



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #901

Local Roads for Job Preservation Debt Service (DOT -- Transportation Finance)

[LFB 2001-03 Budget Summary: Page 653, #7]

CURRENT LAW

DOT is authorized to make a total of \$10,000,000 in grants for the development, construction, repair or improvement of a local road that DOT determines, subject to certain criteria, is necessary to support business and retain jobs in the vicinity of the local road. The program has GPR and FED appropriations for the program and a total of \$10,000,000 in general fund-supported general obligation bonds is authorized for the program. DOT has made a grant of \$8,000,000 using federal highway funds to the City of Janesville for road improvements in the vicinity of a General Motors plant.

GOVERNOR

Estimate debt service on bonds issued under the local roads for job preservation program at \$389,500 GPR in 2001-02 and \$876,800 GPR in 2002-03.

DISCUSSION POINTS

1. The estimated debt service for the local roads for job preservation program in the bill was based on an assumption that \$10,000,000 in bonds would be issued. However, since DOT has made a grant totaling \$8,000,000 using non-bond funds, the most that can be made in additional grants under the program is \$2,000,000. The Building Commission has approved the issuance of \$2,000,000 of the \$10,000,000 in bonds authorized for the program and DOT expects to make a grant to the City of Beloit of this amount for the expansion of local roads to improve the connection from an industrial park in the city to interstates 90 and 43. It is estimated that debt service payments

on this amount would be \$59,700 GPR in 2001-02 and \$173,900 GPR in 2002-03, which would be less than the amount estimated in the bill by \$329,800 GPR in 2001-02 and \$702,900 GPR in 2002-03.

2. If DOT issues the full \$2,000,000 that the Building Commission has approved, a total of \$8,000,000 in general fund bonding authority would remain unused. However, the \$10,000,000 cap on the total amount of grants that can be made under the program would prevent DOT from making additional grants using the bonding authorization. One alternative would be to increase the cap to \$18,000,000, which would allow all of the bonds that have been authorized to be used for making grants. In this case, future debt service payments would increase if DOT awards additional grants. However, the extent to which this would occur during the 2001-03 biennium is unknown.

3. Another alternative would be to eliminate the \$8,000,000 in unused bonding authorization. DOT indicates that no other project applications have been received for the program, in part, the Department believes, because the program was not advertised to local governments. It is generally understood that the program was created for the Janesville road improvements.

4. A case could be made that the transportation fund is in a better position to absorb the debt service payments on the local roads for job preservation bonds than the general fund and that it may be appropriate for these payments to be made from the transportation fund instead of the general fund since the grants are made for transportation improvements. Converting the funding source of the debt service appropriation from the general fund to the transportation fund would reduce GPR funding by an additional \$59,700 GPR in 2001-02 and \$173,900 GPR in 2002-03, relative to the above reestimate, and increase SEG funding by corresponding amounts.

ALTERNATIVES TO BILL

1. Modify the Governor’s recommendation by reducing funding by \$329,800 GPR in 2001-02 and \$702,900 GPR in 2002-03 to reflect a reestimate of debt service payments for bonds issued under the local roads for job preservation program.

<u>Alternative 1</u>	<u>GPR</u>
2001-03 FUNDING (Change to Bill)	- \$1,032,700

2. Modify the Governor’s recommendation by reducing funding by \$329,800 GPR in 2001-02 and \$702,900 GPR in 2002-03 to reflect a reestimate of debt service payments and increase the cap on the total amount of grants that can be made under the program to \$18,000,000. Under this alternative, DOT could issue an additional \$8,000,000 in grants using the remaining, unused bonding authorization for the program. The fiscal effect of this alternative assumes that no additional debt service would be incurred in the 2001-03 biennium since no additional projects have yet been identified or evaluated under the program.

<u>Alternative 2</u>	<u>GPR</u>
2001-03 FUNDING (Change to Bill)	- \$1,032,700

3. Modify the Governor's recommendation by reducing funding by \$329,800 GPR in 2001-02 and \$702,900 GPR in 2002-03 to reflect a reestimate of debt service payments and delete \$8,000,000 in bonding authorization for the program. Under this alternative, the cap on the amount of grants that can be made would be retained and the unused bonding authorization would be eliminated.

<u>Alternative 3</u>	<u>GPR</u>	<u>BR</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Bill)	- \$1,032,700	- \$8,000,000	- \$9,032,700

4. Modify the Governor's recommendation by converting the funding source for debt service payments on bonds issued under the local roads for job preservation program from the general fund to the transportation fund. Reduce funding by \$389,500 GPR in 2001-02 and \$876,800 GPR in 2002-03 and increase funding by \$59,700 SEG in 2001-02 and \$173,900 SEG in 2002-03. In addition, adopt one of the following alternatives:

a. Increase the cap on the total amount of grants that can be made under the program to \$18,000,000.

<u>Alternative 4a</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Bill)	- \$1,266,300	\$233,600	- \$1,032,700

b. Delete \$8,000,000 in bonding authorization for the program.

<u>Alternative 4b</u>	<u>GPR</u>	<u>BR</u>	<u>SEG</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Bill)	- \$1,266,300	- \$8,000,000	\$233,600	- \$9,032,700

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