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LEGISLATIVE REFERENCE BUREAU

201 North, State Capitol
Madison, Wisconsin 53702

Telephone Area Code 608
Reference: 266-0341
Bill Drafting: 266-3561

Dr. H. Rupert Theobald, Chief

THE TAXATION AND FINANCING OF TRANSPORTATION IN WISCONSIN

An Overview of Intermodal Tax Relationships

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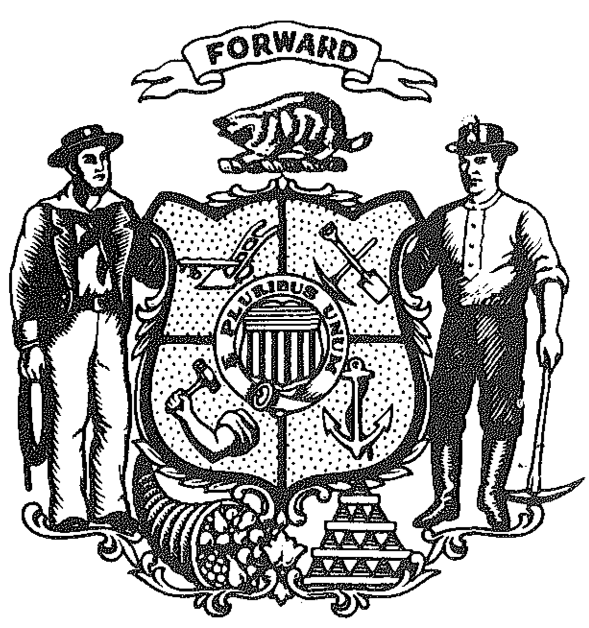

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HIGHLIGHTS

1. In the past 25 years little attention has been paid to the effects of taxation on various forms of transportation, particularly as taxes affect their intermodal relationships. Such studies as have been made tend to favor levying an income tax on railroads and have been inclined to think that motor vehicles were not being sufficiently taxed. The situation today — the lack of highway funds, the plight of the railroads, and the energy problem — have caused increasing recognition of the importance of a balanced, multimodal transportation system. Laws have been enacted to assist mass transit and railroads and to provide supplemental road funds, but legislation tends to consider isolated problems rather than the interrelatednedd of taxes levied on the different modes of transportation.

2. A variety of forms of tax relief for railroads has been proposed and enacted in the several states. These have usually taken the form of property tax relief and have ranged from total exemption of rights-of-way and other railroad property to partial exemption, tax credits, tax deferrals, and lowered assessment rates. Various subsidies to rail lines have been proposed or undertaken. Highway user tax proposals and enactments have ranged from increasing fuel taxes to variable fuel tax rates and taxing the price (rather than the volume) of fuel. Airline tax proposals have primarily been on the federal level.

3. Wisconsin levies a corporate income tax on motor carriers and water carriers, but — in lieu thereof — levies an ad valorem tax on airlines, railroads and pipeline companies. While motor vehicles are subject to user taxes on their fuel, use, equipment and drivers to support public roads, no special fuel tax is levied on railroad fuel since railroad rights-of-way are privately owned and none is levied on fuel used by water carriers and airlines. No fuel is subject to the general sales tax. Ad valorem taxes include railroad rights-of-way, but no property tax is paid by automobiles or carriers on the public roads. Railroads pay ad valorem taxes on their rolling stock, motor carriers pay property taxes on their vehicles, but automobiles are not subject to property taxes.

4. Federal fuel taxes are levied on both motor carriers and air carriers. Both also pay taxes on vehicles and parts, and air carriers pay passenger taxes. Beginning in October 1980, fuel taxes will be levied on water carriers. No federal taxes are levied on railroad roadbeds, which are privately owned.

5. Wisconsin's Highway Fund has been expanded to become the Transportation Fund and now receives ad valorem revenues from air carriers and railroads as well as motor vehicle imposts (but not motor vehicle sales taxes or motor carrier income taxes). Expenditures of the state Department of Transportation for all purposes now come primarily from this fund and from federal aids. The U.S. Highway Trust Fund receives federal motor vehicle imposts for expenditures on interstate and federal aid highways. The U.S. Airport and Airway Trust Fund receives and expends airline tax revenues, and the new Inland Waterways Transportation Fund will receive fuel taxes on inland waterway commercial carriers.

6. About one-third of motor vehicle imposts levied in Wisconsin are paid by trucks. In the nation as a whole, about 77% of vehicle miles traveled is attributed to passenger cars, about 20% to trucks, and less than one percent to buses. Effect of usage on highways is still hotly debated. AASHO tests indicate weight is an important factor, but the Federal Highway Administration believes that heavy trucks currently seem to be more closely meeting their cost responsibilities. A congressionally mandated study of cost allocation is underway.

7. Local units of government nationwide derive a major portion of their revenues spent on highways and highway-related items from property and other local taxes, followed by state aids. In Wisconsin, local government funds for urban mass transit come from federal general funds, the state Transportation Fund, local general revenues, and passenger fares. Airport revenues are derived from user fees, from the federal Airport and Airway Trust Fund and general federal funds, the state's segregated Transportation Fund, and local user fees and general taxes. Most railroad aid so far has been from federal general funds, although some state revenues from the Transportation Fund and local funds are now being used.

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I. FORETHOUGHTS AND AFTERTHOUGHTS

A. Introduction

Do taxes fall evenly on the various modes of transportation in Wisconsin? During the past year transportation taxation has become the focus of considerable attention and contention in both the executive and legislative branches of Wisconsin state government. After prolonged debate, the 1979-81 budget act provided for a transfer of $63.5 million from the General Fund to the Transportation Fund in order to bolster the highway construction program. A deficit of crisis proportions, however, is looming over the Wisconsin Transportation Fund by the end of the biennium. In a presentation to a Senate committee on October 29, 1979, state Secretary of Transportation Lowell Jackson warned that an anticipated deficit of roughly $50 million appears probable. Such factors as ever-increasing inflation, the decline in fuel tax revenue, and the increasing cost of nonhighway programs coupled with the high degree of user tax sharing with local governments, the effect of our severe weather on roads, and the comparatively low highway user taxes in this state — all combine to share responsibility for the impending deficit.

As a result of these events, proposals have been forthcoming calling for an increase in fuel taxes or motor vehicle registration fees, or both, shifting sales taxes on motor vehicles to the Transportation Fund, taxing fuel on a percentage of the price rather than by the gallon, and other such suggestions.

The weakened condition of the Transportation Fund, however, is only the latest development in the transportation problems of the state. The Milwaukee Road is in bankruptcy, and its future prospects vacillate from day to day. Branch lines and car ferries are either being terminated or subsidized by various levels of government; rail passenger service ranges from inadequate to nonexistent, with one Amtrak route through Wisconsin — that of the North Coast Hiawatha — eliminated in October 1979; private mass transit, with very few exceptions, has succumbed to municipal ownership; and interstate bus industry revenues are deteriorating. What is the matter with the transportation industry?

Transportation in the United States is almost incredibly heterogeneous. Private enterprise, public enterprise, and a bewildering combination of the two are to be found. Each form of transport developed in its own time with little or no relationship to those already in existence. Each was treated individually in comparative isolation as it developed. Thus, it is not surprising that highway funds had been zealously guarded to be used for highway purposes only, that the railroads claim they have been discriminated against vis-a-vis automobiles, trucks and airlines, and that interstate buses now make the same claim with regard to railroads. As a result, there are many aspects of the transportation problem and many ramifications issuing from the development of and treatment accorded to the various modes.

Gradually, however, the interest of the State of Wisconsin in transportation — as with other states — has become multimodal. Because of legislation enacted in recent years, but particularly in 1977, Wisconsin has taken long strides toward integrating its treatment of the various forms of transportation and looking at transportation from a multimodal point of view. A recognition of the interrelatedness of transportation and transportation problems has been developing. Administratively, much has been accomplished. A Department of Transportation merged the functions of four agencies, each of which had responsibilities for a single mode of transportation; a Transportation Commission replaced the Highway Commission; and a Transportation Fund succeeded the Highway Fund. The department has been reorganized along functional, rather than modal, lines. Thus, a new administrative mechanism has evolved over the past decade.

An intermodal outlook has received further encouragement from federal aids that have been received, not only for the traditional highway and airport programs, but also for mass transit and railroads. Federal requirements have also emphasized broad transportation planning.

This study, however, considers one specific aspect of transportation problems — how the various forms of transportation are taxed and whether such taxes are levied with some degree of equality on each mode. It should be noted that this report is by no means a detailed examination of transportation taxation. Each aspect of the topic could well merit a far more intensive study. At best, it is an overview of current taxes and their interrelationship.

An increasing understanding of the interrelatedness of transportation has not prevented the state from approaching tax problems on an individual basis with little regard to the overall effect of its actions. Wisconsin is faced with the difficult task not only of solving its very immediate problem of a deficit in the Transportation Fund, but of fitting the solution into the broad context of a system of balanced and equitable taxes levied fairly on all transportation modes. At a time when it is becoming more deeply involved in all aspects of transportation than ever before, the state must be cognizant of the effect its fiscal policies have on each mode in particular and transportation generally. Tax policies may indeed affect the health of the several transportation modes and may be at least partially responsible for creating a need to adopt remedial transportation programs.

B. Conclusions

What have these fiscal policies been and how have the various modes of transportation been treated? In spite of the difficulties caused by the different status (private, public, mixed) of each mode, it seems possible to arrive at some conclusions.

General Taxes and User Taxes

One of the curious aspects to be noted in determining the equality of treatment among the modes is the mixture of general taxes and of user taxes that have been levied, and the disposition of the revenues therefrom. General taxes are taxes that are levied on persons or property generally, are commingled in the General Fund, and are used for the broad purposes of government. General tax revenues may be earmarked for specific purposes — although most are not — but earmarked taxes have not usually been considered the best fiscal procedure. Income taxes, property taxes, ad valorem taxes, gross receipts taxes, and sales taxes — all are thought of as typical general purpose taxes. User taxes, on the other hand, are specifically imposed on the user and are primarily spent for his direct benefit. Motor vehicle licenses and registration fees, motor fuel taxes, freight taxes, and enplanement taxes are examples.

Prior to the establishment of the Transportation Fund, the user taxes levied on motor vehicles, drivers and motor fuel were deposited in the State Highway Fund, while the ad valorem taxes levied on railroads, airlines and pipelines went into the General Fund. As in lieu income-property taxes, the ad valorem tax was not intended to benefit the payers, but was part of the general tax revenues. This tax now goes into the Transportation Fund to be used for the benefit of those modes of transportation, although income taxes on motor carriers do not. Like its predecessor, the Transportation Fund is a segregated fund, but it is now receiving both user taxes and earmarked general revenue.

The transfer of moneys from the General Fund to the Transportation Fund by the 1979-81 budget law (Ch. 34) for increased highway construction and maintenance is another example of the mixture of general with user taxes or of the use of general revenue for purposes that were once covered only by the specific user taxes. Current proposals to transfer sales tax revenues from the sale of automobiles and accessories to the Transportation Fund represent another blurring of the distinction between the two types of taxes.

This confusion can also be seen in the specific exemption from personal property taxes that was made for automobiles when motor vehicle registration fees were levied. The fees were deemed to be in lieu of property taxes. Although it could certainly be contended that to impose 2 taxes was excessive; nevertheless, the property tax was designed for the general upkeep of government, the motor vehicle tax was designed for the specific benefit of the payer.

Thus, when tax changes are considered in the transportation area, it would seem prudent to be aware of the kind of tax involved and how its diversion — if ordinarily considered a general tax — will not only affect general revenues, but will also affect the equality of treatment of all modes in their relationship to the tax structure.

Comparing Taxes

1. Income Tax versus Ad Valorem Tax

The levying of an ad valorem tax on railroads and airlines, while motor transport and water carriers are subject to an income tax, is a major difference in the taxation of the various transportation modes. When the income tax was originally imposed, companies subject to it thereafter paid both income and property taxes. Because the ad valorem tax was considered to contain elements of both these taxes, railroad taxation was not changed.

Over the years the question of railroad taxation was either ignored or given short shrift in the various tax studies. A 1950 study tended to favor a combination of ad valorem and income taxes. The shift in thinking now seems to be toward an income tax in place of an ad valorem tax. Recent studies concede that although the ad valorem tax is not particularly burdensome, Wisconsin's railroad tax policy "appears out of date and illogical." The question is posed whether a railroad which loses money in any given year should be obliged to pay taxes in that year.

Certain factors have changed which indeed make a reconsideration of railroad taxation feasible. One such factor is the requirement of the federal "4R" Act that state tax policies not discriminate against railroads. Even if the ad valorem tax be considered a rough equivalent of an income tax plus property tax, the mill rate for railroads differs from that of other property, and manufacturing property is treated differently.

Another factor, which differs drastically from the situation prevailing when the income tax was enacted or the various early studies were made, is the recent change in the taxation of business property. 1973 legislation exempted machinery and equipment from the property tax, while 1977 legislation exempts gradually — over a period of 5 years — merchants' stock-in-trade, manufacturers' materials and finished products, and farmers' livestock. Furthermore, in 1973 the assessment of manufacturing property was transferred from the local level to the state level.

This change in the philosophy of taxing business property would seem to augur a new look at the taxation of railroad property. Might not rails and rolling stock, for example, be considered comparable to industrial machinery and equipment? If so, to tax them could be considered discriminatory. Machinery and equipment are the tools used to produce goods; rails and rolling stock are the tools used to produce the service of transportation. If railroad rolling stock, tracks and roadbeds were exempted from taxation, the ad valorem tax would no longer appear to be "the nearest practicable approach to property taxation." Local terminals and depots could then be taxed under the state's general property tax laws. Subjecting railroads to an income tax would presumably more accurately gauge their ability to pay.

2. Taxing Rights-of-Way

The perennial complaint of the railroads has been that they have to pay not only for the construction and maintenance of their privately owned roadbeds and rails, but that they then pay general governmental taxes on them; their rivals using the public highways, airways and waterways do not. While motor vehicle user taxes are used to build and maintain the roads, the motor carriers and automobile drivers do not pay a property tax on the roads, because they do not own them. This problem was mitigated somewhat, of course, by the 1977 law depositing ad valorem railroad and air carrier taxes in the Transportation Fund instead of in the General Fund, presumably for the aid of those carriers. On the other hand, abolition of property tax on roadbeds and rails would make the railroads' use of railroad "highways" more directly comparable to use of the public highways by common carriers.

3. Personal Property Taxes on Vehicles

Registration fees on motor vehicles are user taxes in that the revenue derived from them is used for the building and upkeep of roads. They were imposed in lieu of property taxes, however, which — as we mentioned earlier — appears to be a confusion of general and user taxes. Again, the ad valorem tax on railroads and airlines would include their rolling stock and aircraft, and this does not seem to equate with a user tax. Like the situation with regard to rights-of-way, however, depositing ad valorem taxes in the Transportation Fund or abolishing them would change the situation. Water carriers pay in lieu property taxes on their vessels.

4. Sales Taxes on Vehicles, Parts, and Fuel

The sale of commercial vehicles — whether it be motor trucks, buses, railroad cars, or aircraft — and their accessories, parts and fuel are exempt from the sales tax. In this area of taxation there is uniformity of treatment among the several commercial modes. Motor vehicles, of course, pay the motor fuel tax, which is a user tax. The 1977 Wallace Commission recommended that the sales tax be extended to motor fuels and the proceeds distributed to local governments as transportation aids. This could possibly be said to cause an imbalance among the transportation modes as to their treatment under the sales tax.

5. Property Taxes on Terminals

Terminal properties of railroads would be included in the ad valorem tax. While airlines pay local user fees for the use of airports, which are publicly owned, it appears that such fees do not always cover the costs, and sums spent by the Federal Government in particular are far in excess of what is derived from air carrier taxes. Fees paid by water carriers using ports have not always covered costs. Since most railroad terminals and depots and bus stations are privately owned, it is noteworthy that commercial airports have apparently always been publicly owned and no effort has been made to convert them to private ownership.

Comparing Subsidies

Every form of transportation is subsidized to some extent, but the extent of the subsidy among the various modes has varied considerably. Any public revenues expended on transportation which are not derived from a tax on the user or from the user's purchase of service — such as farebox revenues — represent a subsidy. Thus, expenditures for transportation from the General Fund are subsidies.

Motor vehicles — The degree of subsidization of highways has always been a matter of considerable debate. On the federal and state levels highway spending has been derived from user taxes which — until recently at least — have kept pace with spending. On the local level a considerable proportion of moneys for roads comes from local property taxes. Although, obviously, such local expenditures convey a benefit on property owners by giving them access to their property and to their municipality, the property tax is not a specific user tax, but a general tax. With the current crisis in the Wisconsin Transportation Fund and the transfer of moneys from the General Fund to it, it is clear that transportation revenues have become inadequate for considered transportation needs. If proposals to deposit the sales tax on automobiles in the segregated fund were to be adopted, this would further remove us from the concept of a self-sustaining governmental activity.

Airlines — Airports have been subsidized on the local level, but some have gradually become almost self-sustaining. However, since federal expenditures for airports and airways have been almost twice what federal user revenues have been, there has obviously been a massive dose of federal subsidies. The federal subsidies for air travel have amounted to $7.1 billion out of total obligations of $26 billion during the history of aid programs.

Railroads — Since the early days of the land grants, which were more than repaid by reduced railroad rates for federal government shipments, railroads have received little in the way of subsidies until this decade, when their plight became so alarming that various federal programs were instituted to try to repair the damage that discriminatory taxation, regulation, and the change from a monopoly industry to a highly competitive one had wrought. It will be noted in Chapter IX that although railroads paid federal waybill and passenger ticket taxes between 1942 and 1970, these taxes went into general revenue. The same taxes are still paid on air carriers, but now go into the federal Airport and Airway Trust Fund. At this time, there are no federal user-type taxes levied on railroads.

The state is only recently getting involved in railroad aid. Although hampered by constitutional restrictions on internal improvements, it apparently can help localities in their railroad preservation efforts. The state now has funds from the ad valorem tax deposited in the Transportation Fund. It is not clear to what extent this tax will cover state aid.

Water carriers — Subsidies for water carriers are on the local level in the form of harbor improvements, and on the federal level in the construction and maintenance of waterways. The Federal Government's expenditures on such programs have amounted to $14.7 billion, with user-related revenues of $0.2 billion. This imbalance will be lessened somewhat when the new water carrier user fee goes into effect.

Over the course of aid to various forms of transportation on the federal level, highways and rail have paid their own way, air and water carriers have not.

Mass transit — In recent years municipalities have been taking over private bus operations, and these have been heavily subsidized by federal, state and local general funds. The decline in private ownership was probably caused primarily by the intense competition from the private automobile with its great mobility, privacy and comfort. Now that heavy traffic, increased gasoline and parking costs, and the desirability of saving energy have sent more people back to the buses, it is not yet clear whether the degree of subsidization will be affected by these factors.

Social Policy

The degree to which the various modes of transportation are subsidized by government is a matter of social policy. It is generally considered desirable to have a balanced transportation system in the nation to cover different transportation needs and to be reasonably accessible to all. Within that context, various factors must be taken into consideration:

1. Transportation should be available to large municipalities which are the major population and commercial centers of the nation.

2. Transportation should be available to small urban and rural areas to provide access for the shipment of agricultural and mining products and to promote rural development.

3. Transportation of passengers should provide a range of prices and quality to meet the variable needs and desires of business and recreational travelers. Heavy subsidization of urban mass transit, for example, is justified on the basis of providing lower income groups, the handicapped, and those who do not drive with access to jobs and community activities.

4. In today's world, transportation should be viewed from the perspective of its energy efficiency. Which modes are more fuel efficient in transporting goods and passengers?

5. Transportation should also be judged on the basis of cost efficiency. What are the least expensive and what are the most expensive ways of transporting goods and people? What is the cost of a mile of road, for example, versus the cost of a mile of track? What is the cost of a bus system versus a light rail system?

6. Transportation must be examined from the viewpoint of national defense. The interstate highway system was begun and described as a national defense highway system. Rail transportation is also an important factor in the national defense picture. What kind of a basic system is needed?

While the above list may not be all-inclusive, it does suggest a number of major points that need to be considered when determining the extent to which various modes of transportation are to be subsidized and the effect which taxes and subsidies will have on them and their relationship to one another.

Summary of Proposed Changes in Transportation Taxation

Motor vehicle taxes — To increase their motor vehicle revenues, some states have increased their fuel taxes and/or registration fees, while Washington State has adopted a variable gas tax. Toll road states have extended their tolls beyond the repayment of construction debt. Texas has enacted a highway budget indexing system which dedicates general funds to make up deficiencies in the user fund. Montana allows a piggyback gas tax by counties. Illinois has a special sales tax in northeastern Illinois for highways and the transportation authority. In Wisconsin proposals have either been toward raising motor fuel taxes or in earmarking sales taxes on motor vehicles for the Transportation Fund.

Railroad taxation — Several states have changed their railroad taxation primarily in the realm of property taxes either to exempt, partially exempt or lower the rates on rail property. In Wisconsin the most recent thinking has been toward levying an income tax on railroads rather than the ad valorem tax. Since the defeat of the proposed constitutional amendment to include "all transportation facilities" in the exemption from the ban against internal improvements by the state, little effort has been made to try again.

In Summary

The following areas appear to be particularly noticeable as areas where different treatment exists — whether for good or bad reasons — among the various modes:

1. Airlines and railroads are subject to the ad valorem tax instead of the income tax.
2. Motor vehicles, water carriers and airlines do not pay a property tax on their rights-of-way.
3. Counties or municipalities own airports, while bus and railroad terminals are usually privately owned.
4. Air traffic controls are heavily financed by the Federal Government, while railroads finance their own signaling system.
5. Interstate buses are probably now in the position of suffering somewhat from the subsidization of other modes.
6. In considering the relative contributions to highway cost by automobiles, trucks, and buses, little appears to have been written on the cost to each of them if each had to build and maintain its own highways as compared to the sharing of highways among them now. If, for example, trucks had to build highways for the exclusive use of trucks, and buses for buses, how would the cost compare with railroads building tracks?

Finally, in attempting to make any changes in transportation taxation, it seems prudent to ask two questions: Will the taxes and subsidies enhance private transportation modes, enabling them to operate more effectively and in improved financial health? Will the taxes and subsidies permit normal economic changes and not impede or distort changing economic and social conditions?

II. WISCONSIN STUDIES AND LEGISLATION

A. Studies and Recommendations: Historical Perspective

In the several studies that have been conducted in the last 25 years on taxation in Wisconsin, comparatively little attention has been paid to the matter of equality of taxation among transportation modes. For a detailed study of railroad taxation and its relation to the comparative tax burden on various kinds of business, one must go back a quarter of a century to a Legislative Council study in 1953, with some preliminary examination of railroad taxation in 1950. In 1978-79, however, the Wisconsin Department of Transportation has begun to look seriously at the matter - making observations in several recent reports and proposing additional study.

Legislative Council Taxation Committee — 1950

The Taxation Committee did not have time to consider and reach any conclusions on the subject of railroad taxation, but its research report did present the pros and cons of changing the methods of taxing railroads. The research report, noting that more investigation was needed before definite conclusions could be reached, listed some general principles relating to alternative methods of taxation:

1. An income tax on railroads would be justified, but must be considered in relation to other taxes on railroads and on railroad competitors.

2. Ad valorem taxes and gross receipts taxes have certain distinguishing characteristics:

a. The ad valorem tax is a neutral tax (between railroads and other businesses), fluctuating with the average state rate.

b. The gross receipts tax is easier to administer, but both arbitrary and somewhat inflexible.

c. Both types are more stable than an income tax but less stable than a property tax.

3. "Since it apparently is not practicable to impose upon railroad competitors tax burdens equal to those borne by the railroads, this factor, which to some extent at least may be said to be responsible for the relatively low level of railroad earnings, should presumably be taken into account in fixing the general level of total railroad taxes."

Synthesizing these principles, the report said that logically the "appropriate form of railroad taxation would be a combination of ad valorem taxation (as the nearest practicable approach to property taxation) supplemented by income taxation." However:

> "The characteristics of the railroads' economic situation which cast some doubt upon the applicability of these principles are (1) that the net book cost or net reproduction cost of railroad property tends consistently to be well above a valuation based on capitalized earnings, and (2) that the railroads' principal competitors are not subject to any appreciable amount of property taxation. The first characteristic is a result of the fact that the railroads are a public utility not permitted to liquidate at will, that railroad property at any rate would have relatively little value in an alternative use and that railroads face an unfavorable competitive situation. Thus earning power comes to be a primary factor in railroad valuation, a factor which complicates the valuation process, and deprives it of much of it's ordinary meaning and significance. The second characteristic, which in part accounts for the railroads competitive difficulties, is, from a practical point of view, the most important equitable factor involved in railroad taxation.
>
> "Since both of these difficulties relate to the part of railroad taxation which is intended to be a counterpart of general property taxation, that would seem to be the logical place to take them into account. This could be done under an ad valorem tax by giving considerable weight to the capitalized earnings factor in setting the ad valorem assessment, or under the gross receipts tax by setting the rate of tax correspondingly low. The advantage of the ad valorem method lies in its flexibility; the advantage of the gross receipts method lies in its simplicity. The balancing of these advantages would require further investigation, as stated above.
>
> "Assuming that the matter could be satisfactorily handled one way or the other, as a means of taking into account the broad problems of railroad taxation discussed at length above, the application of the corporate income tax to railroads particularly in years of relatively good earnings and relatively high Federal taxes, seems to be desirable.
>
> "On the one hand the question of the exemption of railroads from income taxation necessarily involves the questions of total tax burdens on railroads and on other businesses, particularly on those competitive to the railroads. On the other hand, after consideration of those questions (with particular attention to the difficulties of equitably taxing railroad property and provided that these difficulties can be properly met), there appears to be no logical or practical necessity for the continued exemption of railroad companies (or sleeping car and express companies) from income taxation. Providing that the over all taxation of railroads is not made excessive, there does seem to be some advantage in having an income tax in effect in years of high railroad earnings."

Legislative Council Taxation Committee — 1953

In 1951-53 the Legislative Council's Taxation Committee again addressed the question of the equity of the ad valorem tax on railroads versus an income and property tax. (It should be noted that 1951 Assembly Bill 190 would have imposed the income tax on railroads without repealing the ad valorem tax.)

Until 1854 railroads were taxed locally as other general property. In 1854 they were removed from local property taxation, and the state imposed a 1% tax on gross earnings. The gross earnings were allocated to this state in proportion "as the length of that portion of the road within this state bears to the whole length of said road." The rate was subsequently increased to 3% and 4%. In 1876 the tax was graduated. In 1903 the ad valorem tax superseded gross earnings taxes on the grounds that the latter do not always bear a definite and certain relation to the real ability to pay taxes in that no account is taken of the expenses of operations." In 1911 Wisconsin enacted an income tax, but exempted railroads.

In the 1951-53 Taxation Committee's Research Report, C.M. Chapman, Director of the Division of Utility Taxation of the state Department of Taxation, quoted a 1915 article by Dr. Thomas S. Adams, a member of the old Wisconsin Tax Commission, as saying: "The average net earnings for five years is the most important single element in the Wisconsin valuation of railroads for taxation." Then, commenting on the income tax, "A state income tax has been introduced in order primarily to cover that element of taxpaying ability not touched by the property tax as it is applied to the ordinary corporation or citizen. Because this element is, however, fairly represented in the valuation of railroads for purposes of taxation, they are exempted from the state income tax." This, apparently, was the rationale for the railroad exemption.

Mr. Chapman, however, stated: "First, if the purpose for the exemption was to exclude intangibles (largely franchise value) from the tax base, then it would appear that railroads and the utilities are not being treated alike. Secondly, the 'large amounts of intangible value' referred to by Dr. Adams, have in the case of Wisconsin railroads disappeared entirely. When railroads are not able to earn a fair return on invested capital, no one would claim that they possess any large intangible (franchise) value. In fact, for most Wisconsin railroads, franchise value is a negative quantity."

In his summary report to the 1951-53 Taxation Committee, Professor W.D. Knight, who served as research director for the committee, concluded that "The fundamental characteristic of the railroad industry in Wisconsin is the fact that its net revenue is low relative to its property investment (book cost)." He continued that if property cost is used as the standard of comparison, Wisconsin railroads are undertaxed relative to utilities and other businesses in this state; if earning power is used, they are taxed about equally with utilities, but are overtaxed with respect to other businesses, "especially with respect to the motor transport business." He also concluded that the original exemption of the railroads from the income tax because the ad valorem assessment included substantial intangible property values was no longer valid. The question then became: Does the ad valorem assessment correspond to market value, making it very similar to a property tax, or does it exceed such a tax? The conclusion was that the matter needed further study and was partly a matter of theory and policy.

The motor transport study (1950 Report of the Highway Advisory Committee to the Legislative Council) seemed "to support the railroads in regarding fees and licenses as comparable to railroad maintenance expenditures rather than to taxes for the support of general government. The fact that the motor transport industry pays no property tax either on the highways it used or on its motor vehicles tends to support the railroad position that railroad taxes are substantially heavier than general taxes on the motor transport industry."

The Taxation Committee itself stated that the central issue before it was whether reliance on the ad valorem tax in lieu of both an income tax and a property tax results in inequity. Its conclusion was that "no substantial inequity has been shown to exist in the present system of railroad taxation. The committee takes cognizance of the fact that income or earning power is one of the principal factors considered in railroad assessment under the present ad valorem tax. On the basis of earning power, generally recognized by tax authorities as the most meaningful basis of comparison, the railroads appear to be taxed by the state as heavily as utilities, and somewhat more heavily than other types of enterprise, including their principal competitors." The committee recommended no change at that time, however, because "there is considerable evidence that the imposition of an income tax on railroads, without any modification of the existing ad valorem tax, would work a serious injustice on the railroads. On the other hand, the committee is convinced that the ad valorem tax as it now stands has many important advantages including stability of yield, flexibility of administration and freedom from political manipulation, which should not be lightly sacrificed or curbed." (1953 Report, Vol. VII, Pt. 1, "Taxation," Conclusions and Recommendations).

The Railroad Gross Earnings Tax - 1965 Article

It might be noted here that in a 1965 *Wisconsin Law Review* article ("The Railroad Gross Earnings Tax in Wisconsin", 1965 WLR 713), Lewis R. Mills examined the history of the railroad gross earnings tax, which preceded the ad valorem tax in Wisconsin. Governor Barstow recommended to the 1854 Legislature that railroads under construction be granted a tax exemption (at that time they were subject to the general property tax). The Legislature responded by becoming the first state to enact a railroad gross earnings tax of general application. The original tax of 1%, noted in the above Council study, also exempted all railroad property from general property taxation. The 1% tax on gross earnings was a smaller percentage of the railroads' value than taxes levied on other types of property. In addition to solving the administrative problems posed by the general property tax, however, the tax was intended to encourage railroad construction since no tax was paid during construction.

At the same time, the gross earnings tax was also levied on plankroads, but an 1860 Supreme Court decision, *State ex rel. Attorney Gen. v. Winnebago Lake and Fox River Plankroad Co.* [11 Wis. 35 (1860)] determined that the gross earnings tax violated the uniformity provision of the Wisconsin Constitution. As a result, new laws were enacted in 1860 exempting tracks, rights-of-way, depots, machine shops, rolling stock and other railroad property used in operating a railroad from the general property tax and requiring every railroad to purchase an annual license equal to 1% of gross earnings. According to Mr. Mills, this "separated the exemption and the gross earnings features of the 1854 act". There continued to be questions on the constitutionality of the property tax exemption. (It should perhaps be mentioned that the tax uniformity clause of the Constitution has been modified several times since the 1800s.)

The tax on gross earnings was paid to the state, but after the 1860 legislation, the nonoperating property of railroads was subject to local taxation. This included federal land grants made in 1856. Additional grants were made in 1864. During the 1860s, however, the legislature enacted various specific exemptions of railroad land grants from the property tax, particularly unimproved land, but some exemptions were repealed during the 1870s. Also during this period, certain temporary exemptions to the gross earnings tax were granted incomplete railroads which owned taxable grant-in-aid lands.

In 1862, Governor Harvey described the railroad tax as "grossly unequal", and the Legislature increased it to 3%, and to 4% in 1874. Under the progressive rate adopted in 1876, railroads were classified according to earnings per mile, while in 1897 the number of classifications was increased.

Meanwhile, since the gross earnings were reported by the railroads and there was no way of determining the accuracy of the reports, there was periodic concern over the possibility of cheating on the reports. Under Governor La Follette, the gross earnings tax was replaced by the ad valorem tax in 1903.

Committee on Revenue Sources — 1957

The Committee on Revenue Sources, created by law in 1955 to report in 1957 on the long-range financial needs of the state, considered — among many other items — imposing an income tax on railroads. The committee concluded:

> "By their nature, the property tax on railroads must be handled on a different basis from the ordinary business property and the statutes so provide. This includes specialized treatment not only of the railroads' operating property, but of their nonoperating and terminal facilities. As to the assessment of operating facilities, the Committee considered the statutes and the methods of administering the same and concluded on the whole they are reasonably conceived and properly administered. With reference to terminal and local properties of railroads, only a few cities are affected, although certain ones, notably Superior, are quite seriously concerned. Criticisms and remedies in this area have been proposed to the Legislature from time to time by these cities and have received and will continue to receive consideration. The Committee did not feel that the matter was of sufficiently wide concern to justify its entry into this technical field. It is to be noted that similar conclusions were reached by two recent committees of the Legislative Council (1950 Vol. I, pages 436-442; 1953 Part I, Vol. VII, Section III, pages 13 and 14)."

Furthermore, the committee decided that since the railroads were experiencing economic difficulties, it would make no recommendation on an income tax for railroads (pp. 28-29).

With regard to automobiles, the committee stated that the private motorist in Wisconsin was still "one of the most lightly taxed in the United States" and that "the local units still bear a burden created by motor vehicles." (p. 21). Although it considered the fact that motor vehicles were exempt from the property tax, the committee finally concluded that it would not recommend its imposition since it was recommending both a sales tax and an increase in the income tax (p. 31). Furthermore, although motor vehicle dealers' inventories are exempt from the personal property tax applicable to other mercantile and manufacturing inventories, "the mobility of motor vehicles makes a tax impracticable, based on a fixed assessment date." It considered imposition, instead, of an occupational tax of $5 on each new motor vehicle and $2.50 on each used motor vehicle sold by a dealer, but declined to recommend it because of the sales tax recommendation.

Like the committee's report, the research report was concerned about comparing highway user taxes with those of other states, not comparing such taxes with taxes imposed on other forms of transportation.

University of Wisconsin Tax Study Committee — 1959

In its report, "Wisconsin's State and Local Tax Burden," the Tax Study Committee was concerned primarily with the tax burden and its effect on industrial growth. It was particularly concerned with comparing Wisconsin taxes with those of other states. It did not get into transportation taxation.

Continuing Revenue Survey (Blue Ribbon) Commission — 1960

The Continuing Revenue Survey Commission was also concerned with the burden of taxes, particularly on business, in comparison with the other states. It did conclude, however, that "The burden of highway user taxes is relatively low on motor carriers as compared to that on automobiles when measured by weight and distance traveled. Furthermore, heavy reliance on registration fees rather than weight-distance taxes results in a relatively heavier burden on motor carriers in a given weight class which use our highways more moderately than those which travel extensively in the state." Pointing out that motor vehicles did not pay a property tax contribution to the cost of general government: "Nevertheless, their use may cause a substantial expenditure of public funds, particularly at the municipal level of government, which are not reimbursed through highway user taxes." (pp. 10-11). It recommended less reliance on registration fees and imposition of a graduated weight-distance tax (p. 18). It also recommended authorization of a local use tax on motor vehicles.

Although the commission pointed out that railroads did not pay an income tax, it did not make any recommendations thereto. The commission did state that "The whole subject of transportation taxes should be studied. The several transportation industries are all taxed in a different manner, making it extremely difficult to compare the relative tax burden of a particular segment of the transportation industry. Consideration should be given to an equitable system of taxation of all forms of transportation, including air and water. Included in this study could be the question of desegregation of the highway fund." (p. 22).

In a separate position statement, one commission member, Edwin Larkin, saw no justification for the exemption of railroads from income taxes. Unlike other exempt groups, they were not nonprofit organizations, and should be treated like other businesses. If they were subject to the tax and failed to earn sufficient income, they would pay no tax. Furthermore, Mr. Larkin called for an investigation into why railroads were not making money.

Task Force on Local Government Finance and Organization — 1969
(Tarr Task Force)

With reference to highway aids, the Task Force on Local Government Finance and Organization recommended adoption of a new distribution formula "to correct the imbalance of the present disbursement of highway aids to units of local government." It recommended a new supplemental aids fund with aids distributed on the basis both of mileage and of vehicle registration, and a motor vehicle tax based on value and distributed on the same basis determined for the supplemental aids (p. V-6).

Governor Lucey's Integrated Transportation Program — 1975

On April 23, 1975, Governor Lucey delivered a transportation message to the Legislature. Citing the energy crisis and the poor condition of many roads, bridges and railroads, he called for an integrated rural and urban transportation program. Highlights of his recommendations included: 1) revision of the aids distribution formula on the basis of function, cost and location; 2) voluntary formation of county transportation commissions; 3) transference of transportation functions of the Public Service Commission to the Department of Transportation and reorganizing DOT to give the secretary of transportation the authority to provide an integrated transportation program; 4) changing the Highway Fund to the Transportation Fund to receive and spend all transportation-related revenues; and 5) increasing local mass transit aids. He stated: "the program I offer maintains the segregated status of the gasoline tax and vehicle fees, but it makes the important distinction of identifying that revenue for all transportation modes."

To fund his proposals the Governor recommended a flat rate automobile registration fee applied in five specific weight classes ranging from $25 to $75 (less for older vehicles); a mileage efficiency tax (on a one-time only basis) on new automobiles, ranging from $10 for the most energy-efficient vehicles to $100 for the least energy efficient; an increase in truck registration fees (including farm trucks); reducing truck categories, but increasing rates; and increased fees for certain miscellaneous vehicles (such as dealer license plates, special mobile equipment, motor homes, mobile homes, trailers over 3,000 lbs., semi-trailers, and similar vehicles).

Commission on State-Local Relations and Financing Policy — 1977 (Wallace Commission)

In the area of transportation financing, the Commission on State-Local Relations and Financing Policy made the following recommendations ("Final Report, p. 8):

> 1. "The Commission recommends that the general transportation aids formula should be revised to consider use, as reflected by actual road mileage, differing physical road characteristics, differing service characteristics of roads, and differing costs based on road type and location.
>
> 2. The Commission recommends that the highway aid formula should be updated in a manner sufficient to finance highway costs on a current year basis (through necessary adjustments in the formula) until such time as standard unit cost data can be developed after which aids should be paid on a standard unit cost basis rather than on a dollar amount per unit basis by unit of government.
>
> 3. The Commission recommends that transportation aids paid to local units be spent for transportation purposes only.
>
> 4. The Commission recommends that discretionary funds be made available to counties for the purpose of meeting locally determined transportation needs, and to make possible comprehensive countywide transportation planning. Such funds should not result in a dollar reduction in the amount available to provide aids for existing local transportation needs.
>
> 5. The Commission recommends that the state assume full financial responsibility for the state trunk system (connecting streets) and that the state make every effort in future years to maintain that responsibility.
>
> 6. The Commission recommends that the state retain the present method of distributing public transit aids and should increase the aid appropriation to fully fund the present formula.
>
> 7. The Commission recommends that the state also continue providing funds for demonstration projects to study and develop innovative public transit programs which may be of statewide significance.
>
> 8. The Commission recommends that the sales tax be extended to motor fuels and the proceeds distributed to local governments as additional transportation aids. The distribution of these aids should be consistent with Commission recommendations relating to revisions in the methods for providing local transportation aids. Appropriate exclusions from the sales tax should be provided for motor fuels used for agricultural purposes."

The commission was especially concerned with the distribution of state transportation aids formula, but acknowledged "that preserving and maintaining an all-mode, balanced transportation system for the state would clearly require some additional revenues and urges the state to increase the funding available for this purpose." It pointed to three factors that have inhibited meeting state and local financial transportation needs: motor fuel revenue has not increased as rapidly as expenditure needs, past highway bonding has increased pressures on the highway fund, and the system of revenue raising "will continue to shift transportation expenditures from a user fee to a property tax basis as revenues level off and expenditure demands increase."

"The Commission believes that the primary problem within transportation finance has been and will continue to be the inability of the financing system to adjust along with changing economic conditions, changing transportation needs and changing technology at both the state and local levels. The net result of this system will inevitably be an increasing and inequitable property tax burden to finance transportation. A second result, we believe, is that no comprehensive, responsive approach to transportation can evolve from the present financing system. There is a distinct, perceived need to alter the transportation finance system to enable a balanced, all-mode transportation system to be developed, as well as to remedy the property taxation problems related to transportation finance." (pp.4-2—4-3).

Acting Governor Schreiber's Rail Program — 1978

Following the bankruptcy of the Milwaukee Road, Acting Governor Martin Schreiber outlined a six-point program on April 12, 1978 to attack rail problems in Wisconsin. Although his program did not involve Wisconsin taxes, it did call for "A major campaign for increasing federal funding to preserve essential rail service." Federal funds to preserve rail service, he said, "are simply inadequate."

Wisconsin Railroad Plan - 1978

The Wisconsin Department of Transportation's *Wisconsin Railroad Plan*, issued in December 1978, included several observations on railroad taxation. It noted that — compared to other states —

railroad taxation in this state is low. "It is believed that the present tax structure has no significant impact on the allocation of resources by railroad management." It contended that the ad valorem tax is "sensitive to the financial conditions of the individual railroads" and reflects the carrier's ability to pay. Furthermore, "The taxes are credited to the transportation fund and can be assumed to cover a significant portion of current rail program costs." Therefore, since the current railroad tax structure does not appear to be unduly burdensome, "immediate tax relief is not viewed as being imperative."

Nevertheless, the report reached the following conclusions:

> "However, Wisconsin's railroad taxation policy appears out of date and illogical. It is not deliberately structured to support current transportation nor revenue policies. Therefore the implications of changes in railroad tax policy should be examined more fully, not only from the transportation policy perspective but also from the perspectives of state corporate tax policy and state revenue needs as well. To develop recommended changes in tax policies, WisDOT intends to initiate an examination of all railroad taxation issues, in cooperation with the Department of Revenue and the railroads, to be completed by early 1980. This study will examine Wisconsin's present system of railroad taxation and proposed changes aimed at strengthening the state rail system through state tax policy."

Rail Service Advisory Committee — 1979

In January 1979 the Rail Service Advisory Committee issued its "Final Report". While reiterating the remarks made in the "Wisconsin Railroad Plan" of December 1978, noted above, and recommending a study by WisDOT and the Department of Revenue which would examine railroad tax policy from the viewpoint of both transportation policy and corporate tax policy, the study posed several issues which it believed should be examined (p. 57):

> a. "While the end result of the ad valorem tax is not unduly burdensome, are there aspects within the administration and valuation process of the tax that are contrary to state transportation goals?
>
> b. Although Wisconsin's rail taxes are low in comparison to other states, are they equitable in comparison with taxes on competing transport modes in Wisconsin?
>
> c. Although the ad valorem tax does reflect low railroad profitability through reduced tax liability, should railroads which lose money in a given year, or are in bankruptcy, have any tax liability?
>
> d. Although relatively modest in amount, state sales taxes are collected on materials purchased for track and roadbed improvements in the state. Since railroad investment in track and roadbed is a highly desirable goal, should these materials be taxed?
>
> e. The car line tax is applied to leased equipment which would not otherwise be assessed under the ad valorem tax because it is not actually owned, although it does contribute to the value of the railroad. In some cases, this tax is lower than outright ownership taxes would be, and encourages leasing. What is the effect of this tax on Wisconsin car supply? On the availability of leased locomotives in Wisconsin? Short line railroads are emerging which may lease cars for profit. Car leasing companies are becoming increasingly active in railroad ownership. Does the car line tax effectively treat this changing circumstance and does it promote appropriate management policies by lessors?
>
> f. As short lines are developed, especially those which receive state or local government assistance, how should these be taxed to promote transportation policy goals?
>
> g. Several other states have adopted plans which permit tax credits or reductions for railroads which make certain types of investment in the state. What could be accomplished through a railroad tax credit or incentive plan in Wisconsin? Would this be the most effective means of achieving these goals?"

State Transportation Policy Plan — 1978

The Wisconsin Department of Transportation issued a "State Transportation Policy Plan" (Public Review Draft) in December 1978, prepared by the State Transportation Plan Advisory Committee. Concerning transportation taxation, the Plan recommended support of "a cost-based user fee approach in exploring alternative ways for financing transportation facilities and services" and the "continued use of a single, segregated state transportation fund as the primary source for state transportation financing." The Plan predicted that in the next six years the department would be unable to support its present program because of inflation and declining gasoline tax revenues. The Plan recommended the following implementation guidelines:

"C-1. Before submitting its biennial budget to the Legislature and the Governor, the Department shall develop and evaluate alternative revenue raising mechanisms for funding state transportation activities identified in its six-year transportation investment program. To the extent practical, the Department shall recommend charging transportation users fees in proportion to the costs that they impose. In the case of state transportation programs designed primarily to redress social inequities, the Department shall consider general purpose revenue funding as a possible recommendation.

"C-2. The Department shall set forth guidelines consistent with the policies of the State Transportation Policy Plan that direct the development and evaluation of alternative state transportation revenue raising mechanisms. These guidelines shall incorporate a preference for user fees that are:

a. Practical to administer.

b. Effective in yielding requisite revenues.

c. Stable with a minimum of unexpected changes seriously adverse to existing users.

d. Fair in the apportionment of total transportation costs among different user groups.

e. Efficient in discouraging wasteful use of transportation services while promoting all justified types and amounts of use.

"C-3. To provide essential information for the development and evaluation of state highway and airport user fees, the Department shall periodically perform:

a. Highway cost allocation studies to determine, in the main, whether trucks and autos are each paying their fair share of state highway related expenditures.

b. Airport cost allocation studies to evaluate the appropriate allocation of state airport development expenditures between general aviation and commercial airlines.

"C-4. The Department shall, upon request, provide operators of publicly-owned transportation services in Wisconsin with technical assistance in developing their user fee policies. The Department shall, in addition, review and comment on major national studies attempting to determine efficient and equitable federal fees for transportation users.

"C-5. The Department shall advocate that state transportation user fee revenues continue to be funneled into a single, segregated fund, with flexibility of use for any mode.

The Plan included further recommendations (II-14—17) to support transportation revenue sharing with local units of government, applying minimal restrictions on their use of such aids. It also recommended that the department "analyze the efficiency and equity aspects of current federal and state transportation assistance programs..."

Tax Reform Commission — 1979

The latest general study of state taxation is the "Final Report—1979" of the Tax Reform Commission appointed by Acting Governor Schreiber in January 1978. Issued in final form in June 1979, the recommendations of the commission were given preliminary distribution in December 1978 and some action was taken on them by the enactment of Chapter 1, Laws of 1979. The subject of transportation taxation was not included in the commission's report.

Summary

It can be seen that the various studies in the early part of this past quarter century did not appear to reach any definite conclusions regarding railroad taxation. They could not seem to visualize an income tax on railroads (which they thought might be desirable) without an ad valorem tax; but the two, together, were perceived as too much. Although later studies recognized the need for multimodal consideration, again, multimodal taxation was not given serious attention. Only within the past year has the Wisconsin Department of Transportation been giving the matter closer attention. The department could probably not do this until it became itself more multimodally oriented. From now on, the entire subject should become a topic of lively debate.

The 1953 study seemed to concede that railroads were taxed more than their competitors, but that there was no "substantial inequality." The 1957 study contended that "by their nature, the property tax on railroads must be handled on a different basis" from the tax on other businesses. One of the factors that has changed since then, of course, is the decrease in the use of the personal property tax on business in general. In 1973 manufacturing machinery and equipment were exempted from property taxation, while in 1977 merchants' stock-in-trade, manufacturers' materials and finished products, and livestock were exempted as of January 1, 1981, with gradually lowered rates in the interval.

Both the 1957 and 1960 studies noted that motor vehicles did not pay a property tax, but for various reasons did not recommend that one be imposed. Several more recent studies were concerned with highway aids distribution formula. The 1977 Wallace study recommended extending the sales tax to motor fuels and sharing the proceeds with local government in the form of transportation aids. It was noted that motor fuel revenues had not kept pace with needs and that past highway bonding has increased the pressure on highway funds.

The various 1978-79 studies said that railroad taxation was low, but out-of-date, while the 1979 study did set forth some guidelines for transportation taxation generally, including highway and airport cost allocation studies and the fair apportionment of total transportation costs among different user groups.

State Rail Plan — 1979

The Wisconsin Department of Transportation's *The Wisconsin State Rail Plan*, issued in December 1979, reiterated that, compared to most states, Wisconsin's rail taxes are low and are not believed to have a significant impact "on the allocation of resources by railroad management." The current tax structure does not appear to be unduly burdensome or discourage investment. "Therefore, immediate tax relief is not viewed as being imperative."

"However," the report continued, "Wisconsin's railroad taxation policy appears out of date and illogical....To develop recommended changes in tax policies, WisDOT intends to initiate an examination of all railroad taxation issues, in cooperation with the Department of Revenue and the railroads."

Secretary of Wisconsin Department of Transportation Recommendations — 1980

On January 10, 1980, in a letter to state legislators, Secretary of Transportation Lowell Jackson recommended several changes in the transportation tax laws, a "transportation tax package". Recommendations included:

1) Switch from a 7 cents per gallon motor fuel tax to an 8 percent motor fuel tax.

2) Increase permit fees for overweight trucks.

3) Issue general obligation bonds for the state costs of major highway construction. In biennia subsequent to 1980-81, continued bonding would be used for a "mid-level" highway program "harbors' dredging and repair, and funding for an airports' revolving land fund." Part of the 8 percent motor fuel tax would be used to retire the bonds.

4) "Revise aeronautics' revenues...including registration revisions, and revised taxes on aviation fuels."

5) "Reflect inflation in allocating local highway aids, starting in fiscal year 1981-82, so that highway user fees continue to pay the same share of growing local road costs."

6) "Switch runaway, 'sum-sufficient' connecting highway aids to a system similar to local highway aids."

7) "Appropriate most of the increased aeronautics' revenues for increased local airport aids."

B. Recent Wisconsin Legislation

Although any changes in transportation taxation enacted in 1977 and 1979 are reflected in the discussion of tax laws in Chapter IV, this section will summarize major legislation enacted in the past few years — as well as pending legislation — in order to highlight recent changes and trends.

Proposed Constitutional Amendment — 1976

On November 2, 1976 the Wisconsin electorate voted down a proposed constitutional amendment which would have permitted the state to issue bonds and appropriate moneys for transportation facilities. Article VIII, Section 10 prohibits state appropriations for internal improvements, but exempts highways, airports, ports and veterans' housing; Section 7 (2) (a) of the Wisconsin Constitution permits state bonding for highways. The proposed amendment would have substituted "transportation facilities" for the enumerated transportation categories, thus broadening both provisions to include all forms of transportation.

1977 Laws Enacted

1. General Transportation Legislation

Chapter 29, Laws of 1977, reorganized the Transportation Department, abolishing the *statutory* divisions and imposing responsibility for the functions of the department on the secretary of transportation rather than on the divisions. The Highway Commission became the Transportation

Commission and was attached to DOT for administrative purposes only. It took over the regulation of railroads and motor transport from the Public Service Commission. The Highway Fund became the Transportation Fund, which also absorbed the Transportation Aids Fund. Air carrier taxes and aircraft registration fees, which had formerly gone into the state's General Fund, were deposited in the new Transportation Fund.

Chapter 418 added to the new fund the ad valorem railroad tax.

2. Motor Vehicles, Highways

Chapter 29, Laws of 1977, increased registration fees for buses, motor vehicles, transportation of dairy products, and motor trucks, among others. Highway aids were revised to emphasize highway use, but municipalities and counties were guaranteed at least the same amount as previously.

Chapter 418 revised the new registration fees, but essentially retained the increases.

3. Airports, Airlines

Chapter 348, Laws of 1977, increased the maximum dollar amount which the state may contribute to airport building or improvement projects from $35,000 to $100,000.

4. Railroads

Chapter 29, Laws of 1977, authorized the Department of Transportation to engage in financial assistance programs for Lake Michigan rail and car ferry and rail branch line transportation services [Sec. 85.08 (2)] and to cooperate with other states in the purchase, operation or subsidization of transportation service programs [Sec. 85.08 (3)]. Specifically, it was directed to administer a program of financial assistance to match federal moneys for assisting continuation or restoration or operation of Lake Michigan rail and car ferry services and railroad branch line transportation services [Sec. 85.08 (4)].

Chapter 29 also authorized the department to acquire abandoned railroad property [Sec. 195.199-the Rail Corridor Preservation Program]. At least $4.6 million is to be used for this purpose [Sec. 923 (48) (f)].

Chapter 418 created Sec. 85.08 (4m) to provide rail preservation loans to counties, municipalities or transit commissions for the purchase of railroad property improvements. This program is to be coordinated with the acquisition of rail rights-of-way under Sec. 195.199, created by Chapter 29. The budget review bill includes $7 million to purchase abandoned rights-of-way and $750,000 to match $3 million already appropriated for bridge repair and replacement. If the department has made a loan under (4m), it may make a grant to purchase a right-of-way.

In addition to the above loan and grant program, Chapter 418 authorized the department to make rail service grants to municipalities for the purpose of reimbursing them for moneys expended to continue the operation of or increase the level of service of any railroad [Sec. 85.08 (4g)].

Chapter 418 also provided that railroad ad valorem taxes are to be deposited in the Transportation Fund instead of in the General Fund, except for those moneys that are returned to localities by Sec. 76.24 (1) (docks, ore yards, piers, wharves, grain elevators, car ferries or terminal storage facilities, docks, and pipelines).

5. Mass Transit

Chapter 29, Laws of 1977, revised the mass transit aid formula, taking ridership into consideration [Sec. 85.05], and authorized the department to promote transportation for the elderly and handicapped [Sec. 85.08]. The department was authorized to administer a federal grant program for the elderly and handicapped, and state funds up to 20 percent of the cost are provided.

1977 Wisconsin Legislation Considered But Not Enacted

Various measures were introduced in the 1977 Legislature to change taxes or fees on transportation. Those particularly relevant to this study include:

Senate Bill 362 would have increased aircraft registration fees from a range of $14 to $202 to a range of $24 to $2,500, the fee to be based on gross or maximum takeoff weight (now net empty weight), and would have increased from $1 to $5 the annual fee for each dealer's tag.

Senate Bill 402 would have exempted an air carrier registered with the Civil Aeronautics Board as an air taxi operator from the utility tax.

Assembly Bill 978 would have required the Department of Revenue to value new railroad ties separately, with 10 percent of the taxes on the new ties to be distributed to the towns, villages or cities in which located and 5 percent to the counties.

Assembly Bill 1196 would have appropriated $17.5 million from the General Fund to the Transportation Fund for funding mass transit aids in the 1977-79 biennium.

1979 Laws Enacted as of January 1, 1980

1. Motor Vehicles — Highways

Chapter 34, Laws of 1979, the biennial budget law, was the major legislation involving transportation financing by the Legislature in 1979. The transportation appropriations, in fact, were among the most controversial aspects of the budget bill. In his budget message of February 13, 1979, Governor Dreyfus proposed an $82 million transfer from the General Fund to the Transportation Fund for highways as a one-time transfer in order to meet the projected deficiency in the latter fund. He stated that the $82 million represented 50 percent of the automotive sales tax (which is deposited in the General Fund as are all sales tax revenues). He also directed the secretary of transportation to prepare a long-term funding solution for the Transportation Fund to be submitted in the next biennium.

The Joint Finance Committee version of the budget bill, SB-79, cut the proposed transfer from $82 to $41 million. During the course of intense debate in each house of the Legislature, the questions discussed included whether to shift the money at all, how much to shift, whether the funds should be used primarily for new construction (as advocated by the Governor) or primarily for maintenance (as advocated by Senate Majority Leader Bablitch) — or varying proportions for each — whether gasoline or license fees should be increased, or whether the 7 cents a gallon gas tax should be replaced by a 10 percent sales tax (as proposed by Senator Chilsen).

In the compromise version that was passed, the amount from the General Fund for highway construction and maintenance totalled $63.8 million for the biennium — $30.5 million in fiscal 1980 and $33 million in fiscal 1981.

A one-time supplemental transportation aid payment was provided for local units of 10% of the aids received the previous year, plus each county and town is to receive $125 per mile for local or collector roads in unincorporated areas.

2. Railroads

Chapter 34, Laws of 1979, provided various state aids for rail programs. Section 85.08 (4m) (c) 1 of the statutes was amended to authorize the department to make grants (formerly loans) to eligible applicants to rehabilitate or purchase (formerly only purchase) rail property improvements. Grants are to be 80% of the cost of the rehabilitation or purchase. $3,400,000 was authorized to be appropriated from the Transportation Fund by Sec. 20.395 (2) (dq) of the statutes.

Sec. 85.08 (4m) (d) authorizes the Department of Transportation to make grants to eligible applicants for rail branch line operating assistance. The grant may not exceed 50 percent of the operating deficit and may be made for no more than 3 years. If substantial progress is made during that period toward economic self-sufficiency, the grant period may be extended another 3 years.

Sec. 85.08 (4m) (e) authorizes the department to advance capital to eligible applicants to rehabilitate branch lines, providing a discontinuance application has not been made.

3. Harbors

Chapter 34, Laws of 1979, created Sec. 85.095 of the statutes to establish a harbor assistance program under which the Department of Transportation may grant funds including funds obtained through bonding, for harbor improvements to a county, municipality, town or board of harbor commissioners. The grant may not exceed 80% of the amount expended by the eligible applicant. State debt to fund harbor improvements was limited to not exceeding $2 million.

4. Mass Transit

Chapter 34, Laws of 1979, created Sec. 85.055 of the statutes, authorizing the Department of Transportation to provide funds to local public bodies for the purchase of buses used in mass transit. Eligible applicants may be reimbursed up to 50% of the total costs of the capital expenditure.

Sec 85.063 authorizes the department to plan and design urban rail transit systems in the state, but a budget act provision for a grant program to purchase rights-of-way for urban rail transit systems was vetoed by the Governor.

1979 Legislation Pending

Passage of the 1979 budget act by no means settled the question of transportation financing. On August 1, 1979, the Milwaukee Journal published information if had obtained from the Governor's communications director, William Kraus, that the Department of Transportation was exploring at least 3 new ways to raise money for road financing: using the sales tax paid for motor vehicles, taxing gasoline on the basis of a percentage of sales price rather than 7 cents a gallon, or increasing license and registration fees.

Meanwhile several measures are pending in the 1979 Legislature relating to transportation financing.

1979 Senate Bill 68, introduced by Senators Cullen, Van Sistine, McCallum, *et al.*, transfers the sales tax collected on the sale of new and used automobiles to the Transportation Fund. According to the fiscal estimate on the bill, this would result in approximately $53.7 million transferred from the General Fund to the Transportation Fund during a fiscal year (based on fiscal year 1978).

1979 Senate Bill 375, introduced by Senator Berger, requires the concurrence of the secretary of administration to the secretary of transportation's request for the transference to the Transportation Fund of $63,500,000 in general purpose revenues (as provided by Chapter 34, Laws of 1979) and the approval by joint resolution of the Legislature. The Legislature determines the amounts and the intervals at which funds are transferred.

1979 Assembly Bill 100, introduced by Representatives Bradley, Conradt, Porter, *et al.*, transfers the sales tax collected on the sale, repair and maintenance of motor vehicles and motor vehicle parts and accessories to the Transportation Fund. The fiscal estimate stated that the total transfer would amount to $144.8 million in fiscal 1980 and $159.1 million in fiscal 1981.

1979 Assembly Bill 102, introduced by Representatives Vanderperren, Lallensack, Barczak, *et al.*, transfers one-half of the sales and use tax collected on the sale, servicing or use of motor vehicles and motor vehicle parts and accessories to the Transportation Fund. The fiscal estimate projected this to amount to $72.4 million in fiscal 1980 and $79.6 million in fiscal 1981.

Assembly Amendment 1 to the bill would add all sales and use taxes collected on the sale, repair, service, rental, storage and maintenance of aircraft and aircraft accessories, fuel, attachments and parts.

Assembly Substitute Amendment 1, introduced by Representative Hopkins, transfers one-half of the sales and use tax collected by motor vehicle dealers under Subchapter III (General Sales and Use Tax) of Chapter 77 of the statutes.

Senate Bill 393, introduced by Senators Van Sistine, Frank, Cullen, *et al.*, diverts sales and use taxes collected on the sale, repair, service, rental, storage and maintenance of aircraft and aircraft accessories, fuel, attachments and parts to the Transportation Fund. It also increases the state's appropriation for the share of funding airport improvement projects by $1 million.

1979 Senate Bill 469, introduced by Senators Opitz, Murphy, Kreul, *et al.*, creates a corporate franchise and income tax credit for 50 percent of costs incurred to repair or expand facilities for the repair of railroad rolling stock. If the allowable credit exceeds the taxes due from the corporation or if no tax is due, the amount of the credit not used as an offset shall be paid to the corporation. The bill also creates a sales and use tax exemption for materials used in the repair and or expansion of such facilities.

1979 Assembly Bill 493, introduced by Representatives Roberts and Murray, and cosponsored by Senators Offner and Theno, distributes annually to municipalities in which they are located 10% of all taxes paid by railroads and other utilities on new railroad ties cut and processed for future use and stored at a tie-processing facility, and 5% would be distributed to the counties in which located. The fiscal estimate judged the total revenue loss to the state under the bill would be $37,020, using fiscal 1978 data. It appears that only 2 municipalities and 2 counties would be affected by the bill.

1979 Assembly Bill 743, introduced by Representatives Metz, Schneider, Vanderperren, *et al.*, exempts taxicabs, including accessories and repair parts, from the sales and use tax.

SUMMARY

The 1977 and 1979 Legislatures gave considerable attention to the problems of railroads and mass transit. The tendency appears to have been, however, to deal with particular problems in transportation rather than looking at it as a whole in its intermodal aspects. Current pending legislation is primarily concerned with transferring sales taxes on motor vehicles to the Transportation Fund to bolster the sagging revenues. Concern with the state of the Transportation Fund caused Sen. Cullen, chairman of the Senate Transportation Committee to suggest a meeting with the Governor in which he hoped they would "reach agreement that a permanent user-fee funding solution for the transportation fund is needed." The Governor, however, has held that taxes should not be increased in this biennium.

III. STUDIES AND LEGISLATION IN OTHER JURISDICTIONS

Because federal and state funds are so closely intertwined in the support of transportation, this chapter will briefly note a few proposals for taxation on the federal level, but will be concerned primarily with miscellaneous studies conducted and legislation enacted in other states.

A. Federal Taxation

American Association of State Highway and Transportation Officials (AASHTO)

In a statement adopted by the AASHTO Policy Committee on March 24, 1977, "A Proposal for Transportation Funding", AASHTO set forth a comprehensive proposal for *federal* taxation of transportation. The proposal was summarized as follows (pp. 358-362, "User Taxes for the Inland Waterways of the United States"):

Text continues on page 19

Table 1: Proposed Federal Taxation of Transportation

Air Transportation
1. No increase in taxes
2. Federal Government involvement is the same as present for major hub airports
3. Other eligible airports would be funded through block grants to the states

Highway Transportation
1. New taxes - freight waybill
2. Less federal government involvement in primary, secondary and urban highways
3. Increased emphasis on completion of the Interstate System and bridge replacements

Public Transportation
1. Initial funding from the General Fund consistent with other systems of national significance
2. Subsequent funding from the General Fund consistent with other second-level programs

Rail Transportation
1. New taxes - rail waybill and fuel tax
2. Federal government involvement will increase in rail lines of national and defense significance

Waterway Transportation
1. New taxes - waterway waybill and fuel tax
2. Federal government involvement will increase

Transportation Tax Summary - (Millions)

	Expenditures FY 1976	Projected Tax Income FY 1978
Airport and Airways Trust Fund		
Passenger ticket purchase price (8%)		$1,040.0
Freight waybill tax (5%)		66.2
Fuel tax (7¢/gallon)		79.4
International enplanement tax ($3/passenger)		59.8
Aircraft registration fee ($25/plane)		4.0
Aircraft weight fee - piston powered (2¢/lb. over 2,500 lbs.) & turbine (3-1/2¢/lb.)		21.6
Aircraft tires (5¢/lb.) & tubes (10¢/lb.)		1.0
Investment interest		220.0
SUBTOTAL	$547.0 (1) (4) $795.0 (6)	1,491.0

Highway Trust Fund		
Motor fuel tax (4¢/gallon)		4,880.0
Tires (10¢/lb.) & innertubes (10¢/lb.)		843.0
Tread rubber (5¢/lb.)		23.0
Trucks, buses & trailers (10¢ of manf. price)		547.0
Federal use tax ($3 annually per 1,000 lbs. for vehicles greater than 26,000 lbs.)		265.0
Lubricating oil (6¢/gallon)		123.0
Parts & accessories for trucks & buses (8% of manf. wholesale price)		166.0
Investment interest		633.0
*Truck waybill tax (5%)		2,343.0
SUBTOTAL	(6,520.6) (1) 7,700.0 (5) (6)	9,853.0
Public Transportation Fund		
General Fund SUBTOTAL	706.2 (1) (3) 3,000 (6)	3,000.0
Rail Improvement Fund		
General Fund		2,045.9
*Rail waybill tax (5%)		809.9
*Fuel tax (4¢/gallon)		144.2
SUBTOTAL	975.0 1,600.0 (6)	3,000.0
Waterways Improvement Fund		
General Fund		1,396.8
*Waterways waybill tax (5%)	114.4	
*Fuel tax (4¢/gallon)		14.8
SUBTOTAL	1,672.0	1,616.0
GRAND TOTAL	$11,836.0	$18,455.8

*New tax income
(1) Cash outgo
(2) Obligations
(3) Capital Facilities and Formula grants
(4) Grants in aid, facilities and equipment, R & D
(5) Authorization
(6) FY 77 Program level

Conclusion

This transportation funding proposal moves toward solving many of the problems identified by the states:

1. All of the states identified a need for increased funding revenues for all modes. This proposal addresses this concern and provides an additional $7 billion for all transportation modes.
   All of the states identified modal user taxes as the preferable source of revenue. The proposal provides for modal trust funds supported by user taxes.
2. Where user taxes were not feasible, General Fund revenues were recommended.
3. Contract authority was felt to be important for program success in all modes. The proposal, by providing for user trust funds, allows for contract authority.
4. Reduced federal involvement was suggested in systems other than those of national significance. The proposal recommends two levels of federal involvement with a second-level program for urban and rural systems. A reduced matching ratio for these second-level systems supports this concept along with a form of certification compliance.

In summary, the AASHTO proposal involves a waybill tax on highway freight, railroads and waterways, and new fuel taxes on rail and waterway transportation. It contemplates setting up separate segregated funds for each mode of transportation.

It might perhaps be noted at this point that a combined transportation account is being developed for federal transportation programs in the 1979 fiscal year budget. The account shows the sources of all federal transportation funds and the purposes for which they are used. "Ultimately, all Federal financing for transportation, whether derived from user fees or appropriations from general funds, should be shown in a single transportation account with regular review by the Congress. Congress and the Executive branch would then have the ability to decide how best to allocate the limited transportation resources among the many competing claims for Federal assistance, without necessarily changing the method of financing for individual modes." ("Transportation Policy for a Changing America", U.S. DOT).

Federal Aviation Proposals

The authorizations under the Airport and Airway Development Act Amendments of 1976 will expire on September 30, 1980. In anticipation of that event, the U.S. Department of Transportation proposed a 5-year plan which would authorize $6.6 billion for airport projects, authorize $8 billion from the trust fund to pay for maintenance and operation of the airways system, increase the aviation fuel tax from 7 cents per gallon to 10 percent of the retail price of fuel, impose a 6 percent excise tax on the sale of aircraft and equipment for noncommercial aviation, and allow grants for the soundproofing from airline noise to schools, hospitals and other public health facilities. Senator Cannon, in the meantime, proposed to reduce airline ticket taxes from 8 percent to 2 percent, allowing airports to increase landing fees to fund their airports. (Congressional Quarterly, May 26, 1979).

B. State Taxation: Railroads

The Council of State Governments

In its 1977 study, "State Taxation of Railroads and Tax Relief Programs" (p. 43), the Council of State Governments pointed out that the states collected $476 million in taxes from railroads in 1975, which was 1.36 times greater than net railway operating income ($351 million) and 3.3 times greater than ordinary railway income ($144 million). These figures were updated for 1976 by one of the authors, James F. Runke (*State Government*, winter 1978 issue, "State Taxation of Railroads: Potential and Existing Tax Relief Programs", adapted from the council study), to tax collections of $433 million from the rail industry by state and local governments, representing 2.33 cents per railroad revenue dollar. Payments equaled net railway operating income ($430 million) and were 1.6 times greater than ordinary railway income ($273 million).

Stating that the property tax is the major state-local tax on railroads, Mr. Runke noted various ways of granting property tax relief:

1. Exempt either operating, nonoperating property, or both, from taxation.
2. Lower assessment ratios, change the factors in the assessment formula, or lower the tax rate.
3. Create a tax credit program, whereby a railroad would receive a tax credit in return for making investments in certain areas of its operations.
4. Develop a property tax deferral program which would allow a railroad to invest its property taxes owed in a given year and pay the tax at a later time in depreciated dollars.

The study also suggested tax relief measures for those states that primarily utilize other forms of taxation.

The study pointed to several states which had changed their railroad taxation system during the late 1950s and 1960s. New York places a ceiling on taxes of railroad operating real property, which is locally taxed, and compensates localities for one-half their lost revenues. Mr. Runke stated that the good features of this program were the recognition that earnings have a bearing upon value and that the localities were recompensed for their loss. However, it did not alleviate the unprofitable branch line problem or obsolete terminals.

New Jersey's program exempted most railroad property from taxation and reimbursed localities. A sales tax was enacted which exempts expenses for rolling stock, repair and replacement parts, and locomotive diesel fuel. Mr. Runke stated that "the program responds well to the problems of the special tax burdens imposed upon railroads by virtue of their ownership of their rights-of-way and passenger facilities, the latter being required by government policies. Finally, by exempting certain kinds of property, the state has indicated where it desires the railroad to make investments. The exemption provided an estimated $4.7 million savings to the railroads in 1976."

South Dakota's program, said Mr. Runke, involves helping branch lines, the biggest component of the rail network in the state. Repairs to branch lines in a county by a railroad "can be amortized over a three-year period as a credit against county property taxes..." Thus, it reduces a portion of tax liabilities, but there is some question whether it has encouraged retention of marginal operations. Some counties, moreover, are not satisfied with the way the program works. They are not compensated for lost revenues, and there are problems with the proration among counties of the expense of repairs and the railroad documentation for repairs.

CONNECTICUT levies a gross earnings tax upon railroads. Because of the financial difficulties of the New Haven Railroad, since 1961 the state has allowed qualifying railroads to be eligible for exemption from the tax. Exempt railroads pay a $20 fee instead of the gross earnings tax. 1977 legislation would have expanded the program to extend eligibility to include intrastate as well as interstate railroads carrying either passengers or freight and carriers whose net operating income was over 8 percent but not exceeding 12 percent of gross earnings. The bill failed to pass.

MAINE also levies a tax on the gross receipts of railroads, calling it an excise tax, in lieu of property taxes on the roadbed. When earnings are less than 5.75 percent on investment in operating property, the tax is reduced, but a minimum rate of 0.25 percent of gross receipts is levied. A 1976 legislative interim study in Maine recommended removal of the minimum payment, but it failed in the 1976 legislative session.

The Council of State Governments' study, however, also pointed to other forms of assistance in addition to tax relief, such as subsidies, purchase or rehabilitation of a branch line, subsidy of substitute freight service, and investment in secondary segments of a rail system ("that set of lines which connects with the feeder branch lines and shuttles traffic or carloads to primary yards for distribution in the interregional or interstate rail system.") It noted that the IOWA Department of Transportation developed a state investment program for such branch/secondary lines. The Iowa program is funded one-third each by the state, the shippers and the railroads.

VERMONT, MICHIGAN, and NEW YORK have invested in state rail systems. Vermont purchased the Rutland Railroad and, subsequently, two smaller railroads. Michigan purchased part of the former Ann Arbor Railroad, which is operated by Conrail under contract with the state. The state further subsidizes another part of track and the rail service on the Lake Michigan car ferry in cooperation with Wisconsin. New York State has a branch line program and passed a bond issue to finance rehabilitation and modernization of passenger and freight main lines and terminals.

NATIONAL ASSOCIATION OF TAX ADMINISTRATORS' COMMITTEE ON STATE-LOCAL RELATIONS

The "4R" Act passed by Congress in 1976 (P.L. 94-210) contains a provision, Section 306, which requires states to cease any discriminatory taxation against railroads within three years (January 1, 1979). It prohibits states from placing a property tax or an ad valorem property tax on railroad property which is higher than the general rate or assessment on other commercial or industrial property. This section was the culmination of similar efforts by railroads since 1961.

In the report of the Committee on State-Local Relations to the National Association of Tax Administrators (June 1977), Minnesota Commissioner of Revenue Arthur C. Roemer summarized the committee's study of the situation in all the states. First of all, railroads paid income taxes in 35 states and the District of Columbia, property taxes or in lieu taxes in 46 states and the D.C., and gross receipts or gross earnings taxes in 17 states. In the latter 17 states, the gross receipts or gross earnings tax was in place of the property tax on all railroads in 3 states, in place of the property tax on either private car line companies or railroad companies in 6 states, and in addition to property taxes in 9 states.

According to Mr. Roemer's report, most states (37) believed that their tax laws would not need changing as a result of the "4R" Act because the railroads either pay the same type of taxes and rates as other businesses or the taxes are similar to taxes paid by public utilities. The latter belief, however, is described by the report as an "erroneous assumption".

In response to a questionnaire sent out by the committee, 25 states and the District of Columbia said that their railroad taxes were the same as those paid by other business corporations. Twelve states said their railroad taxes were different, but 11 did not consider them to be discriminatory. Minnesota levied a gross earnings tax, which is in lieu of property and several other taxes, but "currently exceeds the level of property taxes railroads would have to pay. However, legislation is pending, or has passed, which would affect railroads and other business entities. This legislation is aimed at reducing the disparity between the amount of taxes railroads pay in comparison with other business entities and perhaps will bring them within the permissible tolerance." (NOTE: As of November 1979, Minnesota was changing to an ad valorem tax.)

The 11 states, however, (except New Mexico and Vermont) treat railroads as a type of public utility.

The questionnaire indicated that 9 states said they would have to change their railroad tax laws or practices to comply with the "4R" Act. Seven — Arizona, Montana, Ohio, Texas, Virginia, Washington and WISCONSIN — said changes in their laws were needed "because the taxes railroads have to pay were not the same as those business corporations have to pay." Of the other two, Alabama said it would have to change its "assessment classification ratios", while Louisiana had already passed legislation calling for uniform levels of assessment in the valuation of railroad and other business properties. The law became effective in 1978.

Thus, at that time Wisconsin was one of the states that believed it would have to change its tax laws in order to comply with the "4R" Act.

In a presentation at the National Association of Tax Administrators Conference in Boston in 1978, Mr. Roemer updated the committee's report.

In his update report, Mr. Roemer noted that only 2 of the 7 states that said their laws needed changing had done so to date — Virginia and Washington. The Virginia law change is noted later in this subsection. He stated, however, that Virginia would consider additional changes in 1979. One under consideration would change the single factor formula of track mileage, which is now used to determine the portion of a railroad company's earnings subject to the corporate income tax, to another factor or combination of factors. Secondly, an ad valorem tax on the amount of railroads' capital is being considered.

Washington increased the rate of its regulatory fees which railroads pay on their intrastate gross operating revenue. The state Supreme Court also said that all real and personal property owned by railroads "be equalized on the basis of separate real and personal property assessment levels in each county." Railroads still do not pay the same type and rate of taxes as other corporations.

Two of the 7 states — Arizona and Ohio — were said to have legislation pending. An Arizona bill would lower the classification ratio applied to the market value of property owned by railroad companies from 60 percent to 27 percent — the same percentage applied to other commercial and industrial property.

Pending Ohio legislation would equalize railroad property valuations with other property on a local level rather than on a statewide basis, but would continue to assess railroad personal property at 100 percent of true value versus the 45 to 50 percent of value assessment for other business and industrial property.

The 10 states that had said they did not need to change their laws had taxes similar to those that did. Although none of these 10 changed their law since the original survey, Indiana, Idaho, Tennessee and Utah made some administrative changes. In Indiana, new depreciation schedules were adopted for railroad rolling stock. The depreciation schedules are the same used by the Internal Revenue Service. The state also now allows railroad companies to take an obsolescence allowance for road property in determining its corporate income tax.

Idaho had narrowed the gap in the assessment levels between railroads and other businesses through a property equalization program.

The Tennessee State Board of Equalization reduced railroad property valuations in counties that had a sales ratio below the statewide median.

In Utah the assessment or classification ratio of railroad property was lowered to the same percentage as other commercial and industrial property.

According to Mr. Roemer, 13 states, including Wisconsin, still seemed to be in noncompliance with the "4R" Act. Most of these states levied an ad valorem tax. The reason given for Wisconsin was: "Manufacturers' machinery, raw materials and finished goods along with merchants' stock in trade are or will be exempt. All railroad property is subject to tax, is equalized on a statewide basis and is taxed at the statewide average mill rate."

No update report was made by the committee of the National Association of Tax Administrators in 1979. At congressional hearings in February 1979, the Association of American Railroads said it was too early to assess the effect of the anti-discrimination provision of the "4R" Act. The Transportation Association of America said that although the legislation wasn't passed until 1976, efforts to eliminate discrimination did have an effect. While state and local property taxes rose 84 percent between 1970 and 1977, "railroad property taxes have risen only six percent; and the relative share of the latter has steadily declined from 1.17 percent of the total to 0.68 percent...Hopefully, this historic burden on the railroads will very soon be a thing of the past." (U.S. Senate Committee on Commerce, Science, and Transportation, "ICC Implementation of the '4R' Act", committee print, May 1979).

Conference on Midwestern Rail Transportation Issues: The State Role

At a November 1978 conference on rail transportation sponsored by the Midwestern Conference of the Council of State Governments and the Midwestern Governors' Conference, there was a workshop on state rail taxation. In his paper for the workshop, "State Rail Taxation", William F. Lahner, Jr., Director-Property Taxes, Consolidated Rail Corporation, stated that although tax relief would mean a great deal to the railroads, railroad state and local taxes nationwide constitute "only 14/100 of one per cent of total state and local revenues and only 28/100 of one per cent of tax revenues." This appears to be negligible, although he concedes that "generalizations of this nature can be misleading since they represent overall figures and not individual situations."

Mr. Lahner further noted that "71 per cent of the tax burden of the railroad industry lies in the property tax area. Most of the balance is in the activity type area, primarily gross receipts and sales taxes. Thus, it would appear that if relief is to be effective, it must encompass the property tax principally with secondary consideration to the other types of taxes." State and local railroad taxes in WISCONSIN were given as totalling $3,852,900 in 1976, of which 81.77% ($3,150,400) was attributed to property taxes and 18.23% ($702,500) was attributed to activity taxes. In relation to total state tax revenue, railroad taxes in Wisconsin represented 0.03% of total state taxes and 0.25% of total local taxes. Breaking down total property taxes by local unit, he stated that the railroads' percent of total revenue was 0.04% to the counties, 0.08% to municipalities, and 0.11% to school districts. His conclusion was that "railroad taxes are not a significant source of revenue either at the state or the local level". In some instances, however, it would represent a significant loss to a locality.

Turning to specific forms of tax relief, Mr. Lahner noted that to solve the problem of a serious revenue loss to a small community, NEW YORK shared the revenue losses from railroad tax relief equally between the state and the taxing districts. Another method would be for the state to assume all losses over a certain percent of revenues.

Programs of tax relief enacted by various states were considered:

SOUTH DAKOTA's program for branch line rehabilitation provides that "When a line carrying no more than 1 million net ton miles per mile of line is rehabilitated, a railroad can claim up to one-third of the expenses as a credit against its property taxes provided the property taxes in a given taxing district will not be reduced more than one-third in any one year." He stated that although this was a good program for branch line rehabilitation, it did not help main line problems.

MICHIGAN law grants a credit of 25 cents for every dollar spent for maintenance, rehabilitation or improvement of the railroads in the state. Documentary evidence is filed with a railroad's property tax return. Since railroad property taxes are paid to and retained by the state in Michigan, the law has no local impact.

CONNECTICUT'S recent law is similar to Michigan's, but is a credit against the gross receipts tax on a dollar-for-dollar basis. To obtain tax relief, the railroad's rehabilitation program must be approved by the state.

NEW JERSEY'S law enacted in 1965 exempted all railroad passenger facilities, all rolling stock, and the right-of-way up to a width of 100 feet from taxation. This leaves only yards, sidings, and other facilities outside the right-of-way subject to taxing. However, Mr. Lahner said that New Jersey's situation was unusual in that it had the highest railroad property taxes in the nation. "It is one thing to reduce taxes to a more normalized level and an entirely different one to reduce taxes below that level as an inducement to an industry to provide benefits to the economy generally which will offset those reductions."

PENNSYLVANIA, MASSACHUSETTS, and DELAWARE exempt rights-of-way. This is justified on the theory that trucks and water carriers have rights-of-way provided by government and pay no taxes on them.

NEW YORK provides a degree of property tax exemption related to the earnings of the company.

Turning to rolling stock, Mr. Lahner also suggests the possibility of several states joining together to create a pool of grain cars for railroad use during peak periods of demand.

Mr. Lahner warns that there may be constitutional problems involved in railroad tax relief in some states.

He concludes that each state must decide which method of tax relief is best for its conditions, but: "We cannot stress strongly enough, however, that time is of the essence."

MISSOURI

A January 1979 discussion paper ("Railroad Property Taxation in Missouri") by the Missouri Department of Transportation's Division of Railroads noted the economic problems of railroads and discussed various alternatives that might help the situation. It pointed out that 1975 property tax payments by the rail industry to state and local governments amounted to $287 million. This amount of money would have enabled the industry "to purchase over 14,000 freight cars or 750 locomotives or rehabilitate between 20,000-30,000 miles of track." In Missouri the State Tax Commission assesses rail property and allocates the valuation among the local units of government which contain mileage. Various possible tax relief measures were set forth for consideration: exemption from property taxation of either or both operating and nonoperating railroad property; exemption of railroad property from valuation, assessment, or application of the tax rate; exemption of railroads from their property class for those states utilizing a classification system of property taxation; partial exemption; lowering assessment ratios or changing the various factors in the allocation formula; and a property tax deferral program, which would allow a railroad to invest the property taxes for a given year and repay the state at a later date in depreciated dollars. Other possible relief mechanisms concern the taxation of rolling stock, such as state use of tax relief funds to purchase new cars and repair the existing fleet; or maintenance by a state or coalition of states of a pool of grain cars to loan to railroads during periods of peak demand either at no cost or minimum cost.

According to Missouri's discussion paper, "The current trend of thought in Wisconsin is to eliminate the property tax and impose instead the corporate income tax. This concept would address the inequity of taxing the rail lines whether or not they made any money. It would also put the railroads in a position comparable to their main competitor, the trucking companies, who do not pay property taxes on the public highways. This proposal could generate between $2-4 million annually for those railroads operating in Wisconsin."

The Missouri paper offered the following primary considerations in devising a rail tax relief program: 1) The program must provide incentives to gain industry participation; 2) The Program "must be simple, easy to administer, and legal"; and 3) The program "must have quantifiable results and benefits to make it politically acceptable."

The study concluded that the Missouri DOT's Division of Railroads favors a property tax relief mechanism similar to South Dakota's. It favors "a 'swapping' of property tax dollars for rehabilitation purposes. This type of mechanism is basically a local program in which the county forgives the collection of property taxes on a line in return for retained service/maintenance/rehabilitation with MoDOT's concurrence on the lines selected."

MISCELLANEOUS LEGISLATION

VIRGINIA has recently revised its railroad taxes. Its special franchise tax on railroads (1.5% of gross transportation receipts) has been repealed, effective January 1, 1979. In its place, railroads will be subject to both the annual state franchise tax and the corporate income tax paid by other corporations. The "taxable income will be federal taxable income with modifications, and it will be apportioned according to a formula to be enacted by the 1979 legislature. If no formula is enacted, the formula for the gross receipts tax will be used." Also effective in 1979 will be exemption from the sales tax of property sold to public service corporations engaged in the business of railroad common carriers. In 1980 railroad property will be assessed by applying the local assessment ratios for other real estate, and they will be taxed at the real estate rate (heretofore, railroads were subject to local public service corporation levies). In 1979 intangibles and money owned by railroads will be subject to both state and local taxes. (*Tax Administrators News*, August 1978).

1979 legislation enacted in NEBRASKA taxes freight hauled by railroads to fund improvements in railroad crossings.

Text continues on page 25

Table 2: Income and Property Taxes Levied on Railroads, by State

State	Net Corporate Income	Property or Ad Valorem
Alabama	X	X (Oper., nonoper. realty; tang., intang. personalty)
Arizona	X	X (Oper., nonoper. realty; tang., intang. personalty)
Arkansas	X (foreign corp. only)	X (Oper., nonoper. realty; tang., intang. personalty)
California	X	X (Oper., nonoper. realty; tang., intang. personalty)
Colorado	X	X (Oper., nonoper. realty; tang. personalty)
Connecticut	— (gross receipts)	X (Nonoper. realty)
Delaware	X	X (Nonoper., tang. personalty. Flat fee in lieu of property tax on the unit)
Florida	X	X (Oper., nonoper. realty; tang., intang. personalty)
Georgia	X	X (Oper., nonoper. realty; tang., intang. personalty)
Idaho	X	X (Oper., nonoper. realty; tang. personalty)

State	Net Corporate Income	Property or Ad Valorem
Illinois	X (Pay larger of either gross income or net income)	X (Oper., some nonoper. (real estate exempt) realty; tang., intang. personalty)
Indiana	X	X (Oper., nonoper. realty; tang., intang. personalty)
Iowa	X	X (Oper., nonoper. realty; tang. intang. personalty)
Kansas	X	X (Oper., nonoper. realty tang., intang (tax applied separately) personalty)
Kentucky	X	X (All realty, oper. tang. personalty, all intang. personalty)
Louisiana	X (also gross receipts)	X (Oper. nonoper. realty; tang. personalty)
Maine	X (also gross receipts)	X (all bldgs., lands, fixtures outside right-of-way)
Maryland	— (gross receipts)	X (Oper., nonoper. realty; tang. personalty)
Massachusetts	X	X (Oper., nonoper. realty; tang. personalty (all realty located on roadbed within 5 rods exempt))
Michigan	X (variation)	X (Oper., nonoper. realty; tang. personalty)
Minnesota	X (gross earnings in lieu of state tax on oper. property)	X (Nonoperating only)
Mississippi	X (public utility tax on miles of road)	X (Oper., nonoper. realty; tang. personalty)
Missouri	X (also gross operating revenues)	X (Oper., nonoper. realty; tangible personalty)
Montana	X	X (Oper., nonoper. realty; tang., intang. personalty)
Nebraska	X	X (Oper., nonoper. realty; tang., intang. personalty)
Nevada	—	X (Oper nonoper. realty; tang. personalty)
New Hampshire	X	X (Oper., nonoper. realty; tang. personalty)
New Jersey	X	X (Oper. realty except that located upon right-of-way up to 100 ft. in width, and nonop. realty)
New Mexico	X	X (Oper., nonoper. realty; tang. personalty)
New York	(transportation and transmission corporations' franchise tax)	X (Oper., nonoper. realty)
North Carolina	X	X (Oper., nonoper. realty; tang., intang. personalty)
North Dakota	X	X (Oper., nonoper. realty; tangible personalty)
Ohio	— (gross earnings)	X (Oper., nonoper. realty; tang., intang. personalty)
Oklahoma	X	X (Oper., nonoper. realty; tang. personalty)
Oregon	X	X (Oper., nonoper. realty; tang. personalty)
Pennsylvania	X (public utility gross receipts)	X (Oper., nonoper. realty, except right-of-way, personalty, easments, super-structures, and machinery and equipment, which are exempt)

State	Net Corporate Income	Property or Ad Valorem
Rhode Island	— (Public utility gross income)	X (Oper., nonoper. realty; tang. personalty)
South Carolina	X	X (Oper., nonoper. realty; tang., intang. personalty)
South Dakota	—	X (Oper., nonoper. realty; tang., intang. personalty)
Tennessee	X	X (Oper., nonoper. realty; tang., intang. personalty)
Texas	—	X (Oper., nonoper. realty; tang., intang. personalty)
Utah	X	X (Oper., nonoper. realty; tang. personalty)
Vermont	—	X (Oper., nonoper. realty; tang., intang. personalty)
Virginia	X	X (Oper., nonoper. realty; tangible personalty)
Washington	— (gross income loss deductions)	X (Oper., nonoper. realty; tang. personalty)
West Virginia	X (gross income plus income apportioned according to in-state ton-miles to total ton-miles)	X (Oper., nonoper. realty; tang., intang. personalty)
Wisconsin	—	X (Oper., nonoper. realty; tang., intang. personalty)
Wyoming	—	X (Oper., nonoper. tang. personalty)
Dist. of Col.	X	X (Oper., nonoper. realty; tang. personalty)

Source: Council of State Governments, The, "State Taxation of Railroads and Tax Relief Programs", by James F. Runke, Alan E. Finder; 1977; *Tax Administrators News,* August 1978.

C. State Taxation: Highways

This section will note miscellaneous recent studies and legislation of several states on highway taxes.

THE COUNCIL OF STATE GOVERNMENTS — 1978

In an article, "Motor Fuel Tax Alternatives" in the spring 1978 issue of *State Government*, author Albert Feuer advocates what he calls a programmed variable fuel tax plan to meet the problem of increased highway construction costs and reduced motor fuel tax revenues. Noting that heavier vehicles impose more wear and tear on the roads than do lighter-weight vehicles, he remarked that all states complement their fuel taxes with registration fees and some with ton-mile or axle-mile charges. He recommends that all user charges should be adjusted so that their complementary nature will not be unbalanced.

The programmed variable fuel tax (PVFT), which would "permit minor adjustments in the tax rate in response to minor changes in highway costs", is described as being of two types: an ad valorem tax, under which the tax rate would vary with the price of the motor fuel; and a cost-indexed tax, whereby the rate is adjusted in response to some cost index. He cites ILLINOIS and WASHINGTON as having motor fuel taxes based on an ad valorem concept (based on the price of motor fuel). Although ad valorem taxes can be imposed at either the wholesale or retail level, Mr. Feuer believes that there are administrative as well as equitable problems in this form.

He favors the cost-indexed plans which retain the current tax per gallon, but "periodically adjust the rate in response to changes in a designated cost index which reflects the costs of transportation projects", thus keeping the revenues and needs in approximate balance. He contends that, instead of annual review of transportation policies by legislators, such a system enables them to review less frequently. A study by the ALABAMA Highway Department concluded that the best index is the

Consumer Price Index. Mr. Feuer advocates that each state select its own. He concludes that PVFT plans are not a "cure-all", nor a substitute for a detailed examination of transportation policies, but can be used to keep revenues and needs in approximate balance.

Alternative Approaches to State Highway Funding

In its December 1978 publication, "The State Highway Finance Outlook", the U.S. Department of Transportation's Federal Highway Administration discussed several funding alternatives to the traditional road user taxes. It concluded that the states should increase tax rates in addition to canvassing new approaches to obtain increased revenues. The study examines four alternative solutions to the declining revenue problem: 1) highway tolls, 2) variable gas tax, 3) highway budget indexing, and 4) "linking road improvements to energy production and taxation".

In Connecticut, the debt on toll roads has been retired, but tolls have been continued to supplement highway user taxes. The Pennsylvania Turnpike will need reconstruction work when its debt is paid. In other states, such as Kentucky, Oklahoma and Florida, road user taxes supplement toll revenue. Several toll roads will reach toll-free status in the next decade, but toll removal will present a hardship. Thus, it seems likely that toll roads will remain toll and not become "free" roads.

This study also noted the variable gas tax used by WASHINGTON STATE. "To counter the rigidity inherent in past motor-fuel tax mechanisms, Washington selected a variable tax on motor fuel that fluctuates with the price of gasoline and also assures a minimum funding level for its highway program." The tax will fluctuate between 9 and 12 cents per gallon depending upon the price and volume of gas sold and the needs of the highway system. Under this system the state Department of Motor Vehicles computed the tax rate based on the average price of motor fuel sold in the state and established an initial rate of 21.5 percent of the average retail price. The rate can vary, however, between 9 and 12 cents per gallon. The formula involves the tax percent times the base price to obtain cents per gallon; cents per gallon times gallons sold equals revenue. The revenue cannot drop below the 1973 level plus 6 percent per year inflation. The rates do not fluctuate with highway needs but with the price of fuel and the adjusted 1973 budget. Rates are to be computed semiannually.

The third alternative, highway budget indexing, was the result of a highway funding crisis in TEXAS. Since the road-user taxes, which are constitutionally dedicated for highway purposes, were determined to be inadequate, a statutory dedication was set, with the difference between the two amounts being paid from general revenues. There is an automatic dedication of general funds to the highway fund to offset price increases. A highway cost index is established and reviewed by a committee (governor, lieutenant governor and comptroller of public accounts). The committee sets the program level and the amount of general funds required to supplement the road-user revenues. "The highway cost index is based upon the weighted annual costs of highway operations, maintenance, and construction." It "guarantees funding protection against inflation." The author commented that it is puzzling that Texas has not raised its fuel tax rate, which is 5 cents per gallon, the lowest in the nation.

Six states with coal severance taxes specifically dedicate part of the revenues therefrom to highway improvements (Arkansas, Kentucky, Maryland, Montana, Tennessee, and Wyoming). KENTUCKY believes its user taxes are not compensating it for the damage done to the roads by coal haulers, and coal has been increasingly hauled by truck, rather than by railroad. The state initiated a program of upgrading coal-hauling roads. A toll authority was designated to sell revenue bonds to finance the program and to secure a lease-rental from the Department of Transportation in amounts needed to pay the interest and redemption. The department will receive revenue from the coal severance tax, the first deposit being marked for the State Transportation Fund. Any deficit in severance tax revenues is paid from general road-user taxes.

A 1977 ILLINOIS study ("Financing Highway Improvements in Illinois, a 20 Year Program", by the Illinois Transportation Study Commission) recommended meeting highway needs over the next 20 years by increasing local taxes and increasing the motor fuel tax from 7.5 cents to 11.5 cents per gallon, increasing passenger car registration fees (from $18 and $30) to $30 and $45, increasing license fees from $8 to $15, increasing truck registration fees, and levying a 1% excise tax on new vehicle sales.

Legislation actually enacted in Illinois in 1979 is reviewed below.

In November 1979, NEW JERSEY's voters approved a $475 million bond issue for transportation. It includes $245 million for completion of existing highway projects, bridge repairs, and safety improvements; $150 million for mass transportation projects, such as park-and-ride lots, bus shelters and improvements in railroad bridges, stations and repair facilities; and $80 million for county and local road improvement programs (*New York Times*, November 7, 1979).

MOTOR VEHICLE FUEL TAX LEGISLATION IN OTHER STATES

As of September 1979, gasoline tax rates in the several states were as follows (based on CCH *State Tax Guide* figures):

Table 3

No. of States	Tax per Gallon
12	9 cents
10	8
9	7
4	11
3	10
2	9.5
2	10.5
1	7.5
1	13.5, 12.5, 12, 11.5 depending upon the county (Hawaii's rates are combined state and county rates)
1	12
1	8.5 (Mass. - effective July 1, 1080, then rate is 7.5)
1	6.58
1	6
1	5

Among the midwestern states, Wisconsin, Missouri and Ohio levy a 7 cent per gallon tax, Illinois levies 7.5 cents, Indiana and Kansas levy 8 cents, Minnesota levies 9 cents, Iowa levies 10 cents, and Michigan levies 11 cents.

Recent increases in motor fuel taxes include the State of Washington, whose tax went from 11 to 12¢ per gallon. Washington is a state with a variable ad valorem tax mentioned in the above article from *State Government*. Washington's Department of Motor Vehicles during each fiscal half-year computes the rate based on the average weighted retail sales price of fuel. The rate may vary between 9 and 12 cents per gallon. If the estimated revenues are less than a formula, the department increases the rate of tax by one-half cent increments.

Washington also enacted legislation in 1979 allowing Seattle to tax motor fuel at not exceeding 2¢ per gallon from July 1, 1979 to June 30, 1985 for highways and bridges.

1979 Georgia legislation exempted motor fuels from the state's 3% sales tax and, instead, levied a 3% motor fuel tax, which would be in addition to the regular 7.5¢ a gallon fuel tax.

Montana enacted 1979 legislation authorizing voters of a county to approve gasoline taxes by initiative up to 2¢ a gallon, to be used in the county "for use in propelling vehicles on public roads." Montana also increased its gasoline tax from 8 to 9¢ a gallon.

New Mexico's tax, currently 7 cents per gallon, is also variable. The Revenue Division annually determines the tax rate for the 12-month period beginning July 1 of the next year, based on the wholesale price of fuel for a 12-month period. The rate cannot be increased or decreased more than one cent per gallon in any 12-month period.

A law enacted in Illinois in early September 1979 authorized a sales tax increase in the 6 northeastern Illinois counties to aid the Regional Transportation Authority and help fund the state's highway program. The sales tax in Cook County was raised by 1% (from 5 to 6 cents per $1) and by one-fourth of 1% (from 5 to 5.25 cents per $1) in the 5 other counties. The sales tax surtax replaced the 5 cents per gallon surtax the RTA had levied on gas for 2 years. A statewide $30 tax on private vehicle sales was also levied, and additional bonding authority for highway and mass transit was authorized.

Legislation enacted in Oregon in 1979 will permit the electorate to vote in November 1980 whether to increase the state's gas tax from 7 to 9 cents per gallon.

In 1979 Iowa raised its motor fuel rates from 9.5 to 10 cents, while South Carolina also went from 9 to 10 cents.

D. Summary

Changes in the taxation of railroads, adopted or proposed, to provide tax relief have been varied, but have still concentrated primarily on changing the property tax. Proposals have ranged from exempting various parts of railroad property, lowering the rate of assessment, tax credits, or tax

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Table 4: Private Passenger Vehicle License Fees, by State, 1979

State	Fee
Alabama	$12.00
Alaska	30.00
Arizona	8.00
Arkansas	12 - 26 (depending upon weight)
California	11.00
Colorado	6. (2,000 lbs. or less), $6 (plus 20¢ per 100 lbs. over 2,000 lbs.) 12. (plus 60¢ per 100 lbs. over 4,500 lbs.)
Connecticut	20.00
Delaware	20.00
Florida	12.50 - 30.50 (depending upon weight)
Georgia	8.00
Hawaii	No state fee (local fees)
Idaho	29.40 - 12.60 (fee declines with age of vehicle)
Illinois	18.00 (35 hp. or less), $30 (over 35 hp.)
Indiana	12.00
Iowa	1% of value plus 40¢ per cwt. Minimum fee $10. Value: after 5 registrations, 75% of new; after 6 registrations, 50% of new; after 8 registrations 10% of new; after 9 registrations, $1 added to fee if fee is $15 or less and $2 if fee is more than $15.
Kansas	13 - 26 (depending upon weight)
Kentucky	11.50
Louisiana	3.00
Maine	15.00
Maryland	20 - 30 (depending upon weight)
Massachusetts	7.00
Michigan	20.00 - 74 (depending on weight)
Minnesota	10.00 plus 1.25% of suggested retail price, minus depreciation
Mississippi	10 - 20 (depending upon weight)
Missouri	5.50 - 38 (depending upon hp.)
Montana	5 - 10 (depending on weight)
Nebraska	15.00
Nevada	5.50
New Hampshire	12 - 36 (depending on weight up to 7,000 lbs.), 60¢ per 100 lbs. (8,001 - 73,280 lbs.)
New Jersey	14 - 44 (depending on weight and if manufactures prior to 1971) 17 - 51 (depending on weight and if manufactured 1971-79) 25 (not over 3,500 lbs. manufactured in 1980 or later) 50.00 (over 3,500 lbs. manufactured in 1980 or later)
New Mexico	16 - 36 (depending on weight, but 50% of fee applicable to weight class if vehicle over 5 years old)
New York	.75 per 100 lbs. if 3,500 lbs. or less, plus 1.13 for each 100 lbs. over 3,500 lbs.)
North Carolina	13.00 (not more than 9 passengers)
North Dakota	32 - 220 (less than 1,999 to over 9,000 lbs., 1st, 2, 3rd year) 25 - 176 " 4th, 5th, 6th year) 19 - 132 " 7th, 8th, 9th year) 15 - 88 " 10th and subsequent years)
Ohio	10.00
Oklahoma	19.00 (list price $600 or less plus $1.50 per each $100 or fraction thereof over $600; minus depreciation on older cars)
Oregon	20.00 (biennial)
Pennsylvania	24.00 ($10 for retired, low income)
Rhode Island	10 - 33 (depending on weight)
South Carolina	1.00 (2,000 lbs. or less, plus $1 for each additional 500 lbs.)

State	Fee
South Dakota	20 - 180 (depending on weight from under 2,000 to 13,000 lbs. and age - 70% of regular fee if 5 years or older)
Tennessee	17.75
Texas	12 - 30 (up to 6,000 lbs.); 55¢ per 100 lbs. over 6,000 lbs.)
Utah	5.00
Vermont	32.00
Virginia	15.00 (seating 10 or less); 30¢/cwt. - seating 11 or more)
Washington	13.40
West Virginia	25 - 36 (depending on weight)
Wisconsin	18.00
Wyoming	15.00

Source: Commerce Clearing House, *State Tax Guide.*

deferrals, to providing various exemptions under the sales tax and gross earnings tax. Assorted subsidies to rail carriers and purchase of lines have also been undertaken.

Except for the exemption of rights-of-way from property taxes, few of the proposals, however, appear to have looked at tax relief from the viewpoint of how railroad taxation compares with taxation of other modes. Yet the "4R" Act states that taxation of railroads cannot be discriminatory.

Changes in motor vehicle taxation have ranged from simply raising user tax rates, to greater utilization of general fund revenues, taxing fuel on a percentage rather than a per gallon basis, and establishing variable rates.

IV. WISCONSIN TAXATION OF TRANSPORTATION MODES

A. Summary

In some respects taxation of the different modes of transportation in Wisconsin follows a parallel course; in other respects such taxation follows widely divergent paths. The most striking differences lie in the major taxes levied on commercial carriers and in the treatment of rights-of-way. Carriers that are taxed like utilities — airlines, railroads and pipeline companies — pay an ad valorem tax, which is considered in lieu of income and property taxes. Those taxed like other corporations — motor carriers and water carriers — pay a corporate income tax.

Motor vehicles, encompassing automobiles, trucks and buses, are subject to special user taxes on their fuel, equipment, use and drivers in order to maintain the public roadways. Since railroad rights-of-way are privately owned, they are maintained by the owners.

When it comes to the sales tax, there is greater consistency. Trucks, tractors and trailers sold to common or contract motor vehicle carriers are not subject to a sales tax. Neither is the rolling stock of railroads, commercial vessels and barges of 50-ton burden or over, nor aircraft used by air carriers. The sale of other motor vehicles (principally automobiles), aircraft and boats, however, are subject to a sales tax. Thus, the difference here depends upon commercial versus private usage rather than among commercial carriers.

There is also similar — but not identical — treatment in regard to real property taxes. Motor vehicle carriers pay a real property tax to municipalities on terminals, while air carriers pay a user fee for the use of local public airports, but no property tax. Certain railroad facilities are valued separately from the other property subject to the state ad valorem tax, and the taxes derived therefrom are returned to the municipalities in which these facilities are located.

Personal property taxes are more divergent again, at least partially reflecting the influence of user taxes. Because of the state highway user taxes, motor vehicles have been exempted from local personal property taxes in Wisconsin. The personal property tax of air carriers and of railroads is included in their state ad valorem tax. Other aircraft pay a registration fee in lieu of a property tax. Watercraft engaged in interstate commerce are subject to a tax in lieu of the personal property tax, while those engaged in intrastate commerce do pay a personal property tax. Watercraft used for private, recreational purposes are exempt.

As a result of 1977 legislation, the major taxes on motor vehicles, air carriers and railroads now go into the state Transportation Fund for roadways, airports, safety equipment, mass transit, and railroad assistance. State taxes on pipelines and water carriers are still deposited in the General Fund.

Thus, the Transportation Fund receives a mixture of user taxes (motor vehicle) and general revenue taxes (ad valorem airline and railroad).

B. Motor Vehicles

A motor vehicle is defined by the Wisconsin Statutes as "any automobile, truck, truck-tractor, tractor, bus, vehicle or other conveyance which is self-propelled by an internal combustion engine or motor and licensed for highway use, except it does not include mobile machinery and equipment" [Sec. 78.03 (1) and 78.42 (1)]. In Wisconsin this broadly defined group encompasses some 3 million vehicles, including over 2.2 million automobiles, over 568 thousand trucks and over 12.4 thousand buses.

MOTOR VEHICLE IMPOSTS

Motor vehicle imposts comprise motor fuel taxes, special fuel taxes, registration fees, driver license fees, and motor carrier fees. They are all deposited in the state Transportation Fund.

1. Motor Fuel and Special Fuel Taxes

Of all the motor vehicle imposts, the motor fuel tax provides the most revenue. Because of more fuel-efficient automobiles and expected decline in fuel availability, however, revenue is expected to decrease about 3-5% in 1980. Motor fuel consists of gasoline, naphtha and any other liquid used as a fuel for internal combustion engines.

Special fuel includes "all combustible gases and liquids suitable for the generation of power for propulsion of motor vehicles" excepting motor fuel defined above. Special fuel is primarily diesel fuel and liquid propane gas (LPG).

2. Registration Fees

The second largest revenue producer among the motor vehicle imposts is the registration fee. Registration is required for all motor vehicles, mobile homes, trailers or semitrailers, or any other vehicle for which a fee is prescribed and which operates on a highway in this state. There are various exemptions, including farm tractors, road machinery, snowmobiles, and nonresident or foreign-registered vehicles. Some vehicles, such as school buses and vehicles owned by governments, pay essentially token fees. Farm truck fees are approximately one-fourth of the fees charged other trucks. 1977 legislation (Chapters 29 and 418) increased truck fees, but kept the same rate for automobiles.

Municipal vehicle registration fee (wheel tax) — Sec. 341.35 of the statutes authorizes a municipality to impose an annual flat registration fee on all motor vehicles kept in the municipality of not exceeding 50% of the state registration fee. To date, no municipality has enacted such a fee except the city of Kenosha, which enacted an ordinance adopting the $9 fee in 1976.

3. Driver License Fees

Third among revenue producers is the operator's license fee.

4. Motor Carrier Fees

In addition to motor fuel taxes, registration fees and drivers' licenses, motor carriers are variously required to pay fees for a certificate, license, or permit to operate their vehicles.

Motor carriers comprise: 1) a common motor carrier, which transports by motor vehicle passengers or property for hire over a public highway on a regular route, but does not include transportation of farm products transported to or from farms, or taxicabs; 2) a contract motor carrier, which is a carrier of property for hire not included in common motor carriers of property; and 3) a private motor carrier, which is any carrier other than common or contract transporting property by motor vehicle other than automobile or trailer upon the public highways (Sec. 194.01).

OTHER TAXES AFFECTING MOTOR VEHICLES

While motor vehicle imposts are user taxes specifically levied on vehicles, drivers, or carriers for the express purpose of offsetting the cost of maintaining the roads of the state, other taxes affecting vehicles are merely part of the state's general taxes and are deposited in the General Fund to be used for general revenue purposes.

1. Sales Tax

A 4% retail sales tax is imposed on the sale, lease or rent of tangible personal property in Wisconsin. Included in such property are motor vehicles and their components, supplies and accessories sold at retail as well as the parking of motor vehicles for a price except when provided by a government unit.

Exempt from the tax, however, are motor trucks, truck tractors, road tractors, buses, trailers and semitrailers, and accessories, attachments, parts, supplies and materials therefor, sold to common or contract carriers who use such vehicles exclusively as common or contract carriers, including the urban mass transportation of passengers (vehicles with a passenger-carrying capacity of 10 or more when such transportation takes place entirely within contiguous incorporated cities or villages and in municipalities contiguous to that in which the carrier has its principal place of business or within a 10-mile radius [Sec. 77.54 (5) (b)]. Items used for repair, service or maintenance of exempt vehicles (such as repair tools) are not exempt. [Wis. Administrative Code, Tax 11.16 (1)].

Motor fuel or special fuel which is subject to the motor fuel tax is also exempt from the sales tax.

In summary, the tax falls on all vehicles and supplies unless used as common or contract carriers or as municipal buses.

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Table 5: Motor Vehicle Imposts

Tax	Rate	Payer	Administration	Revenue
Motor & special fuels	7¢ per gal. (urban buses exempt)	User. Collected by wholesaler from retailer, who adds to selling price	Dept. of Revenue	$176,600,367 (fiscal 1978), $183,709,800 (fiscal 1979)
Registration fees			Application for registration or reregistration to Department of Transportation	$109,586,372 (fiscal 1978), $112,242,873 (fiscal 1979)
Automobiles Sec. 341.25 (1) (a)	$18 annually			
Trucks	Varies, see following table			
Driver license fees	$4		Paid to Dept. of Transportation, deposited in Transportation Fund.	$8,392,513 (fiscal 1978), $8,872,975 (fiscal 1979)
First time	$6.50			
Chauffeur	$4			
Reinstatement	$25 (revoked license), $10 (suspended or cancelled license)			
Duplicate license	$2			
Instruction permit	$5			
Examination fee	$2			
Validation of operator's license to operate motorcycle	$2			
Motor carrier fees	$40	Common motor carrier to operate a motor vehicle	Collected by Dept. of Transportation, deposited in Transportation Fund. Applications for certificates or licenses are made on forms prescribed by Transportation Commission.	$1,007,415 (fiscal 1978), $1,150,078 (fiscal 1979)
Certificate filing fee Sec. 194.23, 194.04				
License filing fee Sec. 194.34, 194.04	$25	Contract motor carrier to operate motor vehicle		
Permit fee Sec. 194.04 (4), 194.04 (3) (c), 194.44	$20 annually	Common motor carrier for each vehicle operated under a certificate		
	$10 annually	Contract motor carrier per vehicle		
	$20 annually	Owner of leased motor vehicles or trailers to lease vehicle to common or contract motor carriers		
	$10 annually	Lessors of vehicles to private motor carriers		

Table 6: Motor Vehicle Imposts: Registration Fees for Trucks, Detail

Type of Motor Vehicle	Fee	Explanation
Motorcycles (motor vehicle of 1,000 lbs. or less) Sec. 341.25 (1) (b)	$5 annually plus fixed fee of $2 (latter deposited in Conservation Fund)	
Motor trucks or dual purpose motor homes Sec. 341.25 (1) (c) (2)	$30 — 1,602	Based on maximum gross weight of vehicle (maximum gross weight is weight in pounds of vehicle plus maximum load in pounds when used as a motor truck)
(a) Not more than 4,500	$30	
(b) Not more than 6,000	$42	
(c) Not more than 8,000	$57	
(d) Not more than 12,000	$117	
(e) Not more than 16,000	$168	
(f) Not more than 20,000	$216	
(g) Not more than 26,000	$294	
(h) Not more than 32,000	$381	
(i) Not more than 38,000	$483	
(j) Not more than 44,000	$576	
(k) Not more than 50,000	$666	
(L) Not more than 56,000	$756	
(m) Not more than 62,000	$855	
(n) Not more than 68,000	$966	
(o) Not more than 73,000	$1,098	
(p) Not more than 76,000	$1,302	
(q) Not more than 80,000	$1,602	
Road tractors Sec. 341.25 (1) (d)	Same as above	Based on maximum gross weight of vehicle.
Truck tractors Sec. 341.25 (1) (e) (2)	Same as above plus surcharge of $18	Based on maximum combined gross weight of truck tractor and any trailer and semi-trailer combined with it (gross weight is weight of combination plus maximum load).
Semitrailers Sec. 341.25 (1) (f)	$5 or a 5-year fee of $25 for each semitrailer operated in connection with a truck tractor	
Semitrailers hauled by motor truck & convertible to a trailer Sec. 341.25 (1) (fm)	$5 or $25 for 5-year period, and, in addition, such semitrailer and motor truck combination pay fees in the schedule.	Based on maximum combined gross weight.

Type of Motor Vehicle	Fee	Explanation
Trailers or semitrailers hauled by motor vehicle other than truck tractor not coming under other provisions Sec. 341.25 (1) (g)	Same fee as motor truck of same maximum gross weight.	
Trailers, semitrailers or camping trailers with gross weight of 3,000 lbs. or less and used for hire or rental Sec. 341.25 (1) (gd)	1/2 fee of motor truck of same maximum gross weight	
Trailer or semitrailer with gross weight over 3,000 lbs. but less than 12,000 lbs. hauled by motor vehicle other than truck tractor and not under other provisions Sec. 341.25 (ge)	Same as for motor truck of same gross weight.	
Camping trailers with gross weight over 3,000 lbs. Sec. 341.25 (1) (gg)	Same as for mobile home of same length.	
Trailers or temporary undercarriage towed by motor vehicle registered for transporting modular housing units Sec. 341.25 (1) (gm)	Does not have to be registered if displays registration plate issued under Section 341.25, but transporter pays same fee as for trailer or semitrailer hauled by motor vehicle other than truck tractor.	
Motor buses Sec. 341.25 (1) (h)	Fee as in schedule	Based on maximum gross weight (weight of vehicle plus total passenger weight campacity in pounds (i.e., the total length in inches of seating space divided by 20 and the results multiplied by 150.)
Mobile homes Sec. 341.25 (1) (i)	$12 if home is 25 feet in length or less $18 if home is over 25 feet.	
Motor homes Sec. 341.25 (1) (j)	$30 to $96	Based on gross weight
Not more than 5,000 lbs.	$30	
Not more than 8,000 lbs.	$36	
Not more than 12,000 lbs.	$48	
Not more than 16,000 lbs.	$60	
Not more than 20,000 lbs.	$72	
Not more than 26,000 lbs.	$84	
More than 26,000 lbs.	$96	

Type of Motor Vehicle	Fee	Explanation
Special mobile equipment (well-drilling rigs, corn sheller rigs, trailers transporting ditching machines, mobile cranes or trench hoes, certain vehicles operating empty or transporting owner's equipment under certain conditions, portable feed mills, motor vehicles & trucks on which wood chipping and screening equipment is mounted. Sec. 341.26 (1)	$18 or 10% of fee prescribed for motor truck of same weight, whichever is greater	
School buses, buses operated by charitable organization, urban mass transit vehicles Sec. 341.26 (2)	$1 annual fee	
Government vehicles (state, county, municipality) used for public service Sec. 341.26 (2m)	$3 for original issuance of registration and license plates	
Farm trucks		
gross weight 12,000 lbs. or less	$18	
over 12,000 lbs. Sec. 341.26 (3) (a)	1/4th that of motor truck	
Farm trucks of gross weight of 12,000 lbs. or less used in nonfarm occupation Sec. 341.26 (3) (am)	Same as for motor truck	Basis of maximum gross weight of vehicle
Farm trailers Sec. 341.26 (3) (b)	1/4th that prescribed for motor truck of same gross weight	
Motor vehicles transporting milk from production point to primary market; cheese, butter and powdered milk from plant to plant or warehouse; liquid dairy products; and excess truck tractors used exclusively with registered semitrailers for transporting liquid dairy products Sec. 341.26 (3) (c), (d), (da), (e), (g)	$24 — $960 Each truck tractor pays an $18 surcharge in addition	Based on maximum gross weight
1. Not more than 4,500	$24	
2. Not more than 6,000	$34	
3. Not more than 8,000	$40	
4. Not more than 12,000	$72	
5. Not more than 16,000	$102	
6. Not more than 20,000	$132	
7. Not more than 26,000	$177	
8. Not more than 32,000	$228	
9. Not more than 38,000	$288	

Type of Motor Vehicle	Fee	Explanation
10. Not more than 44,000	$345	
11. Not more than 50,000	$396	
12. Not more than 56,000	$453	
13. Not more than 62,000	$513	
14. Not more than 68,000	$579	
15. Not more than 73,000	$660	
16. Not more than 76,000	$780	
17. Not more than 80,000	$960	
Grading, ditching, excavating or hauling vehicles Sec. 341.26 (4)	1/4th the motor truck fee schedule	
Tour trains Sec. 341.26 (5)	Single fee for 3 or less units — 1/2 motor bus fee	
Miscellaneous fees Sec. 341.265, 341.266, 341.267, 341.268		
Antique motor vehicles	Single $5 fee	
Special interest vehicles	$40 single fee plus original	
Driver education vehicles	$3 annual fee by public or private school having certified driver education program	
Homemade or reconstructed vehicle	$40 single fee and single $20 processing fee	
Nonresident fees Sec. 341.405	Most vehicles registered outside state exempt under reciprocity provisions	
	Under international registration plan, registration fees are apportioned, a fee of $3 for each base plate and $3 for each cab card issued under the plan, plus an annual fee of $10 if registrants for which this state is the base jurisdiction pay the annual fee apportioned to this state in installments.	
Dealers, distributors or manufacturers or motor vehicles, trailers or semitrailers; transporters of vehicles; dealers, distributors or manufacturers of mobile homes Sec. 341.51 (1), (2)	$75 and $5 for additional plates over the 2 issued.	

Type of Motor Vehicle	Fee	Explanation
Trucks and truck tractors over 8,000 lbs. purchased by motor vehicle dealer, distributor or manufacturer for demonstration purposes Sec. 341.51 (2m)	20% of registration fee for trucks $10 for trailers and semitrailers.	
Registration of finance companies, banks and credit unions Sec. 341.57	No fee for repossession of vehicle has valid registration plate issued pursuant to this section; applicant may register for registration fee of $25 for one registration plate and $1 for each additional plate, good for calendar year. Plates are transferable from one vehicle to another.	

Motor fuel, taxed at a per gallon rate, is exempt from the state's general retail sales tax.

Rate — The retail sales tax is 4% and is imposed upon the consumer or user. A seller must obtain a permit and pay a $2 fee for each permit for each place of operations. No motor vehicle may be registered in this state without proof that the sales tax (or an equivalent use tax) has been paid. If the motor vehicle is purchased from persons outside the state, the purchaser must pay the tax prior to registration in this state.

Administration — The tax is collected and administered by the Department of Revenue. Sales and use taxes are deposited in the General Fund.

2. Income Tax

Every domestic and foreign corporation, with a few exceptions, must pay an annual franchise tax for the privilege of exercising its franchise or doing business in this state. The tax is based upon its entire net income. Corporations engaged in business both within and outside the state are taxed only on such income as is derived from business transacted and property located within the state. All commercial motor carriers of persons or property are subject to this tax [Sec. 71.01 (2)].

Rate — The tax ranges from 2.3% for the first $1,000 of annual net income of a corporation or any part thereof to 7.9% for all annual net income in excess of $6,000. [Sec. 71.09 (2m)].

Administration — The tax is collected and administered by the Department of Revenue. It is deposited in the General Fund except for a percentage which is distributed to counties and municipalities as a shared tax.

3. Property Tax

Real property — Real property belonging to motor carrier companies, such as bus and freight terminals, is subject to the local real property tax.

Personal property — No personal property tax is imposed on motor vehicles in Wisconsin. A tax levied in 1907 was repealed in 1931 [Sec. 70.112 (5)].

Administration — Real property taxes are collected by local governments.

C. Railroads

1. Ad Valorem Tax

The major tax levied on railroads in Wisconsin is the state ad valorem tax, which replaced the gross earnings tax on railroads in 1903. (In 1854 the gross earnings tax, in turn, had replaced locally levied general property taxes). When the state income tax was enacted in 1911, railroads were exempted from the new tax. The ad valorem tax was considered as encompassing more than a general property tax, taking income into consideration in determining assessments.

For purposes of taxation in this state, railroads are defined as persons or companies "owning and operating a railroad, or operating a railroad in this state, or owning or operating any station, depot, track, terminal, or bridge, in this state, for railroad purposes." Any such property owned by a county or municipality, however, is exempt from the tax [Sec. 76.02 (2)].

Assessment — The Department of Revenue makes an annual unit assessment of all real and personal property, including rights, privileges and franchises used by a company in operating its business [Sec. 76.03 (1)]. The assessment represents the full market value of a railroad's "Real estate, right of way, tracks, stations, terminals, appurtenances, rolling stock, equipment, franchises and all other real estate and personal property of said company" [Sec. 76.07 (2)]. If the property is partly outside the state, the department assesses only the property lying within the state. In determining the value of the portion within the state, the department may consider the value of the entire system, the mileage of the whole system and other factors which may help it to determine the assessment [Sec. 76.07 (3)].

A 1975 Department of Transportation study, "Railroad Taxation by the State of Wisconsin", states that there are three methods used to value assets of a railroad:

> "The first is based on the depreciated value of investment plus the value of leased equipment for which the company is obligated for taxes, minus a factor for obsolescence. Second, the value of a railroad's stock and debt issues outstanding is computed. This value should equal the value of the assets being appraised. Since the state is interested in a valuation of the operating portion of the railroad company only, a deduction is made for the value of non-operating assets. Third, assets are valued using a capitalized income approach.
>
> "In the capitalized income approach railroad income, before depreciation and federal income taxes, is capitalized at a rate of interest which reflects current capital costs. In 1974 a figure of 10.5% was used because it reflected a weighted average of actual bond and stock issue costs. These three methods are reconciled by Department of Revenue personnel to arrive at a reasonable estimate of rail company asset values."

It should be noted that in the case of *Soo Line Railroad Company v. Wisconsin Department of Revenue*, decided March 29, 1979, by the Wisconsin Court of Appeals, the court held "that the cost method is inappropriate in assessing railroad operating property." (*Tax Administrators News*, December 1979) Reviewing the weighted combination of methods used to assess the railroad's property — income capitalization, stock and debt and cost — the court decided that the cost method "is of such little value that its continued use is not justified," even when the other methods are given greater weight.

Tax rate — To determine the tax, the Department of Revenue determines the aggregate tax for state, county and local purposes levied on general property in the state and the total equalized assessment (Sec. 76.11). It divides the total tax figure by the total assessment figure to arrive at an average rate of taxation. Thus, the 1977 total tax was $1.85 billion. Divided by the total assessment of $73.5 billion (full value), the result would be an average tax rate of .0259. The average rate is then multiplied by the full market value of the company to arrive at the ad valorem tax for that company (Sec. 76.12).

With the exception of any docks, ore yards, piers, wharves, grain elevators or car ferries used in transferring freight or passengers between cars and vessels that are included in the valuation, the tax is levied by the state instead of by the municipalities. A separate valuation is then made for those facilities and the taxes derived therefrom are distributed to the towns, cities or villages in which located [Secs. 76.16, 76.24 (1)].

The ad valorem tax is in lieu of all other taxes on property except special assessments and in lieu of all taxes on the shares of stock of such companies owned by individuals of this state (Sec. 76.23).

Administration — The ad valorem tax is determined by the Department of Revenue.

Revenue — In fiscal year 1978 the tax on railroad companies totaled $6,139,650, of which the state retained $5,400,152 and returned $739,498 to the localities. The state's share was formerly deposited in the General Fund for state purposes, but, as a result of 1977 Chapter 418, is now deposited in the Transportation Fund. Fiscal 1979 revenue totaled $4,037,047, of which $3,289,085 was the state's share.

2. Car Line (Freight Line) Tax

A car line (or freight line) company is defined in the Wisconsin statutes as being any person not operating a railroad engaged in leasing or furnishing to a railroad any railroad cars or other equipment used in railroad transportation [Sec. 76.39 (1) (b)].

Tax rate — A gross earnings tax of 6% is levied on all receipts of a car line company from operations in this state and from that proportion of interstate business represented by the proportion of Wisconsin car miles to the total car miles.

Those gross earnings which are not based on mileage are allocated to this state in the ratio of each carrier's average annual freight car miles in Wisconsin to its total freight car miles in all states.

When paying a car line company for the use of its cars, every railroad company operating in the state withholds the tax and submits such taxes by March 15 to the Department of Revenue. The gross earnings tax is in lieu of all property taxes on the car line equipment of a car line company.

Administration — Revenue is collected by the Department of Revenue for deposit in the General Fund.

Revenue — In fiscal year 1978 revenue from car line (freight line) companies totaled $1,165,580, and in fiscal 1979 it was $1,215,795.

3. Assessments

The Transportation Commission levies two kinds of assessments against railroads: 1) direct cost assessment against a specific carrier when the commission is investigating the books or activities of the carrier or is appraising its property [Sec. 195.60 (1)]; and 2) a remainder assessment, levied each year on all carriers in proportion to their respective gross operating revenues during the last calendar year derived from intrastate operations. The remainder assessment, which shall not exceed one percent of the total gross operating revenues of a carrier, is for the purpose of covering commission expenses attributable to the carriers [Sec. 195.60 (1), (2)].

Administration — The assessment is collected by the Transportation Commission and deposited in the Transportation Fund.

Revenue — The remainder assessment levied on railroads (which also includes water carriers) for fiscal 1978-79 was $317,219.

4. Sales Tax

The 4% state, retail sales tax is imposed on rails, ties and other road building and maintenance materials, bracing materials, rough lumber and dunnage materials. However, the gross receipts from the sale of railroad freight and passenger cars, locomotives or other rolling stock together with accessories, attachments, parts, lubricants or fuel for such stock are exempt [Sec. 77.54 (12); Wis Admin. Code, Tax 11.16 (2)].

Administration — The sales tax is collected by the Department of Revenue and deposited in the General Fund.

D. Air Carriers and Aircraft

1. Ad Valorem Tax

Like the railroads, airlines in Wisconsin are subject to the ad valorem tax. The tax applies to any air carrier company, which is any person or corporation engaged in the business of transporting persons or property for hire in aircraft on regularly scheduled flights [Sec. 76.02 (5a)]. Third level carriers (air taxis) and charter flight operators are not considered air carriers under this definition. If an air carrier also conducts charter flight services, however, its operations are treated as regularly scheduled flights.

Assessment — The Department of Revenue makes a unit assessment of all real and personal property of an air carrier, including all rights, franchises and privileges used in the prosecution of the business. The assessment is the full market value of the real estate, appurtenances, rolling stock, equipment, franchises, and all other real estate and personal property of an air carrier company [Sec. 76.07 (2)]. If the property is partly outside the state, the department values and assesses only that part that is within the state, but, in doing so, may take into consideration the value of the entire system, the mileage of the whole system and the part within the state, "together with such other information, facts and circumstances as will enable it to make a substantially just and correct determination."

Tax — To determine the tax, the Department of Revenue determines both the aggregate tax for state, county and local purposes levied on general property in the state and the total equalized assessment. It divides the total tax figure by the total assessment figure to arrive at an average rate of taxation (Secs. 76.11, 76.12). The average rate is then multiplied by the full market value of the company to arrive at the ad valorem tax for that company.

The tax is levied by the state instead of by the municipality and is in lieu of all other taxes on property except special assessments and in lieu of all taxes on the shares of stock of such companies owned by individuals of this state. If an air carrier is engaged solely in intrastate transportation, however, and uses the facilities of only one airport, it is excepted from the ad valorem tax and is subject to local assessment and taxation [Sec. 76.02 (11a)].

Administration — The tax is administered by the Department of Revenue and deposited in the state Transportation Fund [Sec. 76.24 (2)].

Revenue — In fiscal 1979 state revenue from the ad valorem tax on air carriers totaled $1,668,160 (total aeronautical taxes and fees were $1,851,371).

2. Registration Fees

All aircraft kept in the state, except aircraft belonging to an air carrier, must be registered annually with the Department of Transportation. The registration fee is imposed in lieu of a general property tax [Sec. 114.20 (2), (5)].

Fee — The fee ranges from $14 for a net empty weight of 0 to 599 pounds to $202 for a net empty weight of 7,500 pounds and over as follows:

Table 7: Aircraft Registration Fees

Net Empty Weight in Pounds	Fee
0 to 599	$14
600 to 699	16
700 to 799	18
800 to 899	20
900 to 999	22
1,000 to 1,099	24
1,100 to 1,199	26
1,200 to 1,299	28
1,300 to 1,399	30
1,400 to 1,499	32
1,500 to 1,599	34
1,600 to 1,699	36
1,700 to 1,799	38
1,800 to 1,899	40
1,900 to 1,999	42
2,000 to 2,099	44
2,100 to 2,199	46
2,200 to 2,499	52
2,500 to 2,999	62
3,000 to 3,999	82
4,000 to 4,999	102
5,000 to 7,500	152
7,500 and over	202

An aircraft 5 years old or over pays 75% of the regular fee, while the fee for privately owned surplus military aircraft is not to exceed $22.

When an aircraft is sold within the state a current registration is transferred to the purchaser upon payment of a $1 fee, but aircraft dealers are exempt.

Aircraft dealers must obtain an annual certificate from the Department of Transportation, and identification cards for all dealer aircraft at the rate of $1 each (Sec. 114.20).

Administration — Registration fees are collected by the Department of Transportation and deposited in the Transportation Fund.

Revenue — For fiscal year 1979 the state's revenue from registration fees totaled $120,763.

3. Sales Tax

No aircraft can be registered in the state without proof of payment of the 4% sales tax [Sec. 77.61 (1)]. The tax also applies to airline equipment and supplies. However, the gross receipts from the sale, storage or use of "aircraft, including accessories, attachments, fuel and parts therefor, sold to person using such aircraft as carriers of persons or property in interstate commerce and to nonresidents for use outside the state" are exempt [Sec. 77.54 (5) (a)]. This exemption is thus similar to the exemption of the sale of railroad rolling stock. Parking facilities for aircraft provided by a governmental unit are also exempt [Sec. 77.52 (2) (a) 9].

4. Local User Fees

On the local levels of government, the governing body of a city, village, town or county which has established an airport may establish fees or charges for the use of the airport or landing field or may authorize an officer, board or body of such municipality to establish such fees subject to its approval [Sec. 114.14 (1)].

5. Passenger Taxes

Tickets sold to passengers are not subject to a state sales or special tax. Generally, a state cannot tax interstate commerce. In 1972, however, the U.S. Supreme Court declared that a New Hampshire boarding fee levied on enplaning passengers was constitutional, and, subsequently, a number of municipalities throughout the country imposed such fees. For a brief period in 1973 La Crosse and

Madison imposed boarding fees. They were repealed in June 1973, when Congress outlawed them. In Madison the fee had been raising about $40,000 a month revenue for the airport at a time when the airport was running an annual deficit of approximately $700,000 per year.

E. Water Carriers and Watercraft

The taxation of water carriers (that is, a person operating as a common carrier of passengers or property by water) in the state is considerably different from the taxation of other means of transportation. Although, like motor carriers, they are subject to the state income tax, unlike motor carriers, they are not taxed to support their right-of-way. Indeed, the Wisconsin Constitution specifically provides that the navigable waters of the state are "common highways and forever free...without any tax, impost or duty therefor" (Art. IX, Sec. 1). Furthermore, most taxes are local taxes, not state level taxes.

STATE TAXES SPECIFICALLY LEVIED ON WATER CARRIERS

1. Certificate Fees

A person operating as a common carrier of passengers or property by water intrastate must obtain a certificate of public convenience and necessity from the Transportation Commaresion. Private pleasure craft are exempt from such fees.

Fee — The filing fee for a certificate is $40 (Sec. 195.45).

Administration — Filing fees are paid to the Transportation Commission and are deposited in the Transportation Fund.

Revenue — Only 6 such carriers are currently certificated and operating, primarily ferries operating between the mainland and coastal islands in the northern part of the state.

2. Assessments

As in the case of railroads, the Transportation Commission levies two kinds of assessments against common carriers of property by water operating between fixed termini [Sec. 195.02(5)]: 1) direct cost assessment against a specific carrier when the commission is investigating the books or activities of the carrier or is appraising its property [Sec. 195.60 (1)], and 2) a remainder assessment, levied each year on all carriers in proportion to their respective gross operating revenues during the last calendar year derived from intrastate operations. The remainder assessments, which shall not exceed one percent of the total gross operating revenues of a carrier, are for the purpose of covering commission expenses attributable to the carriers [Sec. 195.60 (2)].

Administration — The assessment is collected by the Transportation Commission and deposited in the Transportation Fund.

Revenue — Remainder assessments for water carriers come under the remainder assessment for railroads. In the statutes water carriers are classified as a railroad.

GENERAL STATE TAXES AFFECTING WATER CARRIERS

1. Income Tax

Every foreign and domestic corporation doing business in this state pays a franchise tax measured by its entire net income at rates set forth in the statutes. Corporations engaged in business both within and without the state are taxed only on such income as is derived from business transacted and property located within this state. All commercial water carriers of persons or property would be subject to this tax [Sec. 71.01 (2), 71.07 (2)].

Rate — The tax ranges from 2.3% for the first $1,000 of net income of a corporation or any part thereof to 7.9% for all net income in excess of $6,000 [Sec. 71.09 (2m)].

Administration — The tax is collected and administered by the Department of Revenue. It is deposited in the General Fund except for a percentage which is distributed to counties and municipalities as a shared tax.

2. Sales Tax

Like railroads and air carriers, "The gross receipts from the sale of and the storage, use or consumption in this state of commercial vessels and barges of 50-ton burden or over primarily engaged in interstate or foreign commerce or commercial fishing, and the accessories, attachments, parts and fuel therefor" are exempt from the sales tax [Sec. 77.54 (13)]. Sales taxes are imposed on other types of boats. The exemption applies to the sale of repair, alteration, cleaning, painting and maintenance of the exempt commercial vessels, but does not apply to consumable supplies or furnishings not attached to the vessel (such as kitchenware, chairs, workclothes) [Wis. Admin. Code, Tax 11.16 (3)].

Local Taxes

1. Property Tax and In Lieu Tax

Watercraft employed in interstate commerce are exempt from the personal property tax [Sec. 70.111 (3)]. In lieu thereof, however, the owner of any steam vessel, barge, boat or other watercraft owned within the state and employed in interstate commerce pays to the municipality where the property is assessable an annual tax equal to one cent per net ton of the registered tonnage of the vessel. Payment of the tax exempts such owners from other state and municipal property taxes on the watercraft [Sec. 70.15 (1)].

Watercraft not employed in interstate traffic and all private yachts or pleasure boats that are used commercially are taxed as personal property (Sec. 70.15). Pleasure craft belonging to Wisconsin residents and used exclusively for recreational purposes, however, are exempt from the personal property tax [Sec. 70.111 (3)].

2. Harbor Fees

A local board of harbor commissioners is authorized to fix and regulate all fees and charges for use of publicly owned and operated harbor facilities, subject to the approval of the municipality's governing body [Sec. 30.38 (9)].

All municipalities operating a public harbor through a board of harbor commissioners must maintain a revolving fund — a "harbor fund" — for which the moneys are raised by appropriation from the general fund or by taxation or loan as other moneys in the general fund are raised. Revenues derived from the operation of a public harbor also go into the fund.

A board may lease wharfing privileges on navigable waters at the end of streets and prescribe fees to be charged for wharfage [Sec. 30.30 (8)].

Private owners of dock walls and shore protection walls must improve or repair such walls at the request of a board of harbor commissioners or any improvements thereon by the board are recovered by special assessments. [Sec. 30.30 (3), (4)].

"A municipality may pay either or both the assessable and nonassessable parts of the cost of the construction, maintenance or repair of any dock wall or shore protection wall, authorized by s. 30.30 (3), out of its general fund or other available funds, or it may finance such work through the issuance of its negotiable bonds", which are a direct obligation of the municipality [Sec. 30.34 (2)].

A municipality, with the consent of its harbor commissioners, may also finance its harbor facilities' development and repair through revenue bonds, payable through revenue from the public harbor facilities and not backed by the municipality's full faith and credit [Sec. 30.34 (3)].

Thus, the cost of maintaining a public harbor may be met by a municipality through a varied combination of assessments, fees and general fund revenues.

F. Pipelines

A pipeline is classified as a utility and is defined by the Wisconsin Statutes as a person, association or company "engaged in the business of transporting or transmitting gas, gasoline, oils, motor fuels, or other fuels, by means of pipelines" [Sec. 76.02 (5b)].

Ad Valorem Tax

Like the railroads and airlines, pipeline companies are subject to the ad valorem tax.

Assessment — The Department of Revenue makes a unit assessment of the full market value of "land and land rights, structures, improvements, mains, pumping and regulation equipment, services, appliances, instruments, franchises and all other real and personal property of" pipeline companies [Sec. 76.07 (2)]. For tax purposes, both real and personal property, including "all rights, franchises and privileges used in and necessary to the prosecution of the business of any company enumerated" is deemed personal property and valued and assessed together as a unit [Sec. 76.03 (1)].

Tax — To set the tax, the Department of Revenue determines the aggregate tax for state, county and local purposes levied on general property in the state and the total equalized assessment. It divides the total tax figure by the total assessment figure to arrive at an average rate of taxation. The average rate is then multiplied by the full market value of the company to arrive at the ad valorem tax for that company (Secs. 76.11, 76.12).

Administration — The tax is levied by the state instead of by the municipality and is levied in lieu of all other taxes on such property except for special assessments levied by municipalities for local improvements. After the property is valued as a whole, however, any pipelines and pumping equipment used in transferring oil from pipelines to vessels included in such valuation is separately valued for accounting to the proper tax district.

With the exceptions noted above, all taxes are paid to the state treasury to become part of the General Fund. They were not redirected to the Transportation Fund by 1977 legislation as were railroad taxes. The tax on the excepted property is distributed annually to the municipalities in which the property is located.

Revenue — In fiscal year 1978 total revenue derived from pipeline companies totaled $6,166,682 (less refunds), and in fiscal 1979, $6,118,439.

V. COMPARATIVE TAXATION OF TRANSPORTATION MODES IN WISCONSIN

Do taxes fall evenly on the various modes of transportation? The previous chapter began the approach to an answer by describing the state taxes imposed on the broad forms of transportation — motor vehicles, railroads, airplanes, watercraft, and pipelines. This chapter continues the approach by comparing in detail the taxation of types of transport that 1) carry long-distance passengers, 2) convey urban passengers, and 3) haul freight.

A. Transportation of Long-Distance Passengers

SUMMARY

Long-distance passenger travel is generally either by private automobile or by commercial bus, airline, railroad or water carrier.

Among commercial passenger carriers, an income tax is levied by the state on the business of bus companies and water carriers, while an ad valorem tax is levied on the business of railroad companies and air carriers.

Comparing the taxation of passenger vehicles, a sales tax is imposed on the purchase of private automobiles, but not on the purchase of buses, railroad cars or commercial air or watercraft. Registration fees are paid for automobiles and buses, but not for other commercial carrier vehicles. No property tax is levied on any of the vehicles except commercial watercraft, which pays an in lieu tax. The ad valorem tax imposed on aircraft and railroads, however, is a property tax that includes some elements of an income tax.

Table 8: Taxation of Long Haul Transportation of Passengers

			Interstate Commerce			
Components	Tax	Private Autos	Buses	Railroads	Airlines	Water Carriers
Vehicles	Sales	X	0	0	0	0
	Registration fees	X	X	0	0	0
	Property	0	0	0	0	In lieu
	Ad valorem	0	0	X	X	0
Roadway	Ad valorem	0	0	Indirectly	0	0
Terminals	Property	—	X	0	0	0
	Ad valorem	0	0	X	0	0
	User fees	0	0	0	X	0
	Harbor fees (including wharfage fees)	0	0	0	0	X
Fuel	Fuel	X	X	0	0	0
Driver	License fee	X	X	0	Not by state	0
Income	Income	—	X	0	0	X
	Ad valorem		X	X	X	0
Business privilege	Art. of incorp.	0	X	X	X	X
	Certificate fee	0	X	No charge	0	X
	Permit fee	0	X	0	0	0

None pays a direct tax on its roadway, but Amtrak pays other rail carriers for the use of their tracks and the other rail carriers pay a tax on their right-of-way as part of the ad valorem tax.

Fuel taxes are paid on fuel used in automobiles and buses, but not fuel used in aircraft, watercraft, or railroad engines.

License fees are paid by drivers of automobiles and buses, but no state fees are paid by commercial airline pilots, railroad engineers of boat captains.

Looking at the varied terminal facilities of passenger carriers, bus companies pay property taxes on private bus terminals, and any railroad stations owned by Amtrak would be taxed under the ad valorem tax. (More probably, they would be owned by the railroad on whose tracks Amtrak is operating.) Since airlines do not own airports, they pay user fees for the use of airports, while water carriers pay wharfage fees for the privilege of docking and berthing. Although airlines would pay taxes on company-owned hangars as part of their ad valorem tax, many hangars are airport-owned and leased to companies. Thus, a mixed system prevails.

For the privilege of engaging in business, buses, water carriers and railroads obtain a certificate of public convenience and necessity, but there is no charge for the railroad certificate. Bus companies also pay an annual permit fee for each vehicle.

The following tables compare taxes levied on the components comprising each type of travel, namely: vehicles, roadways, fuel, terminals, drivers, passengers, income, and business privilege.

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Table 9: Taxation of Long Distance Passenger Transportation

Tax on Components	Auto	Bus	Air	Rail	Water
Vehicles					
Sales Tax	4%	None	None (carrier) Other aircraft	None	None (carrier) Other watercraft
Registration fee	Auto — $18 annual Camping trailer over 3,000 lbs. $12 — 25 ft. long or less $18 — over 25 ft. Motor homes: $30 — $96, depending on weight	$30 — 1,602, depending on weight	None (carrier) Other: $14 — 202, depending on weight	None	
Property tax	None	None	None(carrier) Intrastate carrier using 1 airport	None	Interstate carrier — in lieu tax Other commercial None for noncommercial
Ad valorem tax	None	None	Carrier-based on assessment of all real & personal property	Carrier-based on assessment of all real & personal property	None
Certificate					Motorboats, sailboats over 12 ft. long — $4.50
Rights-of-Way					
Property tax	None	None	None	None	None
Ad valorem tax	None	None	None	Tracks included in tax	None
Sales	None	None	None	Rails, ties, other road-building & maintenance materials (railroads with commuter runs); Amtrak — not directly since it does not own the track, but pays carrier owners for use.	None

Tax on Components	Auto	Bus	Air	Rail	Water
Fuel					
Fuel tax	7¢ per gallon	7¢ per gallon	None	None	None
Sales tax	None	None	None (interstate carriers) 4% — other aircraft	None	None (interstate carrier and commercial fishing) Other vessels — 4%
Terminals					
Property	Garages included in home property taxes	In municipality in which located		None	
Sales tax	4% on privately owned parking facilities provided for a consideration. None on public parking facilities	None			Levied on docking or providing storage space for boats for a consideration, except when provided by a governmental unit.
Ad valorem	None	None	Since airports are publicly owned, not subject to tax; if hangars privately owned, would be.	Terminals included in tax	None
Fees			Charged for use of airport		Paid for use of wharf and terminal facilities to municipality
Driver License					
Operator's license	$6.50 (original) $4 (annual revewal) $5 (instruction permit)			None	None
Chauffeur's license		$4			
Pilot's license			None, must hold federal license		
Passengers					
No state tax is levied on passengers.			Although a New Hampshire enplaning fee was declared constitutional by the U.S. Supreme Court in 1972, 1973 congressional legislation banned such fees.		
Income					
Income tax	—	Corporate income tax	No Advalorem tax is considered to contain elements of income	No Advalorem tax is considered to contain elements of income	Corporate income tax

Tax on Components	Auto	Bus	Air	Rail	Water
Privilege of Engaging in Business					
Articles of incorporation	Domestic corporation must file articles with secretary of state in order to operate in this state. Fee — $1 for each $1,000 of authorized par value shared and 2¢ for each authorized share without par value (minimum $50).				
Certificates of authority	Foreign corporations must apply for certificates with secretary of state in order to operate in this state. Fee — $50 and $1 for every $1,000 of its capital exceeding $50,000 employed in this state.				
Miscellaneous fees	Fees for filing articles of amendment, dissolution and for merger.				
Common motor carrier in interstate commerce filing fee	$40 before it operates vehicles				
Common motor carrier of passengers permit fee	$20 per vehicle annually				
Certificate of nec. & public conv. from transportation Commission		None		No statutory fee	$40

B. Transportation of Urban Passengers

Summary

In Wisconsin transportation of passengers in municipalities and their suburban areas is supplied primarily by automobiles, buses and taxicabs, and secondarily by bicycles, mopeds and motorcycles. Local mass transit in the form of buses receives some concessions in matters of taxation. Bus purchases are exempt from the sales tax, and fuel used by buses is exempt from fuel taxes. The registration fee is much less than for automobiles.

Commercially operated bus companies pay special income taxes, while taxicabs are subject to the regular corporate income tax. Municipally owned bus systems pay no income tax.

Bus companies pay property taxes on their terminal facilities, but buses are exempt from the personal property tax. Only 3 of the 21 urban transit system in Wisconsin, however, are privately owned, and — as is described in Chapter IX — all receive some state assistance.

The following table compares the taxation of component parts that comprise automobiles, buses and taxicabs.

Table 10: Taxation of Urban Passenger Transportation

Tax on Components	Automobile	Bus	Taxicab
Vehicle			
Sales tax	4% of purchase price, also applies to repairs	None	4% of purchase price
Registration fee	$18 annual	$1 annual	$18 annual
Property (personal)	None	None	
Vehicle permits (local)			73 communities require taxi firms to obtain individual vehicle permits
Roads	None of the 3 types of transportation pay taxes pay direct taxes on the roads, but their motor fuel taxes, registration fees and driver license fees are used primarily for road construction and maintenance.		
Fuel			
Motor fuel tax	7¢ per gallon	None	7¢ per gallon
Sales tax	None	None	None
Terminals			
Property tax	Garage included in home-owners' property tax	If privately owned bus company, its terminal or garage facilities are taxed; if publicly owned, exempt.	Garage facilities

Tax on Components	Automobile	Bus	Taxicab
Sales tax	4% on price of parking in private facilities; no tax on the parking fees charged by publicly owned facilities		
Driver licensing			
Operator's fee	$4 annual renewal $6.50 original	$4 annual renewal $6.50 original	$4 annual renewal $6.50 original
Chauffeur's fee	None	$4 — original and renewal	
Local licenses			58 municipalities require drivers to obtain local driver permits.
Passengers	No sales tax or special tax is levied on the fare paid by passengers of buses or taxicabs.		
Income			
Income tax		See special tax	Subject to regular income tax
Special income tax		Levied on taxable income of private corporations at a rate of 50%, excepting certain deductions for federal taxes paid and 8% of cost of depreciated property, plus interest accrued during year (the formula actually gives bus companies, which are usually marginal operations, a better tax break than would the regular corporate income tax.) Publicly owned companies exempt.	
Business privilege			
Certificate		$40 filing fee for certificate if a private carrier	Usually do not come within definition of common carrier
Permit fee		$20 per vehicle annually for private companies	
Local entry permits			On a local level, 20 Wisconsin municipalities (Traffic Quarterly, 1/78) require taxicab firms to obtain local entry permits

C. Transportation of Freight

Summary

Property is transported in the state by motor truck, train, boat, airline and pipeline.

In comparing the taxes imposed on commercial freight haulers, motor carriers and water carriers pay an income tax, while railroads, airlines and pipelines pay an ad valorem tax.

The sale of vehicles to all freight carriers is exempt from the sales tax.

Concerning vehicles, on trucks, registration fees are paid but not personal property taxes. Water carriers pay other taxes in lieu of the property tax. Since railroads and airlines pay ad valorem taxes assessed on their real and personal property, railroad rolling stock and aircraft are included in the assessment.

Looking at rights-of-way, railroad rights-of-way and tracks are private property subject to the ad valorem tax. Highways are public property, which is not taxable. The air and the waterways are free of state taxation.

Publicly owned airline terminals and harbors are not taxed, while privately owned motor freight terminals pay local real property taxes, and railroad terminals would be included in the ad valorem tax. Privately owned airport hangars are taxed, but many are owned by the airport and leased to private companies.

The following table compares taxes levied on the components comprising each type of transport.

Table 11: Taxation of Freight Transportation

Tax on Components	Motor Carriers	Railroads	Water Carriers	Air Carriers	Pipelines
Vehicles					
Sales tax	Motor trucks, accessories and supplies are exempt	Railroad rolling stock, accessories exempt	Sale of vessels used primarily in interstate commerce exempt	Aircraft and accessories in interstate commerce exempt	
Registration fees	\$30 — \$1,602 annually on motor trucks based on maximum gross weight \$18 surcharge for truck tractor annually \$18 — farm trucks of 12,000 lbs. or less; 1/4th motor truck fee if over 12,000 lbs. Farm trailers — 1/4th Vehicles transporting dairy products — \$24 — 960, depending on weight				
Personal property	None	See ad valorem	In lieu of — vessel owned in state and operated in interstate commerce — tax equal to 1¢ per net ton of vessel's registered tonnage annually. Paid to municipality		
Ad valorem		Rolling stock included in tax		Aircraft included in tax	Pipelines included in tax
Rights-of-Way					
Property tax (local)	None	None (included in ad valorem)	Navigable waters constitutionally free	Air not taxed	
Ad valorem tax	None	Tracks and roadbed included in tax			
Terminals					
Property (local)	Motor freight terminals	See ad valorem	Wharf and harbor facilities may be publicly owned and charge fees for use		
Ad valorem	None	Terminals, yards, etc. included in ad valorem		No tax on publicly owned airports, but if hangars are privately owned by carrier would be included	Storage facilities included in ad valorem tax
Fuel					
Sales tax	None	None	None on vessels of 50 ton burden engaged in interstate commerce	None	

Tax on Components	Motor Carriers	Railroads	Water Carriers	Air Carriers	Pipelines
Fuel tax	7¢ per gallon	None	None		
Driver licenses					
Chauffeur's license	$4 — truck drivers				
Pilot's license				Not licensed by state, but must possess federal license	
Income					
Income tax	Common or contract motor carriers	None	Freight carriers	None	None
Ad valorem		Income considered in ad valorem tax		Income considered in ad valorem	Income considered in ad valorem
Business Privilege					
Certificate	$40 — filing fee	No charge for obtaining certificate of conv. and necessity	$40 filing fee	No specific provisions	Certificate needed to construct pipeline facility
Permit fee	$20 per vehicle annually — common motor carrier $10 per vehicle annually — contract motor carrier Private motor carrier $10 per vehicle annually by lessor who leases to private motor carrier				

VI. FEDERAL TAXATION OF TRANSPORTATION MODES

A. Summary

Although this study is primarily concerned with Wisconsin taxes on transportation, it deviates at this point to touch upon federal transport taxes. In order to pursue the answer to our question, "Do taxes fall evenly on the various modes of transportation?", it becomes necessary to consider comparable federal taxes and how they relate to the state's taxes. Like Wisconsin, there are federal fuel taxes on motor carriers. Unlike Wisconsin, fuel taxes are also levied on air carriers, while vehicle and parts taxes and fees are levied on both types of carriers. Neither water carriers nor railroads pay fuel, vehicle or parts taxes. As long as all railroad tracks are privately owned, there is no need for a segregated fund for the construction and maintenance of public railroad tracks. For the first time, 1978 legislation levied a tax on certain inland water carriers to contribute toward the upkeep of the navigable waters of the nation.

The list of taxes described herein is not exhaustive, nor is it meant to be; there are undoubtedly many minor taxes and fees that are not included. Furthermore, general federal taxes common to all transportation, like income taxes, are not included. It is hoped, however, that the major special taxes which might reflect a significant difference in the treatment of the various modes of transportation have been recorded.

B. Motor Vehicles

A manufacturer's excise tax is levied on the sale of gasoline and lubricating oil; trucks, buses, tractors, and trailers; and tires, tubes and tread rubber. A retailer's excise tax is levied on diesel fuel and gasoline substitutes, while a federal use tax is levied annually on motor vehicles over 26,000 pounds. These taxes are deposited in the federal Highway Trust Fund.

MOTOR FUEL

A manufacturer's excise tax of 4 cents per gallon is levied on gasoline.

A manufacturer's excise tax of 6 cents per gallon is levied on lubricating oil.

A retailer's special motor fuel excise tax of 4 cents per gallon is levied on diesel fuel and gasoline substitutes.

Vehicles, Parts and Accessories

A manufacturer's excise tax of 10% of the manufacturer's price is levied on the sale of trucks, buses, trailers, and tractors with trailers. Vehicles of 10,000 lbs. gross weight or less are not taxed.

Truck and bus parts and accessories are taxed at 8% of the manufacturer's wholesale price.

Highway tires and inner tubes are taxed at 10 cents per pound; other tires and tread rubber are taxed at 5 cents per pound.

Motor Vehicle Use

A highway motor vehicle use tax is levied on motor vehicles (except local transit buses) with a gross weight over 26,000 lbs. of $3 per year for each 1,000 lbs. (The gross weight is weight plus maximum customary load).

Table 12: Revenues from Highway User Taxes Transferred to the Highway Trust Fund, Fiscal Year 1978

(Dollar amounts in millions)

	Fiscal 1978		Fiscal 1977		
Type of Tax	Net Taxes Transferred	Percent of Total	Net Taxes Transferred	Percent of Total	Increase or Decreases (-)
Gasoline, diesel fuel, and special motor fuels	$4,722.4	68.4	$4,707.4	70.2	$15.0
Trucks, buses, and trailers	850.5	12.3	708.1	10.6	142.4
Tires	761.5	11.0	758.0	11.3	3.5
Use of certain vehicles	245.5	3.6	239.7	3.6	5.8
Lubricating oils	80.2	1.2	76.3	1.1	3.9
Parts and accessories	187.5	2.7	164.7	2.5	22.8
Inner tubes and tread rubber	56.9	.8	55.0	.8	1.9
Total	6,904.4	100.0	6,709.2	100.0	195.2

Source: U.S. Department of the Treasury, Fiscal Assistant Secretary, "Highway Trust Fund", 23rd Annual Report, U.S. House of Representatives House Document 96-110, 1979 (386.2/X3, 1979).

Miscellaneous Taxes

Unless they buy the certificate of an existing carrier, common motor carriers must obtain a certificate of public convenience and necessity, and contract motor carriers, a permit, from the Interstate Commerce Commission in order to engage in business (49 USC 307).

C. Air Carriers and Noncommercial Aircraft

Like motor vehicle taxes, the taxes on air carriers are primarily manufacturers' and retailers' excise taxes levied on fuel, vehicles and use. The taxes on these items are deposited in the federal Airport and Airway Trust Fund.

Aviation Fuel

A retailer's excise tax of 4 cents per gallon is levied on commercial aviation gasoline (26 USC 4081).

A retailer's excise tax of 3 cents per gallon is levied on noncommercial aviation gasoline [26 USC 4041 (c) (2)].

A manufacturer's excise tax of 4 cents per gallon is levied on noncommercial aviation gasoline (26 USC 4081).

A retailer's excise tax of 7 cents per gallon is levied on noncommercial aviation fuel other than gasoline [26 USC 4041 (c) (1)].

Vehicles, Parts and Accessories

A manufacturer's excise tax of 5 cents a pound is levied on tires used on aircraft [26 USC 4071 (a) (2)].

A manufacturer's excise tax of 10 cents a pound is levied on tubes used on aircraft [26 USC 4071 (a) (d)].

Aircraft Use

An excise tax is levied on the transportation of persons by air of 8% of the amount paid for the ticket (26 USC 4261, 4262).

A $3 per passenger international enplanement tax is levied on the use of international travel facilities [26 USC 4261 (c)].

A freight waybill tax is levied on the transportation of property by air of 5% of the amount paid [26 USC 4271 (a), 4272 (a)].

A poundage fee is levied on aircraft having a maximum certified takeoff weight in excess of 2,500 lbs. [26 USC 4491 (a) (2)] of:

propeller-driven aircraft — 2 cents per pound.

turbine-powered aircraft — 3.5 cents per pound.

In addition, an annual registration tax of $25 per plane is levied on the use of any taxable civil aircraft (taxable civil aircraft means any engine-driven aircraft registered under Section 501 (a) of the Federal Aviation Act of 1958 or which is owned by a U.S. person) [26 USC 4491 (a) (1)].

MISCELLANEOUS TAXES

An air carrier must have a certificate of public convenience and necessity from the Civil Aeronautics Board in order to engage in business (49 USC 1371).

The Federal Aviation Administration issues aircraft certificates: type certificates, production certificates, and airworthiness certificates (49 USC 1423).

The Federal Aviation Administration issues an airman's certificate to a qualified pilot, crew member or mechanic and includes terms, conditions, and duration (49 USC 1422).

Table 13: Revenues Trasferred to Airport and Airway Trust Fund, Fiscal Year 1978
(Dollar amounts in millions)

	Fiscal 1978		Fiscal 1977		
	Net Taxes Transferred	Percent of Total	Net Taxes Transferred	Percent of Total	Increases or Decrease (-)
Liquid fuel other than gasoline	$ 27.1	2.0	$ 30.7	2.6	-$ 3.6
Tires and tubes	1.0	.1	1.0	.1	- [1]
Gasoline	21.3	1.6	23.5	2.0	-2.2
Transportation by air — seats, berths, etc.	1,109.3	83.7	1,007.0	84.6	102.4
Use of international travel facilities	76.5	5.8	57.0	4.8	19.5
Transportation of property, cargo	64.9	4.9	50.7	4.3	14.2
Use of civil aircraft	25.9	2.0	21.1	1.8	4.8
Total net taxes	$1,326.1	100.0	$1,190.9	100.0	$135.1

[1]Less than $50,000.

Source: U.S. Department of the Treasury, Fiscal Assistant Secretary, "Airport and Airway Trust Fund", 8th Annual Report, U.S. House Committee on Ways and Means, Committee print WMCP: 96-17 (380.97/X4/1977-78).

D. Railroads

As long as railroad tracks are privately owned, there is no need for a segregated fund for the construction and maintenance of public railroad tracks. Likewise, since railroad terminals are primarily owned by the railroads, there are no user taxes paid into a segregated fund comparable to those paid by airlines into the airport fund for public terminal and traffic safety facilities.

Unlike other private corporations, however, the retirement system for railroad employes is established by federal law and operates under the U.S. Railroad Retirement Board.

The railroad retirement tax is a special tax paid by railroads and their employes which goes into the Railroad Retirement Account for the employe retirement program. For 1979 the tax was 6.13% of taxable compensation by employes and the same amount plus an additional 9.5% (or 15.63%) by employers.

A hospital insurance plan for railroad employes is financed by hospital insurance taxes paid equally by employers and employes and is deposited in a Hospital Insurance Trust Fund.

The railroad unemployment and sickness benefit programs are financed by contributions from railroad employers based on a percentage of their employes' taxable earnings (the first $400 of each employe's monthly earnings). The contribution rate for calendar year 1979 is 7 percent (the maximum rate of 8% had been in effect in 1977 and 1978), which goes into the Railroad Unemployment Insurance Account. ("1978 Annual Report, U.S. Railroad Retirement Board).

E. Waterborne Carriers

RIGHT-OF-WAY

Every president since Franklin Roosevelt has recommended that water carriers pay user charges for their right-of-way, the inland waterways of the United States. Not until the enactment in 1978 of Public Law 95-502, however, has such a charge been imposed. Legislation to levy user fees went through numerous, hotly contested drafts in 1978 before a compromise was arrived at. The various versions differed as to the amount of the user charge, how gradually it was to be phased in, the inland waterways it was to cover, and whether it was to be some percentage of the federal expenditures for construction and navigation aids and/or expenditures for operation and maintenance of the inland waterways.

As finally enacted, P.L. 95-502 imposes a tax on fuel used in a vessel in commercial waterway transportation as follows:

From October 1, 1980 until September 30, 1981	4 cents per gallon
From October 1, 1981 until September 30, 1983	6 cents per gallon
From October 1, 1983 until September 30, 1985	8 cents per gallon
From October 1, 1985	10 cents per gallon

Deep draft, ocean-going vessels and passengers vessels are exempt. "Inland or intracoastal waterways of the United States", on which the tax applies, comprise a specific list of rivers, including the Mississippi, but excludes, for example, the Great Lakes and the St. Lawrence Seaway. It covers about 40% of inland waterway mileage and about 85% of inland waterway traffic.

The law created an Inland Waterways Transportation Fund, in which revenue from the fuel tax will be deposited. Appropriations from the fund can only be made by appropriation acts "for making construction and rehabilitation expenditures for navigation on the inland and intracoastal waterways of the United States."

FUEL TAXES

A 4 cents per gallon tax is imposed on gasoline used in recreational boats.

MISCELLANEOUS TAXES

There are various provisions for registration of vessels and pilots, and licensing of captains, masters, mates, engineers and pilots. A common carrier by water must obtain a certificate of public necessity and convenience, while a contract carrier must obtain a permit from the Interstate Commerce Commission (49 USC 901).

F. Pipeline Carriers

There appear to be no special taxes imposed by the Federal Government on pipelines. Since pipelines are a private enterprise endeavor, they have not generally received public funds. In the 1940s two pipelines were built by the government, but were subsequently purchased by private companies. Pipelines which carry natural gas come under the regulatory jurisdiction of the Federal Power Commission; those that carry oil and other products come under Interstate Commerce Commission regulations.

VII. SEGREGATED FUNDS

As we have seen, the user taxes levied on certain forms of transportation have gone into segregated funds, and the revenues in these funds have been appropriated primarily for the construction and maintenance of public facilities. On the state level, Wisconsin now has a Transportation Fund (formerly, the Highway Fund); while on the national level, there is a U.S. Highway Trust Fund, an Airport and Airway Trust Fund, and now an Inland Waterways Transportation Fund. There has been much talk and some action at both the state and federal levels of broadening the purposes for which moneys from these funds may be used. On the other hand, the American Association of State Highway and Transportation Officials (AASHTO), prior to the creation of the Inland Waterways Transportation Fund recommended not only that such a fund be established, but that a fund be created for railroads. Since the disposition of user taxes affects the equality of treatment of the various transportation modes, it seems an appropriate place in this study to pinpoint precisely what goes into the existing funds and for what purposes their revenues are currently expended.

A. Wisconsin Transportation Fund

REVENUES AND EXPENDITURES

Chapter 29, Laws of 1977, as amended by 1977 Chapter 418, and by 1979 Chapter 34, renamed and reconstituted Wisconsin's Highway Fund to be the Transportation Fund. It also repealed the old Transportation Aids Fund and added its moneys to the Transportation Fund. The new fund now receives certain revenues which were not previously deposited in the old fund, namely, the air carrier and railroad ad valorem taxes, aircraft registration fees, and railroad assessments. The old Transportation Aids Fund, repealed by Chapter 29, had been a segregated fund comprising federal aids for primary and secondary systems within urban areas, federal aids for the federal aid urban system, and federal aids for other transportation purposes, plus miscellaneous revenues.

Under Section 25.40 (1) of the statutes, the Transportation Fund now consists of:

(1) All collections of the Department of Transportation or of the Transportation Commission, including motor vehicle registration fees; driver license fees; motor carrier fees; license fees of motor vehicle dealers, manufacturers and salesmen; and license fees for distributors or wholesalers and for factory representatives; but excluding the license fees for sales finance companies.

(2) Motor fuel taxes and special fuel taxes.

(3) Taxes on air carrier companies and railroad companies under Chapter 76, Stats. (utility taxes), and aircraft registration fees under Sec. 114.20.

(4) Assessments collected by the Transportation Commission under Secs. 184.10 (fees paid by railroads for authority to issue securities) and 195.60 (expenses paid by railroads for commission investigation of their activities).

(5) All moneys paid into the state treasury by any local unit of government or other sources for transportation purposes.

(6) All federal aid for aeronautics, highways and other transportation purposes make available by any act of Congress.

(7) The investment income of the Transportation Fund.

(8) The administrative costs of the Department of Transportation in collecting the sales tax on the occasional sales of motor vehicles (transferred from the General Fund).

(9) All moneys transferred by law from other funds.

Wisconsin has thus gone from a Highway Fund, a dedicated fund with revenues received from highway user fees and used only for highway construction and maintenance, to a Transportation Fund, with revenues received from other modes of transportation as well. Many states have long used the former approach, while the latter is a newer approach. Maryland is an example of a state with a unified

Text continues on page 53

Table 14: Wisconsin Transportation Fund: Revenues and Expenditures
Fiscal Years 1977-78 and 1978-79

	1978-79		1977-78	
	State funds	**Federal, Local & Revolving Funds**	**State Funds**	**Federal, Local & Revolving Funds**
Opening Balance	$61,147,737.54	$-1,650,018.70	$54,619,293.29	$8,211,357.81
Revenues				
Motor Fuel Taxes	183,709,799.88		176,000,367.28	
Vehicle Registration	112,242,873.38	124,300.58	108,606,476.15	120,929.00
Drivers License Fees	8,872,974.68		8,392,513.32	
Motor Carrier Fees	1,150,078.16		1,005,177.71	
Other Motor Vehicle Fees	1,443,401.31		1,443,769.57	
Investment Earnings	6,995,884.38		4,470,444.24	
Aeronautical Taxes and Fees	1,851,371.25		1,910,366.80	
Rail Property Taxes	3,289,084.84			
Dealers' Licenses[2]	122,323.65			
Miscellaneous Revenues and Assistance	837,203.11	2,802,969.96	881,509.86	4,328,376.35
Service Center Operations		11,480,684.49		8,081,649.84
Highway Assistance — Federal		145,495,899.63		120,509,024.02
Highway Assistance — Local		14,458,834.74		7,037,349.00
Highway Maintenance — Federal		3,097,991.18		87,190.48
Airport Assistance — Federal		10,660,920.84		10,167,388.59
Airport Assistance — Local		2,990,247.81		783,572.26
Mass Transit Assistance		901,503.55		1,819,972.87
Traffic Enforcement Assistance — Federal		957,302.46		314.764.66
Total Revenues	$320,514,994.64	$192,970,655.24	$303,310,624.93	$153,250,217.07

	1978-79		1977-78	
	State funds	Federal, Local & Revolving Funds	State Funds	Federal, Local & Revolving Funds
Expenditures				
Local Assistance				
Highways	111,555,064.72		107,833,641.64	
Transit	9,409,631.41		8,246,329.62	
Railroads	30,000.00			
Driver Training	3,375,860.00		3,433,380.00	
Transfer to Shared Revenue Account			15,512,849.00	
Aids to Organizations				
Railroad Crossings	784,533.20		703,024.00	
State Operations				
Highway Improvements[2]	45,686,087.00		30,277,543.75	
Highway Improvements — Federal[2]		149,150,312.48		123,982,669.90
Highway Improvements — Local		19,172,218.22		13,060,265.72
Highway Maintenance	63,130,114.46	3,464,654.95	54,908,644.14	265,286.79
Transportation Systems	1,837,805.35	997,114.86	1,409,376.14	1,730,313.56
Airport Improvements	2,093,326.60		1,602,892.55	
Airport Improvements — Federal		11,077,037.11		9,861,225.83
Airport Improvements — Local		2,588,862.20		716,039.39
Vehicle Registration and Driver Licensing	25,096,736.27	155,770.48	21,658,868.89	85,081.60
Traffic Enforcement and Inspection	17,189,268.78	968,244.89	14,986,354.26	497,740.99
General Administration Operations	12,538,139.50	2,681,967.84	13,793,398.16	4,158,832.63
Service Center Operations		10,288,265.27		8,635,951.65
Debt Service	20,036,344.86		20,773,416.13	
Transportation Commission	1,438,800.25		1,185,122.76	
Miscellaneous	226,108.85	1,898,489.95	457,339.64	118,185.52
Total Expenditures	314,427,821.25	202,442,938.25	296,782,180.68	163,111,593.58
Lapse of Program Revenue	1,140.10	-1,140.10		
Ending Balance	67,236,051.03	-11,123,441.81	61,147,737.54	-1,650,018.70
Less Reserves for Continuing Appropriation Balances				
Highway Construction and Maintenance Obligations	43,118,612.41		39,409,135.06	
Urban Mass Transit Assistance	1,232,852.94		820,043.03	
Airport Development	981,270.02		1,578,587.49	
Railroad Assistance	6,200,484.94		252,960.00	
Other	2,463,521.40		2,342,079.06	
	53,996,741.71		44,402,804.64	
Unappropriated Balance	$13,239,309.32		$16,744,932.90	

[1]Rail property taxes and auto dealer's licenses starting in fiscal year 1979 were deposited in the Transportation instead of the General Fund in accordance with Sec. 247, Chapter 418, Laws of 1977.

[2]In order to reflect a more current cash position July, 1979 payments on previously existing highway construction contracts were charged against fiscal 1979 instead of thrown forward to the "new year". The onetime effect of this change is to include thirteen months of highway construction expenditures and the matching federal revenues in fiscal 1979. This amounts to $5,000,000.00 in state and $16,000,000.00 in federal expenditures. There is no effect on the unappropriated balance of the fund.

Source: Wisconsin Department of Administration, "Annual Fiscal Report", as of June 30, 1979, Table 7, pp. 22-23.

transportation fund. A third approach, used by some states, is to commingle in their general funds highway user taxes and other revenues.

The Federal Government, as explained later, follows a partial dedicated fund approach with its Highway Fund, Airport and Airways Fund, and the new Inland Waterways Transportation Fund.

The annual publications on Transportation Fund revenues and expenditures issued by the Wisconsin Department of Transportation ("State of Wisconsin Appropriation of Transportation Fund Revenues, Fiscal Year Ending June 30, 1979") lists the expenditures in a somewhat different way. Of the total state fund revenues of $320,514,995 plus unappropriated balances and lapsed appropriations, making the total sum $337,720,662.81, there were net appropriations of $5.98 million for charges of other agencies (for such items as driver education, highway safety, fuel tax administration, and so forth) and $9.9 million for miscellaneous and administration (general transportation administration, auto pool acquisition, principal repayment and interest on buildings, and claims).

The other appropriations are listed below. From the appropriations of $324 million, the department allocated 37.6% to counties and municipalities for local aids; 40.8% for statewide construction, maintenance, repair and snow removal, and for debt service; 3.7% for transportation systems; and 3.1% for miscellaneous and administration.

Table 15: Major Appropriations of Wisconsin Transportation Fund Revenues, Fiscal 1979

	Fiscal 1979		
	Statutory Appropriations	Lapses to Fund	Balances, Revenues and Net Appropriations
Collection and Enforcement			
Vehicle Registration and Driver's Licensing	$ 24,864,100.0	$ 41,779.05	$ 24,822,320.95
Vehicle Inspection and Traffic Enforcement	17,204,800.00	48,760.34	17,156,039.66
	$ 42,068,900.00	$ 90,539.39	$ 41,978,360.61
Local Aids			
Transportation Aids	$101,000,000.00	$	$101,000,000.00
Transportation Aids-Hold Harmless	4,940,424.96		4,940,424.96
Connecting Highways	394,000.00		394,000.00
Connecting Highways-Supplement	6,176,000.00	1,202,467.61	4,973,532.39
Transit	3,241,200.00		3,241,200.00
Transit-Supplement	6,118,900.00	7,913.59	6,110,986.41
Railroad Crossing Repair	250,000.00	207,065.24	42,934.76
Railroad Crossings	1,242,255.00	6,493.56	1,235,761.44
Miscellaneous Aids	580,000.00	406,134.31	173,865.69
	$123,942,779.96	$1,830,074.31	$122,112,705.65
State and Local Highway Program			
State Trunk Highway Allotment	$ 8,049,147.98	$	$ 8,049,147.98
General Program Operations	3,241,964.99	244.29	3,241,720.70
Major Highway Development	14,660,900.00		14,660,900.00
Improvement of Existing Highways	16,980,300.00		16,980,300.00
Improvement of Existing Bridges	2,683,100.00		2,683,100.00
Maintenance and Repair	14,234,579.65	99,187.82	14,135,391.83
Snow Removal and General Upkeep	49,864,458.20	3,797.16	49,860,661.04
State Facilities Roads	538,757.26		538,757.26
Improvement & Maintenance - Local Highways & Bridges	2,375,700.00		2,375,700.00
Principal Repayment & Interest - Transportation Facilities	19,815,544.04		19,815,544.04
	$132,444,452.12	$ 103,229.27	$132,341,222.85
Transportation Systems			
Railroad Right of Way Acquisition	$ 4,496,800.00	$ 101,385.53	$ 4,395,414.47
Elderly & Handicapped & Rail Transportation	1,900,000.00	87,679.11	1,812,320.89
Transportation Planning & Technical Assistance	30,000.00		30,000.00
Municipal Rail Service Grants	70,000.00	70,000.00	—
Rail Property Improvements Loans	2,200,000.00		2,200,000.00
Aviation - General Program Operations	1,039,800.00	80,990.87	958,809.13
Airport Development	537,200.00		537,200.00
Planning	2,609,800.00	401,963.70	2,207,836.30
	$ 12,883,600.00	$ 742,019.21	$ 12,141,580.79

Source: Wisconsin Department of Transportation, "State of Wisconsin Appropriation of Transportation Fund Revenues Fiscal Year Ending June 30, 1979", p. 13, issued November 1979.

APPROPRIATIONS, 1979-81 BIENNIUM

Of the $1.16 billion appropriated from all sources for the 1979-81 fiscal biennium to the Department of Transportation by Chapter 34, Laws of 1979 (the budget act), only $400 thousand came from general revenues, the rest came from segregated fund sources, including $359.2 million from federal revenues.

Out of that departmental appropriation (including the Transportation Commission) of $1.16 billion, $303.5 million was appropriated for state transportation aids, $492 million for state highway facilities, and $113.8 million for local highways and bridges. From this subtotal of $909.3 million, $40.89 million was appropriated for various transit aids and elderly and handicapped aids, leaving $869.3 million appropriated for highways.

In addition, $157.4 million of the departmental appropriation was allocated for general transportation operations, including administration, planning and vehicle registration and licensing; $2.9 million for the Transportation Commission; and $38 million for debt service.

Further appropriations from the Transportation Fund were made for airport and railroad facilities and services in the amount of $55.68 million for the biennium. Thus, if the sums for aviation, railroads, mass transit and the elderly and handicapped aids — which together amount to approximately $96.57 million — are deducted, the remaining appropriations from the Transportation Fund total about $1 billion for expenditures on highways, highway-related matters, and departmental administration (including the Transportation Commission regulation and administration). These figures include revenues from the Federal Government as well as from state motor vehicle imposts and railroad and air carrier taxes.

As enacted by Chapter 34, Laws of 1979, appropriations to the Department of Transportation during the 1979-81 biennium are as follows:

Table 16: Appropriations to the Wisconsin Department of Transportation, 1979-81

Agency	Source Type	1977-78	1978-79
20.395 Transportation, Department of			
(1) AIDS			
(aq) Transportation aids, state funds	SEG A	103,549,400	107,591,500
(ar) Transportation aids, hold harmless, state funds	SEG S	4,481,700	4,099,300
(as) Connecting highways, state funds	SEG S	6,200,000	6,900,000
(at) Miscellaneous highway aids, state funds	SEG A	580,000	580,000
(bq) Transit aids, state funds	SEG A	12,885,000	15,437,000
(br) Elderly and handicapped aids, state funds	SEG A	340,000	380,000
(bs) Mass transit capital expenditures, state funds	SEG B	500,000	500,000
(bt) Elderly and handicapped county aids, state funds	SEG A	2,106,400	2,354,800
(bu) Mass transit capital expenditures, state funds	SEG B	500,000	500,000
(bv) Transit aids, local funds	SEG C	0	0
(bw) Elderly and handicapped aids, local funds	SEG C	118,000	133,100
(bx) Transit aids, federal funds	SEG-F C	2,100,000	2,100,000
(by) Elderly and handicapped aids, federal funds	SEG-F C	440,300	501,300
(cx) Highway safety, local assistance, federal funds	SEG-F C	1,750,000	2,000,000
(cy) Highway safety, state agencies, federal aid	SEG-F C	950,000	1,000,000
(dq) Transportation aids supplement, state funds	SEG A	(21,000,000)	0
(1) Program Totals			
SEGREGATED FUNDS		157,500,800	144,077,000
FEDERAL		(5,240,300)	(5,601,300)
OTHER		(152,260,500)	(138,475,700)
TOTAL - ALL SOURCES		157,500,800	144,077,000
(2) AIRPORT AND RAILROAD FACILITIES AND SERVICES			
(aq) Railroad constinuation, state funds	SEG A	700,000	700,000
(av) Railroad continuation, local funds	SEG C	0	0
(ax) Railroad continuation, federal funds	SEG-F C	1,585,000	1,585,000
(bq) Railroad crossings, state funds	SEG B	2,950,000	2,950,000
(br) Railroad crossing repairs, state funds	SEG A	250,000	250,000
(bx) Railroad crossings, federal funds	SEG-F C	0	0
(cq) Railroad abandoned property acquisition, state funds	SEG C	2,900,000	3,000,000
(cv) Railroad abandoned property acquisition, local funds	SEG C	0	0
(cx) Railroad abandoned property acquisition, federal funds	SEG-F C	0	0
(dq) Railroad property improvement grants, state funds	SEG C	1,650,000	1,750,000
(dv) Railroad property improvement grants, local funds	SEG C	0	0
(dx) Railroad property improvement grants, federal funds	SEG-F C	0	0

Agency	Source Type	1977-78	1978-79
(eq) Railroad capital advances, state funds	SEG B	1,750,000	2,000,000
(ev) Railroad capital advances, local funds	SEG C	0	0
(ex) Railroad capital advances, federal funds	SEG-F C	0	0
(fq) Local airport development, state funds	SEG C	763,500	763,500
(fv) Local airport development, local funds	SEG C	2,582,300	2,793,100
(fx) Local airport development, federal funds	SEG-F C	12,165,000	12,596,200
(2) Program Totals			
SEGREGATED FUNDS		27,295,800	28,387,800
FEDERAL		(13,750,000)	(14,181,200)
OTHER		(13,545,800	(14,206,600)
TOTAL-ALL SOURCES		27,295,800	28,387,800
(3) STATE HIGHWAY FACILITIES			
(aq) State trunk highway allotment to counties	SEG C	8,050,000	8,050,000
(bq) Major highway development, state funds	SEG C	23,600,000	20,800,000
(bv) Major highway development, local funds	SEG C	390,000	390,000
(bx) Major highway development, federal funds	SEG-F C	54,100,000	39,700,000
(cq) Existing highway improvement, state funds	SEG C	20,100,000	22,400,000
(cv) Existing highway improvement, local funds	SEG C	664,400	664,400
(cx) Existing highway improvement, federal funds	SEG-F C	54,000,000	54,800,000
(dq) Improvement of state bridges, state funds	SEG C	3,723,300	4,058,400
(dv) Improvement of state bridges, local funds	SEG C	100,000	100,000
(dx) Improvement of state bridges, federal funds	SEG-F C	10,892,800	14,171,900
(eq) Highway maint., repair and operations, state funds	SEG B	52,468,900	57,345,900
(ev) Highway maint., repair and operations, local funds	SEG C	73,500	73,500
(ex) Highway maint., repair and operations, federal funds	SEG-F C	150,000	150,000
(fq) Highway winter maintenance, state funds	SEG S	18,053,700	19,705,800
(fv) Highway winter maintenance, local funds	SEG C	0	0
(fx) Highway winter maintenance, federal funds	SEG-F C	0	0
(gq) State facility roads, state funds	SEG B	1,000,000	1,000,000
(gv) State facility roads, local funds	SEG C	500,000	500,000
(gx) State facility roads, federal funds	SEG-F C	0	0
(hq) Transportation system management program, state funds	SEG C	112,500	112,500
(3) Program Totals			
SEGREGATED FUNDS		247,979,100	244,022,400
FEDERAL		(119,142,800)	(100,821,900)
OTHER		(128,836,300)	(135,200,500)
TOTAL-ALL SOURCES		247,979,100	244,022,400
(4) LOCAL HIGHWAYS AND BRIDGES			
(aq) Local highways and bridge improvements, state funds	SEG C	3,281,200	210,000
(av) Local highways and bridge improvements, local funds	SEG C	15,126,700	11,352,900
(ax) Local highways and bridge improvements, fed. funds	SEG-F C	40,521,900	43,316,300
(4) Program Totals			
SEGREGATED FUNDS		58,929,800	54,879,200
FEDERAL		(40,521,900)	(43,316,300)
OTHER		(18,407,900)	(11,562,900)
TOTAL-ALL SOURCES		58,929,800	54,879,200
(5) GENERAL TRANSPORTATION OPERATIONS			
(aq) Departmental management and operations, state funds	SEG A	10,974,200	11,086,200
(av) Departmental management and operations, local funds	SEG C	82,500	82,500
(ax) Departmental management and operations, federal funds	SEG-F C	2,689,300	2,689,300
(bq) Facilities and services management, state funds	SEG A	10,028,600	10,086,400
(bv) Facilities and services management, local funds	SEG C	0	0
(bx) Facilities and services management, federal funds	SEG-F C	1,224,500	1,254,900
(cq) Vehicle registration & driver licensing, state funds	SEG A	24,432,800	23,250,000
(cx) Vehicle registration & driver licensing, federal funds	SEG-F C	200,000	200,000
(dq) Vehicle inspection and traffic enforcement, state funds	SEG A	17,135,200	17,533,100
(dx) Vehicle inspection and traffic enforcement, federal funds	SEG-F C	213,100	213,100
(eq) Data processing operations, service funds	SEG-S C	6,348,400	6,612,700
(er) Fleet operations, service funds	SEG-S C	4,837,900	4,925,700
(es) Other department services, operations, service funds	SEG-S C	291,800	300,300
(et) Service center supplements, state funds	SEG A	93,700	215,200

Agency	Source Type	1977-78	1978-79
(eu) Other department services, sale of aerial photo, survey prod.	SEG C	0	0
(fa) Traffic violation & registration program, state funds	GPR B	150,000	250,000
(5) Program Totals			
GENERAL PURPOSE REVENUES		150,000	250,000
SEGREGATED FUNDS		78,552,000	78,449,400
FEDERAL		(4,326,900)	(4,357,300)
OTHER		(62,747,000)	(62,253,400)
SERVICE		(11,478,100)	(11,838,700)
TOTAL-ALL SOURCES		78,702,000	78,699,400
(6) DEBT SERVICES			
(aq) Prin. repay. and interest, transp. facil., state funds	SEG S	16,818.000	20,732,400
(ar) Prin. repay. and interest, buildings, state funds	SEG S	231,000	298,300
(6) Program Totals			
SEGREGATED FUNDS		17,049,000	21,030,700
OTHER		(17,049,000)	(21,030,700)
TOTAL-ALL SOURCES		17,049,000	21,030,700
(7) TRANSPORTATION COMMISSION			
(aq) Transportation regulation and general program operations	SEG A	1,461,700	1,466,400
(7) Program Totals			
SEGREGATED FUNDS		1,461,700	1,466,400
OTHER		(1,461,700)	(1,466,400)
TOTAL-ALL SOURCES		1,461,700	1,466,400
20.395 Department Totals			
GENERAL PURPOSE REVENUES		150,000	250,000
SEGREGATED FUNDS		588,768,200	572,312,900
FEDERAL		(182,981,900)	(176,278,000)
OTHER		(394,308,200)	(384,196,200)
SERVICE		(11,478,100)	(11,838,700)
TOTAL-ALL SOURCES		588,918,200	572,562,900

Wisconsin Highway Fund, Fiscal Year 1977

Fiscal year 1977 (ending June 30, 1977) was the last year of existence of the Wisconsin Highway Fund before it was succeeded by the Transportation Fund. The fund is described here for ease of comparison with its successor.

The following table from the "1977 Annual Fiscal Report" gives an overall view of the fund's revenues and expenditures.

Table 17: Wisconsin Highway Fund Operations

	1976-77	1975-76
Opening Balance	$ 52,674,287	$ 40,665,270
Revenue		
Motor Fuel Tax	170,831,969	161,975,320
Motor Vehicle Licenses and Registration	101,532,809	98,204,318
Federal Aid	79,624,298	101,046,352
County and Local Unit Monies	9,710,649	6,117,314
Investment Income	5,641,316	8,757,781
Miscellaneous	8,913,985	8,809,919
Total Revenue	$376,255,026	$384,911,004
Total Available	$428,929,313	$425,576,274

	1976-77	1975-76
Expenditures		
Highway Construction, Maintenance, etc.	166,531,065	170,710,833
Vehicle and Driver Regulation and Enforcement	30,430,504	28,497,785
Aids to Localities	105,125,786	99,682,254
Aids to Localities — Driver Education	3,482,273	3,492,721
Administration and Planning	25,404,080	25,334,443
Debt Service	21,081,892	28,924,662
Transfer to Shared Tax Account	14,139,500	13,486,900
Miscellaneous	3,734,095	927,497
Other Agencies		
Public Service Commission	748,387	686,353
Public Instruction — Driver Education	79,777	75,592
University of Wisconsin — Driver Education	54,504	35,505
Mississippi River Parkway Plan Commission	280	378
Business Development — Advertising	301,114	296,426
Highway Safety Coordinator	171,481	158,543
Revenue — Motor Fuel Tax Collection	524,070	487,229
Legislative Council	18,344	12,822
Agriculture — Auto Repair Regulation	109,056	92,044
Total Expenditures	$371,936,208	$372,901,987
Closing Balance	$ 56,993,105	$ 52,674,287

Source: Wisconsin Department of Administration, "Annual Fiscal Report, as of June 30, 1977", p. 62.

The overwhelming proportion of revenue in the Highway Fund came, of course, from motor vehicle imposts. Gross revenues derived from such imposts and deposited in the fund in fiscal 1977 totaled $272 million. When deductions were made for collection and enforcement expenses and first charges of other agencies (13.3% or $36 million appropriated to other state agencies for highway-related projects), the net amount disbursed was $235.6 million. As detailed in the "State of Wisconsin Statutory Distribution of Total Motor Vehicle Revenues, Fiscal Year Ending June 30, 1977", of this net impost revenue:

46.4% was spent for state trunk highways (including debt service, construction and maintenance);

44.1% was returned to local units of government for local roads; and

9.5% ($22 million) covered miscellaneous expenses (administration, planning, and nonroad-related items). Specifically, the miscellaneous category included the following items that related both to all forms of transportation and to nonhighway expenditures:

Table 18: Miscellaneous Expenditures, Wisconsin Highway Fund, 1977

Transportation Administration	
General program operations — administration	$16,009,800
Services of the Attorney General	120,000
Data processing services	34,100
Auto pool operations	144,200
Other administrative services	25,000
	$16,333,100
Transportation Planning	
General program operations — planning	$1,097,200
Preservation of Transportation Services	
Public and commodity transportation activities	$ 71,700
Mass transit aids	3,241,200
Mass transit planning and demonstration projects	187,100
	3,500,000
Preservation of transportation services*	88,000
	$3,588,000

*It should be noted that this item is listed with the mass transit items in the "State of Wisconsin Statutory Distribution of Total Motor Vehicle Revenues, Fiscal year Ending June 30, 1977", although Sec. 85.02 concerns all modes of transportation.

Thus, administration and planning, which are carried out for all forms of transportation supervised by the Department of Transportation comprised $17,430,300, the preservation of transportation services under Sec. 85.02 covering all forms of transportation amounted to $88,000, and the amount spent for mass transit amounted to $3,500,000.

It should perhaps also be noted that the money for mass transit for the fiscal year 1976 came from a General Fund supplement to the Transportation Aids Fund, while for fiscal 1977 it came from motor vehicle imposts. The Transportation Aids Fund was subsequently abolished by the 1977 Legislature.

Federal Aid — Federal aid deposited in the state Highway Fund totaled $79.6 million. The sum was expended for the following purposes:

Registration — license inspection and enforcement	$ 485,374
Transportation facilities maintenance & operation	41,278
Transportation facilities development & improvement	77,034,542
Transportation planning	2,314,663
Imposts (tax revenue)	1,000
	$79,876,857

Federal-aid highway funds are appropriated from the federal Highway Trust Fund, which is explained in detail in the following section of this report.

Local pass through revenues — $9.7 million of revenue in the Highway Fund was derived from county and local units of government. These were moneys that came from the municipalities and passed through the Highway Fund for specific projects. The money could have come from state highway aids or from local tax revenues. In local treasuries the funds from various sources are usually commingled.

B. Federal Highway Trust Fund

The Federal Highway Trust Fund was established in 1957 as a segregated fund, its revenues to be used for the interstate highway system and for federal aid highway programs. Use of the fund for highway-related programs has since expanded until there are now at least 24 separate categories of programs financed by the trust fund ("The Highway Fact Book", 1977 ed., pp. 7-8).

REVENUES

Revenues from the following excise taxes (see Chapter VI for details) are deposited in the Federal Highway Trust Fund (23 USC 120 Note):

Diesel fuel and special motor fuels (26 USC 4041), tread rubber [Sec. 4071 (a) (4)], and gasoline (Sec. 4081).

Trucks, buses, etc. [Sec. 4061 (a) (1)].

Tires, other tires, and inner tubes [Sec. 4071 (a) (1)].

Use of certain vehicles (Sec. 4481).

Floor stocks [Sec. 4226 (a)].

Parts and accessories for trucks, buses [Sec. 4061 (b)], lubricating oil (Sec. 4091).

Net receipts from the above excise taxes totaled $6.9 billion for fiscal 1978, while total net receipts in the fund totaled $7.56 billion (including interest on investments, miscellaneous interest and general fund reimbursements in addition to the excise taxes).

In its publication, *Highway Statistics, Summary to 1975*, p. 94, the Federal Highway Administration estimated that of the net 1975 revenue from these taxes, $4.47 billion out of $4.5 billion was paid by highway users.

The following table lists receipts and expenditures of the Federal Highway Trust Fund for fiscal 1978. It is reproduced in toto from the *Annual Report of the Secretary of the Treasury on the State of the Finances.*

Table 19: Highway Trust Fund, Sept. 30, 1978

[In thousands of dollars. This trust fund was established in accordance with the provisions of section 209 (a) of the Highway Revenue Act of 1956 (23) U.S.C. 120 note)]

I. RECEIPTS AND EXPENDITURES (EXCLUDING INVESTMENT TRANSACTIONS)

	Cumulative through Sept. 30, 1977	Fiscal 1978	Cumulative through Sept. 30, 1978
Receipts:			
Excise taxes:[1] Gasoline[2]	64,204,927	4,383,397	68,588,324
Diesel and special motor fuels	4,469,877	484,611	4,954,488
Tires[2]	9,828,910	761,476	10,590,386

	Cumulative through Sept. 30, 1977	Fiscal 1978	Cumulative through Sept. 30, 1978
Tread rubber[2]	484,953	25,423	510,376
Trucks, buses and trailers[2]	8,294,349	850,519	9,144,868
Truck use	2,603,016	245,546	2,848,562
Inner tubes[2]	489,447	31,454	520,901
Other tires	272,718	—	272,718
Parts and accessories for trucks, buses, etc.	1,206,620	187,469	1,394,089
Lubricating oils	1,106,595	105,987	1,212,582
Total taxes	92,961,412	7,075,882	100,037,294
Transfer to land and water conservation fund	366,800	34,000	400,800
Gross taxes	92,594,612	7,041,882	99,636,494
Deduct—reimbursement to general fund—refund of tax receipts:			
Gasoline used on farms	2,008,599	106,572	2,115,171
Gasoline for nonhighway purposes or local transit systems	371,055	5,068	376,123
Gasoline, other	103	—	103
Tires and tread rubber	97	—	97
Trucks, buses and trailers	67	—	67
Floor stock taxes	—	—	—
Lubricating oils not used in highway motor vehicles	215,404	25,806	241,210
Light-duty trucks	174,821	—	174,821
Total refunds of taxes	2,770,146	137,446	2,907,592
Net taxes	89,824,467	6,904,434	96,728,901
Interest on investments	3,143,729	662,155	3,805,884
Miscellaneous interest	440	5	445
Advances from general fund	489,000	—	489,000
Less return of advances to general fund	489,000	—	489,000
Reimbursement from general fund	15,098	—	15,089
Net receipts	92,983,734	7,566,594	100,550,328
Expenditures:			
Highway program:			
Reimbursement to general fund	501,019	—	501,019
Federal Aid Highway Act of 1956	80,638,174	5,866,612	86,504,786
Pentagon road network	2,245	—	2,245
Right-of-way revolving fund	178,302	-16,884	161,418
Forest highways	10,000	—	10,000
National Highway Traffic Safety Administration	514,586	143,700	658,286
Trust fund share other highway programs	86,087	14,053	100,122
Public lands highways	5,000	—	5,000
Highway safety construction	860,322	9,677	869,999
Baltimore-Washington Parkway	531	124	655
Highway safety research and development	13,497	8,877	22,374
Overseas highways	1,830	3,210	5,040
Highland Scenic Highway	1,331	5,732	7,063
Acceleration of projects	508	5,614	6,122
Highway related safety grants	—	15,530	15,530
Traffic control demonstration	—	1,510	1,510
Total highway program	82,813,432	6,057,737	88,871,169
Services of Department of Labor (administration and enforcement of Labor standards)	368	—	368
Interest on advances from general fund	6,288	—	6,288
Total expenditures	82,820,088	6,057,737	88,877,825
Balance	10,163,646	1,508,857	11,672,503

II. ASSETS HELD BY THE DEPARTMENT OF THE TREASURY

Assets	Sept. 30, 1977	Fiscal 1978 increase, or decrease(-)	Sept. 30, 1978
Investments in public debt securities: Government account series, Treasury certificates of indebtedness, highway trust fund series, maturing June 30:			
6 1/4% of 1978	8,671,356	-8,671,356	—
6 3/8% of 1978	1,407,331	-1,407,331	—
7% of 1979	—	9,678,591	9,678,591
7 1/8 of 1979	—	1,303,591	1,303,591
7 1/4% of 1979	—	595,900	595,900
Total investments, par value	10,078,687	1,499,395	11,578,082
Undisbursed balance	84,959	9,462	94,421
Total assets	10,163,646	1,508,857	11,672,503

[1] Amounts equivalent to specified percentages of receipts from certain taxes on motor fuels, vehicles, tires and tubes, and use of certain vehicles are appropriated and transferred monthly from general fund receipts to the trust fund on the basis of estimates by the Secretary of the Treasury, with proper adjustments to be made in subsequent transfers as required by section 209 (c) of the Highway Revenue Act of 1956, as amended (23 U.S.C. 120 note). See also the annual report to Congress on the financial condition and results of operations of the highway trust fund.

[2] Includes floor stocks taxes.

Source: U.S. Department of the Treasury, *Annual Report of the Secretary of the Treasury on the State of the Finances*, Statistical Appendix, Fiscal Year 1978, pp. 342-343, Table 71.

EXPENDITURES

The Federal Aid Highway Act of 1973 (P.L. 93-87) for the first time provided for the diversion of Highway Trust Fund moneys to mass transit in fiscal 1975, and allowed states to exchange funds from unwanted urban Interstate System routes for an equal amount of public mass transit aid from general funds.

The Federal Aid Highway Act of 1976 (P.L. 94-280) provided that moneys from the Highway Trust Fund authorized for the urban highway system could be used for construction or improvement of bus or rail transportation and the purchase of rail or highway transit vehicles. This can be done at local option with federal and state approval. These sums are in addition to funds provided originally under the Urban Mass Transportation Act of 1964 and the National Mass Transportation Assistance Act of 1974, for which the money comes from general funds. Highway funds can be used for urban transit-related items like exclusive bus lanes, passenger loading areas, bus shelters and parking facilities. This program began with the Federal Aid Highway Act in 1973 and was expanded by the Federal Aid Highway Act of 1976. According to the U.S. Department of Transportation, for fiscal 1974 through 1977, $67,476,059 was appropriated from the Highway Trust Fund for these purposes. Of this figure $42,163,704 was spent in fiscal 1977.

The Federal Highway Trust Fund was established on a pay-as-you-go principle. In the spring of 1978, however, the U.S. House Public Works Committee recommended out a highway aid bill (H.R. 11733) which would have spent six years' expected income in the Highway Fund in 4 years. By the time

Table 20: Authorized Expenditures from U.S. Highway Trust Fund
(In millions of dollars)

Program	Amount authorized for fiscal year— 1979	1980	1981	1982
Consolidated primary	1,550	1,700	1,800	1,500
Rural secondary	500	550	600	400
Urban system	800	800	800	800
Forest highways	33	33	33	33
Public lands highways	16	16	16	16
Economic Growth Center	50	50	50	50
Great River Road—on-system	25	25	25	25
Urban high density	85	—	—	—

Program	Amount authorized for fiscal year— 1979	1980	1981	1982
Carpool/vanpool projects	1	1	1	—
Energy conservation grants	3	9	—	—
Bridges on dams	15	—	—	—
Multimodel concept	9	—	—	—
Railroad highway crossings demonstration	70	90	100	100
Overseas highways	8.8	—	—	—
Bikeway program	20	20	20	20
Bloomington Ferry Bridge	.2	—	—	—
Access control demonstration	10	20	—	—
Bypass highway	5	25	20	—
Integrated motorist information system	1.5	2.5	26	—
Highway safety:				
Sec. 402 Federal Highway Administration	25	25	25	25
Sec. 307 (a) and 403 Federal Highway Administration	10	10	10	10
Sec. 402 National Highway Traffic Safety Administration	175	175	200	200
Sec. 403 National Highway Traffic Safety Administration	50	50	50	50
National maximum speed limit	50	50	50	50
Speed limit incentive grant	—	17.5	17.5	17.5
Bridge reconstruction and replacement	900	1,100	1,300	900
Pavement marking	65	65	65	—
Elimination of hazards	125	150	150	200
Schoolbus driver training	2.5	2.5	2.5	2.5
Innovative project grants	—	5	10	15
Rail-highway crossings	190	190	190	190
Accident data	5	5	5	5
Highway safety TV campaign	16	—	—	—

Source: U.S. Department of the Treasury, *23rd Annual Report*, "Highway Trust Fund", U.S. Congress, House Document No. 96-110, 1979.

the Surface Transportation Assistance Act of 1978 (P.L. 95-599) was enacted, however, this had been decreased considerably. Originally, the Highway Trust Fund revenues were to be used for construction of the interstate highway system; maintenance was to be the domain of the states. Gradually, the Federal Government assumed more and more maintenance over the years; and in the bill enacted rehabilitation and maintenance were made a permanent federal program. The new law authorized funds for interstate highway construction of $13.95 billion to cover the 4-year period 1980-83. Funds of $900 million ($175 million per year each for 1980 and 1981 and $275 million each for 1982 and 1983) were authorized for resurfacing, restoring, and rehabilitating the interstate system.

C. Federal Airport and Airway Trust Fund

The Federal Airport and Airway Trust Fund was established in 1971 in accordance with the Airport and Airway Revenue Act of 1970 (P.L. 91-258).

REVENUE

Revenues from the following taxes (see Chapter VI for details) are deposited in the Federal Airport and Airway Trust Fund [49 USC 1742 (a), (b), (c), (d)]:

Aviation fuel [26 USC 4041 (c), (d)]; transportation by air, and use of civil aircraft (Secs. 4261, 4271, 4491).

Gasoline used in aircraft (Sec. 4081).

Tires and tubes of the type used on aircraft [Sec. 4071 (a) (2), (3)].

Such sums, in addition, as are appropriated to the Trust Fund from the General Fund necessary to make the expenditures provided by law.

Gross taxes totaled $1.3 billion for fiscal 1978. When interest on investment is added, total net receipts amounted to $1.5 billion.

The following table lists receipts and expenditures of the fund for fiscal 1978 as follows.

Table 21: — Airport and Airway Trust Fund, Sept. 30, 1978
[In thousands of dollars. This trust fund established in accordance with the provisions of section 208 (a) of the Airport and Airway Revenue Act of 1970 (49 U.S.C. 1742 (a)]

I. RECEIPTS AND EXPENDITURES (EXCLUDING INVESTMENT TRANSACTIONS)

	Cumulative through Sept. 30, 1977	Fiscal 1978	Cumulative through Sept. 30, 1978
Receipts:			
Excise taxes:			
Any liquid fuel other than gasoline	183,970	27,405	211,375
Tires used on aircraft	10,100	890	10,990
Tubes used on aircraft	1,590	100	1,690
Gasoline:			
Commercial 4 cents tax	8,900	1,200	10,100
Noncommercial 4 cents tax	90,839	12,170	111,009
Noncommercial 3 cents tax	72,833	9,132	81,965
Transportation by air—seats, berths, etc.	5,018,267	1,109,324	6,127,591
Use of international travel facilities	352,511	76,527	429,038
Transportation of property, cargo	294,512	64,886	359,398
Use of civil aircraft	149,218	26,424	175,642
Gross taxes	6,190,740	1,328,058	7,518,798
Deduct—reimbursement to general fund—refund of tax receipts:			
Commercial aviation	8,315	1,200	9,515
Noncommercial gasoline	962	—	962
Civil aircraft	2,636	488	3,124
Any liquid fuel other than gasoline	955	320	1,275
Total refunds of taxes	12,868	2,008	14,876
Net taxes	6,177,874	1,326,050	7,503,924
Federal payment	720,279	—	720,279
Interest on investments	464,392	219,207	683,599
Net receipts	7,362,544	1,545,257	8,907,801
Expenditures:			
Federal Aviation Administration:			
Operations	1,409,413	275,041	1,684,454
Grants-in-aid for airports	1,563,274	562,156	2,125,430
Facilities and equipment	1,547,534	211,002	1,758,536
Research and development	445,433	67,127	512,560
Aviation Advisory Commission—salaries and expenses	1,941	—	1,941
Interest on refund of taxes	127	35	162
Total expenditures	4,967,722	1,115,360	6,083,082
Transfers:			
From general fund accounts[1]	873,033	—	873,033
Net transfers	873,033	—	873,033
Balance	3,267,850	429,897	3,697,747

See footnotes at end of table.

II. ASSETS HELD BY THE DEPARTMENT OF THE TREASURY

Assets	Sept. 30, 1977	Fiscal 1978 increase, or decrease(-)	Sept. 30, 1978
Investment in public debt securities:			
Government account series, Treasury certificates of indebtedness, airport and airway trust fund series, maturing June 30:			
6 1/4% of 1978	3,025,405	-3,025,045	—
6 3/8% of 1978	220,576	-220,576	—
7% of 1979	—	3,322,977	3,322,977
7 1/8% of 1979	—	238,040	238,040
7 1/4% of 1979	—	125,520	125,520
Total investments, par value	3,245,981	440,556	3,686,537
Undisbursed balance	21,869	-10,659	11,210
Total assets	3,267,850	429,897	3,697,747

[1]Unexpended balances of certain general fund accounts transferred to the trust fund pursuant to Airport and Airway Revenue Act of 1980, section 208 (c).

Source: U.S. Treasury Department, Statistical Appendix to *Annual Report of the Secretary of the Treasury on the State of Finances*, Fiscal year 1978, Table 60, pp. 321-22.

EXPENDITURES

Expenditures from the Federal Airport and Airway Trust Fund are made for the following purposes [*Eighth Annual Report of the Financial Condition and Results of Operations of the Airport and Airway Trust Fund,* issued 1979 as a House of Representatives committee print (WMCP: 96-17)]:

(1) Grants to planning agencies for airport system planning and to public agencies for airport master planning.

(2) Airport development aid program (Grants are made to sponsors for airport development).

(3) Acquisition, establishment, and improvement of air navigation facilities.

(4) Research, engineering, and development to develop, modify, test and evaluate air navigation and traffic control systems.

(5) Operation and maintenance (partial) of the air traffic control and navigation system.

Total expenditures in fiscal 1978 were $1.1 billion. Expenditures are made by the Federal Aviation Administration of the Department of Transportation.

According to *Congressional Quarterly* (February 17, 1979, p. 293), "only about one-third of the cost of maintaining the nation's airports and airways system is borne by the users of that system." However, the government has not spent all the money it has collected in the trust fund. The fund has a surplus. "In fiscal 1978 the FAA paid $2.097 billion toward the cost of operating U.S. airways and airports, almost twice the trust fund's fiscal 1978 expenditures of $1.115 billion."

D. Inland Waterways Transportation Fund

Since the law establishing the Inland Waterways Transportation Fund was enacted in 1978 and the first taxes will not be levied until October 1980, little can be said about it at this point. As noted in the previous chapter, the tax to be levied begins at 4 cents per gallon on fuel used by vessels in commercial inland waterway transportation. It rises over the next 5 years to 10 cents per gallon.

E. Summary

The foregoing funds demonstrate the different approaches used by Wisconsin and the Federal Government. Each jurisdiction started out with a highway fund. The Federal Government developed funds for specific transportation modes, while Wisconsin converted its fund into a general, all-encompassing transportation fund.

The interesting aspect of Wisconsin's Transportation Fund is that it is an effort to bring all transportation revenues together to be earmarked for transportation purposes. However, little attention was paid to the type of taxes being so commingled. Thus, we have a general revenue tax like the ad valorem tax levied on airlines and railroads intermingled with the user taxes levied on motor vehicles and their drivers. Although it is not unusual to earmark a general revenue tax for a specific purpose, it does raise questions about the consistency of tax standards.

Since the Wisconsin Transportation Fund is so new, it is difficult at this point to determine whether the expenditures for such transport modes as air and rail are covered by the taxes paid by air and rail carriers. In the 1977-79 biennium they appear to be so covered either by state taxes or federal aids. Whether they will be under the appropriations made by the budget law (Chapter 34, Laws of 1979) is not clear. This also raises political questions: whether user taxes imposed on motor vehicles should be used for other modes of transportation in the interests of a balanced transportation system and energy-saving; or whether each mode should support itself.

VIII. COMPARATIVE MOTOR VEHICLE TAXATION

An important adjunct to any study of transportation taxes is an examination of intramodal taxes on motor vehicles. For a dominant mode like motor vehicles, equality of treatment among the several categories of vehicles may be of as much significance as such treatment among the several modes. Thus we may ask: 1) What proportion of the user taxes levied on motor vehicles is paid respectively by automobiles, trucks and buses? and 2) Do such payments correspond with the quantity and quality of usage? Put another way, does the tax contribution of each segment reflect its usage of and effect on the highways?

A. Proportion of User Tax Revenues Derived from Automobiles, Trucks and Buses

WISCONSIN USER TAXES

Motor vehicle imposts in Wisconsin consist of motor fuel taxes, registration fees, operators' and chauffeurs' license fees, and motor carrier fees.

Registration fees — In fiscal 1979 the net motor vehicle receipts from motor vehicle registration fees imposed by Wisconsin amounted to $114.2 million. Of this total, the following amounts were attributed to the various types of vehicles (cents omitted):

Table 22: Wisconsin Motor Vehicle Receipts from Registration Fees

Vehicle	Receipts 1978	Receipts 1979	% of Total	% of Top 3
Trucks	$45,979,116	$44,719,249	39%	48%
Automobiles	44,780,146	46,411,534	40	50
Buses	229,681	253,835	0	
Trailers	2,218,284	2,681,480	2	
IRP foreign	5,101,537	8,507,629	7	
IRP domestic	7,129,439	10,359,574	9	
Motorcycle	1,076,253	1,276,001	1	
Total	$106,514,456	$114,209,302		

Source: Wisconsin Department of Transportation, Division of Motor Vehicles, 1979.

The trailer category includes truck trailers, personal camping trailers, motor homes, and mobile homes. Considering, therefore, just automobiles, trucks and buses, about 48 percent of the $91 million derived from registration fees for these three categories came from trucks, 50 percent from automobiles, and .2 percent from buses.

Motor carrier fees — Since motor carrier fees comprise fees for certificates and licenses required of common, contract and private motor carriers, they include both trucks and buses. The total was $1 million for the fiscal year 1978 and $1.15 million in fiscal 1979.

Motor fuel taxes — Because motor fuel taxes depend upon miles traveled, it can be assumed that the revenues derived from the tax are proportional to usage.

Operators' and chauffeurs' license fees — The fees totaled $8.39 million in fiscal 1978 and $8.87 million in 1979, but are not categorized by type of motor vehicle user.

The Wisconsin Motor Carriers Association in its publication, "Partners in Progress", states that highway user taxes paid by Wisconsin vehicles in 1975 were:

Table 23: Wisconsin Highway User Taxes
1975

	All Motor Vehicle	Trucks	Truck Percent of Total
Registrations	2,668,143	428,838	16.1
Registration Fees	$ 81,333,000	$ 42,406,000	50.9
Miscellaneous Fees	13,488,000	3,669,000	27.2
Motor Fuel Taxes	158,682,000	45,066,000	28.4
Motor Carrier Taxes	856,000	728,000	85.1
Total State User Taxes	$254,359,000	$ 90,869,000	35.7

In Addition, Wisconsin Trucks Paid
These Federal User Taxes:

Motor Fuel Tax	$ 24,404,000
Lubricating Oil Tax	446,000
Highway Use Tax	4,455,000
Excise Tax on Equipment	7,361,000
Excise Tax on Parts and Accessories	2,315,000
Excise Tax on Tires and Tubes	4,627,000
Excise Tax on Retread Rubber	174,000
Total Federal User Taxes	43,782,000
Total State and Federal User Taxes	$134,651,000

Total Annual State and Federal Highway
Users Taxes Paid by Wisconsin Vehicles

Year 1975	State	Federal	Total
Automobiles and Miscellaneous	$163,490,000	$ 20,637,000	$234,127,000
Trucks	90,869,000	43,782,000	134,651,000
TOTAL	$254,359,000	$114,419,000	$368,778,000

Wisconsin Trucks Pay 36.5% of all Highway User Taxes

Table 24: Current Special Highway User Taxes
By Type of Vehicle

	Annual Wisconsin Road-User Taxes	Annual Federal Road-User Taxes*	Total Annual State-Federal Road-User Taxes
Passenger Car	$ 75.62	$ 37.86	$ 113.48
Private Pickup Truck	92.59	37.65	130.24
Van Straight Truck (For Hire)	665.92	361.28	1,027.20
3-Axel Conbination (For Hire)	1,129.23	709.20	1,838.52
4-Axel Combination (For Hire)	1,480.63	946.76	2,427.39
5-Axel Combination (For Hire)	2,020.02	1,335.07	3,355.09

*All data reflect taxes dedicated to the Federal Highway Trust Fund. The 7% excise on new automobiles, and the 10% tax on light-duty trucks (10,000 lbs. GVW or less) were repealed in 1971.

Source: Based on Federal Highway Administration data showing the operating charateristics of typical vehicles. Figures based on tax rates in effect as of Sept. 1976.

Table 24 Continued: Current Special Highway User Taxes
User Tax Comparison

	Medium Passenger Car	5-Axel Tractor Semitrailer
Wisconsin User Taxes:		
Registration fee	$ 18.15	$1,000.00
Carrier Taxes & Fees	—	20.00
Fuel Tax	57.47	1,000.02
Total Annual Wisconsin User Taxes	75.62	2,020.02
Federal User Taxes:		
Excise Tax on Truck and Trailer	—	362.26
Motor Fuel Tax	32.84	571.44
Tires, Tubes and Retread Rubber	4.55	157.85
Truck Use Tax	—	210.00
Truck Parts and Accessories	—	25.36
Lubricating Oil	.47	8.16
Total Annual Federal Taxes	$ 37.86	$1,335.07
Total State and Federal User Taxes	$113.48	$3,355.09

Source: Based on "Road User and Property Taxes on Selected Motor Vehicles, 1973", Federal Highway Administration.

"Partners in Progress" thus concluded that trucks operating in Wisconsin paid 35.7% of the state highway user taxes and 36.5% of combined state-federal highway user taxes. Breaking the figure down by type of state user fee, trucks paid 50.9% of registration fees, 28.4% of motor fuel taxes, 27.2% of miscellaneous fees, and 85.1% of motor carrier taxes. Put another way, the trucks paid for 36.5 miles out of every 100 miles.

The American Trucking Associations organization has the following data:

Table 25: 1977 State Highway User Taxes — Wisconsin

	All Motor Vehicles	Trucks	Truck % of Total
Registrations	2,759,141	423,072	15.3
Registration fees	$ 82,545,000	$43,150,000	52.3
Miscellaneous fees	19,580,000	5,266,000	26.9
Motor fuel taxes	174,963,000	48,290,000	27.6
Motor carrier taxes	773,000	658,000	85.1
Total user taxes	$277,861,000	$97,364,000	35.50%

Source: American Trucking Associations, Inc., "Truck Taxes by States", 27th Annual Edition, p. 30, March 1979.

The Motor Vehicle Manufacturers Association of the United States (based in Detroit) also has given 35% as the truck percentage of state highway user taxes in Wisconsin in 1977, with 37.3% being the figure for all states.

Federal User Taxes

Trucks — The American Trucking Associations states that 35% of state highway user taxes and 39.1% of federal highway user taxes paid in Wisconsin were paid by trucks in 1977.

Table 26: Highway User Taxes Paid by Trucks, 1977

	Wisconsin	Entire U.S.
State Highway User Taxes	$ 97,364,000	$5,855,506,000
Truck % of total	35.0%	37.3%
Federal highway user taxes	52,617,000	2,993,592,000
Truck % of total	39.1%	45.9%
Total special taxes	$149,981,000	$8,849,098,000
Truck % of total	36.4%	39.8%

Source: American Trucking Association, Inc., "Truck Taxes by States", 27th Annual Edition, p. 4, March 1979.

Table 27: Highway User Taxes Paid by Wisconsin Vehicles — 1977

	Wisconsin	Federal	Total
All motor vehicles	$277,861,000	$134,538,000	$412,399,000
Trucks	97,364,000	52,617,000	149,981,000
Truck percent	35.0%	39.1%	36.4%

Source: American Trucking Associations, Inc., "Truck Taxes by States", 27th Annual Edition, p. 30, March 1979.

The American Trucking Associations broke down federal highway excise taxes as follows:

Table 28: Federal Highway-Related Excise Taxes and the Highway Trust Fund

	1977 Collections Paid by Highway Users		
Taxes Dedicated to Highway Trust Fund	All Motor Vehicles	Trucks	Truck% of Total
Motor Fuel	$4,630,905,000	$1,607,910,000	35.
Lubricating Oil	64,919,000	27,426,000	42.
Motor-Vehicle Use Tax	227,591,000	223,952,000	98.
New Trucks, Buses, & Trailers	640,248,000	634,421,000	99.
Parts & Accessories	165,010,000	163,604,000	99.
Tires and Tubes	772,009,000	326,031,000	42.
Tread Rubber	24,270,000	10,248,000	42.
Total Dedicated Federal User Taxes	$6,524,952,000	$2,993,592,000	46.

*Percentages supplied by Legislative Reference Bureau.
Source: American Trucking Associations, Inc., "Truck Taxes and Highway Finance, Interstate Information Report," March 1979.

Buses — Federal automotive taxes paid by Class 1 bus carriers in 1977 (preliminary) totaled $13.8 million. Of this, $4.9 million represented taxes paid on motor fuel and oil, $0.8 million was paid for vehicle licenses and registration fees, and $8.1 million was paid in excise taxes on the purchase of tire, tubes, buses and parts and accessories. (The American Bus Association's "America's Number 1 Passenger Transportation Service").

Summary

The foregoing figures seem to indicate that trucks pay over one-third of federal highway user taxes, buses pay between one-seventh and one-eighth of the total, and automobiles pay 47.9%. These, of course, are only approximations and are derived from different sources.

B. Highway Usage by Motor Vehicle Type

Volume of Usage

Motor vehicle travel in the United States in 1977 was spread among the several types of motor vehicles as follows:

Table 29: Estimated Motor Vehicle Travel by Type of Vehicle, 1977

Vehicle	Millions of Vehicle-Miles	Percentage	Aver. Miles Traveled per Gal. Fuel Consumed
Passenger cars	1,118,649	75.76	13.94
Motorcycles	22,566	1.52	50.00
Buses (all)	5,887	.39	5.98
Commercial	2,937	.19	5.04
School, other nonrevenue	2,950	.19	7.35
Trucks (all) (cargo vessels)	329,465	22.31	8.68
Single unit trucks	266,000	18.01	10.13
Combinations	63,465	4.29	5.42
All motor vehicles	1,476,567		12.34

Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1977, p. 100 (380.721/X1/1977).

Summary

Thus, it appears that, overall, throughout the nation, three-fourths of the vehicle miles of travel is done by passenger cars, between one-fifth and one quarter by trucks, and about 1.5 percent by buses.

Of all the motor vehicles, commercial buses and combination trucks travel the least mileage on a gallon of fuel, while passenger cars and motorcycles, followed by single unit trucks, get the most mileage per gallon. This information, of course, does not relate these figures to the number of passengers or amount of freight carried by each type of vehicle.

The American Trucking Associations figures that in 1977 trucks traveled approximately 22 percent of the total vehicle-miles, comprised 19.3 percent of total motor vehicle registrations, and paid 39.8 percent of the combined federal and state highway user taxes (of which 66.2 percent represent state taxes and 33.8 percent, federal). 55.1 percent of state revenues and 53.7 percent of federal revenue were from motor fuel taxes. ("American Trucking Trends 1977-1978").

Effects of Usage

The above figures give some idea of the volume of travel, but they cannot give any indication of the effect on the roads by each type of vehicle. The most notable efforts to make such a determination have probably been the tests conducted by the American Association of State Highway and Transportation Officials (formerly the American Association of State Highway Officials). The history of the AASHO tests was reviewed in 1977-78 hearings of a U.S. House Ways and Means Committee subcommittee ("Impact of Truck Overloads on the Highway Trust Fund") by William Bulley, Secretary of Transportation of the State of Washington.

The AASHO road test conducted at Ottawa, Illinois, between 1955 and 1960 was said to be still valid. The study indicated that at that time the larger trucks were not paying their full share of the highway costs covered by federal funds. Specifically, however, the studies indicated "that the increase from the 18,000-pound to the 20,000-pound load can result in an average loss of the remaining highway life between 25 to 40 percent.

"To increase it to 22,000 pounds can result in the loss of pavement life of close to 60 percent. To increase it to 24,000-pound single axle loading can result in the loss of remaining life of about 70 percent.

"It was demonstrated that the 20,000-pound single axle load is equivalent to 1.60 applications of the 18,000-pound axle, the 22,000-pound single axle load is equivalent to 2.37 applications of the 18,000-pound axle, and the 24,000-pound single axle is equivalent to 3.45 applications of the 18,000-pound single axle.

"It is readily apparent that increasing loads seriously shorten the remaining life of the pavements....

"For the most part, our interstate and other major highway system was designated for maximum 18,000-pound single and a 32,000-pound tandem axle loading." (pp. 188-189)

Mr. Bulley also mentioned a Virginia experiment in which it was found that certain roads on the primary system of the state, where a special loading of 24,000 pounds for single axle, 45,000 pounds for tandem axle, and 50,000 pounds for triaxles are permitted for trucks hauling coal, "experienced a 60-percent increase in pavement maintenance costs." On the secondary system the maintenance cost was almost twice that of those areas not permitting the extra-legal loads.

Recapitulating the results of the AASHO road tests, "it was found that in order to reach the so-called optimum balance between the best utilization of the highway and a reasonable life expectancy, that a single-axle loading in the range of 18,000 to 20,000 pounds, and a range from 32,000 to 34,000 pounds for tandem axles produced such results....Heavy loadings do cause pavement distress and it is occurring every day, and we realize that to carry such loads does require maintenance and upkeep expenditures."

The Interstate System was originally designed to carry weights of 18,000-pound single axle, 32,000-pound tandem axle, and a total gross load of 73,280 pounds. In 1975 the weights were increased to 20,000 pounds, 34,000 pounds and 80,000 pounds. Although AASHTO is still determining the effects of this change, it estimated that the raise in limits "would increase the costs of maintaining the highway plants between 25 and 40 percent." Deputy Director H.J. Rhodes of AASHTO summed this up as being a 10 percent increase in limits causing a 25 to 40 percent increase in cost (p. 204).

A February 2, 1977 report of the General Accounting Office maintained that the Interstate System is wearing out 50% faster than it can be replaced. The condition was attributed to age, harsh weather, reduced state maintenance programs and damage by overweight trucks.

A representative of the American Automobile Association, testifying at the above hearings, said AAA had opposed the law (P.L. 93-643) enacted in 1974 increasing single axle weights from 18,000 to 20,000 and tandem from 32,000 to 34,000 pounds for a maximum of 80,000 pounds gross weight on the Interstate, claiming that the increase in wear and tear would be 57 percent for single axle and 33 percent for tandem axle (pp. 11-12).

On the other hand, Edward Kiley of the American Trucking Associations took vigorous issue with the preceding testimony, contending that the 1974 limits adopted were actually those recommended to Congress in 1964 "based on exhaustive studies and tests as ordered by the Congress. They were recommended to take the place of standards 18 years old at that time, standards based on an older highway system of another era" (p. 398). Furthermore, the new limits were acceptable to AASHO in 1974. He also contented that part of the AASHO road test has been taken out of the context of the total experiment to predict pavement damage and has been subsequently disproved. The axle-load equivalency factors have been used by themselves "to project 'pavement damage' or 'service life' of a highway, based solely on the traffic. It is almost always done without any reference whatsoever to the actual amount and weight of the traffic that may be on the highway, or any reference to what the actual pavement thickness is. This is entirely contrary to the findings of the Road Test itself, and to general pavement design concepts."

Subsequent studies that were made were viewed "as positive support of the pavement design concept, i.e., that of providing adequately for the types and volume of traffic that will be using the highway. Had load carrying capability generally been inadequate, correlation between pavement performance and the traffic weight might have been established — but it was not.

"The industry also views these studies as disproving the assumption that the weight of truck traffic, by itself and without any regard to actual pavement design or actual traffic, will determine how a pavement will perform. It is a concept that has not been supported by any reported research that has been available to the trucking industry" (p. 444).

In its booklet, "Partners in Progress", the Wisconsin Motor Carriers Association contended that the "weight of commercial vehicles is not a significant factor in the cost of highway construction and maintenance. Major items in the cost of new construction like right-of-way purchases, engineering, grading, lighting, guard rails, retaining walls, drainage, curbs and walkways, underpasses and overpasses, painting of lanes, and highway department and safety administration are unaffected by the weight of traffic." Further:

> "Bridge structures, subgrades, and some increase in thickness of pavements are partly influenced by the weight of traffic. However, the Bureau of Public Roads has said, 'The question of whether the highways could be built at less cost if there were no trucks becomes largely academic, since the design of the major routes (which are the main truck routes) must be held to defense standards.' To qualify for federal aid, all roads, bridges, and other structures must be designed capable of carrying heaviest military traffic."

In a statement submitted to the Ways and Means Committee subcommittee by the Federal Highway Administration in response to several questions, the Administrator answered a query about the need for a new study on tax equity in highway user taxes. His reply was:

"In 1975 a limited in-house update cost allocation study was made....The results of this study — restricted as it was for definitive study base data — indicated an apparent change in cost responsibility for both heavy combination trucks and passenger cars from those previously found in the 1965 supplementary report of the Highway Cost Allocation Study reported to Congress. The heavy combination trucks were found in this brief analysis to be more closely meeting their cost responsibility.

"As noted in the update study, this change in cost responsibility was most likely due to the reduction in funding emphasis on the Interstate System relative to the total Federal-aid highway funding program and that heavy combination trucks perform a higher portion of their travel on this system than passenger cars.

"Based on this most recent update, to the best of our knowledge there is reasonable equity in the current tax structure and rates. We realize, however, that we could only be assured of this position on the basis of another comprehensive study such as was performed in the 5-year study efforts reported in 1961 and 1965. The updates since 1965 have been capable only of suggesting trends in equity and not specific rates.

"Before any significant changes in the current highway user tax structure and rates could be recommended and justified, it would be most desirable to undertake a thorough highway cost allocation study similar to that mandated by the 1956 Highway Revenue Act. Principal data elements would have to include the specific extent of the capital programs conducted by the individual States and augmented by the Federal-aid programs; and a full array of vehicle information including types of ownership, operating, and travel characteristics. Additional field surveys would be required by the States to develop these operating and travel characteristics on all levels of highways.

"If the Congress believes such a study is justified, we would hope that the Congress would mandate the study and provide the necessary funding authorizations. Depending on the extent and objectives of the study, preliminary estimates of cost for various study options range from $3 million to $10 million. Allowing time for study design and preparation, State surveys and reports, and completion of analysis and final report, it is estimated that 2 to 3 years would be required to complete the full study" (pp. 481-482).

The "Supplementary Report of the Highway Cost Allocations Study" referred to above was a 1965 update of the "Final Report of the Highway Cost Allocation Study" submitted to Congress by the Secretary of Commerce in 1961. Since the above comments indicate that various factors have changed since these earlier studies were made, they will not be considered here. It might be well, however, to point out still another old study, "Allocating Highway Cost Responsibility", issued in 1958 by the Highway Research Board. This study stated that there are three major methods of allocating highway costs to different classes of users — ton-mile, cost-function, and the incremental methods. The ton-mile is based upon miles of travel times weight divided into the program cost. The cost-function method attributes some program costs to other than miles/weight factors (such as vehicle registration) and allocates them on a per vehicle basis or a travel volume basis (traffic control, for example). The incremental method was considered superior to the other two by its use of a cost responsibility basis. "Each vehicle class and weight group is assigned only those highway costs which can properly be attributable to that class."

One of the most recent studies of highway cost allocation was conducted in 1977 by the Urban Institute of Washington, D.C. (a nonprofit research corporation established in 1968 to study problems of the nation's urban communities). In its detailed report, *An Analysis of Road Expenditures and Payments by Vehicle Class (1956-1975)*, the Institute reviewed previous cost allocation studies and concluded, on the basis of its study, that "in aggregate, payments by road users have not been sufficient to meet expenditures for roads. When annual fees and payments are allocated in proportion to vehicle miles of travel and added to receipts from use-related taxes, it is found that for urban roads, payments have more than met expenditures. Rural road payments, on the other hand, have been well below expenditures. Analysis of time trends suggests that these discrepancies have grown progressively.

"The analysis further suggests that the expenditures occasioned by individual vehicle classes account for less than one quarter of total program expenditures; the remainder should be considered common to all vehicle classes. Comparison of payments and occasioned expenditures by vehicle class shows that payments by light vehicles (automobiles and light trucks) and medium vehicles (medium trucks and buses) have been much greater than the expenditures occasioned by each. It is shown that for heavy vehicles (heavy trucks), payments over the twenty years failed to meet occasioned expenditures for rural roads and just barely met expenditures for all roads taken together. Only on urban roads were payments significantly greater than occasioned expenditures. In recent years, however, payments by heavy vehicles on both rural and urban roads (and hence on all roads) have been greater than occasioned expenditures." (Occasioned costs are costs made on behalf of particular classes of users.)

A companion study by the Urban Institute of Washington, D.C. (*Congressional Intent and Road User Payments*), lists four methods for allocating costs among the three vehicle classes so that each pays the costs incurred by it: vehicle mile, ton mile, value of service, and inverse elasticity. The least change from present policy is use of those in the order given, while the greatest change would be in reverse order. The reverse order would "promote efficient patterns of road use." Because of the difficulties in implementation, however, the inverse elasticity proposal, which "suggests substantially higher payments for heavy vehicles than were collected...should be regarded only as a desirable direction of change." ("Inverse elasticity" means that "the price charged to each class of user should be marked up from short-run variable costs in proportion to the inverse of that class's price elasticity of demand. In essence, this amounts to charging whatever the traffic will bear.")

The Congressional Budget Office in September 1978 issued a report, "Who Pays for the Highways: Is a New Study of Highway Cost Allocation Needed?" The report noted that the current emphasis in federal highway spending legislation on bridge replacement and highway resurfacing, rehabilitation, and restoration comprises a different mix from the former emphasis on construction. "Thus, a simple increase in the tax on motor fuels, which is borne disproportionately by automobiles, or even a proportionate increase in all highway taxes, may not prove to be an equitable way to meet the need for increased highway revenues." It recommended a new cost allocation study that would examine only the costs of the federal-aid system, with the nonfederal highway system being left to the determination of lower levels of government. It recommended that such a study should determine the costs occasioned by each user group, "rather than the benefits derived by each."

The Congressional Budget Office issued another report in February 1979, "Guidelines for a Study of Highway Cost Allocation", which was in conjunction with a new study to be made by the U.S. Department of Transportation on cost allocation at the request of the Surface Transportation Assistance Act of 1978. The guidelines developed were based on the principle that each class of vehicle should pay the costs occasioned by it. In setting guidelines, special emphasis was placed on the allocation of costs of pavement, right-of-way, and grading. The report notes the need for the new cost-allocation study because of the expected decline in the consumption of motor fuels, the expected need for an increase in highway taxes because of inflation in construction costs, the shift in emphasis from new construction toward repair and rehabilitation, the unreliability of data as old as that in the 1965 cost-allocation study, and the improvements in methodology now being used.

The report summarized the findings of past federal cost-allocation studies as concluding "that automobiles generated about 60 percent of the receipts of the Trust Fund, single-unit trucks somewhat more than 20 percent, and combination trucks somewhat less than 20 percent. While generalizations are difficult to make, it has usually been found that automobiles as a class paid less than their proper share, as did the largest classes of diesel-powered trucks. Other trucks, particularly vehicles in the lightest classes, paid more than their share."

The new cost-allocation study by U.S. DOT is directed to be completed by January 15, 1982.

In July 1979 the U.S. Comptroller General, head of the General Accounting Office, issued a report to Congress ("Excessive Truck Weight: An Expensive Burden We Can No Longer Support") in which he warned that highways "are deteriorating at an accelerated pace and sufficient funds are not available to cope with current needs or meet future requirements." Although there are many factors causing such deterioration, he stated that excessive truck weight is one factor that can be remedied. Citing the AASHTO data that concentrating weight on a single axle multiplies the impact of the weight exponentially, he stated that a 5-axle tractor-trailer loaded to the federal weight limit of 80,000 pounds weighs about the same as 20 automobiles, but has an impact of at least 9,600 automobiles (based on one automobile having two axles weighing 2,000 pounds each) (p.23).

The Comptroller General contended that current federal weight restrictions are not protecting the federal-aid highway system from damage due to excessive truck weights. Not only do they not apply to the noninterstate federal-aid highways, but quite a few states have higher weights due to the grandfather clause, state-issued permits for exemptions, and poor state enforcement of weight limits.

He recommended to Congress that federal weight limits should be applied to all federal-aid highways, including the noninterstate portion, that the grandfather clause should be terminated, that overweight exemptions be prohibited with few exceptions, and that various measures be taken to assist states in the enforcement of truck weight limits.

In a comment on the General Accounting Office's conclusions (contained in the report), the U.S. Department of Transportation did not agree completely with GAO on the extent of the responsibility of overloaded trucks on the damage to the highways. "While it is agreed that illegally loaded trucks accelerate the rate of pavement deterioration we believe a more critical factor on many sections of Interstate highway is the sheer volume of commercial traffic carrying legal loads which has greatly exceeded traffic projections that were made prior to highway design."

C. Summary

The foregoing seems to indicate that there is considerable uncertainty in the determination of cost allocation, that it is a complex process, and that there is a need for a new study. There certainly seems solid evidence that the AASHO tests on the deleterious effect of heavy vehicles on pavement wear and tear had considerable validity. There is also validity in the factor that certain features of roadways are shared in common by all vehicles and cannot be attributed to any one type. More recent studies seem to have developed greater sophistication in analyzing the amount of deterioration on grades caused by different weight vehicles and the amount of road space needed by various vehicles.

In this state the studies seem to indicate that trucks pay about 35 percent of state highway taxes and 39 percent of federal highway taxes and represent about 15 percent of vehicle registrations. Nationally, trucks travel about 22 percent of the millions of vehicle-miles, buses about 1.5 percent.

Extent of road usage and effect of usage by different types of vehicles on the roads, are important in proportioning user taxes among them. This information is also of major importance in comparing taxes among transportation modes, since it may affect the commercial advantage of one form of carrier over another. If trucks pay less than their true share of the cost of maintaining the highways, they may have an unfair advantage over rail transportation; if buses pay more than their fair share, they may be disadvantaged in comparison to rail passenger service.

The studies noted in this chapter were all concerned about cost allocation among motor vehicles. Intermodal effects were not discussed. From the literature surveyed, there appears to have been scant attention paid to the theoretical cost to automobiles, or to trucks, or to buses, if each were considered the only form of transport and the highways had to be constructed solely for that vehicle type. To the extent that certain road expenditures are for the benefit of all classes, the cost per class is reduced. That factor should be considered when comparing the taxes on motor vehicles with the taxes on railroads.

The 1977 Urban Institute study brought out the interesting point that over a 20-year period (1956-75), road users' payments more than met the expenditures for urban roads, but were below the costs of rural roads. The payments of light and medium vehicles have been greater than the expenditures occasioned by them, while those of heavy vehicles barely met them for urban roads and did not meet them for rural roads. The study stated that this has changed in recent years and that heavy vehicles are now paying more than occasioned expenditures. This raises a question with regard to rural roads on which the use may be too small to pay the cost, just as there are air and rail lines which do not bring a profit. The extent to which low-use rural roads are justified by other social needs, and what additional factors are to be considered in deciding to build a rural road, maintain a branch rail line, or service a small municipality by air are political issues not directly determined by cost-effectiveness.

IX. SUBSIDIES AND SERVICE REVENUES

Up to this point we have been concerned primarily with the taxes levied on the various forms of transportation, particularly user charges. To determine whether such taxes fall evenly on the several modes, however, it is necessary to consider all the elements which comprise the support of each mode. To what extent and in what proportion are the several modes financed by passenger and freight revenues and by general tax subsidies in addition to, or in place of, user taxes? This chapter will examine these other sources of revenue.

A. Local Roads, Parking Facilities, Traffic Regulation

In fiscal year 1977-78, 42.9% of Wisconsin Transportation Fund revenues (or \$132.6 million) was returned to local units of government. Of this amount, \$123 million was designated for local roads.

This section attempts to indicate the other sources of revenue received by local units of government that are expended on roads and road-related items, but precise information is difficult to obtain from municipal and county financial reports and budgets. Local government revenues, derived from a variety of sources including state aids, tend to be commingled in the general fund of a municipality. We are, therefore, focusing primarily on just one Wisconsin city, Madison, and county, Dane, in the expectation that their expenditures will furnish a reasonably representative example of local financing of roads and road-related facilities.

1978 expenditures for highways and streets by the city of Madison totaled \$6.46 million from the city's general fund. This sum included expenditures for traffic engineering (\$1.4m), streets (\$4.9m), and transportation (\$120 thousand). Madison's General Fund revenues, however, are derived from property taxes, federal revenue sharing, highway aids, state shared taxes, and miscellaneous other taxes, licenses and fees. The state highway aid for 1978 amounted to \$2.8 million. The city also has a capital projects fund for major streets, for which the 1978 revenue of \$6.1 million came from the sale of bonds and notes (\$2.8 million), General Fund contribution (\$11.7 thousand), and federal revenue sharing (\$1.8 million). The bonds are repaid from General Fund revenues. Expenditures totaled \$6.47 million.

Madison's parking utility system revenues for 1978 were derived from attended lots, metered lots, street meters and miscellaneous. Revenues totaled \$1,236,980, expenditures were \$1,249,174, with an operating loss of $12,194. In 1977 the utility had an operating profit of $226,046. ("Financial Statements and Auditors' Report, of the City of Madison, Wisconsin, December 31, 1978")

The Dane County Parking Ramp likewise was expected to end 1978 with a net revenue of $108,843, having spent $189,738 for operations out of a total revenue of $298,581.

Part of the property tax in Dane County is designated as a highway levy. The revenue from this levy in 1978 was $2.8 million (1979 Budget, County of Dane, p. 417). This sum, together with revenues of about $5.1 million and $785,927 in surplus funds comprised the revenue for the activities of the Dane County Highway Department. 1978 expenditures by the department totaled $8.79 million.

Also related to highway matters is the Dane County Traffic Department, which enforces the laws upon or near highways within the county. Total 1978 expenditures were $1,839,556.

The following tables in this section have all been based on the Federal Highway Administration's report, *Highway Statistics 1977*. Table 30 shows receipts and disbursements for highways by all levels of government from all sources nationwide, while Table 31 presents the data just for Wisconsin. Federal and state receipts are mainly from user taxes. Local units of government derive a major proportion of their funds spent on highways and highway-related items from property taxes, other general revenues, and state aids.

Table 30: Total Receipts and Disbursements for Highways, All Units of Government[1]

Data Compiled from reports of State and Local Authorities — (In Millions of Dollars) — Table HF-10, January 1978

Item	Federal Government: Federal Highway Administration: Highway Trust Fund	Federal Government: Federal Highway Administration: Other Funds	Federal Government: Other Federal Agencies	Federal Government: Total Federal	State Agencies and D.C.	Counties and Townships	Munici-palities	Total
Receipts by Collecting Agencies								
Imposts on Highway Users[2]								
Motor-Fuel and Vehicle Taxes	6,898	—	—	6,898	12,715	85	134	19,832
Tolls	—	—	—	—	1,175	34	206	1,415
Parking Fees	—	—	—	—	—	1	55	56
Subtotal	6,898	—	—	6,898	13,890	120	395	21,303
Other Taxes and Fees:								
Property Taxes and Assessments	—	—	—	—	—	1,055	799	1,854
General Fund Appropriations	—	306	1,179	1,485	783	922	2,162	5,352
Other Taxes and Fees	—	—	33	33	280	43	139	495
Subtotal	—	306	1,212	1,518	1,063	2,020	3,100	7,701
Investment Income and Other Receipts	617	5	172	794	549	200	330	1,873
Total Current Income	7,515	311	1,384	9,210	15,502	2,340	3,825	30,877
Bond Issue Proceeds (par value)[3]	—	—	—	—	1,183	220	600	2,003
Grand Total Receipts	7,515	311	1,384	9,210	16,685	2,560	4,425	32,880
Intergovernmental Payments:								
Federal Government:								
Highway Trust Fund	-5,679	—	—	-5,679	5,585	3	91	—
All Other Funds	—	-235	-936	-1,171	333	524	314	—
State Agencies:								
Highway-User Imposts	—	—	—	—	-3,134	1,909	1,225	—
All Other Funds	—	—	—	—	-292	173	119	—
Counties and Townships	—	—	—	—	106	-181	75	—
Municipalities	—	—	—	—	114	7	-121	—
Subtotal	-5,679	-235	-936	-6,850	2,712	2,435	1,703	—
Funds Drawn From or Placed in Reserves[4]	-1,577	-32	—	-1,609	-1,378	-120	12	-3,095
Total Funds Available	259	44	448	751	18,019	4,875	6,140	29,785

Data Compiled from reports of State and Local Authorities (In Millions of Dollars) Table HF-10 January 1978

Item	Highway Trust Fund	Other Funds	Other Federal Agencies	Total Federal	State Agencies and D.C.	Counties and Townships	Munici-palities	Total
Disbursements by Expending Agencies								
Capital Outlay:								
On Rural State-Administered Highways	—	—	—	—	6,237	7	—	6,244
On Municipal Extensions of State Highways	—	—	—	—	2,666	—	50	2,696
On Local Rural Roads	—	—	—	—	507	1,295	—	1,802
On Local Municipal Roads and Streets	—	—	—	—	302	48	1,610	1,960
Not Classified by System	46	30	350	[5] 426	—	—	—	426
Subtotal	46	30	350	426	9,692	1,350	1,660	13,128
Maintenance and Traffic Services:								
On Rural State-Administered Highways	—	—	—	—	2,842	20	—	2,862
On Municipal Extensions of State Highways	—	—	—	—	624	—	60	684
On Local Rural Roads	—	—	—	—	30	2,590	—	2,620
On Local Municipal Roads and Streets	—	—	—	—	20	40	2,140	2,200
Not Classified by System	—	—	94	94	—	—	—	94
Subtotal	—	—	94	94	3,516	2,650	2,200	8,460
Administration and Research	213	14	4	231	[6] 1,386	390	390	2,397
Highway Law Enforcement and Safety	—	—	—	—	1,541	195	1,100	2,836
Interest on Debt	—	—	—	—	924	110	250	1,284
Total Current Disbursements	259	44	448	751	17,059	4,695	5,600	28,105
Debt Retirement (par value)[3]	—	—	—	—	960	180	540	1,680
Grand Total Disbursements	259	44	448	751	18,019	4,875	6,140	29,785

1 This table summarizes and consolidates data recorded in greater detail in the FA, SF, LF, UF, LB, and UB table series. Data for Federal and State Agencies are final: those for counties and municipalities are estimates subject to revision when data for all local units are available. Tables HF-1 and HF-2 for 1975 contain final data for all units of Government.

2 Excludes amounts allocated for nonhighway purposes. Motor-fuel and vehicle taxes are also net after refunds and collection expenses. Parking fees are amounts in excess of parking costs and considered available for highways.

3 Issue and redemption of short-term notes or refunding bonds are excluded. Interest is included. Premiums and discounts on sale of bonds are included with "Investment Income and Other Receipts": redemption premiums and discounts are included with "Interest on Debt".

4 Minus signs indicate that funds were placed in reserves.

5 Includes $29 million paid to territories.

6 Includes $91.5 million of Federal-Aid Highway Funds for Research and Planning.

Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1977, Table HF-10, p. 118, 1977.

Tables 32 gives the receipts and disbursements of counties and towns in Wisconsin for fiscal 1976, and Tables 33 and 34 give the same data for municipalities. The major sources of revenue were general fund appropriations followed by property taxes and state highway aids. Major disbursements were made primarily for county and township road maintenance, followed by capital outlay for such roads.

Tables 33-34 show receipts and disbursements for highways in Wisconsin in 1976. The largest source of revenue for Wisconsin municipalities was local general fund appropriations, followed by state aids. Disbursements were made primarily for maintenance of municipal streets, and then for capital expenditures for them.

Tables 35 and 36 indicate that in 1976 local governments in Wisconsin received $6.1 million in parking fees, $895 thousand in general fund appropriation, and $3.5 million in borrowing for parking facilities.

For indirect street functions (street lighting, sidewalks, storm sewers, and street cleaning, for example), local governments in Wisconsin received $2 million in property taxes, $44 million in general fund appropriations, and $19 million in bond proceeds.

Text continues on page 79

Table 31: Total Receipts for Highways, All Units of Government In Wisconsin — 1976

Fiscal Year Data Compiled From Reports of State and Local Authorities — (In Thousands of Dollars) — Table HF-1, December 1978

State	Road-User Tax Revenues: Federal Agencies	State Agencies	Counties and Townships	Municipalities	Total	Road Bridge, and Ferry Tolls	Appropriations from General Funds	Property Taxes	Parking Meter Fees	Other Imposts	Miscellaneous Receipts	Total Current Income	Bond Proceeds (Par Value)	Total Rec
Wisconsin	92,534	227,119	—	—	319,653	—	306,553	69,157	—	—	6,731	702,094	49,020	751,114

Total Disbursements for Highways, All Units of Governments in Wisconsin — 1976

Fiscal Year Data Compiled From Reports of State and Local Authorities — (In Thousands of Dollars) — Table HF-2, November 1978

State	Capital Outlay: State-Administrated Highways	Local Rural Roads	Local Municipal Streets	Federal Roads and Unclassified	Summary: Right-of-Way Only	Summary: Total Capital Outlay	Maintenance: State Administered Highways	Local Rural Roads	Local Municipal Streets	Federal Roads and Unclassified	Total	Administration and Miscellaneous	Highway Police and Safety	Bond Interest	Total Direct Expenditures	Bond Redemptions (Par Value)	Total Disbursements
Wisconsin	124,794	79,274	92,021	2,274	11,651	298,363	50,854	100,516	54,126	673	206,169	35,612	161,234	20,778	722,156	49,591	771,747

Source: U.S. Department of Transportation, Federal Highway Administraion, Highway Statistics 1977, Table HF-1, p. 119, Table HF-2, p. 120.

Table 32: Receipts of Counties and Townships In Wisconsin for Highways — 1976[1]

Compiled for Calendar Year From Reports of State and Local Authorities — (In Thousands of Dollars) — Table LF-1, December 1978

Local Revenues: Property Taxes and Special Assessments[2]	General Fund Appropriations	Local Highway-User Imposts	Other Local Imposts[3]	Road and Crossing Tolls	Traffic Fines	Miscellaneous	Total	Payments from other Governments: Municipalities	States: Highway-User Imposts	States: Other[4]	States: Total	Federal[5]	Total	Borrowings: Long Term	Short Term	Total	Total Receipts
55,267	117,700	—	—	—	24	—	172,991	—	50,652[6]	—	50,652	7,130	57,782	2,577	—	2,577	233,350

[1]This table is one of a series (LF-2, 14, 21, 32 and 42 and LB-2 and 42) providing the financing of roads, streets and toll facilities by the county and township governments. Similar information for incorporated and other municipal governments are given in the UF series. Reference should be made to the "Introduction" and "Highway Finance" textual sections of the annual highway statistics for additional information concerning local government structure and highway financing, respectively.

[2]Classification of property taxes and general fund appropriations is not always available. In some states these funds may be commingled or interchanged.

[3]Includes parking facility funds transferred for highway functions, refer to Table UF-11, note 3.

[4]Includes appropriations from the state general funds and miscellaneous state taxes, i.e., severance taxes, racing fees, etc.

[5]Includes payments in lieu of taxes, flood relief, highway safety and other miscellaneous payments. Federal-aid secondary funds are excluded and are shown in the state highway finance series.

[6]State highway user funds assigned for mass transit purposes by counties in the following states: Washington, $176,000 (state subsidy); and Wisconsin, 2,800,000.

Disbursements by Counties and Townships in Wisconsin for Highways — 1976[1]

Compiles for Calendar Year
From Reports of State and Local Authorities

(Thousands of Dollars)

Table LF-2
December 1978

State	Capital Outlay[2]: County, Township Roads	Capital Outlay[2]: State Highways	Capital Outlay[2]: Municipal Streets[3]	Capital Outlay[2]: Total	Maintenance[2]: County, Township Roads	Maintenance[2]: State Highways	Maintenance[2]: Municipal Streets[3]	Maintenance[2]: Total	Administration and Miscellaneous	Interest	Subtotal, Current Disbursements	Debt Retirement[4]	Total Direct Disbursements	Payments to other Governments: To States: For State Highways	Payments to other Governments: To States: For County, Township Roads	Payments to other Governments: To States: Total	Payments to other Governments: To Municipalities for Streets	Payments to other Governments: Total	Total Disbursements
Wisconsin	62,637	—	2,871	65,508	100,516	1,495	275	102,286	46,131	3,217	217,142	9,555	226,697	—	5,938	5,938	1,613	7,551	234,248

[1]This Table records disbursement for road purposes, including toll facility data, by county and township governments, data included in this table are given in greater detail in table LF-21 except for debt retirement and payments to other governmental units, non-highway expenditures offset against general funds (Table LF-11, refer to Table LF-1, note 1 for additional information concerning the local highway finance series.
[2]Classification of expenditures by systems is not available in some states. Where this occurs, the total is included under the heading "county-township" roads
[3]Includes all expenditures by four counties in New Jersey, and one each in New York, Ohio and Wisconsin where the entire or almost all of the county area consists of incorporated municipalities.
[4]Includes payments for long and short term debt: interest column also includes small charges for debt administration.
Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1977, Tables LF-1 and LF-2, pp. 174, 175.

Table 33: Receipts of Municipalities in Wisconsin for Highways — 1976[1]

Compiled for Calendar Year
From Reports of State and Local Authorites

(Thousands of Dollars)

Table UF-1
December 1978

Local Revenues: Property Taxes and Special Assessments[2]	Local Revenues: General Fund Appropriations[2]	Local Revenues: Local Highway-User Imposts	Local Revenues: Other Local Imposts	Local Revenues: Road and Crossing Tolls	Local Revenues: Parking Facility Funds[3]	Local Revenues: Traffic Fines	Local Revenues: Miscellaneous	Local Revenues: Total	Payments from other Governments: Counties, Townships	Payments from other Governments: States: Highway-User Imposts	Payments from other Governments: States: Other[4]	Payments from other Governments: States: Total	Payments from other Governments: Federal[5]	Payments from other Governments: Total	Borrowing: Long Term	Borrowing: Short Term	Borrowing: Total	Total Receipts
13,890	174,897	—	—	—	—	3,874	—	192,661	1,613	47,605[6]	—	47,605	—	49,218	28,743	—	28,742	270,622

[1]This table is one of municipal government street finance series: Tables UF-2, 21, 32, 42, UB-2 and 42 continue the series. See Table LF-1, note 1 for additional information concerning the local highway finance series.
[2]The Classification of property taxes and general fund appropriation is not always complete. In some instance, these funds may be commingled or interchanged.
[3]Parking facility funds transferred for highway purposes, refer to Table UF-11, note 3.
[4]Includes appropriation from the state general funds and miscellaneous local/state taxes.
[5]Includes payments in lieu of taxes, flood relief, urban area developments, safety, civil defense and other miscellaneous payments. Federal-aid urban funds are excluded and shown in the state highway finance series.
[6]Includes $13,980,000 of motor fuel taxes and registration fees in lieu of personal property taxes.

Table 34: Disbursements by Municipalities in Wisconsin for Highways — 1976[1]

Compiles for Calendar Year
From Reports of State and Local Authorities

(In Thousands of Dollars)

Table UF-2
December 1978

Capital Outlay[2]: Municipal Streets	Capital Outlay[2]: Municipal Extensions of State Highways	Capital Outlay[2]: Total	Maintenance[2]: Municipal Streets	Maintenance[2]: Municipal Extensions of State Highways	Maintenance[2]: Total	Administration and Miscellaneous	Interest[3]	Subtotal Current Disbursements	Debt Retirement[3]	Total Direct Disbursements	Payments to other Governments: To States: For State Highways	Payments to other Governments: To States: For Municipal Streets	Payments to other Governments: To States: Total	Payments to other Governments: Counties, Townships	Payments to other Governments: Total	Total Disbursements
70,997	—	70,997	53,851	—	53,851	111,510	7,624	243,982	22,875	266,857	—	3,765	3,765	—	3,765	270,622

[1]This table records the disbursements for street purposes by municipalities including toll facilities. Table UF-21 provides greater detail for capital outlay, maintenance and administrative expenditures. Non-highway items were offset against general funds (on Table UF-1). See table LF-1, Note 1 for additional information on local highway finance series.
[2]Segregation of expenditures on streets forming extensions of state highways is incomplete for many states.
[3]Includes payments for long and short term debt: interest column includes small charges for debt administration.
Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1977, Tables UF-1 and UF-2, pp. 179-180.

Table 35: Local Government Parking Facilities: Receipts, Disbursements, and Change in Indebtedness — 1976[1]

Compiled for Calendar Year
From Reports of State and Local Authorities

(Thousands of Dolars)

Table LF-11
December 1978

	Receipts							Disbursements										Indebteness-end of Year		
				Borrowing							Payments For				Retirement					
State	Parking Fees	Property Taxes, Special Assessments	General Fund-Appropriations	Long Term	Short Term	Other[2]	Total	Capital Outlay	Maintenance and Operation	Administration and Other	Municipal Streets[3]	Other Purposes	Interest	Current Disbursements	Long Term	Short Term	Total	Long Term	Short Term	Total
Wisconsin	6,146	—	895	3,539	—	—	10,580	4,120	4,102	—	—	—	896	9,118	1,462	—	10,580	20,262	—	20,282

[1]This table records receipts, disbursements and the outstanding debt for municipal and county-level government parking facilities. For Massachusetts and Ohio, state-level parking authorities are included. Except for transfers to streets and roads, the data in this table do not appear in other summary.
[2]Includes transfers from state highway-user funds as follows: North Carolina, $2,000 and Oregon, $15,000.
[3]Includes transfers to counties for roads as follows: California, $743,000; Hawaii, $1,321,000 and Pennsylvania, $7,000.

Table 36: Local Government Indirect Street Functions: Receipts and Disbursements — 1976[1]

Compiled for Calendar Year
From Reports of State and Local Authorities

(Thousands of Dollars)

Table UF-12
December 1978

	Receipts[2]								Disbursements[2]										
				Payments from Other Governments					Capital Outlay			Maintenance					Debt Service[5]		
State	Property Taxes and Special Assessments	General Fund Appropriations	Parking Facility Funds	State Highway User Imposts[3]	Federal and Other	Bond Proceeds[4]	Miscellaneous	Total	Street Lighting	Side Walks	Storm Sewers	Street Lighting	Side Walks	Storm Sewers	Street Cleaning	Administration and Other	Interest	Retirement	Total
Wisconsin	2,762	44,132	—	—	386	19,502	—	66,782	246	965	18,971	15,689	1,448	5,511	5,784	2,314	4,736	11,118	66,782

[1]This table records receipts and disbursements of county and municipal governments for indirect street functions. The data in this table are not included in any other summary.
[2]In some instances, lack of complete information did not permit segregation of receipts by source and costs by function. Lack of entry usually implies inclusion in other items. Where there is no entry for capital outlay and administration, they are assumed to be partially included with maintenance.
[3]Includes allocations of state highway-user funds to counties: Arizona, $123,000; Florida, $1,252,000;Illinois, $367,000; and Nebraska, $686,000.
[4]Includes short term proceeds.
[5]Includes short term retirements.
Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 1977, Tables UF-11 and UF-12, pp. 184-185.

Table 37 indicates revenues and expenditures for highways by standard metropolitan statistical areas within Wisconsin. Local receipts comprised revenues from property taxes, general fund appropriations, local highway-user taxes, net parking fees, and other imposts.

Table 37: County and Municipal Government Receipts and Expenditures Within Counties Comprising Standard Metropolitan Statistical Areas — 1976[1]

Fiscal Year Data Compiled From Reports of State and Local Authorities

(Thousands of Dollars)

Table LF-14
Sheet 13 of 13
January 1979

		Receipts for Highways				Disbursements for Highways													
						Capital Outlay				Maintenance					Debt Service				
Standard Metropolitan Statistical Area	County	Local Receipts[2]	Payments From Other Governments[3]	Borrowings[4]	Total Receipts	County, Township Roads	State Highways	Municipal Streets	Total	County, Township Roads	State Highways	Municipal Streets	Total	Administration and Other[5]	Interest[4]	Retirement[4]	Payments to Other Governments	Total Disbursements
Wisconsin																		
Appleton-Oshkosh	Calumet	1,965	837	213	3,015	537	29	68	634	1,053	230	206	1,489	454	36	126	—	2,739
	Outagamie	11,157	2,618	825	14,600	1,966	59	3,149	5,174	2,151	498	2,012	4,661	4,237	203	549	131	14,955
	Winnebago	9,718	2,713	600	13,031	882	165	1,514	2,561	2,495	604	1,711	4,870	4,562	459	650	201	13,303
Duluth-Superior, MN-WI	Douglas	1,418	2,154	871	4,443	512	—	233	745	1,002	420	692	2,114	1,426	51	68	86	4,490
Eau Claire	Chippewa	5,156	1,714	99	6,969	1,126	—	1,724	2,850	1,768	357	628	2,753	910	110	162	—	6,785
	Eau Claire	5,180	2,228	2,388	9,796	744	—	1,905	2,649	1,375	381	2,303	4,059	2,171	135	761	58	9,833
Green Bay	Brown	20,096	3,757	1,171	25,024	4,613	225	5,000	9,838	2,013	646	3,073	5,732	6,351	1,205	2,101	253	25,480
Kenosha	Kenosha	6,578	1,787	1,960	10,325	421	1	990	1,412	1,660	449	802	2,911	4,867	290	914	40	10,434
La Crosse	La Crosse	9,208	1,559	1,113	11,880	1,108	—	1,133	2,241	1,297	347	1,199	2,843	2,486	235	3,798	223	11,862
Madison	Dane	25,738	5,649	1,290	32,677	4,783	2	6,808	11,593	3,890	1,214	2,640	7,744	9,128	854	2,666	522	32,507
Milwaukee	Milwaukee	84,009	15,126	10,064	109,199	2,297	3,805	26,464	32,566	2,102	3,170	7,633	12,905	49,091	4,015	10,469	215	109,26
	Ozaukee	5,200	1,283	—	6,483	264	17	875	1,156	997	330	1,180	2,507	2,611	75	215	—	6,565
	Washington	5,981	1,728	—	7,709	1,089	1	770	1,860	1,966	662	1,012	3,640	2,032	71	207	23	7,833
	Waukesha	19,253	3,885	663	23,801	1,067	10	3,331	4,408	3,186	788	4,726	8,700	9,194	308	878	234	23,722
Minneapolis-St. Paul, MN-WI	St. Croix	4,616	1,562	187	6,365	1,475	—	452	1,927	1,862	476	553	2,891	1,078	49	118	40	6,103
Racine	Racine	15,437	2,105	366	17,908	1,292	14	2,493	3,799	2,223	469	2,291	4,983	7,987	364	481	142	17,756
TOTAL		230,710	50,705	21,810	303,225	24,176	4,328	56,909	85,413	31,040	11,041	32,721	74,802	108,585	8,460	24,163	2,168	303,591

[1]The standard metropolitan statistical area definition used in this summary was established by the office of management and budget. Table SF-15 accounts for the state expenditure within SMSA's. In those cases where the central city is located in more than one county the data are included with that section within the county where the greater section of the city is located. Toll facility data are included; for separate toll data refer to the appropriate LF or UF series reports.
[2]Includes property taxes, general fund appropriations, tolls, local highway-user taxes, net parking fees, and other imposts. Payments for nonhighway purposes were offset to the extent possible against general fund appropriations.
[3]Includes funds derived from local, state, and federal sources.
[4]Includes data for long and short term obligations.
[5]Includes general administration and engineering, traffic police and services, and other related minor expenditures.
Source: U.S. Department of Transportation, Federal Highway Administration, Highway statistics 1977, Table LF-14, p. 204.

Table 38 lists local receipts, transfers from other governments, and bond proceeds received by Wisconsin's largest municipalities for highways together with their expenditures for capital outlay, maintenance, traffic police and miscellaneous other items.

"Local Receipts" includes property tax, general fund, highway user taxes, net parking fees for streets, local imposts and miscellaneous income. "Transfers from Other Governments" includes state grants-in-aid, interlocal agency transfers, and miscellaneous payments from the Federal Government such as urban area redevelopment, civil defense, and others, but excludes federal-aid urban funds.

Table 38: Receipts, Disbursements, and Debt Outstanding for Highways by Municipalities of 50,000 Population or More — 1976[1]

Fiscal Year Data Compiled From Reports of State and Local Authorities

(In Thousands of Dollars)

Table UF-3
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December 1978

		Receipts for Highways				Disbursements for Highways												
							Maintenance											
Municipality[2]	Population[3]	Local Receipts[4]	Transfer from Other Governments[5]	Proceeds from Bonds and Notes	Total	Capital Outlay[6]	Maintenance of Condition[6]	Snow Removal	Traffic Service	Traffic Police	Administration and Other	Interest	Retirement	Payments to Other Governments	Total	Highway Bonds Outstanding at end of Year
Milwaukee	690,685	44,805	5,448	7,985	58,238	20,709	845	1,936	1,435	28,466	837	1,163	2,637	211	58,239	31,326
Madison	165,749	13,637	2,032	—	15,669	5,706	325	781	685	4,708	300	712	2,061	392	15,670	14,066
Appleton	57,387	4,724	631	611	5,966	2,255	587	243	128	1,747	485	111	280	131	5,967	2,638
Green Bay	89,323	9,129	1,083	1,092	11,304	2,876	1,912	527	237	3,025	644	564	1,278	241	11,304	13,693
Kenosha	79,267	2,922	699	1,910	5,531	956	416	126	110	2,393	287	290	914	40	5,532	7,163
Oshkosh	51,837	3,007	527	550	4,084	878	602	252	49	1,631	129	190	292	62	4,085	4,486
Racine	92,544	7,821	768	—	8,589	2,137	1,330	180	243	3,984	23	330	362	—	8,589	4,826
Wauwatosa	58,571	2,620	507	1,296	4,423	1,581	132	203	97	1708	165	198	339	—	4,423	4,968
West Allis	71,195	5,561	557	—	6,118	1,663	474	232	181	2,550	199	207	610	3	6,119	4,111
Eau Claire*	47,310	10,335	3,942	2,488	16,765	5,499	4,419	947	1,446	2,608	473	244	923	58	16,617	—
La Crosse*	48,950	5,783	557	734	7,074	455	753	122	183	1,487	131	205	3,640	98	7,074	1,042
Superior*	31,898	616	617	800	2,033	175	338	195	82	962	115	48	33	86	2,034	1,548

[1] This table summarizes receipts and disbursements for roads and streets by municipalities having a population of 50,000 or more, including central cities of SMSA's. SMSA central cities under 50,000 are listed separately and at the end of the table. The data for parking and indirect street functions are not included but shown separately in table UF-4.

[2] Includes cities, boroughs, villages and towns, other than the New England type. Some exceptions were included, such as certain towns in Connecticut, Massachusetts, New Jersey, and New York and townships in Pennsylvania that have high population density. Arlington county, Virginia is also included because it is entirely urban in character.

[3] From the 1970 decennial census or subsequent special census.

[4] Includes property tax, general fund, highway user taxes, tolls, net parking fees for streets, local imposts and miscellaneous income.

[5] Includes State Grantes-In-Aid, Inter-Local Agency Transfers, and Miscellaneous Payments from the Federal Government such as Urban Area Redevelopment, Civil Defense, etc. Federal-Aid-Urban Funds are excluded.

[6] Includes expenditures on streets forming extensions of state highways and other direct costs on local systems.

Source: U.S. Department of Administration, Federal Highway Administration, *Highway Statistics 1977*, Table UF-3, pp. 205-213.

*Standard metropolitan statistical area central cities under 50,000 population.

Table 39 shows receipts and disbursements of Wisconsin's largest cities for parking and indirect street functions (such as, street lighting, sidewalks and storm sewers).

"Other" receipts indicates primarily general funds and property taxes.

Table 39: Receipts and Disbursements for Parking and Indirect Street Functions By Municipalities of 50,000 Population or More — 1976[1]

Fiscal Year Data Compiles From Reports of State and Local Authorities

(In Thousands of Dollars)

Table UF-4
Sheet 1 of 10
December 1978

Parking

Municipality[2]	Population[3]	Receipts: Meters and Lots	Receipts: Other[4]	Receipts: Bonds and Notes	Receipts: Total	Disbursements: Capital Outlay	Disbursements: Maintenance and Operation	Disbursements: Administration, Interest, and Other[5]	Disbursements: Retirement	Disbursements: Total
Milwaukee	690,685	742	453	—	1,195	114	628	77	376	1,195
Madison	169,749	1,171	—	—	1,171	73	786	140	171	1,170
Appleton	57,387	263	150	—	413	—	215	43	155	413
Green Bay	89,323	702	—	3,375	4,077	3,473	—	438	165	4,076
Kenosha	79,267	129	—	—	129	7	78	43	—	128
Oshkosh	51,837	167	19	—	186	—	111	14	61	186
Racine	92,544	224	—	—	224	—	183	40	—	223
Wauwatosa	56,571	—	—	—	—	—	—	—	—	—
West Allis	71,195	1	4	—	5	—	5	—	—	5
Eau Claire*	47,310	—	—	—	—	—	—	—	—	—
La Crosse*	48,950	412	79	—	491	211	280	—	—	491
Superior*	31,898	43	—	—	43	4	22	16	—	42

Indirect Street Functions

Municipality[2]	Bond Status End of Year	Receipts: Bonds and Notes	Receipts: Other[4]	Receipts: Total	Disbursements: Capital Outlay: Street Lighting	Disbursements: Capital Outlay: Sidewalks	Disbursements: Capital Outlay: Storm Sewers	Disbursements: Maintenance and Operation	Disbursements: Administration, Interest, and Other[5]	Disbursements: Retirement	Disbursements: Total
Milwaukee	1,879	2,900	8,641	11,541	26	333	25	8,964	1,176	1,017	11,541
Madison	1,599	—	2,031	2,031	4	122	361	987	124	427	2,025
Appleton	885	65	1,649	1,714	1	—	709	403	255	346	1,714
Green Bay	9,525	1,190	1,958	3,148	58	19	1,083	477	500	1,011	3,148
Kenosha	—	595	2,477	3,072	—	—	1,089	604	1,337	—	3,030
Oshkosh	236	1,330	169	1,499	—	108	541	574	131	104	1,458
Racine	—	—	3,517	3,517	—	4	2,142	292	439	610	3,487
Wauwatosa	—	427	403	830	—	—	—	350	312	168	830
West Allis	—	—	1,331	1,331	—	121	174	515	230	291	1,331
Eau Claire*	—	—	—	—	—	—	—	—	—	—	—
La Crosse*	—	1,349	1,079	2,428	—	12	216	299	109	1,786	2,422
Superior*	—	467	2,250	2,717	—	—	2,516	201	—	—	2,717

[1] This table summarizes the receipts and disbursements for parking and indirect street functions (street cleaning, street lighting, storm sewers, and sidewalks) by municipalities having a population of 50,000 or more, including central cities of SMSA's.
[2] Includes cities, boroughs, villages and towns, other than the New England type. Some exceptions were included, such as certain towns in Connecticut, Massachusetts, New Jersey, and New York and townships in Pennsylvania that have high population density. Arlington county, Virginia is also included because it is entirely urban in character.
[3] From the 1970 decennial census or subsequent special census.
[4] Preponderant share is derived from general funds and property taxes.
[5] Includes parking funds transferred for highways. In some instances lack of complete information did not permit separation of administrative costs. These may have been included with operation.
Source: U.S. Department of Transportation, Federal Highway Administration, *Highway Statistics 1977*, Table UF-4, pp. 215-224.
*Standard metropolitan statistical area central cities under 50,000 population.

B. Urban Mass Transit

There are 22 urban transit systems in the State of Wisconsin, of which 19 are now publicly owned and 3 (including a shared-ride taxi system) are privately owned. All systems receive direct or indirect state financial assistance, and in fiscal 1978, 10 received federal aid and all received state aid.

FEDERAL AID

Federal assistance for urban mass transit was established by the Urban Mass Transportation Act of 1964 and amended by the National Mass Transportation Assistance Act of 1974. The latter established an $11.8 billion, 6-year program for both capital and operating assistance nationwide. $7.8 billion of that amount was authorized for mass transit capital and planning projects on an 80% federal and 20% local ratio. An additional $500 million was authorized for expenditures for projects in urban areas of less than 50,000 population. The remainder of the $11.8 billion — or about $3.9 billion — was authorized by Section 5 to be used by urbanized areas only, either for operating costs on a 50% federal, 50% local-state matching basis, or for capital improvement projects on an 80% federal, 20% local-state matching basis (Wis. Department of Transportation, "Wisconsin Urban Transit Report", No. 5, 1976, p. 22).

In addition, U.S. Highway Trust Fund moneys were authorized for urban transit by the Federal Aid Highway Acts of 1973 and 1976. Up to $800 million a year of the urban system portions of federal-aid highway funds can be used for capital urban transit expenditures. Further, Interstate highway funds that are considered nonessential for urban, Interstate segments can be used for transit facilities and non-Interstate highways. According to the Congressional Budget Office ("Urban Mass Transportation: Options for Federal Assistance"), no funds are actually transferred from the Highway Trust Fund in this Interstate highway transfer; a separate appropriation is required. "The Highway Fact Book" describes this: "States also may trade highway funds earmarked for urban area interstate segments for an equal amount of Federal transit or highway aid from general funds."

Federal general revenue sharing is another source of funds that can be used for mass transit. "The Highway Fact Book" (issued by the Highway Users Federation, a private organization in Washington, D.C.) states that in fiscal 1975, 13% of the total revenue sharing money spent by state and local governments was expended on public transportation.

The Urban Mass Transit Act of 1964 has been further amended by the Surface Transportation Assistance Act of 1978 (Public Law 95-599). The new law authorized $13.58 billion in federal transit aids over a 4-year period. The actual appropriation for fiscal 1979 was $2,812 million made by the Department of Transportation appropriation bill (P.L. 95-335). Of this total, $1.2 billion was for discretionary capital grants, $1.3 billion in formula grants for urbanized areas, and $75 million for small urban and rural areas. The act also changed the distribution formula for the formula grants (Section 5) from the 80/20 and 50/50 mentioned above to several categories, each with a different formula. The funds for small urban and rural grants (Section 18) provide for operating aids as well as capital grants. The operating assistance will be on a 50/50 federal local matching basis, while the capital projects will be on an 80/20 basis.

STATE AID

Section 85.05 of the Wisconsin Statutes provides for the state's urban mass transit operating assistance program, designed to improve and preserve local transit systems. Under this program, the state enters into a contract with an eligible applicant to provide funds according to a formula. Total funds appropriated for this program in the 1977-79 biennium were $17.5 million (Chapter 29, Laws of 1977), which represents about two-thirds of the nonfederal share of Wisconsin's transit systems' operating deficits. These funds are now appropriated from the segregated State Transportation Fund. The 1979-81 appropriation (Chapter 34, Laws of 1979) is $28.3 million.

Section 85.06 authorizes an urban mass transit planning and technical assistance program, with a biennial appropriation of $60,000 to be used to match federal funds. Prior to the 1977 law, this section authorized demonstration projects. The same appropriation was made for 1979-81.

The 1977 Budget Act also established two new programs under Sec. 86.08 (5) and 85.08 (6) to finance special transportation for the elderly and handicapped. A $2 million 1977-79 biennial appropriation was allotted to counties for the Sec. 85.08 (5) program to provide such services, and a $4.4 million appropriation in 1979-81. Another $600,000 was allocated under Sec. 85.08 (6) to supplement federal grants to private, nonprofit corporations for capital acquisition and operating assistance. This was increased to $720 thousand in 1979-81. The funds for the Sec. 85.08 programs are appropriated from the State Transportation Fund.

Thus, while most federal aid for mass transit comes from general revenues, most of the state aid now comes from the Transportation Fund.

Local Government Funding

In addition to federal and state aid, urban mass transit systems receive "fare-box" income from the transportation of passengers. In calendar year 1978 fare-box revenue totaled $22,652,808 for all the systems in Wisconsin (or $5,760,759, excluding Milwaukee). Table 40 gives the annual revenue for each such system.

Table 40: Wisconsin Urban Transit Systems
Annual Performance Statistics — 1978

Urban Area	Transit System	Period of Operation	Revenue Passengers	Average Fare	Passenger Revenues	Revenue Miles
Appleton	*Valley Transit	01/01-12/31	1,007,777	29.5¢	$ 297,577	747,819
Beloit	*Beloit Transit System	01/01-12/31	294,546	22.4	66,093	269,203
Eau Claire	*Eau Claire Transit System	01/01-12/31	1,004,739	20.8	209,235	783,487
Fond du Lac	*Fond du Lac Area Transit	01/01-12/31	340,757	22.2	75,808	274,087
Green Bay	*Green Bay Bus System	01/01-12/31	1,579,086	22.7	359,049	1,057,507
Janesville	*Janesville Municipal Bus System	01/01-12/31	727,664	19.0	138,108	500,004
Kenosha	*Kenosha Transit Commission	01/01-12/31	1,154,049	23.3	269,422	630,114
La Crosse	*La Crosse Municipal Transit Utility	01/01-12/31	1,098,176	23.6	259,026	635,762
Madison	*Madison Metro	01/01-12/31	12,115,705	21.5	2,606,567	3,700,170
Manitowoc	*Manitowoc Transit System	01/01-12/31	234,867	23.0	53,982	188,977
Merrill	*Merrill-Go-Round	01/01-12/31	94,521	27.6	26,059	106,203
Milwaukee Co.	*Milwaukee County Transit System	01/01-12/31	49,990,355	33.8	16,892,049	16,856,229
Oshkosh	*Oshkosh Transit System	01/01-12/31	752,044	23.9	179,634	371,729
Ozaukee County	Wisconsin Coach Lines-Ozaukee, Inc.	01/01-06/09	20,565	104.0	21,394	46,830
Racine	*Belle Urban System	01/01-12/31	1,541,007	23.3	358,605	984,063
Rice Lake	*'Round Towner	01/01-12/31	87,005	18.9	16,480	68,289
Ripon	Ripon City Taxi Service	01/01-12/31	15,268	72.2	11,025	31,818
Sheboygan	*Sheboygan City Bus Lines	01/01-12/31	1,239,051	22.6	280,022	830,878
Stevens Point	Point Area Bus Co-operative	01/01-12/31	126,755	18.4	23,312	173,500
Superior	*Duluth Transit Authority	01/01-12/31	431,550	27.2	117,434	251,404
Watertown	City Bus Lines	01/01-12/31	68,940	21.2	14,596	89,088
Waukesha Co.	Wisconsin Coach Lines, Inc.	01/01-12/31	182,374	92.8	169,291	251,323
Wausau	*Wausau Area Transit Systems	01/01-12/31	915,777	22.7	208,048	422,966
STATE TOTALS (including Milwaukee			75,022,578	30.2¢	$22,652,808	29,271,450
STATE TOTALS (excluding Milwaukee)			25,032,223	23.0¢	$ 5,760,759	12,415,221

*Designates public ownership
Source: Wisconsin Department of Transportation, Bureau of Transit.

Table 41 gives calendar year 1978 estimated data on the deficit of each urban transit system in Wisconsin together with federal, state and local shares of that deficit. In the urbanized areas, for which the Federal Government shares the cost, the local share of the deficit runs roughly less than one-third. In the nonurbanized areas, for which the Federal Government does not participate in the deficit, local and state shares run approximately on a 60-40% basis. The local share of the deficit would be funded from local revenues.

Before leaving the subject of urban mass transit subsidies, we might note an article, "Mass Transit Subsidies: Are There Better Options?" by John Gruenstein (*Business Review,* Federal Reserve Bank of Philadelphia, July-August 1979). Looking at ways to reduce subsidies, Mr. Gruenstein states that if too much auto use is the problem, programs that affect this situation are needed. He likens transit subsidies to a carrot, while what may be needed is a stick. This could take the form of "pricing for streets and parking that conveys more fully to drivers the true scarcity of the resources they are using, along with restriction or regulation of automobile use where pricing appears too costly or otherwise inappropriate." Specifically, he suggests the possibility of charges for driving in congested and polluted areas at peak times of day. Singapore has a unique system of special permits, available for $26 per month, which permit one to enter the most congested parts of the city during peak hours. The city also doubled parking lot fees in the restricted area and inaugurated a park-and-ride system.

Other possibilities mentioned by Mr. Gruenstein include metering of ramps onto highway interchanges to improve traffic flow, special priority lanes for buses, van pools, and car pools, or a ban on parking or driving in congested areas.

He concludes that some subsidies are desirable, "but for full impact they need to be coordinated with road pricing and other restrictions on automobile use." Further, "...if road fees were used to help finance transit (where justified by public benefits), the quid pro quo of reducing taxes by cutting the amount of general revenue that goes to transit subsidies could be the key to acceptance."

Table 41: Wisconsin Urban Transit Systems
Annual Operating Revenues, Expenses and Deficits
Calendar Year 1978

Urban Area (By Population Rank)	Operating Revenues	Operating Expenses	Operating Deficit	Federal Share	State Share	Local Share
Urbanized Areas						
Milwaukee Co.[1]	$17,524,536	$30,319,836	$12,795,300	$ 7,240,099	$3,703,467	$1,851,734
Ozaukee Co.[2]	24,746	46,644	21,898	10,949	7,299	3,650
Waukesha Co.	174,908	311,160	136,252	68,126	45,367	22,759
Madison	2,715,589	6,388,044	3,672,455	1,424,409	1,447,092	800,954
Appleton	308,670	924,651	615,981	316,525	199,637	99,819
Green Bay[3]	425,876	1,021,746	595,870	329,426	177,629	88,815
Racine	368,481	1,131,913	763,432	394,217	246,143	123,072
Kenosah	283,987	921,883	637,896	383,094	144,438	110,364
La Crosse	289,100	884,839	595,739	322,972	180,488	92,279
Oshkosh	211,013	507,999	296,986	152,450	96,255	48,281
Superior[4]	143,386	443,047	299,661	182,644	77,721	39,296
Subtotals	$22,470,292	$42,901,762	$20,431,470	$10,824,911	$6,325,536	$3,281,023
Nonurbanized Areas						
Sheboygan	307,586	877,239	569,653	—	373,153	196,500
Eau Claire	334,542	859,326	524,784	—	349,856	174,928
Janesville	223,883	785,296	561,413	—	325,238	236,175
Fond du Lac	90,752	359,894	269,142	—	179,428	89,714
Wausau	262,598	488,199	255,601	—	150,401	75,200
Beloit[5]	66,709	299,557	232,848	—	155,232	77,616
Manitowoc	54,584	192,539	137,955	—	91,970	45,985
Stevens Point	26,109	187,171	161,062	—	101,045	60,017
Watertown	15,171	49,543	34,372	—	22,915	11,457
Merrill	27,248	123,062	95,814	—	63,876	31,938
Rice Lake	16,333	71,756	55,423	—	36,949	18,474
Ripon	10,025	20,713	10,688	—	7,125	3,563
Subtotals	$ 1,435,540	$ 4,314,295	$ 2,878,755	—	$1,857,188	$1,021,567
STATE TOTALS	$23,905,832	$47,216,057	$23,310,225	$10,824,911	$8,182,724	$4,302,590

[1]Milwaukee Co.: No service was provided from May 7 through June 15 due to work stoppage.
[2]Ozaukee Co.: Service was discontinued on June 9.
[3]Green Bay: Operating revenues include $50,780 rebate from Wis. Public Service Corporation.
[4]Superior: No service was provided from January 1 through January 16 due to work stoppage.
[5]Beloit: Excludes revenues and expenses accruing from the South Beloit service.
Source: Wisconsin Department of Transportation, Bureau of Transit.

C. Airports

Airport funds are derived from federal and state aids and from local user charges and other local revenues.

Wisconsin currently has 349 airports in the state comprising:

Table 42: Airports in Wisconsin

Type of Airport	Number	Total
Publicly owned airports, including		100
Certificated air carrier airports	11	
General aviation airports (commuter, reliever)	89	
Privately owned airports		249
Open to the public	73	
Private use	148	
Heliports	12	
Seaplane bases	16	

FEDERAL AID

Federal aid for airport activities is appropriated from the Federal Airport and Airway Trust Fund and from general federal funds (See Ch. V — Segregated Funds), and fund revenues are derived both from user taxes and from general taxes. The Airport and Airway Development Act of 1970, which created the fund, provided for 2 grants-in-aid programs: the Airport Development Aid Program and the Planning Grant Program. As amended by the Airport and Airway Development Act Amendments of 1976 (P.L. 94-353), $5.6 billion was authorized for airport aid and other aviation matters nationwide during the 5-year, 1976-80 period. Of this amount, $2.7 billion was authorized for capital projects at air carrier and general aviation airports. The remainder was authorized for Federal Aviation Administration programs. Specifically, funds were authorized for airport planning grants, development grants at carrier airports, general aviation development grants, and improvement and maintenance of air navigation facilities.

Funds for air carrier airports were to be distributed, two-thirds on the basis of the number of passengers enplaned at an airport, and one-third at the Secretary of Transportation's discretion. Seventy-five percent of the funds for commuter airports was to be distributed on the basis of the local population, 25% at the Secretary's discretion. Federal matching funds for airport development were increased to 75% for large airports and to 90% (fiscal 1978) and 80% (fiscal 1979, 1980) for other airports (Congressional Quarterly, July 10, 1976).

According to *Business Week* (February 20, 1978), the Federal Airport and Airway Trust Fund had a large surplus. The funds are designated primarily for capital airport improvement and safety; very little is allotted for operations and maintenance. *Congressional Quarterly* (February 17, 1979) also commented that users pay a third of airway system costs (see Chapter VII) in spite of the Fund's surplus.

Legislation is pending in the 96th Congress (S. 1648 and S. 1649) which would end federal financing of development at medium- and large-sized airports. The measures would reduce the tax on airline tickets, but allow airlines to compensate by increasing ticket prices. Airports could then raise landing fees. The 2 percent tax that remains and the surplus in the Airport and Airway Trust Fund would be used to finance smaller airport development projects and certain safety projects for all airports (*Congressional Quarterly*, December 8, 1979).

The Federal Aviation Act (Section 406) also provides subsidies for various small air carriers. In fiscal year 1976 and 1977 the following subsidies were granted to carriers operating in Wisconsin ("Civil Aeronautics Board Report to Congress", FY 1976, FY 1977 and transitional quarter, p. 36):

	1976	1977	Transitional Quarter
North Central	$13,422,000	$13,005,000	$3,433,000
Ozark	7,977,000	9,896,000	1,948,000

State Aid

Under Sec. 114.34 of the Wisconsin Statutes, when airport projects in Wisconsin involve federal aid, the cost in excess of the federal aid is paid by the sponsoring municipality and by the state. The state's share is not to exceed one-half of the excess costs, nor more than $100,000 for the cost of a building or building improvement project and no part of hangar costs (Chapter 348, Laws of 1977, raised the maximum state participation from $35,000 to $100,000).

The cost of projects not involving federal aid are borne by the sponsor and the state, with the state paying not more than half the costs, including the cost of land, formulation of the project application and preparation of the plans, construction and facilities needed for operation. Again, the building project or building improvement project cost contribution of the state cannot exceed $100,000.

As noted in Chapter VII, all revenues received by the state in aviation taxes are now deposited in the State Transportation Fund. Unlike the federal arrangement, there is no separate, segregated fund for aviation. However, there are no user taxes on air carriers in Wisconsin, only the ad valorem tax.

Local Revenues

In addition to federal and state aids, the sponsoring municipality or county must support its airport with local revenues. Such revenues come from a variety of sources. The governing body is authorized by law to appropriate money for the acquisition and operation of an airport [Sec. 114.11 (4) of the Wisconsin Statutes], to bond for the purchase of property to be used for an airport (Sec. 114.13), to establish fees or charges for the use of the airport [Sec. 114.14 (1)], and to raise money by taxation (Sec. 114.15).

In fiscal years 1976-79 total expenditures for airports in the state were (Wisconsin Department of Transportation figures):

Table 43: Total Expenditures for Airports

	Fiscal 1976	Fiscal 1977	Fiscal 1978	Fiscal 1979
Federal	$5,919,300	$4,371,503	$9,861,225	11,077,037
State	249,800	561,126	754,002	1,129,017
Sponsor	1,191,500	1,497,085	716,039	2,588,862

From 1948 to 1979 sponsors spent $31.5 million (34%), the state — $9.7 million (10.97%), and the Federal Government — $51.4 million (55.5%) — for projects under the state's airport development program.

Among the major airports in the state, Milwaukee County's airport is self-sufficient, that is, it does not depend on subsidies from local general taxes. Madison's (Dane County Regional) is close to being self-sufficient, but still has a debt service which prevents it from being completely so, and the other airports in the state do depend to some extent on local taxes in addition to their user income. In fact, a *Wisconsin State Journal* article (January 2, 1980) reported that there is a $10 million backlog in airport projects because of lack of money. Wisconsin DOT is "urging more communities to do it [airport improvements] on their own, if they can."

Using Dane County Regional Airport as an example, the following table indicates the sources of its revenues. Revenues for Dane County Regional Airport were $1,553,497 and expenditures were $1,344,474 in 1978, while revenues in 1979 were estimated at $1,900,000 and expenditures at $1,698,004.

Table 44: Dane County Regional Airport: 1978-80 Revenues

Area	Actual 1978	Projected Total 1979	Projected Total 1980
General Aviation			
Ground Rent: Facilities	$ 75,073	$ 90,151	$99,529
Gas & Oil Commission	52,697	73,011	79,933
	127,770	163,162	179,462

Area	Actual 1978	Projected Total 1979	Projected Total 1980
Airline Terminal Complex			
Office/Ops/Space Rent	135,891	203,324	233,667
Commissions	212,783	270,096	309,052
Security Reimbursement	63,724	70,444	77,400
Air Cargo Site	25,187	25,169	26,541
U.S. Weather Service	0	16,950	18,600
	437,585	585,983	665,260
West Parking Lot			
Stall Rent	15,496	19,800	19,800
Auto; Meter; Taxi	334,024	380,714	606,942
Limo; Bus	4,919	4,202	8,995
Fines	19,976	21,279	15,000
Borrowing Proceeds Public Parking Lot	0	273,000	0
	374,415	698,995	650,737
Landing Area			
Land Fees-Scheduled	334,134	391,488	428,437
Non-Sched.	7,852	8,025	8,586
Military Contract	14,875	18,000	18,000
CFR Overtime	3,500	0	0
Miscellaneous Reimb.	2,309	1,950	2,000
Federal Aid Reimbursement	0	0	101,068*
	362,670	419,463	558,091
Industrial Facilities			
Air Park Revenue	251,057	270,752	305,295
TOTAL REVENUES	$1,553,497	$2,138,355	$2,358,845

*04 Project — $58,120; 05 Project — $42,948.
Source: Dane County, Office of the County Executive, Dane County Regional Airport's estimate of revenues, data supplied October 1979.

D. Railroads

As of January 1, 1978, there were 15 railroads in the state with 5,683 road miles (measurement of stone road bed in miles) or 8,620 track miles. These figures do not include Amtrak since Amtrak uses the tracks of other railroads. Six of the railroads are first class roads (operating revenues of $50,000,000 or more) with a mileage of 5,381.5 ("Wisconsin Railroad Plan", 1978, Wis. DOT).

Unlike motor, air and water carriers, the railroads own their own roadbeds. Hence, until the creation of the state Transportation Fund in 1977, there was no segregated fund collecting and expending user taxes on railroads. The ad valorem tax imposed on railroads and air carriers, which is now being deposited in the Transportation Fund, moreover, is not a user tax; it has always been considered a general revenue tax levied in lieu of income and property taxes.

FEDERAL AID

Although railroads did pay federal user taxes — a freight waybill tax between 1942 and 1958 and a passenger ticket tax between 1942 and 1970 — totaling over $5 billion, these taxes did not go into any special fund for the railroads' benefit, but were treated as general revenue. The other carriers were also subjected to these taxes, which are still retained on air carriers, but which now go into the Airport and Airway Trust Fund.

The rise of the other modes of transportation, however, all of which were differently regulated, taxed and subsidized, caused serious problems for the railroads. As a result of their financial difficulties, several significant measures have been enacted by Congress in recent years which involve various types of assistance to railroads, notably the passage of the so-called "3R" and "4R" Acts and the creation of Amtrak. Wisconsin railroads have been affected by all these measures, and Wisconsin government has responded with greater participation in the efforts to mitigate the problems.

Before reviewing current efforts to help the railroads, it might be well, in passing, to mention early federal assistance. It should be noted, for example, that the famous 19th century land grants to various railroads (1850-71) amounted to about one-half billion dollars, but were doubly repaid in reduced rates (50%) charged the Federal Government for transporting federal freight and passengers ("Study of Federal Aid to Rail Transportation", U.S. DOT, pp. III-3-10). The land grants and other federal aids to railroads between 1824 and 1945 still resulted in the Federal Government being "a net beneficiary of its railway aid program."

Federal expenditures on transportation and revenues therefrom during the history of such programs have been (pp. III-31-33):

Mode	Percent of Obligations Since WWII (1945-75)	Obligations	User-Related Revenues
Highway	$91.8	$88,8 billion	$99.1 billion
Air	95.8	26.0 billion	7.1 billion
Domestic water	72.7	14.7 billion	0.2 billion
Rail	70.3	1.8 billion	6.1 billion
			$112.5

Thus, as far as federal expenditures are concerned, highways and rail have paid their way, while air and water carriers have not. In terms of net direct federal expenditures minus user tax revenues, "it would appear that the preferential impact of Federal financial promotion has been centered primarily in the air and water modes."

1. Regional Rail Reorganization Act of 1973 ("3R" Act)

The Regional Rail Reorganization Act of 1973 (Public Law 93-236) was enacted to reorganize the bankrupt railroads in the northeastern part of the United States into a new, self-sufficient system. The result was the establishment of the Consolidated Rail Corporation (ConRail), which was intended to be a for-profit corporation. Because of the car ferries operated by the Ann Arbor Railroad and the Grand Trunk Western Railroad between Michigan and Wisconsin, Wisconsin was designated a "contiguous" state. It thus became eligible for federal assistance in the operation of the ferries.

Although rail lines not considered essential were excluded from ConRail, they could receive service continuation subsidies. As a contiguous state, Wisconsin was required to submit to the Federal Railroad Administration a state rail plan evaluating the feasibility of retaining lines excluded from ConRail. The Ann Arbor car ferry between Kewaunee, Wisconsin, and Frankfort, Michigan, did not become part of ConRail, but the State of Michigan leased it from the Ann Arbor trustees and contracted with ConRail for its operation. Both Michigan and Wisconsin subsequently received a rail assistance subsidy for the car ferry.

The funds available to a state under the act depend upon the ratio of rail mileage in the state to total rail mileage in all the states in the region. Fifty percent of the funds were provided on a 70% federal and 30% state matching basis to all such states; 50 percent were discretionary financial assistance funds, for which a state must contribute at least 30 percent. In the original act federal funding for the entire program was $90 million for each of two fiscal years (Sec. 402 of the act).

If a state eligible under Sec. 402 or a locality in the state purchases any rail properties, Section 403 of the act provides loans not exceeding 70 percent of the purchase price. Recipients of loans are no longer eligible for rail continuation subsidies. They are eligible for additional assistance, not exceeding 70 percent of the cost, for restoring and repairing such rail properties.

The Wisconsin budget act, Chapter 29, Laws of 1977, as amended by Chapter 418, authorized the state Department of Transportation "to plan, promote and engage in financial assistance programs for continuing, restoring and operating Lake Michigan rail and car ferry and rail branch line transportation services" [Sec. 85.08 (2) (b)] and to "administer a program of financial assistance for the purpose of matching federal moneys made available to the state for assisting continuance or restoration or operation of Lake Michigan rail and car ferry services and railroad branch line transportation services. The department shall maximize the use of such available federal aids to assist in preserving rail service wherever feasible and appropriate" [Sec. 85.08 (4)].

Wisconsin has received federal assistance of $3,915,318 under the "3R" Act for the Ann Arbor car ferry operations and projects. This sum covers the period from April 1976 until June 1981, but $2,442,000 of the federal subsidy was for operations through March 1978; the remainder is for other special ferry projects. State matching funds totaled $247,287. The federal entitlement for fiscal 1979 was $1,222,431, while the state match was $305,608.

2. Railroad Revitalization and Regulatory Reform Act of 1976 ("4R" Act)

The purpose of the federal Railroad Revitalization and Regulatory Reform Act of 1976 (Public Law 94-210) was to rehabilitate and maintain the physical facilities of railroads and restore their financial stability.

Grants to states — Section VIII expanded the rail service continuation assistance program of the "3R" Act beyond the northeastern region and made funds in the amount of $360 million available nationwide in a 5-year program. Financial assistance was made available to the states for rail freight assistance programs to cover the costs of rail service continuation payments, purchasing a line to continue service, rehabilitating rail properties, and reducing the costs of lost rail service through substitute services.

The amount of funding available to a state depends upon the ratio of eligible railroad mileage in the state to the total eligible mileage in the nation, with no state getting less than one percent of all entitlement funds. States or localities provide matching funds, but matching funds from groups of rail users or shippers may also be used. During the first year (fiscal 1977), the federal share was 100%, 90% during the second year (fiscal 1978), 80% in fiscal 1979, and up to 70% in fiscal 1980 and 1981.

Since Art. VIII, Sec. 10 of the Wisconsin Constitution forbids the state, with certain exceptions (highways, airports, port facilities and veterans' housing) from engaging in works of internal improvements, there are limitations on the state's efforts to help the railroads. It can spend money, however, for continuance and operation of services. Under the "4R" Act the state received through fiscal 1978, $406,000 in federal assistance. The state also received a planning grant of $100,000 for fiscal 1977 (including June 1976), of which the Federal Government paid 100% of the grant; and a grant of $74,541 for fiscal 1978, which required a 10% match by the state ($8,283). In addition, the state has received $80,000 under "4R" for the new Brillion short line railroad (the B & FJ), which was matched locally by 10% ($11,000).

The "4R" Act was amended by the Local Rail Service Assistance Act of 1978 (P.L. 95-607). The federal entitlements for fiscal 1979 in Wisconsin totaled $1,597,820, with a state match of $399,455. These entitlements were allocated as follows:

Program	Federal Entitlements	State Matching Share
City of Brillion for railroad	$ 72,000	$ 18,000
Railroad planning	52,000	13,000
Forest Transit Commission (for Nicolet Badger Northern Rd.)	200,000	50,000
Ann Arbor Ferry	1,222,431	305,608
Administration	51,389	12,848

Redeemable preference shares of railroads — The "4R" Act also established a Railroad Rehabilitation and Improvement Fund to provide capital necessary to assist railroads for facilities' maintenance, rehabilitation, improvements and acquisitions [Title V, Sec. 502 (a)]. Deposited in the Fund are proceeds from the sale of Fund anticipation notes to the Secretary of the Treasury, congressional appropriations, proceeds of the sale of Fund bonds, redeemable preference shares issued by the railroads and purchased by the Secretary of Transportation plus dividends and redemption payments on such shares, and investment income. The Federal Railroad Administrator (on behalf of the Secretary of Transportation) purchases redeemable preference shares (securities issued by the railroads to obtain financing) from the railroads with funds obtained from the Secretary of the Treasury by selling Fund anticipation notes to the latter. When the Secretary of Transportation approves an application for financial assistance, he enters into a financing agreement with a railroad. If a railroad is not in reorganization under the Federal Bankruptcy Act, financing is in the form of purchase of redeemable preference shares of such railroad. If a railroad is in bankruptcy reorganization, the Secretary may purchase not only redeemable preference shares, but may also purchase trustee certificates issued by the railroad and approved by the reorganization court.

The Secretary of the Treasury could purchase Fund anticipation notes until September 1, 1979 in an amount not to exceed $700 million. Of this amount, $100 million was added by the Powerplant and Industrial Fuel Use Act of 1978 to upgrade marginal and branch line physical plant and equipment to carry coal and coal products. Through fiscal year 1979, $490 million had been appropriated for the purchase of Fund anticipation notes.

The Secretary may also issue Fund bonds in total amounts authorized by Congress to redeem the outstanding Fund anticipation notes as he determines.

Obligation guarantee fund — Further, the Secretary is authorized to guarantee obligations (such as bonds, notes, equipment trust certificates, security agreements, and others), the proceeds of which have been or will be used for acquisition, rehabilitation or improvement of railroad facilities and equipment.

An obligation guarantee fund was also established (Sec. 511) as a revolving fund, and the obligations guaranteed were not to exceed $1 billion at any one time. Investigation charges are collected from applicants, and annual premium charges are collected from the obligor (the debtor) on each obligation guaranteed, which are deposited in the obligation guarantee fund and may be used for administrative costs.

The Secretary may issue notes or other obligations to the Secretary of the Treasury whenever the moneys in the obligation guarantee fund are insufficient to pay any amounts necessary because of the default of an obligor. To purchase such obligations, the Secretary of the Treasury may use the proceeds of the sale of any securities issued under the Second Liberty Bond Act. The Secretary of the Treasury, in turn, may sell such obligations. Any funds obtained are deposited in the obligation guarantee fund.

Of railroads that extend into Wisconsin, the following applications were received and executed as of September 30, 1978:

Table 45: Applications Received and Agreements Executed
as of September 30, 1978

	($ in millions) Preference Shares		Obligation Guarantees	
By Applicant	Applications (s)	Agreement	Application (s)	Agreement
Chicago, Milwaukee, St. Paul and Pacific Railroad Company	$ 33.8	$ 33.8	$ 21.4	$21.4
Chicago and North Western Transportation Company	147.5	147.5	555.7*	17.6
Illinois Central Gulf Railroad Company	164.7	107.9		

*Includes $531.9 million for Coal Line Project. Amendment reducing both scope and dollar amount being prepared by C&NW.

Source: U.S. Department of Transportation, "Annual Report to the Congress on the Railroad Rehabilitation and Improvement Fund and the Obligation Guarantee Fund, pursuant to Section 515 of the Railroad Revitalization and Regulatory Reform Act of 1976", Exhibit 1.

3. Emergency Legislation

Since 1970 interim emergency assistance was made available to the railroads under three federal acts. The table below gives federal expenditures thereunder from 1970 until April 1, 1976, the date on which ConRail began operations:

Table 46: Federal Aids, 1970-1976
(In millions of dollars)

	Loans Guarantees	Direct Loans	Grants	Other
Emergency Rail Services Act of 1970	106[1]			
Emergency Rail Facilities Restoration Act		26		
Regional Rail Reorganization Act of 1973, as amended			264	285

[1]$102.4 was drawn down; there have been defaults on maturities of $52.4.

Source: U.S. House of Representatives Committee on Ways and Means, hearings, "User Taxes for the Inland Waterways of the United States", July 21 and 22, 1977, p. 13.

4. Amtrak

The National Railroad Passenger Corporation, created by the Rail Passenger Service Act of 1970 (Public Law 91-518 and subsequent amendments), and better known as Amtrak, began operation May 1, 1971. The corporation was originally intended to be a for-profit corporation, not an agency of the U.S. Government, and was created for the purpose of providing a basic system of intercity rail passenger service. The Secretary of Transportation established the original basic system and submitted it to Congress. The corporate structure, however, is unusual. The Secretary of Transportation and the president of the corporation are ex officio members of the board of directors, the President of the United States appoints eight members, while three of the remaining members are elected by the common stockholders (other railroads), and 4 by the preferred stockholders (none to date). Initially, common stock could be issued only to railroads and preferred stock only to persons other than railroads. In return for being relieved of the responsibility of maintaining passenger service, each participating railroad was — for a period of three years — to pay the corporation one-third of 50 percent of the passenger service deficit of the road for fiscal year 1969, such payments to be either in cash or in transfer of rail passenger equipment (lesser sums were payable under certain circumstances). The railroad would then receive common stock from the corporation for such payments. The corporation also contracts with and pays railroads for the use of tracks and other facilities.

Currently, Wisconsin cities being served by Amtrak and connecting to Chicago in the south and Minneapolis-St. Paul in the west are Sturtevant, Milwaukee, Columbus, Portage, Wisconsin Dells, Tomah and La Crosse. Of the two long-distance passenger trains that have traversed Wisconsin, one of them, the North Coast Hiawatha, was discontinued in October 1979. An additional Amtrak route, which is being subsidized by the State of Minnesota and the Upper Great Lakes Regional Commission, runs from the Twin Cities to Duluth-Superior. There are also two non-Amtrak, commuter runs between Chicago and Walworth operated by the Milwaukee Road and between Chicago and Kenosha operated by the Chicago and Northwestern Railroad.

A state, local or regional agency may request rail passenger service beyond the basic system if it reimburses the corporation for a "reasonable portion" of any losses, interpreted to be no less than 66.66%, nor more than the solely related costs and associated capital costs, less revenues attributable to such service. After July 1, 1973, the corporation could discontinue, under certain procedures including notification of the governors of the states through which a train runs, any part of the basic system not deemed necessary. The service may not be discontinued if state, regional or local agencies reimburse it.

The loss of railroad passenger service in Wisconsin was considerable when Amtrak took over rail passenger operations. Nevertheless, the Wisconsin Department of Transportation concluded in its "Wisconsin Railroad Plan" for December 1978 that analysis of the situation led to the conclusion that "over the short range period, Wisconsin undertake no new Amtrak service extensions, unless energy availability changes significantly, or unless substantial trackage improvements are made." This, of course, was made prior to the most recent energy crisis.

At a subcommittee hearing of the U.S. House Committee on Interstate and Foreign Commerce in October 1977, then President Reistrup of Amtrak stated that since 1971 Amtrak has received over $2 billion in federal operating support (averaging $344 million per year) and $1.2 billion ($206 million per year) for capital improvements.

Amtrak's revenues, expenditures and losses in recent years are as follows:

Table 47: Amtrak Revenues, Losses, Federal Operating Grants

	1976	1977	1978
Operating revenues	$277,769,000	$311,272,000	$313,002,000
Operating expenses	665,794,000	784,244,000	830,132,000
Total expenses	715,494,000	842,353,000	890,259,000
Operating loss before federal operating grants	441,343,000	536,693,000	581,652,000
Federal funding for operating losses	379,745,000	482,600,000	536,000,000
Federal funding for capital acquisitions and improvements	12,024,000	226,134,000	156,969,000
Federal funding total	391,769,000	708,734,000	692,969,000

Source: National Railroad Passenger Corporation "1976 Amtrak Annual Report", p. 28; "1977 Amtrak Annual Report", pp. 26, 28; "1978 Amtrak Annual Report", pp. 30-32.

In September 1979 Congress adopted a conference report authorizing Amtrak appropriations of $912.7 million for fiscal 1980, $984.9 for fiscal 1981 and $329. for fiscal 1982. The last figure is much lower because it is for capital funds only, not operating funds.

5. Summary

To summarize, the enactment of the Rail Passenger Service Act of 1970, the "3R" Act of 1973, and the "4R" Act of 1976 has wrought considerable change in the Federal Government's relationship to the rail transport industry. Considering only the financial transactions, not regulatory changes, Amtrak and ConRail are heavily subsidized by the government. The other freight railroads are being aided, when necessary, by a combination of grants to states, federal loans through the purchase of redeemable preference shares, and federally guaranteed loans by private lenders.

An article ("Rail Service Subsidies—A Critical Analysis of the Program" by Mark J. Hirschey in *The Quarterly Review of Economics and Business*, Summer 1978) questioned the method of federal fund disbursement to the states under the rail service continuation subsidy program:

> "Fund allocation among states according to current (1977) track mileage will most likely result in the retention of both privately unprofitable and socially undesirable branch-line services within certain states, at the expense of higher priority services elsewhere. In addition, current subsidy agreement criteria provide only limited incentives for operating carrier efficiency on subsidized services. It is possible that substantial subsidy contract cost overruns could be avoided through adoption of an incentive contract alternative to the current subsidy program."

State Aid

1. Wisconsin Laws

The most significant efforts to date by the State of Wisconsin to provide some form of railroad assistance have been through the passage of Chapters 29 and 418 (budget and budget review), Laws of 1977, and Chapter 34 (budget act), Laws of 1979. In addition to matching federal funds for continued car ferry service on Lake Michigan [Sec. 85.08 (4)], Section 85.08 (4g) of the statutes was created by the 1977 legislation to authorize the Department of Transportation to make grants to municipalities in order to reimburse them for moneys expended for the continued operation or improvement of service on railroads.

Section 85.08 (4m) was created to authorize the department to make loans to localities for the purchase of rail property improvements and to make grants to a locality to which it has made a loan for the purchase of a right-of-way.

Section 195.199 (2) gave the department the right to acquire abandoned railroad rights-of-way for transportational, recreational, or scenic purposes. A railroad may not convey such property prior to abandonment unless it is to be used for rail service.

The 1977-79 biennial appropriations for the above authorizations were:

Municipal rail service grants	$100,000
Railroad right-of-way acquisition general program operations, state funds	356,200
Railroad right-of-way acquisition, state funds	4,436,400
Railroad property improvements loans, state funds	2,200,000

The above appropriations were made from the Transportation Fund.

1979 Chapter 34 amended the above statute sections so that Sec. 85.08 (4) provided for a program of matching funds for the car ferry operations but deleted the reference to branch lines. Sec. 85.08 (4g), granting funds to municipalities, was repealed. Sec. 85.08 (4m) (c) was amended to provide for grants instead of loans for rehabilitation and purchase of rail property improvements. Sec. 85.08 (4m) (d) was created to provide a grant program for rail branch line operating assistance. Such assistance is not to exceed 50% of the operating deficit for a 3-year period, but may be extended for an additional 3 years. Sec. 85.08 (4m) (e) was created to authorize the Department of Transportation to advance capital to rehabilitate branch rail lines.

The 1979-81 biennial appropriations of state funds (excluding federal) for the above authorizations are:

Railroad continuation	$1,400,000
Railroad abandoned property acquisition	5,900,000
Railroad property improvement grants	3,400,000
Railroad capital advances	3,750,000

2. Wisconsin Constitutional Provisions

Before we leave the consideration of state aids to railroads, the previously mentioned constitutional limitations on such aid need to be explained in a little more detail. Article VIII, Section 10 prohibits contracting debt for internal improvements or being a party in carrying out such works, but permits appropriations to be made from the state treasury for the construction or improvement of highways, airports or other aeronautical projects, veterans' housing, or the improvement of port facilities. Section 7 (2) (a) prohibits the state from contracting public debt except for acquiring, constructing, developing, extending, enlarging or improving land, waters, property, highways, buildings, equipment or facilities for public purposes and for veterans' housing loans.

A proposed constitutional amendment defeated by the electorate in November 1976 would have changed "highways" to "transportation facilities" in Section 7 and would have substituted "transportation facilities" for highways, airports and port facilities in Section 10.

Thus, as the Wisconsin Constitution now stands, the state may spend money on those specified forms of transportation, but not on railroads. These limitations, however, apparently do not prevent the state from buying track and equipment and leasing them to others to operate or making grants or loans to municipalities to enable them to buy or operate rail lines. Wisconsin case law has held that the prohibition on internal improvements does not apply to municipalities.

All internal improvements were banned until a 1908 constitutional amendment provided for a highway system. The airport exception came in 1945, and the improvement of port facilities came in 1960.

Certain federal funds under the "3R" Act, however, could not be obtained because of the inability of the state to put up matching funds, nor could the state help finance an extension of Amtrak into the state.

The Wisconsin Supreme Court in 1915 [*State ex rel. Owen v. Donald*, 160 Wis. 21 (1915)] gave the following definition of works of internal improvement:

> "'Works of internal improvement,' as used in the constitution, means, not merely the construction or improvement of channels of trade and commerce, but any kind of public works, except those used by and for the state in performance of its governmental functions, such as a state capitol, state university, penitentiaries, reformatories, asylums, quarantine buildings, and the like, for the purposes of education, the prevention of crime, charity, the preservation of public health, furnishing accommodations for the transaction of public business by state officers, and other like recognized functions of state government."

E. Ports, Harbors, Inland Waterways

FEDERAL EXPENDITURES

As we noted in Chapter VI, "Federal Taxation of Transportation Modes", water carriers paid no user charges for their right-of-way until the enactment of a 1978 law which imposed fees beginning in October 1980. In the absence of such charges, maintenance of the inland waterways has been carried out by the Federal Government. Former U.S. Secretary of Transportation Brock Adams stated during House committee hearings in July 1977 that "The total cost last year in this operation was over $1 billion. That is not just costs attributable to commercial operations, but when you get into this whole operation, the costs are over $1 billion."

Estimated navigation expenditures by the U.S. Army Corps of Engineers in fiscal years 1974 and 1975 are as follows:

Table 48: U.S. Army Corps of Engineers
Estimated Navigation Expenditures/Fiscal Years 1974 & 1975*
(Millions of Dollars)

	FY 1974			FY 1975		
	Construction	O&M	Total	Construction	O&M	Total
Inland and Intracoastal Waterways	256,8	136.4	393.2	282.0	136.8	418.8
Coastal Channels and Harbors	46.4	133.9	180.3	48.7	143.5	192.2
Great Lakes Channels and Harbors	7.5	24.9	32.4	6.0	57.6	63.6
Total:	310.7	295.2	605.9	336.7	337.9	674.6

Source: Directorate of Civil Works, U.S. Army Corps of Engineers, DAEN-CWO 1976.
*Includes an allocation to the Navigation purpose of 13.6% of nationwide annual construction plus Operation and Maintenance expenditures for multiple projects benefiting navigation. In addition, 25% of the annual construction and O&M expenditures for the major Mississippi River and Tributaries project are included (largely for flood control, not for providing the minimum nine-foot navigation channel).

Source: American Transportation Advisory Council, "Transportation Financial Needs During the Next Decade (1978-1987)", May 1977, p. 30.

The U.S. Army Corps of Engineers develops channel depths and widths, constructs breakwaters, establishes harbor lines and sets the limit to which piers, wharves and bulkheads may extend into navigable waters. The U.S. Coast Guard acts within port areas to maintain safety aids and security. The St. Lawrence Seaway Development Corporation constructs, operates and maintains water navigation works in parts of the Seaway. The Federal Maritime Administration is concerned with promoting shipping, designing ships and granting ship subsidies, while the Federal Maritime Commission administers the regulatory provisions of the shipping laws.

The following table shows *proposed* expenditures for fiscal year 1979 by U.S. DOT and other federal agencies for transportation together with sources of funds. Of the over $19 billion proposed budget, slightly over half came from the General Fund, the rest from trust funds.

Table 49: Illustrative Combined Transportation Account — FY 1979
(in millions of dollars)

	Budget Authority	Outlays
A. Purpose		
1. Ground Transportation		
Highways - DOT	$8,148	$7,811
- Appalachian Highways (est.)	221	200
Public Transportation - DOT	2,865	2,250
- WMATA	19	61
Railroads - DOT	1,573	1,401
- USRA	163	424
Regulation - ICC	69	69
Subtotal, ground transportation	13,058	12,216
2. Air Transportation		
Airways and Airports - DOT	3,091	2,874
Aeronautical Research & Technology - NASA	522	466
Air Carrier Subsidies - CAB	69	69
Regulation - CAB	27	27
Subtotal, air transportation	3,709	3,436
3. Water Transportation		
Marine Safety & Transportation - DOT	1,681	1,459
- Panama Canal	0	2
Ocean Shipping - Commerce	537	531
Navigation - Corps of Engineers (est.)	846	710
Regulation - Federal Maritime Commission	11	10
Subtotal, water transportation	3,075	2,712
4. Other Transportation		
DOT	69	75
NTSB	16	15
Misc.	0	5
Subtotal, other transportation	85	95
GRAND TOTAL	$19,927	18,459

	Budget Authority	Outlays
B. Sources of Funds		
1. Trust Funds and Other User Generated Receipts		
Highway Trust Fund	$7,418	
Airport & Airway Trust Fund	1,078	
Interest on Trust Funds	936	
Miscellaneous receipts (deposited in General Fund)	253	
Waterway User Charges	0[1]	
2. General Fund	9,812	
GRAND TOTAL	$19,497	

[1]Proposal for 1980.
Source: U.S. Department of Transportation, "Transportation Policy for a Changing America", February 6, 1978, Appendix.

As enacted (P.L. 95-335), the appropriation bill for the U.S. Department of Transportation for fiscal 1979 provided the following funding:

Text continues on page 97

Table 50: U.S. Department of Transportation Appropriations, Fiscal 1979

Agency	Appropriation
DEPARTMENT OF TRANSPORTATION	
Office of the Secretary	
Salaries and expenses	$33,050,000
Transportation planning, research, and development	11,450,000
Coast Guard	
Operating expenses	965,318,000
Acquisition, construction and improvements	286,617,000 (of which $3.5 million transferred from Pollution Fund)
Alteration of bridges	14,900,000
Retired pay	173,500,000
Reserve Training	39,000,000
Research, development, test, and evaluation	20,000,000
State boating safety assistance	5,000,000
Federal Aviation Administration	
Operations	1,981,400,000 (of which $300 million from Airport and Airway Trust Fund)
Facilities, engineering and development	18,370,000
	145,000
Facilities and equipment	336,660,000 (from Airport and Airway Trust Fund)
Research, engineering and development	75,100,000 (from Airport and Airway Trust Fund)
Grants-in-aid for airports	550,000,000 (from Airport and Airway Trust Fund)
Operation and maintenance, Metropolitan Washington airports	23,858,000
Construction, Metropolitan Washington airports	5,000,000

Agency	Appropriation
Federal Highway Administration	
Limitation on general operating expenses	169,650,000
Motor carrier safety	12,351,000
Highway safety research and development	9,000,000 (from Highway Trust Fund)
Highway beautification	13,135,000
	18,000,000
Highway-related safety grants	23,000,000 (Highway Trust Fund)
Railroad-highway crossings demonstration projects	40,000,000 (of which $26,666,667 from Highway Trust Fund)
Off-system railway-highway crossings	15,000,000
Territorial highways	6,600,000
	5,500,000
Off-system roads	44,000,000
Safer off-system roads	15,000,000
National Scenic and Recreational Highway	19,000,000 (of which $13 million from Highway Trust Fund)
Access highways to public recreation areas on certain lakes	7,900,000
Federal aid highways	6,950,000,000 (from Highway Trust Fund)
Highway crossing federal projects	16,000,000
Overseas highway	87,100,000 (from Highway Trust Fund)
Project acceleration demonstration program	10,000,000 (from Highway Trust Fund)
Sandhill Crane Wildlife Refuge	4,000,000
Alaska Highway	15,000,000
National Highway Traffic Safety Administration	
Traffic and highway safety	81,620,000 (of which $25,875,000 from Highway Trust Fund)
State and community highway safety	166,000,000 (from Highway Trust Fund)
	1,715,000
Federal Railroad Administration	
Office of Administrator	8,245,000
Railroad safety	23,655,000
Railroad research and development	51,980,000
Rail service assistance	75,040,000
	9,330,000
Northeast Corridor improvement program	455,000,000
Grants to National Railroad Passenger Corporation (Amtrak)	660,000,000
The Alaska Railroad	9,300,000
Railroad rehabilitation and improvement financing funds	170,000,000
	600,000,000
Urban Mass Transportation Administration	
Administrative expenses	18,100,000
Research, development, and demonstrations and university research and training	63,500,000

Agency	Appropriation
Urban discretionary grants	1,250,000,000
Rural and small urban grants	76,500,000
Urban formula grants	553,500,000
Liquidation of contract authorization	1,850,000,000
Projects substituted for interstate system projects	400,000,000
Saint Lawrence Seaway Development Corporation	
Limitation on administrative expenses	1,280,000
Research and Special Programs Directorate	
Research and special programs	24,760,000
The law also appropriated funds to related agencies.	
RELATED AGENCIES	
National Transportation Safety Board	$15,600,000
Civil Aeronautics Board	
Salaries and expenses	27,000,000
Payments to air carriers	68,900,000
Interstate Commerce Commission	70,400,000
The Panama Canal	
Canal Zone Government	74,000,000
Capital Outlay	1,035,000
Panama Canal Company	27,580,000
Department of the Treasury	
Investment in Fund Anticipation Notes	170,000,000
United States Railway Association	
Administrative expenses	23,000,000
Payments for purchase of Conrail securities	300,000,000
Washington Metropolitan Area Transit Authority	
Interest payments	38,142,000
GRAND TOTAL	$19,384,786,000

State Expenditures

There are 18 port cities in Wisconsin, 14 of which are on the Great Lakes (Ashland, Green Bay, Kenosha, Kewaunee, Manitowoc, Marinette-Menominee, Milwaukee, Oak Creek, Port Washington, Racine, Sheboygan, Sturgeon Bay, Superior-Duluth, and Two Rivers). The major ports are Superior/ Duluth on Lake Superior, and Milwaukee and Green Bay on Lake Michigan. Port planning, development, financing, and operation (where not private) are delegated by the state to local governments. A public port is operated either by a municipality or by its board of harbor commissioners. The state plays "only an advisory and promotional role in port development" ("Wisconsin's Great Lakes Ports: Alternative State Policy Options", by Wisconsin Department of Transportation). The Department of Natural Resources reviews Army Corps of Engineers' projects and monitors water quality control, the Department of Business Development promotes business location in the state, and the Department of Transportation may plan for ports, harbors and waterways if requested by a state or local agency. Local port development, however, has been left to municipalities and their boards of harbor commissioners and to private firms.

In 1960 the Wisconsin Constitution was amended (Art. VIII, Sec. 10) to permit state moneys to be used for the improvement of port facilities. This was an amendment to the prohibition on internal improvements article and was a result of the desire to utilize fully the Great Lakes ports as the St. Lawrence Seaway developed. No funds have ever been appropriated nor loan fund established under this constitutional authorization. 1979 Chapter 34, however, created Sec. 85.095 of the statutes, authorizing the Department of Transportation to administer a harbor assistance program. The department may make grants to counties, municipalities or harbor commissions of up to 80% of the funds expended for harbor improvements. State debt may be contracted to fund harbor improvements.

MUNICIPAL EXPENDITURES

As noted in Chapter IV ("Wisconsin Taxation of Transportation Modes"), watercraft employed in interstate commerce pay to their home port an in lieu tax based on tonnage; those not employed in interstate commerce pay a property tax.

A municipality operating a public harbor through a board of harbor commissioners maintains a revolving fund, the "harbor fund", which receives revenues and makes appropriations for its operations.

The Port of Milwaukee is the state's largest. Its Harbor Commission received revenues from its charges and made appropriations as follows:

Table 51: Milwaukee Harbor Commission Receipts and Disbursements

Year	Revenues	Expenditures & Appropriations
1976 actual	$1,426,325	$1,100,295
1977 actual	1,421,770	1,167,645
1978 budget	1,388,900 (est.)	1,504,286
1979 budget	1,389,700 (est.)	1,602,047

Source: Milwaukee Department of Budget and Management Analysis, "1979 Budget Summary City of Milwaukee", pp. 52-53, 173, 182; "1978 Budget Summary City of Milwaukee", pp. 43, 45, 106, 124, 131.

As of December 31, 1977, there were outstanding harbor bonds worth $656,279, and in 1978, $440,871. Capital improvements projects (harbor improvements and dredging) for the Harbor Commission for 1977 totaled $100,000, $185,001 for 1978, and $980,000 for 1979. The receipts and expenditures for operation and maintenance are roughly equal, but major capital items are paid for by the city and would represent a deficit over the long run.

Expenditures for most of the other ports in the state are considered relatively minor.

F. Summary

At the beginning of this chapter we asked: "How are the several modes financed?" Local roads and related facilities appear to be financed to a minor extent by federal aids, to a major extent by state aids — which are primarily derived from user taxes — and by local property taxes. For municipal streets, the primary sources are local general funds, followed by state aids.

Urban mass transit systems in Wisconsin are predominantly publicly owned by the municipality. Over half (about 55%) of the deficits from fare box revenue are made up by federal assistance, not quite a third (about 31%) comes from the state, and 15% from the municipality itself. The state's share comes from the Transportation Fund. The federal share comes both from general revenues and from the Highway Trust Fund.

Federal aid for airports is derived partly from the Airport and Airway Trust Fund and partly from general funds. The state share is appropriated from the Transportation Fund, which includes some revenue from airlines. Local funds are derived from user fees and from general funds.

Federal aids for railroads come from general funds, state aids from the Transportation Fund, which includes some revenue from railroad taxes, and local funds from local sponsors, which may include municipalities, shippers, and rail line operators.

Port construction and maintenance are handled through local user fees and general revenue, while rights-of-way — that is, the waterways — are largely the responsibility of the Federal Government.

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