



**WISCONSIN STATE LEGISLATURE ...  
PUBLIC HEARING - COMMITTEE RECORDS**

**2005-06**

(session year)

**Senate**

(Assembly, Senate or Joint)

**Committee on Natural Resources and  
Transportation...**

**COMMITTEE NOTICES ...**

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

**INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL**

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)  
(**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)  
(**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

## Senate

### Record of Committee Proceedings

#### **Committee on Natural Resources and Transportation**

##### **Senate Bill 331**

Relating to: eliminating the annual adjustment of the motor vehicle fuel tax rate.

By Senators Reynolds, Zien, Grothman, Lazich and Leibham; cosponsored by Representatives Wood, F. Lasee, Gundrum, Jeskewitz, Kerkman, Kestell, Lothian, McCormick, Pridemore, Vukmir and Kreibich.

September 14, 2005 Referred to Committee on Natural Resources and Transportation.

September 29, 2005 **PUBLIC HEARING HELD**

Present: (4) Senators Kedzie, Stepp, Wirch and Breske.  
Absent: (1) Senator Kapanke.

##### Appearances For

- Tom Reynolds — Senator
- Tom Howells — Wisconsin Motor Carriers Association

##### Appearances Against

- Tom Walker — Wisconsin Transportation Builders Association
- Bill Kennedy — Rock Road Companies and Wisconsin Transportation Builders Association
- Tom Amon — B.R. Amon & Sons
- Craig Thompson — Wisconsin Counties Association
- Kevin Hagen — American Council of Engineering Companies of Wisconsin
- Phil Scherer — American Council of Engineering Companies of Wisconsin

##### Appearances for Information Only

- None.

##### Registrations For

- Kathi Kilgore — Wisconsin Innkeepers Association
- Jeff Wood — Representative, 67th Assembly District
- Jean Long Manteufel — Jerry Long's A-1 Moving

##### Registrations Against

- Peter Beitzec — MMAC
- Joe Strohl — Operating Engineers, Local 139

- James Peterson — J. Peterson Sons, Inc.
- Rick Stadelman — Wisconsin Towns Association
- Joe Oswald — Wisconsin Laborers' District Council
- Mark Reihl — Wisconsin State Council of Carpenters
- Pat Osborne — Aggregate Producers of Wisconsin
- Mike Ryan — Wisconsin Laborers District Council
- R.J. Pirlot — Wisconsin Manufacturers & Commerce
- Lee Crook, Chippewa Falls
- Dave Stark — AFSCME
- Dave Brose, Menomonee Falls
- Kristine Scott, Lake Delton
- John Quillico, Appleton
- Scott Sharp — Wisconsin AFSCME Council 40
- Michael Kowal — Becher-Hoppe Associates
- Randy Van Natta — Becher-Hoppe Associates
- Ernie Stetenfeld, McFarland
- Anthony Baciak, Jr., Milwaukee
- Gene Kussart, Verona
- Sheldon Johnson, Spooner
- Matthew Grove, Sussex
- Patrick Goss — Wisconsin Asphalt Pavement Association
- David Botts — City of Beloit
- Richard Jones — City of Racine
- Ann Schell, Eau Claire
- Matt Hintze — HNTB
- Gary Delveaux — Wisconsin Economic Development Association
- Terry Mulcahy — HNTB
- Van Walling — CH2M Hill
- Phil Roberts — OMNNI Associates
- David Hoffman, Black River Falls
- Jan Zander, Sussex
- Keith Kosbau, Madison
- Jeff Hanson, Middleton
- Brad Eberhardt, Black River Falls
- Jason Bittner, Madison
- Walt Raith, Neenah
- Kim Lobdell, Fitchburg
- Todd Hertz, Madison
- Mary Ellen O'Brien, Madison
- Les Fafard, East Troy

November 1, 2005

**EXECUTIVE SESSION HELD - POLLING**

Moved by Senator Kedzie that **Senate Amendment 1** be recommended for adoption.

Ayes: (2) Senators Kedzie and Stepp.

Noes: (3) Senators Kapanke, Wirch and Breske.

ADOPTION OF SENATE AMENDMENT 1 NOT RECOMMENDED, Ayes 2, Noes 3

Moved by Senator Kedzie that **Senate Bill 331** be recommended for passage.

Ayes: (2) Senators Kedzie and Stepp.

Noes: (3) Senators Kapanke, Wirch and Breske.

PASSAGE NOT RECOMMENDED, Ayes 2, Noes 3

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Dan Johnson  
Committee Clerk



State Senator

**Neal J. Kedzie**

11th Senate District

## MEMORANDUM

TO: Members of the Senate Committee on Natural Resources and Transportation

From: Senator Neal Kedzie

Date: October 31, 2005

RE: Paper Ballot for Senate Bills 330 and 331

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Attached you will find paper ballots for Senate Bill 330 and Senate Bill 331. The deadline for returning these ballots to my office is noon on November 1<sup>st</sup>. As you recall, the Committee held a public hearing on these bills on September 29, 2005.

Senate Bill 331 specifies that the motor vehicle fuel rate will not be annually adjusted after the adjustment that occurs on April 1, 2006. Senate Amendment 1 to SB 331 is pending, which would specify that the 1 cent reduction in the petroleum inspection fee (that was enacted as part of 2005 Wisconsin Act 25) would take place on April 1, 2006 instead of May 1, 2006. The amendment also specifies that SB 331 would not take effect until after SB 330 is enacted.

Senate Bill 330, specifies that "if the motor vehicle fuel tax is no longer annually adjusted, annually, beginning in 2007, an amount from the sales and use taxes imposed on the sale of motor vehicles and motor vehicle parts and service will be deposited into the transportation fund. That amount is equal to the difference between the amount of motor vehicle fuel taxes that would have been generated in the current fiscal year if the annual adjustment of the motor vehicle fuel tax was in effect and the amount of the motor vehicle fuel taxes actually generated in the current fiscal year." (LRB Analysis) Senate Amendment 1 to SB 330 is pending, which specifies the amount of sales and use taxes to be transferred is limited to the amount collected from motor vehicle parts, and that the Department of Revenue shall provide an estimate as to the amount of taxes generated from the sale and use of motor vehicles parts in each fiscal year.

On each ballot, there are three separate questions for you to answer. The first is adoption of the amendment to that bill. The second question assumes that the amendment is

adopted, and the question is passage as amended. The third question assumes that the amendment is not adopted, and the question is simply passage. Once votes on the amendment are tallied, my committee clerk will utilize the appropriate passage motion, and disregard the other.

Please feel free to contact me if you have any questions regarding this issue.

**SENATE AMENDMENT 1,  
TO 2005 SENATE BILL 331**

September 29, 2005 - Offered by Senator REYNOLDS.

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 2, line 8: after that line insert:

3 **"SECTION 3m.** 2005 Wisconsin Act 25, section 9408 (1x) is amended to read:

4 [2005 Wisconsin Act 25] Section 9408 (1x) PETROLEUM INSPECTION FEE. The  
5 treatment of section 168.12 (1) of the statutes takes effect on ~~May~~ April 1, 2006.

6 **SECTION 3n. Effective date.**

7 (1) This act takes effect on the day after publication or on the day after  
8 publication of 2005 Wisconsin Act .... (2005 Senate Bill 330), whichever is later."

9 (END)

**SENATE COMMITTEE ON NATURAL RESOURCES AND TRANSPORTATION**

**MOTION ON SENATE BILL 331**

Moved by **Senator Kedzie** that the Senate Committee on Natural Resources and Transportation recommend adoption of **Senate Amendment 1 to Senate Bill 331**.

VOTE ON MOTION:

YES \_\_\_\_\_

Signed: Roger Break

NO

Date: 11-1-05

**If Senate Amendment 1 is adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331 as amended**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES \_\_\_\_\_

Signed: Roger Break

NO

Date: 11-1-05

**If Senate Amendment 1 is not adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES \_\_\_\_\_

Signed: Roger Break

NO

Date: 11-1-05



**SENATE COMMITTEE ON NATURAL RESOURCES AND TRANSPORTATION**

**MOTION ON SENATE BILL 331**

Moved by **Senator Kedzie** that the Senate Committee on Natural Resources and Transportation recommend adoption of **Senate Amendment 1 to Senate Bill 331**.

VOTE ON MOTION:

YES \_\_\_\_\_

Signed: Daniel Elgopal

NO

Date: 11-01-05

**If Senate Amendment 1 is adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331 as amended**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES \_\_\_\_\_

Signed: Daniel Elgopal

NO

Date: 11-01-05

**If Senate Amendment 1 is not adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES \_\_\_\_\_

Signed: Daniel Elgopal

NO

Date: 11-01-05

**SENATE COMMITTEE ON NATURAL RESOURCES AND TRANSPORTATION**

**MOTION ON SENATE BILL 331**

Moved by **Senator Kedzie** that the Senate Committee on Natural Resources and Transportation recommend adoption of **Senate Amendment 1 to Senate Bill 331**.

VOTE ON MOTION:

YES

NO

Signed: *Neal J. Kedzie*  
Date: 11-1-05

**If Senate Amendment 1 is adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331 as amended**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES

NO

Signed: *Neal J. Kedzie*  
Date: 11-1-05

**If Senate Amendment 1 is not adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES

NO

Signed: *Neal J. Kedzie*  
Date: 11-1-05

**SENATE COMMITTEE ON NATURAL RESOURCES AND TRANSPORTATION**

**MOTION ON SENATE BILL 331**

Moved by **Senator Kedzie** that the Senate Committee on Natural Resources and Transportation recommend adoption of **Senate Amendment 1 to Senate Bill 331**.

VOTE ON MOTION:

YES

Signed: C. Steyer

NO

Date: 11/1/05

**If Senate Amendment 1 is adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331 as amended**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES

Signed: C. Steyer

NO

Date: 11/1/05

**If Senate Amendment 1 is not adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES

Signed: C. Steyer

NO

Date: 11/1/05

**SENATE COMMITTEE ON NATURAL RESOURCES AND TRANSPORTATION**

**MOTION ON SENATE BILL 331**

Moved by **Senator Kedzie** that the Senate Committee on Natural Resources and Transportation recommend adoption of **Senate Amendment 1 to Senate Bill 331**.

VOTE ON MOTION:

YES \_\_\_\_\_

NO X

Signed: Robert W. Wurch

Date: 11/1/05

**If Senate Amendment 1 is adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331 as amended**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES \_\_\_\_\_

NO X

Signed: Robert W. Wurch

Date: 11/1/05

**If Senate Amendment 1 is not adopted:**

Moved by **Senator Kedzie** that the Senate Committee Natural Resources and Transportation recommends passage of **Senate Bill 331**, relating to:

eliminating the annual adjustment of the motor vehicle fuel tax rate.

VOTE ON MOTION:

YES \_\_\_\_\_

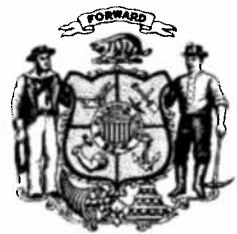
NO X

Signed: Robert W. Wurch

Date: 11/1/05



WISCONSIN STATE LEGISLATURE





## Legislative Fiscal Bureau

One East Main, Suite 301 | Madison, WI 53703 | (608) 266-3847 | Fax: (608) 267-6873

February 11, 2005

TO: Representative Spencer Black  
Room 210 North, State Capitol

FROM: Al Runde, Fiscal Analyst

SUBJECT: Annual Indexing of the State Motor Vehicle Fuel Tax

As you requested, this memorandum provides an estimate of the annual and cumulative revenues that can be associated with the annual indexing of the state's motor vehicle fuel tax since the indexing adjustment took effect in 1985.

The state currently levies an excise tax on each gallon of motor vehicle fuel (gasoline and diesel) and alternate fuel (such as compressed natural gas) supplied or consumed in the state. The state motor fuel tax is imposed when the fuel leaves terminal storage and is collected monthly from licensed suppliers (typically the terminal operator who sells the fuel to wholesalers). The current state motor fuel tax rate is 29.1¢ per gallon. Motor vehicle fuel tax revenues are deposited to the transportation fund.

Prior to 1997 Act 27, the fuel tax rate was annually adjusted to reflect **fuel consumption** changes and inflation, with the new tax rates going into effect on April 1 of each year. However, Act 27 eliminated the fuel consumption component of the indexing formula. Therefore, beginning on April 1, 1998, the fuel tax is adjusted to only reflect changes in inflation. Based on the annual change in inflation from 2003 to 2004, it is estimated that the fuel tax rate will increase to 29.9¢ per gallon, effective April 1, 2005.

Since April 1, 1985, fuel tax changes have been made under the indexing adjustment provisions of the statutes, with three exceptions: (1) 1987 Act 27 increased the fuel tax rate of 18.0¢ per gallon to 20.0¢ per gallon, effective August 1, 1987, as a means of raising additional revenue; (2) 1991 Act 119 suspended fuel tax indexing for one year (in response to a federal highway aid increase), from April 1, 1992, until April 1, 1993, at which time both the 1992 and 1993 indexing adjustments were made; and (3) 1997 Act 27 increased the fuel tax rate of 23.8¢ per gallon to 24.8¢ per gallon, effective November 1, 1997.

You requested information on the annual and total revenues that have been generated from the annual indexing of the motor vehicle fuel tax since 1985, exclusive of the statutory increases that have occurred. By multiplying the annual fuel consumption by the cumulative change in the fuel tax rate due to indexing each year, it is estimated that indexing the state's fuel tax rate each year has resulted in approximately \$3.2 billion in additional fuel tax revenues from 1985 thru 2004. The following table indicates the annual and cumulative changes in the fuel tax rate resulting from indexing as well as the annual revenues associated with the cumulative indexing changes.

**Indexing of Motor Vehicle Fuel Tax  
Cumulative Change and Revenues**

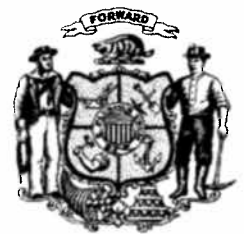
<u>Year</u>	<u>Tax Rate Per Gallon</u>	<u>Type of Change</u>	<u>Annual Change to Rate</u>	<u>Cumulative Change to Rate</u>	<u>Annual Revenues (In Millions)</u>
1985	16.5¢	Index	0.5¢	0.5¢	\$11.7
1986	17.5	Index	1.0	1.5	36.0
1987	18.0	Index	0.5	2.0	48.1
1987	20.0	Statutory	—	—	—
1988	20.9	Index	0.9	2.9	72.8
1989	20.8	Index	-0.1	2.8	70.7
1990	21.5	Index	0.7	3.5	89.0
1991	22.2	Index	0.7	4.2	107.0
1992	22.2	Suspended	0.0	4.2	109.6
1993	23.2	Index	1.0	5.2	140.3
1994	23.1	Index	-0.1	5.1	144.0
1995	23.4	Index	0.3	5.4	157.1
1996	23.7	Index	0.3	5.7	170.6
1997	23.8	Index	0.1	5.8	175.1
1997	24.8	Statutory	—	—	—
1998	25.4	Index	0.6	6.4	200.3
1999	25.8	Index	0.4	6.8	215.2
2000	26.4	Index	0.6	7.4	226.9
2001	27.3	Index	0.9	8.3	258.7
2002	28.1	Index	0.8	9.1	290.3
2003	28.5	Index	0.4	9.5	305.2
2004	29.1	Index	0.6	10.1	<u>333.4</u>
Total					\$3,162.3

Using current estimates for consumption for 2005 and the projected increase in the fuel tax rate to 29.9¢ per gallon on April 1, 2005, it is estimated that the cumulative change in the motor vehicle fuel tax rate due to indexing will result in approximately \$365.8 million in additional revenues to the transportation fund in 2005.

Please contact me if you have any further questions or need additional information.



# WISCONSIN STATE LEGISLATURE







## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

September 26, 2005

TO: Senator Tom Reynolds  
Room 306 South, State Capitol

FROM: Faith Russell, Fiscal Analyst

SUBJECT: Sales Tax: Estimated Tax Collections from Motor Vehicles, Parts, and Services

At your request, this memorandum provides information on estimated state sales tax collections related to motor vehicles, parts, and services. The estimates are derived from preliminary national sales data from the 2002 Economic Census of the United States Census Bureau, which are categorized according to the 2002 North American Industry Classification System (NAICS). The sales tax figures are from categories of product lines sold by establishments classified under NAICS codes for relevant retail trade and service sectors.

The census data were pro-rated to Wisconsin based on the percentage of national sales of such products and services in Wisconsin reported in the 1997 economic census (the most recent census for which state level data are available). Finally, the sales information was adjusted to 2005-07 dollars using forecasts by Global Insight, Inc., a national economic forecasting firm.

Estimates of sales tax collections in the 2005-07 biennium related to motor vehicles are provided for three categories of sales. The first category, that of motor vehicles, includes autos, cars, vans, trucks, motorcycles, motorbikes, and other powered transportation vehicles. This category also includes recreational vehicles and motor homes. The second and third categories are motor vehicle parts and services, respectively. It should be noted, however, that due to the format of the NAICS categories, there are some instances in which sales that actually belong in one category have been reported in another. In addition, the 2002 data are preliminary and subject to revision. Any revision to the data related to sales of motor vehicles, parts, or services would affect estimated sales tax collections.

The following table shows projected sales tax collections for the three categories of sales described above, based on the Census Bureau data. All estimates are provided in millions of dollars.

### Estimates of Sales Tax Collections Related to Motor Vehicles

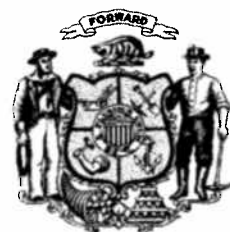
<u>Category of Sales</u>	<u>2005-06</u>	<u>2006-07</u>	<u>Total</u>
Motor Vehicles	\$745.5	\$767.9	\$1,513.4
Motor Vehicle Parts	94.9	97.8	192.7
Motor Vehicle Services	<u>145.1</u>	<u>149.4</u>	<u>294.5</u>
Total	\$985.5	\$1,015.1	\$2,000.6

I hope this information is useful. Please let me know if you have additional questions.

FR/lah



# WISCONSIN STATE LEGISLATURE





AMERICAN COUNCIL OF ENGINEERING COMPANIES  
of Wisconsin

## The American Council of Engineering Companies of Wisconsin

3 S Pinckney Street, Suite 800 Madison, WI 53703  
Tel: 608-257-9223 Fax: 608-257-0009 www.acecwi.org

*the business voice of the Wisconsin consulting engineering industry*

September 29, 2005

Senator Neal Kedzie  
Chairman, Senate Committee on Natural Resources and Transportation  
Wisconsin State Senate  
P O Box 7882  
Madison, WI 53707-7882

RE: Senate Bills 156, 330, & 331

Dear Senator Kedzie and Members of the Committee:

The American Council of Engineering Companies of Wisconsin, ACEC WI, represents more than 70 firms across the state that employ over 4000 engineers, architects, and other highly educated design professionals. Many of these member firms work in the area of transportation and are close partners with the Wisconsin Department of Transportation.

ACEC WI is opposed to SB 156, SB 330, and SB 331, relating to the elimination of the annual adjustment of motor vehicle fuel tax.

The gas tax is Wisconsin's primary source of transportation revenue. Repeal of gas tax indexing would have a negative effect on all areas of the state's transportation program. According to an analysis done by the Department of Revenue, elimination of indexing could result in losses to the transportation fund of \$59 million in FY 2006 and \$82 million in FY 2007. And this is at a time when the state recognizes it does not have sufficient funding for transportation projects critical to Wisconsin.

SB 330 attempts to address this shortfall by replacing indexing with taxes from the sale of vehicles and automotive parts and services. Considering the structural deficit where transportation funds have been "borrowed" to backfill this deficit, taking tax revenue from the general fund is not a realistic solution. Further as the economy rises and falls, there is a lack of stability in this source of revenue. This has been proven in other states that rely on this tax.

The effect of annual indexing is almost unnoticeable. Prices at the gas pump, this morning, started at \$2.75/gallon. The gas tax increase this year was 8/10ths of 1 cent. Yet this tax increase is critical to Wisconsin's transportation infrastructure. The original purpose of indexing was, and still is, to help maintain a constant buying power for transportation. It is the *primary* means of funding all transportation modes for Wisconsin. This is the same increased buying power that occurs naturally with income and sales tax revenue.

The Wisconsin Legislature failed to increase the motor fuel tax from the mid-1960's to early 1980's. The results were increased congestion and accidents, critical deterioration

of highways, and a state bridge crisis that drew national attention. Motor fuel tax indexing was enacted in the 1983 budget bill. Its purpose was to make the transportation fund behave like the general fund. It provided 2 specific outcomes:

- to offer predictable revenue growth
- to pay for the cost of existing programs, plus inflation.

Expansion of the transportation program would still require an increase, beyond indexing, by an act of the legislature.

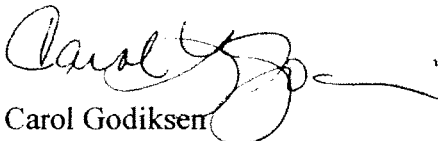
Assuming an average annual inflation rate of 3% over the next 10 years, along with an increase in fuel efficiency and alternative fuels, indexing is projected to remain almost constant, using inflation adjusted dollars. Today's growth in revenue is approximately 3%. Even with indexing, the overall buying power of state transportation revenues is projected to drop by 5%. In other words, with current indexing, we're already short. Without indexing the decline in buying power would be far greater, about 21%.

If the intent of such legislation is to decrease the price at the pump for Wisconsin's drivers, the results will never be noticed. Gas prices will not drop back down to the 'good old days' of \$1.50 per gallon. Drivers, while unhappy, are becoming use to the fluctuation in the price at the pump. However, what will be noticed will be the deterioration of existing roads and increasing congestion on highways because of insufficient funding to support this state's transportation needs.

Transportation investments create jobs and provide for Wisconsin's economic growth. Recent economic analyses have shown Wisconsin realizes a return of \$3 for every \$1 invested in transportation. We need to look at maximizing this return by protecting the gas tax user fee system and finding other sources of revenue to broaden the base of transportation funding. At less than a penny a gallon, indexing is a small price to pay to keep Wisconsin's transportation program moving.

We appreciate the opportunity to provide input on these Senate legislative proposals. We respectfully request that you oppose SB 156, SB 330, and SB 331. Thank you.

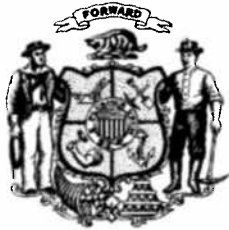
Sincerely,



Carol Godiksen  
Executive Director  
ACEC Wisconsin



# WISCONSIN STATE LEGISLATURE





Metropolitan  
Milwaukee  
Association of  
Commerce

*Council of Small Business Executives*

**TESTIMONY by Peter W. Beitzel of the Metropolitan Milwaukee Association of Commerce to the Senate Committee on Natural Resources and Transportation on Senate Bills S156, S331 and S330 9/29/05**

Good morning. I'm Peter Beitzel, Vice President of the Metropolitan Milwaukee Association of Commerce (MMAC). Today I'm representing MMAC and the Transportation Development Association (TDA). MMAC and TDA have worked together for many years to advocate for safe, efficient transportation. Our transportation infrastructure is the foundation of the state's \$175 billion economy. Building and maintaining Wisconsin's transportation infrastructure requires adequately sustained investment which is why both MMAC and TDA oppose legislation to repeal gas tax indexing.

The gas tax is the workhorse of the state's transportation fund. The gas tax provides 64% of state revenue and 36% of all revenue in the transportation fund. This user fee paid by motorists supports all of the state's transportation programs and services including transit, aviation, ports, rail, local roads, highways, and safety including snow plowing and state troopers.

Gas tax indexing is not the reason for high gas prices, but it is the reason Wisconsin can rebuild the Marquette Interchange and Southeast Freeway. Gas prices have risen over \$1 in the past year due to global supply and demand. The gas tax only increased 8/10ths of one cent due to indexing last year. This modest increase generates approximately \$30 million to improve mobility and the economy for every Wisconsin resident.

If Wisconsin did not have an indexed gas tax, we would still be talking about future reconstruction of the Marquette Interchange and reconstruction of the rest of the Southeast freeway system would be a generation away. The Zoo interchange is also critical to the region's economy and it and other like freeway projects have major impacts on economic development. GE Medical's new facility near the interchange, the Medical College of Wisconsin, Froedtert and Children's hospitals and Milwaukee County Research Park are all located at that interchange. Future development potential exists there also but the freeway is already handling more traffic than it is designed for and without improvements it will limit job creation and economic growth. Highways are about more than mobility but are investments for economic vitality.

There are transportation projects in every community of the state that are as important to the residents who live there as the Marquette Interchange is to Milwaukee. The Hwy 29 expansion made possible by gas tax revenue has saved lives and initiated economic development for Senator Breske's constituents. The West Central Freeway running from La Crosse through Eau Claire up to the Twin Cities will need to be rebuilt soon. I-94 from the state line to Madison is also scheduled for reconstruction and expansion. Beyond state highways there are dozens of local road improvements and repairs that save lives and improve communities. Gas tax indexing allows Wisconsin to get these projects done.

Some have argued against the automatic increase in the gas tax due to indexing. But, the gas tax increase is really no different than the automatic increase in income, and sales taxes. As the price of goods increase or you purchase more, you pay more sales tax. In the same way, you pay more taxes when your income rises. Nobody votes on those tax increases because they are percentage based. The gas tax is conspicuous because it rises with the Consumer Price Index every April 1<sup>st</sup>. It is important to note that the consumer price index has increased by approximately 2% recently. Construction inflation, the price of steel and concrete, has gone up by close to 5% causing the transportation fund to lose purchasing power despite indexing.

MMAC is not in the business of advocating for tax increases, but the gas tax is different. It is a user fee that is paid by motorists to provide transportation infrastructure. According to a TDA study, when that money is used for transportation as it should be, every \$1 invested returns \$3 to the Wisconsin economy. The members of my association are always interested in a good investment.

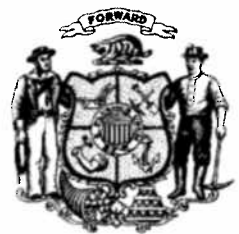
**[www.mmac.org](http://www.mmac.org)**

756 North Milwaukee Street, Suite 400 • Milwaukee, Wisconsin 53202

Phone (414) 287-4100 Fax (414) 271-7753



# WISCONSIN STATE LEGISLATURE



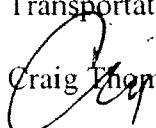




22 EAST MIFFLIN STREET, SUITE 900  
MADISON, WI 53703  
TOLL FREE: 1 866 404 2700  
PHONE: 608.663.7188  
FAX: 608.663.7189

## MEMORANDUM

TO: Honorable Members of the Senate Committee on Natural Resources and Transportation

FROM:  Craig Thompson, Legislative Director

DATE: September 29, 2005

SUBJECT: Opposition to SB 156, SB 330 and SB 331

The Wisconsin Counties Association (WCA) opposes Senate Bills 156 and 330 which would repeal gas tax indexing in Wisconsin. WCA also opposes SB 331 which would make up for the loss of transportation funds from the repeal of indexing by transferring revenues which currently go to the general fund into the transportation fund.

Gas prices in Wisconsin as well as every other state in the country have increased dramatically over the past year and are causing fiscal hardships for businesses and individuals alike. Wisconsin's gas tax indexing provision however, is not the culprit for these dramatically increased gas prices.

While Wisconsin does have a higher than average gas tax, that is because we have made a policy decision as a state to fund transportation in Wisconsin predominantly through the gas tax. We have one of the lowest registration fees in the country and we don't have toll roads. The reasoning for this has been that with the tremendous amount of tourism business in Wisconsin that we can spread the cost of building and maintaining our infrastructure across more than just Wisconsin residents. When you add together fuel taxes and registration fees Wisconsin is the lowest in the Midwest.

This is not to say that high gas prices are not causing serious concerns for our citizens and that we shouldn't do what we can to alleviate that burden wherever possible. To that end, we strongly believe that Senate Bill 215 (SB 215) which eliminates the minimum mark-up law on gasoline is a much more prudent approach. Eliminating indexing will severely impact revenues that are available to maintain our infrastructure in Wisconsin which is so critical for our economic development. Eliminating the minimum mark-up law will not take one cent away from the transportation fund while reducing the overall price at the pump.

We also oppose transferring money from the general fund to make up for the loss of revenue in the transportation fund. Wisconsin has had significant deficits in its general fund for many years now. Counties have felt the brunt of those deficits. Counties are receiving largely the same amount of Shared Revenue they received over a decade ago; less money from the state in

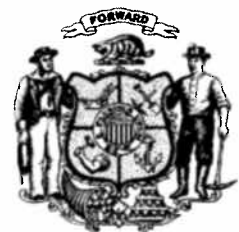
Page Two  
WCA Memorandum  
September 29, 2005

Community Aids than they received fifteen years ago; basically the same amount of Youth Aids as a decade ago; and haven't seen an increase in Circuit Court Funding in about a decade. This disinvestment in our human services and courts has been shameful and has caused a dramatic shift onto the property tax. Transferring more money from the general fund would only exacerbate this already acute problem.

Thank you for considering our comments.



# WISCONSIN STATE LEGISLATURE





**Wisconsin Manufacturers' Association · 1911**  
**Wisconsin Council of Safety · 1923**  
**Wisconsin State Chamber of Commerce · 1929**

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**James A. Buchen**  
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Government Relations

**James R. Morgan**  
Vice President  
Education and Programs

**Michael R. Shoys**  
Vice President  
WMC Service Corp.

To: Chairman Neil Kedzie  
Members of the Senate Committee on Natural Resources and Transportation

From: R.J. Pirlot, Director of Legislative Relations

Date: September 29, 2005

Subject: **Oppose Repeal of Motor Vehicle Fuel Tax Rate Indexing.**

---

Wisconsin Manufacturers & Commerce generally opposes repeal of motor vehicle fuel tax rate indexing. Indexing of the motor vehicle fuel tax rate preserves the buying power of the Transportation Fund. Repeal of the motor vehicle fuel tax rate indexing, absent an alternative revenue stream, jeopardizes Wisconsin's ability to provide and maintain a robust transportation network upon which the health of our economy depends. In particular, it is important to note that projected transportation needs surpass revenues.

#### **Wisconsin Should Broaden the Base of Transportation Funding**

For example, Wisconsin should dedicate motor vehicle sales taxes and motor vehicle parts sales taxes to the Transportation Fund, in order to help reduce reliance on the motor vehicle fuel tax.

#### **Wisconsin Must Protect the Integrity of the Transportation Fund**

A key interest of Wisconsin Manufacturers & Commerce is to maintain the Transportation Fund's integrity, to ensure that dollars collected for road building, rehabilitation and maintenance are actually used for such projects. In addition, by protecting the integrity of the Transportation Fund, Wisconsin can reduce its reliance on long-term borrowing to meet our economy's transportation network infrastructure needs.

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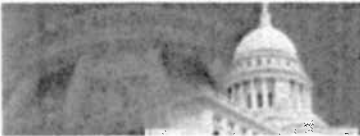
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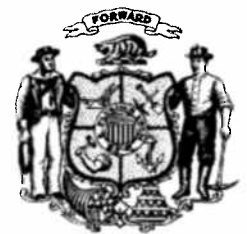
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# WISCONSIN STATE LEGISLATURE





# Wisconsin Motor Carriers Association

Good stuff.



"Promoting Safe and Reliable Truck Transportation"  
www.witruck.org

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Thomas A. Howells  
thowells@witruck.org

September 29, 2005

To: Members,  
Senate Natural Resources & Transportation Committee

Subject: Support for Repealing Motor Fuel Tax Indexing

The Wisconsin Motor Carriers Association (WMCA) is opposed to fuel tax indexing and believes that if the fuel tax rate needs to be raised, it should be done by a vote of the Legislature.

The Wisconsin Motor Carriers Association (WMCA) is a non-profit trade association representing the interests of truck owners within the state of Wisconsin. The association has 1,250 members, ranging from independent contractors with one truck to companies with thousands of trucks.

Under current law, the rate of the motor vehicle fuel tax is annually adjusted by multiplying the tax rate by the percentage change in the annual average U.S. Consumer Price Index. The Wisconsin Motor Carriers Association is testifying in support of all three measures being considered at today's hearing. These bills include the following:

- Senate Bill 330 provides that if the motor vehicle fuel tax is no longer annually adjusted, annually, beginning in 2007, an amount from the sales and use taxes imposed on the sale of motor vehicles and motor vehicle parts and service will be deposited into the transportation fund.
- Senate Bill 331 provides that after the adjustment of the tax rate on April 1, 2006, the rate of the motor vehicle fuel tax is not annually adjusted.
- Senate Bill 156 provides that the rate of the motor vehicle fuel tax is not annually adjusted.

**USER FEES AND TAXES PAID BY THE TRUCKING INDUSTRY**

The trucking industry in Wisconsin paid approximately \$688 million in federal and state roadway taxes and fees in 2002, or 36% of all taxes and fees paid by all motorists. Although the industry pays 36% of all federal and state roadway user fees and taxes, trucking represents just 8% of vehicle miles traveled in the state.

WMCA members appreciate the importance of the state's highway and bridge system. They use this system and are willing to help pay for it through the use of fair and equitable highway user fees.

However, Wisconsin is one of the few states that pays for non-highway programs with highway user fees. It is also one of the few states that does not provide General Fund support to transportation programs. Most other states provide GPR assistance for transportation because a good transportation system contributes to the general economic condition of the state.

Motor fuel taxes alone provide about 65 percent of state transportation revenues, compared to a national average of about 50 percent. Wisconsin's reliance almost exclusively on the fuel tax and registration fees to pay for transportation and other programs traditionally supported by GPR funds have resulted in very high motor vehicle user fees in this state:

- Wisconsin's diesel fuel tax rate of 32.9 cents per gallon (including the petroleum inspection fee) is one of the highest in the country and over nine cents per gallon higher than what the average state charges.
- Wisconsin's annual truck registration fee of \$2,044 for an 80,000 pound combination currently ranks 10th in the nation. The national average is \$1,586, making Wisconsin's fee over \$450 higher than what the average state charges.
- Overall, Wisconsin ranks 5th in the country for all highway user fees paid by truckers. A typical tractor semi-trailer combination in Wisconsin pays \$8,767 per year in highway user fees. The only states higher than Wisconsin are:

Oregon	\$11,307
New York	\$10,779
Illinois	\$9,992
Arizona	\$9,386

It should be noted that Michigan ranks 27<sup>th</sup> (\$6,401 per year), Iowa ranks 29<sup>th</sup> (\$6,401 per year), and Minnesota ranks 33<sup>rd</sup> (\$5946).



Since 1985, the fuel tax has risen 10.4 cents per gallon because of the automatic indexing mechanism. During the same period, the Legislature voted twice to raise the fuel tax by a total of only three cents. For an average over-the road truck, consuming 20,000 gallons of fuel per year, that translates into an additional \$2,400 in fuel taxes paid in the next twelve months that was never voted on by the Legislature.

WMCA members have watched with dismay as millions of dollars have been transferred from the Transportation Fund for non-transportation programs in the last two biennial budgets. WMCA members want and need good highways and bridges and they are willing to pay for them. However, they are unwilling to pour more money into the "transportation bucket" as long as that bucket has serious leaks in it and the existing funds are being drained off for other purposes.

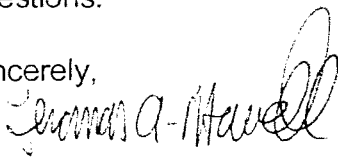
**OTHER RECOMMENDATIONS**

In addition to eliminating motor fuel tax indexing, the WMCA would like to make the following recommendations relative to transportation in this state:

1. **Stop Raiding the Transportation Fund** – Continuing to tap motor vehicle users for non-highway programs is unfair and it diverts the resources away from the programs that these user fees were originally dedicated to assist.
2. **Broaden the Funding Base for Transportation** - Utilize state general-purpose revenue to support the Transportation Fund. WMCA members find it ironic that at a time that most states are seeking ways to help provide for a quality transportation system through the use of GPR-funds, Wisconsin is siphoning transportation money out of the Transportation Fund for General Purpose Revenue programs.
3. **Phase out PECFA:** The WMCA applauds the Governor and Legislature for eliminating one cent per gallon of the Petroleum Environmental Clean-up Fund Act (PECFA) fuel tax on May 1, 2006. We hope that there is support to phase out of the remaining two cents per gallon.

Thank you for the opportunity to testify today and I would be happy to answer any questions.

Sincerely,



Thomas A. Howells  
President

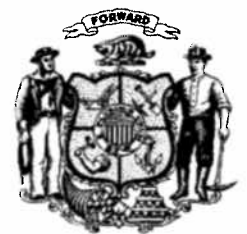
**STATE AND PROVINCIAL MOTOR FUEL TAX RATES  
FOR HEAVY VEHICLES  
July 1, 2005**

State	Tax Rate in ¢/Gallon		Notes
	Gasoline	Diesel	
Alabama	16	19	
Alaska	8	8	
Arizona	18	26	[includes 1¢ clean-up fee, paid at pump only; 1¢ credit on D available by application]
Arkansas	21.7	22.7	[includes 0.2¢ clean-up fee paid at pump only]
California	36.26	29.5	[includes 7.5% sales tax]
Colorado	22	20.5	
Connecticut	33.944	35.956	[includes 5.8% wholesale tax]
Delaware	23	22	
District of Columbia	20	20	
Florida	26.47	29.37	[incl. 6% sales tax, unif. local tax, clean-up fees]
Georgia	13.1	13.3	[includes 4% sales tax]
Hawaii	16	16	[includes 0.12 clean-up fee; plus 4% sales tax added at pump]
Idaho	25	25	
Illinois	29.8	32.5	[includes 6.25% sales tax paid on report; 1.1¢ clean-up fee paid at pump only]
Indiana	29.8	27.8	[includes 0.8¢ inspection fee, paid at pump only; D includes 11¢ surtax, paid on report only; G 15¢ at pump but 16¢ on report, plus surtax]
Iowa	21.7	23.5	[includes 1¢ clean-up fee, paid at pump only]
Kansas	24	26	[includes 1¢ clean-up fee, paid at pump only]
Kentucky	21.2	21.8	[includes 2.2¢ surcharge on G, 5.2¢ on D, paid on report only; includes 1.4¢ tank fee, paid at pump only]
Louisiana	20	20	
Maine	26.88	27.52	[includes 0.98¢ G and 0.52¢ D clean-up fees, paid at pump only]
Maryland	23.5	24.25	
Massachusetts	21	21	
Michigan	33.005	28.875	[includes 6% sales tax paid on report and 0.875¢ clean-up fee paid at pump only]
Minnesota	20	20	
Mississippi	18.4	18.4	[includes 0.4¢ clean-up fee paid at pump only]
Missouri	17	17	
Montana	27.75	28.5	[includes 0.75¢ clean-up fee paid at pump only]
Nebraska	25.3	25.3	[includes clean-up fees, 0.9¢ G, 0.3¢ D, paid at pump only]
Nevada	23.81	27.81	[includes 0.75¢ inspection fee, paid at pump only, and clean-up fee]
New Hampshire	20.625	20.625	[includes 2.625¢ in clean-up fees paid at pump only]
New Jersey	14.5	17.5	[includes petroleum tax]
New Mexico	18.875	22.875	[includes 1.875¢ load fee paid at pump only]
New York	37.8	37.25	[includes 7% sales tax, petroleum tax, paid on report; clean-up fees of 0.35¢ G and 0.3¢ D, paid at pump only]
North Carolina	27.1	27.1	
North Dakota	23	23	
Ohio	28	28	
Oklahoma	16	13	
Oregon	24	0	[D taxed through weight-distance tax]
Pennsylvania	30	36.4	[includes petroleum tax]
Rhode Island	30	30	
South Carolina	16.75	16.75	[includes 0.75¢ clean-up fees paid at pump only]
South Dakota	24	24	[includes 2¢ distributor tax, paid at pump only]
Tennessee	21.4	18.4	[incl. 1¢ inspection fee and 0.4¢ clean-up fee paid at pump only]
Texas	20	20	
Utah	24.5	24.5	
Vermont	20	26	[includes clean-up fee]

(over please)



# WISCONSIN STATE LEGISLATURE





**Wisconsin Transportation Builders Association**  
"Connecting Wisconsin to the World"

**President**  
David Bechthold  
Zenith Tech, Inc.  
Waukesha, WI

**Executive Director**  
Patrick Stevens

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*Testimony of*

**William Kennedy, Legislative Committee Chair**  
**Wisconsin Transportation Builders Association**

**&**

**Tom Walker, Director of Government Affairs**  
**Wisconsin Transportation Builders Association**

**In opposition to SB 156, SB 330 & SB 331**

Senate Committee on Natural Resources  
& Transportation  
September 29, 2005

Thank you, Senator Kedzie, and members of the Committee.

My name is Bill Kennedy. I am President of Rock Road Companies in Janesville and Chair of the Legislative Committee of the Wisconsin Transportation Builders Association (WTBA). Rock Road was founded in 1919 by my grandfather, William Kennedy, and has grown as the state has grown. A member of the 4<sup>th</sup> generation has just begun his career with our company. Rock Road specializes in asphalt paving.

This morning, I am representing the Wisconsin Transportation Builders Association (WTBA) in opposition to SB 156, 330 and 331. WTBA's statewide membership includes companies that design, build, repair, and reconstruct every type of transportation infrastructure, including roads, bridges, airports, rail structures, and bike and pedestrian paths. The overwhelming majority of our membership is composed of Wisconsin-based, family businesses like mine. We take great pride in providing one of the core elements of any successful economy generation after generation, and in providing well-paid, family supporting jobs to thousands of Wisconsinites. I want to thank you for the opportunity today to talk about why motor fuel tax indexing continues to be critical to the future of Wisconsin's economy.

We believe that the legislation before the committee this morning is the most significant single transportation bill to be considered by the legislature since 1983. If motor fuel tax indexing is repealed, there could be catastrophic consequences to Wisconsin mobility, traveler safety, and – most important – to our ability to maintain a multi-billion dollar transportation infrastructure, let alone provide the needed improvements to keep Wisconsin and its communities competitive in the emerging world economy.

Rock Road's primary market is Wisconsin. But we also do work in Illinois. Illinois' transportation revenue base includes a \$78 auto registration fee, heavy truck registration fees that are 20% higher than Wisconsin's, local fuel taxes in NE Illinois, a toll system, and a well-funded Regional Transit Authority in the Chicago area, supplemented with state General obligation bonds for transit capital costs, paid with general revenues.

But there is one tool that Illinois does not have, and that's indexing. Instead, Illinois has multi-year declines in state and local programs, followed by periodic large fee increases that never catch up for the years of neglect. It's very much like Wisconsin in the 1970's and early 1980's. If you travel in Illinois, you can easily see the difference. I'd be happy to take you for a tour. Because of indexing, we now have in Wisconsin a stable, predictable funding base that allows the Department to plan for the right investment at the right time. I saw what happened 25 years ago in Wisconsin as a young man; I don't want to see that again, and I don't believe you do either.

Let me turn this over now to Tom Walker, WTBA's Director of Government Affairs.

(Tom Walker) Thank you, Bill. Senator Kedzie and Members of the Committee.

I would like to start by explaining why indexing was enacted with bipartisan support 22 years ago. It was enacted under the Administration of Democratic Governor Tony Earl. Four years later, Republican Governor Tommy Thompson vetoed its repeal.

The problem with fixed fees is that they yield a flat revenue stream. The programs they pay for face increased costs year after year, starting with inflation. The only way that buying power can be maintained is with legislated fee increases, which are always very politically controversial. This is why most of Wisconsin fees have not kept pace with inflation.

If you look at other states, bills to increase fees require the consensus of two chambers of the Legislature and the Governor, which is both unpredictable and unlikely. You need look no farther than Minnesota, where the fuel tax has not increased since 1988. Bill after bill was passed by one or another chamber of the Minnesota Legislature, but not both. Parties alternated in support or opposition. This year, at long last, the Legislature acted, and increased the fuel tax by 10 cents per gallon. However, the bill was vetoed by Governor Pawlenty. The gas tax today in Minnesota buys only 60% of what it bought in 1988.

The original goal of indexing is the same as it was 22 years ago: maintain the purchasing power of the motor fuel tax, no more and no less. Program increases or decreases would still require Legislative action. Remember, the fuel tax is the workhorse of the Transportation Fund, providing about two-thirds of its total revenues. Other fee-based revenues increase only 1-2% annually.

Is that a reasonable goal? What would this Legislature do if General Fund revenues never grew without Legislative action? The General Fund revenue base is increasing automatically at about 5.5% annually; yet meeting the needs of General Fund-supported programs has been and continues to be a challenge. Comparatively, state Transportation Fund revenues – WITH INDEXING - are increasing about 3% in this biennium, or about the projected rate of inflation. Indexing is designed to make the Transportation Fund, in part, act the same way the General Fund does.

One good way to make that comparison is from the viewpoint of the taxpayer, which we did in CHART #1. Let's compare the driver of 1999 with the driver of 2005, at the low end of the marketplace. If the 1999 driver purchased a new small vehicle, an average cost might have been \$12,000. Today, the equivalent car might cost \$18,000. The state sales tax on the 1999 vehicle would have been \$600, while the sales tax on today's vehicle would be about \$900. That's \$300, or a 50% increase! The change required no vote of the legislature, since the sales tax rate is the same.

Now compare the annual fuel tax paid on those 2 vehicles.

Let's assume both travel 12,000 miles. The fuel tax paid in 1999 at 25.8 cents per gallon would have been \$135. Today's driver at 29.9 cents per gallon will pay \$144 for the same amount of driving.

That's only a \$9, or a 7% increase since 1999, which doesn't even match the rate of inflation because of increased fuel efficiency.

We urge you to ask the following question: which is the automatic tax increase? A 50% increase in sales tax payments to the General Fund or a 7% increase in fuel tax payments?

In fact, since indexing was implemented in 1985, state sales tax revenue is up 168% and income taxes are up 163% (CHART #2). Here are some of the initiatives that have been accomplished with that revenue growth AND without a single vote of the Legislature: Two-thirds of public education costs, major expansion of the state prison system, a prescription drug program, continued strong state support for local governments.

During the same period, fuel tax revenues have increased 153% EVEN WITH INDEXING. And all transportation modes benefited from the stability and reliability created by indexing:

- ◆ Creation of a Local Road Improvement Program;
- ◆ Wisconsin is a national leader in state support for transit and local transportation aid;
- ◆ Passenger rail service between Milwaukee and Chicago;
- ◆ Corridors 2020, which has been a virtual magnet for jobs;
- ◆ And in some of your districts, the completion of Highway 29, the Whitewater bypass and the Cass Street Bridge.

Part of that fuel tax revenue growth was due to the emergence of SUV's and muscle cars. Those days are over: increased fuel economy, smaller cars, and alternative fuel systems will all be emphasized by consumers and producers alike. It's virtually the same environment that existed 22 years ago when indexing was approved.

Even with indexing, fuel tax revenue growth is slowing, because consumption is dropping, even as travel increases.

Without indexing, fuel tax revenues will likely decline, even before considering the impact of inflation.

Let's take a sobering look at the impact of repealing indexing.

CHART #3 shows the loss of fuel tax buying power that would occur under SB 330 or SB 331. I have no magic crystal ball, so we graphed the impact @ 3%, 4%, and 5% inflation. Unless there is a recession or a much lower world cost of oil, it is hard to imagine inflation being less than 3%, and it could be higher.

In any case, the dollar loss is very significant.

Without indexing, programs will need to be cut back year-after-year to match lower revenues.

CHART #4 shows where state transportation dollars will go in FY 2007. What will the Legislature cut?

- Debt service is a first draw; it cannot be cut, and it will grow. It already consumes 11% of state transportation revenues.
- STH Maintenance, that just needed an infusion of cash to pay its FY 2005 bills?
- Local aids like GTA and Transit, at a time property taxes are being tightly constrained?
- More cuts in DOT staff, which will only have to be replaced with more outsourcing?
- State highway improvements for Majors, STH Rehab, and SE WI Freeways will consume only 23% of the revenue pie in FY 2007. Even without transfers to the General Fund, that percentage would be only 28.5%, hardly more than a quarter of spending. Much of this funding is needed to match federal highway dollars. Wisconsin has never forfeited federal aid. Without indexing, we might.

Is Wisconsin spending too much? Remember: the FY 2007 all funds spending level for funding for SE Freeway Reconstruction is only \$94 million, of which \$50 million is committed to basic pavement and bridge repairs. Where will the money come from to rebuild I-94 South and the Zoo Interchange? Won't indexing repeal make a solution to that question all but impossible?

Some will argue that there are alternatives to indexing, as SB 330 suggests. For years, there has been talk of expanding the revenue base as other states do?

However, let's test whether those alternatives can realistically replace indexing?

There is a very small GPR cost in this biennium to shift a portion of sales tax revenues on the sale of motor vehicles from the General Fund to the Transportation Fund.

But that will grow in the following biennium, when Legislators have to face a continuing significant structural deficit, the largest GAAP deficit in the country, pressures from the rise in health care costs, concerns about property taxes, and the high probability that the federal government will continue to offload its traditional responsibilities to the states, starting with Medicaid.

Will there be room for a continuously growing amount of GPR to be allocated to transportation programs, simply to replace fuel tax revenues that indexing would have generated? CHART #5 shows the rapidly growing GPR cost through 2016, totaling \$1.8 billion if inflation averages 3%.

Frankly, there are good pro and con arguments for using GPR for transportation investments as most other states do. The fact remains that the relevant question today is whether GPR transfers are financially feasible here in Wisconsin.

Is it not likely that in the 2007 budget, that the Legislature will evaluate GPR challenges, and either repeal or suspend any GPR transfer to the Transportation Fund? That would leave the stark consequences of indexing repeal. Is this the right public policy outcome?



Are there non-GPR alternatives to indexing? Of course. But each is expensive; and they will hit only Wisconsin drivers, while providing a tax break to out-of-state tourists and truckers who also pay the fuel tax.

For example, you could enact a value-based registration fee on new cars and light trucks, say at the rate Michigan charges, which is one-half of one percent of the vehicle's Manufacturers Suggested Retail Price. That would mean a \$100 initial registration fee on a \$20,000 vehicle; \$150 on a \$30,000 vehicle, and so forth.

Or you could impose a 1% excise tax on new and used vehicles.

Or we could increase heavy truck registration fees. A 10% increase would generate \$15 million annually.

The sobering fact is that all three would be required to offset the repeal of indexing at 3% inflation! Is that politically realistic?

And remember, there would not be one dollar of net increased transportation investment, in real terms. And you would have exhausted the very revenue alternatives that could be used to meet the mobility needs of a growing economy.

Is it not far more reasonable to preserve indexing and employ selective future user fee increases to improve mobility, enhance job development, and address the obvious problems facing state and local transportation systems. Take a look at the future: Reconstruction of the Southeast Wisconsin freeway system is largely unfunded, there is a push for commuter rail, we haven't enumerated a Major highway project in 4 years and there is a huge backlog of capital needs on the state and local systems. How are we going to fund these if we see a reduction in the buying power of the Transportation Fund?

There is one more reason to be very cautious about repealing indexing. As shown in CHART #6, the recently enacted highway bill provided a \$1.06 average return on each dollar sent to Washington by Wisconsin. Every other Midwest state – even Illinois – will receive only 92 cents per dollar. This provision was sold by Congressman Petri to protect Wisconsin. We get the additional funding for three reasons: we have an indexed fuel tax; our tax rate exceeds the federal motor fuel tax rate by at least 50% (federal rate = 18 cents per gallon); and it was in effect on the date of enactment in August. Only one state meets all 3 criteria: Wisconsin. It will provide about \$350 million in additional funding over the 5 year life of the bill and could be continued into the next bill.

Some will argue that if the Legislature repeals indexing, we will still get the same funding, since it was in effect on the day of enactment.

Others will argue that this fails the common sense test: should we receive the money if we no longer meet one of the core criteria?

That will ultimately be the decision of the Federal Highway Administration.

\$350 million seems like a very risky bet!

Let me share with you my perspective as a transportation professional, who has worked for both the private and public sectors for 27 years. I have a pretty good idea of how transportation is financed – and not financed – in every other state.

I believe that the repeal of indexing will most likely result in one of two outcomes. Either investment will decline and the system's condition and performance steadily deteriorate, until a massive re-build is needed at a far higher cost than would be the case if we maintain and slowly grow investments that are justified. This is exactly what happened in Wisconsin in the 1970's, when we faced high gas prices, improved fuel economy and a lack of political consensus to address the consequences.

Or, given the political challenge of raising fees, they will be rejected in favor of massive bonding with no new revenues to pay the debt service. That's what's going on now in Minnesota. The problem has become so bad in New Jersey that every dollar of revenues is committed to debt service. Excessive debt is the very problem the Legislature sought to avoid in the 2005 Budget it passed.

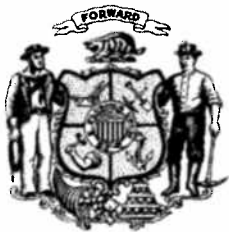
I hope you agree that either outcome is unacceptable. I believe that indexing is a very fiscally responsible, fair way to pay the cost of existing, multi-year capital programs and the dollars to maintain and operate those systems.

If there is a decision to repeal indexing, the only responsible path is the simultaneous passage of guaranteed replacement revenues. Those replacement revenues must have broad bipartisan support or they will never survive. And they should be locked in.

Thank you for this opportunity to testify. We look forward to your questions.



# WISCONSIN STATE LEGISLATURE





**Wisconsin Transportation Builders Association**  
"Connecting Wisconsin to the World"

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*Charts supporting testimony of*

**William Kennedy**, Legislative Committee Chair  
Wisconsin Transportation Builders Association

&

**Tom Walker**, Director of Government Affairs  
Wisconsin Transportation Builders Association

**In opposition to SB 156, SB 330 & SB 331**

Senate Committee on Natural Resources  
& Transportation  
September 29, 2005

CHART #1

**Sales Tax: 50% increase with no increase in tax rate**

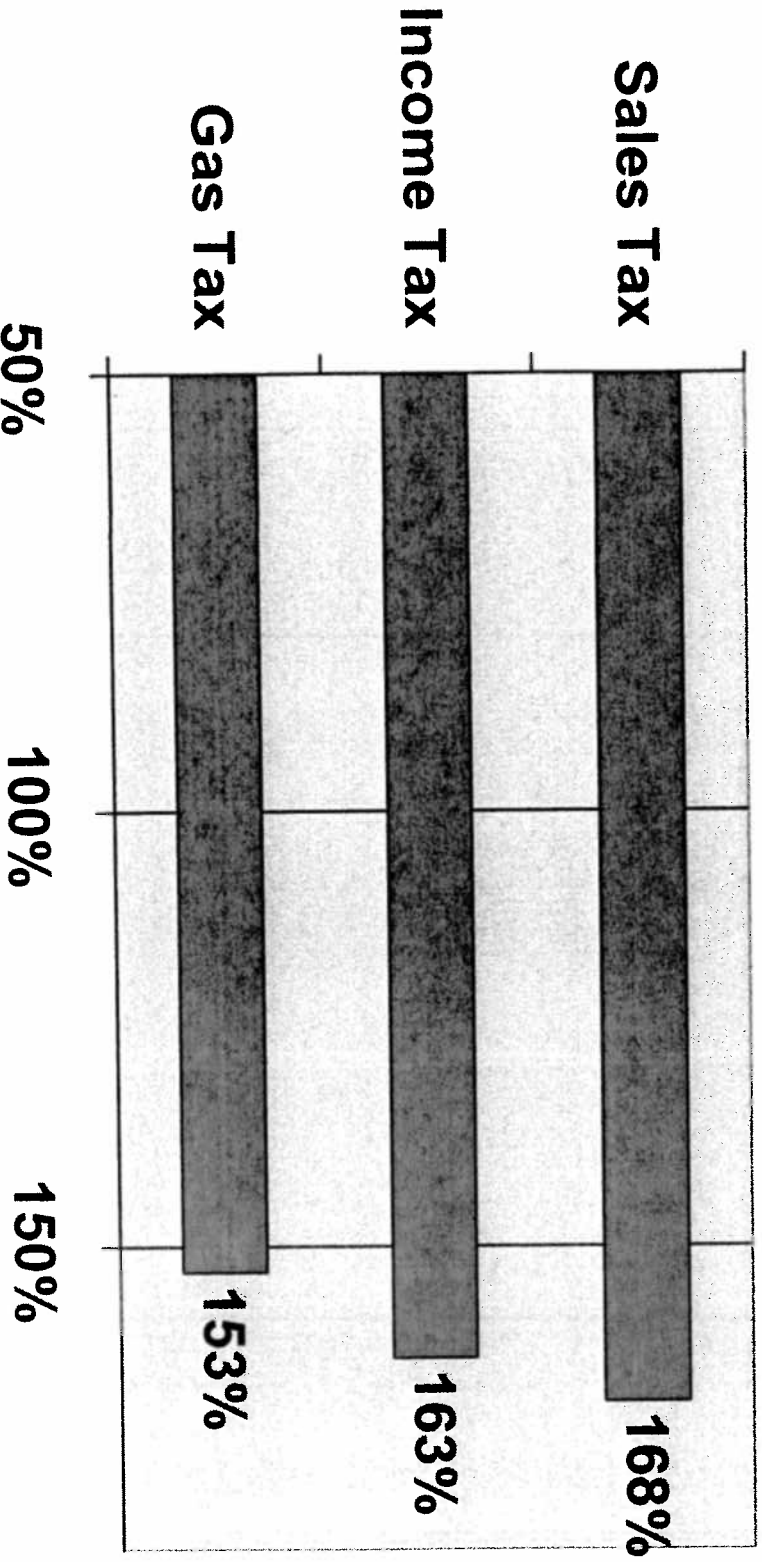
**Gas Tax: 7% increase with annual increases in tax rate**

	<u>1999</u>	<u>2005</u>
<i>Cost of Vehicle</i>	\$12,000	\$18,000
<i>Sales Tax (no increase in rate)</i>	\$600	\$900 (+50%)
<i>MPG</i>	23 mpg	25 mpg
<i>Gas Tax (with indexing/12,000 mi.)</i>	\$135	\$144 (+7%)

**CHART #2**

**Gas tax revenues lag Sales & Income tax revenues**

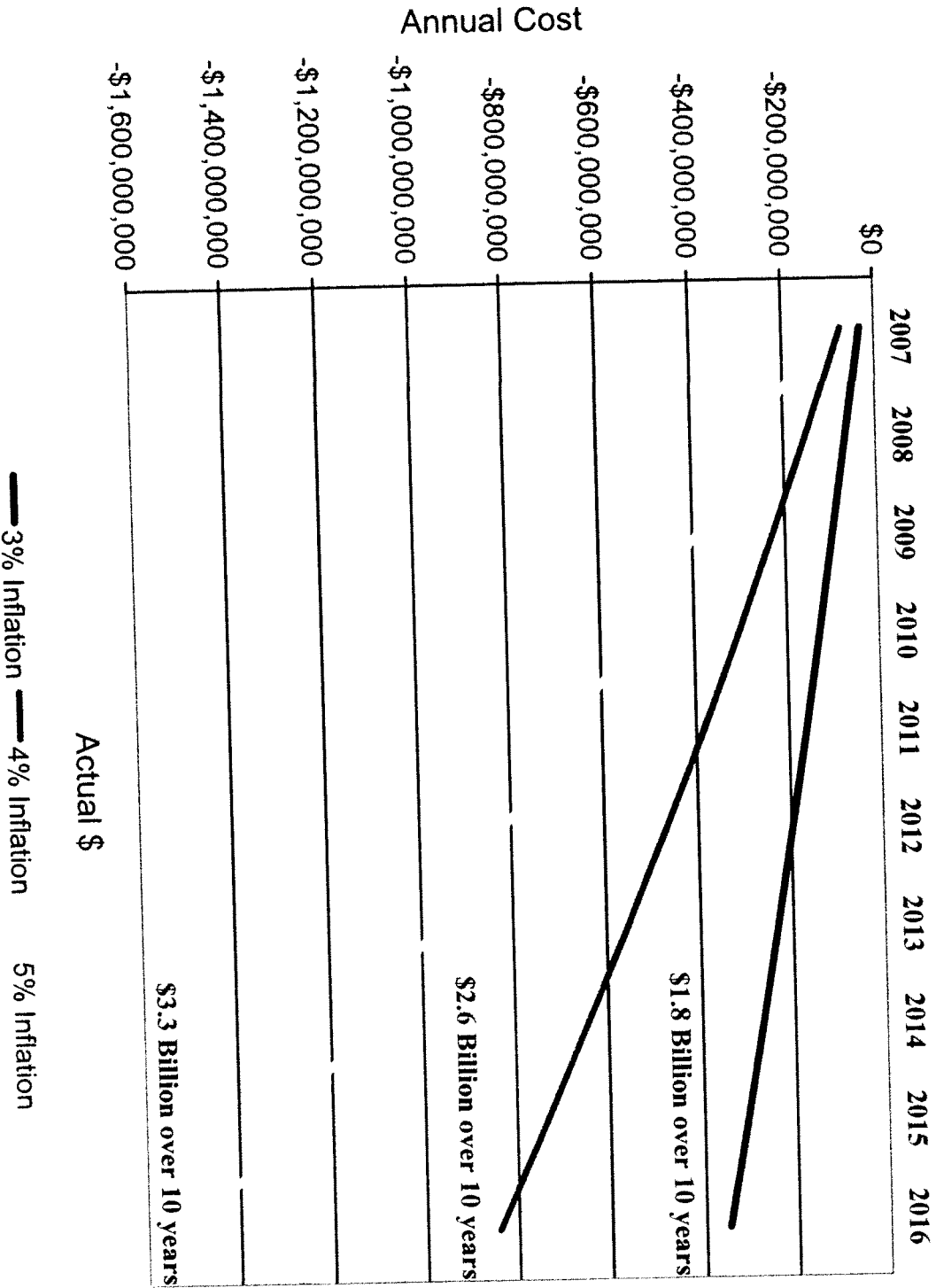
**REVENUE INCREASE - 1985-2004**



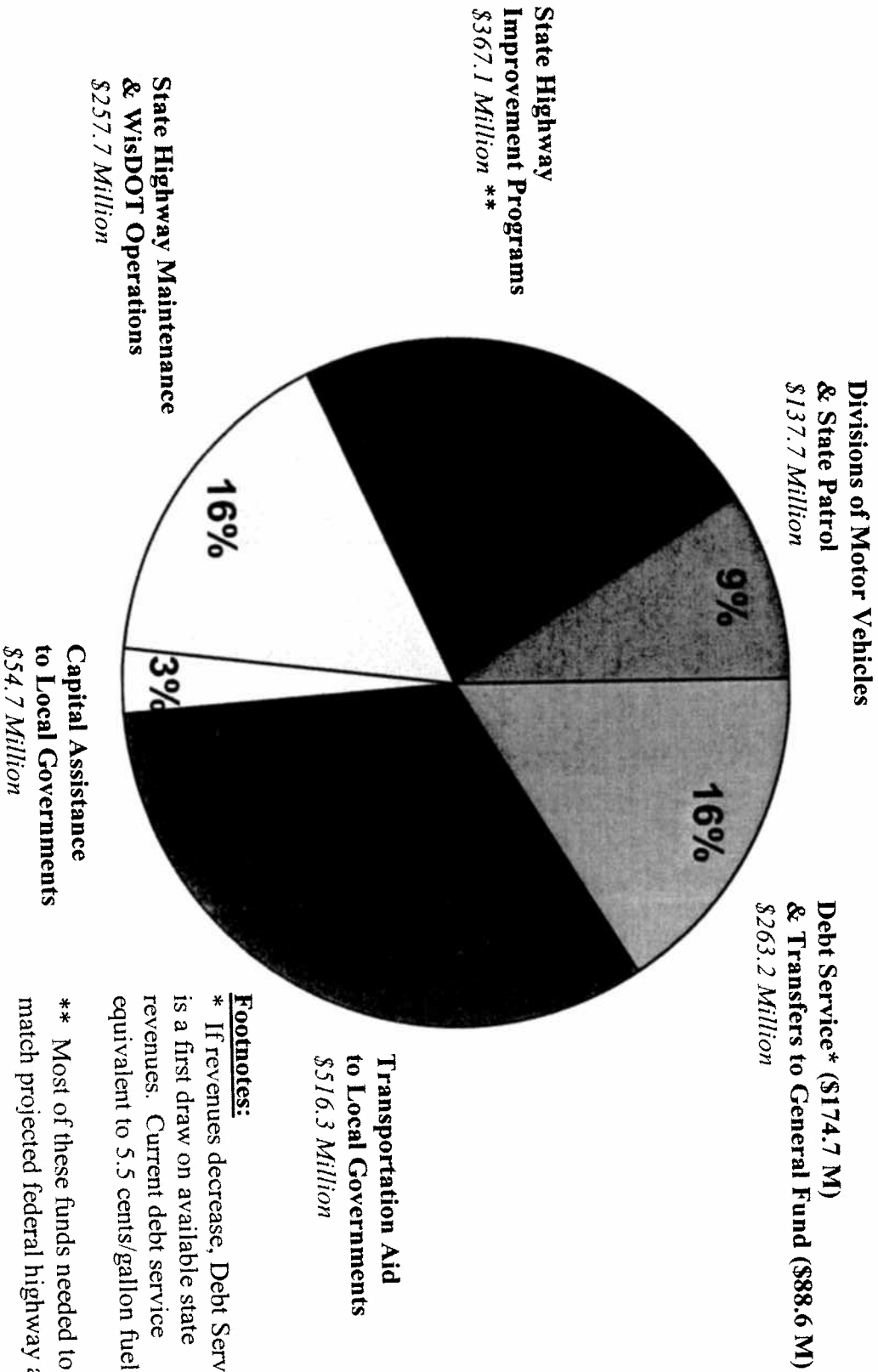
Source: WI Taxpayers Alliance

CHART #3

# Indexing repeal = Dramatic loss in buying power



# State Transportation Revenues in FY 2007: Where to cut?



**Footnotes:**

\* If revenues decrease, Debt Service is a first draw on available state revenues. Current debt service equivalent to 5.5 cents/gallon fuel tax

\*\* Most of these funds needed to match projected federal highway aid



# SB 330 will cost General Fund \$1.8 billion over 10 years

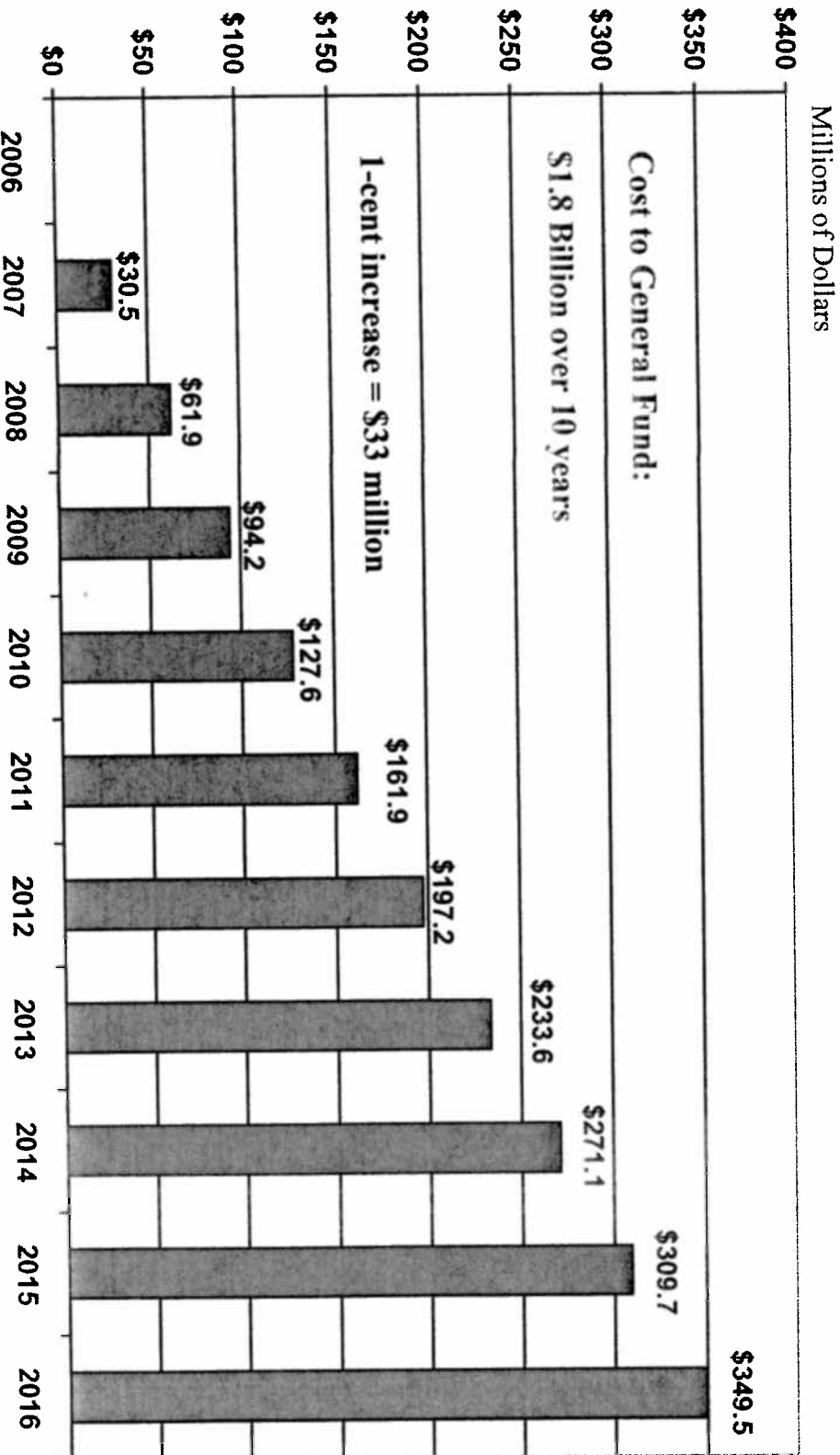


CHART #6

## Indexing repeal puts \$350 million in federal aid at risk

The federal transportation bill includes a special "hold-harmless" clause that rewards Wisconsin exclusively because it has a fuel tax that is:

- 1) Indexed, and
- 2) At least 50% higher than the 18.4-cent federal motor fuel tax

*Dollar-for-Dollar Return With & Without "Petri Provision"*

With



\$1.06 cents in federal aid  
For each \$1 paid in user fees

Without

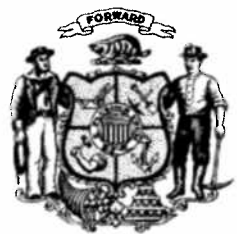


92 cents in federal aid  
For each \$1 paid in user fees

**Provision worth \$70 million annually over 5 years of federal bill (10% extra)  
This bonus provision could be extended in the next federal highway bill**



WISCONSIN STATE LEGISLATURE



# Registrations Against

James Peterson  
J Peterson & Sons SB 156, 330, 331

R.J. Pirlet WMC SB 156, 331

Mike Ryan WI Laborers SB 330, 331, 156  
District ~~Team~~ Council

Pat Osborne Aggregate Producers SB 156, 331  
of WI

Mark Reihl WI State Council SB 156, 331, ~~330~~<sup>330</sup>  
of Carpenters

Joe Oswald WI Laborers SB 156, 331, 330  
District Council

Rich Stadelman WI Towns SB 156, 331, 330

33 Individuals Against all 3

Registrations (Interview)  
For

Jean Long Mantel  
- Jerry Long's A-1 Moving  
SB 156, SB 330, SB 331

Rep. Jeff Wood - SB 330, 331

Kathi Kilgore - WI Innkeepers Assoc  
SB 156 + SB 331

Marc Bentley - Marten Transport +  
Schneider National  
SB. 330