



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #640

### General Transportation Aids (Transportation -- Local Transportation Aid)

[LFB 2015-17 Budget Summary: Page 439, #1]

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#### CURRENT LAW

General transportation aid is paid to counties and municipalities (cities, villages, and towns) to assist in the maintenance, improvement, and construction of local roads. General transportation aid distribution amounts for 2015 and thereafter are \$98,400,200 for counties and \$321,260,500 for municipalities. The mileage aid rate is set at \$2,202 per mile for 2015 and thereafter. General transportation aid payments are made from two sum certain, transportation fund appropriations.

#### GOVERNOR

Provide the following related to the general transportation aids program:

- a. *County Aid.* Increase funding by \$2,838,400 SEG annually to fully fund the 4% calendar year 2015 increase provided in 2013 Act 20. The calendar year distribution would remain at the 2015 level (\$98,400,200) for calendar year 2016 and thereafter.
- b. *Municipal Aid.* Increase funding by \$6,178,100 SEG annually to fully fund the 4% calendar year 2015 increase provided in 2013 Act 20. The calendar year distribution would remain at the 2015 level (\$321,260,500) for calendar years 2016 and thereafter. The mileage aid rate (\$2,202 per mile) would also remain at the calendar year 2015 level for calendar year 2016 and thereafter.

## DISCUSSION POINTS

1. General transportation aids are paid to local governments to assist in the maintenance, improvement, and construction of local roads. The current transportation aid formula was created in 1988. Separate appropriations are made for counties and municipalities. There are two basic formulas by which general transportation aid is distributed: (a) share of costs aid, which covers a percentage of six-year average costs; and (b) mileage aid, which is based on a statutory mileage aid rate multiplied by a local government's jurisdictional miles. Counties receive only share of costs aid, while municipal payments are based on either share of costs aid or mileage aid, whichever is greater.

2. The general transportation aids program is the second largest program in DOT's budget and represents 24.5% of all transportation fund appropriations in 2014-15. The \$98,400,200 provided to counties and the \$321,260,500 provided to municipalities in 2015 under current law helps offset some of the costs of local road construction, maintenance, traffic enforcement, and other transportation-related costs on 19,800 miles of county roads, 19,900 miles of city and village streets, and 61,900 miles of town roads.

3. The Governor's recommendation for the general transportation aid program would fully fund the 4% calendar year 2015 increase provided under 2013 Act 20. No calendar year increase would be provided to the program distribution amounts for county and municipal governments in 2016 and thereafter [Alternative #1].

4. Table 1 indicates the annual change in general transportation aid as well as the percentage of eligible, six-year average costs covered by state general transportation aid for counties and municipalities on the share of costs formula.

**TABLE 1**

**Annual Aid Funding Change and Percent of Six-Year Average Costs Covered by State Aid (2006-2015)**

Year	County Aid		Municipal Aid	
	% Change	% of Costs	% Change	% of Costs
2006	2.0%	22.9%	2.0%	18.6%
2007	2.0	22.5	2.0	18.3
2008	3.0	22.5	3.0	18.4
2009	3.0	22.5	3.0	18.5
2010	2.0	22.2	2.0	17.9
2011	3.0	22.2	3.0	18.0
2012	-9.4	18.8	-6.0	12.9
2013	0.0	19.0	0.0	15.5
2014	0.0	18.2	0.0	15.3
2015	4.0	18.4	4.0	15.9

5. As indicated in Table 1, the percentage of transportation costs covered by state funds has declined from 22.9% for counties and 18.6% for municipalities in 2006 to 18.4% for counties and 15.9% for municipalities in 2015. While this is largely due to the 2012 aid reductions, six-year average costs have grown as well. For example, from 2011 to 2015, six-year average costs have grown 15% for counties and 6.7% for municipalities, while the aid distribution amount during this period decreased by 5.8% for counties and 2.2% for municipalities.

6. At the time the bill was submitted, the estimated, biennium-ending balance in the transportation fund was \$12.0 million. Under the revenue reestimate described in Legislative Fiscal Bureau Issue Paper #630, the ending balance for the 2015-17 biennium is now estimated at \$84.7 million. Any decision to provide additional funding for general transportation aid would have to take into account the available balance in the transportation fund, as well as other transportation funding demands.

7. State transportation aid covers only a portion of county and municipal transportation-related costs. Therefore, most of these costs are covered by local property taxes and other revenues, as well as state county and municipal aid payments. Under the Governor's budget, county and municipal aid would remain relatively constant, while property tax levy limits on local governments would also remain in place. Therefore, providing an increase in transportation aid could be seen as a means to mitigate the ongoing impact of these fiscal policies on counties and municipalities (especially town governments, whose transportation costs make up a large percentage of their total governmental costs).

8. General transportation aid is calculated and paid on a calendar-year basis, with quarterly payments on the first Monday of January, April, July, and October for municipalities. County aid payments are made in two installments, each equal to one-quarter of the calendar year total, on the first Monday of January and October and a third installment equal to one-half of the calendar year total on the first Monday of July of each year. Therefore, if an increase in calendar year 2017 would be provided, the remaining portion of the calendar year increase would have to be funded in next fiscal year (2017-18). This would increase the funding commitments on the transportation fund in the next biennium. This future commitment could be avoided if any funding increase is provided in 2016, with no additional increase in 2017. Table 2 shows the funding amounts that would be needed compared to the bill associated with different annual percentage increases in funding. [Alternative #2]

**TABLE 2**

**Potential Funding Changes -- Compared to the Bill**

<u>% Increase</u>	<u>Counties</u>		<u>Municipalities</u>	
	<u>2015-16</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2016-17</u>
1.0	\$246,000	\$984,000	\$1,606,300	\$3,212,600
2.0	492,000	1,968,000	3,212,600	6,425,200
3.0	738,000	2,952,000	4,818,900	9,637,800
4.0	984,000	3,936,000	6,425,200	12,850,400

9. Due to concerns about the transportation fund's ongoing revenue issues and the extensive use of long-term borrowing for the highway program included in the bill, revenue increases or program reductions, or a combination of both, may have to be made. Any significant reductions in bonding would require significant reductions to the highway-related programs, for which the Governor is recommending nearly \$1.3 billion in bonding. If such reductions are made to the highway program, some reductions could also be made to the Department's two, major local assistance programs: urban mass transit assistance and general transportation aids. Although, in 2012, significant reductions were already made to the urban mass transit operating assistance-program (-10.0%) and general transportation aid program (-6.0% for municipalities and -9.4% for counties), the effects of the 2012 aid reductions were somewhat mitigated when 2013 Act 20 provided a 4% increase in calendar year 2015 for the two programs.

10. However, if the Committee believes that significant reductions need to be made to the highway programs, the deletion of the 4% increase in mass transit and general transportation aid, beginning in 2016, could also be considered. Compared to the level of funding that would be provided under the bill, this would reduce general transportation aid funding by \$7,124,200 in 2015-16 and \$16,140,800 in 2016-17 (the calendar year 2015 aid levels would remain unaffected). Relative to the base year, funding would be increased by \$1,892,300 in 2015-16 and decreased by \$946,200 in 2016-17 for counties, with no change in 2015-16 and a decrease of \$6,178,100 in 2016-17 for municipalities. Rate per mile aid would be decreased to \$2,117 per mile in 2016 and thereafter. [Alternative 3]

11. If the Governor's recommendation is not adopted and no funding increase is provided over the 2014-15 base level funding amount, the appropriation levels for the 2015-17 biennium would not be sufficient to fund the 4% increase in the 2015 statutory distribution level under current law. In order to fully fund the 2015 increase, AB 21/SB 21 provides \$2,838,400 annually for counties and \$6,178,100 annually for municipalities. If no increases to base level funding are provided, DOT would have to prorate payments in 2015 and thereafter at 97.1% for counties and 98.1% for municipalities. This would reduce aid payments below the amounts anticipated when local governments established their December, 2014, property tax levies. [Alternative 4]

## **ALTERNATIVES**

1. Approve the Governor's recommendation to increase funding annually by \$2,838,400 for counties and \$6,178,100 for municipalities to fully fund the 4% calendar year 2015 increase provided in 2013 Act 20. The calendar year distribution would remain at the 2015 level (\$98,400,200 for counties and \$321,260,500 for municipalities) for calendar years 2016 and 2017 and thereafter. The mileage aid rate (\$2,202 per mile) would remain at the calendar year 2015 level for calendar year 2016 and thereafter.

2. Modify the Governor's recommendation by providing a general transportation aid change (SEG) for 2016 and thereafter at one of the following percentages. Set the annual county and municipal distribution amounts, establish the mileage aid rate, and change the general transportation aid appropriations as shown below.

	2016 % Increase	Calendar Year		SEG Change to Base		SEG Change to Bill	
		County Distribution					
		2016	2017	2015-16	2016-17	2015-16	2016-17
a.	1.0%	\$99,384,200	\$99,384,200	\$3,084,400	\$3,822,400	\$246,000	\$984,000
b.	2.0	100,368,200	100,368,200	3,330,400	4,806,400	492,000	1,968,000
c.	3.0	101,352,200	101,352,200	3,576,400	5,790,400	738,000	2,952,000
d.	4.0	102,336,200	102,336,200	3,822,400	6,774,400	984,000	3,936,000

	2016 % Increase	Calendar Year		Calendar Year		SEG Change to Base		SEG Change to Bill	
		Municipal Distribution		Rate per Mile					
		2016	2017	2016	2017	2015-16	2016-17	2015-16	2016-17
e.	1.0%	\$324,473,100	\$324,473,100	\$2,224	\$2,224	\$7,784,400	\$9,390,700	\$1,606,300	\$3,212,600
f.	2.0	327,685,700	327,685,700	2,246	2,246	9,390,700	12,603,300	3,212,600	6,425,200
g.	3.0	330,898,300	330,898,300	2,268	2,268	10,997,000	15,815,900	4,818,900	9,637,800
h.	4.0	334,110,900	334,110,900	2,290	2,290	12,603,300	19,028,500	6,425,200	12,850,400

3. Modify the Governor's recommendation and decrease funding by \$946,100 in 2015-16 and \$3,784,600 in 2016-17 for counties and \$6,178,100 in 2015-16 and \$12,356,200 in 2016-17 for municipalities. Set the annual distribution amount at \$94,615,600 in 2016 and thereafter for counties and at \$308,904,300 in 2016 and thereafter for municipalities. Set the mileage aid rate at \$2,117 for 2016 and thereafter. This would fully fund the existing 2015 statutory distribution and delete the 4% increase in funding provided under 2013 Act 20 for calendar year 2016 and thereafter.

ALT 3	Change to Bill
SEG	- \$23,265,000

4. Delete provision. [Funding would equal 97.1% of the statutory distribution amount for counties and 98.1% of the statutory distribution amount for municipalities, requiring aid to be prorated by DOT in 2015 and thereafter.]

ALT 4	Change to Bill
SEG	- \$18,033,000

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