



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

June, 2021

Joint Committee on Finance

Paper #598

### **Local Infrastructure Grant Program -- Storm Water Prevention (Transportation -- Local Transportation Assistance)**

[LFB 2021-23 Budget Summary: Page 574, #6]

---

#### **CURRENT LAW**

As part of its state and local highway program initiatives, the Department of Transportation (DOT) has an interest in managing storm water to maintain safe and passable roadways. The design of roads incorporates storm water management including developing drainage systems to help clear storm water from roadways. Proper storm water management is also important to maintaining clean and safe surface and ground waters.

#### **DISCUSSION POINTS**

1. Precipitation eventually makes its way to natural water systems, including surface and ground waters. The development of roads and other infrastructure impact the flow of the precipitation to those natural water systems. Water cannot pass through hard and impervious surfaces like roadways, causing water to collect on these surfaces. In addition, because roadways and other infrastructure are impervious, water that collects on these surfaces is directed to travel from roadways according to the design and engineering of the impervious surface. Without proper design and infrastructure this can mean that high levels of precipitation can result in large volumes of water running off roadways and transportation infrastructure directly into rivers or other surface water systems rather than slowly seeping into ground water systems. Along the way, water can also collect materials that are on that surface, including harmful pollutants and contaminants that may negatively impact natural water systems. Effective transportation infrastructure design can help mitigate some of the potential harm to that infrastructure, including impassable or unsafe roadways, due to flooded storm water or degradation of natural water systems.

2. DOT administers a storm water management program that includes sewer system

management, highway cleanups, reducing the dependence on road salt during winter, street-sweeping, developing roadway design standards, educational programs, and collecting data to better manage and maintain storm water. This includes working with the Department of Natural Resources to administer storm sewer system standards as well as using geographical data to plan storm water analysis and management.

3. The Governor recommends establishing a grant program administered by DOT to provide local road aids for critical infrastructure, and authorize \$15,000,000 in transportation fund-supported, general obligation bonds for the program. This program would be funded through a newly-created bonding appropriation, and would require modifying an existing SEG debt service appropriation to allow principal and interest payments on bonds issued for the program's purposes to be eligible expenditures from the appropriation.

4. Under the proposed program, the Department would award grants to reimburse eligible applicants for up to 50% of the cost of an eligible project. An "eligible applicant" would be defined as a city, village, town, or county, and an "eligible project" would be defined as a project that meets all of the following criteria: (a) the project is for the reconstruction of a culvert or bridge to a higher durability standard; (b) the culvert or bridge is owned by the eligible applicant that is applying for the grant; and (c) the culvert or bridge is at risk of being damaged by future extreme storm water events. DOT would be required to promulgate rules that detail the form, nature, and extent of information contained in applications as well as the criteria for evaluating applications and awarding grants. Under the program, the criteria for awarding grants would prioritize projects most at risk from future extreme storm water events. Because this would be a new program that would likely take some time to create and implement, it is unlikely that the authorized bonds would be issued quickly enough in the biennium to result in any debt service on the bonds being due in the biennium. As a result, there would be no estimated transportation fund-supported, general obligation bond debt service associated with these bonds in the biennium. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,203,700 SEG. [Alternative 1]

5. Under the base level funding currently included in the substitute amendments to Assembly Bill 68/Senate Bill 111, expenditures from the transportation fund are significantly higher than under the Governor's recommendations. The Governor's recommendations reduced SEG funding to the state highway improvement program and replaced that funding with bonding. Further, while the 2019-21 budget increased revenues to the transportation fund, the coronavirus pandemic has dampened the impact of those revenue increases to the fund, as well as to ongoing base level revenues. The Committee already took action to reduce transportation fund appropriations, including adopting standard budget adjustments and reestimates of sum sufficient debt service appropriations that reduced appropriations by \$46.5 million in 2021-22 and \$31.4 million in 2022-23. Despite these actions and slightly higher estimated revenues, prior to Committee actions on the remainder of the transportation budget the estimated 2022-23 ending balance is -\$32.3 million. Thus, the availability of SEG funding to support future debt service on bonds issued to support storm water infrastructure could be limited.

6. The American Rescue Plan Act (ARPA) was enacted on March 11, 2021, and created a Local Fiscal Recovery Fund (LFRF). Every local government in Wisconsin will receive a payment

from the LFRF. In general, LFRF monies may be used to respond to the coronavirus pandemic or its negative economic impacts, to make investments in certain broadband, sewer, or water (including storm water) infrastructure, or to provide premium pay for essential workers. Local governments have through December, 2024, to expend these funds. Therefore, federal coronavirus funds could be available to carry out local storm water infrastructure projects. Table 1 below shows the estimated LFRF amounts that will be received by units of local government in Wisconsin.

**TABLE 1**  
**Local Fiscal Recovery Fund Allocations**  
**(\$ in Millions)**

Towns	\$160.2
Villages	97.6
Cities	<u>929.4</u>
Total	\$1,187.1
 Counties	 \$1,129.2

7. The Department of Natural Resources (DNR) currently administers the urban nonpoint source and storm water grant program. Through this program, DNR provides financial assistance for planning or practices undertaken by urban municipalities, including those responsible for managing storm water discharges to state waters. The program is funded with a combination of nonpoint SEG-supported general obligation bonding and nonpoint SEG appropriations. The nonpoint SEG and bonding authority for the UNPS program each are shared with the DNR municipal flood control and riparian restoration program, which provides municipalities with local assistance grants to conduct planning for flood control or mitigation projects, or grants to support acquisition and development activities. Acquisition and development activities may include: (a) property acquisition and removal; (b) flood proofing of structures; and (c) construction of facilities to collect, store, or convey water for flood control. Therefore, if additional funding is needed for local storm water management efforts, the additional funding could be provided under existing DNR programs rather than creating a support program in DOT.

8. Given the adverse effects on transportation fund revenue due to the coronavirus pandemic, which in turn may require more bonding to fulfill other programmatic needs, some may have concerns regarding the authorization of transportation fund-supported bonds for storm water projects and the amount of future SEG revenues needed to pay debt service on those bonds. Also, given that local storm water infrastructure is an explicit eligible use of LFRF funds and DNR funds storm water infrastructure improvement as part of its urban nonpoint and storm water management grant program, creating a separate program and providing additional funding for local storm water infrastructure projects may not be needed. [Alternative 2]

## ALTERNATIVES

1. Authorize \$15,000,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding a local infrastructure grant program prioritizing storm water projects in the 2021-23 biennium. There is no estimated debt service in the biennium associated with the partial issuance of these bonds. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$1,203,700 SEG.

<b>ALT 1</b>	<b>Change to Base Revenue</b>
BR-SEG	\$15,000,000

2. Take no action.

Prepared by: Nick Lardinois