Wisconsin Farm Bureau FEDERATION
1241 John Q. Hammons Drive P.O. Box 5550, Madison, WI 53705 1.800.261.FARM (3276) www.WFBF.com

Issue Backgrounder – June 2015

Transportation Revenues and Expenditures

Overview

There is ongoing and extensive discussion about the financing, maintenance and construction of road projects in Wisconsin. Agriculture relies on a good transportation network to move farm machinery, products and services throughout Wisconsin using roads, rail and waterways.

Similar to the needs of manufacturing, agriculture's $88 billion industry relies on a well-maintained transportation network to move products to and from the farm. This network supports 413,500 jobs throughout the state. Trucking also has a profound economic impact and is particularly important to meat and dairy farmers.

Wisconsin has roughly 115,000 miles of roads. State highways and the interstate system make up 12,000 miles compared with more than 62,000 miles of towns roads; however, only 4 percent of the state's traffic uses town roads.

Since the repeal of fuel tax indexing in 2006, transportation revenues have been stagnant. Mega projects in southeastern Wisconsin and the expansion of two-lane roads to four-lane roads have diminished the funding available to county, municipal and town roads.

Local bridge and culvert repair and construction is facing similar circumstances. By definition, a bridge is a structure that spans 20 feet or more and there are about 14,000 bridges in Wisconsin. A culvert is a structure that spans or supports a road under 20 feet and it is unknown how many exist.

Bridges and culverts are in need of repair and or replacement in order to support the farmers who rely on them.

Wisconsin does not have a long-term, sustainable transportation funding system in place. The annual growth of gas taxes and vehicle registration fees is negligible. If no action is taken and we continue with *status quo*, transportation funding will fall short between $2 and $6 billion during the next 10 years.

Echoing this shortfall projection, a bi-partisan commission released a report in January of 2013 that identified a $680 million annual shortfall in Wisconsin's transportation budget. Without additional funding, the percentage of roads in the state highway system that are rated at poor or worse will more than double from 20 to 42 percent by 2023.

At the same time, the trajectory for debt service payments will encompass 25 percent of expenditures coming out of the fund. In essence, we will be writing checks that spend a quarter of state transportation revenues before we even start work on a single road or bridge.

Table 1. Fiscal year 2013-2014 Transportation Fund revenue collections by source.

Source	Amount	Percentage %
Motor Vehicle Fuel Tax	$999,418,100	54.3
Vehicle Registration Fees	657,698,700	35.7
Transfers from Other Funds	57,776,800	3.1
Driver License Fees	39,240,800	2.1
Other Various Fees	87,891,100	4.8
Total	**$1,842,025,500**	**100**

In fiscal year 2013-2014, there were three principal funding sources for all functions of the state's transportation programs.

- State Transportation Fund, plus previous biennia carryover, $1,961,063,700
- Bond proceeds, $551,806,000
- Federal funds, $840,321,700

How that money was allocated can be found in Table 2.

Table 2. Fiscal year 2013-2014 allocation of the three major transportation revenue sources.

	Amount	Percentage %
Highway programs	$1,898,393,800	56.6
Local road aids	556,267,400	16.6
Debt service	294,195,600	8.8
Mass transit aids	163,597,000	4.9
Railroads, harbors and airports	139,215,700	4.2
General administration	100,472,600	3.0
Division of Motor Vehicles	75,646,800	2.3
State Patrol	68,002,300	2.0
Other programs	32,106,200	1.0
Non-DOT programs	25,294,000	0.8
Total	**$3,353,191,400**	**100**

If the idea that an increase in annual federal highway funds is not reliable and state bonding levels are too high *[Note: In FY 2013-14, debt service as a percentage of state revenues is currently 16 percent]*, then the rational next step is asking, How are we going to increase revenues for the transportation fund?

Table 3 illustrates the excise fee and sales tax schedule on motor fuel.

Table 3. State taxes and fees on gasoline, gasohol and E-85 Sales (in cents per gallon).

	Excise tax ¢	Environmental fees ¢	Sales tax on $2.57 per gallon ¢	Total ¢
Illinois				
Gasoline	19.0	1.1	14.9	35.0
Gasohol	19.0	1.1	11.9	32.0
E-85	19.0	1.1	---	20.1
Iowa				
Gasoline	31.0	1.0	---	32.0
Gasohol & E-85	29.0	1.0	---	30.0
Michigan	19.0	0.875	14.2	34.1
Minnesota				
Gasoline & Gasohol	28.5	0.1	---	28.6
E-85	20.25	0.1	---	20.25
Wisconsin	30.9	2.0	---	32.9

There are four major funding options that are suggested for discussion. Should WFBF endorse any of these, all of these or are there other sources that significantly increase revenues for transportation that we should consider?

- **Increase the gas tax by 5 cents.** It is estimated that a 1 cent increase in the gas tax will generate between $31 and $33 million annually.
- **Increase vehicle registration fees.** It is estimated that an increase of $10 per vehicle registration will generate about $81 million annually.
- **Create an initial registration fee for the purchase of new vehicles.** This will apply to the initial, private registration of new, light passenger vehicles including automobiles, vans, sport utility vehicles and light trucks with a gross vehicle weight of 8,000 pounds or less, and motorcycles) equal to 2.5 percent of the manufacturer suggested retail price. DOT has estimated the fee will generate $440 million annually.
- **Create additional local sales and use tax of 0.5 percent.** Counties will have the option to impose a 0.5 percent sales and use tax. Revenues will be allocated among the county, towns and municipalities and only used for maintenance of streets and highways. If the 62 counties that impose a 0.5 percent sales tax now decide to impose the additional sales tax for roads, it will generate approximately $340 million annually.

In addition to these four funding options, other options include establish tolls on parts of the interstate system, have municipalities implement a wheel tax, increase property taxes, increase fees for over-weight vehicles, etc.

Questions to Consider

Should WFBF support an increase in transportation funding?

If yes, which option(s)?

Other ideas to help fund transportation?