



WISCONSIN LEGISLATIVE COUNCIL

Special Committee Staff Brief 04-4

WISCONSIN'S TRANSPORTATION NETWORK INFRASTRUCTURE

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STAFF BRIEF 04-4

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INTRODUCTION

The Special Committee on Wisconsin's Transportation Network Infrastructure is directed by the Joint Legislative Council to examine Wisconsin's transportation network infrastructure, especially the infrastructure for the transportation modes of railroads, seaports, and air, to determine ways to improve these facilities; to encourage intermodal forms of transportation; and to encourage regional cooperation among Midwestern states in improving freight and passenger transportation to increase efficiency and to alleviate highway congestion.

The Joint Legislative Council established the Special Committee on Wisconsin's Transportation Network Infrastructure, and appointed the chairperson by a May 21, 2004 mail ballot. A total of 16 members were appointed by a July 21, 2004 mail ballot. The Council directed the committee to examine Wisconsin's transportation network infrastructure, especially the infrastructure for the transportation modes of railroads, seaports, and air, to determine ways to improve these facilities; to encourage intermodal forms of transportation; and to encourage regional cooperation among Midwestern states in improving freight and passenger transportation to increase efficiency and to alleviate highway congestion.

Much of the statistical content and preparatory data for this Brief was provided by the Wisconsin Department of Transportation (DOT). In particular, the DOT publications titled, *Wisconsin Rail Issues and Opportunities Report*; *The Wisconsin State Airport System Plan 2020*; *Wisconsin's Commercial Ports - Helping to Keep the State's Economy Afloat*; and *Wisconsin's Commercial Ports, An Economic Overview*, proved especially useful and are the basis for the introductory material in this Brief.¹

¹ The full DOT publications are included as part of the initial mailing to members. Electronic copies of these publications are available at <http://www.legis.state.wi.us/lc/>.

[This staff brief was prepared by Dan Schmidt, Senior Analyst, Legislative Council staff, for the Joint Legislative Council's Special Committee on Wisconsin's Transportation Network Infrastructure.]

PART I

AUTHORITY OF THE STATE TO PARTICIPATE IN TRANSPORTATION INFRASTRUCTURE DEVELOPMENT

Article VIII, s. 10, of the Wisconsin Constitution, states that the state has generally been prohibited from contracting for works of internal improvement or being a party to works of internal improvement. The framers of the Constitution believed that Wisconsin should avoid becoming entangled in projects of private enterprise to the detriment of taxpayers. Later policy, however, moved toward support for certain internal improvements as a means to encourage and support economic development. In furtherance of that policy, constitutional amendments were made to permit the use of state funds for the following infrastructure improvements. Thus, the Wisconsin Constitution expressly permits the following:

1. The construction or improvement of public highways.
2. The development, improvement, and construction of airports or other aeronautical projects.
3. The acquisition, improvement, or construction of veterans' housing.
4. The improvement of port facilities.
5. The acquisition, development, improvement, or construction of railroads and other railroad facilities. [Art. VIII, s. 10 (2), Wis. Const.]

PART II

SUPPORT FOR RAILROAD, HARBOR, AND AIRPORT INFRASTRUCTURE

The expression of the public policy notion of infrastructure support as economic development resulted, over time, in a number of government programs or funding sources for railroad, harbor, and airport facilities. The primary sources of current infrastructure funding for each of these modes is summarized below.

RAILROAD ASSISTANCE - FREIGHT AND PASSENGER PROGRAMS

Freight Railroad Assistance -- s. 85.08, Stats.

State law provides that [s. 85.08, Stats.] the DOT is charged with the administration of freight rail assistance grants and programs. The two major assistance programs affecting freight rail in Wisconsin are the Freight Rail Infrastructure Improvement Program (FRIIP) and the Freight Rail Preservation Program (FRPP).

The Freight Rail Infrastructure Improvement Program

The FRIIP was established in 1977 to preserve the availability of rail service in Wisconsin. FRIIP loans may be used for the following purposes:

- Line upgrades that will expand the use of a rail line for the public benefit, including increased passenger service and increased use of double-stack technology and piggyback service.
- Rail branch line stabilization or upgrading.
- Projects associated with rail intermodal facilities, such as terminals, team tracks, docks, conveyers, and other loading and unloading facilities.
- Relocation of a freight rail off-loading facility that has been agreed to by the owner of the facility; the city, village, or town in which the facility is located; and the city, village, or town in which the facility will be relocated.
- Rail line relocation or consolidation.

[s. 85.08 (4m) (e) 2., Stats.]

FRIIP loans must be allocated by the DOT on a public interest basis and must include a cost-benefit analysis prior to making a grant. Loans made under FRIIP may be used to cover up to 100% of an approved project's cost. \$58 million has been awarded in FRIIP loans since 1992.

The Freight Rail Preservation Program

The FRPP provides financial assistance to railroads, rail service customers, and governmental units to preserve rail service lines that might otherwise be lost. The FRPP

provides grants of up to 80% of a project's total cost. Projects may include the purchase of abandoned rail lines in an effort to continue freight service, or for the preservation of the opportunity for future rail service; and for the rehabilitation of facilities, such as tracks or bridges on publicly owned rail lines.

Since 1980, the FRPP and its predecessor, the "Rail Assistance Program," have provided over \$80 million in grants for rail rehabilitation and preservation.

Transportation Economic Assistance

In addition to the FRIIP and the FRPP, the Transportation Economic Assistance (TEA) Program provides state grants in the amount of 50% of project costs, up to \$1 million, to local units of government who are engaging in road, rail, harbor, and airport projects that help attract, retain, or promote the expansion of businesses or industries that are beneficial to the state.

Passenger Railroad Assistance -- s. 85.06, Stats.

Under s. 85.06, Stats., the DOT is required to administer the Rail Passenger Service Assistance and Promotion Program and in doing so may do any of the following:

1. Conduct financial and technical planning for rail passenger service in this state and evaluate existing rail passenger service.
2. Contract with Amtrak, railroads, or other persons to provide rail passenger service or support services, equipment, station improvements, passenger platforms, equipment maintenance shops, parking areas, or other support facilities for rail passenger service. The contract may provide for the sale or lease of any equipment or facilities acquired by the department under par. (g). Notwithstanding s. 16.75 (1) and (2m), the department may contract under this paragraph without competitive bidding or competitive sealed proposals.
3. Consult with other states and with local governmental units regarding service levels for additional rail passenger service in this state.
4. Monitor the quality of rail passenger service in this state.
5. Conduct or contract for marketing studies and promotional activities to increase rail passenger service ridership in this state to identify potential riders and to educate the public about the availability and advantages of rail passenger service.
6. Apply for and accept federal funds for rail passenger service.
7. Acquire equipment or facilities for the purpose of providing rail passenger service or support services for rail passenger service.
8. Enter into agreements with other states to assist or promote rail passenger service.

[s. 85.06 (2) (a) through (h), Stats.]

The state currently subsidizes intercity passenger rail in the amount of \$5.1 million annually for the Amtrak Hiawatha Line.

HARBOR ASSISTANCE -- S. 85.095, STATS.

Section 85.095, Stats., requires the DOT to administer the Harbor Assistance Program (HAP). The HAP assists harbor communities along the Great Lakes and the Mississippi River to maintain and improve waterborne commerce in Wisconsin. In consultation with the Wisconsin Coastal Management Council, the DOT may exercise the following powers while administering HAP:

1. Making grants for the purpose of reimbursing eligible applicants for moneys expended to make harbor improvements and to fund other harbor assistance and improvement projects. The amount of a grant may not exceed 80% of the moneys expended by the eligible applicant for harbor improvements.
2. Establishing criteria for evaluating applications for harbor assistance grants in order to provide for the disbursement of grants. In establishing these criteria, the department shall consult with the Department of Commerce and shall give priority to applicants based on the amount of tonnage and waterborne transportation handled in the harbor.
3. Receiving and reviewing applications for grants under this section and to prescribe the form, nature, and extent of the information which shall be contained in the applications.
4. Directing, with the approval of the Governor, that state debt subject to the limitations in s. 20.866 (2) (uv), Stats., be contracted in accordance with ch. 18 to fund harbor improvements and other harbor assistance and improvement projects.

[s. 85.095 (2) (a) through (d), Stats.]

In order to be eligible for HAP funding:

1. A port facility must be publicly owned;
2. The project must benefit facilities used for cargo transfer, ship building, commercial fishing, or regular ferry service;
3. The applicant must be a local unit of government;
4. The project must undergo a cost-benefit analysis; and
5. The project must have been identified in a three-year harbor development plan.

Twenty-three Wisconsin ports are currently eligible for HAP funding. The DOT has distributed more than \$38 million dollars in HAP funding since 1980.

AIRPORT ASSISTANCE -- S. 114.35, STATS.

The Airport Improvement Program

Section 114.35, Stats., authorizes the DOT to use state funds to match federal and local resources in order to promote the development of the airport system in Wisconsin. This program is called the Airport Improvement Program (AIP). The DOT has identified the following goals for its airport development strategy:

1. To maintain the existing facilities of the state's airport system;
2. To expand facilities to meet the needs of commercial passenger and cargo airlines serving Wisconsin;
3. To expand facilities to meet the needs of companies doing business in the state; and
4. To expand facilities to provide a balanced state and transportation system.

The AIP-eligible airports are identified in the state's Airport System Plan. There are currently 100 public-use airports in Wisconsin that are eligible for AIP funding. The Wisconsin State Airport System Plan 2020 indicates that \$51.5 million will be needed for state airport development between 2000 and 2020. As indicated, the AIP funds consist of federal grants, matching state grants, and local governmental contributions. Costs associated with projects with federal funding that are not covered by federal grants are generally shared equally by the state and the airport owner under the AIP.

For projects not involving federal aid, the AIP will pay up to 80% of airport infrastructure development and up to 50% of land development costs for projects identified as beneficial to the state. Eligible airport building projects may receive up to \$500,000 in state funding. The state does not help fund hangars or fuel facilities.

The Advance Land Acquisition Loan Program

The Advance Land Acquisition Loan Program (ALALP) provides state-sponsored loans to owners of public-use airports for the purpose of funding land acquisition and development costs. Loans are available in amounts of up to 80% of project costs. The airport owner must provide at least 20% of the project costs to be eligible to receive a loan under the ALALP.

DOT forecasts airport development project costs of more than \$1.1 billion² during the 21-year planning period extending from 1999 to 2020.

² \$1.1 billion is estimated in 1999 dollars.

PART III

SUMMARY OF RAILROAD, HARBOR, AND AIRPORT INFRASTRUCTURE STATUS IN WISCONSIN LEGISLATURE

RAILROAD

There are 11 railroad companies operating on 3,664 miles of track in Wisconsin. The majority of railroad corridors privately owned, the exception, according to the DOT, is approximately 400 miles of railroad corridor that belongs to the State of Wisconsin. In addition, some local governments also own or lease a small portion of the railroad corridor in Wisconsin.

The number of operating railroad miles in Wisconsin has decreased significantly in the past decade, due to consolidation of railroad operators, and subsequent elimination of duplicate routes. The primary cargo for Wisconsin railroads are commodities like coal, metallic ore, nonmetallic minerals, farm products, and forest products. A significant amount of intermodal freight container transport also occurs. Inncity passenger rail service in Wisconsin is limited to one Amtrak route running between Chicago and Minneapolis (Empire Building) and one Amtrak route running between Chicago and Milwaukee (Hiawatha).³

Some ongoing rail industry issues include rail congestion in the Chicago hub, lack of large intermodal facilities, elimination of freight rail services due to consolidation, obsolete publicly owned track, and minimal intercity passenger rail service.

For more information regarding the impacts of railroads in Wisconsin, please consult the DOT publication titled, *Wisconsin Rail Issues and Opportunities Report*.

HARBOR

There are currently 15 commercial ports located on the Great Lakes and Mississippi River within Wisconsin. Wisconsin ports move more than 40 million tons of cargo (worth in excess of \$7 billion) annually. Common cargo includes forest products, agricultural products, coal, stone, iron ore, scrap materials, and intermodal cargo containers. The direct economic impact of Wisconsin's ports and harbors has been measured by the DOT to exceed 11,000 jobs, \$1.3 billion in output, and \$376 million in personal income. In addition, DOT studies state that without the cost-effective transfer available through the waterway system, "The price of Wisconsin grain would not be competitive to foreign buyers." For more information on the impact of harbors and ports in Wisconsin, please consult the publications, titled *Wisconsin's Commercial Ports, An Economic Overview*; and *Wisconsin's Commercial Ports Helping to Keep the State's Economy Afloat*.

³ Chicago-Minneapolis Amtrak service (Empire Builder) has stops in the following Wisconsin cities: Milwaukee, Columbus, Portage, Wisconsin Dells, Tomah, and La Crosse. The Chicago-Milwaukee Amtrak service (Hiawatha) stops in Sturtevant and Milwaukee, exclusively, in Wisconsin.

AIRPORTS

Wisconsin has 143 public-use airports, 93 of which are owned by a public body. Nine of these airports have year-round passenger air service⁴ and six of these airports are considered primary air cargo airports.⁵ Passenger aircraft operations at the nine year-round passenger airports are measured by DOT to exceed 250,000 in 2000 and are projected to increase to almost 350,000 by 2010 and almost 400,000 by 2020. Air cargo at the six primary air cargo airports are measured by DOT to exceed 400 million pounds in 2000, is forecast to increase to over 640 million pounds in 2010, and 920 million pounds by 2020. The total economic impact of aviation activity in Wisconsin, as measured by the DOT 20-year airport plan includes over 41,000 jobs, over \$2.1 billion in output, and more than \$770 million in personal income for state citizens.⁶

The DOT has identified the state airport system as an important resource for corporations seeking to expand or locate in Wisconsin and also as important economic assets to local communities. For more information regarding the impact of airports in Wisconsin, please consult the publications, titled *Wisconsin State Airport System Plan 2020*; and *Wisconsin Airport Development Handbook*.

⁴ Year-round passenger air service is available at: Austin Straubel International (Green Bay); Central Wisconsin (Mosinee); Chippewa Valley Regional (Eau Claire); Dane County Regional (Madison); General Mitchell International (Milwaukee); La Crosse Municipal; Outagamie County (Appleton); Rhinelander-Oneida County; and Wittman Regional (Oshkosh). Seasonal passenger air service is available at: Door County Cherryland (Sturgeon Bay); Eagle River Union; and Lakeland/Noble F. Lee Memorial (Minocqua).

⁵ The six primary air cargo airports as identified by DOT are: General Mitchell International Airport (Milwaukee); Austin Straubel International (Green Bay); Central Wisconsin (Mosinee); Dane County Regional (Madison); Outagamie County (Appleton); and Rock County (Janesville/Beloit).

⁶ These economic impact numbers are based on a 1998 DOT study and are expressed in 1995 dollars.