



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #720

Local Roads Improvement Program (Transportation -- Local Transportation Assistance)

[LFB 2019-21 Budget Summary: Page 415, #1]

CURRENT LAW

The local roads improvement program (LRIP) provides formula-based and discretionary grants of state funds on a biennial basis for capital improvements on existing county, town, and municipal (city or village) roads, and for feasibility studies for such improvements. For the purposes of the program, a capital improvement is defined as a project with a projected design life of at least 10 years. Grants may cover up to 50% of the total project cost, with the balance being provided, generally, by the local recipient. All costs of improvements are initially the responsibility of the local government. Upon completion of a project, a local government can apply to the Department of Transportation (DOT) for reimbursement of up to 50% of the project costs.

GOVERNOR

Provide the following increases to the local roads improvement program: (a) \$323,900 SEG in 2019-20 and \$654,300 SEG in 2020-21 for the formula allocation component of the program; (b) \$303,300 SEG in 2019-20 and \$633,700 SEG in 2020-21 for the discretionary grants component of the program.

For the discretionary portion of the program, specify that the SEG funding be allocated as follows: (a) \$176,000 in 2019-20 and \$295,000 in 2020-21 for counties; (b) \$17,300 in 2019-20 and \$99,900 in 2020-21 for municipalities (cities and villages); and (c) \$110,000 in 2019-20 and \$238,800 in 2020-21 for towns. [By statute, the formula allocation is determined on a percentage basis as shown in the table below.]

Set the annual statutory distributions of discretionary LRIP funding at the following amounts: (a) \$5,569,400 in 2019-20, and \$5,688,400 in 2020-21 for counties; (b) \$3,867,700 in

2019-20 and \$3,950,300 in 2020-21 for municipalities; and (c) \$6,033,600 in 2019-20, and \$6,162,400 in 2020-21 for towns.

DISCUSSION POINTS

Background

1. LRIP is one of several DOT local assistance programs intended to function as a mechanism to assist local governments with funding for substantial capital improvements on their transportation systems. In the case of LRIP, eligible projects must be designed to last at least 10 years. The program is divided into a formula-based component and a discretionary grant component, each with its own appropriation. Both of these components are further divided into county, town, and municipal (cities and villages) subcomponents.

2. In general, the formulas for awarding these funds are based on proportionate share of population and road mileage. Of the funds appropriated for the formula-based component, the statutes specify that 43% are to be allocated to county projects, while towns and municipalities are each allocated 28.5%. The LRIP formula component generally provides funding for a large number of smaller projects across the state.

3. The discretionary component is designed to fund a smaller number of higher-cost projects. Of the funds appropriated for the discretionary grant component, the Department is required to fund a statutorily-specified amount each year. As with project selection for towns and small municipalities under the LRIP formula component, committees of local government representatives are established to choose projects for the discretionary programs. In the case of the town and municipal discretionary programs, the respective committees choose projects from applications received on a statewide basis. The DOT Secretary makes appointments to these committees from representatives of the local government associations. For the county discretionary program, the funding allocated for discretionary projects is distributed in blocks to eight different regions in proportion to the total funding the counties in each region receive in the formula-based component of the program.

4. Historical funding allocations for these program components are shown in the following table. As shown in Table 1, the largest changes in LRIP funding over the period shown in the table have been in the discretionary component of the program (in 2011-13 and 2017-19).

TABLE 1

**LRIP Funding Allocations Since 2009-11
(\$ in Millions)**

<u>Biennium</u>	<u>Formula</u>		<u>Discretionary</u>		<u>Total</u>	
	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>	<u>Amount</u>	<u>% Change</u>
2009-11	\$32.4		\$13.7		\$46.1	
2011-13	32.0	-1.2%	23.7	73.0%	55.7	20.8%
2013-15	32.0	0.0	23.3	-1.7	55.3	-0.7
2015-17	32.0	0.0	23.7	1.7	55.7	0.7
2017-19	35.4	10.6	30.3	27.8	65.7	18.0
2019-21 (Governor)	\$36.3	2.8%	\$31.3	3.1%	\$67.6	2.9%

Funding Level

5. Table 2 compares the biennial funding for LRIP for 2017-19 and under the recommended 2019-21 funding level for these program components. In total, the Governor's LRIP recommendations for the 2019-21 biennium would provide a 2.9% increase to the overall program funding.

TABLE 2

Current Law and Governor's Recommended Biennial LRIP Funding

	<u>2017-19</u>	<u>2019-21</u>	<u>Difference</u>	<u>% Change</u>
Formula-Based Allocation*				
Counties (43%)	\$15,191,728	\$15,612,328	\$420,600	2.8%
Municipalities (28.5%)	10,068,936	10,347,736	278,800	2.8
Towns (28.5%)	<u>10,068,936</u>	<u>10,347,736</u>	<u>278,800</u>	2.8
Total Formula Funds	\$35,329,600	\$36,307,800	\$978,200	2.8%
Discretionary Allocation				
Counties	\$10,786,800	\$11,257,800	\$471,000	4.4%
Municipalities	7,700,800	7,818,000	117,200	1.5
Towns	<u>11,847,200</u>	<u>12,196,000</u>	<u>348,800</u>	2.9
Total Discretionary Funds	\$30,334,800	\$31,271,800	\$937,000	3.1%
Biennial Program Total	\$65,664,400	\$67,579,600	\$1,915,200	2.9%

*Does not include \$401,600 from the formula-based allocation supports 3.0 positions in DNR for the environmental review of local road projects under current law and under the bill.

6. Although all local government types would receive an increase under the Governor's recommendation, these increases would have somewhat disparate effects relative to the proportionate share of LRIP funding that each local government would receive. The following table shows each

government types' relative share of LRIP funding over time and under the bill. Counties, while declining in share during the period shown in the table, have consistently received the largest share of total LRIP funding, with towns receiving the second largest share, and municipalities consistently receiving the smallest share of program funding.

TABLE 3

Proportionate Share of LRIP Funding by Government Type

Government Type	<u>2009-11</u>	<u>2011-13</u>	<u>2013-15</u>	<u>2015-17</u>	<u>2017-19</u>	<u>2019-21*</u>
Counties	52.5%	43.1%	42.7%	43.1%	39.6%	39.7%
Municipalities	24.3	19.9	20.0	19.9	27.1	26.9
Towns	23.2	37.0	37.2	37.0	33.4	33.4

*Governor's recommendation.

7. Wisconsin has 72 counties, 601 municipalities (cities and villages) and 1,251 towns. Population, road mileage, and transportation-related cost information for each of these local governmental units is shown below.

TABLE 4

Local Government Population and Transportation-Related Metrics

	<u>Estimated Population (in Millions)</u>	<u>% of Total</u>	<u>Centerline Miles</u>	<u>% of Total</u>	<u>Average Costs (In Millions)</u>	<u>% of Total</u>
Counties	N.A.	N.A.	19,900	19.5%	\$581.8	26.7%
Municipalities	4.17	72.0%	20,500	20.1	1,230.3	56.5
Towns	<u>1.62</u>	<u>28.0</u>	<u>61,600</u>	<u>60.4</u>	<u>364.3</u>	<u>16.7</u>
Total	5.79	100.0%	102,000	100.0%	\$2,176.4	100.0%

8. On the basis of share of total population (72.0%) and total, transportation related costs (56.5%), some may contend that municipalities should receive a larger percentage of LRIP funding than they would receive under the Governor's budget recommendations (26.9%). On a share of total centerline miles basis, others may argue that towns (60.4%), with their comparably smaller tax base, should continue to receive a relatively high percentage of overall LRIP funding. Alternatively, supporters of providing additional funding for counties may point to the fact that counties have experienced an overall decline in their share of overall LRIP funding since 2009-11 (see Table 3). Unless additional funding is provided, any change to the funding allocation under the Governor would require a decrease in the Governor's recommended funding for one local government type in order to increase the recommended funding to another local government type.

9. However, despite the concern related to the historical distribution of LRIP funding, where municipalities have consistently received the smallest share of total program funding over the past five biennia, this funding discrepancy was somewhat lessened under the funding increases provided to each government type in the 2017-19 biennium. While each local government type received a 10.4% increase in the formula component of LRIP funding in the 2017-19 biennium, municipalities received \$5.7 million of the \$6.7 million increase provided to the discretionary component of the program. The Governor's recommendation would continue the existing distribution for overall LRIP funding, by providing counties with largest percentage increase in total funding (3.4%), followed by towns (2.9%), and then municipalities (2.2%). [Alternative 1]

10. As mentioned earlier, the LRIP program specifically assists in funding local capital improvement projects with a design life of at least 10 years. The projects improve the condition of the local roads and bridges on which the funds are spent. These projects typically include the construction or reconstruction of local transportation facilities, and can include pavement replacement or reconditioning. Conversely, DOT also administers a much larger general transportation aid (GTA), program, which can be used to assist in funding local capital improvement projects, but is also used to fund more general transportation-related costs, such as maintenance (including snow and ice removal, brush trimming, mowing and weed control, and grading), traffic operations, and portions of local police costs. While the LRIP program is a reimbursement program, whereby local governments are reimbursed 50% of their capital improvement projects costs, the GTA program functions like the state's shared revenue program in that it assists local governments with more general and ongoing transportation-related costs in a budget year.

11. The Governor's recommendations would provide a 10% increase in GTA funding in 2020 for counties and municipalities, for a total funding increase of \$66.2 million in the biennium. If the Committee believes some additional funding beyond the Governor's recommendation should be provided for local road capital improvements rather than to assist local governments with their more general transportation-related costs, the Committee could reduce the Governor's recommended GTA increase under the bill and provide more funding to the LRIP program than is recommended by the Governor.

12. Alternatively, if sufficient SEG funds are available to support a more substantial LRIP program funding increase than the Governor is recommending, the Committee could provide additional SEG funding from the transportation fund. Providing \$1,642,000 annually would provide a 5% increase in LRIP funding [Alternative 2], while providing \$3,284,000 annually would provide a 10% increase in LRIP funding. [Alternative 3]

TABLE 5

Additional LRIP Funding in Biennium Under Alternatives 2 and 3

	<u>Alternative 2 (5% Increase)</u>		<u>Alternative 3 (10% Increase)</u>	
	<u>Change to Base</u>	<u>Change to Bill</u>	<u>Change to Base</u>	<u>Change to Bill</u>
Formula-Based Allocation*				
Counties (43%)	\$758,600	\$338,000	\$1,517,200	\$1,096,600
Municipalities (28.5%)	502,800	224,000	1,005,600	726,800
Towns (28.5%)	<u>502,800</u>	<u>224,000</u>	<u>1,005,600</u>	<u>726,800</u>
Total Formula Funds	\$1,764,200	\$786,000	\$3,528,400	\$2,550,200
Discretionary Allocation				
Counties	\$540,400	\$69,400	\$1,080,800	\$609,800
Municipalities	385,800	268,600	771,600	654,400
Towns	<u>593,600</u>	<u>244,800</u>	<u>1,187,200</u>	<u>838,400</u>
Total Discretionary Funds	\$1,519,800	\$582,800	\$3,039,600	\$2,102,600
Biennial Program Total	\$3,284,000	\$1,368,800	\$6,568,000	\$4,652,800

*Does not include \$401,600 from the formula-based allocation supports 3.0 positions in DNR for the environmental review of local road projects under current law and under the bill.

13. The Governor's recommendations would provide significant new revenue for the financing of state and local transportation infrastructure. However, in the state highway program, much of this new revenue would be used to replace one-time federal aid and bonding that was provided to this program in the 2017-19 biennium. Given the demands on both state and local transportation infrastructure and the limited state resources currently available to meet those needs, an ongoing policy discussion that confronts the state is whether it can afford to increase funding for local roads at time when the state is having difficulty funding state highway infrastructure needs.

14. Under current law revenues and base appropriations, the 2019-21 biennium ending balance in the transportation fund is estimated at \$82.1 million. Any decision to provide additional funding for LRIP at this time would have to take into account the available fund balance, any additional funds authorized, as well as other transportation funding demands. Therefore, depending on the other revenue and transportation programming decisions that are made, the state may not be able to fund increases to DOT's local transportation aid and assistance programs. Given that LRIP funding was increased by 18.0% in 2017-19, along with other increases that were provided to local transportation infrastructure programs, some may believe that no further increase for LRIP is necessary in the current biennium. [Alternative 4]

ALTERNATIVES

1. Approve the Governor's recommendation and provide the following SEG funding increases (resulting in a 2.9% increase) to LRIP: (a) \$323,900 in 2019-20 and \$654,300 in 2020-21

for the formula allocation component of the program; (b) \$303,300 in 2019-20 and \$633,700 in 2020-21 for the discretionary grants component of the program.

Specify that the SEG funding for the discretionary portion of the program be allocated as follows: (a) \$176,000 in 2019-20 and \$295,000 in 2020-21 for counties; (b) \$17,300 in 2019-20 and \$99,900 in 2020-21 for municipalities (cities and villages); and (c) \$110,000 in 2019-20 and \$238,800 in 2020-21 for towns. Set the annual statutory distributions of discretionary LRIP funding at the following amounts: (a) \$5,569,400 in 2019-20, and \$5,688,400 in 2020-21 for counties; (b) \$3,867,700 in 2019-20 and \$3,950,300 in 2020-21 for municipalities; and (c) \$6,033,600 in 2019-20, and \$6,162,400 in 2020-21 for towns.

ALT 1	Change to	
	Base	Bill
SEG	\$1,915,200	\$0

2. Provide the following SEG funding increases (resulting in a 5.0% increase) to LRIP: (a) \$882,100 annually for the formula allocation component of the program; (b) \$759,900 annually for the discretionary grants component of the program.

Specify that the SEG funding for the discretionary portion of the program be allocated as follows: (a) \$270,200 annually for counties; (b) \$192,900 annually for municipalities (cities and villages); and (c) \$296,800 annually for towns. Set the annual statutory distributions of discretionary LRIP funding at the following amounts for 2019-20 and thereafter: (a) \$5,663,600 for counties; (b) \$4,043,300 for municipalities; and (c) \$6,220,400 for towns.

ALT 2	Change to	
	Base	Bill
SEG	\$3,284,000	\$1,368,800

3. Provide the following SEG funding increases (resulting in a 10.0% increase) to LRIP: (a) \$1,764,200 annually for the formula allocation component of the program; (b) \$1,519,800 annually for the discretionary grants component of the program.

Specify that the SEG funding for the discretionary portion of the program be allocated as follows: (a) \$540,400 annually for counties; (b) \$385,800 annually for municipalities (cities and villages); and (c) \$593,600 annually for towns. Set the annual statutory distributions of discretionary LRIP funding at the following amounts for 2019-20 and thereafter: (a) \$5,933,400 for counties; (b) \$4,236,200 for municipalities; and (c) \$6,517,200 for towns.

ALT 3	Change to	
	Base	Bill
SEG	\$6,568,000	\$4,652,800

4. Take no action.

ALT 4	Change to	
	Base	Bill
SEG	\$0	-\$1,915,200

Prepared by: John Wilson-Tepeli