



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #760

State Highway Rehabilitation, Major Highway Development, and Highway Program Delivery Budget (DOT -- State Highway Program)

[LFB 2003-05 Budget Summary: Page 423, #1; Page 425, #3; and Page 427, #6]

CURRENT LAW

The state highway program can be divided into four principal components: (a) state highway rehabilitation; (b) major highway development; (c) southeast Wisconsin freeway rehabilitation; and (d) state highway maintenance and traffic operations. This paper discusses the state highway rehabilitation and major highway development programs. The state highway rehabilitation program is responsible for the reconstruction, reconditioning, and resurfacing of state highways and bridges, except for the highways and bridges on southeast Wisconsin freeways, which are the responsibility of the southeast Wisconsin freeway rehabilitation program. The major highway development program is responsible for the construction of new highways or the expansion of existing highways, except for those on the southeast Wisconsin freeway system. Major highway development projects, which must be enumerated in statutes prior to construction, are defined as projects that have an estimated cost exceeding \$5,000,000 in current dollars and consist of at least one of the following: (a) construction of a new highway of 2.5 miles or more in length; (b) relocation of 2.5 miles or more of existing roadway; (c) the addition of one or more lanes at least five miles in length; or (d) the improvement of 10 miles or more of an existing divided highway to freeway standards.

The base budget for the state highway rehabilitation program is \$556,025,100 (\$251,979,800 SEG and \$304,045,300 FED). The base budget for the major highway development program is \$241,651,000 (\$53,563,400 SEG, \$57,948,500 FED, and \$130,139,100 in revenue bond proceeds, which is designated as SEG-S).

GOVERNOR

Major Highway Development Funding. Reduce funding for the major highway development program by a total of \$20,707,300 in 2003-04 and \$16,740,400 in 2004-05, which is the net effect of the following funding changes: (a) a reduction of \$34,648,100 SEG in 2003-04 and \$18,072,400 SEG in 2004-05; (b) a reduction of \$29,215,500 FED in 2003-04 and \$26,750,100 FED in 2004-05; and (c) an increase in the use of revenue bond proceeds of \$43,156,300 SEG-S in 2003-04 and \$28,082,100 SEG-S in 2004-05.

State Highway Rehabilitation Funding. Reduce funding for the state highway rehabilitation program by a total of \$97,054,700 in 2003-04 and \$60,036,900 in 2004-05, which is the net effect of the following funding changes: (a) a reduction of \$206,056,800 SEG in 2003-04 and \$163,366,200 SEG in 2004-05; (b) a reduction of \$38,705,900 FED in 2003-04 and \$24,806,400 FED in 2004-05; and (c) the provision of transportation revenue bond proceeds in a newly-created bond appropriation for state highway rehabilitation of \$147,708,000 SEG-S in 2003-04 and \$128,135,700 SEG-S in 2004-05.

Create a continuing appropriation for the expenditure of revenue bond proceeds for state highway rehabilitation projects. Specify that revenue bond proceeds may be used for state highway rehabilitation projects and include such projects in a list of purposes for which the Building Commission may issue revenue obligations. Modify appropriations for the temporary financing (prior to reimbursement with bond proceeds) and revenue obligation funding of major highway development projects and transportation administrative facilities to specify that these appropriations also apply to the management of revenue bond financing for state highway rehabilitation projects. Include the appropriation for revenue obligation funding in a list of appropriations from which the reconditioning, reconstruction, and resurfacing of highways shall be funded.

Highway Program Project Delivery Base Budget Reductions. Reduce funding in the state highway rehabilitation and major highway development programs by a total of \$5,993,100 SEG in 2003-04 and \$6,624,900 SEG in 2004-05 to reflect reductions in the budgets for hiring consultants, for services such as design engineering and project management, and for limited-term employee (LTE) staff.

DISCUSSION POINTS

1. This paper addresses several issues related to the funding of the state highway rehabilitation and major highway development programs, as well as the budget for administrative functions ("delivery") of these programs. The purpose of treating these issues together is to allow for a more comprehensive consideration of the funding issues. Some legislators have expressed an interest in restoring part or all of the funding for these programs. The information provided here may help facilitate those decisions. Any decision to restore funding for the programs, however, would need to be made in the context of an overall consideration of available transportation

revenues.

2. The Governor's bill would make several changes to the SEG, FED, and SEG-S (bonding) funding for the state highway rehabilitation and major highway development programs. The following table shows the proposed funding changes to these programs. The funding changes are the net effect of several decision items, including the decision to reduce funding for highway construction projects, the decision to reduce funding and positions for administrative functions in both programs, and other, smaller changes, such as standard budget adjustments.

	<u>2002-03 Base</u>	<u>Proposed Funding Change</u>		<u>Total Proposed Funding</u>	
		<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>
State Highway Rehabilitation					
SEG	\$251,979,800	-\$211,170,200	-\$169,095,600	\$40,809,600	\$82,884,200
FED	304,045,300	-38,705,900	-24,806,400	265,339,400	279,238,900
Bonding	<u>0</u>	<u>147,708,000</u>	<u>128,135,700</u>	<u>147,708,000</u>	<u>128,135,700</u>
Total	\$556,025,100	-\$102,168,100	-\$65,766,300	\$453,857,000	\$490,258,800
Major Highway Development					
SEG	\$53,563,400	-\$36,891,800	-\$20,612,500	\$16,671,600	\$32,950,900
FED	57,948,500	-29,215,500	-26,750,100	28,733,000	31,198,400
Bonding	<u>130,139,100</u>	<u>43,156,300</u>	<u>28,082,100</u>	<u>173,295,400</u>	<u>158,221,200</u>
Total	\$241,651,000	-\$22,951,000	-\$19,280,500	\$218,700,000	\$222,370,500
Total of Both Programs					
SEG	\$305,543,200	-\$248,062,000	-\$189,708,100	\$57,481,200	\$115,835,100
FED	361,993,800	-67,921,400	-51,556,500	294,072,400	310,437,300
Bonding	<u>130,139,100</u>	<u>190,864,300</u>	<u>156,217,800</u>	<u>321,003,400</u>	<u>286,356,900</u>
Total	\$797,676,100	-\$125,119,100	-\$85,046,800	\$672,557,000	\$712,629,300

3. The SEG funding for these programs would be reduced as part of an initiative to appropriate transportation fund moneys for the shared revenue program and K-12 equalization aids. In addition, SEG funding for the administrative functions of these programs would be reduced as part of an initiative to generate savings of \$15,000,000 annually from transportation fund appropriations in order to allow this amount to be transferred to the general fund. The following table shows the total use of transportation funds under the bill to support the general fund.

	<u>2003-04</u>	<u>2004-05</u>	<u>Biennial Total</u>
Transfer to General Fund	\$15,000,000	\$15,000,000	\$30,000,000
Shared Revenue Payments	230,000,000	170,000,000	400,000,000
K-12 Equalization Aid Payments	40,000,000	60,000,000	100,000,000
Car-Kill Deer (DNR)	<u>402,100</u>	<u>414,600</u>	<u>816,700</u>
Total	\$285,402,100	\$245,414,600	\$530,816,700

4. Although the total amount of the fund transfers and new transportation fund

appropriations would be \$285,402,100 in 2003-04 and \$245,414,600 in 2004-05, the bill would reduce SEG funding for the two state highway programs by less than these amounts. Total SEG reductions for the state highway rehabilitation and major highway development programs would be \$248,062,000 in 2003-04 and \$189,708,100 in 2004-05, which is less than the total use of transportation funds to support the general fund by \$37,340,100 in 2003-04 and \$55,706,500 in 2004-05. Consequently, although the SEG reductions to the state highway rehabilitation and major highway development program can account for a large portion of the reductions that allow the use of transportation fund dollars on non-DOT programs, other transportation program decisions also have a bearing on the fund transfers and new SEG appropriations. For instance, SEG funding for the southeast Wisconsin freeway rehabilitation program would be reduced by \$32,283,700 in 2003-04 and \$40,207,900 in 2004-05 and estimated transportation fund revenue would be increased by \$24,558,100 in 2003-04 and \$49,924,500 in 2004-05 due to \$10 increases in the automobile registration fee and the vehicle title fee. The \$15,000,000 annual fund transfer is accomplished by making program and administrative funding reductions across several DOT programs, including the highway program.

5. In addition to the reductions in SEG funding for the two highway construction programs, FED funding would also be reduced by a total of \$67,921,400 in 2003-04 and \$51,556,500 in 2004-05. The bill estimates that total federal highway aid will decline, relative to the amount appropriated in the base year, by \$65,199,900 in 2003-04 and \$39,899,900 in 2004-05. While the total amount of federal highway aid received by the state is estimated to decrease, under the bill, relative to the base, by 11.5% and 7.0%, respectively, federal funding in the two highway programs would decrease, relative to the combined base, by 18.8% in 2003-04 and 14.2% in 2004-05. In contrast, federal funding provided for the southeast Wisconsin freeway rehabilitation program (for the Marquette Interchange reconstruction project) would be increased under the bill by \$16,249,800 in 2003-04 and \$24,174,000 in 2004-05. The combined impact of the FED decreases to the state highway rehabilitation and major highway development programs and the FED increases to the southeast Wisconsin freeway rehabilitation program would result in a net decrease in federal funding for the three programs of 12.4% in 2003-04 and 6.6% in 2004-05.

6. Transportation revenue bond proceeds would be used to partially offset reductions in SEG and FED funds for the two programs. As shown in the table under Point #2, the amount of bonds used in the state highway rehabilitation program would be \$147,708,000 in 2003-04 and \$128,135,700 in 2004-05 and the increase provided for the major highway development program would be \$43,156,300 in 2003-04 and \$28,082,100 in 2004-05. DOT indicates that the bonds issued for the state highway rehabilitation program would be 10-year bonds, while the bonds issued for the major highway development program would be 20-year bonds, as has been the case in the past. Bonding has not previously been used for state highway rehabilitation projects. An analysis of the debt service associated with this bonding, as well as the debt service associated with different levels of bonding, is presented in LFB Issue Paper #738.

7. The net effect of the decreases in SEG and FED funding and the increases in bonding for the state highway rehabilitation and major highway development programs is a decrease in total funding for projects in both programs. Funding for projects under the state

highway rehabilitation program (not including reductions in the delivery budget and other modifications) would be reduced by \$97,054,700 in 2003-04 and \$60,036,900 in 2004-05. Funding for major highway development program projects (not including the same items) would be reduced by \$20,707,300 in 2003-04 and \$16,740,400 in 2004-05.

8. In testimony before the Joint Committee on Finance on the budget bill, the DOT Secretary indicated that the Department would produce a list of highway construction projects that may be delayed to outside the 2003-05 biennium as a result of the funding reductions in the two programs. Prior to completing the list, however, the Department conducted a reestimate of the state's federal highway aid for federal fiscal year (FFY) 2004 and FFY 2005, and a reestimate of state transportation fund revenues. It was estimated that the level of federal highway aid that the state will receive in the biennium may be higher than previously expected, but that this increase will be somewhat offset by a decrease in available transportation fund revenue. In combination, these reestimates produced a net increase in available funds of \$62,073,900 in 2003-04 and \$36,358,700 in 2004-05, for a biennial total of \$98,432,600.

9. The Department recommended that the additional funding be allocated as follows: (a) \$54.6 million for the state highway rehabilitation program; (b) \$37.6 million for the major highway development program; and (c) \$6.5 million for activities related to the planning and research associated with the highway program. [These amounts total to \$98.7 million, which is slightly more than the amount of available funds, requiring that some minor adjustments be made. The Department has identified precise amounts, by year, for highway planning and research (\$3,775,000 in 2003-04 and \$2,731,000 in 2004-05, for a total of \$6,506,000 over the biennium) in order to reach a specific, targeted funding level. The recommended increases for the highway programs, by contrast, were not expressed in precise amounts by year. For the purposes of this paper, the Department's recommended increases for the state highway rehabilitation and major highway development programs will be adjusted proportionately to match the amount of funding that is available if the identified increases are provided for highway planning and research.] The Department's list of delayed projects was based on an assumption that the increases recommended by the Department would be provided. The recommended funding level for state highway administration planning and research is discussed in LFB Issue Paper #764.

Major Highway Development

10. If the available funds were provided as DOT has recommended (with slight adjustments to account for the actual amount of available funds and in proportion to the year in which the additional funding is available), the funding for the major highway development program would be increased, relative to the bill, by \$23,774,800 in 2003-04 and \$13,713,700 in 2004-05. The provision of these amounts would result in a net increase in funding for projects of \$3,067,500 in 2003-04 and a net decrease of \$3,026,700 in 2004-05. (Since the program is affected by other decisions, including a decision to reduce the highway delivery budget, as well as standard budget adjustments, these changes are not the same as the change to the base.) However, with a slight shift of funds in this alternative from the first year to the second year, the base level of funding for projects could be restored. In this case, an increase of \$20,707,300 would be provided in 2003-04

and \$16,740,400 would be provided in 2004-05. Relative to the Department's recommendation, this alternative would reduce the amount of the additional funding devoted to the program by \$40,800 over the biennium. This amount could, in turn, be provided for other programs.

11. The Department indicates that no major highway development projects would be delayed in the biennium if the recommended increases are provided. However, since no inflationary adjustments would be provided, the overall purchasing power for the program would decline slightly. As a result of this decrease, some studies and preliminary work related to projects that are not enumerated in the statutes (a requirement for construction under the program) would be delayed. The following table shows the projects that would be affected by this delay in studies.

<u>Highway</u>	<u>Segment</u>
USH 8	STH 35 North - USH 53
USH 10	USH 41 - STH 441
USH 12	Fort Atkinson Bypass
USH 14/STH 11	Janesville - I-43
STH 38	Oakwood Road - CTH K
I-39/I-90	USH 12 - Illinois
USH 45/ STH 15	STH 76 - New London
USH 51	Stoughton - McFarland

12. Although the Department's recommended funding increase for the program would allow construction delays to be avoided during the biennium, the fact that advance work on other projects would be delayed may mean that the eventual construction on these projects may also be ultimately delayed. It should be noted, however, that a delay in the study of a project may not necessarily result in a delay in the construction of the project. These projects, even if the studies were not delayed, would likely not be considered for enumeration until 2004, 2006, or 2008, and construction would likely not start until about six years following enumeration. Given the amount of time before these projects would be ready for construction, the overall level of funding for the program over the next 10 years to 15 years would likely have a greater effect on the timing of their construction than a delay in the completion of the studies.

13. Candidate projects for statutory enumeration in the major highway program are evaluated by the Transportation Projects Commission (TPC), which is composed of the Governor, legislators, public members, and the Department of Transportation Secretary. The TPC is prohibited from recommending projects for enumeration unless construction on all of the projects that are already enumerated, but not yet under construction, as well as all of the projects that would be recommended for enumeration, can be started within six years of the time of enumeration. In December, 2002, the TPC met to consider four candidate projects, but voted to not recommend these projects for enumeration because it was determined that the 2002-03 funding level for the program was not sufficient to start the projects within the six-year period. The following table shows the projects that were considered, but not recommended for enumeration. The estimated costs for these projects exclude design costs.

<u>Highway</u>	<u>County</u>	<u>Segment</u>	<u>Project Length (In Miles)</u>	<u>Estimated Cost (In Millions)</u>
USH 14/USH 61	Vernon	Westby to Viroqua Bypass	13	\$41.0
USH 18	Crawford	Prairie du Chien to STH 60	7	29.2
USH 41	Brown	CTH F to CTH M	14	205.0
USH 41	Winnebago	STH 26 to Breezewood Lane	17	<u>225.0</u>
TOTAL				\$500.2

14. Since the time of the TPC's December meeting, some legislators have expressed an interest in proceeding with the statutory enumeration of these projects, even though the Commission did not vote to recommend them. The requirement that projects can only be recommended for enumeration if they can be started within six years applies to the TPC, but would not prohibit the Legislature from enumerating the projects. If one or more of these projects were enumerated in the bill, the funding level that would be provided for the program in the bill, even as modified by DOT's recommendation, would not be sufficient to start the projects within six years. In addition, even if an inflationary increase were provided to the 2002-03 funding level, the projects may not be started within six years. The Department indicates that, relative to the bill, an increase of \$46,138,900 in 2003-04 and \$48,633,900 in 2004-05 would be needed to begin construction on these four projects within six years.

15. Another alternative would be to enumerate the projects without providing additional funding. In this case, the projects would likely not be started within six years unless additional funding is provided in the 2005-07 biennium to accelerate the construction of all enumerated projects. However, future Legislatures would not be bound to provide additional funding to ensure that enumerated projects are started within six years.

16. Some may argue that, under circumstances in which funding for the highway programs is being reduced, it would be appropriate to place a higher priority on the preservation of the highway system, rather than on building new highway lanes. In this case, any additional available funding would be provided for the state highway rehabilitation program, rather than the major highway development program.

17. The Department's recommended funding increases, using the additional funds identified as a result of the reestimate of federal highway aid and state transportation fund revenues, would essentially restore the base level of funding for the major highway development program, while the total reduction in funding for the state highway rehabilitation program would remain over \$100 million over the biennium. If the \$37.4 million that would be allocated to the major highway development program under the Department's recommendation was, instead, provided for the state highway rehabilitation program, the difference between the base level of funding and the budgeted level in that program could be reduced by over one-third.

18. The Department indicates that the additional funds were recommended for allocation among the two programs based upon the principle of minimizing, as much as possible, the impact on the traveling public. Since a reduction in the funding for the major highway development program could possibly delay projects in this program, and since these projects tend to have significant safety and traffic mobility benefits, it was decided that allowing more delays to state highway rehabilitation projects on relatively low-volume highways was preferable.

State Highway Rehabilitation

19. While providing increases to the major highway development program, as recommended by the Department with the anticipated, additional federal highway aid, would allow the Department to avoid construction delays in that program during the biennium, the recommended increase for the state highway rehabilitation program would not be sufficient to avoid construction delays. If the increases that the Department recommended for the program were provided using the estimated, additional federal funds (with slight adjustments to account for the actual amount of available funds), the funding for the state highway rehabilitation program would be increased, relative to the bill, by \$34,524,100 in 2003-04 and \$19,914,000 in 2004-05. The provision of these amounts would reduce the total decrease for highway projects to \$62,530,600 in 2003-04 and \$40,122,900 in 2004-05.

20. The attachment to this paper lists the projects that the Department indicates were previously scheduled to be let for bidding during the 2003-05 biennium, but, as the result of the bill's funding reductions, may be delayed until after the biennium. These tables do not include southeast Wisconsin freeway rehabilitation projects that would be delayed as the result of the decision to reallocate funding that would be used on those projects to the Marquette Interchange reconstruction project. This issue is discussed in LFB Issue Paper #761, on the Marquette Interchange reconstruction project.

21. In selecting projects to delay, the Department indicates that projects that were likely to be delayed for non-financial reasons (delays in the design process, for instance) were chosen first. The remaining projects on the list were generally chosen on the basis of their impact on the traveling public. Resurfacing projects on low-volume roads, for instance, were chosen for potential delay rather than projects that may have a larger safety benefit.

22. The total, estimated construction cost of the delayed projects is \$172.9 million. Of this amount, all but \$5.2 million is associated with projects that were scheduled to be let in 2004-05, the second year of the biennium. The list does not include many projects that had a 2003-04 letting date because these projects, while they might be delayed, would not be delayed to outside the 2003-05 biennium. The effect of reducing funding is generally to push back the schedule for a set of projects by one year. The delayed projects in the second year are either displaced in the schedule by projects that were delayed from the first year or are delayed as the result of the lower funding level in the second year. In other words, the lower funding level would have a compounding effect as long as the funding level remains below the level upon which the original schedule was based.

23. The Department schedules highway construction projects through the development of a six-year program. Although the Department's list of delayed projects includes projects that would be delayed to outside the 2003-05 biennium, it does not include information on other projects in the current six-year program that would be delayed as the result of the lower funding level. Eventually, the Department's six-year program would be readjusted to reflect the delays caused by the lower 2003-05 funding level, but the delays will continue to have an effect on the timing of projects, relative to when the projects would have otherwise been constructed if funding had not been reduced.

24. To fully restore the base level of funding for state highway rehabilitation program projects (not counting other reductions in the project delivery budget), increases of \$97,054,700 in 2003-04 and \$60,036,900 in 2004-05 would have to be provided.

25. In response to a reduction in the funding for the state highway rehabilitation program, the Department has generally taken the approach of delaying individual projects, rather than reducing the cost of individual projects to avoid or reduce delays for other projects. Some legislators have raised questions about whether it would be possible to reduce the overall cost of highway construction projects, either in the state highway rehabilitation or major highway development programs. In particular, questions have been raised about whether the cost of projects could be reduced by simplifying the complex process that the Department must go through to prepare a project for construction, reducing the environmental requirements with respect to highway construction, or by reassessing the standards that are used to design projects or the standards that are used to determine when a project is constructed.

26. Some of the factors that contribute to project costs, such as federal environmental requirements, remain beyond the control of the Department or the Legislature. There may be other factors, however, that could be affected by departmental or legislative decisions. In these cases, there may be policy trade-offs that would have to be considered. For instance, eliminating or reducing state environmental requirements could be done to save costs, but this could have negative environmental consequences that should be considered in light of the potential cost savings. In these cases, the Legislature may benefit from additional information on the factors that contribute to project costs. The Legislative Audit Bureau (LAB) is currently conducting a performance audit, due to be completed in the fall, that will address some of these issues, particularly as they relate to the major highway development program.

27. One alternative that may help the Legislature in its consideration of any recommendations that are contained in the LAB report would be to require DOT to submit a report to the Joint Committee on Finance that responds to the Audit Bureau's recommendations, including any recommendations as to what legislative steps may be taken to implement cost-reduction strategies. The report could include information on current environmental requirements, highway improvement standards, and the degree of competitiveness in the construction industry. In order that this report is produced in time for consideration by the full Legislature of any potential legislative changes in the 2004 spring floor period, the report could be made by January 1, 2004. In anticipation of potential cost savings that the report may identify, a percentage of 2004-05 funding

for the highway programs (2% of the base, for instance) could be placed in the Committee's supplemental SEG appropriation, pending a review of the report and its recommendations by the Committee under a passive review process. If the report's recommendations produce savings, the report could include an additional recommendation on how to allocate the savings back to DOT's appropriations.

28. In the context of a state budget in which funding for many state programs across most state agencies will be reduced, it may be determined that restoring the base level of funding for the major highway development and state highway rehabilitation programs is impractical. If it felt that additional funding should be provided for the programs, but not enough funding is available to fully restore the base level of funding, an amount could be provided such that the reduction in funding for projects equals 5% of the base funding level for each program. In this case, funding for projects would be reduced, relative to the base, by \$12,082,600 annually in the major highway development program and by \$27,801,300 annually in the state highway rehabilitation program. Achieving these funding levels would require increases, relative to the bill, of: (a) \$8,624,700 in 2003-04 and \$4,657,800 in 2004-05 for the major highway development program; and (b) \$69,253,400 in 2003-04 and \$32,235,600 in 2004-05 for the state highway rehabilitation program.

Highway Program Delivery Budget

29. If a decision is made to restore some or all of the base funding for projects in the state highway rehabilitation and major highway development programs, the decision could also be made to restore funding for some activities that are related to the support of the highway program. The bill would make the following reductions to the delivery budgets of the two programs: (a) \$2,662,100 SEG in 2003-04 and \$3,083,300 SEG in 2004-05 from the appropriation for state highway rehabilitation and \$1,331,000 SEG in 2003-04 and \$1,541,600 SEG in 2004-05 from the appropriation for major highway development for engineering consultants in those programs; and (b) \$1,333,300 SEG annually from the appropriation for state highway rehabilitation and \$666,700 SEG annually from the appropriation for major highway development for LTE staff in those programs.

30. In addition to these delivery budget reductions, the bill would eliminate positions and associated funding in all of DOT's divisions. Within the Division of Transportation Districts, which is the primary division responsible for the delivery of highway projects, the bill would eliminate 54.0 SEG positions and \$1,006,200 SEG in 2003-04 and 108.0 SEG positions and \$1,334,400 SEG in 2004-05 (allocated among the appropriations for state highway rehabilitation, major highway development, and highway administration and planning). The Committee, in acting on the position reductions item at an April 24 executive session, adopted an alternative that would allow the Department to shift the total amount of position reductions between appropriations, which could allow the Department to restructure the total impact of the position reductions to reflect other budget decisions.

31. The positions that would be eliminated in the Division of Transportation Districts would primarily be engineers involved in the design, preparation, or construction of highway

projects. In many cases, the Department currently hires consultants to do the work that would otherwise be done by DOT staff, so the restoration of the budget for engineering consultants may allow the Department to absorb the reduction in district staff. However, the impact of a reduction in DOT district engineers may force the Department to use consultants on projects where the use of DOT staff would be more cost-effective.

32. The Department recently conducted a comparison of the percentage of total project costs that are attributable to design, contrasting projects where the design was done by consultants with projects where the design was done by DOT staff. Generally, the design percentage on projects where the design was done by DOT staff was lower than the percentage for projects done by consultants, suggesting that the cost of using state employees is lower than the cost of hiring consultants. However, the Department cautioned against using these data to draw firm conclusions since consultants are typically used for different types of projects, which may be, on average, more complex than the projects for which DOT staff do the design.

33. Further examination of the cost of using DOT staff to design projects versus the cost of hiring consultant engineers to do this work may be needed. It is possible that restoring some of the positions that the bill would eliminate in the Division of Transportation Districts would produce some savings. One alternative would be to require the Department, in submitting a report on potential cost savings associated with potential changes in the highway development process, to identify savings that could be realized from restoring positions in the Division of Transportation Districts to replace the work done by consultants. After evaluating this information, the Committee could decide to authorize additional positions in the Department for this purpose.

ALTERNATIVES

The alternatives in the sections related to project funding for the major highway development and state highway rehabilitation programs modify the bill by changing the total funding for the programs, without specifying the funding source (FED, SEG, or SEG-S). The actual funding source used for the adjustments will depend upon the relative availability of funds of each type, which, in turn, will depend upon the Committee's decisions on other budget items. Since projects in both programs can and usually do use both state or federal funding sources, these adjustments can be made without having an adverse impact on the programs.

A. Major Highway Development Project Funding Level

1. Approve the Governor's recommendation to reduce funding for the major highway development program by a total of \$20,707,300 in 2003-04 and \$16,740,400 in 2004-05, which is the net effect of the following funding changes: (a) a reduction of \$34,648,100 SEG in 2003-04 and \$18,072,400 SEG in 2004-05; (b) a reduction of \$29,215,500 FED in 2003-04 and \$26,750,100 FED in 2004-05; and (c) an increase in the use of revenue bond proceeds of \$43,156,300 SEG-S in 2003-04 and \$28,082,100 SEG-S in 2004-05.

2. Modify the Governor's recommendation by increasing funding for projects by

\$20,707,300 in 2003-04 and \$16,740,400 in 2004-05, to restore the base level of funding for projects. This alternative is a slight modification of the Department's recommendation to provide an additional \$37.6 million over the biennium using funds that are available as a result of a reestimate of available federal highway aid and state transportation fund revenues.

<u>Alternative A2</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$37,447,700

3. Modify the Governor's recommendation by increasing funding for projects by \$8,624,700 in 2003-04 and \$4,657,800 in 2004-05. This level of funding would result in a net reduction in funding for projects equal to 5% of the total program base.

<u>Alternative A3</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$13,282,500

4. Modify the Governor's recommendation by doing one or both of the following:

a. Enumerate in the statutes as major highway projects the four projects that the Transportation Projects Commission voted to not recommend at its December, 2002, meeting, as follows: (a) USH 14/USH 61 from Westby to Viroqua in Vernon County; (b) USH 18 from Prairie du Chien to STH 60 in Crawford County; (c) USH 41 from one mile south of CTH F to CTH M in Brown County; and (d) USH 41 from STH 26 to Breezewood Lane in Winnebago County.

b. Provide increases of \$46,138,900 in 2003-04 and \$48,633,900 in 2004-05 in order to provide enough additional funding to start construction on the four projects within six years.

<u>Alternative A4b</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$94,772,800

B. State Highway Rehabilitation Project Funding Level

1. Approve the Governor's recommendation to reduce funding for the state highway rehabilitation program by a total of \$97,054,700 in 2003-04 and \$60,036,900 in 2004-05, which is the net effect of the following funding changes: (a) a reduction of \$206,056,800 SEG in 2003-04 and \$163,366,200 SEG in 2004-05; (b) a reduction of \$38,705,900 FED in 2003-04 and \$24,806,400 FED in 2004-05; and (c) the provision of transportation revenue bond proceeds in a newly-created bond appropriation for state highway rehabilitation of \$147,708,000 SEG-S in 2003-04 and \$128,135,700 SEG-S in 2004-05.

2. Modify the Governor's recommendation by increasing funding for projects by \$34,524,100 in 2003-04 and \$19,914,000 in 2004-05. The provision of these amounts would reduce the total decrease for highway projects in the program to \$62,530,600 in 2003-04 and \$40,122,900 in 2004-05. This alternative is a slight modification of the Department's recommendation to provide an additional \$54.6 million over the biennium using funds that are available as a result of a reestimate of available federal highway aid and state transportation fund revenues.

<u>Alternative B2</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$54,438,100

3. Modify the Governor's recommendation by providing increases of \$69,253,400 in 2003-04 and \$32,235,600 in 2004-05. This level of funding would result in a net reduction in funding for projects equal to 5% of the total program base.

<u>Alternative B3</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$101,489,000

4. Modify the Governor's recommendation by providing increases of \$97,054,700 in 2003-04 and \$60,036,900 in 2004-05, to restore the base level of funding for projects.

<u>Alternative B4</u>	<u>All Funds</u>
2003-05 FUNDING (Change to Bill)	\$157,091,600

C. Highway Program Delivery Budget

1. Approve the Governor's recommendation to reduce funding in the state highway rehabilitation and major highway development programs by a total of \$5,993,100 SEG in 2003-04 and \$6,624,900 SEG in 2004-05 to reflect reductions in the budgets for hiring consultants, for services such as design engineering and project management, and for limited-term employee (LTE) staff.

2. Delete provision. This would restore funding for engineering consultants and LTE staff in the two highway programs.

<u>Alternative C2</u>	<u>SEG</u>
2003-05 FUNDING (Change to Bill)	\$12,618,000

D. Highway Program Cost Review

1. Transfer \$11,120,500 SEG in 2004-05 from the appropriation for state highway rehabilitation and \$4,833,000 SEG in 2004-05 from the appropriation for major highway development (equal to 2% of the total base funding for each program) to the Joint Committee on Finance's supplemental SEG appropriation.

Require DOT to submit a report to the Joint Committee on Finance by January 1, 2004, that includes the following: (a) the Department's response to any recommendations included in the Legislative Audit Bureau's performance audit of the state highway program; (b) the Department's recommendations of steps that may be taken or legislation that could be considered that could reduce costs in the state highway program; (c) information on current environmental requirements, highway improvement standards, and the degree of competitiveness in the construction industry, and how these factors contribute to the cost of highway projects; (d) the Department's recommendation on whether additional positions should be provided in the Division of Transportation Districts to replace the work done by engineering consultants to reduce project design costs; and (e) the Department's recommendation on how to allocate any cost savings produced by either process modifications or the addition of DOT staff back to the Department's appropriations. Specify that if the Co-Chairs do not notify DOT within 14 working days after the date of the submittal that the Committee has scheduled a meeting to review the report, the funding placed in the Committee's appropriation by this alternative would be transferred back to the corresponding appropriations for state highway rehabilitation and major highway development, with any modifications the Department recommends under "(e)". Specify that if, within 14 working days after the submittal, the Co-Chairs notify DOT that the Committee has scheduled a meeting to review the report, the funding shall remain in the Committee's supplemental appropriation until the Committee takes action to release the funding. Specify that the Committee may take action with respect to the report that it deems necessary, including releasing a portion of the funds and asking the Department to submit additional information to the Committee before additional funding for the state highway rehabilitation and major highway development programs is restored.

2. Maintain current law.

Prepared by: Jon Dyck
Attachment

ATTACHMENT

Reconstruction Projects

<u>County</u>	<u>Highway</u>	<u>Project Description</u>	<u>Estimated Cost</u>
Brown	STH 29	Military Avenue-Ridge Road/Shawano Avenue	\$2,075,634
Buffalo	STH 121	Gilmanton - CTH V	265,000
Clark	STH 73	Main Street, City of Greenwood	1,977,274
Dane	USH 51	Bartillion Drive, City of Madison	403,043
Dane	USH 151	American Parkway - Main Street, City of Sun Prairie	13,118,515
Dodge	STH 115	STH 60 - Juneau Road	3,959,948
Door	Various	Frontage Road East of STH 42/57	895,652
Fond du Lac	USH 41	USH 151 Interchange	5,611,328
Grant	STH 133	Prairie Street, City of Boscobel	862,513
Grant	STH 133	Front Street, Village of Muscoda	652,174
La Crosse	STH 16	STH 16, Holiday Heights Access Road	3,043,650
La Crosse	STH 35	2 nd Avenue, City of Onalaska, at Oak Forest Drive	1,139,027
Marathon	USH 51	Merrill Avenue, Wausau, Union Avenue-CTH U	3,153,056
Marathon	STH 97	Mueller and Alfred Streets	1,909,294
Milwaukee	STH 181	North 76 th Street, Florist Avenue-North of Bradley Road	16,017,670
Rock	STH 59	Fulton Street, City of Edgerton	2,194,128
Sheboygan	STH 23	Coary Lane - STH 67	5,876,926
Washburn	STH 77	West County Line - CTH I	6,675,149
Waukesha	STH 59	Greenfield Avenue, STH 64-CTH Y	16,349,346
Waushara	STH 49	Town of Poysippi, CTH H Segment	<u>995,041</u>
Reconstruction Total			\$87,174,368

Reconditioning and Pavement Replacement Projects

<u>County</u>	<u>Highway</u>	<u>Project Description</u>	<u>Estimated Cost</u>
Brown	I-43	Southbound I-43 - Westbound STH 172	\$476,097
Chippewa	STH 29	Seymour Cray Boulevard - CTH J	3,172,894
Dodge	STH 16	Crawfish River - STH 26 Road	7,902,121
Dunn	STH 25	South County Line - Red Cedar River	1,452,874
Forest	STH 139	USH 8 - Florence County Line	2,189,814
Grant	STH 133	Boscobel - Blue River Road	3,343,998
Grant	STH 133	Blue River - Muscoda Road	3,226,118
Iron	STH 77	Ashland County Line - Upson Lake Road	1,544,652
La Crosse	USH 14	CTH YY - Coon Valley	6,656,000
Lincoln	USH 51	CTH S - USH 8, Southbound	5,150,000
Oconto	STH 32	Sagebrush Lane - Waupee River Road	1,949,240
Oneida	USH 51	CTH D Intersection	412,000
Richland	STH 60	CTH T - STH 80	4,269,000
Wood	STH 54	Swanson Road - Seneca Road	<u>3,095,649</u>
Reconditioning and Pavement Replacement Total			\$44,840,457

Bridge Replacement, Rehabilitation, or Maintenance Projects

<u>County</u>	<u>Highway</u>	<u>Project Description</u>	<u>Estimated Cost</u>
Barron	STH 25	Engle Creek Bridge, Painting	\$18,028
Brown	USH 41	Ashwaubenon Town of Little Suamico	314,722
Columbia	STH 16	James Street, City of Columbus	469,565
Columbia	IH 39	STH 33 Overpass	116,434
Columbia	IH 90	Cascade Mt Road Overpass, Painting	210,597
Dane	USH 14	Black Earth Creek Bridge	64,619
Dane	STH 30	Fair Oaks Avenue Underpass	130,135
Dane	IH 90	USH 151 Interchange and Soo Line RR Bridges, Painting	943,180
Douglas	STH 13	STH 13 Bridge Painting, Multiple Locations	163,889
Jefferson	IH 94	Union Pacific RR Overpasses	284,503
Juneau	STH 80	Webster Creek Bridge and Approaches	119,792
La Crosse	IH 90	I-90/STH 162 Interchange at Bangor	312,325
Langlade	STH 52	Wolf River Bridge	166,299
Lincoln	USH 8	Tomahawk River Bridge Painting	185,400
Lincoln	STH 64	Pine River Bridge	169,676
Sauk	STH 136	Baraboo River Bridge	130,135
Sawyer	STH 70	Flambeau River Bridge	97,514
Winnebago	STH 116	Wolf River Bridge, Painting	<u>195,453</u>
Bridge Project Total			\$4,092,267

Resurfacing and Road Maintenance Projects

<u>County</u>	<u>Highway</u>	<u>Project Description</u>	<u>Estimated Cost</u>
Barron	STH 53	CTH B - Zimmerman Road	\$1,404,974
Bayfield	USH 63	Grandview - STH 118	987,804
Brown	STH 29	Shawano Avenue, Oneida Street - Oakland Avenue, G	869,565
Chippewa	STH 53	STH 124 - STH 29	664,569
Clark	STH 73	Hunt Street - STH 29	2,411,433
Dane	USH 18	West County Line - CTH ID, Westbound	2,025,405
Dodge	STH 19	STH 89 - CTH G	937,189
Fond du Lac	USH 41	Milwaukee to Green Bay Road	7,428,595
Forest	STH 32	CTH S - Fire Tower Road	245,833
Forest	STH 52	South County Line - Wabeno	506,048
Juneau	STH 80	Webster and Sherman Creek Culvert Repair	848,889
Kewaunee	STH 42	Duvall Street - CTH K	1,839,285
Lincoln	STH 86	Price County Line - West Kraft Road	1,432,388
Lincoln	STH 107	Mathews Road - CTH S	474,696
Marinette	USH 141	CTH Z - CTH R	678,997
Pierce	STH 29	USH 63 - CTH CC	1,811,000
Racine	STH 32	5 Mile Road - North County Line	895,570
Racine	STH 38	CTH K to North County Line	3,913,043
Sheboygan	STH 23	West County Line - CTH P	1,713,043
Taylor	STH 13	Allman Street - CTH M	<u>1,907,560</u>
Resurfacing and Road Maintenance Total			\$32,995,886

**Miscellaneous Projects Associated with Other Rehabilitation Projects
(Signals, Lighting, Wetland Mitigation, etc.)**

<u>County</u>	<u>Highway</u>	<u>Project Description</u>	<u>Estimated Cost</u>
Chippewa	STH 53	North County Line - STH 29	\$712,916
Marathon	Various	STH 34 - STH 153	367,111
Rock	STH 59	Newville Park and Ride Lot	315,652
Various Southeast	Various	Bridge Level of Effort, FY 2005	<u>2,400,000</u>
Miscellaneous Project Total			\$3,795,679
Grand Total			\$172,898,658