

Transportation

Local Transportation Aid

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Joint Committee on Finance

Paper #590

General Transportation Aids and Penalty Limit for Late Reporting of Aid Data (Transportation -- Local Transportation Aid)

[LFB 2021-23 Budget Summary: Page 569, #1 & #2]

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 2021 and thereafter are \$122,203,200 for counties and \$383,503,200 for municipalities. The mileage aid rate is set at \$2,628 per mile for 2021 and thereafter. General transportation aid payments are made from two sum certain, transportation fund appropriations.

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 (2014 through 2019 for calendar year 2021 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, although mileage aid 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 24.9% of all transportation fund appropriations in 2020-21. The \$122,203,200 provided to counties and the \$383,503,200

provided to municipalities in 2021 under current law helps offset some of the costs of local road improvements, maintenance, traffic enforcement, and other transportation-related costs on 19,800 miles of county roads, 20,700 miles of city and village streets, and 61,500 miles of town roads.

3. 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. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would provide \$19,095,300 SEG for a 2.0% increase each year to the general transportation aid distribution for counties and municipalities (including a 2.0% increase to the mileage aid rate). While contingent on the impact of changes in costs over the six-year average, which would involve dropping 2014 and 2015 costs from that average and adding 2020 and 2021, the proposed funding increase would assist in maintaining the share of cost percentage shown in Table 1. [Alternative 1]

TABLE 1
Annual Aid Funding Change and Percent of
Six-Year Average Costs Covered by State Aid
(2012-2021)

<u>Year</u>	<u>County Aid</u>		<u>Municipal Aid*</u>	
	<u>% Change</u>	<u>% of Costs</u>	<u>% Change</u>	<u>% of Costs</u>
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
2020	10.0	20.7	10.0	17.7
2021	0.0	19.9	0.0	16.8

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

4. 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 2023 would be provided, the remaining portion of the calendar year increase would have to be funded in next fiscal year (2023-24). This would increase the funding commitments on the transportation fund in the next biennium. Under AB 68/SB 111, the amount that would need to be funded in 2023-24 associated with the proposed 2023 increase would be \$5,781,400. This future commitment could be avoided if the funding increase would be provided in 2022, with no additional increase in 2023. [Alternative 2]

Limit Penalty for Late Reporting of GTA Aid Data

5. Under current law, all local governments must report their highway-related expenditures for each calendar year and are subject to a penalty for reporting the data late. This information is submitted on financial report forms required by the Department of Revenue (DOR), which provides this information to DOT. For municipalities and counties with populations over 25,000, an audited financial statement with supporting schedules must accompany the standard financial report and must be submitted by July 31 of the following year. If a local government with a population over 25,000 files a late report, its total aid for the following year is reduced by 1% for each working day that the report is late, to a maximum reduction of 10% (the resulting payment cannot be less than 90% of the previous year's payment). If the report is not received within 30 days of the filing date, the payment will equal 90% of the previous year's payment. Penalty amounts calculated for an aid year are redistributed to other counties or municipalities on the aid formula in that year.

6. For the 2021 aid distribution, the Village of Menomonee Falls was the only municipality or county with a population over 25,000 to be assessed a penalty under the late filing penalty provision. The Village submitted the required forms to DOR 104 working days after the forms were due. The late filing penalty assessed on the Village of Menomonee Falls resulted in a 2021 aid distribution of \$2,141,940, an amount that equaled 90% of the Village's prior year payment of \$2,379,933. The Village's GTA distribution for 2021 without the late filing penalty would have been \$2,652,592. Therefore, the penalty incurred by the Village was \$510,652 (\$2,652,592 - \$2,141,940).

7. AB 68/SB 111 would limit the penalty that DOT may assess a county or municipality that exceeds 25,000 in population for filing late the required reports used in the GTA formula calculations to an amount not to exceed \$100 for each working day after July 31 that the reports are submitted. This provision would limit the amount of this reduction to no more than \$100 for each working day after July 31 that the financial reports are submitted. Under the provision under AB 68/SB 111 been in effect for the 2021 GTA distribution, the Village of Menomonee Falls would have been assessed a penalty of \$10,400, compared to \$510,652 under current law. If this provision had been in place for 2021, less aid would have been redistributed to other municipalities associated with smaller penalty being imposed. [Alternative 3]

Federal Coronavirus Local Fiscal Recovery Funds

8. 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. Local governments have through December, 2024, to expend these funds. Table 2 shows the estimated LFRF amounts that will be received by units of local government in Wisconsin.

TABLE 2

**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

9. In general, LFRF monies may be used to respond to the coronavirus pandemic or its negative economic impacts (aid to households and businesses), to make investments in certain broadband, sewer, or water (including storm water) infrastructure, or to provide premium pay for essential workers. LFRF monies may also be used for the provision of government services, to the extent of the "revenue loss" experienced by local governments due to the COVID-19 public health emergency. Guidance from the U.S. Treasury defines "government services" broadly as including maintenance or pay-go funding of infrastructure, which can include roads. Thus, if a "revenue loss" can be demonstrated by a local unit of government in a year, that governmental unit has greater flexibility as to how they can use the LFRF monies in that year. Treasury guidance also provides a method for calculating "revenue loss" for the purposes of using LFRF monies for the provision of government services, in addition to providing a definition of general revenue for the purpose of this calculation. General revenue is defined to include revenues collected by a recipient government and generated from its underlying economy, as well as other types of revenue that are available to support government services, including intergovernmental revenue transfers between state and local governments.

10. "Revenue loss" is to be calculated by comparing the government's actual revenue to a counterfactual trend, representing revenues that would have been expected in the absence of the pandemic. When calculating the counterfactual trend, recipient governments will use a growth adjustment equal to the greater of 4.1% annually, or the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency. Each recipient government is to calculate its own revenue loss for the purpose of determining the amount of LFRF funds that may be used to fund government services each year. The calculation of the annual "revenue loss" is to be completed as of December 31 beginning in 2020, and each year thereafter through 2023. If any carryover LFRF monies remain at the end of each year, and if a "revenue loss" can be demonstrated in a subsequent year, local governments could again use those LFRF monies for the "provision of government services" up to the amount of revenue loss shown in that year.

11. Hence, if their LFRF funds remain available, and an annual "revenue loss" can be demonstrated each year, local governments could use these funds to fund government services, including roads, for up to four years, or until the funds are exhausted. Given annual levy limits, and the varied level of growth among Wisconsin counties and municipalities, it is likely that many local governments could demonstrate a "revenue loss" under this calculation (meaning their annual revenue will grow at less than 4.1% each year). As a result, the availability of these funds could lessen the

need for the state to provide additional general transportation aid funding at this time. Further, because any additional state aid that is provided would be included as intergovernmental revenue for the purposes of calculating an annual "revenue loss", it would likely reduce the amount of "revenue loss" a local government could demonstrate. In turn, additional general transportation aid could reduce the amount of LFRF monies available to local governments to use more broadly for the "provision of government services", such as road infrastructure.

Transportation Fund Concerns

12. The state transportation fund provides funding for a variety of state operations, like Division of Motor Vehicles services and State Patrol, as well maintenance of the state's highway infrastructure. In addition, the fund provides SEG monies for the local transportation operations primarily through general transportation aids and mass transit operating assistance as well as for a variety of local infrastructure improvement programs. Several of these programs have received SEG funding increases in recent biennia. Such SEG funding from the transportation fund that is allocated or committed to local programs, especially on an ongoing basis, reduces the amount of SEG funding available to fund DOT operations and the state highway improvement program. The question then arises as to whether the state's transportation fund has the financial ability to support both local transportation assistance and state highway infrastructure. On the other hand, since the 2005(06) property tax year, the Department of Revenue (DOR) has administered a levy limit program that restricts the year-to-year increases in county and municipal property tax levies, which some contend inhibits the ability of some local governments to raise the revenue needed to maintain and rehabilitate their transportation infrastructure. As a result, state assistance for local transportation facilities and services may be warranted.

13. 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 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 an increase in general transportation aid distribution payments to counties and municipalities may be limited.

14. If the Governor's recommendation is not adopted and no funding increase is provided over the 2020-21 base level funding amount, the ongoing calendar aid level would remain at \$122.2 million for counties and \$383.5 million for municipalities (the rate per mile would remain at \$2,628 per mile). [Alternative 4]

ALTERNATIVES

1. Provide the following related to the general transportation aids program:

County Aid. Increase funding by \$611,000 in 2021-22 and \$3,067,300 in 2022-23 to fund a 2.0% increase each year to the calendar year general transportation aid distribution for counties. The calendar year distribution for counties is currently equal to \$122,203,200. This would provide a calendar year distribution amount for counties equal to \$124,647,300 for 2022 and \$127,140,200 for 2023 and thereafter.

Municipal Aid. Increase funding by \$3,835,100 in 2021-22 and \$11,581,900 in 2022- 23 to fund a 2.0% increase each year to the calendar year general transportation aid distribution for municipalities. The calendar year distribution level for municipalities is currently equal to \$383,503,200. This would provide a calendar year distribution amount for municipalities equal to \$391,173,300 for 2022 and \$398,996,800 for 2023 and thereafter. Increase the mileage aid rate by 2.0% each year (from its current level of \$2,628 per mile) to \$2,681 per mile for calendar year 2022 and \$2,734 per mile for calendar year 2023 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 1	Change to Base
SEG	\$19,095,300

2. Provide the following related to the general transportation aids program:

County Aid. Increase funding by \$611,000 in 2021-22 and \$2,444,100 in 2022-23 to fund a 2.0% increase to the calendar year general transportation aid distribution for counties for 2022 and thereafter. The calendar year distribution for counties is currently equal to \$122,203,200. This would provide a calendar year distribution amount for counties equal to \$124,647,300 for 2022 and thereafter.

Municipal Aid. Increase funding by \$3,835,100 in 2021-22 and \$7,670,100 in 2022-23 to fund a 2.0% increase to the calendar year general transportation aid distribution for municipalities for 2022 and thereafter. The calendar year distribution level for municipalities is currently equal to \$383,503,200. This would provide a calendar year distribution amount for municipalities equal to \$391,173,300 for 2022 and thereafter. Increase the mileage aid rate by 2.0% (\$53 per mile), from its current level of \$2,628 per mile to \$2,681 per mile for calendar year 2022 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 2	Change to Base
SEG	\$14,560,300

3. In addition Alternative 1 or Alternative 2, limit the penalty that DOT may assess a county or municipality that exceeds 25,000 in population for filing late the required reports used in the general transportation aid formula calculations to an amount not to exceed \$100 for each working day after July 31 that the reports are submitted. This provision would limit the amount of this reduction to no more than \$100 for each working day after July 31 that the financial reports are submitted.

4. Take no action. [The ongoing calendar aid level would remain at \$122,203,200 million SEG for counties and \$383,503,200 million SEG for municipalities (the rate per mile would remain at \$2,628 per mile).]

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Joint Committee on Finance

Paper #591

State and Federal Mass Transit Funding (Transportation -- Local Transportation Aid)

[LFB 2021-23 Budget Summary: Page 570, #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 2021 distribution amounts are \$65,477,800 SEG for Tier A-1 systems (Milwaukee County), \$17,205,400 SEG for Tier A-2 systems (Madison), \$24,976,400 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 \$5,292,700 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.

DISCUSSION POINTS

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. 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.

3. Although program funding is appropriated on a fiscal year basis, contracts with aid recipients are on a calendar year basis. Table 1 shows the total state operating assistance payments to aid recipients for calendar years 2011 through 2021. Base funding for the state's operating assistance program was increased by 4% in 2015 and, again, by 2% in 2020. In 2020, 75 mass transit systems received \$113.0 million in state transit aid. Approximately 96% of this aid was distributed to transit systems providing bus service, with the remainder being distributed to shared-ride only taxi systems.

TABLE 1
Urban Mass Transit Operating Assistance Payments

<u>Calendar Year</u>	<u>Amount</u>	<u>Percent Change</u>
2011	\$118,309,200	
2012	106,478,300	-10.0%
2013	106,478,300	0.0
2014	106,478,300	0.0
2015	110,737,500	4.0
2016	110,737,500	0.0
2017	110,737,500	0.0
2018	110,737,500	0.0
2019	110,737,500	0.0
2020	112,952,300	2.0
2021	112,952,300	0.0

4. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would increase operating assistance payments to each tier of mass transit systems by 2.5% for both calendar year 2022 and calendar year 2023. Total operating assistance payments, as modified by the administration's April 23, 2021, errata to fully fund the 2.5% increase in both years, would equal \$118,670,400 in calendar year 2023 which would represent a 0.3% increase over the 2011 funding level (year prior to 2012 aid reduction) This would increase funding by \$705,900 in 2021-22 and \$3,547,300 in 2022-23 to provide a 2.5% increase in mass transit operating assistance to each tier of mass transit systems for both calendar year 2022 and calendar year 2023. Specify that the increase in funding would be distributed as follows: (a) \$409,200 in 2021-22 and \$2,056,400 in 2022-23 for Tier A-1; (b) \$107,500 in 2021-22 and \$540,300 in 2022-23 for Tier A-2; (c) \$156,100 in 2021-22 and \$784,400 in 2022-23 for Tier B transit systems; and (d) \$33,100 in 2021-22 and \$166,200 in 2022-23 for Tier C transit systems. [Alternative 1]

5. Because the quarterly transit aid payments are made in April, July, October, and December of each calendar year, only one quarter of the recommended calendar year 2023 increase

(the April payment) would be paid in 2022-23. The remaining portion of the calendar year 2023 increase would have to be funded in each year of the next biennium. This future funding commitment would total \$2,170,800 under the 2023 funding level included in AB 68/SB 111. If the increase were provided in the first year only, no future funding commitment would exist. [Alternative 2]

Supplemental Federal Transit Funding

6. Formula grant programs administered by the Federal Transit Administration use the following population groupings which roughly equates to the state tier systems as follows:

- Large urban, population greater than 200,000, "Tier A-1" (Milwaukee), "Tier A-2" (Madison), and systems within these urbanized areas; and Appleton and Green Bay area Tier B systems
- Small urban, population between 50,000 and 200,000, "Tier B systems"
- Rural, population less than 50,000, "Tier C Systems"

7. In response to the COVID-19 pandemic, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020, and included \$25 billion in supplemental funding for transit systems to be disbursed by the Federal Transit Administration (FTA) through apportionments to the urbanized area (section 5307) and rural formula (section 5311) programs. FTA allocated \$22.7 billion to large and small urban areas, \$2.2 billion to rural areas, and \$30 million to tribal entities. Transit systems in Wisconsin received a total of \$208.2 million in CARES Act funding.

8. Subsequent to the CARES Act, the federal Consolidated Appropriations Act of 2021 (CAA) was signed into law and makes \$14 billion available in grants to transit providers for capital and operating assistance. Urban transit allocations under the CAA are capped at 75% of reported 2018 operating expenses in combined CARES Act and CAA funding, and rural allocations under the CAA are capped at 125% of reported 2018 operating expenses in combined CARES Act and CAA funding. Those states and urbanized areas that received more CARES Act funding than their 2018 rural or urban transit operating expenses do not receive additional funding under the CAA. For example, under the rural area formula grant program for systems serving populations of less than 50,000 ("Tier C"), Wisconsin will not receive any additional funding under the CAA. In total, transit agencies and tribal governments in the state are estimated to receive \$79.6 million in additional federal transit funding under the CAA.

9. The American Rescue Plan Act (ARPA) provides a total of \$30.5 billion in emergency public transit funding, to remain available until September 30, 2024, for grants to eligible federal transit aid recipients under existing federal transit grant programs without requiring a state match. Notwithstanding existing regulations for these programs, funds are available for reimbursement of payroll costs, operating costs to maintain service due to lost revenue as a result of the coronavirus public health emergency, and paying the administrative leave of personnel due to service reductions. Urban allocations under ARPA are capped, based on how much each urbanized area reported in 2018 operating costs. ARPA limits the initial apportionment of funds so that no urbanized area receives more than 132% of its reported 2018 operating expenses in combined funding received from the Act, the CARES Act, and the CAA of 2021. In total, transit agencies and tribal governments in the state

are estimated to receive \$157.7 million in additional federal transit funding under ARPA.

10. Table 2 shows the apportionment of federal transit funding to the state from the CARES Act, CAA, and ARPA. As noted in the table, Milwaukee, Madison, Appleton and Green Bay receive aid amounts directly from FTA because of their status as large urban transit systems under the existing federal Section 5307 formula program. Funding provided through other programs listed in the table, such as 5307 Small Urban, 5311 Rural Area, Intercity Bus, and WETAP, will all pass through DOT prior to being disbursed to eligible transit systems. Table 3 shows additional detail of DOT's allocation of 5307 Small Urban funding from the three COVID relief bills.

TABLE 2

Transit Funding Allocated to Wisconsin from Federal COVID Relief Bills

<u>Program</u>	<u>Allocation</u>
CARES Act	
5307 Large Urban (Milwaukee)	\$62,363,348
5307 Large Urban (Madison)	24,498,820
5307 Large Urban (Appleton)	7,425,047
5307 Large Urban (Green Bay)	6,415,260
5307 Small Urban ("Tier B")	49,609,988
5311 Rural Area ("Tier C")	45,814,857
Tribal Transit	2,302,024
Intercity Bus	8,247,328
WETAP	<u>1,488,599</u>
Subtotal	\$208,165,231
Consolidated Appropriation Act of 2021	
5307 Large Urban (Milwaukee)	\$60,271,997
5307 Large Urban (Madison)	14,983,291
5307 Small Urban ("Tier B")	1,139,670
Tribal Transit	2,302,024
Seniors and Individuals with Disabilities	<u>884,892</u>
Subtotal	\$79,581,874
American Recovery Plan Act	
5307 Large Urban (Milwaukee)	\$93,202,863
5307 Large Urban (Madison)	30,006,405
5307 Large Urban (Appleton)	3,370,750
5307 Large Urban (Green Bay)	3,770,849
5307 Small Urban ("Tier B")	20,000,357
5311 Rural Area ("Tier C")	1,812,593
Tribal Transit	2,187,865
Seniors and Individuals with Disabilities	884,905
Intercity Bus	<u>2,503,019</u>
Subtotal	\$157,739,606
Total	\$445,486,711

TABLE 3**5307 Small Urban Transit Funding Under Federal COVID Relief Bills**

<u>Urban Area</u>	<u>CARES Act</u>	<u>CAA 2021</u>	<u>ARPA</u>	<u>Total</u>
City of Beloit	\$1,831,270		\$624,183	\$2,455,453
City of Chippewa Falls (Eau Claire UZA)	450,285			450,285
City of Eau Claire	5,223,942		2,142,744	7,366,686
City of Fond du Lac	1,699,868		451,332	2,151,200
City of Hartford (West Bend UZA)	241,179			241,179
City of Janesville	3,291,898		1,391,289	4,683,187
City of Kenosha	6,528,317		2,988,496	9,516,813
City of La Crosse	6,025,520		2,319,784	8,345,304
City of Onalaska (La Crosse UZA)	769,296			769,296
City of Oshkosh	4,553,754		1,128,184	5,681,938
City of Racine	7,839,241		3,128,816	10,968,057
City of Sheboygan	3,497,562		1,702,136	5,199,698
City of Superior (Duluth, MN UZA)	1,377,042	1,139,670	2,267,461	4,784,173
City of Wausau	3,212,991		1,135,676	4,348,667
Washington County (West Bend UZA)	2,008,161			2,008,161
City of West Bend	<u>1,059,662</u>	<u> </u>	<u>720,256</u>	<u>1,779,918</u>
Total	\$49,609,988	\$1,139,670	\$20,000,357	\$70,750,015

Post-Pandemic Transit Service and Finance

11. Public transit systems in Wisconsin, much like transit systems in rest of the country, have been, and continue to be, severely impacted by the pandemic with greatly reduced ridership and farebox revenue. According to data compiled by the American Public Transit Association, bus ridership in the U.S. was 54% lower in the fourth quarter of 2020 as compared to the prior year, and was down 46% overall in 2020. For the Milwaukee County Transit System, Wisconsin's largest system, ridership was 51% lower in the fourth quarter of 2020 as compared to a year earlier and was down 41% overall in 2020. At the same time that the pandemic dramatically reduced overall transit ridership, transit also delivered a critical service during the pandemic as essential workers relied on transit to get to employment. Therefore, transit itself provided an essential function and, although at a much reduced level of service, still delivered 4.6 billion rides (unlinked passenger trips) nationally in 2020. Nonetheless, as the impact of the economy and public transportation hesitancy due to the pandemic subsides, ridership could return to pre-pandemic levels, and continue provide needed access to employment and vital services for many.

12. However, even prior to the pandemic, transit systems in Wisconsin and throughout the country were struggling with falling ridership, lower levels of service and stagnate revenues. Nationally, ridership began to slowly decline on an annual basis starting in 2014, and in Wisconsin a

similar decline started in 2016. Although each system and city encountered its own unique set of challenges, the most commonly cited reasons for transit's ridership struggles prior to the pandemic were low gas prices which supported increased automobile use, a strong economy which supported car ownership, reduced levels of transit service, and the increasing popularity of on-demand ridesharing services such as Uber and Lyft. Post-pandemic, many of these same trends persist, and are joined by new factors such as workers having the ability to work from home and work flexible hours. Given that public transportation in the US was already facing issues in attracting riders prior to the pandemic, the post-pandemic period could bring about an urgency to recalibrating public transit goals and practices.

13. Federal aid received by transit agencies has backfilled lost revenues to maintain some basic level of reduced service during the pandemic. Eventually, transit agencies will need to balance restoring service to lure back riders with finding additional savings by adjusting transit schedules for new commuting patterns. Along these lines, major schedule and system redesign efforts are currently underway in Beloit ("Transit 2020"), Madison ("METRO Forward"), Milwaukee ("MCTS Next") and in other communities throughout the state and county. The federal aid shown in Table 2 and Table 3 essentially gives transit agencies a temporary window of time to "right-size" and restructure their operations to be more efficient for the post-COVID world.

14. The federal funding received by transit systems is one-time funding. Once these funds have been exhausted, the services that these federal aids support will either have to be financed with some combination of ongoing state, federal, local and farebox revenues, or the service itself will have to be reduced, redesigned, or eliminated. In recognition that the pandemic-related federal funding received by transit agencies is one-time financing and will eventually be exhausted, and in support of system right-sizing and redesign efforts, the Committee could choose to increase ongoing state operating assistance.

15. Some may contend that given the amount of federal aid being provided mass transit systems in the state, that state aid to mass transit systems could be reduced for the near term. None of the three federal coronavirus aid Acts passed to date include a maintenance of effort requirement on the part of the state. That is, the state could reduce the state funding provided for mass transit to reflect the federal pandemic-related transit aid that was received in 2020 and 2021. However, as mentioned, this funding is one-time in nature and was provided to assist state transit systems with the financial toll experienced in 2020 and 2021, whereas the funding provided being deliberated as part of AB 68/SB 111 would be to assist transit systems in 2022 and 2023.

16. Nonetheless, it is likely that some federal transit funding could remain through September, 2024. However, as mentioned earlier, because of the way in which calendar year mass transit operating assistance is distributed across state fiscal years, any calendar year 2022 aid reduction would affect the transit aid appropriation levels for both 2021-22 and 2022-23. Therefore, if a reduction is made to the 2022 calendar year funding level, the 2023-24 base level funding for each tier of transit systems would not be sufficient to fund the current law calendar year distributions for 2023, and thereafter. As a result, any reduction in mass transit aid in the 2021-23 biennium would need to specify that for the purposes of establishing the adjusted base for the 2023-25 biennium, the 2020-21 funding level would be used, in order to avoid having to reinstate the funding level during

2023-25 budget deliberations to fully-fund the 2023 calendar year distribution amount.

Transportation Fund Concerns

17. The state transportation fund provides funding for a variety of state operations, like Division of Motor Vehicles services and State Patrol, as well maintenance of the state's highway infrastructure. In addition, the fund provides SEG monies for the local transportation operations primarily through general transportation aids and mass transit operating assistance as well as for a variety of local infrastructure improvement programs. Several of these programs have received SEG funding increases in recent biennia. Such SEG funding from the transportation fund that is allocated or committed to local programs, especially on an ongoing basis, reduces the amount of SEG funding available to fund DOT operations and the state highway improvement program. The question then arises as to whether the state's transportation fund has the financial ability to support both local transportation assistance and state highway infrastructure. On the other hand, since the 2005(06) property tax year, the Department of Revenue (DOR) has administered a levy limit program that restricts the year-to-year increases in county and municipal property tax levies, which some contend inhibits the ability of some local governments to raise the revenue needed to maintain and rehabilitate their transportation infrastructure. As a result, state assistance for local transportation facilities and services may be warranted.

18. Under the base level funding currently included in the substitute amendment to AB 68/SB 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 additional SEG funding for transit assistance may be limited [Alternative 3].

ALTERNATIVES

1. Provide \$705,900 in 2021-22 and \$3,547,300 in 2022-23 to provide a 2.5% increase in mass transit operating assistance to each tier of mass transit systems for both calendar year 2022 and calendar year 2023 as follows: (a) \$409,200 in 2021-22 and \$2,056,400 in 2022-23 for Tier A-1; (b) \$107,500 in 2021-22 and \$540,300 in 2022-23 for Tier A-2; (c) \$156,100 in 2021-22 and \$784,400 in 2022-23 for Tier B transit systems; and (d) \$33,100 in 2021-22 and \$166,200 in 2022-23 for Tier C transit systems. Set the statutory calendar year distribution amounts as follows; (a) \$67,114,700 for 2022 and \$68,792,600 for 2023 for Tier A-1; (b) \$17,635,500 for 2022 and \$18,076,400 for 2023 for Tier A-2; (c) \$25,600,800 for 2022 and \$26,240,800 for 2023 for Tier B; and (d) \$5,425,000 in 2022 and \$5,560,600 for 2023 for Tier C.

ALT 1	Change to Base
SEG	\$4,253,200

2. Provide \$705,900 in 2021-22 and \$2,823,700 in 2022-23 to provide a 2.5% increase in mass transit operating assistance to each tier of mass transit systems for calendar year 2022 only as follows: (a) \$409,200 in 2021-22 and \$1,636,900 in 2022-23 for Tier A-1; (b) \$107,500 in 2021-22 and \$430,100 in 2022-23 for Tier A-2; (c) \$156,100 in 2021-22 and \$624,400 in 2022-23 for Tier B transit systems; and (d) \$33,100 in 2021-22 and \$132,300 in 2022-23 for Tier C transit systems. Set the statutory calendar year distribution for 2022, and thereafter at: (a) \$67,114,700 for Tier A-1; (b) \$17,635,500 for Tier A-2; (c) \$25,600,800 for Tier B; and (d) \$5,425,000 for Tier C.

ALT 2	Change to Base
SEG	\$3,529,600

3. Take no action

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June, 2021

Joint Committee on Finance

Paper #592

Transit Capital Assistance Grants (Transportation -- Local Transportation Aid)

[LFB 2021-23 Budget Summary: Page 570, #4]

CURRENT LAW

Under current law, Wisconsin does not have a dedicated state-funded program to assist transit systems in capital purchases. Since 2018, the Department of Administration has awarded transit capital assistance grants from the state's Volkswagen Environmental Mitigation Trust monies. State transit systems also receive 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 certain ongoing capitalized maintenance 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.

DISCUSSION POINTS

1. 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.

2. 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.

3. Currently, Wisconsin does not have an ongoing 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. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would provide funding of \$10,000,000 SEG annually to fund a newly created transit capital assistance grant program administered by DOT.

4. 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. The transit capital 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. The program has competitively awarded \$50.2 million of Volkswagen Trust funds to 11 transit systems to replace 92 eligible public transit vehicles.

5. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Consolidated Appropriations Act of 2021 (CAA), and the American Rescue Plan Act (ARPA), together provide a total of \$424.7 million for grants to eligible transit aid recipients under existing federal transit grant programs (5307 large urban, 5307 small urban, and 5311 rural area) without requiring a state match. Funds are to be directed for reimbursement of payroll costs, operating costs to maintain service due to lost revenue as a result of the pandemic, and paying the administrative leave of personnel due to service reductions, unless the recipient certifies to the FTA Administrator that the recipient has not furloughed any employees. FTA states that while the primary goal of CARES ACT, CAA and ARPA grant funds made available under 5307 and 5311 are to supplement the operating costs of transit systems, funds are also eligible for capital projects, planning, and activities that a system could normally fund under the urbanized and rural area programs. Accordingly, there is no limit on the amount of federal COVID relief funding that can be used for operating expenses or other types of activities such as capital. ARPA funds are available to transit systems until September 30, 2024. CARES Act and CAA funds are available until expended.

6. The federal COVID relief funding received by transit systems is one-time funding. Once these funds have been exhausted, future, ongoing transit capital needs will either have to be financed with some combination of ongoing state, federal, local and farebox revenues, or needed capital investment will again decline. In recognition that the pandemic-related federal funding received by transit agencies is one-time financing and will eventually be exhausted, the Committee could choose to establish an ongoing state transit capital program funded at \$10.0 million annually to meet the need of the state's transit systems. [Alternative 1]

7. Alternatively, given that federal aid is currently available, and the state's Volkswagen transit capital assistance grant program, the Committee could provide \$10.0 million in 2022-23,

instead of both years of the biennium. This would provide some funding, for what the Department and transit officials in the past have identified as an ongoing need long-term need in order to maintain transit systems' viability. This alternative would also establish ongoing base level funding for a transit capital program. [Alternative 2]

8. Under AB 68/SB 111, 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. However, 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 capital needs among transit systems statewide. The Committee could choose 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 3]

9. The state transportation fund provides funding for a variety of state operations, like the Division of Motor Vehicles services and State Patrol, as well as maintenance of the state's highway infrastructure. In addition, the fund provide SEG monies for local transportation options primarily through general transportation aids and mass transit operating assistance as well as for a variety of local transportation infrastructure programs. Several of these programs have received SEG funding increases in recent biennia. Such SEG funding for the transportation fund that is allocated or committed to local programs, especially on an ongoing basis, reduces the amount of SEG funding available to fund DOT operations and the state highway improvement and maintenance programs. The question then arises as to whether the state's transportation fund has the financial ability to support both local transportation capital and infrastructure and state transportation infrastructure. On the other hand, since 2005(06), Department of Revenue has administered a levy limit program, that restricts year-to-year increases in county and municipal property tax levies, which some contend inhibits the ability of some local governments to raise the revenue needed to meet their capital and infrastructure needs.

10. 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 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 transit capital assistance grants may be limited [Alternative 4].

ALTERNATIVES

1. Provide \$10,000,000 annually to a newly-created continuing appropriation to establish a transit capital assistance grant program administered by DOT.

ALT 1	Change to Base
SEG	\$20,000,000

2. Provide \$10,000,000 in 2022-23 to a newly-created continuing appropriation for to establish a transit capital assistance grant program administered by DOT. This would establish an ongoing base level of funding for local transit capital assistance.

ALT 2	Change to Base
SEG	\$10,000,000

3. In addition 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.]

4. Take no action.

Prepared by: Ryan Horton



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June, 2021

Joint Committee on Finance

Paper #593

Employment Transportation Program (Transportation -- Local Transportation Aid)

[LFB 2021-23 Budget Summary: Page 571, #5]

CURRENT LAW

Under current law, the Department of Transportation (DOT) may award grants from the Department's transportation employment 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 with \$582,600 SEG in base funding from the transportation fund from this appropriation.

DISCUSSION POINTS

1. The Wisconsin employment transportation assistance program (WETAP) is a 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 Department of Workforce Development (DWD). Each year, DOT enters into a Memorandum of Understanding with DWD to fund WETAP. Funding for the program is comprised of \$582,600 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. 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 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. 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 effectively means that WETAP now must compete with transit systems around the state for federal 5311 and 5307 funding.

4. The effect of the elimination of dedicated federal 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, total award amounts have increased as the state has allocated federal 5311 and 5307 monies to the WETAP program. In addition, the 2019-21 biennial budget provided \$250,000 SEG annually in additional base funding to DOT's appropriation used to fund the WETAP program, which increased total state funding for the WETAP program to \$1,047,400 (\$582,600 SEG from DOT and \$464,800 GPR from DWD). Despite the additional federal and state resources devoted to WETAP since 2017 (41.1% increase), the amount of unfunded project requests has increased during this period because program demand during the period also increased (69.4%).

TABLE 1

**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
2020	3,454,091	700,000	1,048,581	1,748,581	11	-1,705,510
2021	4,173,095	1,649,070	1,018,735	2,667,805	13	-1,505,290

5. As mentioned, 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 uses a portion of the federal funding that would otherwise be allocated by DOT to supporting the capital and operating expenses of smaller urban and rural transit systems. Recently, the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA) allocated supplemental formula funding to DOT through the federal 5307 and 5311 programs. Of the amounts apportioned to DOT from the CARES Act, \$1,488,600 was set aside by DOT to support WETAP awards and is available until fully expended. These CARES Act monies were used by DOT to support the entire \$700,000 federal contribution for 2020 WETAP awards and \$449,070 of the federal contribution for 2021 awards. DOT has yet to determine the amount of federal 5307 and 5311 funding to be set aside from ARPA for the WETAP program.

6. 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. WETAP projects assist nonprofits in providing service in 51 rural and urban counties; seven of the counties served by the WETAP program do not have any public transit service to assist residents in their transportation needs. In 2021, the Department received requests for state and federal funding under the WETAP program totaling \$4.2 million, but given the amount of federal and state funding available, only \$2.7 million was awarded. The attachment to this paper indicates the nonprofit awardee, the counties serviced and the amount of the award.

7. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would provide \$4,000,000 SEG annually to the DOT's transportation employment and mobility continuing appropriation. This would increase base funding from \$582,600 to \$4,832,600 annually. According to DOT, this funding increase to the WETAP program would fund an expansion of program eligibility to include large urban public transit systems. Under the expansion, WETAP would be subdivided into two categories of grant recipients: traditional non-profit organizations and large urban public transportation systems. There are four large urbanized areas in Wisconsin: Milwaukee, Madison, Appleton and Green Bay. Funding within each applicant pool would be determined based on the requested amount of grants received, available funding, and past awards. All applications would be submitted using the existing process but applications would be considered separately within each category. For traditional non-profit organizations, the existing application process would remain unchanged. For large urban public transit systems, the grant program would support new or expanded transportation services that resolve the employment-related transportation needs of eligible low-income workers. For example, these strategies could include linking existing fixed-route transit service with ridesharing services to deliver workers to job sites that are beyond walking distance from the nearest fixed-route stop. The Committee could consider increasing SEG funding to support an expansion of the WETAP program to include large urban areas [Alternative 1].

8. As indicated by the program's demand, WETAP appears to be a popular program for employers and workers throughout the state (see Table 1 and the Attachment) and additional funding is needed to meet program demand. 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 \$250,000 annually to assist the program in meeting existing demand for WETAP program funds [Alternative 2].

9. Under the base level funding currently included in the substitute amendment to AB 68/SB 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 additional SEG funding for WETAP may be limited. [Alternative 3]

ALTERNATIVES

1. Provide \$4,000,000 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 \$4,582,600 SEG annually from the transportation fund.

ALT 1	Change to Base
SEG	\$8,000,000

2. Provide \$250,000 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.

ALT 2	Change to Base
SEG	\$500,000

3. Take no action.

Prepared by: Ryan Horton
Attachment

ATTACHMENT

CY2021 Wisconsin Employment Transportation Assistance Program (WETAP) Awards

<u>Organization</u>	<u>County Served</u>	<u>Award</u>
Advocap Inc	Winnebago, Fond du Lac, Green Lake, Calumet	\$261,520
Couleecap	Crawford, La Crosse, Monroe, Vernon	80,537
DorTran	Door	30,410
Forward Service Corp.	Adams, Brown, Calumet, Columbia, Dane, Dodge, Door, Florence, Fond du Lac, Forest, Grant, Green, Green Lake, Iowa, Juneau, Kewaunee, LaFayette, Langlade, Lincoln, Manitowoc, Marinette, Menominee, Oconto, Oneida, Outagamie, Portage, Price, Richland, Rock, Sauk, Shawano, Sheboygan, Taylor, Vilas, Waushara, Winnebago, and Wood	420,638
Higher Expectations	Racine	38,131
Kenosha Achievement Center	Kenosha, Racine, Walworth	58,154
Lutheran Social Services of WI and Upper MI	Calumet, Outagamie, Waupaca, Winnebago	\$105,714
Milwaukee Careers Cooperative	Milwaukee	274,516
NEWCAP	Brown, Florence, Forest, Marinette, Oconto, Oneida, Shawano, Vilas	83,274
SWCAP	Brown, Dane, Grant, Green, Iowa, Lafayette, Marinette, Menominee, Oconto, Richland, Sauk	849,616
Western Dairyland EOC, Inc.	Buffalo, Eau Claire, Jackson, Trempealeau	85,012
WI Auto and Truck Education Assoc.	Marathon	172,055
YWCA - Madison	Dane	<u>208,228</u>
Totals		\$2,667,805



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June, 2021

Joint Committee on Finance

Paper #594

Tribal Elderly Transportation Grants (Transportation -- Local Transportation Aid)

[LFB 2021-23 Budget Summary: Page 572, #8]

CURRENT LAW

The Department of Administration (DOA) coordinates with tribal governments through its Divisions of Intergovernmental Relations and Gaming. The Division of Intergovernmental Relations provides services and resources to strengthen the relationship between the state and tribal governments, while the Division of Gaming administers regulatory activities under state-tribal gaming compacts. Tribal governments pay a portion of gaming revenues to the state based on compact provisions, and gaming revenues support programs at various state agencies.

Among the programs supported by tribal gaming revenues is the Department of Transportation's (DOT) tribal elderly transportation grant program which provides the eleven federally recognized Tribes of Wisconsin with financial assistance to provide transportation services to tribal elders both on and off the reservations. Any tribal gaming revenues that are not appropriated are deposited to the general fund.

DISCUSSION POINTS

1. Tribal gaming revenue paid to the state is based on provisions under state-tribal compacts. Under the compacts, payments to the state may be reduced in the event of a disaster that affects gaming operations. In 2019-20, payments were postponed because of casino closures during the COVID-19 pandemic. As a result, DOA's gaming receipts appropriation is expected to have a closing balance of -\$28,430,900 in 2020-21. Tribes are scheduled to submit the postponed 2019-20 payment in three installments (in 2021-22, 2022-23, and 2023-24). It is estimated that revenues, including postponed payments, will total \$55.7 million in 2021-22 and \$61.5 million in 2022-23.

2. Currently, DOT administers the tribal grants program. In the 2019-21 biennium,

\$435,600 annually in state tribal gaming revenues is provided to fund the program. Any unencumbered balance in the DOT appropriation, from which the program is funded, on June 30 of each year reverts back to DOA's gaming revenues appropriation. Under the program, DOT is required to annually award grants to federally recognized tribes or bands to assist in providing transportation services for elderly persons. For 2020, DOT provided all eleven of the state's tribes an equal share of the total funds, or \$39,600 each.

3. Four of the 11 federally recognized tribes in Wisconsin do not have access to public transportation and rely on the tribal elderly transportation grants program as the sole source of funding for meeting tribal elderly transportation needs. Under the existing program, operating and capital expenses are eligible; however, DOT indicates that the current annual funding levels are inadequate to cover the cost to purchase vehicle capital assets. This limits funding to operating expenses or purchasing vehicles from other state transit services. In these instances, the used vehicles purchased may have surpassed their useful life before being placed in service by the Tribes. Though a local match is not required, some tribes are able to supplement the allocation with tribal funds, funds received through intergovernmental agreements with counties, or federal funding.

4. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would convert base level funding of \$435,600 for the tribal elderly grant program, which is currently funded from tribal gaming revenues (PR), to a newly-created SEG appropriation funded from the transportation fund. In addition, the SEG funding provided would fund an increase of \$21,800 SEG in 2021-22 and \$44,700 SEG in 2022-23 to fund a 5.0% annual increase in funding for tribal elderly transportation grants in each year of the biennium. Therefore, SEG expenditures from the transportation fund would increase by \$457,400 SEG in 2021-22 and \$480,300 SEG in 2022-23. As recommended, if the Committee wanted to increase the amount of tribal gaming revenues deposited to the general fund in the biennium, the Committee could choose to convert base level funding of \$435,600 PR for the tribal elderly grant program, to a newly-created SEG appropriation funded from the transportation fund. At the same time, and to better meet the transit capital and operating funding needs of tribal government, the Committee could also choose to provide a 5% annual increase in funding (\$21,800 SEG in 2021-22 and \$44,700 SEG in 2022-23) to tribal elderly transportation grants in each year of the 2021-23 biennium. Further, because any tribal gaming revenues that are not appropriated are deposited to the state's general fund, the conversion of the base level funding from the tribal gaming PR appropriation to a transportation fund SEG appropriation would also increase GPR revenues by \$435,600 annually. [Alternative 1]

5. The American Rescue Plan Act of 2021 (ARPA) provides one-time federal funding of \$20 billion to tribal governments nationwide. Funds may be used to respond to the COVID-19 emergency and address the pandemic's economic effects. The U.S. Department of the Treasury must allocate \$1.0 billion equally among tribal governments (approximately \$1.7 million for each of the 574 federally-recognized tribes), and has discretion to allocate the remaining \$19.0 billion. Funds will be available through December 31, 2024. While it is not yet known how much tribal governments in Wisconsin will receive under ARPA, it is possible that these funds could be used for public transportation purposes. Note further that the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act provided \$15.3 million in direct assistance to federally-recognized tribes in Wisconsin in 2020. In addition, from the state's CARES Act allocation, the Governor provided \$11 million in

tribal government aid grants (\$1.0 million per tribe).

6. Also in response to the COVID-19 pandemic, the CARES Act, the Consolidated Appropriations Act of 2021 (CAA), and ARPA provide seven of the 11 tribal governments in Wisconsin with \$6,791,900 in emergency formula funding, for eligible capital, operating, planning, and administrative expenses for public transit projects. Given the supplemental federal funding provided to tribal governments under the CARES Act, CAA, and ARPA, the Committee could choose to convert base level funding of \$435,600 PR for the tribal elderly grant program, to a newly-created SEG appropriation funded from the transportation fund, but not provide additional funding. Further, because any tribal gaming revenues that are not appropriated are deposited to the state's general fund, the conversion of the base level funding from the tribal gaming PR appropriation to a transportation fund SEG appropriation would also increase GPR revenues by \$435,600 annually. [Alternative 2]

7. 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 tribal elderly transportation grants may be limited [Alternative 3].

ALTERNATIVES

1. Provide \$457,400 SEG in 2021-22 and \$480,300 in 2022-23 and decrease funding by \$435,600 PR annually for the tribal elderly grant program. Convert base level funding of \$435,600 for the tribal elderly grant program, which is currently funded from tribal gaming revenues (PR), to a newly-created SEG appropriation funded from the transportation fund. Increase base funding for tribal elderly transportation grants from \$435,600 to \$457,400 SEG in 2021-22 and \$480,300 SEG in 2022-23. Increase GPR revenues by \$435,600 GPR-Rev annually to reflect the conversion of the base level funding from the tribal gaming PR appropriation to a transportation fund SEG appropriation.

ALT 1	Change to Base	
	Revenue	Funding
PR	\$0	- \$871,200
SEG	0	937,700
GPR-REV	<u>871,200</u>	<u>0</u>
Total	\$871,200	\$66,500

2. Provide \$435,600 SEG annually and decrease funding by \$435,600 PR annually for the

tribal elderly grant program. Convert base level funding of \$435,600 for the tribal elderly grant program, which is currently funded from tribal gaming revenues (PR), to a newly-created SEG appropriation funded from the transportation fund. Increase GPR revenues by \$435,600 GPR-Rev annually to reflect the conversion of the base level funding from the tribal gaming PR appropriation to a transportation fund SEG appropriation.

ALT 2	Change to Base	
	Revenue	Funding
PR	\$0	- \$871,200
SEG	0	871,200
GPR-REV	<u>871,200</u>	<u>0</u>
Total	\$871,200	\$0

3. Take no action.

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Transportation -- Local Transportation Aid

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
6	Paratransit Aids
7	Seniors and Individuals with Disabilities Specialized Assistance Program

