

How gas taxes are (mis)used

The state has **taken more than \$1.32 billion** from the transportation fund to fill state budget holes.

BY STEVE PRESTEGARD

Every time you fill up your vehicle, 32.9 cents per gallon of gas or diesel fuel goes toward maintaining the roads on which you drive or your products are transported.

Over the past seven years, totaling four state budget cycles, state government has taken more than \$1.32 billion of gas and diesel tax revenues and used them to fill holes in four state budgets.

On Nov. 2, voters in more than 50 counties will decide the fate of an advisory referendum question on whether to amend the Wisconsin

Constitution to prohibit the transfer or use of money in the state's transportation fund for purposes not related to transportation.

As of today, the advisory referendum will appear on the Nov. 2 election ballot in Brown, Calumet, Door, Green Lake, Kewaunee, Lincoln, Manitowoc, Marathon, Marquette, Menominee, Outagamie, Portage, Shawano, Sheboygan, Waupaca, Waushara and Winnebago counties. To amend the state Constitution, as is called for in the referendum, would require the passage of a proposal by consecutive sessions of the Legislature and then voter approval in a binding statewide referendum.

The referendum proposal was created by Finding Forward, a coalition that includes businesses, organized labor, regional planning interests, state, county and municipal officials, and agricultural and housing organizations. Finding Forward members include AAA Wisconsin, the East Central Wisconsin Regional Planning Commission, the Green Bay and Oshkosh chambers of commerce, the International Union of Operating Engineers Local 139, the National Federation of Independent Business, the Wisconsin Automotive and Truck Dealers Association, Wisconsin Laborers District Council, Wisconsin Manufacturers & Commerce, and the Wisconsin Towns Association.

"When you look at the array of groups that have decided to advocate for this referendum and then consider 50-plus county boards each voting to place this question on the ballot, there is no mistaking how deeply this issue resonates with people from all areas of the state," says Craig Thompson, executive director of the Transportation Development Association of Wisconsin.





Fuel taxes and vehicle registration fees comprise the state transportation fund, which pays for road, rail, airport and harbor construction and repair projects.

WHERE THE MONEY GOES

Transportation in Wisconsin is funded from two in-state sources — the state gas tax and vehicle registration fees. Gas taxes specifically fund road improvements, Department of Transportation operations, and mass transit. Gas taxes and vehicle registration fees fund all transportation spending, including such non-road uses as railroads, airports and harbors.

The transportation fund is one of several segregated funds within state government funded by specific revenues. (Another is the Injured Patients and Families Compensation Fund, funded by physicians' fees. The Legislature approved a \$200 million transfer from the patients compensation fund into the general fund in 2007. The state Supreme Court invalidated the transfer in July.)

"I take a look at it as a citizen of the state of Wisconsin and what's happened in the past 20 years in the state of Wisconsin," says Phil Ramlet, president of OMNI Associates, an Appleton transportation engineering firm, and the TDAW past president.

"There are segregated user fees for any number of things you look at as a taxpaying citizen," he says, using water and sewer and garbage pickup as two examples. "When you pull up to the gas pump in the state of Wisconsin, and there's a tax per gal-

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JOHN CASPER, OSHKOSH CHAMBER

lon, as a citizen I want to know that it goes to roads and bridges and it's not being used for something else."

Since the 2003–05 budget, the state transferred money from the transportation fund "for purposes other than transportation, and then backfilled those dollars with bonded dollars," says Ramlet. "As a business owner, I think it's not good financial sense to continually take dollars for some other place and then bond for those dollars."

"That kind of practice is concerning given that the transportation fund was based on the premise that user fees — the gas tax — was intended for specific purposes," says John Casper, president of the Oshkosh Chamber. "And if you start to pull out funds, you destroy the integrity of the transportation fund. It's a bad practice and it's got to be corrected."

To those who believe the state insufficiently funds transportation as it is, taking money out of the transportation fund, even though it's later

replaced, makes the funding situation worse.

"The needs far outweigh the dollars available, when you take a look at the needs out there for the highway system," says Ramlet. "That's a piece of the problem, but now when you specifically take a look at the programs they've got going, and they use the dollars for something else, in the out years when you pay back the dollars you've bonded, that's when it really hurts — you're spending dollars on debt instead of on projects."

"The need for transportation improvement across the board across the state is probably greater than the resources available," says Casper. "So when we take money out of the fund, that delays projects, and that doesn't meet the needs of the business community or the traveling public."

"So many people live in Oshkosh or Appleton and work in Fond du Lac or Green Bay, or vice versa. If we're not keeping up the infrastructure to the degree that benefits economic ➔

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activity — raw materials in and products out, and moving people from place to place — that means less payroll, less wealth created and less tax revenues.”

\$1,326,629,600, OR MORE

According to state Sen. Mike Ellis (R-Neenah), the full extent of how much money has been taken out of the state transportation fund to help balance state budgets is not generally known to the public.

Ellis counts himself as “absolutely” a supporter of the referendum. “People have got to wake up to the fact” of the transportation fund’s chronic use to fill budget holes.

According to Ellis, the Doyle Administration took out, from the state transportation fund into the state general fund, \$675 million for the 2003–05 state budget, \$430.8 million for the 2005–07 budget, \$155 million for the 2007–09 budget, and \$65.8 million for the 2009–11 budget.

That, however, is not the full extent. The 2007–09 budget authorized the secretary of the state Department of Administration to take another \$200 million from segregated funds, including the transportation fund, as well as another \$288 million from the 2009–11 budget — “a budget that doesn’t even exist yet” when the fund transfer was authorized, says Ellis.

An additional \$125 million in segregated fund transfers through the end of the 2009–11 budget cycle was authorized in a bill passed in February 2009 to authorize spending of American Recovery and Reinvestment Act funds.

“Either way you carve this, you’ve already got a huge number coming out of the highway fund,” he says.

Use of funds for other than their intended purposes is not new in Madison. Doyle’s first budget included \$805.79 million in transfers out of 15 segregated funds, including \$675 million from the transportation fund, to balance the 2003–05 budget. Before Doyle, Gov. Scott McCallum sold the first 16 years of the \$3.2 billion 30-year settlement with tobacco companies for \$835 million to balance the 2001–03 state budget.

“As a legislator, I’ve been fighting for this same matter for years, but neither party wants anything to do with it, because currently they can

have their cake and eat it too,” says Rep. Bob Ziegelbauer (I-Manitowoc), the Manitowoc County executive. “It’s time to try and take this question directly to the voters and let them have their say.”

ROAD PROJECTS, AND NOTHING ELSE

Ramlet isn’t unsympathetic about the plight of state or local governments in an era of tight budgets resulting from unexpectedly low revenues.

“They’ve all had to make very, very difficult decisions, and nationally until we have some economic growth they’ll continue to have very, very difficult decisions,” he says. “But the way to deal with it is to deal with it head on. You’ve got to come up with a plan.”

“This is about honesty at its most basic level,” says Ziegelbauer. “If your parents gave you money you promised would be used for schoolbooks but you spent it on video games instead, that would be dishonest. But that’s exactly what’s currently happening in Madison. If we are getting taxed for road projects, then our money should go for road projects, and nothing else.”

One apparent opponent is Senate Majority Leader Russell Decker (D-Wausau), who in a June Milwaukee Journal Sentinel story noted that Republican legislators voted for transportation fund transfers when Republicans controlled the Legislature. “It’s like hear no evil, see no evil, but I think voters are on to what Republicans are up to,” Decker said.

A referendum will not appear on the ballots in Fond du Lac or Wood counties. Fond du Lac County Sup. Martin Farrell, chair of the Fond du Lac County Board of Supervisors, says the board has not taken up a referendum proposal.

However, he adds, “I believe a resolution will be placed before the upcoming meeting of the Wisconsin Counties Association urging the Legislature to segregate the transportation funds, which I’m sure Fond du Lac County will endorse.”

“When it’s passed by a clear majority of the counties, and I believe it will,” says Ramlet, “it’ll send a strong signal that this is the will of the people.” **M**

U.S. 41 is in the midst of two major construction projects — from Oshkosh to Neenah and in the Green Bay area.



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