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Major Highway Development Funding, Project Enumeration, and Project Definition (DOT -- State Highway Program)

[LFB 2011-13 Budget Summary: Page 440, #4; Page 441, #5 & #6]

CURRENT LAW

The Department of Transportation's (DOT) major highway development program is responsible for the expansion of existing highways and construction of new highways, except for expansion and construction projects on the southeast Wisconsin freeway system. Major highway projects are defined as projects that have an estimated cost exceeding $5 million in current dollars and consist of at least one of the following: (a) the addition of one or more lanes at least five miles in length to an existing highway; (b) construction of a new highway 2.5 miles or more in length; (c) relocation of 2.5 miles or more of existing roadway; or (d) the improvement of ten miles or more of an existing divided highway to freeway standards.

Major highway projects must be enumerated in the statutes before DOT can begin construction. Potential projects are considered for enumeration by the Transportation Projects Commission (TPC), a body consisting of the Governor, as chair, five senators, five representatives, three public members, appointed by the Governor, and the DOT Secretary (a nonvoting member). The Department submits potential projects to the TPC for consideration and also submits a recommendation of which of those projects should be advanced for enumeration. The TPC then makes a recommendation to the Governor and Legislature of which projects should be enumerated.

In order to recommend a project for enumeration, the TPC must determine that construction on the project, along with on all existing projects, must be able to start within six years of enumeration, assuming a constant, real-dollar program size throughout the period. The Commission, however, may recommend a project that could not otherwise be started within the six-year period if it also recommends a funding proposal for the program that would allow the project to be started within six years.

The Department must also have the approval of the TPC to begin an environmental impact statement or environmental assessment for a potential major highway development project.

The major highway development program is funded with a combination of SEG and FED funds, plus transportation revenue bonds. In addition, the 2009-11 budget provided transportation fund-supported, general obligation bonds for the program. Total base funding for the program, plus the general obligation bonds, is $367,650,100, which includes $98,235,400 SEG, $78,693,100 FED, $165,721,600 SEG-S (transportation revenue bonds), and $25,000,000 in general obligation bonds.

GOVERNOR

Funding Level

Provide $14,538,600 SEG in 2011-12 and $13,077,200 SEG in 2012-13, and reduce funding by $11,000,000 SEG-S in 2011-12 and $6,000,000 SEG-S in 2012-13 for the major highway development program. Authorize $50,000,000 in transportation fund-supported, general obligation bonds for the program.

Major Highway Project Definition

Modify the definition of a major highway project to: (a) include any project that has a total cost of more than $75 million, whether or not the project involves highway capacity expansion, except for southeast Wisconsin freeway rehabilitation projects with a total cost exceeding $500 million (the cost threshold for southeast Wisconsin freeway megaprojects under the bill); and (b) increase the cost threshold for capacity expansion projects from $5 million to $30 million.

Establish a separate TPC review and approval procedure for highway projects that meet the definition of a major highway project because they exceed the $75 million cost threshold. [As drafted, the process changes for projects with a cost exceeding $75 million would apply to both rehabilitation and capacity expansion projects. However, the Department of Administration has indicated that the intent was to have the new process apply only to rehabilitation projects.] Require the Department, under this procedure, to submit a report to the TPC, prior to the construction of such a project, that requests the TPC's approval to proceed with the project. Specify that if the Chairperson of the TPC (the Governor) does not notify the Department, within 14 working days after the request is submitted, that the TPC has scheduled a meeting to review the request, the request is considered approved, and the Department may proceed with the project. Specify that if the Chairperson notifies the Department, within 14 working days, that the TPC has scheduled a meeting for the purpose of reviewing the request, the Department may implement the request only as approved by the TPC, including any modification made by the TPC.

Specify that the Department may not proceed with construction of any major highway development project meeting the $75 million cost threshold until the TPC approves the

Department's request, but that once approved, the project does not need to be individually enumerated in the statutes for the Department to proceed with construction. Specify that the Department's report to the TPC containing such a request may be submitted at any time following the completion of a draft environmental impact statement or environmental assessment.

Specify that major highway development projects that meet the $75 million cost threshold are exempt from the TPC review and approval procedures and individual enumeration requirement established for other major highway development projects, including: (a) the requirement that the TPC must approve the project for the preparation of an environmental impact statement or environmental assessment; (b) the requirement that the project, to be recommended for construction, must be able to be started within six years under the current budget for the program; and (c) the requirement that the project be given a numerical score on various criteria for the purposes of consideration by the TPC.

Modify a provision that permits the Department to engage in preliminary engineering and design work on a possible major highway development project prior to enumeration (but no construction or, unless approved by the TPC, no work on an environmental impact statement or environmental assessment), to allow DOT to perform any engineering or design work (eliminate the word "preliminary").

Specify that these changes would first apply to highway projects for which preliminary engineering and design work commences after the general effective date of the bill, except for the provision that allows the Department to proceed with any engineering (as opposed to preliminary engineering) on a potential project prior to enumeration, which would apply to any project on the effective date of the bill.

Require the Department to annually adjust the project definition cost thresholds ($75 million and $30 million) to reflect the annual change in the Department's transportation price index, yearly moving average, or, if at any time the Department no longer maintains that index, another suitable index as determined by the Department. Require the Department to compute and publish the adjustment prior to October 1 of each year, beginning in 2012, and specify that the adjusted amount shall become effective on October 1. Specify that the Department may not adjust the cost thresholds to an amount less than $75 million or $30 million, respectively. Specify that the adjustment of these amounts does not constitute an administrative rule.

Project Enumeration

Enumerate four major highway projects in the statutes, as shown in the table below. The cost estimates shown for each project are from information provided by the Department to the Transportation Projects Commission in 2010.

Highway	Segment	Length (In Miles)	Counties	Estimated Cost in 2010 Dollars (In Millions)
I-90/39	Ill. State Line to USH 12/18	45	Dane & Rock	$715
USH 10/STH 441	Winnebago CTH CB to Oneida St.	5	Calumet & Winnebago	390
STH 15	STH 76 to USH 45	11	Outagamie	125
STH 38	Racine CTH K to Oakwood Rd.	9	Milwaukee & Racine	125
	TOTAL			$1,355

DISCUSSION POINTS

1. Relative to the base level of funding for the major highway development program, the bill would provide an appropriation increase (the net change of SEG increases and SEG-S decreases) of $3,538,600 in 2011-12 and $7,077,200 in 2012-13. The bill would also authorize $50.0 million in transportation fund-supported, general obligation bonds for the program, which is the same amount provided by the 2009-11 biennial budget. The Department indicates that $27.0 million of the bonds would be allocated in the first year and $23.0 million would be allocated in the second year. The program would also be affected by three other decision items, including standard budget adjustments ($30,100 SEG annually), reductions in employee compensation (-$508,000 SEG and -$275,800 FED annually), and the elimination of vacant positions (-$257,000 SEG and -$153,800 FED annually). The following table shows the total proposed funding for the program under the bill, compared to the appropriation base, plus the general obligation bonds allocated to the program in 2010-11.

Fund Source	2010-11 Adjusted Base	Governor 2011-12	Governor 2012-13
SEG	$98,235,400	$112,039,100	$110,577,700
FED	78,693,100	78,263,500	78,263,500
SEG-S (Revenue Bonds)	165,721,600	154,721,600	159,721,600
Gen. Ob. Bonds (SEG-Supported)	25,000,000	27,000,000	23,000,000
Total	$367,650,100	$372,024,200	$371,562,800

2. Unlike the state highway rehabilitation program, which funds hundreds of improvement projects each year, the major highway development program is responsible for a relatively small number of projects. No new projects have been enumerated since the 2003-05 biennial budget, which has allowed the Department to reduce the amount of remaining work to the point that most currently enumerated projects will be completed within the next six years. The following table shows the sum of all scheduled expenditures for existing, enumerated projects, according to the Department's latest financial status report for the program. [For a list of individual project schedules, see Attachment 1 to this paper.] As the table shows, project expenditures are expected to decline rapidly over this period as existing projects are completed. [These amounts do not include remaining, estimated expenditures on environmental impact statements for other potential projects, which totaled $2.8 million in the Department's February, 2011, report.]

Scheduled Expenditures for Existing Major Highway Development Projects
($ in Millions)

Fiscal Year	Total Project Expenditures
2011-12	$312.9
2012-13	271.3
2013-14	271.2
2014-15	170.6
2015-16	148.5
2016-17	32.8
Beyond 2016-17	31.3
Unscheduled	74.3
Total	$1,312.9

3. The funding provided under the bill would exceed planned expenditures on existing projects by $59.1 million in 2011-12 and by $100.3 million in 2012-13. If the funding for the program were maintained at the proposed 2012-13 level into the following years, the amount of this "surplus" would increase in each subsequent year. [Although any changes to the cost of the projects, either up or down, or changes to the schedule would affect the amount of the surplus.] Because of these declining expenditures, the program could accommodate additional projects within the next six years. The amount of new projects, and the schedule for those projects would, of course, depend upon the level of future funding.

4. The bill would add new projects both through a change in the definition of a major highway project and by the enumeration of four new projects that meet the current law definition. These proposals are discussed in the following points.

Definition of a Major Highway Project

5. As noted above, a highway improvement project is classified as a major highway project if it meets any one of certain capacity expansion thresholds and it has an estimated cost exceeding $5 million, a threshold that was established in 1985. The bill would make two modifications to this definition. First, the bill would change the minimum cost threshold for projects meeting the capacity thresholds from $5 million to $30 million. Second, any project with an estimated cost of $75 million or more, regardless of whether or not it meets the capacity expansion thresholds, would be classified as a major highway project. Both cost thresholds would be annually adjusted for inflation, using a highway construction cost index.

6. Modifying the $5 million cost threshold for capacity expansion projects would be unlikely to have an impact on the classification of highway projects, since any project meeting the capacity expansion thresholds will also likely have a construction cost exceeding $30 million. Rather than tying the definition of a capacity expansion major highway project to any particular cost threshold, the cost threshold could be entirely deleted, so that any project meeting one of the four mileage-based criteria would be treated as a major highway project [Alternative #B2].

7. The proposed definitional change to add high-cost, non-capacity expansion projects would have a greater impact on the program's responsibilities. The Department indicates that two projects would be affected in the 2011-13 biennium: (a) the reconstruction of the USH 151/USH 18 interchange and south beltline in Madison and Fitchburg (known as the Verona Road project); and (b) the reconstruction of the I-794 Hoan Bridge in Milwaukee, between the Lake Interchange and Lincoln Avenue. The Department expects expenditures on these two projects, for preliminary work prior to construction, to total $15 million in 2011-12 and $27 million in 2012-13. Additional information on these two projects is provided in Attachment 2.

8. In subsequent years, expenditures on the two high-cost rehabilitation projects would increase as they move toward construction. The total cost of the Verona Road project (excluding the third phase, which the Department has proposed be delayed until after 2030) is estimated at between $141 million and $145 million (2010 dollars), and the cost of the Hoan Bridge project is preliminarily estimated at between $275 million and $350 million. The schedule for construction has not been finalized for either project, although construction on both could begin in late 2013.

9. The Department indicates that the purpose for the proposed definitional change is to accommodate the design and construction of high-cost rehabilitation projects without disrupting rehabilitation work on the rest of the highway system. Without the definitional change, completing these large rehabilitation projects within the state highway rehabilitation program would force the Department to temporarily reduce work on more routine rehabilitation projects that are necessary to maintain the quality and durability of the state highway system. Such disruptions in routine rehabilitation work, although temporary, could create an ongoing backlog of those highway improvements. In addition, the Department indicates that including these projects as major highway projects could help maintain a more even year-to-year level of work under that program.

10. The major highway development program's primary purpose has traditionally been the expansion of selected highways to address traffic congestion, mobility, and safety issues. This is in contrast to the state highway rehabilitation program, which is primarily for the preservation of the existing highway system. Although the proposed definitional change would serve the purpose, as described above, of facilitating a more even project schedule in the state highway rehabilitation program, it would combine, into one program, projects that are deemed necessary for system preservation with system expansion projects. Some may advocate maintaining a programmatic distinction between these types of projects, on the grounds that system preservation projects must be completed to protect the state's past highway investments, whereas the state may decide to either do, or not do, capacity expansion projects, based on an assessment of the benefits and costs of each project. In particular, during times when transportation fund revenues are insufficient to meet all the demands of the advocates of various programs, some make the argument that resources should be concentrated on system preservation, rather than system expansion. The proposed definitional change may make it more difficult for the Legislature to follow such a policy through the budget provided for the two programs. An option that would keep these two types of projects separate, but avoid affecting the budget for smaller rehabilitation projects, would be to delete the proposed definitional change for rehabilitation projects costing $75 million or more and transferring the associated funding ($15 million in 2011-12 and $27 million in 2012-13) from the major highway development program to the state highway rehabilitation program [Alternative #B3]. In order to maintain a neutral effect on smaller projects, future Legislatures would have to add funding to the

state highway rehabilitation program as the Verona Road and Hoan Bridge projects move into the construction phase.

11. Although current major highway development projects are generally capacity expansion projects, and state highway rehabilitation projects generally involve system preservation, the distinction is not always clear. For instance, many highway rehabilitation projects, including the Verona Road project, involve some capacity expansion or other significant operational improvements that that go beyond pavement rehabilitation. Likewise, many major highway projects involve the reconstruction of the existing roadway. From this perspective, the fact that the definitional change would involve mixing rehabilitation projects with capacity expansion projects within one program may not seem to be such a significant departure from past practice.

12. As drafted, the change to the definition of a major highway project would first apply to projects for which preliminary engineering begins after the effective date of the bill. However, since preliminary engineering and design is already underway on the Verona Road project, the bill's initial applicability provision would exclude one the projects to which the Department has indicated it should apply. [Although the Department has done some planning-level work on the Hoan Bridge project, this is not considered preliminary engineering.] Subsequent to the introduction of the bill, the Department of Administration submitted a budget erratum addressing this issue. Under the proposed modification, the Department would be given the responsibility to determine which projects, for which preliminary engineering has begun, should be considered a major highway project [Alternative #B1].

Transportation Projects Commission Approval Procedure

13. The bill would establish a separate, expedited Transportation Projects Commission review and approval procedure (described in more detail in the following points) for projects that meet the definition of a major highway project because of an estimated cost exceeding $75 million. As drafted, this alternative procedure would apply to any major highway project with an estimated cost exceeding that threshold. However, subsequent to the introduction of the bill, the Department of Administration submitted a budget erratum indicating that the intention was to have the expedited procedure apply only to projects with an estimated cost exceeding $75 million that do not meet the existing capacity expansion thresholds for a major highway project [Alternative #C1]. Under this change, the current TPC review and approval procedure would continue to apply to all capacity expansion major highway projects.

14. Under the expedited TPC procedure, the Department would submit a report on any proposed high-cost rehabilitation project, which includes a request for the Commission's approval, under a 14-day passive review process, to proceed with construction on the project. The chairperson of the Commission, who is the Governor, could call a meeting to consider the request, at which time the Commission could approve, modify and approve, or deny the Department's request. If approved (with or without a meeting), the Department could proceed with construction, without specific statutory enumeration of the project. These projects would also be exempt from a provision that prohibits the TPC from recommending a project for enumeration unless construction on the project can be started within six years.

15. In addition to the expedited procedure for TPC approval for projects to proceed to construction, these projects would also be exempt from a requirement that the TPC approve the project for preparation of an environmental impact statement or environmental assessment. This provision would have no effect on the Verona Road or Hoan Bridge projects since the environmental process for the Verona Road project has been completed and the Department indicates that limited environmental study will be required for the Hoan Bridge project since its scope is limited to the replacement of the current bridge and approaches.

16. The Department indicates that the expedited TPC review procedure would be established so that these projects, which are deemed necessary for system preservation, could proceed without the delays that can be associated with the current TPC review and enumeration procedure. In addition, the Department indicates that since these projects, unlike capacity expansion projects, typically involve reconstruction of existing facilities, they are less likely to involve more controversial measures, such as the acquisition of significant new right-of-way.

17. One of the roles of the Transportation Projects Commission is to review proposed projects in the context of a consideration of the status of existing enumerated projects and the budget for the major highway development program. Although high-cost rehabilitation projects may serve a different purpose within the state highway improvement program than capacity expansion projects, a case could be made that the TPC should, nevertheless, give full consideration of the impact of these projects on the major highway development program budget, as well as their impact on existing enumerated projects.

18. If the Committee decides to approve the proposed definitional change, but believes that these projects should be treated the same as other major highway projects with respect to TPC review and legislative enumeration, the bill could be modified to delete the provisions related to the alternative TPC review and approval procedure [Alternative #C3]. In this case, the Committee would have two options with respect to the Verona Road and Hoan Bridge projects. First, these projects could be enumerated in the bill without TPC review and recommendation, to allow construction to proceed, and to avoid disrupting the planning and design processes that are currently underway. Any subsequent high-cost rehabilitation projects would then be required to be reviewed under the normal TPC process. Second, the projects could not be enumerated at this time, which would require the TPC to meet and recommend the projects, and the Legislature to pass subsequent legislation to proceed with construction. [Since design work on the Verona Road project has been started, the Department could continue this work, but could not begin construction. The Department could commence design work on the Hoan Bridge project, but could not begin construction.]

19. Although the proposed expedited procedure for high-cost rehabilitation projects would involve less legislative review than for capacity expansion major highway projects, this level of review is more than highway rehabilitation projects receive under current law. If no change were made to the current highway program structure and project definitions, the Department could proceed with construction on these projects under the state highway rehabilitation program without any further legislative approval. An alternative that would require TPC input, but still in an expedited manner, would be to remove the 14-day passive review process and specify that DOT cannot proceed with one of these projects unless the TPC meets and approves, or modifies and

approves, the Department's request [Alternative #C2]. In this case, the TPC would have to approve the Verona Road and Hoan Bridge projects under this procedure before the Department could proceed with construction, but no further action of the full Legislature would be required.

Project Enumeration

20. As noted above, the bill would enumerate four capacity-expansion projects that were recommended for enumeration by the TPC in October. Attachment 3 provides additional information on each of these four projects.

21. Under current law, DOT is required to give a numerical ranking to each potential project, and present the results to the TPC. The ranking system, which is established by administrative rule, ranks projects, in relation to each other, on five criteria. The following table shows the scores on each criterion, as well as the total score for the four projects. The maximum score for each or the criteria is shown in parenthesis. [In addition to receiving a score on each of the criteria, each project receives 10 points by meeting certain minimum requirements under the Department's scoring system.]

Results of Proposed Major Highway Project Scoring

Highway	Economy (40)	Traffic Flow (20)	Safety (20)	Environment (10)	Community Input (10)	Total (110)*
I-90/39	30.6	20.0	11.2	8.4	9.4	89.6
STH 38	23.3	15.7	20.0	6.4	10.0	85.4
USH 10/STH 441	25.1	19.6	9.7	8.9	10.0	83.3
STH 15	29.3	14.3	9.2	6.6	8.8	78.2

* Includes 10 points for each project meeting certain minimum criteria.

22. The Department indicates that if the four projects are enumerated, no currently-enumerated projects would be delayed from the existing schedule as a result. However, the enumeration of a project does not require the Department to construct it, nor does it establish any particular schedule. The Department has the discretion to modify the project schedule, and, therefore, could decide to proceed with one or more of the new projects ahead of any of the existing projects.

23. The Department indicates that if the four projects are not enumerated, work on the existing projects could be advanced, provided that the level of funding in the bill is maintained.

24. If the Governor's recommendation to enumerate these four projects is approved, it would be the first time since the 2003-05 budget that new projects have been enumerated. No projects have been added during this time, in part, because of a constraint placed on the TPC for the recommendation of new projects. The 1997-99 biennial budget included a provision that prohibits the TPC from recommending a project for enumeration unless it is determined that construction on the project, along with on all existing enumerated projects, can be started within six years of enumeration, assuming a constant, real-dollar program size throughout that period. The TPC met in

2002 to consider four projects for enumeration, but voted not to recommend them because it was determined that they could not be started within six years, given the budget for the program and the cost of existing projects. Nevertheless, the Legislature enumerated those four projects in the 2003-05 budget (USH 14 between Viroqua and Westby in Vernon County, USH 18 between Prairie du Chien and STH 60 in Crawford County, USH 41 between De Pere and Suamico in Brown County, and USH 41 between STH 26 and Breezewood Lane in Winnebago County). The addition of those four projects to the schedule, as well as remaining work on the previously-enumerated projects, has meant that the six-year standard for the consideration of new projects could not have been met until recently.

25. Inflation in the cost of major highway projects has also played a role in the ability of the program to initiate new projects. As an example, at the time the TPC met in 2002, the estimated cost of the four projects under consideration was $500 million. However, due to changes in project scope, inflation, and reestimates of project costs, those four projects are now estimated to cost $1.4 billion, or almost three times as much as the original estimate. Consequently, although the budget for the major highway development program is 50% higher in 2010-11 than it was in 2002-03 (exceeding the general rate of inflation of about 20% during that period), the purchasing power of the program (that is, relative to actual project costs) has declined.

26. The total estimated cost of the four proposed projects is $1,355 million. When added to the approximately $455 million in high-cost rehabilitation projects that would become major highway development projects as a result of the definitional change (assuming the mid-point of the current cost estimates), a total of $1,810 million in new projects would be added to the program under the bill. With these projects, the total cost of all projects (existing and proposed) would be $3,123 million. At the level of funding proposed for 2012-13 (as adjusted for future inflation), it would take 8.5 years, at a minimum, to complete all the projects.

27. Because the enumeration of new projects typically creates an expectation among the public that they will be completed within a reasonable time period, the enumeration of the four proposed projects also may create an expectation for the Legislature to maintain or increase the proposed 2012-13 level of funding for the major highway development program over the subsequent six to eight years. This may not be an unreasonable expectation if the current level of funding is considered a reasonable or necessary level of ongoing investment in highway system capacity expansion.

28. As a counter to the previous point, a case could be made that the current level of funding for the program became necessary to complete the projects that were enumerated in the 2003-05 budget (as well as the projects that were enumerated over the previous several biennia) within a reasonable time period, but that maintaining that level into the future is not necessary or affordable. From this perspective, the funding for the program could be gradually reduced as the existing projects are completed. New projects could be added in subsequent years, but only as they can be accommodated within a reduced budget.

29. The bill would use various measures to supplement transportation programs with revenues that are currently used for other programs. In particular, the bill would transfer the responsibility for funding mass transit aid to the general fund, and would transfer a portion of the

sales tax on motor vehicles and motor vehicle parts and accessories to the transportation fund. Without these measures, current transportation fund revenues would not be sufficient to support current funding levels for DOT's programs. If these measures are not approved, some adjustments to the transportation budget will be necessary. Some argue that in an environment of constrained revenues, the state should concentrate on system preservation, rather than capacity expansion. From this perspective, any available funding should be provided for the state highway rehabilitation program or even that base funding should be transferred to that program from the major highway development program. Consistent with this position, some argue that the state should not enumerate new capacity expansion projects at this time, since these would ultimately divert resources from highway rehabilitation or other programs [Alternative #D2].

Funding Level

30. Because the current schedule of expenditures for existing projects is less than the amount that would be provided by the bill, the proposed level of funding could be reduced if the new projects are not enumerated, without affecting that schedule. As noted above, the funding in the bill would exceed anticipated expenditures on current projects by $59.1 million in 2011-12 and by $100.3 million in 2012-13. To allow for possible inflation in the cost of current projects, it could be assumed that current cost estimates will increase by 3% annually, reducing the surplus to $49.7 million in 2011-12 and $83.8 million in 2012-13. [Although the projected general rate of inflation is about 2% annually, the selection of 3% would allow an additional cushion, in the event that the cost of highway construction increases at a greater rate.] After considering the funding needed to add the Hoan Bridge and Verona Road projects to the program ($15.0 million in 2011-12 and $27.0 million in 2012-13), the program could be reduced by $34.7 million in 2011-12 and $56.8 million in 2012-13 [Alternative #A2].

31. If the Committee decides to retain some funding for new projects in the bill, but not at the level recommended by the Governor, the Committee could consider making a percentage-based reduction to the base funding level. This is the approach used under the bill for general transportation aids and mass transit operating assistance, which were each reduced by 10% from current law funding levels. Each 1% reduction from the base would reduce funding by $7,353,000 in the biennium [Alternative #A3].

32. A counter argument to the previous points is that highway expansion projects, by reducing transportation costs for businesses, can improve economic conditions. During a time of high unemployment, initiating new capacity expansion projects may be warranted, even if highway rehabilitation needs are not fully being met, since such projects can encourage businesses to locate or expand in the affected areas. If the proposed level of funding is maintained, the Department would be allowed to initiate the new projects, or advance construction on existing projects.

33. Some have expressed an ongoing concern about the growing level of debt service paid on transportation bonds. [See LFB Issue Paper #641 for more information on overall transportation bonding and debt service.] Since the bonds issued for the major highway development program account for more than three-quarters of total transportation fund debt service, any strategy to reduce future debt service payments may need to rely on a reduction in the use of bonds in this program. Relative to the funding provided in 2010-11, the bill would reduce total

bonding for the major highway development program by $9.0 million in 2011-12 and by $8.0 million in 2012-13. However, the resulting reduction in debt service would be a small in relation to the total debt service payments. The full, annualized debt service associated with the bonds authorized for the program over the biennium is estimated at $29.2 million, whereas the debt service would be about $30.5 million without those reductions.

34. The major highway development program would account for 59% of the total, new transportation fund-supported bonding in the bill. In earlier action, the Committee reduced the amount of transportation fund-supported bonding in the bill by $32.0 million, from amounts provided for the freight rail preservation program and the harbor assistance program. If the Committee determines that an additional reduction in transportation fund-supported bonding is desirable, that reduction could be made in the major highway development program. If the Committee adopts the funding reduction alternatives discussed in Points #30 or #31, those reductions could be made with bonding, with SEG or FED funds, or some combination.

Transportation Projects Commission Recommendation Policy

35. As noted above, the enumeration of new projects may create an expectation that the current level of funding be maintained in future years to complete those projects within a reasonable period of time. To the extent that the program is funded with bonds, such enumerations may also make it difficult to reduce the use of bonds in the future. If the Committee determines that reducing the reliance on bonds over the long term is an important goal, one alternative would be to modify the TPC's authority to recommend new projects. As described earlier, the TPC may only recommend a new project for enumeration if it is determined that construction on the project can be started within six years, assuming a continuation of the current budget into the future (with adjustments for inflation). The statutes specify that, in determining the current budget, the TPC should consider SEG and FED funds, as well as transportation revenue bonds. As part of a strategy to reduce or eliminate the ongoing use of bonds in the program, the TPC recommendation policy could be modified to specify that, in determining what projects can be accommodated in the ongoing budget, only the SEG and FED funding may be considered. In addition, the provision that allows the TPC to recommend a financing plan to accommodate projects, which otherwise could not be recommended, could be modified to specify that such a financing plan may not include the use of bonds. These changes would not commit a future Legislature to reducing the use of bonds, but could make it easier to reduce future bonding without affecting existing projects [Alternative #D1]. If this TPC recommendation policy had been in place in 2010, the TPC would not have been able to recommend the four proposed projects included in the bill, since the estimated expenditures remaining on current projects exceeds six years of the base SEG and FED funding for the program.

ALTERNATIVES

A. Funding Level

1. Approve the Governor's recommendation to provide $14,538,600 SEG in 2011-12 and $13,077,200 SEG in 2012-13, and reduce funding by $11,000,000 SEG-S in 2011-12 and $6,000,000 SEG-S in 2012-13 for the major highway development program and authorize

$50,000,000 in transportation fund-supported, general obligation bonds for the program

2. Modify the Governor's recommendation by reducing funding by $34,700,000 in 2011-12 and $56,800,000 in 2012-13, which would be sufficient to accommodate the existing project schedule plus the anticipated expenditures on high-cost rehabilitation projects. [The box reflects the fiscal effect of this alternative in SEG funds, although other funding sources, including bonding, could be reduced.]

ALT A2	**Change to Bill** Funding
SEG	- $91,500,000

3. Modify the Governor's recommendation by reducing annual funding by one of the following percentages of the base funding for the program. [Although the fiscal effects are shown as SEG, other funding sources, including bonding, could be reduced.]

	Percent Reduction	Annual SEG Reduction	Biennial SEG Reduction
a.	-2%	-$7,353,000	-$14,706,000
b.	-4	-14,706,000	-29,412,000
c.	-6	-22,059,000	-44,118,000
d.	-8	-29,412,000	-58,824,000
e.	-10	-36,765,000	-73,530,000

4. Delete provision.

ALT A4	**Change to Bill** Funding
SEG	- $27,615,800
SEG-S	17,000,000
BR	- 50,000,000
Total	-$60,615,800

B. Definition of a Major Highway Project

1. Approve the Governor's recommendation to modify the definition of a major highway project by: (a) increasing the minimum cost threshold from $5 million to $30 million; (b) including any project (except for southeast Wisconsin freeway megaprojects) with a cost exceeding $75 million; and (c) indexing these thresholds to highway construction inflation. Modify the initial applicability of the provision to specify that the Department shall determine which projects meeting the second part of the definition should be initially included in the definition.

2. Modify the Governor's recommendation by removing the minimum cost threshold for a major highway project (currently $5 million, and $30 million under the bill) in its entirety, so

that any project meeting one of the four mileage-based thresholds would be considered a major highway project.

3. Delete the Governor's recommendation to include any project (except for southeast Wisconsin freeway megaprojects) with a cost exceeding $75 million in the definition of a major highway project. Delete the Governor's recommendation to create an expedited TPC approval and enumeration procedure for such projects. Transfer $15,000,000 SEG in 2011-12 and $27,000,000 SEG in 2012-13 from the major highway development appropriation to the state highway rehabilitation appropriation.

4. Delete one or more of the following modifications to the definition of a major highway project, as recommended by the Governor: (a) increasing the minimum cost threshold from $5 million to $30 million; (b) including any project (except for southeast Wisconsin freeway megaprojects) with a cost exceeding $75 million; and (c) indexing these thresholds to highway construction inflation.

C. Transportation Projects Commission Approval Procedure

1. Approve the Governor's recommendation to establish an expedited TPC approval and enumeration procedure for major highway projects that exceed $75 million, but modify the bill to clarify that this expedited procedure would not apply to those projects that also exceed the capacity expansion thresholds.

2. Modify the Governor's recommendation as follows: (a) clarify that the expedited procedure would not apply to those projects that also exceed the capacity expansion thresholds; and (b) delete the 14-day passive review process and instead specify that DOT cannot proceed with construction of one of these projects unless the TPC meets and approves, or modifies and approves, the Department's request.

3. Delete the expedited TPC and enumeration procedure, and adopt one of the following:

a. Enumerate the Verona Road and Hoan Bridge projects, to allow work to proceed on those projects, and require subsequent proposals to follow the same review and enumeration process as capacity expansion projects.

b. Do not enumerate those projects, which would require subsequent consideration by the TPC and then statutory enumeration in subsequent legislation. [Since the design stage is underway on the Verona Road project, that work could continue, although the Department would not be able to begin construction. The Department could also commence design work, but not construction, on the Hoan Bridge project.]

D. Project Enumeration

1. Enumerate the following major highway projects in the statutes, as recommended by the Transportation Projects Commission: (a) I-90/39, between the Illinois state line and USH 12/18 in Dane and Rock counties; (b) USH 10/STH 441, between Winnebago CTH CB and Oneida Street

in Calumet and Winnebago counties; (c) STH 15, between STH 76 and USH 45 in Outagamie County; and (d) STH 38, between Racine CTH K and Oakwood Road in Milwaukee and Racine counties.

2. Delete provision.

E. Transportation Projects Commission Recommendation Policy

1. Modify a current law provision that prohibits the Transportation Projects Commission from recommending a highway project to the Legislature and Governor for statutory enumeration as a major highway project unless construction on the project and all currently-enumerated projects can begin within six year years of enumeration, to specify that in determining whether the potential project and currently-enumerated projects can be started, the Commission shall include only the current SEG and FED appropriations in the assumption of the future budget for the program. Specify that any funding proposal included with the Commission's recommendation of a project that would not otherwise be able to be started within six years may not include the use of bonds.

2. Maintain current law.

Prepared by: Jon Dyck
Attachments

ATTACHMENT 1

Scheduled Expenditures Under the Major Highway Development Program, by Project
($ in Millions)

Highway	Segment	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 or Later*	Total
USH 10	Marshfield - Stevens Point	$46.7	$10.4	$0.0	$0.0	$0.0	$0.0	$57.1
USH 12	Lake Delton - Sauk City	14.5	0.0	1.5	46.7	25.8	1.1	89.6
USH 14	Viroqua - Westby	6.0	0.0	0.0	0.0	12.2	17.1	35.3
USH 18	Prairie du Chien - STH 60	0.0	0.0	0.4	0.0	9.5	0.0	9.9
STH 23	STH 67 - USH 41	15.0	29.7	15.7	44.9	0.0	0.0	105.3
STH 26	Janesville - Watertown	65.0	47.3	13.5	0.0	0.0	0.0	125.8
USH 41	Brown/Winnebago Counties	144.0	180.9	202.2	53.1	69.9	0.0	650.1
USH 53	La Crosse Corridor	4.6	0.0	37.9	25.9	31.1	36.6	136.1
	Other Projects**	17.1	3.0	0.0	0.0	0.0	83.6	103.7
	Total	$312.9	$271.3	$271.2	$170.6	$148.5	$138.4	$1,312.9

* Includes some work that is not yet scheduled.

** Includes projects that have largely been completed, but for which some auxiliary work remains, and projects for which no work is scheduled prior to 2016-17.

ATTACHMENT 2

Description of Proposed High-Cost Rehabilitation Projects

USH 151/USH 18 -- Verona Road/Madison Beltline (Dane County)

The proposed USH 151/USH 18-Verona Road project would be constructed in three stages, although only the first two are proposed within the next 10 to 15 years. In the first stage, the Department would reconstruct the interchange at USH 151/USH 18 and the Madison south beltline, add a grade separation at the intersection of USH 151 (Verona Road) and Summit Drive, south of the interchange, and construct an additional lane on the south beltline between Verona Road and Whitney Way, a distance of approximately one mile. In addition, selected frontage roads and local streets would be realigned to accommodate interchange reconstruction and to remove some local traffic from the main highway. In the second stage, which would occur after completion of the first stage, a grade separation and diamond interchange would be built at the intersection of CTH PD and USH 151 in the City of Fitchburg, and an additional lane would be constructed on USH 151 from CTH PD to Raymond Road, a distance of approximately one mile.

The Department cites deteriorating pavement and extreme congestion on Verona Road and at the interchange ramps as the key reasons for improvements in the corridor. In addition to serving as an important route for intraregional traffic, USH 151 serves as an important truck route between southwestern Wisconsin and the rest of the state. The Department notes that the Verona Road segment is the only part of the route between Dubuque, Iowa, and the City of Fond du Lac that is not an expressway or freeway. The estimated cost of the first stage is between $90 million and $92 million, in 2010 dollars (the year that a supplemental draft environmental impact statement was completed), while the second stage is estimated at $51 million to $53 million.

I-794 -- Hoan Bridge (Milwaukee County)

The proposed Hoan Bridge project would involve the replacement of the deck, along with some structural modifications, of the bridge. In addition, the Department would replace some structures on I-794 between the Marquette Interchange and the Lake Interchange and repair pavement on the structures of the Lake Interchange. Preliminary engineering has not been conducted for the project, so no precise cost estimates are available. The Department indicates that the cost could range between $275 million and $350 million.

ATTACHMENT 3

Description of Major Highway Projects Proposed for Enumeration

I-39/90 -- Illinois State Line to USH 12 (Dane and Rock counties)

The proposed I-39/90 project would reconstruct the existing interstate with the addition of new lanes to provide three general purpose lanes in each direction. With reconstruction, several interchanges and bridges would be rebuilt to improve safety and upgrade the facilities to current engineering standards. The Department cites the need to replace deteriorating pavement and to respond to congestion problems and safety issues as the key factors in the decision to proceed with the project. In addition, the Department cites the highway's high percentage of heavy truck and tourist traffic as evidence of its importance to the state's economy. The segment identified for improvement runs for 45 miles and would cost an estimated $715 million in 2010 dollars (the year of TPC deliberations).

USH 10/STH 441 -- Winnebago CTH CB to Oneida Street (Calumet and Winnebago counties)

The proposed USH 10/USH 441 project would upgrade the current four-lane freeway to add general purpose lanes in each direction and auxiliary lanes between certain interchanges. Reconstruction would also bring interchanges, shoulders, and curvatures into compliance with current engineering standards. The interchange at USH 41 would be rebuilt to include free-flow movements in all directions and to correct current deficiencies (no north-bound USH 41 to west-bound USH 10 ramp and no east-bound USH 10 to north-bound USH 41 ramp). A new bridge would be built over Lake Butte Des Morts, paralleling the existing bridge, to provide four lanes in each direction (three general purpose lanes and an auxiliary lane). The Department cites congestion and geometric deficiencies as the chief needs to be addressed by the project. The segment to be improved is five miles in length and the estimated cost is $390 million in 2010 dollars.

STH 15 -- STH 76 to USH 45 (Outagamie County)

The proposed STH 15 project would expand the highway from two lanes to four lanes from the area northeast of the City of Appleton to the City of New London, including the construction of a bypass around the Village of Hortonville. The Department notes that growing population in the corridor outside the City of Appleton, as well as design deficiencies, have contributed to traffic congestion and safety issues on the highway. The proposed improvements include limiting access at certain locations to improve traffic flow and safety. The project length is 11 miles and the proposed improvements are estimated to cost $125 million in 2010 dollars.

STH 38 -- Racine CTH K to Oakwood Road (Milwaukee and Racine counties)

The proposed STH 38 project would expand the highway from two lanes to four lanes from the southern part of the Village of Caledonia to the southern part of the City of Oak Creek. A portion of the project would follow the current alignment of the highway, while a portion would be built on a new alignment. With additional capacity, the highway will be rebuilt to eliminate substandard curves, hills, and intersections with cross roads. The Department cites safety concerns, as well as traffic congestion in parts of the corridor, as the key reasons for the proposed improvements. The proposed improvement would be nine miles in length, with an estimated cost of $125 million in 2010 dollars.