



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 13, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Paper for the Committee's March 17, 2009, Meeting

Attached is a paper, prepared by this office, on the Governor's request for use of federal economic stimulus funding for transportation projects.

The meeting is scheduled to begin at 10:00 a.m. on March 17, 2009, in Room 412 East, State Capitol.

BL/sas
Attachment



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

March 17, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

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

REQUEST

The Governor requests approval for the use of \$42,455,100 received under transportation provisions of the federal American Recovery and Reinvestment Act of 2009 for 49 local transportation projects. The specific projects are shown below, separated by projects with a proposed letting date in April (these are all bridge projects), and those with a May or June letting date.

Proposed Bridge Projects with an April Letting Date

<u>Unit of Government</u>	<u>County</u>	<u>Project</u>
Town of Barron	Barron	18th Avenue-Yellow River Bridge
Town of Freeman	Crawford	Rush Creek Road Bridge
Village of Rockdale	Dane	CTH B-Koshkonong Creek Bridge
Town of Cloverland	Douglas	McNeil's Landing Road-Brule River Bridge
Town of Oakland	Douglas	Rice Farm Road-Little Amnicon River Bridge
Town of Auburn	Fond du Lac	Youth Camp Road Bridge
City of Hurley	Iron	Poplar Street-Montreal River Bridge
Lafayette County	Lafayette	CTH J-Fever River Bridge
Town of Skanawan	Lincoln	Little Pine Creek Bridge
Town of Manitowoc	Manitowoc	Valley Drive Bridge
Town of Meeme	Manitowoc	South Cleveland Road Bridge
Town of Meeme	Manitowoc	County Line Road Bridge
Town of Newton	Manitowoc	Newton Road Bridge
Town of Wilton	Monroe	Kettle Road-Birch Sleighton Creek Bridge
Town of Prentice	Price	Morner Road-Douglas Creek Bridge
Sauk County	Sauk	CTH G-Baraboo River Bridge
City of Medford	Taylor	Allman Street-Black River Bridge
Tempealeau County	Trempealeau	Bruce Valley Creek Bridge
Village of Oconomowoc Lake	Waukesha	Valentine Road-Oconomowoc River Bridge

Proposed Local Transportation Projects with May or June Lets

<u>Unit of Government</u>	<u>County</u>	<u>Project</u>	<u>Type</u>
Town of Sherwood	Clark	Ballard Road-Hay Creek Bridge	Bridge
Dane County	Dane	CTH N-Yahara River Bridge	Bridge
City of Madison	Dane	Starkweather Creek Bike/Pedestrian Trail	Enhancements
Dodge County	Dodge	CTH G-Glen Drive to STH 73	Highway
City of Sturgeon Bay	Door	Michigan Street -1st Avenue to 4th Avenue	Highway
Town of Alto	Fond du Lac	Lake Maria Road Bridge	Bridge
Town of Alto	Fond du Lac	Oak Grove Road Bridge	Bridge
Forest County	Forest	CTH W-CTH Q to USH 8	Highway
Grant County	Grant	CTH C-Warner Creek Bridge	Bridge
Green Lake County	Green Lake	CTH I-Grand River Crossing	Bridge
Town of Arena	Iowa	River Road Bridge	Bridge
Jackson County	Jackson	CTH A-8th Street to CTH F	Highway
City of Onalaska	La Crosse	Oak Avenue-Oak Forest Dr. to Enterprise Ave.	Highway
Marathon County	Marathon	CTH NN-STH 107 to USH 51	Highway
Marathon County	Marathon	CTH F-CTH H to CTH S	Highway
Menominee County	Menominee	CTH M-STH 47 to Strawberry Lane	Highway
Village of River Hills	Milwaukee	River Road Bridge	Bridge
Portage County	Portage	CTH P-West River Drive Rocky Run Crossing	Bridge
Town of Ogema	Price	Hallstrand Road-Holmes Creek Bridge	Bridge
Richland County	Richland	CTH I-Gault Hollow Creek Bridge	Bridge
Rock County	Rock	CTH A-Blackhawk Creek Bridge	Bridge
Sauk County	Sauk	CTH PF-Seeley Creek Bridge	Bridge
Town of Pershing	Taylor	Hannibal Road-Branch Fisher River Bridge	Bridge
Town of Westboro	Taylor	Westboro Road-Mondeaux River Bridge	Bridge
Trempealeau County	Trempealeau	CTH G-Pine Creek Bridge	Bridge
Village of Sharon	Walworth	CTH C-Stateline Road to Pleasant Street	Highway
Village of Germantown	Washington	CTH Y (Lannon Road)	Highway
Village of Menomonee Falls	Washington	CTH Q (County Line Road)	Highway
Washington County	Washington	CTH W-Bridge over east branch of Rock River	Bridge
Wood County	Wood	Branch of Mill Creek Crossing	Bridge

The total estimated cost of the April projects is \$8,192,400, while the estimated cost of the May and June projects is \$34,262,700. The Department of Transportation has asked that estimates of the individual cost of the projects be kept confidential to avoid adversely affecting the bidding process.

BACKGROUND

The State of Wisconsin will receive a total of \$529.1 million in funds under the highway formula component of the American Recovery and Reinvestment Act of 2009. A provision of 2009 Wisconsin Act 2 requires the Department of Transportation to allocate federal stimulus funding to 47 projects listed in the act, with an estimated total cost of \$298.7 million. The Department has certified these projects with the federal government and indicates that contracts for them will be let prior to the end of fiscal year 2008-09. All but one these projects are on the state highway system, accounting for \$298.6 million of the total estimated cost.

The federal economic stimulus act requires states to allocate a total of 30% of the highway funds to specific areas subdivided by population. Areas with a urbanized area population exceeding 200,000 have their own set-asides, which in Wisconsin are the urbanized areas of Madison and Milwaukee, and a portion of the Round Lake Beach, Illinois, urbanized area in western Kenosha County. Urbanized areas with a population less than 200,000 and areas with a population less than 5,000 do not have their own set-asides, but states are required to set aside a portion of the funds in aggregate for these areas. In addition, the federal act requires that 3% of the highway funds be allocated to the transportation enhancements program, which funds alternative transportation projects such as bicycle and pedestrian facilities. The following table shows these set-aside amounts for Wisconsin.

Wisconsin Economic Stimulus Highway Funding and Set-Asides

Total Highway Funding	\$529,111,900
Population Area Subgroups	
Greater than 200,000 Population*	\$49,074,000
Less than 200,000 Population	95,035,800
Less than 5,000 Population	<u>14,623,700</u>
Total Population-Based Set-Aside	\$158,733,500
Transportation Enhancements	\$15,873,400
Funds for Any Area	\$354,505,000

* Of the amount designated for urbanized areas with a population exceeding 200,000, Milwaukee is to receive \$38,736,200, Madison is to receive \$9,752,300, and the portion of the Round Lake Beach, Illinois, urban area that lies in western Kenosha County is to receive \$585,500.

Although the federal stimulus act requires the state to set aside funds as shown above, the funds are not required to go to highways under local jurisdiction. Instead, the set-asides represent the minimum amounts that must be spent within the respective areas, on either state or local highways that are eligible for federal aid.

The 49 projects included in the Governor's request are all of the projects that the Department of Transportation has determined meet three criteria. First, all were determined to be federal-aid eligible. Second, all the projects have completed plans and are ready for the 2009 construction season. Finally, all of the projects would not have otherwise been completed during the 2009 construction season, consistent with the federal goal of supplementing, rather than supplanting, the states' resources for transportation.

Although federal law does not require the urbanized area or enhancements funds set-asides to be used on local jurisdiction projects, the Department has notified local governments that the full amount of the required set-asides, or \$158.7 million for highways and bridge projects, and \$15.9 million for transportation enhancements, could be made available for local government projects if

there are enough eligible projects to use those amounts within the one-year deadline established for the use of funds by the federal act. The Department has established an April 1 application deadline for other local projects not included in the Governor's request. These additional projects would likely be let next February or March for construction during the 2010 season. If there are not enough eligible projects to use the full amount of the set-asides, the Department indicates that the minimum allocations could be satisfied with projects on state highways in the respective set-aside areas.

If the Department receives applications for eligible projects exceeding the amount of the designated set-asides, the Department indicates that projects would be awarded funding using various priorities for transportation projects established in the federal act. For instance, states are asked to give preference to projects that can be delivered expeditiously, that are in economically distressed areas, and that use funds in a manner that maximizes job creation and economic benefit.

ANALYSIS

If the Committee denies the Governor's request, most, if not all, of the projects would not be completed during the 2009 construction season. The Department indicates the bridge projects designated for April lets, in particular, would need approval at this time in order to stay on schedule for advertisement, bidding, and construction during 2009, since some stages of the work cannot be done during certain parts of the year for environmental reasons, or the length of time needed to complete the project requires an early season start. Approval of the projects scheduled for a May or June let is requested in order to leave sufficient time for project agreements to be finalized and other federal requirements to be met. Any delayed projects could be reconsidered for construction in 2010, but such a delay would reduce the state's progress toward achieving one of the principal goals of the federal act, which is to quickly increase the number of highway construction jobs during a time of high unemployment in the industry.

Approving the Governor's request, on the other hand, has two implications that should be noted. First, approval of the Governor's request would create a first draw on the local set-asides, prior to having complete information on other potential projects. This would use \$42.5 million of the \$174.6 million in local set-asides, with all but one project coming from the \$158.7 million set-aside for highway and bridge projects. If the request is denied, the 49 listed projects would have to compete for funding with any other eligible projects for funding in 2010, using the criteria outlined in the federal act. That is, no project would be given preferential treatment based on its readiness for construction in 2009. However, this would only be an issue if the amount of additional local project applications exceeds the amount of the remaining local project set-asides.

Second, approval of the Governor's request would reduce the amount of economic stimulus funding that can be used in the 2009-11 budget bill. The Governor's budget bill would allocate a total of \$281.9 million of economic stimulus funds for DOT programs, as shown in the following table. All funds would be appropriated in state fiscal year 2009-10.

**Allocation of Federal Economic Stimulus Funds
Under the Governor's 2009-11 Budget Bill**

<u>Program</u>	<u>2009-10</u>
State Highway Rehabilitation--Statewide Projects	\$110,010,700
State Highway Rehabilitation--Milwaukee & Madison Urbanized Areas	22,056,500
Major Highway Development	76,000,000
Southeast Wisconsin Freeway Rehabilitation	61,100,000
Transportation Enhancements	<u>12,683,300</u>
 Total	 \$281,850,500

Since the Governor's bill was largely developed before the federal economic stimulus act was passed, the Department of Administration had assumed that the state would receive a larger amount of economic stimulus funds for highways than the final act provided. Consequently, the bill reflects \$51.5 million more in stimulus funds for use in 2009-10 than the state will receive, after subtracting the \$298.7 million in stimulus funds allocated by Act 2. If the Governor's request is approved, that shortfall would increase to \$94.0 million.

Furthermore, it should be noted that \$94.0 million would be the overall shortfall in stimulus funds, but the shortfall relative to the Governor's proposed level of funding for state highway improvement programs could be greater, since the bill would not provide enough stimulus funds for local projects to fund the full amount of the set-asides to local governments. The following table illustrates this point by showing the amount of economic stimulus funding received and the actual and potential commitment of funds. The local set-asides and project commitments are shown separately from the statewide funds and state highway program commitments. For the purposes of this table, it is assumed that the full amount of the set-asides would be dedicated to local jurisdiction projects, reflecting the amounts identified in the Department's solicitation of applications for local projects. The allocations under the Governor's 2009-11 budget bill are identified as "AB 75."

**Use of Local Set-Aside and Statewide Stimulus Funds
(\$ in Millions)**

Total Stimulus Funds Received	\$529.1
Local Set-Asides	
Funds Received	
Highway and Bridge Funds	\$158.7
Transportation Enhancements Funds	<u>15.9</u>
Total Local Funds Received	\$174.6
Local Funds Commitments	
Act 2 Project	\$0.1
Governor's Local Project Request	42.5
AB 75 Urbanized Area Allocation	22.1
AB 75 Transportation Enhancements	<u>12.7</u>
Total Local Funds Commitments	\$77.4
Remaining Local Funds Unallocated	\$97.2
Statewide Funds	
Statewide Funds Received	\$354.5
Statewide Funds Commitments	
Act 2 State Highway Projects	\$298.6
AB 75 State Highway Programs	<u>247.1</u>
Total Statewide Funds Commitments	\$545.7
State Highway Program Shortfall	-\$191.2
Net Shortfall, All Funds	-\$94.0

As the table shows, if the full amount of the federally-mandated set-asides are committed to local jurisdiction projects, the Governor's proposed funding levels for state highway programs would have to be reduced by \$191.2 million. During its deliberations on the 2009-11 budget, the Committee will have to reduce the allocations of federal stimulus funds for transportation, either by reducing the bill's allocation of funds to state highways or reducing the amount of the set-asides designated for local jurisdiction projects.

ALTERNATIVES

1. Approve one or both of the following parts of the Governor's request:
 - a. a request to use \$8,192,400 in federal economic stimulus funds for 19 local bridge

projects scheduled for letting in April.

b. a request to use \$34,262,700 in federal economic stimulus funds for 30 local bridge, highway, and transportation enhancements projects scheduled for letting in May and June.

2. Deny the request.

Prepared by: Jon Dyck