

Transportation

Local Transportation Aid

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May, 2019

Joint Committee on Finance

Paper #710

General Transportation Aids (Transportation -- Local Transportation Aid)

[LFB 2019-21 Budget Summary: Page 412, #1]

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 2019 and thereafter are \$111,093,800 for counties and \$348,639,300 for municipalities. The mileage aid rate is set at \$2,389 per mile for 2019 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 \$2,777,400 SEG in 2019-20 and \$11,109,400 SEG in 2020-21 to fund a 10.0% increase to the calendar year general transportation aid distribution for counties for 2020 and thereafter. The current calendar year distribution for counties is currently equal to \$111,093,800. This would provide a calendar year distribution amount for counties equal to \$122,203,200 for 2020 and thereafter.

b. *Municipal Aid.* Increase funding by \$17,432,000 SEG in 2019-20 and \$34,863,900 SEG in 2020-21 to fund a 10.0% increase to the calendar year general transportation aid distribution for municipalities for 2020 and thereafter. The current calendar year distribution level for municipalities is currently equal to \$348,639,300. This would provide a calendar year distribution amount for municipalities equal to \$383,503,200 for 2020 and thereafter. Increase the mileage aid rate by 10.0% (\$239 per mile), from its current level of \$2,389 per mile to \$2,628 per mile, for calendar year 2020 and thereafter.

Delete the statutory references to prior calendar year funding amounts for counties and municipalities, as well as the prior year mileage aid rate amounts for municipalities.

DISCUSSION POINTS

Background

1. General transportation aids are paid to local governments to assist in the maintenance, improvement, and other costs related to 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 (2012 through 2017 for calendar year 2019 payments); 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. [The mileage aid rate is mostly received by towns.]

2. After the state highway improvement program, the general transportation aids program is the second largest program in DOT's budget and represents 25.7% of all transportation fund appropriations in 2018-19. The \$111,093,800 provided to counties and the \$348,639,300 provided to municipalities in 2019 under current law helps offset some of the costs of local road improvements, maintenance, traffic enforcement, and other transportation-related costs on 19,900 miles of county roads, 20,500 miles of city and village streets, and 61,600 miles of town roads.

Funding Level

3. The Governor's recommendation for the general transportation aid program would fund a 10.0% increase to the calendar year 2020 general transportation aid distribution for counties and municipalities (including a 10.0% increase to the mileage aid rate). 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
(2008-2017)

Year	County Aid		Municipal Aid*	
	% Change	% of Costs	% Change	% of Costs
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
2016	0.0	17.9	0.0	15.8
2017	0.0	17.5	0.0	15.6
2018	12.9	19.8	8.5	16.9
2019	0.0	19.1	0.0	16.3

*For those local governments receiving aid through the share of costs aid component.

4. As indicated in Table 1, the percentage of transportation costs covered by state funds has declined from 22.2% for counties and 17.9% for municipalities in 2010 to 19.1% for counties and 16.3% for municipalities in 2019. While this is partially due to the 2012 aid reduction, it is also due, in part, to growth in six-year average costs. Over the same period, from 2010 to 2019, six-year average costs have grown 29.4% for counties and 16.7% for municipalities. Comparatively, the aid level during this period increased by 9.6% for counties and 9.3% for municipalities.

5. While contingent on the impact of changes in costs over the six-year average, which would involve dropping 2012 and 2013 costs from that average and adding 2018 and 2019, the proposed funding increase would likely maintain or slightly increase the share of cost percentage shown in Table 1. [Alternative 1] Given that counties and municipalities have been experiencing significant increases in their transportation-related costs that have eroded the percentage of the costs covered by state aid over time, the Governor's recommendation may be seen as appropriate. In addition, slower-growing jurisdictions, limited by levy limits tied to new construction, have also experienced some erosion of their covered costs, as these limits make it more difficult to fund infrastructure costs. This, in turn, limits growth in aid payments to these communities, as compared to other faster growing communities.

Distribution of Aid among Municipality Types

6. Over time, varying amounts of emphasis have been placed on mileage and costs in distributing general transportation aid payments. Since towns tend to benefit more from mileage-based provisions while cities and villages benefit more from cost-based provisions, modifying the existing formula on either basis would have significant distributional consequences. As shown in the attachments, cities and villages, which mostly receive cost-based aid, have higher costs (Attachment 1) and larger populations (Attachment 2). As a result, cities and villages tend to receive a lower percentage of aid when compared to their costs and populations than do towns. By comparison, towns, which mostly receive the mileage aid rate, tend to receive a higher percentage of aid on a cost and population basis than cities and villages.

7. However, because towns have a much larger number of total centerline road miles, the per mile aid rate received by towns is typically much lower than for cities and villages. As indicated in the attachments, the relative success of each type of local government under the general transportation aid formula depends on the measure used to make the comparison. Governments that do poorly on the basis of payments received per mile (such as towns) have used this measure to argue for increased mileage-based payments. Conversely, governments that do poorly in terms of payments received as a percentage of costs (such as large incorporated areas) have argued that cost-based payments should be increased.

8. Again, because towns typically have a relatively large number of highway miles relative to their annual transportation-related costs, these local governments typically receive mileage aid. Of the 1,251 towns in the state, 1,210 received mileage (as opposed to share of cost) aid in 2019. However, under the general transportation aid program, no jurisdiction receiving mileage-based aid may receive an aid amount exceeding 85% of its three-year average (2015 through 2017, for 2019 payments) highway-related costs. In 2019, this 85% cost threshold provision reduced aid payments to a total of 96 jurisdictions, of which 92 were towns and four were villages. Again, this is largely a

function of towns having comparatively lower costs than other municipality types. For instance, in 2017 (2018 property tax collections), 48 towns had levies of less than \$25,000 (and 20 of these effectively had no levy). Because the Governor's budget would provide a 10.0% increase to the mileage aid rate in calendar year 2020, it is likely that additional towns would be limited by this cost threshold, which would result in a portion of the recommended aid increase being redistributed through the share of cost side of the formula primarily to cities and villages.

9. In response to this function of the formula, some who advocate for increasing the share of aid provided to town governments have argued that the portion of the funding lost to town mileage aid recipients because of the 85% cost threshold is money that should stay within the mileage aid component of the formula, rather than flow to municipalities on the share of cost side of the formula. For 2019, \$1,150,800 was redistributed from towns affected by the 85% cost threshold to municipalities on the share of cost side of the formulas.

10. To retain this "lost mileage aid" for towns, the Committee could modify the aid formula for calendar year 2020 and thereafter such that any mileage aid that would have otherwise been paid to a town government but was limited by the 85% cost threshold in that year, would have to be redistributed to other town governments on mileage aid. Each town's supplemental payment under this provision would also be capped at 85% of three-year average costs and would be paid through a separate appropriation. Under this provision, the 1,118 towns receiving mileage aid in 2019 that were not limited by the 85% cost threshold would have received \$1,150,800, through an estimated supplemental payment of \$20 per mile in that year. This rate per mile assumes that no town receiving this supplemental payment would have then reached the 85% cost threshold. [Alternative B1]

11. While the 85% of cost threshold reduces the amount of aid for jurisdictions (primarily towns) receiving mileage aid, those towns affected by the cost threshold are still receiving 85% of their three-year average costs, and in some instances, over 100% of their most recent year of costs submitted. Further, the 1,210 towns that received mileage aid received total payments equaling 45.0% of the total six-year average costs for those towns. Comparatively, in 2019, municipalities on the share of costs formula received payments equaling only 16.3% of their total six-year average costs in 2019. Had Alternative B1 been in place in 2019, municipalities on share of costs primarily cities and villages, would have received \$1,150,800 less in aid, which would have further reduced the percentage of costs covered by aid. For many of the same reasons, the 2013 Transportation Finance and Policy Commission recommended decreasing the mileage aid cost threshold from 85% to 75%. [Alternative B2]

Other Local Program Funding Options

12. The Governor's 2019-21 biennial recommendations would provide sufficient, estimated revenue to fund the general transportation aid increase in the bill, as well other proposed, above-base budget state and local transportation programming. However, current law, transportation fund revenues available for above-base transportation programming are limited. Over the past decade, there has been no significant transportation tax or fee increase, while the state has continued to authorize and issue significant amounts of transportation fund-supported bonds. In recent biennia, the fund has also supported significant increases for local transportation aid and assistance programs. One consequence of these bonding and local aid increase decisions is that less transportation revenue

remains available to fund state highway infrastructure over time. In the absence of significant transportation tax and fee increases or the continued use of general fund-supported bonding for state highway improvements, the extent to which the state will be able to fund state-level infrastructure and continue to increase funding to local roads is a significant policy concern.

13. In 2012, local government's general transportation aid was reduced by 6.0% for municipalities and 12.9% for counties. With subsequent increases in the 2013-15 and 2017-19 biennia, total general transportation aid is now \$26.8 million above the 2011, pre-reduction aid level. Once fully implemented, funding the proposed increase would require \$46.0 million each year (\$92.0 million per biennium) to be appropriated from the transportation fund, as compared to the 2018-19 base year. By comparison, the \$46 million in program funding that would be required each year to fund the recommended aid increase equates to annual debt service on approximately \$575 million in bonds (20-year maturities with a 5% interest rate).

14. Other provisions of the bill could be seen as responsive to local transportation funding needs. For example, county and municipal aid, which can be used for transportation purposes, would increase by 2% under the bill. Similarly, although removed by earlier Committee action, the Governor's recommendation would have allowed for a minimum levy limit increase of 2% each year, rather than an increase equal to the percentage change in a municipality's or county's annual net new construction. If such a levy limit increase would have been limited to only funding transportation improvements, the recommendation could have assisted local governments with their transportation infrastructure needs. Such a proposal would specifically direct levy limit assistance for road improvements to slower growing communities.

15. Another mechanism that would be responsive to local transportation funding concerns, would be to adopt an alternative that would provide communities with an additional local sales and use tax for transportation purposes, similar to what was proposed under Assembly Substitute Amendment 2 to 2015 AB 210. Under this substitute amendment, the bill would have limited the use of any revenue collected to highway maintenance purposes. This alternative would modify the allowable uses of this tax revenue to include expenditure for the improvement of existing highways and the construction of new highways.

16. Under this alternative, a county, following a successful referendum, would be allowed to impose an additional sales and use tax at the rate of 0.5% to be used only for highway maintenance, improvement of existing highways, and the construction of new highways. Counties could impose the tax for a period of four years. If the county wished to extend the tax beyond four years, it would have to be approved again through a county-wide referendum. Counties would only be able to retain a portion of the tax revenue and would be required to distribute the remainder using formulas based on road miles and population. First, counties would be allowed to keep 25% of collections from the additional sales tax revenue for county roads. Then the remainder of the annual revenue would be distributed through two formulas as follows: (a) the first formula would distribute 50% of total annual collections to counties, cities, villages, and towns, based on share jurisdictional of centerline mileage (weighted by the highway type); and (b) the second formula would distribute the remaining 25% of total, annual collections to cities, villages, and towns (excluding counties) based on share of county population. This alternative could be adopted in lieu of, or in addition to, the Governor's recommended

increases to the general transportation aid program. [Alternative A2]

17. In considering the Governor's recommendation for the general transportation aid program, the recommendation for the local roads improvement program (LRIP), a 2.9% increase (\$1.9 million) in the 2019-21 biennium, should also be considered. LRIP is a transportation fund-supported assistance program for capital improvement projects on local roads with a design life of at least 10 years. LRIP projects improve the condition of the local roads and bridges on which the funds are spent and can include pavement replacement or reconditioning. In contrast, the general transportation aid program funds a broader set of transportation-related costs that also includes maintenance (including snow and ice removal, brush trimming, mowing and weed control, and grading), traffic operations, and portions of local police costs.

18. While the LRIP program is a reimbursement program, whereby local governments are reimbursed up to 50% of their capital improvement projects costs, the general transportation aid program is more like the state's shared revenue program that assists in funding more general transportation-related costs. If the Committee believes some additional funding beyond the Governor's recommendation should be provided for local road capital improvements rather than to assist local governments with their more general transportation-related costs, the Committee could reduce the Governor's recommended general transportation aid increase under the bill and provide more funding to the LRIP program than is recommended by the Governor.

Other Potential Funding Levels

19. Table 2 shows the funding amounts that would be needed compared to base and the bill associated with different annual percentage increases in funding. Because the bill would provide a 10.0% increase to counties and municipalities, providing a smaller percentage increase, such as those shown in table, would require less funding than under the bill. [Alternatives A3a thru A3h]

TABLE 2

Potential Funding Changes -- Compared to Base and the Bill

<u>% Increase</u>	<u>Counties -- Change to Base</u>		<u>Counties -- Change to Bill</u>	
	<u>2019-20</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2020-21</u>
2.0%	\$555,500	\$2,221,900	-\$2,221,900	-\$8,887,500
4.0	1,111,000	4,443,800	-1,666,400	-6,665,600
6.0	1,666,400	6,665,600	-1,111,000	-4,443,800
8.0	2,221,900	8,887,500	-555,500	-2,221,900

<u>% Increase</u>	<u>Municipalities -- Change to Base</u>		<u>Municipalities -- Change to Bill</u>	
	<u>2019-20</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2020-21</u>
2.0%	\$3,486,400	\$6,972,800	-\$13,945,600	-\$27,891,100
4.0	6,972,800	\$13,945,600	-10,459,200	-20,918,300
6.0	10,459,200	\$20,918,400	-6,972,800	-13,945,500
8.0	13,945,600	\$27,891,100	-3,486,400	-6,972,800

20. 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 2021 would be provided, the remaining portion of the calendar year increase would have to be funded in next fiscal year (2021-22). This would increase the funding commitments on the transportation fund in the next biennium. This future commitment could be avoided if, as under the Governor's budget recommendations, any additional funding increase is provided in 2020, with no additional increase in 2021.

21. If the Governor's recommendation is not adopted and no funding increase is provided over the 2018-19 base level funding amount, the ongoing calendar aid level would remain at \$111.1 million for counties and \$348.6 million for municipalities (the rate per mile would remain at \$2,389 per mile). [Alternative A4]

22. Under current law revenues and base level appropriations, the 2019-21 biennium ending balance in the transportation fund is estimated as \$82.1 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.

ALTERNATIVES

A. Funding Level

1. Approve the Governor's recommendation to provide the following related to the general transportation aids program:

County Aid. Increase funding by \$2,777,400 SEG in 2019-20 and \$11,109,400 SEG in 2020-21 to fund a 10.0% increase to the calendar year general transportation aid distribution for counties for 2020 and thereafter. The current calendar year distribution for counties is currently equal to \$111,093,800. This would provide a calendar year distribution amount for counties equal to \$122,203,200 for 2020 and thereafter.

Municipal Aid. Increase funding by \$17,432,000 SEG in 2019-20 and \$34,863,900 SEG in 2020-21 to fund a 10.0% increase to the calendar year general transportation aid distribution for municipalities for 2020 and thereafter. The current calendar year distribution level for municipalities is currently equal to \$348,639,300. This would provide a calendar year distribution amount for municipalities equal to \$383,503,200 for 2020 and thereafter. Increase the mileage aid rate by 10.0% (\$239 per mile), from its current level of \$2,389 per mile to \$2,628 per mile, for calendar year 2020 and thereafter.

Delete the statutory references to prior calendar year funding amounts for counties and municipalities, as well as the prior year mileage aid rate amounts for municipalities.

ALT A1	Change to	
	Base	Bill
SEG	\$66,182,700	\$0

2. Adopt the provisions of Assembly Substitute Amendment 2 to 2015 AB 210, but modified to include the improvement of existing highways and the construction of new highways as allowable uses of this local option sale tax revenue. [There would be no state fiscal effect related to this provision.]

3. Provide a general transportation aid SEG funding change for 2020 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.

	2020 % Increase	2020 and Thereafter	SEG Change to Base		SEG Change to Bill	
		County Distribution 2020	2019-20	2020-21	2019-20	2020-21
a.	2.0%	\$113,315,700	\$555,500	\$2,221,900	-\$2,221,900	-\$8,887,500
b.	4.0	115,537,600	1,111,000	4,443,800	-1,666,400	-6,665,600
c.	6.0	117,759,400	1,666,400	6,665,600	-1,111,000	-4,443,800
d.	8.0	119,981,300	2,221,900	8,887,500	-555,500	-2,221,900

	2020 % Increase	2020 and	2020 and	SEG Change to Base		SEG Change to Bill	
		Thereafter Municipal Distribution	Thereafter Rate Per Mile	2019-20	2020-21	2019-20	2020-21
e.	2.0%	\$355,612,100	\$2,437	\$3,486,400	\$6,972,800	-\$13,945,600	-\$27,891,100
f.	4.0	362,584,900	2,485	6,972,800	13,945,600	-10,459,200	-20,918,300
g.	6.0	369,557,700	2,532	10,459,200	20,918,400	-6,972,800	-13,945,500
h.	8.0	376,530,400	2,580	13,945,600	27,891,100	-3,486,400	-6,972,800

4. Take no action. [The ongoing calendar aid level would remain at \$111.1 million SEG for counties and \$348.6 million SEG for municipalities (the rate per mile would remain at \$2,389 per mile).]

ALT A4	Change to	
	Base	Bill
SEG	\$0	-\$66,182,700

B. Cost-Based Aid Limitation

1. Create a sum-sufficient, all-moneys-received appropriation for the purpose of providing supplemental general transportation aid payments to towns that were not limited, in any given year, by the general transportation aid program's 85% cost threshold. Amend the current law general

transportation aid appropriation for municipalities to allow for the transfer of funds that would be redistributed to town governments under this provision. Specify that payments to towns under this provision shall be made no later than the first Monday in January.

Specify that for calendar year 2020 general transportation aid payments, and thereafter: (a) the general transportation aid formula would be modified such that the any mileage aid that would have otherwise been paid to a town but was limited by the 85% cost threshold in that year, would be redistributed only to town governments on mileage aid that are not limited by this threshold in that year; (b) require that the annual redistribution of this supplemental funding would be paid from the newly-created, sum-sufficient appropriation; (c) modify the existing, general transportation aid appropriation for making payments to municipalities to include the transfer of funds sufficient to make these supplemental payments to towns in each year; (d) specify that towns would be eligible to receive a payment from the newly-created, sum-sufficient appropriation for up to 85% of their three-year average costs; and (e) require that supplemental payment distribution made to towns be calculated by dividing the total amount transferred to the supplemental appropriation in a year by the total number of miles in those towns eligible to receive a supplemental payment in that year.

2. Take no action.[Funds associated with limiting municipalities to 85% of three-year average costs would continue to flow the share-of-costs component of the formula.]

Prepared by: John Wilson-Tepeli
Attachments

ATTACHMENT 1

Comparison of General Transportation Aid to Measures of Average Costs by Municipality and by Formula Component

	<u>Number of Jurisdictions</u>	<u>2019 Aid</u>	<u>Six-Year Average Costs</u>	<u>Three-Year Average Costs</u>	<u>% of Six-Year Average Costs</u>	<u>% of Three-Year Average Costs</u>
Share of Cost						
City	188	\$150,949,793	\$930,195,864	\$954,753,178	16.2%	15.8%
Village	336	47,161,880	293,879,235	313,422,339	16.0	15.0
Town	<u>41</u>	<u>8,001,898</u>	<u>51,444,796</u>	<u>57,966,376</u>	15.6	13.8
Subtotal	565	\$206,113,570	\$1,275,519,895	\$1,326,141,893	16.2%	15.5%
Rate Per Mile						
City	2	\$74,178	\$390,229	\$429,013	19.0%	17.3%
Village	75	1,568,854	5,857,440	5,892,156	26.8	26.6
Town	<u>1,210</u>	<u>140,882,697</u>	<u>312,821,447</u>	<u>323,736,293</u>	45.0	43.5
Subtotal	1,287	\$142,525,730	\$319,069,116	\$330,057,462	44.7%	43.2%
Statewide	1,852	\$348,639,300	\$1,594,589,011	\$1,656,199,355	21.9%	26.3%

ATTACHMENT 2

Comparison of General Transportation Aid to Population and Centerline Miles by Municipality and by Formula Component

	<u>Number of Jurisdictions</u>	<u>2019 Aid</u>	<u>Population</u>	<u>Aid per Resident</u>	<u>Jurisdictional Mileage</u>	<u>Aid per Mile</u>
Share of Cost						
City	188	\$150,949,793	3,200,983	\$47	13,906	\$10,855
Village	336	47,161,880	926,502	51	5,896	7,999
Town	<u>41</u>	<u>8,001,898</u>	<u>221,051</u>	<u>36</u>	<u>2,150</u>	<u>3,723</u>
Subtotal	565	\$206,113,570	4,348,536	\$47	21,952	\$9,389
Rate Per Mile						
City	2	\$74,178	1,818	\$41	\$31	\$2,389
Village	75	1,568,854	38,467	41	636	2,465
Town	<u>1,210</u>	<u>140,882,697</u>	<u>1,394,457</u>	<u>101</u>	<u>59,472</u>	<u>2,369</u>
Subtotal	1,287	\$142,525,730	1,434,742	\$99	60,139	\$2,370
Statewide	1,852	\$348,639,300	5,783,278	\$60	82,091	\$4,247



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May, 2019

Joint Committee on Finance

Paper #711

Mass Transit Operating Assistance and Transit Capital Assistance Grants (Transportation -- Local Transportation Aid)

[LFB 2019-21 Budget Summary: Page 413, #2, #3]

CURRENT LAW

Mass transit operating assistance is available to local governments in areas of the state with populations of 2,500 or more. Calendar year 2019 distribution amounts are \$64,193,900 SEG for Tier A-1 systems (Milwaukee County), \$16,868,000 SEG for Tier A-2 systems (Madison), \$24,486,700 SEG for Tier B systems (systems serving a population of 50,000 or more that are not in Tiers A-1 or A-2), and \$5,188,900 SEG for Tier C systems (systems serving areas with population between 2,500 and 50,000). Mass transit aid payments are made from four sum certain, transportation fund appropriations.

GOVERNOR

Mass Transit Operating Assistance. Provide \$2,768,600 in 2019-20 and \$11,073,800 in 2020-21 to provide a 10% increase in mass transit operating assistance to each tier of mass transit systems for calendar year 2020 and thereafter. Specify that the increase in funding would be distributed as follows: (a) \$1,604,900 in 2019-20 and \$6,419,400 in 2020-21 for Tier A-1 (Milwaukee County); (b) \$421,700 in 2019-20 and \$1,686,800 in 2020-21 for Tier A-2 (Madison); (c) \$612,200 in 2019-20 and \$2,448,700 in 2020-21 for Tier B transit systems; and (d) \$129,800 in 2019-20 and \$518,900 in 2020-21 for Tier C transit systems. Set the statutory calendar year distribution amounts for 2020 and thereafter at \$70,613,300 for Tier A-1, \$18,554,800 for Tier A-2, \$26,935,400 for Tier B, and \$5,707,800 for Tier C.

Transit Capital Assistance Grants. Provide \$10,000,000 in 2020-21 to a newly-created continuing SEG appropriation for transit capital assistance grants. Require DOT to administer a transit capital assistance grant program and award grants to eligible applicants for the replacement of public transit vehicles. Specify that DOT would be required to establish criteria for awarding

grants under the newly-created transit capital assistance grant program. This would establish base level funding at \$10,000,000 annually for these grants in future biennia. Define "eligible applicant" to mean a local public body in an urban area that is served by an urban mass transit system incurring an operating deficit. Specify that "public transit vehicle" would mean any vehicle used for providing transportation service to the general public that is eligible for replacement as an eligible mitigation action established under the Volkswagen settlement.

DISCUSSION POINTS

Mass Transit Operating Assistance

1. The distribution of mass transit aid payments generally parallels federal aid categories and consists of the following four tiers: (a) Milwaukee County/Transit Plus in Tier A-1; (b) Madison in Tier A-2; (c) the larger bus and shared-ride taxi systems in Tier B; and (d) smaller bus and shared-ride taxi systems in Tier C. 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. Local funds, consisting primarily of local property tax and farebox revenues, finance the remaining costs.

2. Total funding provided for mass transit operating assistance was \$118,309,200 in 2011, but was reduced by 10% to \$106,478,300 beginning in 2012. In 2015, base funding for the program was increased by 4% to \$110,737,500. The Governor's recommendation would increase operating assistance payments to each tier of mass transit systems by 10% for calendar year 2020 and thereafter to \$121,811,300 which would represent a 2.9% increase over the 2011 funding level (year prior to 2012 aid reduction).

3. However, in 2011 the local paratransit aid program was created and provided \$2,500,000 annually to assist systems with the provision of services required under the Americans with Disabilities Act. Paratransit aid funding offset a portion of the 2012 transit aid reduction for some of the larger transit systems that are required to provide paratransit services. Of the \$2,750,000 in paratransit aid provided to systems in 2018, Milwaukee County received \$1,405,800, Madison received \$490,000, 15 Tier B systems received \$776,300, and six Tier C systems received \$77,900. Paratransit aid would increase from \$2,750,000 to \$3,025,000 annually under the Governor's recommendation.

Funding and Costs

4. Table 1 shows the distribution of funding sources for transit systems on a statewide basis over the past 10 years. Funding for mass transit is provided through federal and state aid, local revenues, and farebox revenue. Funding amounts in Table 1 are shown on a calendar-year basis and reflect statewide averages. The funding mix for individual systems may vary significantly from these averages. In 2012, state aid was reduced by 10% for each tier of systems, which impacted local systems' service and funding decisions. Subsequently, in 2015, mass transit aid was increased by 4% for each tier of systems. Meanwhile, the state aid percentage has fallen from its 10-year high of 36.6%

in 2011 to 31.9% in 2018, the lowest percentage during the 10-year period. Conversely, the farebox revenue percentage (33.6%) in 2018 was the highest over the 10-year period.

TABLE 1

Transit System Public Funding Sources (in Millions)

Calendar Year	Total Operating Expenses	External Funding				Local Funding			
		Federal	%	State	%	Local*	%	Farebox Revenue	%
2009	\$315.1	\$55.8	17.7%	\$112.6	35.8%	\$56.8	18.0%	\$89.9	28.5%
2010	318.8	57.1	17.9	114.9	36.0	55.5	17.4	91.3	28.6
2011	322.9	56.4	17.5	118.3	36.6	54.7	16.9	93.5	29.0
2012	309.6	56.8	18.3	106.5	34.4	57.9	18.7	88.4	28.6
2013	304.8	57.6	18.9	106.5	35.0	56.8	18.6	83.9	27.5
2014	310.7	59.6	19.2	106.5	34.3	59.1	19.0	85.5	27.5
2015	326.7	60.4	18.5	110.7	33.9	65.7	20.1	89.9	27.5
2016	339.3	61.2	18.0	110.7	32.7	66.9	19.7	100.5	29.6
2017	325.8	61.1	18.8	110.7	34.0	58.4	17.9	95.5	29.3
2018	347.2	63.0	18.1	110.7	31.9	56.8	16.4	116.7	33.6

*Primarily property tax revenue.

5. For the larger transit systems, serving populations of 200,000 or more, federal aid is paid directly to the system and is primarily used for capital purposes. For all other systems federal aid may be used to help fund a system's operating deficit. As a result, larger systems receive a greater percentage of their operating costs covered by state aid while smaller Tier B and Tier C systems receive a greater percentage of their operating costs covered by federal aid. The percentage that state and federal aid combined make up of annual operating costs is typically the measure used to indicate the level of external funding provided to each tier of systems and it must be a uniform percentage for each system within a tier. Annual state and federal aid as a percentage of annual transit costs declined for each tier of systems between 2010 and 2018 by the following amounts: from 51.2% to 48.0% for Tier A-1; from 53.2% to 50.8% for Tier A-2; from 58.5% to 54.15% for Tier B; and from 64.5% to 55.9% for Tier C. The growth in costs for transit services in rural areas relative to the more urban systems has resulted in the large decrease in state and federal aid as a percent of costs for Tier C systems.

6. Operational expenses for public transit systems typically increase over time due to higher labor, fuel, insurance and maintenance costs. From 2010 to 2018, the costs of providing transit services has increased: 4.5% (0.6% avg. annual growth) for Tier A-1; 9.8% (1.2% avg. annual growth) for Tier A-2; 7.3% (0.9% avg. annual growth) for Tier B; and 46.8% (4.9% avg. annual growth) for Tier C. Larger transit systems are often forced to cut service if they are unable to provide local funds to make up for the higher costs of providing existing service and changes in state and federal aid. For example, according to information provided by DOT, Milwaukee County reduced service due to the 10% state assistance cut in 2011 (annual expenses dropped by 9% between 2010 and 2012). Consequently, Milwaukee County's minimal increase in operating expenses during the 2010-2018

period may be more reflective of funding constraints than service need. Additionally, from 2010 to 2018, rural public transit systems (Tier C) have seen increased demand for service which, combined with inflation, has resulted in a 46.8% increase in expenses. Despite overall population decline in rural Wisconsin counties since 2010, transit service has been added to meet increased demand as the population that remains in rural areas of the state is older and less mobile. This trend toward increased rural transit ridership in Wisconsin is reflected nationally where rural transit ridership increased 7.8% between 2007 and 2015, while urban ridership increased by 2.3% during the same period. According to DOT, the combination of grant decreases and demand increases have placed a strain on local resources and may threaten the capacity to provide transit service in some rural areas. [Alternative A1]

7. Total ridership on transit systems and shared-ride transit systems in Wisconsin declined from 74.7 million transit trips in 2013 to 57.9 million trips in 2018, representing a 22.5% overall decline over this period. The Milwaukee County transit system accounted for 51% of all transit trips taken in the state in 2018 and experienced a 32.0% decrease in ridership between 2013 and 2018. Total transit trips in Wisconsin, excluding Milwaukee County, decreased 9.2% from 2013 to 2018. Comparatively, nationwide the number of bus transit trips decreased by 12.7% from 2013 to 2017. Commonly cited reasons for the decline in national transit ridership since the end of the recession are cuts to transit service, increase transit fares, relatively low gas prices, increase use of ride-hailing services (such as Uber and Lyft), and economic expansion, which has precipitated an increase in both the number of vehicles per capita and the number of miles driven per capita.

8. DOT's 2015-17 budget request indicated that the 2012 state aid reductions, combined with limits on the amounts that local governments can levy in property tax for the service they provide, have resulted in transit service reductions, fare increases for many systems, and a decline in overall statewide ridership. The request recommended a \$54.0 million biennial increase in transit funding, but this request was not included in the then Governor's budget recommendation. In requesting these funds, DOT recognized the Transportation Finance and Policy Commission's 2013 recommendations to increase funding for transit assistance.

Funding Options

9. Because the quarterly transit aid payments are made in April, July, October, and December of each calendar year, only one quarter of any calendar year increase (the April payment) would be paid in the corresponding fiscal year. If annual increases are provided, the remaining portion of the calendar year increase would have to be funded in the next fiscal year, which would increase the future commitments in the next biennium. This future commitment is avoided if any funding increase is provided in 2020, with no additional increase in 2021, as currently provided in the Governor's recommendation to increase the 2020 calendar year distribution amount by 10%. The Committee could instead choose to increase mass transit operating aids by a lesser amount, as specified in Table 2. [Alternative A2 a through A2 d]

TABLE 2**Potential Funding Changes**

<u>2020 Change</u>	<u>Calendar Year Aid Distribution</u>		<u>SEG Change to Base</u>	
	<u>2020</u>	<u>2021</u>	<u>2019-20</u>	<u>2020-21</u>
2.0%	\$2,214,800	\$2,214,800	\$553,700	\$2,214,800
4.0	4,429,500	4,429,500	1,107,400	4,429,500
6.0	6,644,300	6,644,300	1,661,100	6,644,300
8.0	8,859,000	8,859,000	2,214,800	8,859,000
10.0 (Gov.)	11,073,800	11,073,800	2,768,500	11,073,800

10. Under current law revenues and base level appropriations, the 2019-21 biennium ending balance in the transportation fund is estimated at \$82.1 million. Any decision to provide additional funding for mass transit assistance at this time would have to take into account the available fund balance, any additional revenues authorized, as well as other transportation funding demands.

11. The Governor's 2019-21 biennial recommendations would provide sufficient, estimated revenue to fund the transit aid increase in the bill, as well other proposed, above-base budget state and local transportation highway programming. However, current law, transportation fund revenues available for above-base transportation programming are limited. Over the past decade, there has been no significant increase in ongoing revenues to the fund, while the state has continued to authorize and issue significant amounts of transportation fund-supported bonds. Given the demands on both state and local transportation infrastructure, if no additional transportation fund revenues are approved, existing state resources would not be sufficient to meet both state and local needs. Consequently, the policy discussion that confronts the state is whether the state can afford to increase state funding for transit systems at this time without additional transportation fund revenues. [Alternative A3]

Transit Capital Assistance Grants

12. State transit systems receive some federal funds for the purposes of replacing transit vehicles and transit facilities. Currently, the state's larger transit systems (population over 200,000) directly receive federal formula funding for capital purchases and operating expenses. Smaller transit systems in the state (population of 50,000 to 199,999) receive federal funds for capital projects that are distributed based on a priority system determined by DOT. According to DOT, based on capital requests submitted to the Department for the 2019 funding cycle, statewide transit capital needs for equipment and facility projects are approximately \$60.2 million. Looking beyond a single application cycle, DOT estimates that the total transit capital funding shortfall over the three-year period between 2019 and 2021 to be \$90.8 million, assuming the receipt of approximately \$46.9 million in federal funding for capital needs during the three-year period.

13. Federal discretionary funding is also available for transit capital purchases. From 2016 to 2018, DOT and individual transit systems applied for an average \$55.3 million annually in capital grants. The Federal Transit Administration (FTA) awarded Wisconsin an average of \$8.9 million annually during this three-year period, or 16.1% of the requested amount.

14. "Useful life" is a measure that the FTA and transit agencies use to track the performance of revenue vehicles (rolling stock) and to estimate the number of years that a vehicle can be in service and still be in a state of good repair. Useful life considers the length of time that an asset is cost effective to operate. In Wisconsin, the percentage of public transit revenue vehicles within useful life standards decreased from 83.3% in 2011 to 76.4% in 2016, indicating an aging rolling stock and a need to increase the speed at which older vehicles are replaced.

15. According to the DOT Transit Asset Management (TAM) Plan, which covers most rural, small urban and specialized transit systems, the majority of the transit vehicles on the road have met or surpassed their useful life and are in need of replacement. For small urban and rural systems, Table 3 shows that there is a particular need to replace smaller transit vehicles such as autos and minivans which exceed their useful life, on average, by 3.5 years and 2.8 years respectively. As noted, federal funding may be used by these systems for vehicle replacement, but funding has not kept up with need as indicated by the decrease in rolling stock within useful life standards.

TABLE 3

Average Ages of Vehicle Types, Small Urban and Rural Systems, 2018

	<u>Count</u>	<u>Total Age</u>	<u>Average Age</u>	<u>Useful Life Age</u>
Auto	78	582	7.5	4
Minivan	482	2,815	5.8	4
Minibus	121	772	6.4	7
Cutaway	522	3,645	7.0	7
Bus	158	1,804	11.4	12

16. Currently, Wisconsin does not have a transit capital assistance program with a dedicated source of state funding. The state Transportation Finance and Policy Commission, established by 2011 Wisconsin Act 32, recommended the creation of a state transit capital assistance program in their final report. In 2013, the Commission found that an adequate and consistent funding source is needed to regularly replace transit vehicles, update transit facilities and allow for some system expansion. The Commission's recommendation for the creation of a transit capital program at a funding level of \$15.0 million annually was included in DOT's 2015-17 agency budget request, but was not included in the then Governor's budget recommendation. The Governor's recommendation would provide funding of \$10,000,000 SEG in 2020-21 to fund a newly created transit capital assistance grant program administered by DOT. This would establish a base funding level going forward that would fund \$20.0 million in transit capital grants each biennium. [Alternative B1]

17. The Department of Administration (DOA) currently administers a transit capital assistance grant program to fund the replacement of eligible public transit buses under the Volkswagen Environmental Mitigation Trust. As a designated beneficiary of the trust, the State of Wisconsin will receive \$67.1 million in settlement funds. 2017 Wisconsin Act 59 established the transit capital assistance grant program to competitively award up to \$32 million of Volkswagen Trust funds to replace eligible public transit vehicles. The grant program funds the replacement and scrapping of 1992-2009 engine model year class 4-8 public transit buses with new replacement diesel

or alternate fueled buses. The program gives preference to communities or routes that DOA determines are critical for connecting employees with employers. On March 8, 2019, DOA issued intent to award letters to 10 applicants for \$32 million in transit capital assistance grants to replace a total of 58 buses. The state expects to receive an additional \$25 million in settlement funds in the 2019-21 biennium. The Governor's recommendations would require DOA to allocate 60% of available settlement funding (\$15 million) for replacement of public transit vehicles, and 40% of available settlement funding (\$10 million) for installation of charging stations for electric vehicles. Further, the Governor's recommendations would allow the DOA Secretary to adjust the allocation of settlement funds if necessary.

18. Under the bill, DOT's transit capital assistance grant program would use the same definition of "public transit vehicle" as currently in use by DOA for the administration of the Volkswagen transit capital assistance grant program. Therefore, under the bill, the DOT and DOA transit capital programs would only be permitted to grant awards to transit systems for the replacement of 1992-2009 engine model year class 4-8 public transit buses (large transit busses) with new replacement diesel or alternate fueled buses.

19. The need for capital projects among public transit systems is diverse, while the Volkswagen language limits funding to specific purposes. The settlement funds can only be used to replace certain classifications of larger vehicles with diesel engines that were manufactured during a specific time (such as heavy-duty transit buses older than 2009). Many smaller urban and rural transit systems operate vans and shuttle buses and do not have any vehicles that would qualify for these replacement funds. Moreover, facility improvements and equipment acquisition projects are ineligible. Alternatively, a state-funded public transit capital program as recommended by the Transportation Finance and Policy Commission in 2013 and subsequently requested by DOT in the Department's 2015-17 budget request would address a broader array of needs among transit systems statewide. The Committee could choose to modify the Governor's recommendation to expand the definition of eligible capital projects to include the replacement, rehabilitation, and purchase of transit vehicles and related equipment and the construction of transit-related facilities. [Alternative B2]

20. As provided under the bill, the state would be concurrently operating two separate transit capital programs administered by two different agencies. One concern is that to the extent that these programs address similar policy goals, having two separate programs may not be the most efficient method to deploy capital funding. Given that the current law transportation fund revenues available for above-base transportation programming are limited, and given that there is an existing transit capital grant program funded from VW settlement proceeds, the Committee may want to instead focus bus replacement efforts within existing VW settlement resources at this time. [Alternative B3]

ALTERNATIVES

A. Mass Transit Operating Assistance Funding

1. Approve the Governor's recommendation to provide \$2,768,600 SEG in 2019-20 and \$11,073,800 in 2020-21 to fund a 10% increase in mass transit operating assistance to each tier of mass transit systems for calendar year 2020 and thereafter. Set the statutory calendar year distribution amounts for 2020 and thereafter at \$70,613,300 for Tier A-1, \$18,554,800 for Tier A-2, \$26,935,400

for Tier B, and \$5,707,800 for Tier C.

ALT A1	Change to	
	Base	Bill
SEG	\$13,842,400	\$0

2. Provide one of the following SEG funding increases in calendar year 2020 and 2021, and set the annual distribution for 2020 and thereafter among the tiers of systems accordingly.

	Percent Change	Calendar Year Aid Increase		SEG Change to Base		SEG Change to Bill	
		2020	2021	2019-20	2020-21	2019-20	2020-21
a.	2.0	2,214,800	2,214,800	553,700	2,214,800	-2,214,900	-8,859,000
b.	4.0	4,429,500	4,429,500	1,107,400	4,429,500	-1,661,200	-6,644,200
c.	6.0	6,644,300	6,644,300	1,661,100	6,644,300	-1,107,500	-4,429,500
d.	8.0	8,859,000	8,859,000	2,214,800	8,859,000	-553,800	-2,214,800

3. Take no action (no change to base level SEG funding would be provided for DOT's mass transit operating assistance program).

ALT A3	Change to	
	Base	Bill
SEG	\$0	-\$13,842,400

B. Transit Capital Assistance Grants

1. Approve the Governor's recommendation to provide \$10,000,000 SEG in 2020-21 to a newly-created continuing appropriation for a newly created transit capital assistance grant program administered by DOT.

ALT B1	Change to	
	Base	Bill
SEG	\$10,000,000	\$0

2. In addition to approving the Governor's recommendation under Alternative 1, expand the definition of "public transit vehicle" beyond what is currently allowed under the Volkswagen settlement guidelines (large buses). Specify that the grants could fund the replacement, rehabilitation, and purchase of any type of transit vehicle and related equipment and the construction of transit-related facilities. [Funding would be provided under Alternative 1.]

3. Take no action. Under this alternative, the Committee could still provide the Governor's recommended funding for transit capital grants, or another amount, in subsequent action (Miscellaneous Appropriations -- Volkswagen Settlement).

ALT B3	Change to	
	Base	Bill
SEG	\$0	- \$10,000,000

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May, 2019

Joint Committee on Finance

Paper #712

Seniors and Individuals with Disabilities - Specialized Assistance and County Assistance Programs (Transportation -- Local Transportation Aid)

[LFB 2019-21 Budget Summary: Page 414, #4]

CURRENT LAW

The state has two SEG-funded programs that finance the improvement of transportation services for seniors and individuals with disabilities: a county assistance program (\$14,477,800 in base funding); and a specialized assistance program (\$912,700 in base funding). DOT also administers a tribal and elderly transportation grant program funded with tribal gaming revenues. These programs help to provide the benefits of transportation service to those people not otherwise having an available or accessible method of transportation. The state's seniors and individuals with disabilities county assistance and specialized assistance programs are funded from separate appropriations funded from the transportation fund.

GOVERNOR

Provide \$3,000,000 SEG annually for the seniors and individuals with disabilities specialized assistance program. This would increase funding from \$912,700 in base funding to \$3,912,700 annually.

DISCUSSION POINTS

Background

1. DOT currently administers two separate programs that assist in providing specialized transit services: (a) a specialized assistance program that supplements federal funding to aid eligible applicants in rural and small urban areas with transit capital and operating projects that serve seniors and individuals with disabilities, and (b) a county assistance program that provides counties with

financial assistance to provide transportation services to seniors and individuals with disabilities and is distributed on the basis of each county's share of the state's total seniors and individuals with disabilities population.

2. Under the specialized assistance program, in accordance with federal rules, all subrecipients must guarantee a 20% local match for capital projects and 50% of deficit for operating projects. Eligible projects include vehicle capital (minivans, minibuses, medium and large buses) and non-traditional expenditures (mobility management, operating, and non-vehicle capital projects). In 2018, DOT awarded 52 non-profit and public sector applicants a total of \$4,542,900 in state and federal funding for vehicle capital, operating, and mobility management projects.

3. Under the county assistance program, all 72 counties in Wisconsin receive funding. With this aid, a county may directly provide transportation services, subsidize other systems that provide transportation services, or directly subsidize seniors and individuals with disabilities for their use of existing services, such as taxis. Counties must apply for aid by February 1 of each fiscal year and expend funds on a calendar year basis. For example, the 2018-19 appropriation is spent by counties in calendar year 2019.

4. On May 1, 2019, DOA submitted an errata to the bill to provide the additional funding to the county aids program instead of the specialized assistance program. If the county assistance funding change had been included in the bill, it would have increased funding for the program from \$14,477,800 in base funding to \$17,477,800 annually for a 20.7% increase in the county assistance appropriation. The bill would have to be amended to include this modification. [Alternative 1]

5. Since 2009-10, the Legislature has provided five separate increases in the seniors and individuals with disabilities county assistance program. The amount appropriated for county assistance increased 9.7% over this 10-year period resulting in a 0.9% annual average growth rate. There have been no recent increases provided to the specialized assistance program. Table 1 provides the recent funding history for both programs.

TABLE 1

**Seniors and Individuals with Disabilities
Transportation Aid**

<u>Fiscal Year</u>	<u>County Assistance</u>	<u>Specialized Assistance</u>
2009-10	\$13,196,000	\$912,700
2010-11	13,623,400	912,700
2011-12	13,623,400	912,700
2012-13	13,623,400	912,700
2013-14	13,623,400	912,700
2014-15	13,623,400	912,700
2015-16	13,768,800	912,700
2016-17	13,915,600	912,700
2017-18	14,193,900	912,700
2018-19	14,477,800	912,700

County Assistance

6. A county may not use seniors and individuals with disabilities county assistance to support regular transit service, but may use this aid to support subsystems that provide special services to seniors and individuals with disabilities. Priority may be given to trips made for medical or nutritional reasons or for work. Counties must either require a copayment by users of this service or provide the user with an opportunity to make a voluntary contribution to the cost of the service.

7. According to data from the Department of Health Services, it is projected that the proportion of individuals aged 65 and over will increase by 10 percentage points from 13.7% in 2010 to 23.7% by 2040. Given this population trend and the lack of federal funding available for county specialized transit programming, a funding increase for the county assistance program would help meet the current and projected demand for specialized transit service in the state.

8. According to DOT, if no increase is provided to the county assistance program, fewer rides and transit services such as mobility management and travel training will be able to be provided to senior residents and residents with disabilities in Wisconsin. Specialized transit services are especially crucial to seniors and individuals with disabilities located in rural areas with no other public transit service.

9. Under the bill, additional funding would be provided to fund a 10% increase to the calendar year general transportation aid payments and mass transit operating assistance payments for 2020 and thereafter. Also under the bill, funding would be provided to fund a 10% increase in 2020 for paratransit aid. The Committee could decide to provide a similar-sized funding increase (\$1,500,000 annually, or a 10.4% funding increase) for the seniors and individuals with disabilities county assistance program. [Alternative 2e.]

10. DOT establishes a minimum allocation of elderly and disabled aid for counties. This

currently equals 0.5% of the total available funding (\$72,389 for 2019). In 2019, 24 counties received the minimum aid level. If a funding increase is provided, this minimum aid level would increase. For example, under the alternative that would provide a 10.4% increase to the county assistance program, the minimum aid level would increase to \$79,889 annually.

11. Under current law and base level appropriations, the 2019-21 biennium ending balance in the transportation fund is estimated at \$82.1 million. Any decision to provide additional seniors and individuals with disabilities aid would have to take into account the available balance in the transportation fund, any additional revenues authorized as well as other transportation funding demands. In making decisions on transportation fund expenditures and revenues, the Committee could consider alternative funding levels for elderly and disabled county assistance. [Alternative 2a. thru 2e.]

Specialized Assistance

12. Despite the administration's errata that would modify the bill to specify that a \$3.0 million annual increase in funding be provided to the county assistance program, the Committee could consider providing some of that funding to the specialized assistance program.

13. DOT combines state specialized assistance funding with Federal Transit Administration section 5310 funds to make grants to both public bodies and private non-profits in the state for vehicle purchases and mobility management projects. The Department indicates that there is competition for limited funding within the program and, in particular, vehicle capital projects are in high demand by sub-recipients. Between 2015 and 2019, the cumulative average annual vehicle purchase request under the combined federal and state program was \$4.2 million which was funded at an average annual level of \$2.4 million, resulting in an average "unfunded gap" of \$1.8 million annually over this period for vehicle purchase projects.

14. The existing funding gap for vehicle purchases has contributed to increasing the average age of transit vehicles providing specialized transit services in the state. According to the Department, a majority of the transit vehicles in operation have surpassed their useful life and are in need of replacement. For example, according to DOT, the useful life for a minivan, a typical vehicle among the specialized transit service providers, is four years, and currently the average age of minivans among this group is 6.3 years old.

15. DOA administers a transit capital assistance grant program to fund the replacement of eligible public transit buses under the Volkswagen Environmental Mitigation Trust. Also under the bill, DOT would administer a separate transit capital assistance grant program and be provided \$10,000,000 from the transportation fund in 2020-21. Although separately administered, both the DOT and DOA transit capital programs would only be permitted to provide funding to replace public transit vehicles that are eligible for replacement under the Volkswagen settlement guidelines. Eligible mitigation actions under the Volkswagen settlement only include the replacement of certain classifications of larger vehicles with diesel engines that were manufactured during a specific time (e.g. heavy-duty transit buses older than 2009). Many smaller urban and rural transit systems operate vans and shuttle buses and do not have any vehicles that would qualify for these funds. Therefore, an increase in specialized assistance program funding could provide these smaller systems with additional resources to fund capital projects that are currently ineligible expenses under the

Volkswagen settlement guidelines.

16. Given the aging specialized transit vehicle fleet and that existing program demand exceeds state and federal resources, the Committee could choose to increase state funding for the specialized assistance program to award grants for additional vehicle purchases. This funding would be available to assist public and private non-profit transit providers in rural and small urban areas. [Alternative 3a. thru 3e.]

17. As mentioned earlier, current law, transportation fund revenues available for above-base transportation programming are limited. Given the demands on both state and local highway infrastructure and the limited state resources currently available to meet those needs, one policy discussion that confronts the state is whether the state can afford to increase SEG funding for other non-highway program needs at this time. [Alternative 4]

ALTERNATIVES

1. Approve the Governor's recommendation, as modified by the DOA errata, to provide \$3,000,000 SEG annually to the county assistance program. Under this alternative, base funding for the specialized assistance program would remain unchanged at \$912,700 annually and base funding for the county assistance program would increase to \$17,477,800 annually (a 20.7% increase).

ALT 1	Change to Base	Bill
SEG	\$6,000,000	\$0

2. Provide one of the following increases to the annual SEG funding level for the county assistance program.

County Assistance Funding

	<u>Annual Change in Aid</u>	<u>Funding Level</u>		<u>Total Biennial Change to</u>	
		<u>2019-20</u>	<u>2020-21</u>	<u>Base</u>	<u>Bill</u>
a.	\$250,000	\$14,727,800	\$14,727,800	\$500,000	\$500,000
b.	500,000	14,977,800	14,977,800	1,000,000	1,000,000
c.	750,000	15,227,800	15,227,800	1,500,000	1,500,000
d.	1,000,000	15,477,800	15,477,800	2,000,000	2,000,000
e.	1,500,000	15,977,800	15,977,800	3,000,000	3,000,000

3. Provide one of the following increase to annual SEG funding level for the specialized transit program.

Specialized Assistance Funding

	<u>Annual Change in Aid</u>	<u>Funding Level</u>		<u>Total Biennial Change to</u>	
		<u>2019-20</u>	<u>2020-21</u>	<u>Base</u>	<u>Bill</u>
a.	\$250,000	\$1,162,500	\$1,162,500	\$500,000	-\$5,500,000
b.	500,000	1,412,700	1,412,700	1,000,000	-5,000,000
c.	750,000	1,662,700	1,662,700	1,500,000	-4,500,000
d.	1,000,000	1,912,700	1,912,700	2,000,000	-4,000,000
e.	1,500,000	2,412,700	2,412,700	3,000,000	-3,000,000

4. Take no action. Base SEG funding for the specialized assistance program would remain unchanged at \$912,700 annually and base funding for the county assistance program would remain unchanged at \$14,477,800 annually.

ALT 4	Change to	
	Base	Bill
SEG	\$0	- \$6,000,000

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May, 2019

Joint Committee on Finance

Paper #713

Employment Transportation Program (Transportation -- Local Transportation Aid)

[LFB 2019-21 Budget Summary: Page 414, #5]

CURRENT LAW

Under current law, DOT may award grants from the Department's transportation employment and mobility continuing appropriation to public and private organizations for the development and implementation of demand management, ride-sharing, and job access and employment transportation assistance programs. Currently, the Wisconsin employment transportation assistance program (WETAP) is funded from this appropriation. WETAP is an annual competitive grant program that combines both state and federal funding for transit systems and organizations that assist low-income individuals in getting to work.

GOVERNOR

Provide \$500,000 SEG annually to the Department's transportation employment and mobility continuing appropriation. This would increase funding from \$332,600 in SEG base funding to \$832,600 SEG annually.

DISCUSSION POINTS

1. The Wisconsin Employment Transportation Assistance Program (WETAP) is an annual competitive grant program that combines both state and federal funding for transit systems and organizations that assist low-income individuals in getting to work. The program was officially formed in 2000 as a joint effort between DOT and the Wisconsin Department of Workforce Development (DWD). Base funding for the program is comprised of \$332,600 SEG from the transportation fund, \$464,800 GPR from DWD's employment transit assistance grants appropriation, federal funding and a required local match from awardees.

2. DOT awards WETAP grants through an annual competitive grant application process. Eligible applicants include public, private and non-profit transportation providers. Examples of projects include late-night and weekend transit service, transportation to suburban employment opportunities, car loan and repair programs, ridesharing, transportation coordination, and demand-response van service. All WETAP projects must provide a local cash or in-kind match, often in the amount of 25% to 50% of the total project cost.

3. Historically, the major source of funding for the WETAP program had been the federal Job Access Reverse Commute (JARC) program. As recent as 2010, DOT was able to use \$4.1 million in JARC federal funds to award WETAP grants. In 2012, MAP-21 (the federal reauthorization bill) repealed the JARC program and projects were instead made eligible for federal section 5311 (rural areas) and section 5307 (urbanized areas) transit assistance formula grant programs. The discontinuation of dedicated federal funding of WETAP from JARC funds, effectively has meant that programs like these that were previously eligible for JARC funding now must share 5311 and 5307 funding with transit systems around the state.

4. The effect of the elimination of federal JARC funding for the WETAP program can be seen in the below table. Total WETAP program awards declined every year between 2012 and 2016, from \$4.1 million in 2012 to \$1.0 million in 2016. Since 2017, project award amounts have increased as the state has diverted additional 5311 and 5307 federal monies to the WETAP program, but the amount of unfunded projects has also increased during this period as demand for funding has nearly doubled between 2017 and 2019.

**Wisconsin Employment Transportation Assistance Program
Requested Funding and Awards**

<u>CY</u>	<u>Requested Fed/State Funds</u>	<u>Awarded</u>			<u>Applicants</u>	<u>Award - Request</u>
		<u>Federal</u>	<u>State</u>	<u>Total</u>		
2012	\$5,159,605	\$3,318,905	\$754,592	\$4,073,497	23	-\$1,086,108
2013	5,723,728	2,824,793	814,664	3,639,457	16	-2,084,271
2014	1,550,102	785,243	627,034	1,412,277	5	-137,825
2015	1,561,249	467,958	930,257	1,398,215	5	-163,034
2016	1,378,761	0	955,885	955,885	4	-422,876
2017	2,463,957	950,000	961,635	1,911,635	14	-552,322
2018	3,552,909	1,450,000	345,225	1,795,225	10	-1,757,684
2019	4,660,506	1,254,643	573,199	1,827,842	10	-2,832,664

5. WETAP projects must provide new or expanded service designed to fill transportation gaps for low-income workers. Types of projects which have been recently awarded WETAP funds include mobility management projects, which aim to increase coordination among existing transportation service providers, and vanpool service projects to connect individual with jobs that that are not served by the current transportation network. WETAP also funds vehicle loan projects that

offer 0% or low interest loans to assist low-income individuals in purchasing or repairing vehicles used to maintain employment.

6. In the absence of a dedicated source of federal funding, DOT has relied on reallocating existing federal 5307 and 5311 funds to award WETAP grants. Under 5307 transit formula funding, those systems serving a population of 200,000 or more receive their 5307 funds directly from the federal government. Therefore, DOT only administers federal 5307 funds for systems serving areas with less than 200,000 in population as well as the 5311 funds, which are dedicated to rural systems (50,000 or less). One concern with the use of federal 5307 and 5311 funds for WETAP awards is that it removes a portion of the federal funding previously dedicated to supporting the capital and operating expenses of smaller urban and rural transit systems. From 2017 and 2019, DOT transferred \$3.7 million of these funds to WETAP recipients. The Department anticipates the continued use of these federal funds for WETAP projects in the future.

7. Through 2017, DWD contributed approximately \$460,000 GPR annually to DOT for WETAP program awards, a contribution that was roughly half of the total state allocation in any given year during the period shown in the table above. In 2018, DWD discontinued its annual GPR contribution to WETAP, resulting in a significant decline in overall state funding for the program. In that year, DWD elected to instead use funds that would have previously been allocated for WETAP awards, to fund a newly created DWD-administered employment transportation program called "Commute to Careers." According to DWD, the Commute to Careers program was based on the Department's previous WETAP program collaboration with DOT and was targeted at similar grantees. For the 2019 WETAP program cycle, DWD has not partnered with DOT and, according to DOT, it is uncertain whether DWD will contribute funding to WETAP projects in the future. Given the uncertainty in funding levels for the WETAP program and considering that the DWD program was based on the WETAP model, the Committee could choose to require DWD to annually transfer monies from the Department's employment transit assistance grants annual GPR appropriation to DOT for the WETAP program. This alternative would increase state funding for the WETAP program by \$464,800 annually. [Alternative 4]

8. Lack of transportation can be a significant barrier to getting and keeping jobs for low-income workers. The WETAP program, by improving transportation services and options for these workers, can improve the economic outcomes among these workers and the state. According to DOT, WETAP projects are active in 49 counties and serve approximately 2,000 residents per year. Eight of the counties served by the WETAP program do not have any public transit service to assist residents in their transportation needs. In 2019, the Department received requests for state and federal funding under the WETAP program totaling \$4.7 million, but given the limited federal and state funding available, only \$1.8 million was awarded. Given the absence of a dedicated federal funding source and demand for WETAP funding that has exceeded available funding, the Committee could increase SEG funding by \$500,000 annually, as recommended by the Governor, [Alternative 1] or another amount [Alternative 2 or Alternative 3] to help meet existing demand for WETAP program funds.

9. Transportation fund SEG resources have been somewhat limited, and a strong demand for state and local highway program funding exists. Therefore, depending on the other transportation revenue and programing decisions that are made, the state may not be able to commit additional

transportation fund resources to WETAP programming at this time. [Alternative 5]

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$500,000 SEG annually to the transportation employment and mobility appropriation for the WETAP program. Under this alternative, funding for the program would increase to \$832,600 SEG annually from the transportation fund. A SEG funding increase to the WETAP program could result in DOT having additional federal funding available to support the capital and operating expenses of smaller urban and rural transit systems.

ALT 1	Change to	
	Base	Bill
SEG	\$1,000,000	\$0

2. Provide \$250,000 SEG annually to the transportation employment and mobility appropriation to provide additional funding to the WETAP Program. Under this alternative, funding for the program would increase to \$582,600 SEG annually from the transportation fund. A SEG funding increase to the WETAP program could result in DOT having additional federal funding available to support the capital and operating expenses of smaller urban and rural transit systems.

ALT 2	Change to	
	Base	Bill
SEG	\$500,000	- \$500,000

3. Provide \$1,000,000 SEG annually to the transportation employment and mobility appropriation to provide additional funding to the WETAP Program. Under this alternative, funding for the program would increase to \$1,332,600 SEG annually from the transportation fund. A SEG funding increase to the WETAP program could result in DOT having additional federal funding available to support the capital and operating expenses of smaller urban and rural transit systems.

ALT 3	Change to	
	Base	Bill
SEG	\$2,000,000	\$1,000,000

4. In addition to the selection of any prior alternative, require DWD to annually transfer all appropriated amounts from the Department's employment transit assistance grants annual GPR appropriation to DOT for the purposes of awarding grants under DOT's WETAP program. Under the bill, as recommended, DWD is appropriated \$464,800 annually. Under this alternative, \$464,800 would be required to be transferred annually from this DWD appropriation to DOT for the purposes of funding the WETAP program.

5. Take no action.

ALT 5	Change to	
	Base	Bill
SEG	\$0	- \$1,000,000

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TRANSPORTATION

Local Transportation Aid

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
6	Paratransit Aids
7	Tribal Elderly Transportation Grant Program