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Two-Way Street: Is there a better way to distribute local road aid in Wisconsin?
Disparity in road funding prompts question of whether state is best served by status quo

The state's main aid program for supporting local roads could deliver support more efficiently to communities with the greatest need, raising the question of whether it's time to revisit how these dollars are distributed, according to a new report.

The state's General Transportation Aids (GTA) program is the second-largest program in the Wisconsin Department of Transportation; at \$508.2 million in 2021 alone including supplemental payments, it also represents the second-largest form of state aid to municipal governments in Wisconsin, and one of the top forms of aid to counties. The GTA program is growing more rapidly than other forms of state aid such as shared revenue payments, further highlighting its importance.

Yet the formula for distributing the funding has not had a major update in two decades. Over time, more funding has shifted toward smaller municipalities that receive the same aid payment regardless of how much they spend on roads, removing an incentive for investing in infrastructure. For larger municipalities and counties, increases may be going toward growing communities with the ability to spend more on road-related costs, making it harder for low-growth communities to invest in roads. Reviewing the state formula in light of these trends could help ensure the dollars are distributed more equitably and better advance the state's transportation goals, the report finds.

"In short, Wisconsin's aid system rewards communities with high property values and new development for spending money on roads or even related services such as police – whether or not the spending is needed – while providing no incentive to very small communities to repair and rebuild roads. The result is a system that is likely less efficient and effective in promoting a safe, high-quality road network," the study finds.

The report, produced by the Forum and the UW-Milwaukee Institute for Physical Infrastructure and Transportation, finds Wisconsin and other cold weather states with a significant rural population spend more heavily on roads. The state ranked sixth highest nationally – and roughly on par with other states in the region – with \$952 per capita in state and local highway spending in fiscal year 2017, the most recent year for which data are available. Wisconsin also provided \$119 per capita in highway aid to all local governments in 2017 – seventh highest in the country. That underlines the importance of an effective and efficient state aid system.

Understanding the trend

For decades, state GTA payments have been distributed to local governments through a pair of formulas. The first is based on the mileage of roads in a community and the second is based on a share of certain costs associated with its roads, including maintenance and construction but also related expenses such as police. Municipalities provide data for the two sets of calculations and the state uses the one yielding the largest payment for that community. Nearly all towns and some villages are paid through the mileage formula, while larger villages and cities generally are paid through the share-of-costs formula.

State leaders have increased the mileage rate much more since 1990 than they have total GTA funding (224% versus 133%). Though the state has avoided it in recent years, this trend of prioritizing the mileage rate over the overall program has meant GTA funding has increased more rapidly for small communities (towns and some villages) and more slowly for cities and counties.

Possible solutions

To explore other alternatives, researchers reviewed the systems used by Minnesota, Iowa, Michigan, and Illinois and found they generally employ more factors than Wisconsin in distributing state road aid to local governments including population, vehicle registrations or fees, and local needs.

The report also developed a model that sought to assess local needs for road spending based on a sample of 111 municipalities. The model shows that, as a share of modeled need, current GTA payments were highest for the smallest towns and for the city of Milwaukee because of its high police costs. Yet despite that, actual spending on construction by some communities such as small towns and Milwaukee can fall short of their estimated need.

In conclusion, the report presents several options for the GTA program for state officials to consider:

- Restore a greater voice to local leaders in determining the transportation policies that affect them, potentially through an advisory council of local officials.
- Continue the recent practice of tying the percentage change in the mileage rate within the GTA program to the overall increase or decrease in the program's funding for municipalities.
- Tweak the existing GTA formula by reducing the emphasis on police costs and allowing for greater focus on expenses from road maintenance and construction.
- Rewrite the GTA formula to take greater account of factors such as road or pavement type; population or vehicle registrations in a community; need as determined by an objective formula; or the fact that some slow-growing communities may be losing GTA payments.
- Continue the recent practice of shifting more future funding increases for local road aids into the state's Local Road Improvement Program or other state programs.

The report acknowledges that overhauling the GTA program would be a daunting task – not least because changes to its formula would inevitably create winners and losers, creating political hurdles. Yet the report notes there are also “drawbacks to appropriating ever larger amounts of tax dollars for the current program without considering whether those funds are achieving the state's transportation goals.”

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