Transportation

Local Transportation Assistance

(LFB Budget Summary Document: Page 572)

LFB Summary Items for Which Issue Papers Have Been Prepared

Item #	Title
1	Local Supplemental Grant Program (Paper #595)
4	Harbor Assistance Program (Paper #596)
5	Freight Rail Preservation Program (Paper #597)
6	Local Infrastructure Grant Program - Storm Water Prevention (Paper #598)
7	Electric Vehicle Infrastructure Program (Paper #599)
8	Transportation Alternatives Program (Paper #600)
9	Airport Sound Mitigation Grant Program (Paper #601)

LFB Summary Items Removed From Budget Consideration

Item #	Title
10	Intermodal Freight Assistance Grant Program Modifications
11	Repeal Prohibition on Use of Condemnation Authority for Recreational and Pedestrian Trails
12	Repeal 2017 Act 368 Local Transportation Project Provisions

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

June, 2021 Joint Committee on Finance Paper #595

Local Supplemental Grant Program (Transportation -- Local Transportation Assistance)

[LFB 2021-23 Budget Summary: Page 572, #1]

CURRENT LAW

The Department of Transportation (DOT) administers several local transportation assistance programs to provide funding to a variety of local road and bridge construction and rehabilitation projects, including (a) the local roads improvement program, which funds capital improvements on existing county, municipal, and town roads; (b) the surface transportation program, which funds several types of capital projects, including those on roads and highways classified as "arterials" or "major collectors", bridges, bicycle, pedestrian, transportation planning, and environmental mitigation; and (c) the local bridge improvement assistance program, which funds bridges not on state trunk highways or connecting highways.

DISCUSSION POINTS

Background

1. As part of 2019 Act 9, the 2019-21 biennial budget act, an appropriation was created to provide $90.0 million GPR to local governments for projects eligible under the local roads improvement program discretionary component. Through a veto, the Governor decreased the $90.0 million GPR appropriation to instead provide $75.0 million GPR to local governments for grants to fund multimodal transportation projects, including roads, bridges, transit, bicycle, pedestrian, rail, and harbor projects, rather than exclusively using the funding for local road improvement projects. The Department of Transportation (DOT) received over 1,600 applications with total funding requests of almost $1.5 billion for the multimodal project program. In March, 2020, the Governor announced awards to 152 local governments. Subsequently, in a July 10, 2020, decision in *Bartlett v. Evers, 2020 WI 68*, the Wisconsin Supreme Court found the Governor's veto unconstitutional. As a result, the

provisions were restored as passed by the Legislature, which resulted in the one-time $90.0 million GPR being provided exclusively for local roads improvement projects.

2. Of those 152 projects that would have been awarded funds under the multimodal program, 140 projects were able to be funded through the local roads improvement program supplement reinstated by Court's decision, while the six of the remaining 12 were eligible to be funded through other local transportation assistance programs (the remaining six are still having their eligibility or alternative funding sources evaluated). The nearly $1.5 billion in requested amounts and the eventual awarded amounts, by DOT region, are shown in the below table.

TABLE 1

2019-20 Local Supplement

DOT Region	Requested	Awarded
Southwest	$396,768,400	$23,892,900
Northwest	278,988,700	22,300,500
North Central	216,368,100	15,893,500
Northeast	287,152,500	15,738,300
Southeast	293,926,900	11,707,500
Total	$1,473,204,600	$89,532,800

Funding Amount and Source

3. Given the number of applications and the amount of funding requested for the 2019-21 grant program, demand appears to continue to exist for additional funding to supplement the state's existing local highway infrastructure programs in the 2021-23 biennium. The Governor recommends providing one-time funding of $75.0 million SEG in 2021-22 for a newly-created local supplemental grant program to again provide additional funding for grants to reimburse local governments for local transportation-related infrastructure projects. The recommendation would modify the existing continuing GPR appropriation to instead provide the funding for the program from a SEG appropriation. The recommendation would also repeal the provisions related to the one-time, GPR-funded, local road improvement discretionary supplemental grant program created for the 2019-21 biennium. The Department would be required to solicit and provide grants until all appropriated funds have been expended.

4. 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. During the early years of the levy limit program, some minimum annual growth in levies was allowed. However, the current levy limit program prohibits any county, city, village, or town from increasing its "base" levy, or prior year actual levy, in any year by more than the percentage change in the local government's January 1 equalized value due to new construction, less improvements removed, between the previous year and the current year, but not less than zero

percent. Some exclusions or adjustments are also applied.

5. While the local levy limit has assisted in limiting property tax increases for taxpayers, such limits can affect local governments' ability to raise sufficient revenues each year, especially for slower growing communities. Some local officials contend that stagnant county and municipal aid payments, combined with local levy limits, affect local governments' ability to both fund their operations and carry out needed capital improvements. With some limitations, as cost increase and infrastructure erodes, local governments must identify sources of funding that supplement property tax levies. As one source of funding, local governments have taken on increased levels of debt to finance capital improvements. Between 2005 and 2009, total outstanding debt of all local governments has increased by 55.3%, and at an average annual rate of 2.9% for counties and 3.3% for municipalities. In comparison, the Consumer Price Index has increased by 30.9% in total and at an average annual rate of 1.9% over the same period.

6. While they need to demonstrate and convince their electors of the need, local governments do have the ability to ask voters at referendum for additional resources through the property tax levy. However, approving a county or municipal levy increase to rehabilitate or reconstruct highway infrastructure through a vote of electors may be more difficult than passing similar referenda for facility improvements for other local governments, such as school districts. For example, asking for a levy increase at referendum to fund a needed road, street, or related capital improvement may have only limited appeal to voters. Unlike improvements to government-wide facilities that are used by, or associated with, the overall community, some municipal and county capital improvements, such as improvements to specific sections of local roads, can affect only voters benefiting most from the improvement. As a result, support for the improvement and the related referendum may be more limited, which can make local governments reluctant to go to referendum and more inclined to finance such improvements with debt.

7. Given the apparent demand for local transportation infrastructure, as well as the existing levy limit requirements, providing additional one-time local transportation funding may be needed for local governments to carry out needed improvements and prevent further deterioration of their transportation infrastructure. The Governor recommended providing $75 million SEG in 2021-22 for a local supplemental grant program. [Alternative A1]

8. As shown in the earlier table, demand for the $90 million Act 9 funding far outweighed the amount of funding available. Providing the same $90 million in funding as Act 9 would show a continued level of state commitment to help local governments meet the demand for local infrastructure funding. Although the Act 9 program was funded through GPR, there have been concerns in past biennia regarding utilizing GPR from the general fund for transportation projects. In addition, the transportation fund receives an annual GPR transfer from the general fund, which are estimated to total $92.8 million in the 2021-23 biennium. Considering the existing support from the general fund for transportation programs, some may prefer to use SEG funding from the transportation fund for a local grant program in the 2021-23 biennium. [Alternative A2]

9. 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. Thus, in compiling his 2021-23 budget, the Governor recommends, under Assembly

Bill (AB) 68/Senate Bill (SB) 111, significant reductions to the base funding level for the state highway rehabilitation (SHR) program and the southeast Wisconsin freeway megaprojects program. This recommendation freed up SEG funding to fund the local supplement program, as well as providing other SEG funding increases to general transportation aid, transit programs, state highway maintenance, and to the State Patrol. The Governor recommends replacing the SEG funding for the two state highway programs with $318.5 million in SEG-supported general obligation bonds for the SHR program ($278.5 million) and the megaprojects program ($40.0 million).

10. In an earlier action, the Committee adopted the adjusted base level funding amounts as the starting point for its 2021-23 transportation budget actions under Assembly Substitute Amendment 1 (ASA 1) to AB 68/Senate Substitute Amendment 1 (SSA 1) to SB 111. This action reinstated the base level SEG funding for the state highway improvement programs, and all other DOT programs. As a result, expenditures from the transportation fund are significantly higher than under the Governor's recommendations. The Committee has also already taken 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 earlier actions and slightly higher estimated revenues, the estimated 2022-23 ending balance for the transportation fund is estimated at -$32.3 million under the ASA 1/SSA 1. Additional reductions to base level funding, and/or the authorization of bonding in lieu of SEG funding for the state highway improvement program would be needed to balance the fund in the 2021-23 biennium under the substitute amendments. Further, this projected negative balance is prior to providing funding to any of the Governor's 2021-23 biennial budget recommendations, including the $75.0 million local supplement program. Thus, under current estimates, the availability of transportation fund revenues to fund above-base transportation programming for this local supplemental grant program may be limited.

11. The state transportation fund provides funding for a variety of state operations, like Division of Motor Vehicles services and State Patrol, as well improvements and 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 highway infrastructure and the state highway infrastructure.

12. While revenues are expected to be higher in the biennium compared to last biennium, primarily due to the fully implemented title and registration fee increases enacted under 2019 Act 9, the pandemic has dampened the anticipated amount of revenue growth to the fund in the biennium relative to the revenues projected during 2019 Act 9 deliberations. In addition, funding a large, one-time SEG program, or ongoing SEG increases to local programs, as the Governor recommends, means fewer SEG resources would be available to fund the state transportation operations and the maintenance and improvement of the state highway infrastructure. As a result, as the Governor recommends, bonding will likely have to be used in lieu of SEG "cash" to fund state highway

improvement program projects in order to maintain the needed level of investment in the system. While some level of SEG bonding is necessary to fund long term highway infrastructure improvements, heavy reliance on additional bonding in the state highway improvement program due to limited SEG funds being available, whether as a result of limited revenue growth to the fund, or the significant use of available SEG funding for other purposes, will continue to be a concern. Heavy reliance on bonding will again inevitably lead to the dilemma that the debt service to be repaid on those bonds will result in less SEG funding available for ongoing programming going forward.

13. This is of particular concern when bonds are used to fund state highway rehabilitation projects as recommended by the Governor. The use of bonds, which are a long-term capital financing option, often does not align well with the shorter expected useful life of improvements to rehabilitated highway facilities. Accordingly, bonds issued for state highway rehabilitation projects have historically been issued under shorter terms. As a result, the principal amount borrowed is typically repaid more quickly and overall interest costs are typically lower than the standard 20-year bond terms issued for transportation infrastructure projects.

14. Thus, if substantial SEG increases for local infrastructure improvements, general transportation aid and transit aid continue to be provided each biennium the availability of SEG needed to carry out the state highway program and DOT's other responsibilities will be limited. Similar to the Governor's recommendations, this will likely result in the need for additional borrowing in the state highway programs in order to backfill the SEG that is no longer available to that program.

15. Considering the 2021-23 local and state demands for transportation funding and the somewhat dampened revenues due to the coronavirus pandemic, there may be concerns regarding providing a significant amount of one-time SEG funding towards to fund local infrastructure. Providing available funding would limit the amount of SEG funding available for the state highway improvement program, and increase the reliance on bonding to program demands for that program. Similar to Act 9, the Committee could again provide one-time GPR to fund the local program supplement to help address another portion of local demand for transportation infrastructure funding, either at the amount recommended by the Governor ($75 million) [Alternative A3] or the amount allocated last biennium under Act 9 ($90 million) [Alternative A4].

Federal Coronavirus Funding

16. 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 below 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	929.4
Total	$1,187.1
Counties	$1,129.2

17. 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. 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.

18. "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 loss in revenue is to be completed as of December 31 beginning in 2020, an 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.

19. 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 road infrastructure improvements, 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 would 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 local road funding at this time. Further, because any additional state aid that is provided would be included as intergovernmental revenue for the purposes of calculating "revenue loss", it would likely reduce the amount of "revenue loss" a local government could demonstrate. In turn, the additional state 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 improvements. As a result, the Committee may choose not to provide any state funding for a local supplemental grant program at this time. [Alternative A5]

Allocation of Local Project Funding

20. The Governor recommends that eligible projects include projects eligible for funding under the local roads improvement program entitlement and environmental review components, local bridge program, interstate bridge program, costs related to jurisdictional transfers of bridges, or the federal transportation alternatives set-aside, which includes a variety of smaller-scale projects such as pedestrian and bicycle facilities, recreational trails, historic preservation, and environmental mitigation. Eligible applicants would be cities, villages, towns, counties, tribal governments, a combination of those entities, or an eligible applicant for the federal transportation alternatives set-aside, including: (a) regional transportation authority; (b) a transit agency; (c) a natural resource or public land agency; (d) a school district, local education agency, or school; (e) a tribal government; (f) a nonprofit entity responsible for the administration of local transportation safety programs; and (g) any other local or regional governmental entity with responsibility for or oversight of transportation or recreational trails (other than a metropolitan planning organization or a state agency) that the State determines is consistent with the federal transportation alternatives set-aside program goals.

21. Recognizing the significant demand for multimodal projects given the requests for funding shown in Table 1, under a 2021-23 local supplemental program the Committee could choose to define eligible projects as recommended by the Governor. This would allow for a variety of transportation projects to receive funding, including projects for local roads, bridges, and pedestrian and bicycle facilities. [Alternative B1]

22. Under 2019 Act 9, the Legislature limited the types of projects to those projects that would be eligible for program funding under the current law local roads improvement program discretionary component, and the funding was allocated under the same percentages as under the current law discretionary component as follows: (a) 35.6%, or $32,003,200 for county projects; (b) 25.4%, or $22,847,400 for municipalities; and (c) 39.1%, or $35,149,400 for towns. The Legislature also specified that notwithstanding local roads improvement program cost-sharing requirements, that a required local project cost match of 10% of total project costs would apply to projects submitted for funding under the GPR appropriation. DOT was required to solicit project applications for this funding, beginning in the first year of the appropriation until the funds appropriated have been expended.

23. The Committee may want to provide additional funds to local governments for transportation projects, but may want to allocate the funding in the manner it did under the Act 9 program. Under this alternative, those projects receiving funding would be same type of projects

eligible under the current law local roads improvement program discretionary component, with the funding allocated under the same percentages as the current law local road improvement program discretionary program. The allocation of the funding would be approximately 35.6% for county projects, 25.4% for municipalities, and 39.1% for towns. [Alternative B2]

ALTERNATIVES

A. Funding Level and Source of Funding

1. Provide $75,000,000 SEG in 2021-22 for a local supplemental grant program to provide grants to reimburse local governments for eligible projects.

ALT A1	Change to Base
SEG	$75,000,000

2. Provide $90,000,000 SEG in 2021-22 for a local supplemental grant program to provide grants to reimburse local governments for eligible projects.

ALT A2	Change to Base
SEG	$90,000,000

3. Provide $75,000,000 GPR in 2021-22 for a local supplemental grant program to provide grants to reimburse local governments for eligible projects.

ALT A3	Change to Base
GPR	$75,000,000

4. Provide $90,000,000 GPR in 2021-22 for a local supplemental grant program to provide grants to reimburse local governments for eligible projects.

ALT A4	Change to Base
GPR	$90,000,000

5. Take no action.

B. Allocation of Local Project Funding

1. Specify that eligible projects include projects eligible for funding under the local roads improvement program entitlement and environmental review components, local bridge program, interstate bridge program, costs related to jurisdictional transfers of bridges, or the

federal transportation alternatives set-aside, which includes a variety of smaller-scale projects such as pedestrian and bicycle facilities, recreational trails, historic preservation, and environmental mitigation.

Define eligible applicant to be city, village, town, county, a combination of those entities, or an eligible applicant for the federal transportation alternatives set-aside, including: (a) regional transportation authority; (b) a transit agency; (c) a natural resource or public land agency; (d) a school district, local education agency, or school; (e) a tribal government; (f) a nonprofit entity responsible for the administration of local transportation safety programs; and (g) any other local or regional governmental entity with responsibility for or oversight of transportation or recreational trails (other than a metropolitan planning organization or a state agency) that the State determines is consistent with the federal transportation alternatives set-aside program goals.

Modify the existing continuing GPR appropriation created in 2019 Act 9 and repeal the provisions related to the one-time local road improvement discretionary supplemental grant program created for the 2019-21 biennium. Require DOT to solicit project applications for this funding, beginning in the first year of the appropriation until the funds appropriated have been expended.

2. Similar to 2019 Act 9, limit the types of projects to be funded from the local supplement program to those projects that would be eligible for program funding under the current law local roads improvement program discretionary component. Further, allocate the funding under the same percentage as under the current local roads improvement program discretionary component, approximately as follows: (a) 35.6% for county projects; (b) 25.4% for municipalities; and (c) 39.1% for towns. Specify that notwithstanding the existing local road improvement program cost-sharing requirements, that a required local project cost match of 10% of total project cost would apply to project submitted for funding under the local supplement program. Require DOT to solicit project applications for this funding, beginning in the first year of the appropriation until the funds appropriated have been expended. [This would extend the provisions for the one-time local supplement program in the 2019-21 to the 2021-23 biennium. Some statutory modifications to the existing appropriation and subsections may need to be made accordingly.]

Prepared by: Nick Lardinois

Legislative Fiscal Bureau

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

June, 2021 | Joint Committee on Finance | Paper #596

Harbor Assistance Program
(Transportation -- Local Transportation Assistance)

[LFB 2021-23 Budget Summary: Page 574, #4]

CURRENT LAW

The Department of Transportation's (DOT) harbor assistance program provides grants for improvements to harbor facilities on Lake Michigan, Lake Superior, and the Mississippi River system. Eligible projects include dockwall and disposal facility improvements, dredging and dredged material disposal, or other physical improvements that maintain or increase commodity or passenger movement capabilities. Both publicly and privately owned harbor facilities that serve freight or passenger vessels are eligible for assistance. State funds provide up to 80% of the cost of the project, while the project applicant must pay the remaining cost. The state share is paid either from an appropriation from the transportation fund or from the proceeds of general obligation bonds provided for the program. Debt service on the bonds is paid from the transportation fund.

DISCUSSION POINTS

1. The harbor assistance program has been making grants since 1980 to improve transportation access to the state's waterways on Lake Superior, Lake Michigan, and the Mississippi River. DOT indicates that there are 29 ports in the state that are potentially eligible for funding. Grants have been funded primarily with transportation fund-supported, general obligation bonds, although the program also has a transportation fund appropriation for making grants. Since 1980, the Department has awarded 132 grants totaling $195.2 million through this program.

2. The 2019-21 budget provided $46.2 million over the biennium for making grants, composed of the following: (a) $32.0 million in transportation fund-supported, general obligation bonds; (b) $13.2 million SEG in one-time funding from the transportation fund; and (c) the

appropriation of $493,800 SEG annually in project funding from the transportation fund. In addition, the program is provided funding of $157,200 SEG annually from the transportation fund to fund the administrative costs of the program. Of this amount, the 2019-21 biennial budget act required DOT to give priority to municipalities in which a shipbuilder is conducting operations, which was intended to apply to Marinette Marine (up to $29.0 million of the 2019-21 funding for the program could be awarded under this provision).

3. The amount of bonding authorized for the program since 1980 totals $152.0 million. The following table shows the total funding for harbor improvement projects since the 2011-13 biennium. The average amount of new harbor assistance bonding provided in the past five biennia is equal to $17.2 million and total funding for the program has averaged $21.4 million, including the SEG appropriation. The $4.2 million in SEG funding indicated in the table for 2017-19, includes $3.2 million SEG provided in 2017-18 to fund a statutory earmark for Fincantieri Bay Shipbuilding in Door County to complete a dockwall construction and dredging project. Of the $46.2 million provided in 2019-21, a provision of the 2019-21 biennial budget earmarked up to $29.0 million in program funding for Marinette Marine. As a result, $17.2 million in program funding was generally available in the 2019-21 biennium, which would be a similar funding level to previous biennia.

TABLE 1

Harbor Assistance Program Grant Funding

Biennium	SEG Appropriation	Bonding Authorization	Total Funding
2011-13	$987,600	$10,700,000	$11,687,600
2013-15	987,600	15,900,000	16,887,600
2015-17	987,600	13,200,000	14,187,600
2017-19	4,187,600	14,100,000	18,287,600
2019-21	14,187,600	32,000,000	46,187,600
Total	$21,338,000	$85,900,000	$107,238,000
Average	$4,267,600	$17,180,000	$21,447,600

4. Table 2 provides information on the how much of the $152.0 million in authorized bonding for the harbor assistance projects has been spent, how much has been committed to be spent, and how much currently remains uncommitted. The Department has awarded all but $0.7 million in unencumbered bonding authority as of April, 2021, and has uncommitted SEG funds of $0.3 million (expected as of July 1, 2021).

TABLE 2

Existing Bonding and Commitments
($ in Millions)

Existing Bonding	
Total Bonding Authorized	$152.0
Less Bonds Obligated Through Spring, 2021	-125.5
Authorized, Unissued Bonding	$26.5
Use of Unissued Bonding	
Less Project Funding Encumbered	-$21.5
Less Approved, Unencumbered Projects	- 4.3
Unissued Bonding Available	$0.7
Uncommitted 2019-21 SEG Funds	$0.3
Remaining Uncommitted Funds	$1.0

5. Table 3 provides a listing of the two most recent award cycles for the harbor assistance program projects that received funding aside from the $29 million in funding specifically provided Fincantieri Marinette Marine. In total, the Department received requested funding of $41,444,680 in the two most recent award cycles, of which $19,119,892 (46.1%) was able to be funded.

TABLE 3

2019 and 2020 Harbor Assistance Program Awards

Recipient	Location	Awarded
2019 Award Cycle		
DeLong Co.	Milwaukee	$4,900,000
City Centre	Manitowoc	2,247,740
Apostle Island Marina	Bayfield	2,051,400
U.S. Oil	Milwaukee	1,500,000
City of Superior - Fraser Shipyard	Superior	500,000
Port of Milwaukee	Milwaukee	200,000
St. Mary's Cement	Milwaukee	193,600
Subtotal		$11,592,740
2020 Award Cycle		
C. Reis Coal	Superior	$1,500,000
City Centre	Manitowoc	1,250,000
DeLong Co.	Milwaukee	1,250,000
Port of Milwaukee	Milwaukee	1,246,664
Badger Car Ferry	Manitowoc	720,000
Viking Cruises	Milwaukee	500,000
Commercial Fishing	Bell / Cornucopia	460,568
Prairie Sand & Gravel and Gavilon Grain	Prairie du Chien	250,000
Sartre Tugboat Fleet	Sturgeon Bay	249,920
KCS Boats & Commercial Fishermen	Oconto	100,000
Subtotal		$7,527,152
Total		$19,119,892

6. Demand for harbor assistance grant funding consistently exceeds the amount of funding available in the program. For example, of the $56.4 million requested from harbors and ports for the 2020 funding cycle, DOT was only able to fund $6.8 million. As shown in the following table, under the Department's current, three-year harbor assistance program plan (2020 through 2022), projects totaling $165.3 million in costs could be funded if sufficient resources were available.

TABLE 4

Harbor Assistance Program State Funding Requests -- Three-Year Plan

Harbor / Port	2020	2021	2022	3-Year Total
Bayfield	$2,051,400	$0	$0	$2,051,400
Green Bay	15,316,000	10,000,000	39,320,000	64,636,000
Kewaunee	0	2,700,000	0	2,700,000
La Crosse	0	0	2,480,000	2,480,000
Manitowoc	2,799,200	5,280,000	9,220,000	17,299,200
Milwaukee	35,061,500	4,640,000	4,640,000	44,341,500
Oconto	955,100	2,400,000	0	3,355,100
Prairie du Chien	0	2,396,000	1,200,000	3,596,000
Sturgeon Bay	249,900	880,000	0	1,129,900
Superior	0	16,000,000	6,500,000	22,500,000
Two Rivers	0	0	1,200,000	1,200,000
Total	$56,433,200	$44,296,000	$64,560,000	$165,289,200

7. Aside from the $29.0 million required to be provided to Fincatieri Marinette Marine, the harbor assistance program was provided $17.2 million for other grants in the 2019-21 biennium. The Governor's recommendation of $15.3 million in transportation fund-supported, general obligation bonds along with the $0.5 million SEG annually in base grant funding for the 2021-23 biennium for the harbor assistance program would represent a $0.9 million (5.2%) decrease from the amount generally provided for the program in 2019-21. Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these bonds would be $402,600 SEG in 2022-23. When fully issued, the annualized debt service to be paid from the transportation fund associated with the $15.3 million in bonding under this alternative would be an estimated $1,227,800 SEG. [Alternative 1]

8. In January, 2013, the Wisconsin Transportation Finance and Policy Commission, in making recommendations to the Legislature and the Governor, noted that harbor improvements have the potential to create shipping efficiencies for many state businesses and that without increased harbor investment, conditions at the state's commercial ports will deteriorate. Similarly, past analysis from DOT's Bureau of Planning and Economic Analysis indicates that "each year, Wisconsin harbors are vital to the "transport of coal, iron ore, broken stone, chemicals or fertilizers, heavy machinery, wind energy components, agricultural commodities, cement, road salt and other goods." In recognition of these significant transportation system functions, this Commission recommended a biennial level of funding of $17.0 million. A similar funding level for the harbor assistance program ($17.2 million per biennium) was also considered as part of DOT's transportation fund Solvency Study in 2016. The Committee could choose to provide the $17.2 million in funding recommended by these studies, which would require $16.2 million in new bonding authority, in addition to the $1.0 million in base level SEG grant funding for the program. This would increase base level debt service by $426,300 in 2022-23. Once fully issued, annualized, estimated debt service on the transportation

fund-supported bonds would equal $1,300,000 SEG. [Alternative 2]

9. As indicated earlier (see Table 1), over the past five biennia, the harbor assistance program has averaged $21.5 million in funding for grants made under the program including those that were earmarked by legislation. To provide this level of funding for the main harbor assistance program, the Committee could consider providing $20.5 million in SEG-supported bonding in the biennium. Along with the base funding of $1.0 million SEG ($0.5 million annually), a total of $21.5 million would be provided. This would increase base level debt service by $539,400 in 2022-23. Once fully issued, annualized, estimated debt service on the transportation fund-supported bonds would equal $1,645,000 SEG. Given the important role of harbors in the transportation of commercial goods, the program's unfunded demand, and that the total program funding would be similar to the recommended levels, this funding level may be seen as appropriate. [Alternative 3]

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 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 debt service on bonds issued to fund harbor assistance grants could be limited.

11. Bonding has often been used as the means of funding the gap between DOT infrastructure programs needs and available revenues. Consequently, the amount of annual transportation fund revenues needed to support annual debt service is seen as a measure of the transportation fund's solvency. 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 continued authorization of additional bonds and thus increasing the amount of future SEG revenues needed to pay debt service. If the Committee shares this concern, it could take no action. Only the $1.0 million ($0.5 million annually) in base level grant funding and the $1.0 million in uncommitted existing funding (see Table 2) would remain available for program awards in the 2021-23 biennium. [Alternative 4]

ALTERNATIVES

1. Authorize $15,300,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the harbor assistance program in the 2021-23 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by $402,600 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $1,227,800 SEG.

ALT 1	Change to Base Funding
BR-SEG	$15,300,000
SEG	402,600
Total	$15,702,600

2. Authorize $16,200,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the harbor assistance program in the 2021-23 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by $426,300 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $1,300,000 SEG.

ALT 2	Change to Base Funding
BR-SEG	$16,200,000
SEG	426,300
Total	$16,646,300

3. Authorize $20,500,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the harbor assistance program in the 2021-23 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by $539,400 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $1,645,000 SEG.

ALT 3	Change to Base Funding
BR-SEG	$20,500,000
SEG	539,400
Total	$21,039,400

4. Take no action.

Prepared by: Nick Lardinois

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

June, 2021 | Joint Committee on Finance | Paper #597

Freight Rail Preservation Program
(Transportation -- Local Transportation Assistance)

[LFB 2021-23 Budget Summary: Page 574, #5]

CURRENT LAW

The Department of Transportation's (DOT) freight rail preservation program provides grants or loans for the acquisition of abandoned railroad lines or the rehabilitation or construction of rail facilities on existing, publicly-owned lines. Eligible applicants include local governments, railroads, current or potential users of rail service, or rail transit commissions organized by local governments for the preservation of rail service. Applicants are required to pay at least 20% of the cost of an acquisition of railroad track or an improvement project. No match is required for the acquisition of railroad property (exclusive of the railroad tracks and other improvements). Funding for the program is provided with transportation fund-supported, general obligation bonds. Debt service on the bonds is funded from the transportation fund.

DISCUSSION POINTS

Background

1. The primary purpose of the freight rail preservation program (FRPP) is to maintain and improve rail service on low-traffic rail lines that may otherwise be abandoned or fall into disrepair. By assuming the responsibility for the ownership and improvement of these lines, the state can allow a railroad to continue to profitably serve these lines. That is, since the railroads do not need to directly invest in the ownership and improvement of the rail, they can operate at a lower rate of return than would otherwise be necessary to maintain service. As a bond-funded program, the freight rail preservation program allows the state to realize the benefits of transportation system improvements with no upfront costs, and then pay for those improvements over the course of the life of the improvement. The program provides grants for up to 80% of the cost: (a) to purchase abandoned rail

lines (up to 100% for the cost of land) in an effort to continue freight service, or for the preservation of the opportunity for future rail service; and (b) to rehabilitate facilities, such as tracks or bridges, on publicly-owned rail lines.

2. The Wisconsin freight rail network consists of more than 3,300 miles of rail corridor. The state has been providing freight rail assistance since the late 1970s, a time when many railroad companies were abandoning unprofitable lines. Throughout the late 1970s and 1980s, grants were provided to local rail transit commissions to assist in the purchase of rail lines in order to maintain service for customers and shippers dependent on rail service. Then, in 1992, an amendment to the Wisconsin Constitution allowed the state to issue debt for the direct acquisition and improvement of rail lines.

3. There are currently 625 miles of publicly-owned rail lines in the state. The Wisconsin and Southern Railroad is the primary railroad operating on this track, although other railroads operate on certain short segments. According to the Department, in 2020, 74.6% of state-owned track met the Federal Railroad Administration's (FRA) Class 2 standard which means that a track is capable of operating loaded 286,000 pound rail cars above 10 miles per hour. However, it continues to have rail that needs replacement to carry today's traffic volumes and carload weights. In 2011, 53.1% of state-owned rail line miles functioned at the FRA Class 2 standard, while this percentage increased to 81.3% by the end of 2019. DOT's goal is to have 95% of state-owned rail line miles functioning at FRA Class 2 operating speed standards. Freight railroads are responsible for the maintenance of this existing track. In addition, railroads may also choose to privately fund certain track expansion projects to address growth and capacity issues.

4. Freight railroads currently pay an ad valorem (property) tax to the state, which is deposited in the transportation fund. For the 2021-23 biennium, revenues from this tax are estimated at $88.8 million. Total SEG appropriations that support the freight rail system in the biennium, including debt service on FRPP bonds, are estimated at $41.9 million in the 21-23 biennium. Therefore, taken as a whole, the freight rail industry pays more in taxes than the related programs spend. However, the companies operating on state-owned lines pay less than 5% of the ad valorem taxes, while FRPP bond debt service would represent 74.4% of state appropriations for freight rail programs in the 2021-23 biennium.

Program Funding

5. In the 2019-21 biennium, $30.0 million in bonding authority was provided for the FRPP program. The following table reflects the $153.8 million in bonds provided to this program over the past five biennia (an average of $30.8 million per biennium).

TABLE 1

Freight Rail Preservation Program Bond Authorizations -- 2011-13 thru 2019-21
($ in Millions)

Biennium	Bonding Authorization
2011-13	$30.0
2013-15	52.0
2015-17	29.8
2017-19	12.0
2019-21	30.0
Total	$153.8
Average Amount	$30.8

6. Each year DOT awards funding for FRPP projects. Table 2 reflects the most recent project awards ($14.8 million) that DOT has committed to using existing FRPP bond authority.

TABLE 2

Recently Awarded FRPP Projects Using Existing Program Funding

Applicant	Project Location & Description	Funding	Contract Year
Awarded Projects			
Wisconsin & Southern	Dane County - 25.0 miles of rail rehabilitation	$4,909,900	2020
Wisconsin & Southern	Whitewater to Eagle - 12.5 miles of rail replacement	4,578,100	2020
Wisconsin & Southern	Prairie Subdivision - Rehabilitate or repair 9 bridges	2,794,100	2020
Wisconsin & Southern	Fisk to Oshkosh - 2.8 miles of rail replacement	2,074,500	2020
Wisconsin & Southern	Reedsburg Subdivision - Rehabilitate 2 bridges	486,100	2020
Total		$14,842,700	

7. Table 3 provides information as of April, 2021, on how much of FRPP's existing bonding authority for FRPP projects has been spent, how much has been committed to be spent, and how much is expected to remain uncommitted to begin the 2021-23 biennium.

TABLE 3

Existing Bonding and Commitments
($ in Millions)

Existing Bonding	
Total Bonding Authorized	$280.3*
Less Bonds Issued Through Spring, 2021	-224.3
Authorized, Unissued Bonding	$56.0
Use of Unissued Bonding	
Less Projects with Funding Encumbered	-$26.2
Less Approved, Unencumbered Projects	-13.9
Unissued Bonding Committed	-$40.1
Remaining Uncommitted Bonding	$15.9

*Reflects the total amount of bonds authorized since the program's inception.

8. As indicated in Table 3, of the $280.3 million in FRPP bonding authorized to date, $224.3 million has been obligated (either issued or allotted) by the Building Commission. The Department has encumbered an additional $26.2 million of the remaining authority for awarded projects and plans to award another $13.9 million in projects by July 1, 2021. As a result, $15.9 million in existing authority would remain available for the 2021-23 biennium to fund additional project work.

Funding Options

9. As of April, 2021, the Department identified 11 potential projects totaling $86.7 million that could receive funding in the 2021-23 biennium. Of this amount, up to $69.4 million could be funded through FRPP because such projects require a 20% match from applicants. Potential projects include four projects with eight bridge replacements, three projects that total up to 85 miles of rail replacement, and three other projects with track or bridge rehabilitation or restoration. Table 4 below reflects candidates for 2021-23 funding according to DOT.

TABLE 4

FRPP Project Candidates for Funding -- 2021-23

Applicant	Project Description	Counties	Potential Funding
Wisconsin & Southern	Rail Replacement - Phases 4 to 6 (50.0 miles)	Dane, Iowa, & Sauk	$20,000,000
Wisconsin & Southern	System-wide Bridge Repairs & Replacements	System-wide	8,000,000
Wisconsin & Southern	Rail Replacement - Phase 2 (18.4 miles)	Crawford & Grant	7,284,100
Wisconsin & Southern	Rail Replacement - Phase 3 (16.6 miles)	Grant & Iowa	7,280,000
Wisconsin & Southern	Bridge & Track Restoration	Rock	6,440,600
Wisconsin & Southern	Track Rehabilitation - Phase 2	Columbia, Dane, & Sauk	5,587,700
Wisconsin & Southern	Track Rehabilitation - Phase 3	Columbia, Dane, & Sauk	4,800,000
Wisconsin & Southern	Bridge Replacement (2 bridges)	Grant	3,215,100
Wisconsin & Southern	Bridge Replacement	Dane	2,805,100
Wisconsin & Southern	Bridge Rehabilitation (2 bridges)	Milwaukee	2,091,200
Wisconsin & Southern	Bridge Rehabilitation (3 bridges)	Dane & Rock	1,886,800
Total			$69,390,600

10. The Department requested, and the Governor recommends, $20.0 million additional transportation fund-supported, general obligation bond authorizations for FRPP in the 2021-23 biennium. This bonding level would leave $33.5 million in potential program costs that would not be funded in the biennium ($69.4 million outstanding program needs - $20.0 million new funding - $15.9 million existing funding). Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these bonds would be $526,300 SEG in 2022-23. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $1,604,900 SEG annually. [Alternative 1]

11. The Department's 2016 transportation fund Solvency Study discussed a FRPP scenario that would provide new FRPP bonding authority equal to $30.0 million. This amount was similar to the 2013 Transportation Finance and Policy Commission (the Commission) recommendation of $34.2 million per biennium in funding for the program.

12. As noted earlier, the rail industry contributes more to the transportation fund than it receives in assistance from the fund. Therefore, providing a somewhat higher level of bonding to the program than the level recommended by the Governor in the 2021-23 biennium may be warranted. For example, the Committee could instead provide $30.8 million in transportation fund-supported, general obligation bonds, which would be the biennial average of the bonding authority provided to this program over the past five biennia. This amount would also be within the range of the amounts recommended in the 2016 transportation fund Solvency Study ($30.0 million) and by the 2013 Transportation Finance and Policy Commission ($34.2 million), as noted. This would leave $22.7 million in potential program costs that would not be funded in the biennium ($69.4 million expected costs - $30.8 million new funding - $15.9 million existing funding). Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these bonds would be $810,400 SEG in 2022-23. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $2,471,500 SEG annually. [Alternative 2]

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 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 debt service on bonds issued to fund freight rail projects could be limited, especially considering revenues to the transportation fund could remain somewhat dampened when compared to pre-pandemic levels.

14. Because $15.9 million in existing bonding authority remains uncommitted the Committee could provide only $4.1 million in new bonding authority, which would make $20 million in FRPP bonding available for projects in the biennium, which is the amount in new bonding authority requested by the Department and recommended by the Governor, as noted. This would leave $49.4 million in potential program costs that would not be funded in the biennium ($69.4 million expected costs - $4.1 million new funding - $15.9 million existing funding). Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these bonds would be $107,900 SEG in 2022-23. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $329,000 SEG annually. [Alternative 3]

15. Alternatively, the Committee could choose to fund FRPP at the level of the average of the five most recent biennia ($30.8 million), using the existing uncommitted bonding ($15.9 million), which would then require only $14.9 million in new bonding authority. This would leave $38.6 million in potential program costs that would not be funded in the biennium ($69.4 million expected costs - $14.9 million new bonding - $15.9 million existing funding). Estimated transportation fund-supported, general obligation bond debt service associated with the partial issuance of these bonds would be $392,100 SEG in 2022-23. Once fully issued, estimated transportation fund debt service on these general obligation bonds would equal $1,195,700 SEG annually. [Alternative 4]

16. While DOT has indicated that the potential program awards could be as high as $69.4 million, not all these projects may necessarily need to be funded or selected for funding in the biennium. Nonetheless, providing a funding level necessary to fund all these potential projects identified by the Department for the biennium would require an additional bonding authorization of $53.5 million ($69.4 million - $15.9 million in existing funding). Providing this level of bonding would result in an estimated $1,407,700 SEG in 2022-23, and when fully issued would increase annual debt service costs by $4,293,000 SEG. [Alternative 5]

17. Given the potentially ongoing adverse effects on transportation fund revenue due to the coronavirus pandemic, some may have concerns regarding authorizing additional bonds and thus increasing the amount of future revenues that must be used to fund debt service on bonds. If the

Committee shares this concern, it could choose to provide no new bonding authority for FRPP projects at this time and an estimated total of $15.9 million in uncommitted bonding authority would be available for the program. This would result in $53.5 million of the potential FRPP projects remaining unfunded in the biennium. [Alternative 6]

ALTERNATIVES

1. Authorize $20,000,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the freight rail preservation program in the 2021-23 biennium. Increase estimated debt service by $526,300 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $1,604,900 SEG.

ALT 1	Change to Base
BR-SEG	$20,000,000
SEG	526,300
Total	$20,526,300

2. Authorize $30,800,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding freight rail preservation program in the 2021-23 biennium. Increase estimated debt service by $810,400 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $2,471,500 SEG.

ALT 2	Change to Base
BR-SEG	$30,800,000
SEG	810,400
Total	$31,610,400

3. Authorize $4,100,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the freight rail preservation program in the 2021-23 biennium. Increase estimated debt service by $107,900 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $329,000 SEG.

ALT 3	Change to Base
BR-SEG	$4,100,000
SEG	107,900
Total	$4,207,900

4. Authorize $14,900,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding the freight rail preservation program in the 2021-23 biennium. Increase estimated debt service by $392,100 SEG in 2022-23. When the bonds are fully issued, the

annualized debt service to be paid from the transportation fund would be an estimated $1,195,700 SEG.

ALT 4	**Change to Base**
BR-SEG	$14,900,000
SEG	392,100
Total	$15,292,100

5. Authorize $53.5 million in transportation fund-supported, general obligation bonds for the purpose of funding freight rail preservation projects in the 2021-23 biennium. Increase estimated debt service by $1,407,700 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $4,293,000 SEG.

ALT 5	**Change to Base**
BR-SEG	$53,500,000
SEG	1,407,700
Total	$54,907,700

6. Take no action.

Prepared by: Nick Lardinois

Legislative Fiscal Bureau
One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: 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	929.4
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.

ALT 1	Change to Base Revenue
BR-SEG	$15,000,000

2. Take no action.

Prepared by: Nick Lardinois

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

June, 2021 Joint Committee on Finance Paper #599

Electric Vehicle Infrastructure Program
(Transportation - Local Transportation Assistance)

[LFB 2021-23 Budget Summary: Page 575, #7]

CURRENT LAW

Several state agencies have taken roles in advancing the development of electric vehicle infrastructure, including the Department of Transportation (DOT). 2017 Act 59 created a $75 fee for hybrid-electric passenger vehicles and a $100 fee for fully electric passenger vehicles.

DISCUSSION POINTS

1. The use of electric vehicles has grown considerably in recent years. Electric vehicles rely on the development of appropriate infrastructure, including publicly-accessible electric vehicle charging stations. Proponents of electric vehicles cite several benefits, including reducing air and noise pollution, lower fuel and vehicle maintenance costs leaving more money available for consumers to use on different priorities, and the development of clean energy jobs. The consumer adoption of electric vehicles has continued to grow in recent years, and is expected to continue to increase. For example, the number of registered plug-in electric vehicles in Wisconsin has grown by an average of 9.0% each year from 2016 to 2020. The consulting firm IHS Markit estimates by 2025, 10% of new vehicles sold nationwide will be electric vehicles. In addition, several major automakers have announced plans to produce only electric and alternative fuel vehicles within a decade.

2. More than 95% of vehicle trips are 30 miles or less according to the Federal Highway Administration (FHWA). As a result, many electric vehicle owners are able to routinely cover their transportation needs by charging their vehicles at home, or even at work. However, for longer trips, publicly-accessible electric vehicle charging infrastructure is critical for the utility and feasibility of electric vehicles. One of the most commonly-cited primary obstacles to adoption of electric vehicle use is underdeveloped charging infrastructure. FHWA reported 78% of Americans believe finding an

electric vehicle charging station is at least moderately difficult. Compared to more than 150,000 gas stations in the U.S., FHWA reports there are only approximately 38,000 publicly-accessible charging stations nationwide, including fewer than 4,000 "fast charging" stations that can recharge vehicles within 20 minutes to one hour. Because the development of charging infrastructure is especially important for longer vehicle trips, it is common to develop such infrastructure near major roadways like interstates, U.S. highways, and state highways. As a result, the federal government and state governments are positioned to help develop a useful and well-connected system of electric vehicle infrastructure.

3. Traditionally, the Department has not taken responsibility in developing fuel infrastructure. However, with the rapidly increasing utilization of electric vehicles and their public benefits, some believe that states play an important role in promoting and advancing their use. Several state agencies are working towards increasing the connectivity and awareness of electric vehicles, including DOT, the Department of Administration, and the Public Service Commission. The Department indicates its role is to formally designate alternative fuel corridors with FHWA and to participate in regional transportation-focused initiatives. To be designated an alternative fuel corridor by FHWA, electric vehicle fast-charging stations can be no more than 50 miles apart or five miles off the roadway along the corridor. Currently, Wisconsin has six interstate corridors (components of I-39, I-41, I-43, I-90, I-94, and I-535) and two U.S. Highway corridors (components of USH 53 and USH 151) designated as alternative fuel corridors.

4. In Wisconsin, there are 433 publicly accessible charging stations, or about 73.5 per million residents, according to the U.S. Department of Energy. Compared to six other Midwest states (Illinois, Indiana, Iowa, Michigan, Minnesota, and Ohio), Wisconsin ranks third out of seven in publicly accessible charging stations per capita. When compared to the ten states closest to Wisconsin's population, the state ranks seventh out of eleven.

5. Given the increasing utilization of electric vehicles, some have concerns regarding the impact of an increasing share of vehicles that purchase fewer gallons of motor fuel, and thus contribute less to the transportation fund through motor fuel tax revenues, yet still utilize transportation infrastructure that is funded through the transportation fund. Partially in response to these concerns, 2017 Act 59 created a $75 fee for hybrid-electric passenger vehicles and a $100 fee for fully electric passenger vehicles, in addition to annually required registration fees, in order to help offset the lost motor fuel tax revenues from vehicles that rely at least partially on electricity rather than motor fuel. Previous analysis from this office indicated that the $75 fee for hybrid-electric vehicles likely more than offsets the lost fuel tax revenue from the increased fuel efficiency of such vehicles when compared to similar conventional vehicles. Thus, providing SEG funding for debt service on bonds issued for charging stations for these vehicles may be warranted. In 2019-20, approximately $4.9 million was collected from these fees and deposited into the transportation fund.

6. Future discussions among the Legislature may need to be had regarding how to continue funding the transportation fund to maintain programming levels despite the decreasing reliance on motor fuel (and thus motor fuel tax revenue) for transportation. The increasing utilization of electric vehicles and the improving fuel efficiency of gasoline-powered vehicles will continue to put negative pressure on motor fuel tax revenues collected. This trend, coupled the state motor fuel tax remaining the same since 2006, means motor fuel tax revenue (which accounted for slightly more than half of

all transportation fund revenues in 2019-20) will likely comprise an increasingly smaller share of transportation fund revenues. Several other states are currently discussing alternative transportation funding strategies based on mileage driven, and some states such as Oregon and Utah have begun implementing such programs.

7. The Governor recommends establishing a program within DOT to provide funding for electric vehicle infrastructure projects for the purpose of improving the accessibility of the state for electric vehicles, and authorize $5,000,000 in transportation fund-supported, general obligation bonds for this purpose. This would require creating a new bonding appropriation for this program, and 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. Under the program, DOT would be required to work in consultation with the Department of Administration to determine appropriate locations for eligible projects. 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 $401,300 SEG.

8. Under the Governor's recommendations, necessary statutory language would be included that establishes a legislative finding and public purpose associated with the types of facilities receiving bond proceeds, similar to current law provisions relating to the use of state general obligation bond proceeds for grants that may be made to private entities that serve a public purpose. This language would state that the Legislature finds and determines that: (a) the use of electric vehicles benefits all residents of the state; (b) current electric vehicle infrastructure is insufficient; (c) funding of projects under this program is a valid government function and serves a public purpose; and (d) private capital and local government financial and technical resources are unable to fully meet the transportation and infrastructure needs of the state. If it is determined that developing electric vehicle infrastructure is the responsibility of the state or is beneficial to the state, the recommendation to establish a program within DOT to provide funding for electric vehicle infrastructure projects and provide $5,000,000 in transportation fund-supported, general obligation bonds for this purpose could be adopted. [Alternative 1]

9. Electric vehicle infrastructure is generally an eligible use of funds under several sources of federal highway aid, including the surface transportation block grant program and the congestion mitigation and air quality improvement program. If developing electric vehicle infrastructure is the responsibility of the state or is beneficial to the state, a program could be established within DOT that would use $1,250,000 FED in 2021-22 and $2,500,000 in 2022-23 to provide funding for electric vehicle infrastructure projects. This would establish base funding for the program of $2,500,000 FED annually. While the Legislature may establish federal appropriation levels, the Department can only spend the amount of federal aid that is received for each year. If DOT receives the estimated amount of federal aid that it budgeted for the biennium, providing federal aid towards an electric vehicle infrastructure program may require a corresponding decrease to another federal aid appropriation. However, this alternative would make FED appropriation authority available to this program, and if federal aid exceeds the current estimates for the biennium, the Department could expend the 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 establish a new federal appropriation and provide a similar biennial funding level for electric vehicle infrastructure that is recommended by the Governor, but would establish base level federal funding rather than authorizing new transportation fund-supported bonding. [Alternative 2]

10. The Volkswagen settlement funds arose from settlement with Volkswagen and federal government, where Volkswagen admitted to violating the federal Clean Air Act. Under the Volkswagen Mitigation Program, DOA is scheduled to receive $67.1 million over 10 years to offset the excess pollution emitted by affected Volkswagen vehicles. Of this amount, DOA was to use $10 million to provide electric vehicle charging station grants as directed by the Governor's veto message of the 2019-21 biennial budget act. However, in a July 10, 2020, decision in *Bartlett v. Evers, 2020 WI 68*, the Wisconsin Supreme Court found the Governor's partial veto unconstitutional which eliminated the directive of the Governor's veto that up to $10 million be used for electric vehicle charging stations. As a result, this $10 million was instead to be used for grants for school buses and transit capital assistance grants, as directed by the Legislature in 2019 Act 9. However, as part of the Governor's 2021-23 biennial budget recommendations, the bill would expand the authorized use of funds under DOA's transit capital assistance grant program to also include the installation of charging stations for electric vehicles. The amount allocated to electronic charging stations in the bill, about $10 million, is the maximum amount that can be allocated to electronic charging stations under the settlement.

11. Bonding has often been used as the means of funding the gap between DOT infrastructure programs needs and available revenues. Consequently, the amount of annual transportation fund revenues needed to support annual debt service is seen as a measure of the transportation fund's solvency. Some may have concerns regarding the authorization of transportation fund-supported bonds for this purpose and thus increasing the amount of future SEG revenues needed to pay debt service.

12. 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 to support future debt service on bonds issued to fund electric vehicle infrastructure projects could be limited. Given these concerns, the Committee could take no action. Funding for electric vehicle infrastructure could still be provided in the 2021-23 biennium depending on the Committee's actions regarding the Governor's recommended use of the Volkswagen settlement funds. [Alternative 3]

ALTERNATIVES

1. Authorize $5,000,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding an electric vehicle infrastructure grant program in the 2021-23 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by $175,500 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated $401,300 SEG.

ALT 1	Change to Base Revenue
BR-SEG	$5,000,000

2. Provide $1,250,000 in 2021-22 and $2,500,000 in 2022-23 in federal highway aid for the purpose of funding an electric vehicle infrastructure grant program in the 2021-23 biennium. This alternative would require reducing federal highway aid to a different state program by an equal amount in each year.

ALT 2	Change to Base
FED	$3,750,000

3. Take no action.

Prepared by: Nick Lardinois

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

June, 2021 | Joint Committee on Finance | Paper #600

Transportation Alternatives Program (Transportation -- Local Transportation Assistance)

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

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.

ALT 3	**Change to Base**
FED	$2,000,000

4. Take no action.

Prepared by: Nick Lardinois

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

June, 2021 Joint Committee on Finance Paper #601

Airport Sound Mitigation Grant Program (Transportation -- Local Assistance)

[LFB 2021-23 Budget Summary: Page 576, #9]

CURRENT LAW

The Department of Transportation's Bureau of Aeronautics provides funding from various state and federal sources for airport projects at commercial and general aviation airports in the state. The state share for projects is paid from the Department's aeronautics assistance appropriation, funded from the transportation fund at $14,333,800 SEG in base level funding. In addition, base level funding for the federal aeronautics assistance program is funded at base level funding of $56,177,300 FED.

DISCUSSION POINTS

1. Studies indicate that the effects of noise pollution surrounding airports can disrupt the environments of humans and animals. Research has shown that disruptive airport noise levels can harm human health and development. While no solution exists to entirely mitigate the noise levels surrounding airports, some actions that are taken are restrictive and include fines for excessive noise, and curfews or other limitations on airport operations within certain timeframes, including certain runways. Others have included technological improvements to the aircraft, or the installation sound barriers near airports and sound insulation on affected buildings. More broadly, community and land use planning actions can have a broader impact on limiting the number of citizens impacted by disruptive noise levels.

2. The Federal Aviation Administration (FAA) administers the Airport Improvement Program (AIP), which includes an Airport Noise Program. Under this program, airports may collaboratively address noise near airports by using a voluntary program called airport noise compatibility planning or Part 150 (known as Part 150 because the Aviation Safety and Noise Abatement Act of 1979 created the program under 14 CFR Part 150). FAA indicates that of the 275

airports in the AIP program 256 have entered into this voluntary program since its beginning and received grants for part 150 studies. According to FAA, the Part 150 program has two parts. The first step involves the development of noise exposure maps that identify the compatible and non-compatible land uses around the airport. FAA indicates that the maps help communities understand the areas affected by different levels of noise in a consistent and scientific way. This enables better land-use planning and noise mitigation efforts in the second step of this process, the Noise Compatibility Program (NCP), which identifies specific measures to reduce incompatible land uses. FAA indicates 245 airports across the country have approved NCPs, including three Wisconsin airports (Austin Straubel in Green Bay, Dane County in Madison, and General Mitchell in Milwaukee) When the program identifies compatible land uses such as industrial or commercial areas, large highways or water, FAA can develop air traffic arrival or departure procedures that help reduce noise by routing flights over those less-populated, less noise-sensitive areas.

3. FAA notes that noise exposure maps can also identify neighborhoods buildings that because of noise levels may be eligible for mitigation through sound insulation measures. Buildings also must have a specific interior noise level to meet the eligibility requirements for sound insulation and must be the type of construction that can successfully be sound-insulated. Not all homes or schools near an airport are eligible for sound insulation. The FAA can provide Airport Improvement Program (AIP) grant funding for an airport operator's Part 150 sound insulation program. The grant program requires a local match from the airport or other grant recipient, and has a number of other federal requirements. Airports also can seek FAA approval to use passenger facility charge revenues for noise mitigation, including funding for the local share of AIP grants. Airports may also use airport revenue for noise mitigation in noise-impacted areas.

4. The Department indicates that the last FAA noise mitigation grant administered by the Department was for a Milwaukee Mitchell Airport project in October, 2014. The grant equaled 80% of the total project cost, with the remaining share being split equally at 10% between the state and the airport. This funding split is typical with most federally-funded AIP projects.

5. According to most recent version of DOT's Wisconsin Airport Land Use Guidebook (2011), aircraft sound is an important concern regarding land use compatibility around airports. The Guidebook notes that often land acquisition may be the most viable option since it addresses the heart of the problem, which is typically incompatible land uses (residences, schools, office buildings) in proximity to the airport. Additional techniques include sound barriers and soundproofing. However, the Guidebook notes that sound barriers can have limited applications, and are typically used on airport property to shield noise-sensitive areas from the most intense levels of airport noise such as the high decibel noise level at the end of the runway just prior to takeoff. According to the Guidebook, sound barriers take on many different forms. Coniferous trees and shrubs can provide limited sound reduction, but also act as visual barriers and are thus perceived as sound barriers. Man-made barriers such as fences and masonry walls are the most costly sound barrier option.

6. In addition, the Guidebook indicates that soundproofing or sound insulation is a mitigation measure aimed at addressing a noise issue within an indoor environment. If a structure such as a home is determined to be within an area experiencing a high level of aircraft noise, the building can be improved to reduce the levels of noise within the structure. The installation of

windows and doors with denser materials, air conditioning units or a central air system (which reduces the need to open windows), and additional insulation can deaden the outside noise. However, while sound barriers and soundproofing are typical methods of addressing sound-related land use issues, both may have limited applications depending upon the nature of complaints around each airport.

7. In federal fiscal year 2020, the state received a total of $68,670,820 in federal airport aid. Of this amount, $58,809,275 was provided as part of the typical federal airport aid allocation processes. In addition, as part of the federal Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the global coronavirus pandemic, DOT received a total of $9,861,545 in order to prevent the spread of, prepare for, and respond to the pandemic. Of this amount, $6,997,545 was to increase the federal share to 100% for federal grants already planned while the remaining $2,864,000 was awarded to generally support operations and maintenance costs. In addition, under the CARES Act, the FAA provided $83,183,655 directly to Wisconsin's primary airports to be used for maintenance and operation expenses. In addition, the American Rescue Plan Act of 2021 provided additional grants-in aids to airports to prevent, prepare for, and respond to the coronavirus pandemic, although the amount Wisconsin will receive is not yet known.

8. The Governor recommends providing $250,000 GPR annually to a newly-created continuing appropriation that would be used to award grants to projects that mitigate the impact of airport sound on structures located near airports that include a military base or installation. Because the program would help the general population located adjacent to airports that would be most affected by airport noise, perhaps GPR funding is appropriate. Further, no direct user fee link to the transportation fund exists regarding whether those who would benefit from the program would in some way pay more into the transportation fund to cover the costs of the program. [Alternative 1]

9. Under the proposed program, DOT would be required to develop and administer an airport sound mitigation grant program to be funded from the newly-created GPR appropriation. The Department could prescribe the form, nature, and extent of information required to be contained in grant applications for this program. DOT would have to give highest priority in awarding grants under this program to projects involving schools and child care centers, and second priority to projects involving private residences. Projects would not eligible if they are eligible for participation in a federal airport sound mitigation grant program.

10. Commercial airlines are exempt from local property taxes and, instead, are taxed under the state's ad valorem tax, the revenues from which are deposited to the transportation fund. In 2020, 23 airlines paid this tax, and the ad valorem tax on commercial airline property accounted for 80.0% of the revenue in the aeronautical taxes and fees deposited to the transportation fund. The remaining revenue in this category comes from two general aviation-related sources. First, aircraft that are not subject to the ad valorem tax (not including aircraft operated by an airline qualifying for the airline hub exemption) must pay an aircraft registration fee, which ranges from $60 for two years for an aircraft that is 2,000 pounds or less to $3,125 annually for an aircraft over 100,000 pounds. Second, general aviation fuel is subject to a fuel tax of six cents per gallon (air carrier companies are exempt). In total, aeronautical related taxes and fees totaled $8.8 million in 2019-20.

11. Given that airlines provide annual revenues to the transportation fund, providing SEG funding rather than GPR funding for the proposed airport sound mitigation program could be an

option. The Committee could provide the $250,000 SEG annually to fund the proposed program. Aeronautical taxes and fees account for $8.8 million in revenue to the transportation fund in 2019-20, while DOT's aeronautical assistance program has base level SEG funding of $14.3 million. Thus, some may contend that airlines and airports are already benefitting more from the fund than such aeronautical entities are paying directly in to the fund. However, airports also create vehicle traffic in, and around, the airport, as well as tourist and other economic activity, all of which that likely benefits the transportation fund. [Alternative 2]

12. The administration indicates that given that the program would be new, and no specific project or grant recipient is in the queue, it's difficult to predict the level of interest in the program. Further, they note that while the recommendations would establish prioritization process for potential recipients, until applications are submitted it is not known which projects, or the types of sound mitigation projects, would be funded. Given these unknowns, the proposed recommendation includes a provision that specifies that the program would be terminated if DOT does not receive an application for a grant under this program for two consecutive fiscal years.

13. As mentioned earlier, short of land acquisition, there are limits to the effectiveness, types, and number of practices and projects available to mitigate high decibel levels of sound associated with airports. In addition, the costs associated with such practices are not entirely known and likely vary considerably. Further, the administration itself notes that demand for the program is largely unknown, and the program would be terminated if no applications are submitted for two consecutive years especially considering federal funding is available for similar purposes. Until more is known on the extent of sound issues surrounding the state's airports, and on the effectiveness and cost of sound airport sound mitigation practices, it may not be the appropriated time to create and fund such a program at the state level. Given that such a proposed program has been raised as a possibility, it may be more appropriate that the Department study the need and demand for such sound mitigations practices associated with the state airports, as well as the effectiveness and cost of such practice, and, if needed, submit a proposal as part its 2023-25 biennial budget request. [Alternative 3]

ALTERNATIVES

1. Provide $250,000 GPR annually for a newly-created grant program to fund projects that mitigate the impact of airport sound on structures located near airports that include a military base or installation.

ALT 1	Change to Base
GPR	$500,000

2. Provide $250,000 SEG annually for a newly-created grant program to fund projects that mitigate the impact of airport sound on structures located near airports that include a military base or installation.

ALT 2	Change to Base
SEG	$500,000

3. Take no action.

Prepared by: Al Runde

Transportation -- Local Transportation Assistance

LFB Summary Items for Which No Issue Papers Have Been Prepared

Item #	Title
2	Local Roads Improvement Program - Clear Lake Road in Town of Milton in Rock County
3	Local Bridge Improvement Assistance Program - Ray Nitschke Memorial Bridge