



Wisconsin Department of Transportation

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Scott Walker
Governor

Mark Gottlieb, P.E.
Secretary

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October 19, 2015

The Honorable Alberta Darling, Co-Chair
Joint Committee on Finance
Room 317 East State Capitol
P.O. Box 7882
Madison, WI 53707-7882

The Honorable John Nygren, Co-Chair
Joint Committee on Finance
Room 309 East State Capitol
P.O. Box 8953
Madison, WI 53708-8953

Dear Senator Darling and Representative Nygren:

Summary of Request

As required in 2015 Wisconsin Act 55, the Wisconsin Department of Transportation is seeking approval from the Joint Committee on Finance to program \$200,000,000 of the general obligation bonds issued under Wisconsin Statutes section 20.866(2)(uuu). The Department requests the General Fund support all debt service on these bonds from the appropriation under s.20.395(6)(ae), Wis. Stats. Approving the additional bonding early in FY 16 will:

- Reduce the declining condition of state highways. An investment in infrastructure now will prevent more costly repairs later.
- Maintain a more consistent highway program. Avoiding large fluctuations in funding supports a stable transportation industry and promotes more competitive pricing.

A comparison of finances provided in FY15 and FY16 for the Major Highway Development Program and the State Highway Rehabilitation Program (SHR) is listed in the chart below. The contingent bonding request for the Major Highway Development Program corresponds directly to the funds reduced in the budget.

WisDOT FY 16 Request for Contingent Bonding (in millions)					
Program	FY15 Base	Act 55 (FY16)	Reduction from FY15 Base	Contingent Bonding Request	Total Revised Funding
Major Highway Development	\$367.8	\$243.4	\$124.4	\$125.0	\$368.4
State Highway Rehabilitation	\$807.6	\$759.1	\$48.5	\$75.0	\$834.1

An appendix to this letter details the projects the Department will be able to keep on schedule. It includes a list of Major Highway Development and SHR projects and corresponding maps (statewide and regional) depicting the location of the projects.

Major Highway Development Program Impacts

Funding levels provided via Act 55 required the Department to identify delays to the following Major Highway Development Program projects:

- US 10 WIS 441 (Calumet, Outagamie and Winnebago Counties): 2 years
- WIS15 (Outagamie County): 2 years
- US 18 / US151 Verona Rd (Dane County): 2 years
- WIS23 (Sheboygan and Fond du Lac Counties): 2 years
- I-39/90 (Dane and Rock Counties): 2 years

Timely and full approval of this request restores the Major Highway Development Program to its FY 15 base funding level. In order that the Department limit these Major Project delays to one year, the Department will take the remaining \$150 million in contingent bonding (\$350 million provided via Act 55 minus current request of \$200 million) and apply \$75 million to the Majors program in FY17. This one year delay assumes funding continues at \$366 million in 2015 dollars – the average funding levels provided for FY16 and FY17 via Act 55 with bonding added and purchasing power maintained.

State Highway Rehabilitation Program Impacts

For SHR, approval of this request provides a \$26.5 million increase over the FY 15 base funding level, resulting in \$834.1 million for FY16 funding. Continued funding at this level will help improve deteriorating highway conditions by restoring the 222 miles of projects removed from the 6-Year Program under Act 55, and by enabling the advancement of an additional 250 miles of project improvements over 10 years.

Purchasing Power

The project delays referenced in this paper assume constant purchasing power throughout the multi-year highway program analysis period. For perspective, Wisconsin's Construction Cost Index shows a material cost increase of about 9.5% over the 2013-15 biennium.

Industry Impacts

In addition to allowing construction of needed projects sooner, bonding also helps maintain a more healthy and competitive transportation industry by offsetting steep reductions in design and construction. For example:

- Asphalt Paving Quantities: without bonding, quantities are at a 30-year low; this is 38 percent lower than the five-year average. Contingent bonding brings a 29 percent increase over no-bonding quantities.
- Concrete Paving Quantities: without bonding, quantities are estimated to be the second lowest year on record (since 1984); this is 27 percent lower than the five-year average. Contingent bonding brings a 16 percent increase over no-bonding quantities.

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- Excavation Quantities: without bonding, quantities are estimated to be the lowest year on record (since 1984); this is 43 percent lower than the five-year average. Contingent bonding brings a 30 percent increase over no-bonding quantities.
- Base Course Quantities: without bonding, quantities are at a 28-year low; this is 39 percent lower than the five-year average. Contingent bonding brings a 33 percent increase over no-bonding quantities.

If the remaining \$150 million in contingent bonding is approved for FY17, and if future program levels are set moderately higher than the FY 15 base amounts, there may be no delays to the project schedules established prior to Act 55.

Thank you for your consideration of this request. If you have questions, please contact Casey Newman, Director of the Office of Policy, Finance and Improvement at 267-9618.

Sincerely,



Mark Gottlieb, P.E.
Secretary

Enclosure

cc: Governor Scott Walker
Secretary Neitzel, Department of Administration
Joint Committee on Finance members
Legislative Fiscal Bureau