



## Legislative Fiscal Bureau

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September 14, 2018

TO: Senator Robert Cowles  
Room 118 South, State Capitol

FROM: John Wilson-Tepeli, Fiscal Analyst

SUBJECT: Surface Transportation Program Funding -- Urban Subcomponent

As you requested, this memorandum provides information related to several recently identified concerns related to the urban subcomponent of the surface transportation program (STP).

### Background

The state's STP program is a federally-funded, local assistance program that funds up to 80% of local governments' eligible project costs. The program is funded through the federal surface transportation block grant, which was authorized under the most recent federal surface transportation authorization act (the Fast Act), from federal fiscal year 2016 through 2020. Eligible uses of this federal funding include capital projects on roads and highways under either state or local jurisdiction that are classified as either "arterials" or "collectors" under the Federal Highway Administration's functional classification system. Also eligible are projects related to bridge improvement projects on all classifications of roads, as well as a variety of nonhighway project types (including bicycle and pedestrian facilities).

The Department divides STP program funding into two principal program parts, one called surface transportation program-urban (STP-U) for grants to areas with a population above 5,000 and one called surface transportation program-rural (STP-R) for making grants to counties for improvements on rural highways (primarily county highways) outside of urban areas. As required under federal law, STP-U funds are further divided between categories of urban areas (or "STP-U groups") according to population, as follows: (a) urbanized areas with a population over 200,000; (b) urbanized areas with a population between 50,000 and 200,000; (c) urban areas with a population between 20,000 and 50,000; and (d) urban areas with a population between 5,000 and 20,000. In total, about \$67.2 million annually is appropriated for all of the above program components.

Until recently, it was DOT's practice to schedule and plan STP-U projects on a five-year (state fiscal year) basis, with updates to this schedule every two years. The most recent known schedule is

the 2016-20 plan. At the time of application, DOT provides regional planning commissions (RPC) and metropolitan planning organizations with an estimate of their annual STP-U allocation as well as an estimate of their total allocation during the period of the adjusted plan. For example, a MPO with a \$5 million annual allocation during the 2016-20 plan would have been provided with an estimate of STP-U aid totaling \$25 million. However, because of variation in project scheduling needs and size, under federal law DOT indicates that it may vary the amount provided to MPOs and RPCs in any given year, as long as the annual average amount provided is equal to the MPO's annual allocation amount. For instance, for an MPO with an annual allocation of \$5 million, it would be permissible for DOT to allocate no funding in one year, but to provide a "catch up" amount of \$10 million in the second year, for an annual average of \$5 million. Conversely, if an MPO receives an amount greater than their annual allocation in one year, their annual allocation would be "prorated" in subsequent years to reflect the high amount received in the early years of the plan schedule.

As will be discussed in more detail in the subsequent section, in a June 18, 2018 letter, DOT notified STP-U groups (regional planning commissions (RPC) and metropolitan planning organizations (MPO) that the STP-U program would shift to a four-year planning and schedule process for the 2019-22 period (Attachment 1). In this letter, the Department also indicated the cancelation of the 2018-22 project application cycle.

### **Discussion of Recent Program Concerns**

The following section discusses concerns raised by local officials regarding the shortening of the STP-U schedule and the cancelation of the 2018-22 project application cycle.

*Description of Schedule Modification and Related Communication.* The Department's past practice was to carry out STP-U planning on a five-year (state fiscal year) schedule, with project updates added every two years. The most recent known schedule covers the 2016-20 period. In 2017, DOT began its (two-year) update to the STP-U plan by soliciting applications from STP-U groups (which were to be submitted by September 1, 2017). Typically, under this process, projects would have been added to the 2018-22 schedule period, but would have primarily resulted in additions to the 2020-21 and 2021-22 fiscal years, with the 2018-20 project schedule looking a lot like the schedule included in the 2016-20 plan for those years. However, subsequent to the receipt of the 2018-22 STP-U applications, the Department made the internal decision not to add new projects to the existing schedule, as it was considering a restructuring of the program. [Under consideration was replacing some or all of the federal moneys in this program with state funds, such that entirely-state-funded local projects could be subject to fewer federal requirements -- local officials now indicate that DOT has notified MPOs that it no longer plans to restructure the STP program in this manner.] Subsequently, in a June 18, 2018 letter (Attachment 1), approximately 9 months after the submission deadline for the 2018-22 schedule applications, DOT officially notified RPCs and MPOs of the decision to cancel the 2018-22 application process. The same letter also notified these groups of the Department's decision to adopt a shorter, four-year, 2019-22 schedule and indicates that the (now-canceled) 2018-22 applications could be updated, as needed, for consideration under the new four-year schedule

*Certain 2017-18 STP-U Funding Allocations.* Several local officials have indicated a concern

that DOT may not have provided two, federally-required STP-U allocations in 2017-18, totaling about \$46 million: (a) \$38.1 million annually for STP-U groups with populations in excess of 200,000; and (b) \$7.9 million annually for STP-U groups with populations between 50,000 and 200,000. [Again, because of variation in project size and scheduling, as well as variation in the annual availability of federal aid, some year-to-year differences in the actual amounts provided to these STP-U groups can occur.]

A primary reason for this concern appears to be a comment in DOT's June, 2018, letter, in which the Department indicated that cancelation of the 2018-22 application process and adoption of the new 2019-22 schedule resulted in "effectively dropping fiscal year 2018, which closes on June 30<sup>th</sup>," from what would have been the 2018-22 STP-U allocation schedule. Based on discussions with DOT, it appears that this phrasing was intended to communicate that STP-U groups' forward-looking allocation (2019-22) would not include a 2017-18 funding amount. DOT officials note that 2017-18 funding was not included in this schedule because it was already committed to projects that were planned under the 2016-20 project schedule. The Department provided the attached list of 2017-18 allocations (\$47.4 million) associated with already scheduled projects (Attachment 2). However, this commitment to the 2017-18 project funding was not explicit in the DOT notification, which appears to have led to confusion among local officials. [Also shown are Department's planned allocations to these STP-U groups for each project receiving funding in 2018-19 (about \$45.5 million). DOT indicates that its regional office officials work with local governments with regard to the administration of annual STP-U project allocations].

*Schedule Modification and Related Local Budget Issues.* A number of local officials have described budgetary and planning concerns and confusion related to the cancelation of the 2018-22 STP-U application process and the shortening of STP-U program schedule.

The Department indicates that the adoption of a four-year STP-U schedule will not affect the annual amount of federal aid allocated to STP-U groups. Each time a new STP-U schedule is produced, RPCs and MPOs receive an estimate of their total STP-U allocation based on their annual allocation multiplied by the number of years included in the current schedule. For example, under a five-year schedule and planning process, a MPO with an annual allocation \$5 million would have a total allocation of \$25 million (5 years \* \$5 million). Under a four-year schedule and planning process, the total funding available to this MPO would only be \$20 million (4 years \* \$5 million). Nonetheless, under either of the schedules referenced above, the per-year allocation would be the same (\$5 million). Therefore, DOT indicates that an administrative decision to plan on four-year basis (rather than for five-years) does not eliminate any STP-U groups' fifth year of funding. Instead what had been the fifth year of a five-year schedule would become the first year of the next four-year schedule. The shorter cycle does give local entities fewer years to balance sizable projects with their annual allocation amounts, which can make planning more difficult.

As noted in the "Background" section, each time a new STP-U application process is initiated, DOT provides RPCs and MPOs with an estimate their total funding allocation during the period of the plan. For example, at the time of the 2018-22 project solicitation in 2017, DOT provided RPCs and MPOs with an estimated STP-U allocation that included an allocation for 2018 (as well as for the 2019-22 years in the schedule). However, the 2018-22 allocation amount was not entirely

representative of "new funding" that would be available to these entities, since some funds were previously committed for the 2018-20 projects in the existing 2016-20 schedule. Nonetheless, in some cases, it appears that MPOs and RPCs (as well as other units of local government) understood this allocation to be representative of new, uncommitted funding that would be available to them in each year of the schedule (including the 2018-20 years).

In other cases, it appears that some MPOS and RPCs with little or nothing scheduled in 2017-18 or 2018-19 thought their annual allocation was available to them and applied for that STP-U funding in those years, but were unaware of the existing, statewide project commitments for these years. Because there appears to have been no statewide, official notification to each MPO and RPC of the cancelation of the 2018-22 application process (until June, 2018), some of these groups appear to have operated under the assumption that these project applications were approved and funded. Consequently, some local governments planned and budgeted for STP-U projects submitted under the 2018-22 application process, only to discover subsequently that the statewide program funding for these years had been committed to previously scheduled projects. In such cases, these projects could instead be funded in the new, 2019-22 schedule when local governments (MPOs and RPCs) "catch up" on their total STP-U allocation amount in these years due not being awarded their full allocation amount in 2017-18 and 2018-19.

In sum, despite the confusion surrounding the program changes described in this memorandum, and while some local projects may not be funded in the timeframe that local officials had expected, DOT indicates each STP-U recipient should receive their total allocation amount over the schedule period. Further, Federal Highway Administration officials indicate they are conducting a review of STP project awards to ensure that each recipient received project funding that equals their required annual allocation (or in an amount that equals each entity's total allocation over the required time period).

I hope this information is helpful. Please let me know if you have any further questions.

JWT/lb  
Attachments

# ATTACHMENT 1



## Wisconsin Department of Transportation

www.wisconsin.gov

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Governor

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TO: Wisconsin Metropolitan Planning Organizations & Regional Planning Commissions  
WisDOT Region Local Program Staff

FROM: June Coleman, Program and Policy Chief  
WisDOT Local Programs & Finance

CC: Dave Simon, Director  
Bureau of Transit, Local Roads, Railroads & Harbors  
Aileen Switzer, Administrator  
Division of Transportation Investment Management

DATE: June 18, 2018

SUBJ: 2019-2022 STP – Urban Program Cycle  
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The 2019-2022 STP<sup>1</sup> – Urban Program Cycle is moving forward.

### **STP – Urban Program Policy Protocols**

The STP-Urban Program is a federally funded local program. Funds distribution and project eligibility remain largely unchanged from prior program cycles. While the department has made roadway preservation improvements a funding priority in other local and state programs, the WisDOT STP-Urban Program can fund federally eligible transportation related activities as approved by Wisconsin Metropolitan Planning Organizations (MPO's) & Regional Planning Commissions (RPC's); except for bicycle/pedestrian personnel positions.

STP funding allocations to Wisconsin Urbanized Areas are set at the beginning of a program cycle; no additional funding is provided during the program cycle. Funds Available Allocations for each program cycle are determined by federal apportionment, annual state budget appropriation limits<sup>2</sup>, urbanized area population, and current programming. Due to the program delay, the current program cycle is utilizing four full years of funding and current programming, state fiscal years 2019 – 2020, instead of five years to arrive at Funds Available for each RPC, effectively dropping fiscal year 2018 which closes on June 30th. *Attached is the 2019-2022 Program Funds Available Estimate for the STP-Urban Program.*

The federally funded program will continue to adhere to standards as stipulated in the WisDOT Facilities Development Manual (FDM), retain full WisDOT oversight, and projects will be state Let for construction. WisDOT project oversight costs are expected to decrease due to the elimination of the use of Management Consultants (MCs) to deliver the local program. WisDOT Region staff are available to assist in project design and construction oversight estimates.

### **Change Management**

Because urbanized areas receive a fixed funds allocation each program cycle, federal funding for all

<sup>1</sup> Surface Transportation Program

<sup>2</sup> Commonly referred to as the state legislature Biennium Budget 'Chapter 20'

urbanized area projects is capped at a cost share determined by the MPO/RPC. The MPO's/RPC's Transportation Improvement Program (TIP) Committees may approve project federal funding from 50% up to an 80% maximum cost share at the time of project application approval.

The department's Change Management policy accommodates appropriate schedule changes and project substitutions to approved projects in coordination with the MPO's/RPC's as the approved project progresses through the design process.

**2017-2022 Surface Transportation Program - Urban Timeline**

Program applications were submitted by local public agencies in the spring and early summer of 2017. The department recognizes that MPO's/RPCs may need additional time to coordinate and update project application information with the local project sponsor. The review of current applications by MPO's/RPCs, including coordination with WisDOT staff to determine delivery oversight estimates, is expected to take six to eight weeks. Please return all selected project applications to WisDOT no later than **August 8, 2018**.

If you have any questions or concerns please contact the following WisDOT staff:

Southwest Region - Michael Erickson, [michael.erickson@dot.wi.gov](mailto:michael.erickson@dot.wi.gov), Phone: (608) 246-5361  
Southeast Region - Robert Schmidt, [robert1.schmidt@dot.wi.gov](mailto:robert1.schmidt@dot.wi.gov), Phone: (262) 548-8789  
Northeast Region - Sandy Carpenter, [sandra.carpenter@dot.wi.gov](mailto:sandra.carpenter@dot.wi.gov), Phone: (920) 492-5681  
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Northwest Region - Bill Zimmer, [william.zimmer@dot.wi.gov](mailto:william.zimmer@dot.wi.gov), Phone: (715) 635-5014  
Statewide Program Contact - Todd Wescott, [todd.wescott@dot.wi.gov](mailto:todd.wescott@dot.wi.gov), Phone: (608) 267-4459

## ATTACHMENT 2

### Selected STP-U Program Funding Allocations -- 2017-18 and 2018-19

#### Population of 200,000 or more

<u>MPO Area</u>	<u>County</u>	<u>Project Title</u>	<u>2017-18</u>	<u>2018-19</u>
Appleton	Outagamie	Town of Grand Chute W Spencer St	\$0	\$2,355,733
		City of Appleton, Oneida St	3,195	0
		City of Appleton, Oneida St	5,083,417	0
	Calumet	City of Menasha, CTH LP	0	4,065,710
	Winnebago	City of Menasha, Broad Street	0	822,345
Green Bay	Brown	Village of Ashwaubenon, Cormier Rd	0	2,511,321
		Village of Bellevue, S Huron Rd	0	1,952,068
		City of Green Bay, Mather St	660,644	0
		City of Green Bay, Webster Ave	0	4,710,886
		City of Green Bay, Webster Ave	0	173,267
		Village of Howard, Vincent Rd	0	611,709
Madison	Dane	City of Madison, East Johnson St	0	2,575,473
		City of Madison, University Avenue	275,652	0
		Rideshare Coordinator - 2018	86,440	0
		Pedestrian Bike Safety Education	0	74,400
		Rideshare Coordinator - 2019	0	88,800
		Pedestrian Bike Safety Education	0	76,400
		City of Madison Buckeye Road (CTH AB)	0	865,692
		City of Verona, N Main Street	2,457,556	0
		City of Madison, CTH M	6,429,474	0
		City of Madison S Pleasant View Rd	8,295,761	0
Milwaukee	Milwaukee	W Layton Avenue	1,120	0
		N 60th Street	613	0
		W Layton Avenue	0	4,375,348
		W Layton Avenue	0	220,000
		North Teutonia Avenue	0	2,327,245
		South 35th Street	2,098	0
		West Wisconsin Avenue	118	0
		West Wisconsin Avenue	3,495,552	0
		West Mill Road	12,114	0
		West Greenfield Avenue	3,267,635	0
		North 27th Street	6,420	0
		W Oklahoma Avenue	15,554	0
		W Oklahoma Avenue	2,298,012	0
		W Oklahoma Avenue	6,407	87,719
		W Morgan Avenue	0	1,117,272
		West National Avenue	1,678	0
		West National Avenue	0	929,938
		West National Avenue	1,731,747	0
		South 60th Street	11,609	0
		South 60th Street	9,915	0
		South 60th Street	0	3,638,696
		South 60th Street	4,968	0
		South 13th Street	3,379,458	0
		South 13th Street	1,630	0
		W Edgerton Avenue	11,310	0
		West Vliet Street	30,713	0
		West Vliet Street	0	2,719,537
		West Lloyd Street	5,663	0
		5th Avenue Relocation	6,216	0
			Waukesha	Moorland Road
		CTH D	570	0
Subtotal			\$39,857,610	\$36,299,559

**ATTACHMENT 2 (continued)**

**Selected STP-U Program Funding Allocations -- 2017-18 and 2018-19**

**Population of 50,000 to 200,000**

<u>MPO Area</u>	<u>County</u>	<u>Project Title</u>	<u>2017-18</u>	<u>2018-19</u>
Beloit	Rock	City of Beloit, Prairie Avenue	\$0	\$1,843,343
Eau Claire - Chippewa Falls	Chippewa	USH 53 - Jim Falls	0	373,477
		City of Chippewa Falls, Park Avenue	43,719	0
	Eau Claire	City of Altoona, Bartlett Avenue	37,142	0
		City of Altoona, Bartlett Ave	0	248,097
Fond Du Lac	Fond Du Lac	City of Fond Du Lac, CTH VV	1,535	0
Janesville	Rock	City of Janesville, Ruger Avenue	0	958,163
Kenosha	Kenosha	39th Avenue	446	0
		CTH W	25,447	0
La Crosse	La Crosse	City of La Crosse, Market Street	255,649	0
		City of La Crosse, 6th Street South	828,498	0
		City of Onalaska, Braund Street	161,651	0
		City Of Onalaska Ph	161,960	0
		City of Onalaska, Riders Club Road	1,059,484	0
		Onalaska - Holmen	0	784,257
		Village of Holmen, Sunset Drive	176,712	0
Racine	Racine	16th Street	0	8,000
		CTH Mm	3,055,660	0
Sheboygan	Sheboygan	City of Sheboygan Superior Ave	0	721,652
		City of Sheboygan, North Ave	27,466	0
		City of Sheboygan North Ave	0	2,107,763
		City of Sheboygan North Ave	0	103,961
		City of Sheboygan North Ave	0	200,000
Wausau	Marathon	City of Wausau Townline Road	0	110,000
		City of Wausau South 1st Avenue	0	90,000
		City of Wausau Townline Road	0	520,237
		City of Wausau South 1st Avenue	0	642,856
		City of Wausau CTH N	0	479,747
West Bend	Washington	18th Avenue	10,669	0
		18th Avenue	<u>1,740,332</u>	<u>0</u>
Subtotal			\$7,586,370	\$9,191,553
Total			\$47,443,980	\$45,491,112