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STATE REPRESENTATIVE • 41ST ASSEMBLY DISTRICT

Testimony in favor of Assembly Bill 636

Committee on Transportation

November 17, 2021

Thank you, Chairman Plumer and committee members, for allowing me to testify before you today concerning Assembly Bill 636, which relates to publishing and reporting requirements for the Transportation Infrastructure Loan Program. I would also like to thank Senator Cowles for his leadership in working with me on this important piece of legislation.

One of the Legislature's most important tasks is to ensure transparency throughout all branches of our government. As our taxpaying constituents continue to seek better transportation funding across our state, I believe a bill, such as AB 636, can play a small role in creating more transparency inside the Wisconsin Department of Transportation (WisDOT). This bill provides easier access for our local communities to navigate the Transportation Infrastructure Loan Program and possibly utilize these loans in their goal of achieving better transportation efficiency.

Assembly Bill 636 would require that WisDOT publish appropriate program information on its website, such as the application, the application process, and information on prior funded projects and conditions of program's funding. This bill also requires WisDOT to report to the Legislature in regards to each new agreement for a loan under this program.

Wisconsinites and our local leaders deserve to know more about this program, how to apply and utilize it, who the funds are going to, and in what amount. This bill will ensure transparency in the spending of millions of dollars in taxpayer funds.

To the members of the committee, thank you again for the opportunity to testify before you today and I would be happy to answer any questions you may have.

Testimony on 2021 Assembly Bill 636

Senator Robert Cowles
Assembly Committee on Transportation
November 17th, 2021

Thank you Chairman Plumer and Committee Members for allowing me to testify on 2021 Assembly Bill 636. This bill simply adds some transparency on a relatively unknown program at the Wisconsin Department of Transportation (DOT).

Within state statutes there is a program called the “Transportation Infrastructure Loan Program” or the “State Infrastructure Bank”; both are correct apparently. From the available information I have, I believe the program provides loans to local governments, although railroads, nonprofit organizations, and transit commissions are also eligible and other financing options are allowed under its statutory construct. Under current law and administrative code, the Transportation Infrastructure Loan Program has pretty wide flexibility and discretion in determining who is an eligible applicant, the types of projects that qualify, the terms and conditions of the financing options and interest rates which are awarded, and the loan repayment schedules.

Assembly Bill 636 doesn’t change any of the elements of this program, but simply adds necessary transparency requirements to this program to know where DOT is loaning money. This is because this program is only reported in one location. You can find it in the supplementary information of the Comprehensive Annual Financial Report (CAFR) lumped together with 5 other nonmajor enterprise funds. In the 2020 CAFR you can find it on pages 195-197. I’ve provided these pages along with my testimony. Furthermore, DOT’s website provides little more information. I have also provided a screenshot of the program’s website. As you can see, there is no information provided on the application process, the application itself, prior loans, or conditions or terms of the funding provided by this program.

While this program is intended to provide funding for projects that improve “Transportation Efficiency”, the lack of information reported about a government lending program is concerning. Assembly Bill 636 aims to add some transparency and ease the ability to access information about this program. The bill requires that DOT publish pertinent program information on its website such as the application, the application process, and information on prior funded projects and conditions of program funding. The bill also requires DOT to report each new agreement for a project to the Legislature.

I see Assembly Bill 636 as a simple solution to gather more information about this government lending program.

Nonmajor Enterprise Funds

ENTERPRISE: Enterprise funds account for business-like State activities that provide goods and/or services to the public and are financed primarily through user charges. The State's enterprise funds are described below:

The **Injured Patients and Families Compensation Fund** accounts for the program to provide excess medical malpractice insurance for Wisconsin health care providers. The revenues to finance this insurance are primarily derived from assessments charged to health care providers.

The **Lottery Fund** accounts for State managed lottery activities used to provide property tax relief to taxpayers. Revenues from ticket sales are used to pay winners, commissions to retailers, operating expenses and property tax relief.

The **Income Continuation Insurance Fund** accounts for long-term and short-term disability benefits for employees of the State and of participating local public employers and operates on a self-insured basis. Contributions and investment activity provide funding for the benefits.

The **Duty Disability Fund** accounts for the compensation of protective category employees of the Wisconsin Retirement System for duty-related disabilities, as well as the collection of contributions and investment activity providing funding for the benefits.

The **Health Insurance Fund** accounts for group health insurance plans provided on a self-insured, fee for service basis or prepaid basis to current employees of the State and of participating local public employers.

The **State Retiree Health Insurance Fund** accounts for the accumulation of premiums for group health insurance plans provided on a self-insured, fee for service basis or prepaid basis to retired employees of the State.

The **Veterans Trust Fund** accounts for various programs for veterans, including loans and grants to individuals and organizations and the operations of the State Veterans Museum. Revenues to finance this program are primarily derived from veteran loan payments and investment income.

The **Veterans Mortgage Loan Repayment Fund** accounts for the issuance and administration of veterans' first mortgage loans. Funding sources are primarily derived from bond proceeds, mortgage payments, and investment income.

The **Care and Treatment Facilities Funds**, account for various resident facilities including:

- The **Mendota Mental Health Institute Fund** and the **Winnebago Mental Health Institute Fund** account for the diagnosis, care and treatment of individuals with mental and emotional disturbances. The services are provided with funds collected from third parties and contributions from the State.
- The **Homes For Veterans Fund** accounts for nursing home and assisted living facilities for veterans and their spouses.

The costs associated with providing this care are funded by private pay charges, the U.S. Department of Veterans Affairs and Medical Assistance.

- The **Northern, Central, and Southern Developmental Disabilities Center Funds** account for services provided to developmentally disabled citizens with the goal of ultimately returning such persons to the community if possible. These services are provided with funds collected from third parties and contributions from the State.

The **Other Enterprise Funds** account for the following programs:

- The **State Fair Park Fund** accounts for the annual State Fair, and various year round major sports events, agricultural and industrial expositions, and other programs of civic interest. Its revenues are derived from admissions, fees, rents and sales, with no contributions from the State.
- The **Institutional Farm Operations Fund** accounts for the revenues and expenses associated with employing inmates in agricultural and other work activities. The associated costs are funded from farm product sales and a General Fund supplement.
- The **Correctional Canteen Operations Fund** accounts for the program which provides goods for the education, recreation, and convenience of inmates. Charges made to inmates are the primary source of funds for these activities.
- The **Local Government Property Insurance Fund** accounts for property insurance coverage provided to local governments. This insurance is financed with premiums collected from policyholders and income on investments.
- The **State Life Insurance Fund** accounts for the program to provide State sponsored life insurance to residents in a manner consistent with private insurers. This insurance is financed with premiums collected from policyholders and investment earnings.
- The **Transportation Infrastructure Loan Fund** accounts for the development of innovative financing mechanisms that will more effectively use federal financial transportation resources. Federal Highway Administration funds, and interest from the fund balance and from loan recipients, are the primary revenues for this fund.

Combining Statement of Net Position - Nonmajor Enterprise Funds
June 30, 2020

(In Thousands)

	Injured Patients and Families Compensation Fund	Lottery	Income Continuation Insurance	Duty Disability	Health Insurance	State Retiree Health Insurance
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 19,226	\$ 31,475	\$ 144,220	\$ 694,243	\$ 217,312	\$ —
Investments	12,330	3,731	—	—	—	—
Receivables (net of allowance):						
Loans to Local Governments	—	—	—	—	—	—
Loans Receivable	—	—	—	—	—	—
Other Receivables	22,847	52,162	3,339	270	28,202	19,158
Due from Other Funds	—	—	2	1,421	34,067	19,525
Due from Other Governments	—	—	—	512	—	14,192
Inventories	1	468	—	—	—	—
Prepaid Items	—	322	—	—	891	325
Other Assets	—	441	—	—	—	—
Total Current Assets	54,404	88,599	147,562	696,446	280,472	53,200
Noncurrent Assets:						
Investments	1,510,119	8,194	—	—	—	—
Receivables (net of allowance):						
Loans to Local Governments	—	—	—	—	—	—
Loans Receivable	—	—	—	—	—	—
Advances to Other Funds	146	—	—	—	—	—
Restricted and Limited Use Assets:						
Cash and Cash Equivalents	11,900	—	—	—	—	—
Investments	45,357	—	—	—	—	—
Net Pension & OPEB Asset	93	994	—	—	—	—
Other Assets	—	6,431	—	—	—	—
Depreciable Capital Assets (net of accumulated depreciation)	—	114	—	—	—	—
Nondepreciable Capital Assets	—	—	—	—	—	—
Total Noncurrent Assets	1,567,615	15,733	—	—	—	—
Total Assets	1,622,020	104,332	147,562	696,446	280,472	53,200
Deferred Outflows of Resources						
Debt Refunding	—	—	—	—	—	—
Advances by the State	—	69,101	—	—	—	—
Deferred Pension Outflows	208	2,012	—	—	—	—
Deferred Other Post Employment Benefits Outflows	49	441	—	—	—	—
Total Deferred Outflows of Resources	258	71,554	—	—	—	—
Total Assets and Deferred Outflows of Resources	\$ 1,622,277	\$ 175,885	\$ 147,562	\$ 696,446	\$ 280,472	\$ 53,200

Care and Treatment Facilities

Veterans Trust	Veterans Mortgage Loan Repayment	Mendota Mental Health Institute	Winnebago Mental Health Institute	Other Care and Treatment Facilities	Other Enterprise	Total All Nonmajor Funds
\$ 1,761	\$ —	\$ 7,815	\$ 11,429	\$ 25,440	\$ 20,795	\$ 1,173,718
—	—	—	—	—	—	16,060
—	—	—	—	—	251	251
29	—	—	—	—	—	29
120	—	1,935	5,309	13,581	1,112	148,036
32	—	1,147	—	51	224	56,469
—	—	—	—	7,294	92	22,089
54	—	152	813	2,139	3,176	6,804
1	—	5	4	12	—	1,559
—	—	—	—	—	—	441
1,996	—	11,055	17,555	48,517	25,650	1,425,455
—	—	—	—	—	128,190	1,646,503
—	—	—	—	—	2,556	2,556
7	—	—	—	—	2,875	2,882
—	—	—	—	—	—	146
—	—	—	—	—	—	11,900
—	—	—	—	—	—	45,357
1,218	—	14,097	10,261	26,976	1,675	55,314
—	—	—	—	—	—	6,431
10,745	—	19,672	21,443	79,895	49,716	181,585
232	—	34,794	1,545	72,650	10,504	119,726
12,202	—	68,564	33,250	179,522	195,515	2,072,400
14,198	—	79,618	50,805	228,039	221,165	3,497,856
—	—	—	—	425	96	521
—	—	—	—	—	—	69,101
2,536	—	24,962	19,198	53,682	3,034	105,632
519	—	4,093	3,820	13,113	519	22,554
3,055	—	29,055	23,017	67,220	3,650	197,809
\$ 17,253	\$ —	\$ 108,674	\$ 73,822	\$ 295,259	\$ 224,814	\$ 3,695,665

(Continued)



State of Wisconsin
Department of Transportation

State Infrastructure Bank (SIB) Program

Assistance programs

Road and bridge

Transit

Other aid

In the mid-1990s, Congress authorized some innovative uses for federal transportation funds. To strengthen the impact of limited federal dollars, states were given the ability to use certain funds to create "banks" that could offer various types of financial assistance, much like those available at a private bank. The State Infrastructure Bank (SIB) Program offers a range of loans and credit options to help pay for eligible surface transportation projects that would otherwise go unfunded or experience substantial delays.

The Wisconsin Department of Transportation's (WisDOT's) SIB program, created in 1998, is a revolving loan program. Principal and interest payments made by loan recipients are returned to the "bank" so that funds can be made available to new applicants. Initially capitalized with \$1.5 million in federal funds and \$375,000 in state funds, the program currently has approximately \$3 million in assets (current loans plus cash on hand).

Communities may apply for loans for transportation infrastructure improvements that help preserve, promote and encourage economic development and/or promote transportation efficiency, safety and mobility. SIB loans can be used in conjunction with other federal or state programs, or to finance an entire project. Projects that would be eligible for SIB funding include:

Economic Development

- Access improvements for vehicle traffic near commercial or industrial sites
- Improvements to roads serving brownfields or idle industrial sites
- Reconstruction of a bridge that connects downtown businesses to a state highway
- Addition of vehicle capacity to a road linking to an intermodal or transload facility

Transportation Efficiency, Safety and Mobility

- Installation of signal lights, turn lanes, and pedestrian walkways at a highway intersection
- Road modifications to accommodate truck movements near a distribution center

- Improvements to an interchange near a new commercial development
- Construction of parking facilities, bicycle lanes, and pedestrian walkways to better facilitate customer traffic near retail centers and tourist attractions

Eligible applicants include counties, cities, villages and towns, or select other government or non-profit organizations. Funds are available on a first come, first served basis and are disbursed soon after a loan is approved, provided sufficient funds are available. Interest rates are similar to or lower than market rates, and the loan term can extend up to 30 years.

To date, 22 SIB loans have been made to communities throughout the state of Wisconsin.

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To: Senator Cowles, Representative Dallman
From: Joel Nilsestuen, Assistant Deputy Secretary
Date: November 16, 2021
RE: State Infrastructure Bank Program Summary

The Wisconsin Department of Transportation's (WisDOT's) State Infrastructure Bank (SIB) program is a revolving loan program. Principal and interest payments made by loan recipients are returned to the "bank", so that funds can be made available to new applicants. The state's SIB program was initially capitalized with \$1.5 million in federal highway funds and \$375,000 in state funds as part of the 1997-99 biennial budget (1997 Wisconsin Act 27). While authorized in state statute (§ 25.405, Wis. Stats.), no federal or state funds have been allocated to create a transit SIB in Wisconsin. Since inception, the WisDOT SIB has made 23 loans totaling just over \$9 million.

Congress initially authorized the creation of SIBs to complement traditional transportation grant programs and provide states with flexibility to offer many types of financial assistance. The SIB program, similar to a private bank, offers a range of options to help finance eligible surface transportation projects including loans, loan guarantees and other similar financing arrangements. To date, the WisDOT SIB has only made direct loans to communities. The intent of having a SIB is to offer states the ability to support transportation projects that would otherwise go unfunded or experience substantial delays. Wisconsin communities can borrow funds to provide needed transportation infrastructure improvements to help preserve, promote, and encourage economic development and/or promote transportation efficiency, safety, and mobility. Funds are available on a first-come, first-served basis, subject to available funds.

Most WisDOT SIB loans have had an interest rate of 2 percent but there have been a few cases in which the interest rate was set to zero. The Department has some flexibility to adjust the rate up or down to respond to market conditions and project needs but 2 percent has been the standard rate. While most loans have been amortized over 25 years, SIB loans may, and have been, extended out to 30 years. The repayment terms are similar to current private lending options.

At this time, there are five outstanding loans, totaling \$2.5 million. Repayments of both principal and interest averages approximately \$60,000 per quarter and the program's current available balance is \$588,616.

Please let me know if you have any follow-up questions or concerns regarding the State's SIB program.

Thank you.

CC: Senator Petrowski
Representative Plumer
Representative Spiros