



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>

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Joint Committee on Finance

Paper #765

General Transportation Aids (Transportation -- Local Transportation Aid)

[LFB 2023-25 Budget Summary: Page 628, #1]

CURRENT LAW

General transportation aid is paid to counties and municipalities (cities, villages, and towns) to assist in the maintenance, improvement, and construction of local roads. General transportation aid distribution amounts for 2023 and thereafter are \$127,140,200 for counties and \$398,996,800 for municipalities. The mileage aid rate is set at \$2,734 per mile for 2023 and thereafter. General transportation aid payments are made from two sum certain, transportation fund appropriations.

DISCUSSION POINTS

Background

1. General transportation aids are paid to local governments to assist in the maintenance, improvement, and other costs related to local roads. The current transportation aid formula was created in 1988. Separate appropriations are made for counties and municipalities. There are two basic formulas by which general transportation aid is distributed: (a) share of costs aid, which covers a percentage of six-year average costs (2016 through 2021 for calendar year 2023 payments); and (b) mileage aid, which is based on a statutory mileage aid rate (currently \$2,734) multiplied by a local government's jurisdictional miles. Counties receive only share of costs aid, while municipal payments are based on either share of costs aid or mileage aid, whichever is greater, although mileage aid is mostly received by towns.

2. After the state highway improvement program, the general transportation aids program is the second largest program in DOT's budget and represents 25.9% of all transportation fund appropriations in 2022-23. The \$127,140,200 provided to counties and the \$398,996,800 provided to municipalities in 2023 under current law helps offset some of the costs of local road

improvements, maintenance, traffic enforcement, and other transportation-related costs on 19,700 miles of county roads, 21,000 miles of city and village streets, and 61,500 miles of town roads.

3. The following table shows the annual change in general transportation aid as well as the percentage of eligible, six-year average costs covered by state general transportation aid for counties and municipalities on the share of costs formula. The table shows that since 2014, the five annual increases to general transportation aids has largely maintained, or slightly increased, the percentage of costs covered by state aid, despite increased average costs over the same period. Assembly Bill 43/Senate Bill 70 (AB 43/SB 70) would provide a 4.0% increase each year to the general transportation aid distribution for counties and municipalities (including a 4.0% increase to the mileage aid rate). While contingent on the impact of changes in costs over the six-year average, which would involve dropping 2016 and 2017 costs from that average and adding 2022 and 2023, the proposed funding increase would assist in maintaining the share of cost percentage shown in the following table.

**Annual Aid Funding Change and Percent of
Six-Year Average Costs Covered by State Aid
(2014-2023)**

Year	County Aid		Municipal Aid*	
	% Change	% of Costs	% Change	% of Costs
2014	0.0%	18.2%	0.0%	15.3%
2015	4.0	18.4	4.0	15.9
2016	0.0	17.9	0.0	15.8
2017	0.0	17.5	0.0	15.6
2018	12.9	19.8	8.5	16.9
2019	0.0	19.1	0.0	16.3
2020	10.0	20.7	10.0	17.7
2021	0.0	19.9	0.0	16.8
2022	2.0	19.6	2.0	16.5
2023	2.0	19.4	2.0	16.4

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

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, which some contend inhibits the ability of some local governments to raise the revenue needed to maintain and rehabilitate their transportation infrastructure. Under the Committee's action to date on the 2023-25 biennial budget, property tax levy limits on local governments would remain in place. Providing an increase in transportation aid could be seen as a means to mitigate the ongoing impact of levy limits, while having additional resources to meet local transportation infrastructure needs. [Alternative 1]

5. General transportation aid is calculated and paid on a calendar-year basis, with quarterly payments on the first Monday of January, April, July, and October for municipalities. County aid payments are made in two installments, each equal to one-quarter of the calendar year total, on the

first Monday of January and October and a third installment equal to one-half of the calendar year total on the first Monday of July of each year. Therefore, if an increase in calendar year 2025 aid payments would be provided by the Committee, the remaining portion of the calendar year increase would have to be funded in the first year of the following biennium (2025-27). This would increase the funding commitments from the transportation fund in the next biennium.

6. Under AB 43/SB 70, the amount of the proposed 4% increase in 2025 that would need to be funded in the first year of the following biennium (2025-27) would be \$12,265,800. This future commitment could be avoided if the 4% funding increase would be provided in 2024, with no additional increase in 2025. [Alternative 2b and 2e]. Alternatively, the Committee could choose to provide a 2% increase in 2024, [Alternative 2a and 2d] or a 6% increase in 2024, [Alternative 2c and 2f] with no additional increases in 2025.

7. Compared to AB 43/SB 70, net revenues to the transportation fund in the biennium are estimated to be lower by \$126.6 million in 2023-24 and \$258.2 million in 2024-25. However, net current law revenues, exclusive of the proposed additional general fund transfers to the transportation fund under AB 43/SB 70, are estimated to be lower by only \$43.7 million in 2023-24 and \$64.9 million in 2024-25. Incorporating these revenue reestimates, and the Committee's action to date, results in a projected \$28.1 million, June 30, 2025, transportation fund balance before the Committee begins actions to complete the 2023-25 transportation budget. Meanwhile, demands for the expenditure of transportation fund revenues may increase in 2023-25 and beyond due to large upcoming projects such as the I-94 East-West reconstruction project in Milwaukee County and the reconstruction of the John A. Blatnik Bridge in Superior, as well as inflationary demands across transportation programs.

8. State transportation aid covers only a portion of county and municipal transportation-related costs. Therefore, most of these costs are covered by local property taxes and other revenues, as well as state county and municipal aid payments. AB 43/SB 70 would provide increases in unrestricted aid in the form county and municipal aid from the general fund. In addition, the bill would commit significant ongoing transportation fund resources to an LRIP-S local road program. Whether or not the state should commit additional transportation fund resources for general transportation aids is a policy question which should be considered alongside funding decisions for other local road programs and any increase in county and municipal aids.

9. AB 43/SB 70 would provide total additional funding of \$51,481,200 SEG in the biennium to fund both: (a) the remainder of the 2% aid increase for 2023, \$1,869,700 annually for counties and \$3,911,700 annually for municipalities; and (b) a 4.0% increase each year to the general transportation aid distribution for counties and municipalities. [Alternative 1] If no funding increase is provided over the 2022-23 base level funding amount, the appropriation levels for the 2023-25 biennium would not be sufficient to fund the 2% increase in the 2023 statutory distribution level under current law. Alternatively, in order to just fund the 2023 increase, the committee could provide \$1,869,700 annually for counties and \$3,911,700 annually for municipalities. [Alternative 3]

10. If no increase to base level funding is provided, DOT would have to prorate payments in 2023 and thereafter at 97.1% for counties and 98.0% for municipalities. This would reduce aid payments below the amounts anticipated when local governments established their December, 2022, property tax levies. [Alternative 4]

ALTERNATIVES

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

County Aid. Increase funding by \$3,141,100 in 2023-24 and \$8,277,600 in 2024-25 to fully fund the 2% calendar year 2023 increase provided in 2021 Act 58, and fund a 4.0% increase each year to the calendar year general transportation aid distribution for counties. The calendar year distribution for counties is currently equal to \$127,140,200. This would provide a calendar year distribution amount for counties equal to \$132,225,800 for 2024 and \$137,514,800 for 2025 and thereafter.

Municipal Aid. Increase funding by \$11,891,700 in 2023-24 and \$28,170,800 in 2024-25 to fully fund the 2% calendar year 2023 increase provided in 2021 Act 58, and fund a 4.0% increase each year to the calendar year general transportation aid distribution for municipalities. The calendar year distribution level for municipalities is currently equal to \$398,996,800. This would provide a calendar year distribution amount for municipalities equal to \$414,956,700 for 2024 and \$431,555,000 for 2025 and thereafter. Increase the mileage aid rate by 4.0% each year (from its current level of \$2,734 per mile) to \$2,843 per mile for calendar year 2024 and \$2,957 per mile for calendar year 2025 and thereafter.

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

ALT 1	Change to Base
SEG	\$51,481,200

2. Provide a general transportation aid SEG funding change for 2024 and thereafter at one of the following percentages. Set the annual county and municipal distribution amounts, establish the mileage aid rate, and change the general transportation aid appropriations as shown below. These funding amounts shown in the following table fully fund the 2% calendar year 2023 increase provided in 2021 Act 58.

Counties

	<u>2024</u> <u>Increase</u>	<u>2024 and Thereafter</u> <u>Distribution</u>	<u>SEG Change to Base</u>	
			<u>2023-24</u>	<u>2024-25</u>
a.	2.0%	\$129,683,000	\$2,505,400	\$4,412,500
b.	4.0	132,225,800	3,141,100	6,955,300
c.	6.0	134,768,600	3,776,800	9,498,100

Municipalities

	<u>2024 Increase</u>	<u>2024 and Thereafter Distribution</u>	<u>2024 and Thereafter Rate Per Mile</u>	<u>SEG Change to Base</u>	
				<u>2023-24</u>	<u>2024-25</u>
d.	2.0%	\$406,976,700	\$2,789	\$7,901,700	\$11,891,600
e.	4.0	414,956,700	2,843	11,891,700	19,871,600
f.	6.0	422,936,600	2,898	15,881,600	27,851,500

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

3. Increase funding annually by \$1,869,700 for counties and \$3,911,700 for municipalities to fully fund the 2% calendar year 2023 increase provided in 2021 Act 58. The calendar year distribution would remain at the 2023 level (\$127,140,200 for counties and \$398,996,800 for municipalities) for calendar years 2024 and thereafter. The mileage aid rate (\$2,734 per mile) would remain at the calendar year 2023 level for calendar year 2024 and thereafter.

ALT 3	Change to Base
SEG	\$11,562,800

4. Take no action. [Funding would equal 97.1% of the statutory distribution amount for counties and 98.0% of the statutory distribution amount for municipalities, requiring aid to be prorated by DOT in 2023, and thereafter.]

Prepared by: Ryan Horton

