



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #725

General Transportation Aids (Transportation -- Local Transportation Aids)

[LFB 2005-07 Budget Summary: Page 474, #1]

CURRENT LAW

General transportation aid is paid to county and other local governments (cities, villages, and towns) to assist in the maintenance, improvement, and construction of local roads. General transportation aid distribution amounts for 2005 are \$90,044,600 for counties and \$283,291,100 for municipalities. The mileage aid rate is set at \$1,825 for 2005. General transportation aid payments are made from two sum certain, transportation fund appropriations.

GOVERNOR

Increase general transportation aid to counties by \$900,500 SEG in 2005-06 and \$2,719,400 SEG in 2006-07 to provide a total of \$90,945,100 SEG in 2005-06 and \$92,764,000 SEG in 2006-07. Set the calendar year distribution at \$91,845,500 for calendar year 2006 and \$93,682,400 for calendar year 2007 and thereafter in order to provide a 2% annual calendar year increase.

Increase general transportation aid to municipalities by \$2,832,900 SEG in 2005-06 and \$8,555,400 SEG in 2006-07 to provide a total of \$286,124,000 SEG in 2005-06 and \$291,846,500 SEG in 2006-07. Set the calendar year distribution at \$286,124,000 for calendar year 2006 and \$297,736,000 for calendar year 2007 and thereafter in order to provide a 2% annual calendar year increase.

Establish the mileage aid rate at \$1,862 for calendar year 2006 and \$1,899 for calendar year 2007 and thereafter in order to provide a 2% annual increase in the rate. Repeal obsolete statutory references to 2002 and 2003 calendar year aid payment and mileage aid rate amounts.

DISCUSSION POINTS

1. General transportation aids are paid to local governments to assist in the maintenance, improvement, and construction of local roads. The current transportation aid formula was created in 1988. Through 1993, all municipalities and counties were paid from the same appropriation. Effective in 1994, separate appropriations were created for counties and municipalities. There are two basic formulas by which general transportation aid is distributed: (a) share of costs aid; and (b) mileage aid. Counties can receive only share of costs aid, while municipal payments are based on either share of costs aid or mileage aid, whichever is greater.

2. The general transportation aids program is the second largest program in DOT's budget and returns to local governments approximately 25% of all state fuel taxes and vehicle registration fees revenues. The \$90,044,600 provided counties and the \$283,291,100 provided municipalities in 2005 helps offset the cost of local road construction, maintenance, traffic enforcement, and other transportation-related costs on 19,811 miles of county roads, 18,190 miles of city and village roads, and 61,780 miles of town roads.

3. Providing inflationary increases would not keep pace with the recent growth in eligible costs under the program. The average, annual growth in eligible costs under the program over the past six years of reported costs (1998-2003) was 3.4% for municipalities and 5.6% for counties. Providing a percentage increase in funding that is greater than forecasted inflation would assist local governments in funding these higher costs.

4. In addition, for three of the past five years, the general transportation aid program received no increase. This, along with the annual growth in eligible costs, has resulted in general transportation aid covering a smaller percentage of local road costs. The following table indicates the percentage of eligible, six-year average costs covered by state general transportation aid for counties and municipalities on the share of costs formula as well as the annual increase in general transportation aid.

<u>Year</u>	<u>County Share of Costs %</u>	<u>Municipal Share of Costs %</u>	<u>Aid Increase</u>
1996	27.0%	21.4%	3.0%
1997	26.6	20.8	3.0
1998	28.2	22.5	11.5
1999	27.0	21.2	0.0
2000	27.8	22.0	6.75
2001	25.9	20.8	0.0
2002	25.8	20.6	3.0
2003	25.8	20.5	4.0
2004	24.6	19.5	0.0
2005	23.2	18.7	0.0

5. As indicated in the table, the share of general transportation costs covered by state funds has declined from 28.2% for counties and 22.5% for municipalities in 1998 to 23.2% for counties and 18.7% for municipalities in 2005. During the late 1990's, counties and municipalities received significant increases in general transportation aids. As a result, aid increases kept up with the increases in local transportation costs over the period, with the share of eligible costs covered by state aid increasing from 27.0% in 1996 to 27.8% in 2000 for counties and from 21.4% in 1996 to 22.0% in 2000 for municipalities. Conversely, since 2000, with fewer or smaller annual increases in general transportation aids provided, aid payments have not kept up with increases in costs, and the percentage of eligible costs covered by state aid has steadily declined.

6. It is estimated that under the proposed 2.0% annual funding increase under the bill, the share of costs covered by state general transportation aid would be 22.7% in 2006 and 22.4% in 2007 for counties and 18.6% in each year for municipalities.

7. The Governor's recommendation of a 2.0% annual increase in general transportation aid is similar to the increase provided for the local road improvement program, but is a smaller increase than is recommended for other road-related programs. The Governor recommends increases of 2.1% in 2005-06 and 22.5% in 2006-07 for the major state highway development program and increases of 7.0% in 2005-06 and 3.2% in 2006-07 for the state highway rehabilitation program (excluding southeast Wisconsin freeway rehabilitation projects).

8. The following table shows the funding amounts associated with several annual percentage rate increases for the general transportation aid program.

Annual % Increase	Above-Base Increase	
	<u>2005-06</u>	<u>2006-07</u>
1.0%	\$1,866,700	\$5,618,700
2.0 (Bill)	3,733,400	11,274,800
3.0	5,600,100	16,968,100
4.0	7,466,700	22,698,900
5.0	9,333,400	28,466,900
6.0	11,200,200	34,272,300

9. State transportation aid covers only a portion of county and municipal transportation-related costs. Therefore, most of the costs are covered by local general fund taxes and state shared revenues. Correspondingly, the transportation aid increases could be seen as a means to mitigate the impact of providing a reduction or no increase in other state aid programs that provide funds to counties and municipalities. In addition, providing a general transportation aid increase could help offset the impact of any local levy limit imposed on counties and municipalities (especially town governments, whose transportation costs make up a large percentage of their total governmental costs).

10. Since aids are provided on a calendar-year basis, with quarterly payments made

during the year, only one-half of any calendar year 2007 increase would be paid in 2006-07. The remaining portion of any calendar year 2007 increase would have to be funded in each year of the next biennium. This future funding commitment would total \$3,606,900 per year under an inflationary increase and \$3,807,900 per year under the 2.0% annual increase included in the bill. If no increase is provided over the 2006 statutory distribution level, no future funding commitment would exist.

11. The statutory calendar year distribution level for municipalities under the bill does not correspond to the recommended funding increases provided to municipalities. On February 14, 2005, the Department of Administration submitted budget errata, which indicated that these statutory distribution levels would have to be modified to capture the Governor's intent. To provide the increases in funding for municipalities included under Governor's recommendation, the statutory distribution levels would have to be set at \$288,956,900 in 2006 and \$294,736,000 in 2007 and thereafter.

ALTERNATIVES

1. Approve the Governor's recommendation, as modified to set the statutory municipal distribution in 2006 and 2007 at the level that corresponds to the 2.0% annual increase in funding provided under the bill. Increase general transportation aid to counties by \$900,500 SEG in 2005-06 and \$2,719,400 SEG in 2006-07. Set the calendar year distribution at \$91,845,500 for calendar year 2006 and \$93,682,400 for calendar year 2007 and thereafter. Increase general transportation aid to municipalities by \$2,832,900 SEG in 2005-06 and \$8,555,400 SEG in 2006-07. Set the calendar year distribution at \$288,956,900 for calendar year 2006 and \$294,736,000 for calendar year 2007 and thereafter. Establish the mileage aid rate at \$1,862 for calendar year 2006 and \$1,899 for calendar year 2007 and thereafter. Repeal obsolete statutory references to 2002 and 2003 calendar year aid payment and mileage aid rate amounts.

2. Modify the Governor's recommendation by providing annual general transportation aid increases (SEG) for 2006 and 2007 at one of the following percentages. Set the county and municipal distributions, establish the mileage aid rate, and change the general transportation aid appropriations as shown below:

	<u>% Annual Increase in Aid</u>	<u>Calendar Year County Distribution</u>		<u>SEG Change to Bill</u>	
		<u>2006</u>	<u>2007</u>	<u>2005-06</u>	<u>2006-07</u>
a.	1.0%	\$90,945,000	\$91,854,500	-\$450,300	-\$1,364,200
b.	3.0	92,745,900	95,528,300	450,200	1,373,100
c.	4.0	93,646,400	97,392,300	900,400	2,755,400
d.	5.0	94,546,800	99,274,100	1,350,600	4,146,500
e.	6.0	95,447,300	101,174,100	1,800,900	5,546,700

	% Annual Increase in Aid	Calendar Year Municipal Distribution		Calendar Year Rate Per Mile		SEG Change to Bill	
		<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2005-06</u>	<u>2006-07</u>
f.	1.0%	\$286,124,000	\$288,985,200	\$1,843	\$1,861	-\$1,416,400	-\$4,291,900
g.	1.7/1.9	288,107,000	293,581,000	1,856	1,891	-424,900	-1,002,500
h.	3.0	291,789,800	300,543,500	1,880	1,936	1,416,500	4,320,200
i.	4.0	294,622,700	306,407,700	1,898	1,974	2,832,900	8,668,700
j.	5.0	297,455,700	312,328,500	1,916	2,012	4,249,400	13,045,600
k.	6.0	300,288,600	318,305,900	1,935	2,051	5,665,900	17,450,800

3. Maintain current law regarding general transportation aid funding, distribution levels, and mileage aid rates (no increase in base level funding would be provided).

<u>Alternative 3</u>	<u>SEG</u>
2005-07 FUNDING (Change to Bill)	- \$15,008,200

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