

Local Government Institute of Wisconsin

Transportation Analysis

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Spring 2015

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Acknowledgements

Thank you for the opportunity to serve the Local Government Institute of Wisconsin. This project offered our group several opportunities to engage with various individuals throughout the state via surveys, presentations, and interviews. We truly value the experience and are happy to share the results of the project with you and the members of LGI.

Enclosed you will find the complete study along with a file including the data gathered through both quantitative and qualitative research.

Again, thank you for the opportunity to serve the Local Government Institute of Wisconsin.

Problem Statement

Transportation aid to local governments has been declining and is making it difficult to maintain and improve Wisconsin's transportation infrastructure. The Institute would like a consultant team to analyze a recent report on local transportation funding and review the local funding options relative to their impact on different types of units of government.

Executive Summary

The Local Government Institute of Wisconsin requested we analyze the contents of "Filling Potholes: A New Look at Funding Local Transportation in Wisconsin." The goal of this analysis is to help craft a strategy for the Transportation Policy Package (policies that provide greater funding and flexibility to local units of government to better address local and regional transportation issues). Utilizing the report, we surveyed hundreds of state workers across the state of Wisconsin including city managers, transportation directors, city engineers, and mayors. Respondents included those from the state, cities, towns, counties, and villages. We asked them which of the ten options from the report they saw as potential revenue creating options for solving Wisconsin's transportation and infrastructure issues. The results from the 626 returned surveys indicated that the best options would be the value based registration fee, a sales tax on gas, indexing the gas tax, and to increase the flat rate fee. Based on the fiscal analysis, the wheel tax would be the best option because it generates a fair amount of revenue at a relatively low cost to citizens and units of government are already able to use this funding mechanism. Other options could be viable; however, they require legislative approval before they would be able to be implemented.

Background

Transportation aid to local governments has been declining and is making it difficult to maintain and improve Wisconsin's transportation infrastructure. The Institute would like a consultant team to analyze a recent report on local transportation funding and review the local funding options relative to their impact on different types of units of government.

The purpose of the Local Government Institute (LGI) of Wisconsin is to figure out how local governments can work better together. The "Filling Potholes" report proposed a range of solutions that would make it easier for local governments to work together on a regional basis. Our client is interested in figuring out which of these options would be the most helpful, as well as the challenges and opportunities associated with each of them. Currently, this is a very important issue not only for local governments and Wisconsin, but for the United States. There is added complexity to the issue since so much of the funding for transportation comes from the State even though most of the transportation infrastructure is locally owned.

Policy Question and Alternatives

The Policy Question

Which policy alternatives provide greater funding and flexibility to local units of government to better address local and regional transportation issues?

Exploring the Alternatives

There are ten possible solutions to the problem which we are investigating. We became familiar with these solutions by reviewing the report "Filling Potholes: A New Look at Funding Local Transportation in Wisconsin" which was released by the Local Government Institute of Wisconsin in late 2014.

Wheel Tax. Towns, villages, cities, and counties can impose registration fees on vehicles in their localities. All revenues must be used for transportation-related expenditures. The wheel tax is relatively uncommon; however, it has increased revenues where it has been enacted.

According to the report, if every municipality enacted a ten dollar wheel tax, the state would see \$44.2 million for local transportation funding.¹

Personal Property Tax. Rather than a fixed fee, the amount paid would be based on the vehicle's value, age, and local property tax rate. The advantage to this approach is that it is income tax deductible. One the downside, nonprofits and governments do not pay personal property taxes. This could be resolved by making the fee value-based instead.

Local Gas Tax. This is in an add-on to the local gas tax. Wisconsin does not currently allow local gas taxes, so that is the first barrier to this option. Also, there are only six states that currently allow it. However, an additional one cent gas tax would generate as much revenue as a seven dollar registration fee. This option also does not consider the continually increasing fuel efficiency of new cars.

Sales Tax on Gas. This would apply Wisconsin's sales tax to fuel purchases. If all municipalities enacted the sales tax at .5%, it would generate \$450 million annually.² The problems with this approach are that only nine other states currently do this and it does not secure steady revenue since cars are becoming more efficient.

Index Gas Tax. Instead of a one-time increase in the tax, the state could return to indexing the tax. Had this not been repealed in 2005, it would have generated \$735 million between 2007 and 2013.³ Again, this option is dependent on the sale of gas and will likely not be enough as people continue to purchase less gas for their more fuel efficient cars.

Increase Flat Rate Registration Fee. States and some localities impose fees to register vehicles. For each dollar increase in this fee, \$4.4 million in revenue is generated annually. So, if the fee was increased to \$100, it would yield \$110 million annually.⁴ This option is sustainable because it does depend on people having a vehicle, just not one that uses gas.

Value-Based Registration Fee. Fee based on a combination of the value and weight of the vehicle. The fee for this would vary based on what the vehicle is worth. The benefit to having a weight-based system is that the vehicles doing the most damage to the roads would need to pay more for the fee since vehicles that weigh more do more harm to the roads.

¹ Local Government Institute of Wisconsin. (2014). *Filling Potholes: A New Look at Funding*

² *Local Transportation in Wisconsin*. Wisconsin Taxpayers Alliance. Pg. 32.

³ Local Government Institute of Wisconsin. (2014). *Filling Potholes*. Pg. 14.

⁴ *Ibid.*, 34.

Vehicle Miles Traveled (VMT). Fee based on vehicle miles traveled per year. This option would be expensive if GPS trackers were used to track vehicle mileage; however a yearly reading of the odometer at a required maintenance check location would also work and be less expensive to implement. The benefit of this system is that people who drive more, and therefore do more damage to the roads, would pay more than those that travel less frequently. According to the report, if the first 3,000 miles were free, at a penny per mile, this fee would generate about \$2.3 billion over 10 years.⁵

Polls/Toll Roads. Charge a passage fee on major roads. This option is least likely because it has a high start-up cost and Wisconsin's superb secondary road system would make it too easy to avoid toll roads.

Regional Transit Authority (RTA). Regions would be governed by a policy-making board; local tax dollars would be forwarded to and budgeted by the RTA. This regional approach would be beneficial because it could save tax dollars and possibly reduce property tax disparities. However, there are several challenges to actually implementing it, and they would likely take a while to completely resolve. Some of these include drawing the lines for each region, choosing a board, deciding the exact responsibilities and roles of the RTA, as well as the types of taxes and fees they are able to impose on people. Such a system would help distribute the transportation funds more effectively and may even save money down the road.

Methodology

For our analysis, we will use existing data available in the 2013 "Filling Potholes" report as well as gather our own data by conducting a survey and interviews. The survey will be administered through Qualtrics and will be sent to approximately 1,882 administrators, finance directors, and public works directors in cities, towns, and villages throughout Wisconsin. The survey asks questions about the possible alternatives indicated in the Institute's report, how much they support or oppose each of them, and inquire about a regional transit authority. The complete survey is available in Appendix I and will yield both quantitative and qualitative data. We will then assess the most supported alternatives compared to the options the representatives would choose themselves to implement to determine which options would be most acceptable. With it,

⁵ Local Government Institute of Wisconsin. (2014). Filling Potholes. Pg. 29.

we will gain insight about the most commonly accepted alternatives as well as learn why some of these options have not been successful enough in the past and what it may take to actually implement them.

Second, we will be conducting interviews with approximately 10-15 different people representing different units of government from throughout the state. Areas were picked with the purpose of gathering data from large and small cities and towns, rural and metropolitan communities, and the extreme north to as far south as possible. The list of interview questions can be found in Appendix II. Some of the questions asked in the interviews will be similar to the survey questions, however we hope to obtain broader feedback about what has or has not worked for them in the past and why. The questions are designed to help us investigate the severity of the transportation funding issue, assess the viability of the options, and what it would take to make a regional approach work.

Next, we will use a fiscal analysis to compare the viability of each of the options. For this report, we will research information about the net revenue each option stands to generate each year, the average cost to citizens for each option, as well as the advantages and disadvantages of each option. This is an important step because it will help determine whether it would be a good idea to increase these fees in Wisconsin. To do this, we will research other states and organize the data into an easily comprehensible chart.

After gathering results for the survey, interviews, and fiscal analysis, we will compare the best options for each. Finally, we will review the twenty year sustainability of financing for transportation and attempt to propose the best long-term financing mechanism. The alternatives that are best in option will then be recommended.

Results

Fiscal Analysis Results

For the fiscal analysis, we will look into the estimated cost, the estimated yearly revenue, advantages, and disadvantages of each of the viable alternatives. We based these estimates on suggestions referenced in the Local Government Institute of Wisconsin's "Filling Potholes" report, which was released in 2014. Table 3 includes a summary for each alternative. The wheel tax has the lowest estimated cost to users at only \$20. This cost is based on a fee which is set by the unit of government which is imposing it. In Table 1, we found that the highest wheel tax

enacted in Wisconsin to date has been \$20 and has generated a sufficient amount of revenue for most localities. When only a \$10 fee was used, Janesville found that it was not high enough to cover their expenses.

Wheel Tax in Wisconsin

City/County	Start Year	End Year	Fee	Expected Revenue
Milwaukee	2008		\$20	27% of general transportation aid; generated \$6.33 million in 2013
Janesville	2012		\$10	Generated \$535,000 in 2013; not enough to cover expenses
Beloit	1986	2014	\$10	Generated \$392,077 in 2013; raised in early 2015
Beloit	2015		\$20	expected to create about \$250,000 in additional revenue that will help balance the 2015 budget
Appleton	2014		\$20	Expected to generate \$1.7 million
Arena	2015		\$20	No data available
Kenosha	1977	1978	\$10	No data available
Amery	1987	1991	\$5	No data available
Sheboygan	1990	2001	\$10	No data available
Sheboygan	2002	2006	\$6	No data available
Mayville	2009	2014	\$10	No data available
Marathon County	1987	1988	\$10	No data available
Chippewa County	2015		\$10	Expected to generate \$590,000
Iowa County	2015		\$20	Expected to generate \$1.76 million
St. Croix County	2008		\$10	Generated \$750,000 in 2013

Table 1: Wheel Tax in Wisconsin. Information gathered from the following sources: Penzenstadler, 2014; Runde, 2013; Stetzer, 2014; Journal Times, 2014; Walters, 2014; Wisconsin Department of Revenue, 2013; Zinck, 2014.

The wheel tax, personal property tax, sales tax on gas, flat rate registration fee, value-based registration fee, and vehicle miles traveled fees were further analyzed to include estimated user costs, yearly revenue, advantages, and disadvantages in Table 2. Other options were not included in this chart because it is difficult to estimate user costs for polls, an RTA, an index for the gas tax, and a local gas tax. Additional clarification for what exactly these options would look like would be needed to move forward with them as a viable option. There is simply not enough research or cases on them to adequately perform our analysis.

The user fee ranged from \$20 (wheel tax) to \$257 (vehicle miles traveled). Since most users are already unwilling to pay additional fees, the more expensive options would need to be reevaluated to determine a different way to calculate or estimate these values. For our analysis, we estimated based on the suggestions offered in the “Filling Potholes” report.

The second least expensive, the sales tax on gasoline purchases, would cost the average user about \$62 each year, given a .5% gas tax and average fuel economy per miles traveled each year. The advantage to this option is that people who use more gas will have to pay more; however, it is used by few other states and may need to be indexed. Additionally, it does not secure revenue since cars (and people) are becoming less dependent on gasoline.

Fee Type	Estimated Cost	Estimated Yearly Revenue	Advantages	Disadvantages
Wheel Tax	\$20	\$110,000,000	All revenues need to be used for transportation	Relatively uncommon
Personal Property Tax	\$282*	\$1,551,000,000	Income tax deductible	Nonprofits and governments do not pay personal property taxes
Sales Tax on Gas	\$62****	\$341,000,000	People using more gas (and therefore roads) pay more	Only 9 states use it Doesn't secure revenue; cars are more efficient May need to be indexed
Flat Rate	\$90	\$495,000,000	More sustainable; doesn't depend on sale of gas	Requires legislative approval
Value Based	\$157**	\$863,500,000	More sustainable	Requires legislative approval
Miles Traveled	\$257***	\$1,413,500,000	Vehicles doing most damage would pay the most	Expensive if GPS trackers are used

Table 2: Fiscal Analysis of Alternatives. Sources: Wisconsin DMV, 2011; NADA, 2013.

Notes: Average miles traveled: 28,700 (per household); Average gas mileage: 23; Average vehicle value: \$15,664; Average Personal Property Tax in WI: 1.8%; Average price of gas: \$2.79; estimated yearly revenue = estimated cost multiplied by the number of registered vehicles in WI.

*1.8% average tax in WI multiplied by the average vehicle value (15,664).

**based on 1% of average vehicle value

*** Average vehicle miles traveled is 28,700 (per household). First 3,000 miles are free; based on \$0.01/mile

****based on .5% gas tax

The next cheapest option would be to increase the flat rate registration fee to \$90. This is more sustainable because it does not depend on the sale of gasoline to be efficient. This model could also charge hybrid and electric cars as well. However, this would require legislative approval.

The value-based registration fee, based on 1% of the vehicle's value, would cost the average user (average value of vehicle is \$15,664 in WI) about \$157 (higher for more expensive vehicles, lower for less expensive vehicles). This option also requires legislative approval, but could be a viable option since it is more sustainable than other options that depend on the sale of gasoline.

The personal property tax alternative is a relatively expensive option, when based on the average tax in Wisconsin (1.8%) and the average vehicle value (\$15,664). If the tax was calculated differently, this option may be more viable. It also is income tax deductible, which is an advantage to the user. However, nonprofits and governments would not have to pay this fee because they are exempt from personal property taxes.

The vehicle miles traveled option is the most expensive—at about \$257 per average user (the average Wisconsin household travels 28,700 miles per year). The “Filling Potholes” report suggested the first 3,000 miles be ‘free’ and then the user would pay \$0.01 per mile traveled after that. This average user cost would be significantly reduced if more miles were given to the users as ‘free.’ This is a good option because the users doing the most damage pay the most and it does not depend on the sale of gasoline, so it would be relatively sustainable. The downside is that it would require legislative approval.

Since the political climate is rather tense, we are unlikely to obtain approval for options requiring legislative approval, so those can be removed from our list of viable options, but may be worth addressing again in the future if the political climate changes. This leaves us with the wheel tax as the most viable option for citizens, since it generates a fair amount of revenue at a relatively low cost to the user. It is also ready to go and does not require further legislative approval because levels of government are already able to use this funding mechanism.

Survey Results

There were a total of 626 responses to Local Government Institute of Wisconsin survey. A breakdown of the respondents appears in Figure 1. We are unsure of the exact number of people who received the survey, but there are 190 cities, 436 villages, and 1,256 towns in Wisconsin. Assuming one person from each of these responded to the survey, it would give the survey about a 33% response rate.

Breakdown of Responses

■ State ■ City ■ Town ■ County ■ Village

Most of the responses (52%) were from Towns. Cities received 21% of the responses and counties received 17% of the responses. The least represented in the survey were the state (1%) and Villages (9%). About half of the respondents (47.27%) said the state should have the primary responsibility for all (including local) transportation system development and improvements. This was followed by local (40.83%), and then federal (9.75%). About one-fifth of respondents (19.34%) reported they were unsure of who should have the primary responsibility for transportation system development and improvements.

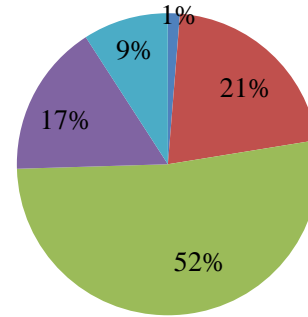


Figure 1: A summary of the responses collected from the LGI survey. N=626.

Most respondents would choose to index the gas tax (34.94%), a sales tax on gas (23.72%), the wheel tax (22.44%), or a value-based registration fee (22.44%) as the best source for local transportation funding. The chart below details the options chosen as the best source(s) to enhance local funds. 74 of the respondents indicated 'other' for this question. Some of these suggestions include:

- Use More Than One Alternative
- Special Assessments
- Repeal Prevailing Wage Scale
- Transportation Utility
- Premier Resort Tax
- Levy Tax Against Businesses
- Tax on Agricultural Vehicles
- None-Live within Means
- Cut Costs in Less-Used Programs
- Reduce Construction of New Roads by 50%
- License for Bikes
- Increase Registration Fee for Large Vehicles
- Increase Registration Fee for Hybrid Vehicles
- Road Tax for Amish/Mennonites (for not cleaning up after their horses and not using lights at night)
- Eliminate WI Wage Rate Laws on Public Works Projects
- Eliminate the Davis-Bacon Laws on Federally Funded Projects

The survey also asked respondents how much they would support each of the alternatives. This was followed by a question asking them which one they would choose if the decision were up to them.

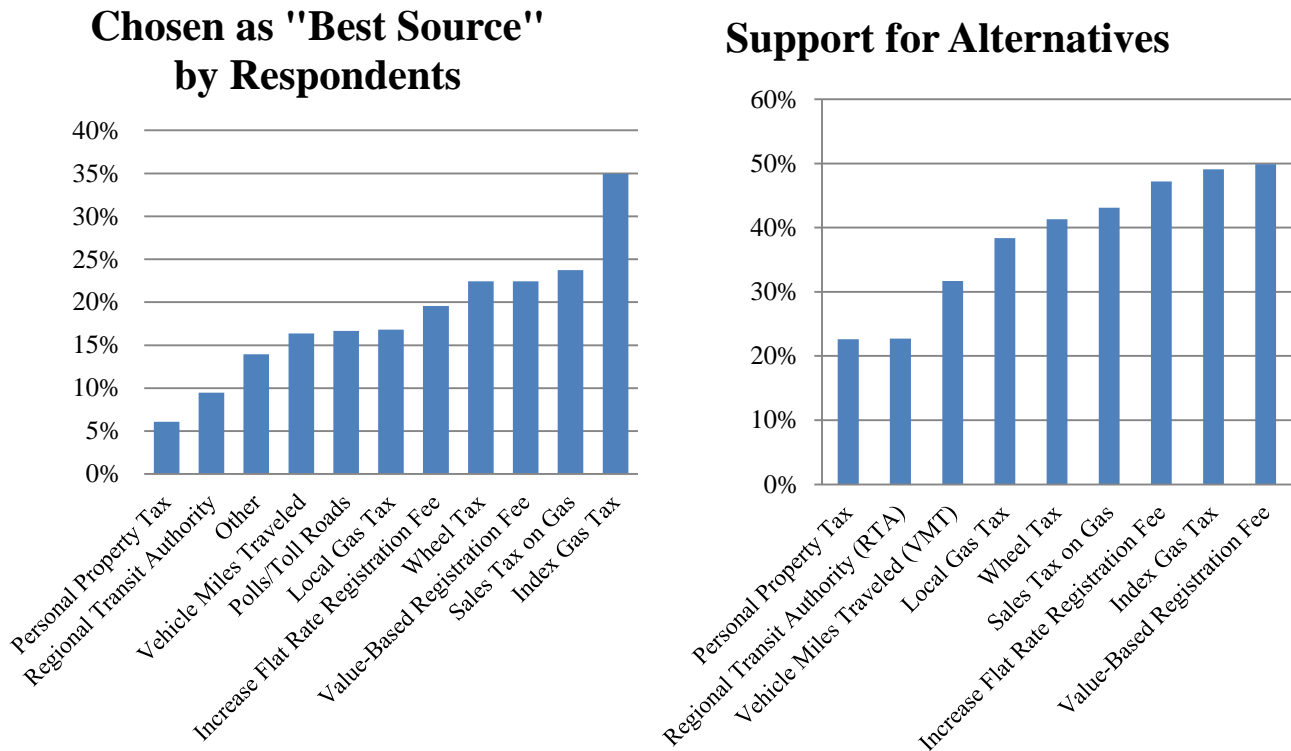


Figure 2: Side by side comparison of respondents choosing best source versus the support for each alternative.

Based on this information, it appears that Indexing (as seen in Figure 2) the Gas Tax is most highly supported, followed by the Value-Based Registration fee, the Sales Tax on Gas and Increasing the Flat Rate Registration fee. The Wheel Tax, Polls, and Local Gas Tax were all in the middle of the range of options. The Personal Property Tax, the RTA, and the VMT were least supported.

When asked if their area had ever considered implementing a regional transit authority, 70.85% said no, 15.80% said yes, and 13.36% said they were not sure. About 6% said they had an RTA, but the state forced them to disable it. The biggest argument for the RTA (as identified by about 21% of the respondents) was that many municipalities were too small on their own. Responses also indicate that an RTA would work better in urban areas than they would in rural

ones. Others are concerned about larger cities being too overpowering in such a relationship and how are unsure of how an RTA would work in their area. Here are a few of the responses received in regard to this question that encompass the main schools of thought about RTAs in their areas:

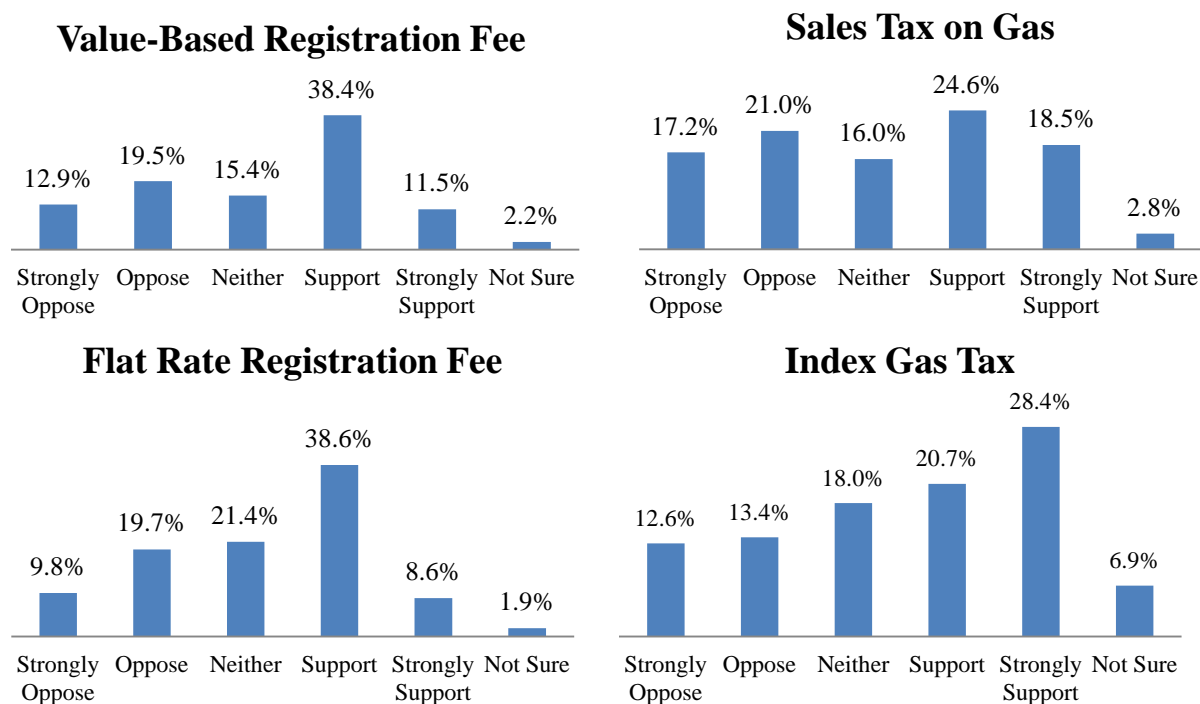


Figure 3: Support for top four options recognized from Figure 2.

“Our Board Chairman killed the idea without the board ever weighing in. I believe it was a huge mistake and cost the county. Ego killed this idea which is why Politicians never get much done.”

“We don't want to give up local control, nor is it popular to create another layer of government. We already have the City, the County, the regional planning commission and the state.
An RTA is unnecessary.”

“I think some regional organizations may need to be developed to help small counties like ours. Road repair, replacement, and maintenance are other issues which I think can be kept separate from Public Transportation issues. If we give businesses so many tax breaks to startup or expand in Wisconsin, we can afford to give small companies willing to provide transportation in rural areas a big tax break also... We have a great state that takes care of people and educates them well, workers will want to live here and small businesses will want to start up here. I would rather have 1000 small businesses than 1 or 2 big ones that want tax breaks.”

Another respondent writes that it is “difficult to pull all local governmental entities together to review and discuss. [It is also] difficult to overcome the home rule principle. RTA's will divert all funding to one location for dispersal and distribution. Locals will fear loss of money, which they currently have. We have seen that at the state level for years - erode the money given to locals to trump up the state system = more populous centers receive all the funding.”

There were also some insightful opinions on what it would take to make an RTA work. Some of the more general responses include that State Legislation is needed, it should be run by the county, more people are needed, and more collaboration with other units of government are needed for an RTA to work. There were also a lot of concerns about how this would be passed and how the board would be elected. One respondent wrote “It should be passed on a local referendum, with the board also elected, as to maintain accountability.” Additionally, another respondent noted, “The state should again enable RTAs. I prefer RTA boards to be elected directly by the electorate, like school boards.” On a more positive note, one respondent wrote, “The realization that transit needs to be supported regionally, and that everyone benefits from it.”

“Yes, [RTAs] offers more local control and input. It is beyond challenging to convince those in Madison of the true needs of a community and the traffic concerns and impacts... It's understood that available funding is always the obstacle. An RTA would alleviate funds from being funneled to a select few sectors of the state.”

“There is no way any local government would approve of yet another unit to tell them what is right for their area. NO GOVERNING UNIT KNOWS WHAT IS BETTER FOR THEIR AREA THAN THE LOCAL UNIT. A regional transit authority would be just that. I am tired of collecting taxes from my constituents to turn over to units of which I have no say as to which has priorities of expenditures.”

When asked if their area had ever considered implementing a wheel tax, 68.46% said no, 23.04% said yes, and 8.5% said they were unsure. Most of the responses indicated that the respondents are thinking about implementing a wheel tax, think they are too small for it to be beneficial, think it is a politically unpopular idea, and then there were those who were opposed to all additional taxes. When asked about what they are currently doing to work with other units of government, most replied that they have joint meetings, communicate regularly, and are part of the WI Town or Village Associations.

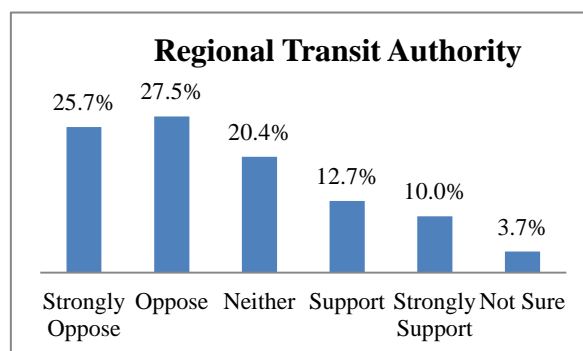


Figure 4: Support for a Regional Transit Authority.

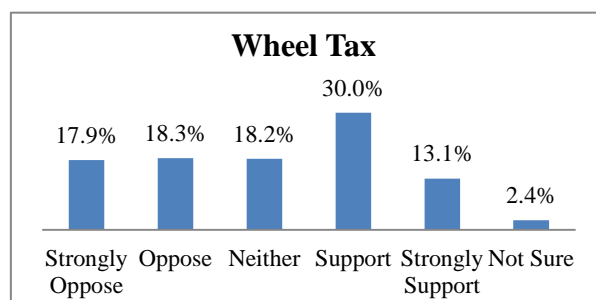


Figure 5: Support for Wheel Tax.

A cross-tabulation between the area represented and the chosen alternative to implement revealed that people representing the state, cities, towns, and counties prefer indexing the gas tax, while people representing villages would choose to implement the wheel tax. The complete results of the crosstab are included in Figure 6. The crosstab confirms that indexing the gas tax, sales tax on gas, and value-based registration fee are top options for those at the state, city, town,

	State	City	Town	County	Village	Total
Index Gas Tax	3 37.50%	50 37.88%	109 32.83%	46 45.10%	12 21.05%	220 34.87%
Sales Tax on Gas	0 0.00%	37 28.03%	75 22.59%	24 23.53%	13 22.81%	149 23.61%
Value-Based Registration Fee	2 25.00%	28 21.21%	74 22.29%	27 26.47%	12 21.05%	143 22.66%
Wheel Tax	1 12.50%	36 27.27%	55 16.57%	33 32.35%	16 28.07%	141 22.35%
Flat Rate Registration Fee	1 12.50%	26 19.70%	62 18.67%	22 21.57%	11 19.30%	122 19.33%
Local Gas Tax	0 0.00%	22 16.67%	45 13.55%	32 31.37%	8 14.04%	107 16.96%
Polls/Toll Roads	0 0.00%	16 12.12%	61 18.37%	17 16.67%	10 17.54%	104 16.48%
Vehicle Miles Traveled (VMI)	2 25.00%	28 21.21%	41 12.35%	23 22.55%	8 14.04%	102 16.16%
Other:	1 12.50%	18 13.64%	54 16.27%	12 11.76%	3 5.26%	88 13.95%
Regional Transit Authority (RTA)	0 0.00%	17 12.88%	12 3.61%	26 25.49%	4 7.02%	59 9.35%
Personal Property Tax	1 12.50%	4 3.03%	17 5.12%	14 13.73%	4 7.02%	40 6.34%

Figure 6: Results of crosstab between favored alternative and type of representative (state, city, town, county, and village). Note: Bottom percentages may be more than 100% because respondents were able to choose multiple options.

county, and village levels of government. It also tells us which options were most favored for each unit of government. For example, about 45% of county respondents chose indexing the gas tax as the best option, which is by far the highest percentage for all of the categories.

Additionally, this tells us that one option was not heavily favored over another depending on which unit of government was answering the question. This ensures that our top options are universally the most supported in each unit government (for example, cities do not favor a different option than towns). Although the wheel tax was not one of the top four options that respondents favored, it is an option that respondents would actually choose to implement. It is important to note here that respondents were able to choose to implement more than one option

here, so this could account for the difference compared to how much they support each of the options.

Based on the results of the survey, Value-Based Registration fee, the Sales Tax on Gas and Increasing the Flat Rate Registration fee are the most supported alternatives to consider. Additionally, the wheel tax should also be considered because it was one of the four top choices representatives would actually choose to implement. These are the best options to consider because these were the most supported options according to representatives from each unit of government surveyed.

Interviews

Ten different representatives from across Wisconsin were further questioned regarding the transportation and infrastructure in Wisconsin about their area specifically. A full outline of the interview questions is available in Appendix II. A list of the cities, towns, or villages interviewed is included in Table 4, as well as their respective populations.

City, Town, or Village	Population	Popular Modes of Transport	Road Rating
Sister Bay	876	Car, Walking	5
Prairie du Chien	5,911	Car, Rail	2
Rhineland	7,798	Car	2.5
Tomah	9,093	Car, Truck, Rail	5
Port Washington	11,250	Car, Walking	5
Chippewa Falls	13,661	Car, Mass Transit	6
Beloit	39,996	Car, Mass Transit	6*
Fond du Lac	43,021	Car, Mass Transit	6
Madison	233,209	Car, Mass Transit	7

Table 2: List of cities, towns, and villages interviewed as well as their population. Road rating based on respondent's perception of their road quality. Beloit is above average, but their road quality varies greatly.

Almost unanimously, interviewees agreed there is a lack of funding for transportation and infrastructure within Wisconsin. The representative from Madison was the only one that felt that there is no problem in Wisconsin. Almost everyone agrees that respective funding for roads should be made available based on whether the roads are interstate, state, or local. However,

representatives from Fond du Lac, Rhinelander, and Prairie du Chien believe the primary funding should come from the state.

The cost of maintenance. The representative from Sister Bay said that legalization of marijuana as a tax resource and economic development tool along with increased taxes on cigarettes and alcohol would raise substantial funds for transportation and infrastructure. The representative from Tomah mentioned the use of tolls on heavily traveled roads would make it so users cover the cost of maintenance. The representatives from Beloit and Fond du Lac agree that tolls would be a good route to go. So many Wisconsinites cross the border into Illinois and utilize EZpass; while drivers from Illinois drivers travel our roads for free. The Beloit representative also mentioned raising the gas tax as well as re-indexing it. The representative from Port Washington agrees with raising those taxes while the representative from Prairie du Chien thinks this option is not the best choice with the increased number of economical cars on the road.

Prairie du Chien made a commitment years ago to spend more money on local roads where there has been a 10% increase in funding this past year from \$400-\$450k. They, along with Madison, feel their areas do not have any problems. The residents of Tomah would like their roads to be in good condition; however, they are concerned about their property taxes going up. Chippewa Falls has an annual street improvement program where they fix 1-2 miles of local road per year. The representative from Rhinelander says they have a pothole problem.

Rhinelander believes their area has a large commuter and visitor population, so a sales tax would put the burden on those two groups that use the roads so they become less dependent on property taxes for revenue. Prairie du Chien, Tomah, Chippewa Falls, Fond du Lac, and Beloit believe the users should be responsible for the upkeep. Port Washington seems to be satisfied with the status quo.

Funding road construction projects. It is not surprising that everyone interviewed claims they all have road construction at some level this year. Beloit is in the midst of a \$100B State Highway/Interstate project over the next couple of years. Port Washington is using 2015 for improvements where they issue municipal bonds for improvements and do not include them in their normal budget. Sister Bay is working on the construction of state highway 42 along with reconstruction and resurfacing of village roads. Madison, Fond du Lac, and Sister Bay's construction projects are being paid for respectively depending on whether the road is interstate,

state, or local roads. Port Washington and Tomah's projects are funded by the tax payers while Chippewa Falls's projects are being paid for 50/50 by the general tax payer and the residents who live along the street being repaired. Rhinelander is using water/sewer funding and some general fund funding. Prairie du Chien uses bonds for longer term projects.

Tomah frequently does not have enough funding for road projects so they get delayed or another project gets moved up based on necessity. Madison has had delayed projects due to funding or other complexities. Rhinelander road projects are on hold because they are short two million dollars in funding. Sister Bay is also experiencing a lack of local funds for transportation projects. Rhinelander, Port Washington, Chippewa Falls, and Beloit have not had to delay or cancel and transportation or infrastructure projects.

Tomah, Fond du Lac, Madison, Sister Bay, Prairie du Chien, and Rhinelander all say their village, town, city, or municipality is a trucking thoroughfare. Chippewa Falls and Port Washington are not trucking thoroughfares while Beloit is in the midst of the I39 corridor construction, which has the largest volume of traffic (39%) in the state. City traffic for trucking is destination only or to get to I43 via WI state highway 81 where the interstate stops.

State highways that run through the respective village, town, city, or municipality receive funds from the state for construction on state highways while Prairie du Chien has a 90/10 state/town funding while Sister Bay's roads are paid for by the village government however that funding is being jeopardized due to levy limits. Madison says they actually pave their city streets thicker to withstand truck weight.

Current transportation funding. Prairie du Chien tried to implement a local sales tax two years ago; however, due to its unpopularity, it never got off the table. Instead, they work within their means to cover costs. Tomah is always looking for new ways to fund transportation projects. Madison stays in touch with the DOT to find out what funds are available. Fond du Lac is looking at grants and new revenues however the representative of Beloit says that there is not much discretion in Wisconsin. "[They] are reliant on what Wisconsin wants us to have."

Property taxes are the main source of transportation and infrastructure funding for Sister Bay, Prairie du Chien, Rhinelander, Tomah, Fond du Lac, and Madison. Chippewa Falls uses property taxes along with special assessments. In Beloit, a wheel tax was doubled from ten to twenty dollars in 2015 for street maintenance. Port Washington utilizes property taxes; however, the city only borrows enough so that it has a minimal effect on the citizens. Their claim is that

property taxes are not viable for infrastructure funding. Rhinelander is trying to get state approval to implement the Premier Resort sales tax for transportation funding. Rhinelander has also tried to work with Rice Lake to get state approval for a city sales tax to no success. The city is open to other funding sources but they are always dependent upon the state for approval.

On April 7, 2015, the citizens of Rhinelander approved the Premier Resort Area Sales tax by 67%. They are awaiting state approval of this to utilize the funds for transportation and infrastructure in their area. The Madison representative mentioned there will always be opposition to an increase in taxes; however, they are always competing with other departments within their government for available funds. Port Washington and Fond du Lac do not hear opposition or support from their constituents, however the latter says there are arguments when things are bad. Chippewa Falls receives some opposition, but the citizens understand the need for street improvements. Beloit did not receive much opposition for doubling the wheel tax, which he stated “was nice.” Sister Bay has received moderate opposition, whereas Prairie du Chien did receive opposition. Sister Bay believes the state and federal government should pay for transportation and infrastructure. Prairie du Chien does not want a sales tax increase for road work. The Tomah representative said some people think that the government of Tomah should raise taxes if it improves roads, while some feel that they should ever raise taxes.

Regional Transit Authorities. Madison, Beloit, Tomah, and Chippewa Falls have all considered an RTA. The representative from Beloit said that State representative Voss-R did not want RTAs because he represents suburban areas that do not want to use it and probably will not. He also mentioned that there was opposition from the legislature and they never felt comfortable with them. He says the state is hesitant for special taxing districts at a regional level.

A final comment from the Beloit representative claims that the state needs to take the lead. The representative from Port Washington agreed by saying the DOT should reach out to local municipalities to find ways to decrease costs and gain input from local governments. He also mentioned that state highways in Wisconsin are often more expensive than they need to be. The following claim they are working with neighboring communities on road projects: Madison because they share roads with Menona and Macfarland, Beloit with the town of Beloit, Chippewa Falls, Sister Bay, and Prairie du Chien shares a road with a township to the south. Rhinelander, Tomah, and Port Washington are not working with neighboring communities.

Similar to the results of the survey, feedback from the interviewees favored a sales tax on gas as well as indexing the gas tax.

Conclusions and Recommendations

Major conclusions. The results from the survey indicated that the best options would be the value-based registration fee, a sales tax on gas/indexing the gas tax, to increase flat rate fee, and the wheel tax. Additionally, the fiscal analysis indicated that the wheel tax was the best options. The interviews favored the sales tax on gas as well as indexing the gas tax. The similarities between these are then to use the value-based registration fee, a sales tax on gas, and indexing the gas tax. These similarities can also be seen in Table 5.

Summary of Results		
Fiscal Analysis	Survey	Interviews
Wheel tax	Wheel tax	
	Sales tax on gas; index gas tax	Sales tax on gas; index gas tax
	Value-based registration fee	

Table 3: Summary of results.

Limitations of the study. In regard to the fiscal analysis, we had difficulty projecting cost estimates without knowing the specifics involved in each of the options. For this reason, we would recommend a more in-depth fiscal analysis be performed for the top options we address. We also experienced some difficulty getting interviewees to participate because many of them had already participated in the survey. Because of time constraints, it was not an option to do the interviews before the survey. If we could have done this, we may have gotten more people to participate in the interviews (however, it is unknown what effect this may have had on the survey responses). The survey experienced an excellent turnaround for respondents; however, the total number of participants who received the survey remains somewhat unknown. Another potential limit to the survey is that LGI insisted we include a ‘not sure’ option in the survey questions. This can be seen as a limitation because it precludes the measurement of some meaningful responses since people are more likely to select ‘not sure’ than they are to do the cognitive work required to answer the question. It can also be problematic to include ‘not sure’ because people are generally more likely to choose the option in the middle than they are to actually take a side, thus compromising the results. So, by including the option ‘not sure,’ many survey researchers

believe it compromises data collection since the respondent could also simply refrain from answering the question.

Recommendations. We recommend LGI to first educate more people in local government about the top three options, which are a sales tax on gas and/or indexing the gas tax and the wheel tax. Each option is doable, relatively inexpensive, and favored among many representatives. We believe it would be a wise next step to figure out exactly what each of these would like, if implemented, and then perform another fiscal analysis on just the top alternatives.

We realize a regional transit authority was a favored mechanism to use, but at this point, many local areas of government are uncertain because they are under the impression that a regional transit authority would hurt rural areas, while more urban regions would see more benefits. Until this can be shown and proven to the more rural areas, we do not see a regional transit authority being a workable mechanism. Related to this, many of the respondents indicated they rarely worked with surrounding areas or that they had minimal collaborative projects with other areas around them. Perhaps if more successful collaborative efforts were created, they would be more likely to give a second look at the idea of a regional transit authority.

Further Discussion on Governmental Roles and Alternatives

Transportation funding in Wisconsin has become an issue that is in dire need of attention. Unfortunately, the political climate in Wisconsin since 2011 has shifted toward a lack of bi-partisanship in the Legislature. Because of this shift, it has been difficult for the Legislature to address local transportation funding in Wisconsin. Contrary to popular belief, transportation was once considered a bi-partisan public policy matter, but this is no longer the case.

At the federal level, the United States Congress also needs to pass a long-term transportation bill to continue funding the Highway Trust Fund. A crumbling infrastructure, stagnant construction, and poor maintenance of American roads are impeding economic growth. The high level of partisanship and tensions between the President and Congress since 2011 has prevented them from providing the necessary resources and financial support to the states. Due to the lack of resources, the states have been unable to address the on-going issues regarding transportation. In Congress, transportation was also once considered a bi-partisan public policy

matter because they believed a strong infrastructure would be good for the nation and its economy regardless of political differences on other policy areas.

The Wisconsin Legislature needs to allow stronger home rule provisions and autonomy to allow counties, cities, towns, villages, and other local entities to generate revenue and encourage regional cooperation. Regional cooperation will help these municipalities address the transportation funding issues in the state of Wisconsin because it will allow them to be more self-sufficient. A strong, modern transportation infrastructure promotes businesses to consider expanding, which in turn sparks the local, county, and state economies and tax base. Local units of government prefer increased autonomy because it would allow them to make changes to their units of government, and therefore their revenue, more quickly than the State or Federal government would be able to. No level of government can do this alone; Wisconsin must use bipartisan cooperation to meet the needs of the 21st Century.

Another alternative, at the state level, would be to have single toll/poll booths near Wisconsin's borders for incoming travelers. Local units of government are only able to generate so much revenue on their own and usually want to keep the revenue they generate locally. Since transportation funding for road maintenance is in jeopardy, it would make sense that everyone who uses Wisconsin's roads pay to help fix them. These booths would serve several purposes that would benefit Wisconsin. First, it would charge out of state travelers for using the roads in Wisconsin. Second, it would encourage Wisconsin residents to keep their business in Wisconsin. This option is also beneficial because it does not result in an increased tax for those living and working within Wisconsin.

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Appendix I

The complete survey database has been emailed to Gary Becker.

Survey Questions

- Q1: Which of the following best describes the area you represent? (City, Town, Village, State)
- Q2: Specifically, which city, town, village, or state do you represent?
- Q3: Please indicate your level of support for each of the following possible alternatives. (Strongly Oppose; Oppose; Neutral; Support; Strongly Support; Not Sure)
- Q4: If the decision were up to you, which of these option(s) would you choose to implement?
- Q5: Why?
- Q6: Has the area you represent ever implemented or discussed implementing a wheel tax?
- Q7: Why or why not?
- Q8: Has the area you represent ever implemented or discussed implementing an RTA?
- Q9: Why or why not?
- Q10: In your opinion, what would it take to make an RTA workable in your region?
- Q11: What is your town, city, county, or state currently doing to connect with surrounding units of government?

Appendix II

Interview Questions

- Do you feel there is a transportation funding problem in Wisconsin?
 - How do you think it can be solved?
 - Should it be addressed at the federal or state level?
 - Is your local community the problem?
- Who do you think should be paying for the upkeep?
- On a scale of 1-10 where would you rate the condition of the streets in your area compared to other areas in Wisconsin? 1 = The worst 5 = Not so bad 10 = No problem
- Does your area have any road construction projects scheduled in the near future?
 - Who is funding them?
 - Who has funded them in the past?
- Are any projects being put on hold?
 - If so, do you know why?
- Is your community a trucking thoroughfare?
- Who has been responsible for the upkeep of those roads in the past?
 - Is that funding being jeopardized?
- Are you currently working with neighboring communities to address transportation and infrastructure issues?
- Is it part of your area's mission to find new revenues to fully fund transportation needs?
- Currently, are there local taxes imposed on your citizens to help pay for street maintenance?
 - For example: Wheel tax, Gasoline sales tax, Local gas tax, Increase flat rate Registration fees, Vehicle miles traveled (VMT), Index gas tax, Property tax, Value-based registration fee
 - If so, which ones and how much?
- Is there support or opposition from your constituents for higher taxes and fees to maintain roads?
- What are the arguments that you are hearing?
- What are the two main modes of transportation in your area?
- In the past, various municipalities have supported Regional Transit Authorities but the legislature has halted all efforts to pursue them because they see it as another unit of government/taxing authority.
- Has your region ever considered a Regional Transit Authority?
 - If yes, have you ever tried to implement one?
 - Where did you receive opposition from?
 - How about support?