



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #781

### **Surface Transportation Grant Program (DOT -- Local Transportation Assistance)**

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 541, #12]

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#### **CURRENT LAW**

The surface transportation grant program (also called the surface transportation discretionary grant program) provides grants to local governments or entities such as transit authorities for projects designed to promote transportation by nonhighway modes or otherwise supplement existing transportation activities. Priority is given to projects that foster alternatives to single-occupancy automobile trips. The grants are provided using federal highway aid received under the federal surface transportation program category. Local project sponsors must pay at least 20% of the cost of the project. There is no base funding for the program.

#### **GOVERNOR**

Provide \$2,720,000 FED and \$680,000 SEG-L (the local match) in 2008-09 for the surface transportation grant program.

#### **DISCUSSION POINTS**

1. The 2003-05 biennial budget act eliminated funding for the surface transportation grant program in both 2003-04 and 2004-05 and funding has not been restored since that time. In the several years prior to the elimination of funding, the program was funded at \$2,720,000 FED annually. Although there is a SEG appropriation for the program, no state funds have ever been provided in that appropriation. The funding provided by the bill would restore the level of federal

funds that were allocated to the program in 2002-03.

2. The program was created by the 1993-95 budget in response to the creation of the federal surface transportation program by the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). Federal surface transportation program funds, which are a component of the state's federal highway aid, can be used for a wide variety of purposes, including highway and local road and bridge construction, but also for nonhighway purposes such as bicycle and pedestrian facilities and, in some cases, for transit capital expenditures. The creation of the state grant program was intended to take advantage of the flexibility allowed under the federal program to promote nonhighway transportation projects.

3. Prior to the elimination of program funding in the 2003-05 biennium, funds were typically provided for transit capital or transit operating assistance for new routes, the development of bicycle route plans, or the construction of new bicycle paths or lanes. In the final funding cycle for the program prior to the elimination of funding, slightly over one-half of the funds distributed were used for bicycle and pedestrian projects and plans and the rest were used for the purchase of transit buses.

4. There are currently a few other grant programs within the Department of Transportation that provide funds for projects that are similar to those funded under the surface transportation grant program. The transportation enhancements grant program, for instance, provides grants for nontraditional transportation projects, such as bicycle and pedestrian facilities or the rehabilitation of historic transportation buildings or structures. The transportation enhancements program also uses federal surface transportation program funds. The congestion mitigation and air quality improvement (CMAQ) program provides grants under a separate federal program for projects designed to reduce transportation-related air pollution or reduce traffic congestion. Under the CMAQ program, funds may only be used in counties that are classified as ozone nonattainment areas, which are primarily in the southeastern part of the state. Typical projects include the installation of alternative fueling facilities, the construction of bicycle facilities for commuters, and capital or operating assistance for new transit services. Grants for transit capital may also be made using federal transit funds.

5. Since there are other programs that provide funding for the types of activities funded under the surface transportation grant program, the effect of restoring funding for the program would be to increase the funds available for these purposes, but would generally not provide funding for types of projects for which no other grant program currently exists.

6. Since the funding was eliminated for the surface transportation grant program in the 2003-05 budget, the amount of federal aid provided for bicycle and pedestrian and other alternative transportation programs has declined. In addition to eliminating the \$2,720,000 that had been provided for the surface transportation grant program, the transportation enhancements grant program was reduced from \$6,730,200 in 2002-03 to \$5,956,300 in 2003-04 and \$6,256,600 in 2004-05. Under the bill, the program would be funded at the base level of \$6,256,600 in both years of the 2007-09 biennium, which is still below the level of funding provided in 2002-03.

Consequently, providing the \$2,720,000 FED for either the surface transportation grant program or the transportation enhancements grant program would still provide a lower level of funding as in 2002-03, even though the total amount of federal highway aid in the bill would be about 20% higher than the amount received in 2002-03.

7. In making the case for restoring funding for the program, the Executive Budget Book identifies the benefit to bicycle transportation projects. If the Committee determines that it is a priority to increase funding for bicycle transportation projects, one alternative would be to target federal funds to such projects through the creation of a separate program, with its own set of appropriations.

8. If the Committee decides to adopt an alternative creating a separate bicycle transportation program, funding from the CMAQ and transportation enhancements grant programs could be transferred to the new program. Over the past several biennia, the share of CMAQ funds used for bicycle and pedestrian facilities has been consistently around 30%. A transfer of 30% of the current appropriation for that program to a new bicycle program appropriation would be \$3,485,700 annually.

9. The percentage of transportation enhancements funds awarded for bicycle projects has been more variable than the percentage of CMAQ funds used for bicycle projects. On average, about 55% of the program funds have been used for bicycle facilities over the past several biennia, which would amount to an annual transfer of \$3,441,100. If, however, the Committee decides to increase the share of transportation enhancements funds used for supporting bicycle transportation projects, a different percentage could be used. It could be decided, for instance, to transfer 75% of the funding from the transportation enhancements program, or \$4,692,500 annually, on the grounds that about 75% of the funds requested in the last application cycle were for bicycle facility projects. The transfer of a higher amount would reduce the amount available for other transportation enhancements projects, which are primarily city streetscaping and historical preservation or renovation projects.

10. Finally, the Committee could decide to provide a portion of the funds that are provided in the bill for the surface transportation grant program to a new bicycle transportation program. As noted above, about 50% of the funds in the program were provided for bicycle projects in the last application cycle. Fifty percent of the funding provided for this program under the bill would be \$1,360,000 in 2008-09. In addition to providing this amount to a new bicycle program, the Committee could decide to provide the other 50% of the funding in the surface transportation grant program for other types of projects funded under the program. Alternatively, the Committee could decide to delete the remaining funding in order to allocate it to other purposes.

11. The following table shows several alternatives for a bicycle transportation program, based on the choices outlined above. All the scenarios shown would allocate the same amount of federal funding, or less, for the combination of the three programs as the bill. Scenarios 1 and 2 would provide 50% of the funding provided under the bill for the surface transportation grant program to a new bicycle program, but differ on the percentage of transportation enhancements

funding transferred to the new program. Scenarios 3 and 4 would not provide additional funding from the amounts in the bill for the surface transportation grant program.

	<u>2007-08</u>	<u>2008-09</u>
<b>Scenario 1</b>		
50% of Surface Transportation Grants		\$1,360,000
75% of Enhancements	\$4,692,500	4,692,500
30% CMAQ	<u>3,485,700</u>	<u>3,485,700</u>
Total	\$8,178,200	\$9,538,200
<b>Scenario 2</b>		
50% of Surface Transportation Grants		\$1,360,000
55% of Enhancements	\$3,441,100	3,441,100
30% CMAQ	<u>3,485,700</u>	<u>3,485,700</u>
Total	\$6,926,800	\$8,286,800
<b>Scenario 3</b>		
75% of Enhancements	\$4,692,500	\$4,692,500
30% CMAQ	<u>3,485,700</u>	<u>3,485,700</u>
Total	\$8,178,200	\$8,178,200
<b>Scenario 4</b>		
55% of Enhancements	\$3,441,100	\$3,441,100
30% CMAQ	<u>3,485,700</u>	<u>3,485,700</u>
Total	\$6,926,800	\$6,926,800

12. The Governor's budget submission for the 2005-07 biennium included a provision to restore funding for the surface transportation grant program, but the Joint Committee on Finance eliminated that provision. If the Committee determines that restoring funding for this program is not a priority in the context of other transportation funding decisions, the funding in the bill for the program could be eliminated, allowing the full amount of federal funds to be reallocated to other programs that can utilize federal highway aid.

## **ALTERNATIVES TO BILL**

### **A. Surface Transportation Grant Program Funding**

1. Approve the Governor's recommendation to provide \$2,720,000 FED and \$680,000 SEG-L in 2008-09 for the surface transportation grant program.

<b>ALT A1</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
FED	\$0	\$2,720,000
SEG-L	<u>0</u>	<u>680,000</u>
Total	\$0	\$3,400,000

2. Modify the Governor's recommendation by transferring \$1,360,000 FED and \$340,000 SEG-L in 2008-09 from the surface transportation grant program (50% of the total) to new appropriations for making grants for bicycle transportation projects.

<b>ALT A2</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
FED	\$0	\$2,720,000
SEG-L	<u>0</u>	<u>680,000</u>
Total	\$0	\$3,400,000

3. Modify the Governor's recommendation by deleting funding for the surface transportation grant program and, instead, provide \$1,360,000 FED and \$340,000 SEG-L in 2008-09 in new appropriations for making grants for bicycle transportation projects.

<b>ALT A3</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
FED	-\$1,360,000	\$1,360,000
SEG-L	<u>- 340,000</u>	<u>340,000</u>
Total	-\$1,700,000	\$1,700,000

4. Delete provision.

<b>ALT A4</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
FED	-\$2,720,000	\$0
SEG-L	<u>- 680,000</u>	<u>0</u>
Total	-\$3,400,000	\$0

## **B. Transfer of Funding for Bicycle Transportation from the Congestion Mitigation and Air Quality Improvement Grant Program**

1. Transfer \$3,485,700 FED and \$871,400 SEG-L annually from the appropriations for the congestion mitigation and air quality improvement grant program (30% of the total) to new

appropriations for making grants for bicycle transportation projects.

2. Maintain current law.

**C. Transfer of Funding for Bicycle Transportation from the Transportation Enhancements Grant Program**

1. Transfer \$4,692,500 FED and \$1,173,100 SEG-L annually from the appropriations for the transportation enhancements grant program (75% of the total) to new appropriations for making grants for bicycle transportation projects.

2. Transfer \$3,441,100 FED and \$860,300 SEG-L annually from the appropriations for the transportation enhancements grant program (55% of the total) to new appropriations for making grants for bicycle transportation projects.

3. Maintain current law.

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