Transportation

Local Transportation Assistance

(LFB Budget Summary Document: Page 441)

LFB Summary Items for Which an Issue Paper Has Been Prepared

Item #	Title
1	Freight Rail Preservation Bonding (Paper #645)
6	Transportation Facilities Economic Assistance and Development Program (Paper #646)
7	Transportation Alternatives Program (Paper #647)
-	Harbor Assistance Program Bonding (Paper #648)

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 22, 2015 | Joint Committee on Finance | Paper #645

Freight Rail Preservation Bonding (Transportation -- Local Transportation Assistance)

[LFB 2015-17 Budget Summary: Page 441, #1]

CURRENT LAW

The Department of Transportation's freight rail preservation program provides grants or loans for the acquisition of abandoned railroad lines or the rehabilitation or construction of rail facilities on existing, publicly-owned lines. Eligible applicants include local governments, railroads, current or potential users of rail service, or rail transit commissions organized by local governments for the preservation of rail service. Applicants are required to pay at least 20% of the cost of an acquisition of railroad track or an improvement project, but the Department may provide a loan to cover up to 15% of the total cost. No match is required for the acquisition of railroad property (exclusive of the railroad tracks and other improvements). Funding for the program is provided with transportation fund-supported, general obligation bonds. Debt service on the bonds is funded from the transportation fund.

GOVERNOR

Provide $43,000,000 BR in transportation fund-supported, general obligation bond authorization for the freight rail preservation program. Increase debt service by $273,400 SEG in 2016-17 to reflect the additional bonding.

DISCUSSION POINTS

1. The primary purpose of the freight rail preservation program (FRPP) is to maintain and improve rail service on low-traffic rail lines that may otherwise be abandoned or fall into disrepair. By assuming the responsibility for the ownership and improvement of these lines, the state can allow a railroad to continue to profitably serve these lines. That is, since the railroads do not need to invest in the ownership and improvement of the rail, they can operate at a lower rate of return than

would otherwise be necessary to maintain service. The program provides grants for up to 80% of the cost: (a) to purchase abandoned rail lines (up to 100% for the cost of land) in an effort to continue freight service, or for the preservation of the opportunity for future rail service; and (b) to rehabilitate facilities, such as tracks or bridges, on publicly-owned rail lines.

2. The state has been providing freight rail assistance since the late 1970s, a time when many railroad companies were abandoning unprofitable lines. Throughout the late 1970s and 1980s, grants were provided to local rail transit commissions to assist in the purchase of rail lines in order to maintain service for customers and shippers dependent on rail service. Then, in 1992, an amendment to the Wisconsin Constitution allowed the state to issue debt for the direct acquisition and improvement of rail lines.

3. The state currently owns 603 miles of rail lines. The Wisconsin and Southern Railroad is the primary railroad operating on this track, although other railroads operate on certain short segments. In the most recent acquisition, which was finalized in December, 2014, the Department purchased a 70-mile segment of rail line between Madison and Reedsburg and Madison and Cottage Grove for $30 million, with $5 million going toward track improvements.

4. To date, the Legislature has authorized $208.5 million in FRPP bonding, with debt service on these bonds being paid from the transportation fund. The additional $43 million in bonds that would be authorized under the bill would be $9 million less than the amount provided in the 2013-15 biennium, but it would be $13 million greater than the amount provided in the 2011-13 biennium. The last three biennial budgets authorized more total bonds ($142 million) than the prior eight biennial budgets combined ($66.5 million), extending back to the first bonds issued under the program. The following table shows the bond authorization in each biennium since bonds were first issued for freight rail acquisition and rehabilitation. The amount proposed under the bill is also shown.

TABLE 1

Freight Rail Preservation Program Bond Authorization

Biennium	Bond Authorization
1993-95	$10,000,000
1995-97	4,500,000
1997-99	4,500,000
1999-01	4,500,000
2001-03	4,500,000
2003-05	4,500,000
2005-07	12,000,000
2007-09	22,000,000
2009-11	60,000,000
2011-13	30,000,000
2013-15	52,000,000
2015-17	43,000,000*

*Amount proposed in the bill.

5. The $43 million in FRPP bonding is associated with a corresponding $43 million reduction in passenger rail bonding included in the bill, which results in no net increase in bonding among the two programs. The Legislature has authorized $122.0 million in bonding for passenger rail projects in the state. To date, approximately $70.9 million in bonding for passenger rail projects has been issued. It is anticipated that $8.0 million in bonding will be used for the passenger concourse improvement project at the Milwaukee Intermodal Station, which would leave about $43.0 million in remaining passenger rail bonding that would not be needed at this time. However, the fund paying the debt service on the bonds authorized for each of the two programs differs. FRPP bonds are repaid from the transportation fund, while passenger rail bonds are repaid from the general fund. Therefore, authorizing $43 million in FRPP bonding will increase future debt service costs to the transportation fund. Conversely, the proposed corresponding $43 million reduction in passenger rail bonding could reduce future GPR debt service if that bonding authority would remain and those bonds would be issued at a later date.

6. Table 2 provides information on the how much of the $208.5 million in existing bonding for the FRPP projects has been spent, how much has been committed to be spent, and how much currently remains uncommitted.

TABLE 2

Existing Bonding and Commitments

Existing Bonding	
Total Bonding Authorized	$208.5
Less Bonds Obligated Through Spring, 2015	135.2
Authorized, Unissued Bonding	$73.3
Use of Unissued Bonding	
Projects With Funding Encumbered	$38.7
Plus Approved, Unencumbered Projects	22.7
Unissued Bonding Committed	$61.4
Remaining Uncommitted Bonding	$11.9

7. As indicated in Table 2, of the $208.5 million in FRPP bonding authorized to date, $135.2 million has been obligated (either issued or allotted) by the Building Commission (the recent purchase of the rail line between Reedsburg and Cottage Grove is included in the $135.2 million). The Department has encumbered an additional $38.7 million of the remaining $73.3 million in available bonding, some of which may still be paid out in 2014-15, and some of which could be paid out in 2015-16. As a result, even with the recent, sizeable purchase of the Reedsburg to Cottage Grove line, $34.6 million in existing bonding authority remains available for projects approved for 2014-15 and beyond. DOT indicates that currently $22.7 million in projects have been approved by the Department for which funding has not yet been encumbered, which would leave only $11.9 million in existing authority that could remain available beyond 2014-15.

8. Applications for the 2016 grant cycle may be filed at any time for rail banking or acquisition for continued operation or substitute service. However, for track and/or bridge rehabilitation or track construction, 2016 applications had to be filed by February 2, 2015. These

2016 projects would first be funded in 2015-16. Based on current project applications, a demand exists for this remaining bonding as well as the $43.0 million in the Governor's recommendations. The Department indicates that it has received project submissions totaling $79.4 million for the 2016 application cycle, including those carried over from previous funding cycles. Applications for acquisitions, or other projects not due by February, 2015, could continue to be submitted for funding throughout 2015-16. Also, additional, first-time project submissions would be expected for the 2017 cycle. The attachment to this paper indicates the $79.4 million in 2016 projects, including the carryover projects from previous grant cycles that could be approved for funding.

9. The Department indicates that the demand for FRPP funding continues to increase as the growing freight rail industry moves to rail cars with greater load capacity. Under its 2015-17 budget request, the Department requested $60 million in additional bonding authority to meet anticipated program demand in the biennium. DOT indicates that without the additional $43 million recommended by the Governor, the Department would be unable to respond to the requests for FRPP assistance to preserve and rehabilitate rail freight lines and to preserve abandoned corridors for future transportation uses.

10. The Department of Administration's general obligation bond debt service estimates assume that $19.4 million of the $43 million in newly-authorized bonds would be issued during the biennium. The estimated debt service in the biennium on that bonding would be $273,400 in 2016-17 (as reestimated in LFB Paper 630). Due to the time that exists between when projects are approved for funding and when the bonds are actually issued, the full, annualized debt service on the proposed bonds would not be paid during the biennium. When fully issued, the annualized debt service to be paid from the transportation fund associated with the $43 million recommended increase in bonding would be an estimated $3.1 million.

11. As a bond-funded program, the freight rail preservation program allows the state to realize the benefits of transportation system improvements with no upfront costs, and then pay for those improvements over the course of the life of the improvement. However, increases in debt service costs for various types of transportation bonding have consumed an increasing percentage of transportation fund revenues. Under the Governor's 2015-17 budget recommendations, total, estimated debt service to be paid from the transportation fund as a percentage of revenues to the fund would reach 21.4% in 2016-17 (22.3% of revenues excluding transfers from other funds). If the Committee determines that the overall level of transportation bonding should be reduced, the FRPP bond authorization could be reduced.

12. The average amount of new FRPP bonding provided in the past five biennia has been $35.2 million. Reducing the recommended bonding to that level would result in a $7.8 million reduction to the bonding amount recommended by the Governor. [Alternative #2] Along with the $11.9 million in remaining bonding, a total of $47.1 million would be available to the program under this alternative. Alternatively, if the Committee chose to use the $35.2 million figure as the total bonding to remain available to the program for the biennium, the Committee could delete $19.7 million from the Governor's recommend bonding amount, which would allow $11.9 million in remaining bonding and $23.3 million in new bonding to be available to the program. [Alternative #3]

13. At the bonding level recommended by the Governor or any lower level, not all eligible

projects that submit applications in 2016 and 2017 may receive funding. The Department uses an evaluation process, which includes a benefit-cost analysis, to rank projects. At a reduced level of bonding, lower ranking projects would not receive funding during the biennium. However, these eligible projects could be carried over to, and be eligible for, a subsequent funding cycle.

14. Given that the state incurs debt service costs associated with bonds issued for FRPP rail acquisitions and improvements, having the rail lines that benefit from the state's expenditures pay something to the state for those acquisitions and improvements from which they benefit, beyond the required match for the state funds, was among the recommendations of the Transportation Finance and Policy Commission in January, 2013. DOT, in its 2015-17 budget request, proposed a $10 per carload user fee for railroads using state-owned rail lines, which is the fee level recommended by the Commission. The Department's request would have defined carloads as loaded freight railroad cars that are operated in revenue service and would have required all railroads operating on state-owned rail lines to annually report the number of carloads hauled on those lines for the previous calendar year. Estimated revenues from such a fee would be $550,000 annually once implemented. Based on current experience, the bulk of this revenue would come from the Wisconsin and Southern Railroad. [Alternative #4]

15. Freight railroads currently pay an ad valorem (property) tax to the state, which is deposited in the transportation fund. During the 2015-17 biennium, revenues from this tax are estimated at $65.4 million. Total appropriations for freight rail programs in the biennium, including debt service on FRPP bonds, are estimated at $27.2 million. Therefore, taken as a whole, the freight rail industry pays more in taxes than the related programs spend. However, the companies operating on state-owned lines pay less than 5% of the ad valorem taxes, while FRPP bond debt service represents almost 60% of state appropriations for freight rail programs.

16. DOT also administers the harbor assistance program (HAP) to assist harbor communities along the Great Lakes and Mississippi River in maintaining and improving waterborne commerce. Port projects typically include dock reconstruction, mooring structure replacement, dredging, and the construction of facilities to hold dredged material. This program is also provided general obligation bonding to assist in funding these projects. The Governor's recommendations would not provide any increase in general obligation bonding for the HAP program. DOA indicates that additional bonding was not provided for HAP projects because the program has unused bonding available for the 2015-17 biennium. While DOT acknowledges that $5.7 million in unencumbered bonding authority currently remains available, it anticipates awarding the balance of these funds by the end of 2014-15. If the Committee accepts the Governor's recommendation for harbor bonding, providing no increase in bonding authority for FRPP projects would treat the programs consistently. [Alternative #5]

ALTERNATIVES

1. Approve the Governor's recommendation to provide $43,000,000 in transportation fund-supported, general obligation bond authorization for the freight rail preservation program ($273,400 in additional debt service is estimated in the biennium).

2. Modify the Governor's recommendation and provide $35,200,000 in transportation

fund-supported, general obligation bond authorization for the freight rail preservation program instead of $43,000,000 ($47.1 million in carryover and new bonding would be available to the program in the 2015-17 biennium). Decrease estimated debt service by $49,800 in 2016-17 to reflect this change.

ALT 2	Change to Bill
SEG	- $49,800
BR	- 7,800,000
Total	-$7,849,800

3. Modify the Governor's recommendation and provide $23,300,000 in transportation fund-supported, general obligation bond authorization for the freight rail preservation program instead of $43,000,000 ($35.2 million in carryover and new bonding would be available to the program in the 2015-17 biennium). Decrease estimated debt service by $125,300 in 2016-17 to reflect this change.

ALT 3	Change to Bill
SEG	- $125,300
BR	- 19,700,000
Total	- $19,825,300

4. Provide the Department authority to establish a $10 per carload rail line user fee for railroads using state-owned rail lines, effective January 1, 2016. Define a carload as a loaded freight railroad car that is operated in revenue service. Require all railroads operating on state-owned rail lines to annually report the number of carloads hauled on those lines for the previous calendar year and to submit the required fee with this report. Specify that the revenues be deposited to the transportation fund and estimate revenue from such a fee at $550,000 in 2016-17.

ALT 4	Change to Bill
SEG-REV	$550,000

5. Delete provision (only the $11.9 million in carryover bonding would be available to the program in the 2015-17 biennium). Decrease estimated debt service by $273,400 in 2016-17 to reflect this action.

ALT 4	Change to Bill
SEG	- $273,400
BR	- 43,000,000
Total	- $43,273,400

Prepared by: Al Runde
Attachment

ATTACHMENT

Potential FRPP Projects
($ in Millions)

Project	Requested Funding	Grant Cycle	Details
Wisconsin Southern Bridges	$16.0	2014/2015	System-wide on state-owned lines
Wisconsin Southern Waukesha Subdivision	15.5	2014/2016	Track rehabilitation -- Waukesha to Milton (41.3 miles)
Wisconsin Southern Prairie Subdivision (Phase I)	3.0	2015	Tie replacement -- Crawford to Avoca (45.4 miles)
Wisconsin Southern Janesville to Fox Lake (Phase II)	3.8	2016	Track rehabilitation -- Zenda to Walworth (6.3 miles)
Wisconsin Southern Reedsburg Rehabilitation	8.2	2016	Track rehabilitation -- Madison to Reedsburg (70 miles)
Wisconsin Southern Prairie Subdivision (Phase II)	7.6	2016	Track weld -- Prairie du Chien to Wauzeka (15 miles)
Wisconsin Southern Bridge Rehabilitation	7.9	2016	System-wide
Wisconsin Southern Glendale Acquisition	5.5	2016	Sidings, yard, and passing track (4.8 miles mainline track)
City of New London	0.8	2016	Not specified
Wisconsin Southern -- TIGER	11.1	2016	Track rehabilitation between Spring Green and Madison (35.5 miles)
Total	$79.4		

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 22, 2015 | Joint Committee on Finance | Paper #646

Transportation Facilities Economic Assistance and Development Program (Transportation -- Local Transportation Assistance)

[LFB 2015-17 Budget Summary: Page 443, #6]

CURRENT LAW

The transportation facilities economic assistance program (TEA) provides grants to local governments for making infrastructure improvements designed to retain or attract businesses in the state by facilitating access to an economic development project. The transportation improvements may involve the construction or reconstruction of a highway or road, an airport runway, taxiway, or apron, a harbor facility, or a railroad track or spur. The Department of Transportation (DOT) is required to accept applications for projects throughout the year and make a determination on an application within a reasonable amount of time after receiving it. Generally, the state grant may cover the lesser of 50% of the anticipated project cost or $5,000 for each job in this state resulting directly from the improvement or economic development project. Base funding for the program is $3,402,600 SEG annually from a continuing appropriation.

GOVERNOR

Provide $2,000,000 SEG annually for the transportation facilities economic assistance and development program. Specify that the state's maximum cost share percentage on a TEA program grant would be increased from 50% to 80%, with a corresponding reduction to the minimum local share from 50% to 20%. Modify the process used to establish a maximum grant ceiling and the Department's authority to reduce this ceiling to reflect the increased allowable state share for a project. As modified, the maximum grant ceiling would equal the lesser of 80% of the cost of an improvement or $5,000 per job, but DOT could reduce this ceiling if 80% of the improvement cost would result in a grant exceeding $1,000,000. Annual grant funding would increase from $3,402,600 SEG to $5,402,600 SEG.

DISCUSSION POINTS

1. The TEA program was created under 1987 Act 27. Typically, an eligible economic development project involves a business or businesses locating or expanding operations within the local sponsor's jurisdiction. TEA program applicants must be sponsored by a local government and grants may be provided to governing bodies, private businesses, and consortiums for road, rail, harbor and airport projects. According to the Department, projects funded from the program have created more than 84,000 direct and indirect jobs as a result of the program's grants.

2. The Governor's recommended funding increase of $2.0 million annually and modification of the state's cost sharing percentage (from 50% to 80%) were included in the Department's 2015-17 budget request. The proposed level of funding would represent a 58.8% increase over the base year amount. It is estimated that the state's share of costs for potential 2015-17 projects would be $7.1 million under the current 50% cost share and $11.4 million under the proposed 80% cost share. DOT estimates that the additional funding of $2.0 million annually would fund the increase to the state cost share percentage and the greater demand anticipated for the program due to this change.

3. According to DOT, local project sponsors have indicated that the largest barrier to completing TEA grant applications is the requirement for a minimum local cost share of 50%. For example, 10 of 15 potential 2015-17 grant applicants, who have indicated interest in the program, have also stated that they will apply to the program only if the state's cost share percentage is increased to 80%. However, in the two most recent TEA program award cycles, a total of 18 grants were awarded (11 in 2013 and seven in 2014). With the exception of one application, which was withdrawn from consideration, all program applicants received funding.

4. The TEA program is funded from a continuing appropriation, which means any unencumbered balance can be carried over into the next fiscal year. In 2013-14, the unencumbered balance of the TEA appropriation was $7.2 million and it is estimated that the unencumbered balance at the end of 2014-15 will be $8.0 million. However, during the remainder of 2014-15, the Department anticipates awarding six grants totaling $4.1 million. Therefore, if no additional project sponsors apply, it is estimated that the TEA program's continuing appropriation will have $3.9 million in unencumbered funds available in the 2015-17 biennium. Some or all of this funding could be used in lieu of the proposed funding increase to meet any potential increase in program demand.

5. Table 1 provides a summary of the TEA program funding that could be available in the 2015-17 biennium. The available funding includes the estimated $3.9 million in unencumbered funding from 2014-15, base funding, and the Governor's recommended funding increase. The table also indicates the potential program demand based on information provided by DOT using the recommended cost sharing percentage. Finally, the table outlines two separate funding alternatives: (a) the Governor's recommendation [Alternatives #A1 and #B1]; and (b) an alternative that would use the estimated unencumbered program funding from 2014-15 to fund most of the anticipated increase in program demand and provide only $700,000 in new funding in the 2015-17 biennium. As indicated in the table, the funding available in the biennium under the Governor's recommendation would exceed estimated demand by $3.3 million. Under the alternative outlined in the table only the additional funding needed to meet estimated demand from the 15 potential

applicants that have been identified by the Department would be provided. Under this alternative, only $700,000 ($350,000 annually) would be provided in 2015-17. [Alternative #A2 and #B1]

2015-17 TEA Program Funding
(In Millions)

Funding	Governor	Alternative
2014-15 Estimated Unencumbered Balance	$3.9	$3.9
Base Year Funding Doubled	6.8	6.8
Potential Funding Increase	4.0*	0.7
Total Funding Available	$14.7	$11.4
Projected Program Demand		
TEA Grants (80% Share of Costs)	-$11.4	-$11.4
Unencumbered Balance (end of 2016-17)	$3.3	$0.0

*Governor's recommendation

6. Although the program has not fully awarded all the funds appropriated in the past two years, DOT believes that the TEA program assists in creating economic development projects that benefit Wisconsin through job creation and retention. However, given past program demand and available carryover funding, the program's base funding, even with the increased cost sharing percentage, could prove to be adequate. Therefore, the Committee could increase the state cost sharing percentage to 80% to try to attract additional applications from local sponsors while providing no additional funding. Under this alternative, $10.7 million ($3.4 million annually in base funding and $3.9 million in carryover funding) would be available in the biennium for grants at the higher cost share percentage. This would allow the Department a two-year period to see if program demand increases as a result of the higher state cost share percentage without appropriating additional funds at this time. [Alternatives #A4 and #B1]

7. Due to concerns about the transportation fund's ongoing revenue issues and the extensive use of long-term borrowing for the highway program included in the bill, revenue increases or program reductions, or a combination of both, may have to be made. Any significant reductions in bonding would require significant reductions to the highway-related programs, for which the Governor is recommending nearly $1.3 billion in bonding. If the Committee believes that significant reductions need to be made to the highway programs, it could be argued that TEA program funding should also be decreased.

8. In addition, while the ability of some local governments to carry out significant local economic development projects may be limited, tax increment financing does provide cities and villages with the ability to fund local economic development projects that include transportation infrastructure improvements. It could also be argued that the use of state funds for this purpose may divert such funds from transportation projects that provide a broader economic benefit to the state (such as state trunk or interstate highway projects).

9. Therefore, given that an estimated $3.9 million in unencumbered funds will be available in 2015-17, the Committee could decide to reduce the program's funding by $1.95 million annually to reflect the availability of this funding. [Alternative #A3] This would essentially make the same level of funding available that was provided last biennium ($3.4 million annually), although base funding for the program in the 2017-19 biennium would be reduced to $1,452,600 annually. If the Committee also chose to increase the state's costs sharing percentage as recommended by the Governor, it could create a more competitive application process, as the state cost share would be significantly increased, but no additional funds would be provided. [Alternative #B1] Conversely, the Committee could retain the existing cost share percentage with this funding level and those project sponsors with the incentive to provide more funding toward the projects would receive grants.

10. The local roads improvement program (LRIP) provides grants of state funds on a biennial basis for capital improvements on existing county, town, and municipal (city or village) roads and for feasibility studies for such improvements. Although LRIP is focused on improving local roads only, whereas the TEA program's goal is to assist economic development through the funding of transportation infrastructure, both programs have the same 50% state cost sharing percentage. Because demand for LRIP funds has been relatively strong, the Committee could decide that keeping the same 50% cost share percentage for the TEA program is appropriate. [Alternative #B2]

ALTERNATIVES

A. Funding Level

1. Approve the Governor's proposal to provide $2,000,000 SEG annually for the TEA program (total funding of $5,402,600 SEG annually would be provided).

2. Modify the Governor's recommendation and provide only $350,000 SEG annually for the TEA program (with estimated, existing funding, this would fully fund anticipated program demand at the 80% maximum cost sharing percentage).

ALT A2	Change to Bill
SEG	- $3,300,000

3. Delete the provision. In addition, reduce base level funding for the TEA program by $1,950,000 SEG annually to reflect the $3.9 million carryover balance available in the 2015-17 biennium (no new funding would be provided and with estimated, existing funding, the total funding available would equal the funding level provided in the 2013-15 biennium). Base level funding would be reduced to $1,452,600 SEG annually for the 2017-19 biennium.

ALT A3	Change to Bill
SEG	- $7,900,000

4. Delete provision (base level funding of $3,402,600 SEG annually would be provided).

ALT A4	Change to Bill
SEG	- $4,000,000

B. Cost Sharing

1. Approve the Governor's recommendation to increase the state's maximum cost share percentage on a TEA program grant from 50% to 80%, with a corresponding reduction to the minimum local share from 50% to 20%. Modify the process used to establish a maximum grant ceiling and the Department's authority to reduce this ceiling to reflect the increased allowable state share for a project.

2. Delete provision (the 50% state cost share would remain).

Prepared by: John Wilson-Tepeli

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 22, 2015 | Joint Committee on Finance | Paper #647

Transportation Alternatives Program (Transportation -- Local Assistance)

[LFB 2015-17 Budget Summary: Page 443, #7]

CURRENT LAW

Federal transportation alternatives program (TAP) funds may be used for a broad range of transportation-related activities, including construction and planning of nontraditional transportation improvements such as on-road and off-road bicycle, non-motorized vehicle, and pedestrian facilities. Federal TAP aid may also be used for construction of viewing areas such as overlooks and turnouts, historic preservation activities, environmental mitigation, and safe routes for non-driver projects.

Recipients of transportation alternatives program grants must provide a 20% match for the use of the grant funds. Base year program funding is equal to $7,049,300 FED and $1,000,000 SEG annually. Funds from the state transportation fund appropriation can only be used for bicycle and pedestrian projects.

GOVERNOR

Delete $1,000,000 SEG annually to eliminate state funding for transportation alternatives program projects (base federal funds of $7,049,300 FED annually would continue to be provided for the program).

DISCUSSION POINTS

1. A separate item under the bill would repeal the statutory provision that generally

requires the Department of Transportation (DOT) to ensure that bikeways and pedestrian ways are established as part of all new highway construction and reconstruction projects funded in whole or in part from state or federal funds (Legislative Fiscal Bureau, 2015-17 Budget Summary, Page 450, #10). This provision is often referred to as "complete streets" and will be addressed during the Committee's deliberations of the DOT -- State Highway Program section of the Budget Summary.

2. Effective in federal fiscal year 2013, the federal surface transportation authorization act, Moving Ahead for Progress in the 21st Century (MAP-21), created TAP and eliminated transportation enhancements and safe routes to school as separate federal aid categories. In order to align with the 2013 changes to federal law, the state's 2013-15 biennial budget act (2013 Act 20) created a state transportation alternatives program and deleted programs tied to the prior federal law, including the bicycle and pedestrian facilities grant program.

3. Prior to this elimination of federal programs and the state's corresponding program realignment, in 2011-13, the former transportation enhancements program, safe routes to school program, and the bicycle and pedestrian facilities grant program were supported by federal, biennial funding equal to $26,403,400. In 2011-13, annual federal appropriations for these programs were equal to $6,251,600, $3,230,100, and $3,720,000, respectively. However, no state funds were provided for these programs at that time.

4. Subsequently, under the 2013-15 biennial budget, $1,000,000 SEG annually in grant funding was provided for TAP. The Governor's recommendation would delete this base level funding, which can only be used for bicycle and pedestrian projects. This would eliminate state funding for the program, but base year funding of $7,049,300 FED annually would remain available for the program in 2015-17.

5. TAP project sponsors apply for, and oversee, approved TAP projects, and work with DOT to ensure compliance with federal and state regulations. Eligible sponsors include local governments, (city, town, village, county, or tribe), natural resource and public land management agencies, school districts and schools, and regional transportation agencies and transit authorities.

6. Federal TAP funds are provided as part of the state's federal highway aid. This aid is provided through the federal highway trust fund under federal authorization or reauthorization acts. A short-term reauthorization of MAP-21, passed by Congress in August, 2014, ensured the solvency of the federal highway trust fund through May 31, 2015. Therefore, the actual amount of federal aid available to the state in the 2015-17 biennium remains uncertain. In the Department's budget request and the Governor's budget recommendations, it was assumed that federal aid would remain relatively constant compared to the base year federal aid levels (under the bill, total estimated federal highway aid is equal to $710.6 million in 2015-16 and $710.5 million in 2016-17, as compared to base funding of $710.1 million). However, by statute, all appropriations made to the Department (including the federal TAP appropriation) may be reduced or terminated, as determined appropriate by the DOT Secretary, if federal government funding of any portion of a DOT appropriation is reduced or terminated. If the total amount of federal funds received differs by more than 5% from the amount allocated by the budget act, federal funding appropriations may be adjusted later by the Joint Committee on Finance. Therefore, if federal aid is less than anticipated, the Secretary or the Committee could act during the biennium to adjust the federal TAP

appropriation accordingly.

7. The transportation fund is often seen as a user-based system, whereby users of the state's transportation infrastructure pay into the fund and these revenues are expended to support that same transportation infrastructure. However, bicyclists and pedestrians benefit from the use of systems funded in part from state TAP funds, but, relative to those activities, do not pay into the state's transportation fund. As an argument for eliminating the state funding for this program, some have contended that activities and programs that are not directly supported by transportation fund user fees should not receive state transportation fund revenues.

8. Due to concerns about the transportation fund's ongoing revenue issues and the extensive use of long-term borrowing for the highway program included in the bill, revenue increases or program reductions, or a combination of both, may have to be made. Any significant reductions in bonding would require significant reductions to the highway-related programs, for which the Governor is recommending nearly $1.3 billion in bonding. If such reductions are made to the highway program, some would argue that the proposed elimination of state TAP funding could be seen as reasonable. [Alternative 1]

9. TAP funds are awarded based on a competitive process and distributional requirements outlined in federal code (generally, at least 50% of federal TAP funding must be allocated to applicants based on their relative share of state population). Application for TAP funds has been competitive with program demand for each of the two most recent award cycles exceeding available funding. During these award cycles, a total of 70 projects, with funding requests totaling $50.9 million did not receive funding. Consequently, DOT indicates that all available program funding will be awarded by the end of 2014-15.

10. According to DOT, 9% of trips in the state are made by walking or bicycling and "as many as 5% of commuters in Wisconsin bicycle to work during peak months." Recognizing this demand, in its 2013 report to the Legislature and the Governor, the Transportation Finance and Policy Commission (the Commission) recommended an increase of $10 million annually in state funding for bicycle and pedestrian facility projects to "create a state-funded bicycle and pedestrian program that addresses commuter needs." In addition, some have contended that bicycle and pedestrian facilities, such as those funded through TAP, may result in improved safety for users of the state's transportation systems by reducing conflicts between bicyclists, pedestrians, and motorists. For example, the Federal Highway Administration notes that infrastructure improvements such as sidewalk set-backs and adding designated bicycle lanes may reduce infrastructure user conflicts and improve safety. Considering the Commission's recommendation for additional state funding, the argument that these facilities may improve public safety, and the unmet program demand, the Committee could decide that state funding for these facilities should be increased. For example, the Committee could increase state funding by $1.0 million annually to better meet existing program demand. [Alternative 2]

11. Generally, federal aid for transportation is apportioned so that state governments, within certain constraints, can allocate federal moneys based on state priorities. In 2013-15, the Legislature did not appropriate the full amount of federal aid that could have been used for TAP purposes (opting instead to allocate federal aid that could have been used for TAP to other DOT

programs areas related to highways and local transportation facilities assistance). For example, in 2013 and 2014, over $16 million in federal aid could have been allocated each year to the portion of the TAP program overseen by DOT. However, only about $7.0 million annually in federal aid was appropriated for TAP projects in 2013-15.

12. Federal law requires that states use a competitive process to allow eligible entities to submit projects for TAP funding. As a result, the state may not "set aside" federal funds for certain types of projects. However, the Committee could modify the Governor's recommendation by increasing the amount of federal aid provided to the program by $1.0 million annually to replace the state funding that would be deleted under the Governor's recommendation. However, if the Legislature were to appropriate additional federal aid for TAP, a corresponding decrease would need to be made to another federal aid appropriation. For instance, the Committee could reduce the federal appropriation for major highway development (estimated at $78.3 million annually under the bill) or the federal appropriation for state highway rehabilitation (estimated at $419.1 million annually under the bill) by $1.0 million annually. These alternatives would provide the same overall amount of funding for TAP, as compared to the 2013-15, and would increase the likelihood of funding bicycle and pedestrian projects relative to the Governor's proposal. [Alternative 3a or 3b]

13. Given the excess demand for TAP funds and the level of uncertainty surrounding federal aid, the Committee could also decide that the current level of state TAP funding is appropriate. [Alternative 4]

ALTERNATIVES

1. Approve the Governor's recommendation and delete $1,000,000 SEG from TAP (remaining program funding would be equal to $7,049,300 FED annually in 2015-17).

2. Delete the Governor's recommendation. Instead, provide an additional $1,000,000 SEG annually in TAP funding (this would result in total program funding of $7,049,300 FED and $2,000,000 SEG annually in 2015-17).

ALT A2	Change to Bill
SEG	$4,000,000

3. Modify the Governor's recommendation by also providing $1,000,000 FED annually and make a corresponding reduction of $1,000,000 FED annually to one of the following federal appropriations (this action would be in addition to the Governor's recommendation, but there would be no net change to total federal highway aid funding in the bill under either of these alternatives):

a. the appropriation for major highway development (which would result in funding for this program area of $77,263,500 FED annually in 2015-17).

b. the appropriation for state highway rehabilitation (which would result in funding for this program area of $418,132,200 FED annually in 2015-17).

4. Delete provision (this would retain $1,000,000 SEG annually in TAP funding, which would provide base level funding of $7,049,300 FED and $1,000,000 SEG annually in 2015-17).

ALT A4	**Change to Bill**
SEG	$2,000,000

Prepared by: John Wilson-Tepeli

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: http://legis.wisconsin.gov/lfb

April 22, 2015 Joint Committee on Finance Paper #648

Harbor Assistance Program Bonding (Transportation -- Local Transportation Assistance)

CURRENT LAW

The Department of Transportation's (DOT) harbor assistance program provides grants for improvements to harbor facilities on Lake Michigan, Lake Superior, and the Mississippi River system. Eligible projects include dockwall and disposal facility improvements, dredging and dredged material disposal, or other physical improvements that maintain or increase commodity or passenger movement capabilities. Both publicly and privately owned harbor facilities that serve freight or passenger vessels are eligible for assistance. State funds provide up to 80% of the cost of the project, while the project applicant must pay the remaining cost. The state share is paid either from an appropriation from the transportation fund or from the proceeds of general obligation bonds provided for the program. The 2013-15 budget provided $16,887,600 over the biennium for making grants, an amount that consists of $15,900,000 in transportation fund-supported, general obligation bonds and an appropriation of $493,800 SEG annually from the transportation fund. Debt service on the bonds is paid from the transportation fund.

GOVERNOR

Under the Governor's budget recommendations, base year grant funding of $493,800 SEG annually would be provided. No additional bonding authority would be provided.

DISCUSSION POINTS

1. The harbor assistance program has been making grants since 1980 to improve transportation access to the state's waterways on Lake Superior, Lake Michigan, and the Mississippi River. DOT indicates that there are 29 ports in the state that are potentially eligible for funding.

Grants have been funded primarily with transportation fund-supported, general obligation bonds, although the program also has a transportation fund appropriation for making grants. The total amount of bonding authorized for the program since that time is equal to $92.7 million. Although the Department estimates that $5.7 million in unencumbered bonding authority currently remains, it anticipates awarding the balance of these funds by the end of 2014-15.

The following table shows the total funding for harbor improvement projects since the 2001-03 biennium

TABLE 1

Harbor Assistance Program Grant Funding

Biennium	SEG Appropriation	Bonding Authorization	Total Funding
2001-03	$1,000,000	$3,000,000	$4,000,000
2003-05	1,000,000	3,000,000	4,000,000
2005-07	1,000,000	12,700,000	13,700,000
2007-09	1,000,000	12,700,000	13,700,000
2009-11	987,600	12,700,000	13,687,600
2011-13	987,000	10,700,000	11,687,600
2013-15	987,600	15,900,000	16,887,600
2015-17*	987,600	0	987,600

* Amounts proposed in the bill.

2. The Governor's recommendation for 2015-17 would represent a $15.9 million decrease from the amount provided for the program in 2013-15. However, the administration believes that "there is sufficient previously authorized bonding authority to allow harbor projects to continue in the 2015-17 biennium."

3. Table 2 provides information on the how much of the $92.7 million in existing bonding for the harbor assistance projects has been spent, how much has been committed to be spent, and how much currently remains uncommitted.

TABLE 2

Existing Bonding and Commitments
($ in Millions)

Existing Bonding	
Total Bonding Authorized	$92.7
Less Bonds Obligated Through Spring, 2015	-73.9
Authorized, Unissued Bonding	$18.8
Use of Unissued Bonding	
Projects With Funding Encumbered	-$13.1
Anticipated Encumbrances for 2015 Projects	-5.7
Remaining Uncommitted Bonding	$0.0

4. The Wisconsin Transportation Finance and Policy Commission noted that harbor improvements have the potential to create shipping efficiencies for many state businesses and that without increased harbor investment, conditions at the state's commercial ports will deteriorate. Consequently, the Commission recommended that funding be increased by $2.6 million annually from a base level of $5.9 million annually (or to a biennial level of funding equal to about $17.0 million). Based on this recommendation and anticipated program demand, the Department requested the same level of general obligation bonding authority for 2015-17 as was provided in 2013-15 ($15.9 million). When added to base year SEG funding, total harbor assistance funding under the Department's request would have been equal to $16.9 million (or roughly equivalent to the amount recommended by the Commission).

5. Demand for harbor assistance grant funding consistently exceeds the amount of funding available in the program. The attachment reflects the applications for funding and the award amounts received by the program since the 2013 award cycle. In 2013 and 2014, grant applicants requested $48.2 million of harbor assistance funding and received $21.1 million in grants.

6. Although DOT indicates that $5.7 million of program bonding authority remains unencumbered, applicants for the 2015 award cycle, scheduled for completion in May, 2015, have requested funding equal to $10.4 million. Therefore, DOT anticipates that no bonding authority will remain unencumbered and be available for new program applicants in 2015-17. Remaining program funding for harbor assistance grants would be equal to $493,800 SEG annually in 2015-17.

7. The average amount of new harbor assistance bonding provided in the past five biennia has been $12.9 million. Instead of the Governor's recommendation, the Committee could decide to provide new, transportation fund-supported, general obligation bonding authority in an amount equal to this average level of funding. Although this amount would not fully fund the Transportation Finance and Policy Commission's recommendation for the program, the funding would enable the state to continue to support harbor infrastructure improvement projects in 2015-17 at a level consistent with past practice. Estimated debt service would be $119,300 SEG in 2016-17, rising to $0.9 million SEG annually once the bonds are fully issued. [Alternative #2]

8. Due to concerns about the transportation fund's ongoing revenue issues and the extensive use of long-term borrowing for the highway program included in the bill, revenue increases or program reductions, or a combination of both, may have to be made. If the Committee believes that some additional bonding for the harbor assistance program is warranted, but not at past levels, a lower level of bonding could be approved. For example, a bonding level of $6.0 million, when combined with base SEG funding, would provide total resources equal to about one-half of the average for the past five biennia. Estimated debt service would be $55,500 SEG in 2016-17 and $0.4 million SEG annually once the bonds are fully issued. [Alternative #3]

9. Users of the harbor system do not pay taxes or fees that directly support the transportation fund. For instance, commercial vessels do not pay the state motor vehicle fuel tax and do not pay fees for use of harbor facilities that are received by the transportation fund. In addition, estimated motor vehicle fuel tax and the registration fees paid by motorboat owners are deposited to the conservation fund. Therefore, some have contended the bonds issued by the harbor assistance program should be general fund-supported. This option was identified for consideration by the Joint Committee on Transportation Needs and Finance (commonly referred to as the "Road to the Future Committee") in its 2006 final report. The Committee could decide to provide the program with general fund-supported, general obligation bonding authority. [Alternative #4]

ALTERNATIVES

1. Approve the Governor's recommendation (which would provide base funding of $493,800 SEG annually for harbor projects, with no additional bond authorization for the program in 2015-17).

2. Modify the Governor's recommendation and provide $12,900,000 in transportation fund-supported, general obligation bonding authority for the harbor assistance program (this level of bonding authority would be equal to the average amount of new harbor assistance bonding provided in the past five biennia). Total program funding available for grants would be equal to $13,887,600 in 2015-17. Increase estimated debt service payments by $119,300 SEG in 2016-17 to reflect this action (debt service would increase to $925,000 SEG annually once the bonds have been fully issued).

ALT 2	Change to Bill
BR	$12,900,000
SEG	119,300
Total	$13,019,300

3. Modify the Governor's recommendation and provide $6,000,000 in transportation fund-supported, general obligation bonding authority for the harbor assistance program (this level of bonding authority, when combined with base year funding of $493,800 SEG annually, would provide total resources equal to about one-half of the average for the past five biennia). Total program funding available for grants would be equal to $6,987,600 in 2015-17. Increase estimated debt service payments by $55,500 SEG in 2016-17 to reflect this action (debt service would

increase to $430,200 SEG annually once the bonds have been fully issued).

ALT 3	Change to Bill
BR	$6,000,000
SEG	55,500
Total	$6,055,500

4. Modify the Governor's recommendation and provide one of the following levels of general fund-supported, general obligation bonding authority for the harbor assistance program:

a. $12,900,000 (estimated debt service payments would be equal to $119,300 GPR in 2016-17 and $925,000 GPR annually once the bonds have been fully issued).

ALT 4a	Change to Bill
BR	$12,900,000
GPR	119,300
Total	$13,019,300

b. $6,000,000 (estimated debt service payments would be equal to $55,500 GPR in 2016-17 and $430,200 GPR annually once the bonds have been fully issued).

ALT 4b	Change to Bill
BR	$6,000,000
GPR	55,500
Total	$6,055,500

Prepared by: John Wilson-Tepeli
Attachment

ATTACHMENT

Harbor Assistance Program Project Submissions
2013-15 Award Cycles

Project Title	Location	Amount Requested	Funding Provided*
2013 Award Cycle			
City of Oconto, Dredging	Oconto	$1,520,300	$1,258,100
City of Centre Dredging	Manitowoc	279,000	279,000
Southwind Marine, LLC, Dry Dock Facility	Milwaukee	1,955,900	1,955,900
City of Washburn, Travelift Facility	Washburn	500,000	500,000
Noble Petro, Petroleum Facility	Green Bay	3,056,200	3,056,200
St. Mary's Cement, Dredging	Manitowoc	476,000	476,000
Town of Washington, Dredging**	Washington Island	7,081,500	5,182,900
Racine County, Dredging ***	Racine County	0	700,000
Burger Boats, Dockwall Rehab	Manitowoc	15,800,100	1,195,100
Subtotal		$30,668,900	$14,603,100
2014 Award Cycle			
US Oil, Jones Island, Petroleum Shipping Rehabilitation	Milwaukee	$4,045,600	$0
Bay Shipbuilding, New Dockwall	Sturgeon Bay	9,325,100	2,309,000
City of Superior, Fraser Dockwall Rehabilitation	Superior	2,912,100	2,912,100
City of Two Rivers, Dredging and Seawall Project	Two Rivers	1,278,900	1,278,900
Subtotal		$17,561,700	$6,500,000
2015 Award Cycle			
Marinette Marine, Dockwall Rehabilitation	Marinette	$256,000	---
City of Superior, Dockwall Rehabilitation	Superior	2,796,000	---
City of Two Rivers, Seawall Rehabilitation	Two Rivers	650,000	---
US Oil, Jones Island, Petroleum Shipping Rehabilitation	Milwaukee	2,870,400	---
Bay Shipbuilding, New Dockwall	Sturgeon Bay	2,649,400	---
St. Mary's Cement, Dockwall Rehabilitation	Manitowoc	1,183,900	---
Subtotal		$10,405,800	---
Total		$58,636,400	$21,103,100

*The Department plans to award the remaining $5,692,400 in bond authority in the 2015 award cycle, bringing the total funding provided from to $26,797,500. The remaining SEG appropriation balance of $1,496,100 has been committed to the City of Superior, Fraser dockwall rehabilitation project, which was awarded in 2014, and will be encumbered before the end of 2014-15.

**Earmarked in 2013 WI Act 20.

***Earmarked in 2013 WI Act 20, without requiring an application.

TRANSPORTATION

Local Transportation Assistance

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
2	Freight Rail Preservation Segregated Appropriation
3	Rail Property Exemption from Local Special Assessment
4	Passenger Rail Bonding
5	Milwaukee Train Station Operations and Maintenance