



## Legislative Fiscal Bureau

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April 26, 2005

Joint Committee on Finance

Paper #740

### **Restore Funding for the Surface Transportation Grant Program (DOT -- Local Transportation Projects)**

[LFB 2005-07 Budget Summary: Page 479, #9]

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#### **CURRENT LAW**

The surface transportation grant program (also called the surface transportation discretionary grant program) provides grants to local governments or entities such as transit authorities for projects designed to promote transportation by nonhighway modes or otherwise supplement existing transportation activities. Priority is given to projects that foster alternatives to single-occupancy automobile trips. The grants are provided using federal highway aid received under the federal surface transportation program category. Local project sponsors must pay at least 20% of the cost of the project. There is no base funding for the program.

#### **GOVERNOR**

Provide \$2,720,000 FED and \$680,000 SEG-L in 2006-07 for the surface transportation grant program.

#### **DISCUSSION POINTS**

1. The 2003-05 biennial budget act eliminated funding for the surface transportation grant program in both 2003-04 and 2004-05. The funding provided by the bill for the surface transportation grant program would restore the level of funding that was provided in 2002-03.

2. The state surface transportation grant program was created by the 1993-95 biennial budget in response to the creation of the federal surface transportation program by the Intermodal Surface Transportation Efficiency Act of 1991. Federal surface transportation program funds,

which are a component of the state's federal highway aid, can be used for a wide variety of purposes, including highway and local road and bridge construction, but also for nonhighway purposes such as bicycle and pedestrian facilities and, in some cases, transit capital purchases. The creation of the state grant program was intended to take advantage of the flexibility allowed under the federal program to promote nonhighway transportation projects.

3. Prior to the elimination of program funding in the 2003-05 biennium, funds were typically provided for transit capital or transit operating assistance for new routes, the development of bicycle route plans, or the construction of new bicycle paths or lanes.

4. There are currently a few other grant programs within the Department of Transportation that provide funds for projects that are similar to those funded under the surface transportation grant program. The transportation enhancements grant program, for instance, which is funded at the base level of \$6,256,600 annually under the bill, provides grants for nontraditional transportation projects, such as bicycle and pedestrian paths or bridges and preservation or rehabilitation of historic transportation buildings or structures. The transportation enhancements program also uses federal surface transportation program funds. The congestion mitigation and air quality improvement grant (CMAQ) program, funded under the bill at the base level of \$11,619,000 annually, provides grants under a separate federal program for projects designed to reduce transportation-related air pollution or reduce traffic congestion. Under the CMAQ program, funds may only be used in counties that are classified as ozone nonattainment areas, which are primarily in the southeastern part of the state. Typical projects include the installation of alternate fueling facilities, the construction of bicycle facilities for commuters, and capital or operating assistance for new or alternate transit services. Grants of transit capital may also be made using federal transit funds.

5. At the time of the passage of the 2003-05 budget, which eliminated funding for the surface transportation grant program, there were 11 local projects that had been approved, but which had not yet been provided with funding. The Department was able to provide funding for these projects, however, by using a combination of carry-over funds in the program from the previous year and funds from the other similar programs mentioned in the previous point.

6. Since there are other programs that provide funding for the types of activities funded under the surface transportation grant program, the effect of restoring funding for the program would be to increase the funds available for these purposes, but would generally not provide funding for types of projects for which no other grant program currently exists.

7. Funding for the surface transportation grant program was eliminated in the 2003-05 biennial budget in the context of funding reductions for several types of transportation programs, including state highway construction and maintenance programs. The bill includes funding increases for many of these programs to restore or exceed their previous funding levels. A decision to also restore the previous funding level for the surface transportation grant program may be consistent with a decision to adopt these other bill provisions.

8. The Department had asked to have funding restored for the surface transportation grant program in its 2005-07 agency budget request, indicating that the program would provide a needed source of additional funding to allow local governments to undertake alternative transportation projects.

9. Although funding for many transportation programs would be increased under the bill, the bill also includes increases in the use of long-term bonding for highway projects and increases in several transportation fees. If the Committee decides to modify the bill to minimize the use of bonding or the fee increases, it may be decided, similar to the 2003-05 biennial budget, that the surface transportation grant program is a lower priority since other existing programs could fund the highest priority projects of this type.

10. If the Committee decides to restore some funding for the program, but at a lower level, one alternative would be to provide half of the amount provided in the bill, which would reduce funding, relative to the bill by \$1,360,000 FED and \$340,000 SEG-L in 2006-07.

**ALTERNATIVES**

1. Approve the Governor's recommendation to provide \$2,720,000 FED and \$680,000 SEG-L in 2006-07 for the surface transportation grant program

2. Reduce funding by \$1,360,000 FED and \$340,000 SEG-L in 2006-07 to provide half of the amount for the program as would be provided under the bill.

<u>Alternative 2</u>	<u>FED</u>	<u>SEG-L</u>	<u>TOTAL</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$1,360,000	- \$340,000	- \$1,700,000

3. Delete provision.

<u>Alternative 3</u>	<u>FED</u>	<u>SEG-L</u>	<u>TOTAL</u>
<b>2005-07 FUNDING</b> (Change to Bill)	- \$2,720,000	- \$680,000	- \$3,400,000

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