

A Responsive Transportation Reform for Wisconsin



*Transportation District Block Grants to Serve Local
Community Needs*

Representative Scott Allen

97th Assembly District

www.repallen.com

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Overview of the Department of Transportation Budget Deficit Problem

Every two years, the Department of Transportation (DOT) makes budget requests which will eventually be included in the Governor's proposed biennial budget. If expenditures exceed revenue, the legislature must use bond funds (borrowing) to balance the budget. This is considered a fund deficit, and, if bonding is undesirable, can be avoided by either increasing revenue, decreasing spending, or both. Considering that transportation is funded with a constitutionally-protected segregated account, regular deficits in this account covered by bonding means that a growing portion of the transportation budget is allocated to interest on debt.

In the 2017-2019 Wisconsin DOT biennial budget request, the DOT requested \$500 million in bonds to balance the total budget of \$6.64 billion.¹ Legislators and constituents have voiced concerns about the DOT budget deficit, and acknowledge changes need to be made to decrease or even eliminate the deficit. Proposals range from increasing revenue, most commonly in the form of a Wisconsin motor fuel tax increase, to cutting spending. This paper questions whether raising the motor fuel tax in itself is an adequate solution, and proposes block grants as a way to help address the spending side of the equation.

Unfortunately, we see very little analysis of where we are spending money on transportation and how that might translate into economic productivity. This paper attempts to start a conversation in this arena.

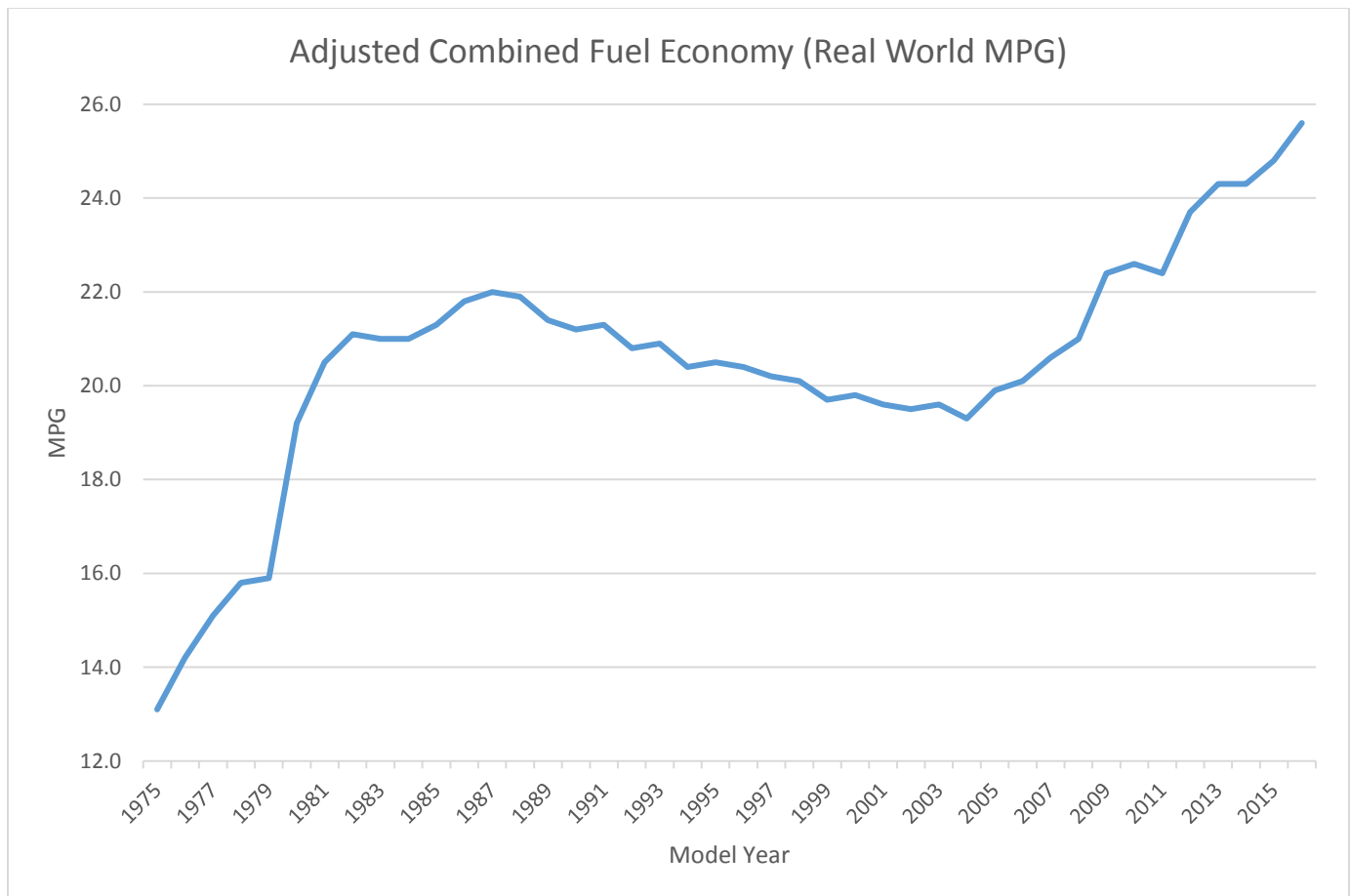
The block grant idea presented herein is not intended to be a panacea for the structural transportation funding formula. Rather it is suggested as one of, hopefully, a cornucopia of ideas to address the seemingly insatiable transportation funding demand. It is a model to more efficiently allocate resources which will continue to be scarce for the foreseeable future.

¹ 2017-19 Biennial Budget Highlights Department Budget Request (2016, September 15). Retrieved from <http://wisconsin.gov/Documents/about-wisdot/performance/budget/2017-19-biennialbudget-dept-request.pdf>

Examining the Long Term Sustainability of Raising the Motor Fuel Tax

Regardless of whether transportation revenue is raised or the DOT reduces spending, transportation funds will continue to be a scarce resource. A long-term solution is necessary to balance the current budget while taking into account potential problems in the future.

One idea which is often proposed to increase revenue and shrink the DOT budget deficit is that the fuel tax should be raised in Wisconsin. By analyzing fuel efficiency trends in the most recent Model Year cars, it appears that raising the fuel tax alone without also addressing spending wouldn't be entirely effective. According to the EPA's 2016 Carbon Dioxide Emissions and Fuel Economy Trends Report, Table 10.1, fuel efficiency is on the rise.²



Adjusted Combined Fuel Economy, measured in Miles per Gallon (MPG), is considered real world fuel economy.³

² CO2 and Fuel Economy Trends Report, 1975-2016. (2016, November 15). Retrieved from <https://www.epa.gov/fueleconomy/download-co2-and-fuel-economy-trends-report-1975-2016>

³ Based on email correspondence with the EPA, Monday March 6.

While it is good that vehicles are becoming more fuel efficient, this also creates a DOT revenue problem. Generating revenue by a fuel tax is negatively impacted by increased fuel efficiency because as cars continue to become more fuel efficient, they use less fuel to travel the same distance. As a result, future increases of the fuel tax will be required to generate the same amount of revenue as the DOT generates now. To combat this uncomfortable truth and still responsibly balance the DOT budget, spending must also be addressed.

General Transportation Aids Introduction

General Transportation Aids (GTA) is a local road aid program within the DOT. As defined by the DOT, GTA funds “provide reimbursements to each of Wisconsin’s local governments to partially offset the cost of construction, maintenance and operation of the local road and street system.”⁴ Research to be outlined in this paper has found that significant demographic shifts have occurred in Wisconsin over the past couple decades, but the GTA formula has not been revised. As a result, many political subdivisions (counties and municipalities) which are decreasing in population continue to receive increased GTA funding. If the legislature wants to be responsible stewards of taxpayer dollars and efficiently allocate GTA funds, substantive reforms need to be implemented to increase the efficiency and economic utility of GTA spending.

The political reality is that political subdivisions across the state continue to demand increasing GTA dollars from state taxpayers while, for the most part, refusing to increase taxes on their own citizens. In 1967 a statute was enacted that authorized a local registration fee, often referred to as the “wheel tax.” Since 1967 only five of Wisconsin’s seventy-two counties have adopted a wheel tax. Furthermore, only 15 local units of government have adopted such measures. Much of the pressure to raise the statewide fuel tax or registration fee comes from people wanting to see their local roads improved at the expense of statewide taxpayers.

By shifting the focus away from increasing revenue and instead looking at the way money is allocated by the DOT through GTA’s, Wisconsin can spend more efficiently. Again, local road spending represents about one-third of the entire DOT budget. Future budgets may necessitate

⁴ 2017-19 Biennial Budget Highlights Department Budget Request (2016, September 15). Retrieved from <http://wisconsindot.gov/Documents/about-wisdot/performance/budget/2017-19-biennialbudget-dept-request.pdf>

that that portion declines. Regardless, the question is what is the best method of allocation? Current law, which was placed in statute in 1977, is based on total road miles or history of transportation expenditure. Both of the statutory approaches are chained to road miles regardless of usage and they are anchored to the legacy of our built environment. This means road construction decisions of the past are driving our transportation spending today. With Wisconsin having the fifth highest road miles per capita, this linkage creates excessive fiscal pressure and limits our economic potential.

Alternatively, block grants can be an effective tool for allocating scarce resources to serve local community needs. At the federal level, they have been used since 1966 to create local competition and cooperation to address local problems.

Demographic Shifts Have Created a Need to Reform the GTA Fund Allocation Formula

One factor to consider in determining how to most effectively allocate funding is how the demographics of Wisconsin have shifted. Data suggests that significant demographic shifts from rural communities to urban and suburban areas have continued to take place over the past couple of decades. This shift also reduces fuel tax revenue collection due to shorter trips by consumers. According to the U.S. Census, between 2000 and 2010 a notable 506 out of the 1250 towns in Wisconsin experienced a decrease in population.⁵ This accounts for 40.48% of all towns in the state.⁶ Even so, the GTA formula has not changed, which has resulted in inefficient allocation of GTA funds to political subdivisions.

Count of Political Subdivisions that Experienced Declining Populations
2000-2010

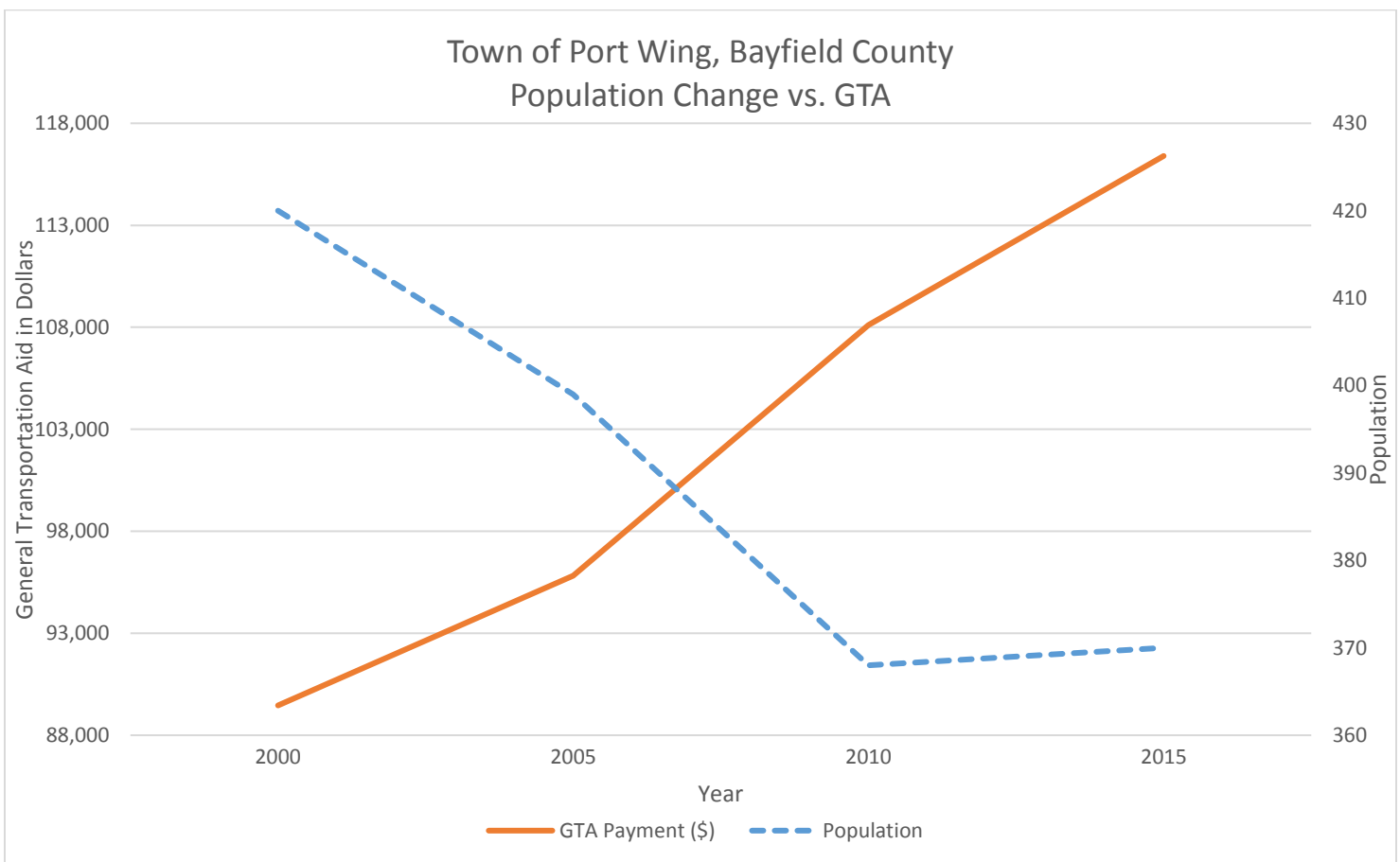
| | Count (Amount Declining out of Total) | Percent with Declining Population |
|----------|---------------------------------------|-----------------------------------|
| Counties | 19 of 72 | 26.4% |
| Cities | 61 of 206 | 29.6% |
| Towns | 506 of 1250 | 40.48% |
| Villages | 159 of 413 | 38.5% |

⁵ Population and Housing Unit Counts - Census.gov. (n.d.). Retrieved from <https://www.census.gov/prod/cen2010/cph-2-51.pdf>

⁶ Population and Housing Unit Counts - Census.gov. (n.d.). Retrieved from <https://www.census.gov/prod/cen2010/cph-2-51.pdf>

Growing General Transportation Aid Funding to Political Subdivisions

Despite decreasing populations in many localities across the state of Wisconsin, GTA dollars to counties and municipalities continue to increase. For example, from 2000 to 2015, the population of the Town of Port Wing in Bayfield County has decreased from 420 to 370,⁷ a total decrease of 11.90%. Meanwhile, according to the DOT, the GTA funding for Port Wing has increased from \$89,460 in 2000 to \$116,397.72 in 2015, a total increase of 30.11%.⁸ With the population decreasing and GTA funding increasing, there has been a resulting decrease in economic utility for each state transportation dollar spent in the town. More precisely, the GTA spending in dollars per person in 2000 was \$213, but in 2015, GTA spending per person rose to \$314.59. This means per-person spending has increased 47.69%.



⁷ Data Access and Dissemination Systems (DADS). (n.d.). American FactFinder - Results. Retrieved 2017, from <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

⁸ Based on email correspondence with Wisconsin DOT

Port Wing is not an isolated example. Across the state, GTA spending is increasing in localities where population is decreasing. Wisconsin currently has a “two-sizes fits most” statutory formula that almost automatically translates into biennial increases in state GTA dollars to local units of government. During a period of very low inflationary costs this kind of increase is unwise if not unsustainable, particularly when extrapolated across hundreds of political subdivisions statewide. In 2016, there were 33 counties where DOT spending per person was above the state average. Those counties have twice as many miles of roadway per person than the 39 other counties with below average DOT spending. As demographics shift and times change, it is imperative to question whether this formula still most efficiently allocates GTA funds today and in the future.

According to a recent report by the Wisconsin Taxpayers Alliance, since 2010 Wisconsin as a whole has lost more than 27,000 residents.⁹ Frankly, this means we have fewer taxpayers to support transportation improvements, and therefore, we need to be more judicious in the manner in which we distribute scarce transportation funds.

Analyzing Economic Data to Determine Efficient Allocation of GTA Funds

One argument for continuing to increase GTA funding for all areas despite shifts in demographics is that vital industries need to be protected. Perhaps we may want to assist these industries, but given scarce resources, transportation projects must be analyzed for greatest utility and economic impact.

Three industries which can be analyzed for economic impact in Wisconsin are forestry, tourism, and dairy. One way to measure for efficient allocation of GTA dollars is to calculate how many GTA dollars are being spent per forestry job, tourism job, or milk cow herd in a county. By comparing data between counties, the relative economic utility of GTA dollars in each county can be determined.

Bayfield and Langlade Counties are both located in a similar region, northern Wisconsin, and a comparison between the two counties provides a useful illustration. Similar comparisons can be made for many counties in Wisconsin. In this illustration Langlade County “outperforms”

⁹ (2016, June). Wisconsin's migration challenge: Residents stay, but state needs newcomers to bolster workforce. *The Wisconsin Taxpayer*, 84(6/7), 2.

Bayfield County in measures of forestry jobs, tourism jobs, and milk cow herds per DOT dollar spent. This comparison suggests a relatively inefficient allocation of GTA dollars. As a legislature, a conclusion must be reached regarding how to allocate these funds in the future. Is it acceptable to spend money in ways that is neither economical nor utilitarian? This paper proposes to more efficiently allocate GTA funding through block grants.

| County | DOT Spending ¹⁰ | Forestry Jobs ¹¹ | Tourism Jobs ¹² | Milk Cow Herds ¹³ | DOT \$ per Forestry Job | DOT \$ per Tourism Job | DOT \$ per Milk Cow Herd |
|----------|----------------------------|-----------------------------|----------------------------|------------------------------|-------------------------|------------------------|--------------------------|
| Bayfield | \$4,572,848 | 77 | 598 | 24 | \$59,387.64 | \$7,646.90 | \$190,535.33 |
| Langlade | \$2,555,460 | 635 | 503 | 24 | \$4,024.35 | \$5,080.44 | \$55,553.48 |

Policy Recommendation: Transportation District Block Grants

This proposal aims to foster competition and cooperation between political subdivisions. The goal is to utilize scarce resources in a way which will provide the maximum benefit to the most people. Draft legislation has been prepared for discussion purposes. It is included as an appendix herein. A bullet point summary is below.

- Directs the DOT to divide the state into 11 Transportation District Block Grant (TDBG) areas and:
 - Design the districts with as close to equal population as possible without breaking parts of counties into different districts.
 - If a single county contains a significantly higher population than the target population, the county is split attempting to use major transportation corridors as boundaries.
- Allocates a portion of all available GTA funding to each district proportionally by population

¹⁰ Legislative Fiscal Bureau Memo, August 4, 2016. 2016 Data.

¹¹ Wisconsin Department of Natural Resources. (n.d.). Retrieved from <http://dnr.wi.gov/topic/ForestBusinesses/factSheets.html>

¹² “Total Tourism Impacts” WI County Table 2015 Year from the Department of Tourism

¹³ United States Department of Agriculture. (n.d.). Retrieved from http://www.nass.usda.gov/Statistics_by_State/Wisconsin/

- Requires, as populations shift, that transportation funding be shifted rather than district boundaries.
- Provides the creation of a TDBG board for each district, with members selected by the governor from recommended elected officials.
- Require that the TDBG board meet a minimum of three (3) times annually and approve all local transportation aid grants to political subdivisions.
- Provide that the TDBG must encourage intergovernmental communication and cooperation, evaluating projects on greatest utility and economic impact for the district.
- Requires the government of the most-populous county in a district to staff and administer the board, and provides that the cost of administration be drawn from the GTA funding provided to the district.

With this proposal there would be regional parity in terms of resource allocation, there would be a more regional approach to transportation investment, and there would be local perspectives brought to the decision table. Local control is supported by a board comprised of local elected officials appointed by the governor. This format will provide for the representation of the interests of towns, villages, cities, and counties. The board would evaluate applications for funding from political subdivisions within the region and make allocation decisions that would get forwarded to the DOT for fund distribution. Competition and cooperation among local units of government will assure that the best transportation investments are appropriately funded.

Additionally, standards for what constitutes efficient allocation of GTA funds will be established by each board to ensure opportunities for obtaining funding are equal and universally understood. If a road passes through multiple townships, municipalities will be encouraged to cooperate for proper road maintenance and benefit the surrounding area.

Are we, in the present and future, bound by the design and construction decisions of the past? A new transportation spending paradigm that is responsible and sustainable can be adopted by the State of Wisconsin. This state can demonstrate stewardship of taxpayer money concerning transportation for the foreseeable future.

Additional analysis is certainly necessary. Input from policy makers, stakeholders, and constituents is welcome. Resist a visceral reaction to find what you do not like. Start your consideration from the standpoint of “how could this help Wisconsin in the long run?”

A Responsive Transportation Reform for Wisconsin:
Transportation District Block Grants to Serve Local Community Needs

Appendix



State of Wisconsin
2017 - 2018 LEGISLATURE

LRB-1365/P2
EVM:amn

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT** *to repeal* 20.395 (1) (ar), 20.395 (1) (at), 59.605 (4) (b), 83.42 (8), 85.31,
2 86.30 (1), (2) and (9), 86.302 and 86.303; *to renumber and amend* 73.10 (3);
3 *to amend* 20.395 (1) (as), 66.0235 (5), 83.01 (6), 84.30 (5r) (c), 86.30 (11) (a)
4 (intro.), 86.30 (11) (b), 86.315 (1) and 86.33; and *to create* 73.10 (3) (a) to (d) and
5 86.30 (1m), (2m), (3) and (4) of the statutes; **relating to:** general transportation
6 aids block grants.

Analysis by the Legislative Reference Bureau

This is a discussion draft. An analysis will be provided in a subsequent version of this draft.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

7 **SECTION 1.** 20.395 (1) (ar) of the statutes is repealed.

8 **SECTION 2.** 20.395 (1) (as) of the statutes is amended to read:

1 20.395 (1) (as) *Transportation aids to ~~counties~~ grants, state funds.* The
2 amounts in the schedule for general transportation aids to ~~counties~~ grants under s.
3 86.30.

4 **SECTION 3.** 20.395 (1) (at) of the statutes is repealed.

5 **SECTION 4.** 59.605 (4) (b) of the statutes is repealed.

6 **SECTION 5.** 66.0235 (5) of the statutes is amended to read:

7 66.0235 (5) APPORTIONMENT BOARD. The boards or councils of the local
8 governmental units, or committees selected for that purpose, acting together,
9 constitute an apportionment board. When a local governmental unit is dissolved
10 because all of its territory is transferred the board or council of the local
11 governmental unit existing at the time of dissolution shall, for the purpose of this
12 section, continue to exist as the governing body of the local governmental unit until
13 there has been an apportionment of assets by agreement of the interested local
14 governmental units or by an order of the circuit court. After an agreement for
15 apportionment of assets has been entered into between the interested local
16 governmental units, or an order of the circuit court becomes final, a copy of the
17 apportionment agreement, or of the order, certified to by the clerks of the interested
18 local governmental units, shall be filed with the department of revenue, the
19 department of natural resources, the department of transportation, the state
20 superintendent of public instruction, the department of administration, and with
21 any other department or agency of the state from which the town may be entitled by
22 law to receive funds or certifications or orders relating to the distribution or
23 disbursement of funds, with the county treasurer, with the treasurer of any local
24 governmental unit, or with any other entity from which payment would have become
25 due if the dissolved local governmental unit had continued in existence. Subject to

1 ~~ss. s. 79.006 and 86.303 (4)~~, payments of forest crop taxes under s. 77.05, of
2 ~~transportation aids under s. 20.395~~, of state aids for school purposes under ch. 121,
3 payments for managed forest land under subch. VI of ch. 77 and all payments due
4 from a department or agency of the state, from a county, from a local governmental
5 unit, or from any other entity from which payments would have become due if the
6 dissolved local governmental unit had continued in existence, shall be paid to the
7 interested local governmental unit as provided by the agreement for apportionment
8 of assets or by any order of apportionment by the circuit court and the payments have
9 the same force and effect as if made to the dissolved local governmental unit.

10 **SECTION 6.** 73.10 (3) of the statutes is renumbered 73.10 (3) (intro.) and
11 amended to read:

12 73.10 (3) (intro.) The department may inspect and examine or cause an
13 inspection and examination of the records of any town, city, village, county, or other
14 public officer whenever such officer fails or neglects to return properly the
15 information required by under sub. (2) ~~within the time specified under s. 86.303 (5)~~
16 ~~(e), (d) or (g).~~ by the following dates:

17 **SECTION 7.** 73.10 (3) (a) to (d) of the statutes are created to read:

18 73.10 (3) (a) March 31, for an officer of a municipality having a population of
19 2,500 or less, except that the department may grant an extension to return the
20 information required under sub. (2) by May 15.

21 (b) May 1, for an officer of a municipality or county having a population of more
22 than 2,500, but less than 25,000, except that the department may grant an extension
23 to return the information required under sub. (2) by May 15.

24 (c) July 31, for an officer of a municipality or county having a population of
25 25,000 or more.

1 (d) May 1, for an officer not described under par. (a), (b), or (c), except that the
2 department may grant an extension to return the information required under sub.
3 (2) by May 15.

4 **SECTION 8.** 83.01 (6) of the statutes is amended to read:

5 83.01 (6) PAYMENT OF SALARIES. The salaries, expenses of maintaining an office
6 and the necessary traveling expenses of the county highway commissioner,
7 assistants and special highway patrolmen in counties having such patrolmen may
8 be paid monthly out of the general fund after being audited and approved by the
9 county highway committee. ~~All such expenditures out of the general fund shall be~~
10 ~~reimbursed out of moneys received under s. 86.30.~~

11 **SECTION 9.** 83.42 (8) of the statutes is repealed.

12 **SECTION 10.** 84.30 (5r) (c) of the statutes is amended to read:

13 84.30 (5r) (c) If in connection with a highway project of the department the
14 department proposes the realignment of a sign that does not conform to a local
15 ordinance, the department shall notify the governing body of the municipality or
16 county where the sign is located and which adopted the ordinance of the sign's
17 proposed realignment. Upon receiving this notice, the governing body may petition
18 the department to acquire the sign and any real property interest of the sign owner.
19 If the department succeeds in condemning the sign, the governing body that made
20 the petition to the department shall pay to the department an amount equal to the
21 condemnation award, less relocation costs for the sign that would have been paid by
22 the department if the sign had been realigned rather than condemned.
23 Notwithstanding s. 86.30 (2) (a) 1. and (b) 1., 1g., and 1r., if the governing body fails
24 to pay this amount, the department may reduce the municipality's or county's
25 general transportation aid payment under s. 86.30 by an equal amount.

1 **SECTION 11.** 85.31 of the statutes is repealed.

2 **SECTION 12.** 86.30 (1), (2) and (9) of the statutes are repealed.

3 **SECTION 13.** 86.30 (1m), (2m), (3) and (4) of the statutes are created to read:

4 86.30 **(1m)** DEFINITIONS. In this section:

5 (a) "District" means a general transportation aids block grant district created
6 under sub. (2m) (a).

7 (b) "Political subdivision" means a city, village, town, or county.

8 **(2m)** DISTRICTS. (a) 1. The department shall divide the state into 11 general
9 transportation aids block grant districts, with each district substantially equal in
10 population and, except as provided in subd. 2., consisting of contiguous whole
11 counties.

***NOTE: Do you want to specify a timeline for DOT to complete this task?

12 2. If the population of a county is greater than one-eleventh of the population
13 of the state, the department may divide the county among more than one district.
14 If the department divides a county under this subdivision, the department shall
15 attempt to establish district boundaries along major transportation corridors.

16 (b) 1. Each district created under par. (a) is governed by a board consisting of
17 the following members appointed by the governor for staggered 3-year terms:

18 a. Three members who are county board members of counties located within
19 the district.

20 b. Two members who are alderpersons of cities located within the district.

21 c. Two members who are trustees of villages located within the district.

22 d. Two members who are town board members of towns located within the
23 district.

1 2. In appointing the members under subd. 1., the governor shall select from a
2 list of recommendations made by the governing bodies of political subdivisions
3 located within the district.

4 **(3) GRANTS.** (a) Annually, the department shall calculate the amount of general
5 transportation aids block grant moneys available for each district board to award
6 and inform the district board of that amount. The calculation shall be made by
7 dividing the population of each district by the total population of the state and
8 multiplying the result by the total amount available for general transportation aids
9 block grants in that year.

 ***NOTE: Do you want to set a date by which DOT must announce the amounts?

10 (b) The district board shall have the following powers:

11 1. To establish criteria for evaluating applications for general transportation
12 aids block grants. In establishing these criteria, the district board shall give priority
13 to projects that provide the greatest public benefit and economic impact to the
14 district. The district board may establish criteria that have the effect of encouraging
15 intergovernmental communication and cooperation.

16 2. To receive and review applications for general transportation aids block
17 grants from political subdivisions located within the district and to prescribe the
18 form, nature, and extent of the information that shall be contained in the
19 applications.

20 3. To approve general transportation aids block grants to political subdivisions
21 located within the district. The district board shall make grant approvals for the
22 succeeding year no later than July 31. Amounts approved in a year by the district
23 board may not exceed the available amount for that year reported to the board under
24 par. (a) less the amount reimbursed under sub. (4) (b).

1 (c) The department shall distribute to the grantee from the appropriation
2 under s. 20.395 (1) (as) the amount of each grant approved under par. (b) 3.

3 **(4) ADDITIONAL REQUIREMENTS.** (a) A district board shall meet at least 3 times
4 each year.

5 (b) The county with the largest population within each district shall provide
6 administrative support to the district board. Costs incurred by a county under this
7 paragraph shall be reimbursed by the department from the appropriation under s.
8 20.395 (1) (as).

9 **SECTION 14.** 86.30 (11) (a) (intro.) of the statutes is amended to read:

10 86.30 **(11)** (a) (intro.) Notwithstanding sub. ~~(2)~~ (3) ~~(c)~~, the department may not
11 ~~pay state aid~~ distribute a grant under this section to a municipality or county unless
12 the municipality or county does all of the following:

13 **SECTION 15.** 86.30 (11) (b) of the statutes is amended to read:

14 86.30 **(11)** (b) If a municipality or county does not meet the requirements under
15 par. (a) at the time that aid a grant should be paid distributed under this section, the
16 aid payment grant may be forfeited.

17 **SECTION 16.** 86.302 of the statutes is repealed.

18 **SECTION 17.** 86.303 of the statutes is repealed.

****NOTE: This draft repeals s. 86.302, stats. Do you want to retain any portion of
this provision?

19 **SECTION 18.** 86.315 (1) of the statutes is amended to read:

20 86.315 **(1)** From the appropriation under s. 20.395 (1) (fu), the department
21 shall annually, on March 10, pay to counties having county forests established under
22 ch. 28, for the improvement of public roads within the county forests ~~which~~ that are
23 open and used for travel and ~~which~~ that are not state or county trunk highways or

1 town roads ~~and for which no aids are paid under s. 86.30~~, the amount of \$336 per mile
2 of road designated in the comprehensive county forest land use plan as approved by
3 the county board and the department of natural resources. If the amount
4 appropriated under s. 20.395 (1) (fu) is insufficient to make the payments required
5 under this subsection, the department shall prorate the amount appropriated in the
6 manner it considers desirable.

7 **SECTION 19.** 86.33 of the statutes is amended to read:

8 **86.33 Population estimates.** Population determination for the purpose of
9 calculating aids under ~~ss. 86.30 and s.~~ 86.32 shall be based on the final population
10 estimates arrived at by the department of administration under s. 16.96 as of
11 November 30 of the preceding year.

12 (END)