



## ***The Problem is Defined, the Options are Known***

**When it comes to Wisconsin transportation, most people agree there is not enough money coming into the Transportation Fund to maintain current system conditions.**

Expectations for system conditions and performance drive the need for investment and, therefore, the funding shortfall. Consequently, if Wisconsinites are willing to accept declining road conditions, delayed safety improvements and time wasted stuck in traffic, the funding gap is much smaller than if the goal is to maintain or improve Wisconsin's transportation system. It's a choice.

### **Conditions Continue to Deteriorate**

In any report issued by the Wisconsin Department of Transportation (WisDOT) over the last decade, the one certainty was projected worsening of state highway conditions. Without increased investment, the percentage of state highways in poor and below condition will increase significantly over the next decade, anywhere from 50% to more than doubling, depending on the assumptions.

Delay of major highway and Southeast Wisconsin freeway projects puts increasing demand on rehabilitation dollars, as these aging highways and bridges need more frequent and expensive repairs.

### **Progress Delayed**

Over the last five years, important projects essential to economic development and safety have not moved forward:

- I 43 Silver Spring Drive – STH 60  
*Environmental Impact Statement signed November 2014*
- I 94 in St. Croix County  
*Finding of No Significant Impact (FONSI) signed November 2014*  
*Vetoed from 2017-19 state budget*
- I 94 70th Street – 16th Street (I 94 East-West)  
*Record of Decision rescinded*
- STH 15: STH 76 – New London  
*Under reevaluation*

In addition, studies for the following projects have been slowed or cancelled:

- STH 11/USH 14 Janesville – I 43
- USH 12 Fort Atkinson Bypass
- USH 12 USH 14 – CTH N (Madison Beltline)
- USH 12 STH 67 Elkhorn – STH 59 Whitewater
- I 39/90 USH 12 Madison – USH 12 Wisconsin Dells
- USH 51 Stoughton – McFarland  
*Recently resumed*

The Transportation Projects Commission, which reviews Major Highway Project candidates and makes recommendations to the governor and legislature regarding projects to be enumerated for inclusion in the next two-year state budget, last met in 2014.




## The Looming Liability

Just reconstructing the Southeast Freeway System with safety improvements and no added capacity to support economic growth or mobility - other than for projects already studied - has a price tag in excess of \$8 billion. Add in other capacity to handle future traffic demand, and the cost grows to more than \$9 billion.

### *Estimated Reconstruction Costs for the Remaining Segments of the Freeway System in Southeastern Wisconsin*

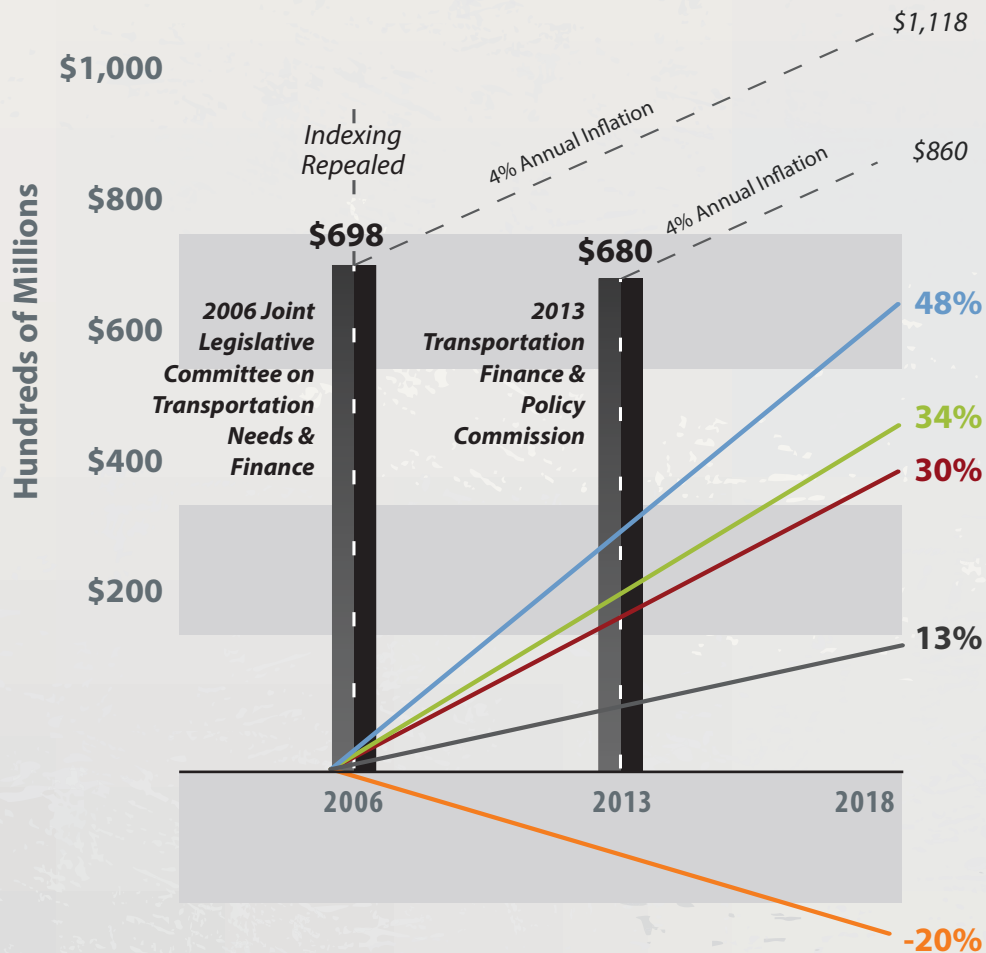
| FACILITY         | LIMITS OF PROJECT  | ESTIMATED COST (2017\$)                 |  |
|------------------|--|---|--|
|                  |  | Modernization/<br>Preferred Alternative | Modernization, With<br>Capacity Where Needed |
| Zoo IC           | Zoo Interchange (North Leg)  | 179.5                                   | 179.5  |
| Hale Interchange | Lincoln Avenue to 27th Street, Moorland Road to Hale Interchange <i>Including Hale Interchange</i> | 899.0                                   | 1,021.6                                      |
| IH 41            | Burleigh to Richfield Interchange  | 658.5                                   | 874.5  |
| IH 41            | Richfield Interchange to Dodge Co.   | 421.8                                   | 421.8  |
| IH 43            | STH 60 to Sheboygan Co.  | 414.5                                   | 418.7  |
| IH 43            | Silver Spring Dr. to STH 60  | 504.6                                   | 504.6  |
| IH 43            | Howard to Silver Spring  | 875.1                                   | 1,054.3                                      |
| IH 43            | STH 83 to Moorland   | 326.7                                   | 326.7  |
| IH 43            | IH 43 & USH 12 Interchange   | 73.6                                    | 73.6   |
| IH 43            | Rock Co to STH 83  | 626.4                                   | 626.4  |
| IH 94            | Jefferson County to 124TH  | 786.3                                   | 1,021.2                                      |
| IH 94            | 70th Street to 16th Street<br><i>Including Stadium Interchange</i>                                 | 911.6                                   | 911.6  |
| USH 12           | Illinois to Rock County<br><i>Including the extension of USH 12 to Whitewater</i>                  | 312.2                                   | 780.6  |
| USH 45           | Richfield Interchange to CTH D   | 330.9                                   | 330.9  |
| STH 16           | STH 67 to IH 94  | 447.8                                   | 447.8  |
| STH 145          | Hampton to Good Hope   | 198.7                                   | 198.7  |
| STH 175          | Stadium Interchange to Lisbon  | 150.3                                   | 150.3  |
| <b>TOTAL</b>     |  | <b>8,117.5</b>                          | <b>9,342.8</b>                               |

 Project has completed preliminary engineering with a locally preferred alternative selected.

Source: Wisconsin Department of Transportation and SEWRPC

Except in cases where the locally preferred alternative has already been selected, the left column represents modernization without additional lanes, while the right column includes an additional lane in each direction dependent on traffic demand forecasts for each segment. If a locally preferred alternative has been selected, the estimated cost for that alternative is included in both columns.

## System Needs, Funding Gap



### Construction Inflation

as measured by Wisconsin Construction Cost Index increased 48% from 2006 to 2018.

### General Fund Revenues

grew 34% during this period even with cuts in income tax rates.

### State Transportation Revenue

increased 30% between 2006 and 2018.

**State Transportation Revenue minus debt service/General Purpose Revenue** only grew 13% from 2006 to 2018.

### Fuel Tax Purchasing Power

The fuel tax, which generates approximately 50% of state transportation revenue, has lost about 20% of its purchasing power since the repeal of indexing in 2006.

### 2006 Joint Legislative Committee on Transportation Needs & Finance

*Members:* Sen. Dan Kapanke and Rep. Mark Gottlieb, Co-Chairs; Sens. Scott Fitzgerald, Glenn Grothman, Dave Zien, Roger Breske and Russ Decker; Reps. Don Friske, Dean Kaufert, Jeff Stone, Mike Sheridan and Josh Zepnick.

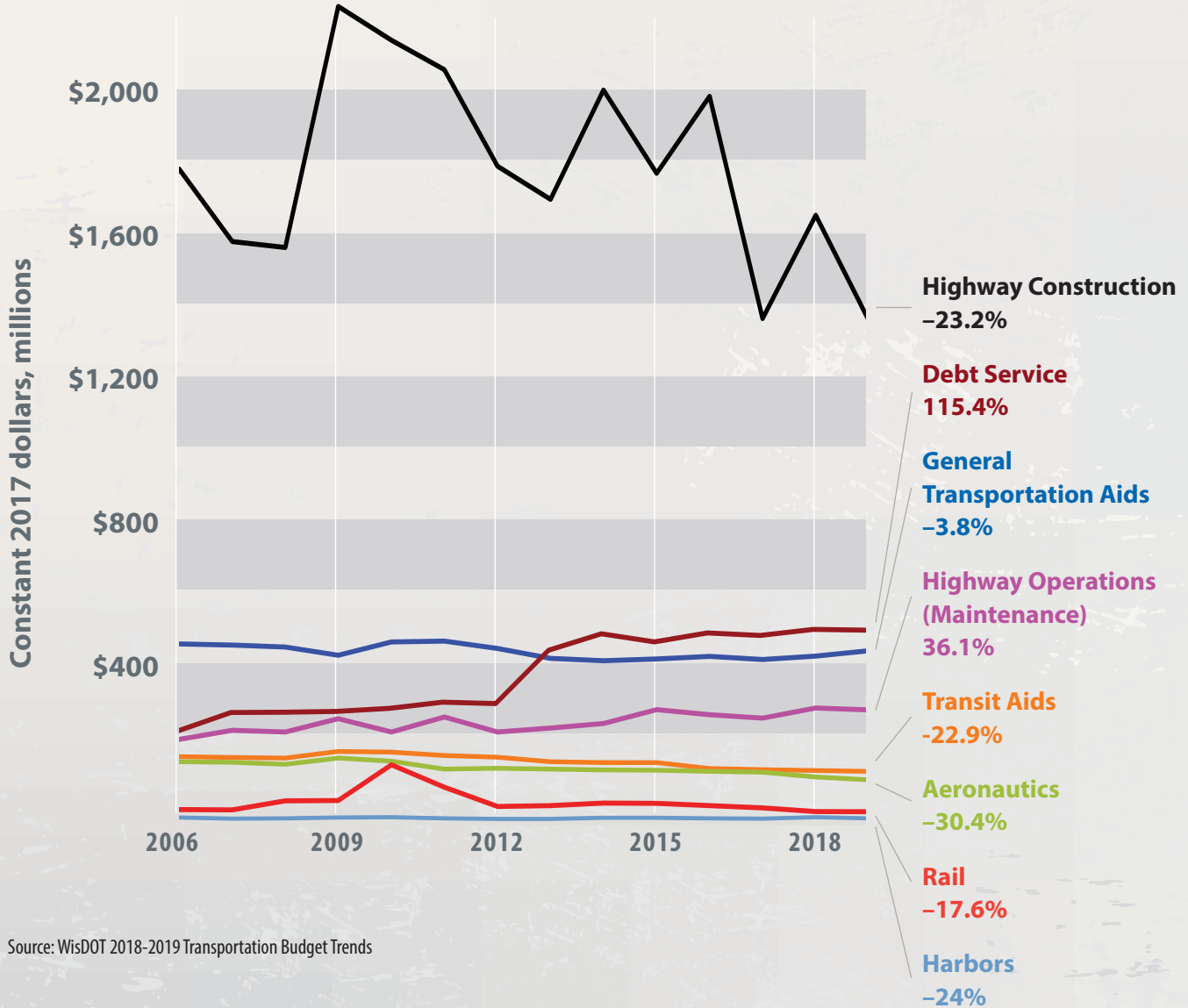
### 2013 Transportation Finance & Policy Commission:

*Members:* John Antaramian, Tom Carlsen, Dave Cieslewicz, Robert Cook, Barb Fleisner LaMue, Martin Hanson, William Hanson, Robb Kahl, Craig Thompson, Tom Vandenberg and WisDOT Secretary Mark Gottlieb (non-voting chair).

**Adjusting 2006 and 2013 recommendations by 4% inflation yields an annual funding shortfall range of \$860 million to \$1.118 billion.**



## Real Spending Declines



Since 2006 and the repeal of gas tax indexing, real spending has declined in every transportation program except highway operations and debt service. Debt service has more than doubled.

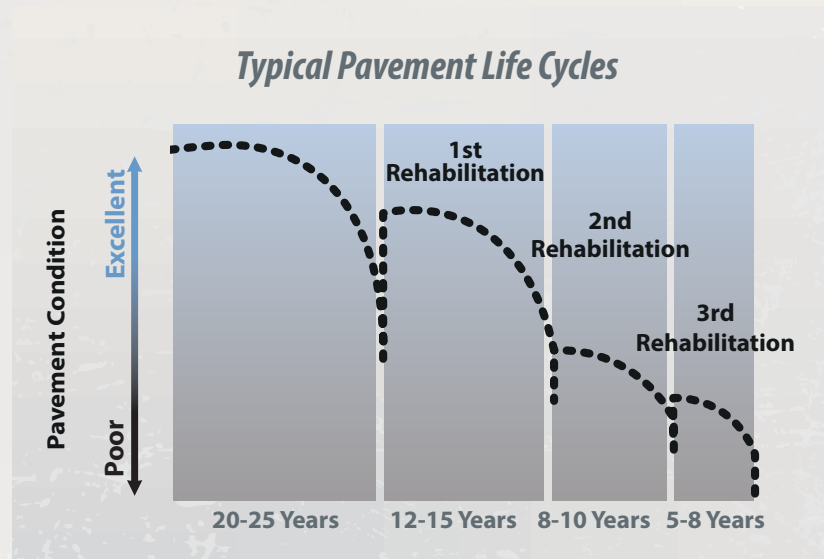


## Low Cost or Best Value

The least costly treatment today may not lead to the most value for Wisconsin taxpayers. While these treatments can be justified as the best option for the money available, the costs over the long term—increased number of treatments and travel disruptions—can dwarf any short-term savings.

As the graphic on the right shows, there is a diminishing return for subsequent surface treatments.

**Without a focus on long-term value, drivers can expect orange barrels to pop up with increasing frequency.**



## Efficiencies are Essential, but not Enough

Getting the most from existing revenues is always a priority, but this becomes even more critical when resources are scarce. Over the last five years, WisDOT has implemented numerous policies and practices designed to stretch available dollars, including:

- **Right-time treatments**
- **Balancing preservation and expansion**
- **Value engineering**
- **Reusing materials on site**
- **Cost reduction incentives**
- **Selling surplus land**
- **Performance-based maintenance**
- **Replace in kind**
- **Theme X Prime**

In addition, the legislature has sought to create “efficiencies” by repealing prevailing wage,

removing state funding for community sensitive design, eliminating state bike/pedestrian mandates (Complete Streets), and cutting 200 positions from the department.

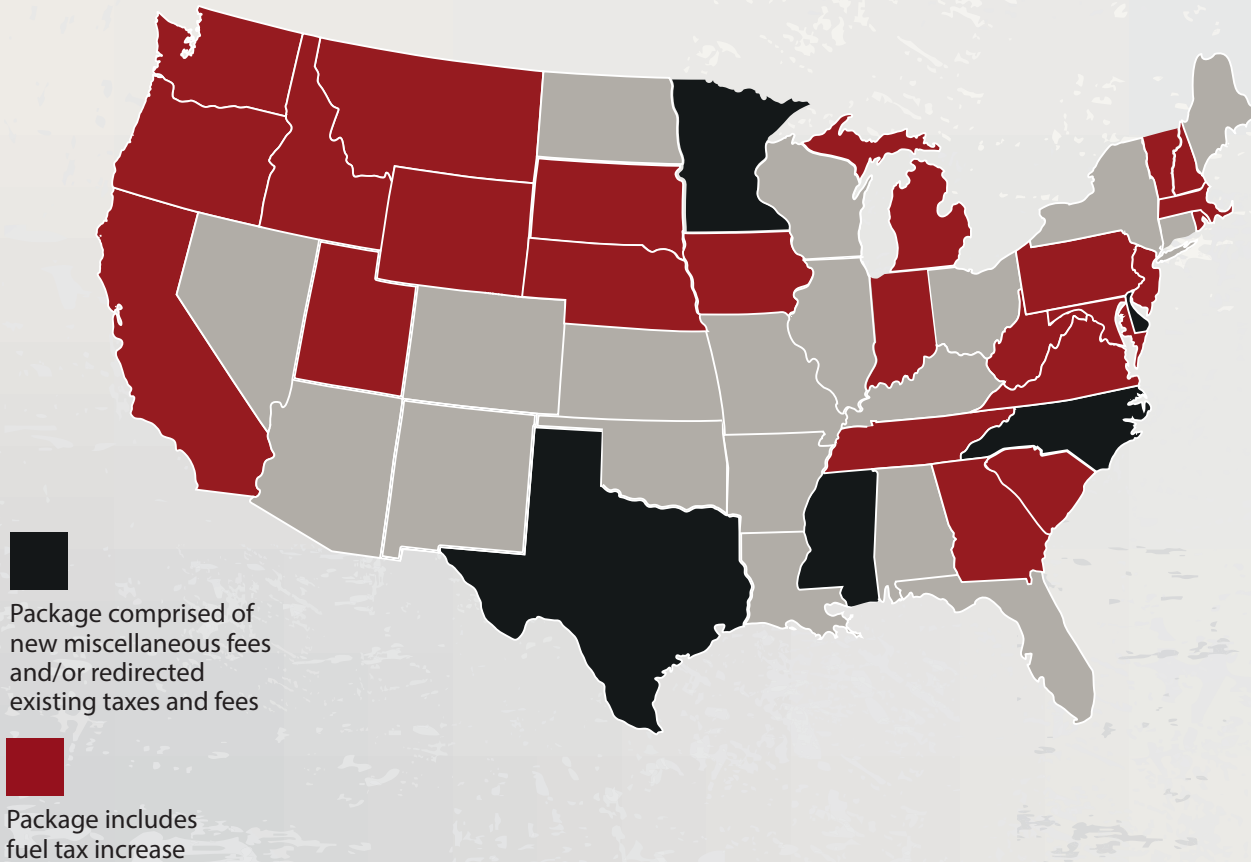
In the 2017-19 budget, WisDOT was granted the authority to replace federal funding in certain local transportation programs with state revenue, thereby eliminating the need to comply with certain federal requirements and possibly reducing project delivery costs. This provision was repealed effective July 1, 2019 during the December 2018 extraordinary session.

2016 was the last year WisDOT documented savings (*Better Faster Lower Cost*), which approximated \$100 million, clearly not nearly enough to bridge the funding gap.

### *Constitutional Protection for Transportation Fund*

*In November 2014, citizens overwhelmingly voted—80% to 20%—to constitutionally protect Wisconsin’s Transportation Fund, preventing the future use of transportation user fees for non-transportation purposes.*

## 29 States Approve Significant Transportation Funding 2013-2018



|               | GAS TAX INCREASE INCLUDED IN PACKAGE | ESTIMATED ANNUAL PACKAGE REVENUE |                | GAS TAX INCREASE INCLUDED IN PACKAGE | ESTIMATED ANNUAL PACKAGE REVENUE |
|---------------|--------------------------------------|----------------------------------|----------------|--------------------------------------|----------------------------------|
| California    | 12 cents                             | \$5 billion                      | New Jersey     | 23 cents                             | \$2 billion                      |
| Delaware      | -                                    | \$23.9 million                   | North Carolina | -                                    | \$440 million                    |
| Georgia       | 6.7 cents                            | \$1.2 billion                    | Oregon         | 8 cents                              | \$530 million                    |
| Idaho         | 7 cents                              | \$95 million                     | Pennsylvania   | 9.5 cents                            | \$2.3 billion                    |
| Indiana       | 10 cents                             | \$1.2 billion                    | Rhode Island   | 1 cent                               | \$150 million                    |
| Iowa          | 10 cents                             | \$200 million                    | South Carolina | 12 cents                             | \$640 million                    |
| Maryland      | 13-20 cents                          | \$830 million                    | South Dakota   | 6 cents                              | \$100 million                    |
| Massachusetts | 3 cents                              | \$800 million                    | Tennessee      | 6 cents                              | \$350 million                    |
| Michigan      | 7.3 cents                            | \$1.2 billion                    | Texas          | -                                    | \$1.2 - \$4.2 billion            |
| Minnesota     | -                                    | \$235 million                    | Utah           | 5 cents                              | \$75 million                     |
| Mississippi   | -                                    | \$200 million                    | Vermont        | 5.9 cents                            | \$30 million                     |
| Montana       | 6 cents                              | \$40 million                     | Virginia       | variable                             | \$880 million                    |
| Nebraska      | 6 cents                              | \$75 million                     | Washington     | 11.9 cents                           | \$1 billion                      |
| New Hampshire | 4.2 cents                            | \$35 million                     | West Virginia  | 3.5 cents                            | \$130 million                    |
|               |                                      |                                  | Wyoming        | 10 cents                             | \$70 million                     |





## Funding Options

| OPTION   | AVERAGE/YEAR   |
|--|----------------|
| 1 cent increase in gas tax                           | \$33 million   |
| Sales tax on gas                                     | \$570 million  |
| Indexing reinstated                                  | \$130 million  |
| Gas tax indexing catch up                            | \$230 million  |
| Variable motor fuel tax                              | \$290 million  |
| Eliminate motor fuel tax loss allowance              | \$12.6 million |
| \$1 increase in registration fees                    | \$5 million    |
| 1% increase in registration fee for heavy trucks     | \$1.3 million  |
| Indexing registration fees                           | \$70 million   |
| Value-based registration fees                        | \$70 million   |
| \$1 title fee increase                               | \$ 1.5 million |
| \$1 driver license fee                               | \$750,000      |
| \$1 driver license issuance fee                      | \$920,000      |
| Sales tax on motor vehicles, parts and accessories   | \$630 million  |
| Repeal of motor vehicle trade-in sales tax exemption | \$95 million   |
| Mileage-based registration                           | \$290 million  |
| Highway use fee                                      | \$260 million  |
| Tolling  | Unknown        |

WisDOT Fund Solvency Report, December 2016

## Conclusion

Without increased investment in Wisconsin's transportation system, conditions will continue to deteriorate and projects important to the state's economy and residents' mobility and safety will be delayed. The largest source of state funding, the gas tax, has been flat since the repeal of indexing in 2006. As a result, real spending has declined and borrowing has soared.

While WisDOT and the legislature should continue to pursue efficiencies, this alone will not be enough to maintain system conditions, let alone improve them.

**Other states have faced the same transportation challenges as Wisconsin. Wisconsin must either invest for the future or risk falling further behind.**