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Joint Committee on Finance

Paper #607

Southeast Wisconsin Freeway Megaprojects (Transportation – State Highway Program)

[LFB 2021-23 Budget Summary: Page 584, #5 and Page 586, #6]

CURRENT LAW

With the enactment of 2011 Act 32, the 2011-13 budget act, the southeast Wisconsin freeway rehabilitation program was replaced with the southeast Wisconsin freeway megaprojects program. A southeast Wisconsin freeway megaproject is defined as an improvement project with an estimated cost exceeding \$727.6 million in 2020 dollars. Southeast Wisconsin freeways are statutorily defined as being located in Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington, or Waukesha counties. Any rehabilitation or capacity expansion project on those freeways with a cost below that threshold is the responsibility of the state highway rehabilitation or major highway development programs, as applicable. Prior to the start of construction, southeast Wisconsin freeway megaprojects must be enumerated in the statutes. Presently, the I-94 North-South freeway and the Zoo Interchange projects are the only enumerated megaprojects.

A total of \$226.4 million was provided for southeast Wisconsin freeway megaprojects in the 2019-21 biennium. This amount was comprised of \$63.3 million in state funds, \$95.0 million in general fund-supported, general obligation bonds, and \$68.1 million of federal funds. Of the total amount, \$195.0 million was allocated for the north leg of the Zoo Interchange project, which is the final segment to complete the \$1,541.5 million project. Of the remaining \$31.4 million allocated in the 2019-21 biennium, \$11.4 million was allocated to additional work on the Zoo Interchange and I-94 North-South projects for costs for which bonds and federal aid may not be used. The remaining \$20.0 million was made available to reinstate work on the I-94 East-West expansion project, which is anticipated to be the next southeast Wisconsin freeway megaproject, after its federal approval was rescinded in September 2017 at the request of the Department of Transportation (DOT).

DISCUSSION POINTS

Background

1. There are three main components of the state highway improvement program: (a) the state highway rehabilitation (SHR) program; (b) the major highway development program; and (c) the southeast Wisconsin freeway megaprojects ("southeast megaprojects") program. As shown in the attachment, the southeast Wisconsin freeway megaprojects program has, historically, been the smallest of these programs, with a proportionate share of program funding over the past decade typically ranging between 5% and 20%.

2. There are two, ongoing southeast megaprojects that have been enumerated in statute: (a) the I-94 North-South freeway project, construction of which began in 2009; and (b) the Zoo Interchange project, construction of which began in 2013. The I-94 North-South freeway project involved reconstruction of existing lanes and interchanges and the addition of a fourth lane in each direction from the Mitchell Interchange in Milwaukee County to the Illinois state line. As of February, 2021, total inflation-adjusted project costs are estimated at \$1,602.5 million, of which only \$0.5 million is expected to be encumbered in 2021-22, after which the project will be officially complete. The mainline on I-94 was opened to traffic in May, 2020, which is generally consistent with the public's perception of project completion. In 2012-13, DOT began the reconstruction of the Zoo Interchange at the junction of I-94, I-894, and USH 45 in western Milwaukee County. As of February, 2021, total inflation-adjusted project costs of the Zoo Interchange project are estimated as \$1,541.5 million, of which \$160.0 million is expected to remain in the 2021-23 biennium. The Department let the final component of this project, known as the "north leg" in October, 2020, and anticipate the mainline to be open to traffic in October, 2023. Neither of these projects need additional funding in the biennium to be completed.

3. With regard to the age and condition of southeast Wisconsin freeways, DOT indicated in 2019 that the interstate system in the seven-county, southeast megaprojects program area includes 710 bridges, of which 417 are the original bridges from when the system was initially constructed. Five corridors (I-94 East-West [Milwaukee County], I-894 Bypass, I-94 East-West freeway [Waukesha County], I-43 Howard to Silver Spring Drive, and I-41 Burleigh to the Richfield Interchange) make up 385 lane miles and 278 of the 710 bridges in DOT's southeast region. On these five corridors alone, there are 278 bridges, of which 224 need to be replaced by 2040. These five corridors represent the next five southeast Wisconsin freeway megaprojects, with a total, estimated cost in the range of \$5 billion (not adjusted for inflation). The Department has estimated that a "replace-in-kind" approach to these projects would cost approximately 60% to 80% of the amount it would take to expand and modernize these corridors. However, the Department believes that a "replace in kind" approach would not result in appreciable safety and mobility benefits as compared to the current system.

4. The I-94 East-West project in Milwaukee County is the next anticipated southeast megaproject, but would need to be enumerated prior to the commencement of construction activities. The Department requested and the Governor recommends the enumeration of I-94 East-West in the 2021-23 biennial budget. As noted, the currently enumerated projects have been allocated all of the funding necessary for completion. Therefore, any 2021-23 funding provided to the southeast

megaprojects program is expected to be used on the I-94 East-West project. The project would be defined as the reconstruction of the I-94 freeway in Milwaukee County, from 70th Street to 16th Street, including all interchanges and work on local roads as necessary for the completion of the project. The project previously received the necessary federal approval in September, 2016. The preferred project alternative at that time was an eight-lane replacement of the current six-lane facility, at an estimated cost of \$1,106 million (as estimated in 2016).

5. Although environmental study and federal approval for this project were completed and the preferred alternative selected, on September 29, 2017, then-DOT Secretary Ross requested that the Federal Highway Administration rescind the project's federal approval due the project not receiving the required statutory enumeration and lack of available funding. In order to reinstate this decision, DOT would need to complete some additional work on the project's environmental documentation and resubmit the project's record of decision (approval) to the Federal Highway Administration for reinstatement. As part of the 2019-21 biennial budget, \$20.0 million was provided to DOT to reinitiate work on the I-94 East-West project, including work necessary to receive a new federal record of decision. In July, 2020, the Governor announced that DOT would seek federal approval to resume the project. Subsequently, in April, 2021, the Department announced the project would undergo a supplemental EIS, which will likely result in a federal record of decision on the project in late 2022 or early 2023.

Transportation Fund Concerns, Bonding and Debt Service

6. While the 2019-21 budget increased revenues to the transportation fund, the coronavirus pandemic has dampened the impact of those revenue increases to the fund, as well as to ongoing base level revenues. Thus, in compiling the 2021-23 budget, the Governor recommends a significant reduction to the base funding level for the SHR program and the southeast Wisconsin freeway megaprojects program, which would free up SEG funding to fund other recommendations, including a local supplemental grant program, as well as providing other SEG funding increases to general transportation aid, transit programs, state highway maintenance, and to the State Patrol. The Governor recommends replacing the SEG funding reduction to the SHR and southeast megaprojects programs with \$318.5 million in SEG-supported general obligation bonds for the SHR program (\$278.5 million) and the megaprojects program (\$40.0 million).

7. In an earlier action, the Committee adopted the adjusted base level funding amounts as the starting point for its 2021-23 transportation budget actions under Assembly Substitute Amendment 1 (ASA 1) to AB 68/Senate Substitute Amendment 1 (SSA 1) to SB 111. This action reinstated the base level SEG funding for the state highway improvement programs, and all other DOT programs. As a result, SEG expenditures from the transportation fund are significantly higher than under the Governor's recommendations. Subsequently, under Motion #24, the Committee adopted standard budget adjustments and reestimates of sum sufficient debt service appropriations that reduced appropriations by \$46.5 million in 2021-22 and \$31.4 million in 2022-23. Despite these earlier actions and slightly higher estimated revenues, the estimated 2022-23 ending balance for the transportation fund is estimated at -\$32.3 million under the ASA 1/SSA 1. This projected negative balance is prior to providing funding to any of the Governor's 2021-23 biennial budget recommendations or authorizing any bonding for the highway program. Thus, under current

estimates, the availability of transportation fund revenues to fund above-base transportation programming is limited. Additional reductions to base level funding, and/or the authorization of bonding in lieu of SEG funding for the state highway improvement program would be needed to balance the fund in the 2021-23 biennium under the substitute amendments.

8. The state transportation fund provides funding for a variety of state operations, like Division of Motor Vehicles services and State Patrol, as well maintenance of the state's highway infrastructure. In addition, the fund provides SEG monies for the local transportation operations primarily through general transportation aids and mass transit operating assistance as well as for a variety of local infrastructure improvement programs. Several of these programs have received SEG funding increases in recent biennia. Such SEG funding from the transportation fund that is allocated or committed to local programs, especially on an ongoing basis, reduces the amount of SEG funding available to fund DOT operations and the state highway improvement program. The question then arises as to whether the state's transportation fund has the financial ability to support both local highway infrastructure and the state highway infrastructure. However, since the 2005(06) property tax year, the Department of Revenue (DOR) has administered a levy limit program that restricts the year-to-year increases in county and municipal property tax levies, which inhibits the ability of some local governments to raise the revenue needed to maintain and rehabilitate their transportation infrastructure. As a result, state assistance for local transportation facilities and services may be warranted.

9. While revenues are expected to be higher in the biennium compared to last biennium, primarily due to the fully implemented title and registration fee increases enacted under 2019 Act 9, the pandemic has dampened the anticipated amount of revenue growth to the fund in the biennium relative to the revenues projected during 2019 Act 9 deliberations. If SEG funding is provided for local transportation purposes, as the Governor recommends, SEG "cash" would have to be removed from the state highway improvement program. Some level of SHR bonding will likely then be needed to replace the SEG "cash" in order to maintain the needed level of investment in the state highway system. While some level of SEG bonding is necessary to fund long-term highway infrastructure improvements, any heavy reliance on bonding for the state highway improvement program due to limited SEG funds being available, whether as a result of limited revenue growth to the fund or the significant use of available SEG funding for other purposes such as a local transportation programs recommended by the Governor, will continue to be a concern.

10. From 2009-10 through 2016-17, the transportation fund-supported debt service as a percentage of gross transportation fund revenue (excluding federal aid, bond revenue, and transfers from other funds) increased from 10.9% to 19.0% due to the heavy reliance on borrowing prior to, and during, that period. Since that time, due to less reliance on bonding in recent biennia, along with the 2019 Act 9 revenue increases, debt service as a percentage of revenue has decreased to 18.5% and is expected to decrease to 17.2% by the end of 2020-21. Under the Governor's recommendations, this percentage would increase to 17.3% in 2021-22 and 18.1% in 2022-23, primarily as a result of the large amount of SHR, SEG-supported bonding (\$278.5 million) being recommended. Reductions in SEG "cash" for the state highway program with a heavy reliance on bonding, will inevitably lead to the dilemma that the SEG funds needed to repay those bonds will again diminish the SEG funds available for transportation programming going forward. In the 2021-23 biennium, the Department is

scheduled to retire an estimated \$464.6 million in transportation fund-supported bonds (\$283.3 million in transportation revenue bonds and \$181.3 million in transportation fund-supported, general obligation bonds). Maintaining a transportation fund-supported borrowing level less than this amount until the ratio is at a more reasonable level would have the effect of improving the ratio of debt service to gross revenues in the transportation fund over time.

11. Under Motion #24, the Committee earlier approved standard budget adjustment (SBA) reductions of \$526,900 SEG annually and \$133,600 FED annually. The table below shows the base budget prior to Committee action, the actions taken by the Committee, and the base budget after the Committee's actions.

TABLE 1

**2021-23 Southeast Wisconsin Freeway Megaprojects Program
Committee Base Budget Changes**

	<u>SEG</u>	<u>FED</u>	<u>Total</u>
Adjusted Base Funding Level	\$53,533,200	\$54,772,600	\$108,305,800
Motion #24 (SBAs) Program Prior to Further JFC Action	<u>-1,053,800</u>	<u>-267,200</u>	<u>-1,321,000</u>
	\$52,479,400	\$54,505,400	\$106,984,800

Funding Level

12. The alternatives discussed in this paper include the Governor's recommendations for the southeast megaprojects program as well as a funding scenario that provides no new authorized bonding. As noted earlier, all of the 2021-23 southeast megaprojects program funding is expected to be allocated to the I-94 East-West project. According to DOT, despite the recent decision to update the federal EIS, the \$82.0 million in 2021-23 funding recommended by the Governor is needed to maintain the current I-94 East-West project schedule. The table below provides a comparison of the program's funding levels under each alternative discussed in this paper. The program's base budget, as modified by earlier Committee action, would provide \$25.0 million (30.5%) more than the \$82.0 million needed in the biennium to keep the I-94 East-West project on its existing timeline.

TABLE 2

**Potential Southeast Wisconsin Freeway Megaprojects Program
Funding Levels**

<u>Potential Funding Levels*</u>	<u>SEG</u>	<u>FED</u>	<u>Gen. Ob. Bonds (SEG)</u>	<u>Total</u>
Base Budget (Alt. A5)**	\$52,479,400	\$54,505,400	\$0	\$106,984,800
Governor (Alt. A1)	12,000,000	30,000,000	40,000,000	82,000,000
No Bonding - Delay (Alt. A2)	12,000,000	30,000,000	0	42,000,000
No Bonding - Maintain (Alt. A3)	52,000,000	30,000,000	0	82,000,000
No Funding (Alt. A4)	0	0	0	0

*Amounts shown comprise all southeast Wisconsin freeway megaprojects recommendation items, including adjustments to the base, and standard budget adjustments.

**As modified by earlier actions of the Committee in May, 2021.

13. The Governor recommended a 2021-23 southeast megaprojects program funding level of \$82.0 million, including \$40.0 million of transportation fund-supported, general obligation bonds. Using bonds for the I-94 East-West corridor reconstruction project would require a modification to the statutes to specify that the project would be an allowable use of bond proceeds from the existing bonding authorization. The recommended funding would include funding for the planning, design, real estate acquisitions, and utility and substation relocations associated with the project. Estimated debt service associated with the partial issuance of these bonds in the biennium would be \$1,052,500 in 2022-23. Once fully issued, annualized debt service associated with the issuance of these bonds would be estimated at \$3,209,800 annually. The Governor's recommendation for the southeast megaprojects program in the 2021-23 biennium is shown in the table below. This funding level would represent approximately 3.1% of the total funding recommended for the three major components of the state highway program, which is significantly lower than previous biennia (Attachment 1) in part because the only project needing additional funding in the biennium is the I-94 East-West project, which is in the in the initial planning and design phase. [Alternative A1]

TABLE 3**Southeast Wisconsin Freeway Megaprojects Program Funding --
Governor's Recommendation**

<u>Fund</u>	<u>Alternative A1*</u>		<u>Biennial Total</u>
	<u>2021-22</u>	<u>2022-23</u>	
SEG	\$4,000,000	\$8,000,000	\$12,000,000
FED	16,000,000	14,000,000	30,000,000
Gen. Ob. Bonds (SEG)	<u>20,000,000</u>	<u>20,000,000</u>	<u>40,000,000</u>
Total	\$40,000,000	\$42,000,000	\$82,000,000

*Amounts shown comprise all southeast Wisconsin freeway megaprojects recommendation items, including adjustments to the base and standard budget adjustments.

14. While the Governor's recommended bonding level for the southeast megaprojects program would be modest, the overall bonding level recommended by the Governor for transportation (\$555.8 million) could impact the transportation fund in future years. The Department indicates that the \$40 million in bonding is needed to maintain the current I-94 East-West project timeline. However, the additional work on the project's EIS has moved back the expected federal record of decision date for the project compared to earlier schedule estimates. Hence, the start of construction could likely be later than earlier project timelines suggested. Nonetheless, providing just the \$42.0 million shown in the table below, and no bonding authority, could lead to delays in planning, design and other scheduled work, although the actual impact is not known. [Alternative A2]

TABLE 4**Southeast Wisconsin Freeway Megaprojects Program Funding --
2021-23 No Bonding/Possible Schedule Delay Alternative**

<u>Fund</u>	<u>Alternative A2*</u>		<u>Biennial Total</u>
	<u>2021-22</u>	<u>2022-23</u>	
SEG	\$4,000,000	\$8,000,000	\$12,000,000
FED	<u>16,000,000</u>	<u>14,000,000</u>	<u>30,000,000</u>
Total	\$20,000,000	\$22,000,000	\$42,000,000

*Amounts shown comprise all southeast Wisconsin freeway megaprojects recommendation items, including adjustments to the base and standard budget adjustments.

15. Alternatively, those who may be adverse to authorizing new bonds for the program in the biennium may at the same time want to maintain with more certainty the I-94 East-West schedule, to allow the project to be ready to begin construction in a timely manner once it receives federal approval. Under this alternative, additional SEG funding would be needed to provide the \$82.0 million that DOT indicated was needed to maintain the I-94 East-West project schedule. As a result,

the Committee would have to adjust the SEG funding provided to the other state and local highway programs, or the SEG funding for other transportation programs such as State Patrol, in the biennium in order to maintain a positive balance in the transportation fund. The funding for the southeast Wisconsin freeway megaprojects program under this alternative would be allocated as indicated in the table below. [Alternative A3]

TABLE 5

**Southeast Wisconsin Freeway Megaprojects Program Funding --
2021-23 No Bonding/Maintain Schedule Alternative**

<u>Fund</u>	<u>Alternative A3*</u>		<u>Biennial Total</u>
	<u>2021-22</u>	<u>2022-23</u>	
SEG	\$24,000,000	\$28,000,000	\$52,000,000
FED	<u>16,000,000</u>	<u>14,000,000</u>	<u>30,000,000</u>
Total	\$40,000,000	\$42,000,000	\$82,000,000

*Amounts shown comprise all southeast Wisconsin freeway megaprojects recommendation items, including adjustments to the base and standard budget adjustments.

16. Uncertainty continues to exist associated with the I-94 East-West project. Some local opposition exists among some officials and groups who would prefer a reconstruction of the existing facility rather than an expanded system for this stretch of interstate. Further, the completion of an updated EIS has adjusted earlier timelines for the expected federal record of decision. Nonetheless, it is inevitable that some level of reconstruction of this I-94 East-West corridor facility is needed, and will likely be approved by the federal government. Providing no funding for the project at this time would limit DOT's ability to advance planning, design, and other scheduled work ahead of the federal record of decision that is currently expected in late 2022 or early 2023. This could likely delay the Department's ability to begin construction once the federal decision is received. However, this alternative would free up both SEG and FED funding to be used on other transportation program priorities.

17. Also, while no funding is required for enumeration of the project, doing so without some level of associated funding would mean that DOT would not be able to fund needed project activities in the biennium and would adversely affect the project schedule. Moreover, in the 2015-17 and 2017-19 biennia, the Department requested enumeration of, and funding for, the I-94 East-West project. As noted earlier, in fall, 2017, the Department requested the federal government rescind the project's federal approval given the lack of state investment. Subsequently, the project was restarted, and under 2019 Act 9, additional funding (\$20.0 million in 2019-21) was provided to restart the federal approval process and build on the Department's planning work completed to date. If the project is enumerated and no funding is provided in 2021-23 biennium, losing the work associated with the already sunk costs could be a risk. Further, it could lead to additional costs associated with the state having to again update its planning and design work at some point in the future. Nonetheless, this alternative would eliminate the base funding for the program of \$26,239,700 SEG and \$27,252,600 FED. [Alternative A4]

18. Alternatively, if no action would be taken by the Committee, base level funding of \$107.0 million (as shown in the table below) would be available for the southeast megaprojects program in the 2021-23 biennium. This funding would provide \$25.0 million more than what DOT indicates is needed to maintain the projected I-94 East-West project schedule and is recommended by the Governor. Although this alternative would also not include any new bonding authority, it would provide \$40.5 million more in SEG funding than is recommended by the Governor. This would again require the Committee to have to adjust the level of SEG funding provided to other state and local highway programs, or the SEG funding for State Patrol, in the biennium in order to maintain a positive balance in the transportation fund. [Alternative A5]

TABLE 6

**Southeast Wisconsin Freeway Megaprojects Program Funding --
2021-23 Base Budget Alternative**

<u>Fund</u>	<u>Alternative A5*</u>		
	<u>2021-22</u>	<u>2022-23</u>	<u>Biennium</u>
SEG	\$26,239,700	\$26,239,700	\$52,479,400
FED	<u>27,252,700</u>	<u>27,252,700</u>	<u>54,505,400</u>
Total	\$53,492,400	\$53,492,400	\$106,984,800

*As modified by earlier actions of the Committee in May, 2021.

Other Factors Related to Program Funding

19. In 2019-21 budget discussions, the Department noted that the state highway rehabilitation program's funding level has a significant impact on state highway conditions. However, DOT has also stressed that southeast Wisconsin freeway megaprojects and major highway development projects must also be funded at a sufficient level in order to avoid spillover effects that would negatively affect these state highway conditions over time. Although both of these programs typically deal with capacity expansion issues, funding these reconstruction projects under the majors and southeast megaprojects programs eliminates some of the highway rehabilitation program needs associated with those redeveloped highways. Absent sufficient funding for the majors and megaprojects programs, additional pressure would be placed on the SHR program funding, primarily due to significant age-related infrastructure issues in the southeast region of the state, as well as other parts of the state.

20. The availability of transportation fund revenue to fund any of the alternatives described in this paper would depend on other actions taken by the Committee relative to SEG revenue to the fund, overall state highway improvement and maintain programs, Division of Motor Vehicles and State Patrol, local transportation program SEG funding, and the level of transportation fund-supported debt authorized for the 2021-23 biennium.

Enumeration of Projects

21. Given the significant project study that has occurred since 2012, as well as the need for some level reconstruction work on the I-94 East-West corridor, the project is being recommended for enumeration. Proponents of enumerating the I-94 East-West corridor project have noted that the state has invested significant resources (approximately \$3 billion) in order to expand and modernize the adjacent Zoo and Marquette interchanges on I-94, while the stretch in between these two investments remains unsafe and inadequate. The I-94 East-West corridor reconstruction project would be defined as "all freeways, including related interchange ramps, roadways, and shoulders, encompassing I-94 in Milwaukee County from 70th Street to 16th Street, and all adjacent frontage roads and collector road systems." The 3.5-mile project under the 2016 federal approval's "preferred alternative" would reconstruct I-94 in Milwaukee County between the project boundaries, expand the existing roadway from six to eight lanes (four in each direction), reconstruct or redevelop affected interchanges, and complete related local road construction as a part of the project.

22. Proponents for the project cite concerns regarding the current roadway involving safety, congestion, and other operational issues. For example, according to the project's 2016 approval document from the federal government, most crash rates in the corridor are at least twice as high as the statewide average for large urban freeways, and some sections are four times higher. Regarding congestion, level of service is a measure of congestion based on number of vehicles per hour per lane, with level of service 'A' exhibiting free-flow traffic and level of service 'F' exhibiting extreme congestion approaching gridlock. Existing levels of service range between 'C' (good conditions) and 'F' (extremely congested conditions) during the heaviest traffic periods, with predicted levels of service ranging from 'D' (moderately congested) to 'F' (extremely congested) by 2040. Lastly, there are identified design deficiencies according to national guidelines, including deficiencies related to left-hand entrances and exits (11 locations), horizontal curves (identified as substandard along most of the corridor), decision and stopping sight distances (8 locations do not meet minimum standards), vertical clearance (16 bridges do not meet minimum vertical clearance standards), ramp spacing (12 locations do not meet minimum ramp spacing standards), merging distances (18 locations are identified as substandard), and acceleration and deceleration lanes (10 ramps have inadequate lengths).

23. The project's September, 2016, federal record of decision indicated that the total, inflation-adjusted cost was estimated at \$1.1 billion. As part of the 2019-21 biennial budget, \$20.0 million was provided to the Department to reinitiate work on the project. In July 2020, the Governor announced that DOT would seek federal approval to resume the I-94 East-West corridor project. In April, 2021, it was announced that a supplemental environmental impact statement would be conducted due to changes since the project was approved in 2016. This could allow for a federal record of decision in late 2022 or early 2023, and the beginning of construction in 2023 or 2024.

24. Alternatives to the 2016 record of decision preferred alternative of modernization and expansion of the I-94 East-West included: (a) a "replace in kind" alternative, which involves replacing the pavement but maintaining the current configuration; and (b) a "modernization" alternative that would replace the existing roadway and reconfigure the highway to address many of the safety issues, but does not expand the roadway from six to eight lanes. At the time of the 2016 federal record of decision, the costs associated with these alternatives were approximately \$375 million to \$400 million

for the replace in kind option, and \$975 million to \$1,000 million for the modernization option. Because of its expected costs, the modernization alternative would likely still remain a southeast Wisconsin freeway megaproject and require enumeration, whereas the replace in kind alternative may likely be a candidate for the major highway development program.

25. While these other alternatives would address some of the condition and configuration concerns with the existing roadway, the project's 2016 preferred expansion alternative ameliorated more of the safety and congestion issues. For example, at that time, the preferred alternative was estimated to have 23 to 29 percent fewer crashes than the replace-in-kind option. In addition, the preferred alternative was estimated to allow for a level of service 'D' (moderately congested) or better during peak hours compared to the present 'F' (extremely congested), whereas even with the modernization alternative that does not include expansion, the levels of service forecasted in 2040 would be 'E' (severely congested) to 'F' (extremely congested) at several locations. The modernization without expansion alternative was eliminated as the preferred alternative as part of the 2016 federal review because it did not adequately address congestion.

26. The preferred alternative to be recommended as part of this second upcoming federal record of decision process remains unknown. The preferred alternative could remain similar to the 2016 preferred alternative that modernized and expanded the roadway, or it could be a modernization without expansion alternative, or even replace-in-kind alternative. If enumerated and funded, DOT indicates that construction on I-94 East-West could begin in the 2023-25 biennium. [Alternative B1]

27. Conversely, in the past, opponents have cited concern regarding the I-94 East-West project's environmental impacts and substantial costs as reasons for maintaining the existing facility. There also exists some opposition to the project among some local government officials. Given the current budget environment, the uncertainty regarding the pending federal record of decision, and the significant and ongoing public debate regarding whether or not the project should include an expansion component, some may argue that enumeration of the project is not appropriate at this time. Moreover, because construction on a southeast Wisconsin freeway megaproject cannot begin until the project is enumerated, not enumerating the project in this biennium would likely mean the project's construction would be delayed until enumeration occurs, with the most likely opportunity to do so being in the 2023-25 biennial budget. [Alternative B2]

Other Project Considerations

28. In recent years, city governments have been removing stretches of interstate or urban road spurs that divide city neighborhoods. Recently, the proposed federal infrastructure bill, as well as separate federal legislation, would provide funding aimed at removing or rehabilitating such facilities for the betterment of the surrounding neighborhoods. In this vein, some have voiced similar concerns related to the lasting impact that State Highway (STH) 175 north of the I-94 stadium interchange in Milwaukee has had on the adjacent neighborhoods. Concerns regarding this corridor pertain to STH 175 being a freeway-like structure and thoroughfare that divides rather than integrates existing neighborhoods. While this project alone would not meet the cost threshold to be considered a southeast Wisconsin freeway megaproject, some have expressed a desire for it to be considered as part of, or alongside, the I-94 East-West project. DOT indicates that options to address this component were not investigated as part of the existing I-94 East-West study, and that a separate study would be

needed to investigate alternatives to remove freeway interchanges and better integrate highway access into the existing city street system. The Department estimated that a separate study to investigate alternatives and costs along with their environmental impacts could range from \$10 million to \$15 million.

29. If addressing these concerns is seen as a benefit to urban and neighborhood revitalization, and should be considered a priority, DOT could be directed to conduct a study of STH 175 north of I-94 near the stadium interchange, and to use funding provided under the SHR program for these purposes. [Alternative C1]

30. Considering the available SEG funding, some may have concerns advancing a project ahead of the standard state highway rehabilitation prioritization process. Doing so would impact the funding available for other priority SHR projects in the biennium. [Alternative C2]

ALTERNATIVES

A. Funding Level

1. Make the following changes to the southeast Wisconsin freeway megaprojects program's funding in order to provide a 2021-23 funding level of \$82,000,000: (a) reductions of \$22,239,700 SEG and \$11,252,700 FED in 2021-22; (b) reductions of \$18,239,700 SEG and \$13,252,700 FED in 2022-23; and (c) authorization of \$40,000,000 in transportation fund-supported, general obligation bonds for use on the I-94 East-West corridor reconstruction project. Modify statutes to specify that the I-94 East-West corridor reconstruction project would be an allowable use of bond proceeds from the existing bonding authorization. Estimate debt service associated with the partial issuance of these bonds in the biennium to be \$1,052,500 SEG in 2022-23. Once fully issued, annualized debt service associated with the issuance of these bonds would be estimated at \$3,209,800 annually. The change in funding reflects the change to base level funding for Southeast Wisconsin freeway megaprojects, as modified by the standard budget adjustment reductions made under earlier actions of the Committee.

ALT A1	Change to Base
SEG	- \$39,426,900
FED	- 24,505,400
BR-SEG	<u>40,000,000</u>
Total	- \$23,932,300

2. Make the following changes to the southeast Wisconsin freeway megaprojects program's funding in order to provide a 2021-23 funding level of \$42,000,000: (a) reductions of \$22,239,700 SEG and \$11,252,700 FED in 2021-22; and (b) reductions of \$18,239,700 SEG and \$13,252,700 FED in 2022-23, for use on the I-94 East-West corridor reconstruction project. This level of funding could likely inhibit DOT's ability to conduct planning and design work on the I-94 East-West project, potentially leading to construction delays should the project be approved by the federal government. The change in funding reflects the change to base level funding for Southeast Wisconsin

freeway megaprojects, as modified by the standard budget adjustment reductions made under earlier actions of the Committee.

ALT A2	Change to Base
SEG	- \$40,479,400
FED	<u>- 24,505,400</u>
Total	- \$64,984,800

3. Make reductions of \$2,239,700 SEG and \$11,252,700 FED in 2021-22 and an increase of \$1,760,300 SEG and a decrease of \$13,252,700 FED in 2022-23 to the southeast Wisconsin freeway megaprojects program's funding in order to provide a 2021-23 funding level of \$82,000,000 for use on the I-94 East-West corridor reconstruction project. This would maintain the current I-94 East-West project schedule but would not authorize new bonds for this purpose. The change in funding reflects the change to base level funding for Southeast Wisconsin freeway megaprojects, as modified by the standard budget adjustment reductions made under earlier actions of the Committee.

ALT A3	Change to Base
SEG	- \$479,400
FED	<u>- 24,505,400</u>
Total	- \$24,984,800

4. Make the following changes to the southeast Wisconsin freeway megaprojects program's funding in order to eliminate base funding in the 2021-23 biennium: (a) reductions of \$26,239,700 SEG annually; and (b) reductions of \$27,252,700 FED annually. This would inhibit DOT's ability to conduct planning and design work on the I-94 East-West project (which is recommended for enumeration by the Department and Governor), likely leading to construction delays should the project be approved by the federal government. The change in funding reflects the change to base level funding for Southeast Wisconsin freeway megaprojects, as modified by the standard budget adjustment reductions made under earlier actions of the Committee.

ALT A4	Change to Base
SEG	- \$52,479,400
FED	<u>- 54,505,400</u>
Total	- \$106,984,800

5. Take no action. Base funding of \$106,984,800 would remain available in 2021-23. This level of funding would provide \$25.0 million more funding than the Department indicates is necessary to maintain the I-94 East-West project schedule. The change in funding reflects the change to base level funding for Southeast Wisconsin freeway megaprojects, as modified by the standard budget adjustment reductions made under earlier actions of the Committee.

B. Project Enumeration

1. Enumerate the I-94 East-West Corridor project as a southeast Wisconsin freeway megaproject. Define the project as "all freeways, including related interchange ramps, roadways, and shoulders, encompassing I-94 in Milwaukee County from 70th Street to 16th Street, and all adjacent frontage roads and collector road systems." Statutory enumeration is required before southeast Wisconsin freeway megaprojects may begin construction. If enumerated and funded at \$82.0 million in the 2021-23 biennium, DOT indicates that construction could begin in the 2023-25 biennium.
2. Take no action. Construction could not begin on the I-94 East-West project until it is enumerated.

C. Other Project Considerations

1. Require the Department to allocate SEG funding for the study of improvements to WIS-175 just north of the I-94 stadium interchange in the 2021-23 biennium, and list this allocation as an allowable use of funds from the state highway rehabilitation SEG appropriation.
2. Take no action.

Prepared by: Nick Lardinois
Attachment

ATTACHMENT

**Recent Biennial Funding Levels for 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>
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	1,626.2	563.7	535.6	2,725.7
2019-21	1,937.8	564.2	226.4	2,728.4
2021-23*	\$2,004.5	\$565.6	\$82.0	\$2,652.1

<u>Biennium</u>	<u>State Highway Rehabilitation</u>	<u>Major Highway Development</u>	<u>Southeast Wisconsin Freeways</u>	<u>Total</u>
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	59.7	20.7	19.6	100.0
2019-21	71.0	20.7	8.3	100.0
2021-23*	75.6%	21.3	3.1%	100%

*Governor's budget recommendation after correcting for technical errata, excluding the design build bonding recommendation, which could be used for any of the components of the state highway improvement program.