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**Local Transportation  
Assistance Programs**



# Local Transportation Assistance Programs

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# Local Transportation Assistance Programs

This paper provides information about the state's local transportation assistance programs that distribute state and federal funds for capital improvements on local roads, bridges, airports, and other types of transportation facilities. Transportation assistance programs can be distinguished from local transportation aid programs, such as general transportation aids or mass transit operating assistance, by the types of activities they fund. The assistance programs provide funds primarily or exclusively for capital improvement projects, while the aid programs provide funding for broader purposes, including capital projects, but also maintenance and operating costs. In part because of this distinction, the funds provided in the assistance programs are generally provided for a specific project, which the Department of Transportation (DOT) reviews to ensure compliance with the relevant program criteria. In contrast, funds distributed in the aid programs are in the form of a payment with fewer conditions on how it may be spent. In theory, local assistance funds help local governments to complete projects they may not otherwise do, while aid programs are seen as a reimbursement for a portion of the recipient's transportation costs. In practice, however, in both types of programs the state funds likely stimulate additional local transportation spending in some cases and, in others, replace local funds for transportation spending that would occur even without the state funds.

The paper describes several state and federal transportation assistance programs administered by DOT. [For a discussion of Department's local aid programs, see the Legislative Fiscal Bureau's informational papers entitled "Transportation Aid" and "Transit Assistance."] Funding for these local transportation assistance programs is primarily provided with state segregated (SEG) funding from the transportation fund and federal funding.

Proceeds from state-issued bonds are also provided to fund the state's freight and passenger rail programs, as well as the harbor assistance grant program.

The federal Infrastructure Investment and Jobs Act (IIJA) was enacted in November, 2021, and provides a five-year reauthorization of federal highway aid programs. The IIJA provides higher funding authorizations compared to the prior federal reauthorization act (the FAST Act). Annual federal appropriation legislation is needed to fund most annual IIJA authorizations. In 2021-22, following passage of the federal 2022 appropriations legislation, the state received \$283.0 million more in federal highway from the Federal Highway Administration (FHWA) than was budgeted under 2021 Act 58, (the 2021-23 biennial budget). This paper also describes how this additional aid was allocated to local transportation assistance programs.

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## Local Roads Improvement Program

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The local roads improvement program (LRIP) is a reimbursement program that provides grants of state funds on a biennial basis for capital improvements on existing county, municipal (city or village), and town roads, and for feasibility studies for such improvements. For the purposes of the program, 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, although federally recognized American Indian

tribes or bands are also eligible to provide funds for these projects. At project completion, the political subdivision may apply to DOT for reimbursement of eligible costs.

### Allocation of Program Funds

Total 2021-23 LRIP project funding is equal to \$65,466,000, which is the same amount provided the program in the 2019-21 biennium. The program is divided into a formula-based component and a discretionary grant component, each with its own appropriation. Both of these components are further divided into county, town, and municipal subcomponents. Of the funds appropriated for the formula-based component, the statutes specify that 43% are to be allocated to county projects, while towns and municipalities are each allocated 28.5%. [These percentages are calculated after deducting funding to support 3.0 positions in DNR for the environmental review of local road projects. In the 2021-23 biennium, this deduction is \$300,000 annually, or \$600,000 over the biennium.] Of the funds appropriated for the discretionary grant component, the Department is statutorily required to make the following allocation in the 2021-23 biennium: (a) \$10,786,800 for county highway discretionary projects with a projected cost of \$250,000 or more; (b) \$7,700,800 for municipal street discretionary projects with a projected cost of \$250,000 or more; and (c) \$11,847,200 for town road discretionary projects with a projected cost of \$100,000 or more. Table 1 shows the allocation of LRIP funds for the 2021-23 biennium. The following two sections describe the procedures used for the formula and discretionary components.

### Formula Component

The statutes do not specify the precise formulas by which funds are distributed to the governmental units in each component, but do establish two conditions that must be met. First, in the county subcomponent, a minimum entitlement is established such that no county may receive less

**Table 1: Allocation of LRIP Funding for the 2021-23 Biennium**

<b>Formula-Based Allocation</b>	
Counties (43%)	\$15,106,400
Municipalities (28.5%)	10,012,400
Towns (28.5%)	<u>10,012,400</u>
Total Formula Funds	<u>\$35,131,200</u>
<b>Discretionary Allocation</b>	
Counties	\$10,786,800
Municipalities	7,700,800
Towns	<u>11,847,200</u>
Total Discretionary Funds	<u>\$30,334,800</u>
Biennial Program total	\$65,466,000

Note: Excludes \$600,000 associated with funding positions related to environmental review.

than 0.5% of the total amount of formula funds distributed to counties. Second, for the town and municipal subcomponents, the statutes specify that, with the exception of municipalities with a population of 20,000 or more ("large municipalities"), funds are to be distributed on a countywide basis. All of the towns in a particular county share an entitlement of funds and all of the municipalities under 20,000 in population in a county ("small municipalities") share an entitlement of funds. Large municipalities receive their own entitlement.

The specific elements of the formulas for each subcomponent are established by administrative rule. For municipalities, the formula is based on population and street mileage, with each factor given equal weight. For a particular municipality, one-half of its entitlement is determined by multiplying its proportionate share of municipal street mileage (the municipality's street mileage as a percentage of statewide municipal street mileage) by one-half the funds allocated to the municipal street formula subcomponent. The other half is determined by multiplying the municipality's proportionate share of municipal population by the other half of the funds allocated to the municipal street subcomponent.

For counties, the formula is also based upon proportionate population and proportionate county highway mileage, except that population determines 60% of the entitlement and mileage determines 40%. In the 2021-23 distribution, eight counties received the 0.5% minimum allocation of \$77,487 (Ashland, Bayfield, Crawford, Florence, Forest, Iron, Menominee, and Pepin). For towns, the formula is based solely on proportionate town road mileage. As with small municipalities, the sum of all the town road mileage in each county is used to determine those towns' collective entitlement.

As noted above, counties and large municipalities receive their own entitlement, so those governments are solely responsible for project selection. Since towns and small municipalities must share an entitlement with the other like governments in their county, projects are selected by committees within each county (one for town road projects and one for small municipal street projects) made up of representatives of the respective governments.

### **Discretionary Component**

While the formula component generally provides funding for a large number of smaller projects across the state, the discretionary component is designed to fund a smaller number of higher-cost projects. As with project selection for towns and small municipalities under the LRIP formula component, committees of local government representatives are established to choose projects for the discretionary programs. In the case of the town and municipal discretionary programs, the respective committees choose projects from applications received on a statewide basis. The DOT Secretary makes appointments to these committees from representatives of the local government associations.

For the county discretionary program, the

funding allocated for discretionary projects is distributed in blocks to eight different regions in proportion to the total funding the counties in each region receive in the formula-based component of the program. For the purpose of this division, DOT generally uses the boundaries for the Department's five regional transportation districts, although the three larger regions are each divided into two parts. Projects for each multi-county region are chosen by a committee composed of the county highway commissioners from each of the counties in the region.

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### **Local Roads Supplemental Grant Program**

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In addition to the ongoing LRIP program, and similar to the 2019-21 biennium, the 2021-23 budget provided \$100 million SEG to provide supplemental funding to local governments for road projects that are eligible for program funding under the LRIP discretionary component. Grants to reimburse local project costs may cover up to 90% of the total project cost, with the remaining balance generally being provided by the local recipient. Like LRIP, the political subdivision where the work is performed is generally responsible for the payment of the project costs, who then may apply to DOT for reimbursement of eligible costs upon project completion. Of the funds appropriated for the supplemental grant component, the Department is required to make the following allocation in 2021-23: (a) \$35,559,100 for county highway discretionary projects with a projected cost of \$250,000 or more; (b) \$25,386,000 for municipal street discretionary projects with a projected cost of \$250,000 or more; and (c) \$39,054,900 for town road discretionary projects with a projected cost of \$100,000 or more. The amounts allocated to each of these groups is the same proportion of total funds available as the proportion allocated to those groups under LRIP's discretionary program.

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## Surface Transportation Program

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The state's surface transportation program (STP) provides grants of federal funds to local units of government for the rehabilitation of roads under their jurisdiction. Because STP is funded with federal highway aid (via the federal surface transportation block grant program), federal law outlines the activities that are eligible for program funding, and how funding is to be distributed among recipients. STP has traditionally funded capital projects on roads and highways that are classified as either "arterials" or "major collectors" under FHWA's functional classification system. These roads are generally significant on the statewide or regional level, are longer distances, and have fewer access points, higher speeds, and more lanes. However, the IJA creates new rules allowing for some federal highway aid to also be used for projects on roads classified as "minor collectors" and "local roads." These roads generally serve lower density areas, provide direct access to properties, and have lower speed limits and few signalized intersections. These provisions allow town roads to be eligible for this funding.

STP is funded through DOT's local transportation facility improvement assistance federal appropriation, which was appropriated \$72,282,800 annually under the 2021-23 biennial budget. Subsequently, the Legislature allocated an additional \$83,843,000 in IJA funds to the 2021-22 appropriation, for a total of \$156,125,800 in that year. These funds were allocated as follows: (a) \$127,233,700 for STP grants to local governments; (b) \$20,645,900 to cover additional costs that arise for individual STP projects after grants have been awarded, such as cost overruns from project design, oversight, or construction; and (c) \$8,246,200 for highway safety improvement program projects.

As part of administering STP, the Department schedules projects within a six-year (state fiscal

year) rehabilitation cycle. In each odd year of this schedule, the Department selects new projects several years in advance of construction and updates the schedule for pending projects approved in prior cycles. Projects selected are executed over a five-year period. Since there are no state funds provided for this program, local recipients are responsible for paying the 20% match on the federal funds.

### Allocation of Program Funds to Program Components

Pursuant to federal law, the Department divides STP funding into three components: (a) surface transportation program-urban (STP-U), for projects on arterials and major collectors in areas with a population above 5,000; (b) surface transportation program-rural (STP-R), for improvements on arterial and major collectors in areas with a population below 5,000 (primarily projects on county highways); and (c) surface transportation program-local (STP-L), for improvements on minor collectors and local roads in areas with a population below 50,000, as allowed under the IJA.

Within STP-U, funds are further divided between categories of urban areas (hereafter called STP-U "groups") according to population, as follows: (a) urbanized areas with a population over 200,000; (b) urbanized areas with a population between 50,000 and 200,000; and (c) urban areas with a population between 5,000 and 50,000. [The term "urbanized area" is used in federal transportation law for an area that is over 50,000 in population while the term "urban area" encompasses any area that is over 5,000 in population.]

Federal law requires states to allocate certain minimum percentages of federal highway aid to various areas of the state according to their proportional share of the state population. The population figures for the areas are generally determined using the most recent decennial census. The



boundaries of urban (or urbanized) areas generally follow the designations determined by the Census Bureau, but may be expanded by state or local officials, with the approval of the U.S. Department of Transportation. Typically, urban areas are not limited to a single city. For instance, the La Crosse-Onalaska urbanized area includes the City of La Crosse, as well as the Cities of Onalaska, La Crescent (Minnesota), and Caledonia (Minnesota), the Villages of Holmen, Bangor, and West Salem, and several of the towns surrounding these municipalities. [Since this particular urbanized area includes parts of Minnesota, the area is eligible to receive federal funds that are distributed to that state.]

Table 2 shows the allocation of STP funds to the various components of the program for the 2022 program cycle.

**Table 2: Allocation of 2022 STP Funding**

Surface Transportation Program -- Rural	\$35,359,200
Surface Transportation Program -- Local	\$8,435,400
Surface Transportation Program -- Urban	
Urbanized Areas over 200,000	\$49,928,200
Urbanized Areas 50,000 to 200,000	21,069,200
Urban Areas 5,000 to 50,000	<u>12,441,600</u>
Subtotal	\$83,439,000
Total Surface Transportation Program	\$127,233,600

Note: Excludes \$20,645,900 allocated for change management needs in the STP program.

### **STP-Urban Component**

Under STP-U, funds are distributed within each group based upon each area's proportionate share of the population within its particular group. While the urban area is the unit used to distribute funds within each group, the actual recipients of STP-U funds are local governments that fall within an urban area. In addition, while the distribution of STP-U funds to urban areas within the four STP-U groupings is based on population, the distribution within each urban area to the local

governments that comprise the area is based on other factors.

For the two largest STP-U groups (urbanized areas with a population between 50,000 to 200,000 and urbanized areas with a population above 200,000), the area's metropolitan planning organization (MPO) chooses the projects that are funded. Under federal law, these larger urbanized areas must have an MPO, which is composed of representatives of the local units of government that comprise the urbanized area, to conduct regional transportation planning and establish a transportation improvement program. The MPO's transportation improvement program, which is a list of projects that will be constructed using federal transportation funds over the next several years, is used in allocating STP-U funds to local governments within the urbanized area.

Funds are distributed to these larger urbanized areas on an annual basis since they are generally large enough to have enough qualifying projects every year to use their share of the funding. Many urban areas below 50,000 in population, in contrast, may not have enough qualifying projects underway in each year to completely use their proportional share of the funding every year. For this reason, the formula for distributing funds to these smaller urban areas does not provide a proportional share of funds to each area on an annual basis. Instead, the formula allows these smaller areas to "bank" their share for years in which they have a larger project. Consequently, in any given year, urban areas in the smallest STP group may not receive any funds, or, alternatively, they may receive an amount that exceeds their proportionate share. Over a period of several years, however, the average amount of funding they receive will generally be proportionate to their population.

### **STP-Rural Component**

Within STP-R, funds are distributed to counties using a formula based 60% on each county's proportionate share of eligible mileage and 40%

on each county's proportionate share of vehicles registered in rural areas. As with the two smaller STP-U groupings, however, these proportionate factors are not used for the annual distribution of funds. Instead, proportionate mileage and rural vehicle registration are used to weight the selection process in such a way that over time funds are distributed proportionately, but in any given year, certain counties' projects are funded while other counties' projects are not.

### **STP-Local Component**

As mentioned earlier, the IJA allows a portion of federal funds to be spent for projects on roads classified as "minor collectors" and "local roads". The STP-L program component funds improvement projects on these roads. Unlike STP-U and STP-R, which use formulas to distribute funds to areas of the state, STP-L projects are selected on a discretionary basis by a statewide discretionary committee, which rates, ranks, and selects projects in a process similar to the LRIP discretionary component.

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### **Local Bridge Improvement Assistance Program**

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The local bridge improvement assistance program makes grants using both state and federal funds for bridges not on state trunk highways or connecting highways (urban streets marked with a state highway or U.S. highway number). Projects are programmed every other year for the following five years and local governments must provide a match equal to at least 20% of the total cost of the awarded project.

The 2021-23 biennial budget established annual program funding levels of \$18,470,600 SEG and \$24,475,400 in federal funds. However, under the IJA the program was appropriated an additional \$60,730,200 of federal highway aid in

2021-22, for total funding of \$103,676,200 in that year. This total includes funding from the Bridge Formula Program, a new program established by the IJA that will provide \$45.0 million annually to the state from 2022 to 2026 for replacing and rehabilitating highway bridges in poor and fair condition.

Although all units of local government may request funds for a bridge project under their jurisdiction, the county highway commissioner is responsible for prioritizing the submitted project requests from local governments within the county. A bridge that crosses a county line is considered 50% in each county, unless otherwise determined by the Department. The number of projects that are funded from each county's priority list is determined using the local bridge assistance distribution formula.

While the distribution formulas for other local transportation assistance programs are generally based on either population or road mileage, the formula for the local bridge assistance program is based entirely upon the relative condition and replacement cost of local bridges. Every two years, all local bridges are inspected and given a sufficiency rating score using federally-approved inspection and rating criteria. The sufficiency rating is a numerical score on a 100-point scale, with higher numbers indicating better condition. Bridges that are rated below 50 are considered to be seriously deteriorated and are eligible for replacement under the program, while bridges that are below 80 are eligible for rehabilitation, if the proposed project meets certain other conditions.

Upon completion of the inspection and rating process, DOT estimates the cost to replace all seriously deteriorated bridges. Each county's proportionate share of the statewide total replacement cost is used as the factor for determining an "entitlement" for the county for the funding cycle. That is, each county's entitlement equals the county's proportionate share of the statewide replacement cost, multiplied by the total

amount of funding determined to be available during the funding cycle.

As with the surface transportation program entitlement, however, this funding entitlement is not the amount of funding received by the county each year. Instead, the county's proportionate share of funding is used to rank all projects statewide and projects are funded in order of their rating. Consequently, the higher a county's entitlement, the higher its bridge projects will be rated, which increases the likelihood that these projects will be funded.

Any part of a county's entitlement that is not used in a funding cycle is carried over to the next cycle, which has the effect of increasing the relative ranking for projects submitted by the county in that cycle. It should be noted that while only the replacement cost of bridges with a sufficiency rating below 50 is used to determine each county's share of funding, program funds may be used for the rehabilitation of any bridge with a sufficiency rating below 80.

Beginning in 2019-20, DOT initiated a pilot program to streamline the delivery and oversight requirements of low-risk local bridge projects. The program was continued in the 2021-23 biennium, although no additional funding was specifically allocated for these projects. Through the program, DOT identifies design and construction reports that can be minimized, eliminated, or delegated to the local project sponsor for low-risk projects already approved in the local bridge improvement assistance program. Eligible projects must not contain federal funding or involve federal action, and must meet other qualifying criteria, such as minimal to no environmental, right of way, utility, or railroad impacts, and no significant resource concerns. Participation is voluntary, and all projects must be mutually agreed upon by DOT and the Wisconsin County Highway Association for inclusion in the pilot program. Through 2021-22, a total of 16 local bridge

projects were completed through the program.

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### **Transportation Economic Assistance Program**

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The transportation economic assistance program (TEA) provides grants to local governments for making infrastructure improvements designed to retain or attract businesses in the state by facilitating access to an economic development project. Typically, the economic development project involves a business or businesses locating or expanding operations within the local sponsor's jurisdiction. The transportation improvements may involve the construction or reconstruction of a highway or road, an airport runway, taxiway, or apron, a harbor facility, or a railroad track or spur. DOT is required to accept applications for projects throughout the year and make a determination on an application within a reasonable amount of time after receiving it.

To be eligible for a TEA grant, DOT must determine that the proposed project meets the following screening criteria: (a) the economic development project would be unlikely to occur in the state unless the transportation facility improvement is built; (b) the transportation facility improvement would be unlikely to occur without the TEA grant; (c) the economic development project directly increases the number of jobs in the state; and (d) construction of the transportation facility improvement would be scheduled to begin within three years of the date when a grant is awarded for the improvement.

Projects that meet these screening criteria are then evaluated on, among other factors, the total estimated cost of the transportation improvement relative to how many jobs would be created by the economic development project, whether the project is located in an area of high unemployment or low average income, and whether the business that would be helped is financially sound. Projects that

rate favorably on these criteria have the best chance of receiving a TEA grant.

TEA grants are capped at the lower of the following: (a) 50% of the total estimated cost of the transportation improvement project (the local sponsor is responsible for the remainder); or (b) an amount equal to \$5,000 for each job that would be created by the economic development project. Grants generally do not exceed \$1,000,000. Since the 2009-11 biennium, the program has been funded through a state transportation fund appropriation of \$3,402,600 annually.

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### Transportation Alternatives Program

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Federal highway aid includes designated set-aside funds for transportation alternatives. DOT appropriates and awards these funds through grants to local government entities under the transportation alternatives program (TAP). Pursuant to federal rules, TAP-eligible projects encompass a variety of generally smaller-scale, non-motorized vehicle transportation projects, including construction and planning of on-road and off-road bicycle, pedestrian, and other non-motorized vehicle facilities, viewing areas such as overlooks and turnouts, safe routes to schools, historic preservation activities, and environmental mitigation projects. Recipients of TAP grants must provide a 20% match for the grant funds.

DOT administers the program under a five-year grant award cycle, with the current cycle being 2022 to 2026. Applications are accepted and grant awards are made in the even-numbered years of the cycle. Projects must be commenced within four years of receiving a grant award. Since the 2015-17 biennium, TAP has been funded through an appropriation of federal highway aid of \$7,049,300 annually. However, following passage of the IJA, the state appropriated an additional \$10,543,600 in federal highway aid to TAP in

2021-2022, for total funding of \$17,592,900 in that year.

Pursuant to federal rules, program funding is divided among census-defined population groups in a manner similar to the surface transportation program. Table 3 shows the amount available for each population group for the 2022-2026 program cycle. For the group of urbanized areas with a population above 200,000, each urbanized area receives its own allocation of TAP funding in proportion to its share of the population within the group. Projects are then selected by the metropolitan planning organizations for each urbanized area. For groups with populations under 200,000, projects are instead rated and selected on a statewide basis by a committee established by DOT.

**Table 3: Allocation of 2022 TAP Funding**

Urbanized Areas over 200,000	\$6,903,700
Urbanized Areas 50,000 to 200,000	2,913,300
Urban Areas 5,000 to 50,000	2,023,900
Areas under 5,000	<u>5,752,000</u>
Total	\$17,592,900

Beyond TAP, federal rules also require that a portion of the state's federal transportation alternatives set-aside funds be used to develop and maintain recreational trails. In Wisconsin, this funding is directed to the Department of Natural Resources to administer the state recreational trails program, which been allocated \$2,146,100 each year since federal fiscal year 2009.

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### PROTECT Program

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The IJA includes the five-year authorization of a newly-created federal PROTECT program beginning in 2022. The program's goal is to make surface transportation more resilient to natural hazards, including climate change, sea level rise, flooding, extreme weather events, and other

natural disasters. PROTECT program funds must be spent for projects on federal highway aid-eligible roadways, public transportation facilities, or port facilities.

Program eligible projects include strengthening and protection of evacuation routes, projects to improve the resilience of existing surface transportation infrastructure, and moving existing infrastructure to safer nearby locations. Recipients of PROTECT program funding must provide a match equal to 20% of total project costs, although this share may be reduced if the state develops a resilience improvement plan and prioritizes the project in the plan. The IJA authorized \$27.2 million in funding for the PROTECT program for 2022. In August, 2022, FHWA released guidance to states for the program. In response, DOT is working on next steps to establish a program to allocate any federal PROTECT funds. Given that the program is newly authorized, DOT may need state legislation to implement the program.

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### **Congestion Mitigation and Air Quality Improvement Program**

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The federal congestion mitigation and air quality improvement (CMAQ) grant program provides grants for projects designed to reduce transportation-related air pollution or reduce traffic congestion. Since the CMAQ program uses federal funds, federal regulations on the use of those funds govern project eligibility. Typical projects include the installation of alternate fueling facilities, improvements to traffic signal timing to improve traffic flow, the construction of bicycle facilities for commuters, and capital or operating assistance for new or alternate transit services. As with several of the other local assistance programs, local project sponsors must provide at least a 20% match on the federal funds. Project applications are generally solicited in odd-numbered years and are awarded on a five-year cycle. The current

cycle spans 2022-26. Projects must be scheduled to be completed within six years of commencement to be eligible.

Under federal law, CMAQ funds may only be used in counties that are classified as non-attainment or maintenance areas for ozone, carbon monoxide, or particulate matter pollution. In Wisconsin, these counties are Door, Kenosha, Kewaunee, Manitowoc, Milwaukee, Ozaukee, Racine, Sheboygan, Walworth, Washington, and Waukesha.

Under the federal CMAQ program, any state with nonattainment or maintenance areas for fine particulate matter is required to allocate 25% of CMAQ funds for mitigation in these areas. In Wisconsin, these areas include Milwaukee, Racine, and Waukesha Counties.

Projects are selected by DOT in cooperation with the metropolitan planning organizations or regional planning commissions for the eligible areas. Since 2014-15, \$10,719,000 in federal funds have been provided for the program annually. In 2021-22, an additional \$4,288,000 in federal funds was appropriated to the CMAQ program following passage of the IJA, for a total of \$15,007,000 in that year.

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### **Carbon Reduction Program**

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The IJA includes the five-year authorization of a newly-created federal carbon reduction program (CRP), beginning in 2022, with the goal of reducing carbon dioxide emissions from on-road highway sources. Eligible activities under the program include public transportation projects, construction and design of pedestrian and bicycle trails, projects to reduce road congestion, deployment of alternative fuel vehicles, and several other activities to reduce transportation emissions. Recipients of CRP funding generally must provide a 20% match of total project costs.

The IJA included a federal fiscal year 2022 CRP authorization of \$24.0 million for the state. Federal law specifies that at least 65% of the CRP funds apportioned to the state must be obligated to areas of the state in proportion to their relative share of the state's population, in manner similar to the surface transportation program and transportation alternatives program.

In April, 2022, FHWA issued guidance on the CRP to states. DOT is working on next steps to establish a program to allocate any federal CRP funds. Given that the program is newly authorized, DOT may need state legislation to implement the program.

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### **National Electric Vehicle Infrastructure Program**

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The IJA includes the five-year authorization of a newly-created national electric vehicle Infrastructure (NEVI) program to provide funding to states to deploy electric vehicle (EV) charging infrastructure. The NEVI program includes both a formula and discretionary component. The formula program is anticipated to provide Wisconsin with \$11.6 million in 2022 with increased amounts in the following federal fiscal years. Wisconsin is eligible to receive an estimated \$78.7 million in NEVI program formula funds through federal fiscal year 2026. The discretionary grant program is further divided into two distinct programs: a corridor charging grant program and a community charging grant program.

#### **Formula Program**

In June, 2022, FHWA proposed regulations setting minimum standards and requirements specific to the use of NEVI formula program funds for the construction of publicly accessible EV chargers with the "prioritization of projects along

interstates in order to create a reliable national network of EV charging infrastructure for those travelling long distances or for multiple hours at a time". This federal guidance specifies that new EV charging infrastructure locations should be spaced a maximum distance of 50 miles apart along designated corridors and that EV charging infrastructure should be located as close to interstate highway system and highway corridors as possible and, in general, no greater than one mile from interstate exits or highway intersections along designated corridors. The federal cost-share for NEVI formula program projects cannot exceed 80%.

The formula program is specifically intended to build out the electric vehicle charging system along federally designated alternative fuel corridors. Currently, Wisconsin's alternative fuel corridor federal designations include portions of I-90, I-94, I-39, I-41, I-43, I-535, U.S. 151, U.S. 53, U.S. 51, WIS 29, U.S. 2, and U.S. 141, and all of U.S. 8 and U.S. 41.

To qualify for NEVI formula funding, all states are required to submit an EV infrastructure deployment plan to FHWA. State plans must describe how the state intends to use its apportioned NEVI formula program funds. On July 28, 2022, DOT submitted the Wisconsin Electric Vehicle Charging Infrastructure (WEVI) Plan, as required by FHWA. On September 14, 2022, DOT was notified by FHWA that the state plan was approved for implementation. With this approval, 2022 federal funds are available for the state to obligate for eligible program expenses. Funding does not have to be obligated by the close of federal fiscal year 2022, and will continue to be available in the future. Legislative changes may be needed to appropriate this federal funding.

The WEVI plan specifies that the state will be seeking private sector, third party site hosts, owners, and operators to compete for NEVI formula program funding through structured procurements. The plan also specifies that the state is not

proposing to deploy charging stations on DOT property and will not own or operate charging stations, but that site selection could be on private or public land.

### **Discretionary Grant Programs**

To support the development of alternative fuel infrastructure, the IJJA establishes two discretionary grant programs: a corridor charging grant program and a community charging grant program. Both grant programs share the following parameters: (a) are designed to aid in the development of publicly accessible EV charging and alternative fueling (hydrogen, propane, or natural gas) infrastructure; (b) eligible entities include states, political subdivisions of a state, metropolitan planning organizations, local units of government, special purpose districts or public authorities with a transportation function, port authorities, or tribal governments; (c) eligible uses of grant awards include the acquisition and installation of publicly accessible EV charging or alternative fueling infrastructure, operating assistance (for the first five years after installation), and the acquisition and installation of traffic control devices; (d) the federal cost-share for a project may not exceed 80%; and (e) as a condition of contracting with an eligible entity, a private entity (corporation, partnership, company or nonprofit) must agree to pay the non-federal share of project costs.

The corridor charging grant program is designed to support the installation of publicly accessible EV charging alternative fueling infrastructure along federally-designated alternative fuel corridors. The community charging grant program is designed to support the installation of publicly accessible EV charging and alternative fueling infrastructure in locations on public roads, schools, parks, and parking facilities. Community grants will be prioritized for rural areas, low-and moderate income neighborhoods, and communities with low ratios of private parking, or high

ratios of multiunit dwellings.

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### **Airport Improvement Program**

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The state's airport improvement program provides funding from state and federal sources for various types of airport projects at commercial and general aviation airports in the state. While local governments are generally responsible for managing transportation projects funded under the other local assistance projects discussed above, projects funded in the airport improvement program are selected, designed, and managed by the state through the Department of Transportation's Bureau of Aeronautics.

Eligible projects must be at one of the 98 airports that are identified in the state's airport system plan, a list that includes both commercial carrier and cargo airports as well as general aviation airports. There are eight such airports under the commercial service designation, while the remaining 90 are designated as general aviation. Most publicly-owned airports are included, as well as a few private airports that are formally recognized as reliever airports for commercial service airports by the Federal Aviation Administration (FAA). Of the 98 airports in the state's airport system plan, 87 are also identified in the national airport system plan, and, therefore, are eligible for federal aid. Airports included in the state's airport system plan but not included in the national airport system plan are generally small, general aviation airports.

The types of eligible projects vary depending upon the type of airport, but include: (a) the construction or rehabilitation of runways, taxiways, and aprons; (b) the purchase and installation of airfield lighting, navigational aids, and weather monitoring equipment; (c) the construction of terminal buildings; and (d) the installation of fencing and other security

improvements. The construction of aircraft hangers, pavement maintenance, the installation of fueling facilities, and environmental cleanup projects are usually not eligible for assistance.

Federal airport improvement funds play a central role in the financing of airport projects. Traditionally, the state's principal source federal airport funding is the FAA airport improvement program (AIP), which is comprised of both entitlement and discretionary components. All AIP funding is received by the state, although some is provided exclusively for particular airports. Under the AIP entitlement component, the state's eight airports classified by FAA as "primary" receive entitlement funding based upon their number of annual commercial passenger enplanements. The airport owners have discretion with how to use their entitlement, but the state receives the funding and manages the projects. For the state's 79 airports classified as "other than primary" the state receives a block grant of entitlement funding, and distributes the funds among these airports at its discretion. Under the AIP discretionary component, airports receive discretionary federal grants for particular projects, but this money is also received and administered by the state.

As with federal highway aid used in other local assistance programs, AIP funding generally requires a non-federal match. For the largest airports, of which only General Mitchell International in Milwaukee qualifies among Wisconsin airports, the required non-federal match is generally 25%. For smaller airports, the required match is generally between 5% and 10%. The state's policy is to pay half of any federally-required match.

The IJA also establishes a new airport infrastructure grants (AIG) program that will provide formula funding to airports over the Act's five-year lifespan (federal fiscal years 2022 to 2026). AIG funding is distributed in the same manner as the AIP entitlement component, but provides a 100% federal share of project costs.

Because FAA prioritizes federal airport aid based on factors such as safety and security, total aid received by the state could vary significantly year-to-year depending on nationally identified needs. Further, spending in a given year may be more or less than that year's federal aid amount due to project scheduling. For example, funds awarded in 2022 might not be spent until the associated project begins in a following year.

In federal fiscal year 2022, the state received a total of \$117.4 million in federal airport aid: \$77.6 million from the AIP program, and \$39.8 million from the AIG program. In addition, the Appleton Airport received \$5.0 million in congressionally-directed spending for a concourse addition project, and the Dane County Regional Airport received a \$2.6 million discretionary grant from the federal airport terminals program for pavement resurfacing and improvements to traffic and transit access.

Since 2020, airports in the state have also directly received a total of \$136,599,200 from three federal COVID relief acts, as follows: (a) \$83,193,700 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed in March 2020; (b) \$24,500,100 from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), passed in December, 2020; and (c) \$55,905,400 from the American Rescue Plan Act (ARPA), passed in March, 2021. The CARES Act also provided \$9,861,500 to DOT for the purpose of preventing the spread of, preparing for, and responding to the pandemic. Of this amount, \$6,997,500 was used to increase the federal share to 100% for federal grants already planned, while the remaining \$2,864,000 was awarded to generally support operations and maintenance costs.

For projects that use no federal funds, the local project sponsor must pay at least 20% of the total project cost if the project involves runways, taxiways, aprons, lighting, or other projects related to serving aircraft and at least 50% of the total cost if the project involves terminal buildings or other



projects that do not directly involve accommodations for aircraft.

The state share for projects is paid from the aeronautics assistance appropriation, funded at \$13,856,300 SEG annually in the 2021-23 biennium. In addition to providing the state share of project design and construction costs, this appropriation also funds the administrative costs of the Department's Bureau of Aeronautics, which administers the airport programs and provides other services related to aviation.

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### Harbor Assistance Program

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The harbor assistance program provides grants for making capital improvements to harbors on the Great Lakes or the Mississippi River system. Eligible projects include dockwall and disposal facility construction, repair, maintenance, or rehabilitation, dredging and dredged materials disposal, or other physical improvements that maintain or increase commodity or passenger movement capabilities. Both publicly and privately owned harbors that serve freight or passenger vessels are eligible for assistance, but privately owned harbors that utilize program funds must remain open to the public for a minimum of ten years following completion of the project. Projects are selected primarily using a cost-benefit analysis, where the economic impact of the project is compared to its projected cost. Only projects where the estimated benefits exceed the estimated costs are further evaluated for funding. The type and urgency of a project and the usage of the harbor are also considered when selecting projects.

State funds provide up to 80% of the cost of the project, while the local sponsor must pay the remaining 20%. The state share is paid either from an appropriation from the transportation fund or

from the proceeds of general obligation bonds provided for the program. The 2021-23 biennial budget act provided total harbor assistance program funding of \$16,602,000, comprised of the following: (a) \$15,300,000 in total general obligation bonds; (b) \$493,800 annually in the transportation fund appropriation for harbor projects; and (c) \$157,200 annually for the administrative costs of the program. Table 4 shows the amount of new bonds authorized for the program per biennium since the 2003-05 biennium.

**Table 4: Bond Authorization for the Harbor Assistance Program**

Biennium	Harbor Bonds
2003-05	\$3,000,000
2005-07	12,700,000
2007-09	12,700,000
2009-11	12,700,000
2011-13	10,700,000
2013-15	15,900,000
2015-17	13,200,000
2017-19	14,100,000
2019-21	32,000,000
2021-23	15,300,000

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### Freight Rail Assistance Programs

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The state also funds three main assistance programs related to freight railroad service. These programs are the freight rail preservation program, the freight rail infrastructure improvement program, and the railroad crossing improvement and protection installation program. Much of the funding in these programs is provided directly to railroad companies.

#### Freight Rail Preservation Program

The purpose of the freight rail preservation program (FRPP) is twofold. First, FRPP funds are used to purchase rail lines that are being abandoned by railroads, in order to preserve them for

future or continuing use. DOT may make the purchase directly or provide funds to a local government or local rail transit commission to make the purchase. Rail transit commissions are agencies established by one or more counties to manage publicly-owned lines. Typically, rail transit commissions make arrangements with a freight railroad company to operate on these lines. The second purpose of FRPP is to provide funds for the improvement of existing, publicly-owned lines. Improvement funds may be provided to a local government, a rail transit commission, or a railroad operating on publicly-owned lines. The recipient of funds for an improvement project must pay at least 20% of the cost of the improvement, and the Department is required to give priority to applicants who agree to pay a higher share.

Wisconsin's freight rail network consists of about 3,300 miles of rail corridor. Typically in cases where a line is abandoned, railroads have determined that it would not be profitable to continue operating on the line due to a low volume of shipments. The goal of purchasing abandoned lines and making improvements through FRPP is to preserve or improve rail service to shippers on the lines. There are currently 625 miles of publicly-owned rail lines in the state. The Wisconsin and Southern Railroad is the primary railroad operating on this track, although other railroads operate on certain short segments.

FRPP is funded with general obligation bonds, with debt service paid from the transportation fund. In the 2021-23 biennium, \$20,000,000 in bonding authority was provided for this program. Table 5 shows the amount of new bonds authorized for the program per biennium since the 2003-05 biennium.

### **Freight Rail Infrastructure Improvement Program**

The freight rail infrastructure improvement program provides low- or no-interest loans from a revolving fund to railroads, shippers, or local

**Table 5: Bond Authorization for the Freight Rail Preservation Program**

Biennium	Freight Rail Bonds
2003-05	4,500,000
2005-07	12,000,000
2007-09	22,000,000
2009-11	60,000,000
2011-13	30,000,000
2013-15	52,000,000
2015-17	29,800,000
2017-19	12,000,000
2019-21	30,000,000
2021-23	20,000,000

governments to perform a variety of capital improvements related to freight rail service. When the program was established in 1993-94, it had an annual appropriation from the transportation fund of \$5,579,800. This amount was gradually reduced, beginning in 1997-98, as the original loans were repaid, providing additional funds for new loans. Between 1993-94 and 2002-03 (the last year new state funding was provided), a total of \$42.3 million was appropriated for the program's revolving loan fund. In the five most recent fiscal years (2017-18 through 2021-22), the Department received loan repayments between \$3.7 million to \$4.8 million and provided new loans with the repaid funds. Since the program's inception in 1993-94, \$147.9 million in loans have been awarded.

Loans may be provided for a variety of projects, including connecting an industry to the national railroad system, rehabilitating rail lines, improving rail facilities such as terminals, relocating or consolidating rail lines, and making improvements to enhance transportation efficiency, safety, and freight movement. DOT selects projects based on a cost-benefit analysis. A provision of the 2015-17 biennial budget act lapsed \$5.2 million from the freight rail infrastructure improvement program's revolving loan fund balance to the transportation fund and appropriated the same amount to FRPP for the purpose of awarding grants through that program. For 2022-23, the balance in the program's revolving loan fund stood at

\$18.3 million.

### **Railroad Crossing Improvement and Protection Installation and Rail Service Programs**

Under the railroad crossing improvement and protection installation program, DOT works in conjunction with the Office of the Commissioner of Railroads to improve the safety at railroad crossings. All railroad crossing improvements, which may be the installation of railroad gates, signal lights, or other physical improvements to the crossing, are conducted by the railroad that owns or operates on the track at the crossing. Funds from the railroad crossing improvement program are used to reimburse the railroad for the costs of the improvement.

In the 2021-23 biennium, the program is funded with \$1,595,700 SEG annually and \$3,291,800 annually in federal rail safety funds. By mutual arrangement between the Office of the Commissioner of Railroads and DOT, about \$600,000 in program funds each year are reserved for projects at crossings on local roads that DOT determines are a priority, while the remaining funding is used to make improvements at crossings on any type of street or highway where a safety improvement has been ordered by the Commissioner of Railroads.

In addition, two transportation fund SEG appropriations also exist for the purpose of providing railroad companies with partial reimbursement for costs associated with rail crossing maintenance and repair. The first is the railroad crossing improvement and protection maintenance appropriation, which provides \$2,112,000 annually for reimbursements of 50% of costs for maintenance of railroad crossing protection devices. The second is the railroad crossing repair assistance appropriation of \$467,300 annually, which provides reimbursements of up to 85% of the costs for repairing at-grade crossings on state trunk highways.

Finally, the rail service assistance appropriation, provides \$1,187,700 SEG annually for administration of railroad programs and studies of railroad projects. As a result, \$17,309,000 in total state and federal funding was provided for railroad crossing projects in the 2021-23 biennium.

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### **Intercity Passenger Rail Funding**

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Intercity passenger rail service in Wisconsin includes both long-distance and state-supported corridor service. Amtrak, which operates the nation's intercity passenger rail service, fully funds long-distance trains such as the Empire Builder service that operates in Wisconsin, connecting Chicago to Seattle and Portland. For state-supported routes, including the Hiawatha Service, connecting Chicago to Milwaukee, states are responsible for supporting the costs of the route.

### **State Funding for Operating Assistance**

Since 1989, the Wisconsin DOT and the Illinois Department of Transportation have provided funding to subsidize the operation of the Hiawatha service and jointly contract with Amtrak to operate the service. Wisconsin and Illinois support the operation of seven daily, round-trip trains (six on Sunday) for travel between Milwaukee and Chicago with stops at the downtown Milwaukee Intermodal Station, Mitchell International Airport Rail Station, Sturtevant, Glenview, IL, and Chicago Union Station. The amount of operating support paid by each state is split in proportion to the approximate amount of service received by each state with Wisconsin paying 75% of operating costs and Illinois paying the remaining 25% share. The base level funding for Wisconsin's portion of operating support for Hiawatha service is \$6.8 million annually from the transportation fund.

## Funding for Capital Projects

Through January 1, 2023, \$89,000,000 in general fund-supported, general obligation bonding authority for passenger rail route development has been authorized for passenger rail projects, of which \$13,321,700 remains available. DOT is required to administer a rail passenger route development program funded from these bond proceeds. The primary allowed use of these funds is for capital costs related to Amtrak service extension routes or other rail service routes between certain cities. Under the program, DOT is not allowed to use any bond proceeds without the approval of the Joint Committee on Finance. Bonds issued for this purpose are repaid from a Building Commission GPR debt service appropriation.

2019 Act 9 provided \$25,000,000 SEG from the transportation fund to a newly-created passenger rail development continuing appropriation under DOT. For 2022-23, \$19.7 million SEG remained available from this appropriation to use on passenger rail capital projects. The Department is not required to receive approval from the Joint Committee on Finance prior to using monies appropriated under this appropriation.

The Federal Railroad Administration and the U.S. Department of Transportation administer several discretionary passenger rail grant

programs for which the state may qualify. The passenger rail grant program that received the largest funding increase under the IIJA was the federal-state partnership for intercity passenger rail program (formerly the federal-state partnership for state of good repair program). This grant program represents the majority of discretionary funding available for implementing new passenger rail routes. The revised program features broader eligibility in terms of project types and selection criteria, and appropriates \$36 billion for the program, of which at least 45%, or \$16.2 million, of the funds must be used for projects not located on the Northeast Corridor. The law also authorizes \$7.5 billion for the program contingent on future appropriations.

The federal-state partnership for intercity passenger rail program prioritizes projects that are consistent with a corridor inventory required under the IIJA. The Act establishes a corridor identification and development program to identify and develop intercity passenger rail corridors by creating new routes, enhancing existing service routes, or restoring former service. Each rail corridor proposal selected for development would work with the U.S. DOT, the entity that submitted the proposal, relevant states, and Amtrak, as appropriate, to prepare a plan outlining capital projects needed to establish service.