



Monday, March 7, 2022

## **IS IT TIME TO REVIEW FUNDING MECHANISM FOR ROADS?**

The League of Wisconsin Municipalities would like the state to review the funding policies for General Transportation Aids (GTAs), saying the funding mechanism was put into place decades ago and no longer properly funds all the needs of local governments.

### ***General Transportation Aid***

In Wisconsin, local governments have jurisdiction over the majority of state roads and streets, and the state provides financial assistance for transportation-related costs, including the construction and maintenance of roads. General transportation aid is paid to local governments (counties, cities, villages, and towns) to help with maintenance, improvement, and construction of local roads. According to [LFB Informational Paper #39](#), there are two basic formulas used for distributing general transportation aid: 1.) share of costs aid; and 2.) mileage aid. Counties receive only share of costs aid, and municipalities and towns receive aid based on either share of costs aid or mileage aid, whichever is greater.

The aid paid to counties based on the share of costs involves multiplying each county's six-year average highway-related costs by a statewide average-cost-sharing percentage. The LFB Paper says, "This percentage "floats" to a level that generates general transportation aid payments equal to a targeted distribution for counties (\$122,203,200 in 2021, and thereafter). For the 2021 distribution, the county cost-sharing percentage is estimated at 19.9%."

As stated earlier, the aid to municipalities is either the share of costs aid or mileage aid, whichever is greater. The share of costs for municipalities is done the same way as the county share of aids. The municipalities general aid distribution is \$383,503,200 for 2021, and thereafter. The 2021 distribution cost-sharing was estimated at 16.8%.

Mileage aids are determined by multiplying the number of miles of road or street by a specified mileage rate (\$2,628 per mile for 2021, and thereafter).

### ***Mileage and Cost Reporting***

Local governments must submit to DOT either a certified highway mileage plat or a certified statement that no changes in jurisdictional mileage has occurred since the last plat was filed. Jurisdictional mileage includes highway mileage under the jurisdiction of a local unit of government which is useable for travel.

All local governments are required to report their highway-related expenditures for each calendar year. Eligible highway-related costs include:

- Maintenance: Costs associated with snow plowing and maintenance of pavements, bridges, culverts, storm sewers, and traffic control devices.
- Construction: Including the right-of-way acquisition, engineering, signing, and construction costs for payments, bridges, culverts, and storm sewers.
- Other Highway-related Costs: Including machinery and vehicle costs, building expenditures for roads, debt service payments, policing, and street lighting costs.

### ***Limitation on Mileage Aid, Maximum Growth, Minimum Guarantee***

Municipalities may not receive general transportation aids which exceed 85% of its three-year average highway-related costs. Approximately 98 towns and four villages were subject to the 85% cost limitation in 2021. 2019 Act 9 provided \$2,500,000 annually from the transportation fund to provide supplemental mileage aid payments to towns which were limited by the 85% rule. Those funds were made available to towns, not municipalities.

Counties and municipalities share of costs aid entitlements are subject to a maximum growth provision. No local government is allowed to receive more than 115% of its prior year payment to prevent large, year-to-year payment increases. In 2021, it was estimated that some aid was withheld from 91 municipalities because of the maximum growth provision.

Counties and municipalities are guaranteed only 90% of their prior year payment amount, to prevent year-to-year payment decreases. In 2021, 66 municipalities were made minimum guarantee payments.

### ***Distributional Impact***

According to the LFB Informational Paper, "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 other benefit more from cost-based provision, neither approach tends to satisfy both groups...Statewide estimated transportation aid payments for 2021 equal 19.7% of reported costs for 2019. From this perspective, towns do the best, with payments equaling 36.0% of reported costs. Incorporated areas benefit the least with payments ranging from 15.1% of reported costs for those with populations under 10,000 to 15.9% of reported costs for those with populations over 200,000. This situation is reversed when aid payments are examined in terms of mileage. On average, statewide, local governments received \$44,954 in 2021 payments for each mile of road under their jurisdiction. From this perspective, towns benefit the least, receive \$2,662 per mile. Incorporated areas benefit the most, ranging from \$8,692 per mile for those with populations under 10,000 to \$18,465 per mile for those with populations over 200,000...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 government."

### ***Interview with The League of Wisconsin Municipalities***

The Wheeler Report sat down with Curt Witynski at The League of Wisconsin Municipalities to talk about general transportation aids. The conversation started with Witynski discussing the report by the

Wisconsin Policy Forum – [Two Way Street, Is there a better way to distribute local road aid in Wisconsin?](#)

The report begins with a discussion of the GTA program, then discusses how other bordering mid-western states fund their roads. The report then discusses the different types of roads and their needs and concludes with five recommendations or policy options. The policy options include:

- Strengthening Local Input
- Balancing the Needs of Different Communities
- Overhauling the GTA Formula
- Consider a New Formula
- Other Approaches

Witynski started the discussion by saying, “We’re not talking about a dramatic shift of dollars for rural or town areas to cities. We’re talking about a more efficient, logical way of distributing large amounts of state dollars to local governments.” He was clear in saying he is not attempting to start a battle with other local government entities but is hoping to start the discussion about ways the funding could be adjusted without creating winners and losers. He emphasized that any changes would need to be done over time, not all at once, and everyone would need to be held harmless.

Witynski said, “When you look at what percentage of a community’s transportation costs are covered by transportation aids for cities and villages on average, it’s under 16%. It’s like 15% on average of their transportation costs are covered by these transportation aids. Where for towns, it’s more in the upper 30s, like 36 to 39% of their transportation costs are covered by GTAs.” He went on to discuss the building cap in the aid program. No community is supposed to have more than 85% of their transportation spending costs covered by the aids. He said none of the cities or villages even get close to 50% of their costs. Then he highlighted that the towns convinced the legislature to modify the language so towns can get up to 98% of their transportation budget covered, meaning that no local tax dollars are going in.

In 2013, the Wisconsin Transportation Finance and Policy Commission released a report “[Keep Wisconsin Moving, Smart Investments Measurable Results.](#)” According to that report, “The share-of-costs percentage floats from year to year based on costs reported and funds remaining after rate-per-mile entitlements are deducted. In calendar year 2012, municipalities received a total of \$308.9 million and counties shared in the distribution of \$94.6 million in state aid. Because of their generally lower costs, almost all town governments receive GTA on the RPM formula, whereas cities and villages typically receive SOC payments. The rate-per-mile payments are made first, and funds left over in the appropriation are distributed to municipalities using the SOC formula. This typically results in municipalities on the RPM system receiving reimbursement for a much larger percentage of their costs.” As a result of their findings, the Commission made recommendations that would distribute GTA funds in a manner which would “see more emphasis placed on higher functioning roads that carry more traffic.”

In the interview, Witynski pointed to the Policy Forum report saying the League would like to see additional factors added into the GTA formulas, “We’re not talking about a complete shift. We need a better balance so that the state is more efficiently spending a dollar. We could point to our neighbors and maybe we should think of adding some of the factors that a Minnesota or Iowa include in their distribution formula. Like the width of the highway you’re trying to maintain. The type of material the road consists of, concrete or blacktop. Or other infrastructure that’s included in the road like stormwater

and curbing, or gutters, or things like that. If we could add some of these factors that some of our neighboring states do to determine actual transportation needs and use, we think that would be a win.”

When asked what one of the challenges facing the League has been with these discussions, Witynski said whenever they bring this discussion up in the legislature, the discussions immediately turn to Madison and Milwaukee. Witynski said that The League membership consists of 600 cities and villages, and half of them are under 1500 population.

In the end when asked what they really wanted, Witynski said, “Our first ask is update the formula to include better measures like the width and the road makeup. Then he said population and maybe vehicle miles traveled.”

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