



## 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>

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Joint Committee on Finance

Paper #600

### **Transportation Alternatives Program (Transportation -- Local Transportation Assistance)**

[LFB 2021-23 Budget Summary: Page 576, #8]

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#### **CURRENT LAW**

The federal transportation alternatives set-aside provides funding for a wide range of transportation-related projects, including construction and planning of nontraditional transportation improvements such as on-road and off-road bicycle, non-motorized vehicle, and pedestrian facilities. Federal transportation alternatives set-aside may also be used for construction of viewing areas such as overlooks and turnouts, historic preservation activities, environmental mitigation, and safe routes for non-driver projects. The state appropriates and awards this federal aid through its own transportation alternatives program (TAP).

#### **DISCUSSION POINTS**

1. In federal fiscal year 2016, the federal surface transportation authorization act (the FAST Act) eliminated what had been referred to as the "transportation alternatives program" as a separate federal aid category, but created the federal "transportation alternatives" (TA) set-aside, which funds essentially the same type of projects and is used by the state in the same manner as before. In general, any project for which a grant was awarded under the former federal program would be eligible to proceed under the federal TA set-aside.

2. The state administers TAP under a five-year grant award cycle, with the current cycle being 2020-24. Applications are accepted and grant awards are made in the even-numbered years of the cycle. Eligible applicants include local governments (city, town, village, county, or tribe), natural resource and public land management agencies, regional transportation authorities and transit agencies, school districts and schools, nonprofits, or any other local or regional governmental entity with responsibility for oversight of transportation or recreational trails other than a metropolitan

planning organization or state agency. Recipients of TAP grants must provide a 20% match for the use of the grant funds. The program is operated as a reimbursement program where DOT reimburses local sponsors for costs incurred on eligible projects.

3. Eligible projects include those eligible under the federal TA set-aside, including construction and planning of nontraditional transportation improvements such as on-road and off-road bicycle, pedestrian, and other non-motorized vehicle facilities as well as construction of viewing areas such as overlooks and turnouts, historic preservation activities, and environmental mitigation. Recreational trails and safe routes to school projects are also eligible for funding, although recreational trail projects are awarded federal funding through a program administered by the Department of Natural Resources. Under the state transportation alternatives program, infrastructure projects must have a minimum cost of \$300,000 while non-infrastructure projects must have a minimum cost of \$50,000. Projects must commence within four years of receiving a grant award.

4. TAP projects are rated and selected by a selection committee established by DOT. The committee uses defined criteria to evaluate and select projects, including criteria related to: (a) project planning and preparation; (b) project utility and connectivity to promote utilitarian rather than recreational projects; (c) the environmental, livability, economic justice, public health, historic preservation, and safety benefits; (d) project location to ensure geographical balance of awards; (e) history of success by the local sponsor; and (f) whether the project capitalizes or supplements an existing road improvement project.

5. Under the 2013-15 biennial budget, \$1,000,000 SEG annually in grant funding was provided for TAP. Prior to this time, TAP did not receive state funding. Subsequently, the 2015-17 biennial budget act deleted the \$1,000,000 in annual base level funding to eliminate state funding for TAP. At that time, the Department required local project sponsors to fund the entire 20% match required under the federal aid category, and no state funding was used to meet the required match. Beginning in 2015-16, TAP has been funded entirely through base funding of \$7,049,300 FED annually.

6. Federal TA set-aside funds are provided as part of the state's federal highway aid. The actual amount of the state's federal highway aid in 2021-23 will be determined on an annual basis under federal transportation appropriations acts of Congress. Thus, some uncertainty exists regarding the amount of federal transportation aid that will be appropriated by the federal government and made overall available to the state in the biennium. In addition, the FAST Act was set to expire on September 30, 2020 (state fiscal year 2020-21), but was extended for one additional year, through September 30, 2021, as part of a federal continuing resolution. The federal government will soon have to authorize a new transportation appropriation act or again extend the FAST Act.

7. In the Governor's budget recommendations, it was assumed that federal aid would slightly increase compared to the base year federal aid levels (under the bill, total estimated federal highway aid is equal to \$803.5 million in 2021-22 and \$819.6 million in 2022-23, as compared to base funding of \$791.0 million). However, by statute, if the total amount of federal funds received differs by more than 5% from the amount allocated by the budget act, federal funding appropriations may be adjusted later by the Joint Committee on Finance. Therefore, if federal aid is less than anticipated, the Secretary (if less than a 5% difference in funding) or the Committee (if greater than a

5% difference) could act during the biennium to adjust the TAP appropriation accordingly.

8. TAP funds are awarded based on a competitive process, as noted, and must meet distributional requirements outlined in federal code (generally, at least 50% of federal transportation alternatives set-aside funding must be allocated to applicants based on their relative share of state population). Demand for TAP funding exceeds available funding. Of the 68 project applications for the 2020-24 program cycle, 40 projects totaling \$33.0 million did not receive funding.

9. In its 2013 report to the Legislature and the Governor, the Transportation Finance and Policy Commission (the Commission) recommended an increase of \$10 million annually in state funding for bicycle and pedestrian facility projects to "create a state-funded bicycle and pedestrian program that addresses commuter needs." In addition, some have contended that bicycle and pedestrian facilities, such as those funded through TAP, may result in improved safety for users of the state's transportation systems by reducing conflicts between bicyclists, pedestrians, and motorists. For example, the Federal Highway Administration notes that infrastructure improvements such as sidewalk set-backs and adding designated bicycle lanes may reduce infrastructure user conflicts and improve safety.

10. Recognizing the Commission's recommendation, the argument that these facilities may improve public safety, and the unmet program demand, the Committee could decide that state funding for these facilities should be increased. The Governor recommended providing \$1,000,000 SEG annually for TAP, which currently receives no state funding as noted. This would return the level of state funding to that in the 2013-15 biennium. [Alternative 1]

11. Under the base level funding currently included in the substitute amendment 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 for the transportation alternatives program may be limited.

12. Given this limited availability of SEG funding, providing \$500,000 SEG annually would show a state commitment to these program facilities. Also, it would recognize that TAP facilities have a safety improvement quality and would assist DOT in meeting unmet program demands, while reducing the impact of a funding increase on the transportation fund balance compared to the Governor's recommendation. [Alternative 2]

13. Generally, federal aid for transportation is apportioned so that state governments, within certain constraints, can allocate federal moneys based on state priorities. In 2019-21, the Legislature did not appropriate the full amount of federal aid that could have been used for TAP purposes (opting

instead to allocate federal aid that could have been used for TAP to other DOT programs areas related to highways and local transportation facilities assistance). For example, in 2019 and 2020, over \$17 million in federal aid could have been allocated each year to the portion of TAP overseen by DOT. However, only slightly more than \$7.0 million annually in federal aid was appropriated for TAP projects in 2019-21.

14. Therefore, if it is determined that TAP should receive additional funding given its safety benefits, but concerns exists about providing SEG funding from the transportation fund, the Committee could increase the amount of federal aid provided to the program by \$1,000,000 annually instead. This would increase annual base level FED funding for TAP to \$8,049,300. While the Legislature may establish federal appropriation levels, the Department spends only the amount of federal aid that is received from the federal government each year. If DOT receives only the federal aid that is currently estimated and budgeted for the biennium, providing federal aid for TAP may require a corresponding decrease to a separate federal aid appropriation. However, this alternative would make additional FED appropriation authority available for this program, and if federal aid exceeds the current estimates for the biennium, the Department could expend those funds. Under the Governor's recommendations, total estimated federal highway aid is equal to \$803.5 million in 2021-22 and \$819.6 million in 2022-23, as compared to base funding of \$791.0 million. This alternative would provide the same funding increase for TAP that is recommended by the Governor, but would utilize federal funds rather than funds from the transportation fund. [Alternative 3]

15. Moreover, the transportation fund is often seen as a user-based system, whereby users of the state's transportation infrastructure pay into the fund and these revenues are expended to support that same transportation infrastructure. However, bicyclists and pedestrians would benefit from the use of systems funded in part from state TAP funds, but, relative to those activities, would not pay into the state's transportation fund. Some contend that activities and programs that are not directly supported by transportation fund user fees should not receive state transportation fund revenues. If the Committee shares this perspective, they could take no action. TAP would continue to have \$7,049,300 FED available annually for programming. [Alternative 4]

**ALTERNATIVES**

1. Provide \$1,000,000 SEG annually for the transportation alternatives program.

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

2. Provide \$500,000 SEG annually for the transportation alternatives program.

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

3. Provide \$1,000,000 FED annually for the transportation alternatives program. This alternative would require reducing federal highway aid to a different state program by an equal amount in each year.

<b>ALT 3</b>	<b>Change to Base</b>
FED	\$2,000,000

4. Take no action.

Prepared by: Nick Lardinois