



Legislative Fiscal Bureau

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May 12, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Governor's Section 13.10 Request for Use of Federal Economic Stimulus Funding for
Local Transportation Projects

REQUEST

The Governor requests approval of \$44,489,300 received under transportation provisions of the federal American Recovery and Reinvestment Act of 2009 for 32 local transportation projects with a proposed letting date in June or July. The specific projects are shown below, separated by projects with a proposed letting date in June, and those with a July letting date.

Proposed Local Transportation Projects with June Lets

<u>Unit of Government</u>	<u>County</u>	<u>Project</u>	<u>Type</u>
Clark County*	Clark	CTH OO - Black River Bridge	Bridge
Green Lake County	Green Lake	CTH A	Highway
Lincoln County*	Lincoln	CTH CC	Highway
Marathon County	Marathon	Badger Road - Eau Claire River Bridge	Bridge
Marathon County	Marathon	Huckleberry Road - Fenwood Creek Bridge	Bridge
Outagamie County	Outagamie	Weyers Road Bridge	Bridge
Portage County	Portage	CTH W	Highway
Rock County *	Rock	CTH H - Raccoon Creek Bridge	Bridge
Wood County	Wood	CTH A	Highway
City of Marshfield	Wood	Lincoln Avenue	Highway

Proposed Local Transportation Projects with July Lets

<u>Unit of Government</u>	<u>County</u>	<u>Project</u>	<u>Type</u>
Adams County*	Adams	CTH Z	Highway
Barron County*	Barron	Town Road Pokegema Creek Bridge	Bridge
Florence County*	Florence	CTH U	Highway
Fond du Lac County	Fond du Lac	Kiel Road Bridge	Bridge
Sokaogon Chippewa*	Forest	Mole Lake Multi-Use Trail	Enhancements
City of Wausau	Marathon	South 17th Street	Highway
Village of Weston	Marathon	Ross Avenue	Highway
Marinette County*	Marinette	CTH T	Highway
City of Milwaukee	Milwaukee	West Lisbon Avenue	Highway
City of Milwaukee	Milwaukee	West Oklahoma Avenue	Highway
City of Milwaukee	Milwaukee	West State Street	Highway
Monroe County*	Monroe	CTH O	Highway
Portage County	Portage	CTH D	Highway
City of Janesville*	Rock	Blackbridge Road	Highway
City of Janesville*	Rock	East Milwaukee Street	Highway
City of Janesville*	Rock	Kellogg Avenue	Highway
City of Janesville*	Rock	Mount Zion Avenue	Highway
City of Janesville*	Rock	North Oakhill Avenue	Highway
Taylor County	Taylor	CTH A - Pine Creek Bridge	Bridge
Wisconsin DNR*	Vilas	Trout Lake Bicycle Trail	Enhancements
City of Clintonville	Waupaca	North 12th Street	Highway
Waupaca County	Waupaca	CTH Q - Waupaca River Bridge	Bridge

* Project is in a county that currently meets the federal definition of economically distressed area.

The total estimated cost of the June projects is \$16,356,500, while the estimated cost of the July projects is \$28,132,800. The Department of Transportation has asked that estimates of the individual cost of the projects be kept confidential to avoid adversely affecting the bidding process.

BACKGROUND

The State of Wisconsin will receive a total of \$529.1 million in funds under the highway formula component of the American Recovery and Reinvestment Act of 2009 (federal economic stimulus act). Of this amount, the Department has established a policy of making \$158.7 million available for local highway and bridge projects, and the federal act requires a set-aside of \$15.9 million for transportation enhancements projects. Of the set-aside for local highway and bridge projects, \$38.7 million is reserved for projects in the Milwaukee urbanized area, \$9.8 million is reserved for projects in the Madison urbanized area, and \$0.6 million is reserved for the portion of the Round Lake Beach, Illinois, urbanized area that lies in western Kenosha County. These amounts are determined under a federal formula for areas with a population exceeding 200,000. Federal transportation law requires that the metropolitan planning organization (MPO) for each of these areas must approve any use of federal funding within those areas.

The federal economic stimulus act requires that, in selecting projects for use of stimulus funds, states should give priority to projects that can be completed within three years and that are located in economically distressed areas, as defined under federal law.

On March 17, 2009, the Committee approved an earlier request for the use of \$42.5 million in economic stimulus funding for 49 local projects with letting dates in April, May, and June.

At the time that the earlier request was submitted, the Department of Transportation indicated that local governments had been given a deadline of April 7 to submit applications for highway, bridge, and transportation enhancements projects to use the remaining stimulus funding. The projects included in the Governor's present request are all projects that were determined to be eligible for federal funding and that could be constructed in calendar year 2009.

The Department indicates that in order to move forward with the projects scheduled for a June letting, the Committee's approval is required by Tuesday, May 12. The other projects are included in the request so that the Department can proceed with the preparation for those projects. At this time, the Department believes that any subsequent local transportation projects using federal stimulus funding will be constructed in 2010. The Department has asked counties and metropolitan planning organizations to prioritize remaining projects and indicates that funding for subsequent project awards will be based on those prioritizations.

ANALYSIS

By the April 7 deadline that DOT had established for receiving requests for local stimulus projects, the Department had received requests for 774 eligible highway and bridge construction or design projects with a total estimated cost of \$658.2 million, and for 135 eligible transportation enhancements projects with an estimated cost of \$102.3 million. These requested amounts far exceed the amount of stimulus funding available for local projects.

The following table shows the amount of stimulus funds available in each local project category, the amount approved by the Committee at its March 17 meeting, the amount remaining in each category following that approval, the additional amount requested by category in the current request, and the amount that would remain if the request is approved. In some cases, the amounts are not shown in the table to avoid divulging the estimated cost of single projects that have not yet had a bid letting.

Stimulus Funding Set-Asides Available and Remaining, by Category
(\$ in Millions)

<u>Set-Aside Category</u>	<u>Initial Set-Aside</u>	<u>March 17 Approval***</u>	<u>Current Amount Remaining</u>	<u>Additional Request</u>	<u>Amount Remaining If Approved</u>
Large Urbanized Areas					
Milwaukee*	\$38.7	\$4.7	\$34.0	\$7.8	\$26.3
Madison**	9.8	--	--	--	--
Round Lake Beach	0.6	0.0	0.6	0.0	0.6
Other Local Governments	109.7	30.1	79.6	35.8	43.7
Transportation Enhancements**	15.9	--	--	--	--

[Note: Totals do not add due to rounding.]

* Initially, some projects within the Milwaukee urbanized area approved by the Committee on March 17 were not approved by the MPO. One of these projects has subsequently been awarded funding from outside the Milwaukee urbanized area set-aside and the others have been approved. The amounts in the table have been modified to reflect this adjustment.

** For both the Madison urbanized area and transportation enhancements categories, the Committee approved a single project at its March 17 meeting, neither of which has been let for bidding. In order to avoid publicizing an estimated cost for these single projects, neither the amounts approved by the Committee nor the remaining totals are shown.

*** One project in Washington County approved by the Committee on March 17 has not been approved by the Milwaukee urbanized area MPO, and so is not reflected in the table.

The projects included in the Governor's request were chosen because it was determined that they could be constructed in 2009. In advancing these projects, the Department has emphasized the importance of creating highway construction jobs as soon as possible, consistent with a key goal of the stimulus act. However, although the federal stimulus act requires a certain percentage of the funds to be obligated within 120 days of distribution, the state will meet that requirement with the state and local projects that have already been approved. Consequently, the emphasis placed on the prompt use of stimulus funds is not strictly required, and means that these projects, if approved, would not have to be evaluated alongside other potential projects on any other selection criteria. In other words, other potential projects would be at a relative disadvantage, not because they are determined to be of lower priority, but only because they happen to be at a different stage in the project development process.

If the Committee determines that the projects included in the Governor's request should be required to compete for funding with other projects for which the Department has received applications, the Committee could deny the Governor's request. This would mean that these projects would not be constructed in 2009, unless approved as part of a subsequent request within a time frame that allows them to proceed this year.

Another alternative would be for the Committee to approve the funding for the projects to be let in June, since these projects need immediate approval to proceed on schedule. If the Committee

denies the request or approves only the June projects at this time, it could direct the Governor to resubmit a request for other 2009 projects for letting in subsequent months only if it is determined that those projects would be selected even if they had to compete against other projects for which the Department has received applications.

Although requiring the 2009 proposed projects to compete for funding with other projects that would not be ready for construction until 2010 may be seen by some as a more equitable approach, a counter point could be made that the primary purpose of the federal stimulus act is to expeditiously increase construction employment. In other words, the stimulus act, as a one-time infusion of transportation funding, may have an auxiliary benefit of helping certain local governments complete projects, but is not intended to fundamentally address state or local transportation infrastructure deficiencies. Any distribution of these funds, therefore, will leave many deserving projects unfunded, while others will be fully funded.

One alternative that would advance the goal of increasing construction employment, but also create a system for awarding projects that takes into account a measure of local commitment, would be to direct the Department to require a local match of at least 20% for the use of the funds. If this requirement were established, some local governments may choose not to accept federal funding, which may limit the number of remaining applications to those that are considered to be a high local priority. This may be useful considering that, in total, the Department received eligible project requests representing over five times the level of available funding. It would also have the benefit of increasing the total number of local projects completed with federal stimulus money, since only 80% of the cost would be covered with federal funds. This would increase the overall employment gain from the stimulus funding. This alternative could be adopted with respect to the projects included in the Governor's request and all subsequent projects, or only for subsequent projects.

While requiring a local match may increase local commitment to the selected projects and help ensure that only those projects that local governments regard as a high priority are awarded funds, it may run counter to other goals of the stimulus act. Specifically, the act requires projects that are in economically distressed areas to be given special consideration. However, local governments in economically distressed areas may be less able to commit funding for the local match. Therefore, an alternative would be to require any local match to federal stimulus funds to be waived if a project is in an economically distressed area.

ALTERNATIVES

1. Approve one or both of the following parts of the Governor's request:
 - a. A request to use \$16,356,500 in federal economic stimulus funds for 10 local projects scheduled for letting in June.
 - b. A request to use \$28,132,800 in federal economic stimulus funds for 22 local projects scheduled for letting in July.

2. Direct the Governor to resubmit a request for 2009 projects only if it is determined that those projects would be selected even if they had to compete against other projects for which the Department has received applications, based on selection criteria other than their readiness status. [This alternative could be adopted if the Committee adopts Alternative #1a, but not #1b, or if the Committee denies the request, Alternative #4.]

3. Direct the Department of Transportation to require a local match of at least 20% for the use of economic stimulus funds for one or more of the following set of projects:

- a. those approved under Alternative #1;
- b. those approved under Alternative #1 that are not in an economically distressed area;
- c. those approved subsequent to the projects approved under Alternative #1; and/or
- d. those approved subsequent to the projects approved under Alternative #1 that are not in an economically distressed area.

4. Deny the request.

Prepared by: Jon Dyck