



Legislative Fiscal Bureau

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2017

Joint Committee on Finance

Paper #621

Major Highway Development Program (Transportation -- State Highway Program)

Base Agency

[LFB 2017-19 Budget Summary: Page 433, #5; Page 434, #7; and Page 443, #3]

CURRENT LAW

The major highway development program is responsible for the expansion of existing highways, construction of new highways, and certain high-cost highway rehabilitation projects. In the 2015-17 biennium, a total of \$641.1 million (\$131.1 million in state funds, \$324.2 million in bonds, and \$185.8 million in federal funds) was provided for the major highway development program.

With certain exceptions, capacity expansion projects are considered major highway projects if they have an estimated cost exceeding \$37.4 million and involve 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 10 miles or more of an existing divided highway to freeway standards. Highway rehabilitation projects are considered major highway projects if they have an estimated cost exceeding \$93.5 million. Exceptions to these standards are provided for southeast Wisconsin freeway megaprojects (exceeding \$625.4 million), high-cost bridge projects (exceeding \$150 million), and interstate bridge projects (with the state's share over \$100 million).

Major highway projects that meet the capacity expansion thresholds must be enumerated in the statutes before the Department of Transportation (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). DOT 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. Major highway projects that meet the definition based on the high-cost threshold, but not the capacity expansion thresholds, must be approved by the TPC prior to construction, but do not need to be enumerated in the statutes.

GOVERNOR

Make the following changes to funding for the major highway development program in order to provide biennial program resources of \$669,865,500: (a) an increase of \$60,892,600 SEG in 2017-18 and a decrease of -\$44,413,300 SEG in 2018-19; (b) increases of \$15,849,400 in SEG-S (transportation revenue bond expenditure authority) in 2017-18 and \$3,865,700 SEG-S in 2018-19; and (c) increases of \$52,940,700 FED in 2017-18 and \$95,957,000 FED in 2018-19. The 2016-17 adjusted base funding plus bonding for this program is equal to \$272,701,400.

Increase transportation revenue bond authority by \$153,281,700 to reflect the proposed use of revenue bonds for major highway development projects. Appropriate these bonds as follows: (a) \$82,632,700 in 2017-18 and \$70,649,000 in 2018-19. Estimate transportation revenues lower by \$1,032,900 in 2017-18 and \$7,513,800 in 2018-19 to reflect the debt service on these bonds in the biennium.

DISCUSSION POINTS

Background

1. There are three main components of the state highway improvement program: (a) the state highway rehabilitation program; (b) the major highway development program; and (c) the southeast Wisconsin freeway megaprojects program. As shown in Attachment 1, the major highway development program has, historically, been second largest of these programs, with a proportionate, share of program funding over the past decade of about one-quarter of the three-program total.

2. Several of the alternatives presented in this paper would rely on the use of bonds for the major highway development program. The Committee could decide to vary the mix of funds used in any of these alternatives and may also elect to provide increases or reductions to the other state highway program components based on these decisions. The funding level for the state highway improvement program under current law and the Governor's recommendation is shown in Attachment 2.

3. 2015 Act 55 required DOT to study methods of improving the transportation fund's solvency and to report its findings to the Joint Committee on Finance by January 1, 2017. This report (the "Solvency Study") was submitted to the Committee in December, 2016, and included analysis related to sources of transportation fund revenue, as well as potential program funding levels, including scenarios related to the major highway development program. The funding levels described in the Solvency Study were associated with the completion of existing major projects, as well as planned, future major highway development projects. Several of the alternatives discussed in this paper refer to the funding levels and program effects outlined in this DOT report. A summary of

the project completion and enumeration/approval schedules for this program under each alternative funding level is shown in Attachment 3.

4. Act 55 also provided an authorization of \$350 million in general obligation bonds for use in the state highway rehabilitation and/or major highway development programs, subject to Joint Committee on Finance approval. The Act also required that the total amount of contingent bonding be reduced by the amount that actual transportation fund revenue in 2015-16 exceeded the amount estimated under that Act. In 2015, the Committee approved the bonds as follows: (a) \$150 million for the state highway rehabilitation program; and (b) \$200 million for the major highway development program. In approving the bonds, the Committee specified that any reduction to the bonds due to the above revenue provision would reduce the \$200 million allocation for major highway projects.

5. Following the approval of the contingent bonds, major highway development funding was initially equal to \$685.9 million in 2015-17. However, because 2015-16 transportation revenue collections were \$44.8 million higher than originally estimated, the major highway development allocation was subsequently reduced by that amount, which resulted in total program funding of \$641.1 million. Under a related provision of the Act, DOT could have requested the use of the additional SEG moneys from the transportation fund balance to replace the bond reduction in the current biennium. The Department did not submit such a request, which resulted in the funds remaining in the transportation fund's balance. The Governor's 2017-19 budget recommendations would instead use these moneys to fund his 2017-19 transportation recommendations, including the recommendation for the major highway development program (\$669.9 million).

6. The 2011-13 and 2013-15 biennial budget acts provided \$743.6 million and \$728.4 million for the major highway development program, respectively. Before the contingent bonding reduction noted above, the 2015-17 budget provided program funding of \$685.9 million resulted in the delayed, estimated completion dates of several major highway development projects (noted in Attachment 3). Then, in October, 2016, the program's funding was reduced by \$44.8 million to \$641.1 million in the biennium.

Funding Level

7. The basis for the funding levels discussed in this paper are the Governor's 2017-19 biennial budget recommendations and two of the program funding alternatives identified by DOT in its 2016 Solvency Study for the major highway development program. The Governor's recommended funding level would fall between two of the Solvency Study scenarios: Solvency Study Scenario #1 -- a lower biennial funding level than the bill; and Solvency Study Scenario #3 -- a higher biennial funding level than the bill. These alternative funding levels are as follows: (a) the Governor's budget recommendations (Alternative A1), which would provide biennial funding of \$669.9 million, or a 4.5% increase compared to 2015-17 program resources; (b) Alternative A2 (Solvency Scenario #1), which would provide total biennial funding of \$445.0 million, or 30.6% less than 2015-17 program resources; (c) Alternative A3 (Solvency Scenario #3), which would provide total biennial funding of \$836.1 million, or a 30.4% increase relative to the 2015-17 funding level. Solvency Scenario #2 (\$685.9 million funding) is similar to the Governor's recommendation and has not been included as an alternative.

TABLE 1

**Comparison of Alternatives with 2015-17 Funding Level
(\$ in Millions)**

	<u>2015-17</u>	<u>2017-19</u>		
		<u>Governor (A1)</u>	<u>Alternative A2</u>	<u>Alternative A3</u>
Funding Level	\$641.1	\$669.9	\$445.0	\$836.1
Difference in Resources		\$28.8	-\$196.1	\$195.0
% Change in Resources		4.5%	-30.6%	30.4%

Note: Initial 2015-17 program funding of \$685.9 million was reduced by \$44.8 million under 2015 Act 55 and subsequent Committee action.

8. Attachment 3 shows the schedule of, and remaining costs associated with, active major highway development projects, as of the Department's latest financial status report for the program (February, 2017). The attachment also includes a schedule of potential project enumerations that could occur under each funding level, and, where provided by DOT, cost estimates associated with a "replace in kind" version of these planned projects. In this context, "replace in kind" is a reconstruction project that would include no new lanes of travel, but that would include alignment or geometric changes that may be necessary for safety. It should be assumed that a "modernization" or added highway capacity alternative, which is the type of project alternative that is typically constructed in this program, would be more costly than these "replace in kind" estimates. Due to departmental concerns over including the estimated costs of "modernization" project alternatives where federal environmental studies are in progress, this type of project estimate is not provided in the attachment.

9. The following table shows the total 2017-19 funding for the program under the Governor's recommendations (\$669.9 million). Relative to the total program resources in the 2015-17 biennium, biennial funding under the bill would increase by 4.5%. However, had the administration and the Department requested the \$44.8 million in available revenues to replace the required reduction in bonding, the Governor's recommended funding level would be a 2.3% reduction to the total program funding level enacted under Act 55. [Alternative A1]

TABLE 2**Major Highway Development Program -- Biennial Funding Comparison
(Governor's Recommendation/Alternative A1, \$669.9 Million)***

<u>Fund Source</u>	<u>2015-17</u>		<u>Biennial Total</u>
	<u>2015-16</u>	<u>2016-17</u>	
SEG	\$62,773,300	\$68,347,100	\$131,120,400
FED	78,263,500	107,477,700	185,741,200
Trans. Revenue Bonds	102,363,200	66,649,000	169,012,200
General Obligation Bonds	<u>125,000,000</u>	<u>30,227,600**</u>	<u>155,227,600</u>
Total	\$368,400,000	\$272,701,400	\$641,101,400

<u>Fund Source</u>	<u>2017-19 (Bill/Alternative A1)</u>		<u>Biennial Total</u>
	<u>2017-18</u>	<u>2018-19</u>	
SEG	\$129,126,800	\$23,820,900	\$152,947,700
FED	160,309,900	203,326,200	363,636,100
Trans. Revenue Bonds	<u>82,632,700</u>	<u>70,649,000</u>	<u>153,281,700</u>
Total	\$372,069,400	\$297,796,100	\$669,865,500

% Change in Total Resources 4.5%

*Amounts shown comprise all highway improvement program items under the bill including federal aid reestimates and standard budget adjustments of -\$177,700 SEG and -\$167,800 FED annually.

**Contingent highway bonding (SEG and GPR) provided under 2015 Act 55. The amount shown for the major highway development program reflects a \$44.8 million reduction in bonding (SEG), as required by provisions of that Act.

10. With certain caveats, as noted below, the Governor's recommendations for the major highway development program would not lead to further slippage on the current schedule of existing major highway development projects in the 2017-19 biennium. Relative to the Department's February, 2017, report to the TPC, the scheduled work on these projects would be funded in the biennium. Potential project enumerations and scheduling effects relative to this funding level are shown in Attachment 3. However, not included in this schedule are the following enumerated projects/project components: (a) the remainder of the STH 23 project in Sheboygan and Fond du Lac counties (estimated at \$113.2 million), which is on hold due to federal litigation; and (b) the USH 12/18 (beltline highway) interchange component of the I-39/90 project south of Madison (estimated at \$550 million). A discussion of issues related to these projects is included in a subsequent section.

11. DOT's Solvency Scenario #1 describes the long-term impacts of a constrained level of transportation funding across the Department's programs. Under this scenario, biennial funding for the major highway development program would be reduced to \$445.0 million in order to achieve the overall lower level of programming. If the Committee determines that the demand for available resources is greater for other state or local highway programs, it could provide this lower level of

funding to free up resources for these other programs. For example, eliminating the \$153.3 million in transportation revenue bonds recommended for this program and reducing the program's SEG appropriation under the bill by a total of \$71.6 million would result in biennial funding of \$445.0 million. [Alternative A2] This reduction in bonding would also reduce estimated revenue bond debt service payments by \$1.0 million in 2017-18 and by \$7.5 million in 2018-19. As a result, this SEG funding, totaling \$80.1 million would be available for use to fund other programs.

12. The following table shows the total 2017-19 funding for the program under this alternative compared to the total program resources in the 2015-17 biennium and the bill.

TABLE 3

**Major Highway Development Program -- Biennial Funding Comparison
(Alternative A2, \$445.0 Million)**

<u>Fund Source</u>	<u>2015-17</u>		<u>Biennial Total</u>
	<u>2015-16</u>	<u>2016-17</u>	
SEG	\$62,773,300	\$68,347,100	\$131,120,400
FED	78,263,500	107,477,700	185,741,200
Trans. Revenue Bonds	102,363,200	66,649,000	169,012,200
General Obligation Bonds	<u>125,000,000</u>	<u>30,227,600</u>	<u>155,227,600</u>
Total	\$368,400,000	\$272,701,400	\$641,101,400

<u>Fund Source</u>	<u>2017-19 (Bill)</u>		<u>Biennial Total</u>
	<u>2017-18</u>	<u>2018-19</u>	
SEG	\$129,126,800	\$23,820,900	\$152,947,700
FED	160,309,900	203,326,200	363,636,100
Trans. Revenue Bonds	<u>82,632,700</u>	<u>70,649,000</u>	<u>153,281,700</u>
Total	\$372,069,400	\$297,796,100	\$669,865,500

% Change in Total Resources		4.5%
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<u>Fund Source</u>	<u>2017-19 (Alternative A2)</u>		<u>Biennial Total</u>
	<u>2017-18</u>	<u>2018-19</u>	
SEG	\$62,190,100	\$19,173,800	\$81,363,900
FED	<u>160,309,900</u>	<u>203,326,200</u>	<u>363,636,100</u>
Total	\$222,500,000	\$222,500,000	\$445,000,000

% Change in Total Resources -- 2015-17	-30.6%
% Change in Total Resources -- Bill	-33.6%

13. However, as shown in Attachment 3, this level of funding would result in the likely delay of four currently-scheduled major highway development projects (the same set of projects that were previously delayed as a result of the level of funding provided for the major highway development program under 2015 Act 55). This reduced funding level would also delay the planned enumeration of two projects that have already completed the federal environmental review process (the I-94 project in St. Croix County and the I-43 project in Milwaukee County), as well as the other

potential major projects that are still under study. Enumeration of the I-94 project in St. Croix County and the I-43 project in Milwaukee County was recommended by the TPC in 2014. In the Solvency Study, DOT also expressed the concern that this funding level would jeopardize a \$40 million federal grant that the state received in 2016 to accelerate the completion of the I-39/90 project.

14. It is likely that further slippage of the four, already delayed (2015-17 budget) major highway development projects' completion timelines would occur under Alternative A2. As a result, there may be concern that the communities in the vicinities of these large-scale highway projects, on which substantial construction activities have now been ongoing for several years, would continue to experience adverse consequences from additional delays. For example, because of factors like temporary roadway alignments, changing signage, and active work areas, highway construction zones are generally less safe than completed highway segments. In addition, construction activities frequently result in increased congestion and delay which may also have adverse effects on business operations. Such consequences are likely of serious concern to the nearby communities and area businesses that would continue to be affected by the further delay of these projects.

15. In 2014, DOT submitted a 2015-17 biennial request for the major highway development program that would have provided \$836.1 million for the program (an average of slightly more than \$418 million per year). This funding amount was a part of a larger state highway improvement funding package that was intended to help meet the long-term transportation infrastructure needs of the state. Subsequently, in December, 2016, under Solvency Scenario #3, DOT included essentially the same level of major highway development program funding (\$836.1 million). This would be \$195.0 million more than 2015-17 funding level (\$150.2 million more than the amount enacted by the Legislature under 2015 Act 55), and \$166.2 million more than the bill.

16. As shown in Attachment 3, this funding level would allow DOT to accelerate the completion of the four, previously delayed major highway development projects, compared to the existing schedule, and would allow for an accelerated enumeration of potential major highway development projects. This alternative assumes the availability of \$166.2 million SEG in the biennium. Revenue increases, additional bonding, reductions to other state or local highway programs, or use of moneys from the transportation's funds balance, or a combination of these actions, would have to be made in order to fund this alternative. Since the bill was introduced, revenues and expenditures to the transportation fund for 2016-17, and the 2017-19 biennium, have been reestimated [see LFB Paper #595]. As a result, the transportation fund's 2017-19 biennium ending balance is currently \$93.4 million higher compared to the bill (\$101.8 million in total). Therefore, if the Committee decides to provide additional SEG funding to the major highway development program, it could do so using some of the fund's balance.

17. The following table shows the total 2017-19 funding for the program under this alternative compared to the total program resources in the 2015-17 biennium and the bill.

TABLE 4**Major Highway Development Program -- Biennial Funding Comparison
(Alternative A3, \$836.1 Million)**

<u>Fund Source</u>	<u>2015-17</u>		<u>Biennial Total</u>
	<u>2015-16</u>	<u>2016-17</u>	
SEG	\$62,773,300	\$68,347,100	\$131,120,400
FED	78,263,500	107,477,700	185,741,200
Trans. Revenue Bonds	102,363,200	66,649,000	169,012,200
General Obligation Bonds	<u>125,000,000</u>	<u>30,227,600</u>	<u>155,227,600</u>
Total	\$368,400,000	\$272,701,400	\$641,101,400

<u>Fund Source</u>	<u>2017-19 (Bill)</u>		<u>Biennial Total</u>
	<u>2017-18</u>	<u>2018-19</u>	
SEG	\$129,126,800	\$23,820,900	\$152,947,700
FED	160,309,900	203,326,200	363,636,100
Trans. Revenue Bonds	<u>82,632,700</u>	<u>70,649,000</u>	<u>153,281,700</u>
Total	\$372,069,400	\$297,796,100	\$669,865,500

<u>Fund Source</u>	<u>2017-19 (Alternative A3)</u>		<u>Biennial Total</u>
	<u>2017-18</u>	<u>2018-19</u>	
SEG	\$175,086,800	\$144,054,200	\$319,141,000
FED	160,309,900	203,326,200	363,636,100
Trans. Revenue Bonds	<u>82,632,700</u>	<u>70,649,000</u>	<u>153,281,700</u>
Total	\$418,029,400	\$418,029,400	\$836,058,800

% Change in Total Resources -- 2015-17	30.4%
% Change in Total Resources -- Bill	24.8%

18. Due in part to concerns over growing transportation debt service, and the overall stability of the state's method of financing transportation programs, the 2011-13 budget created the Transportation Finance and Study Commission to examine these issues and make recommendations. The Commission recommended a series of funding increases for state highway and local transportation assistance programs and several tax and fee increases to generate additional revenues for the transportation fund. Among these recommendations was a funding level equal to \$471.6 million annually for the major highway development program. In the past, the Department has noted the importance of major highway development projects in mitigation of congestion, facilitation of commerce, and improving highway safety. Although Alternative A3 (Solvency Study Scenario #3) would provide funding below the Commission's recommended level, as shown in Attachment 3, it would significantly accelerate current project schedules and enable DOT to enumerate studied projects sooner than would be the case under the Governor's recommendation or under Alternative A2. Lastly, the \$836.1 million biennial funding level would match the level of funding that the Governor recommended for this program during the 2015-17 budget deliberations.

Currently Enumerated Projects and Policy Considerations

19. *STH 23 Project.* The STH 23 project involves the reconstruction of the 19-mile, two-lane roadway between the cities of Fond du Lac and Plymouth to a four-lane, median divided expressway with interchanges, at grade intersections and intersection improvements to provide for new lanes alongside the existing roadway while flattening hills and curves and replacing old pavement. Construction of the STH 23 project has been suspended since May, 2015, due to federal litigation concerning the Department's traffic forecast for the project area. The most recent cost estimates from DOT indicate a total project cost of \$158.1 million, with \$113.2 million in remaining costs in 2017-19 and beyond. DOT has indicated that scheduled work in the 2017-19 biennium, in the absence of litigation, would be equal to \$17.5 million in 2017-18 and \$39.8 million in 2018-19 (\$57.3 million in the biennium). However, the Governor's recommended funding level would not be sufficient to fund any of these project costs given the other scheduled projects' costs.

20. *Beltline Interchange Component of I-39/90 Project.* The 45-mile-long, I-39/90 project includes the rebuilding of 11 interchanges and expansion of the existing highway from four to six lanes, from the beltline interchange (BIC) in Dane County to the Illinois state line in Rock County. The most recent, estimated cost (inflation-adjusted) of the I-39/90 project, excluding the BIC, is \$1,251.6 million. If the \$550 million estimated cost (current year dollars) of completing the BIC reconstruction were included in this total, the estimated cost of the project would total \$1,801.6 million. This includes some federally-required enhancements and funds used to upgrade other state highways as alternate routes during construction that may not have been included in the original project estimate.

21. The BIC was initially included under the project's mainline reconstruction schedule, but DOT and FHWA subsequently determined that additional environmental study of the BIC project area would be required. Related DOT documentation from 2014 concluded that the planned redesign and reconstruction of the BIC would be necessary due to several factors, including the following concerns: (a) the interchange's deteriorating and outdated infrastructure; (b) an increase in future congestion due to traffic volumes by 2040 -- projected to increase from 49,100 to 70,300 vehicles per day south of the interchange (43.2%) and from 76,000 to 122,600 vehicles per day north of the interchange (61.3%); and (c) safety concerns related to the left-hand exit from I-39/90 northbound to USH 12/18 westbound (drivers must slow to exit while in the left lane, a lane that is generally meant to include vehicles travelling at a faster speed than the right lane).

22. At the Department's March, 2017, briefing to the Committee, Secretary Ross indicated one of his primary concerns with the current \$550 million BIC replacement plan is that the existing interchange's pavement has some period of useful life remaining. At this hearing, the Secretary suggested that the Department now envisions a reconstruction of the interchange that would result in more modest improvements. Recent statements from DOT officials indicate that rather than reconstructing the BIC in a manner consistent with the past congestion and safety concerns identified by the Department, the Department is now considering a much lower-cost alternative that may address some of the above traffic flow and safety concerns. This lower-cost alternative would retain the left-hand exit to westbound USH 12/18 (Madison). The Department indicates that to conserve the decking on the current overpass, DOT may also attempt to fit a third lane within the

footprint of the existing interchange overpass of USH 12/18. No cost estimate related to this potential alternative is available at this time. However the Department indicates that it would plan to finish the BIC component, in some configuration, by the end of 2023-24 under the Governor's recommendation.

23. *Policy Considerations.* During the 2017-19 budget deliberations, a central question before the Legislature has been whether or not the current stream of transportation revenue is sufficient to pay for the state's highway improvement program needs. Generally, discussions of this question have included the possibility of raising additional transportation fund revenue or fitting the program within existing revenues by downsizing program need, through project scope reductions, delays, and/or cancellations. The focus of the Governor's transportation recommendations is the preservation and maintenance of existing state and local transportation infrastructure. These recommendations stem from the position that the state should not increase taxes paid by motorists at this time. Instead, the Governor indicates that the state should prioritize the maintenance and rehabilitation of its highways rather than expanding the existing system. In response to these priorities, at the DOT Secretary's directive, the Department has recently begun the process of redefining the state highway improvement program's need. ["In an effort to be good stewards of taxpayer dollars, I have directed WisDOT staff to reevaluate and reprioritize all state highway projects."]

24. In addressing the potentially conflicting concerns of program need and available funding, some balance could be needed. Some project scope reductions may be prudent and could produce state highway improvement program cost savings. However, scope reductions to existing projects and/or under-scoping of major highway development projects, which are intended to meet the long-term transportation needs of the state, in order to fit the program within currently available revenue, could also have safety and long-term congestion implications for the state.

25. The decision to reconsider the scope of the BIC reconstruction is likely part of DOT's recent redefinition or reprioritization of program needs. Given the transportation finance issues facing the state, the state's substantial investment in this project to-date, and the significant additional cost of completing the BIC, some may believe that the Department's consideration of this and other scaled-back project alternatives is appropriate. However, others may be concerned that the future congestion and existing safety concerns identified earlier in DOT documents would not be fully addressed and the final interchange would not match the improvements and investment made in the rest of the project if, upon completion, the BIC's existing configuration remains largely the same.

26. Similarly, in February, 2017, the Department announced the cancelation of two studies related to the expansion of I-39/90/94 (or potential reliever routes), between Madison and Portage, and between Portage and Wisconsin Dells. DOT planning documentation indicates that the needed improvements to the corridor were due to congestion and safety concerns, as well as the economic importance of improving traffic flow in the region. DOT officials, in public testimony, recently indicated that a new plan for this corridor could limit the project to only the rehabilitation of the existing system and the replacement of two bridges over the Wisconsin River. DOT has canceled or suspended other project studies in the past. However, concerns exist that these studies' cancelation

could be driven by short-term funding constraints that could result in higher costs at a later date, rather than a long-term approach to making broader improvements to this interstate corridor. Conversely, project or study cancellations, and other similar actions, such as scope reductions, may be appropriate responses to fitting the program within the transportation fund's constrained resources.

27. As noted earlier in this paper, because the transportation fund balance is \$93.4 million higher than estimated at the time that the Governor introduced his budget recommendations, some additional revenue in the fund's balance could be used for major highway development programming purposes. In order to fund some additional work on the STH 23 project (if the project is able to move forward), the BIC, begin preliminary work on the potential project enumerations (see below), or accelerate another major project's schedule, the Committee could provide an additional \$70.0 million from the transportation fund's balance for the major highway development program. This funding could also provide additional resources that could be considered by the Department in making any decisions on rescoping a specific major project or redefining program need. This would provide a funding level of \$739.9 million, or a level similar to the 2011-13 (\$743.6 million) and 2013-15 (\$728.4 million) program budgets [Alternative A4].

Enumeration of Projects

28. The Department is currently conducting studies on a number of potential major highway development projects. Once the study of a potential project has been completed, the Department may recommend that the project be reviewed by the TPC. After reviewing the project, the TPC may recommend the project for enumeration if it determines that the project, plus all currently-enumerated projects, can be started within six years of the date of enumeration under the existing budget provided for the program. [The TPC can recommend a project that does not meet the six-year requirement if it also recommends a financing plan necessary to start the project within that time.] Statutory enumeration requires the enactment of legislation, which, in the past, has been done as part of the biennial budget process.

29. In December, 2014, the TPC recommended two additional major highway projects for enumeration: (a) the I-43 project between Silver Spring Drive and STH 60 in Milwaukee and Ozaukee counties, which has an estimated cost of \$501 million [Alternative B1a]; and (b) the I-94 project between USH 12 and 130th Street in St. Croix County, which has an estimated cost of \$144 million. [Alternative B1b] Descriptions of these projects are provided in Attachment 4.

30. Irrespective of the six-year threshold described above, if the Committee decides to enumerate one or both of these projects, under either the Alternative A1 (the Governor's recommended funding level of \$669.9 million) or Alternative A2 (\$445.0 million), based on the expected schedule of expenditures for existing projects, funding would not be available in 2017-19 to begin either project. Conversely, under Alternative A3 (\$836.1 million) and Alternative A4 (\$739.9 million), if one or both projects were to be enumerated, the Department could begin work on both projects in the 2017-19 biennium.

ALTERNATIVES

A. Funding Level

1. Approve the Governor's recommendations and make the following changes to funding for the major highway development program in order to provide biennial program resources of \$669,865,500: (a) an increase of \$60,892,600 SEG in 2017-18 and a decrease of -\$44,413,300 SEG in 2018-19; (b) increases of \$15,849,400 in SEG-S (transportation revenue bond expenditure authority) in 2017-18 and \$3,865,700 SEG-S in 2018-19; and (c) increases of \$52,940,700 FED in 2017-18 and \$95,957,000 FED in 2018-19. The recommendations would provide \$372,069,400 in 2017-18 and \$297,796,100 in 2018-19 (\$669.9 million in the biennium, or a 4.5% increase compared to the 2015-17 funding level).

Increase transportation revenue bond authority by \$153,281,700 to reflect the proposed use of revenue bonds for major highway development projects. Decrease transportation fund revenues by \$1,032,900 in 2017-18 and \$7,513,800 in 2018-19 to reflect the debt service on these bonds in the biennium

ALT A1	Change to	
	Base	Bill
SEG-REV	- \$8,546,700	\$0
SEG-S	19,715,100	0
SEG	\$16,479,300	\$0
FED	148,897,700	0
BR	<u>153,281,700</u>	<u>0</u>
Total	\$318,658,700	\$0

2. Modify the Governor's recommendations and make the following changes to the bill: (a) reduce the major highway development program SEG appropriation by \$66,936,700 in 2017-18 and \$4,647,100 in 2018-19; and (b) eliminate the \$153,281,700 authorization of transportation revenue bonds for major highway development purposes (and make corresponding revenue bond expenditure authority reductions of \$82,632,700 SEG-S in 2017-18 and \$70,649,000 SEG-S in 2018-19). This would provide program funding of \$222,500,000 annually (\$445.0 million in the biennium, or a 30.6% % reduction compared to the 2015-17 funding level). This would provide the funding level described under Solvency Scenario #1.

Increase estimated transportation fund revenue by \$1,032,900 in 2017-18 and by \$7,513,800 in 2018-19 to reflect the estimated debt service reduction associated with the lower level of bonding.

ALT A2	Change to	
	Base	Bill
SEG-REV	\$0	\$8,546,700
SEG-S	- 133,566,600	- 153,281,700
SEG	- 55,104,500	- 71,583,800
FED	148,897,700	0
BR	0	- 153,281,700
Total	\$93,793,200	- \$224,865,500

3. Approve the Governor's recommendations and provide an additional \$45,960,000 SEG in 2017-18 and \$120,233,300 SEG in 2018-19 to the major highway development program. This would provide program funding of \$418,029,400 annually (\$836.1 million in the biennium, or a 30.4% increase compared to the 2015-17 funding level). This would provide the funding level described under Solvency Scenario #3. [Although shown as SEG-funded, this alternative could also be funded with transportation fund-supported, general obligation bonds or a mix of SEG and bonding.]

ALT A3	Change to	
	Base	Bill
SEG-S	\$19,715,100	\$0
SEG	\$182,672,600	\$166,193,300
FED	148,897,700	0
BR	153,281,700	0
Total	\$484,852,000	\$166,193,300

4. Approve the Governor's recommendations and provide an additional \$35,000,000 SEG annually to the major highway development program. This would provide \$407,069,400 in 2017-18 and \$332,796,100 in 2018-19 (\$739.9 million in the biennium, or an increase of 10.9% compared to the 2015-17 funding level). This would restore a funding level similar to the 2011-13 and 2013-15 budgets for the program.

ALT A4	Change to	
	Base	Bill
SEG-S	\$19,715,100	\$0
SEG	\$86,479,300	\$70,000,000
FED	148,897,700	0
BR	153,281,700	0
Total	\$388,658,700	\$70,000,000

5. Delete provisions. This would provide base level funding for the program of \$178,824,800 annually (\$351.6 million in the biennium, or a 45.1% reduction compared to the 2015-17 funding level). Increase estimated transportation fund revenue by \$1,032,900 in 2017-18 and by \$7,513,800 in 2018-19 to reflect the estimated debt service reduction associated with the

transportation revenue bonding being deleted.

ALT A4	Change to	
	Base	Bill
SEG-REV	\$0	\$8,546,700
SEG-S	\$0	- 19,715,100
SEG	\$0	- \$16,479,300
FED	0	- 148,897,700
BR	<u>0</u>	<u>- 153,281,700</u>
Total	\$0	- \$318,658,700

B. Enumeration of Projects

1. Enumerate one or both of the following projects as major highway development projects:

a. the I-43 project between Silver Spring Drive and STH 60 in Milwaukee and Ozaukee counties, which has an estimated cost of \$501 million.

b. the I-94 project between USH 12 and 130th Street in St. Croix County, which has an estimated cost of \$144 million.

Prepared by: John Wilson-Tepeli
Attachments

ATTACHMENT 1

Historical Information on Three Main Components of State Highway Improvement Program (\$ in Millions)

<u>Biennium</u>	<u>State Highway Rehabilitation</u>	<u>Major Highway Development</u>	<u>Southeast Wisconsin Freeways*</u>	<u>Total</u>
2005-07	\$1,202.8	\$565.6	\$473.3	\$2,241.7
2007-09	1,560.8	695.9	494.2	2,750.9
2009-11	1,545.8	713.6	643.0	2,902.4
2011-13	1,607.6	743.6	420.0	2,771.2
2013-15	1,640.4	728.4	517.0	2,885.8
2015-17	1,698.0	641.1	414.6	2,753.7
2017-19**	1,701.6	669.9	121.9	\$2,493.4

<u>Biennium</u>	<u>State Highway Rehabilitation</u>	<u>Major Highway Development</u>	<u>Southeast Wisconsin Freeways*</u>	<u>Total</u>
2005-07	53.7%	25.2%	21.1%	100.0%
2007-09	56.7	25.3	18.0	100.0
2009-11	53.3	24.6	22.2	100.0
2011-13	58.0	26.8	15.2	100.0
2013-15	56.8	25.2	17.9	100.0
2015-17	61.7	23.3	15.1	100.0
2017-19**	68.2%	26.9%	4.9%	100.0%

*Shows funding provided for projects through the southeast Wisconsin freeway rehabilitation (2005-07 thru 2009-11) or megaprojects programs (2011-13 thru 2015-17). Beginning in 2011-13, southeast Wisconsin freeway projects that are not megaprojects are funded under either the major highway development or state highway rehabilitation programs.

**Reflects the Governor's 2017-19 budget recommendation

Note: Some totals do not add due to rounding.

ATTACHMENT 2

Highway Improvement Program Under Governor's 2017-19 Budget Recommendations*

	<u>2015-17</u>	<u>Governor 2017-19</u>	<u>Biennial Change in Resources</u>	<u>% Change in Biennial Resources</u>
State Highway Rehabilitation				
SEG	\$627,294,500	\$557,866,400	-\$69,428,100	
FED	920,730,900	835,027,700	-85,703,200	
General Obligation Bonds**	<u>150,000,000</u>	<u>308,738,300</u>	<u>158,738,300</u>	
Subtotal	\$1,698,025,400	\$1,701,632,400	\$3,607,000	0.2%
Major Highway Development				
SEG	\$131,120,400	\$152,947,700	\$21,827,300	
FED	185,741,200	363,636,100	177,894,900	
Trans. Revenue Bonds	169,012,200	153,281,700	-15,730,500	
General Obligation Bonds**	<u>155,227,600</u>	<u>0</u>	<u>-155,227,600</u>	
Subtotal	\$641,101,400	\$669,865,500	\$28,764,100	4.5%
SE Wis. Freeway Megaprojects				
SEG	\$36,546,900	\$27,210,100	-\$9,336,800	
FED	78,053,100	94,733,100	16,680,000	
General Obligation Bonds (SEG)	<u>300,000,000</u>	<u>0</u>	<u>-300,000,000</u>	
Subtotal	\$414,600,000	\$121,943,200	-\$292,656,800	-70.6%
High-Cost Bridge				
General Obligation Bonds (SEG)	\$16,800,000	\$0	-\$16,800,000	-100.0%
Major Interstate Bridge Construction				
SEG	\$0	\$8,000,000	\$8,000,000	
General Obligation Bonds (SEG)	<u>20,000,000</u>	<u>0</u>	<u>-20,000,000</u>	
Subtotal	\$20,000,000	\$8,000,000	-\$12,000,000	-60.0%
Total -- State Highway Improvement Program	\$2,790,526,800	\$2,501,441,100	-\$289,085,700	-10.4%

*Amounts shown comprise all highway improvement program items under the bill including federal aid reestimates and standard budget adjustments.

**Contingent highway bonding (SEG and GPR) provided under 2015 Act 55. The amount shown for the major highway development program reflects a \$44.8 million reduction in bonding (SEG), as required by provisions of that Act.

ATTACHMENT 3

Major Highway Development Alternative Funding Levels and Project Cost Estimates (\$ in Millions)

Enumerated, Scheduled Construction Activity	Scheduled Completion	Governor Alt. A1	Alt. A2	Alt. A3	Remaining Costs 2017-19 and Beyond	Total Cost
		\$669.9	\$445.0 (Solveny #1)	\$836.1 (Solveny #3)		
<u>Effect of Funding Level on Current Project Schedule</u>						
USH 10: USH 10 / STH 441*	2020	No Delay	2-Year Delay	1-Year Early	\$148.4	\$490.3
USH 12: Lake Delton - Sauk City	2018	No Delay	No Delay	No Change	7.2	209.0
STH 15: New London*	2021	No Delay	1-Year Delay	1-Year Early	122.9	155.3
USH 18/STH 151: Verona Road*	2019	No Delay	1-Year Delay	1-Year Early	89.6	287.4
STH 23 STH 67 - USH 41	2020	See Note	See Note	See Note	113.2	158.1
I-39/90: USH 12 - Illinois Border*	2021	No Delay	3-Year Delay	1-Year Early	754.6	1,251.6
STH 50: IH 94 - 43rd Ave	2023	No Delay	No Delay	1-Year Early	109.2	110.0
USH 53: La Crosse Corridor	2023	No Delay	No Delay	No Change	86.2	154.9
Total					<u>\$1,431.3</u>	<u>\$2,816.6</u>
Enumerated, No Scheduled Construction Activity						
Beltline Interchange Component -- I-39/90	Not Scheduled	2023-24	2026-27	2022-23	\$550.0	\$555.0
Potential Projects						
<u>Year of Potential Enumeration</u>						
<i>Environmental Study Complete, Potential Enumerations</i>					Estimated	
I-43: Silver Spring Drive and STH 60 (Milwaukee and Ozaukee Counties)	Not Scheduled	2019-20	2023-24	2017-18	<u>Cost</u> \$501	
1-94: USH 12 and 130th Street (St. Croix County)	Not Scheduled	2019-20	2023-24	2017-18	144	
<i>Environmental Study Ongoing¹</i>						
USH 51: Stoughton to McFarland (Dane County)	Not Scheduled	2021-22	2025-26	2019-20	\$99	
USH 51: USH 12 - STH 19 (Dane County)	Not Scheduled	2021-22	2025-26	2019-20	104	
USH 12 USH 14 - CTH N (Beltline Study) (Dane County)	Not Scheduled	2023-24	2029-30	2021-22	490	
<i>Canceled Studies, February 2017¹</i>						
I-39/90/94: Madison to Portage (Dane and Columbia Counties)	Not Scheduled		Study Canceled by DOT		650	
I-39/90/94: Portage and to Wis. Dells (Columbia and Sauk Counties)	Not Scheduled				420	
Next Environmental Impact Studies		2040	2055	2034		

¹ Costs are estimated "in kind" replacement costs, which are lower than the cost of expansion projects.

Note: Projects marked with "*" were previously delayed under the adjusted, 2015 Act 55 funding level (\$641.1 million). Alternative A1 assumes ongoing base year plus bonding funding of \$297.8 million per year, whereas the other alternatives would have ongoing, biennial funding levels as shown. Delays for Alternative A2 relate to the August, 2016, TPC report. The other delay estimates relate to the, February, 2017, report. The effect of Alternative A2 on the February, 2017, project schedule would likely be comparable. Estimates for projects under study are listed in current year dollars. Where an alternative has been selected or a project is under construction, costs are provided in inflation-adjusted dollars. Due to federal litigation, the completion date of the STH 23 project is unknown. Completion of the I-39/90 project depends on the alternative selected for the BIC and the cost of that alternative (which may be less than the current estimate of \$550 million, depending on the alternative selected by DOT).

ATTACHMENT 4

Descriptions of Potential Project Enumerations

1. ***I-43 Project Between Silver Spring Drive and STH 60 in Milwaukee and Ozaukee Counties.*** This 14-mile segment of I-43 between Silver Spring Drive and STH 60 is part of a state and federally-designated long truck route to Green Bay, Milwaukee, and other areas of the state. Proposed improvements include reconstructing the corridor with three travel lanes in each direction, replacing the partial interchange at County Line Road with a full-access interchange, and constructing a new interchange at Highland Road. The remaining interchanges and most of the bridges within the corridor would be rebuilt. The estimated cost is \$501 million (in current year dollars). At its meeting in December, 2014, the TPC recommended the enumeration of this project.

2. ***I-94 Project Between USH 12 and 130th Street in St. Croix County.*** This 7.5-mile segment of I-94 between US 12 and STH 65 is a federally-designated truck route between the Twin Cities and St. Croix County. Proposed improvements include reconstruction of the existing freeway and addition of a third lane in each direction to create a six-lane divided highway between US 12 and STH 65. The estimated cost is \$144 million (in current year dollars). At its meeting in December, 2014, the TPC recommended the enumeration of this project.