



WISCONSIN TRANSPORTATION BUILDERS ASSOCIATION

## 2017-19 BUDGET:

# Worse Than Kicking the Can Down the Road

**A limited portion of Wisconsin’s 2017-19 transportation budget provides an excellent example of how infrastructure investment can drive job creation, capital investment and quite possibly the transformation of a region’s economy.**

State resources provided to upgrade the final 20 miles of the I-94 North South corridor were critical to Foxconn’s decision to build a \$10 billion manufacturing plant that could employ 13,000 workers in the future.

Unfortunately, the budget paves a grim future for the other 115,000 miles of state and local roads needed for safety, mobility and economic development throughout the rest of Wisconsin. That’s because the state transportation

budget—signed more than three months late because of political differences over revenue and spending on infrastructure—**took a significant step backward.** After numerous “blue-ribbon commissions” over the past two decades detailing what is now estimated to be a \$1 billion annual shortfall between revenues and needs, the 2017-19 budget reduced State Highway Improvement funding by nearly \$250 million.

The bold proclamations of 2017 that “we’re not going to continue kicking the can down the road on transportation” are now being replaced with the reality of Wisconsin disinvesting in transportation and picking winners and losers when it comes to infrastructure. **The can is no longer being kicked down the road; it has been discarded in a ditch.**

## A FALSE CHOICE



Much of the transportation debate last summer and fall focused on transportation debt service and finding efficiencies within the Wisconsin Department of Transportation (WisDOT). Ultimately, concerns about debt service were

addressed with the lowest level of bonding for transportation since the 2001-03 state budget. However, this also corresponds with the lowest level of state highway improvement funding since the 2005-07 budget and a reduction of \$245.8 million from the previous budget:

On a positive note, the budget increased funding for local infrastructure improvements. General Transportation Aids (GTA) in 2018 increase 12.9% for counties and 8.5% for municipalities. However, these increases, when adjusted for inflation, show stagnant funding levels. State funding for the Local Bridge Program and the Local Road Improvement Program increase by \$20 million and \$10 million, respectively.

However, state highways and local roads must function together as an overall system and favoring one at the expense of the other detracts from a transportation network that connects regions of the state, facilitates the movement of goods and commerce, and promotes safety statewide.

	2015-17 Budget	2017-19 Budget	Biennial Change in Resources	% Change in Biennial Resources
<b>State Hwy. Rehabilitation</b>	\$1,698,025,400	\$1,619,432,400	-\$78,593,000	-4.6%
<b>Major Hwy. Program</b>	\$641,101,400	\$563,700,000	-\$77,401,400	-12.1%
<b>SE WI Frwy. Megaprojects</b>	\$414,600,000	\$353,581,500	-\$61,018,500	-14.7%
<b>High-Cost Bridge</b>	\$16,800,000	\$0	-\$16,800,000	-100%
<b>Major Interstate Bridge</b>	\$20,000,000	\$8,000,000	-\$12,000,000	-60%
<b>TOTALS</b>	<b>\$2,790,526,800</b>	<b>\$2,544,713,900</b>	<b>-\$245,812,900</b>	<b>-8.8%</b>

# BUDGET IMPACTS

Here is how the budget impacts infrastructure at the local and state levels:

## Local Roads and State Highway Maintenance



In response to deteriorating conditions outlined in the January 2017 Legislative Audit Bureau report and reinforced repeatedly back home in their districts, legislators agreed with the Governor’s proposal to use available revenues for local infrastructure and state highway maintenance (ie., snowplowing, crack filling, shoulder repair, etc.). For many communities, this simply restores the 10% reduction in local road aids in the 2011-13 budget or leaves them below inflation-adjusted levels. That’s why, despite the state budget increases, record numbers of local governments have instituted or are exploring local wheel taxes to stem deteriorating conditions.

## Southeast Wisconsin Freeways



The I-94 North South corridor improvements to accommodate Foxconn are dependent on WisDOT’s application for \$246.2 million in federal discretionary grant funds. “Without this grant, project completion would be delayed by over a decade to

2032,” the department says in its application. That’s an optimistic timeline compared to reconstruction of other freeway segments in the region. This budget prohibits any work on the North Leg of the Zoo Interchange, shuts down preparation for reconstruction of the I-94 East West Corridor and takes no action on I-43 from Milwaukee to its

northern suburbs, which was recommended for enumeration as far back as 2011. Based on current funding, the region’s freeways will be rebuilt right around the time the Marquette Interchange (the initial freeway reconstruction project) nears the end of its 75-year lifespan.

### Impacts on Southeast Freeways

WisDOT’s December 2016 “Fund Solvency Report” forecast future conditions under a constrained budget that provided fewer resources in the 2017-19 biennium than the previous budget. For Southeast Freeway Megaprojects, the assumed funding level was \$350 million (vs. \$363.7 million in 2017-19).

WisDOT predicted this funding level would result in a 40-year reconstruction schedule for the freeway system in southeastern Wisconsin:

<b>SE Mega Project</b>	<i>Construction Start</i>	<i>Construction Complete</i>	<i>Duration (Years)</i>
<b>Zoo Interchange</b>	2013	2020	8.0
<b>I-94 North South Freeway</b>	2010	2025	15.5
<b>I-94 East West Freeway (Milwaukee County)</b>	2021	2029	8.84
<b>I-894/I-43 Bypass</b>	2029	2037	8.33
<b>I-94 East West Freeway (Waukesha County)</b>	2031	2043	12.25
<b>I-43 Howard Avenue – Silver Spring Drive</b>	2040	2051	11.83
<b>I-41 Burleigh Street to Richfield Interchange</b>	2046	2057	11.33

## State Highway Rehabilitation



As work on southeast Wisconsin freeways stalls, WisDOT projects that \$200 million will be diverted over the next 10 years from Rehabilitation work outstate to patches and spot repairs on southeast freeways. This will make it difficult to meet

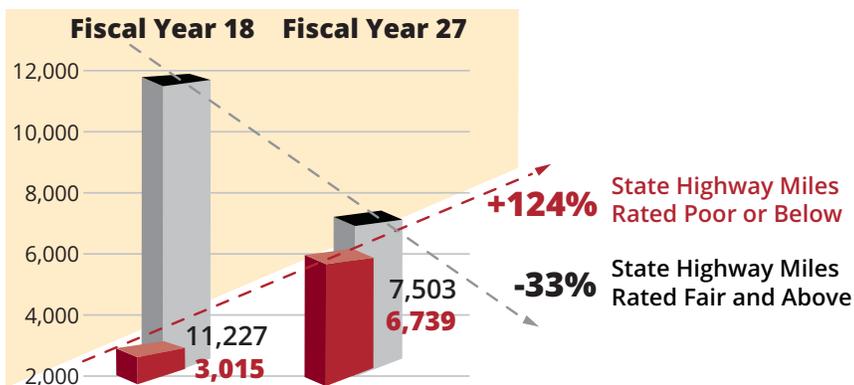
the goal of the Rehabilitation program: To provide the right treatment (resurfacing, reconditioning and reconstruction) at the right time to maximize the service life of roads and bridges. Failure to do this creates an endless cycle of repairs; the proliferation of orange construction barrels may give the illusion of lots of work being performed but it is really a repeated inconveniencing of motorists because there is insufficient funding to provide the right treatment at the right time.

This will be exacerbated by \$134 million in Rehabilitation funding being used to upgrade local roads around the Foxconn facility. These local roads have temporarily been classified as state highways to qualify for this funding, and they will be reclassified and returned to local jurisdictions after the improvements have been made.

## Impacts on Pavements

WisDOT's December 2016 "Fund Solvency Report" forecast future conditions under a constrained budget that provided fewer resources in the 2017-19 biennium than the previous budget. For State Highway Rehabilitation, the assumed funding level was \$1.544 billion (vs. \$1.619 billion in 2017-19 before the \$134 million in Foxconn-related improvements for local roads was known).

WisDOT described the 10-year impacts of this "constrained budget" scenario as producing a 124% increase in the number of state highway miles rated poor or below and a 33% decrease in pavements rated fair and above:



## Major Highway Program



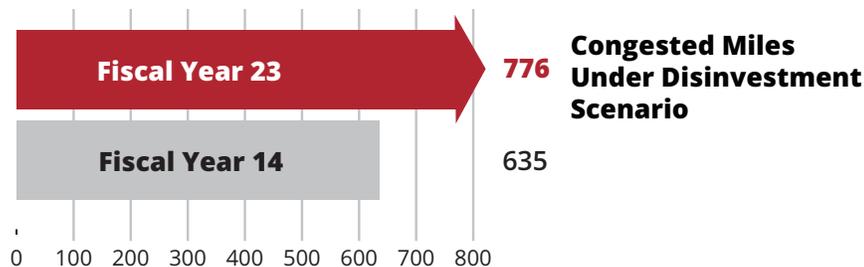
This is the state's highway modernization program to provide Foxconn-like infrastructure improvements to existing businesses throughout the rest of Wisconsin. Fewer Major projects are currently under construction and WisDOT has cancelled or

suspended several studies of potential projects—essentially mothballing the primary program for addressing safety, congestion and economic development needs throughout Wisconsin. With reliable highway access consistently rated as a top consideration by companies looking to expand or relocate, this will harm the state's economic development efforts.

## Impacts on Congestion

The Transportation Finance & Policy Commission considered four alternative funding scenarios, including one called "Disinvestment." For the Major Highway Program, disinvestment was considered to be \$615 million in the 2017-19 budget (actual funding is worse, \$563.7 million).

WisDOT reported this funding level would be inadequate to complete currently enumerated projects on schedule and that the number of congested miles on the state highway system would increase 22% to 776 miles:



## EFFICIENCIES

The only new revenue source enacted in the 2017-19 budget is a registration fee surcharge on hybrid (\$75) and electric (\$100) vehicles to account for the decreased fuel taxes drivers of these vehicles pay. This new fee generates \$8.4 million over the biennium, or 0.84% of the current \$1 billion funding shortfall.

Instead, the budget includes several “reforms” and “efficiencies” proponents argue will reduce costs and accelerate project delivery:

- > 1. **WisDOT Positions:**  
200 positions are eliminated at the agency.
- > 2. **Prevailing Wage:**  
Wisconsin prevailing wage law for state highway projects was eliminated, effective with the November 2017 WisDOT letting.
- > 3. **Federal Funding Swap:**  
WisDOT is granted authority to swap state funds (SEG) in the Rehabilitation program with federal funds (FED) in the local program to eliminate certain federal requirements on local projects.
- > 4. **Inspector General:**  
The Governor issued Executive Order 255 on Sept. 20, 2017, establishing an Office of Inspector General (OIG) at WisDOT. The office will investigate and review WisDOT programs and initiatives for inefficiencies, waste, fraud and abuse and report directly to the WisDOT Secretary. The OIG is required to submit a report to the WisDOT Secretary in December 2018, and biennially thereafter, detailing its findings and recommendations for reform.
- > 5. **Land Sales:**  
WisDOT is required to sell excess land to generate \$4 million over the biennium.

While we support efforts to improve WisDOT efficiency and make the best use of available revenues, these “savings” will come nowhere near reversing the cycle of disinvestment the 2017–19 budget creates for Wisconsin transportation.

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## A GAME OF EITHER/OR

The transportation budget debate of 2017 creates a series of untenable choices that can only be remedied with long-term, sustainable funding solutions:

- Wisconsin can either invest in reducing the backlog of local road needs ... or it can focus on its backlog of state highway needs.  
**But it cannot do both.**
- Wisconsin can either rebuild the freeway system in the southeastern region ... or it can focus its highway improvement dollars on projects that promote safety and economic growth in the other 65 counties.  
**But it cannot do both.**

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## FEDERAL INFRASTRUCTURE PACKAGE

On Feb. 12, 2018, President Trump released an outline for a legislative proposal to invest at least \$1.5 trillion over the next 10 years in rebuilding infrastructure in America. The proposal seeks to leverage \$200 billion in direct federal funding with additional revenue from state and local governments, as well as the private sector. Components of the proposal include:

- An **Infrastructure Incentives Program** that would provide competitive grants to state and local governments for a range of infrastructure investments;
- A **Rural Infrastructure Program** that distributes funding via a “rural formula” based on rural lane miles and population; and
- A **Transformative Projects Program** that provides competitive grants for projects capable of generating revenue (the proposal would allow states to toll existing Interstate highways) or those that have a significant positive impact on the region, state or nation.

The proposal will need bi-partisan support in Congress to become law. Even if it does, state and local governments would shoulder much of the burden for funding and making sure projects can move rapidly to construction. ■