



Legislative Fiscal Bureau

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September 18, 2013

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 356: Modifications to Act 20 Highway Relocation Grant Provision

Assembly Bill 356 was introduced on September 11, 2013, and directly referred to the Joint Committee on Finance.

BACKGROUND

The 2013-15 biennial budget act (2013 Act 20) included a provision that requires the Department of Transportation to award a grant, if certain conditions are met, for a highway improvement project involving the relocation of CTH LS in Manitowoc and Sheboygan counties onto an existing town road, as well as related road improvements. In order to receive the grant the affected local governments must reach a jurisdictional transfer agreement that specifies the following to the satisfaction of the Department: (a) the obliteration of 1.3 miles of the existing CTH LS; (b) the construction of two new, town road cul-de-sacs, a town through-road, or another mechanism to provide access to those properties that would lose access to CTH LS; (c) the relocation of CTH LS to Dairyland Drive within termini satisfactory to all parties to the agreement; (d) repairs to the existing CTH LS within the relocated portion of the route to put it in a condition that is agreeable to the parties and is manageable by the municipalities that would assume jurisdiction of the road; (e) improvements to the new CTH LS route necessary to put it in a condition meeting county trunk highway standards; (f) jurisdictional responsibilities for the relocated, newly-constructed, and existing roads; and (g) any other conditions that the Department determines are appropriate. The "affected local governments" for this provision are Manitowoc County, Sheboygan County, the Village of Cleveland in Manitowoc County, the Town of Centerville in Manitowoc County, the Town of Mosel in Sheboygan County, and the Town of Sheboygan in Sheboygan County.

The Act 20 provision specifies that the amount of the grant is to be \$4,200,000, or 50% of the project costs, whichever is less. The grant is to be provided through the discretionary component of the local roads improvement program, although Act 20 exempts the grant from the

amount and use of aids under that program as well as the program's eligibility criteria. Under the discretionary program, the Department is required to allocate specified amounts each year, separately, for county highway, town road, and municipal street projects. Within each of these subcomponents, committees of local government representatives review applications and choose projects to be awarded funds for the biennium. In each year of the 2013-15 biennium, the annual allocations for the subcomponents are, as follows: (a) \$5,127,000 for county highway projects; (b) \$5,732,500 for town road projects; and (c) \$976,500 for municipal street projects.

The 2013-14 SEG appropriation for the program is \$15,436,000, which is \$3,600,000 higher than the sum of the annual allocations for the three subcomponents. Act 20 specifies that the grant for the CTH LS project is to be made using up to \$3,600,000 from that unallocated amount, plus up to \$600,000 from amounts allocated for county highway discretionary projects.

SUMMARY OF BILL

Assembly Bill 356 would modify the Act 20 CTH LS grant requirement by directing the Department to make the grant from a newly-created, biennial appropriation for that purpose, instead of under the discretionary component of the local roads improvement program. The bill would transfer \$4,000,000 from the SEG appropriation for the discretionary component of the local roads improvement program to the newly-created appropriation. The appropriation would then be deleted on July 1, 2015.

The bill would eliminate the Act 20 provision specifying that the grant be \$4,200,000 or 50% of the project cost, whichever is less. Instead, the amount of the grant would be limited by the amount appropriated in the newly-created appropriation, although the bill would not specifically require that the full \$4,000,000 in the appropriation be awarded for the project.

The bill would reduce the required allocation for county highway projects under the discretionary component of the local roads improvement program by \$400,000 in 2013-14 (from \$5,127,000 to \$4,727,000), but would not affect the allocation, relative to the current law allocation, in 2014-15 and beyond.

By making the grant from a separate appropriation and removing the requirement that the grant be made from the discretionary component of the local roads improvement program, the bill would exempt the grant from various provisions specific to the local roads improvement program. For instance, restrictions on the use of county work forces for local roads improvement program projects would not apply to the CTH LS relocation project. Likewise, a requirement that local governments pay the full cost of the project, prior to receiving the grant funds, would also not apply. However, the affected local governments, to receive the grant, would still be required to enter into a jurisdictional transfer agreement that includes all of the conditions listed in the summary section above.

FISCAL EFFECT

The bill would have no net state fiscal effect, since the \$4,000,000 SEG appropriation for

making the CTH LS project grant would be offset by a reduction to the local roads improvement program appropriation. Relative to the Act 20 provision, the maximum amount of the grant would be reduced by \$200,000, from \$4,200,000 to \$4,000,000. Likewise, the bill would have the effect of reducing the impact on the amount of funding available for other county highway projects under the discretionary component of the local roads improvement program. Under Act 20, up to \$600,000 can be taken from the allocation for discretionary county highway projects in 2013-14, while the bill would reduce the 2013-14 county allocation by \$400,000.

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