



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #788

Major Interstate Bridge Program -- Blatnik Bridge Reconstruction (Transportation -- State Highway Program)

[LFB 2023-25 Budget Summary: Page 646, #5]

CURRENT LAW

The major interstate bridge program provides funding for projects that construct or reconstruct a state highway bridge crossing a river that forms the boundary of the state, for which the state's share of costs is estimated to exceed \$100 million. The St. Croix Crossing project, which replaced a bridge connecting Stillwater, Minnesota with Houlton, Wisconsin, is the only project that has been completed under the program. The project was completed in 2017 for a total cost of \$693.6 million, which was shared between the Minnesota and Wisconsin Departments of Transportation.

DISCUSSION POINTS

1. The Wisconsin Department of Transportation (DOT) indicates that a project to reconstruct the John A. Blatnik Bridge, which spans approximately 1.5 miles over the St. Louis Bay between the cities of Superior, Wisconsin and Duluth, Minnesota is the next project that would likely need to be funded from the major interstate bridge program. The Department indicates that the bridge serves as a local, regional, and international connection for vehicle traffic between Minnesota and Wisconsin, and carries approximately 33,000 vehicles per day, including higher volumes of traffic during summer months. The bridge also carries billions of dollars in freight each year, and serves as a key freight corridor for the twin ports of Duluth and Superior, which are the largest ports on the Great Lakes and serve a range of industries including agriculture, forestry, mining, and manufacturing.

2. The bridge was constructed in 1961, and the Department indicates that it is near the end of its useful life due primarily to the significant truss deterioration. This has led to the recent

introduction of a 40 ton weight restriction that prevents oversize vehicles from driving on the bridge, and has also caused Minnesota DOT to designate the bridge as high risk for service interruption in its statewide bridge inventory. In addition, lane closures, which cause delays for road users, are now regularly required due to annual safety inspections, regular maintenance that occurs up to three times a year, and reactionary structural repairs that are required approximately once every four years. The bridge, approaches, and primary access interchanges experience high crash rates and heavy congestion, especially during peak periods. In particular, the current interchanges on the Wisconsin side of the bridge experience safety and congestion issues, as they include tight curves, steep grades, and a short transition from high speed freeway to local roads.

3. The Department reports that costs for the routine maintenance and inspection of the bridge have averaged approximately \$200,000 annually over the past ten years. In addition, several larger structural repairs have been needed in recent years to keep the bridge open. In 2008, emergency repairs were required on the bridge's truss span. In 2012, several repairs on the bridge were carried out on the bridge for a total cost of \$13.0 million. In 2015 and 2016, additional repairs to the bridge's gusset plates and floor trusses were completed for a total cost of \$9.1 million. The bridge is expected to continue deteriorating in future years, and has been assigned an estimated closure date of 2030. The Department indicates that short-term repairs are no longer a viable management strategy for the bridge, and that the repairs that would be needed to keep the bridge in service beyond 2030 would cost several hundred million dollars, while not permanently addressing the bridge's structural issues.

4. The Minnesota and Wisconsin DOT's have initiated design and planning work for a project to replace the bridge, with Minnesota DOT serving as the lead agency for the project. Wisconsin DOT also indicates that it may complete improvement on related roadways and interchanges on the Wisconsin side of the bridge in conjunction with the project. The Departments have completed preliminary planning work for the project including completion of a purpose and need statement, holding public involvement meetings, and publishing a technical memo detailing a range of alternatives for the project. In addition, the Departments indicate that they have narrowed the project scope to two bridge alignment options and one interchange option. The next step for the project will be the completion of an environmental assessment, which is required as part of the federal approval process, and could also lead to the selection of a preferred alternative for the project. The Department's current project schedule estimates that the design phase will conclude in 2026, and that construction will begin in early 2027 and take between four and six years. However, the Department also believes that the construction phase could begin as early as 2026 if alternative delivery method is selected and a sufficient level of funding is available.

5. The Departments' preliminary estimate of the cost of the project is \$1.8 billion, including approximately \$1.5 billion in construction costs, which would be split between the two states. However, the Departments have submitted a joint grant application for \$883 million from the federal Bridge Investment Program (BIP), which would cover approximately half of the total cost of the project. The BIP was introduced by the federal Infrastructure and Jobs Act in 2021, and will provide an estimated \$15.5 billion nationwide between 2022 and 2026 for projects to improve bridges. The program includes designated grant funds for large bridges, defined as bridge projects with a total cost greater than \$100 million. In January, 2023, the first round of BIP large bridge grants were announced, including an award of \$1.385 billion to reconstruct the Brent Spence Bridge between Cincinnati, Ohio

and Covington, Kentucky. Wisconsin DOT indicates that it expects the Blatnik Bridge project to be competitive in future rounds of the BIP, but also indicates that the project may not be eligible for a federal grant until additional planning and design work is completed, including a federal environmental assessment, as mentioned previously.

6. In addition to the BIP, Wisconsin DOT received \$7.5 million for the project in congressionally-directed funding from the federal Consolidated Appropriations Act, 2023, which was enacted in December, 2022. Using the \$1.8 estimated cost for the project, if the project were to receive the requested \$883 million federal BIP grant, Wisconsin's estimated remaining costs for the project would be \$451 million. If the project does not receive a federal grant, Wisconsin's total estimated remaining costs for the bridge would be \$892.5 million. These cost estimates would make the Blatnik Bridge project one of the largest highway projects completed in the state, compared with previously-funded highway projects costing more than \$1 billion such as: (a) the Interstate 94 North-South reconstruction project from the Milwaukee area to Illinois; (b) the Zoo Interchange reconstruction project in Milwaukee; (c) the Interstate 39/90 expansion project from the Madison area to Illinois; and (d) the current I-41 reconstruction project between Appleton and De Pere. Typically, the primary appropriation of funding for these projects have been made over two or three biennia when the bulk of construction work occurred. For example, \$517.0 million was budgeted for the I-94 North-South project in the 2009-11 biennium, while over \$400.0 million was budgeted for the Zoo Interchange in both the 2013-15 and 2015-17 biennia. DOT also anticipates over \$650.0 million in project expenditures for the enumerated Interstate 41 major highway development project from Appleton to De Pere in the 2025-27 biennium. Given preliminary estimates for the cost and timeline of the Blatnik Bridge project, expenditures of this magnitude could be needed in the 2025-27 or 2027-29 biennia for the construction of the bridge, particularly if the state does not receive a federal BIP grant award for the project.

7. The Department traditionally utilizes bonding to provide revenues for some of its transportation programs, and typically pays the debt service costs associated with these bonds over a 20-year period. Borrowing for transportation projects carries several advantages. Because bonding spreads the costs of a project over its useful life, it allows future users to share in the cost of the project, and it also reduces the need to raise taxes or reduce expenditures in order to cash-finance large projects all at once. However, the disadvantages of bonding include the additional cost of interest payments, and the commitment of future revenues to ongoing debt service expenses. To avoid an unsustainable level of debt service costs in the transportation fund, Department has traditionally targeted amounts of bonding that would correspond to a "healthy" level of debt service costs. Table 1 provides a comparison of debt service costs and gross revenue for the transportation fund over the past 15 years.

TABLE 1

**Annual Growth in Gross Transportation Fund Revenue
(Excluding Federal Aid, Bond Revenue, and Transfers from Other Funds)
and Transportation Fund-Supported Debt Service
(\$ in Millions)**

<u>Fiscal Year</u>	<u>Gross Transportation Revenue</u>	<u>Transportation Debt Service*</u>	<u>Debt Service as a % of Revenue</u>
2007-08	\$1,661.0	\$187.5	11.3%
2008-09	1,687.3	191.0	11.3
2009-10	1,697.9	184.8	10.9
2010-11	1,715.9	197.2	11.5
2011-12	1,743.9	240.7	13.8
2012-13	1,720.3	259.5	15.1
2013-14	1,784.6	294.2	16.5
2014-15	1,808.4	314.4	17.4
2015-16	1,867.4	340.8	18.2
2016-17	1,870.7	356.2	19.0
2017-18	1,916.5	357.6	18.7
2018-19	1,912.6	362.3	18.9
2019-20	2,006.2*	371.1	18.5
2020-21	2,101.2*	361.8	17.2
2021-22	2,159.2	358.4	16.6

* Does not reflect general fund-supported debt service on bonds authorized and issued for transportation purposes.

**Vehicle title fees and certain vehicle registration fees were increased effective on October 1, 2019.

8. As shown in Table 1, annual debt service has exceeded the 10% debt service goal for each year shown. However, debt service as a percentage of revenue peaked in 2016-17 and has been declining more recently, primarily due to: (a) the introduction of additional revenue sources for the transportation fund, such as an increase to registration and title fees in the 2019-21 budget; and (b) the conclusion of large projects such as the Interstate 94 North-South and Zoo Interchange reconstruction projects, which has reduced the need for new bonding. While DOT's debt service obligations are moderating, large upcoming projects such as the Blatnik Bridge and Interstate 94 East-West reconstruction projects may introduce new demand for bonding and cause the transportation debt service to revenue ratio to begin increasing again.

9. Assembly Bill 43/Senate Bill 70 (AB 43/SB 70) would authorize \$47,200,000 in transportation fund-supported, general obligation bonding authority under the major interstate bridge program for the Blatnik Bridge reconstruction project. The Department indicates that the funds would be used for Wisconsin's share of preliminary project work such as right-of-way acquisitions, utilities

work, and project design. The recommended funding would also ensure that the project could remain eligible for federal BIL funds before the BIP concludes in 2026, and would allow the Department to maintain its estimated timeline for project construction. Debt service estimates included in the bill do not anticipate the issuance any portion of these bonds in the 2023-25 biennium. However, the bill would make bond revenues available for the project in case they would be needed. Once fully-issued, the cumulative estimated debt service payments on these bonds, which are typically paid over a 20-year period, would be \$75.7 million, or an average of \$3.8 million SEG per year, to be paid from the transportation fund. Additional funds would also be needed in future biennia for the construction phase of the project. [Alternative 1]

10. Use of transportation fund-supported bonds to fund the Blatnik Bridge project would add a long-term SEG expenditure to the transportation fund, which has limited revenues available and significant demands related to transportation projects and infrastructure. Conversely, the general fund has large one-time revenues available. If concerns exist regarding funding demands on the transportation fund, the Committee could instead choose to provide \$47,200,000 GPR in 2023-24 for the Blatnik Bridge project. This would also require that a continuing GPR appropriation be created for the major interstate bridge program in order to expend these funds. [Alternative 2]

11. As mentioned previously, Wisconsin's estimated costs for the Blatnik Bridge project could exceed \$450 million with approval of a federal BIP grant, while costs could exceed \$880 million if a grant were not provided. Given the availability of large, one-time revenues in the general fund for the 2023-25 biennium, the Committee could choose to provide \$100,000,000 GPR for the project, which could be used to fund the preliminary work recommended under AB 43/SB 70, and also make additional funding available for construction costs for the project in future biennia. This could also limit the need for future transportation fund-supported bonding for the project. [Alternative 3]

12. GPR-supported bonds have been used to fund state highway improvement program costs in the past. Base level annual GPR debt service on bond issues to date for the state highway improvement program is \$87.6 million in 2023-25. Use of \$47.2 million in GPR-supported bonds for the Blatnik Bridge project could be another strategy to provide the needed funding to the project, while limiting transportation fund expenditures. This alternative would introduce ongoing debt service payments from the general fund, which could be funded with the state's ongoing general fund surplus. This would require the creation of a new GPR-supported, general obligation bonding authorization for the major interstate bridge program, amending an existing GPR debt service appropriation to refer to the new bonding authorization, and authorize of \$47,200,000 in GPR-supported, general obligation bonds. [Alternative 4]

13. Given the high estimated cost of reconstructing the Blatnik Bridge, the limited availability of revenue in the transportation fund, and the estimate under the bill that no bonds would be issued for the project in the 2023-25 biennium, the Committee could choose not to provide funding for the project at this time. DOT indicates that it would be able to fund preliminary design costs for major interstate bridge projects from its state highway rehabilitation program under current law. However, the Department notes that if funding for the project were not approved in 2023-25, the project would not be able to progress beyond the preliminary design phase in the biennium. This could lead to delays in the project schedule, and ultimately cause the project to lose eligibility for a federal BIP grant. If the project were delayed and does not receive federal grant funds, the state's cost share

for an eventual replacement of the bridge could rise by hundreds of millions of dollars. Alternatively, if bridge is not replaced, existing crash and congestion issues on the bridge would continue, the bridge would continue to be at high risk for unintended service disruption, and emergency repairs beyond 2030 could cost hundreds of millions of dollars. [Alternative 5]

ALTERNATIVES

1. Authorize \$47,200,000 in transportation fund-supported, general obligation bonding authority for the major interstate bridge program for reconstruction of the Blatnik Bridge between Superior and Duluth, Minnesota.

ALT 1	Change to Base
BR-SEG	\$47,200,000

2. Provide \$47,200,000 GPR for the major interstate bridge program for reconstruction of the Blatnik Bridge. Create a continuing GPR appropriation for the major interstate bridge program to expend the funds.

ALT 2	Change to Base
GPR	\$47,200,000

3. Provide \$100,000,000 GPR for the major interstate bridge program for reconstruction of the Blatnik Bridge. Create a continuing GPR appropriation for the major interstate bridge program to expend the funds.

ALT 3	Change to Base
GPR	\$100,000,000

4. Create a new GPR-supported general obligation bonding authorization for the major interstate bridge program, and authorize \$47,200,000 in GPR-supported, general obligation bonds. Amend an existing GPR debt service appropriation to refer to the newly-created bonding authorization.

ALT 4	Change to Base
BR-GPR	\$47,200,000

5. Take no action.

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