h

Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 29, 2001 Joint Committee on Finance Paper #907

Mass Transit Operating Assistance -- Funding Level (Transportation -- Local Transportation Aid)

[LFB 2001-03 Budget Summary: Pages 654, #3]

CURRENT LAW

Base level funding for urban mass transit assistance is $53,555,600 SEG for Tier A-1 systems (Milwaukee systems), $14,297,600 SEG for Tier A-2 (Madison), $19,804,200 SEG for Tier B systems (Waukesha City and County, Monona, all other urban bus systems and Chippewa Falls and Onalaska shared-ride taxi systems) and $5,349,100 SEG for Tier C systems (all other remaining systems). For calendar year 2001, the total contract amount for each tier of systems equals the base year funding amounts.

GOVERNOR

Provide $2,325,100 SEG annually to provide a 2.5% increase in funding, beginning in 2001-02, over the base year level. The funding would be distributed as follows: (a) $1,338,900 annually for Tier A-1 transit systems; (b) $357,400 annually for Tier A-2 transit systems; (c) $495,100 annually for Tier B transit systems; and (d) $133,700 annually for Tier C transit systems. Set the calendar year distribution amounts for 2001 and thereafter at $54,894,500 for Tier A-1, $14,655,000 for Tier A-2, $20,299,300 for Tier B and $5,482,800 for Tier C. Replace references to the 1990 decennial census used in determining which systems are in Tier B and Tier C with references to the 2000 decennial census. Repeal statutory references relating to aid payments to Tier A-1 and Tier A-2 systems for previous calendar years.

DISCUSSION POINTS

1. The current system of tiers generally parallels federal aid categories, with tiers for urbanized areas with populations over 200,000 (Tiers A-1 and A-2), urbanized areas with populations between 50,000 and 200,000 (Tier B) and nonurbanized areas (Tier C). Waukesha County and City systems are considered part of the Milwaukee urbanized area and the Monona system is considered part of the Madison urbanized area for federal aid purposes, but they are included in Tier B for state aid purposes. Urbanized areas over 200,000 receive their federal aid directly from the Federal Transit Administration, while the smaller urban systems and the nonurban systems receive their federal funding through DOT.

2. Mass transit aid payments are made from sum certain, transportation fund appropriations. For Tier A-1 and Tier A-2, each system is provided a specified amount of funding for a calendar year. For Tier B and Tier C, DOT makes transit aid distributions so that the sum of state and federal aid equals a uniform percentage of annual operating expenses for each system within a tier.

3. The combined state and federal aid percentage for Tier B and Tier C systems floats to a level that expends the state funds administered by DOT and the level of federal funds that DOT allocates for operating expenses. Local funds, consisting primarily of local property tax and farebox revenues, finance the remaining costs. Because DOT must provide a uniform percentage of state and federal aid to systems within the tier, each system's share of the state funding is affected by the cost changes of the other systems, as well as its own costs.

4. The following table indicates the state funding and combined state and federal funding as a percent of each tier's operating expenses for the past six years.

State and Federal Funding as a Percentage of Expenses by Tier

	Tier A-1		Tier A-2	
Year	State Aid Percentage	Combined State/Federal Percentage	State Aid Percentage	Combined State/Federal Percentage
1996	44.4%	46.8%	42.0%	45.4%
1997	44.6	47.0	42.5	45.9
1998	45.0	45.0	44.7	45.0
1999	46.0	46.0	46.0	46.0
2000	45.7	50.0	40.4	50.4
2001	42.2	51.5	35.7	44.6

	Tier B		Tier C	
Year	State Aid Percentage	Combined State/Federal Percentage	State Aid Percentage	Combined State/Federal Percentage
1996	42.5%	53.6%	39.2%	67.9%
1997	41.4	52.1	37.2	66.2
1998	43.1	60.0	37.1	66.2
1999	41.9	60.0	36.6	66.4
2000	41.2	59.9	37.1	67.4
2001	39.1	60.0	34.2	66.4

5. The bill would provide a 2.5% increase in funding, beginning in 2001-02, over the base year level. The funding would be distributed as follows: (a) $1,338,900 annually for Tier A-1 transit systems; (b) $357,400 annually for Tier A-2 transit systems; (c) $495,100 annually for Tier B transit systems; and (d) $133,700 annually for Tier C transit systems.

6. The bill would also set the calendar year distribution amounts for 2001 and thereafter at $54,894,500 for Tier A-1, $14,655,000 for Tier A-2, $20,299,300 for Tier B and $5,482,800 for Tier C. However, the calendar year 2001 transit system contract amounts have already been established. DOA indicates that the Governor's recommendation intended for these distributions to be set in 2002 and thereafter. The bill would have to be modified to reflect this intent.

7. The Governor 's recommendations would not provide an additional increase in mass transit aid amounts in the second year of the 2001-03 biennium. Rather, the equivalent of a 2.5% increase in mass transit aid was provided for a supplemental transit aid proposal that would provide additional aid to systems that meet specified cost increase limits. The proposal would create separate, supplemental appropriations for these purposes. The proposal to create supplemental mass transit aid appropriations is addressed in LFB Paper #908. If the Committee does not approve the creation of a supplemental transit aid program, the funds provided for that program under the Governor's recommendation could be used to fund second year increases for the existing mass transit aid program.

8. On March 26, the Department of Transportation indicated a number of changes to the Governor's biennial budget bill that could be made to more accurately reflect the Department's original funding goals for the mass transit operating assistance program. In preparing the Department's budget request, funding for mass transit aid was calculated on a fiscal year basis, rather than a calendar year basis, which results in systems receiving the bulk of the proposed increase in funding in the first calendar year of the biennium with only a small increase in the second calendar year. The Department indicates that local governments prefer a more equal or steady increase in calendar year aid amounts because such increases provide stability and predictability of state aid for local transit systems, which assists local units of government in budgeting and planning.

9. The Department's intent, modified to reflect the Governor's recommendation to create a separate supplemental transit aid program, would provide a 2.5% increase in calendar year 2002 with no additional increase thereafter. Such an increase would set the calendar year distribution amounts for 2002 and thereafter at $54,894,500 for Tier A-1, $14,655,000 for Tier A-2, $20,299,300 for Tier B and $5,482,800 for Tier C. Compared to the bill, these calendar year amounts would allow a decrease of $1,743,800 in 2001-02.

10. Based on a forecast of the economy by Standard and Poor's DRI, general inflation is projected to be 2.1% in 2002 and 1.7% in 2003. The amount of above base funding necessary to provide inflationary increases in the calendar year distributions for each tier of systems is estimated to be $488,400 in 2001-02 and $2,356,700 in 2002-03. Compared to the bill, this would represent a decrease of $1,836,700 in 2001-02 and an increase of $31,600 in 2002-03.

11. Fuel is a significant cost component associated with providing transit services. The recent increases in fuel costs have outpaced general inflation and have resulted in substantial increases in the cost for systems to provide the same level of service. Providing a percentage increase in funding that is greater than forecasted inflation would assist systems in funding these higher costs and would provide state and federal funding at a level that would more likely fund a percentage of system costs similar to the percentages funded in recent years. The following table compares the calendar year 1999 and calendar year 2000 total fuel costs for specific systems reviewed by DOT. The reported fuel increases added from 0.9% to 2.2% to the percentage growth in the systems' costs from 1999 to 2000.

Comparison of Total Fuel Costs for Specific Transit Systems

Bus System	Calendar Year 1999 Fuel Costs	Calendar Year 2000 Fuel Costs	Increase	Percentage
Milwaukee	$2,638,509	$4,157,082	$1,518,573	57.6%
Green Bay	190,348	265,000	74,652	39.2
Appleton	108,905	170,433	61,528	56.5
Eau Claire	81,975	136,109	54,134	66.0
Manitowoc	36,200	50,500	14,300	39.5
Fond du Lac	28,265	41,865	13,600	48.1
Total	$3,084,202	$4,820,989	$1,736,787	56.3%

12. Transit system officials also indicate that a system's eligible costs can rise faster than inflation because transit service costs that were funded with one-time state and federal grants in prior years must now be funded as eligible costs under the transit aid program. For example, in recent years federal funds have been made available on a project basis to assist transit systems in increasing services that provide low-income individuals in need of work with access to places of employment. Projects eligible for funding include expanded service hours and routes to accommodate shift and weekend workers and workers with non-traditional working hours. Although these increased costs are initially funded with federal funds, providing these services increases system costs aided under the state's transit aid program when the federal project funding is no longer available. In addition, because these job access services can involve off peak hour service or the addition of service routes, the services tend to be more expensive on a per rider basis.

13. For example, in 2000-01, Waukesha Metro Transit received a $234,700 Wisconsin employment transportation assistance program (WETAP) project grant that is funded primarily with federal funds to provide additional bus service that connects a transfer station for express bus service from downtown Milwaukee to a previously unserved industrial and commercial retail center on Waukesha's east side. In the seven months since the additional service was added, over 42,000 transit riders have used the service. However, Waukesha Metro is only eligible for three years of project grants and the system must reapply for the funds each year. If the WETAP funds are no longer available and the system continues to provide the service, the $234,700 in grant-funded costs associated with the expanded service would be eligible costs under the state transit aid program. If this occurs, the Waukesha Metro system would have a 6.2% increase in its eligible costs under the transit aid program compared to it 2001 contract costs, which is well above the general rate of inflation.

14. Transit officials also contend that an above-inflation increase is needed to allow systems to meet the rising costs of providing "para-transit" services for paralyzed or otherwise disabled citizens. For many transit systems in the state, the level of these "para-transit" services and costs are growing at a significantly higher rate than basic ridership services and costs. In public testimony before the Joint Committee on Finance, the Wisconsin Urban and Rural Transit Association and transit managers indicated that state systems' para-transit costs have increased by 500% over the last five years. One transit system (Green Bay) indicates that para-transit service now makes up 20% of the system's annual operating costs.

15. State transit aid funds are provided on a calendar year basis, with quarterly aid payments made in April, July, October and December. Therefore, only one quarter of any calendar year 2003 increase would be paid in 2002-03. The remaining portion of the calendar year 2003 increase would be funded in the next biennium. The following table indicates the annual funding commitment in the next biennium under various increases in the calendar year distributions for all tiers.

Future Year State Transit Aid Commitments
Under Various Percentage Increases

Calendar Year Distribution Increase 2002/2003	Future Funding Commitment
1%/1%	$704,500
2.1%/1.7% (Inflation)	1,210,700
2%/2%	1,423,000
2.5%/0% (DOT)	0
3%/3%	2,155,400
4%/4%	2,901,800
5%/5%	3,662,100
6%/6%	4,436,400

16. Last biennium, mass transit operating assistance was increased by 7.5% in 2000 and 0% in 2001. Due in part to increases in federal mass transit funding, overall transit funding increases are comparable to the increases in other transportation-related programs. State funding increases have equaled 32.1% since 1996-97, while federal funding for mass transit operating assistance has increased by 85.1% during the same period. The following table compares the percentage increases in state and federal funding for various transportation programs from 1996-97 through 2002-03.

Percentage Increase in State and Federal Funding
for Various Transportation Programs
(Fiscal Years 1997-2003)

Program	Governor
Major Highway Development*	46.1%
Mass Transit Aid	45.7
State Highway Rehabilitation**	44.1
Local Road Programs***	29.8
State Highway Maintenance	23.3

* Adjusted to reflect the amount that the Governor intended to provide in 2002-03, which is less than the amount actually in the bill by $4,529,100.

** Does not include funding provided in a separate appropriation for the reconstruction of the Marquette Interchange. If this funding were included, the increase for the rehabilitation program would be 68.7%.

*** Includes general transportation and connecting highway aid, local roads improvement program and local bridge and highway improvement assistance.

17. The Governor's recommendation includes a provision to replace references to the 1990 decennial census with references to the 2000 decennial census for the purpose of determining 2001 aid amounts. The decennial census is used to determine which systems will be placed in Tiers B and C. DOT indicates that because information on the 2000 decennial census was not available at the time aid contracts for 2001 were signed, the 1990 census should be used for calendar year 2001 aid payments with the 2000 census being used for calendar year 2002 and thereafter.

ALTERNATIVES TO BILL

A. Funding Level

1. Approve the Governor's recommendation, as modified to adjust the calendar year distribution amount for calendar year 2002 rather than 2001, to provide $2,325,100 SEG annually for a 2.5% increase in funding, beginning in 2001-02, over the base year level. The funding would be provided as follows: (a) $1,338,900 annually for Tier A-1 transit systems; (b) $357,400 annually for Tier A-2 transit systems; (c) $495,100 annually for Tier B transit systems; and (d) $133,700 annually for Tier C transit systems. Set the calendar year distribution amounts for 2002 and thereafter at $54,894,500 for Tier A-1, $14,655,000 for Tier A-2, $20,299,300 for Tier B and $5,482,800 for Tier C.

2. Modify the Governor's recommendation by deleting $1,743,800 SEG in 2001-02 as follows to provide a 2.5% increase in transit funding for calendar year 2002 and thereafter: (a) -$1,004,200 for Tier A-1 transit systems; (b) -$268,000 for Tier A-2 transit systems; (c) -$371,300 for Tier B transit systems; and (d) -$100,300 for Tier C transit systems. Delete the proposed changes to the calendar year 2001 distribution amounts and set the calendar year distribution amounts for 2002 and thereafter at $54,894,500 for Tier A-1, $14,655,000 for Tier A-2, $20,299,300 for Tier B and $5,482,800 for Tier C.

Alternative A2	SEG
2001-03 FUNDING (Change to Bill)	- $1,743,800

3. Modify the Governor's recommendation by deleting $1,836,700 SEG in 2001-02 and providing $31,600 SEG in 2002-03 as follows to provide inflationary increases in the calendar year distributions of 2.1% in 2002 and 1.7% in 2003 to each tier of systems: (a) -$1,057,700 in 2001-02 and $18,200 for Tier A-1 systems; (b) -$282,300 in 2001-02 and $4,900 in 2002-03 for Tier A-2 systems; (c) -$391,100 in 2001-02 and $6,700 in 2002-03 for Tier B systems; and (d) -$105,600 in 2001-02 and $1,800 in 2002-03 for Tier C systems. Set the calendar year distribution amounts as follows: (a) $54,680,300 for 2002 and $55,609,900 for 2003, and thereafter, for Tier A-1; (b) $14,597,800 for 2002 and $14,846,000 for 2003, and thereafter, for Tier A-2; (c) $20,220,100 for 2002 and $20,563,800 for 2003, and thereafter, for Tier B; and (d) $5,461,400 for 2002 and $5,554,200 for 2003, and thereafter, for Tier C.

Alternative A3	SEG
2001-03 FUNDING (Change to Base)	- $1,805,100

4. Modify the Governor's recommendation by providing annual mass transit aid increases (SEG) for 2002 and 2003 at one of the following percentages. Set the distributions for each tier and change the mass transit aid appropriations as shown below:

	Calendar Year Distribution Amounts		Change to Bill	
	2002	2003	2001-02	2002-03
1. One Percent				
Tier A-1	$54,091,200	$54,632,100	-$1,205,000	-$668,100
Tier A-2	14,440,600	14,585,000	-321,600	-178,300
Tier B	20,002,200	20,202,200	-445,600	-247,100
Tier C	5,402,600	5,456,600	-120,300	-66,700
	$93,936,600	$94,875,900	-$2,092,500	-$1,160,200
2. Two Percent				
Tier A-1	$54,626,700	$55,719,200	-$1,071,100	$5,300
Tier A-2	14,583,600	14,875,300	-285,900	1,500
Tier B	20,200,300	20,604,300	-396,100	2,000
Tier C	5,456,100	5,565,200	-106,900	600
	$94,866,700	$96,674,000	-$1,860,000	$9,400
3. Three Percent				
Tier A-1	$55,162,300	$56,817,200	-$937,200	$681,500
Tier A-2	14,726,500	15,168,300	-250,200	182,000
Tier B	20,398,300	21,010,200	-346,600	252,000
Tier C	5,509,600	5,674,900	-93,600	68,100
	$95,796,700	$98,670,600	-$1,627,600	$1,183,600
4. Four Percent				
Tier A-1	$55,697,800	$57,925,700	-$803,300	$1,360,300
Tier A-2	14,869,500	15,464,300	-214,400	363,200
Tier B	20,596,400	21,420,300	-297,000	503,100
Tier C	5,563,100	5,785,600	-80,200	135,900
	$96,726,800	$100,595,900	-$1,394,900	$2,362,500
5. Five Percent				
Tier A-1	$56,233,400	$59,045,100	-$669,400	$2,041,800
Tier A-2	15,012,500	15,763,100	-178,700	545,200
Tier B	20,794,400	21,834,100	-247,500	755,000
Tier C	5,616,600	5,897,400	-66,800	204,000
	$97,656,900	$102,539,700	-$1,162,400	$3,546,000
6. Six Percent				
Tier A-1	$56,768,900	$60,175,000	-$535,600	$2,725,900
Tier A-2	15,155,500	16,064,800	-142,900	727,800
Tier B	20,992,500	22,252,100	-198,000	1,008,100
Tier C	5,670,000	6,010,200	-53,500	272,300
	$98,586,900	$104,502,100	-$930,000	$4,734,100

5. Maintain current law. Base level funding would be provided in the 2001-03 biennium.

Alternative A5	SEG
2001-03 FUNDING (Change to Base)	- $4,650,200

B. Statutory Changes

1. Approve the Governor's recommendation to replace references to the 1990 decennial census used in determining which systems are in Tier B and Tier C with references to the 2000 decennial census. Repeal statutory references relating to aid payments to Tier A-1 and Tier A-2 systems for previous calendar years.

2. Modify the Governor's recommendations to specify that for the purposes of determining which systems are in Tier B and Tier C, the 1990 census shall be used for calendar year 2001 aid payments, with the 2000 census used for calendar year 2002 payments and thereafter.

Prepared by: Al Runde

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 29, 2001 Joint Committee on Finance Paper #908

Supplemental Mass Transit Aids
(Transportation -- Local Transportation Aids)

[LFB 2001-03 Budget Summary: Page 655, #5]

CURRENT LAW

Basic mass transit aid payments are made from sum certain, transportation fund appropriations. For Tier A-1 and Tier A-2 systems, each system is provided a specified amount of funding for a calendar year. For Tier B and Tier C systems, DOT makes transit aid distributions so that the sum of state and federal aid equals a uniform percentage of annual operating expenses for each system within a tier. A 20% local match of the state aid amount from non-farebox revenues is required from municipalities served by bus systems. Beginning in calendar year 2000, DOT may not enter into a mass transit aid contract for any system, unless the contract requires the system to comply with cost-efficiency standards promulgated by the Department as a condition of receiving aid.

GOVERNOR

Provide $3,237,500 SEG in 2002-03 to provide supplemental mass transit aid amounts to transit system applicants that meet specified annual cost requirements. Create four continuing appropriations for the purpose of providing supplemental mass transit aid to eligible applicants within the following four types of systems: $2,361,900 for Tier A-1 and Tier A-2 systems, $689,400 for Tier B bus systems, $68,300 for Tier C bus systems and $117,900 for applicants served exclusively by a shared-ride taxi system. Specify that the supplemental payments would not be subject to the 20% local match currently required of all transit systems, excluding shared-ride taxi systems, that receive basic mass transit operating assistance payments.

Require DOT to make supplemental payments of mass transit aid from the new appropriations in calendar year 2003 and each calendar year thereafter. Specify that the payments be made to each eligible applicant for whom the percentage increase in the average cost per one-way passenger trip taken on the eligible applicant's system in the preceding calendar year did not exceed the percentage increase in the U.S. Consumer Price Index reported for the 12-month period ending on December 31 of that calendar year. Require DOT, for the purpose of providing supplemental aids, to determine the average cost per one-way passenger trip for an eligible applicant by dividing the total operating expenses of the eligible applicant's urban mass transit system for a calendar year by the total number of one-way passenger trips taken on that system during that calendar year. Allow DOT to use reasonable estimates of operating expenses or one-way trips for new or expanded services if the actual operating expenses or number of one-way trips of the new or expanded services are not known.

For aid payments from the supplemental aid appropriations for Tier A-1 and Tier A-2 systems and shared-ride taxi systems, specify that if all the applicants are eligible to receive supplemental aid payments in a calendar year, DOT would be required to distribute funds in proportion to the number of one-way passenger trips taken on each applicant's transit system during the preceding calendar year. For aid payments from the supplemental aid appropriations for Tier B and Tier C bus systems, specify that if two or more applicants are eligible to receive supplemental aid payments in a calendar year, DOT would be required to distribute funds in proportion to the number of one-way passenger trips taken on each eligible applicant's transit system during the preceding calendar year.

Require DOT to promulgate rules to implement and administer the payment of supplemental mass transit aids, including a rule defining a one-way passenger trip. Specify that the provisions related to this program would first take effect on January 1, 2002, although the first payment would be made in 2003.

DISCUSSION POINTS

1. The bill would make supplemental transit aid funding available to each tier of bus systems and to the shared-ride taxi systems in the state. However, only those systems for whom the percentage increase in the average cost per one-way passenger trip taken on the applicant's system in the preceding calendar year did not exceed the percentage increase in the U.S. Consumer Price Index reported for the prior year would receive the funding.

2. Administration officials maintain that while transit services in the state are generally provided on an efficient basis, room for improvement exists. The Executive Budget Book indicates that the supplemental transit aids initiative would assure that transit systems are rewarded for implementing and maintaining operating efficiencies.

3. Unlike the other primary transportation aid programs, the Governor's recommendation would not provide an additional increase in basic mass transit aid in the second year of the 2001-03 biennium. The $3,237,500 in 2002-03 in funding provided for the proposed supplemental transit aids program would equal 3.4% of the amount established under the bill for

basic mass transit operating assistance for calendar year 2001 and thereafter. If the Committee does not approve the creation of a supplemental transit aids program, the funds provided for the program could be used to fund second year increases under the basic mass transit aid program.

4. According to a December, 1999, transit system performance report conducted by the state Department of Transportation, Wisconsin transit systems outperformed their similar-sized, peer systems throughout the United States. The study reviewed various operating performance measures for the state's systems and their peer systems across the country, such as expense per passenger, expense per hour, passengers per capita and revenue hours per capita. According to the study, during the period from 1993 through 1997, Wisconsin transit systems maintained or improved performance in over half of the operating characteristics analyzed. By comparison, the peer transit systems in other states experienced declines in almost three-quarters of the operating performance measures during the same period.

5. Increases in total eligible transit costs for state aid purposes in recent years are comparable to increases in eligible costs for general transportation aid purposes. For the period from 1990 through 1999, the average, annual increase in eligible costs was 4.9% for all transit aid recipients and 4.6% for all general transportation aid recipients. Further, the increase in total, eligible transit aid costs during the period includes an increase in the number of transit systems receiving mass transit aids. The number of transit systems receiving aid increased from 49 in 1990 to 69 in 1999.

6. The 1999-01 biennial budget act specified that DOT may not enter into a mass transit aid contract for any system for calendar year 2000 and thereafter unless the Department has promulgated the administrative rules for cost-efficiency standards and the contract satisfies the requirements related to these standards.

7. DOT promulgated a rule that states that, as a condition of receiving state aids, a system must establish system-wide annual service and performance goals for the following performance indicators: (a) the ratio of passengers to service area population: (b) the ratio of operating expenses to passengers; (c) the ratio of operating expenses to revenue hours; (d) the ratio of revenues to operating expenses; (e) the ratio of passengers to revenue hours; and (f) the ratio of revenue hours to service area population. Under the rule, DOT is required to annually assess each system against these six performance indicators and against peer groups of systems nationwide. Standards are set for each tier using a standard deviation. Systems that are within one standard deviation of the mean are judged to be in compliance with the standard for that measure. Systems that are in compliance with four out of six of the performance standards are in compliance with the cost efficiency standards. DOT transit program officials indicate that a preliminary review, done at the time the rule on the standards was being promulgated, found that some systems would not have been in compliance with the standards if the rule had been in effect at that time.

8. If a system does not meet the cost efficiency standards, two additional assessments are completed: (a) an analysis of the six performance measures over a five-year period is conducted, with the system being in compliance if it shows improvement in four out of the six performance

measures; and (b) an assessment of the most recent management performance audit on the system is made and if significant progress in implementing a majority of audit recommendations targeted at improving efficiency has been made, the system would be considered in compliance with the cost efficiency standards. After these additional assessments are completed, any system that is still deemed to be in noncompliance with the cost efficiency standards is given three years to comply with the standards for each measure before being assessed a revenue penalty. After three years of noncompliance, a penalty equal to 10% of the system's state aid is imposed. The penalty remains in effect until the system comes into compliance.

9. Transit officials contend that the supplemental transit aid program proposed by the Governor, by focusing on the average cost per passenger, runs counter to other state and federal program efforts that have increased the state's transit systems' costs per rider. For example, the proposed formula does not take into account the level of "para-transit" services that transit systems are required to provide for paralyzed or otherwise disabled citizens. For many transit systems in the state, the level of these "para-transit" services and costs of providing the services are growing at a significantly higher rate than basic ridership services and costs. In public testimony before the Joint Committee on Finance, the Wisconsin Urban and Rural Transit Association and transit managers indicated that state transit systems' para-transit costs have increased by 500% over the last five years. One system manager (Green Bay) indicates that para-transit services make up 20% of the system's annual operating costs. Another system (Wausau) projects that their cost per para-transit trip will increase by 13% in 2001. In addition, despite the higher cost of this service, under federal law, systems are limited in what they are allowed to charge for the service.

10. In recent years, mass transit has also been seen as a means to assist state and federal welfare reform and access to jobs efforts. Transit officials contend that while providing transit services to assist in these program efforts is a worthy policy, such transit service is often more expensive on a per rider basis than the basic transit service provided by the state's systems. The federal job access and reverse commute program, in conjunction with the state's Wisconsin employment transportation assistance program (WETAP), has made funding available on a project basis to assist transit systems in increasing services that provide low-income individuals in need of work with access to places of employment. Projects eligible for funding include expanded service hours and routes to accommodate shift and weekend workers and workers with non-traditional working hours. When the project funding expires, if the service is continued, the system's eligible costs increase, which could also lead to an above-inflation increase in average cost per passenger and make systems providing this service ineligible for the proposed supplemental transit aid.

11. Transit services that meet the policy goal of linking potential workers with access to places of employment often have a higher cost per rider than the cost per rider for the systems' peak service routes and hours. For example, one system (Janesville) indicates that, although adding night shift transit service to a local factory has been successful in linking employees to that place of employment, the number of riders per hour of service associated with that service is only one-third of hourly ridership for the non-night shift service. As a result, while the added service may be successful in getting workers to their jobs, the cost per rider associated with providing the added night shift service is greater than the costs associated with basic ridership services.

12. Although the Consumer Price Index is widely used as a measure of inflation, by its nature it reflects a broader set of goods and services than those that are used to provide transit service. Mismatches between the two sets of goods and services (such as a different relative importance of fuel prices) could lead to the CPI either overstating or understating the actual inflation experienced by transit systems.

13. Since the state already has adopted rules related to cost efficiency of transit systems that interlink with the receipt of basic mass transit aid, it could be argued that creating another efficiency measure linked to another aid program is duplicative. If the Committee decides to delete the proposed supplemental aid program, DOT could still submit modifications to the current cost efficiency rules to accomplish any additional efficiency standards that the administration deems to be important.

Local Share of Transit Services

14. One alternative to creating a supplemental transit aid program would be to increase the local match required to receive state transit aid. If the Legislature is concerned that transit costs are increasing too rapidly or that operating efficiency could be increased, an increase in the required local match may subject cost decisions relative to transit service levels to greater local scrutiny.

15. Current law requires a 20% local match, from non-farebox revenues, of state aid from municipalities served by bus systems. The current 20% local match for bus systems was approved in 1989 in order to give local governments an incentive to operate systems efficiently and to ensure a local commitment to mass transit. Administrative rules specify that state aid contracts may be terminated if the local match is not provided. State aid to these systems is limited to five times the local match funding. Shared-ride taxi systems are not required to provide a local match to receive state aid.

16. Attachment 1 indicates the amount of additional funding that local governments would have had to provide, compared to the amounts actually provided in calendar year 2001, at a 20% required local match for shared-ride taxi systems. As the attachment shows, many shared-ride taxi systems currently provide no local share or only a small local share, relative to the state aid received. Instituting a local match requirement for these systems could reduce fares, since the local government would now be subsidizing the service to a greater extent. However, some communities may decide to drop this service rather than provide a greater local share.

17. Attachment 2 indicates the amount of additional funding that local governments would have to provide, compared to the amounts actually provided in calendar year 2001, for various required local match percentages for all transit systems. The attachment shows that many bus systems already provide a local share of revenue that exceeds the minimum 20% by a considerable amount, with 21 systems already exceeding a 50% match. These systems would not be immediately affected by the higher match requirements, although future changes in service levels, fares and state and federal aid could change this relationship. Other bus systems would be forced to commit additional local funds immediately at one or more of the increased match

percentages.

18. Under the mass transit aid formula, after all the state aid is expended and the federal aid is allocated, any remaining costs are either funded from farebox revenue or local funds, which are primarily property taxes. Mandating that local communities use additional local funds to assist transit reduces their flexibility to choose between fare increases or dedicating additional local revenues to fund a larger portion of annual transit operating costs not funded from state or federal aid.

19. Conversely, allowing local governments the flexibility to determine where the local funds will come from could result in a local government choosing to fund the entire local share from farebox revenues. Arguably, transit service benefits the general public by getting people to and from places of employment or consumers to places of business. Therefore, it could be argued that local taxpayers should be required to cover some of the costs of the service.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $3,237,500 SEG in 2002-03 to provide supplemental mass transit aid amounts to transit system applicants that meet specified annual cost requirements. Create four continuing appropriations for the purpose of providing supplemental mass transit aid to eligible applicants within the following four types of systems: $2,361,900 for Tier A-1 and Tier A-2 systems, $689,400 for Tier B bus systems, $68,300 for Tier C bus systems and $117,900 for applicants served exclusively by a shared-ride taxi system. Specify that the supplemental payments would not be subject to the 20% local match currently required of all transit systems, excluding shared-ride taxi systems, that receive basic mass transit operating assistance payments.

2. Delete the Governor's recommendation and require the following local match as a percentage of state aid as a condition of receiving state mass transit aid, effective with contracts for calendar year 2002.

Shared-Ride Taxi Systems	Bus Systems
a. 20%	e. 30%
b. 30%	f. 40%
c. 40%	g. 50%
d. 50%	

Alternative 2	SEG
2001-03 FUNDING (Change to Bill)	- $3,237,500

3. Maintain current law. No supplemental transit program would be created.

Alternative 3	SEG
2001-03 FUNDING (Change to Bill)	- $3,237,500

Prepared by: Al Runde

ATTACHMENT 1

Funding Required Under a 20% Required Local Match for Shared-Ride Taxi Systems (Compared to 2001 Contract Amounts)

System	Current Local Share	Local Share as % of State Aid	Additional Local Share
Baraboo	$0	0.0%	$21,505
Beaver Dam	9,447	4.2	35,999
Berlin	13,647	23.4	0
Black River Falls	2,838	3.2	14,756
Chippewa Falls	30,242	26.4	0
Clintonville	12,576	33.4	0
Edgerton	12,882	41.1	0
Fort Atkinson	13,652	13.9	6,023
Grant County	6,941	44.2	0
Hartford	11,879	25.7	0
Jefferson	10,768	21.8	0
Lake Mills	7,851	30.2	0
Marinette	22,545	25.1	0
Marshfield	0	0.0	30,218
Mauston	0	0.0	11,444
Medford	16,083	43.8	0
Monroe	0	0.0	19,019
Neillsville	20,033	46.5	0
New Richmond	22,323	61.1	0
Onalaska	35,472	48.2	0
Ozaukee County	123,903	38.5	0
Platteville	1,109	2.7	7,014
Plover	8,921	20.1	0
Portage	0	0.0	55,628
Port Washington	11,586	22.3	0
Prairie du Chien	0	0.0	11,930
Prairie du Sac	35,219	85.3	0
Reedsburg	0	0.0	15,567
Rhinelander	0	0.0	27,146
River Falls	25,869	37.7	0
Shawano	0	0.0	11,276
Stoughton	4,358	5.8	10,617
Sun Prairie	10,531	8.3	14,713
Viroqua	0	0.0	10,879
Waterloo-Marshall	10,303	51.9	0
Watertown	0	0.0	43,452
Waupaca	5,108	6.6	10,369
West Bend	48,611	18.9	2,944
Whitewater	16,504	28.8	0
Wisconsin Rapids	15,296	6.3	33,034

ATTACHMENT 2

Funding Required under Various Required Local Match Percentages (Compared to 2001 Contract Amounts)

System	Current Local Share	Local Share as % of State Aid	Additional Local Share at: 30%	40%	50%
Tier A-1					
Milwaukee County	$20,112,513	37.6%	$0	$1,309,687	$6,665,287
Tier A-2					
Madison	$13,913,788	97.3%	$0	$0	$0
Tier B					
Appleton	$1,334,028	68.3%	$0	$0	$0
Beloit	332,512	67.3	0	0	0
Chippewa Falls	30,242	26.4	4,178	15,651	27,124
Eau Claire	629,244	56.3	0	0	0
Green Bay	1,298,180	55.3	0	0	0
Janesville	388,923	51.9	0	0	0
Kenosha	910,032	49.4	0	0	11,243
La Crosse	381,220	30.7	0	115,237	239,351
Monona	57,353	44.1	0	0	7,712
Onalaska	35,472	48.2	0	0	1,342
Oshkosh	692,009	62.2	0	0	0
Ozaukee County	175,916	83.5	0	0	0
Racine	937,931	44.4	0	0	117,883
Racine-Commuter*	63,951	12.8	86,327	136,420	186,512
Sheboygan	563,146	48.0	0	0	23,067
Superior	243,247	73.5	0	0	0
Washington County	114,808	53.6	0	0	0
Waukesha County	352,311	22.7	112,677	267,674	422,670
Waukesha City	1,036,309	66.4	0	0	0
Wausau	623,033	63.8	0	0	0
Tier C -- Bus					
Bay Area Rural	$46,733	67.8%	$0	$0	$0
Fond du Lac	310,561	56.7	0	0	0
Ladysmith	54,349	64.5	0	0	0
Manitowoc	301,586	71.9	0	0	0
Merrill	51,552	39.4	0	849	13,949
Rice Lake	71,336	79.9	0	0	0
Stevens Point	211,186	67.6	0	0	0

*DOT indicates that it will be auditing the Racine-Commuter system to determine whether the system will meet the required state share in 2001.

ATTACHMENT 2 (continued)

System	Current Local Share	Local Share as % of State Aid	Additional Local Share at: 30%	40%	50%
Tier C - Shared Ride Taxi					
Baraboo	$0	0.0%	$32,258	$43,011	$53,763
Beaver Dam	9,447	4.2	58,722	81,445	104,167
Berlin	13,647	23.4	3,870	9,709	15,548
Black River Falls	2,838	3.2	23,553	32,350	41,148
Clintonville	12,576	33.4	0	2,473	6,236
Edgerton	12,882	41.1	0	0	2,796
Fort Atkinson	13,652	13.9	15,860	25,698	35,535
Grant County	6,941	44.2	0	0	903
Hartford	11,879	25.7	2,013	6,643	11,274
Jefferson	10,768	21.8	4,048	8,987	13,926
Lake Mills	7,851	30.2	0	2,546	5,145
Marinette	22,545	25.1	4,384	13,360	22,336
Marshfield	0	0.0	45,327	60,436	75,545
Mauston	0	0.0	17,166	22,889	28,611
Medford	16,083	43.8	0	0	2,281
Monroe	0	0.0	28,528	38,038	47,547
Neillsville	20,033	46.5	0	0	1,495
New Richmond	22,323	61.1	0	0	0
Ozaukee Co.	123,903	38.5	0	4,701	36,851
Platteville	1,109	2.7	11,076	15,138	19,199
Plover	8,921	20.1	4,425	8,873	13,322
Port Washington	11,586	22.3	3,973	9,159	14,345
Portage	0	0.0	83,441	111,255	139,069
Prairie du Chien	0	0.0	17,895	23,860	29,825
Prairie du Sac	35,219	85.3	0	0	0
Reedsburg	0	0.0	23,351	31,134	38,918
Rhinelander	0	0.0	40,720	54,293	67,866
Ripon	30,501	31.2	0	8,545	18,307
River Falls	25,869	37.7	0	1,568	8,427
Shawano	0	0.0	16,915	22,553	28,192
Stoughton	4,358	5.8	18,105	25,592	33,080
Sun Prairie	10,531	8.3	27,335	39,957	52,580
Viroqua	0	0.0	16,318	21,758	27,197
Waterloo-Marshall	10,303	51.9	0	0	0
Watertown	0	0.0	65,179	86,905	108,631
Waupaca	5,108	6.6	18,107	25,846	33,584
West Bend	48,611	18.9	28,721	54,499	80,276
Whitewater	16,504	28.8	688	6,419	12,149
Wisconsin Rapids	15,296	6.3	57,199	81,364	105,529

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 29, 2001 | Joint Committee on Finance | Paper #909

Lift Bridge Aid (DOT -- Local Transportation Aid)

CURRENT LAW

Municipalities are reimbursed, from a biennial appropriation, for 100% of actual costs incurred in operating and maintaining swing or lift bridges on connecting highways. If the biennial appropriation is insufficient to provide full reimbursement, payments are prorated in the manner deemed desirable by DOT.

GOVERNOR

Provide base level funding of $1,425,000 SEG annually for lift bridge aid.

DISCUSSION POINTS

1. Lift bridge aid is paid on the first Monday in July for costs incurred during the previous calendar year. For example, the lift bridge aid payment made in July, 2000, was in reimbursement for actual costs incurred by the cities during calendar year 1999 (the cities must submit documentation of their costs by January 31).

2. Presently, five cities operate ten eligible lift bridges: Green Bay (Main Street), Manitowoc (8th and 10th Streets), Milwaukee (Broadway, Kinnickinnic, State and Wells Streets), Racine (Main and State Streets) and Two Rivers (Madison Street).

3. The bill would provide base level funding of $1,425,000. DOT indicates that actual calendar year costs for 2000, to be reimbursed in July, 2001 (fiscal year 2001-02) were $1,502,500, or $77,500 over base funding. Further, DOT indicates that, while a complete picture of 2001 costs is not yet available, it is reasonable to expect a $90,000 increase in 2002-03, over the base funding level, to reflect ongoing costs.

4. If the funding increase for 2001-02 is not provided, DOT would have the option of prorating the July, 2001, payments. Alternatively, DOT could fully fund these payments, since the appropriation is biennial, and make the necessary proration in the July, 2002, payments. If the July, 2001, payments are prorated based on available funding, each municipality would receive a payment equal to 94.8% of its 2000 costs. The following table indicates the 2000 costs and the 2001-02 prorated lift bridge aid payments for each bridge, if only base level funding is provided and DOT makes the full proration in July, 2001.

2001-02 Lift Bridge Aid Under Full Funding and Prorated Payment

Bridge	2000 Actual Costs	Prorated Aid Under Base Funding	Difference
Green Bay -- Main Street	$261,309	$247,836	-$13,473
Manitowoc -- 8th Street	139,059	131,889	-7,170
Manitowoc -- 10th Street	15,364	14,572	-792
Milwaukee -- Broadway Street	251,638	238,663	-12,975
Milwaukee -- Kinnickinnic and 1st	265,201	251,527	-13,674
Milwaukee -- State Street	19,032	18,050	-982
Milwaukee -- Wells Street	15,063	14,287	-776
Racine -- Main Street	277,315	263,016	-14,299
Racine -- State Street	253,994	240,898	-13,096
Two Rivers -- Madison Street	4,494	4,262	-232
TOTAL	$1,502,469	$1,425,000	-$77,469

5. Since 1984-85, 100% of annual lift bridge costs have been funded with state lift bridge aid. Twice during that period, in 1988-89 and in 2000-01, the Joint Committee on Finance provided additional funding under s. 13.10 of the statutes to avoid the annual lift bridge aid amounts being prorated in those years.

ALTERNATIVES TO BILL

1. Take no action. The Governor's recommendation to provide base level funding of $1,425,000 SEG annually would be approved.

2. Provide $77,500 SEG in 2001-02 and $90,000 SEG in 2002-03 to increase funding for lift bridge aid.

Alternative 2	SEG
2001-03 FUNDING (Change to Bill)	$167,500

Prepared by: Al Runde

TRANSPORTATION

Local Transportation Aid

Bill Agency

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
6	Elderly and Disabled Transportation Aids
7	Demand Management and Ride-Sharing Program

LFB Summary Item for Introduction as Separate Legislation

Item #	Title
4	Mass Transit Operating Assistance -- Basis for Aid

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 29, 2001 Joint Committee on Finance Paper #910

Transportation Economic Assistance Program -- Funding Level (DOT -- Local Transportation Projects)

[LFB 2001-03 Budget Summary: Page 657, #1]

CURRENT LAW

DOT makes grants under the transportation economic assistance (TEA) program to local units of government for up to 50% of the cost of transportation improvements designed to facilitate business development projects that help create or retain jobs in Wisconsin. Typically, the grants are for the improvement or construction of roads or rail spurs to improve the connection between existing or proposed manufacturing plants or industrial or office parks to the overlying transportation system.

In making grants under the TEA program, DOT must consider, among other things, the following: (a) whether or not the grant would be used for a justified transportation need; (b) the number of jobs that would be created or retained in the state if the project is constructed; (c) the cost of the project per job created or retained; (d) whether or not the improvement is likely to be made without the grant; (e) whether or not the project would be in an area of high unemployment or low average income; (f) the financial soundness of the business or businesses that would benefit from the project; and (g) whether or not the project would have negative consequences for other businesses.

Base funding for the TEA program is $3,500,000 SEG and $3,500,000 SEG-L. The SEG-L amount represents the local match required under the program.

GOVERNOR

Provide $1,750,000 SEG and $1,750,000 SEG-L in 2001-02 and $3,500,000 SEG and $3,500,000 SEG-L in 2002-03, to increase total state funding for the TEA program to $5,250,000 SEG in 2001-02 and $7,000,000 SEG in 2002-03.

DISCUSSION POINTS

1. The TEA program was created in 1987-88 with an annual budget of $3,000,000. This level of funding was retained for six years, until 1993-94, when the annual funding for the program was increased to the current $3,500,000. In 1988-89, the Joint Committee on Finance approved a DOT request under s. 13.10 of the statutes to provide an additional $3,000,000 for the program on a one-time basis. As of March 1, 2001, a total of 201 grants have been awarded under the program, totaling $48.1 million. DOT typically has three or four grant application cycles per year.

2. DOT indicates that attempts are made to fund most or all submitted projects as long as it is determined that the business that would benefit from the proposed TEA project is financially sound, the project would be at risk of not happening without the TEA grant and the business is willing to guarantee that the project will create a certain number of jobs. Occasionally, this means that some project applications are deferred from the grant cycle for which the application was submitted to later cycles before receiving a grant.

3. Other transportation assistance grant programs administered by DOT typically do not have enough funding to provide grants to all eligible applicants. For instance, the amount of funding provided for the town road improvement discretionary program in 1999-01 was enough to approve only about one-third of grants requested. The amount of funding provided for the congestion mitigation and air quality (CMAQ) improvement program also funds only about one-third of the total amount of grants requested. The amount of funding provided for the transportation enhancements program is enough to fund only about one-fourth of the total amount requested.

4. Like the TEA program, other DOT grant programs have a ranking process to help program managers determine which projects are most justified. The fact that the demand for funding in these other programs significantly exceeds the amount of available funds may help ensure that only the most justified projects are funded. This may not currently be the case in the TEA program, since few projects are ever completely rejected.

5. Given that the demand for TEA grants in relation to the amount of funding available for making grants is less than that for other transportation grant programs, it may be determined that a funding increase is not justified or that funding needs are more urgent in other transportation programs.

6. Several factors, besides the possibility that there is a lower inherent demand for TEA grants than for other transportation assistance grants, may explain why the number of applications for TEA grants does not significantly exceed the program's ability to fund them. First, TEA grants require a 50% local match, while most other transportation assistance programs require only a 20% local match. Second, DOT indicates that some potential TEA program applicants are notified that their project would be unlikely to qualify or compete well for funding before a formal application is submitted, which is not the case in the other assistance programs. Finally, TEA projects typically represent an expansion or enhancement of the local transportation system, whereas the type of projects done under the local highway and bridge programs typically involve

more routine rehabilitation that will likely be done with or without assistance from the state. In other words, there is a strong incentive to apply for assistance because it may make the difference between a local government paying 20% of the project cost and paying the full cost. However, projects funded under the CMAQ and transportation enhancements programs are also generally things that would not otherwise occur.

7. The Committee may determine that the intent of the TEA program, unlike other transportation assistance programs, should be to fund most or all eligible projects. The fact that TEA projects require at least a 50% local match may help ensure that only projects that have substantial public benefits are submitted to DOT for assistance.

8. The bill would double the size of the program by the second year of the biennium. Since few, if any, eligible projects are currently denied funding, there may not be enough demand for TEA grants to use all of the funding provided by the bill. A lower level of funding could be provided and still ensure, with reasonable certainty, that all or most projects will receive funding.

9. DOA indicates that additional funding was provided for the program in anticipation that the demand for TEA grants would increase if the program is actively promoted. The bill would have created a rural policy advisor position in the Governor's office, which could have been used to promote the TEA program. However, the Committee previously decided not to approve this provision.

10. In its budget request, DOT did not ask for a funding increase for the TEA program. However, DOT's Division of Investment Management, which administers the TEA program, had asked the Department's Office of Policy and Budget to consider requesting an increase in funding for the program. In this request, the Division indicated that demand for grants under the program has increased and an increase in funding would be required to provide grants to all eligible projects. The maximum amount requested by the Division was $500,000 SEG annually.

11. DOT is currently considering applications for a final round of project awards for 2000-01, for which $880,600 in funds are available. Four applications have been received for this award cycle. Initially, the total amount of funds requested was $1.8 million. However, knowing that the amount of available funds is limited, three of the four applicants have reduced the amount that they are asking for to improve their chances of receiving a grant. The total now being requested is $1.4 million. The "unfunded" amount, therefore, would be approximately $500,000. If it is determined that the current base of the program is sufficient to fund the ongoing demand for the program, but that additional amounts should be provided to prevent projects in the current cycle from delaying projects in future cycles, an additional $500,000 could be provided in 2001-02 only. Under this alternative, funding would remain at the base level of $3,500,000 in 2002-03 and ongoing needs could be reevaluated during the next budget cycle.

12. There may be some indication that the ongoing demand for TEA grants is higher than the current level of funding, but lower than the amount that the Division of Investment Management had requested for the program. Since the TEA program is funded with a continuing appropriation, amounts that are not used in one year may be used in following years. It is not

uncommon for less than $3,500,000 in grants to be awarded in some years and more than $3,500,000 in grants to be awarded in other years. For instance, only $2.9 million was awarded in both 1996-97 and 1997-98, but $4.8 million was awarded in 1998-99. Largely due to a balance of unused funds from prior years, the average amount of grants awarded in the past four years (assuming that the balance of funds remaining in 2000-01 will be used) is $3.8 million. An annual increase of $300,000 would provide this amount of funding on an ongoing basis.

13. The 1993-95 budget authorized DOT to make loans under the TEA program, specifying that the criteria for making loans and procedures for loan repayment must be established by rule. DOT, however, has not promulgated rules for making loans. The Department made a decision not to issue loans, in part, because of the additional staff that would be required to administer a loan program. DOT indicates that the process of evaluating loan applications and coordinating repayments would require an additional 1.5 FTE at a cost of $60,000 annually.

14. If the Committee determines that the ongoing demand for TEA grants is likely to exceed the amount of funding available, but that providing additional funding is not a priority, one alternative would be to require DOT to offer a certain amount of assistance to TEA applicants in the form of loans instead of grants. Over time, loan repayments could increase the total amount of funding available for making grants and other loans. In order to encourage the use of loans, DOT could be required to give priority to funding projects for which the applicant has indicated a willingness to accept a TEA loan for all or a part of the state share. The Committee could provide an additional 1.5 FTE and $60,000 SEG for administering this program or not provide this funding, which would require the Department to reallocate resources to administer the loan program.

15. If DOT were required to reserve 20% of the amount provided for the program for loans and no increase in funding is provided, the Department would be able to make $700,000 in loans annually and $2,800,000 in grants annually. In order to make the loans, DOT would have to first promulgate rules establishing the criteria for making loans and the procedures for repayment, including what interest rate would be charged, if any. In order to give DOT time to promulgate rules, the loan requirement could be made to begin in 2002-03.

ALTERNATIVES TO BILL

A. TEA Program Funding

1. Approve the Governor's recommendation to provide $1,750,000 SEG and $1,750,000 SEG-L in 2001-02 and $3,500,000 SEG and $3,500,000 SEG-L in 2002-03 for the transportation economic assistance program.

2. Modify the Governor's recommendation by reducing the amount of funding provided for the transportation economic assistance program by $1,250,000 SEG and $1,250,000 SEG-L in 2001-02 and $3,500,000 SEG and $3,500,000 SEG-L in 2002-03 to provide a $500,000 above-base increase in state funding for the program in the first year, which would be enough to fund a potential backlog of projects from 2000-01.

Alternative A2	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	- $4,750,000	- $4,750,000	- $9,500,000

3. Modify the Governor's recommendation by reducing the amount of funding provided for the transportation economic assistance program by $950,000 SEG and $950,000 SEG-L in 2001-02 and $3,200,000 SEG and $3,200,000 SEG-L in 2002-03. This would provide an above-base increase of $300,000 annually for the program.

Alternative A3	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	- $4,150,000	- $4,150,000	- $8,300,000

4. Maintain current law.

Alternative A4	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	- $5,250,000	- $5,250,000	- $10,500,000

B. TEA Loans

1. Specify that DOT may not provide more than 80% of the state funds or loan repayments appropriated for the TEA program in the form of grants, effective with funds appropriated in 2002-03. Require DOT to give priority to funding projects for which the applicant has indicated a willingness to accept a TEA loan for all or a part of the state share. Provide $60,000 SEG and 1.5 SEG position in 2002-03 to administer the loan program.

Alternative A4	SEG
2001-03 FUNDING (Change to Bill)	$60,000
2001-03 POSITIONS (Change to Bill)	1.50

2. Specify that DOT may not provide more than 80% of the state funds or loan repayments appropriated for the TEA program in the form of grants, effective with funds appropriated in 2002-03. Require DOT to give priority to funding projects for which the applicant has indicated a willingness to accept a TEA loan for all or a part of the state share. Under this alternative, the Department would be required to administer a loan program, but would have to reallocate resources if additional staff are needed to administer the program.

3. Take no action.

Prepared by: Jon Dyck

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 29, 2001 | Joint Committee on Finance | Paper #911

Local Roads Improvement Program -- Town Road and Municipal Street Discretionary Program (DOT -- Local Transportation Projects)

[LFB 2001-03 Budget Summary: Page 657, #3]

CURRENT LAW

The local roads improvement program (LRIP) provides up to 50% of the cost of capital improvements on local roads and streets. The program is divided into two principal components: (a) a discretionary component, which awards funds to high-cost projects through a competitive application process; and (b) a basic allocation component, which distributes funds to local governments by formula. Each fiscal year, DOT is required to set aside amounts for the discretionary component of the program and then distribute the remaining funds by formula. Funds are distributed on a biennial basis under the program. Total base funding for the program is $21,331,200 SEG and $21,331,200 SEG-L. The SEG-L amount represents the local match required under the program.

In the base year, and annually thereafter, DOT is required to set aside a total of $6,250,000 for discretionary projects, as follows: (a) $500,000 for town road improvements with a total estimated cost of $100,000 or more; (b) $5,000,000 for county highway improvements with a total estimated cost of $250,000 or more; and (c) $750,000 for municipal (defined as cities and villages) street projects with a total estimated cost of $250,000 or more.

GOVERNOR

Provide $529,000 SEG and $529,000 SEG-L in 2001-02 and $1,954,200 SEG and $1,954,200 SEG-L in 2002-03 for the local roads improvement program and require DOT to allocate these amounts in those fiscal years, respectively, for town road improvements with eligible costs totaling $100,000 or more and for municipal street improvements having total estimated costs of $250,000 or more. Specify that these allocations would be in addition to the current law allocations for town road improvement discretionary projects ($500,000 annually) and for municipal street improvement discretionary projects ($750,000 annually).

DISCUSSION POINTS

1. The combined town road and municipal street discretionary program created by the bill would complement the current separate discretionary programs for town roads and municipal streets. Over the biennium, the total amount that would be allocated to discretionary grants for town roads and municipal streets, including the $2,483,200 that would be allocated for the combined program under the bill, would nearly double the amount that is required to be allocated for the separate town and municipal discretionary programs under current law.

2. The combined discretionary program would apply only to the 2001-03 biennium, so the funds that are allocated for the discretionary program would be distributed by the basic allocation formula in future biennia in the absence of further statutory changes.

3. The bill would provide increases for general transportation aids to counties of 2.7% in 2001-02 and 3.0% in 2002-03, but would increase the amounts for municipalities (cities, villages and towns) by 2.5% annually (all on a fiscal year basis, although general transportation aids are distributed on a calendar year basis). The difference between providing a 2.5% annual general transportation aid increase for municipalities and what would be required to provide the same percentage increases that the counties would receive is $529,000 in 2001-02 and $1,954,200 in 2002-03, which is the amount provided for the combined town and municipal discretionary program. Since the funds provided for the combined town and municipal discretionary program were provided in lieu of a portion of the increase for general transportation aids, the Committee could decide to eliminate the amounts provided for the discretionary program if the Committee decides to provide equal percentage increases for both counties and municipalities in the general transportation aid program.

4. DOA indicates that additional funding was provided for LRIP discretionary projects, as opposed to general transportation aid, in order to target funds for capital improvements. The shift from general transportation aid to LRIP was done for municipalities, but not counties, because counties have received smaller increases in general transportation aid over the last 13 years. Between 1988 and 2001, county general transportation aid payments increased by 52%, while municipal general transportation aid payments increased by 91%. Since 1995, however, aid to both municipalities and counties has increased by 26%.

5. If general transportation aids for counties were reduced to provide fiscal year increases of 2.5% annually, instead of 2.7% in 2001-02 and 3.0% in 2002-03, the amount of the reduction could be provided for county discretionary projects under the local roads improvement program. In this case, the amount allocated for county discretionary projects would be increased by $168,100 in 2001-02 and $603,900 in 2002-03. It should be noted that the amount allocated for

county discretionary projects under current law, which is $5,000,000 annually, is already significantly higher than the amounts allocated for the town and municipal discretionary programs.

6. The bill would not specify how funds in the combined discretionary program are to be allocated between towns and municipalities. DOT indicates that the town road and municipal street discretionary programs would continue to be managed separately and funding in the new, combined program would be allocated between the two existing programs in the same proportion that funds are currently divided between towns and incorporated municipalities in the general transportation aid program. In calendar year 2000, towns received 41% of the total aid distribution and cities and villages received 59%.

7. If the Committee decides to retain the funding provided for the combined discretionary program, but wants to specify how much of the funding would be provided for towns and how much would be provided for municipalities, the funding could be allocated within the existing discretionary programs instead of within a new, combined program. The basis of dividing up the funding could be the proportion that funds are currently allocated between towns and incorporated municipalities, as DOT has indicated the funds would be managed. In this case, 59%, or $312,100 in 2001-02 and $1,153,000 in 2002-03, would be allocated for municipal street discretionary improvements and the remaining 41%, or $216,900 in 2001-02 and $801,200 in 2002-03, would be allocated for town road discretionary improvements. These amounts would be added to the amounts that DOT is currently required to allocate for the programs.

8. Another basis for allocating these funds among the two discretionary programs would be the relative demand for funding in the two programs. For the 1999-01 biennial program cycle, a total of $13.0 million was requested in the town road improvement discretionary program and $52.8 million was requested in the municipal street improvement discretionary program. If the funding in the bill for the combined discretionary program were allocated in proportion to this demand, 80%, or $423,200 in 2001-02 and $1,563,400 in 2002-03 would be allocated for municipal street discretionary improvements and the remaining 20%, or $105,800 in 2001-02 and $390,800 in 2002-03 would be allocated for town road discretionary improvements. These amounts would be added to the amounts that DOT is currently required to allocate for the programs.

9. The demand for discretionary municipal street projects may have been higher in 1999-01 than it will be in the future, since the 1999-01 biennium was the first time discretionary grants were offered for municipalities. Municipalities may now have a better idea of what type of projects will compete well for grants and may, therefore, not submit applications for projects that will not compete well. DOT has been making grants for discretionary town road projects since the 1993-95 biennium.

10. The 1999-01 biennial budget provided one-time funding for the municipal and town discretionary programs that is not reflected in the base. For the town discretionary program, DOT was required to allocate $2,000,000 in 1999-00 and $500,000 in 2000-01, for a total of $2,500,000. For the municipal discretionary program, DOT was required to allocate $1,250,000 in 1999-00 and $750,000 in 2000-01, for a total of $2,000,000. When compared to the amount that was actually

distributed under the two discretionary programs in the 1999-01 biennium, the total amount that would be allocated under the bill for the separate and combined discretionary programs for town roads and municipal streets represents an increase of 10.7%.

11. One alternative, instead of providing funding for a combined discretionary program, would be to allocate the same amount over the biennium in each of the separate discretionary programs that was allocated in the 1999-01 biennium, dividing the amount equally between the two years. In this case, a total of $1,250,000 annually would be provided for the town road discretionary program and $1,000,000 annually would be provided for the municipal street discretionary program. Relative to the bill, this alternative would require a SEG increase of $471,000 in 2001-02 and a SEG decrease of $954,200 in 2002-03.

12. Another alternative would be to provide enough funding to allocate a total of $1,250,000 annually for both the town road and municipal street discretionary programs. Relative to the bill, this alternative would require a SEG increase of $721,000 in 2001-02 and a SEG decrease of $704,200 in 2002-03.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $529,000 SEG and $529,000 SEG-L in 2001-02 and $1,954,200 SEG and $1,954,200 SEG-L in 2002-03 for the local roads improvement program and require DOT to allocate these amounts in those fiscal years, respectively, for town road improvements with eligible costs totaling $100,000 or more and for municipal street improvements having total estimated costs of $250,000 or more.

2. Modify the Governor's recommendation by providing an additional $168,100 SEG and $168,100 SEG-L in 2001-02 and $603,900 SEG and $603,900 SEG-L in 2002-03 for the program and require DOT to allocate $5,168,100 in 2001-02 and $5,603,900 in 2002-03 and annually thereafter for the county highway discretionary program.

Alternative 2	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	$772,000	$772,000	$1,544,000

3. Modify the Governor's recommendation by deleting the requirement that DOT allocate funding for a combined town road and municipal street discretionary program and instead require DOT to allocate the following amounts for discretionary programs: (a) $1,062,100 in 2001-02 and $1,903,000 in 2002-03 and annually thereafter for the discretionary municipal street improvement program; and (b) $716,900 in 2001-02 and $1,301,200 in 2002-03 and annually thereafter for the discretionary town road improvement program. Under this alternative, the additional funds that the bill would provide for a combined town road and municipal street discretionary program would be allocated to the existing discretionary programs in the same proportion that funds are allocated between incorporated municipalities and towns in the general

transportation aid program (59% for municipal streets and 41% for town roads).

4. Modify the Governor's recommendation by deleting the requirement that DOT allocate funding for a combined town road and municipal street discretionary program and instead require DOT to allocate the following amounts for discretionary programs: (a) $1,173,200 in 2001-02 and $2,313,400 in 2002-03 and annually thereafter for the discretionary municipal street improvement program; and (b) $605,800 in 2001-02 and $890,800 in 2002-03 and annually thereafter for the discretionary town road improvement program. Under this alternative, the additional funds that the bill would provide for a combined town road and municipal street discretionary program would be allocated to the existing discretionary programs in the same proportion that funds were requested for these programs in 1999-01 (80% for municipal streets and 20% for town roads).

5. Provide $471,000 SEG and $471,000 SEG-L in 2001-02 and delete $954,200 SEG and $954,200 SEG-L in 2002-03 for the local roads improvement program. Delete the requirement that DOT allocate funding for a combined town road and municipal street discretionary program and instead require DOT to allocate the following amounts for discretionary programs: (a) $1,000,000 annually for the municipal street improvement program; and (b) $1,250,000 annually for the town road discretionary improvement program. Under this alternative, the same total amount that was allocated for these programs for the 1999-01 biennium would be allocated in 2001-03 and in future biennia.

Alternative 5	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	- $483,200	- $483,200	- $966,400

6. Provide $721,000 SEG and $721,000 SEG-L in 2001-02 and delete $704,200 SEG and $704,200 SEG-L in 2002-03 for the local roads improvement program. Delete the requirement that DOT allocate funding for a combined town road and municipal street discretionary program and instead require DOT to allocate the following amounts for discretionary programs: (a) $1,250,000 annually for the municipal street improvement program; and (b) $1,250,000 annually for the town road discretionary improvement program. Under this alternative, the same amount would be allocated for both town road and municipal street discretionary projects during 2001-03 and in future biennia.

Alternative 6	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	$16,800	$16,800	$33,600

7. Maintain current law.

Alternative 7	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	- $2,483,200	- $2,483,200	- $4,966,400

Prepared by: Jon Dyck

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 29, 2001 Joint Committee on Finance Paper #912

Local Roads Improvement Program -- Basic Allocation (DOT -- Local Transportation Projects)

[LFB 2001-03 Budget Summary: Page 658, #4]

CURRENT LAW

The local roads improvement program (LRIP) provides up to 50% of the cost of capital improvements on local roads and streets. The program is divided into two principal components: (a) a discretionary component, which awards funds to high-cost projects through a competitive application process; and (b) a basic allocation component, which distributes funds to local governments by formula. Each fiscal year, DOT is required to set aside amounts for the discretionary component of the program and then distribute the remaining funds by formula. Funds are distributed on a biennial basis under the program.

Funds in the basic allocation component of the program are divided as follows: (a) 43% for counties; (b) 28.5% for municipalities (defined as cities and villages); and (c) 28.5% for towns. Of the amounts reserved for counties, each county is given an entitlement of funds, of which 60% is based on population and 40% is based on county highway mileage. No county may receive less than 0.5% of the total amount distributed to the counties under the basic allocation component of the program.

Under the municipal subprogram, cities and villages with a population of 20,000 or more each receive an entitlement of funds, of which 50% is based on population and 50% is based on street mileage. Cities and villages with a population under 20,000 do not receive their own entitlement. Instead, all such cities and villages in a county share an entitlement of funds based on the same formula that is used for municipalities with a population of 20,000 or more. Representatives of the smaller municipalities in each county form a committee to determine which municipal street projects will be approved using their county's municipal entitlement.

Under the town subprogram, the towns in each county share an entitlement of funds based on town road mileage. Representatives of the towns in each county form a committee to determine which town road projects will be approved using their county's town entitlement.

Total base funding for the program is $21,331,200 SEG and $21,331,200 SEG-L, but the annual amount of SEG funds available for distribution under the basic allocation component, after deductions for the discretionary component, is $15,081,200. The SEG-L amount represents the local match required under the program.

GOVERNOR

Provide $575,900 SEG and $575,900 SEG-L in 2001-02 and $1,233,100 SEG and $1,233,100 SEG-L in 2002-03 for the basic allocation component of the program.

DISCUSSION POINTS

1. The funding that the bill would provide under this item would be distributed under the basic allocation formula component of the program. A separate item, discussed in LFB Paper #911, would provide additional funds for distribution in the discretionary component of the program. The amounts recommended for the basic allocation component represent inflationary increases of 2.7% in 2001-02 and 3.0% in 2002-03, using the total program size of $21,331,200 as a base for the calculation.

2. Since this funding would be distributed only in the basic allocation component of the program and separate funding would be provided for the discretionary component, it could be argued that the proper base for calculating an inflationary adjustment would be only the amount that is distributed by formula under the basic allocation component, or $15,081,200. The funding in the bill represents increases of 3.8% in 2001-02 and 4.2% in 2002-03, using this as a basis of calculation.

3. Current projections of inflation by Standard and Poor's DRI are 2.7% in 2001-02 and 1.8% in 2002-03. Providing inflationary increases for the program using these estimates and including only the basic allocation component as the base would require increases to the base of $407,200 SEG in 2001-02 and $686,000 SEG in 2002-03, which would be less than the amount provided by the bill by $168,700 SEG in 2001-02 and $547,100 SEG in 2002-03.

4. In making decisions regarding how much funding to provide for various transportation programs, a comparison of the funding increases provided to these programs over the past several biennia may be helpful. The following table compares the rate of growth in funding since 1996-97 that would result if the funding levels in the bill were approved. The local roads improvement program is included with other local road programs. The percentages shown include federal, state and revenue bond funds.

Percentage Increase in State and Federal Funding for Various Transportation Programs (Fiscal Years 1997-2003)

Program	Governor
Major Highway Development*	46.1%
Mass Transit Aid	45.7
State Highway Rehabilitation**	44.1
Local Road Programs***	29.8
State Highway Maintenance	23.3

* Adjusted to reflect the amount that the Governor intended to provide in 2002-03, which is less than the amount actually in the bill by $4,529,100.

** Does not include funding provided in a separate appropriation for the reconstruction of the Marquette Interchange. If this funding were included, the increase for the rehabilitation program would be 68.7%.

*** Includes general transportation and connecting highway aid, local roads improvement program and local bridge and highway improvement assistance.

5. The preceding table shows that the local road programs have grown at a slower rate than most of the other transportation programs. Some have argued that the budget should be modified to produce a more even rate of growth between transportation programs, which may mean above-inflationary increases for the local roads improvement program.

6. The following table shows the amount of base funding increases that would be needed to fund program increases at various percentages, using the basic allocation component of the program as the basis for the calculation. The change to the amounts in the bill are also included.

Annual Percentage	Change to Base		Change to Bill	
Increase	2001-02	2002-03	2001-02	2002-03
0%	$0	$0	-$575,900	-$1,233,100
1	150,800	303,100	-425,100	-930,000
2	301,600	609,300	-274,300	-623,800
3	452,400	918,400	-123,500	-314,700
4	603,200	1,230,600	27,300	-2,500
5	754,100	1,545,900	178,200	312,800
6	904,900	1,864,100	329,000	631,000
2.7/1.8*	407,200	686,000	-168,700	-547,100

* Current inflation projections.

7. The Committee may want to make a decision on the funding for the basic allocation component of the local roads improvement program in conjunction with its decision on the funding

provided for the general transportation aid (GTA) program. LRIP differs from GTA in how funds are distributed. Under the LRIP formulas, funds are distributed based on population and road mileage, whereas GTA funds are distributed either on the basis of average transportation costs or mileage. Also, unlike GTA, in which all towns, municipalities and counties receive funds, towns and municipalities that have a population of less than 20,000 must compete with other towns or small municipalities in their county for funds and, therefore, may not receive any funds in a particular biennium.

8. LRIP also differs from GTA in respect to the type of activities that are funded. LRIP projects must be improvements to roads or bridges that have at least a ten-year life. Eligible costs under GTA include these types of improvements, but also include non-capital improvements, such as road maintenance, including patching and plowing, as well as a portion of traffic lighting and police costs. In this respect, GTA has a broader scope than LRIP.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $575,900 SEG and $575,900 SEG-L in 2001-02 and $1,233,100 SEG and $1,233,100 SEG-L in 2002-03 for the basic allocation component of the local roads improvement program.

2. Modify the Governor's recommended funding level provided for the program as shown in the table to provide the percentage increases shown (both SEG and SEG-L would be adjusted by these amounts). These alternatives use just the basic allocation component as the basis for the calculation.

	Annual Percentage Increase	Change to Bill 2001-02	Change to Bill 2002-03	Biennial Change
a.	0%	-$575,900	-$1,233,100	-$1,809,000
b.	1	-425,100	-930,000	-1,355,100
c.	2	-274,300	-623,800	-898,100
d.	3	-123,500	-314,700	-438,200
e.	4	27,300	-2,500	24,800
f.	5	178,200	312,800	491,000
g.	6	329,000	631,000	960,000
h.	2.7/1.8	-168,700	-547,100	-715,800

Prepared by: Jon Dyck

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 29, 2001 Joint Committee on Finance Paper #913

Freight Rail Infrastructure Improvement Program (DOT -- Local Transportation Projects)

[LFB 2001-03 Budget Summary: Page 658, #6]

CURRENT LAW

DOT provides low- or no-interest loans to railroads, shippers or local governments to perform a variety of capital improvements related to freight rail service through the freight rail infrastructure improvement program (FRIIP). As the loans are repaid, these funds are made available for new loans. Base funding for the program is $3,079,800 SEG and $2,500,000 SEG-L. The SEG-L amounts represent repaid loan amounts that are available for making new loans.

GOVERNOR

Provide $500,000 SEG-L in 2001-02 and $1,000,000 SEG-L in 2002-03 to reflect estimated loan repayments, which would increase the total amount of funding for FRIIP to $6,079,800 ($3,079,800 SEG and $3,000,000 SEG-L) in 2001-02 and $6,579,800 ($3,079,800 SEG and $3,500,000 SEG-L) in 2002-03.

DISCUSSION POINTS

1. Since much of the capital in the freight rail industry is considered nonrecoverable by financial lenders, the availability of credit for capital improvements, particularly track upgrades, is limited. Consequently, railroads typically use their own capital for investing in track upgrades, which sometimes means that only the most profitable lines are improved. Lower density lines, where the return on the investment in track upgrades would be relatively lower, are less likely to be improved, which, over time, may reduce the quality of service provided to the shippers on those lines. FRIIP was created to provide an additional source of credit for improvements in order to

encourage railroads to invest in lower-density lines. Under FRIIP, DOT makes loans to both railroads and shippers served by railroads.

2. The program, which was created in 1993-94, began to receive loan repayments in 1996-97. In the four fiscal years between 1996-97 and 2000-01, the amount of SEG funding in the program was reduced by the amount of the anticipated loan repayments to maintain a constant budgeted level of funding for the program of $5,579,800. In its budget request for the 2001-03 biennium, DOT asked that the SEG funds be reduced by the amount of the anticipated loan repayments, to continue to maintain the same total funding level. The bill, however, would not reduce SEG funding, which would result in the first increase in the total amount of the funding for the program since it was created.

3. One alternative to the bill would be to reduce funding by $500,000 SEG in 2001-02 and $1,000,000 SEG in 2002-03, as DOT requested, thereby keeping the program at its current size.

4. DOA indicates that SEG funding for the program was not reduced in the bill because the demand for loans is sufficiently high to justify an increase in the size of the loan fund.

5. For the current program cycle, DOT has received applications for loans totaling $18.3 million, which is slightly lower than the amount requested in the previous year, but somewhat higher than it had been in prior years. Loans will be awarded in the fall using funding provided for 2001-02.

6. FRIIP loans are increasingly being awarded to shippers, rather than to railroads. Of the $5.5 million in loans awarded in 2000-01, about two-thirds went to non-railroads. Similarly, about two-thirds of the amount applied for in the current program cycle is for non-rail projects. In contrast, only about 3% of the loans awarded during the first four years of the program went to non-railroads. Given this shift, the program may be serving a different purpose than that for which it was originally created.

7. DOT is currently developing a passenger and freight rail plan, which will address the status of the freight rail industry in Wisconsin. DOT indicates that among the issues that may be addressed in the plan is whether FRIIP is serving the purpose for which it was created, particularly since a significant portion of the loans is being provided to non-railroads. Before increasing the level of funding for FRIIP, the Committee may wish to consider the conclusions and recommendations developed in the plan. In this case, the Committee could reduce SEG funding for the program, as requested by DOT, to retain the program at its current size for the 2001-03 biennium and reconsider the issue as part of the 2003-05 biennial budget.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $500,000 SEG-L in 2001-02 and $1,000,000 SEG-L in 2002-03 to reflect estimated loan repayments, increasing the total amount of funding for FRIIP to $6,079,800 in 2001-02 and $6,579,800 in 2002-03.

2. Modify the Governor's recommendation by decreasing funding by $500,000 SEG in 2001-02 and $1,000,000 SEG in 2002-03 to maintain the program at its current size of $5,579,800 annually.

Alternative 2	SEG
2001-03 FUNDING (Change to Bill)	- $1,500,000

Prepared by: Jon Dyck

Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

May 29, 2001 Joint Committee on Finance Paper #914

Kenosha Transit Parking Facility (DOT -- Local Transportation Projects)

[LFB 2001-03 Budget Summary: Page 660, #10]

CURRENT LAW

DOT administers the congestion mitigation and air quality improvement (CMAQ) grant program, which provides grants of federal funds to projects in ozone nonattainment areas that are designed to reduce the number of automobile trips or the amount of vehicle emissions. Project applications are reviewed and project awards selected cooperatively by DOT, DNR and the metropolitan planning organizations representing nonattainment areas. Base funding for the program is $12,498,500 FED and $3,124,700 SEG-L, which represents the 20% nonfederal match required by federal law.

GOVERNOR

Provide $420,700 SEG in 2001-02 in the demand management and ride-sharing grant program (renamed the transportation employment and mobility program by the bill) and require DOT to make a grant of that amount in 2001-02 to the City of Kenosha to provide 50% of the local share required for a CMAQ grant for a parking facility in the City of Kenosha. Specify that this grant may not be awarded unless the City of Kenosha contributes an amount equal to the DOT grant toward the project.

DISCUSSION POINTS

1. A CMAQ grant to Kenosha County of $3,365,360 FED has been approved for constructing a parking garage near the Metra commuter train station in Kenosha. The grant requires a nonfederal match of $841,340, or 20% of the total project cost. Under the bill, DOT would pay half of that local match through a grant to the City of Kenosha. DOA indicates that this item was

intended to require a grant to Kenosha County, instead of the City of Kenosha.

2. If the proposed funding for the garage is approved, Kenosha County indicates that construction could start early in 2002.

3. Metra makes eight round trips each weekday between Kenosha and Chicago. The Metra train station has a surface parking lot with space for about 60 vehicles. Another overflow lot, with about 40 spaces, is being constructed in the vicinity of the station. The City received CMAQ grants to purchase and upgrade the station in 1993 and another grant to build the overflow lot. The total amount of these grants was $611,400. A fee of $1 is charged to park in the current lot, but monthly passes are available for a discount.

4. The proposed parking garage would have 300 parking spaces and would be located on the site of a Kenosha County surface lot about one block from the station. The 300-space garage would replace about 100 parking spaces in the current county lot. Currently, the county lot is intended for the use of county employees, but the county does not enforce this restriction, so some Metra train riders use the lot. There is currently no fee for parking in the surface lot.

5. DOA indicates that the Governor's rationale for providing state funding for part of the nonfederal share of the project is that encouraging Metra ridership through the provision of parking serves a state purpose.

6. Studies of Metra ridership conducted by the Southeastern Wisconsin Regional Planning Commission indicate that about one-third of Metra riders using the station in Kenosha are not Kenosha County residents.

7. At the time that the Kenosha parking garage was approved for a CMAQ grant, three other projects, with a total cost of $2,790,000, were approved for park-and-ride lots along southeastern Wisconsin freeways. Of this amount, 80%, or $2,232,000, will be paid with CMAQ funds. The nonfederal match, which equals $558,000, is to be paid by DOT from the state highway rehabilitation program. It may be appropriate for the state to pay some or all of the nonfederal portion of the Kenosha parking garage, which, when used by Metra or other transit riders, serves a purpose similar to the freeway park-and-ride lots. To be consistent with the treatment of the freeway park-and-ride lots, one alternative would be for the state to pay the full local match, which would require an increase to the bill of $420,700 SEG.

8. One possible outcome of providing a portion of the nonfederal match for a CMAQ grant with state dollars is that other CMAQ project sponsors will ask for the state to pay a portion of the nonfederal match on their projects as well. The state could establish a policy of paying half of the nonfederal match on all locally-sponsored CMAQ projects. An increase of $1,141,600 SEG in 2001-02 and $1,562,300 SEG in 2002-03 would be required to do this. If this alternative is adopted, a SEG appropriation for the CMAQ program could be created.

9. Requiring a local share for CMAQ projects may provide an incentive for local project sponsors to take cost-saving measures when developing projects. This incentive could be

reduced if the required local share is decreased.

10. Some of the costs of the proposed parking garage may not produce benefits that are related to the transportation system or to the purposes of the CMAQ program, which could be cited as a reason for not using state funds to pay a portion of the local match. Most of the 100 parking spaces in the surface lot where the garage would be built are currently used by Kenosha County employees and other visitors to county facilities, such as prospective jurors. In effect, therefore, the 200 new spaces for Metra and transit riders are being created for the cost of a 300-space garage. The marginal cost of the 100 spaces in the garage that would simply replace existing parking spaces could be considered an expenditure with no marginal benefit for the transportation system. It could be argued, therefore, that a portion of the federal CMAQ grant is already being used to serve a local, non-transportation purpose. Paying a portion of the nonfederal match for the federal grant with state funds would further increase the subsidization of the non-transportation purpose.

11. Even though 100 spaces in the garage would not be new spaces for Metra riders or other transit users, the Federal Highway Administration has determined that CMAQ funds can be used for 80% of the full cost of the garage, since the county is providing the land on which to build it. In other words, the land for the garage is considered an in-kind payment toward the project that offsets the marginal cost of the 100 spaces that will not be used for Metra riders or other transit users. Under this interpretation, the CMAQ grant does not involve a subsidization of a local, non-transportation purpose.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide $420,700 SEG in 2001-02 in the demand management and ride-sharing grant program and require DOT to make a grant of that amount in 2001-02 to Kenosha County (instead of the City of Kenosha) to provide 50% of the local share required for a CMAQ program grant for a parking facility in the City of Kenosha. Specify that this grant may not be awarded unless Kenosha County (instead of the City of Kenosha) contributes an amount equal to the DOT grant toward the project. Reduce funding by $420,700 SEG-L in 2001-02 in the local match appropriation for the CMAQ program to reflect a reduction in the local match that would be required if DOT provides the grant. [The SEG-L reduction is not reflected in the bill, so this reduction represents a technical modification to the bill's funding.]

Alternative 1	SEG-L
2001-03 FUNDING (Change to Bill)	- $420,700

2. Approve the Governor's recommendation to provide $420,700 SEG in 2001-02 for making a grant to Kenosha County, plus do one or both of the following:

a. Provide an additional $420,700 SEG in 2001-02 to fund the entire nonfederal match for the parking garage and reduce funding by $841,400 SEG-L in the local match appropriation for the CMAQ program to reflect a reduction in the local match that would be required if this grant is made. Require DOT to make a grant to Kenosha County of $841,340 and eliminate the requirement that the County contribute an amount equal to the DOT grant toward the project.

Alternative 2a	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	$420,700	- $841,400	- $420,700

b. Provide $1,141,600 SEG in 2001-02 and $1,562,300 SEG in 2002-03 in a new, continuing appropriation for providing 50% of the nonfederal match for CMAQ grants. Transfer the amounts recommended by the Governor and under alternative 2a (if approved) from the SEG appropriation for demand management and ride-sharing grants to the new, continuing SEG appropriation for CMAQ grants. Reduce the SEG-L appropriation for the CMAQ program by $1,562,300 annually to reflect the lower local share of project costs.

Alternative 2b	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	$2,703,900	- $3,124,600	- $420,700

3. Maintain current law.

Alternative 3	SEG
2001-03 FUNDING (Change to Bill)	- $420,700

Prepared by: Jon Dyck

TRANSPORTATION

Local Transportation Projects

Bill Agency

LFB Summary Items for Which No Issue Paper Has Been Prepared

Item #	Title
5	Freight Rail Preservation Program
7	Railroad Crossing Improvements
8	Chicago-Milwaukee Passenger Rail Service
9	Harbor Assistance Program
11	Combine Local Bridge and Highway Assistance Programs

LFB Summary Items for Introduction as Separate Legislation

Item #	Title
2	Transportation Economic Assistance Program -- Rename Program
12	Civil Immunity for Owners of Property Containing a Rails-with-Trails Trail

Wirch motion - Carthage college earmark
- resurfacing/widening program for Pleasant Prairie earmark

Coggs - cruise vessels eligible for PED funding. make to Muskegon