Transportation

Local Transportation Assistance

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May, 2019 Joint Committee on Finance Paper #720

Local Roads Improvement Program
(Transportation -- Local Transportation Assistance)

[LFB 2019-21 Budget Summary: Page 415, #1]

CURRENT LAW

The local roads improvement program (LRIP) provides formula-based and discretionary grants of state funds on a biennial basis for capital improvements on existing county, town, and municipal (city or village) roads, and for feasibility studies for such improvements. For the purposes of the program, a capital improvement is defined as a project with a projected design life of at least 10 years. Grants may cover up to 50% of the total project cost, with the balance being provided, generally, by the local recipient. All costs of improvements are initially the responsibility of the local government. Upon completion of a project, a local government can apply to the Department of Transportation (DOT) for reimbursement of up to 50% of the project costs.

GOVERNOR

Provide the following increases to the local roads improvement program: (a) $323,900 SEG in 2019-20 and $654,300 SEG in 2020-21 for the formula allocation component of the program; (b) $303,300 SEG in 2019-20 and $633,700 SEG in 2020-21 for the discretionary grants component of the program.

For the discretionary portion of the program, specify that the SEG funding be allocated as follows: (a) $176,000 in 2019-20 and $295,000 in 2020-21 for counties; (b) $17,300 in 2019-20 and $99,900 in 2020-21 for municipalities (cities and villages); and (c) $110,000 in 2019-20 and $238,800 in 2020-21 for towns. [By statute, the formula allocation is determined on a percentage basis as shown in the table below.]

Set the annual statutory distributions of discretionary LRIP funding at the following amounts: (a) $5,569,400 in 2019-20, and $5,688,400 in 2020-21 for counties; (b) $3,867,700 in

2019-20 and $3,950,300 in 2020-21 for municipalities; and (c) $6,033,600 in 2019-20, and $6,162,400 in 2020-21 for towns.

DISCUSSION POINTS

Background

1. LRIP is one of several DOT local assistance programs intended to function as a mechanism to assist local governments with funding for substantial capital improvements on their transportation systems. In the case of LRIP, eligible projects must be designed to last at least 10 years. The program is divided into a formula-based component and a discretionary grant component, each with its own appropriation. Both of these components are further divided into county, town, and municipal (cities and villages) subcomponents.

2. In general, the formulas for awarding these funds are based on proportionate share of population and road mileage. Of the funds appropriated for the formula-based component, the statutes specify that 43% are to be allocated to county projects, while towns and municipalities are each allocated 28.5%. The LRIP formula component generally provides funding for a large number of smaller projects across the state.

3. The discretionary component is designed to fund a smaller number of higher-cost projects. Of the funds appropriated for the discretionary grant component, the Department is required to fund a statutorily-specified amount each year. As with project selection for towns and small municipalities under the LRIP formula component, committees of local government representatives are established to choose projects for the discretionary programs. In the case of the town and municipal discretionary programs, the respective committees choose projects from applications received on a statewide basis. The DOT Secretary makes appointments to these committees from representatives of the local government associations. For the county discretionary program, the funding allocated for discretionary projects is distributed in blocks to eight different regions in proportion to the total funding the counties in each region receive in the formula-based component of the program.

4. Historical funding allocations for these program components are shown in the following table. As shown in Table 1, the largest changes in LRIP funding over the period shown in the table have been in the discretionary component of the program (in 2011-13 and 2017-19).

TABLE 1

LRIP Funding Allocations Since 2009-11
($ in Millions)

	Formula		Discretionary		Total	
Biennium	Amount	% Change	Amount	% Change	Amount	% Change
2009-11	$32.4		$13.7		$46.1	
2011-13	32.0	-1.2%	23.7	73.0%	55.7	20.8%
2013-15	32.0	0.0	23.3	-1.7	55.3	-0.7
2015-17	32.0	0.0	23.7	1.7	55.7	0.7
2017-19	35.4	10.6	30.3	27.8	65.7	18.0
2019-21 (Governor)	$36.3	2.8%	$31.3	3.1%	$67.6	2.9%

Funding Level

5. Table 2 compares the biennial funding for LRIP for 2017-19 and under the recommended 2019-21 funding level for these program components. In total, the Governor's LRIP recommendations for the 2019-21 biennium would provide a 2.9% increase to the overall program funding.

TABLE 2

Current Law and Governor's Recommended Biennial LRIP Funding

	2017-19	2019-21	Difference	% Change
Formula-Based Allocation*				
Counties (43%)	$15,191,728	$15,612,328	$420,600	2.8%
Municipalities (28.5%)	10,068,936	10,347,736	278,800	2.8
Towns (28.5%)	10,068,936	10,347,736	278,800	2.8
Total Formula Funds	$35,329,600	$36,307,800	$978,200	2.8%
Discretionary Allocation				
Counties	$10,786,800	$11,257,800	$471,000	4.4%
Municipalities	7,700,800	7,818,000	117,200	1.5
Towns	11,847,200	12,196,000	348,800	2.9
Total Discretionary Funds	$30,334,800	$31,271,800	$937,000	3.1%
Biennial Program Total	$65,664,400	$67,579,600	$1,915,200	2.9%

*Does not include $401,600 from the formula-based allocation supports 3.0 positions in DNR for the environmental review of local road projects under current law and under the bill.

6. Although all local government types would receive an increase under the Governor's recommendation, these increases would have somewhat disparate effects relative to the proportionate share of LRIP funding that each local government would receive. The following table shows each

government types' relative share of LRIP funding over time and under the bill. Counties, while declining in share during the period shown in the table, have consistently received the largest share of total LRIP funding, with towns receiving the second largest share, and municipalities consistently receiving the smallest share of program funding.

TABLE 3

Proportionate Share of LRIP Funding by Government Type

Government Type	2009-11	2011-13	2013-15	2015-17	2017-19	2019-21*
Counties	52.5%	43.1%	42.7%	43.1%	39.6%	39.7%
Municipalities	24.3	19.9	20.0	19.9	27.1	26.9
Towns	23.2	37.0	37.2	37.0	33.4	33.4

*Governor's recommendation.

7. Wisconsin has 72 counties, 601 municipalities (cities and villages) and 1,251 towns. Population, road mileage, and transportation-related cost information for each of these local governmental units is shown below.

TABLE 4

Local Government Population and Transportation-Related Metrics

	Estimated Population (in Millions)	% of Total	Centerline Miles	% of Total	Average Costs (In Millions)	% of Total
Counties	N.A.	N.A.	19,900	19.5%	$581.8	26.7%
Municipalities	4.17	72.0%	20,500	20.1	1,230.3	56.5
Towns	1.62	28.0	61,600	60.4	364.3	16.7
Total	5.79	100.0%	102,000	100.0%	$2,176.4	100.0%

8. On the basis of share of total population (72.0%) and total, transportation related costs (56.5%), some may contend that municipalities should receive a larger percentage of LRIP funding than they would receive under the Governor's budget recommendations (26.9%). On a share of total centerline miles basis, others may argue that towns (60.4%), with their comparably smaller tax base, should continue to receive a relatively high percentage of overall LRIP funding. Alternatively, supporters of providing additional funding for counties may point to the fact that counties have experienced an overall decline in their share of overall LRIP funding since 2009-11 (see Table 3). Unless additional funding is provided, any change to the funding allocation under the Governor would require a decrease in the Governor's recommended funding for one local government type in order to increase the recommended funding to another local government type.

9. However, despite the concern related to the historical distribution of LRIP funding, where municipalities have consistently received the smallest share of total program funding over the past five biennia, this funding discrepancy was somewhat lessened under the funding increases provided to each government type in the 2017-19 biennium. While each local government type received a 10.4% increase in the formula component of LRIP funding in the 2017-19 biennium, municipalities received $5.7 million of the $6.7 million increase provided to the discretionary component of the program. The Governor's recommendation would continue the existing distribution for overall LRIP funding, by providing counties with largest percentage increase in total funding (3.4%), followed by towns (2.9%), and then municipalities (2.2%). [Alternative 1]

10. As mentioned earlier, the LRIP program specifically assists in funding local capital improvement projects with a design life of at least 10 years. The projects improve the condition of the local roads and bridges on which the funds are spent. These projects typically include the construction or reconstruction of local transportation facilities, and can include pavement replacement or reconditioning. Conversely, DOT also administers a much larger general transportation aid (GTA), program, which can be used to assist in funding local capital improvement projects, but is also used to fund more general transportation-related costs, such as maintenance (including snow and ice removal, brush trimming, mowing and weed control, and grading), traffic operations, and portions of local police costs. While the LRIP program is a reimbursement program, whereby local governments are reimbursed 50% of their capital improvement projects costs, the GTA program functions like the state's shared revenue program in that it assists local governments with more general and ongoing transportation-related costs in a budget year.

11. The Governor's recommendations would provide a 10% increase in GTA funding in 2020 for counties and municipalities, for a total funding increase of $66.2 million in the biennium. If the Committee believes some additional funding beyond the Governor's recommendation should be provided for local road capital improvements rather than to assist local governments with their more general transportation-related costs, the Committee could reduce the Governor's recommended GTA increase under the bill and provide more funding to the LRIP program than is recommended by the Governor.

12. Alternatively, if sufficient SEG funds are available to support a more substantial LRIP program funding increase than the Governor is recommending, the Committee could provide additional SEG funding from the transportation fund. Providing $1,642,000 annually would provide a 5% increase in LRIP funding [Alternative 2], while providing $3,284,000 annually would provide a 10% increase in LRIP funding. [Alternative 3]

TABLE 5

Additional LRIP Funding in Biennium Under Alternatives 2 and 3

	Alternative 2 (5% Increase)		Alternative 3 (10% Increase)	
	Change to Base	Change to Bill	Change to Base	Change to Bill
Formula-Based Allocation*				
Counties (43%)	$758,600	$338,000	$1,517,200	$1,096,600
Municipalities (28.5%)	502,800	224,000	1,005,600	726,800
Towns (28.5%)	502,800	224,000	1,005,600	726,800
Total Formula Funds	$1,764,200	$786,000	$3,528,400	$2,550,200
Discretionary Allocation				
Counties	$540,400	$69,400	$1,080,800	$609,800
Municipalities	385,800	268,600	771,600	654,400
Towns	593,600	244,800	1,187,200	838,400
Total Discretionary Funds	$1,519,800	$582,800	$3,039,600	$2,102,600
Biennial Program Total	$3,284,000	$1,368,800	$6,568,000	$4,652,800

*Does not include $401,600 from the formula-based allocation supports 3.0 positions in DNR for the environmental review of local road projects under current law and under the bill.

13. The Governor's recommendations would provide significant new revenue for the financing of state and local transportation infrastructure. However, in the state highway program, much of this new revenue would be used to replace one-time federal aid and bonding that was provided to this program in the 2017-19 biennium. Given the demands on both state and local transportation infrastructure and the limited state resources currently available to meet those needs, an ongoing policy discussion that confronts the state is whether it can afford to increase funding for local roads at time when the state is having difficulty funding state highway infrastructure needs.

14. Under current law revenues and base appropriations, the 2019-21 biennium ending balance in the transportation fund is estimated at $82.1 million. Any decision to provide additional funding for LRIP at this time would have to take into account the available fund balance, any additional funds authorized, as well as other transportation funding demands. Therefore, depending on the other revenue and transportation programming decisions that are made, the state may not be able to fund increases to DOT's local transportation aid and assistance programs. Given that LRIP funding was increased by 18.0% in 2017-19, along with other increases that were provided to local transportation infrastructure programs, some may believe that no further increase for LRIP is necessary in the current biennium. [Alternative 4]

ALTERNATIVES

1. Approve the Governor's recommendation and provide the following SEG funding increases (resulting in a 2.9% increase) to LRIP: (a) $323,900 in 2019-20 and $654,300 in 2020-21

for the formula allocation component of the program; (b) $303,300 in 2019-20 and $633,700 in 2020-21 for the discretionary grants component of the program.

Specify that the SEG funding for the discretionary portion of the program be allocated as follows: (a) $176,000 in 2019-20 and $295,000 in 2020-21 for counties; (b) $17,300 in 2019-20 and $99,900 in 2020-21 for municipalities (cities and villages); and (c) $110,000 in 2019-20 and $238,800 in 2020-21 for towns. Set the annual statutory distributions of discretionary LRIP funding at the following amounts: (a) $5,569,400 in 2019-20, and $5,688,400 in 2020-21 for counties; (b) $3,867,700 in 2019-20 and $3,950,300 in 2020-21 for municipalities; and (c) $6,033,600 in 2019-20, and $6,162,400 in 2020-21 for towns.

ALT 1		**Change to**
	Base	**Bill**
SEG	$1,915,200	$0

2. Provide the following SEG funding increases (resulting in a 5.0% increase) to LRIP: (a) $882,100 annually for the formula allocation component of the program; (b) $759,900 annually for the discretionary grants component of the program.

Specify that the SEG funding for the discretionary portion of the program be allocated as follows: (a) $270,200 annually for counties; (b) $192,900 annually for municipalities (cities and villages); and (c) $296,800 annually for towns. Set the annual statutory distributions of discretionary LRIP funding at the following amounts for 2019-20 and thereafter: (a) $5,663,600 for counties; (b) $4,043,300 for municipalities; and (c) $6,220,400 for towns.

ALT 2		**Change to**
	Base	**Bill**
SEG	$3,284,000	$1,368,800

3. Provide the following SEG funding increases (resulting in a 10.0% increase) to LRIP: (a) $1,764,200 annually for the formula allocation component of the program; (b) $1,519,800 annually for the discretionary grants component of the program.

Specify that the SEG funding for the discretionary portion of the program be allocated as follows: (a) $540,400 annually for counties; (b) $385,800 annually for municipalities (cities and villages); and (c) $593,600 annually for towns. Set the annual statutory distributions of discretionary LRIP funding at the following amounts for 2019-20 and thereafter: (a) $5,933,400 for counties; (b) $4,236,200 for municipalities; and (c) $6,517,200 for towns.

ALT 3		**Change to**
	Base	**Bill**
SEG	$6,568,000	$4,652,800

4. Take no action.

ALT 4	Change to	
	Base	Bill
SEG	$0	- $1,915,200

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May, 2019 Joint Committee on Finance Paper #721

Harbor Assistance Program
(Transportation -- Local Transportation Assistance)

[LFB 2019-21 Budget Summary: Page 416, #2 and #3]

CURRENT LAW

The Department of Transportation's (DOT) harbor assistance program provides grants for improvements to harbor facilities on Lake Michigan, Lake Superior, and the Mississippi River system. Eligible projects include dockwall and disposal facility improvements, dredging and dredged material disposal, or other physical improvements that maintain or increase commodity or passenger movement capabilities. Both publicly and privately owned harbor facilities that serve freight or passenger vessels are eligible for assistance. State funds provide up to 80% of the cost of the project, while the project applicant must pay the remaining cost. The state share is paid either from an appropriation from the transportation fund or from the proceeds of general obligation bonds provided for the program. The 2017-19 budget provided $18,287,600 over the biennium for making grants, composed of the following: (a) $14,100,000 in transportation fund-supported, general obligation bonds; (b) $3,200,000 SEG in onetime funding for an earmark; and (c) the appropriation of $493,800 SEG annually in project funding from the transportation fund. Debt service on the bonds is paid from the transportation fund.

GOVERNOR

a. *Funding Level.* Provide 2019-21 harbor assistance program funding of $52,200,000, as follows: (a) $13,200,000 SEG in 2019-20; and (b) $39,000,000 BR in transportation fund-supported, general obligation bonds. When added to base program funding of $493,800 SEG annually, the recommendation would total $53,187,600 in the biennium. Increase estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these bonds by $405,300 SEG in 2020-21.

b. *Grant Priority*. Require, when making grant awards from the harbor assistance program in the 2019-21 biennium, notwithstanding the eligibility criteria of the program, that DOT give priority to municipalities in which a shipbuilder in this state is conducting operations. Although not specified in the bill, the administration indicates that this provision is intended to apply to Marinette Marine, a subsidiary of Fincantieri Marine Group. The administration indicates that up to $29.0 million of the recommended 2019-21 funding for the harbor assistance program may be awarded under this provision.

DISCUSSION POINTS

Background

1. The harbor assistance program has been making grants since 1980 to improve transportation access to the state's waterways on Lake Superior, Lake Michigan, and the Mississippi River. DOT indicates that there are 29 ports in the state that are potentially eligible for funding. Grants have been funded primarily with transportation fund-supported, general obligation bonds, although the program also has a transportation fund appropriation for making grants.

2. The total amount of bonding authorized for the program since that time totals $120.0 million. The following table shows the total funding for harbor improvement projects since the 2009-11 biennium. The average amount of new harbor assistance bonding provided in the past five biennia is equal to $13.3 million and total funding for the program has averaged $14.9 million, including the SEG appropriation. The $4.2 million in SEG funding indicated in the table for 2017-19, includes $3.2 million SEG provided in 2017-18 to fund a statutory earmark for Fincantieri Bay Shipbuilding in Door County to complete a dockwall construction and dredging project.

TABLE 1

Harbor Assistance Program Grant Funding

Biennium	SEG Appropriation	Bonding Authorization	Total Funding
2009-11	$987,600	$12,700,000	$13,687,600
2011-13	987,600	10,700,000	11,687,600
2013-15	987,600	15,900,000	16,887,600
2015-17	987,600	13,200,000	14,187,600
2017-19	4,187,600	14,100,000	18,287,600
Total	$8,138,000	$66,600,000	$74,738,000
Average	$1,627,600	$13,320,000	$14,947,600

3. Table 2 provides information on the how much of the $120.0 million in existing bonding for the harbor assistance projects has been spent, how much has been committed to be spent, and how much currently remains uncommitted. The Department has awarded all but $0.4 million in unencumbered bonding authority as of December, 2018, and has uncommitted SEG funds of $0.1 million (expected as of July 1, 2019).

TABLE 2

Existing Bonding and Commitments
($ in Millions)

Existing Bonding	
Total Bonding Authorized	$120.0
Less Bonds Obligated Through Spring, 2019	-106.9
Authorized, Unissued Bonding	$13.1
Use of Unissued Bonding	
Less Project Funding Encumbered	-$5.8
Less Approved, Unencumbered Projects	- 6.9
Unissued Bonding Available	$0.4
Uncommitted 2017-19 SEG Funds	$0.1
Remaining Uncommitted Funds	$0.5

4. Table 3 provides a listing of the two most recent award cycles for the harbor assistance program projects that received funding.

TABLE 3

2017 and 2018 Harbor Assistance Program Awards

Project	Recipient/Location	Awarded
2017 Award Cycle		
Wall reconstruction	City of Washburn	$1,299,480
Dock wall rehabilitation	City of Superior	1,700,000
Dock and landing wall	SS Badger - Manitowoc	1,016,500
Dock wall rehabilitation	KKI Logistics - Green Bay	452,975
Dock wall construction and dredging	Fincantieri-Sturgeon Bay	3,623,600
Emergency dock wall repair	FJ Roberts Co.- La Crosse	1,241,632
Subtotal		$9,334,187
2018 Award Cycle		
Dredging for vessel construction	Fincantieri Bay-Marinette	$5,000,000
Dock widening and landing construction	Town of La Pointe	1,346,000
Repair terminal building	Port of Milwaukee	240,000
Replace failed bollard	St. Mary's - Green Bay	103,100
Engineering for disposal facility expansion	WE Energies - Milwaukee	472,000
Emergency/docking facility rehabilitation	SS Badger - Manitowoc	799,802
Subtotal		$7,960,902
Total		$17,295,089

5. The Governor's recommendation of $52.2 million ($39.0 million bonds, $13.2 million SEG in onetime funding) for the 2019-21, and the $0.5 million SEG annually in base funding

biennium for the harbor assistance program would represent a $34.9 million (190.7%) increase from the amount provided for the program in 2017-19. However, this increase is largely due to a separate bill provision that would require DOT to give harbor assistance program grant priority in the 2019-21 biennium to municipalities in which a shipbuilder in this state is conducting operations, notwithstanding the program's eligibility criteria. The administration indicates that this priority grant would total $29.0 million ($15.8 million in SEG-supported bonding and $13.2 million SEG). Together, the $0.5 million annually SEG base funding and the Governor's $52.2 million ($13.2 million SEG and $39.0 million in SEG-supported bonding) would provide $53.2 million for the harbor assistance program in the biennium. However, if the Governor's recommendation is approved in its entirety, with the shipbuilder priority provision included and awarded at the anticipated level ($29.0 million), only $24.2 million would remain available to fund other harbor projects in the state.

Main Harbor Assistance Program -- Other Projects

6. Demand for harbor assistance grant funding consistently exceeds the amount of funding available in the program. As shown in the following table, under the Department's current, three-year harbor assistance program plan (2019 through 2021), projects totaling $63.5 million in costs could be funded if sufficient resources were available.

TABLE 4

Harbor Assistance Program State Funding Requests -- Three-Year Plan

Requestor	2019	2020	2021	3-Year Total
Port of Milwaukee	$2,600,000	$3,600,000	$0	$6,200,000
City of Manitowoc	3,450,000	10,100,000	0	13,550,000
City of Sturgeon Bay	924,000	0	480,000	1,404,000
City of Superior	18,000,000	11,140,000	6,000,000	35,140,000
Two Rivers Harbor	800,000	3,200,000	1,200,000	5,200,000
La Pointe Town Dock	620,000	882,320	0	1,502,320
La Crosse Municipal Harbor	83,349	441,000	0	524,349
Total	$26,477,349	$29,363,320	$7,680,000	$63,520,669

7. A portion of the $63.5 million in costs shown in Table 4 could be funded through the program's 2018-19 award cycle, using available 2017-19 program funding ($6.9 million in planned awards + $0.5 million remaining funds). As a result, the total program funding available under the Governor's recommendations, setting aside the proposed earmark, would fund $24.2 million of the remaining $56.1 million in project costs in the three-year plan.

8. In January, 2013, the Wisconsin Transportation Finance and Policy Commission, in making recommendations to the Legislature and the Governor, noted that harbor improvements have the potential to create shipping efficiencies for many state businesses and that without increased harbor investment, conditions at the state's commercial ports will deteriorate. Similarly, past analysis from DOT's Bureau of Planning and Economic Analysis indicates that "each year, Wisconsin harbors

are vital to the "transport of coal, iron ore, broken stone, chemicals or fertilizers, heavy machinery, wind energy components, agricultural commodities, cement, road salt and other goods." In recognition of these significant transportation system functions, this Commission recommended a biennial level of funding of $17.0 million. A similar funding level for the harbor assistance program ($17.2 million per biennium) was also considered as part of DOT's transportation fund Solvency Study in 2016.

9. However, given the important role of harbors in the transportation of commercial goods, and the program's unfunded demand, the Governor's recommended harbor assistance program funding level of $24.2 million ($23.2 million in recommended bonding and $0.5 million in annual base funding) for the main grant program may be seen as appropriate. This would increase base level debt service costs by $241,100 SEG in 2020-21 associated with the partial issuance of the bonds. When fully issued, the annualized debt service to be paid from the transportation fund associated with the $23.2 million in bonding under this alternative would be an estimated $1.9 million. [Alternative A1]

10. Over the past decade, concern over the transportation fund's solvency has been an ongoing policy discussion before the Legislature. Bonding has often been used as the means of funding the gap between DOT infrastructure programs needs and available revenues. Consequently, the growing amount of annual transportation fund revenues needed to support annual debt service is seen as a strong symptom of the transportation fund's solvency concern. Absent the significant transportation fund revenue increases provided under the bill, many of the Governor's transportation programming recommendations would not be funded and reductions in one or more areas would have to be made.

11. One option would be to reduce the amount of available funding in the biennium to the $17.2 million (the funding level associated with the Solvency Study and the Commission's work). Under this alternative, the Committee would be providing $16.2 million in SEG-supported bonding, which, when added to existing base funding of $0.5 million SEG annually, would make $17.2 million available for the main harbor assistance program in the 2019-21 biennium. This would increase base level debt service by $178,700 in 2020-21, but would decrease estimated debt service compared to the bill by $62,400 in 2020-21. Once fully issued, annualized, estimated debt service on the $16.2 million in transportation fund-supported bonds would equal $1.3 million. [Alternative A2]

12. As indicated earlier (see Table 1), over the past five biennia, the harbor assistance program has averaged $14,947,600 in funding for grants made under the program. To maintain this level of funding for the main harbor assistance program, the Committee could consider providing $13,960,000 in SEG-supported bonding in the biennium. Along with the base funding of $987,600 SEG ($493,800 annually), a total of $14,947,600 would be provided. This would increase base level debt service by $145,100 in 2020-21, but would decrease estimated debt service compared to the bill by $96,000 in 2020-21. Once fully issued, annualized, estimated debt service on the transportation fund-supported bonds would equal $1.1 million. [Alternatives A3]

13. The Governor's recommendation would also provide $15.8 million in SEG-supported bonding to fund a portion of the proposed shipbuilder earmark. Some may contend that providing any SEG-supported bonding for the main harbor assistance grant program, in addition to this earmark

amount, would provide too large of an ongoing strain on the transportation fund if no additional revenues are provided the fund. If the Committee shares this concern, it could delete the $24.2 million in SEG-supported bonding recommended by the Governor for the main harbor assistance program. This would reduce estimated debt service by $241,100 SEG in 2020-21, compared to the bill. [Alternative A4]

Shipbuilder Grant Priority Earmark

14. As mentioned earlier, the Governor's recommendations would provide harbor assistance grants to municipalities in which a shipbuilder in this state is conducting operations, notwithstanding the program's eligibility criteria. The administration indicates this provision is intended to provide a $29.0 million grant ($13.2 million SEG in 2019-20 and $15.8 million in SEG-supported bonding) in the 2019-21 biennium to Marinette Marine, a subsidiary of Fincantieri Marine Group.

15. This funding would be used for dredging, construction, and capital equipment associated with Fincantieri Marinette Marine's facilities improvements related to the company's application for a federal shipbuilding contract for frigates (a highly maneuverable, armed naval ship). The SEG portion of the grant is intended to provide DOT with the flexibility to fund certain project elements for which the state would typically not use bond financing. Although there is no provision in the bill that would limit the amount of, or conditions under which, this award could be made, the administration indicates that $10 million of the grant would be contingent on this federal contract being awarded to Fincantieri Marinette Marine. They indicate that the federal contract is expected to be awarded in late, 2020.

16. The administration indicates that this grant is intended to reflect the importance of the shipbuilding industry to the state's economy and its status as a fast-growing employer in the state. The administration also contends that the grant would provide an opportunity, along with the workforce development funding provided under the bill ($1.0 million GPR), to train and employ additional underemployed workers in the shipbuilding industry. [Alternative B1]

17. Although harbor infrastructure provides economic benefits to the state, users of the harbor system do not pay taxes or fees that directly support the transportation fund through activities occurring at those ports. For instance, commercial vessels do not pay the state motor vehicle fuel tax and do not pay fees for use of harbor facilities that are received by the transportation fund. In addition, estimated motor vehicle fuel tax and the registration fees paid by motorboat owners are deposited to the conservation fund.

18. Further, assistance to businesses in the state to stimulate economic development and job growth are seen as a general fund benefit in that the additional income and sales taxes associated with that development flow to the state's general fund. As a result, state assistance to businesses is often provided from the general fund in the form of either grants or tax credits. Therefore, the Committee could instead provide that the $15.8 million in bonding be GPR-supported rather than SEG-supported, and provide that the $13.2 million SEG in 2019-20 recommended by the Governor instead be provided from GPR funding. This alternative would also reduce SEG debt service compared to the bill by $164,200 in 2020-21, for a total reduction of $13,364,200 SEG compared to the bill. As compared to the bill, this alternative would result in corresponding increases of $13,200,000 GPR in

2019-20 associated with the cash grant to Marinette Marine and $164,200 GPR in 2020-21 associated with the partial issuance of the GPR-supported bonds. Once fully issued, annualized, estimated debt service on the $15.8 million in GPR-supported bonds would equal $1.3 million. [Alternative B2]

19. On the other hand, the state's general fund also has significant program demands. Further, trucks carrying commercial cargo hauled to and from harbors do pay fuel taxes and registration fees that are deposited to the transportation fund, so it could be argued that harbor-related activity provides some indirect benefit to the transportation fund. Nonetheless, funding harbor improvements from the transportation fund does not fit entirely with the user fee concept of the fund and the proposed priority grant to Marinette Marine is likely to have a greater benefit to the general fund. Therefore, the Committee provide some funding for this grant from both sources. The Committee could approve the Governor's recommendation to provide $15.8 million in SEG-supported bonding for the grant, but provide the $13.2 million for the cash grant from the general fund rather than from the transportation fund. This alternative would increase base and bill funding by $13.2 million GPR in 2019-20. Further, debt service on the $15.8 million in SEG-supported bonding would be $164,200 SEG in 2020-21, which is included under the bill. [Alternative B3]

20. In the current biennium, the Fincantieri Marine Group (of which Marinette Marine is a subsidiary) has received $8.6 million (including $3.2 million SEG) in state harbor assistance funding for dredging and dockwall construction projects in Sturgeon Bay and Marinette, Wisconsin. If the Governor's recommendation is approved, total transportation fund-supported assistance to Fincantieri Marine Group over the 2017-21 period would total $37.6 million. In addition, the bill would designate a further $1.0 million GPR for shipbuilder training as part of a workforce development initiative in the 2019-21 biennium. Further, in the Spring of 2018, the Marinette County Board declined to provide a $50.0 million loan to Fincantieri Bay to fund a portion of the shipyard upgrades being undertaken as part of the company's federal contract application, some of which would be funded through the proposed earmark.

21. Taking these factors into consideration, as well as the ongoing issue of the transportation fund's limited capacity to fund new programming, some concern may exist regarding the level of transportation fund resources that funding this project would require. Given these concerns, and if no new transportation fund revenues are provided, the Committee could remove the shipbuilder grant priority provision and related funding from the bill. This would decrease expenditures by $13.2 million SEG in 2019-20 associated with the deletion of "cash" funding for the grant and $164,200 SEG in 2020-21 associated with the deletion of the $15.8 million in SEG-supported bonding portion of the grant. [Alternative B4]

ALTERNATIVES

A. Funding Level -- Main Program

1. Approve the Governor's recommendation and provide $23,200,000 in SEG-supported bonds for the harbor assistance program. When added to existing base funding of $987,600 SEG ($493,600 annually), this would provide $24,187,600 for the program in the 2019-21 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by $241,100

SEG in 2020-21. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $1.9 million.

ALT A1	Change to Base	Bill
SEG	$241,100	$0
BR-SEG	23,200,000	0
Total	$23,441,100	$0

2. Provide $16,200,000 in SEG-supported bonds for the harbor assistance program. When added to existing base funding of $987,600 SEG ($493,600 annually), this would provide $17,187,600 for the program in the 2019-21 biennium. This would reduce the transportation fund-supported bonding authorization under the bill by $7,000,000 and provide a similar level of program funding as was provided in the 2017-19 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by $178,700 SEG in 2020-21. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $1.3 million.

ALT A2	Change to Base	Bill
SEG	$178,700	- $62,400
BR-SEG	16,200,000	- 7,000,000
Total	$16,378,700	- $7,062,400

3. Provide $13,960,000 in SEG-supported bonds for the harbor assistance program. With base funding of $493,800 SEG annually, total program funding available for grants would be equal to $14,957,500 in the 2019-21 biennium. This would reduce the transportation fund-supported bonding authorization under the bill by $9,240,000, but provide the average amount of program funding for the harbor assistance program over the past five biennia. Increase estimated transportation fund-supported, general obligation bond debt service by $145,100 SEG in 2020-21. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $1.1 million.

ALT A3	Change to Base	Bill
SEG	$145,100	- $96,000
BR-SEG	13,960,000	- 9,240,000
Total	$14,105,100	- $-9,336,000

4. Take no action. No additional funding would be available for harbor assistance grants in the biennium.

ALT A4	Change to Base	Bill
SEG	$0	- $241,100
BR-SEG	0	- 23,200,000
Total	$0	- $23,441,100

B. Shipbuilder Grant Priority Earmark

1. Approve the Governor's recommendation and require, when making grant awards from the harbor assistance program in the 2019-21 biennium, notwithstanding the eligibility criteria of the program, that DOT give priority to municipalities in which a shipbuilder in this state is conducting operations. Provide the harbor assistance program with the following, related funding amounts: $13,200,000 SEG in 2019-20 and $15,800,000 in SEG-supported bonds. [The administration indicates that this provision is intended to apply to Marinette Marine, a subsidiary of Fincantieri Marine Group.] This would make $29,000,000 available for this purpose. Increase estimated transportation fund-supported, general obligation bond debt service by $164,200 SEG in 2020-21. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $1.3 million.

ALT B1	Change to Base	Bill
SEG	$13,364,200	$0
BR-SEG	15,800,000	0
Total	$29,164,200	$0

2. Provide $15,800,000 in GPR-supported bonds and $13,200,000 GPR in 2019-20 for the purposes of providing a harbor assistance grant to Marinette Marine. This would provide the same level of funding as the Governor's budget recommendation, but would use general fund resources instead of transportation fund resources. Increase estimated general fund-supported, general obligation bond debt service by $164,200 GPR in 2020-21. When the bonds are fully issued, the annualized debt service to be paid from the general fund would be an estimated $1.3 million.

ALT B2	Change to Base	Bill
GPR	$13,364,200	$13,364,200
BR-GPR	15,800,000	15,800,000
SEG	0	- 13,364,200
BR-SEG	0	- 15,800,000
Total	$29,164,200	$0

3. Provide $15,800,000 in SEG-supported bonds and $13,200,000 GPR in 2019-20 for the purposes of providing a harbor assistance grant to Marinette Marine. This would provide the same level of funding as the Governor's budget recommendation, but would use GPR instead of transportation fund resources (SEG) for the cash portion of this grant. Increase estimated general

fund-supported, general obligation bond debt service by $164,200 SEG in 2020-21. When the bonds are fully issued, the annualized debt service to be paid from the general fund would be an estimated $1.3 million.

ALT B3	**Change to**	
	Base	**Bill**
GPR	$13,200,000	$13,200,000
BR-SEG	15,800,000	0
SEG	164,200	- 13,200,000
Total	$29,164,200	$0

4. Take no action. No funding would be available in the 2019-21 biennium for this project.

ALT B4	**Change to**	
	Base	**Bill**
SEG	$0	- $13,364,200
BR-SEG	0	- 15,800,000
Total	$0	- $29,164,200

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May, 2019 | Joint Committee on Finance | Paper #722

Freight Rail Preservation Program (Transportation -- Local Transportation Assistance)

[LFB 2019-21 Budget Summary: Page 417, #4]

CURRENT LAW

The Department of Transportation's (DOT) freight rail preservation program provides grants or loans for the acquisition of abandoned railroad lines or the rehabilitation or construction of rail facilities on existing, publicly-owned lines. Eligible applicants include local governments, railroads, current or potential users of rail service, or rail transit commissions organized by local governments for the preservation of rail service. Applicants are required to pay at least 20% of the cost of an acquisition of railroad track or an improvement project. No match is required for the acquisition of railroad property (exclusive of the railroad tracks and other improvements). Funding for the program is provided with transportation fund-supported, general obligation bonds. Debt service on the bonds is funded from the transportation fund.

GOVERNOR

Provide $30,000,000 in transportation fund-supported, general obligation bonding authority for the freight rail preservation program. Increase estimated transportation fund-supported, general obligation bond debt service by $311,800 SEG in 2020-21 associated with the partial issuance of these bonds.

DISCUSSION POINTS

Background

1. The primary purpose of the freight rail preservation program (FRPP) is to maintain and improve rail service on low-traffic rail lines that may otherwise be abandoned or fall into disrepair. By assuming the responsibility for the ownership and improvement of these lines, the state can allow a railroad to continue to profitably serve these lines. That is, since the railroads do not need to directly invest in the ownership and improvement of the rail, they can operate at a lower rate of return than

would otherwise be necessary to maintain service. As a bond-funded program, the freight rail preservation program allows the state to realize the benefits of transportation system improvements with no upfront costs, and then pay for those improvements over the course of the life of the improvement. The program provides grants for up to 80% of the cost: (a) to purchase abandoned rail lines (up to 100% for the cost of land) in an effort to continue freight service, or for the preservation of the opportunity for future rail service; and (b) to rehabilitate facilities, such as tracks or bridges, on publicly-owned rail lines.

2. The state has been providing freight rail assistance since the late 1970s, a time when many railroad companies were abandoning unprofitable lines. Throughout the late 1970s and 1980s, grants were provided to local rail transit commissions to assist in the purchase of rail lines in order to maintain service for customers and shippers dependent on rail service. Then, in 1992, an amendment to the Wisconsin Constitution allowed the state to issue debt for the direct acquisition and improvement of rail lines.

3. The state currently owns 624 miles of rail lines. The Wisconsin and Southern Railroad is the primary railroad operating on this track, although other railroads operate on certain short segments. According to the Department, in 2018, 76.8% of state-owned track met the Federal Railroad Administration's (FRA) Class 2 standard which means that a track is capable of operating loaded 286,000 pound rail cars above 10 miles per hour. In 2011, 53.1% of state-owned rail line miles functioned at the FRA Class 2 standard. DOT's goal is to have 95% of state-owned rail line miles functioning at FRA Class 2 operating speed standards. Freight railroads are responsible for the maintenance of this existing track. In addition, railroads may also choose to privately fund certain track expansion projects to address growth and capacity issues.

4. Freight railroads currently pay an ad valorem (property) tax to the state, which is deposited in the transportation fund. For the 2019-21 biennium, revenues from this tax are estimated at $97.6 million. Total appropriations that support the freight rail system in the biennium, including debt service on FRPP bonds, are estimated at $39.6 million. Therefore, taken as a whole, the freight rail industry pays more in taxes than the related programs spend. However, the companies operating on state-owned lines pay less than 5% of the ad valorem taxes, while under the bill, FRPP bond debt service would represent 71.5% of state appropriations for freight rail programs in the 2019-21 biennium.

Program Funding

5. In the 2017-19 biennium, $12.0 million in bonding authority was provided for the FRPP program. The following table reflects the $183.8 million in bonds provided to this program over the past five biennia (an average of $36.8 million per biennium).

TABLE 1

Freight Rail Preservation Program Bond Authorizations -- 2009-11 thru 2017-19
($ in Millions)

Biennium	Bonding Authorization
2009-11	$60.0
2011-13	30.0
2013-15	52.0
2015-17	29.8
2017-19	12.0
Total	$183.8
Average Amount	$36.8
2019-21 (Gov.)	$30.0

6. Table 2 provides information on how much of FRPP program's existing bonding authority for FRPP projects has been spent, how much has been committed to be spent, and how much currently remains uncommitted.

TABLE 2

Existing Bonding and Commitments
($ in Millions)

Existing Bonding	
Total Bonding Authorized	$250.3*
Less Bonds Obligated Through Spring, 2017	-205.9
Authorized, Unissued Bonding	$44.4
Use of Unissued Bonding	
Less Projects with Funding Encumbered	-$22.5
Less Approved, Unencumbered Projects	-20.3
Unissued Bonding Committed	-$42.5
Remaining Uncommitted Bonding	$1.6

*Reflects the total amount of bonds authorized since the program's inception.

7. As indicated in Table 2, of the $250.3 million in FRPP bonding authorized to date, $205.9 million has been obligated (either issued or allotted) by the Building Commission. The Department has encumbered an additional $22.5 million of the remaining authority for awarded projects and plans to award another $20.3 million in projects by July 1, 2019. As a result, $1.6 million in existing authority would remain available for the 2019-21 biennium to fund additional project

work. Table 3 reflects the most recent project awards ($20.3 million) that DOT has made using existing FRPP bond authority.

TABLE 3

Recently Awarded FRPP Projects Using Existing Program Funding

Applicant	Project Description	Requested Funding	Fiscal Year
Awarded Projects			
Wisconsin & Southern	Rehabilitation of Merrimac Bridge 334 -- Phase 2	$2,666,320	2018-19
Port of Milwaukee	Rehabilitation of Heavy Lift Dock and West Yard Track	2,993,920	2018-19
Wisconsin & Southern	Rehabilitation of Bridge U-6½	315,072	2018-19
Wisconsin & Southern	Rehabilitation of Merrimac Bridge 334 -- Phase 3	10,600,000	2019-20
Wisconsin & Southern	Replacement of Bridges A-492 and A-494	739,840	2019-20
Escanaba & Lake Superior	Crivitz to Green Bay Track Rehabilitation	2,400,000	2019-20
Wisconsin & Southern	Replacement of Bridges B-356 and B-368	591,400	2019-20
Total		$20,306,552	

Funding Options

8. The Department's 2016 transportation fund Solvency Study discussed a FRPP program scenario that would provide new FRPP bonding authority equal to $30.0 million. This amount was similar to the 2013 Transportation Finance and Policy Commission (the Commission) recommendation of $34.2 million per biennium in funding for the program. The Department did not submit a formal request for additional FRPP bond authorizations as part of its 2019-21 budget request. However, the Department provided information to the Governor's January, 2019, Transportation Task Force meeting that identified additional FRPP project awards with an expected state cost of $79.3 million that could be funded beyond those to be awarded in July, 2019.

9. As part of informing Transportation Task Force discussions, the Department indicated that it could use $30.0 million in the 2019-21 biennium to improve 65 miles of track and repair about 25 railroad bridges. The Governor's budget recommendation would fund $30.0 million of the expected project costs and provide a similar level of funding to what was recommended by the Commission and the Solvency Study. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $2.4 SEG million annually. This would reduce the unfunded expected program costs to $47.7 million ($79.3 million expected costs - $30.0 million new funding - $1.6 million existing funding). [Alternative 1]

10. As noted earlier, the rail industry contributes more to the transportation fund than it receives in assistance from the fund. Also, a comparatively limited authorization of program bonding was provided in the 2017-19 biennium ($12.0 million). Therefore, providing a somewhat higher level of bonding to the program than the level recommended by the Governor in the 2019-21 biennium may be warranted. For example, the Committee could instead provide $36.8 million in transportation fund-supported, general obligation bonds, which would be the biennial average of the bonding authority provided to this program over the past five biennia. This would reduce the unfunded expected program costs to $40.9 million ($79.3 million expected costs - $36.8 million new funding -

$1.6 million existing funding). Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $3.0 million SEG annually. [Alternative 2]

11. Table 4 below reflects existing requests for FRPP funding received by DOT that have not been awarded ($26.2 million).

TABLE 4

FRPP Program Requests -- Unawarded Project Funds

Applicant	Project Description	Requested Funding	Fiscal Year
Wisconsin Great Northern	Trego to Spooner Track Reconstruction	$1,800,000	2019-20
Wisconsin & Southern	Fisk to Oshkosh Rail Replacement (4.5 miles)	3,000,000	2019-20
Wisconsin & Southern	Crawford to Wauzeka Rail Replacement -- Phase 2 (14 miles)	7,000,000	2019-20
Wisconsin & Southern	Madison to Reedsburg and Madison to Cottage Grove Tie Replacement (70 miles)	10,426,400	2020/2021
Wisconsin & Southern	Systemwide Bridge Replacement and Rehabilitation	4,000,000	2020/2021
Total		$26,226,400	

12. Over the past decade, concern over the transportation fund's solvency has been an ongoing policy discussion before the Legislature. Absent the significant transportation fund revenue increases be provided under the bill, many of the Governor's transportation programming recommendations would not be funded and program reductions in one or more areas would have to be made. If 2019-21 transportation fund resources remain constrained, the Committee could instead provide $26,226,400 in transportation fund-supported bonding authority, which would fund the FRPP requests currently received by the Department shown in Table 4. This would reduce the recommended transportation fund-supported bonding under the bill by $3,773,600 and would reduce the unfunded expected program costs to $51.5 million ($79.3 million expected costs - $26.2 million new funding - $1.6 million existing funding). Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $2.1 million SEG annually. [Alternative 3]

13. However, increases in debt service for various types of transportation bonding have consumed an increasing percentage of transportation fund revenues. If the Committee determines that the overall level of transportation bonding should be reduced, the Committee could instead provide $12,000,000 in transportation fund-supported, general obligation bonding, which would equal the current, 2017-19 FRPP program funding level. This would reduce the transportation fund-supported bonding in the bill by $18,000,000 and would reduce the unfunded expected program costs to $65.7 million ($79.3 million expected costs - $12.0 million new funding - $1.6 million existing funding). Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $1.0 SEG million annually. [Alternative 4]

14. Similarly, if it is determined that transportation fund revenues should not be increased at this time, the Committee may want to limit the authorization of transportation fund-supported bonds by deleting the Governor's FRPP recommendation. No new bonding authority for FRPP projects would be available and a total of $1.6 million in uncommitted bonding would be available for the

program. [Alternative 6]

15. Generally, FRPP applicants pay for at least 20% of a project's cost. Further, historically, as mentioned earlier, these rail companies pay only a small amount into the transportation fund (less than 5% of total rail ad valorem taxes). Given that the state incurs debt service costs associated with bonds issued for FRPP rail acquisitions and improvements, some contend that the rail lines that benefit from these state expenditures should pay more to the state for those acquisitions and improvements from which they benefit, beyond their current contributions. The 2013 Transportation Finance and Policy Commission recommended and DOT, in its 2015-17 budget request, proposed, a $10 per carload user fee for railroads using state-owned rail lines. The Department's request would have defined carloads as loaded freight railroad cars that are operated in revenue service and would have required all railroads operating on state-owned rail lines to annually report the number of carloads hauled on those lines for the previous calendar year. Estimated revenues from such a fee would be $1.0 million annually once fully implemented. Those annual revenues could cover some of the debt service costs associated with the bonding level recommended by the Governor, or any of the alternative bonding levels identified in this paper. Based on current experience, most of this revenue would come from the Wisconsin and Southern Railroad. [Alternative 5]

ALTERNATIVES

1. Approve the Governor's recommendation and provide $30,000,000 in SEG-supported bonds for the freight rail preservation program. Increase estimated transportation fund-supported, general obligation bond debt service by $311,800 SEG in 2020-21. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $2.4 SEG million annually.

ALT 1	Change to	
	Base	Bill
SEG	$311,800	$0
BR	30,000,000	0
Total	$30,311,800	$0

2. Provide $36,800,000 in SEG-supported bonds for the freight rail preservation program. Increase estimated transportation fund-supported, general obligation bond debt service by $382,500 SEG in 2020-21. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $3.0 million SEG annually. This would authorize the biennial average amount of FRPP bonds provided over the past five biennia.

ALT 2	Change to	
	Base	Bill
SEG	$382,500	$70,700
BR	36,800,000	6,800,000
Total	$37,182,500	$6,870,700

3. Provide $26,226,400 in SEG-supported bonds for the freight rail preservation program, which would fund the FRPP requests currently received by the Department that are unawarded. Increase estimated transportation fund-supported, general obligation bond debt service by $272,600 SEG in 2020-21. This would authorize the biennial average amount of FRPP bonds provided over the past five biennia and reduce the transportation fund-supported bonding in the bill by $3,773,600. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $2.1 million SEG annually.

ALT 3	**Change to**	
	Base	**Bill**
SEG	$272,600	- $39,200
BR	26,226,400	- 3,773,600
Total	$26,499,000	- $3,812,800

4. Provide $12,000,000 in SEG-supported bonds for the freight rail preservation program, which would equal the current, 2017-19 FRPP program funding level. This would reduce the transportation fund-supported bonding in the bill by $18,000,000. Increase estimated transportation fund-supported, general obligation bond debt service by $124,700 SEG in 2020-21. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $1.0 SEG million annually.

ALT 4	**Change to**	
	Base	**Bill**
SEG	$124,700	- $187,100
BR	12,000,000	- 18,000,000
Total	$12,124,700	- $18,187,100

5. Provide the Department authority to establish a $10 per carload rail line user fee for railroads using state-owned rail lines, effective January 1, 2020. Define a carload as a loaded freight railroad car that is operated in revenue service. Require all railroads operating on state-owned rail lines to annually report the number of carloads hauled on those lines for the previous calendar year and to submit the required fee with this report. Specify that the revenues be deposited to the transportation fund and estimate revenue from such a fee at $500,000 in 2019-20 and $1,000,000 in 2020-21.

ALT 5	**Change to**	
	Base	**Bill**
SEG-REV	$1,500,000	$1,500,000

6. Take no action (the $1.6 million in remaining uncommitted bonding authority would be available to the program in the 2019-21 biennium).

ALT 6	**Change to Base**	**Change to Bill**
SEG	$0	- $311,800
BR	0	- 30,000,000
Total	$0	- $30,311,800

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May, 2019 | Joint Committee on Finance | Paper #723

Passenger Rail Bonding
(Transportation -- Local Transportation Assistance)

[LFB 2019-21 Budget Summary: Page 417, #5]

CURRENT LAW

Under current law, $79,000,000 is authorized for passenger rail development projects, of which $11,569,800 remains unissued. DOT is required to administer a rail passenger route development program funded from these bond proceeds. The primary allowed use of these funds is for capital costs related to Amtrak service extension routes or other rail service routes between certain cities. Under the program, DOT is not allowed to use any bond proceeds unless the Joint Committee on Finance approves the use of the proceeds. Also, with respect to any allowed passenger route development project, the Department is required to submit evidence to the Joint Committee on Finance that Amtrak, or the applicable railroad, has agreed to provide rail passenger service on that route.

Bonds issued for this purpose are repaid from a Building Commission GPR debt service appropriation used to repay bonds issued for capital improvements and other public purposes. Estimated annual debt service on the bonds issued to date is $1,327,600 in 2019-20 and $1,511,700 in 2020-21.

GOVERNOR

Provide $45,000,000 in general fund-supported, general obligation bonding authority for the passenger rail route development program. There is an increase of $288,300 GPR in 2020-21 in debt service associated with the partial issuance of this $45,000,000 in bonds.

DISCUSSION POINTS

Hiawatha Service

Background

1. The administration indicates that the additional funding would be used primarily to fund rail improvements needed to add three additional round trip runs between Milwaukee and Chicago on Amtrak's Hiawatha line. Funding could also be used for infrastructure improvements needed to add round-trip service between the Twin Cities, Milwaukee and Chicago (TCMC).

2. The Department of Transportation (DOT) and the Illinois Department of Transportation (IDOT) have jointly contracted with Amtrak to operate the Hiawatha Service since 1989. In subsequent years, the states have gradually increased their financial support of the route as additional daily round trips were added. Currently, Wisconsin and Illinois pay a fixed amount to support the operation of seven daily, round-trip trains (six on Sunday) for travel between Milwaukee and Chicago with stops at the downtown Milwaukee Intermodal Station, Mitchell International Airport Rail Station, Sturtevant, Glenview, IL, and Chicago Union Station. The amount of operating support paid by each state is split in proportion to the approximate amount of service received by each state with Wisconsin paying 75% of operating costs and Illinois paying the remaining 25% share. Under the bill, base level funding for Wisconsin's portion of operating support for Hiawatha service is unchanged at $6.8 million annually from the transportation fund. In addition to direct financial support received from Wisconsin and Illinois, just under 75% of the total costs of providing Hiawatha service were covered by ticket revenues in 2017-18, according to DOT.

3. With a typical capacity of 416 seats per train, the Hiawatha offers approximately 2,912 seats daily Monday through Saturday and 2,496 on Sunday in each direction to travelers in the Chicago-Milwaukee corridor. Hiawatha trains operate with a maximum speed of 79 miles per hour and make the 86-mile trip between Chicago and Milwaukee in 89 minutes. The Hiawatha operates on Metra-owned track between Chicago and Rondout, IL, and on Canadian Pacific-owned track from Rondout to Milwaukee. The Chicago-Milwaukee rail corridor has 65 Metra commuter rail trains, up to 25 freight trains, and 16 Amtrak trains daily (including Amtrak's long-distance Empire Builder service which operates one train per day in each direction).

Potential Hiawatha Expansion to 10 Daily Round Trips

4. Annual ridership on the Hiawatha line increased from 423,500 in 2001 to 819,125 in 2013, representing a 93% ridership increase over 12 years and a 5.7% annual average rate of growth. Ridership growth during this period contributed to an increase in the number of trains experiencing near-capacity or over-capacity conditions during peak travel hours. In 2013, in response to the increased demand for Hiawatha service and resulting capacity issues, DOT, the Federal Railroad Administration (FRA) and IDOT formed a project team to prepare a draft environmental assessment documenting the impacts of increased Hiawatha service, including an analysis of new infrastructure required to support three additional daily round trips between Chicago and Milwaukee.

5. The draft environmental assessment was published on October 6, 2016, which detailed

plans that would increase Hiawatha service from seven to 10 round trips daily between Chicago and Milwaukee. A public comment period followed the release of the assessment. According to DOT, while most comments were supportive of the project, including strong support from the business community in southeast Wisconsin and northern Illinois. A majority of the comments were submitted from northern Illinois suburban communities (in particular, Glenview, IL and Lake Forest, IL) and expressed concern regarding the possibility for additional freight rail traffic and the potential for idling freight trains to produce air pollution, noise and vibration impacts to adjacent neighborhoods. These freight rail trains operate on the same rail lines as the passenger trains.

6. In particular, City of Glenview residents expressed opposition to the proposal to build a new 2-mile long holding track adjacent to the existing tracks to help facilitate the flow of freight trains in and out of nearby freight yards. As a response to these concerns, DOT and IDOT have extended the timeline for the delivery of the final environmental assessment to the FRA due to requests for additional analyses and to conduct additional outreach in Illinois. Once the final environmental assessment is submitted to the FRA, and if a "finding of no significant impact" is the result, DOT and IDOT could then pursue federal funding for final design, construction, and implementation of the additional daily round-trips.

7. Ridership growth on the Hiawatha line has moderated somewhat since planning began for additional service in 2013, but still grew at a 1.6% annualized rate between 2014 and 2018. Also, according to DOT, the Hiawatha line currently experiences standing room only conditions on an average of 19 trains per month, mostly on weekdays. In addition to increasing incidences of capacity and near-capacity trains during peak travel times, project partners have identified several elements which describe the need for additional service, including: (a) existing and future highway congestion resulting in increased travel times for autos and buses in the corridor which may result in additional demand for alternative modes of travel; (b) inadequate service reliability due to conflicts with freight and other passenger traffic in the corridor; and (c) economic development, such as the Foxconn development, that have accentuated the need for additional rail service within the corridor. The Hiawatha rail corridor connects Foxconn's Mount Pleasant manufacturing campus, which is located two miles from Amtrak's Sturtevant Station, with Foxconn's North American headquarters located in Downtown Milwaukee, which is one mile from the Milwaukee Intermodal Station.

8. Hiawatha trains operate almost entirely on freight-owned track and have been increasingly in conflict with freight operations resulting from growing rail traffic. The Chicago Region Environmental and Transportation Efficiency program, which is currently underway to provide for increased efficiency of the Chicago region's rail infrastructure, will result in additional freight rail traffic along the Hiawatha rail corridor. According to DOT, completion of the infrastructure projects associated with the Hiawatha expansion project would provide benefits to current freight rail service and passenger rail service by increasing frequencies, improving reliability and maintaining travel times.

Hiawatha Expansion Cost and Funding Estimates

9. The project to expand Hiawatha service from seven to 10 daily round-trips would require additional equipment purchases and the completion of nine rail infrastructure projects to improve the frequency, reliability and safety of increased passenger rail service along the corridor. The estimated

total capital cost needed to establish the additional service is $232 million, including $210 million for the nine required infrastructure improvements in Wisconsin and Illinois and $22 million for an additional trainset. The total state funding needed for the project would depend on the agreed upon split of state costs between Illinois and Wisconsin which is still under negotiation as well as the amount of state match required to secure federal funding. While 20% is the minimum match required, an overmatch closer to 50% may be needed within certain applications to secure highly competitive federal grants.

10. Three of the nine infrastructure projects are in Wisconsin on track owned by the Canadian Pacific Railway. The three Wisconsin projects needed to accommodate the additional round-trip frequencies are: (a) Muskego Yard signalization and track/bridge improvements in Milwaukee's Menomonee Valley estimated at $60 million; (b) Milwaukee Airport Rail Station second platform with overhead access estimated at $10.1 million; and (c) CTC signalization (Milwaukee) estimated at $5.4 million. The Department's anticipated use of the existing and additional passenger rail bonding provided under the bill is shown in the following table. The Muskego Yard and the CTC signalization projects are both identified in the following table as infrastructure projects that require funding. The Milwaukee Airport Rail Station project is not listed in the table because on February 8, 2019, the FRA awarded a Consolidated Rail Infrastructure and Safety Improvements (CRISI) program grant to DOT for up to $5,050,000 to improve reliability, safety, and accessibility of the Milwaukee airport station. The grant is to be used to partially fund an estimated $10.1 million project to construct a second platform at the station, as well as elevator towers and an overhead pedestrian bridge to connect the new platform to the station. The new platform will enable trains to operate on both existing tracks, instead of just the eastern track which allows freight and passenger trains to operate more efficiently and reliably. The CRISI grant is matched with $4.0 million SEG from the transportation fund, a $1.0 million contribution from Amtrak and a $50,000 contribution from Canadian Pacific Railway. The project is expected to be completed in 2022.

11. The table assumes $56.6 million in total bonding authority, including $45 million in new bonding as recommend by the Governor in addition to the $11.6 million in bonding authority that currently remains in DOT's passenger rail appropriation. According to DOT, $11.0 million of the existing $11.6 million in bonding authority is needed to provide the state match for a potential federal grant to purchase new train equipment for the current Hiawatha Service.

Use of Existing and Additional Passenger Rail Bonding Authority for Planned Project Improvements

	Project Description	GPR Bonding	FED	SEG	Total
Existing Hiawatha Service					
Train Equipment	Purchase 6 coach and 3 cab-coach cars for existing service	$11.0	$25.7	$2.2	$38.9
Hiawatha Expansion					
Muskego Yard	Create 2 mainline tracks through Muskego Yard for freight trains to bypass Milwaukee Intermodal Station	$21.0	$39.0	0.0	$60.0
CTC Signalization Improvements	Install Centralized Train Control (CTC) signaling on a 2-mile track segment near Milwaukee Intermodal Station.	2.7	2.7	0.0	5.4
Train Equipment	Acquire 3rd trainset to increase Hiawatha Service to 10 round-trips	7.2	14.8	0.0	22.0
	Subtotal	$30.9	$56.5	$0.0	$87.4
TCMC Project					
Columbus Crossover	Install crossover at Columbus for trains to switch tracks to pass other trains	$1.5	$3.5	$0.0	$5.0
Medary Siding	Construct siding at Medary for passenger trains to bypass freight	6.1	14.3	0.0	20.4
La Crosse	Track and signal improvements	3.2	7.4	0.0	10.6
	Subtotal	$10.8	$25.2	$0.0	$36.0
Contingency					
State Match Contingency	Funding to support a higher state match amount, if needed, for Federal grant applications	$3.9	$0.0	$0.0	$3.9
	Total	$56.6	$107.4	$2.2	$166.2

Twin Cities, Milwaukee and Chicago Project

12. As indicated in the table above, the Department could use $10.8 of the bonding authority provided under the bill to support the TCMC project which would add service between Chicago and the Twin Cities to complement Amtrak's current Empire Builder service. The proposed TCMC project would provide one additional daily round-trip run between Minneapolis and Chicago with intermediate stops in St. Paul, Red Wing, Winona, La Crosse, Tomah, Wisconsin Dells, Portage, Columbus, Milwaukee, Sturtevant and Glenview. Amtrak's long-distance Empire Builder service which operates between Chicago and Seattle and Portland, and provides one trip per day in each direction, currently uses the proposed TCMC corridor. Amtrak's Hiawatha Service also operates on this corridor between Milwaukee and Chicago.

13. The Minnesota Department of Transportation, in cooperation with DOT, recently completed a study on providing daily round trip service between Chicago, Milwaukee and the Twin Cities. The study reviewed ridership, revenue, train operation modeling, concept engineering, capital

cost and scoping for the TCMC. The next phase of the study will include completing the environmental review process, completing preliminary designs, and publishing a service development plan.

14. DOT has learned that it qualifies for a categorical exclusion for the TCMC project largely because the project would utilize existing track while building small-scale infrastructure including siding and signals. Categorical exclusions are projects that the FRA has determined, based on its experience, typically do not individually or cumulatively have a significant effect on the human environment and which generally do not require the preparation of either an environmental impact statement or an environmental assessment. Therefore, by avoiding a more in-depth environmental assessment, the TCMC project could avoid certain costs involved in a more detailed environmental analysis.

15. The construction and implementation of the TCMC project is currently estimated at $76 million. Federal grants could cover approximately 70% to 80% of the total cost. It is not yet known how much funding other states or Amtrak would contribute of the total amount. DOT currently estimates Wisconsin's total contribution to be roughly $12 million, $10.8 million of which could be funded under the Governor's recommendation.

16. Operating costs for the additional TCMC daily service are estimated at $5.5 million annually and would be split among Wisconsin and Minnesota and potentially Illinois. Amtrak estimates 155,000 riders would use TCMC in the first full year of service. Depending on a number of factors, the first full year of service is expected in 2023.

Hiawatha and TCMC Funding Options

17. Without state funding, DOT has stated that it would not be able to apply for federal funds to advance the implementation of increased daily train frequencies on the Hiawatha or TCMC corridor. According to DOT, additional state bonding authority would enable DOT to be ready for competitive federal funding opportunities, which include the following grant programs: CRISI, Infrastructure for Rebuilding America (INFRA), Better Utilizing Investments to Leverage Development (BUILD), and Federal-States Partnership for State of Good Repair.

18. According to the Department, the Hiawatha expansion project timeline depends on the timing of federal funding and when state matching funds are secured. Once DOT is awarded federal funding, final design would take approximately one year, and construction would take two years. DOT has stated that if the additional bonding authority is included in this upcoming budget, and there is a round of CRISI grants in the fall of 2019, that would mean completion of the project and start of service in early 2023. This schedule could be extended by a year or more depending on the timing of the federal funds.

19. Under current law, DOT may only proceed with a project that uses the bonds if the Joint Committee on Finance approves such use. Consequently, if the additional bonding is approved, the Committee would still have an additional opportunity to review any proposed project before DOT is allowed to issue the bonds.

20. Without completion of the infrastructure projects associated with the Hiawatha expansion project, DOT argues that both passenger and freight rail service in southeastern Wisconsin would be negatively impacted, and additional train frequencies could not be supported. Additionally, given the support for the Hiawatha expansion project from businesses in southeast Wisconsin and northern Illinois, as well as the large economic development projects occurring along the Hiawatha corridor, including the Foxconn development, the Committee may wish to approve the Governor's recommendation. [Alternative 1]

21. Planning for the TCMC project is ongoing. The service planning, and engineering are underway but at various levels of completion. Given the planning work that remains, and the fact that discretionary federal funding opportunities are highly competitive and not all projects are likely to be awarded during the first application cycle, a somewhat lower level of authorized bonding of $35 million could be provided in the biennium. This would allow DOT to show a state funding commitment for the estimated state costs ($30.9 million) on its federal applications and continue the planning process for the Hiawatha expansion project. This alternative would also provide DOT with some of the state match contingency funding outlined in the earlier table. [Alternative 2]

22. Given the current opposition in some northern Illinois communities to certain infrastructure improvement currently required to expand Hiawatha service to 10 daily round trips, the Committee may want to provide a lower amount of additional bonding authority that would still allow the Department to proceed with the TCMC project work. [Alternative 3]

23. When considering additional GPR supported bonding authority for increased passenger rail service, the Committee may want to consider the matter alongside the Governor's recommended 2019-21 state building program which is also supported with GPR bonding. Assuming that the Committee establishes a maximum amount of allowable GPR-borrowing for the building program, the Committee may decide that other state building projects have a higher priority than projects to expand passenger rail service. [Alternative 4]

ALTERNATIVES

1. Approve the Governor's recommendation to provide $45,000,000 in GPR-supported bonding authority for passenger rail service development. Once fully issued, the $45 million of GPR-supported bonding would have annual debt service payments of $3.6 million based on a flat, 20-year repayment schedule. In addition, provide $288,300 GPR in 2020-21 for debt service payments associated with the partial issuance of this $45,000,000 in bonds.

ALT 1	**Change to**	
	Base	**Bill**
GPR	$288,300	$0
BR - GPR	45,000,000	0
Total	$45,288,300	$0

2. Provide $35,000,000 in GPR-supported bonding authority for passenger rail service

development, which would be sufficient to fund the Hiawatha line service expansion project. Once fully issued, the $35 million of GPR-supported bonding would have annual debt service payments of $2.8 million based on a flat, 20-year repayment schedule. In addition, provide $224,200 GPR in 2020-21 for debt service payments associated with the partial issuance of this $35,000,000 in bonds.

ALT 2	Base	Change to Bill
GPR	$224,200	- $64,100
BR-GPR	35,000,000	- 10,000,000
Total	$35,224,200	- $10,064,100

3. Provide $12,000,000 in GPR-supported bonding authority for passenger rail service development, which would be sufficient to fund the TCMC service expansion project work. Once fully issued, the $12 million of GPR-supported bonding would have annual debt service payments of $1.0 million based on a flat, 20-year repayment schedule. In addition, provide $76,900 GPR in 2020-21 for debt service payments associated with the partial issuance of this $12,000,000 in bonds.

ALT 3	Base	Change to Bill
GPR	$76,900	- $211,400
BR-GPR	12,000,000	- 33,000,000
Total	$12,076,900	- $33,211,400

4. Take no action.

ALT 4	Base	Change to Bill
GPR	$0	- $288,300
BR-GPR	0	- 45,000,000
Total	$0	- $45,288,300

Prepared by: Ryan Horton

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May, 2019 | Joint Committee on Finance | Paper #724

Railroad Crossing and Repair
(Transportation -- Local Transportation Assistance)

[LFB 2019-21 Budget Summary: Page 418, #6]

CURRENT LAW

Under current law, any railroad company that receives notice from the Department of Transportation (DOT) to repair an at-grade crossing surface may file a claim for reimbursement with DOT for up to 85% of the eligible costs. The administration indicates that the recommendation would assist in addressing a backlog of projects eligible for funding through this program.

GOVERNOR

Increase funding by $465,300 SEG annually to fund railroad crossing and repair reimbursement claims. Along with base level funding of $234,700, this funding would provide a total $700,000 annually for rail crossing and repair reimbursement claims.

DISCUSSION POINTS

1. There are 291 at-grade crossings on U.S. highways and state highways in Wisconsin. The Department indicates that the expected useful life of at-grade crossing is 10 to 15 years. As a result, over time, an average of 20 to 30 crossings will need to be rebuilt each year.

2. In addition, there are about 3,700 railroad crossings under local jurisdiction for which no state funding is provided. On these crossings, the company owning the line is entirely responsible for the crossing-related maintenance costs.

3. Railroad companies have submitted 11 crossing projects for the 2019-20 and 2020-21 program application cycle (Attachment). Given the program's $234,700 annual funding level, DOT indicates that it has sufficient funding to cover one or two of these projects at the 85% of cost funding level. No projects have been submitted yet for 2020-21.

4. Rough or deficient railroad crossings can pose a serious safety and vehicle maintenance concern for drivers. Providing the recommended funding level would provide some additional assistance to railroad companies for improving the conditions on railroad crossings on the state's U.S. and state highway systems. [Alternative 1]

5. Although the recommendation would be used to improve road conditions for the driving public, some may contend that it is the responsibility of railroad companies to ensure the safety of the rail system's interface with highway facilities. Proponents of this position, and of maintaining the current program funding level, may observe that railroad companies are entirely responsible for maintaining crossings of roads under local jurisdiction. [Alternative 2]

6. Conversely, others may believe that providing some state assistance to railroad companies for this purpose provides an incentive for these companies to assess the conditions of these crossings more actively and to collaborate with DOT in their repair. Further, freight railroad companies currently pay an ad valorem (property) tax to the state, which is deposited in the transportation fund. For the 2019-21 biennium, revenues from this tax are estimated at $97.6 million. Total appropriations for freight rail-related programs in the biennium, including debt service on FRPP bonds, are estimated at $39.6 million. Therefore, taken as a whole, the freight rail industry pays more in taxes than the related state programs spend.

ALTERNATIVES

1. Increase funding by $465,300 SEG annually to fund railroad crossing and repair reimbursement claims. Along with base level funding of $234,700 SEG, this funding would provide a total $700,000 annually for rail crossing and repair reimbursement claims.

ALT 1	Change to Base	Change to Bill
SEG	$930,600	$0

2. Take no action.

ALT 2	Change to Base	Change to Bill
SEG	$0	- $930,600

Prepared by: John Wilson-Tepeli
Attachment

ATTACHMENT

Identified Railroad Crossing Repair and Replacement Projects

Location	County	Estimated Cost	Maximum State Match
STH 11 – Crossing #392 473J length 72 ft.	Green	$150,000	$127,500
STH 113 – Crossing #178076A length 64 ft.	Dane	140,000	119,000
STH 54 – Crossing #392710T length 65 ft.	Wood	90,000	76,500
STH 54 – Crossing # 693765M length 147 ft.	Portage	190,000	161,500
STH 73 – Crossing #392709Y 2 tracks length 50 ft.	Juneau	130,000	110,500
STH 73 – Crossing #392709Y 2 tracks length 50 ft.	Wood	130,000	110,500
STH 11 – Crossing #388003U, length 4 tracks length 63 ft.	Racine	350,000	297,500
STH 44 – Crossing #387487G, length 45 ft.	Fond du Lac	85,000	72,250
STH 80 – Crossing #391867V, 2 tracks, length 73 ft.	Grant	230,000	195,500
STH 78 – Crossing #391783A, 80 ft.	Dane	160,000	136,000
STH 26 – Crossing #387632D, 72 ft.	Dodge	150,000	127,500
STH 26 – Crossing #387053U, length 58 ft.	Dodge	140,000	119,000
STH 11 – Crossing 917706J, 54 ft.	Rock	130,000	110,500
Total		$2,075,000	$1,763,750

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May, 2019 | Joint Committee on Finance | Paper #725

Aeronautics Air Traffic Control System
(Transportation -- Local Transportation Assistance)

[LFB 2019-21 Budget Summary: Page 418, #7]

CURRENT LAW

The state's airport improvement program provides funding from state and federal sources for various types of airport projects at commercial and general aviation airports in the state. Within this program, the transportation fund-supported aeronautics assistance appropriation funds the state's share of the design and construction costs of airport improvement projects, which are primarily funded with federal (and local) funds.

While local governments are generally responsible for managing transportation projects funded under the other local assistance projects discussed above, projects funded in the airport improvement program are selected, designed, and managed by the state through the Department of Transportation's Bureau of Aeronautics (BOA). BOA works with airport owners (primarily local units of government) to define and prioritize airport needs, then manages the improvement project from planning through construction.

The base level funding for the aeronautics assistance program is $13,336,500 SEG and $56,156,000 FED annually. [The bill would also make standard budget adjustment reductions to these appropriations of $99,200 SEG annually and $30,200 FED annually.]

GOVERNOR

Increase funding by $1,000,000 SEG annually for the aeronautics assistance program to assist local airports in their conversion to "Next Generation Air Traffic Control Systems."

DISCUSSION POINTS

1. The aeronautics assistance appropriation funds the state's share of the design and construction costs of local airport improvement projects, as well as BOA staffing and administrative costs (typically in range of $2.5 million per year). As shown in the attachment to this paper, with the exception of onetime earmark funding, state aeronautics-related funding has been relatively constant over the past decade.

2. Eligible airport improvement projects under the aeronautics assistance program must be located at one of the 97 airports that are identified in the state's airport system plan, a list that includes both commercial carrier and cargo airports (eight) as well as general aviation airports (89). As with federal highway aid used in other local assistance programs, federal airport improvement aid generally requires a nonfederal match. The required non-federal match for primary commercial airports is generally 25%, while for smaller airports, the required match is generally between 5% and 10%.

3. In Wisconsin, the state's policy is to pay half of the required federal match and to require the local airport owner to pay the other half. Examples of eligible project types include runway and other airport pavements rehabilitation or replacement, airfield lighting, navigational aids, terminal buildings, air traffic control towers, snow removal and firefighting vehicles and related storage buildings, land acquisition, aircraft noise abatement, runway approach clearing and other safety initiatives.

4. The $1.0 million SEG annually recommended by the Governor would help fund the implementation of Next Generation (NextGen) Air Transportation System. DOT indicates that this funding would be used to make infrastructure improvements that permit the state’s large and medium general aviation airports to comply with NextGen's operational and technological standards. NextGen is a federal initiative led by the Federal Aviation Administration (FAA) and includes planning and implementation of new technologies (such as use of satellite-based technologies in place of radar), airspace procedures, and other airport modernization projects. A goal of NextGen is converting the nation's air traffic control system from a radar-based system with radio communication to a satellite-based system and to provide real time weather and traffic advisory information to properly equipped aircraft.

5. FAA plans to begin implementation of NextGen in 2020, with completion occurring in 2025. To meet this timetable, the Department requires a two to three-year window to assess state needs, complete surveys, project designs, bidding and construction of the improvements. DOT indicates if the Governor's recommended funding for this purpose is not provided, the state's implementation timeline would be delayed. Although the Department has not selected a specific list of projects toward which these funds would be applied, DOT indicates that programmed NextGen projects in the state would include costs related to surveys, planning, runway approach land acquisition, and runway approach clearing. While DOT has received federal funding for some navigation-related NextGen activities, no federal funds are available for these NextGen purposes. Further, if the Department is required to fund these NextGen project costs from its existing aeronautics budget, current airport improvement projects would have to compete these safety-related projects for funding. [Alternative 1]

6. The Governor's 2019-21 biennial recommendations would provide sufficient, estimated revenue to fund the increase for aeronautics assistance in the bill, as well other proposed, above-base budget state and local transportation programming. However, current law, transportation fund revenues available for above-base transportation programming are limited. Any decision to provide additional funding for aeronautic assistance would have to take into account the available balance in the transportation fund, as well as other transportation funding demands. Under current law revenues and base level appropriations, the 2019-21 biennium ending balance in the transportation fund is estimated as $82.1 million.

7. Under a limited transportation budget and competing transportation programming priorities, the Committee could decide to address only some of the identified funding needs related to NextGen by instead providing $500,000 annually at this time. [Alternative 2]

8. Given the existing demands for transportation funding in the Department's road-related programs, some may contend that no additional funding should be provided at this time. Further, in the 2017-19 biennium, aeronautical tax and fee revenue to the transportation fund is estimated at $18.1 million, whereas annual SEG appropriations for this program would total $28.6 million under the bill. Given that the amount appropriated exceeds the amount of transportation fund revenue generated directly from aeronautical taxes and fees, and that the state's transportation fund is often conceived of as a "user fee" system, some may argue that no additional funds should be provided. Conversely, the state's aeronautics system generates other economic and tax revenue benefits to the state that are not captured in terms of their direct effect on transportation fund collections. [Alternative 3]

ALTERNATIVES

1. Approve the Governor's recommendation and increase funding by $1,000,000 SEG annually for the aeronautics assistance program to assist local airports in their conversion to "Next Generation Air Traffic Control Systems."

ALT 1	**Change to**	
	Base	**Bill**
SEG	$2,000,000	$0

2. Provide $500,000 SEG annually for the aeronautics assistance program to assist local airports in their conversion to "Next Generation Air Traffic Control Systems."

ALT 2	**Change to**	
	Base	**Bill**
SEG	$1,000,000	$0

3. Take no action.

ALT 3		Change to
	Base	**Bill**
SEG	$0	- $2,000,000

Prepared by: John Wilson-Tepeli
Attachment

ATTACHMENT

State and Federal Aeronautics-Related Funding
($ in Millions)

Year	Aeronautics Assistance (SEG)	Aviation Education (SEG)	Federal Grants	Total
2008-09	$13.2	$0.2	$60.9	$74.3
2009-10	13.2	0.2	91.3*	104.7
2010-11	8.2**	0.2	63.4	71.8
2011-12	13.1	0.2	52.0	65.3
2012-13	13.1	0.2	82.6	95.9
2013-14	13.1	0.2	51.9	65.2
2014-15	13.1	0.2	62.6	75.9
2015-16	13.3	0.2	41.5	55.0
2016-17	13.3	0.2	47.8	61.3
2017-18	18.9***	0.2	63.0	82.1

* Includes $22.5 million associated with the American Recovery and Reinvestment Act of 2009.
** Reflects appropriation reduction plan adjustment.
*** Includes $5.7 million in one-time funding for two airport improvement project earmarks.

Bureau of Aeronautics Expenditures
($ in Millions)

Year	Bureau Expenditures
2008-09	$2.2
2009-10	2.0
2010-11	2.4
2011-12	2.3
2012-13	2.3
2013-14	2.5
2014-15	2.5
2015-16	2.4
2016-17	2.4
2017-18	2.5

TRANSPORTATION

Local Transportation Assistance

LFB Summary Items Removed From Budget Consideration

Item #	Title
8	Repeal Prohibition of Condemnation Authority for Recreational and Pedestrian Trails
9	Repeal 2017 Act 368 Local Transportation Project Provisions