



Legislative Fiscal Bureau

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2017

Joint Committee on Finance

Paper #620

State Highway Rehabilitation Program (Transportation -- State Highway Program)

Base Agency

[LFB 2017-19 Budget Summary: Page 442, #2]

CURRENT LAW

The state highway rehabilitation program is responsible for the reconstruction, reconditioning, and resurfacing of the highways and bridges of the state highway system, except for highway projects that exceed the capacity expansion thresholds established for the major highway development, southeast Wisconsin freeway megaprojects, high-cost bridge, and major interstate bridge programs. In 2015-17, a total of \$1,698.0 million (\$627.3 million in state funds, \$150.0 million in bonds (subsequently approved for use by the Joint Committee on Finance), and \$920.7 million in federal funds) was provided for the state highway rehabilitation program.

GOVERNOR

Make the following changes to funding for the state highway rehabilitation program: (a) a decrease of \$10,756,700 SEG annually; (b) decreases of \$50,786,900 FED in 2017-18 and \$51,525,200 FED in 2018-19; (c) authorize \$308,738,300 in transportation fund-supported, general obligation bonds (\$152,238,300 for use in 2017-18 and \$156,500,000 for use in 2018-19); and (d) provide \$13,865,200 SEG in 2018-19 for debt service associated with the partial issuance of the \$308,738,300 in bonds in the biennium. These changes to the all funds adjusted base funding (plus bonding) for this program (\$832,273,900), would result in total program resources of \$849,054,500 in 2017-18 and \$852,577,900 in 2018-19 (or \$1,701,632,400 in the biennium).

DISCUSSION POINTS

Background

1. There are three main components of the state highway improvement program: (a) the state highway rehabilitation program; (b) the major highway development program; and (c) the southeast Wisconsin freeway megaprojects program. As shown in Attachment 1, the state highway rehabilitation program is the largest of these programs, with a proportionate share of program funding over the past decade in the range of 50% to 60% of the total funding for these three programs.

2. The Department of Transportation's (DOT) central office, in consultation with its five administrative regions, creates and follows a comprehensive, six-year program (or schedule) for state highway rehabilitation. The six-year program is updated periodically based on changes in funding and in the plans for individual projects. The proportionate, regional distribution of 2015-17 state highway rehabilitation funding is shown in Attachment 2.

3. 2015 Act 55 required DOT to study methods of improving the transportation fund's solvency and to report its findings to the Joint Committee on Finance by January 1, 2017. This report (the "Solvency Study") was submitted to the Committee in December, 2016, and included analysis related to sources of transportation fund revenue, as well as potential program funding levels, including scenarios related to the state highway rehabilitation program.

4. One method that DOT uses to assess the impact of a given funding level within the state highway rehabilitation program over time is estimating the percentage of state highways that would be in "fair and above" condition at the end of a 10-year period at that funding level. Generally, a highway in "fair or above" condition can be treated to extend pavement life without a more costly, full-depth reconstruction. In its Solvency Study, DOT estimated that state highways would be in 79% fair and above condition at the start of 2017-18. The alternatives in this paper assume this estimate of 2017-18 highway conditions as the starting point for assessing the effects of the Governor's recommendation and two solvency study scenarios over a 10-year period (through 2027-28).

5. Several of the alternatives presented in this paper would rely on the use of bonds for the state highway rehabilitation program. The Committee could decide to vary the mix of funds used in any of these alternatives and may also elect to provide increases or reductions to the other state highway program components or local programs based on these decisions. The biennial funding level for the state highway improvement program under current law and the Governor's recommendation is shown in Attachment 3.

A. Funding Level

6. The basis for the three funding alternatives discussed in this paper are the Governor's 2017-19 biennial budget recommendations and two of the program funding alternatives identified by DOT in its 2016 Solvency Study for the state highway rehabilitation program. The Governor's recommended funding level would fall between two of the Solvency Study scenarios: Solvency Study Scenario 1 -- a lower biennial funding level than under the bill; and Solvency Study Scenario

3 -- a higher biennial funding level than under the bill. These alternative funding levels are as follows: (a) Alternative A1 (the Governor's budget recommendations), which would provide biennial funding of \$1,701.6 million, or a 0.2% increase compared to 2015-17 program resources; (b) Alternative A2, (Solvency Study Scenario #1), which would provide total biennial funding of \$1,544.2 million, or 9.1% less than 2015-17 program resources; and (c) Alternative A3 (Solvency Study Scenario #3), which would provide total biennial funding of \$1,845.1 million, or an 8.7% increase relative to 2015-17 program resources. Solvency Study Scenario #2 (\$1,668.4 million per biennium) is similar to the Governor recommendation and has not been included as an alternative.

7. Table 1 provides a comparison of the 2015-17 funding level, the Governor's state highway rehabilitation program recommendations, and the two alternative funding levels described above. The table also provides an estimate of the effect that these funding levels would have on the percentage of state highways in fair and above condition over a ten-year period (through the end of 2027-28).

TABLE 1
Comparison of Alternatives with 2015-17 Funding Level
(\$ in Millions)

	<u>2015-17</u>	<u>2017-19 Funding Levels</u>		
		<u>Alternative A1</u> <u>(Governor)</u>	<u>Alternative</u> <u>A2</u>	<u>Alternative</u> <u>A3</u>
Funding Level	\$1,698.0	\$1,701.6	\$1,544.2	\$1,845.1
Difference in Resources		\$3.6	-\$153.8	\$147.1
% Change in Resources		0.2%	-9.1%	8.7%
	<u>2017-18</u>	<u>Thru 2027-28</u>		
% State Highways in Fair and Above Condition*	79%	61.7%	55.8%	63.7%

*In the Solvency Study, it was noted that a constrained southeast Wisconsin freeway megaprojects program would require the use of \$20 million per year in rehabilitation funding from 2017-18 through 2027-28, which would have a negative effect on the condition of state highways but is not reflected in these values.

Note: Highway conditions and funding levels assume no inflationary adjustments over time.

8. The \$1,701.6 million in biennial resources recommended by the Governor's would provide a 0.2% increase compared to the program's 2015-17 funding level (\$1,698.0 million). In the Executive Budget Book, the administration indicated that this somewhat higher funding is intended to "increase investments in the ... rehabilitation of our current highway system." [Alternative A1] The following table compares the 2015-17 state highway rehabilitation program funding level with

the Governor's recommendations for the 2017-19 biennium, and shows the composition of this funding.

TABLE 2

**State Highway Rehabilitation Program -- Biennial Funding Comparison
(Governor's Recommendation/Alternative A1, \$1,701.6 Million)**

<u>Fund Source</u>	<u>2015-17</u>		<u>Biennial Total</u>
	<u>2015-16</u>	<u>2016-17</u>	
SEG	\$337,991,700	\$289,302,800	\$627,294,500
FED	452,759,800	467,971,100	920,730,900
General Obligation Bonds	<u>75,000,000</u>	<u>75,000,000</u>	<u>150,000,000</u>
Total	<u>\$865,751,500</u>	<u>\$832,273,900</u>	<u>\$1,698,025,400</u>

<u>Fund Source</u>	<u>2017-19 (Bill)</u>		<u>Biennial Total</u>
	<u>2017-18*</u>	<u>2018-19*</u>	
SEG	\$278,933,200	\$278,933,200	\$557,866,400
FED	417,883,000	417,144,700	835,027,700
General Obligation Bonds	<u>152,238,300</u>	<u>156,500,000</u>	<u>308,738,300</u>
Total	<u>\$849,054,500</u>	<u>\$852,577,900</u>	<u>\$1,701,632,400</u>

% Change in Total Resources 0.2%

*Calculations are shown inclusive of adjustments to the 2016-17 base, standard budget adjustments, and federal aid reestimates under the bill.

9. DOT's Solvency Scenario #1 describes the long-term impacts that its constrained level of funding would have across the Department's programs. The state highway rehabilitation program would be significantly reduced as a part of achieving this overall lower level of programming. The Committee may determine that due to program demand available resources are more needed in other state or local highway programs, or that the level of transportation fund-supported bonding in the bill is too high. If so, the Committee could lessen the state's commitment of future transportation fund (SEG) resources related to the ongoing repayment of debt for state highway improvement program purposes by reducing the level of bonding in the program that would be authorized under the bill. A reduction to the state highway rehabilitation program component's recommended bonding authorization equal to \$157.4 million would provide a level of funding equal to the amount that DOT described in Solvency Study Scenario #1 (\$1,544.2 million). [Alternative A2] This would be a reduction of \$153.8 million (9.1%) compared to the 2015-17 biennium.

10. Relative to the Governor's biennial funding recommendation (\$1,701.6 million) and Alternative 3 (\$1,845.1 million), state highway conditions under Alternative 2 would decline more rapidly over a ten-year period. Because bonding would be reduced by \$157.4 million, estimated transportation fund-supported, debt service would decrease by \$13.7 million in the biennium. Table 3 compares this alternative's funding distribution with the 2015-17 funding level and the Governor's recommendations.

TABLE 3**State Highway Rehabilitation Program -- Biennial Funding Comparison
(Under Alternative A2, \$1,544.2 Million)**

<u>Fund Source</u>	<u>2015-17</u>		<u>Biennial Total</u>
	<u>2015-16</u>	<u>2016-17</u>	
SEG	\$337,991,700	\$289,302,800	\$627,294,500
FED	452,759,800	467,971,100	920,730,900
General Obligation Bonds	<u>75,000,000</u>	<u>75,000,000</u>	<u>150,000,000</u>
Total	\$865,751,500	\$832,273,900	\$1,698,025,400

<u>Fund Source</u>	<u>2017-19 (Bill)</u>		<u>Biennial Total</u>
	<u>2017-18*</u>	<u>2018-19*</u>	
SEG	\$278,933,200	\$278,933,200	\$557,866,400
FED	417,883,000	417,144,700	835,027,700
General Obligation Bonds	<u>152,238,300</u>	<u>156,500,000</u>	<u>308,738,300</u>
Total	\$849,054,500	\$852,577,900	\$1,701,632,400

2017-19 (Solvency Scenario #1/Alternative 2)

<u>Fund Source</u>	<u>2017-18*</u>	<u>2018-19*</u>	<u>Biennial Total</u>
SEG	\$278,933,200	\$278,933,200	\$557,866,400
FED	417,883,000	417,144,700	835,027,700
General Obligation Bonds	<u>73,522,100</u>	<u>77,783,800</u>	<u>151,305,900</u>
Total	\$770,338,300	\$773,861,700	\$1,544,200,000

% Change in Total Resources -- 2015-17

-9.1%

% Change in Total Resources -- Bill

-9.3%

*Calculations are shown inclusive of adjustments to the 2016-17 base, standard budget adjustments, and federal aid reestimates under the bill.

11. In 2014, DOT submitted a 2015-17 biennial request for the state highway rehabilitation program that would have provided \$1,841.1 million for the program (an average of slightly more than \$920 million per year). The amount requested for state highway rehabilitation was a part of a larger state highway improvement funding package that was intended to help meet the long-term transportation infrastructure needs of the state. Subsequently, in December, 2016, under Solvency Scenario 3, DOT included essentially the same level of rehabilitation funding (\$1,845.1 million per biennium). [Alternative A3] As shown in Table 1, providing this higher funding level for the next 10 years would still lead to a decline in the estimated condition of state roads, as measured by the percentage of roads in fair and above condition at the end of this period as compared to current conditions. However, using this measure, estimated road conditions under the alternative would be in better condition in 10 years when compared with the Governor's recommended funding level or Alternative A2. Alternative A3 would increase state highway rehabilitation program funding to \$1,845.1 million, an increase \$147.1 million compared to the 2015-17 biennium (8.7%). This

increase assumes the availability of \$143.5 million SEG in the biennium to fund this alternative as compared to the bill. Revenue increases, additional bonding, reductions to other state or local highway programs, or use of moneys from the transportation's funds balance, or a combination of these actions, would have to be made in order to fund this alternative.

12. Since the bill was introduced, revenues and expenditures to the transportation fund for 2016-17, and the 2017-19 biennium, have been reestimated [see LFB Paper #595]. As a result, the transportation fund's 2017-19 biennium ending balance is currently \$93.4 million higher compared to the bill (\$101.8 million in total). Therefore, if the Committee decides to provide additional SEG funding to the state highway rehabilitation program, it could do so using some of the fund's balance.

13. The following table compares this alternative's funding with the 2015-17 funding level and the Governor's recommendations.

TABLE 4

**State Highway Rehabilitation Program -- Biennial Funding Comparison
(Under Alternative A3, \$1,845.1 Million)**

<u>Fund Source</u>	<u>2015-17</u>		<u>Biennial Total</u>
	<u>2015-16</u>	<u>2016-17</u>	
SEG	\$337,991,700	\$289,302,800	\$627,294,500
FED	452,759,800	467,971,100	920,730,900
General Obligation Bonds	<u>75,000,000</u>	<u>75,000,000</u>	<u>150,000,000</u>
Total	\$865,751,500	\$832,273,900	\$1,698,025,400
<u>Fund Source</u>	<u>2017-19 (Bill)</u>		<u>Biennial Total</u>
	<u>2017-18*</u>	<u>2018-19*</u>	
SEG	\$278,933,200	\$278,933,200	\$557,866,400
FED	417,883,000	417,144,700	835,027,700
General Obligation Bonds	<u>152,238,300</u>	<u>156,500,000</u>	<u>308,738,300</u>
Total	\$849,054,500	\$852,577,900	\$1,701,632,400
<u>Fund Source</u>	<u>2017-19 (Solvency Scenario #3/Alternative A3)</u>		<u>Biennial Total</u>
	<u>2017-18*</u>	<u>2018-19*</u>	
SEG	\$350,646,300	\$350,646,300	\$701,292,600
FED	417,883,000	417,144,700	835,027,700
General Obligation Bonds	<u>152,238,300</u>	<u>156,500,000</u>	<u>308,738,300</u>
Total	\$920,767,600	\$924,291,000	\$1,845,058,600
% Change in Total Resources -- 2015-17			8.7%
% Change in Total Resources -- Bill			8.4%

*Calculations are shown inclusive of adjustments to the 2016-17 base, standard budget adjustments, and federal aid reestimates under the bill.

B. Other Potential Alternatives

14. One concern with the Governor's transportation budget recommendations is that it would commit a significant additional amount of transportation fund resources (SEG) to local transportation programs (totaling \$75.9 million in the 2017-19 biennium), including the general transportation aid, local roads improvement, and local bridge improvement assistance programs. Although the recommended increases to local programs may be warranted, the commitment of SEG funding to the local program in the 2017-19 biennium under the bill requires bonding to fund the state highway program at the recommended levels. Further, it could compel the state to borrow for an even greater percentage of highway improvement funding by diminishing the state's cash resources available in the future.

15. Given the demands on both state and local transportation infrastructure and the limited state resources currently available to meet those needs, one policy discussion that confronts the state is whether the state can afford to increase funding for local roads at time when the state is having difficulty funding the state's transportation infrastructure needs. Whether or not the state should provide local governments with additional flexibility to generate the needed revenues at the local level to maintain their roads and/or retain statewide transportation fund revenues to meet state infrastructure needs is the significant policy question associated with the Governor's recommendation on local road funding. The next several points provide further discussion of this policy concern.

16. Over the past decade, limited transportation fund revenue growth and the consequential extensive use of transportation fund-supported debt to finance highway infrastructure have contributed to an increasing percentage of transportation fund revenue being used to pay debt service on that debt. In addition, over the past several biennia, DOT has identified substantial current and future program needs in the state highway improvement program that will continue to demand significant resources from the transportation fund. For instance, DOT has estimated that it would require annual state highway rehabilitation funding in excess of \$1.1 billion annual to forestall the expected, continued decline of state highway conditions over a 10-year period. Similarly, substantial and unfunded program demand exists in the major highway development and southeast Wisconsin freeway megaprojects programs.

17. Although bonds have been used for state highway rehabilitation in several prior biennia, some have argued that the use of bonds, which are a long-term capital financing option, may not align well with the shorter, expected useful life of improvements to rehabilitated highway facilities. Accordingly, it is the Department of Administration's (DOA) policy to issue bonds authorized for state highway rehabilitation purposes with two-thirds 10-year maturities and one-third 20-year maturities, for an average maturity of 13.33 years, instead of the usual 20-year maturity for state highway infrastructure. As a result, the principal amount borrowed is repaid more quickly, which results in the annualized debt service being higher compared to 20-year debt. However, the overall interest costs are lower than 20-year debt.

18. Because of the time that exists between when state highway rehabilitation projects are approved, and when the bonds are actually issued, the full, annualized debt service on the proposed bonds would not be paid during the biennium. Instead, estimated debt service on these bonds paid in

the biennium would be equal to \$13.9 million SEG in 2018-19. [When fully issued, the estimated annualized debt service to be paid from the transportation fund associated with the \$308.7 million in bonds would peak in 2027-28, due to the use of 10-year debt, at \$34.9 million SEG.] Depending on the mix of projects being funded during a given biennium, DOA attempts to match bonds with the shorter maturities to rehabilitation projects with shorter expected periods of usefulness.

19. In part due to the decision to recommend an increase in SEG funding for local purposes, as well as due to other the Governor's other transportation recommendations, the bill would use \$308.7 million in bonds to fund the state highway rehabilitation. As shown in Attachment 3, despite providing a higher biennial level of funding, the bill would reduce the SEG funding component of the state highway rehabilitation program by \$69.4 million as compared to 2015-17 funding (a reduction of 12.4%). This would be the lowest amount of SEG funding in the program since the 2009-11 biennium (which had a biennial amount of SEG equal to \$499.8 million). If concern exists over the level of bonding in the state highway rehabilitation program, the Committee could achieve a lower level of bonding in this program by using a portion of the transportation fund's balance to restore the \$69.4 million in SEG funding to the program and make an equal reduction to that program's bonding authorization (this would reduce the estimated 2017-19 ending balance to \$32.4 million). [Alternative B1] This would reduce estimated, transportation fund-supported debt service by \$4.8 million in the biennium.

20. Similarly, the Committee could decide to replace a portion of the \$308.7 million in general obligation bonds recommended for the state highway rehabilitation program with some mix of SEG and FED from other state highway improvement programs and increase the use of bonds in these programs instead. For example, the Governor recommended the use of \$8.0 million SEG in the major interstate bridge program to fund the completion of the St. Croix Crossing project (Stillwater Bridge replacement) in 2017-18. The Committee could keep the same overall level of program funding in both programs, but replace \$8.0 million of the bonding recommended for state highway rehabilitation with \$8.0 million SEG recommended for the major interstate bridge program. This would fund the completion of the bridge, a project with a much longer useful life than a typical state highway rehabilitation project, with \$8.0 million in general obligation bonds. Estimated debt service in the biennium could decrease slightly in the biennium compared to the bill due to the longer maturity on the bonds issued for the Stillwater Bridge project, but those amounts could be offset by the earlier anticipated need for the bonds in the biennium. [Alternative B2]

C. Regional Funding Allocations

21. The current regional allocations of state highway rehabilitation funding are shown in Attachment 2. DOT indicates that it developed these allocations using a 10-year predictive analysis of the state highway system based several factors, among them, regional bridge and pavement conditions and anticipated treatment needs. In this regard, the recent Legislative Audit Bureau (LAB) analysis of the state highway program found that DOT had not changed these allocations since 2006 and recommended that DOT "update its method for annually allocating funds to each region for rehabilitation projects on non-backbone highways and specify this method in its policies." [The "backbone" system (1,588 miles) consists of those highways that are identified in DOT's long-range planning documents as freeways and expressways connecting major economic areas of the

state. Rehabilitation projects on these highways, as well as on large bridge projects, is centrally scheduled and funded.]

22. DOT has indicated that it intends to implement all of LAB's recommendations, including the above recommendation regarding regional non-backbone allocations. The Department indicates its analysis is still underway, and that it cannot provide an update as to any potential reallocation of state highway rehabilitation funding between regions at this time.

23. Given the LAB's findings and the need to update the reallocation method, DOT could be required to submit a report on its updated allocation method to the Joint Committee on Finance under the 14-day passive review process, no later than January 1, 2018. The request would be required to include the Department's proposed, 2018-19 allocation of non-backbone state highway rehabilitation funding by DOT region and a description of the data and methodology used to generate the proposed allocations. The report could include a description of how the methodology used to determine the proposed allocations differs from the methodology used to make these allocations in the 2015-17 biennium. The Department's proposed, 2018-19 regional, non-backbone allocations would be subject to the Committee's approval. Any subsequent modification of each region's share of non-backbone funding could also be required to be submitted to the Committee for approval through the same passive review process prior to any adjustment of more than 3.0%, relative to the 2018-19 regional distribution. [Alternative C1]

ALTERNATIVES

A. Funding Level

1. Make the following changes to funding for the state highway rehabilitation program: (a) a decrease of \$10,756,700 SEG annually; (b) decreases of \$50,786,900 FED in 2017-18 and \$51,525,200 FED in 2018-19; (c) authorize \$308,738,300 in transportation fund-supported, general obligation bonds (\$152,238,300 for use in 2017-18 and \$156,500,000 for use in 2018-19); and (d) provide \$13,865,200 SEG in 2018-19 for debt service associated with the partial issuance of the \$308,738,300 in bonds in the biennium. These changes to the all funds adjusted base funding (plus bonding) for this program (\$832,273,900), would result in total program resources of \$849,054,500 in 2017-18 and \$852,577,900 in 2018-19 (or \$1,701,632,400 in the biennium).

ALT A1	Change to	
	Base	Bill
SEG	- \$7,648,200	\$0
FED	- 102,312,100	0
BR	<u>308,738,300</u>	<u>0</u>
Total	\$198,778,000	\$0

2. Modify the Governor's recommendation by reducing the transportation fund-supported, general obligation bond authorization for state highway rehabilitation by \$157,432,400. This would reduce total bonding provided to the state highway rehabilitation program to

\$151,305,900. Decrease the estimated debt service payment in 2018-19 by \$13,733,400 SEG. These changes to the all funds adjusted base funding (plus bonding) for this program (\$832,273,900), would result in total program resources of \$770,338,300 in 2017-18 and \$773,861,700 in 2018-19 (\$1,544,200,000 in the biennium, or a 9.1% reduction compared to the 2015-17 funding level). This would provide the same level of biennial funding Solvency Study Scenario #1.

ALT A2	Change to	
	Base	Bill
SEG	- \$21,381,600	- \$13,733,400
FED	- 102,312,100	0
BR	<u>151,305,900</u>	<u>- 157,432,400</u>
Total	\$27,612,200	- \$171,165,800

3. Approve the Governor's recommendations and provide an additional \$71,713,100 SEG annually to the state highway rehabilitation program annually. This would provide total program resources of \$920,767,600 in 2017-18 and \$924,291,000 in 2018-19 (\$1,845,058,600 in the biennium, or a 8.7% increase compared to the 2015-17 funding level). This would provide the same level of biennial funding Solvency Study Scenario #3. [Although shown as SEG-funded, this alternative could also be funded with transportation fund-supported, general obligation bonds or a mix of SEG and bonding.]

ALT A3	Change to	
	Base	Bill
SEG	\$135,778,000	\$143,426,200
FED	- 102,312,100	0
BR	<u>308,738,300</u>	<u>0</u>
Total	\$342,204,200	\$143,426,200

4. Delete provision. This would provide base level funding for the program of \$757,273,900 annually (\$1,514,547,800 in the biennium, or a 10.8% reduction compared to the 2015-17 funding level). Decrease estimated debt service in 2018-19 by \$13,865,200 SEG.

ALT A4	Change to	
	Base	Bill
SEG	\$0	\$7,648,200
FED	0	102,312,100
BR	<u>0</u>	<u>- 308,738,300</u>
Total	\$0	- \$198,778,000

B. Other Potential Alternatives

1. Modify the Governor's recommendation by providing an additional \$69,428,100 SEG (\$34,714,000 in 2017-18 and \$34,714,100 in 2018-19) to the state highway rehabilitation program and deleting \$69,428,100 in transportation fund-supported, general obligation bonds authority provided to that provided under the bill. This would reduce total bonding provided to the state highway rehabilitation program to \$239,310,200. These changes to the all funds adjusted base funding (plus bonding) for this program (\$832,273,900), would result in total program resources of \$849,054,500 in 2017-18 and \$852,577,900 in 2018-19 (or \$1,701,632,400 in the biennium). Decrease estimated debt service in 2018-19 by \$4,793,500 SEG.

ALT B1	Change to	
	Base	Bill
SEG	\$56,986,400	\$64,634,600
FED	- 102,312,100	0
BR	<u>239,310,200</u>	<u>- 69,428,100</u>
Total	\$193,984,500	- \$4,793,500

2. Modify the Governor's recommendation by providing an increase of \$8,000,000 SEG in 2017-18 and making a corresponding, \$8,000,000 reduction to the amount of general obligation bonding provided to the state highway rehabilitation in the biennium. Delete the Governor's recommendation to provide \$8,000,000 SEG to the major interstate bridge program in 2017-18 and instead provide this program with \$8,000,000 in transportation fund-supported, general obligation bonding authority. [This alternative would provide \$1,701,632,400 in the biennium.]

ALT B2	Change to	
	Base	Bill
SEG	- \$7,648,200	\$0
FED	- 102,312,100	0
BR	<u>308,738,300</u>	<u>0</u>
Total	\$198,778,000	\$0

C. Regional Funding Allocations

1. Require DOT to submit a report and 14-day passive review request for approval to the Joint Committee on Finance, no later than January 1, 2018, that would include the Department's proposed, 2018-19 allocation of non-backbone state highway rehabilitation funding by DOT region and a description of the data and methodology used to generate the proposed allocations, as well as a description of how the methodology used to determine the proposed allocations differs from the methodology used to make these allocations in the 2015-17 biennium.

Specify that Department's proposed, 2018-19 regional, non-backbone allocations would be subject to the Committee's approval and that any subsequent modification of more than 3.0% of each region's share of non-backbone funding, compared to the 2018-19 regional distribution, would

have to be submitted to the Committee for approval through the same passive review process prior to this adjustment.

2. Take no action.

Prepared by: John Wilson-Tepeli
Attachments

ATTACHMENT 1

Historical Funding Information on Three Main Components of State Highway Improvement Program (\$ in Millions)

<u>Biennium</u>	<u>State Highway Rehabilitation</u>	<u>Major Highway Development</u>	<u>Southeast Wisconsin Freeways*</u>	<u>Total</u>
2005-07	\$1,202.8	\$565.6	\$473.3	\$2,241.7
2007-09	1,560.8	695.9	494.2	2,750.9
2009-11	1,545.8	713.6	643.0	2,902.4
2011-13	1,607.6	743.6	420.0	2,771.2
2013-15	1,640.4	728.4	517.0	2,885.8
2015-17	1,698.0	641.1	414.6	2,753.7
2017-19**	1,701.6	669.9	121.9	\$2,493.4

<u>Biennium</u>	<u>State Highway Rehabilitation</u>	<u>Major Highway Development</u>	<u>Southeast Wisconsin Freeways*</u>	<u>Total</u>
2005-07	53.7%	25.2%	21.1%	100.0%
2007-09	56.7	25.3	18.0	100.0
2009-11	53.3	24.6	22.2	100.0
2011-13	58.0	26.8	15.2	100.0
2013-15	56.8	25.2	17.9	100.0
2015-17	61.7	23.3	15.1	100.0
2017-19**	68.2%	26.9%	4.9%	100.0%

*Shows funding provided for projects through the southeast Wisconsin freeway rehabilitation (2005-07 thru 2009-11) or megaprojects programs (2011-13 thru 2015-17). Beginning in 2011-13, southeast Wisconsin freeway projects that are not megaprojects are funded under either the major highway development or state highway rehabilitation programs.

**Reflects the Governor's 2017-19 budget recommendation

Note: Some totals do not add due to rounding.

ATTACHMENT 2

Regional State Highway Funding Allocations of 2015-17 Funding

<u>Allocations</u>	<u>% of Total Funding</u>
Regions (Non-Backbone)*	
Southwest Region	12.9%
Southeast Region	15.9
Northeast Region	8.2
North Central Region	6.9
Northwest Region	<u>11.6</u>
Subtotal	55.5%
Centrally-Scheduled (Backbone)	44.5%
Total	100.0%

Note: The regional allocation of state highway rehabilitation program funding is for non-backbone highways, which are typically lower-order or relatively less travelled highways in the state. The centrally-scheduled funding is provided for projects on the state's backbone highway system, which is a 1,588 mile system of highways connecting major economic areas of the state.

*The five regions and the counties in each region are: (a) the North Central Region (which includes Adams, Florence, Forest, Green Lake, Iron, Langlade, Lincoln, Marathon, Marquette, Menominee, Oneida, Portage, Price, Shawano, Vilas, Waupaca, Waushara, and Wood counties); (b) the Northeast Region (which includes Brown, Calumet, Door, Fond du Lac, Kewaunee, Manitowoc, Marinette, Oconto, Outagamie, Sheboygan, and Winnebago counties); (c) the Northwest Region (which includes Ashland, Barron, Bayfield, Buffalo, Burnett, Chippewa, Clark, Douglas, Dunn, Eau Claire, Jackson, Pepin, Pierce, Polk, Rusk, St. Croix, Sawyer, Taylor, Trempealeau, and Washburn counties); (d) the Southeast Region (which includes Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington, and Waukesha counties); and (e) the Southwest Region (which includes Columbia, Crawford, Dane, Dodge, Grant, Green, Iowa, Jefferson, Juneau, La Crosse, Lafayette, Monroe, Richland, Rock, Sauk, and Vernon counties).

ATTACHMENT 3

Highway Improvement Program Under Governor's 2017-19 Budget Recommendations*

	<u>2015-17</u>	<u>Governor 2017-19</u>	<u>Biennial Change in Resources</u>	<u>% Change in Biennial Resources</u>
State Highway Rehabilitation				
SEG	\$627,294,500	\$557,866,400	-\$69,428,100	
FED	920,730,900	835,027,700	-85,703,200	
General Obligation Bonds**	<u>150,000,000</u>	<u>308,738,300</u>	<u>158,738,300</u>	
Subtotal	\$1,698,025,400	\$1,701,632,400	\$3,607,000	0.2%
Major Highway Development				
SEG	\$131,120,400	\$152,947,700	\$21,827,300	
FED	185,741,200	363,636,100	177,894,900	
Trans. Revenue Bonds	169,012,200	153,281,700	-15,730,500	
General Obligation Bonds**	<u>155,227,600</u>	<u>0</u>	<u>-155,227,600</u>	
Subtotal	\$641,101,400	\$669,865,500	\$28,764,100	4.5%
SE Wis. Freeway Megaprojects				
SEG	\$36,546,900	\$27,210,100	-\$9,336,800	
FED	78,053,100	94,733,100	16,680,000	
General Obligation Bonds (SEG)	<u>300,000,000</u>	<u>0</u>	<u>-300,000,000</u>	
Subtotal	\$414,600,000	\$121,943,200	-\$292,656,800	-70.6%
High-Cost Bridge				
General Obligation Bonds (SEG)	\$16,800,000	\$0	-\$16,800,000	-100.0%
Major Interstate Bridge Construction				
SEG	\$0	\$8,000,000	\$8,000,000	
General Obligation Bonds (SEG)	<u>20,000,000</u>	<u>0</u>	<u>-20,000,000</u>	
Subtotal	\$20,000,000	\$8,000,000	-\$12,000,000	-60.0%
Total -- State Highway Improvement Program	\$2,790,526,800	\$2,501,441,100	-\$289,085,700	-10.4%

*Amounts shown comprise all highway improvement program items under the bill including federal aid reestimates and standard budget adjustments.

**Contingent highway bonding (SEG and GPR) provided under 2015 Act 55. The amount shown for the major highway development program reflects a \$44.8 million reduction in bonding (SEG), as required by provisions of that Act.