



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #911

Local Roads Improvement Program -- Town Road and Municipal Street Discretionary Program (DOT -- Local Transportation Projects)

[LFB 2001-03 Budget Summary: Page 657, #3]

CURRENT LAW

The local roads improvement program (LRIP) provides up to 50% of the cost of capital improvements on local roads and streets. The program is divided into two principal components: (a) a discretionary component, which awards funds to high-cost projects through a competitive application process; and (b) a basic allocation component, which distributes funds to local governments by formula. Each fiscal year, DOT is required to set aside amounts for the discretionary component of the program and then distribute the remaining funds by formula. Funds are distributed on a biennial basis under the program. Total base funding for the program is \$21,331,200 SEG and \$21,331,200 SEG-L. The SEG-L amount represents the local match required under the program.

In the base year, and annually thereafter, DOT is required to set aside a total of \$6,250,000 for discretionary projects, as follows: (a) \$500,000 for town road improvements with a total estimated cost of \$100,000 or more; (b) \$5,000,000 for county highway improvements with a total estimated cost of \$250,000 or more; and (c) \$750,000 for municipal (defined as cities and villages) street projects with a total estimated cost of \$250,000 or more.

GOVERNOR

Provide \$529,000 SEG and \$529,000 SEG-L in 2001-02 and \$1,954,200 SEG and \$1,954,200 SEG-L in 2002-03 for the local roads improvement program and require DOT to allocate these amounts in those fiscal years, respectively, for town road improvements with eligible costs totaling \$100,000 or more and for municipal street improvements having total

estimated costs of \$250,000 or more. Specify that these allocations would be in addition to the current law allocations for town road improvement discretionary projects (\$500,000 annually) and for municipal street improvement discretionary projects (\$750,000 annually).

DISCUSSION POINTS

1. The combined town road and municipal street discretionary program created by the bill would complement the current separate discretionary programs for town roads and municipal streets. Over the biennium, the total amount that would be allocated to discretionary grants for town roads and municipal streets, including the \$2,483,200 that would be allocated for the combined program under the bill, would nearly double the amount that is required to be allocated for the separate town and municipal discretionary programs under current law.

2. The combined discretionary program would apply only to the 2001-03 biennium, so the funds that are allocated for the discretionary program would be distributed by the basic allocation formula in future biennia in the absence of further statutory changes.

3. The bill would provide increases for general transportation aids to counties of 2.7% in 2001-02 and 3.0% in 2002-03, but would increase the amounts for municipalities (cities, villages and towns) by 2.5% annually (all on a fiscal year basis, although general transportation aids are distributed on a calendar year basis). The difference between providing a 2.5% annual general transportation aid increase for municipalities and what would be required to provide the same percentage increases that the counties would receive is \$529,000 in 2001-02 and \$1,954,200 in 2002-03, which is the amount provided for the combined town and municipal discretionary program. Since the funds provided for the combined town and municipal discretionary program were provided in lieu of a portion of the increase for general transportation aids, the Committee could decide to eliminate the amounts provided for the discretionary program if the Committee decides to provide equal percentage increases for both counties and municipalities in the general transportation aid program.

4. DOA indicates that additional funding was provided for LRIP discretionary projects, as opposed to general transportation aid, in order to target funds for capital improvements. The shift from general transportation aid to LRIP was done for municipalities, but not counties, because counties have received smaller increases in general transportation aid over the last 13 years. Between 1988 and 2001, county general transportation aid payments increased by 52%, while municipal general transportation aid payments increased by 91%. Since 1995, however, aid to both municipalities and counties has increased by 26%.

5. If general transportation aids for counties were reduced to provide fiscal year increases of 2.5% annually, instead of 2.7% in 2001-02 and 3.0% in 2002-03, the amount of the reduction could be provided for county discretionary projects under the local roads improvement program. In this case, the amount allocated for county discretionary projects would be increased by \$168,100 in 2001-02 and \$603,900 in 2002-03. It should be noted that the amount allocated for

county discretionary projects under current law, which is \$5,000,000 annually, is already significantly higher than the amounts allocated for the town and municipal discretionary programs.

6. The bill would not specify how funds in the combined discretionary program are to be allocated between towns and municipalities. DOT indicates that the town road and municipal street discretionary programs would continue to be managed separately and funding in the new, combined program would be allocated between the two existing programs in the same proportion that funds are currently divided between towns and incorporated municipalities in the general transportation aid program. In calendar year 2000, towns received 41% of the total aid distribution and cities and villages received 59%.

7. If the Committee decides to retain the funding provided for the combined discretionary program, but wants to specify how much of the funding would be provided for towns and how much would be provided for municipalities, the funding could be allocated within the existing discretionary programs instead of within a new, combined program. The basis of dividing up the funding could be the proportion that funds are currently allocated between towns and incorporated municipalities, as DOT has indicated the funds would be managed. In this case, 59%, or \$312,100 in 2001-02 and \$1,153,000 in 2002-03, would be allocated for municipal street discretionary improvements and the remaining 41%, or \$216,900 in 2001-02 and \$801,200 in 2002-03, would be allocated for town road discretionary improvements. These amounts would be added to the amounts that DOT is currently required to allocate for the programs.

8. Another basis for allocating these funds among the two discretionary programs would be the relative demand for funding in the two programs. For the 1999-01 biennial program cycle, a total of \$13.0 million was requested in the town road improvement discretionary program and \$52.8 million was requested in the municipal street improvement discretionary program. If the funding in the bill for the combined discretionary program were allocated in proportion to this demand, 80%, or \$423,200 in 2001-02 and \$1,563,400 in 2002-03 would be allocated for municipal street discretionary improvements and the remaining 20%, or \$105,800 in 2001-02 and \$390,800 in 2002-03 would be allocated for town road discretionary improvements. These amounts would be added to the amounts that DOT is currently required to allocate for the programs.

9. The demand for discretionary municipal street projects may have been higher in 1999-01 than it will be in the future, since the 1999-01 biennium was the first time discretionary grants were offered for municipalities. Municipalities may now have a better idea of what type of projects will compete well for grants and may, therefore, not submit applications for projects that will not compete well. DOT has been making grants for discretionary town road projects since the 1993-95 biennium.

10. The 1999-01 biennial budget provided one-time funding for the municipal and town discretionary programs that is not reflected in the base. For the town discretionary program, DOT was required to allocate \$2,000,000 in 1999-00 and \$500,000 in 2000-01, for a total of \$2,500,000. For the municipal discretionary program, DOT was required to allocate \$1,250,000 in 1999-00 and \$750,000 in 2000-01, for a total of \$2,000,000. When compared to the amount that was actually

distributed under the two discretionary programs in the 1999-01 biennium, the total amount that would be allocated under the bill for the separate and combined discretionary programs for town roads and municipal streets represents an increase of 10.7%.

11. One alternative, instead of providing funding for a combined discretionary program, would be to allocate the same amount over the biennium in each of the separate discretionary programs that was allocated in the 1999-01 biennium, dividing the amount equally between the two years. In this case, a total of \$1,250,000 annually would be provided for the town road discretionary program and \$1,000,000 annually would be provided for the municipal street discretionary program. Relative to the bill, this alternative would require a SEG increase of \$471,000 in 2001-02 and a SEG decrease of \$954,200 in 2002-03.

12. Another alternative would be to provide enough funding to allocate a total of \$1,250,000 annually for both the town road and municipal street discretionary programs. Relative to the bill, this alternative would require a SEG increase of \$721,000 in 2001-02 and a SEG decrease of \$704,200 in 2002-03.

ALTERNATIVES TO BILL

1. Approve the Governor’s recommendation to provide \$529,000 SEG and \$529,000 SEG-L in 2001-02 and \$1,954,200 SEG and \$1,954,200 SEG-L in 2002-03 for the local roads improvement program and require DOT to allocate these amounts in those fiscal years, respectively, for town road improvements with eligible costs totaling \$100,000 or more and for municipal street improvements having total estimated costs of \$250,000 or more.

2. Modify the Governor’s recommendation by providing an additional \$168,100 SEG and \$168,100 SEG-L in 2001-02 and \$603,900 SEG and \$603,900 SEG-L in 2002-03 for the program and require DOT to allocate \$5,168,100 in 2001-02 and \$5,603,900 in 2002-03 and annually thereafter for the county highway discretionary program.

Alternative 2	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	\$772,000	\$772,000	\$1,544,000

3. Modify the Governor’s recommendation by deleting the requirement that DOT allocate funding for a combined town road and municipal street discretionary program and instead require DOT to allocate the following amounts for discretionary programs: (a) \$1,062,100 in 2001-02 and \$1,903,000 in 2002-03 and annually thereafter for the discretionary municipal street improvement program; and (b) \$716,900 in 2001-02 and \$1,301,200 in 2002-03 and annually thereafter for the discretionary town road improvement program. Under this alternative, the additional funds that the bill would provide for a combined town road and municipal street discretionary program would be allocated to the existing discretionary programs in the same proportion that funds are allocated between incorporated municipalities and towns in the general

transportation aid program (59% for municipal streets and 41% for town roads).

4. Modify the Governor’s recommendation by deleting the requirement that DOT allocate funding for a combined town road and municipal street discretionary program and instead require DOT to allocate the following amounts for discretionary programs: (a) \$1,173,200 in 2001-02 and \$2,313,400 in 2002-03 and annually thereafter for the discretionary municipal street improvement program; and (b) \$605,800 in 2001-02 and \$890,800 in 2002-03 and annually thereafter for the discretionary town road improvement program. Under this alternative, the additional funds that the bill would provide for a combined town road and municipal street discretionary program would be allocated to the existing discretionary programs in the same proportion that funds were requested for these programs in 1999-01 (80% for municipal streets and 20% for town roads).

5. Provide \$471,000 SEG and \$471,000 SEG-L in 2001-02 and delete \$954,200 SEG and \$954,200 SEG-L in 2002-03 for the local roads improvement program. Delete the requirement that DOT allocate funding for a combined town road and municipal street discretionary program and instead require DOT to allocate the following amounts for discretionary programs: (a) \$1,000,000 annually for the municipal street improvement program; and (b) \$1,250,000 annually for the town road discretionary improvement program. Under this alternative, the same total amount that was allocated for these programs for the 1999-01 biennium would be allocated in 2001-03 and in future biennia.

Alternative 5	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	- \$483,200	- \$483,200	- \$966,400

6. Provide \$721,000 SEG and \$721,000 SEG-L in 2001-02 and delete \$704,200 SEG and \$704,200 SEG-L in 2002-03 for the local roads improvement program. Delete the requirement that DOT allocate funding for a combined town road and municipal street discretionary program and instead require DOT to allocate the following amounts for discretionary programs: (a) \$1,250,000 annually for the municipal street improvement program; and (b) \$1,250,000 annually for the town road discretionary improvement program. Under this alternative, the same amount would be allocated for both town road and municipal street discretionary projects during 2001-03 and in future biennia.

Alternative 6	SEG	SEG-L	TOTAL
2001-03 FUNDING (Change to Bill)	\$16,800	\$16,800	\$33,600

7. Maintain current law.

<u>Alternative 7</u>	<u>SEG</u>	<u>SEG-L</u>	<u>TOTAL</u>
2001-03 FUNDING (Change to Bill)	- \$2,483,200	- \$2,483,200	- \$4,966,400

Prepared by: Jon Dyck