

Transportation Development Association



Issue Paper #3

Transportation Funding: How Does Wisconsin Compare?

This is the third in a series of issue papers on key transportation topics facing the Wisconsin Legislature in the 2003-05 state budget

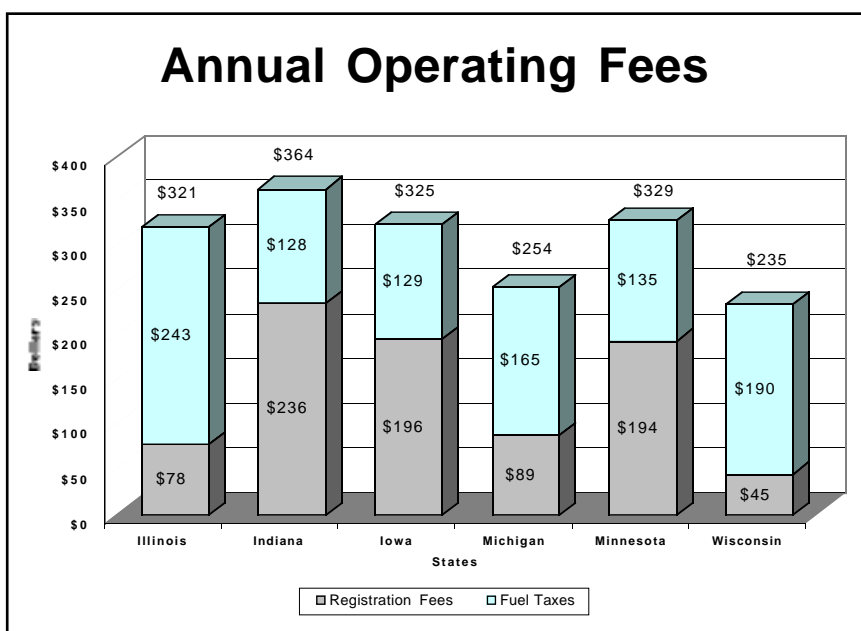
How will Wisconsin fund future transportation needs?

According to a report issued by the U.S. Department of Transportation, \$50 billion is required annually just to maintain the nation's transportation system. \$60-\$70 billion would be needed annually to actually improve the highway system. Unfortunately, federal highway trust funds are only projected to sustain funding levels of \$29-35 billion over the next six years. This leaves states with a larger share of the cost of maintaining and improving the nation's highways, bridges and transit systems during a time many of them also face unprecedented deficits.

exclusively on fuel tax revenue and registration fees for the state's portion of transportation funding for all modes.

Wisconsin's gas tax, currently 28.5 cents per gallon, is the second highest in the nation and approximately eight to nine cents more per gallon than surrounding states. This tax is the largest source of state transportation revenue.

On the other hand, the \$45 registration fee is the lowest in the region. So although Wisconsin's gas tax is high, the total taxes and fees motorists pay are the lowest among neighboring Midwestern states.



Wisconsin DOT estimates the need for an additional \$500 million annually over what is currently available to fund growing transportation needs across all modes. The prospect of uncertain future federal funding and stagnant state revenue only magnify the shortfall.

Wisconsin's Transportation Funding

Wisconsin's neighboring states employ several different methods for generating transportation revenues – fuel taxes, vehicle registration fees, sales and excise taxes, bonding, local option taxes and general fund appropriations – to support system maintenance and improvements. Wisconsin, alone, relies

It is important to note that while the gas tax is indexed to keep pace with inflation, this indexing does not produce a significant amount of additional transportation revenue each year. In fact, despite annual adjustments, gas tax revenues have lagged far behind general fund revenues (sales and income tax) in Wisconsin. The current funding formula does not account for the increased fuel efficiency of modern cars and alternative fuels such as ethanol.

How Neighboring States Fund Transportation

Illinois funds transportation programs with gas tax revenues and a flat registration fee of \$78.

How Wisconsin Compares

Transportation Revenue Sources	Illinois	Indiana	Iowa	Michigan	Minnesota	Wisconsin
Motor Fuel Tax	X	X	X	X	X	X
Registration Fees	X	X	X	X	X	X
Bonding	X	X		X	X	X
Road & Bridge Tolls	X	X		X		
General Fund Appropriations	X	X	X	X	X	
Motor Fuel Sales Tax				X		
Vehicle Sales Tax			X	X	X	
Vehicle-related Sales Tax				X		
Local Option Taxes	X	X	X	X	X	

Source WisDOT

However, Illinois also maintains a toll system, provides local governments with the authority to levy a tax for transit system funding and allocates general fund revenue to transportation.

In addition to the traditional gas tax, Iowa, Michigan and Minnesota all employ a value-based vehicle registration fee system that assesses a fee based upon the value and/or weight of a vehicle. Unlike Wisconsin, these states assess a sales tax on gasoline and/or utilize a sales tax on autos to fund transportation. They also provide some general fund support for transportation programs. In total, 39 states utilize general fund revenues to support transportation programs, recognizing the social and economic benefits that mobility brings to the general public.

State Transportation Initiatives

States across the country have been reevaluating how they fund transportation. There were 29 initiatives to increase transportation funding on last November's ballot- 17 passed: 8 measures increased highway funding, 4 increased transit funding and 5 increased both.

Ohio has recently approved a modified financing system for its transportation network, which includes a two-cent gas tax increase in each of the next three years to raise nearly \$600 million a year in new revenue for highway and bridge improvements. The state of Minnesota is considering a proposal to increase transportation revenue by raising the gas tax by six-cents, abolishing the cap on auto license taxes, and allowing municipalities to levy a sales tax for highways and transit if authorized in regional referendums.

The variety of funding mechanisms employed by neighboring states demonstrates that there is no one-size fits all approach to transportation financing. Different states utilize different mechanisms to generate needed revenues. Wisconsin can no longer rely on its narrow transportation revenue base which is not growing fast enough to keep up with infrastructure needs. Without a fundamental shift in the way Wisconsin finances transportation, system needs will go unmet, passenger safety will be compromised, and economic initiatives and opportunities will be lost.



Transportation Development Association

Issue Papers in this series include:

#1 Transportation a Key Business Asset in a Changing Economy

#2 The Cost of Transportation Fund Bonding:
Cash or Charge?

Upcoming Issue Papers in this series will include:

Highway Capacity

Commuter Rail in Wisconsin

The Transportation Development Association of Wisconsin is a statewide, nonprofit organization working for an efficient transportation system for Wisconsin that addresses safe mobility and economic growth. To receive a copy of previous issue papers or for further information please contact the TDA office:

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