in the Menomonee Valley, which is where the Potawatomi

Casino is located. For this reason, the Forest County Potawatomi Community is in support of the use of tribal gaming revenue for the reconstruction project. Under their gaming compact, the Potawatomi make payments of \$6,375,000 annually.

15. Since there is a possibility that not enough money would be provided in the bill to complete all phases of the project, one alternative would be to provide additional tribal gaming revenue for the project in the 2003-05 biennium. DOT could be required to request that up to \$5.0 million in additional tribal gaming revenue be provided for the project in its budget request for the 2003-05 biennium, if it is determined that additional funds are necessary to complete the project. The Legislature could make a decision at that time to require the City of Milwaukee to contribute up to an additional \$5.0 million toward the project in the 2003-05 biennium to receive an additional grant of up to \$5.0 million from DOT from tribal gaming revenue. In this case, the bill could be modified to require the City of Milwaukee to contribute \$10.0 million toward the project to receive a grant of \$10.0 million from DOT (\$5.0 million of tribal gaming revenue and \$5.0 million of funds appropriated for the Marquette Interchange) in the 2001-03 biennium.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to provide \$3,500,000 PR in 2001-02 and \$1,500,000 PR in 2002-03 from tribal gaming revenue for making a grant to the City of Milwaukee for the reconstruction of West Canal Street. Modify the Governor's recommendation related to the use of federal ICE funds to specify that the City of Milwaukee must contribute \$5,000,000 in federal ICE funds that are allocated to the local governments under the ICE funds agreement, instead of \$5,000,000 in ICE funds received by the City, in order to receive a grant of \$5,000,000 from DOT from federal ICE funds appropriated for the reconstruction of the Marquette Interchange.

2. Modify the Governor's recommendation by requiring DOT to make a grant of \$5,000,000 to the City of Milwaukee for the reconstruction of West Canal Street from funds appropriated for the reconstruction of the Marquette Interchange, without specifying the source of the funds, if the City contributes \$15,000,000 toward the cost of the project, also without specifying the source of the funds. Under this alternative, DOT would make a grant of \$5,000,000 from tribal gaming proceeds if the City contributes \$10,000,000 toward the cost of the project and would make an additional grant of \$5,000,000 if the City contributes an additional \$5,000,000 for the project, for a total City share of \$15,000,000.

3. Modify the Governor's recommendation by requiring DOT to make a grant of \$10,000,000 to the City of Milwaukee for the reconstruction of West Canal Street (\$5,000,000 from tribal gaming revenue and \$5,000,000 from any funds appropriated for the reconstruction of the Marquette Interchange), if the City contributes \$10,000,000 toward the cost of the project, without specifying the source of the funds. Require DOT to request up to \$5,000,000 in additional tribal gaming revenue in its 2003-05 budget request, if the Department determines that additional funds are needed to complete the West Canal Street project, and to request a statutory provision requiring the City of Milwaukee to match the additional funds on a one-to-one basis in order to receive an

additional grant. Under this alternative, the City of Milwaukee would have to contribute less toward the project to receive a DOT grant, but only \$20,000,000 in total funds would be specifically identified for the project in the 2001-03 biennium, instead of \$25,000,000. However, DOT would be required to request additional tribal gaming revenue for the 2003-05 biennium if it is determined that additional funds are needed to complete the project.

4. Maintain current law.

<b>Alternative 4</b>	<b>PR</b>
<b>2001-03 Funding</b> (Change to Bill)	- \$5,000,000

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