



June 7, 2018

The Honorable Alberta Darling
Senate Chair, Joint Committee on Finance
317 East, State Capitol
PO Box 7882
Madison, WI 53707-7882

The Honorable John Nygren
Assembly Chair, Joint Committee on Finance
309 East, State Capitol
PO Box 8953
Madison, WI 53708-8953

Dear Senator Darling and Representative Nygren:

Section 84.03(2)(b), Wisconsin Statutes, requires the Department to submit a Federal Expenditure Plan to the Joint Committee on Finance (the Committee) if the amount of federal funds provided by federal transportation authorization and appropriations bills for the current State Fiscal Year (SFY) is less than 95 percent or greater than 105 percent of the amounts appropriated under s. 20.395, Wis. Stats.

Federal Highway Funding in SFY 2018

Federal highway funding requires a two-stage legislative process. Both an authorization act and an appropriations act must be in place. Typically, authorization acts cover multiple years while appropriations acts cover single, individual federal fiscal years (FFY). The current federal surface transportation authorization – Fixing America's Surface Transportation (FAST) Act (Public Law 114-94) – was enacted on December 4, 2015 and authorizes the federal surface transportation program for FFYs 2016 through 2020.

Federal highway funding for FFY 2018 became available with enactment of the Department of Transportation Appropriations Act, 2018 (Public Law 115-141) on March 23, 2018. Federal highway funding notices for FFY 2018 were issued by the Federal Highway Administration (FHWA) on April 16 and 25, 2018 and FHWA fully allocated all funding on May 7, 2018. However, FHWA did not communicate the allocation until May 22, 2018.

Based on the funding information received from FHWA, the FFY 2018 Transportation Appropriations Act provided \$743,031,105 in formula funding for Wisconsin. In addition, the Appropriations Act provided supplemental highway funding from the federal General Fund. Wisconsin's allocation of the supplemental highway funding is \$37,855,718. Finally, Wisconsin received \$66,413,223 of FFY 2017 federal highway redistribution funds in SFY 2018.

Therefore, the state received \$847,300,046 of federal highway funds in SFY 2018 related to the requirements under s. 84.03(2)(b), Wis. Stats. That amount is approximately 108.6% of the \$779,937,600 federal highway funding appropriated under s. 20.395, Wis. Stats., for SFY 2018 by 2017 Wisconsin Act 59. Thus, the statutory threshold is surpassed and a Federal

Expenditure Plan is required to allocate \$67,362,446 in federal highway funds to appropriations in s. 20.395, Wis. Stats.

State Fiscal Year 2018 Federal Expenditure Plan

The Department requests that the Committee make the following adjustments to Chapter 20 appropriations for SFY 2018:

Appropriation	Program	Fund Type	Requested Change
s. 20.395(3)(cx)	State Highway Rehabilitation	Federal	\$30,000,000
s. 20.395(3)(cq)	State Highway Rehabilitation	State	(\$30,000,000)
s. 20.395(2)(eq)	Highway and Local Bridge Improvement Assistance	State	\$30,000,000
s. 20.395(3)(ax)	Southeast Wisconsin Freeway Megaprojects	Federal	\$37,362,500

State Highway Rehabilitation – The Department requests an increase of \$30,000,000 to the program’s federal appropriation and a corresponding decrease of \$30,000,000 to the program’s SEG appropriation. The requested \$30,000,000 decrease in SEG funding for the program will be reallocated to the Local Bridge program as described below.

Highway and Local Bridge Improvement Assistance – The Department requests a reallocation of \$30,000,000 in SEG funding from the State Highway Rehabilitation program. While federal funding may be utilized in the local bridge program, the Department has been working with local governments to transition federal funding out of the program pursuant to the authority provided in 2017 Wisconsin Act 59. Utilizing state funds in the program instead of federal funding is expected to reduce costs for local bridge projects. The increased program funding will allow the Department and local governments to meet critical local bridge needs. Based on applications in the current program cycle, this increase will fund an additional 49 local bridges around the state.

Southeast Wisconsin Freeway Megaprojects – The Department requests an increase of \$37,362,500 to the program’s federal appropriation for the reconstruction of Interstate 94 North South in Kenosha, Racine, and Milwaukee counties.

Due to timing issues and federal requirements, \$22,037,700 was previously allotted to the Southeast Wisconsin Freeway Megaprojects program. That amount was related to the FFY 2017 federal redistribution funding. Federal redistribution funding was allocated by FHWA on August 31, 2017 and was required to be fully obligated prior to September 30, 2017. 2017 Wisconsin Act 59 assumed \$44,375,562 of federal redistribution funds in s. 20.395. In order to meet the federal timelines required for obligation of these funds, the amount above the Act 59 assumption was utilized for Interstate 94 North South reconstruction projects already initiated at that time. Therefore, the approval of this request would result in the allotment of an additional \$15,324,800 for the Interstate 94 North South reconstruction project.

While not part of this request before the Committee, the funding plan for the Interstate 94 North South reconstruction project may provide context for the Committee in their review of the request. That plan consists of:

- Funding provided for the Southeast Wisconsin Freeway Megaprojects program in 2017 Wisconsin Act 59, the 2017-2019 Biennial Budget.
- General Obligation bonding provided by 2017 Wisconsin Act 58.
- A federal INFRA (Infrastructure for Rebuilding America) Grant award of \$160 million.

- \$37.4 million of the \$67.4 million in federal funding received in SFY 2018 above the amount estimated in the budget, as reflected in this request.
- A reallocation of federal funds from the Major Highway Development Program to the Southeast Wisconsin Freeway Megaprojects program. This would result in no change to the overall funding level for the Major Highway Development program. This reallocation would be fully offset by an increase in budget authority in the service funds appropriation for the Major Highway Development program to recognize remaining and available proceeds from the sale of previously authorized Transportation Revenue Bonds and will, therefore, have no impact on the program and will result in no delays in projects. The remaining and available bond proceeds are partly a result of Department of Administration bond sales above par value (at a premium) for which budget authority has not been previously increased. Revenue from bond sales above par value is due to current market conditions and a strong transportation revenue bond program.

Based on Interstate 94 North South reconstruction project contracts to date and current estimates for remaining contracts, the plan above will allow the project to be completed much sooner than expected. It is anticipated that all lanes of traffic will be open for Memorial Day weekend in 2020. This is about 11 years sooner than the previous projected completion date at the end of 2032.

Thank you for your consideration of the Department's SFY 2018 Federal Expenditure Plan. To summarize, the plan will provide key funding to significantly advance completion of the Interstate 94 North South reconstruction project and fund an additional 49 local bridge projects while preserving all funding for the State Highway Rehabilitation and Major Highway Development programs without any delays to our highway projects. I look forward to your deliberations and decisions on our plan. Please contact Dana Burmaster, Director of the Department's Office of Policy, Finance, and Improvement at (608) 267-9618 if the Committee requires additional information.

Sincerely,



Dave Ross
Secretary

cc: Governor Scott Walker
Members of the Joint Committee on Finance
Secretary Ellen Nowak, DOA
Dana Burmaster, DOT Budget Director