

## 97-7 General Transportation Aid Program, Department of Transportation

### Summary

---

In calendar year 1997, the Department of Transportation will provide more than \$400 million in state and federal aid to help local governments fund costs associated with Wisconsin's 97,144 miles of local roads. The General Transportation Aid program will provide \$292.9 million of this amount to fund a percentage of the cost of local road maintenance and construction, as well as police, street lighting, storm sewer, and sidewalk costs.

In response to declining aid rates for some communities, pressures on local property taxes, and the need for rehabilitation of many local roads, local officials have called for increases in state transportation aid. Additional funding has been sought by local governments in an effort to reverse declines in the general transportation aid rate, which have occurred since 1991 as a result of legislative decisions to direct most new aid toward smaller municipalities in order to achieve a better balance in total state aid. More recently, a coalition representing municipalities has called for state transportation aid funding to increase gradually from 39.7 percent to 65 percent of state transportation revenues. These proposals would result in general transportation aid increases of between \$33 million and \$183.9 million annually upon full implementation, and in additional increases in other state aid programs for transportation.

We found that before aid amounts are increased, cost categories aidable under the general transportation aid formula could be modified to increase emphasis on maintenance and rehabilitation of existing roads, which is regarded by many as local governments' primary transportation activity. Related activities, such as new road construction and law enforcement, currently account for a significant share of aidable local costs. Maintenance costs accounted for \$489.5 million, or 39.6 percent, of eligible costs reported for 1995. Construction costs were \$403.4 million, or 32.6 percent, and police costs were \$337.6 million, or 27.3 percent. Construction costs include expenditures for both new road construction and rehabilitation of existing roads. Local costs for other activities, such as street lighting, storm sewers, and sidewalks, as well as local revenues from work performed for other governments and some aid programs, account for an additional \$5.4 million, or the remaining 0.5 percent of eligible costs reported.

We examined two components of the general transportation aid formula that the Legislature might wish to review: the exclusion of special assessment revenues from aid calculations, and the inclusion of police costs. The manner in which the formula addresses local revenues allows some local governments to receive aid for road construction costs that already have been financed by adjacent property owners. Unlike all other transportation revenues, special assessments, which are collected by some municipalities for road construction activities, are not subtracted from reported costs for aid computations. As a result, 361 communities that collected \$16.8 million in special assessments for road projects in 1995 also will receive approximately \$3.2 million in general transportation aid based on the same costs.

Furthermore, some local governments receive additional state aid through the component of the shared revenue formula that provides aid based on local revenues, including property taxes and special assessments. We estimate that 288 communities received shared revenue totaling \$4 million, based on special assessments collected in 1995 for road projects. Of these communities, 209 qualified for both general transportation aid totaling \$2.5 million and shared revenue totaling \$3.8 million. If the Legislature chose to eliminate such double aid reimbursement, it could modify s. 86.303(6)(e), Wis. Stats., to designate special assessments as an offsetting revenue under the general transportation aid formula.

In recognition of the cost of patrolling roads, a percentage of police expenditures--ranging from 30 percent for large communities to 80 percent for small ones--is also eligible for general transportation aid. Eligible police costs increased 55.1 percent between 1988 and 1995, surpassing the rate of spending increases for local road maintenance (42.4 percent) and construction activities (47.3 percent). Growth in local spending on law enforcement has led to

concerns that the general transportation aid formula may support a greater percentage of these costs than is necessary to assist local governments in patrolling roads. In addition, some communities receive nearly all of their transportation aid based on their spending on law enforcement. For example, police expenditures accounted for more than 75 percent of the aidable costs reported in 1995 by the villages of Eagle, Oconomowoc Lake, and Chenequa in Waukesha County.

If the Legislature believes that a greater share of local transportation aid should be directed toward local road maintenance and construction activities on existing roads, eligible costs could be modified to include a lower percentage of police costs for some or all aid recipients. A council of local representatives and state transportation officials--the Local Roads and Streets Council--expects to complete a review of eligible costs under the general transportation aid formula in time for consideration for the 1999-2001 budget. In addition, the Legislature could direct a greater share of the State's transportation aid to local governments through other aid programs, such as the Local Roads Improvement Program, which was created in 1991 to provide up to 50 percent of the cost of improvements such as reconstruction and rehabilitation of existing local roads expected to last ten years or more.

\*\*\*\*