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To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Debt Service Reestimate (DOT -- Transportation Finance)

[LFB Summary: Page 587, #5]

## CURRENT LAW

Base funding for debt service on transportation-related general obligation bonds is \$7,886,600 SEG. The "base" revenue reduction for debt service on transportation-related revenue bonds is \$70,414,800 (this has been reestimated at \$68,521,800 since the "base" was established).

## GOVERNOR

Increase the estimated revenue reduction for revenue bond debt service by \$4,747,900 in 1997-98 and \$10,737,800 in 1998-99. Estimate that gross vehicle registration revenues will be reduced by \$75,162,700 in 1997-98 and \$81,152,600 in 1998-99 in order to repay principal and interest on revenue bonds. The statutes require that debt service payments on transportation-related revenue bonds be deducted from vehicle registration revenues prior to their deposit in the transportation fund. Consequently, revenue bond debt service is shown as a reduction in revenues, not as an appropriation.

Decrease funding by \$972,100 SEG in 1997-98 and \$1,371,500 SEG in 1998-99 to reestimate the level of funding needed for payment of principal and interest on currently authorized transportation-related general obligation bonds at \$6,914,500 in 1997-98 and \$6,515,100 in 1998-99.



To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Motor Vehicle Fuel and Alternate Fuel Tax (DOT -- Transportation Finance)

## CURRENT LAW

The state's fuel tax is an excise tax levied at 23.8 cents per gallon on motor vehicle fuel (gasoline and diesel) and alternate fuels (compressed natural gas and liquid propane gas). In addition, a petroleum inspection fee of three cents per gallon is imposed on all petroleum products. Revenue from that fee is deposited in the petroleum inspection fund, rather than the transportation fund.

## GOVERNOR

No provision.

## DISCUSSION POINTS

1. The motor vehicle fuel tax is the largest revenue source for the transportation fund. Collections comprise about 66% of transportation fund revenues prior to the deduction for debt service on transportation revenue bonds and about 71% of fund revenues after the deduction.

2. The motor fuel tax rate changes annually based on an indexing formula. The formula has reduced the reliance on periodic statutory increases in the rate. Since its inception, the indexing formula has been the exclusive cause for motor fuel tax rate changes, with one exception. In 1987, Act 27 increased the rate by two cents per gallon, from 18 cents to 20 cents.

3. The motor fuel tax has a number of positive features. In general, it is not viewed negatively by taxpayers because the tax cost is equated with the benefits of an improved transportation system and because it is paid in small increments. Because the tax base is so large (approximately 3 billion gallons), significant amounts of revenue are realized from small rate increases. Also, the tax is imposed on all purchasers of fuel, whether or not they are residents of the state. Finally, it is an efficient tax to administer.

4. On the other hand, the current rate is high compared to other states. Wisconsin's excise tax of 23.8 cents per gallon is the eighth highest among the 50 states. When all taxes and fees applied to gasoline are included, Wisconsin's effective rate of 26.8 cents per gallon ranks sixth nationally. The attachment provides a complete ranking of the excise tax and total taxes and fees applied to gasoline by each state.

5. Wisconsin's effective tax rate is high compared to surrounding states, as shown in the following table. When local taxes are included, Illinois ranks higher than Wisconsin. Recently, the Minnesota Senate voted to increase fuel taxes by five cents per gallon over a two-year period, but the House of Representatives has not concurred. In Michigan, the Governor has proposed an increase of five cents per gallon, but neither house of the Legislature has voted on the proposal. The legislative floor period in Minnesota ended on May 19, and passage of the Michigan budget is scheduled by July 4.

**Comparison of State Gasoline Taxes in Surrounding States  
(Cents Per Gallon)**

<u>State</u>	<u>Excise Tax</u>	<u>Other Taxes*</u>	<u>Effective Tax</u>
Wisconsin	23.80	3.00	26.80
Illinois	19.00	6.98	25.98
Iowa	20.00	1.00	21.00
Michigan	15.00	6.98	21.98
Minnesota	20.00	2.00	22.00

\*The cents per gallon equivalent of sales taxes imposed in Illinois and Michigan were computed based on the January average price in each state.

6. A high rate relative to other states may result in a loss of sales in some border areas. To remain competitive in those areas, some Wisconsin retailers have reduced their profit margin. The Transportation Finance Study Committee, consisting of four legislators, three public members and the Secretary of DOT, was created by 1995 Act 113 to make recommendations regarding appropriate transportation funding sources and to examine the impact of state tax rate

differences in border areas. The Committee found that market forces seem to play a larger role in determining retail price differences than state fuel taxes in border regions. However, the Committee recommended a more thorough investigation of the border issue within the context of specific tax increase proposals.

7. Although no specific rate was endorsed, the Transportation Finance Study Committee examined the impact of one and two cent per gallon increases and recommended increasing the motor vehicle fuel tax rate by an unspecified amount.

8. A motor vehicle fuel tax rate increase could not become effective until after the budget becomes law. As a result, a full year's revenue increase would not be realized until the second year of the biennium. The following table reports estimated revenue generated at different rates of increase based on an effective date of September 1, 1997.

**Estimated Revenue Increases (In Millions)**

<u>Rate Increase in Cents Per Gallon</u>	<u>1997-98</u>	<u>1998-99</u>	<u>Biennium</u>
1	\$24.80	\$30.60	\$55.40
2	49.61	61.20	110.81
3	74.41	91.81	166.22
4	99.21	122.41	221.62

**ALTERNATIVES TO BASE**

1. Increase the motor fuel tax rate by one cent per gallon, effective September 1, 1997. Estimate increased transportation fund revenue at \$24,800,000 in 1997-98 and \$30,600,000 in 1998-99 to reflect this change.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$55,400,000
[Change to Bill	\$55,400,000]

2. Increase the motor fuel tax rate by two cents per gallon, effective September 1, 1997. Estimate increased transportation fund revenue at \$49,610,000 in 1997-98 and \$61,200,000 in 1998-99 to reflect this change.

<u>Alternative 2</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$110,810,000
[Change to Bill]	\$110,810,000]

3. Increase the motor fuel tax rate by three cents per gallon, effective September 1, 1997. Estimate increased transportation fund revenue at \$74,410,000 in 1997-98 and \$91,810,000 in 1998-99 to reflect this change.

<u>Alternative 3</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$166,220,000
[Change to Bill]	\$166,220,000]

4. Increase the motor fuel tax rate by four cents per gallon, effective September 1, 1997. Estimate increased transportation fund revenue at \$99,210,000 in 1997-98 and \$122,410,000 in 1998-99 to reflect this change.

<u>Alternative 4</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$221,620,000
[Change to Bill]	\$221,620,000]

5. Take no action.

Prepared by: Rick Olin  
Attachment

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

## ATTACHMENT

### State Gasoline Tax Rankings as of April, 1997 (In Cents Per Gallon)

<u>State</u>	<u>Excise Tax</u>	<u>State</u>	<u>All Taxes and Fees*</u>
Connecticut	39.00	Connecticut	39.00
Rhode Island	28.00	Rhode Island	29.00
Montana	27.00	West Virginia	28.16
Nebraska	25.50	Montana	27.75
Idaho	25.00	New York	27.21
Nevada	24.00	Wisconsin	26.80
Oregon	24.00	California	26.24
Wisconsin	23.80	Nebraska	26.10
Maryland	23.50	Idaho	26.00
Delaware	23.00	Illinois	25.98
Washington	23.00	Nevada	24.66
North Carolina	22.60	Oregon	24.13
Colorado	22.00	Maryland	23.52
Ohio	22.00	Delaware	23.00
Massachusetts	21.00	Washington	23.00
West Virginia	20.35	North Carolina	22.85
Iowa	20.00	Pennsylvania	22.35
Louisiana	20.00	Colorado	22.00
Minnesota	20.00	Minnesota	22.00
North Dakota	20.00	Ohio	22.00
Tennessee	20.00	Michigan	21.98
Texas	20.00	Hawaii	21.78
Illinois	19.00	Tennessee	21.40
Maine	19.00	Iowa	21.00
Utah	19.00	Massachusetts	21.00
Arkansas	18.50	Louisiana	20.35
Arizona	18.00	Maine	20.12
California	18.00	North Dakota	20.03
Kansas	18.00	Texas	20.00
Mississippi	18.00	Utah	19.50
New Hampshire	18.00	Indiana	19.29
South Dakota	18.00	Arizona	19.00
Virginia	17.50	South Dakota	19.00
Missouri	17.00	New Mexico	18.88
New Mexico	17.00	New Hampshire	18.80
Alabama	16.00	Arkansas	18.70
Hawaii	16.00	Mississippi	18.40
Oklahoma	16.00	Alabama	18.00
South Carolina	16.00	Kansas	18.00
Indiana	15.00	Virginia	17.70
Kentucky	15.00	Missouri	17.35
Michigan	15.00	Oklahoma	17.00
Vermont	15.00	South Carolina	16.75
Pennsylvania	12.00	Kentucky	16.40
Florida	11.60	Vermont	16.00
New Jersey	10.50	Florida	12.80
Alaska	8.00	Georgia	12.35
New York	8.00	New Jersey	10.90
Wyoming	8.00	Wyoming	9.00
Georgia	7.50	Alaska	8.00

\*For those states imposing a sales tax on gasoline, the cents per gallon equivalents were based on the January average price in each state.

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Motor Vehicle Fuel Tax Indexing Formula (DOT -- Transportation Finance)

## CURRENT LAW

The motor vehicle fuel tax rate is adjusted annually to reflect inflation and changes in consumption, with the new tax rate going into effect on April 1 of each year. An inflation factor is calculated by dividing the inflation index from the previous year by the inflation index from two years prior. A fuel consumption factor is calculated by dividing the number of gallons of fuel sold from two years prior by the number of gallons of fuel sold in the prior year. The inflation factor is multiplied by the fuel consumption factor to produce a composite adjustment factor. That factor is multiplied by the existing fuel tax rate to produce a new rate. The indexing formula produced a 0.1 cent per gallon increase effective April 1, 1997, raising the motor fuel tax rate from 23.7 cents per gallon to 23.8 cents per gallon. The formula is projected to increase the tax rate to 24.0 cents per gallon on April 1, 1988, and 24.2 cents per gallon on April 1, 1999.

## GOVERNOR

No provision.

## DISCUSSION POINTS

1. The objective of indexing is to provide a stable, inflation-adjusted level of fuel tax revenue. The inflation factor is intended to adjust the tax rate to preserve the purchasing power of the tax revenue. Under a fixed tax rate, if fuel consumption remains constant, the purchasing power of fuel tax revenue declines due to inflation. By adjusting the tax rate to reflect inflation,

changes in revenue are more likely to approximate changes in highway construction costs. Incorporating an adjustment for changes in fuel consumption works to make fuel tax revenue less dependent on the level of consumption. Since the tax rate rises if consumption falls and falls if consumption rises, revenue from year to year is likely to become more stable.

2. The indexing formula was enacted in 1983 and first determined the tax rate that took effect on April 1, 1985. A history of the adjustments under the formula is attached at the end of this paper. At the time of the formula's adoption, fuel consumption had declined in each of the three preceding years. Between 1980 and 1984, the motor fuel tax rate was increased four times, rising from seven cents per gallon to sixteen cents per gallon. Prior to the 1980 increase, tax collections had declined from \$183.7 million in 1978-79 to \$172.7 million in 1979-80.

3. Since 1983, consumption levels have increased each year and, generally, the consumption factor has partially offset the inflation factor. However, in 1988 and 1993, the consumption factor exceeded the inflation factor, and tax rates declined in 1989 and 1994.

4. The increase in motor fuel consumption is largely attributable to economic growth. Economic growth also is reflected in increased vehicle miles traveled in Wisconsin. Since 1985, the increase in vehicle miles traveled (46%) has exceeded the increase in fuel consumption (30%), largely because of improved fuel efficiency. Increases in vehicle miles traveled can impact highway costs in two ways. First, additional travel can cause roadways to wear more quickly, increasing maintenance and rehabilitation costs. Second, highway congestion can increase, leading to pressure for improvements to address resultant safety and capacity issues.

5. Although the current indexing formula has stabilized the real level of fuel tax revenue, this revenue does not increase to reflect additional use of the state's highway system. Since indexing began in 1985, motor fuel tax revenue has increased by 89.6%, compared to inflation (as measured for the indexing formula) of 57.7%. If the two-cent nonindexing increase in 1987 had not occurred, motor fuel tax revenue would have increased by 71.2%. Over the same period, vehicle miles traveled increased by 46.5%.

6. In 1984-85, the motor fuel tax produced revenues equal to 1.02 cents per mile traveled. By 1996-97, this had increased to 1.32 cents per mile. However, to produce the same real level of revenue per mile, the motor fuel tax would have to produce 1.61 cents per mile in 1996-97. This would require a tax rate of 29.1 cents per gallon, or 5.3 cents per gallon more than the current rate.

7. Including a third adjustment factor in the current indexing formula to adjust for changes in vehicle miles traveled would stabilize the real yield per mile from the motor fuel tax. For example, the April 1, 1997, indexing adjustment reflected inflation of 3% in 1996 and increased consumption of 2.6%, producing a rate adjustment factor of 0.4% and a 0.1 cent per gallon rate increase. Adding a factor for vehicle miles traveled, which increased by 2.5% in 1996, would have increased the rate adjustment factor to 2.9% and would have produced a 0.7 cents per gallon rate increase.

8. Adding an adjustment factor for changes in vehicle miles travelled would require an official estimate of this figure. Although DOT now produces these estimates, their use in a formula rate-setting mechanism may justify a reexamination of the Department's estimating methodology. Therefore, it may be desirable to have the estimating procedure specified in administrative rules.

9. The Transportation Finance Study Committee, consisting of four legislators, three public members and the Secretary of DOT, was created by 1995 Act 113 to make recommendations regarding appropriate transportation funding sources. The Committee recommended modifying the motor vehicle fuel tax indexing formula by removing the consumption factor. If the consumption factor had not been included in the indexing formula in 1983, the motor fuel tax rate would have been indexed to 26.4 cents per gallon by April 1, 1997, assuming that the two cents per gallon nonindexing increase in 1987 would not have occurred. Among the 50 states, a rate of 26.4 cents per gallon would rank as the fourth highest state excise tax rate.

10. Eliminating the consumption factor would increase estimated motor fuel tax collections by \$3.06 million in 1997-98 and \$16.12 million in 1998-99. Since the change would affect each annual indexing calculation in the future, this would have a more significant effect in future biennia. For example, although estimated tax collections would be \$19.18 million higher in 1997-99, they would be \$69.16 million higher in 1999-2001.

## ALTERNATIVES TO BASE

1. Modify the current motor fuel indexing formula by adding a third adjustment factor for changes in vehicle miles traveled in Wisconsin, as calculated by the Department of Transportation, between the two prior years, effective with the April 1, 1998, indexing calculation. Require DOT to promulgate administrative rules to establish the procedure for estimating vehicle miles traveled for this purpose. Estimate increased transportation fund revenue at \$3,060,000 in 1997-98 and \$15,350,000 in 1998-99 to reflect estimated tax rates of 24.4 cents per gallon on April 1, 1998, and 25.0 cents per gallon on April 1, 1999.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$18,410,000
[Change to Bill	\$18,410,000]

2. Modify the current motor fuel indexing formula by deleting the motor fuel consumption adjustment factor, effective with the April 1, 1998, indexing calculation. Estimate increased transportation fund revenue at \$3,060,000 in 1997-98 and \$16,120,000 in 1998-99 to reflect estimated tax rates of 24.4 cents per gallon on April 1, 1998, and 25.1 cents per gallon on April 1, 1999.

<b>Alternative 2</b>	<b>SEG</b>
<b>1997-99 REVENUE (Change to Base)</b>	<b>\$19,180,000</b>
<b>[Change to Bill]</b>	<b>\$19,180,000]</b>

3. Take no action.

Prepared by: Rick Olin  
Attachment

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

## ATTACHMENT

### History of the Tax Rate Adjustment Factor and Changes in the Tax Rate

The following table reports the factors used in the indexing formula since its implementation in 1985. For each year, the factors determine the tax rate for the succeeding year. For example, the 1996 factors were used to determine the rate going into effect on April 1, 1997.

The indexing formula was modified in four of the thirteen years. The inflation factor was calculated from the Federal Highway Administration's maintenance and operations index prior to 1991, but has since been based on the consumer price index. In 1992, indexing was suspended for one year, and the 1991 factors were used with the 1992 factors to calculate the tax rate increase for 1993. The consumption rates for 1994 and 1995 were set statutorily because the point of tax collection was changed from the wholesaler to the supplier in 1994.

Over this period, the motor vehicle fuel tax rate increased from 16.0 cents per gallon (March 31, 1985) to 23.8 cents per gallon (April 1, 1997). In addition to the tax rate changes due to indexing, a statutory rate increase of two cents per gallon occurred in 1987.

#### Calculation of Tax Rate Adjustment Factor and Change in Tax Rate

<u>Year</u>	<u>Consumption Factor</u>	<u>Inflation Factor</u>	<u>Adjustment Factor</u>	<u>Tax Rate Change Cents Per Gallon</u>
1984	0.986	1.046	1.031	0.5
1985	0.998	1.060	1.058	1.0
1986	0.978	1.052	1.029	0.5
1987*	0.999	1.046	1.045	0.9
1988	0.958	1.039	0.996	-0.1
1989	0.995	1.039	1.034	0.7
1990	0.993	1.042	1.034	0.7
1991**	0.998	1.042	1.040	0.9
1992	0.976	1.030	1.005	0.1
1993	0.967	1.030	0.996	-0.1
1994***	0.989	1.026	1.015	0.3
1995***	0.985	1.029	1.014	0.3
1996	0.975	1.030	1.004	0.1

\* Does not include the two cent per gallon statutory rate increase.

\*\* Indexing adjustment delayed for one year.

\*\*\* Consumption factors set by statute due to change in point of tax collection.

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Vehicle Registration Fee Increase -- Automobiles (DOT -- Transportation Finance)

#### CURRENT LAW

The current automobile registration fee is \$40 annually. Besides the "regular" automobile plate, a \$40 fee is also charged for a variety of "special" license plates.

#### GOVERNOR

No provision.

#### DISCUSSION POINTS

1. Vehicle registration fees comprise the second largest revenue source for the transportation fund. Collections represent about 27% of transportation fund revenues prior to the deduction of debt service for transportation revenue bonds. After making that deduction, net fees comprise 21% of transportation fund revenues. Automobiles, trucks and mobile homes are subject to annual registration. Motorcycles and mopeds must be registered every two years.
2. Automobiles comprise approximately 45% of total registration fee revenues and are subject to a flat registration fee of \$40 annually. Of the 50 states, 26 impose a flat registration fee on automobiles. Wisconsin has the third highest rate among those states, behind Illinois (\$48) and Vermont (\$43). The following table reports the distribution of those states by fee level.

<u>Range of Fees</u>	<u>Number of States</u>
\$40 and Over	3
\$30 to \$39	5
\$20 to \$29	12
Under \$20	6

3. Variable registration fee structures based on some measure of vehicle age, horsepower, value, weight or some combination of factors are employed in 24 states. Fees tend to be higher in states with variable fee structures and, based on a 1995 Federal Highway Administration report, fees for some vehicles exceed \$40 in 13 of the 24 states. Only three of the 24 states had a minimum fee above \$40.

4. A number of other states with fees lower than \$40 impose other taxes or fees that complement the registration fee. For example, California imposes an annual fee equal to 2% of the market value of each vehicle in addition to a \$29 registration fee. In Indiana, vehicles with gross weights of less than 11,000 pounds are subject to a local excise tax ranging from \$12 to \$1,063, in addition to the state's \$12.75 registration fee. In Kentucky, a personal property tax is imposed on vehicles in addition to the \$36 state registration fee. Washington imposes an annual excise tax equal to 2.2% of a vehicle's manufacturer's suggested retail price, less depreciation, in addition to a registration fee of \$23.75.

5. Wisconsin's \$40 registration fee is less than fees imposed in surrounding states. In a December, 1996, evaluation of transportation programs and revenues, the Legislative Audit Bureau included the following comparison of registration taxes and fees. For this table, the Audit Bureau used approximate values of \$12,500 for an economy car, \$20,000 for a mid-size car and \$40,000 for a luxury car.

**State Taxes and Fees on Selected Automobile Registrations  
June, 1996**

	<u>Minn.</u>	<u>Ind.</u>	<u>Iowa</u>	<u>Mich.</u>	<u>Ill.</u>	<u>Wis.</u>	<u>Ohio</u>
<b>1996</b>							
Economy	\$166	\$163	\$134	\$62	\$48	\$40	\$22
Mid-size	268	263	217	108	48	40	22
Luxury	547	545	445	220	48	40	22
<b>1993</b>							
Economy	134	111	120	46	48	40	22
Mid-size	223	176	201	71	48	40	22
Luxury	426	360	365	138	48	40	22
<b>1990</b>							
Economy	99	63	79	39	48	40	22
Mid-size	166	91	135	64	48	40	22
Luxury	308	143	252	120	48	40	22
<b>1987</b>							
Economy	35	25	17	39	48	40	22
Mid-size	35	25	22	46	48	40	22
Luxury	43	49	40	101	48	40	22

6. The Transportation Finance Study Committee, consisting of four legislators, three public members and the Secretary of DOT, was created by 1995 Act 113 to make recommendations regarding appropriate transportation funding sources. One recommendation of the Committee was to raise the vehicle registration fee by an unspecified amount. The Committee also included the possibility of indexing the registration fee to some measure of inflation.

7. Wisconsin's vehicle registration fee was last increased in 1991, when the fee was raised from \$25 to \$40. The \$15 change represented a 60% increase. If the \$40 fee had increased at the rate of inflation since 1991, the fee would equal \$47.50 in September, 1997, and would grow to \$50 by 1999.

8. A registration fee increase could be administered with relative ease. However, DOT may incur some additional costs related to data processing and inquiries from the general public. These costs would be one-time in nature. An indexed registration fee would create an ongoing administrative impact and would increase ongoing costs to administer the fee.

9. The Transportation Finance Study Committee's report identifies the potential impact on lower-income vehicle owners and the inability to collect automobile registration fees from nonresidents as two potential concerns about raising registration fees. The report mentioned possible public confusion and objections to annual fee increases as concerns about indexing registration fees.

10. Since registration fee revenues are pledged to make debt service payments on transportation revenue bonds, increases in these revenues enhance the state's capacity to use revenue bonds. In addition to providing annual revenue growth for other purposes, an indexed registration fee would reduce the need for more frequent statutory increases to support the state's current bonding policies.

11. A vehicle registration fee increase would not become effective until after the budget becomes law. As a result, a full year's revenue increase would not be realized until the second year of the biennium. When the fee was increased in 1991, it became effective on September 1. The following table reports the estimated revenue generated by different levels of increase, assuming a September 1, 1997, effective date.

**Estimated Revenue Increases  
(In Millions)**

<u>Increase in Fees (Percent Change)</u>	<u>1997-98</u>	<u>1998-99</u>	<u>Biennium</u>
\$5 (12.5%)	\$12.02	\$14.43	\$26.45
\$10 (25.0%)	24.05	28.86	52.91
\$15 (37.5%)	36.08	43.29	79.37
\$20 (50.0%)	48.10	57.72	105.82

12. The Department of Revenue currently certifies the change in the consumer price index each November 1 for the purpose of computing allowable budget increases under the expenditure restraint program. Using this certification for an indexed registration fee would allow DOT two months to implement a rate change each January 1, making the rate consistent throughout each calendar year.

13. Although an indexed registration fee could be implemented in this biennium, a delayed effective date may be appropriate if a statutory increase is adopted as part of this budget.

## ALTERNATIVES TO BASE

### A. Specific Fee Increase

1. Increase the automobile registration fee by \$5, effective September 1, 1997. Estimate increased transportation fund revenue at \$12,020,000 in 1997-98 and \$14,430,000 in 1998-99 to reflect this change.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$26,450,000
[Change to Bill]	\$26,450,000]

2. Increase the automobile registration fee by \$10, effective September 1, 1997. Estimate increased transportation fund revenue at \$24,050,000 in 1997-98 and \$28,860,000 in 1998-99 to reflect this change.

<u>Alternative 2</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$52,910,000
[Change to Bill]	\$52,910,000]

3. Increase the automobile registration fee by \$15, effective September 1, 1997. Estimate increased transportation fund revenue at \$36,080,000 in 1997-98 and \$43,290,000 in 1998-99 to reflect this change.

<u>Alternative 3</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$79,370,000
[Change to Bill]	\$79,370,000]

4. Increase the automobile registration fee by \$20, effective September 1, 1997. Estimate increased transportation fund revenue at \$48,100,000 in 1997-98 and \$57,720,000 in 1998-99 to reflect this change.

<u>Alternative 4</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$105,820,000
[Change to Bill]	\$105,820,000]

5. Take no action.

**B. Indexed Fee Increase**

1. Establish an indexed automobile registration fee, effective January 1, 1998. Specify that the fee would be adjusted to the nearest 50 cents by DOT based on the rate of change in the consumer price index, as certified by the Department of Revenue on November 1 of each year for the budget test under the expenditure restraint program. Estimate increased transportation fund revenue at \$1,443,000 in 1997-98 and \$4,329,000 in 1998-99 based on estimated registration fee increases of \$1 per year on January 1, 1998, and January 1, 1999.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$5,772,000
[Change to Bill]	\$5,772,000]

2. Establish an indexed automobile registration fee, effective January 1, 2000. Specify that the fee would be adjusted to the nearest 50 cents by DOT based on the rate of change in the consumer price index, as certified by the Department of Revenue on November 1 of each year for the budget test under the expenditure restraint program.

3. Take no action.

Prepared by: Rick Olin

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

**Value-Based Vehicle Registration Fee for Automobiles (DOT -- Transportation Finance)**

## CURRENT LAW

The current automobile registration fee is \$40 annually.

## GOVERNOR

No provision.

## DISCUSSION POINTS

1. Automobiles comprise approximately 45% of total registration fee revenues and are subject to a flat registration fee. Because the number of automobiles has remained fairly stable, registration fee revenues from automobiles have not kept pace with inflation. A fee system based on each vehicle's value could produce revenue increases because new vehicles typically have higher values than the vehicles they replace. Variable registration fee structures based on some measure of vehicle age, horsepower, value, weight or some combination of factors are employed in 23 states.

2. Fees tend to be higher in states with variable fee structures and, based on a 1995 Federal Highway Administration report, fees for some vehicles exceed \$40 in 13 of the 24 states with such systems. Three of the four surrounding states impose value-based registration fees. In Iowa, registration fees are based on vehicle weight, list price and age. In Michigan, the fees are calculated on the basis of the manufacturer's base list price plus a \$5 processing fee. In

Minnesota, the registration fees are based on each vehicle's age and manufacturer's suggested retail price plus destination charge.

3. The Legislative Audit Bureau's evaluation of transportation programs and revenues compared Wisconsin's registration fee to those in surrounding states. From the LAB report, the following table reports 1996 registration fees in Iowa, Michigan and Minnesota based on four model years and three vehicle types. For the table, the Audit Bureau used approximate values of \$12,500 for an economy car, \$20,000 for a mid-size car and \$40,000 for a luxury car.

### 1996 State Fees on Selected Automobile Registrations

<u>Year</u>	<u>Type</u>	<u>Iowa</u>	<u>Michigan</u>	<u>Minnesota</u>
1996	Economy	\$134	\$62	\$166
	Mid-size	217	108	268
	Luxury	445	220	547
1993	Economy	120	46	134
	Mid-size	201	71	223
	Luxury	365	138	426
1990	Economy	79	39	99
	Mid-size	135	64	166
	Luxury	252	120	308
1987	Economy	17	39	35
	Mid-size	22	46	35
	Luxury	40	101	43

4. Three factors would influence the stability of the revenue base under a value-based structure: (a) the depreciation rate applied to used vehicles; (b) the price of new vehicles; and (c) the number of new vehicles sold. Revenue generated from fees on new vehicles must be sufficient to offset the revenue decreases from used vehicles as their value depreciates.

5. Supporters of a value-based fee structure argue that it is a more progressive fee than the current flat fee. However, some individuals without high incomes buy larger, more expensive vehicles because they need them. Another criticism of the value-based structure is that the value of a vehicle does not reflect the use of the highway system.

6. If there is a direct relationship between fee levels and vehicle values, the fee could be included as an itemized deduction against federal income taxes. This would reduce the net effect of higher fees for individuals who claim itemized deductions.

7. Implementing a value-based registration system would require decisions on the following items: (a) the transfer of existing license plates from one vehicle to another with a different value; (b) the determination of the base value; (c) the documentation of base values; (d) the calculation of the registration fee; (e) the depreciation of the registration fee; and (f) setting minimum and maximum registration fees.

8. A value-based structure would be more complex than the current flat fee structure, which would increase errors made in submitting registration forms. This would add to the cost of administering this type of fee structure.

9. DOT has indicated that the earliest effective date for implementing a value-based registration system would be 13 months after the budget bill becomes law, or approximately on September 1, 1998. DOT estimates one-time start-up costs of \$1,659,600 and on-going costs of \$537,400. Based on the projected start-up date, appropriations totaling \$1,521,300 in 1997-98 and \$630,900 in 1998-99 would be required. An additional 7.1 LTE and 11.7 FTE positions would be needed, beginning in 1997-98.

10. Fee schedules could be structured in many ways and the resulting revenue could vary considerably depending on the structure. Recently, DOT estimated revenues under two fee structures. Those structures are included as attachments to this paper. Fees would range from \$40 to \$100 under the first alternative and from \$55 to \$200 under the second alternative. Under both alternatives, fees would depreciate 10% per year until the fee equals half the original amount. As a result, fees would not change after a vehicle become five years old.

11. The amount of revenue generated by a value-based registration system depends on whether the system is retroactively applied to existing vehicles (full implementation) or applied only to new vehicles (phased implementation). Under the full implementation option, the \$40 to \$100 fee schedule would generate \$8.2 million more in the first full year (\$6.8 million for ten months), while the \$55 to \$200 schedule would generate \$77.8 million more in the first full year (\$64.8 million for ten months). Under the phased implementation option, these figures would drop to \$1.9 million (\$1.6 million for ten months) and \$44.1 million (\$36.8 million), respectively. The drop for the \$55 to \$200 option under phased implementation is proportionately smaller since this option is based on the assumption that \$55 would become the minimum fee at the time of implementation.

12. Although phased implementation would generate less revenue in the short-term, this may reduce the level of opposition to a change to a value-based registration system, since large fee increases would not be applied to existing vehicles. This would also build in incremental increases in transportation fund revenues during the next two biennia (\$2 million to \$3 million per year for the \$40 to \$100 option and \$9 million to \$12 million per year for the \$55 to \$200 option).

## ALTERNATIVES TO BASE

1. Establish a value-based registration system, with fees ranging from \$40 to \$100 (detail shown in Attachment 1), effective September 1, 1998. Apply this system to new vehicle registrations. Require DOT to promulgate administrative rules to implement the new system. Provide \$1,521,300 SEG in 1997-98 and \$630,900 SEG in 1998-99 and 11.7 SEG positions annually to fund the conversion to this system. Estimate additional transportation fund revenue at \$1,600,000 in 1998-99 to reflect this change.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$1,600,000 <i>\$1,600,000]</i>
1997-99 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$2,152,200 <i>\$2,152,200]</i>
1998-99 POSITIONS (Change to Base) <i>[Change to Bill]</i>	11.70 <i>11.70]</i>

2. Establish a value-based registration system, with fees ranging from \$40 to \$100 (detail shown in Attachment 1), effective September 1, 1998. Apply this system to both existing registrations and new vehicle registrations. Require DOT to promulgate administrative rules to implement the new system. Provide \$1,521,300 SEG in 1997-98 and \$630,900 SEG in 1998-99 and 11.7 SEG positions annually to fund the conversion to this system. Estimate additional transportation fund revenue at \$6,800,000 in 1998-99 to reflect this change.

<u>Alternative 2</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base) <i>[Change to Bill]</i>	\$6,800,000 <i>\$6,800,000]</i>
1997-99 FUNDING (Change to Base) <i>[Change to Bill]</i>	\$2,152,200 <i>\$2,152,200]</i>
1998-99 POSITIONS (Change to Base) <i>[Change to Bill]</i>	11.70 <i>11.70]</i>

3. Establish a value-based registration system, with fees ranging from \$55 to \$200 (detail shown in Attachment 2), effective September 1, 1998. Apply this system to new vehicle registrations, but establish a \$55 base fee for existing vehicles. Require DOT to promulgate administrative rules to implement the new system. Provide \$1,521,300 SEG in 1997-98 and \$630,900 SEG in 1998-99 and 11.7 SEG positions annually to fund the conversion to this system. Estimate additional transportation fund revenue at \$36,800,000 in 1998-99 to reflect this change.

<u>Alternative 3</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$36,800,000
[Change to Bill]	\$36,800,000]
1997-99 FUNDING (Change to Base)	\$2,152,200
[Change to Bill]	\$2,152,200]
1998-99 POSITIONS (Change to Base)	11.70
[Change to Bill]	11.70]

4. Establish a value-based registration system, with fees ranging from \$55 to \$200 (detail shown in Attachment 2), effective September 1, 1998. Apply this system to both existing registrations and new vehicle registrations. Require DOT to promulgate administrative rules to implement this new system. Provide \$1,521,300 SEG in 1997-98 and \$630,900 SEG in 1998-99 and 11.7 SEG positions annually to fund the conversion to this system. Estimate additional transportation fund revenue at \$64,800,000 in 1998-99 to reflect this change.

<u>Alternative 4</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$64,800,000
[Change to Bill]	\$64,800,000]
1997-99 FUNDING (Change to Base)	\$2,152,200
[Change to Bill]	\$2,152,200]
1998-99 POSITIONS (Change to Base)	11.70
[Change to Bill]	11.70]

5. Take no action.

Prepared by: Rick Olin  
Attachments

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

## ATTACHMENT 1

### Sample Schedule for Value-Based Registration Fee: \$40 - \$100 Fee Range

Vehicle Value Categories (MSRP):*	Vehicle Model Year					
	Year 1: (100% fee)	Year 2: (90%)	Year 3: (80%)	Year 4: (70%)	Year 5: (60%)	Year 6+: (50%)
\$0 - \$9,999	\$40	\$40	\$40	\$40	\$40	\$40
\$10,000 - \$10,999	43	40	40	40	40	40
\$11,000 - \$11,999	45	41	40	40	40	40
\$12,000 - \$12,999	48	43	40	40	40	40
\$13,000 - \$13,999	50	45	40	40	40	40
\$14,000 - \$14,999	53	48	42	40	40	40
\$15,000 - \$15,999	55	50	44	40	40	40
\$16,000 - \$16,999	58	52	46	41	40	40
\$17,000 - \$17,999	60	54	48	42	40	40
\$18,000 - \$18,999	63	57	50	44	40	40
\$19,000 - \$19,999	65	59	52	46	40	40
\$20,000 - \$20,999	68	61	54	48	41	40
\$21,000 - \$21,999**	70	63	56	49	42	40
\$22,000 - \$22,999	73	66	58	51	44	40
\$23,000 - \$23,999	75	68	60	53	45	40
\$24,000 - \$24,999	78	70	62	55	47	40
\$25,000 - \$25,999	80	72	64	56	48	40
\$26,000 - \$26,999	83	75	66	58	50	42
\$27,000 - \$27,999	85	77	68	60	51	43
\$28,000 - \$28,999	88	79	70	62	53	44
\$29,000 - \$29,999	90	81	72	63	54	45
\$30,000 - \$30,999	93	84	74	65	56	47
\$31,000 - \$31,999	95	86	76	67	57	48
\$32,000 - \$32,999	98	88	78	69	59	49
\$33,000 +	100	90	80	70	60	50

\*MSRP = Manufacturer's suggested retail price.

\*\*Vehicles with an MSRP of under \$22,000 would have a registration fee that decreases slightly differently than the standard 10% per year rate because the minimum fee would not fall below \$40 for any vehicle.

## ATTACHMENT 2

### Sample Schedule for Value-Based Registration Fee: \$55 - \$200 Fee Range

Vehicle Value Categories (MSRP):*	Vehicle Model Year					
	Year 1: (100% fee)	Year 2: (90%)	Year 3: (80%)	Year 4: (70%)	Year 5: (60%)	Year 6+: (50%)
\$0 - \$5,999	\$55	55	55	55	55	55
\$6,000 - \$6,999	55	55	55	55	55	55
\$7,000 - \$7,999	55	55	55	55	55	55
\$9,000 - \$8,999	55	55	55	55	55	55
\$9,000 - \$9,999	55	55	55	55	55	55
\$10,000 - \$10,999	61	55	55	55	55	55
\$11,000 - \$11,999	67	60	55	55	55	55
\$12,000 - \$12,999	73	66	59	55	55	55
\$13,000 - \$13,999	79	71	63	55	55	55
\$14,000 - \$14,999	85	77	68	60	55	55
\$15,000 - \$15,999	91	82	73	64	55	55
\$16,000 - \$16,999	97	88	78	68	58	55
\$17,000 - \$17,999	103	93	83	72	62	55
\$18,000 - \$18,999	109	98	88	77	66	55
\$19,000 - \$19,999	115	104	92	81	69	58
\$20,000 - \$20,999	121	109	97	85	73	61
\$21,000 - \$21,999	128	115	102	89	77	64
\$22,000 - \$22,999	134	120	107	93	80	67
\$23,000 - \$23,999	140	126	112	98	84	70
\$24,000 - \$24,999	146	131	117	102	87	73
\$25,000 - \$25,999	152	137	121	106	91	76
\$26,000 - \$26,999	158	142	126	110	95	79
\$27,000 - \$27,999	164	147	131	115	98	82
\$28,000 - \$28,999	170	153	136	119	102	85
\$29,000 - \$29,999	176	158	141	123	106	88
\$30,000 - \$30,999	182	164	146	127	109	91
\$31,000 - \$31,999	188	169	150	132	113	94
\$32,000 - \$32,999	194	175	155	136	116	97
\$33,000 - \$33,999	200	180	160	140	120	100
\$34,000 - \$34,999	200	180	160	140	120	100
\$35,000 - \$35,999	200	180	160	140	120	100
\$36,000 +	200	180	160	140	120	100

\*MSRP = Manufacturer's suggested retail price.

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Vehicle Registration Fee Increase -- Trucks (DOT -- Transportation Finance)

#### CURRENT LAW

Vehicle registration fees for buses, trucks, truck tractors, trailers and motor homes are based on gross vehicle weight. Generally, the fee schedule ranges from \$45 for vehicles weighing 4,500 pounds or less to \$1,832 for vehicles weighing 80,000 pounds. An \$18 surcharge is added to the weight-based fee for each truck tractor. Trucks hauling dairy and forest products and farm trucks are subject to lower fee schedules. Fees on motor homes range from \$45 to \$111.

#### GOVERNOR

No provision.

#### DISCUSSION POINTS

1. Vehicle registration fees comprise the second largest revenue source for the transportation fund. Collections represent about 27% of transportation fund revenues prior to the deduction of debt service for transportation revenue bonds. After making that deduction, net fees comprise 21% of transportation fund revenues. Vehicles registered on the basis of their gross weight pay approximately 55% of total registration fee revenues.

2. All states impose registration fees on trucks that are based on vehicle weight. Wisconsin's truck registration fees are among the highest in the country. The Legislative Audit Bureau's evaluation of transportation programs and revenues cited a Federal Highway

Administration estimate that Wisconsin's registration fee on a two-year old, 80,000 pound truck is the nation's fourth highest.

3. Fees in other Midwestern states also are high, and fees in Illinois are higher than in Wisconsin. The Audit Bureau compared Wisconsin fees at a variety of weights to fees in six surrounding states. The fees reported for Indiana do not include amounts imposed as a wheel tax, which ranges from \$5 to \$40, on vehicles weighing over 11,000 pounds.

### Truck Registration Fees in Seven Midwestern States

<u>Weight</u>	<u>Wisconsin</u>	<u>Illinois</u>	<u>Indiana</u>	<u>Iowa</u>	<u>Michigan</u>	<u>Minnesota</u>	<u>Ohio</u>
20,000 lbs	\$255	\$400	\$171	\$235	\$378	\$190	\$152
30,000 lbs	436	682	391	445	499	360	357
40,000 lbs	659	970	546	675	672	595	542
50,000 lbs	761	1,238	716	965	873	715	662
60,000 lbs	978	1,584	801	1,200	975	1,015	857
70,000 lbs	1,256	1,812	976	1,465	1,176	1,325	997
80,000 lbs	1,832	2,210	1,351	1,695	1,277	1,760	1,342

4. The Transportation Finance Study Committee, consisting of four legislators, three public members and the Secretary of DOT, was created by 1995 Act 113 to make recommendations regarding appropriate transportation funding sources. The Committee included a recommendation that truck registration fees be increased. One of the factors cited by the Committee was that heavy vehicles cause more damage to the state's roadways than lighter vehicles.

5. If the registration fee on automobiles is increased, owners of some light trucks and sport utility vehicles could avoid the fee increase by registering their vehicles as trucks. A fee increase on trucks could limit or eliminate the potential revenue loss from this possibility.

6. Registration fees on commercial trucks that cross state lines are administered under the international registration plan (IRP). Under IRP, each truck operator pays a registration fee through the state where the vehicle is registered to all states where the truck has traveled based on mileage and weight. This system eliminates the advantage of registering in states with lower fees. However, some registration fee losses could occur near the Michigan and Minnesota borders because Wisconsin has reciprocal agreements with those states allowing intrastate carriers to operate in the other states within 30 miles of the border without paying fees to those states.

7. Registration fees based on gross weight were last increased in 1991, when they were raised by 9%. Since then, the consumer price index has increased by 18%. The following table reports the fee schedule under current law and under five percentage increases.

**Alternative Weight-Based Registration Fee Schedules  
Rounded to \$0.50**

<u>Weight (lbs) not exceeding</u>	<u>Current Law</u>	<u>5.00%</u>	<u>7.50%</u>	<u>10.00%</u>	<u>12.50%</u>	<u>15.00%</u>
4,500	\$45.00	\$47.00	\$48.50	\$49.50	\$50.50	\$51.50
6,000	57.00	60.00	61.50	62.50	64.00	65.50
8,000	72.00	75.50	77.50	79.00	81.00	83.00
10,000	111.00	116.50	119.50	122.00	125.00	127.50
12,000	150.00	157.50	161.00	165.00	168.50	172.50
16,000	203.00	213.00	218.00	223.50	228.50	233.50
20,000	255.00	267.50	274.00	280.50	287.00	293.00
26,000	340.00	357.00	365.50	374.00	382.50	391.00
32,000	436.00	458.00	468.50	479.50	490.50	501.50
38,000	552.00	579.50	593.50	607.00	621.00	635.00
44,000	659.00	692.00	708.50	725.00	741.50	758.00
50,000	761.00	799.00	818.00	837.00	856.00	875.00
54,000	812.00	852.50	873.00	893.00	913.50	934.00
56,000	865.00	908.00	930.00	951.50	973.00	994.50
62,000	978.00	1,027.00	1,051.50	1,076.00	1,100.00	1,124.50
68,000	1,104.00	1,159.00	1,187.00	1,214.50	1,242.00	1,269.50
73,000	1,256.00	1,319.00	1,350.00	1,381.50	1,413.00	1,444.50
76,000	1,489.00	1,563.50	1,600.50	1,638.00	1,675.00	1,712.50
80,000	1,832.00	1,923.50	1,969.50	2,015.00	2,061.00	2,107.00

8. A vehicle registration fee increase would not become effective until after the budget becomes law. As a result, a full year's revenue increase would not be realized until the second year of the biennium. When the fee was increased in 1991, increases became effective on September 1. The following table reports the estimated revenue generated under the fee schedules presented above, and assumes identical percentage increases in the fee schedules for motor homes, trucks hauling dairy and forest products and farm trucks.

**Estimated Revenue Increases  
(In Millions)**

<u>Percentage Increase</u>	<u>1997-98</u>	<u>1998-99</u>	<u>Biennium</u>
5.0%	\$6.13	\$7.54	\$13.67
7.5	9.39	11.56	20.95
10.0	12.26	15.08	27.34
12.5	15.35	18.88	34.23
15.0	18.49	22.75	41.24

**ALTERNATIVES TO BASE**

1. Increase registration fees for vehicles registered based on their gross vehicle weight (buses, trucks, truck tractors, trailers, motor homes, trucks hauling dairy and forest products and farm trucks) by 5%, effective September 1, 1997. Estimated increased transportation fund revenue at \$6,130,000 in 1997-98 and \$7,540,000 in 1998-99 to reflect this change.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$13,670,000
[Change to Bill]	\$13,670,000]

2. Increase registration fees for vehicles registered based on their gross vehicle weight (buses, trucks, truck tractors, trailers, motor homes, trucks hauling dairy and forest products and farm trucks) by 7.5%, effective September 1, 1997. Estimated increased transportation fund revenue at \$9,390,000 in 1997-98 and \$11,560,000 in 1998-99 to reflect this change.

<u>Alternative 2</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$20,950,000
[Change to Bill]	\$20,950,000]

3. Increase registration fees for vehicles registered based on their gross vehicle weight (buses, trucks, truck tractors, trailers, motor homes, trucks hauling dairy and forest products and farm trucks) by 10%, effective September 1, 1997. Estimated increased transportation fund revenue at \$12,260,000 in 1997-98 and \$15,080,000 in 1998-99 to reflect this change.

<u>Alternative 3</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$27,340,000
[Change to Bill]	\$27,340,000]

4. Increase registration fees for vehicles registered based on their gross vehicle weight (buses, trucks, truck tractors, trailers, motor homes, trucks hauling dairy and forest products and farm trucks) by 12.5%, effective September 1, 1997. Estimated increased transportation fund revenue at \$15,350,000 in 1997-98 and \$18,880,000 in 1998-99 to reflect this change.

<u>Alternative 4</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$34,230,000
[Change to Bill]	\$34,230,000]

5. Increase registration fees for vehicles registered based on their gross vehicle weight (buses, trucks, truck tractors, trailers, motor homes, trucks hauling dairy and forest products and farm trucks) by 15%, effective September 1, 1997. Estimated increased transportation fund revenue at \$18,490,000 in 1997-98 and \$22,750,000 in 1998-99 to reflect this change.

<u>Alternative 5</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$41,240,000
[Change to Bill]	\$41,240,000]

Prepared by: Rick Olin

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Title Transfer Fee (DOT -- Transportation Finance)

## CURRENT LAW

A \$12.50 per vehicle title transfer fee is imposed on vehicles being registered in the state for the first time or being transferred to a new owner. From each amount paid, \$5 is retained by the transportation fund and \$7.50 is paid to the environmental fund and used by DNR to fund financial assistance to implement practices and install structures that abate nonpoint sources of water pollution and by DATCP for the soil and water resources management program.

## GOVERNOR

No provision.

## DISCUSSION POINTS

1. There are over one million sales transactions involving motor vehicles each year in Wisconsin. The state's current fee of \$12.50 is modest relative to the cost of a vehicle. To the extent that buyers finance their purchases, the cost of the fee could be included in the amount financed, so payment of the fee could be spread over a number of years.
2. Revenue from the fee is likely to be volatile due to fluctuations in the economy.
3. As of 1996, the following 15 states imposed title fees at rates higher than Wisconsin.

<u>Rate</u>	<u>States</u>
\$13	Illinois and Texas
15	Alabama, Delaware, Maryland, New Mexico and Pennsylvania
18	Georgia
20	Nevada and New Jersey
24	Louisiana
25	Rhode Island
31.25	Florida
35 new	
10 transfer	North Carolina
50	Massachusetts

4. Based on a September 1, 1997, effective date, the following table reports the additional revenues that could be generated under four different levels of increase.

<u>Increase in Fee</u>	<u>1997-98</u>	<u>1998-99</u>	<u>Biennium</u>
\$1.00	\$1,142,000	\$1,370,000	\$2,512,000
5.00	5,708,000	6,850,000	12,558,000
7.50	8,563,000	10,275,000	18,838,000
10.00	11,417,000	13,700,000	25,117,000

5. The Transportation Finance Study Committee, consisting of four legislators, three public members and the Secretary of DOT, was created by 1995 Act 113 to make recommendations regarding appropriate transportation funding sources. One of the Committee's recommendations was to enact legislation to phase-out other agency program funding for nontransportation programs currently being financed from the transportation fund.

6. Although not specifically identified by the Committee, the use of a titling fee to fund pollution abatement activities represents another diversion of a revenue source that is typically used for transportation programs. If the Committee adopts a policy of reducing the number of these diversions, consideration could be given to shifting the current \$7.50 titling fee from the environmental fund to the transportation fund and using general fund revenues to fund the activities currently financed by the \$7.50 fee.

7. As an alternative to shifting the entire \$7.50 fee at one time, the conversion could be accomplished over a period of time.

## ALTERNATIVES TO BASE

### A. Titling Fee Increases

1. Increase the title transfer fee by \$1, effective September 1, 1997, and specify that the increase be deposited in the transportation fund. Estimate increased transportation fund revenue at \$1,142,000 in 1997-98 and \$1,370,000 in 1998-99 to reflect this change.

<u>Alternative A1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$2,512,000
[Change to Bill	\$2,512,000]

2. Increase the title transfer fee by \$5, effective September 1, 1997, and specify that the increase be deposited in the transportation fund. Estimate increased transportation fund revenue at \$5,708,000 in 1997-98 and \$6,850,000 in 1998-99 to reflect this change.

<u>Alternative A2</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$12,558,000
[Change to Bill	\$12,558,000]

3. Increase the title transfer fee by \$7.50, effective September 1, 1997, and specify that the increase be deposited in the transportation fund. Estimate increased transportation fund revenue at \$8,563,000 in 1997-98 and \$10,275,000 in 1998-99 to reflect this change.

<u>Alternative A3</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$18,838,000
[Change to Bill	\$18,838,000]

4. Increase the title transfer fee by \$10, effective September 1, 1997, and specify that the increase be deposited in the transportation fund. Estimate increased transportation fund revenue at \$11,417,000 in 1997-98 and \$13,700,000 in 1998-99 to reflect this change.

<u>Alternative A4</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$25,117,000
[Change to Bill	\$25,117,000]

5. Take no action.

**B. Transfer Nonpoint Title Fee to Transportation Fund**

1. Specify that revenues generated by the \$7.50 title fee that are currently deposited in the environmental fund would be deposited in the transportation fund, effective July 1, 1997. Create a GPR, sum sufficient appropriation to transfer an amount from the general fund to the environmental fund equal to the amount deposited in the transportation fund that is attributable to the \$7.50 title fee. Estimate the transfer at \$10,275,000 GPR annually to reflect the estimated collections from the \$7.50 title fee.

<u>Alternative B1</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 REVENUE (Change to Base)	\$0	\$20,550,000	\$20,550,000
[Change to Bill]	\$0	\$20,550,000	\$20,550,000]
1997-99 FUNDING (Change to Base)	\$20,550,000	\$0	\$20,550,000
[Change to Bill]	\$20,550,000	\$0	\$20,550,000]

2. Specify that revenues generated by the \$7.50 title fee that are currently deposited in the environmental fund would be deposited in the transportation fund, based on the following schedule: (a) \$2.50 of the total, effective July 1, 1997; (b) \$5.00 of the total, effective July 1, 1998; and (c) the entire amount, effective July 1, 1999. Create a GPR, sum sufficient appropriation to transfer an amount from the general fund to the environmental fund equal to the amount deposited in the transportation fund that is attributable to all or a portion of the \$7.50 title fee. Estimate the transfer at \$3,425,000 GPR in 1997-98 and \$6,850,000 GPR in 1998-99 to reflect the estimated collections from the \$7.50 title fee that would be deposited in the transportation fund each year.

<u>Alternative B2</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 REVENUE (Change to Base)	\$0	\$10,275,000	\$10,275,000
[Change to Bill]	\$0	\$10,275,000	\$10,275,000]
1997-99 FUNDING (Change to Base)	\$10,275,000	\$0	\$10,275,000
[Change to Bill]	\$10,275,000	\$0	\$10,275,000]

3. Take no action.

Prepared by: Rick Olin

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

**Motor Vehicle Fuel and Alternate Fuel Tax -- Tax on Diesel Fuel (DOT -- Transportation Finance)**

## CURRENT LAW

Wisconsin's tax on diesel fuel is an excise tax levied at 23.8 cents per gallon. The three-cent per gallon petroleum inspection fee is also imposed on diesel fuel.

## GOVERNOR

No provision.

## DISCUSSION POINTS

1. Diesel fuel comprises approximately 21% of the fuel taxed under Wisconsin's motor fuel tax. Rhode Island imposes the highest tax on diesel fuel at 28.0 cents per gallon. Wisconsin's rate of 23.8 cents per gallon ranks eighth highest among the states. Wisconsin ranks seventh highest if all taxes and fees are included.

2. Diesel fuel is taxed at the same rate as other motor fuel in Wisconsin. However, 12 states tax diesel fuel at a higher rate than gasoline. The rationale generally given for a higher rate is that commercial trucks are the predominant users of diesel fuel and these vehicles cause greater damage to roadways than automobiles.

3. Owners of commercial trucks maintain that heavy trucks consume more fuel due to the lower fuel efficiency of their vehicles and therefore pay more taxes. As a result, they argue they pay taxes at a level proportionate to the costs they impose. Also, commercial trucks are subject to a registration fee schedule based on weight, which imposes higher registration fees than fees imposed on automobiles. Finally, not all users of diesel fuel are heavy trucks.

4. The international fuel tax agreement (IFTA) provides a standardized motor fuel tax reporting and collection procedure for interstate motor carriers. Under IFTA, a carrier operating in two or more states must apply for an annual fuel tax license from one of the states, and that state becomes the carrier's base state. To pay motor fuel taxes, carriers submit quarterly returns to their base state reporting all miles traveled, fuel purchased and fuel tax paid "at the pump." Also, the return shows fuel taxes owed to each state and any refunds owed the carrier. Each state's taxes are calculated on the basis of the number of miles traveled in the state and the carrier's fuel efficiency. The carrier pays any net amount due when the report is filed. If the carrier owes taxes to other states, the base state makes that payment for the carrier. If other states owe the carrier refunds, the base state refunds any overpayments and then collects the refunds from the other states.

5. Under the IFTA procedures, interstate motor carriers would not be able to avoid the tax increase, except by driving around Wisconsin. However, intrastate carriers operating in communities near the Iowa and Minnesota borders could avoid the tax increase by crossing the border to purchase fuel. Wisconsin has reciprocal agreements with Iowa and Minnesota allowing carriers to operate within 30 miles of each state's borders without filing IFTA reports. Concerns about the impact in border areas were cited by the Transportation Finance Study Committee as a reason for not including a differential tax rate on diesel fuel in its recommendations.

6. Among the states that impose higher taxes on diesel fuel, the rate differential typically ranges from one to three cents per gallon. A differential tax rate on diesel fuel would be easily administered, but the increase could not become effective until after the budget becomes law. The following table reports the estimated revenue generated under four levels of diesel tax rate increases, based on a September 1, 1997, effective date.

**Estimated Revenue Increases  
(In Millions)**

<u>Rate Increase in Cents per Gallon</u>	<u>1997-98</u>	<u>1998-99</u>	<u>Biennium</u>
0.5	\$2.59	\$3.25	\$5.84
1.0	5.19	6.50	11.69
2.0	10.37	13.00	23.37
3.0	15.55	19.51	35.06

**ALTERNATIVES TO BASE**

1. Establish a differential tax rate on diesel fuel that is 0.5¢ per gallon higher than the tax rate for gasoline, effective September 1, 1997. Estimate increased transportation fund revenue at \$2,590,000 in 1997-98 and \$3,250,000 in 1998-99 to reflect this change.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$5,840,000
<i>[Change to Bill</i>	<i>\$5,840,000]</i>

2. Establish a differential tax rate on diesel fuel that is 1¢ per gallon higher than the tax rate for gasoline, effective September 1, 1997. Estimate increased transportation fund revenue at \$5,190,000 in 1997-98 and \$6,500,000 in 1998-99 to reflect this change.

<u>Alternative 2</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$11,690,000
<i>[Change to Bill</i>	<i>\$11,690,000]</i>

3. Establish a differential tax rate on diesel fuel that is 2¢ per gallon higher than the tax rate for gasoline, effective September 1, 1997. Estimate increased transportation fund revenue at \$10,370,000 in 1997-98 and \$13,000,000 in 1998-99 to reflect this change.

<u>Alternative 3</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$23,370,000
<i>[Change to Bill</i>	<i>\$23,370,000]</i>

4. Establish a differential tax rate on diesel fuel that is 3¢ per gallon higher than the tax rate for gasoline, effective September 1, 1997. Estimate increased transportation fund revenue at \$15,550,000 in 1997-98 and \$19,510,000 in 1998-99 to reflect this change.

<u>Alternative 4</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$35,060,000
<i>[Change to Bill</i>	<i>\$35,060,000]</i>

5. Take no action.

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

Prepared by: Rick Olin

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Motor Vehicle Fuel Tax Exemptions for Off-Highway Uses (DOT -- Transportation Finance)**

## CURRENT LAW

Motor vehicle fuel, whether gasoline or clear diesel fuel, is taxed when it is withdrawn from a terminal, and the tax is "passed on" through all subsequent transactions until paid by the final consumer. When individuals use motor fuel for an exempt purpose, tax refunds may be claimed either by those individuals or by the vendor making the sale. The state's motor fuel tax is not imposed on diesel fuel when an indelible dye has been added to the fuel, but that fuel must be used for a tax-exempt purpose. Exempt uses include: (a) use for off-highway purposes; (b) exporting the fuel out of state; (c) use by the United States government or one of its agencies; (d) use as home heating oil; (e) use in trains; (f) use by mass transit common carriers; and (g) use in aircraft as general aviation fuel.

## GOVERNOR

No provision.

## DISCUSSION POINTS

1. Agricultural uses comprise the largest category of off-highway uses, although the exemption also is claimed by waste management companies, ready mix companies and truckers, all of which use diesel fuel to power equipment on their vehicles. That fuel is exempt because it is not used to power a vehicle over the road.

2. When enacted, the exemption for dyed diesel fuel was intended to apply primarily to off-highway users of fuel. However, the exemption for clear diesel was extended to these uses due to the concern that consumers may not be able to obtain dyed diesel fuel in all areas of the state. Petroleum suppliers indicate that dyed diesel fuel now is readily available throughout the state.

3. DOR auditors report that most off-highway fuel users are purchasing clear diesel fuel instead of dyed diesel fuel. These users have both on-highway and off-highway equipment, but may have only one fuel storage tank at their facility. DOR believes that tax-exempt clear diesel fuel stored at some of these facilities is used for both taxable and exempt uses. However, it is difficult to demonstrate when the fuel is being illegally used, because exempt clear diesel fuel has the same appearance as taxable clear diesel fuel.

4. The Motor Fuel Tax Advisory Group, which consists of representatives from the petroleum industry and advises DOR on technical fuel tax issues, has recommended that vendor sales of exempt fuel for off-highway uses be limited to dyed diesel fuel. Individuals engaged in off-highway fuel uses would continue to be able to obtain a fuel tax exemption. However, those individuals would be required to file a claim for a tax refund with DOR, rather than assign their claim to a vendor. Minnesota implemented an identical procedure in 1996, and DOR reports that Iowa, Montana, Nebraska and South Dakota utilize a similar procedure.

5. DOR has estimated that 12 million gallons of diesel fuel that is now exempt would become taxable. Based on current and projected tax rates and assuming this change would first apply to purchases made on September 1, 1997, this change would increase estimated motor vehicle fuel tax collections by \$2,386,000 in 1997-98 and \$2,886,000 in 1998-99.

### ALTERNATIVES TO BASE

1. Limit vendor sales of exempt motor fuel for off-highway uses to dyed diesel fuel, effective September 1, 1997. Estimate increased transportation fund revenue at \$2,386,000 in 1997-98 and \$2,886,000 in 1998-99 to reflect this change.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$5,272,000
[Change to Bill]	\$5,272,000]

2. Take no action.

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

Prepared by: Rick Olin

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

**ISSUE****General Transportation and Connecting Highway Aid -- Monthly Payments (DOT -- Transportation Finance)****CURRENT LAW**

General transportation and connecting highway aid payments are made on a quarterly basis on the first Monday of January, April, July and October.

**GOVERNOR**

No provision.

**DISCUSSION POINTS**

1. Switching to a monthly payment schedule for general transportation and connecting highway aid would increase interest earnings to the transportation fund. If this change were made for calendar year 1998 payments, interest earnings would increase by an estimated \$711,000 in 1997-98 and \$1,388,000 in 1998-99.
2. Delaying these aid payments may have an adverse impact on local government cash flow, increasing local borrowing costs or decreasing local interest earnings.
3. The cash balance in the transportation fund reaches its lowest point in October, due to the October aid payment and payments to contractors at the end of the construction season. A monthly payment schedule would reduce the October aid payment by two-thirds, shifting this amount into payments in November and December when the cash balance is higher.

4. Changing the state aid payment schedule would delay the receipt of transportation aid by local governments by an average of one month (one-third of the total would be received at the same time, one-third would be delayed one month and one-third would be delayed two months).

5. Should the state or local governments receive the benefit of interest earnings (or reduced borrowing costs) due to the timing of aid payments within each calendar year?

### ALTERNATIVES TO BASE

1. Establish a monthly payment schedule for general transportation and connecting highway aid payments, effective with 1998 payments, and increase estimated transportation fund interest earnings by \$711,000 in 1997-98 and \$1,388,000 in 1998-99.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 REVENUE (Change to Base)	\$2,099,000
[Change to Bill]	\$2,099,000]

2. Take no action.

Prepared by: Rick Olin

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Transportation Fund Appropriations to Other Agencies (DOT -- Transportation Finance)

## CURRENT LAW

There are 27 appropriations from the transportation fund that provide funding to agencies or programs outside of the Department of Transportation. In 1996-97, a total of \$29,440,000 SEG was budgeted for these appropriations.

## GOVERNOR

Provide \$29,765,000 SEG in 1997-98 and \$30,397,300 SEG in 1998-99 for other agency appropriations from the transportation fund.

## DISCUSSION POINTS

1. Since the budget was submitted, reestimates of the sum sufficient appropriations for terminal tax payments and transfers to the conservation fund for motor fuel taxes paid for motorboat, snowmobile and all-terrain vehicle use have lowered total other agency appropriations by \$342,400 in 1997-98 and \$456,800 in 1998-99. Actions taken by the Committee on the budget of the Department of Military Affairs lowered total other agency appropriations by an additional \$152,000 in 1997-98 and \$205,300 in 1998-99.

2. Most motor fuel used for nonhighway purposes is exempt from the motor fuel tax. However, some motor fuel tax revenue generated from nonhighway uses is taxable, and the

resulting revenue is transferred to other agencies to fund programs associated with the nonhighway activities.

a. **Transfer to the Conservation Fund -- Motor Boat Formula.** Transportation fund revenues are transferred to the conservation fund for recreational boating facilities aids, lake and river management, lake management and planning grants, the dam inspection and safety program and Wisconsin Conservation Corps projects. A statutory formula is used to generate an "estimated motor boat gas tax payment," which is taken from the transportation fund and deposited in the conservation fund.

b. **Transfer to the Conservation Fund -- Snowmobile Formula.** Transportation fund revenues are transferred to the conservation fund to develop and maintain a statewide system of snowmobile trails and to administer and enforce snowmobile laws. A statutory formula is used to generate an "estimated snowmobile gas tax payment," which is taken from the transportation fund and deposited in the conservation fund.

c. **Transfer to the Conservation Fund -- All Terrain Vehicle Formula.** Transportation fund revenues are transferred to the conservation fund for maintenance and development of state-owned all terrain vehicle (ATV) trails and for aids distributed to local governments for local ATV projects. A statutory formula is used to generate an "estimated ATV gas tax payment," which is taken from the transportation fund and deposited in the conservation fund.

3. Some transportation fund revenues are collected by other agencies. The transportation fund reimburses those agencies for their administrative costs.

a. **Motor Fuel Tax Administration.** Transportation fund revenues are allocated to the Department of Revenue for the costs of administering and collecting the state's motor fuel taxes.

b. **Railroad and Air Carrier Tax Administration.** The Department of Revenue administers the state ad valorem taxes on railroads and air carriers.

4. Some transportation fund revenues are generated from sources other than the motor fuel tax. Some of those revenues are expended outside DOT on programs related to how they were generated. Although programs related to hazardous materials are included in this category, revenues from transporters never approached the appropriations and must now be refunded due to a court ruling that the fees are unconstitutional.

a. **Terminal Tax Distribution.** Transportation fund revenues refund the equivalent of railroad taxes on rail terminal property located in each municipality to the municipality after certification by the Department of Revenue.

**b. Regional Emergency Response Teams.** Transportation fund revenues are used by the Department of Military Affairs to contract with eight regional emergency response teams in the state.

**c. Hazardous Substance Emergency Response Administration.** The Department of Military Affairs uses transportation fund revenues for the costs incurred by the state emergency response board related to the administration of the hazardous substance emergency response program.

**d. Emergency Response Equipment.** Transportation fund revenues are provided to the Department of Military Affairs to award grants to county-level emergency response teams, based on emergency response strategic plans, for equipment costs.

**e. Emergency Response Training.** Transportation fund revenues are provided to the Department of Military Affairs for hazardous materials emergency response training. The environmental fund also contributes to this program.

**f. Civil Air Patrol Aids.** Transportation fund revenues are used by the Department of Military Affairs to provide aids for eligible expenses related to aircraft use.

5. Some transportation-related programs are administered by agencies other than DOT. Transportation fund revenues are appropriated to fund those activities.

**a. Motor Vehicle Emissions Inspection and Maintenance Program.** Transportation fund revenues are used by the Department of Natural Resources, in compliance with the Clean Air Act, to administer DNR administrative rules related to the program to test vehicle emissions in nonattainment areas (the testing program is funded under DOT's budget).

**b. State Park and Forest Roads.** Transportation fund revenues are allocated to the Department of Natural Resources for the maintenance and upkeep of roads within state parks and forests, along with roads within the Lower Wisconsin State Riverway.

**c. Automobile Repair Regulation.** Transportation funds are used by the Bureau of Consumer Protection in the Department of Agriculture, Trade and Consumer Protection to administer the consumer protection standards for auto repair businesses in the state.

**d. Driver's Education Training Courses.** Transportation fund revenues are provided to the University of Wisconsin System for courses that train driver education instructors.

**e. Driver's Education -- School Districts.** Each school district in the state that provides a driver's education program receives \$100 per student from the transportation fund to help offset the cost of the program.

f. **Driver's Education -- Technical College Districts.** Each technical college district in the state that provides a driver's education program receives \$100 per student in transportation fund revenues to help offset the cost of the program.

g. **Chauffeur Training Grants.** Transportation fund revenues are provided for grants to technical college districts for the development of advanced training facilities, acquisition of instructional equipment, operational costs of maintaining facilities and the costs of individual training programs related to truck drivers.

h. **Division of Hearings and Appeals.** Since 1994, transportation fund dollars have defrayed the general operating costs of the Hearings and Appeals Division in the Department of Administration. This contribution helps to cover the workload of the Division brought on by transportation-related appeals.

i. **Employment Transit Assistance (Job-Ride).** The job-ride program, administered by the Department of Workforce Development, provides transportation for workers and persons seeking jobs in areas where fixed-route mass transit systems fail to provide adequate service. Transportation fund revenues provide assistance to service providers meeting certain criteria.

6. The transportation system imposes costs on other agencies. The transportation fund provides revenues to recognize some of these costs and to assist in program administration.

a. **Car-Killed Deer Program.** Transportation fund revenues cover 50% of the costs for the removal and disposal of dead deer from the state's highways under a Department of Natural Resources program.

b. **Emergency Medical Technician (EMT) Basic Training.** Transportation fund revenues are provided to technical college districts to support training for persons receiving or renewing their EMT basic licenses and to administer the EMT examination.

e. **Emergency Medical Services (EMS) General Program Operations.** Transportation fund revenues are used for general operations of the Department of Health and Family Services' EMS program.

f. **Emergency Medical Services (EMS) Direct Aids.** Transportation fund revenues are distributed by the Department of Health and Family Services as aids to pay the costs for emergency medical technician basic training, vehicles, equipment and supplies of local governments and EMS providers.

g. **Computers (TIME System).** Transportation fund revenues are used by the Department of Justice to lease computers for the transaction information for the management of enforcement (TIME) system. This system provides state patrol officers access to criminal history

records, wanted and missing person information and stolen vehicle information in conjunction with their law enforcement activities.

7. Other agencies provide services that may benefit users of the transportation system. Transportation fund appropriations help to finance these services.

a. **Corps Enrollee Compensation and Support.** Transportation fund revenues are used for payment of Wisconsin Conservation Corps (WCC) enrollee compensation and other costs (salaries, benefits, incentive pay and vouchers) not covered by private sponsors.

b. **Historical Markers.** Transportation fund revenues are provided for the state Historical Society's staffing of the Historical Markers Council and administration of the historical markers program.

8. The Transportation Finance Study Committee, consisting of four legislators, three public members and the Secretary of DOT, was created by 1995 Act 113 to make recommendations regarding appropriate transportation funding sources. One of the Committee's recommendations was to enact legislation to phase out other agency program funding for nontransportation programs currently financed by the transportation fund. The Committee's report pointed out that, in total, these appropriations require a funding level that roughly equates to a one cent per gallon motor fuel tax rate.

9. A decision to fund some or all of these appropriations from the general fund, rather than the transportation fund, may depend on the relative scarcity of uncommitted resources in each fund.

10. Since the other agency appropriations are severable from one another, the level of general fund replacement could be established at any of a number of levels.

## **ALTERNATIVES TO BASE**

1. Convert some or all of the following appropriations from SEG to GPR funding. The amounts shown for each appropriation reflect the previous actions of the Committee and sum sufficient reestimates.

	SEG Funding Level	
	1997-98	1998-99
a. Motor Boat Formula Transfer to the Conservation Fund	\$8,828,800	\$9,045,100
b. Snowmobile Formula Transfer to the Conservation Fund	3,368,200	3,556,900
c. ATV Formula Transfer to the Conservation Fund	474,700	532,500
d. Motor Fuel Tax Administration	1,034,400	1,027,200
e. Rail & Air Carrier Tax Administration	76,100	173,700
f. Terminal Tax Distribution	914,100	855,500
g. Regional Emergency Response Teams	1,400,000	1,346,700
h. Emergency Response Administration	79,600	79,600
i. Emergency Response Equipment	568,000	568,000
j. Emergency Response Training	75,500	75,500
k. Civil Air Patrol Aids	19,000	19,000
l. Emissions Inspection & Maintenance Program	60,100	60,100
m. State Park and Forest Roads	1,900,000	1,900,000
n. Automobile Repair Regulation	360,100	361,900
o. Driver's Education Training Courses	61,000	61,000
p. Driver's Education -- School Districts	4,498,400	4,493,700
q. Driver's Education -- Technical Colleges	322,000	322,000
r. Chauffeur Training Grants	200,000	200,000
s. Division of Hearings and Appeals	143,200	143,200
t. Employment Transit Assistance	579,100	579,100
u. Car-Killed Deer Program	233,500	260,000
v. EMT Basic Training	179,900	179,900
w. EMS General Program Operations	362,900	362,600
x. EMS Direct Aids	2,200,000	2,200,000
y. Computers for TIME System	1,048,500	1,048,500
z. WCC General Enrollee Operations	281,100	281,100
aa. Historical Markers	2,400	2,400
<b>TOTAL</b>	<b>\$29,270,600</b>	<b>\$29,735,200</b>

2. Take no action.

Prepared by: Fred Ammerman

MO#			
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_

# Transportation

## Local Transportation Aid

(LFB Budget Summary Document: Page 588)

### LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	General Transportation Aid -- Funding Level (Paper #830)
2	Mass Transit Operating Assistance -- Funding Level (Paper #831)
4	Elderly and Disabled Transportation Assistance (Paper #832)
5	Lift Bridge Aid (Paper #833)

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### General Transportation Aid -- Funding Level (DOT -- Local Transportation Aid)

[LFB Summary: Page 588, #1]

## CURRENT LAW

Base funding for general transportation aid is \$288,634,000 SEG (\$219,018,600 for municipalities and \$69,615,400 for counties). Municipalities receive the greater of the amounts calculated under the share of costs and rate per mile formulas. The aid rate per mile is set at \$1,432 for 1997 and thereafter. Counties receive aid based on the share of costs formula.

## GOVERNOR

Provide \$4,265,500 SEG annually for general transportation aid as follows: (a) \$1,028,800 annually for county aid to provide a total of \$70,644,200 in each year of the biennium; and (b) \$3,236,700 annually for municipal aid to provide a total of \$222,255,300 in each year of the biennium. Retain the 1997 minimum aid rate of \$1,432 per mile for municipalities for 1998 and 1999.

## DISCUSSION POINTS

1. General transportation aid is paid to local governments to assist in the maintenance, improvement and construction of local roads. The current transportation aid formula was created in 1988. Through 1993, all municipalities and counties were paid from the same appropriation. Effective in 1994, separate appropriations were created for counties and municipalities.

2. The bill would fully fund the last half of 1997 calendar year payments and continue the 1997 payment levels (\$70,644,200 for counties and \$222,255,300 for municipalities) for calendar years 1998 and 1999. The bill would retain the 1997 minimum aid rate of \$1,432 per mile for municipalities for 1998 and 1999.

3. During 1997, counties will receive aid at 26.6% of eligible costs and municipalities will receive aid at 20.8% of eligible costs. DOT has estimated that eligible costs for both counties and municipalities will increase by 5% annually in 1998 and 1999. Thus, under the bill, it is estimated that counties' share of costs will decrease to 25.3% in 1998 and 24.2% in 1999, while the share of costs for municipalities would decrease to an estimated 19.8% in 1998 and 19.1% in 1999. The following table shows the estimated share of costs for calendar year 1998 at various percentage increases in funding.

<u>Percentage Increase in Aid</u>	<u>Estimated 1998 Share of Costs</u>	
	<u>Counties</u>	<u>Municipalities</u>
1%	25.6%	20.1%
2	25.9	20.3
3	26.2	20.6
4	26.5	20.8
5	26.7	21.0

4. Dissatisfaction has been expressed with the declining share of costs aid percentage. From 1991 through 1997, it has dropped from 30.1% to 26.6% for counties and from 24.1% to 20.8% for municipalities. However, a major factor contributing to this decline has been local cost increases in excess of inflation. Over this period, increases in the consumer price index have totaled 20%, while aidable expenditures have increased by 36% and funding for general transportation aid increased by approximately 27%.

5. One issue to consider when selecting a funding policy is whether a cost-sharing percentage should control appropriation decisions or whether appropriation decisions should be made based on overall budgetary goals, with the cost-sharing percentage changing from year to year based on these goals.

6. Based on the forecast of the economy by DRI/McGraw-Hill, providing inflationary increases of 2.8% in 1998 and 3.0% in 1999 would allow transportation aid to be maintained at the same real level. The amount of funding necessary to provide such increases is estimated to be \$8,366,100 in 1997-98 and \$16,983,200 in 1998-99. Compared to the bill, this would represent increases of \$4,100,600 in 1997-98 and \$12,717,700 in 1998-99. Further, the rate per mile would increase to \$1,472 in 1998 and \$1,516 in 1999 under a proposal to provide inflationary increases.

## ALTERNATIVES TO BASE

1. Adopt the Governor's recommendation to provide \$4,265,500 SEG annually and to retain the calendar year distributions at \$70,644,200 for counties and \$222,255,300 for municipalities for 1998 and 1999 and thereafter. Retain the current \$1,432 minimum aid rate per mile for 1998 and 1999 and thereafter.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$8,531,000
[Change to Bill]	\$0]

2. Provide \$8,366,100 SEG in 1997-98 and \$16,983,200 SEG in 1998-99 to fund increases in the calendar year distributions for both counties and municipalities equal to 2.8% in 1998 and 3.0% in 1999. In addition, set the minimum aid rate per mile at \$1,472 in 1998 and \$1,516 in 1999 and thereafter.

<u>Alternative 2</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$25,349,300
[Change to Bill]	\$16,818,300]

3. Provide annual general transportation aid increases for 1998 and 1999 at one of the following percentages. Set the county and municipal distributions, establish the minimum aid rate per mile and increase the general transportation aid appropriation as shown below.

% Annual Increase in Aid	Calendar Year County Distribution		SEG Change to Base		SEG Change to Bill	
	1998	1999	1997-98	1998-99	1997-98	1998-99
	a. 1.0%	\$71,350,600	\$72,064,100	\$1,382,000	\$2,092,000	\$353,200
b. 2.0%	72,057,100	73,498,200	1,735,300	3,162,300	706,500	2,133,500
c. 3.0%	72,763,500	74,946,400	2,088,500	4,239,600	1,059,700	3,210,800
d. 4.0%	73,470,000	76,408,800	2,441,700	5,324,000	1,412,900	4,295,200
e. 5.0%	74,176,400	77,885,200	2,794,900	6,415,400	1,766,100	5,386,600

% Annual Increase in Aid	Calendar Year Municipal Distribution		Calendar Year Rate Per Mile		SEG Change to Base		SEG Change to Bill	
	1998	1999	1998	1999	1997-98	1998-99	1997-98	1998-99
	f. 1.0%	\$224,477,900	\$226,722,700	\$1,446	\$1,461	\$4,348,000	\$6,581,700	\$1,111,300
g. 2.0%	226,700,400	231,234,400	1,461	1,490	5,459,300	9,948,800	2,222,600	6,712,100
h. 3.0%	228,923,000	235,790,700	1,475	1,519	6,570,600	13,338,300	3,333,900	10,101,600
i. 4.0%	231,145,500	240,391,300	1,489	1,549	7,681,800	16,749,800	4,445,100	13,513,100
j. 5.0%	233,368,100	245,036,500	1,504	1,579	8,793,100	20,183,700	5,556,400	16,947,000

Prepared by: Cheryl McIlquham

Transportation -- Local Transportation Aid (Paper #830)

MO#									
	BURKE	Y	N	A					
	DECKER	Y	N	A					
	GEORGE	Y	N	A					
	JAUCH	Y	N	A					
	WINEKE	Y	N	A					
	SHIBILSKI	Y	N	A					
	COWLES	Y	N	A					
	PANZER	Y	N	A					
	JENSEN	Y	N	A					
	OURADA	Y	N	A					
	HARSDORF	Y	N	A					
	ALBERS	Y	N	A					
	GARD	Y	N	A					
	KAUFERT	Y	N	A					
	LINTON	Y	N	A					
	COGGS	Y	N	A					
	AYE		NO						ABS

To: Joint Committee on Finance

From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Mass Transit Operating Assistance -- Funding Level (DOT -- Local Transportation Aid)

[LFB Summary: Page 588, #2]

## CURRENT LAW

Base level funding for mass transit operating assistance is \$74,605,400 SEG. Current law requires distributions to the five tiers of systems so that the total state and federal aid equals a uniform percentage of operating expenses for each system within a tier. The 1997 contract amounts for each tier are as follows: (a) \$44,425,700 for Tier I (Milwaukee County, including Milwaukee user-side subsidy); (b) \$11,218,500 for Tier II (City of Madison); (c) \$2,251,000 for Tier III (Waukesha County, the City of Waukesha and Monona); (d) \$13,989,900 for Tier IV (all other urban bus, Chippewa Falls and Onalaska); and (e) \$4,386,600 for Tier V (all remaining systems).

## GOVERNOR

Increase funding by \$1,666,300 SEG annually as follows to fully fund the 1997 calendar year allocations for each tier and to continue the 1997 payment levels for calendar years 1998 and 1999: (a) \$970,500 for Tier I; (b) \$245,100 for Tier II; (c) \$49,200 for Tier III; (d) \$305,600 for Tier IV; and (e) \$95,900 for Tier V.

## DISCUSSION POINTS

1. In the 1995-97 transportation budget bill, the Governor recommended establishing a three-tiered system to replace the previous formula. During legislative consideration of the transportation budget, the number of tiers was expanded from three to five in order to target aid levels more directly for the larger systems. In addition, calendar year distributions for each tier were added to the statutes.

2. The Governor's recommendation would continue the current five tier structure.

3. Under the current formula, the combined state/federal aid rate fluctuates based on the level of funding provided. The following table provides, for each tier, the state share of operating expenses and combined state/federal share of operating expenses under 1997 contracts.

	<u>State Share</u>	<u>Combined State and Federal Share</u>
Tier I (Milwaukee County/User-Side Subsidy)	44.6%	47.0%
Tier II (Madison)	44.1	45.9
Tier III (Waukesha City/County and Monona)	42.5	46.2
Tier IV (Other Urbanized Areas)	41.3	52.9
Tier V (Non-Urbanized Areas)	37.2	66.2

4. Assuming 3.5% annual increases in operating expenses, the amount of funding necessary to maintain the 1997 state aid percentage reimbursement levels is estimated to be \$2,333,700 in 1997-98 and \$5,026,400 in 1998-99. Compared to the bill, this would represent funding increases of \$667,400 in 1997-98 and \$3,360,100 in 1998-99.

5. Based on a forecast of the economy by DRI/McGraw-Hill, general inflation is projected to be 2.8% in 1998 and 3.0% in 1999. The amount of funding necessary to provide inflationary increases in the calendar year distribution for mass transit is estimated to be \$2,200,200 in 1997-98 and \$4,389,900 in 1998-99. Compared to the bill, this would represent funding increases of \$533,900 in 1997-98 and \$2,723,600 in 1998-99.

6. The final report of the Transit Advisory Council, which was established in response to provisions of 1995 Act 113, includes a recommendation for establishing a three-tiered, state aid distribution method based on a set statutory percentage of operating expenses. The rationale for the set statutory percentage recommendation is based on the argument that a set percentage, regardless of the amount, adds an element of predictability for transit operators as they determine their budgets. Under this recommendation, federal funding levels would be considered, but would not be directly tied to the amount of state aid provided. The Council's recommendations do not include specific statutory state aid percentages.

7. The Transit Advisory Council's report suggests the following three-tier structure: (a) Tier I would include Milwaukee and Madison; (b) Tier II would include all bus systems operating in urbanized areas with populations of less than 200,000 and the Waukesha city and county systems; and (c) Tier III would include all bus systems operating in non-urbanized areas (population less than 50,000) and all shared-ride taxi systems.

8. The Wisconsin Urban Transit Association (WUTA) has also suggested a three-tier system and has made specific recommendations regarding the statutory state aid percentage of operating expenses. The three-tiers and state aid percentages recommended by WUTA are as follows: (a) urban areas over 200,000 in population (Milwaukee and Madison) at a 45% state aid level; (b) systems operating in areas between 50,000 and 200,000 in population and the City of Waukesha at a 47.5% state aid level; and (c) systems operating in areas under 50,000 in population at a 50% state aid level.

9. Considerable debate has occurred since the mass transit tiered structure was originally introduced in the 1995-97 biennial budget session with regard to whether the appropriate tier placement for the City of Waukesha system is with the larger systems of Milwaukee and Madison or with the mid-size systems (which include, for instance, Appleton, Green Bay, Kenosha and Racine). Under the current five-tier system, the City of Waukesha system is in a tier separate from either of these groups. This issue becomes important in the context of considering recommendations to convert to a three-tier system.

10. The arguments for including the Waukesha systems (city and county) in a tier with Milwaukee and Madison include:

- federal aid apportionments for mass transit include Waukesha in the Milwaukee urbanized area and thus, federal aid for Waukesha is received by the Southeastern Wisconsin Regional Planning Commission (SEWRPC), the entity responsible for administering federal aid in the Milwaukee urbanized area; and
- this structure promotes a regional approach to mass transit in the Milwaukee urbanized area.

11. WUTA, and other proponents of placing Waukesha in a tier with the mid-size bus systems, argue that the City of Waukesha system is more like the other systems outside of Milwaukee County in southeastern Wisconsin (Kenosha and Racine) and should be placed with these systems of more similar size and characteristics.

## ALTERNATIVES TO BASE

### Funding Under Current Five-Tier System

1. Maintain the current five-tier system and provide funding at one of the following levels:

a. Adopt the Governor's recommendation to provide \$1,666,300 SEG annually as follows to fully fund the 1997 calendar year allocations for each tier and to continue the 1997 payment levels for calendar years 1998 and 1999: (a) \$970,500 for Tier I; (b) \$245,100 for Tier II; (c) \$49,200 for Tier III; (d) \$305,600 for Tier IV; and (e) \$95,900 for Tier V.

<u>Alternative 1a</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$3,332,600
[Change to Bill]	\$0]

b. Provide \$2,200,200 SEG in 1997-98 and \$4,389,900 SEG in 1998-99 as follows to provide inflationary increases in the calendar year distributions equal to 2.8% in 1998 and 3.0% in 1999: (a) \$1,281,500 in 1997-98 and \$2,556,900 in 1998-99 for Tier I; (b) \$323,600 in 1997-98 and \$645,700 in 1998-99 for Tier II; (c) \$65,000 in 1997-98 and \$129,600 in 1998-99 for Tier III; (d) \$403,500 in 1997-98 and \$805,200 in 1998-99 for Tier IV; and (e) \$126,600 in 1997-98 and \$252,500 in 1998-99 for Tier V.

<u>Alternative 1b</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$6,590,100
[Change to Bill]	\$3,257,500]

c. Provide \$2,333,700 SEG in 1997-98 and \$5,026,400 SEG in 1998-99 as follows to maintain the estimated calendar year 1997 state share of operating costs in 1998 and 1999: (a) \$1,359,200 in 1997-98 and \$2,927,700 in 1998-99 for Tier I; (b) \$343,300 in 1997-98 and \$739,300 in 1998-99 for Tier II; (c) \$68,900 in 1997-98 and \$148,400 in 1998-99 for Tier III; (d) \$428,000 in 1997-98 and \$921,900 in 1998-99 for Tier IV; and (e) \$134,300 in 1997-98 and \$289,100 in 1998-99 for Tier V. Increase the calendar year distributions for each tier by 3.5% annually for 1998 and 1999.

<u>Alternative 1c</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$7,360,100
[Change to Bill]	\$4,027,500]

d. Provide one of the following percentage annual increases in calendar year funding.

	Calendar Year		Change to Base		Change to Bill	
	Distribution Amounts					
	1998	1999	1997-98	1998-99	1997-98	1998-99
<b>1. One Percent</b>						
Tier I	\$44,870,000	\$45,318,700	\$1,081,600	\$1,527,000	\$111,100	\$556,500
Tier II	11,330,700	11,444,000	273,200	385,600	28,100	140,500
Tier III	2,273,500	2,296,200	54,800	77,400	5,600	28,200
Tier IV	14,129,800	14,271,100	340,600	480,800	35,000	175,200
Tier V	<u>4,430,500</u>	<u>4,474,800</u>	<u>106,900</u>	<u>150,900</u>	<u>11,000</u>	<u>55,000</u>
Total	\$77,034,500	\$77,804,800	\$1,857,100	\$2,621,700	\$190,800	\$955,400
<b>2. Two Percent</b>						
Tier I	\$45,314,200	\$46,220,500	\$1,192,600	\$2,085,600	\$222,100	\$1,115,100
Tier II	11,442,900	11,671,800	301,200	526,700	56,100	281,600
Tier III	2,296,000	2,341,900	60,500	105,700	11,300	56,500
Tier IV	14,269,700	14,555,100	375,600	656,800	70,000	351,200
Tier V	<u>4,474,300</u>	<u>4,563,800</u>	<u>117,800</u>	<u>206,000</u>	<u>21,900</u>	<u>110,100</u>
Total	\$77,797,100	\$79,353,100	\$2,047,700	\$3,580,800	\$381,400	\$1,914,500
<b>3. Three Percent</b>						
Tier I	\$45,758,500	\$47,131,300	\$1,303,700	\$2,646,500	\$333,200	\$1,676,000
Tier II	11,555,100	11,901,800	329,300	668,400	84,200	423,300
Tier III	2,318,500	2,388,100	66,100	134,100	16,900	84,900
Tier IV	14,409,600	14,841,900	410,500	833,400	104,900	527,800
Tier V	<u>4,518,200</u>	<u>4,653,700</u>	<u>128,800</u>	<u>261,400</u>	<u>32,900</u>	<u>165,500</u>
Total	\$78,559,900	\$80,916,800	\$2,238,400	\$4,543,800	\$572,100	\$2,877,500
<b>4. Four Percent</b>						
Tier I	\$46,202,700	\$48,050,800	\$1,414,800	\$3,209,500	\$444,300	\$2,239,000
Tier II	11,667,200	12,133,900	357,300	810,500	112,200	565,400
Tier III	2,341,000	2,434,600	71,700	162,600	22,500	113,400
Tier IV	14,549,500	15,131,500	445,500	1,010,700	139,900	705,100
Tier V	<u>4,562,100</u>	<u>4,744,600</u>	<u>139,800</u>	<u>317,000</u>	<u>43,900</u>	<u>221,100</u>
Total	\$79,322,500	\$82,495,400	\$2,429,100	\$5,510,300	\$762,800	\$3,844,000
<b>5. Five Percent</b>						
Tier I	\$46,647,000	\$48,979,400	\$1,525,800	\$3,774,900	\$555,300	\$2,804,400
Tier II	11,779,400	12,368,400	385,300	953,300	140,200	708,200
Tier III	2,363,600	2,481,800	77,400	191,400	28,200	142,200
Tier IV	14,689,400	15,423,900	480,500	1,188,700	174,900	883,100
Tier V	<u>4,605,900</u>	<u>4,836,200</u>	<u>150,700</u>	<u>372,800</u>	<u>54,800</u>	<u>276,900</u>
Total	\$80,085,300	\$84,089,700	\$2,619,700	\$6,481,100	\$953,400	\$4,814,800

**Funding Under Three-Tier Formula with Waukesha and Monona in Tier I with Large Systems**

2. Delete the current five-tier system and replace it with a three-tier system as follows, effective with 1998 payments: (a) Milwaukee County/User-Side Subsidy, Madison, Waukesha City and County and Monona (Tiers I, II and III under current law) in Tier I; (b) all other urban bus and Chippewa Falls and Onalaska shared-ride taxi systems (current Tier IV) in Tier II; and (c) all remaining systems (current Tier V) in Tier III. Provide funding at one of the following levels (funding increases for 1997-98 would be split between the old and new tier structures based on calendar year distributions):

a. Provide \$1,666,300 SEG annually as follows to fully fund the 1997 calendar year allocations for each tier and to continue the 1997 payment levels for calendar years 1998 and 1999: (a) \$1,264,800 for Tier I; (b) \$305,600 for Tier II; (c) \$95,900 for Tier III.

<u>Alternative 2a</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$3,332,600
[Change to Bill]	\$0]

b. Provide \$2,200,200 SEG in 1997-98 and \$4,390,000 SEG in 1998-99 as follows to provide inflationary increases in the calendar year distributions equal to 2.8% in 1998 and 3.0% in 1999: (a) \$1,670,100 in 1997-98 and \$3,332,300 in 1998-99 for Tier I; (b) \$403,500 in 1997-98 and \$805,200 in 1998-99 for Tier II; and (c) \$126,600 in 1997-98 and \$252,500 in 1998-99 for Tier III.

<u>Alternative 2b</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$6,590,200
[Change to Bill]	\$3,257,600]

c. Provide \$2,333,700 SEG in 1997-98 and \$5,026,400 SEG in 1998-99 as follows to maintain the estimated calendar year 1997 state share of operating costs in 1998 and 1999: (a) \$1,771,400 in 1997-98 and \$3,815,400 in 1998-99 for Tier I; (b) \$428,000 in 1997-98 and \$921,900 in 1998-99 for Tier II; and (c) \$134,300 in 1997-98 and \$289,100 in 1998-99 for Tier III. Increase the calendar year distributions for each tier by 3.5% annually for 1998 and 1999.

<u>Alternative 2c</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$7,360,100
[Change to Bill]	\$4,027,500]

d. Provide \$3,462,200 SEG in 1997-98 and \$9,579,900 SEG in 1998-99 as follows to provide the following estimated state share of operating costs: (a) 45.0% for Tier I (\$1,966,400 in 1997-98 and \$4,602,100 in 1998-99); (b) 47.5% for Tier II (\$972,700 in 1997-98 and \$3,119,900 in 1998-99); and (c) 50.0% for Tier III (\$523,100 in 1997-98 and \$1,857,900 in 1998-99). Replace the current distribution formula (based on combined state and federal aid) with a formula based on providing state aid at fixed percentages of operating expenses, using the percentages identified above for each tier.

<u>Alternative 2d</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$13,042,100
[Change to Bill]	\$9,709,500]

e. Provide one of the following percentage annual increases in calendar year funding.

	Calendar Year		Change to Base		Change to Bill	
	<u>Distribution Amounts</u>					
	<u>1998</u>	<u>1999</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1998-99</u>
<b>1. One Percent</b>						
Tier I	\$58,474,200	\$59,058,900	\$1,409,600	\$1,990,000	4144,800	\$725,200
Tier II	14,129,800	14,271,100	340,600	480,800	35,000	175,200
Tier III	<u>4,430,500</u>	<u>4,474,800</u>	<u>106,900</u>	<u>150,900</u>	<u>11,000</u>	<u>55,000</u>
	\$77,034,500	\$77,804,800	\$1,857,100	\$2,621,700	\$190,800	\$955,400
<b>2. Two Percent</b>						
Tier I	\$59,053,100	\$60,234,200	\$1,554,300	\$2,718,000	\$289,500	\$1,453,200
Tier II	14,269,700	14,555,100	375,600	656,800	70,000	351,200
Tier III	<u>4,474,300</u>	<u>4,563,800</u>	<u>117,800</u>	<u>206,000</u>	<u>21,900</u>	<u>110,100</u>
	\$77,797,100	\$79,353,100	\$2,047,700	\$3,580,800	\$381,400	\$1,914,500
<b>3. Three Percent</b>						
Tier I	\$59,632,100	\$61,421,100	\$1,699,000	\$3,449,000	\$434,200	\$2,184,200
Tier II	14,409,600	14,841,900	410,500	833,400	104,900	527,800
Tier III	<u>4,518,200</u>	<u>4,653,700</u>	<u>128,800</u>	<u>261,400</u>	<u>32,900</u>	<u>165,500</u>
	\$78,559,900	\$80,916,700	\$2,238,300	\$4,543,800	\$572,000	\$2,877,500
<b>4. Four Percent</b>						
Tier I	\$60,211,000	\$62,619,400	\$1,843,800	\$4,182,700	4579,000	\$2,917,900
Tier II	14,549,500	15,131,500	445,500	1,010,700	139,900	705,100
Tier III	<u>4,562,100</u>	<u>4,744,600</u>	<u>139,800</u>	<u>317,000</u>	<u>43,900</u>	<u>221,100</u>
	\$79,322,600	\$82,495,500	\$2,429,100	\$5,510,400	\$762,800	\$3,844,100
<b>5. Five Percent</b>						
Tier I	\$60,790,000	\$63,829,500	\$1,988,500	\$4,919,500	\$723,700	\$3,654,700
Tier II	14,689,400	15,423,900	480,500	1,188,700	174,900	883,100
Tier III	<u>4,605,900</u>	<u>4,836,200</u>	<u>150,700</u>	<u>372,800</u>	<u>54,800</u>	<u>276,900</u>
	\$80,085,300	\$84,089,600	\$2,619,700	\$6,481,000	\$953,400	\$4,814,700

**Funding Under Three-Tier Formula with Waukesha and Monona in Tier II with Mid-Size Systems**

3. Delete the current five-tier system and replace it with a three-tier system as follows, effective with 1998 payments: (a) Milwaukee County/User-Side Subsidy and Madison (Tiers I and II under current law) in Tier I; (b) Waukesha City and County, Monona and all other urban bus and Chippewa Falls and Onalaska shared-ride taxi systems (current Tiers III and IV) in Tier II; and (c) all remaining systems (current Tier V) in Tier III. Provide funding at one of the following levels (funding increases for 1997-98 would be split between the old and new tier structures based on calendar year distributions).

a. Provide \$1,666,300 SEG annually as follows to fully fund the 1997 calendar year allocations for each tier and to continue the 1997 payment levels for calendar years 1998 and 1999: (a) \$1,215,600 for Tier I; (b) \$354,800 for Tier II; and (c) \$95,900 for Tier III.

<u>Alternative 3a</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$3,332,600
[Change to Bill]	\$0]

b. Provide \$2,200,200 SEG in 1997-98 and \$4,389,800 SEG in 1998-99 as follows to provide inflationary increases in the calendar year distributions equal to 2.8% in 1998 and 3.0% in 1999: (a) \$1,605,100 in 1997-98 and \$3,202,600 in 1998-99 for Tier I; (b) \$468,500 in 1997-98 and \$934,700 in 1998-99 for Tier II; and (c) \$126,600 in 1997-98 and \$252,500 in 1998-99 for Tier III.

<u>Alternative 3b</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$6,590,000
[Change to Bill]	\$3,257,400]

c. Provide \$2,333,700 SEG in 1997-98 and \$5,026,500 SEG in 1998-99 as follows to maintain the estimated calendar year 1997 state share of operating costs in 1998 and 1999: (a) \$1,702,500 in 1997-98 and \$3,667,100 in 1998-99 for Tier I; (b) \$496,900 in 1997-98 and \$1,070,300 in 1998-99 for Tier II; and (c) \$134,300 in 1997-98 and \$289,100 in 1998-99 for Tier III. Increase the calendar year distributions for each tier by 3.5% annually for 1998 and 1999.

<u>Alternative 3c</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$7,360,200
[Change to Bill]	\$4,027,600]

d. Provide \$3,496,500 SEG in 1997-98 and \$9,718,200 SEG in 1998-99 to provide the following estimated state share of operating costs: (a) 45.0% for Tier I (\$1,863,100 in 1997-98 and \$4,314,900 in 1998-99); (b) 47.5% for Tier II (\$1,110,300 in 1997-98 and \$3,545,400 in 1998-99); and (c) 50.0% for Tier III (\$523,100 in 1997-98 and \$1,857,900 in 1998-99). Replace the current distribution formula (based on combined state and federal aid) with a formula based on providing state aid at fixed percentages of operating expenses, using the percentages identified above for each tier.

Alternative 3d	SEG
1997-99 FUNDING (Change to Base)	\$13,214,700
[Change to Bill	\$9,882,100]

e. Provide one of the following percentage annual increases in calendar year funding.

	Calendar Year		Change to Base		Change to Bill	
	Distribution Amounts					
	1998	1999	1997-98	1998-99	1997-98	1998-99
<b>1. One Percent</b>						
Tier I	\$56,200,600	\$56,762,600	\$1,354,700	\$1,912,500	\$139,100	\$696,900
Tier II	16,403,300	16,567,300	395,400	558,200	40,600	203,400
Tier III	<u>4,430,500</u>	<u>4,474,800</u>	<u>106,900</u>	<u>150,900</u>	<u>11,000</u>	<u>55,000</u>
	\$77,034,400	\$77,804,700	\$1,857,000	\$2,621,600	\$190,700	\$955,300
<b>2. Two Percent</b>						
Tier I	\$56,757,100	\$57,892,200	\$1,493,800	\$2,612,300	\$278,200	\$1,396,700
Tier II	16,565,700	16,897,000	436,000	762,400	81,200	407,600
Tier III	<u>4,474,300</u>	<u>4,563,800</u>	<u>117,800</u>	<u>206,000</u>	<u>21,900</u>	<u>110,100</u>
	\$77,797,100	\$79,353,000	\$2,047,600	\$3,580,700	\$381,300	\$1,914,400
<b>3. Three Percent</b>						
Tier I	\$57,313,500	\$59,032,900	\$1,632,900	\$3,314,800	\$417,300	\$2,099,200
Tier II	16,728,100	17,229,900	476,600	967,500	121,800	612,700
Tier III	<u>4,518,200</u>	<u>4,653,700</u>	<u>128,800</u>	<u>261,400</u>	<u>32,900</u>	<u>165,500</u>
	\$78,559,800	\$80,916,500	\$2,238,300	\$4,543,700	\$572,000	\$2,877,400
<b>4. Four Percent</b>						
Tier I	\$57,870,000	\$60,184,800	\$1,772,100	\$4,020,100	\$556,500	\$2,804,500
Tier II	16,890,500	17,566,100	517,200	1,173,300	162,400	818,500
Tier III	<u>4,562,100</u>	<u>4,744,600</u>	<u>139,800</u>	<u>317,000</u>	<u>43,900</u>	<u>221,100</u>
	\$79,322,600	\$82,495,500	\$2,429,100	\$5,510,400	\$762,800	\$3,844,100
<b>5. Five Percent</b>						
Tier I	\$58,426,400	\$61,347,700	\$1,911,200	\$4,728,100	\$695,600	\$3,512,500
Tier II	17,052,900	17,905,500	557,800	1,380,000	203,000	1,025,200
Tier III	<u>4,605,900</u>	<u>4,836,200</u>	<u>150,700</u>	<u>372,800</u>	<u>54,800</u>	<u>276,900</u>
	\$80,085,200	\$84,089,400	\$2,619,700	\$6,480,900	\$953,400	\$4,814,600

Prepared by: Cheryl McIlquham

*WATER* →

MO# \_\_\_\_\_

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE \_\_\_\_\_ NO \_\_\_\_\_ ABS \_\_\_\_\_