



# Transportation Aid (General Transportation and Connecting Highway Aid)

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Local governments in Wisconsin have jurisdiction over the majority of the state's roads and streets. Since the early development of Wisconsin's road system, the state has provided financial assistance to local governments for the construction and maintenance of roads under their jurisdiction.

This paper explains the general transportation aid and connecting highway aid formulas and examines their distributional impact. An example of a general transportation aid calculation is included in the Appendix.

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## General Transportation Aid

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General transportation aid is paid to local governments (counties, cities, villages, and towns) to assist in the maintenance, improvement, and construction of local roads. This aid must be used for transportation-related expenditures. Aid payments are made from the state's segregated transportation fund, which includes revenues from the motor fuel tax, vehicle registration fees, and other transportation-related taxes and fees. For 2004-05, general transportation aid payments equaled 28.5% of the transportation fund appropriations.

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. Table 1 lists total general transportation aid payments for counties and municipalities from 1996 through 2004.

**Table 1: Total General Transportation Aid Payments**

Year	Total Payments	Year	Total Payments
1996	\$284,368,400	2001	\$348,521,000
1997	292,899,400	2002	358,976,600
1998	326,483,600	2003	373,335,700
1999	326,483,600	2004	373,335,700
2000	348,521,000	2005	373,335,700

There are two basic formulas by which general transportation aid is distributed: (1) share of costs aid; and (2) mileage aid. In 1994, county and municipal governments began receiving separate general transportation aid distributions. Counties receive only share of costs aid, while municipalities receive payments based on either share of costs aid or mileage aid, whichever is greater. The Department of Transportation (DOT) is required, by October 1 of each year, to notify each county and municipal clerk of the estimated transportation aid payments to that county or municipality for the following calendar year.

Under 1999 Act 9, the general transportation aid formula was suspended for calendar year 2001 aid payments. Rather, DOT provided an aid amount to each recipient in 2001 that was equal to the aid amount that was received under the formula calculation for calendar year 2000. Beginning in 2002, and thereafter, payments are again made under the formula calculation.

## Aid to Counties

Initial entitlements to counties are based on the share of costs formula. Share of costs aid amounts are computed by multiplying each county's six-year average highway-related costs (1998 through

2003 for 2005 payments) by a statewide average cost-sharing percentage. This percentage "floats" to a level that generates general transportation aid payments equal to a targeted distribution for counties (\$90,044,600 for 2005, and thereafter). For the 2005 distribution, the county cost-sharing percentage is estimated at 23.2%.

### **Aid to Municipalities**

Each municipal government's initial entitlement equals the greater of its share of costs aid or mileage aid amounts.

*Share of Costs Aid.* The share of costs formula works the same for municipalities as for counties. The targeted general transportation aid distribution for municipalities is \$283,291,100 for 2005, and thereafter. For the 2005 distribution, the municipal cost-sharing percentage is estimated at 18.7%.

*Mileage Aid.* Mileage aid amounts are computed by multiplying the number of miles of road or street under the jurisdiction of each municipality by a specified mileage rate (\$1,825 per mile for 2005, and thereafter).

### **Mileage Reporting**

Since 2001, for the purposes of determining transportation aid, local governments must submit to DOT either: (a) a certified highway mileage plat, if changes in mileage have occurred within their jurisdiction since the last plat was submitted; or (b) a certified statement that no changes in jurisdictional mileage have occurred since the plat was filed. DOT may require that a certified plat be submitted for odd-numbered years following a federal, decennial census. Jurisdictional mileage includes highway mileage under the jurisdiction of a local unit of government that will be open and used for travel on the following January 1. Any changes in jurisdictional highway mileage are first reflected in mileage aid determinations for the second year following the year of the submission of

the plats indicating the changes.

Local governments, with the cooperation and assistance of DOT, must also conduct a biennial assessment of the physical condition of the highways within their jurisdiction and report the results to DOT. In making these assessments, local units of government are required to use a pavement rating system approved by DOT.

### **Cost Reporting**

All local governments must report their highway-related expenditures for each calendar year. DOT has developed cost reporting guidelines to be used by local governments for cost reporting purposes. This information is submitted on financial report forms required by the Department of Revenue (DOR), which relays this information to DOT.

Eligible highway-related costs are divided into three major categories:

- a. *Maintenance;* including costs associated with snow plowing and the maintenance of pavements, bridges, culverts, storm sewers, and traffic control devices.
- b. *Construction;* including right-of-way acquisition, engineering, signing, and construction costs for pavements, bridges, culverts, and storm sewers.
- c. *Other Highway-Related Costs;* including machinery and vehicle costs, building expenditures for road purposes, debt service payments, traffic police, and street lighting costs.

All public road, street, or alley construction and maintenance expenditures within the right-of-way are generally reportable as eligible cost items. The preceding list provides a general guide to the definition of eligible costs. More detail on eligible and ineligible costs is provided by DOT's cost reporting guidelines.

Small municipalities (population under 2,500) must report highway-related costs for each calendar year by March 31 of the following year. Counties and large municipalities must report by May 1 of the following year. 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 files a late report, its total aid for the following year will be 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 be equal to 90% of the previous year's payment. A filing extension until May 15 is allowed, provided a request for an extension is submitted to DOR prior to the March 31 or May 1 deadlines. For the 2005 aid distribution, 18 late-filing municipalities were assessed a total of \$39,400 in penalties on their payments.

As a condition of receiving general transportation aid, each county and municipality must establish and administer a separate, segregated account from which moneys may only be used for purposes related to local highways. All moneys received from the state and the federal government for local highways must be deposited in this account.

### **Cost-Based Limitation on Mileage Aid**

No municipality may receive an aid amount exceeding 85% of its three-year average (2001 through 2003, for 2005 payments) highway-related costs. Since aid payments under the share of costs aid formula make up a percentage of costs that is significantly lower than the 85% of three-year average cost maximum, this provision only affects municipalities receiving mileage aid payments. For the 2005 distribution, it is estimated that this provision will reduce aid payments to 69 municipalities.

### **Maximum Growth Limitation on Share of Costs Aid**

Both county and municipal share of costs aid initial entitlements are subject to a maximum growth provision. The initial share of costs aid entitlement is compared to a maximum payment level to determine whether an aid reduction is required. No local government is allowed to receive more than 115% of the prior year's payment. The maximum growth provision prevents large, year-to-year payment increases. For the 2005 distribution, it is estimated that aid will be withheld from three counties and 81 municipalities due to the application of the maximum growth provision.

### **Minimum Guarantee**

The initial entitlements for all local governments receiving general transportation aid are compared to minimum payment levels to determine whether additional aid is required. Counties are guaranteed at least 98% of the prior year's payment while municipalities are guaranteed at least 95% of the prior year's payment. For municipalities receiving mileage aid, the prior year's payment is adjusted to reflect mileage changes prior to applying the 95% guarantee. The minimum guarantee provision prevents large, year-to-year payment decreases. For the 2005 distribution, it is estimated that minimum guarantee payments will be made to 30 counties and 191 municipalities under the share of costs formula component and 10 municipalities under the mileage aid formula component.

### **Distributional Impact**

Over time, varying amounts of emphasis have been placed on mileage and costs in distributing general transportation aid payments. Since some local governments benefit more from mileage-based provisions while others benefit more from cost-based provisions, neither approach tends to satisfy both groups. Table 2 illustrates the distribu-

tion of general transportation aid expressed in terms of costs and mileage.

Estimated transportation aid payments for 2005 equal 22.3% of reported costs for 2003. From this perspective, towns do the best, with payments equaling 39.2% of reported costs. Incorporated areas benefit the least, with payments ranging from 18.3% of reported costs for those with populations between 35,000 and 200,000 to 17.1% of reported costs for those with populations less than 10,000.

This situation is reversed when aid payments are examined in terms of mileage. On average, local governments received \$3,742 in 2005 payments for each mile of road under their jurisdiction. From this perspective, towns benefit the least, receiving \$1,868 per mile. Incorporated areas benefit the most, ranging from \$7,767 per mile for those with populations under 10,000 to \$13,985 per mile for those with populations over 200,000.

As this indicates, the relative success of each type of local government under the general transportation aid formula depends on the measure used to make the comparison. Governments that do poorly on the basis of payments received per mile (such as towns) have used this measure to argue for increased mileage-based payments. Conversely, governments that do poorly in terms of payments received as a percentage of costs (such as small incorporated areas) have argued that cost-based payments should be increased.

The current formula consists of both cost-based and mileage-based payments. The inclusion of both types of payments reflects a recognition by the Legislature that neither type addresses the concerns of all local governments. Table 3 provides information on the distribution of six-year average costs and local mileage, the two primary factors in the current formula.

**Table 2: Distribution of 2005 Total General Transportation Aid Payments**

Jurisdiction	2005 Payments	2003 Reported Costs	Payments as a % of Costs	Payments	
				2003 Miles	Per Mile
Counties	\$90,044,900	\$424,947,851	21.2%	19,811	\$4,545
Towns	115,429,753	294,657,321	39.2	61,780	1,868
Incorporated Areas:					
Under 10,000	53,620,372	313,019,564	17.1	6,904	7,767
10,000 to 35,000	46,820,806	267,593,907	17.5	5,097	9,186
35,000 to 200,000	38,857,578	212,731,087	18.3	4,147	9,370
Over 200,000	<u>28,562,591</u>	<u>159,987,751</u>	<u>17.9</u>	<u>2,042</u>	<u>13,985</u>
TOTAL	\$373,336,000	\$1,672,937,481	22.3%	99,781	\$3,742

\*State average.

**Table 3: Distribution of Average Costs and Miles Used to Compute 2005 General Transportation Aids**

Jurisdiction	1998-03 Average Costs		2003 Miles	
	Amount	Percent	Number	Percent
Counties	\$378,561,686	24.4%	19,811	19.9%
Towns	277,256,846	17.8	61,780	61.9
Incorporated Areas				
Under 10,000	287,854,416	18.5	6,904	6.9
10,000 to 35,000	249,764,541	16.1	5,097	5.1
35,000 to 200,000	207,352,968	13.4	4,147	4.2
200,000	<u>152,563,819</u>	<u>9.8</u>	<u>2,042</u>	<u>2.0</u>
Total	\$1,553,354,276	100.0%	99,781	100.0%

Incorporated areas have a larger share of the average highway-related costs than they do of the mileage. Towns, on the other hand, have a majority of the mileage under the jurisdiction of local governments, but incur less than one-fifth of the highway-related costs. Finally, counties have similar shares of both average costs and mileage.

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## Connecting Highway Aid

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### Background

Connecting highways are certain portions of the state trunk highway system passing through municipalities. Generally, if a highway is altered to



function as a local street, such as the construction of curb and gutters, the route is designated as a connecting highway by DOT and loses its designation as a state trunk highway. While the state is responsible for the maintenance of all rural state trunk highway mileage (this is done by counties under contract with the state), the maintenance of connecting highways is a municipal responsibility.

Under certain circumstances, the state retains maintenance responsibilities for a state trunk highway passing through a small municipality. As a general rule, this occurs whenever the geometrics of the highway are not significantly altered as a result of passing through the municipality.

The 1989-91 state budget directed DOT to conduct a formal review of the designation of all connecting highways by January 1, 1995. DOT must consider the following in its review: (a) eliminating duplicate routes when bypass routes serving traffic going in the same direction are in place; and (b) when bypasses are in place, determining the number and location of connecting highway connections to the bypasses needed to serve traffic between regions. DOT indicates it is currently conducting the required review, which was delayed pending completion of the state highway plan, and expects to complete the review by late 2005.

### Connecting Highway Aid Formula

Connecting highway aid payments received by an individual municipality are based on its population and the lane miles of connecting highway within its boundaries. The rates paid per mile are based on a statutory schedule (2005 rates are listed in Table 4), with aid on the first two lanes of any connecting highway being paid at 100% of the statutory rate, aid on the second two lanes at 75% of the statutory rate, and aid on any additional lanes at 50% of the statutory rate. In 2005, an esti-

**Table 4: 2005 Connecting Highway Aid Rates**

Population	Aid Per Lane Mile
Over 500,000	\$11,724
150,001 to 500,000	10,860
35,001 to 150,000	9,678
10,000 to 35,000	8,525
Under 10,000	7,345

mated 123 municipalities will receive \$12.9 million in connecting highway aid. Payments are made to municipalities in four equal installments on the first Monday of January, April, July, and October. If the appropriation is insufficient to fully fund the formula, payments are prorated. In 2005, it is estimated that the payments will be prorated to equal 90.1% of the formula amounts.

### Lift Bridge Aid

The state also reimburses municipalities for the actual costs incurred in operating and maintaining swing or lift bridges on connecting highways. Presently, five cities operate 10 eligible lift bridges: Green Bay (Main Street), Manitowoc (8th and 10th Streets), Milwaukee (Broadway, Kinnickinnic, State, and Wells Streets), Racine (Main and State Streets), and Two Rivers (Madison Street).

Lift bridge aid is paid on the first Monday in July for costs incurred during the previous calendar year. Consequently, the \$1,515,000 paid in lift bridge aid in July, 2004, was in reimbursement for actual costs incurred by the cities during calendar year 2003 (the cities must submit documentation of their costs by January 31). If the biennial appropriation is insufficient to provide full reimbursement, payments will be prorated. In July, 2004, the appropriation was not sufficient to cover the \$1,694,431 in costs submitted for 2003. Therefore, the payments were prorated and each recipient received 89.4% of their 2003 costs.



## APPENDIX

### Computation of 2005 General Transportation Aid Payment for the Village of Little Chute (Outagamie County)

**1. SHARE OF COSTS AID**

**Data Needed:** Average of 1998 through 2003 Highway-Related Costs = \$3,981,347  
Statewide Average Cost-Sharing Percentage = .187272

<b>Computation:</b>	Share of Costs Aid	=	Six-Year Average Highway-Related Costs	x	Cost-Sharing Percentage
		=	\$3,981,347	x	.187272
		=	\$745,595		

**2. MILEAGE AID**

**Data Needed:** 2003 Jurisdictional Mileage = 44.66 miles  
Mileage Rate = \$1,825 per mile

<b>Computation:</b>	Mileage Aid	=	Jurisdictional Mileage	x	Mileage Rate
		=	44.66	x	\$1,825
		=	\$81,505		

Since \$745,595 is greater than \$81,505, the Village of Little Chute receives aid through the share of costs aid provision.

**3. MINIMUM GUARANTEE/MAXIMUM GROWTH LIMIT**

<b>Data Needed:</b>		<b>2004</b>	<b>2005</b>
		<b>Guarantee Base</b>	<b>Basic Entitlement</b>
	Share of Costs Aid	\$596,474	\$745,595
	Mileage Aid	-0-	-0-
	Maximum Growth Limit	-0-	
	Cost-Based Aid Limit	-0-	
	<b>NET TOTAL</b>	<b>\$596,474</b>	<b>\$745,595</b>

**Computation of Minimum Guarantee**

Minimum Guarantee	=	[.95 x 2004 Guarantee Base] - 2005 Basic Entitlement
		or \$-0-; whichever is greater
		= [.95 x \$596,474] - \$745,595 or \$-0-
		= \$566,650 - \$745,595 or \$-0-
		= -\$178,945 or \$-0-
		= \$-0-

**Computation of Maximum Growth Limit**

Maximum Growth Limit	=	[1.15 x 2004 Guarantee Base] - 2005 Basic Entitlement
		or \$-0-; whichever is less
		= [1.15 x \$596,474] - \$745,595 or \$-0-
		= \$685,945 - \$745,595 or \$-0-
		= -\$59,650 or \$-0-
		= -\$59,650

**4. COST-BASED AID LIMITATION**

**Data Needed:** Average of 2001 through 2003 Highway-Related Costs = \$5,090,626  
 Aid After Minimum Guarantee/Maximum Growth Limit = \$685,945

**Computation of Cost-Based Aid Limitation**

Cost-Based Aid Limitation	=	[.85 x Three-Year Average Costs] - Aid After Minimum/Maximum or \$-0-; whichever is less
	=	[.85 x \$5,090,626] - \$685,945 or \$-0-
	=	\$4,327,032 - \$685,945 or \$-0-
	=	\$3,641,087 or \$-0-
	=	\$-0-

**5. TOTAL 2005 GENERAL TRANSPORTATION AID PAYMENT FOR THE VILLAGE OF LITTLE CHUTE**

Share of Costs Aid	\$745,595
Mileage Aid	-0-
Maximum Growth Limit	-59,650
Cost-Based Aid Limitation	<u>-0-</u>
<b>TOTAL</b>	<b>\$685,945</b>