



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

---

June, 2021

Joint Committee on Finance

Paper #590

### **General Transportation Aids and Penalty Limit for Late Reporting of Aid Data (Transportation -- Local Transportation Aid)**

[LFB 2021-23 Budget Summary: Page 569, #1 & #2]

---

#### **CURRENT LAW**

General transportation aid is paid to counties and municipalities (cities, villages, and towns) to assist in the maintenance, improvement, and construction of local roads. General transportation aid distribution amounts for 2021 and thereafter are \$122,203,200 for counties and \$383,503,200 for municipalities. The mileage aid rate is set at \$2,628 per mile for 2021 and thereafter. General transportation aid payments are made from two sum certain, transportation fund appropriations.

#### **DISCUSSION POINTS**

##### **Background**

1. General transportation aids are paid to local governments to assist in the maintenance, improvement, and other costs related to local roads. The current transportation aid formula was created in 1988. Separate appropriations are made for counties and municipalities. There are two basic formulas by which general transportation aid is distributed: (a) share of costs aid, which covers a percentage of six-year average costs (2014 through 2019 for calendar year 2021 payments); and (b) mileage aid, which is based on a statutory mileage aid rate multiplied by a local government's jurisdictional miles. Counties receive only share of costs aid, while municipal payments are based on either share of costs aid or mileage aid, whichever is greater, although mileage aid is mostly received by towns.

2. After the state highway improvement program, the general transportation aids program is the second largest program in DOT's budget and represents 24.9% of all transportation fund appropriations in 2020-21. The \$122,203,200 provided to counties and the \$383,503,200

provided to municipalities in 2021 under current law helps offset some of the costs of local road improvements, maintenance, traffic enforcement, and other transportation-related costs on 19,800 miles of county roads, 20,700 miles of city and village streets, and 61,500 miles of town roads.

3. Table 1 indicates the annual change in general transportation aid as well as the percentage of eligible, six-year average costs covered by state general transportation aid for counties and municipalities on the share of costs formula. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would provide \$19,095,300 SEG for a 2.0% increase each year to the general transportation aid distribution for counties and municipalities (including a 2.0% increase to the mileage aid rate). While contingent on the impact of changes in costs over the six-year average, which would involve dropping 2014 and 2015 costs from that average and adding 2020 and 2021, the proposed funding increase would assist in maintaining the share of cost percentage shown in Table 1. [Alternative 1]

**TABLE 1**  
**Annual Aid Funding Change and Percent of**  
**Six-Year Average Costs Covered by State Aid**  
**(2012-2021)**

Year	County Aid		Municipal Aid*	
	% Change	% of Costs	% Change	% of Costs
2012	-9.4	18.8	-6.0	12.9
2013	0.0	19.0	0.0	15.5
2014	0.0	18.2	0.0	15.3
2015	4.0	18.4	4.0	15.9
2016	0.0	17.9	0.0	15.8
2017	0.0	17.5	0.0	15.6
2018	12.9	19.8	8.5	16.9
2019	0.0	19.1	0.0	16.3
2020	10.0	20.7	10.0	17.7
2021	0.0	19.9	0.0	16.8

\*For those local governments receiving aid through the share of costs aid component.

4. General transportation aid is calculated and paid on a calendar-year basis, with quarterly payments on the first Monday of January, April, July, and October for municipalities. County aid payments are made in two installments, each equal to one-quarter of the calendar year total, on the first Monday of January and October and a third installment equal to one-half of the calendar year total on the first Monday of July of each year. Therefore, if an increase in calendar year 2023 would be provided, the remaining portion of the calendar year increase would have to be funded in next fiscal year (2023-24). This would increase the funding commitments on the transportation fund in the next biennium. Under AB 68/SB 111, the amount that would need to be funded in 2023-24 associated with the proposed 2023 increase would be \$5,781,400. This future commitment could be avoided if the funding increase would be provided in 2022, with no additional increase in 2023. [Alternative 2]

## **Limit Penalty for Late Reporting of GTA Aid Data**

5. Under current law, all local governments must report their highway-related expenditures for each calendar year and are subject to a penalty for reporting the data late. This information is submitted on financial report forms required by the Department of Revenue (DOR), which provides this information to DOT. For municipalities and counties with populations over 25,000, an audited financial statement with supporting schedules must accompany the standard financial report and must be submitted by July 31 of the following year. If a local government with a population over 25,000 files a late report, its total aid for the following year is reduced by 1% for each working day that the report is late, to a maximum reduction of 10% (the resulting payment cannot be less than 90% of the previous year's payment). If the report is not received within 30 days of the filing date, the payment will equal 90% of the previous year's payment. Penalty amounts calculated for an aid year are redistributed to other counties or municipalities on the aid formula in that year.

6. For the 2021 aid distribution, the Village of Menomonee Falls was the only municipality or county with a population over 25,000 to be assessed a penalty under the late filing penalty provision. The Village submitted the required forms to DOR 104 working days after the forms were due. The late filing penalty assessed on the Village of Menomonee Falls resulted in a 2021 aid distribution of \$2,141,940, an amount that equaled 90% of the Village's prior year payment of \$2,379,933. The Village's GTA distribution for 2021 without the late filing penalty would have been \$2,652,592. Therefore, the penalty incurred by the Village was \$510,652 (\$2,652,592 - \$2,141,940).

7. AB 68/SB 111 would limit the penalty that DOT may assess a county or municipality that exceeds 25,000 in population for filing late the required reports used in the GTA formula calculations to an amount not to exceed \$100 for each working day after July 31 that the reports are submitted. This provision would limit the amount of this reduction to no more than \$100 for each working day after July 31 that the financial reports are submitted. Under the provision under AB 68/SB 111 been in effect for the 2021 GTA distribution, the Village of Menomonee Falls would have been assessed a penalty of \$10,400, compared to \$510,652 under current law. If this provision had been in place for 2021, less aid would have been redistributed to other municipalities associated with smaller penalty being imposed. [Alternative 3]

## **Federal Coronavirus Local Fiscal Recovery Funds**

8. The American Rescue Plan Act (ARPA) was enacted on March 11, 2021, and created a Local Fiscal Recovery Fund (LFRF). Every local government in Wisconsin will receive a payment from the LFRF. Local governments have through December, 2024, to expend these funds. Table 2 shows the estimated LFRF amounts that will be received by units of local government in Wisconsin.

**TABLE 2**

**Local Fiscal Recovery Fund Allocations  
(\$ in Millions)**

Towns	\$160.2
Villages	97.6
Cities	<u>929.4</u>
Total	\$1,187.1
Counties	\$1,129.2

9. In general, LFRF monies may be used to respond to the coronavirus pandemic or its negative economic impacts (aid to households and businesses), to make investments in certain broadband, sewer, or water (including storm water) infrastructure, or to provide premium pay for essential workers. LFRF monies may also be used for the provision of government services, to the extent of the "revenue loss" experienced by local governments due to the COVID-19 public health emergency. Guidance from the U.S. Treasury defines "government services" broadly as including maintenance or pay-go funding of infrastructure, which can include roads. Thus, if a "revenue loss" can be demonstrated by a local unit of government in a year, that governmental unit has greater flexibility as to how they can use the LFRF monies in that year. Treasury guidance also provides a method for calculating "revenue loss" for the purposes of using LFRF monies for the provision of government services, in addition to providing a definition of general revenue for the purpose of this calculation. General revenue is defined to include revenues collected by a recipient government and generated from its underlying economy, as well as other types of revenue that are available to support government services, including intergovernmental revenue transfers between state and local governments.

10. "Revenue loss" is to be calculated by comparing the government's actual revenue to a counterfactual trend, representing revenues that would have been expected in the absence of the pandemic. When calculating the counterfactual trend, recipient governments will use a growth adjustment equal to the greater of 4.1% annually, or the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency. Each recipient government is to calculate its own revenue loss for the purpose of determining the amount of LFRF funds that may be used to fund government services each year. The calculation of the annual "revenue loss" is to be completed as of December 31 beginning in 2020, and each year thereafter through 2023. If any carryover LFRF monies remain at the end of each year, and if a "revenue loss" can be demonstrated in a subsequent year, local governments could again use those LFRF monies for the "provision of government services" up to the amount of revenue loss shown in that year.

11. Hence, if their LFRF funds remain available, and an annual "revenue loss" can be demonstrated each year, local governments could use these funds to fund government services, including roads, for up to four years, or until the funds are exhausted. Given annual levy limits, and the varied level of growth among Wisconsin counties and municipalities, it is likely that many local governments could demonstrate a "revenue loss" under this calculation (meaning their annual revenue will grow at less than 4.1% each year). As a result, the availability of these funds could lessen the

need for the state to provide additional general transportation aid funding at this time. Further, because any additional state aid that is provided would be included as intergovernmental revenue for the purposes of calculating an annual "revenue loss", it would likely reduce the amount of "revenue loss" a local government could demonstrate. In turn, additional general transportation aid could reduce the amount of LFRF monies available to local governments to use more broadly for the "provision of government services", such as road infrastructure.

### **Transportation Fund Concerns**

12. The state transportation fund provides funding for a variety of state operations, like Division of Motor Vehicles services and State Patrol, as well maintenance of the state's highway infrastructure. In addition, the fund provides SEG monies for the local transportation operations primarily through general transportation aids and mass transit operating assistance as well as for a variety of local infrastructure improvement programs. Several of these programs have received SEG funding increases in recent biennia. Such SEG funding from the transportation fund that is allocated or committed to local programs, especially on an ongoing basis, reduces the amount of SEG funding available to fund DOT operations and the state highway improvement program. The question then arises as to whether the state's transportation fund has the financial ability to support both local transportation assistance and state highway infrastructure. On the other hand, since the 2005(06) property tax year, the Department of Revenue (DOR) has administered a levy limit program that restricts the year-to-year increases in county and municipal property tax levies, which some contend inhibits the ability of some local governments to raise the revenue needed to maintain and rehabilitate their transportation infrastructure. As a result, state assistance for local transportation facilities and services may be warranted.

13. Under the base level funding currently included in the substitute amendment to Assembly Bill 68/Senate Bill 111, expenditures from the transportation fund are significantly higher than under the Governor's recommendations. The Governor's recommendations reduced SEG funding to the state highway improvement program and replaced that funding with bonding. Further, while the 2019-21 budget increased revenues to the transportation fund, the pandemic has dampened the impact of those revenue increases to the fund, as well as to ongoing base level revenues. The Committee already took action to reduce transportation fund appropriations, including adopting standard budget adjustments and reestimates of sum sufficient debt service appropriations that reduced appropriations by \$46.5 million in 2021-22 and \$31.4 million in 2022-23. Despite these actions and slightly higher estimated revenues, prior to Committee actions on the remainder of the transportation budget the estimated 2022-23 ending balance is -\$32.3 million. Thus, the availability of SEG funding to support an increase in general transportation aid distribution payments to counties and municipalities may be limited.

14. If the Governor's recommendation is not adopted and no funding increase is provided over the 2020-21 base level funding amount, the ongoing calendar aid level would remain at \$122.2 million for counties and \$383.5 million for municipalities (the rate per mile would remain at \$2,628 per mile). [Alternative 4]

## ALTERNATIVES

1. Provide the following related to the general transportation aids program:

*County Aid.* Increase funding by \$611,000 in 2021-22 and \$3,067,300 in 2022-23 to fund a 2.0% increase each year to the calendar year general transportation aid distribution for counties. The calendar year distribution for counties is currently equal to \$122,203,200. This would provide a calendar year distribution amount for counties equal to \$124,647,300 for 2022 and \$127,140,200 for 2023 and thereafter.

*Municipal Aid.* Increase funding by \$3,835,100 in 2021-22 and \$11,581,900 in 2022- 23 to fund a 2.0% increase each year to the calendar year general transportation aid distribution for municipalities. The calendar year distribution level for municipalities is currently equal to \$383,503,200. This would provide a calendar year distribution amount for municipalities equal to \$391,173,300 for 2022 and \$398,996,800 for 2023 and thereafter. Increase the mileage aid rate by 2.0% each year (from its current level of \$2,628 per mile) to \$2,681 per mile for calendar year 2022 and \$2,734 per mile for calendar year 2023 and thereafter.

Delete the statutory references to prior calendar year funding amounts for counties and municipalities, as well as the prior year mileage aid rate amounts for municipalities.

ALT 1	Change to Base
SEG	\$19,095,300

2. Provide the following related to the general transportation aids program:

*County Aid.* Increase funding by \$611,000 in 2021-22 and \$2,444,100 in 2022-23 to fund a 2.0% increase to the calendar year general transportation aid distribution for counties for 2022 and thereafter. The calendar year distribution for counties is currently equal to \$122,203,200. This would provide a calendar year distribution amount for counties equal to \$124,647,300 for 2022 and thereafter.

*Municipal Aid.* Increase funding by \$3,835,100 in 2021-22 and \$7,670,100 in 2022-23 to fund a 2.0% increase to the calendar year general transportation aid distribution for municipalities for 2022 and thereafter. The calendar year distribution level for municipalities is currently equal to \$383,503,200. This would provide a calendar year distribution amount for municipalities equal to \$391,173,300 for 2022 and thereafter. Increase the mileage aid rate by 2.0% (\$53 per mile), from its current level of \$2,628 per mile to \$2,681 per mile for calendar year 2022 and thereafter.

Delete the statutory references to prior calendar year funding amounts for counties and municipalities, as well as the prior year mileage aid rate amounts for municipalities.

ALT 2	Change to Base
SEG	\$14,560,300

3. In addition Alternative 1 or Alternative 2, limit the penalty that DOT may assess a county or municipality that exceeds 25,000 in population for filing late the required reports used in the general transportation aid formula calculations to an amount not to exceed \$100 for each working day after July 31 that the reports are submitted. This provision would limit the amount of this reduction to no more than \$100 for each working day after July 31 that the financial reports are submitted.

4. Take no action. [The ongoing calendar aid level would remain at \$122,203,200 million SEG for counties and \$383,503,200 million SEG for municipalities (the rate per mile would remain at \$2,628 per mile).]

Prepared by: Ryan Horton