



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #733

### **Major Interstate and High-Cost State Bridge Programs (Transportation -- State Highway Program)**

[LFB 2019-21 Budget Summary: Page 427, #5 and #6]

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#### **CURRENT LAW**

A provision of the 2009-11 budget created the major interstate bridge program, for projects involving the construction or reconstruction of a bridge crossing a river that forms the boundary of the state, for which the state's share of costs is estimated to exceed \$100 million. The St. Croix Crossing project, which was enumerated under this program, replaced the 80-year old Stillwater lift bridge connecting Stillwater, Minnesota, with Houlton, Wisconsin. To-date, the St. Croix Crossing project is the only project that has met the program criteria and been enumerated. The project is managed by the Minnesota Department of Transportation, with costs shared between the two states. Each state is responsible for the cost of its own approaches to the bridge, while the costs associated with the bridge structure are shared equally. The main work on the new, four-lane bridge is scheduled for completion in 2016, with all work to be completed in late 2017.

The 2011-13 biennial budget created an additional, separate program for high-cost bridges, defined as a bridge with an estimated cost exceeding \$150.0 million that is not a major interstate bridge or part of a southeast Wisconsin freeway megaproject. Construction work on a bridge (including approaches) that qualifies as a high-cost bridge may not be funded from other highway improvement programs. To-date, the Hoan Bridge project in Milwaukee County, completed in 2015, is the only project that has been enumerated in this program.

#### **GOVERNOR**

*Major Interstate Bridge Bonds.* Authorize \$27,000,000 of transportation fund-supported, general obligation bonds for the major interstate bridge program (the St. Croix Crossing project) to be used to pay for remaining project costs.

Estimate transportation fund-supported debt service associated with the partial issuance of these general obligation bonds at \$21,300 SEG in 2020-21. Once fully issued, estimated transportation fund-supported debt service on these bonds would equal \$2.2 million annually.

*High-Cost State Bridge Program.* Reduce the authorization of transportation fund-supported, general obligation bonds for the high-cost state bridge program (the Hoan Bridge) by \$10,000,000. The Hoan Bridge project was completed in 2015. Because the project is complete, the bonds will not be issued, and there is no corresponding debt service reduction associated with this bonding authorization reduction.

*Statutory Modification.* Modify the current law provision that limits the funding of preliminary design work for a major interstate bridge project to only the program's appropriations and bond authorization and allow the Department's state highway rehabilitation program appropriations to fund these preliminary design costs

## **DISCUSSION POINTS**

### **Major Interstate and High Cost Bridge Programs -- Bonds**

1. Although the St. Croix Crossing project was open to traffic in August, 2017, the \$27.0 million in transportation fund-supported, general obligation bonds would be used, primarily, to pay additional negotiated costs (\$26.0 million) incurred during project construction. The Department has also indicated that the remaining \$1.0 million would be used to fund: (a) \$0.9 million in costs associated with repairs to the old Stillwater Bridge, which is a lift bridge that crosses the St. Croix River as well; and (b) \$0.1 million in remaining costs associated with the loop trail project component [Alternative A1]

2. The Governor's recommendations also include a \$10.0 million reduction to the high-cost state bridge (Hoan Bridge) program's bonding authorization in the bill. This authorization amount was unneeded, as the Hoan Bridge project has been complete for several years. As such, there would be no debt service reduction associated with this related provision. Instead, the administration indicates that this reduction was included to reduce the net bond authorization needed to fund the remaining St. Croix Crossing project costs to \$17.0 million. [Alternative B1 and Alternative B2]

3. If the \$27.0 million in bonds, or an equivalent mix of funds, are not provided to fund the remainder of the St. Croix Crossing project, the state would not be able to fulfill its remaining obligation to the State of Minnesota (and the project contractor). The other remaining elements of the Stillwater Bridge repair would not be funded. [Alternative A2]

### **Major Interstate Bridge Program -- Statutory Modification**

4. The bill would modify the current law provision that limits the funding of preliminary design work appropriations for a major interstate bridge project to only the major interstate bridge program's (SEG and FED) appropriations and its bond authorization. The Governor's recommendation would allow the Department's state highway rehabilitation program appropriations

to fund these preliminary design costs. [Alternative C1]

5. As referenced earlier, major interstate bridge projects are defined as involving the construction or reconstruction of a bridge crossing a river that forms the boundary of the state, for which the state's share of costs is estimated to exceed \$100 million. Because estimated project costs are uncertain at the time of preliminary design, DOT indicates that it is difficult to comply with the statutory requirement that all major interstate bridge project costs, including preliminary design costs, be funded from this program's appropriations. In this regard, the Department states, "[t]he purpose of preliminary design is to refine the project scope, leading to the development of alternatives, and ultimately to the "selected alternative" which is the basis of project design. The issue with this provision is that until the selected alternative is chosen, the scope of the project cannot be fully known." Without knowledge of the scope, the Department cannot determine with certainty whether the project meets the \$100,000,000 threshold for inclusion in the major interstate bridge program. Therefore, it is difficult to fund preliminary design work on a potential major interstate bridge project unless there is funding in that program's appropriations.

6. Long-term bonds have been used to fund the major interstate bridge program to a significant extent in the past, which is consistent with the expected design life of the St. Croix Crossing project. However, there is some possibility that bonds would not always be a good fit to fund preliminary design as some projects could go through this process and then not proceed to construction. Bond proceeds must generally be expended for costs related to a physical asset. Therefore, use of bonds on the design of a project could be problematic from a budgeting standpoint. Adopting the Governor's recommended statutory change, which would allow DOT to fund these preliminary costs through the state highway rehabilitation program would alleviate this concern.

7. DOT indicates that the next major interstate bridge project is likely to be the John A. Blatnik Bridge, which carries I-535 and USH 53 over Saint Louis Bay, a tributary of Lake Superior, between Duluth, Minnesota and Superior, Wisconsin. DOT has not yet completed a cost study on this project. If no action is taken, under current law, it is unclear whether the Department would not be able to fund preliminary design work on this, or other future, major interstate bridge projects. [Alternative C2]

## **ALTERNATIVES**

### **A. Major Interstate Bridge Bond Authorization**

1. Authorize \$27,000,000 of transportation fund-supported, general obligation bonds for the major interstate bridge program (the St. Croix Crossing project) to be used to pay for remaining project costs. Estimate transportation fund-supported debt service associated with the partial issuance of these general obligation bonds at \$21,300 SEG in 2020-21. Once fully issued, estimated transportation fund-supported debt service on these bonds would equal \$2.2 million annually.

ALT A1	Change to	
	Base	Bill
BR	\$27,000,000	\$0
SEG	<u>21,300</u>	<u>0</u>
Total	\$27,021,300	\$0

2. Take no action.

ALT A2	Change to	
	Base	Bill
BR	\$0	- \$27,000,000
SEG	<u>0</u>	<u>- 21,300</u>
Total	\$0	- \$27,021,300

**B. High-Cost State Bridge Bond Authorization Reduction**

1. Reduce the authorization of transportation fund-supported, general obligation bonds for the high-cost state bridge program (the Hoan Bridge) by \$10,000,000. The Hoan Bridge project was completed in 2015. Because the project is complete, the bonds will not be issued, and there is no corresponding debt service reduction associated with this bonding authorization reduction.

ALT B1	Change to	
	Base	Bill
BR	-\$10,000,000	\$0

2. Take no action

ALT B2	Change to	
	Base	Bill
BR	\$0	\$10,000,000

**C. Major Interstate Bridge Program Statutory Modification**

1. Approve the Governor's recommendation and modify the current law provision that limits the funding of preliminary design work for a major interstate bridge project to only the program's appropriations and bond authorization and allow the Department's state highway rehabilitation program appropriations to fund these preliminary design costs

2. Take no action.

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