



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #760

General Transportation Aids (DOT -- Local Transportation Aid)

[LFB 2009-11 Budget Summary: Page 604, #1]

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 2009 and thereafter are \$99,387,700 for counties and \$312,685,400 for municipalities. The mileage aid rate is set at \$2,015 per mile for 2009 and thereafter. General transportation aid payments are made from two sum certain, transportation fund appropriations.

GOVERNOR

Provide increased funding for general transportation aids as follows:

- a. *County Aid.* Provide \$1,203,100 SEG in 2009-10 and \$260,400 SEG in 2010-11 to provide a total of \$99,143,400 in 2009-10 and \$98,200,700 in 2010-11. Set the calendar year distribution at \$98,393,800 for calendar year 2010 and thereafter.
- b. *Municipal Aid.* Provide \$3,767,700 SEG in 2009-10 and \$1,619,800 SEG in 2010-11 to provide a total of \$311,899,500 in 2009-10 and \$309,751,600 in 2010-11. Set the calendar year distribution at \$309,558,500 for calendar year 2010 and thereafter.

Establish the mileage aid rate at \$1,995 for calendar year 2010 and thereafter, which represents a 1% reduction to the 2009 rate of \$2,015 per mile. Repeal the statutory references to 2006 and 2007 calendar year aid payment and mileage aid rate amounts.

Despite the proposed decreases in the calendar year county and municipal aid distributions,

the bill would increase funding in order to establish the county and municipal aid appropriation levels at amounts sufficient to fully fund the calendar year 2009 increase in county and municipal aid provided under 2007 Act 20.

DISCUSSION POINTS

1. The Governor's recommendation for the general transportation aid program was to provide a 1% reduction in the 2010 calendar year and no increase in 2011. However, \$4,200 less funding would be needed in 2009-10 and \$193,100 in additional funding would be needed in 2010-11 to fully fund the calendar year distributions for counties established under the bill. In addition, \$777,500 less funding would be needed in 2009-10 and \$193,100 less funding would be needed in 2010-11 to fully fund the calendar year distributions for municipalities established under the bill. On March 19, 2009, DOA submitted an errata to correct the amounts, which would reduce total funding by \$781,700 in 2009-10 (Alternative 1).

2. 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. 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; 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.

3. The general transportation aids program is the second largest program in DOT's budget and represents 25.8% of all transportation fund appropriations in 2008-09. The \$99,387,700 provided counties and the \$312,685,400 provided municipalities in 2009 helps offset the cost of local road construction, maintenance, traffic enforcement, and other transportation-related costs on 19,868 miles of county roads, 19,328 miles of city and village streets, and 61,996 miles of town roads.

4. In three of the past 10 years, the general transportation aid program received no increase and the share of county and municipal costs covered by state aid decreased. In years when near or above inflationary increases in aid were provided, the share of county and municipal costs covered by general transportation has been somewhat more sustained. Table 1 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.

TABLE 1

**Share of Six-Year Average Costs Covered by State Aid and Aid Increases
(2000-2009)**

<u>Year</u>	<u>County Share of Costs %</u>	<u>Municipal Share of Costs %</u>	<u>Aid Increase</u>
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
2006	22.9	18.6	2.0
2007	22.5	18.3	2.0
2008	22.5	18.4	3.0
2009	22.5	18.5	3.0

5. As indicated in Table 1, the share of transportation costs covered by state funds has declined from 27.8% for counties and 22.0% for municipalities in 2000 to 22.5% for counties and 18.5% for municipalities in 2007. During the late 1990s, counties and municipalities received significant increases in general transportation aids. As a result, aid increases generally kept up with the increases in local transportation costs over the period. 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. DOT estimates that, under the proposed 1% decrease in funding for 2010 and no increase for 2011, the share of costs covered by state general transportation aid would be 21.2% in 2010 and 20.7% in 2011 for counties and 17.5% in 2010 and 17.0% in 2011 for municipalities.

7. At the time the bill was submitted, the estimated, biennium-ending balance in the transportation fund was \$32.3 million. Under the revenue reestimate described in LFB Issue Paper #750 and the Committee's actions since then, the ending balance for the 2009-11 biennium is now estimated at \$4.2 million. Any decision to provide additional funding for general transportation aid would have to take into account the lower available balance in the transportation fund.

8. The Governor's recommendations for local transportation aid programs focus on funding and expanding public transit. In contrast to the proposed reductions to general transportation aid, the Governor's recommendations include additional funding for several transit programs and initiatives, including additional mass transit operating assistance and elderly and disabled county assistance funding, state funding for a newly created intercity bus program, allowing for the creation of regional transit authorities, and a southeast transit capital assistance program. The Executive Budget Book indicates that the Governor's recommendations related to

transit are needed in order to maintain and improve Wisconsin's public transit service.

9. Under the bill, general transportation aids are treated similarly to a wide variety of state programs that would be subject to a 1% reduction. This policy would also apply to county and municipal aid payments, beginning in 2010, which are the largest source of state aid for many local governments.

10. State transportation aid covers only a portion of county and municipal transportation-related costs. Therefore, most of the costs are covered by local property taxes and state county and municipal aid payments. Correspondingly, providing an increase in transportation aid could be seen as a means to mitigate the impact of the proposed decrease in county and municipal aid payments. 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).

11. Some have contended that because revenues to the transportation fund are paid from citizens who travel roads throughout the state, a consistent portion of those revenues should be redistributed to local units of government to assist in maintaining their transportation infrastructure. In 2008-09, local transportation aid programs, including the mass transit assistance program, general transportation aid, local road improvement, and other transportation programs that provide assistance to local units of government, were funded at a level equal to 36.5% of net transportation fund revenues. Under the bill, as introduced, these programs would receive a slightly smaller percentage share of net transportation fund revenues, estimated at 36.3% in 2009-10 and 35.4% in 2010-11.

12. 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. 2007 Act 226 amended the transportation payment schedule for counties to make 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, beginning in 2008. Therefore, for counties, only one-fourth, and for municipalities, only one-half, of any calendar year 2011 increase would be paid in 2010-11. The remaining portion of any calendar year 2011 increase would have to be funded in 2011-12. Because no increase is provided over the 2010 statutory distribution level, no future funding commitment would exist under the bill.

13. Table 2 shows the funding amounts associated with different annual percentage rate changes for the general transportation aid program and the future funding commitment (2011-12) needed to fund any second year increase (due to the difference between the state's fiscal year and the general transportation aid payment dates, above-base funding would be required even with no calendar year increase or a 1% annual calendar year decrease).

TABLE 2

Funding Needed for Various Percentage Changes

Annual % Change	Above-Base Increase		Change to Bill		Unfunded 2011 Increase
	2009-10	2010-11	2009-10	2010-11	
-1%	\$4,189,100	\$86,400	-\$781,700	\$1,793,800	-\$2,285,700
-1%/0% (Bill)	4,189,100	1,880,200	-781,700	0	0
0	6,001,000	6,001,000	1,030,200	4,120,800	0
1	7,813,000	11,951,900	2,842,200	10,071,700	2,331,900
2	9,624,900	17,938,800	4,654,100	16,058,600	4,710,000
3	11,436,700	23,962,000	6,465,900	22,081,800	7,134,300

14. If no funding increase is provided over the 2008-09 base level funding amount, the appropriation levels for the 2009-11 biennium would not be sufficient to fund the 3% increase in the 2009 statutory distribution level under current law. In order to fully fund the 2009 increase, AB 75 provides \$1,447,400 annually for counties and \$4,553,600 annually for municipalities. If no increases to base level funding are provided, DOT would have to prorate payments in 2009 and thereafter at 98.54%.

ALTERNATIVES

1. Approve the Governor's recommendation, as modified, to decrease funding by 1% in the 2010 calendar year and to provide no increase in the 2011 calendar year. As modified, the general transportation aid appropriations would be increased as follows: (a) \$1,198,900 SEG in 2009-10 and \$453,500 SEG in 2010-11 for counties; and (b) \$2,990,200 SEG in 2009-10 and \$1,426,700 SEG in 2010-11 for municipalities. Set the calendar year distribution at \$98,393,800 for calendar year 2010 and thereafter for counties and \$309,558,500 for calendar year 2010 and thereafter for municipalities. Establish the mileage aid rate at \$1,995 for calendar year 2010 and thereafter. Repeal obsolete statutory references to 2006 and 2007 calendar year aid payment and mileage aid rate amounts.

ALT 1	Change to Bill
	Funding
SEG	- \$781,700

2. Modify the Governor's recommendation by providing annual general transportation aid changes (SEG) for 2008 and 2009 (and thereafter) 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.

% Annual Change in Aid	Calendar Year County Distribution		SEG Change to Base		SEG Change to Bill	
	2010	2011	2009-10	2010-11	2009-10	2010-11
	a. -1.0%	\$98,393,800	\$97,409,900	\$1,198,900	\$207,500	-\$4,200
b. 0.0	99,387,700	99,387,700	1,447,400	1,447,400	244,300	1,187,000
c. 1.0	100,381,600	101,385,400	1,695,900	2,692,300	492,800	2,431,900
d. 2.0	101,375,500	103,403,000	1,944,400	3,942,100	741,300	3,681,700
e. 3.0	102,369,300	105,440,400	2,192,800	5,196,800	989,700	4,936,400

% Annual Change in Aid	Calendar Year Municipal Distribution		Calendar Year Rate Per Mile		SEG Change to Base		SEG Change to Bill	
	2010	2011	2010	2011	2009-10	2010-11	2009-10	2010-11
	f. -1.0%	\$309,558,500	\$306,462,900	\$1,995	\$1,975	\$2,990,200	-\$121,100	-\$777,500
g. 0.0	312,685,400	312,685,400	2,015	2,015	4,553,600	4,553,600	785,900	2,933,800
h. 1.0	315,812,300	318,970,500	2,035	2,055	6,117,100	9,259,600	2,349,400	7,639,800
i. 2.0	318,939,100	325,317,900	2,055	2,096	7,680,500	13,996,700	3,912,800	12,376,900
j. 3.0	322,066,000	331,728,000	2,075	2,137	9,243,900	18,765,200	5,476,200	17,145,400

3. Delete provision. (No increase to base level funding would be provided and payments would be prorated.)

ALT 3	Change to Bill Funding
SEG	- \$6,851,000

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