



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #774

### **Allocation of Federal Highway Aid (Transportation -- Local Transportation Assistance)**

[LFB 2023-25 Budget Summary: Page 634, #7 (part), Page 635, #10, Page 636, #11, Page 637, #13, Page 638, #16 (part), and Page 661, #5]

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#### **CURRENT LAW**

The Department of Transportation (DOT) operates several local transportation assistance programs that directly provide federal funds to local governments through grants for transportation projects, including (a) the surface transportation program (STP), which allocates federal funds to complete a variety of improvements to federal-aid eligible roads and streets; (b) the transportation alternatives program (TAP), which funds non-motorized vehicle transportation projects; and (c) the congestion mitigation and air quality (CMAQ) improvement program, which provides grants for projects to reduce transportation-related air pollution or reduce traffic congestion. In addition, DOT also operates the railroad crossing improvement program, which reimburses railroad companies for projects to improve the safety of railroad crossings.

DOT's department management and operations appropriations provide funding for agency-wide operations, including departmental planning, administrative activities, and the management of most departmental programs. Adjusted base funding for these appropriations is \$70,989,400 SEG and \$32,661,400 FED annually for the 2023-25 biennium.

The Department's federal appropriations are all monies received appropriations, and as such the FED amounts specified for each program in the schedule are estimates of the amount of federal funding that the program is expected to receive in each year. If the amount of federal funds that the Department receives for a program vary from the amounts in the schedule of appropriations, DOT can, with approval from the Department of Administration, adjust these FED appropriations as needed and as allowed by the federal government.

## MODIFICATION

Re-estimate the federal highway aid that is expected to be received by the state during the 2023-25 biennium as follows:

- a. Increase funding for STP by \$61,295,600 FED and \$17,764,800 SEG-L in 2023-24, and \$62,511,200 FED and \$18,120,100 SEG-L in 2024-25 under DOT's local transportation facility improvement assistance appropriations.
- b. Increase funding for TAP by \$10,969,600 FED and \$2,742,400 SEG-L in 2023-24 and \$11,189,000 FED and \$2,797,300 SEG-L in 2024-25 under DOT's transportation alternatives program appropriations.
- c. Increase funding for CMAQ by \$4,461,200 FED and \$1,115,300 SEG-L in 2023-24, and \$4,550,500 FED and \$1,137,600 SEG-L in 2024-25 under DOT's congestion mitigation and air quality improvement appropriations.
- d. Increase funding for the railroad crossing improvement program by \$2,823,800 FED in 2023-24 and \$2,880,300 FED in 2024-25 under DOT's railroad crossing improvement appropriation.
- e. Increase funding for DOT agency-wide operations by \$2,234,600 FED in 2023-24 and \$2,269,300 FED in 2024-25 under DOT's departmental management and operations appropriation.

Change to Base	
FED	\$165,185,100
SEG-L	<u>43,677,500</u>
Total	\$208,862,600

**Explanation:** Each of these programs receive federal funding from the federal highway formula aid program, which provides a block grant of transportation funding to states each year. In November, 2021, the federal government enacted the Infrastructure Investment and Jobs Act (IIJA), which reauthorized and modified the overarching framework for federal transportation funding for the five ensuing federal fiscal years (2022-26). As a result, the state began receiving increased levels of federal aid beginning in 2021-22. The additional federal aid provided to the state in the first two years of IIJA (2021-22 and 2022-23) was appropriated in each year under DOT federal funding plans that were approved by the Joint Committee on Finance. The state is expected to continue receiving similar amounts of federal aid in each year of the 2023-25 biennium.

Federal highway formula aid funds are divided into program categories, with specific rules on how funds under each program category must be spent. While these rules provides the state with some flexibility on how federal highway aid funding can be allocated, they also specify that the funding authority allocated under certain program categories must be spent for specific purposes. For each program included in this estimate, the Department has limited flexibility to downwardly-adjust the appropriations recommended in Assembly Bill 43/Senate Bill 70 (AB 43/SB 70). Failure to adhere to federal rules for this program funding could result in penalties to the federal highway formula aid funding provided to the state in future years. This office has

reviewed the federal aid estimates included under AB 43/SB70 and agree with the estimates.

Surface Transportation Program. Federal funding for STP is provided under the surface transportation block grant (STBG) program category of the federal highway formula aid program. The federal government provides the state with a specific allocation of funding authority for STBG each year, and requires that a minimum of 55% of this authority (after set-asides and penalties) be sub-allocated to areas of the state, which DOT does in the STP program. Because of these rules, DOT has limited flexibility to reduce STP funding to a level below the 55% sub-allocation benchmark. In past years, DOT has provided STP with a funding level corresponding to the 55% of STBG funding authority provided to the state each year. Estimate federal STP funding at \$61,295,600 FED in 2023-24 and \$62,511,200 FED in 2024-25, corresponding to 55% of the STBG funding authority that the state is expected to receive in the 2023-25 biennium.

Transportation Alternatives Program. Funding for TAP is provided from a set-aside of funding for transportation alternatives under the STBG program category of federal highway formula aid. The federal government provides the state with a specific allocation of funding authority for the transportation alternatives set-aside each year, and requires that a minimum of 59% of this authority (after set-asides and penalties) be sub-allocated to areas of the state (in a manner similar to STP). Because of these rules, DOT has limited flexibility to reduce TAP funding beyond the amounts required to meet the 59% sub-allocation benchmark. In past years, DOT has funded TAP with the 59% of funding authority provided to the state under the transportation alternatives set-aside each year. Estimate federal TAP funding at \$10,969,600 FED in 2023-24 and \$11,189,000 FED in 2024-25, corresponding to 59% of the funding authority that is expected to be provided to the state under the transportation alternatives set-aside in the 2023-25 biennium.

Congestion Mitigation and Air Quality Improvement Program. DOT funds the state CMAQ program with federal funding authority under a federal highway formula aid program category that is also named CMAQ. Similar to STP and TAP, the federal government provides the state with a specific allocation of funding authority under the CMAQ program category each year, and requires that a minimum of 50% of this authority (after set-asides) be utilized for certain eligible activities, described earlier. In past years, DOT has funded the program with 50% of the funding authority provided to the state under the federal CMAQ program category each year. Estimates federal CMAQ funding at \$4,461,200 FED in 2023-24 and \$4,550,500 FED in 2024-25, corresponding to 50% of the federal CMAQ funding authority that the state is expected to receive in the 2023-25 biennium.

Railroad Crossing Improvement Program. Federal funding for the railroad crossing improvement program is provided from the railway-highway crossings federal highway formula aid program category. Unlike the federal STBG and CMAQ program categories, funding authority under the federal railway-highway crossings is not transferrable to other program categories. To reflect the amount of federal funding authority available for railroad crossings under IJA estimate federal funding at \$2,823,800 FED in 2023-24 and \$2,880,300 FED in 2024-25 for the railroad crossing improvement program.

Department Management and Operations. Estimate additional federal funds for DOT department management and operations from two federal program categories to reflect the amount of federal funding authority that each program category is expected to be provided under IJA for the 2023-25 biennium: (a) \$500,000 FED annually from the state planning and

research program category; and (b) \$1,734,600 FED in 2023-24 and \$1,769,300 FED in 2024-25 from the metropolitan planning program category. Like the railway-highway crossings program category, funding authority provided to each of these program categories cannot be transferred. The recommended state planning and research funding would be used for DOT's state transportation research program, which conducts research to improve of DOT operations. The recommended metropolitan planning program category funding would be provided to metropolitan planning organizations (MPOs) and regional planning commissions (RPCs), bodies comprised of local government representatives that oversee transportation planning in designated intergovernmental areas. RPCs typically oversee planning in a "region" comprised of several counties, while MPOs have jurisdiction over federally-designated urbanized areas, which may encompass a central city and surrounding suburbs.

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