Transportation

Local Transportation Assistance

(LFB Budget Summary Document: Page 672)

LFB Summary Items for Which an Issue Paper Has Been Prepared

Item #	Title
1 & 2	Local Roads Improvement Program -- Discretionary Supplemental Grants (Paper #760)
3	Local Roads Improvement Program -- Deforest Interchange and Ontario Residential Road (Paper #761)
4 & 5	Agricultural Roads Improvement Program, Local Bridge and Culvert Improvement Program (Paper #762)
7, 8, & 9	Harbor Assistance Program -- Menominee Harbor and Harbor Centre Marina in the City of Sheboygan (Paper #763)
--	Harbor Assistance Program -- Fuel Pipeline in Milwaukee County (Paper #764)
10	Freight Rail Preservation Program (Paper #765)
11, 12, 13, & 14	Local Transportation Facility Improvement Assistance Program Federal Funding Allocation, Transportation Alternatives Program Federal Funding Allocation, Congestion Mitigation and Air Quality Improvement Program Federal Fund Allocation, Railroad Crossing Improvement Program Federal Funding Allocation (Paper #766)

LFB Summary Items Removed From Budget Consideration

Item #	Title
6	Local Traffic Calming Grants
15	Passenger Rail Operations Assistance
16	Aviation Career Education Program
18	Local Program Modifications
19	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

Joint Committee on Finance Paper #760

Local Roads Improvement Program
(Transportation -- Local Transportation Assistance)

[LFB 2025-27 Budget Summary: Page 672, #1 and Page 673, #2]

CURRENT LAW

The jurisdiction of public roads and bridges in Wisconsin is divided between local governments and the state. The state is responsible for maintenance and improvement of the state trunk highway system, which comprises approximately 11,200 miles of roadways designated as state highways, U.S. highways, and the interstate highways. All other roadways in the state are under the jurisdiction of local governments (counties, towns, and municipalities). The Department of Transportation (DOT) administers several local transportation assistance programs, which provide grants of state and federal funds for projects to improve local roads and bridges. These programs include: (a) the local roads improvement program (LRIP), which awards state funds for capital improvements on local roads; (b) the surface transportation program (STP), which allocates federal funds primarily for projects to improve to federal-aid eligible roads and streets; and (c) the local bridge improvement assistance (local bridge) program, which allocates state and federal funds for projects to rehabilitate and replace local bridges.

LRIP is a reimbursement program that provides grants of state funds on a biennial basis for capital improvements on existing local roads, and for feasibility studies for such improvements. A capital improvement is defined as a project with a projected design life of at least 10 years. Grants may cover up to 50% of the total project cost, with the balance generally being provided by the local recipient. The political subdivision where the work is performed is generally responsible for the payment of the project costs. At project completion, the political subdivision can apply to DOT for reimbursement of eligible costs.

DISCUSSION POINTS

1. This paper discusses recommendations under Senate Bill 45/Assembly Bill 50 (SB 45/AB 50) for the following programs: (a) providing $100 million GPR for the LRIP supplemental (LRIP-S) program; and (b) providing $4.6 million to increase funding for the LRIP formula and discretionary components by 3% annually. A separate SB 45/AB 50 recommendation to allocate up to 10% of the total funding provided for LRIP-S ($10 million in the biennium) for the local bridge and culvert improvement program is discussed separately in LFB Issue Paper #761.

Background

1. The LRIP program has existed for several decades, and provides assistance to local governments for projects to improve local highways. The original LRIP program is divided into two components. The LRIP formula component allocates funding to local governments via formula, and generally awards larger numbers of smaller grants to many recipients across the state. Meanwhile, the LRIP discretionary component awards a smaller number of larger-sized grants for projects that are chosen by a selection committee. Funding under both components is also suballocated between counties, towns, and municipalities (cities and villages).

2. 2019 Act 9 (the 2019-21 biennial budget act) also created a new LRIP-S program, which provides grants under a 90%/10% state/local match rate, rather than the 50%/50% match rate for the existing LRIP formula and discretionary components. Similar to the discretionary component, LRIP-S awards are chosen by a statewide project selection committee. The LRIP-S program was initially funded with one-time funding of $90 million GPR in the 2019-21 biennium, and was subsequently provided with additional one-time funding of $100 million SEG in both the 2021-23 and 2023-25 biennia. Like the LRIP formula and discretionary components, LRIP-S funding is also suballocated among counties, towns, and municipalities.

3. The top half of Table 1 shows the funding that has been provided to the two separate LRIP programs over the past five biennia. As shown in the table, total funding for LRIP projects has more than tripled over this period, due primarily to the introduction of the LRIP-S program, as well as funding increases that were provided to the LRIP formula and discretionary components in the 2017-19 and 2023-25 budgets. In addition to these funding increases for LRIP, the bottom half of Table 1 shows that additional funding has also been provided to other DOT local transportation assistance programs over this period. This has occurred for two primary reasons: (a) passage of the federal infrastructure investment and jobs act in 2021-22, which began providing additional federal funds to STP and the local bridge program; and (b) the provision of $150 million SEG in one-time funding under 2023 Act 19 (the 2023-25 biennial budget act) to introduce the agricultural roads improvement program, which makes improvements to local roads that are subject to a posted weight limitation and provide access to agricultural lands or facilities. The table also does not include $50.0 million SEG that was provided for the southern bridge project in the City of De Pere in the 2023-25 budget. As a result of these funding increases, the table shows that the total funding provided for DOT local transportation assistance programs has increased by 198.8% over the past ten years, or nearly triple the amounts that were provided in the 2015-17 biennium.

TABLE 1

Funding for Selected DOT Local Transportation Assistance Programs Since 2015-17
($ in Millions)

	2015-17	2017-19	2019-21	2021-23	2023-25
Local Roads Improvement Program					
Formula Component	$32.4	$35.7	$35.7	$35.7	$37.9
Discretionary Component	23.7	30.3	30.3	30.3	36.4
Subtotal -- LRIP Program	$56.1	$66.0	$66.0	$66.0	$74.3
LRIP-S Program	$0.0	$0.0	$90.0	$100.0	$100.0
Subtotal -- LRIP & LRIP-S	$56.1	$66.0	$156.0	$166.0	$174.3
Other Local Assistance Programs					
Surface Transportation Program (FED)	$134.5	$159.1*	$134.5	$277.7	$265.6**
Local Bridge Program	65.8	125.3***	85.8	191.6	176.2
Ag. Roads Improvement Program	0.0	0.0	0.0	0.0	150.0
Subtotal	$200.3	$284.4	$220.3	$469.3	$591.8
Total	$256.4	$350.4	$376.3	$635.3	$766.1
Percent Change		36.7%	7.4%	68.8%	20.6%
Cumulative Percent Change		36.7%	46.8%	147.8%	198.8%

*Includes $24.7 million FED appropriated to the surface transportation program under the 2018-19 DOT federal appropriations adjustment plan.
**Includes an estimated $62.5 million in additional funding that is expected to be allocated to the surface transportation program in 2024-25.
***Includes $30.0 million SEG and $8.6 million FED appropriated to the local bridge improvement program under the 2017-18 DOT federal appropriations adjustment plan.

4. While additional funding has been provided to DOT's local transportation assistance programs over the past decade, local road conditions have declined over the past several years, as shown in Table 2. These road condition data are derived from local road inspections, which local governments are required to conduct on a biennial basis and report to DOT. The data show that the percentage of all paved local roadway miles rated in poor condition increased from 7.9% in 2011 to 10.5% in 2023, while the percentage of paved local roadway miles rated in good condition decreased from 71.5% in 2011 to 61.2% in 2023. Similar to state highway projects, local road projects take several years to design and construct. Thus, the local road condition data, which are only available through 2023, may not capture the full impact of the additional state and federal local transportation assistance funding that has been provided in recent biennia.

TABLE 2

Percent of Local Highway Miles in Poor and Good Condition, 2011-2023

Percent of Paved Roadways in Poor Condition

Year	Counties	Towns	Villages	Cities	Total
2011	7.4%	7.6%	8.3%	9.7%	7.9%
2013	8.3	8.0	8.2	9.8	8.4
2015	8.0	8.7	8.3	10.5	8.8
2017	7.5	9.3	8.3	9.9	8.8
2019	9.0	10.8	8.9	11.4	10.3
2021	8.9	10.9	8.4	12.8	10.5
2023	9.4	11.2	8.6	10.7	10.5

Percent of Paved Roadways in Good Condition

Year	Counties	Towns	Villages	Cities	Total
2011	72.8%	71.6%	72.7%	68.1%	71.5%
2013	71.8	70.0	72.2	66.6	70.1
2015	70.7	67.3	71.5	64.8	68.2
2017	69.7	65.7	71.0	64.7	67.0
2019	65.7	62.3	69.2	62.3	63.8
2021	65.3	60.9	68.1	61.1	62.7
2023	63.0	59.3	66.5	61.3	61.2

5. These data suggest that, despite receiving increased road funding from the state in recent years, local governments' transportation expenditures have been insufficient to maintain the existing condition of local roadways. This may be, in part, the result of the impact of inflation on the costs of improving and maintaining local roads. Over the past four biennia (from the second quarter of 2017 through the first quarter of 2025), overall inflation, as measured by U.S. consumer price index, has increased by approximately 30.9%, while DOT's construction cost index, which tracks prices for a weighted "basket" of construction inputs such as asphalt, concrete pavement, and labor has increased by approximately 49.4%. This increase in inflation was particularly severe following the COVID-19 pandemic, but has moderated in more recent quarters.

6. Further, since the 2005(06) property tax year, the Department of Revenue has administered a levy limit program that restricts the annual growth in county and municipal property tax levies to the percentage change in a municipality's or county's annual net new construction. Some of the decline in local road conditions that has been observed in recent years may be attributable to the levy limit program inhibiting the ability of some local governments to raise the tax revenue needed to maintain and rehabilitate their highway infrastructure, especially those with limited growth. To address these local funding concerns, 2023 Act 12 created the supplemental county and municipal aid program, which will provide ongoing annual aid payments to local governments in the state. 2023 Act 19 provided $274.9 million in initial supplemental aid payments to local units of government in 2024.

7. Consequently, state aid has played a larger role in funding local transportation infrastructure in recent years. Table 3 shows information on the total expenditures that have been reported to the Department of Revenue by all units of local government in the state (counties, towns, cities, and villages) since 2005-07. The table includes local governments' total expenditures, as well as expenditures under the following transportation-related reporting categories: (a) highway maintenance and administration; (b) highway construction; and (c) road-related facilities. These expenditures include state and federal revenues spent on transportation-related costs. Further, the table shows the percentage of total local government expenditures that have been spent under these categories over this period. The data show that local governments have allocated a greater percentage of their overall expenditures for transportation purposes in each biennium since 2009-11, which has been primarily driven by increased spending under the highway construction reporting category. Thus, while local road conditions have declined in recent years, local governments have allocated an increasing portion of their budgets for local roadway improvements over the past several biennia.

TABLE 3

Local Government Highway Expenditures per Biennium
($ in Millions)

		Highway Maintenance and Administration		Highway Construction		Road-Related Facilities		Total Highway Expenditures	
Biennium*	Total Expenditures	Amount	% of Total Expenditures	Amount	% of Total Expenditures	Amount	% of Total Expenditures	Amount	% of Total Expenditures
2005-07	$23,060.8	$1,702.2	7.4%	$1,126.4	4.9%	$369.6	1.6%	$3,198.2	13.9%
2007-09	25,069.7	1,925.2	7.7	1,134.8	4.5	346.4	1.4	3,406.5	13.6
2009-11	26,196.9	1,930.3	7.4	1,105.5	4.2	337.8	1.3	3,373.6	12.9
2011-13	26,260.6	1,896.6	7.2	1,232.0	4.7	338.7	1.3	3,467.3	13.2
2013-15	26,692.1	1,985.2	7.4	1,300.2	4.9	343.8	1.3	3,629.2	13.6
2015-17	27,674.2	2,038.2	7.4	1,367.1	4.9	368.1	1.3	3,773.4	13.6
2017-19	28,850.5	2,213.1	7.7	1,547.3	5.4	378.9	1.3	4,139.3	14.3
2019-21	30,827.2	2,300.5	7.5	1,778.8	5.8	385.9	1.3	4,465.3	14.5
2021-23	32,720.9	2,427.5	7.4	1,916.8	5.9	408.8	1.2	4,753.0	14.5

*DOR calendar year (CY) expenditure data are transformed to biennial format according to the following example for the 2005-07 biennium: 50% of CY 2005 expenditures, 100% of CY 2006 expenditures, and 50% of CY 2007 expenditures.

8. Table 4 provides a comparison of local governments' highway expenditures, as introduced in the previous table, with the amount of funding that the state has provided to local governments under the DOT local transportation assistance programs, as well as the DOT general transportation aids program, since 2005-07. The table shows that DOT local transportation assistance programs funded 6.8% of local governments' transportation expenditures in the 2015-17 biennium, but nearly double that percentage, 13.4%, in the 2021-23 biennium. This percentage will also likely increase further in the 2023-25 biennium as a result of the additional funding that was provided in the 2023-25 budget for DOT's local transportation assistance programs. In addition, the table does not include federal aid provided to local governments, which has also increased in recent biennia.

TABLE 4

Local Government Highway Expenditures and Funding from Selected DOT Local Transportation Aid Programs
($ in Millions)

Biennium*	Total Highway Expenditures**	General Transportation Aids Amount	General Transportation Aids Percentage	Local Assistance Programs*** Amount	Local Assistance Programs*** Percentage	Total State Aid Amount	Total State Aid Percentage
2005-07	$3,198.2	$761.7	23.8%	$243.9	7.6%	$1,005.6	31.4%
2007-09	3,406.5	775.5	22.8	258.3	7.6	1,033.8	30.3
2009-11	3,373.6	841.6	24.9	246.4	7.3	1,088.0	32.3
2011-13	3,467.3	824.2	23.8	256.4	7.4	1,080.6	31.2
2013-15	3,629.2	814.2	22.4	255.8	7.0	1,070.0	29.5
2015-17	3,773.4	839.3	22.2	256.3	6.8	1,095.6	29.0
2017-19	4,139.4	896.3	21.7	350.5	8.5	1,246.8	30.1
2019-21	4,465.3	990.6	22.2	376.3	8.4	1,366.9	30.6
2021-23	4,753.0	1,030.5	21.7	635.4	13.4	1,665.9	35.0

*DOR calendar year (CY) expenditure data are transformed to biennial format according to the following example for the 2005-07 biennium: 50 of CY 2005 expenditures, 100 of CY 2006 expenditures, and 50 of CY 2007 expenditures.
**Includes costs reported from all units of local government in the state to DOR under the following categories: (a) highway maintenance and administration; (b) highway construction; and (c) road-related facilities.
***Includes SEG and FED appropriated to the following DOT programs: (a) the surface transportation program; (b) the local roads improvement program; and (c) the local bridge improvement program.

9. The growth in DOT's local transportation assistance programs that has occurred in recent biennia has been funded in part with SEG revenues from the transportation fund (via transfers from the general fund), including $100 million SEG in both the 2021-23 and 2023-25 biennia for the LRIP-S program, and $150 million SEG in the 2023-25 biennium for the agricultural roads improvement program. While these additional expenditures have been provided from the transportation fund, the last significant increase in ongoing transportation fund revenues was provided by the 2019-21 budget, which enacted increases to vehicle title and registration fees, and introduced the direct deposit of one cent from the state petroleum inspection fee to the transportation fund. Meanwhile, costs have also risen in recent years for other DOT programs due in part to inflation.

10. Further, as mentioned previously, while local governments are ultimately responsible for maintaining and improving local roadways, the state is directly responsible for the maintenance and improvement of the state trunk highway system. Additional costs are also expected for the state trunk highway system in the 2025-27 biennium and beyond due to the recent approval of several large reconstruction projects on the state trunk highway system, including the I-94 East-West southeast Wisconsin megaproject, which has an estimated cost of $1.74 billion in inflation adjusted, year-of expenditure dollars, and the I-39/90/94 major highway project, which has an estimated cost of $6.0 billion in year-of-expenditure dollars. Given largely flat current law transportation fund revenues in recent years, alongside funding needs for state trunk highways, local roadways, and other DOT programs, one policy discussion that confronts the state is whether it can afford to continue to provide ongoing increases in funding for local roads, and still meet funding needs for the state trunk highway system without providing a significant increase in revenues for the transportation fund.

11. To help fund the DOT budget given stationary transportation fund revenues, GPR has also been used in recent biennia to support DOT programs, including the $90 million GPR that was provided for LRIP-S in the 2019-21 biennium, as well as the introduction of multiple transfers and appropriations from the general fund to the transportation fund in the 2021-23 and 2023-25 biennia. These general fund transfers and appropriations were possible primarily because the state has had large general fund surpluses available in each of the past two biennia. General purpose revenue continues to be available to help fund transportation programming in the 2025-27 budget. However, this GPR surplus will likely only be available a one-time basis. Under the Legislative Fiscal Bureau's May 15, 2025, estimate of general fund revenues and expenditures, general fund expenditures in 2024-25 are expected to exceed revenues by $0.3 billion, which means that the general fund is operating under a structural deficit. Thus, it is unclear whether general purpose revenue will continue to be available in future biennia to support the DOT budget, including the expanded DOT local assistance programs that have been approved in recent years.

12. However, while local road conditions have declined over the past several years, the need to provide additional funding for local roads may decrease in future biennia. As mentioned previously, inflation has moderated in more recent quarters after peaking following the onset of the COVID-19 pandemic, which could moderate local governments' transportation costs. In addition, while DOT data show that local road conditions have declined through 2023, future data may show an improvement in local road conditions as local road projects funded with the additional state and federal funds provided in recent biennia are completed.

A. LRIP-S Program

13. Compared to the LRIP formula and discretionary components, as well as STP, which provides federal funds for local road improvement projects, local governments may prefer receiving grants under the LRIP-S program for several reasons. LRIP-S grants are funded at a 90%/10% state/local match rate, compared to match rates of 80%/20% for STP and 50%50% for the LRIP formula and discretionary components. This requires local governments to provide fewer matching funds for LRIP projects, which may be particularly beneficial given local governments' limited revenues under the levy limit program. This higher match rate could encourage local governments to complete additional road improvement projects that they would not have otherwise initiated, while the funds provided under the LRIP formula and discretionary components at a maximum match rate of 50%/50% would more often be used reimburse local governments for projects that they would have still completed without receiving a grant. Further, local governments may prefer to receive funding from LRIP rather than STP because of the environmental and wage-related requirements that are associated with federal funds.

14. SB 45/AB 50 would provide one-time funding of $100 million to the LRIP-S program in 2025-26, similar to the $100 million in one-time funding that has been provided in the past two biennia. However, while LRIP-S was funded in the past two budgets with SEG funding from the transportation fund, SB 45/AB 50 would instead convert DOT's existing LRIP-S SEG appropriation to a GPR appropriation, and provide $100 million GPR for this purpose in the 2025-27 biennium. Given existing local road conditions, as well as the limited availability of transportation fund revenues, this recommendation would continue to supply local governments with LRIP grants at a

90%/10% state/local match rate, without expending additional revenues from the transportation fund. [Alternative A1]

15. Alternatively, the $100 million in recommended funding could instead be provided to DOT's existing SEG appropriation for the LRIP-S program. In the 2023-25 biennium, to provide general fund revenues to support the DOT budget, the state provided a large, one-time transfer from the general fund to the transportation fund. Subsequently, these revenues were appropriated to as SEG funding to help fund DOT programs in the biennium. This one-time funding mechanism could again be used in the 2025-27 biennium to provide general fund revenues to the LRIP-S program, rather than converting the LRIP-S appropriation to a GPR appropriation on a permanent basis as recommended under SB 45/AB 50, because surplus GPR revenues are available in the biennium on a one-time, rather than on ongoing basis. This alternative could also be approved if an increase in current law revenues is provided to the transportation fund, which would provide additional SEG revenues that could be used to help fund LRIP-S. [Alternative A2]

16. While the LRIP-S program has received funding in each of the past three biennia, each time the funding was provided on a one-time basis. Further, as discussed previously, despite local road conditions, the need for additional local road funding may lessen in future years due to the additional local transportation assistance funding that has already been provided in recent budgets, the moderation of inflation, and the introduction of the supplemental county and municipal aid program, which has provided additional funding to local governments that can be used to assist with highway improvement projects. For these reasons, rather than providing $100 million for LRIP-S, $50 million could be provided in the biennium. This alternative could also be adopted with a separate alternative, discussed in the following section of this paper, that would provide the remaining $50 million in recommended LRIP-S program funding to the LRIP formula and discretionary components, rather than LRIP-S. [Alternative A3]

17. Limited revenues will likely be available in both the transportation fund and the general fund in the 2025-27 biennium and beyond to continue to support DOT's local assistance programs unless a significant increase in current law revenues is provided. Further, costs have risen in recent years for many DOT programs due in part to inflation, as well as the recent approval of large several large reconstruction projects on the state trunk highway system, including the I-94 East-West southeast Wisconsin megaproject, which has an estimated cost of $1.74 billion in inflation adjusted, year-of expenditure dollars, and the I-39/90/94 major highway project, which has an estimated cost of $6.0 billion in year-of-expenditure dollars. This could make it difficult for the state to invest significant resources in a local highway infrastructure program while also meeting the funding needs of the state trunk highway system. Given these concerns, the $100 million in recommended LRIP-S funding could also be denied. [Alternative A4]

B. LRIP Formula and Discretionary Components

18. In addition to the recommendation to provide $100 million to the LRIP-S program, SB 45/AB 50 also contains a recommendation to increase funding for the LRIP formula and discretionary grant programs by 3% annually. Table 5 shows the total funding that would be provided for LRIP grants to counties, towns, and municipalities in the 2025-27 biennium under this recommendation.

TABLE 5

2025-27 LRIP Formula and Discretionary Funding Under SB 45/AB 50

	2023-25 Biennium		2025-27 Biennium	
	2023-24	2024-25	2025-26	2026-27
Formula Component*				
Counties (43%)	$7,860,400	$8,180,000	$8,429,300	$8,686,000
Towns (28.5%)	5,209,900	5,421,700	5,586,900	5,757,100
Municipalities (28.5%)	5,209,900	5,421,700	5,586,900	5,757,100
Subtotal	$18,280,200	$19,023,400	$19,603,100	$20,200,200
Funding for DNR Positions*	300,000	300,000	300,000	300,000
Subtotal	$18,580,200	$19,323,400	$19,903,100	$20,500,200
% Change from Prior Year		4.0%	3.0%	3.0%
Discretionary Component				
Counties	$5,615,600	$5,840,200	$6,015,400	$6,195,900
Towns	6,151,900	6,398,000	6,590,000	6,787,600
Municipalities	4,006,600	4,166,900	4,291,900	4,420,700
Subtotal	$15,774,100	$16,405,100	$16,897,300	$17,404,200
% Change from Prior Year		4.0%	3.0%	3.0%
Total	$34,354,300	$35,728,500	$36,800,400	$37,904,400

*Under the LRIP formula component, $300,000 annually is allocated to support 3.0 positions in the Department of Natural Resources for environmental review of local road projects.

19. As of May, 2025, S&P Global, the state's economic forecasting consultant, projects that the U.S. consumer price index will increase by 2.6% between the second quarters of 2025 and 2026, and 2.3% between the second quarters of 2026 and 2027. SB 45/AB 50 would allow the state to maintain the purchasing power of the LRIP formula and discretionary components given these expected inflationary costs in the biennium. The recommended 3% increase in annual funding would require additional funding amounts of: (a) $579,700 SEG in 2025-26 and $1,176,800 SEG in 2026-27 for the LRIP formula component; and (b) $492,200 SEG in 2025-26 and $999,100 SEG in 2026-27 for the LRIP discretionary component. [Alternative B1]

20. As discussed previously, the $100 million in recommended funding for the LRIP-S program could instead be provided all, or in part, to the LRIP formula and discretionary components. The LRIP formula and discretionary components provide funding at a maximum 50%/50% match rate, compared to the 90%/10% match rate for the LRIP-S program. The LRIP formula and discretionary components' higher local match rate could offer several advantages. Local matching funds are typically required so that recipients demonstrate that are capable of and committed to providing funding to maintain and improve their highway infrastructure, rather than relying on the state to fund necessary highway improvements. Further, higher local match rates allow program funds

to be distributed to a larger number of recipients and be used to complete a greater number of projects. For these reasons, $50 million of the $100 million in recommended funding for the LRIP-S program could instead be provided to the LRIP formula and discretionary components. This alternative could be funded with either SEG funds [Alternative B2a], or GPR funds. [Alternative B2b] In addition, if no funding is provided to the LRIP-S program, all of the $100 million in recommended LRIP-S funding could instead be provided to the formula and discretionary components with either SEG revenues [Alternative B3a] or GPR. [Alternative B3b]

21. If the recommendation to provide 3% annual increases in funding for the LRIP formula and discretionary components is denied, annual base level funding of $19.3 million for the formula component and $16.4 million for the discretionary component would remain available for awards to local governments in the biennium. This would result in a reduction in transportation fund expenditures of $3.2 million in the biennium compared to SB 45/AB 50. [Alternative B4]

ALTERNATIVES

A. LRIP-S Program

1. Convert the existing SEG appropriation for the LRIP-S program to a GPR appropriation, and provide the program with one-time funding of $100,000,000 GPR in 2025-26. Specify that LRIP-S funding in 2025-26 be distributed to local units of government in the same proportion as the LRIP discretionary grants component: 35.6% to counties, 39.0% to towns, and 25.4% to villages and cities.

ALT A1	Change to Base
GPR	$100,000,000

2. Provide the LRIP-S program with one-time funding of $100,000,000 SEG in 2025-26. Specify that LRIP-S funding in 2025-26 be distributed to local units of government in the same proportion as the LRIP discretionary grants component: 35.6% to counties, 39.0% to towns, and 25.4% to villages and cities.

ALT A2	Change to Base
SEG	$100,000,000

3. Convert the existing SEG appropriation for the LRIP-S program to a GPR appropriation, and provide the program with one-time funding of $50,000,000 GPR in 2025-26. Specify that LRIP-S funding in 2025-26 be distributed to local units of government in the same proportion as the LRIP discretionary grants component: 35.6% to counties, 39.0% to towns, and 25.4% to villages and cities.

ALT A3	Change to Base
GPR	$50,000,000

4. Take no action.

B. LRIP Formula and Discretionary Components

1. Provide increases of 3% annually to the LRIP formula and discretionary components, as follows: (a) $579,700 SEG in 2025-26 and $1,176,800 SEG in 2026-27 to the formula component; and (b) $492,200 SEG in 2025-26 and $999,100 SEG in 2026-27 to the discretionary component.

In addition, specify the following statutory funding allocations for the LRIP discretionary component: (a) $6,015,400 in 2025-26 and $6,195,900 in 2026-27 and each year thereafter for counties; (b) $6,590,000 in 2025-26 and $6,787,600 in 2026-27 in each year thereafter for towns; and (c) $4,291,900 in 2025-26 and $4,420,700 in 2026-27 and each year thereafter for municipalities.

ALT B1	Change to Base
SEG	$3,247,800

2. Provide $12,500,000 annually to both the LRIP formula and discretionary components, for total additional funding of $50,000,000 in the biennium. Specify the following statutory funding allocations for the LRIP discretionary component: (a) $10,290,200 in 2025-26 and each year thereafter for counties; (b) $11,273,000 in 2025-26 and each year thereafter for towns; and (c) $7,341,900 in 2025-26 and each year thereafter for municipalities.

a. Provide the additional funding to DOT's existing LRIP SEG appropriations.

ALT B2a	Change to Base
SEG	$50,000,000

b. Create continuing GPR appropriations for the LRIP formula and discretionary components, and provide the additional funding to these appropriations

ALT B2b	Change to Base
GPR	$50,000,000

3. Provide $25,000,000 annually to both the LRIP formula and discretionary components, for total additional funding of $100,000,000 in the biennium. In addition, specify the following statutory funding allocations for the LRIP discretionary component: (a) $14,740,200 in 2025-26 and each year thereafter for counties; (b) $16,148,000 in 2025-26 and each year thereafter for towns; and (c) $10,516,900 in 2025-26 and each year thereafter for municipalities.

a. Provide the additional funding to DOT's existing LRIP SEG appropriations.

ALT B3a	Change to Base
SEG	$100,000,000

b. Create continuing GPR appropriations for the LRIP formula and discretionary components, and provide the additional funding to these appropriations

ALT B3b	Change to Base
GPR	$100,000,000

4. Take no action.

Prepared by: Peter Mosher

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

Joint Committee on Finance Paper #761

Local Roads Improvement Program -- DeForest Interchange and Ontario Residential Road (Transportation -- Local Transportation Assistance)

[LFB 2025-27 Budget Summary: Page 674, #3]

CURRENT LAW

The Department of Transportation (DOT) local roads improvement program (LRIP) provides grants of state funds on a biennial basis for capital improvements on existing local roads, and for feasibility studies for such improvements. A capital improvement is defined as a project with a projected design life of at least 10 years. Grants may cover up to 50% of the total project cost, with the balance generally being provided by the local recipient. The political subdivision where the work is performed is generally responsible for the payment of the project costs. At project completion, the political subdivision can apply to DOT for reimbursement of eligible costs. In the past three biennia, the state has also funded the LRIP supplemental program (LRIP-S), which also provides reimbursement grants for capital improvements on local roads, but can cover up to 90% of the total cost of a project.

DISCUSSION POINTS

1. This paper discusses two recommendations from Senate Bill 45/Assembly Bill 50 (SB 45/AB 50) to provide the following grants from the LRIP-S program: (a) a grant of $6 million to the Village of DeForest to reconstruct the I-19/ Dane County Highway V interchange; and (b) a grant of $500,000 to the Village of Ontario (Vernon County) to complete residential road improvements. A separate SB 45/AB 50 recommendation to allocate up to 10% of the total funding provided for LRIP-S ($10 million in the biennium) to the local bridge and culvert improvement program is discussed separately in LFB Issue Paper #762.

A. County Highway V Interchange in the Village of DeForest

2. SB 45/AB 50 would provide a grant of $6 million to the Village of DeForest in Dane County for improvements to the interchange between I-39/90/94 and Dane County Highway V (CTH V), notwithstanding the statutory requirements of the LRIP program. The Department indicates that this funding would assist with a project to reconstruct the interchange to accommodate increased traffic volumes that would result from a proposed private development in DeForest. While DOT states that local governments or private developers are typically responsible for funding any highway improvements that are necessary to accommodate a development, the bills would provide state funds to assist with the costs of the CTH V project. The total estimated cost of the project is $15.3 million. Under this recommendation, $6 million in state funds would be provided for the interchange, while the remaining $9.3 million in estimated project costs would need to be paid by other project stakeholders, including the private developer, the Village of DeForest, or Dane County.

3. The Department indicates that it has considered reconstructing the interchange as part of the I-39/90/94 reconstruction project from Madison to Wisconsin Dells, including the portion of those highways that pass through DeForest, which would be enumerated under DOT's major highway development program under a separate recommendation in SB 45/AB 50. However, if the interchange were included in the I-39/90/94 project, it would not be reconstructed until the late 2020s or early 2030s. Because the proposed development in DeForest would be constructed earlier than this timeline, the CTH V interchange would need to be reconstructed separately from the I-39/90/94 project in order to accommodate the development.

4. The $6 million in funds recommended for the CTH V project would be provided from LRIP-S program funding. SB 45/AB 50 recommends providing $100 million GPR to the LRIP-S program in the 2025-27 biennium. As a result, of the $100 million in additional recommended funds, $6 million would be provided for the CTH V project, while the remaining $94 million would remain available for other local governments in the state to complete LRIP-S projects (not including any further funding that is reallocated from LRIP-S for the local bridge and culvert inspection program, or residential road improvements in the Village of Ontario, discussed in the next section of this paper). If this recommendation is adopted, the CTH V interchange would not need to be reconstructed as part of the later I-39/90/94 project. [Alternative A1]

5. Rather than providing the $6 million recommended funding for the CTH V interchange project by reallocating funds that would otherwise be awarded to other local governments under LRIP-S, the $6 million for the CTH V project could be provided separately to the LRIP-S program, in addition to any other funding provided to LRIP-S in the biennium. Under this alternative, if some level of additional funding would be provided to LRIP-S in the biennium, $6 million of those funds would remain available to provide LRIP-S grants to other local governments in the state. [Alternative A2]

6. While CTH V is under the jurisdiction of Dane County, I-39/90/94 and its access ramps with CTH V are under the state's jurisdiction. SB 45/AB 50 would also provide $333.0 million in additional funding to the state highway rehabilitation (SHR) program, which funds improvement projects on the state trunk highway system. Because the CTH V interchange contains roadways under both state and local jurisdiction, the $6 million in funding recommended for the CTH V project could

be allocated from the funding provided to the SHR program, rather than from the LRIP-S program. This would allow the $6 million in funding recommended for the CTH V project to remain available for other LRIP-S projects, while reducing overall SHR funding by $6 million. This alternative could also be adopted if a decision is made to not provide the LRIP-S program with additional funding in the biennium, which would result in no LRIP-S program funds being available for the CTH V project. [Alternative A3]

7. If no state funding is allocated for the CTH V project, the $15.3 million in estimated costs to reconstruct the interchange could still be provided by other stakeholders, including the private developer, the Village of DeForest, and Dane County. The Village of DeForest or Dane County could also apply for a grant from LRIP-S or one of DOT's other existing local road assistance programs to receive state or federal funds for the project. If the interchange is not reconstructed or the private development is not completed, the Department indicates that it could still reconstruct the interchange at a later time as part of the I-39/90/94 major highway project. However, this could require the Department to expend additional state or federal funds to reconstruct the interchange at a later time, potentially without additional local matching funds being provided for the project. [Alternative A4]

B. Residential Road Improvements in the Village of Ontario

8. SB 45/AB 50 would also provide $500,000 in LRIP-S program funds for a grant to complete residential street improvements in the Village of Ontario in Vernon County. The Department indicates that this project would complete water and sewer improvements, and raise the elevation for certain residential streets in the Village in response to flooding on the Kickapoo River that has occurred in recent years, which has caused road closures and significant damage to commercial businesses and homes. The total estimated cost of these improvements would be $1.15 million. Any remaining project costs in excess of the $500,000 in recommended state funds would be required to be paid by the Village of Ontario, or other project stakeholders. [Alternative D1]

9. Like the CTH V project, this recommendation would also be funded by reallocating $500,000 of the funding provided to the LRIP-S program. To avoid reallocating funds that would be provided to other local governments, the $500,000 in recommended funding for the Village of Ontario could also be provided separately to LRIP-S, in addition to any other funding provided to the program. [Alternative D2]

10. If a decision is made to not provide the LRIP-S program with additional funding in the biennium, no LRIP-S program funds would be available for the Village of Ontario project. However, rather than funding the project from the LRIP-S program, the project could instead be funded from the LRIP discretionary component, which has a base funding level of $16.4 million in the 2025-27 biennium, and would receive additional funding of $0.5 million in 2025-26 and $1.0 million in 2026-27 under SB 45/AB 50. [Alternative D3]

11. If no state funds are provided for the project, the $1.15 million in project costs could instead be funded by the Village of Ontario or other project stakeholders. The Village also apply for a grant from the LRIP-S program or one of DOT's other existing local road assistance programs to receive state or federal funds for the project. [Alternative D4]

ALTERNATIVES

A. County Highway V Interchange in the Village of DeForest

1. Specify that, notwithstanding limitations on the amount and use of aids or eligibility requirements under the LRIP-S program, the Department award a grant of $6,000,000 from the LRIP-S program to the Village of DeForest for improvements to the I-39/CTH V interchange.

2. In addition to Alternative A1, provide $6,000,000 to the LRIP-S program.

a. Provide the additional funding to DOT's existing LRIP-S program SEG appropriation.

ALT A2a	**Change to Base**
SEG	$6,000,000

b. If a separate GPR appropriation is created for the LRIP-S program, provide the additional funding to the newly-created GPR appropriation.

ALT A2b	**Change to Base**
GPR	$6,000,000

3. Specify that, notwithstanding limitations on the amount and use of aids or eligibility requirements under the state highway rehabilitation program, the Department award a grant of $6,000,000 from the state highway rehabilitation program to the Village of DeForest for improvements to the I-39/CTH V interchange.

4. Take no action.

B. Residential Road Improvements in the Village of Ontario

1. Specify that, notwithstanding limitations on the amount and use of aids or eligibility requirements under the LRIP-S program, the Department award a grant of $500,000 from the LRIP-S program to the Village of Ontario for residential street development.

2. In addition to Alternative B1, provide $500,000 to the LRIP-S program.

a. Provide the additional funding to DOT's existing LRIP-S program SEG appropriation.

ALT B2a	**Change to Base**
SEG	$500,000

b. If a GPR appropriation is created for the LRIP-S program, provide the additional funding to the newly-created GPR appropriation.

ALT B2b	**Change to Base**
GPR	$500,000

3. Specify that, notwithstanding limitations on the amount and use of aids or eligibility requirements under the LRIP program, the Department award a grant of $500,000 from the LRIP discretionary component to the Village of Ontario for residential street development.

4. Take no action.

Prepared by: Peter Mosher

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

Joint Committee on Finance Paper #762

Agricultural Roads Improvement Program, Local Bridge and Culvert Improvement Program (Transportation -- Local Transportation Assistance)

[LFB 2025-27 Budget Summary: Page 674, #4 and Page 675, #5]

CURRENT LAW

2023 Act 13 created the agricultural roads improvement program (ARIP) in the 2023-25 biennium, which provides grants to reimburse units of local government for projects to improve agricultural roads. Agricultural roads are defined as roadways that are functionally classified as minor collectors or local roads, which provide access to agricultural lands or facilities used for the production of agricultural goods, including forest products, and are used by at least one agricultural producer. To be eligible for a program grant, a roadway must have been subject to a posted weight limitation either for at least one month during the previous year, or due to structural deficiencies. Awards must be used to complete improvements that would result in the road no longer being subject to a posted weight limitation. When making awards, the Department of Transportation (DOT) is required to select projects that provide the greatest benefit to agricultural producers in the state, as defined by several statutory criteria. 2023 Act 19 (the 2023-25 budget act) provided ARIP with one-time funding of $150 million SEG in 2023-24. Under current law, all ARIP program grants must be awarded by June 23, 2026, and all project costs must be reimbursed by June 23, 2028, when the program expires.

Act 19 also created a local bridge and culvert assessment program in the 2023-25 biennium, specifying that DOT shall administer a new program for counties to inventory and assess the condition of local bridges and culverts (structures or pipes that convey water or utilities under a road) that are 20 feet or less in length, but are greater than six feet in length. Act 19 also created a biennial SEG appropriation for the program, and provided one-time funding of $12.5 million SEG in 2023-24 to the Joint Committee on Finance's supplemental appropriation to be released to the program upon approval by the Committee. The Committee approved the release of this funding in its December 5, 2023, s. 13.10 meeting.

DISCUSSION POINTS

1. This paper discusses two recommendations from Senate Bill 45/Senate Bill 50: (a) providing ARIP with $25 million GPR in 2025-26 and $25 million SEG in 2026-27; and (b) designating 10% of moneys appropriated to the ARIP and LRIP-S programs in the 2025-27 biennium ($15 million of $150 million in total funding recommended for these programs) for grants to improve local bridges and culverts.

A. Agricultural Roads Improvement Program

2. ARIP was created in the 2023-25 biennium, and provides grants for projects to complete improvements on weight-posted roads that serve agricultural producers, which would result in the road no longer being weight-posted. Agricultural producers include farmers, animal operations, cheesemakers, dairy processors, loggers, and forest product processors, among others. Under 2023 Act 13, ARIP grants are prioritized for projects that would provide the greatest benefit to agricultural producers, as defined under several statutory criteria including: (a) improving access for the largest number of agricultural producers; (b) reducing vehicle trips, labor and fuel costs, or damage to agricultural equipment for agricultural producers; (c) creating economic impact for agricultural producers; (d) improving roads that provide the only access to agricultural lands or facilities; and (e) assisting local governments that face demonstrable fiscal or administrative hurdles.

3. ARIP grants may provide funds worth up to 90% of the reimbursable costs of a project. The remaining matching funds must be provided by other stakeholders, including the local governments and agricultural producers who would benefit from these projects. ARIP was provided with $150 million in one-time funding in the 2023-25 budget, which was used to award grants for 92 projects over two award cycles that were announced in July and December, 2024, as shown in the attachment to this paper. Out of the 92 grants awarded, 75 were provided to towns, 10 were provided to counties, and seven were provided to cities and villages.

4. SB 45/AB 50 would continue to fund ARIP in the 2025-27 biennium by creating a new continuing GPR appropriation for the program, and providing the program with $25 million GPR in 2025-26 and $25 million SEG in 2026-27, which would be allocated to the program's existing SEG appropriation. The bills would also provide a one-time transfer of $25 million from the forestry account of the conservation fund to the transportation fund in 2026-27, which would have been used to fund ARIP in the second year of the biennium. However, this transfer was removed from consideration in the 2025-27 budget by the Joint Committee on Finance under budget Motion #4. As a result, under the bills as amended by Motion #4, ARIP would be funded in 2026-27 with $25 million in SEG revenues from the transportation fund.

5. Wisconsin's agriculture industry is an important component of the state's economy. It contributes a larger share of the national agricultural economic output than most other states. According to the United States Department of Agriculture, in 2023, Wisconsin was the eleventh largest agricultural producing state, as measured by state receipts for all commodities ($15.5 billion), comprising 2.9% of total U.S. receipts. In terms of net value added, the contribution of Wisconsin's agricultural sector to the production of goods and services in the U.S. economy in 2023 ($5.9 billion) was the fourteenth highest, accounting for 2.5% of U.S. net value added by agriculture.

6. Agricultural production facilities can provide economic benefits to the communities where they are located. However, local units of government may face difficulties in maintaining and improving the local roads that serve agricultural producers. Many of the ARIP grants awarded in the 2023-25 biennium were provided to towns and other units of local government located in the state's more rural areas, which often have a limited tax base with which to fund necessary road improvements. Since the 2005(06) property tax year, the Department of Revenue (DOR) has administered a levy limit program that restricts the annual growth in county and municipal property tax levies to the annual percentage change in a municipality's or county's equalized value resulting from net new construction. Because many rural areas in the state are not growing in population or taxable value, the year-to-year allowable growth in property tax revenue in these areas is limited.

7. One class of property that is growing in value in these rural areas is agricultural land. According to the United States Department of Agriculture's National Agricultural Statistical Service, based on annual property sales records, the statewide average price of agricultural land (remaining in agricultural use) rose from $5,037 per acre in 2014 to $7,785 in 2023, or 54.6%, with some counties more than doubling in per-acre value. However, property taxes on agricultural land are limited by the state's use value law for agricultural land, which was created in 1995, and requires that agricultural land be taxed based on its value for agricultural use, rather than the land's market value or its "highest and best use", which is the method used to assess most property in the state. Further, since 2006, DOR by rule has capped the allowable annual growth in the per acre value of agricultural land, resulting in values well below the values that would otherwise be derived using the Department's use value calculation. In 2024, grade 1 agricultural land was valued at a statewide average of $327 per acre for property tax purposes under use value. This has impacted the tax base available to rural local governments, which can inhibit their ability to meet their infrastructure needs. Further, in addition to the fiscal constraints of levy limits and agricultural use value, many rural local governments also have smaller government administrations than larger municipalities, and may lack the personnel and expertise to plan and design complex local road projects, and apply for financial assistance. Thus, one criteria used in selecting projects is that the local government faces demonstrable fiscal or administrative difficulties in completing highway projects.

8. Continuing to fund ARIP in the 2025-27 biennium could provide benefits to agricultural producers, the communities where these producers are located, and the state's economy at large. As evidenced by the strong initial demand for ARIP grants in the 2023-25 biennium, many agricultural producers in the state are inhibited by weight-posted local roads, which can prevent producers from operating heavy vehicles that are needed for the agricultural production process and transporting goods to and from market. In addition to providing $50 million in funding for the program in the biennium, SB 45/AB 50 would also provide two-year extensions of the following current law deadlines for the ARIP program: (a) when the program would expire; (b) when all grants must be awarded; and (c) when all project costs must be reimbursed. [Alternative A1]

9. ARIP was originally funded in the 2023-25 biennium with $150 million in one-time funding. This one-time appropriation was possible in part because of a one-time transfer of $555 million that was made in 2023-24 from the general fund to the transportation fund, which, in turn, was possible because the general fund had a large amount of one-time surplus revenues available in the 2023-25 biennium. The general fund will likely continue to have a one-time surplus available in

the 2025-27 biennium, which could again be used to help fund ARIP. Under the Legislative Fiscal Bureau's May 15, 2025, estimate of general fund revenues and expenditures, the general fund is projected to have a closing balance of $4.2 billion at the end of 2024-25. However, while SB 45/AB 50 would provide $50 million for ARIP in the biennium, only $25 million of this funding would be provided from the general fund, while the remaining $25 million would be provided with SEG from the transportation fund under Motion #4.

10. Further, the $25 million SEG recommended for the program under SB 45/AB 50 would remain as annual base funding for the program in the 2027-29 budget, and would thus be provided to the program on an ongoing basis. However, the transportation fund may have limited revenues available to fund ARIP in 2026-27 and beyond, as would be required under the bills. The last significant increase in ongoing transportation fund revenues was provided by the 2019-21 budget, which enacted increases to vehicle title and registration fees, and introduced the direct deposit of one cent from the state petroleum inspection fee to the transportation fund. Meanwhile, costs have risen in recent years for many DOT programs due in part to inflation, as well as the recent approval of several large reconstruction projects on the state trunk highway system, including the I-94 East-West southeast Wisconsin megaproject, which has an estimated cost of $1.74 billion in inflation adjusted, year-of expenditure dollars, and the I-39/90/94 major highway project, which has an estimated cost of $6.0 billion in year-of-expenditure dollars.

11. Despite being provided $25 million in ongoing base level funding in 2026-27, SB 45/AB 50 would not make the ARIP program permanent. Instead, the expiration date for the program would be extended by two years. In addition, while general purpose revenue will likely to continue to be available to help fund transportation programming in the 2025-27 budget, this GPR surplus will likely only be available on a one-time basis. Under the Legislative Fiscal Bureau's May 15, 2025, estimate of general fund revenues and expenditures, general fund expenditures in 2024-25 are also expected to exceed revenues by $0.3 billion, which means that the general fund is operating under a structural deficit. Thus, rather than providing ongoing SEG funding for ARIP, the $50 million in recommended funding could instead be provided with a one-time appropriation of GPR. [Alternative A2] Alternatively, if another one-time transfer from the general fund to the transportation fund is made in the 2025-27 biennium, these revenues could again be used to fund ARIP on a one-time basis via an appropriation of $50 million SEG to ARIP's existing SEG appropriation. [Alternative A3] These alternatives will allow the state to weigh the ongoing funding for this program with any long-term revenue decisions for the fund in the next biennium, when general fund balances may not be available.

12. While ARIP provides local governments with state funds to assist with maintaining agricultural roads, the program primarily benefits private agricultural producers, since they are most impacted by weight postings on these roads. Agriculture and forest product processors, who may benefit from ARIP grants, primarily pay local property taxes based on their commercial or manufacturing property value. However, many private agricultural producers also benefit from the state's use value law for agricultural land, which allows agricultural land owners to pay lower property taxes as a share of their property's market value compared to other individuals and businesses in the state. Agricultural land has been at least partially-assessed on the basis of use value since 1995. Since that time, the taxable value of agricultural land and other agricultural property in towns has declined by 67.0% on a statewide basis. At the same time, the taxable value of residential property in towns

has increased by 471.5%. This has occurred despite increases in the market value of agricultural land in towns.

13. As a result of the state's use value law for agricultural land, a greater portion of the property taxes levied by towns are now paid by residential property owners, as opposed to agricultural property owners in these areas. This shift is shown in Table 1 below, which compares values and taxes for three specific classes of property in towns: residential property; agricultural land; and other agricultural property. As shown in the table, in 2023(24), residential property owners paid 63.3% of total town property taxes in 1994(95), versus 79.6% of town property taxes (in cities and villages, which also have a larger commercial and manufacturing tax base, residential taxes make up 63.3% and 73.8% of total taxes paid respectively). Conversely, over that same period, the proportion of total town property taxes paid by owners of agricultural land and other property (which includes farm buildings and improvements comprising any residence for the farm operator's spouse, children, parents, or grandparents, and the land necessary for the location and convenience of those improvements) declined from 22.5% of town property taxes in 1994(95) to 7.8% in 2023(24).

TABLE 1

Taxable Value and Taxes -- Residential and Agricultural-Related Property in Towns

Property Values in Towns					% Change Since
Class of Property	1994(95)	2004(05)	2014(15)	2023(24)	1994(95)
Residential	$42,886,879,500	$114,708,337,600	$140,612,658,100	$245,117,342,900	471.5%
Agricultural Land	8,178,867,700	1,906,644,500	1,965,215,800	2,697,954,900	-67.0
Other Agricultural Property	5,061,212,800	8,769,467,900	10,806,063,300	15,090,449,900	198.2
Total (All Classes of Property)*	$65,096,560,200	$148,087,634,000	$179,526,574,500	$296,338,671,000	355.2%
Residential % of Total	65.9%	77.5%	78.3%	82.7%	
Agriculture/Other % of Total	20.3%	7.2%	7.1%	6.0%	

Property Taxes in Towns					% Change Since
Class of Property	1994(95)	2004(05)	2014(15)	2023(24)	1994(95)
Residential	$1,076,678,158	$1,974,546,889	$2,452,970,510	$2,942,064,640	173.3%
Agricultural Land	231,490,175	40,888,074	40,287,595	42,320,847	-81.7
Other Agricultural Property	151,861,111	184,287,803	216,716,114	244,314,167	60.9
Total (All Classes of Property)*	$1,700,884,776	$2,583,266,641	$3,179,561,012	$3,695,341,065	117.3
Residential % of Total	63.3%	76.4%	77.1%	79.6%	
Agriculture/Other % of Total	22.5%	8.7%	8.1%	7.8%	

*Other property classes not shown include commercial, manufacturing, personal (now exempt), agricultural forest, forest, and undeveloped.

14. ARIP was created to assist local governments with funding necessary to improve local weight-posted highways to specifications necessary to accommodate heavy agricultural vehicles.

Certain agricultural vehicles are provided exemptions to state vehicle weight laws, which typically prohibit vehicles with a gross weight over 80,000 pounds from operating on Wisconsin roadways. Weight limits exist to help preserve the condition of roadways in the state, as the damage that a vehicle causes to roads increases exponentially with axle weight (the amount of weight supported by each axle of a vehicle). While most vehicles are limited to a maximum gross weight of 80,000 pounds, current law provides several exemptions to this 80,000-pound limit for vehicles transporting fruits and vegetables, forest products, and dairy products. Thus, it could be argued that weight limitations on agricultural-related roads have resulted in part from private agricultural producers operating overweight vehicles that cause damage to these roads. Meanwhile, due in part to the state's use value law, many rural local governments collect comparatively less property tax revenue on agricultural land, which may impact their ability to construct and maintain structures on rural roadways with the capacity necessary to accommodate the agriculture industry.

15. While ARIP completes improvements to public roads, program awards are intended to primarily benefit private agricultural producers that are identified in grant applications. Thus, in addition to providing funding for the program in the 2025-27 biennium, the program's existing 90%/10% state/local match rate could be also amended to require that agricultural producers contribute matching funds for ARIP grants. The program's existing match rate could be changed to require that, in addition to a 10% match rate for local governments, private agricultural producers also contribute matching funds worth at least 10% of a project, while the state would pay 80% of eligible project costs. [Alternative A4a]

16. Conversely, the match rate could also be adjusted to reflect DOT's existing transportation economic assistance (TEA) program, which provides grants to local governments for making infrastructure improvements designed to retain or attract businesses in the state. Like ARIP, this program also provides state funds to complete road and bridge improvement projects that support private businesses in the state. However, while ARIP offers a 90%/10% match rate, the TEA program requires beneficiaries to contribute matching funds worth at least 50% of the total cost of a project. Accordingly, this 50%/50% matching rate could also be adopted for ARIP. [Alternative A4b]

17. The recommendation to provide additional revenue for ARIP in the 2025-27 biennium could also be denied. ARIP was originally created as a one-time program. The program has a statutory sunset date of June 23, 2028, as well as statutory deadlines for when grants can be awarded and costs reimbursed. The program was also funded with one-time funding from the general fund that was available in the 2023-25 biennium. This one-time funding was used to award 92 grants for projects that would provide the greatest benefit to agricultural producers, as defined under criteria created in statute. Thus, it is likely that the highest priority agricultural road projects have already been funded.

18. Further, state funds may not continue to be available to fund ARIP in 2026-27 and beyond, as required under SB 45/AB 50. If the $50 million in additional recommended funding is denied, local governments could still fund necessary local road improvements with their existing property tax revenues. While the state's levy limit program places limits on local governments' property tax levies, local governments can exceed these limits to fund necessary public services through the passage of a referendum. In addition, towns with populations under 3,000 may also exceed their levy limits without a referendum by a vote at the annual town meeting or at a special

town meeting, provided the town board previously adopts a resolution supporting the increase. However, such actions would again impact residential property owners more than agricultural landowners. Local governments can also fund road improvement projects by applying for grants from DOT or other agencies. DOT already operates several grant programs that could be used to complete improvements on rural roads, including the local roads improvement program and surface transportation program. In addition, DOT also operates the TEA program, which could provide grants for road improvement projects that would result in retaining businesses in the state. [Alternative A5]

B. Local Bridge and Culvert Improvement Program

19. SB 45/AB 50 would create a one-time program in the 2025-27 biennium to provide grants for projects to improve local bridges and culverts. The program would be funded by reallocating 10% of the funding provided in the 2025-27 budget to both ARIP and the local roads improvement program supplemental component (LRIP-S). SB 45/AB 50 would provide $50 million in total funding for ARIP, and $100 million GPR to LRIP-S, or $150 million in total to both of these programs. As a result, 10% of this funding, or $15 million would be provided to the local bridge and culvert improvement program in the 2025-27 biennium under SB 45/AB 50.

20. State law requires local governments to complete inspections of roads and bridges under their jurisdiction every two years, and report the results to DOT. However, local governments are only required to inspect bridges that are over 20 feet in length. Thus, many local governments do not perform regular inspections of bridges and culverts under 20 feet in length. As a result, 2023 Act 19 created a one-time DOT local bridge and culvert assessment program, which would inventory and complete inspections on all local bridges and culverts in the state between six and 20 feet in length.

21. The Department is implementing the local bridge and culvert assessment program in two phases. In the first, "inventory" phase, DOT is working to locate and determine the exact number of applicable local bridge and culvert structures that exist in the state. The Department indicates that the inventory phase is now largely complete, although it expects that some local governments may still submit a small number of additional structures to the inventory. As of May, 2025, the Department reports that it has received inventory information for 17,560 structures.

22. Now that the inventory phase has largely been completed, the Department is currently implementing the second "inspection" phase of the program, which employs certified bridge inspectors to inspect each inventoried structure and assign the structure a "condition rating" between zero and nine based on its physical condition. This ratings system is based on the federal National Bridge Inspection Standards, which the Department also uses to assess bridges in the state that are over 20 feet in length. These nine-point ratings are also classified into four broader categories: (a) "good" for structures with a rating between seven and nine; (b) "fair" for ratings of five and six; (c) "poor" for ratings of three and four; and (d) "severe" for ratings between zero and two. As of May, 2025, the Department has received inspection reports for 5,174 of the 17,560 structures that are expected to be inspected (29.5%). Table 2 shows the condition category for all of the structures that have been inspected so far under the program.

TABLE 2

Local Bridge and Culvert Condition Ratings
(Through May 16, 2025)

Condition	Number of Structures	% of Total
Good	2,632	50.9%
Fair	2,143	41.4
Poor	381	7.4
Severe	18	0.3
Total	5,174	100.0%

23. As shown in the table, of the structures inspected to date, 7.4% are in poor condition and 0.3% are in severe condition. While only 29.5% of all applicable structures have been inspected so far, the Department notes that the overall percentage of reported structures in good, fair, poor, and severe condition have remained relatively stable even as additional inspections have been completed. For some of the structures that have been found to be in severe condition, local governments have had to take immediate action to post weight limits or close the structures. The Department states that it is targeting a deadline of December 31, 2025, to complete the inspection phase. The Department had also previously indicated that it planned to complete "load ratings" for all bridge-like structures as part of the inspection phase. However, the Department now states that it no longer plans to complete load ratings, as its inspections have yielded insufficient data to complete a substantive load rating analysis.

24. The local bridge and culvert assessment program allowed many local governments in the state to complete inspections of smaller bridges and culverts under their jurisdiction that had not previously been inspected, and allowed the state to create a statewide inventory of these structures, which had not existed previously. Now that this information is available, and the Department has identified the small local bridges and culverts in the state that are in the worst condition, SB 45/AB 50 would provide $15 million in one-time funding for grants to local governments for projects to improve bridges and culverts that have been identified as being in poor or worse condition.

25. Under SB 45/AB 50, $15 million would be provided by designating 10% of the funding appropriated to the ARIP and LRIP-S programs in the 2025-27 biennium for projects to improve poorly-rated small local culverts and bridges. As a result, these grants would be allocated under the existing ARIP and LRIP-S programs. These programs both require a 90%10% state/local match rate, which would thus also apply to the local bridge and culvert grants. Further, applicants would also be required to adhere to the application procedures and other rules that exist for ARIP and the LRIP-S program. SB 45/AB 50 would also specify that if the Department does not receive sufficient grant applications for local bridge and culvert projects in the 2025-27 biennium, the moneys designated for this purpose would be returned to ARIP and the LRIP-S program. [Alternative B1]

26. While SB 45/AB 50 would fund local bridge and culvert improvements by designating funding from both the ARIP and LRIP-S programs for these projects, the $15 million in recommended

funding could also be provided exclusively from ARIP. As enacted under 2023 Act 19, ARIP grants can only be provided for projects to improve bridges or culverts if these structures are under 20 feet in length. Thus, ARIP grants specifically target the same structures as the local bridge and culvert improvement program. As a result, the Committee could specify that $15 million (30%) of the funding appropriated to ARIP in the 2025-27 biennium be used for local bridge and culvert improvement grants. [Alternative B2]

27. Under the local bridge and culvert assessment program, the Department indicated that, to reimburse local governments for their costs of inventorying and inspecting these structures, it would provide local governments with payments of $100 for each structure that is inventoried and $350 for each structure inspection. Because the Department anticipates that 17,560 structures will be inventoried and inspected, $7,902,000 in total funding is expected to be expended from the program's biennial appropriation the 2023-25 biennium, in addition to any further costs that result from local governments submitting additional structure inventories to DOT. As a result, of the $12.5 million SEG that was provided to the program, only approximately $8 million is expected to be expended, while approximately $4.5 million of these funds are expected to lapse to the transportation fund.

28. Rather than reallocating funding from the ARIP or LRIP-S programs to fund the local bridge and culvert improvement program appropriation in the 2025-27 biennium, the program could instead be funded using the $4.5 million in excess funding that is expected to lapse to the transportation fund from the local bridge and culvert assessment program on June 30, 2025. This would require the creation of a biennial SEG appropriation for the local culvert and bridge improvement program, and providing the appropriation with $4.5 million SEG in 2025-26. [Alternative B3] In addition, an estimated lapse of $4.5 million to the transportation fund from the local bridge and culvert assessment program biennial appropriation could be adopted for 2024-25. [Alternative B4]

29. The local bridge and culvert inspection program has provided valuable information to both local governments and the state on the location and structural condition of small local bridges and culverts throughout the state. However, a specific allocation of state funding in the 2025-27 biennium for projects to improve these structures may not be needed. Traditionally, local governments are responsible for maintenance and improvement of the roads and bridges under their jurisdiction. DOT operates the local bridge program, which provides grants of state funds to improve the worst-rated local bridges that over 20 feet in length. However, local governments have traditionally been responsible for funding improvements to bridges and culverts that are under 20 feet in length.

30. SB 45/AB 50 would also fund the local bridge and culvert improvement program by reallocating funding from the ARIP and LRIP-S programs. This would reduce the funding that would be provided to local governments in the state for LRIP-S road improvement projects in the biennium. Also, as discussed previously, the transportation fund and general fund may also have limited revenues in the biennium to provide separate funding for the local bridge and culvert improvement program. Finally, DOT operates several existing local transportation assistance programs that could be used to fund bridge and culvert projects shorter than 20 feet in length, if such a facility is part of a larger reconstruction project. These programs include LRIP and the surface transportation programs. If the SB 45/AB 50 recommendation for the local bridge and culvert improvement program is not

approved, local governments may be able to apply for grants from these programs to improve local bridges and culverts that are included in a larger project. [Alternative B5]

ALTERNATIVES

A. Agricultural Roads Improvement Program

1. Create a continuing GPR appropriation for ARIP, and provide the program with $25,000,000 GPR in 2025-26 and $25,000,000 SEG in 2026-27. In addition, specify the following: (a) from the moneys appropriated in the 2025-27 fiscal biennium, the Department may not award ARIP grants after three years after the effective date of the bill, or reimburse any ARIP project costs after five years after the effective date of the bill; and (b) all laws pertaining to the ARIP program would not apply after five years after the effective date of the bill.

ALT A1	Change to Base
GPR	$25,000,000
SEG	25,000,000
Total	$50,000,000

2. Create a continuing GPR appropriation for ARIP, and provide the program with $50,000,000 GPR in 2025-26. In addition, specify the following: (a) from the moneys appropriated in the 2025-27 fiscal biennium, the Department may not award ARIP grants after three years after the effective date of the bill, or reimburse any ARIP project costs after five years after the effective date of the bill; and (b) all laws pertaining to the ARIP program would not apply after five years after the effective date of the bill.

ALT A2	Change to Base
GPR	$50,000,000

3. Provide $50,000,000 SEG in 2025-26 to ARIP. In addition, specify the following: (a) from the moneys appropriated in the 2025-27 fiscal biennium, the Department may not award ARIP grants after three years after the effective date of the bill, or reimburse any ARIP project costs after five years after the effective date of the bill; and (b) all laws pertaining to the ARIP program would not apply after five years after the effective date of the bill.

ALT A3	Change to Base
SEG	$50,000,000

4. In addition to Alternatives A1, A2, or A3, amend the current law 10% local match requirement for ARIP grants to one of the following:

a. Specify that the Department may make grants of up to 80% of reimbursable costs, and that at least 10% of reimbursable costs must be provided by private agricultural producers.

b. Specify that the Department may make grants of up to 50% of reimbursable costs.

5. Take no action.

B. Local Bridge and Culvert Improvement Program

1. Require DOT, during the 2025-27 fiscal biennium, to designate 10% of the $150 million in total funding appropriated to the LRIP-S and ARIP programs for grants for improvements to bridges and culverts identified as being in poor or worse condition under the local bridge and culvert assessment program. Require the Department to establish criteria for evaluating the suitability of grant applications. Specify that if the Department does not receive sufficient complete grant applications for local bridge and culvert improvements in the 2025-27 biennium, any moneys set aside from the LRIP-S and ARIP programs that are not used for this purpose would again be available to those programs.

2. Require DOT, during the 2025-27 fiscal biennium, to designate $15,000,000 of the funds appropriated to ARIP for grants for improvements to bridges and culverts identified as being in poor or worse condition under the local bridge and culvert assessment program. Require the Department to establish criteria for evaluating the suitability of grant applications. Specify that if the Department does not receive sufficient complete grant applications for local bridge and culvert improvements in the 2025-27 biennium, any moneys set aside from the ARIP program that are not used for this purpose would again be available to the program.

3. Create a biennial SEG appropriation for the local bridge and culvert improvement program, and provide the program with $4,500,000 SEG in 2025-26. Allow DOT to create rules and requirements for the program.

ALT B3	Change to Base
SEG	$4,500,000

4. In addition to any other alternatives, lapse $4,500,000 SEG from the local bridge and culvert assessment program appropriation to the transportation fund in 2024-25.

ALT B4	2024-25
SEG-Lapse	$4,500,000

5. Take no action.

Prepared by: Peter Mosher
Attachment

ATTACHMENT

2023-25 Agricultural Roads Improvement Program Awards

Recipient	County	Total Estimated Project Cost	ARIP Award
First Award Cycle -- Announced July, 2024			
Town of Buena Vista	Portage	$781,257	$703,131
Town of Sugar Camp	Oneida	$1,225,005	1,102,505
Town of Grand Rapids	Wood	585,000	526,500
Town of Manitowish Waters	Vilas	1,842,215	1,657,994
Town of Franzen	Marathon	1,810,000	1,629,000
Town of Day	Marathon	1,485,000	1,336,500
Town of Knowlton	Marathon	2,056,500	1,850,850
Town of Rockland	Brown	690,000	621,000
Town of Amberg	Marinette	1,532,000	1,378,800
Town of Union	Door	609,500	548,550
Town of Calumet	Fond du Lac	1,076,383	968,745
Town of Red River	Kewaunee	1,199,340	1,079,406
Town of Morrison	Brown	2,276,134	2,048,521
Town of Pound	Marinette	2,636,297	2,372,667
Town of Liberty	Manitowoc	659,000	593,100
Town of Newton	Manitowoc	1,646,795	1,482,116
Town of Almena	Barron	2,798,000	2,518,200
Town of Eagle Point	Chippewa	2,017,000	1,815,300
Town of Mayville	Clark	1,870,000	1,683,000
Town of Maxville	Buffalo	450,000	405,000
Town of North Bend	Jackson	629,700	566,730
Town of Delmar	Chippewa	530,000	477,000
Town of Erin Prairie	St. Croix	861,700	775,530
Town of Alma	Jackson	636,068	572,461
Town of Elk Mound	Dunn	458,932	413,039
Town of Fredonia	Ozaukee	2,040,000	1,836,000
Town of Scott	Monroe	3,612,136	3,250,922
Town of La Grange	Monroe	3,010,885	2,709,797
Town of Greenwood	Vernon	3,425,000	3,082,500
Town of Greenfield	Monroe	1,616,328	1,454,695
Town of Fayette	Lafayette	230,000	207,000
Town of Sylvester	Green	359,157	323,241
Lincoln County	Lincoln	3,964,970	3,568,473
Pepin County	Pepin	2,336,600	2,102,940
Village of Hilbert	Calumet	1,125,000	1,012,500
Village of Windsor	Dane	848,000	763,200
City of Seymour	Outagamie	457,583	411,825
Subtotal			$49,848,737

ATTACHMENT (continued)

2023-25 Agricultural Roads Improvement Program Awards

Recipient	County	Total Estimated Project Cost	ARIP Award
Second Award Cycle -- Announced December, 2024			
Town of McMillan	Marathon	$1,569,000	$1,376,013
Town of Bloomfield	Waushara	1,054,969	925,208
Town of Hull	Marathon	2,475,200	2,170,750
Town of Quincy	Adams	1,590,900	1,395,219
Town of Worcester	Price	2,087,555	1,830,786
Town of Stella	Oneida	4,000,000	3,508,000
Town of Woodboro	Oneida	1,739,490	1,525,533
Town of Marathon	Marathon	2,745,000	2,407,365
Town of Lind	Waupaca	450,000	394,650
Town of Leola	Adams	1,212,950	1,063,757
Town of Grant	Shawano	965,000	846,305
Town of Long Lake	Florence	2,871,486	2,518,293
Town of Little River	Oconto	1,547,610	1,357,254
Town of Two Creeks	Manitowoc	1,335,000	1,170,795
Town of Marshfield	Fond du Lac	1,780,000	1,561,060
Town of Nasewaupee	Door	2,255,000	1,977,635
Town of Wrightstown	Brown	1,425,000	1,249,725
Town of Grover	Marinette	5,073,603	4,449,550
Town of Russell	Sheboygan	3,451,870	3,027,290
Town of Gibson	Manitowoc	1,150,000	1,008,550
Town of Center	Outagamie	819,675	718,855
Town of Brussels	Door	400,000	350,800
Town of Winchester	Winnebago	926,593	812,622
Town of Little Black	Taylor	4,650,000	4,078,050
Town of Dunn	Dunn	646,000	566,542
Town of Clinton	Barron	2,595,300	2,276,078
Town of Barron	Barron	2,191,500	1,921,946
Town of Gilman	Pierce	2,805,650	2,460,555
Town of Taft	Taylor	2,529,200	2,218,108
Town of Meadowbrook	Sawyer	689,600	604,779
Town of Kelly	Bayfield	2,350,000	2,060,950
Town of Sioux Creek	Barron	1,034,600	907,344
Town of Kewaskum	Washington	3,380,000	2,964,260
Town of Farmington	Washington	1,461,605	1,281,828
Town of Walworth	Walworth	2,457,000	2,154,789
Town of Ridgeville	Monroe	1,581,456	1,386,937
Town of Harrison	Grant	4,321,250	3,789,736
Town of Fulton	Rock	668,000	585,836
Town of Jamestown	Grant	1,565,500	1,372,944
Town of Beetown	Grant	1,478,100	1,296,294
Town of Albion	Dane	1,110,000	973,470

ATTACHMENT (continued)

2023-25 Agricultural Roads Improvement Program Awards

Recipient	County	Total Estimated Project Cost	ARIP Award
Second Award Cycle -- Announced December, 2024 (continued)			
Town of Porter	Rock	$2,509,000	$2,200,393
Town of Bradford	Rock	2,420,000	2,122,340
Waupaca County	Waupaca	4,121,729	3,614,756
Outagamie County	Outagamie	4,120,000	3,613,240
Chippewa County	Chippewa	1,800,000	1,578,600
Burnett County	Burnett	2,239,379	1,963,936
Juneau County	Juneau	5,487,890	4,812,880
Vernon County	Vernon	645,000	565,665
Lafayette County	Lafayette	2,280,000	1,999,560
Green County	Green	3,200,000	2,806,400
Village of Endeavor	Marquette	215,000	188,555
Village of Ellsworth	Pierce	1,795,875	1,574,982
Village of Germantown	Washington	2,944,000	2,581,888
City of Stanley	Chippewa	1,440,308	1,263,150
Subtotal			$101,432,806
Total			$151,281,543*

*Total equals more than $150 million due to cost savings from projects in round one that were reallocated for grants in round two.

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

Joint Committee on Finance Paper #763

Harbor Assistance Program
(Transportation -- Local Transportation Assistance)

[LFB 2025-27 Budget Summary: Page 675, #7, and Page 676, #8 and #9]

CURRENT LAW

The Department of Transportation (DOT) harbor assistance program (HAP) provides competitive grants for improvements to harbor facilities on Lake Michigan, Lake Superior, and the Mississippi River system. Grants can be provided to counties, municipalities, towns, boards of harbor commissioners, or private entities for improvements on publicly or privately-owned harbor facilities. Eligible projects include dock wall and disposal facility improvements, dredging and dredged material disposal, or other physical improvements that maintain or increase commodity or passenger movement capabilities. When evaluating applications, DOT must give priority to applicants based on the amount of tonnage and waterborne transportation handled in the harbor.

State funds for the harbor assistance program can be provided either from a SEG transportation fund appropriation that exists for the program, or from transportation fund-supported, general obligation bonds. Debt service costs on harbor assistance bonds are paid from the transportation fund. State funds can provide up to 80% of the cost of a selected project, while the project awardee must pay the remaining cost. In the 2025-27 biennium, the program has a base funding level of $651,000 SEG annually, including $487,500 annually for harbor projects and $163,500 annually for administrative costs.

DISCUSSION POINTS

1. This paper discusses three provisions of Senate Bill 45/Assembly Bill 50 (SB 45/AB 50) for the harbor assistance program: (a) providing $15.0 million in transportation fund-supported, general obligation bonds for competitive harbor grants; (b) providing $15.0 million in additional transportation fund-supported, general obligation bonds for a project to dredge the Menominee

Harbor; and (c) providing $3.0 million SEG for construction of an educational facility at the Harbor Centre Marina in the City of Sheboygan. In addition, the paper also discusses a recommendation to allow DOT to receive and expend non-state funding for publicly-owned ferry systems.

A. HAP Program -- Competitive Grants

2. The harbor assistance program has been providing grants since 1980 to improve transportation access to the state's waterways on Lake Superior, Lake Michigan, and the Mississippi River. Currently, 29 ports in the state are eligible for program funding. Since 1980, the Department has authorized $167.3 million in bonds for the program, and awarded 167 grants totaling $238.9 million.

3. Wisconsin harbors are an important part of the state's freight system, providing an additional mode for the movement of goods to, from, and within the state. In 2022, four percent of Wisconsin's freight by tonnage and one percent of Wisconsin's freight by value was transported by maritime shipping. DOT states that shipping of high-volume bulk commodities such as grain and gravel are generally more likely to be transported via barge because shipping of these commodities is often less time-sensitive than other goods. Most commercial ports in the state are managed by municipalities, often in partnership with private operators. While port owners are primarily responsible for the condition and performance of ports, state aid can further improve the competitiveness of maritime shipping in the state.

4. The 2023-25 budget provided the harbor assistance program with $31.3 million SEG, including $21.0 million for competitive harbor project grants, $0.3 million for administrative costs, and $10.0 million for an earmarked project to construct a fuel pipeline extension in Milwaukee County (discussed in a separate paper), while authorizing no additional bonding for the program. Table 1 summarizes HAP funding over the past five biennia. Over this period, an average of $16.7 million per biennium has been provided for competitive harbor grants. Funding has also been provided for the following earmarked projects: (a) $3.2 million to Fincantieri Bay Shipbuilding in Door County in the 2017-19 biennium for a project to complete dredging and construction of a dock wall; (b) $29.0 million to Marinette Marine, a subsidiary of Fincantieri Marine Group, in the 2019-21 biennium to construct a ship lift; and (c) $10.0 million for US Venture, Inc. in the 2023-25 biennium for the fuel pipeline project in Milwaukee County.

TABLE 1

Harbor Assistance Program Funding

	2015-17	2017-19	2019-21	2021-23	2023-25
Funding Sources					
Base Funding (SEG)	$1,301,600	$1,302,000	$1,302,000	$1,302,000	$1,302,000
Additional Funding (SEG)	0	3,200,000	13,200,000	0	30,000,000
Bonding	13,200,000	14,100,000	32,000,000	15,300,000	0
Total	$14,501,600	$18,602,000	$46,502,000	$16,602,000	$31,302,000
Allocation of Funding					
Competitive Grants	$14,187,600	$15,087,600	$17,187,600	$16,287,600	$20,975,000
Earmarks	0	3,200,000	29,000,000	0	10,000,000
Administrative Costs	314,000	314,400	314,400	314,400	327,000
Total	$14,501,600	$18,602,000	$46,502,000	$16,602,000	$31,302,000

5. Table 2 lists the competitive harbor grants that have been awarded in the past two years. In total, the Department received applications requesting $132.6 million in the two most recent award cycles, of which $18.0 million (13.6%) was funded. Some of these grants were provided to private harbor facility owners, while others were provided to units of local government.

TABLE 2

Harbor Assistance Grant Awards

Recipient	Location	Project	Award
2023-24 Award Cycle			
Hanke Terminals	La Crosse	Dockwall for Transloading Facility	$2,200,000
City of Manitowoc	Manitowoc	Loadout Facility & Rail Platform	1,340,000
Briess Malt	Manitowoc	Dredging & Engineering	1,000,000
Foster Trucking	Superior	Dockwall Reconstruction	1,000,000
General Mills	Superior	Pier Removal	813,800
Marek Landscaping	Milwaukee	Loading Dock & Fixed Crane	720,000
St. Mary's Cement	Manitowoc	Maintenance Dredging	562,000
Ficantieri Co.	Marinette	Maintenance Dredging	382,400
Subtotal			$8,018,200
2024-25 Award Cycle			
Ficantieri Co.	Marinette	Dredging & Dockwall Repair	$3,000,000
Hanke Terminals, Inc.	La Crosse	New Transloading Facility	2,373,500
Port of Green Bay	Green Bay	Dredging, Dockwall, & Access Road	2,000,000
City of Manitowoc	Manitowoc	Shipping Loadout Rail Extension	1,863,800
Town of La Pointe	La Pointe	Dredging, Dockwall, and Pile Cluster Repair	708,000
Subtotal			$9,945,300
Total			$17,963,500

6. Table 3 provides information on the how much of the $167.3 million in bonding that has been authorized for harbor assistance projects since 1980 has been spent, how much is committed to be spent, and how much currently remains uncommitted. The Department has awarded all but $2.2 million in unencumbered bonding authority as of January, 2025, and also has uncommitted SEG funds of $0.2 million available.

TABLE 3

Harbor Assistance Program -- Existing Bonding and Commitments
($ in Millions)

Existing Bonding	
Total Bonding Authorized	$167.3
Less Bonds Obligated Through January, 2025	-155.3
Authorized, Unissued Bonding	$12.0
Use of Unissued Bonding	
Less Project Funding Encumbered	-$9.3
Less Approved, Unencumbered Projects	-0.5
Unused Bonding Available	$2.2
Uncommitted SEG Funds	$0.2
Remaining Uncommitted Funds	$2.4

7. When applying for a HAP grant, applicants are required to submit a list of harbor projects for which they may request funding during the next three years. Table 4 shows the list of prospective projects for the 2025-27 biennium that have been submitted by recent applicants as a result of this requirement. The list suggests that there is potential need for $163.7 million in harbor project costs in the 2025-27 biennium. However, this is not an exhaustive list of potential projects. For example, if a harbor has not applied for a HAP grant in the past three years, they would not be included in this list, but could still apply for a HAP grant in the 2025-27 biennium. Further, while applicants are required to submit information on potential projects, they may not submit grant applications for all of these projects, or may submit applications for projects that they had not identified in previous applications.

TABLE 4

Prospective Harbor Assistance Projects

Location	2025-26	2026-27	Biennial Total
Green Bay	$9,358,000	$64,000,000	$73,358,000
Superior	12,000,000	35,500,000	47,500,000
Milwaukee	5,430,000	25,360,000	30,790,000
La Crosse	5,000,000	0	5,000,000
Manitowoc	4,900,000	0	4,900,000
Washburn	2,100,000	0	2,100,000
Total	$38,788,000	$124,860,000	$163,648,000

8. SB 45/AB 50 would authorize $15.0 million in transportation fund-supported, general obligation bonds for the harbor assistance program This would be $5.0 million less than what was provided in the 2023-25 budget for competitive harbor grants, but similar to the program's funding level in prior biennia (an average of $15.7 million was provided for competitive harbor grants per biennium between the 2015-17 and 2021-23 biennia). This funding could be used to help advance several of the potential harbor projects shown in Table 4. Estimated transportation fund-supported debt service associated with the partial issuance of the recommended bonding in the biennium would be $311,800 SEG in 2026-27. Once fully-issued, estimated annual debt service costs associated with these bonds would be $1,203,700. [Alternative A1]

9. The 2023-25 budget provided $20.0 million SEG in one-time funding for competitive harbor grants, which was used to complete several harbor projects throughout the state, as shown in Table 2. Given the importance of maritime shipping for the state's economy, the continued demand for harbor assistance grants, and inflationary demands in the program over recent years, $20.0 million in transportation fund-supported, general obligation bonds could again be provided in the 2025-27 biennium. Estimated transportation fund-supported debt service associated with the partial issuance of these bonds in the biennium would be $415,800 SEG in 2026-27. Once fully-issued, estimated annual debt service costs associated with the $20.0 million in bonding under this alternative would be $1,604,900. [Alternative A2]

10. HAP is typically primarily funded with transportation fund-supported, general obligation bonds. This allows the state to realize the benefits of harbor projects with no upfront costs, then pay for those projects over the life cycle of the improvement. However, issuance of HAP bonds commits the transportation fund to many years of fixed debt service costs, including additional interest costs. In part to reduce long-term debt service costs for the transportation fund, the 2023-25 budget provided HAP with one-time funding of $20.0 million SEG, instead of authorizing additional bonds for the program. This one-time funding allocation was enabled via a one-time $555.5 million transfer of GPR that was made from the general fund to the transportation fund, which was possible due to the state's large, one-time GPR surplus that was available in the 2023-25 biennium. The state continues to have a one-time GPR surplus available in the 2025-27 biennium, and some of these revenues could again be used to reduce long-term debt service costs in the transportation fund. If another one-time GPR transfer is made to the transportation fund, the $15.0 million in recommended HAP funding could be provided with a one-time SEG appropriation in 2025-26 rather than with bonds. [Alternative A3]

11. Including the $15.0 million in bonds recommended for competitive HAP grants, SB 45/AB 50 would authorize $631.7 million in transportation fund-supported bonds in the 2025-27 biennium, which, once fully-issued, would result in $50.7 million in annual debt service costs for the transportation fund. Meanwhile, there has been little to no growth to current law transportation fund revenues in recent biennia. To reduce long-term debt service costs to the transportation fund, the recommended bonding for HAP could be decreased by 20% to $12.0 million. Estimated transportation fund-supported debt service associated with the partial issuance of these bonds in the biennium would be $249,500 SEG in 2026-27. When fully issued, the estimated debt service costs associated with the $12.0 million in bonding under this alternative would be $963,000 annually. [Alternative A4]

12. Given that limited transportation fund revenues are available in the 2025-27 biennium, the state could also provide no additional funding to the harbor assistance program in the 2025-27 biennium. The program's base level funding of $651,000 SEG annually ($487,500 for harbor projects and $163,500 to fund administrative costs) and the $2.4 million in remaining uncommitted program funds (shown in Table 2) would still be available in the 2025-27 biennium. [Alternative A5]

B. Menominee Harbor Dredging Project

13. In addition to authorizing $15.0 million in bonds for competitive harbor grants, SB 45/AB 50 would also authorize an additional $15.0 million in transportation fund-supported, general obligation bonds for the harbor assistance program, and require that, when awarding HAP grants in the 2025-27 biennium, DOT give priority to municipalities in which a shipbuilder in the state is conducting operations. The Administration states that this language was included with the intent of providing a grant $15 million for a project to dredge the Menominee harbor in the City of Marinette.

14. DOT indicates that the Menominee harbor dredging project would be led by The US Army Corps of Engineers (USACE), and would increase the depth of the harbor so it could serve large oceangoing vessels, including a US Navy frigate that is currently being constructed by Fincantieri Marinette Marine, a shipbuilding firm located in the City of Marinette. When conducting a preliminary site assessment for the project, USACE identified contaminated sediments in the harbor that would also need to be removed as part of the project. The current cost estimate for the project ranges between $106 million and $136 million, depending on the disposal methods that are required for the contaminated sediment. The Department indicates that the project could begin as early as 2027.

15. DOT states that USACE would fund 65% of the total cost of the project, while the remaining 35% of project costs must be paid as a non-federal match by other project stakeholders. These matching funds could be provided by one or more of the beneficiaries of the project, including the states of Wisconsin and Michigan, the cities of Marinette and Menominee, and Fincantieri Marinette Marine. The $15.0 million in recommended funding would fund part of the federal non-federal matching requirements for the project and help ensure that the project's start date is not delayed. The remaining matching funds could be paid by other project stakeholders, or by the state of Wisconsin at a later time. The project would provide benefits to Fincantieri Marinette Marine, other facilities located on the Menominee harbor, and the cities of Marinette and Menominee by allowing larger oceangoing vessels to enter and exit the port and removing contaminated sediment from the harbor. It is not expected that the recommended bonds would begin to be issued for the project in the biennium, as it will still take time to complete planning activities and begin construction on the project. As a result, SB 45/AB 50 does not include any estimated debt service costs in the 2025-27 biennium associated with the partial issuance of these bonds in the biennium. Once fully issued, estimated annual debt service costs associated with the $15.0 million in recommended bonds would be $1,203,700. [Alternative B1]

16. As mentioned previously, the transportation fund has limited revenues available in the 2025-27 biennium, while SB 45/AB 50 would authorize $631.7 million in transportation fund-supported bonds in the 2025-27 biennium, which, once fully-issued, would result in $50.7 million in annual debt service costs for the transportation fund. If the $15.0 million in recommended bonding were denied, this would reduce ongoing debt service costs for the transportation fund, and the required

non-federal matching funds for the project could still be provided by other stakeholders, including the state of Michigan, the cities of Marinette and Menominee, or Fincantieri Marinette Marine. [Alternative B2]

C. Sheboygan Harbor Centre Marina Project

17. SB 45/AB 50 would also provide $3.0 million SEG to the harbor assistance program, and specify that this funding be used to award a grant to construct an educational facility at the Harbor Centre Marina in the City of Sheboygan. The project would construct a water education building at the marina that would include administration offices, a visitor education center, and retail space. The building would be a component of a larger master plan that has been developed by the City of Sheboygan to revitalize the marina and the larger waterfront area near downtown. According to the City's master plan, the estimated total cost of constructing the building would be $6.9 million. The Department indicates that the remaining project costs could be paid from other grant opportunities offered by the Department of Natural Resources or other state or federal agencies, as well as matching funds from project stakeholders. [Alternative C1] If the $3.0 million in recommended funding is not approved, the project would need to seek additional funding from other sources. [Alternative C2]

D. Use of Non-State Funds for Public Ferry Systems

18. DOT's 2025-27 agency budget request included a provision that would allow DOT to receive and expend non-state funding for publicly-owned ferry systems. This request was not included in SB 45/AB 50. However, the Administration indicated in an errata letter on April 25, 2025, that it intended to include this provision in the budget bills.

19. The federal construction of ferry boats and ferry terminal facilities formula program (FBP) provides funding to states and other public entities to construct and maintain publicly-owned ferry boats, ferry terminals, and ferry maintenance facilities. There are currently three publicly-owned ferries operating in the state. The Merrimac Ferry, which crosses the Lake Wisconsin and provides a connection for State Highway 113 in Sauk and Columbia Counties, is owned and operated by DOT. Meanwhile, the Cassville Car Ferry in Grant County and the Madeline Island Ferry in Ashland and Bayfield Counties are operated by local units of government. FBP funds are currently provided to DOT for the Merrimac Ferry, and are also provided directly to the Village of Cassville for the Cassville Car Ferry. However, the Department indicates that under current law, it cannot receive FBP funding on behalf of local governments in the state that operate public ferries. The Department indicates that this provision would allow the state to receive federal FBP funds, and distribute these funds to local government under the HAP program, including the Madeline Island Ferry, which does not currently receive annual FBP formula funding. This recommendation would allow the local governments in the state that operate public ferries to receive federal funds to assist with their costs to operate these ferries. [Alternative D1] If this provision is denied, the Department indicates that it would continue to be unable to receive and distribute FBP funds to local governments in the state. [Alternative D2]

ALTERNATIVES

A. HAP Program -- Competitive Grants

1. Authorize $15,000,000 in transportation fund-supported, general obligation bonds for the harbor assistance program. Increase estimated transportation fund-supported, general obligation bond debt service by $311,800 SEG in 2026-27 associated with the partial issuance of these bonds in the biennium. Once fully issued, estimated annual debt service costs associated with these bonds would be $1,203,700.

ALT A1	Change to Base
BR	$15,000,000
SEG	311,800
Total	$15,311,800

2. Authorize $20,000,000 in transportation fund-supported, general obligation bonds for the harbor assistance program. Increase estimated transportation fund-supported, general obligation bond debt service by $415,800 SEG in 2026-27 associated with the partial issuance of these bonds in the biennium. Once fully issued, estimated annual debt service costs associated with these bonds would be $1,604,900.

ALT A2	Change to Base
BR-SEG	$20,000,000
SEG	415,800
Total	$20,415,800

3. Provide $15,000,000 SEG to the harbor assistance program in 2025-26.

ALT A3	Change to Base
SEG	$15,000,000

4. Authorize $12,000,000 in transportation fund-supported, general obligation bonds for the harbor assistance program. Increase estimated transportation fund-supported, general obligation bond debt service by $249,500 SEG in 2026-27 associated with the partial issuance of these bonds in the biennium. Once fully issued, estimated annual debt service costs associated with these bonds would be $963,000.

ALT A4	Change to Base
BR-SEG	$12,000,000
SEG	249,500
Total	$12,249,500

5. Take no action.

B. Menominee Harbor Dredging Project

1. Authorize $15,000,000 in transportation fund-supported, general obligation bonds for the harbor assistance program, and require that when making harbor assistance program grant awards in the 2025-27 biennium, DOT give priority to municipalities in which a shipbuilder in the state is conducting operations. SB 45/AB 50 does not include any estimated debt service costs in the 2025-27 biennium associated with the partial issuance of these bonds in the biennium. Once fully issued, estimated annual debt service costs associated with these bonds would be $1,203,700.

ALT B1	Change to Base
BR-SEG	$15,000,000

2. Take no action.

C. Sheboygan Harbor Centre Marina Project

1. Provide $3,000,000 SEG in 2025-26 to the harbor assistance program, and specify that, notwithstanding eligibility requirements for the harbor assistance program, DOT shall award a grant to the City of Sheboygan for the construction of an educational facility at the Harbor Centre Marina. Specify that the amount of the grant shall by $3,000,000 or the total cost of the project, whichever is less.

ALT C1	Change to Base
SEG	$3,000,000

2. Take no action.

D. Use of Non-State Funds for Public Ferry Systems

1. Specify that DOT can receive and expend non-state funding under the harbor assistance program for assistance of Wisconsin-based publicly owned ferry systems.

2. Take no action.

Prepared by: Peter Mosher

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

---

Joint Committee on Finance Paper #764

Harbor Assistance Program -- Fuel Pipeline in Milwaukee County (Transportation -- Local Transportation Assistance)

CURRENT LAW

2023 Act 19 (the 2023-25 biennial budget) provided $10,000,000 SEG to the Department of Transportation (DOT) Harbor Assistance Program (HAP) and specified that, notwithstanding the eligibility criteria of the program, DOT award this funding as a grant in 2023-25 for a fuel pipeline extension project from the Mitchell International Airport to the Port of Milwaukee. The Act also specified that this provision does not apply unless DOT is awarded a grant under the federal Port Infrastructure Development Program (PIDP) for the project.

DISCUSSION POINTS

1. The $10 million in funding provided in the 2023-25 budget would be used for a project by US Venture, Inc. to construct a seven-mile-long fuel pipeline extension in Milwaukee County. The project would allow US Venture to transport fuel from the company's existing supply terminal in Milwaukee to the Port of Milwaukee, then ship the fuel via barge to its Green Bay terminal. The company currently ships fuel to Green Bay in fuel tanker trucks that travel along theI-43 corridor. During 2023-25 budget deliberations, the company stated that the pipeline extension project would have an estimated cost of $45.4 million, and would eliminate approximately 25,000 fuel tanker truck trips annually. US Venture also stated that it had committed $15 million to the project, and that remaining project costs could covered with state funding and a federal grant.

2. In July, 2023, DOT submitted a grant application to the federal PIDP requesting $20.4 million in federal funds to locate, design, and construct the pipeline extension. If approved, this grant would have provided the remaining funding needed to cover the project's total estimated $45.4 million cost ($20.4 million FED + $15 million from US Venture + $10 million SEG). However, the project was not selected for a PIDP grant and, as a result, the $10 million SEG provided to DOT's HAP appropriation in 2023-25 for this project remains unallocated. DOT indicates that it is still reserving

this funding for the project in the appropriation, and has not used the funding for any other purposes.

3. DOT's 2025-27 agency budget request included a provision that would allow the $10 million in funding that was provided in the previous biennium to be released for the pipeline project if the project receives federal funding from any source. This request was not included in SB 45/AB 50. However, the Administration indicated in an errata letter on April 25, 2025, that it intended to include this provision in the budget bills. DOT states that while its federal PIDP grant application for the project was denied in 2023, it may be able to successfully obtain the requested funding in the 2025-27 biennium from other federal funding sources. If this recommendation were adopted, it would allow DOT to continue seeking federal assistance that could be used to complete the project. If federal funding is not awarded to the project, the $10 million would remain in DOT's HAP appropriation, and could not be used for any other purpose without further Legislative action. [Alternative 1]

4. The pipeline project has been denied for a federal PIDP grant, and it is unclear whether it will receive federal funds from another federal grant program in the future. Further, the estimated $45.4 million project cost may have increased since 2023 due to inflation or other factors. If no state funding were provided, US Venture could seek other sources of project financing or increase the company's existing funding pledge to the project. Thus, the $10 million provided for the project in the 2023-25 budget could be returned to the transportation fund. [Alternative 2]

5. If no action is taken on this item, the $10 million that was provided in the previous biennium for the pipeline project would remain in DOT's HAP appropriation, and current law would not specify how these funds would be allocated. DOT indicates that it is unclear how it would use these funds if no further Legislative action is taken. However, since the funding remains in the HAP appropriation, and current law does not contain requirements on how the funding must be allocated beyond the 2023-25 biennium, DOT may be able to use these funds to award competitive grants under the HAP program if no further action is taken. [Alternative 3]

ALTERNATIVES

1. Require DOT to award a grant of $10,000,000 from the Department's harbor assistance program SEG appropriation to entities for the purpose of assisting in the construction of a fuel pipeline extension from the Mitchell International Airport to the Port of Milwaukee. Specify that this provision does not apply unless DOT is awarded federal funds for the project.

2. Decrease funding for the harbor assistance program by $10,000,000 SEG. As a result, the $10,000,000 provided for the fuel pipeline project in the 2023-25 biennium would be returned to the transportation fund.

ALT 2	**Change to Base**
SEG	- $10,000,000

3. Take no action.

Prepared by: Peter Mosher

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

Joint Committee on Finance Paper #765

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

[LFB 2025-27 Budget Summary: Page 676, #10]

CURRENT LAW

The Department of Transportation (DOT) freight rail preservation program (FRPP) provides grants of state funds for the purpose of preserving and improving freight rail service in the state. Program funds can be provided directly to DOT to acquire rail property if it is being abandoned by a private railroad, or if the acquisition would preserve or improve the efficiency of freight rail service. Funding can also be awarded to units of local government, railroads, current or potential users of freight rail service, or transit commissions (organized by local governments for the preservation of rail service) to either: (a) acquire rail property for the purpose of preserving freight rail service; or (b) rehabilitate or construct rail property improvements to continue rail service on a particular line, or provide alternative rail service when a line has been abandoned. In addition, program funding can also be awarded to public or private applicants for intermodal freight facilities.

Applicants are required to pay at least 20% of the cost of an acquisition of railroad track or an improvement project. However, no match is required for costs to acquire railroad property that is exclusive of railroad tracks and other improvements. The program is typically funded with transportation fund-supported, general obligation bonds. Debt service on the bonds is funded from the transportation fund. In addition, a SEG appropriation also exists for the program.

DISCUSSION POINTS

1. This paper discusses two provisions of Senate Bill 45/Assembly Bill 50 (SB 45/AB 50) regarding the freight rail preservation program: (a) providing $5.0 million in transportation fund-supported general obligation bonds for FRPP projects; and (b) reducing the minimum percentage of

matching funds that recipients must provide for FRPP grants from 20% to 10% when federal funding is involved in the project.

A. Freight Rail Preservation Grants

2. The Wisconsin freight rail network consists of more than 3,300 miles of rail corridor, carrying approximately 32% of Wisconsin's freight by tonnage and 30% by value. 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, freight rail preservation program grants were provided to local 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. By assuming responsibility for ownership and improvement of railroad lines in the state, DOT can allow railroads to continue to profitably serve these lines. That is, since the state assists with the costs of rail ownership and improvement, railroads can operate at a lower rate of return than would otherwise be necessary to maintain service. However, while DOT provides funding for improvements to publicly-owned rail lines using FRPP funds, freight railroads are still responsible for maintenance of publicly-owned track.

4. State railway acquisitions funded by FRPP have resulted in 605 miles of publicly-owned rail lines in Wisconsin, including 590 owned by the state and 15 miles owned by the Wisconsin River Rail Transit Commission. The privately-owned Wisconsin and Southern Railroad is the primary railroad operating on this track, although other railroads operate on certain short segments. DOT's goal is to have 95% of state-owned rail line miles functioning at Federal Railroad Administration's (FRA) Class 2 operating speed standards, which means that a track is capable of operating loaded 286,000 pound rail cars above 10 miles per hour. In 2024, 79.8% of state-owned track met the Class 2 standard, compared to 53.1% in 2011.

5. FRPP grants can also be provided to complete capital improvements to rail lines owned or operated by privately-owned railroads. DOT indicates that it changed FRPP policy in 2024 to allow Class I railroads (railroads with annual revenues exceeding $1.05 billion nationwide) to apply for grants. Freight railroad companies pay an ad valorem (property) tax to the state, which is deposited in the transportation fund. In the 2025-27 biennium, revenues from this tax are estimated to be $29.0 million. Total SEG appropriations that support the freight rail system in the biennium, including debt service on FRPP bonds, are estimated at $40.7 million in the 2025-27 biennium.

6. Historically, the FRPP program is funded primarily with transportation fund-supported, general obligation bonds. This allows the state to realize the benefits of freight rail preservation projects with no upfront costs, then pay for those projects over the life cycle of the improvement. However, in part to reduce long-term debt service expenditures from the transportation fund, the 2023-25 budget provided the program with $13,000,000 SEG in the 2023-25 biennium, rather than authorizing additional bonds. Table 1 summarizes FRPP funding over the past five biennia. As shown in the table, the program has been provided with an average biennial funding level of $22.0 million over this period.

TABLE 1

Freight Rail Preservation Program Funding

	Funding Source		
Biennium	Bonds	SEG	Total
2015-17	$29,800,000	$5,200,000	$35,000,000
2017-19	12,000,000	0	12,000,000
2019-21	30,000,000	0	30,000,000
2021-23	20,000,000	0	20,000,000
2023-25	0	13,000,000	13,000,000
Average			$22,000,000

7. Table 2 lists the FRPP grants that have been awarded in the past two years. As shown in the table, $3.8 million in FRPP funding has been awarded for two projects since 2022-23. Fewer amounts were awarded for FRPP grants over this period than have typically been provided in previous years. For example, in 2021-22, $14.8 million in FRPP grant funding was awarded to five projects. Meanwhile, the Department reports that it did not receive any new project applications in the 2023-24 FRPP program cycle. [While one project was awarded in 2023-24, DOT received the application for this project in a previous year.]

TABLE 2

2022-23 and 2023-24 Freight Rail Preservation Program Awards

Fiscal Year	Recipient	Location	Project	Award
2023-24	Escanaba & Lake Superior	Howard to Lena	Bridge Replacement & Track Rehab.	$2,400,000
2022-23	Wisconsin & Southern	Boscobel	Bridge Replacement	1,437,800
Total				$3,837,800

8. Table 3 provides information on how much of the $300.3 million in bonding that has been authorized for FRPP over the life of the program has been spent, how much is committed to be spent, and how much currently remains uncommitted. As of April, 2025, $11.6 million in uncommitted bonding remains available for FRPP grants. Further, all of the $13.0 million SEG provided to FRPP in the 2023-25 budget has yet to be awarded. These funds were not awarded because: (a) DOT did not receive any new FRPP applications in 2023-24; and (b) the six projects identified by DOT during 2023-25 budget deliberations as potential FRPP projects for the 2023-25 biennium have not yet been funded because they were re-prioritized by Wisconsin & Southern Railroad (WSOR). Thus, $24.6 million in total funding currently remains available for FRPP grants.

TABLE 3

Freight Rail Preservation Program -- Existing Funding and Commitments
($ in Millions)

Existing Bonding	
Total Bonding Authorized	$300.3
Less Bonds Obligated Through Spring, 2025	-256.5
Authorized, Unissued Bonding	$43.8
Use of Unissued Bonding	
Less Project Funding Encumbered	-$19.7
Less Approved, Unencumbered Projects	-12.5
Unused Bonding Available	-$32.2
Remaining Uncommitted Bonding	$11.6
Uncommitted SEG Funds	$13.0
Remaining Uncommitted Funds	$24.6

9. While the $13 million SEG provided in the 2023-25 biennium has not yet been awarded, DOT anticipates awarding grants for the 2024-25 FRPP program cycle soon after July 1, 2025. Table 4 shows the prospective FRPP projects that DOT has identified for the 2024-25 program cycle, as well as potential projects for the 2025-27 biennium. This list includes all six of the WSOR projects that DOT had previously identified during 2023-25 budget deliberations as potential projects for the 2023-25 biennium. The Department states that while these projects were re-prioritized by WSOR, they are still considered a priority and will likely be funded in the near future.

TABLE 4

Prospective Freight Rail Preservation Program Projects

Applicant	Project	Amount
2024-25 Award Cycle		
Wisconsin & Southern Railroad	Wauzeka to Blue River -- Rail Replacement*	$7,500,000
Wisconsin & Southern Railroad	Devil's Lake to Reedsburg -- Track Rehab.*	5,500,000
Wisconsin & Southern Railroad	Plymouth & Oshkosh Sub. -- Bridge Rehab.	2,073,800
Fox Valley & Lake Superior Rail System	Shawano Sub. -- Mainline Realignment	3,448,400
Fox Valley & Lake Superior Rail System	Fox Valley Sub. -- Bridges Replacement	2,626,800
Tomahawk Railway	Mainline Track Rehabilitation	789,000
Subtotal		$21,938,000
2025-27 Biennium		
Wisconsin & Southern Railroad	Prairie Sub. -- Several Bridges*	$8,000,000
Wisconsin & Southern Railroad	Watertown Sub. -- 2 Bridges*	2,300,000
Wisconsin & Southern Railroad	Elkhorn Sub. -- 2 Bridges*	2,000,000
Wisconsin & Southern Railroad	Reedsburg Sub. -- 4 Bridges*	900,000
Fox Valley & Lake Superior Rail System	Rehabilitation of 3 Fox River Swing Bridges	8,000,000
Clark County	Spencer to Medford -- Rail Acquisition	6,000,000
Subtotal		$27,200,000
Total		$49,138,000

*Previously identified by DOT as potential projects for the 2023-25 biennium, as indicated in the Legislative Fiscal Bureau's June, 2023 FRPP budget paper.

10. SB 45/AB 50 would authorize $5,000,000 in transportation fund-supported, general obligation bonds for the freight rail preservation program. The Department indicates that the requested bonding is necessary to support ongoing upgrades to the state's freight railroad system. This funding, combined with the $24.6 in existing uncommitted program funds, would result in $29.6 million being available for FRPP grants in the biennium, which could fund several of the prospective FRPP projects listed in Table 4. Estimated transportation fund-supported debt service associated with the partial issuance of the recommended bonding in the biennium would be $52,000 SEG in 2026-27. Once fully-issued, estimated debt service costs associated with these bonds would be $401,200 SEG annually. [Alternative A1]

11. SB 45/AB 50 would provide less funding to FRPP than the program has received in previous biennia. The Department states that it requested a lesser amount of funding because it did not receive any new requests for funding in the 2023-24 program cycle. However, DOT has yet to award 2024-25 FRPP grants, and the Department also indicates that all six of the WSOR projects that were previously identified during 2023-25 budget deliberations are still a priority. The Department has also identified several new prospective projects for the 2025-27 biennium. Further, as mentioned previously, Class I railroads are now eligible for FRPP grants, which may create additional demand for program funding.

12. To provide a level of funding more consistent with past biennia and meet the continued demand for program grants, $11,000,0000 in transportation fund-supported general obligation bonds could be authorized for FRPP. This would provide half of the average biennial funding level of $22 million that the program has received over the past five biennia, as shown in Table 1. This alternative would provide less funding, and thus result in less ongoing FRPP debt service costs for the transportation fund compared to previous biennia, but would also provide a larger amount of funding than SB 45/AB 50, which could be used to award additional FRPP grants. If the bonding authority is not needed in the biennium, it would remain available to fund projects in the 2027-29 biennium. Including the $24.6 million in existing uncommitted FRPP funds, this alternative would result in $35.6 million in total program funding being available for freight rail projects. The estimated transportation fund-supported debt service associated with the partial issuance of these bonds in the biennium would be $114,400 SEG in 2026-27. Once fully issued, estimated debt service costs associated with the $11 million in bonding under this alternative would be $882,700 annually. [Alternative A2]

13. As mentioned previously, FRPP is typically funded with transportation fund-supported, general obligation bonds. However, in part to reduce long-term debt service costs for the transportation fund, the 2023-25 budget provided FRPP with a one-time appropriation of $13 million SEG instead of authorizing additional bonds for the program. This was enabled via a large one-time transfer of GPR that was made from the general fund to the transportation fund, which was possible due to the state's large, one-time GPR surplus that was available in the 2023-25 biennium. The state continues to have a one-time GPR surplus available in the 2025-27 biennium, and some of these revenues could again be used to reduce long-term debt service costs in the transportation fund. If another one-time GPR transfer is made to the transportation fund, the $5,000,000 in recommended FRPP funding could be provided with one-time SEG funding in 2025-26 rather than with additional bonding. [Alternative A3]

14. The transportation fund has limited revenues available in the biennium. Including the $5 million in bonds recommended for the FRPP program, SB 45/AB 50 would authorize $632 million in transportation fund-supported bonds in the 2025-27 biennium, which, once fully-issued, would result in $50.7 million in annual debt service costs for the transportation fund. Meanwhile, there has been little to no growth to current law transportation fund revenues in recent biennia. Given that $24.6 million in existing uncommitted funds are currently available for FRPP grants, the Committee could choose to provide no additional funding to the program in the 2025-27 biennium. [Alternative A4]

B. Matching Funds from Grant Recipients

15. DOT's 2025-27 agency budget request also included a provision to reduce the minimum local match requirement for projects receiving FRPP grants from 20 percent to 10 percent when federal funding is involved in the project. This request was not included in SB 45/AB 50. However, the Administration indicated in an errata letter on April 25, 2025, that it intended to include this provision in the budget bills.

16. DOT states that there are several federal grant programs that can provide funding for freight rail projects, and that federal grants can often be awarded to help advance larger, more expensive projects. When local units of government, private freight rail facility owners, or other stakeholders apply for federal grants, the Department often assists these applicants with the federal application process, and will also often provide FRPP grants alongside federal funds to assist with advancing awarded projects. The two most recent federal grants that DOT has received for FRPP-funded projects are: (a) an award of $6.77 million from the federal RAISE grant program in 2021 to rehabilitate five bridge structures in Janesville; and (b) an award of $6.75 million from the federal INFRA grant program in 2020 for the Lake Wisconsin rail bridge reconstruction project in Merrimac.

17. Under current law, when recipients receive a FRPP grant, or a combination of a FRPP grant and federal funds, the total amount of state and federal funding provided cannot exceed 80 percent of the total cost of the project. Thus, when receiving a grant, recipients must provide matching funds worth at least 20 percent of the total project cost. SB 45/AB 50 would reduce the minimum local match requirement for FRPP-funded railroad projects from 20 percent to 10 percent when federal funding is provided for the project. The Department states that this will encourage private railroads to apply for and complete larger freight rail improvement projects, which could result in additional improvements being completed on the state's freight rail network. [Alternative B1]

18. Local match requirements can reduce expenditures for the state because they require recipients to contribute a larger percentage of project costs. This can also allow the state to complete a larger number of freight rail projects within a given level of funding. Further, matching requirements ensure that project beneficiaries pay their "fair share" of project costs. For these reasons, the existing FRPP rules for local matching funds could be retained. [Alternative B2]

ALTERNATIVES

A. Freight Rail Preservation Grants

1. Authorize $5,000,000 in transportation fund-supported, general obligation bonds for the freight rail preservation program. Increase estimated transportation fund-supported, general obligation bond debt service by $52,000 in 2026-27 associated with the partial issuance of these bonds in the biennium. Once fully issued, estimated annual debt service costs associated with these bonds would be $401,200.

ALT A1	Change to Base
BR-SEG	$5,000,000
SEG	52,000
Total	$5,052,000

2. Authorize $11,000,000 in transportation fund-supported, general obligation bonds for the freight rail preservation program. Increase estimated transportation fund-supported, general obligation bond debt service by $114,400 in 2026-27 associated with the partial issuance of these bonds in the biennium. Once fully issued, estimated annual debt service costs associated with these bonds would be $882,700.

ALT A2	Change to Base
BR-SEG	$11,000,000
SEG	114,400
Total	$11,114,400

3. Provide $5,000,000 SEG to the freight rail preservation program in 2025-26.

ALT A3	Change to Base
SEG	$5,000,000

4. Take no action.

B. Matching Funds from Grant Recipients

1. Reduce the minimum local match requirement for projects receiving freight rail preservation program grants from 20 percent to 10 percent when federal funding is involved in a project.

2. Take no action.

Prepared by: Peter Mosher

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

Joint Committee on Finance Paper #766

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

[LFB 2025-27 Budget Summary: Page 677, #11 and 12, Page 678, #13 and #14, and Page 702, #4]

CURRENT LAW

The Department of Transportation (DOT) operates several programs that provide grants of federal funds to local governments for transportation projects, including (a) the surface transportation program (STP), which primarily funds projects to improve eligible local roads; (b) the carbon reduction program (CRP), which funds projects to reduce carbon dioxide emissions from on-road highway sources; (c) the transportation alternatives program (TAP), which funds non-motorized vehicle transportation projects; (d) the congestion mitigation and air quality (CMAQ) improvement program, which provides grants for projects to reduce transportation-related air pollution or reduce traffic congestion; and (e) the railroad crossing improvement program, which funds projects to improve the safety of railroad crossings.

DOT's departmental management and operations appropriations provide funding for agencywide operations, including departmental planning, administrative activities, and the management of most departmental programs. Adjusted base funding for these appropriations, including standard budget adjustments, is $83,632,500 SEG and $11,222,500 FED in 2025-26, and $81,422,300 SEG and $11,060,800 FED in 2026-27.

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 varies 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

Reestimate the federal highway aid that is expected to be received by the state during the 2025-27 biennium as follows:

a. Provide additional funding authority of $82,025,100 FED and $20,506,300 SEG-L in 2025-26, and $85,116,600 FED and $21,279,200 SEG-L in 2026-27 to the Department's local transportation facility improvement assistance appropriations for STP and CRP. The recommended funding would increase the adjusted base funding for DOT's local transportation facility improvement assistance appropriations from $72,651,200 FED to $154,676,300 FED in 2025-26 and $157,767,800 FED in 2026-27, and from $43,898,600 SEG-L to $64,404,900 SEG-L in 2025-26 and $65,177,800 SEG-L in 2026-27.

b. Provide funding authority of $12,047,500 FED and $3,011,900 SEG-L in 2025-26, and $12,429,400 FED and $3,107,400 SEG-L in 2026-27 to TAP. The recommended funding would increase the adjusted base funding for the program from $7,049,300 FED to $19,096,800 FED in 2025-26 and $19,478,700 FED in 2026-27, and from $2,012,300 SEG-L to $5,024,200 SEG-L in 2025-29 and $5,119,700 SEG-L in 2026-27.

c. Provide funding authority $4,962,300 FED and $1,240,600 SEG-L in 2025-26, and $5,061,500 FED and $1,265,400 SEG-L in 2026-27 to CMAQ. The recommended funding would increase the adjusted base funding for the program from $10,719,000 FED to $15,681,300 FED in 2025-26 and $15,780,500 FED in 2026-27, and from $3,124,700 SEG-L to $4,365,300 SEG-L in 2025-26 and $4,390,100 SEG-L in 2026-27.

d. Provide funding authority $3,061,600 FED and $765,400 SEG-L in 2025-26, and $3,188,700 FED and $797,200 SEG-L in 2026-27 to the railroad crossing improvement program. The recommended funding would increase the adjusted base funding for the program from $3,291,800 FED to $6,353,400 FED in 2025-26 and $6,480,500 FED in 2026- 27. No base level SEG-L funding is currently provided to the program.

e. Provide funding authority $1,372,900 FED in 2025-26 and $1,474,000 FED in 2026-27 for DOT departmental management and operations. The requested funding would increase the adjusted base funding level for the departmental management and operations appropriation from $11,222,500 FED to $12,595,400 in 2025-26, and from $11,060,800 to $12,534,800 in 2026- 27 (including funding for standard budget adjustments).

	Change to Base
FED	$210,739,600
SEG-L	51,973,400
Total	$262,713,000

Explanation: Each of these programs receives federal funding from the federal highway aid program, operated by the federal highway administration, which provides a block grant of formula 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 highway aid beginning in the 2021-22 state fiscal year. In the 2021-22, 2022-23, and 2023-24 state fiscal years, DOT submitted federal appropriations adjustment plans to the Joint Committee on Finance, which appropriated the estimated additional federal highway aid that was provided to the state in each year.

The FED amounts recommended under Senate Bill 45/Assembly Bill 50 for 2025-26 reflect DOT's estimate of the amount of federal highway aid that expects to receive under the final year of the IIJA, while the amounts recommended for 2026-27 reflect the assumption that the state will continue receiving similar amounts of federal highway aid under the next federal authorization act after IIJA expires. The amounts of SEG-L recommended under the bill reflect federal requirements that local recipients must provide matching funds worth at least 20% of the federal funding provided for a project.

Federal highway aid funds are divided into program categories, with specific rules on how funds under each program category must be spent. While these rules provide 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 from the amounts recommended in the bill. Failure to adhere to federal rules for this program funding could result in penalties to the federal highway aid funding provided to the state in future years. This office has reviewed the federal aid estimates in the bill and agrees 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 additional federal STP funding of $65,168,300 FED in 2025-26 and $67,922,700 FED in 2026-27. This funding is provided under the Department's local transportation facility improvement assistance appropriation. Along with the adjusted base funding level in the appropriation, this would provide total STP funding of $137,819,500 FED in 2025-26 and $140,573,900 in 2026-27, corresponding to 55% of the STBG funding authority that the state is expected to receive in the 2025-27 biennium.

Carbon Reduction Program. Federal funding for CRP is provided a federal highway formula aid program category that is also named CRP. The federal government provides the state with a specific allocation of funding authority for STBG each year, and requires that a minimum of 65% of this authority be sub-allocated to areas of the state (in a manner similar to STP). Because of these rules, DOT has limited flexibility to reduce CRP funding to a level below the 65% sub-allocation benchmark. Estimate federal CRP funding to be $16,856,800 in 2025-26 and $17,193,900 in 2026-27, corresponding to 65% of the CRP funding authority that the state is expected to receive in the 2025-27 biennium. This funding would be provided under the Department's local transportation facility improvement assistance appropriation, in addition to the funding recommended for STP.

The Department indicates that CRP funds could be awarded for several eligible activities, including projects to replace street lighting and traffic control devices with energy-efficient alternatives, projects to deploy advanced transportation and congestion management technologies, and public transportation projects.

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 and CRP). 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 $12,047,500 FED in 2025-26 and $12,429,400 FED in 2026-27, corresponding to 59% of the funding authority that is expected to be provided to the state under the transportation alternatives set-aside in the 2025-27 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 $4,962,300 FED in 2025-26 and $5,061,500 FED in 2026-27, corresponding to 50% of the federal CMAQ funding authority that the state is expected to receive in the 2025-27 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 IIJA, estimate federal funding at $3,061,600 FED in 2023-24 and $3,188,700 FED in 2024-25 for the railroad crossing improvement program.

Department Management and Operations. Estimate additional federal funds for DOT department management and operations of $1,372,900 FED in 2025-26 and $1,474,000 FED in 2026-27 from the state planning and research program category. Like the railway-highway crossings program category, funding authority provided to this program category cannot be transferred. The additional funding would be used for DOT's highway research program, which conducts research to improve DOT operations, including discovering better ways to design, build, and reconstruct the state's highways.

Prepared by: Peter Mosher

TRANSPORTATION

Local Transportation Assistance

LFB Summary Item for Which No Issue Paper Has Been Prepared

Item #	Title
17	State Infrastructure Bank Program