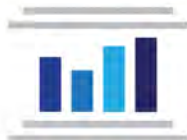


ROAD MAP

*Assessing and funding
Wisconsin's transportation needs*



WISCONSIN
POLICY FORUM

ABOUT THE WISCONSIN POLICY FORUM

The Wisconsin Policy Forum was created on January 1, 2018, by the merger of the Milwaukee-based Public Policy Forum and the Madison-based Wisconsin Taxpayers Alliance. Throughout their long histories, both organizations engaged in nonpartisan, independent research and civic education on fiscal and policy issues affecting state and local governments and school districts in Wisconsin. The Wisconsin Policy Forum is committed to those same activities and to that spirit of nonpartisanship.

PREFACE AND ACKNOWLEDGMENTS

This report was undertaken to provide policymakers, business and civic leaders, and state residents with greater understanding of the fiscal challenges facing the state's transportation system and to inform deliberations about transportation finance over both the short and long term. We would like to thank the Transportation Development Association of Wisconsin, the Metropolitan Milwaukee Association of Commerce, the Wisconsin Economic Development Institute, and the Commercial Association of Realtors Wisconsin for commissioning and helping to fund this study.

Report authors also would like to thank the leadership and staff of the Wisconsin Department of Transportation and the Wisconsin Legislative Fiscal Bureau for providing us with data and information about the state's transportation budget and the quality of its highways.





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December 2024

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INTRODUCTION

Paying for road building and maintenance has been a perennial problem for the state of Wisconsin, and at least once a decade since the 1980s, policymakers have embarked on major studies seeking to help solve it. Early studies commissioned by Governors Lee Sherman Dreyfus and Tommy Thompson identified a gap of 22% (in 1982) and 15% (in 1996) between transportation system needs and available revenue. More recent studies by the Wisconsin Policy Research Institute (now the Badger Institute) in 2011 and a legislatively-created [Transportation Finance and Policy Commission](#) in 2013 estimated the gap at approximately 35%, or in the neighborhood at that time of three-quarters of a billion dollars in annual revenue in each of the following 10 years.

Each report highlighted the importance of the state's transportation system to our economy, the faltering growth in revenues from traditional sources, and the growing costs associated with upgrading Wisconsin's aging infrastructure. Yet the state's transportation and transit budgets are still being squeezed on both sides. First, the Legislature and Gov. Jim Doyle ended the practice of adjusting the state's motor fuel tax for inflation in 2006, curtailing its growth. At the same time, the state started to rebuild some of the most important and expensive assets in its highway system, resulting in 30% growth of the state's investment in highways between 2004 and 2016.

We are not the first to point out these pressures, yet there is still a fresh need to examine them. First, though the basic problem is longstanding, it has yet to be addressed. In addition, state leaders face some new complications and realities, including the eye-popping rise in inflation, the threat to gas tax revenues from the modest but growing adoption of electric vehicles, and the state's increasing use of income and sales tax dollars to fund transportation needs.

The Wisconsin Policy Forum has independently studied these issues with support from the Transportation Development Association of Wisconsin, the Metropolitan Milwaukee Association of Commerce, the Wisconsin Economic Development Institute, and the Commercial Association of Realtors Wisconsin. Our research questions include:

- Should Wisconsin keep relying on increasing amounts of general fund revenue and the transfer of spending programs like transit to the general fund to fund transportation, or should the state return to more traditional revenue sources to fund roads and transit?
- If there is a desire to restore that traditional approach, what are the options to increase transportation user fee revenues – or lower costs – in a way that will provide sufficient revenues to meet the state's projected transportation needs?
- How have other states addressed similar challenges linked to their reliance on motor vehicle fuel taxes and do they have potential relevance for Wisconsin?

This report does not present any easy answers, nor does it put forward any new and unproven strategies. Instead, we seek to inform policymakers by laying out a series of potential investment levels with a range of revenue options to cover those scenarios. In the years to come, state leaders will have to balance the needs of the transportation and transit systems with the impact of taxes, fees, and spending on both state taxpayers and other priorities such as education and health care. We hope this report provides them with points to consider as they seek that compromise.



THE ROAD SYSTEM AND ITS PURPOSE

Wisconsin's [115,000 miles of roads](#) and highways serve as a kind of circulatory system that carries the lifeblood of the state's economy. Here we seek to describe the system along with related assets such as ports and freight railroads, which connect state producers to global markets.

The state's economy leans heavily on manufacturing, agriculture, and timber and forest product industries, which put a premium on the infrastructure needed to move heavy goods over long distances. This is easier said than done in Wisconsin – a state with bitter winters and many population centers.

To serve them, the state's road system breaks down into two complementary networks. The state trunk highway system provides connections between cities across the state and beyond. The local system includes roads and streets within cities and in rural and suburban areas, providing local connections and access to highways. In Wisconsin, roads are owned and managed by the state, counties, cities, villages, and towns. Wisconsin ranks 19th in lane-miles per person, with more than most states east of the Mississippi. This ranking suggests a greater than average need for road investments compared to other states.

The state trunk highway system comprises the fewest miles but carries the most traffic. It accounted for a majority (55.9%) of the total vehicle miles driven in 2022, but includes only 11,749 centerline miles, or 10.1% of state and local roads. The state trunk system includes highways such as Interstate 94 in western and southern Wisconsin, U.S. Highway 2 running across northern Wisconsin, and numbered state highways such as State Highway 26 in southeastern Wisconsin (see Figure 1 on the next page). This system was largely completed decades ago through state and federal efforts, and the state has been rebuilding and expanding the system and making it safer ever since.

The remaining 104,037 miles of roads in the state make up the local system. These include lettered county highways, which account for 17.0% of all state road and highway miles. The streets and roads running through towns make up 53.1% of the total, and those in cities and villages account for 18.2%. While local roads carry far less traffic per mile, they are still vital to the communities they serve and the broader network, giving motorists efficient access to anywhere in the state and ultimately to nearly anywhere in the country and beyond.

How Many Miles?

In this report, we use two measurements of highway miles. **Centerline miles** are the distance from one point to another on a road regardless of its number of lanes. **Lane miles** are the distance between two points multiplied by the number of lanes in each direction. So, a 10-mile stretch of four-lane road would have 10 centerline miles and 40 lane miles. In this report, "miles" mean centerline miles unless otherwise specified.

Managing and Overseeing the Transportation Network

The primary responsibility for managing the state's network of roads and other transportation infrastructure falls to the Wisconsin Department of Transportation (WisDOT). The secretary of this



cabinet agency is appointed by the governor and confirmed by the state Senate. The department employs more than 3,000 people and has a 2025 budget of \$3.6 billion.

The agency manages construction projects on the state trunk system and contracts with counties for routine system maintenance and upkeep activities on the state system, such as snowplowing and mowing. The DOT is responsible for planning future system expansions to handle

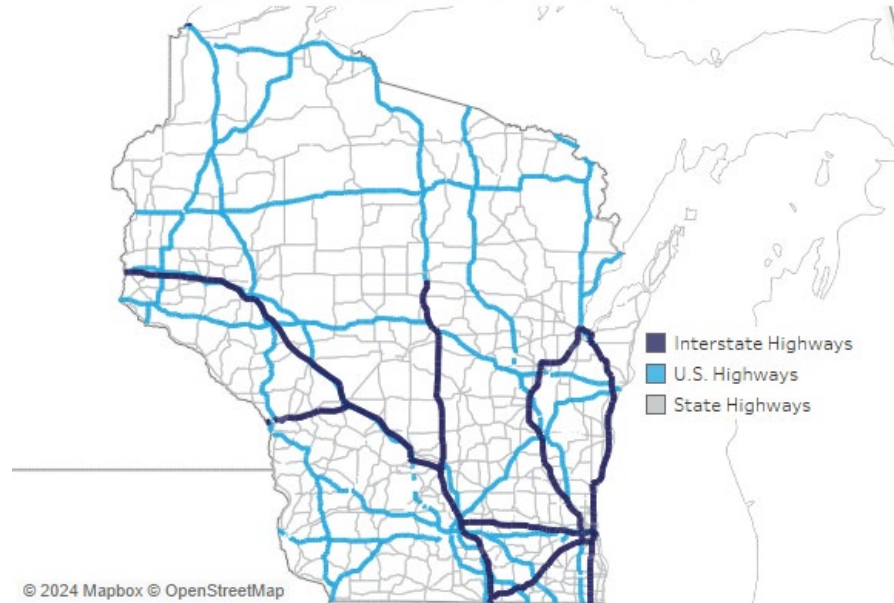
additional traffic and improve highway safety, and leads the environmental review process for these projects. The department also passes on hundreds of millions of dollars in state funding to local governments for transportation projects and operations. The agency receives most of the federal transportation funds allocated to the state, both to finance state projects and to pass on to local governments. Highway planning, construction, and operations for the DOT are managed through regional offices spread across the state. In addition, the State Patrol and Division of Motor Vehicles (DMV) together are responsible for enforcement of traffic laws on the highways and vehicle regulation and registration, with DMV service centers located in every county of the state.

At the local level, counties and municipalities are responsible for building and maintaining local networks along with the infrastructure that accompanies them such as bridges, streetlights, ditches, and storm sewers. These local transportation and public works departments frequently work with the state on project planning and design, and are partly supported by state and federal aid.

Ports, Freight Rail, and Airports

The state's more than [3,300-mile freight rail](#) network and 29 commercial ports also complement the highway system and are especially important to the state's strong manufacturing and agriculture sectors. Each year, nearly 37 million tons of cargo is shipped from [Superior, Milwaukee, and Green Bay](#), the largest ports in the state. Wisconsin's eight commercial and 90 general aviation airports complement the rest of the multi-modal system, providing worldwide access to citizens and businesses. The DOT supports these systems with grants for facility improvements such as dredging, runway construction, or freight rail line rehabilitation.

Figure 1: Wisconsin's 11,749-Mile State Trunk Highway System
Wisconsin's interstate, U.S., and state trunk highways



Source: Wisconsin Department of Transportation



Impact on Wisconsin's Economy and Way of Life

The same winter weather that makes it costly to maintain the state's roads can also demonstrate their worth in powerful ways. Blizzards sometimes temporarily limit travel on local and state roads and in rare cases block it altogether. These storms can impede commerce by delaying shipments of all kinds such as milk trucks that must visit dairy farms on a daily basis. They can even endanger lives by impeding the travel of ambulances and other emergency vehicles. In these moments, the value and necessity of the road system become clear.

Infrastructure investments like highway, rail, and transit projects generate [economic activity](#) by creating construction jobs and boosting sales of materials and equipment. Although any publicly funded construction project will create similar, temporary benefits, transportation investments have been historically associated with longer-term, broader economic growth by bringing employees to workplaces, students to schools, and consumers to retail destinations. Roads bring raw materials to factories and finished products to market.

As the United States grew and improved its road and highway systems over the generations, the country saw massive improvements in mobility of people, goods, and raw materials, and consequently economic growth in multiple sectors. Today, new highway projects focus mostly on maintaining or upgrading existing connections, improving safety, and ensuring past gains are not eroded. At the state and local levels, however, investments in one area can still draw economic activity to a given region and away from others.

It is worth noting that the present road system facilitates hundreds of billions of dollars of economic activity in the state each year, including [\\$28.0 billion](#) in exported goods alone. Wisconsin also exported [\\$3.9 billion](#) in food, forestry, and agricultural products in 2023, which sometimes must move quickly to avoid spoilage. In an era of increased remote work, roads may be somewhat less necessary for white-collar workers. Yet most workers still need to travel to their workplaces daily and technology can also create additional uses for the roads such as the rise in deliveries of products purchased online. The roads – and their condition – remain critical for the state.



TRANSPORTATION REVENUES HIT THE BRAKES

Over the past two decades in Wisconsin, growth has slowed for the user fee revenues that traditionally have funded state transportation spending. This slowdown has been driven by [the repeal in 2006](#) of a state law linking the tax rate on gasoline and other fuels to inflation. With this change, the purchasing power of the state’s primary source of transportation revenue has been eroded by rising prices, particularly in recent years. Increases in registration and title fees on vehicles have only partially offset the state’s lagging gas tax revenues.

From 2007 to 2017, Wisconsin turned to borrowing to bolster its transportation funding, only to face rising debt. Since 2015, the state has shored up transportation funding by drawing on greater and greater revenue from general taxes such as those on income and sales.

Years in this report generally reference state fiscal years. The current 2025 fiscal year runs from July 1, 2024 to June 30, 2025.

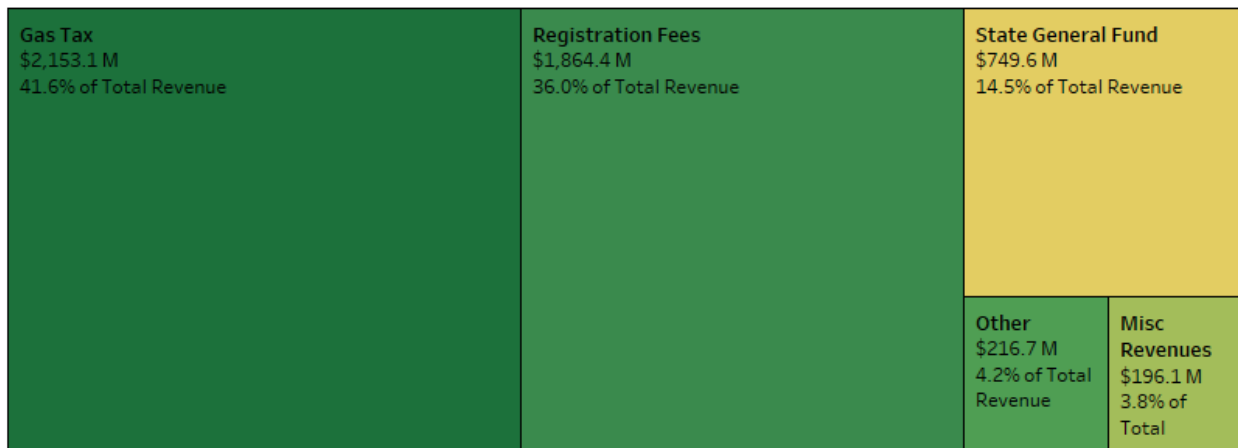
For a time, this strategy has worked because of large general fund surpluses, and this help remains a feasible option in the state’s next two-year budget starting in July 2025. However, slowing growth in sales taxes and other general fund revenues will make this approach a trickier proposition in the future, likely forcing state officials to choose between funding transportation and addressing traditional general fund priorities such as education and health care.

Overall Transportation Fund Revenues Lag

The transportation fund is the primary vehicle for financing infrastructure spending in Wisconsin, taking in \$5.2 billion in projected state revenues over the current two-year state budget from the state tax on motor fuels, vehicle registration and title fees, driver’s license fees, transfers from the general fund, and revenue from some utility taxes (see Figure 2). User fees and taxes on motorists are the largest sources, ensuring roads are mainly paid for by those who use them. These revenues are segregated away from other state funds, and a state constitutional amendment approved by voters in 2014 requires them to be used for transportation purposes.

Figure 2: Gas Tax and Vehicle Registration Fees Dwarf Other Sources

Projected transportation revenue by source, 2023-25 Wisconsin budget



Source: Wisconsin Department of Transportation

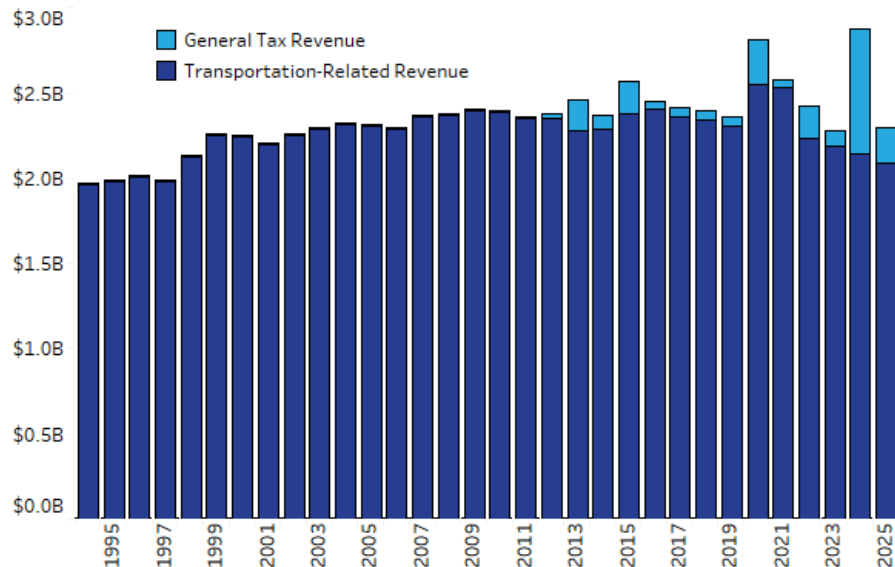


Looking at the most recent two-year state budget, revenue from the gas tax and registration fees make up nearly 77.6% of the state’s transportation funds. Transfers from the general fund make up the next largest portion, accounting for 14.5%. Other transportation revenues such as driver’s license fees and taxes on railroads and petroleum pipelines make up about 8% of total funding.

Even without adjusting for inflation, growth in transportation funding has slowed substantially. Revenues rose from \$1.05 billion in fiscal year 1997 to \$1.61 billion in 2007 – the last fiscal year to see a revenue boost from the state’s previous policy of tying the gasoline tax to the rise in consumer prices. Adjusted for inflation, revenues actually fell slightly from \$2.37 billion in 2007 to \$2.28 billion in 2023 (see Figure 3). Inflation has essentially eroded the new revenue from a 2019 registration and title fee increase (which we discuss below).

Figure 3: Without Help from General Taxes, Inflation-Adjusted Revenue for Transportation Would Be Lowest Since 1998

Total transportation revenue by fiscal year, 1994 to 2025, adjusted to 2023 dollars



Source: Wis. DOT. Note: 2024 and 2025 are budgeted amounts adjusted assuming 3.0% inflation.

However, these numbers fail to account for the revenues essentially transferred from the state’s general fund that have boosted transportation funding in recent years. The general fund takes in revenue from taxes such as those on individual income, general sales, corporate profits, and cigarette purchases and uses it to pay for priorities such as education, health care for low-income residents, property tax relief, prisons, and local services. Without these general tax revenues, inflation-adjusted transportation funding in 2023 would have hit its lowest point since 1998.

A Look at Individual Transportation Fund Revenue Sources

Transportation user fee revenue grows when there are more cars on the road driving more miles, or if the rates for the gasoline tax or other fees increase. There has been little growth in traditional transportation revenues over the past 20 years, with most of the increases due to vehicle registration and title fees (see Figure 4 on the next page). Here we examine the trends for gas taxes and registration fees – the largest transportation funding sources – as well as borrowing and general fund transfers.

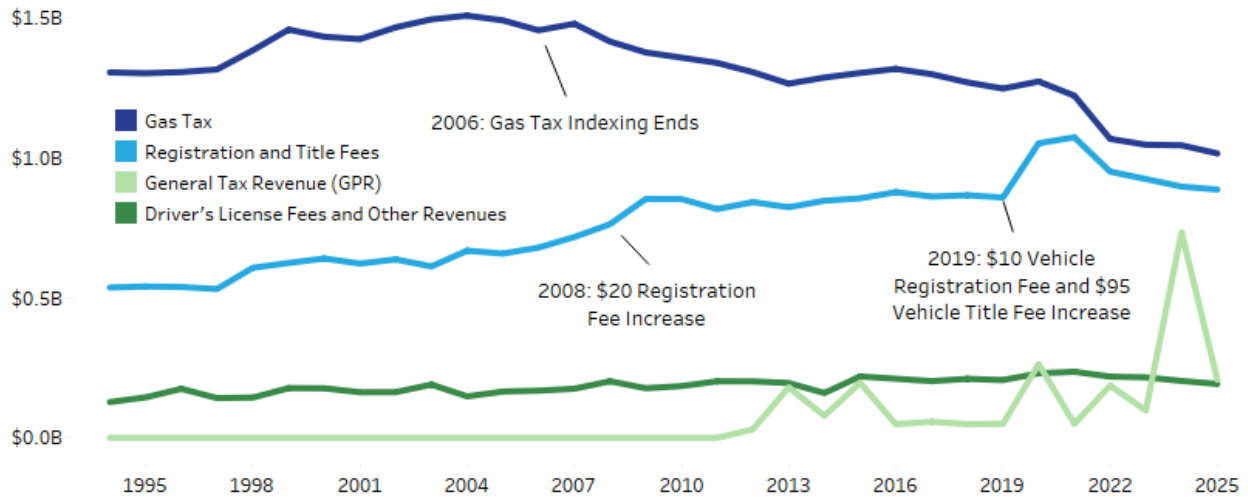
Gas Tax Trends

Wisconsin taxes gasoline and diesel fuel sales at 30.9 cents per gallon, with an added petroleum inspection fee of two cents per gallon. The tax rate was indexed to inflation from 1985 until 2006. Nominal gas tax collections rose by an average of 3.8% annually from fiscal 1997 until indexing



Figure 4: State Gas Tax Has Not Kept Pace With Inflation Since 2006

Major state transportation fund revenue sources, state fiscal years 1994 to 2025, adjusted for inflation to 2023 dollars



Source: Wisconsin Department of Transportation. Note: 2024 and 2025 are budgeted, adjusted for inflation in those years assuming 3.0% inflation.

ended in 2006. Since then, revenue from the tax has only grown 0.5% per year, or a total of 8.7% before adjusting for inflation. Even without adjusting for inflation, gas tax collections actually fell from \$1.0 billion in 2007 to \$969 million in 2023 (see Figure 4).¹

These lagging tax collections can be explained largely by the flat tax rate and slow growth in driving and gasoline consumption in the state. In 2005, Wisconsin residents drove an estimated 60 billion miles, and by 2022 that had grown to 66 billion miles, an increase of only about 0.5% per year. The Federal Highway Administration projects vehicle miles traveled to grow nationally by at most [0.8% per year over the next three decades](#), providing little reason to expect strong gas tax revenue growth.

Together with the slow growth in driving, the rise of electric, hybrid, and more fuel-efficient vehicles may undermine the future of the gas tax. However, this erosion in the actual number of gallons of gasoline purchased may occur more slowly than many expect. The gas tax could likely serve as a viable funding source for years to come, depending on the rate set by state policymakers.

The effective fuel efficiency of vehicles driven in Wisconsin only increased by 3% between 1992 and 2023.² In 1992, there were 18.2 miles driven for every gallon of gas sold and by 2022 this figure had only increased to 18.8 miles (see Figure 5 on the next page). In fact, if the state had not repealed indexing, the gas tax would have generated \$360.7 million more in 2022. The Legislative Fiscal Bureau estimates the state would have collected an additional \$2.9 billion from April 1, 2007 through June 2022, assuming no impact to gasoline usage from the higher cost at the pump.

The slow increase in fuel efficiency can largely be attributed to the growing popularity of larger vehicles over the [past 30 years](#), particularly in Wisconsin. Nationally, this same ratio of miles driven

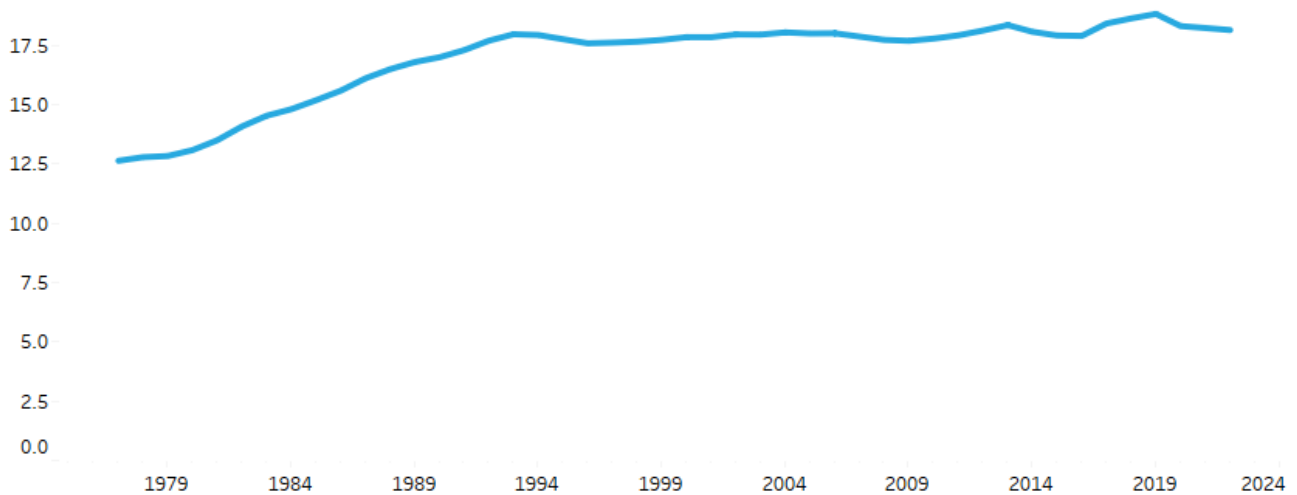
¹ While the repeal of motor fuel tax indexing was approved by lawmakers and signed into law by Gov. Jim Doyle in 2005, the measure was not effective until spring 2006. Because of the timing of state fiscal years, 2007 was the last fiscal year to see the impact of an increased motor fuel tax rate on total annual revenue.

² We calculated average fuel efficiency in Wisconsin by dividing WisDOT estimates of miles driven in the state by Department of Revenue estimates of gallons of motor fuel sold.



Figure 5: Ratio of Miles Driven per Gallon of Motor Fuel Sold in Wisconsin Has Not Changed Much Since 1992

Estimated number of vehicle miles traveled in Wisconsin per gallon of gasoline and diesel fuel sold in the state by calendar year



Sources: Wisconsin Department of Transportation and Department of Revenue. Note: Chart shows three-year rolling average for miles traveled per gallon.

per gallon sold has increased more rapidly – 10% over the 30-year period. As a result, Wisconsin has received about the same amount of nominal revenue per mile driven since 2008.

The falling reliance on the gas tax is notable. In fiscal 2004, the gas tax accounted for 65% of the total user fee revenue in the transportation fund. By 2024, the share had dropped to 38%, due to slow growth in the gas tax, registration fee increases, and reliance on general tax revenue.

The tax base is stable for now, but the number of gallons sold may plunge rapidly if electric and hybrid vehicles or smaller cars and trucks are adopted more widely. The typical Wisconsin motorist currently pays \$200 to \$400 per year in gas taxes, state and local vehicle registration fees, and other vehicle fees depending on the miles driven and the vehicle’s fuel efficiency, according to a [DOT cost of ownership calculator](#). Electric vehicles only bring in \$260 through vehicle registration and other fees annually and no gas taxes, leaving a shortfall in transportation revenues. However, only 0.3% of the current statewide fleet of vehicles are electric, keeping the current impact minimal.

To protect transportation revenues, the state budget requires that starting in 2024, the taxes on electric vehicle sales be transferred from the state’s general fund into the transportation fund. That amount was estimated at \$39.3 million for 2024 and \$55.1 million for 2025. Assuming a purchase price of between \$30,000 and \$60,000, electric car owners now contribute about as much or even more than owners of gas-powered vehicles to the transportation fund. The initial purchase contributes between \$1,500 and \$3,000 through the sales tax, and owners also pay the \$260 annual registration and electric vehicle fee. Assuming a lifespan of 10 years, the owner of each electric vehicle worth \$30,000 at the time of purchase averages approximately \$410 in annual contributions to the transportation fund, more than many internal combustion vehicle owners.

Beginning in 2025, operators of electric vehicle charging stations will also pay the transportation fund an additional three cents per kilowatt hour of energy dispensed, further insulating the fund from the impact of electric vehicles. However, this fee does not apply to home charging of electric vehicles, so some charging activity would still not contribute directly to transportation.



Currently, [about 6%](#) of new vehicles sold nationally are electric, and less than 5% of the vehicles on the road are replaced each year. So, it will take time for these vehicles to significantly impact state gas tax collections, and the sales tax transfer associated with these vehicles insulates the transportation revenues in the event of more rapid replacement. However, this sales tax transfer could eventually have major impacts on the general fund as electric vehicle sales increase.

Registration Fees

The other main source of transportation revenue is vehicle registration and title fees. Wisconsin charges a flat annual fee of \$85 for cars of all values, while light trucks pay between \$100 and \$106 depending on their size. Commercial trucks and trailers pay higher fees based on vehicle weight, with the largest vehicles paying [\\$2,578 annually](#). There are additional special registration options for farm trucks, antique cars, and other vehicle types. On top of regular registration fees, hybrid vehicles are charged an extra \$75, and as previously noted, electric vehicles must pay a total of \$260.

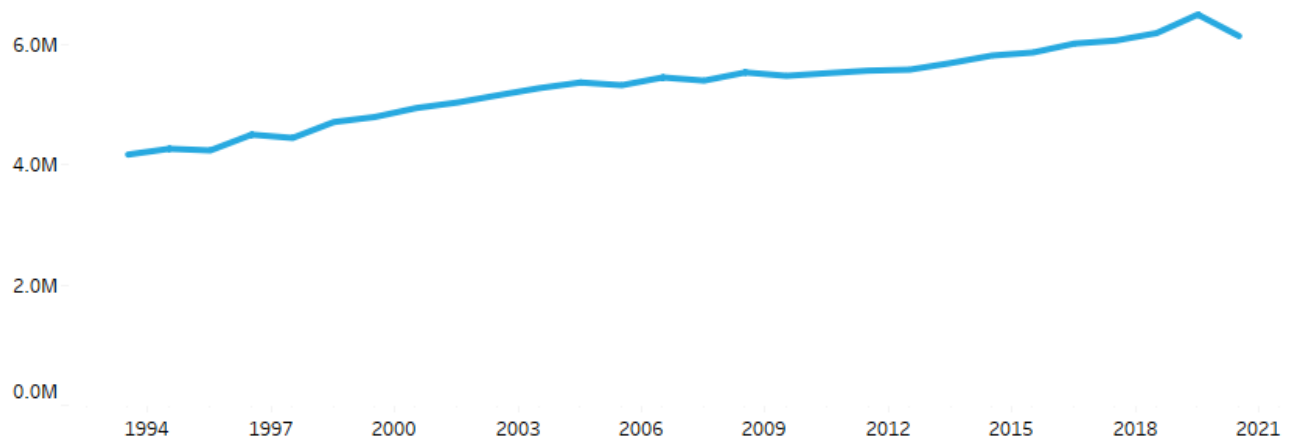
Notably, these flat fees are based solely on the type of vehicle and not its value. Unlike gas taxes, which are paid by both in-state and out-of-state motorists, registration fees are generally paid only by those keeping a vehicle in the state, though there are some exceptions related to payments for [heavy trucks and buses](#) that are part of nationwide fleets. On the other hand, they can be applied to any vehicle, whether powered by an electric, gasoline, or diesel motor.

Registration fee revenue grew from the late 1990s to 2008 as the number of cars on the road rose (see Figure 6). In 2008, the registration fee was increased for most vehicles from \$55 to \$75, and there was a 30% increase for heavy trucks, which resulted in a one-time revenue boost. Since then, registration fee revenue has increased at 3.7% per year, somewhat greater than inflation. In 2019, the fee for passenger cars rose from \$75 to \$85, and title fees grew from \$69.50 to \$164.50.

Given the state's long-term projections for continued [slow population growth](#) and the ongoing shift to electric vehicles, it's likely that total vehicle registrations will keep rising slowly, which will lead to gradual revenue growth without further increases to registration fees. Despite their slow growth, registration fees have outpaced the gas tax and now comprise about 40% of all transportation

Figure 6: Vehicle Registrations in Wisconsin Have Increased at Slow but Generally Steady Rate Since 2000

Vehicles registered, including passenger cars, heavy trucks, and trailers, calendar year 1994-2021



Source: Wisconsin Department of Transportation



revenues from state sources, up from 30% in the 2000s (see Figure 7). The largest dip in 2024 for both gas taxes and registration fees can be attributed to the massive influx of general tax revenue in that year.

As Wisconsin relies more heavily on the state's flat registration fee, transportation revenues become less tied to motorists' use of the roads or ability to pay. Because almost all vehicles on the road still use gasoline, more driving by motorists leads to more gas

consumption and therefore more gas taxes paid, tying the amount paid to users' impact on the system in terms of both congestion and potential road damage. In some states, registration fees are based on the value of the vehicle, tying the cost of registering the vehicle to the driver's ability to finance a purchase. Other states factor vehicle weight into the cost of registration.

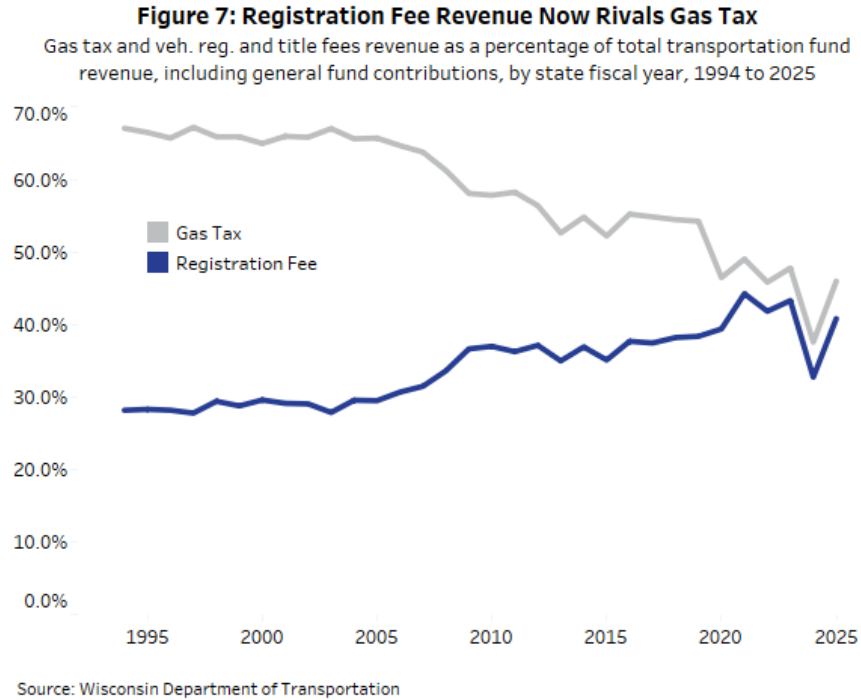
As some municipalities and counties cope with slow growth in property tax revenue and rising labor and materials costs, they have turned to [local vehicle registration fees](#), or wheel taxes. [Fifty-five cities](#), villages, towns, and counties impose a fee between \$10 and \$40 to pay for transportation costs, according to WisDOT. This makes registration costs up to \$68 greater in Madison, where both the city and Dane County impose a local wheel tax. This further increases the reliance on flat user fees that do not vary based on the use of the roads or vehicle characteristics such as cost or weight.

General Fund Support Grows

From fiscal year 2005 to 2009, transportation revenues were transferred to the general fund, helping to finance the general cost of state government and reducing transportation funding by a net \$454.7 million. That situation has now been reversed. From fiscal year 2012 through June 2025, \$2.6 billion will have flowed in the opposite direction from the general fund to the transportation fund, including \$749.7 million in the 2023-25 state budget alone.

In the current budget, general fund support amounts to 14.5% of state revenue for transportation, up from between 2% and 5% in prior budgets. These figures do not include a shift in the financing of state transit aids, which were previously paid out of the transportation fund but are now paid out of the general fund at a two-year cost of \$228.7 million. Including these funds in the calculation would increase the share of general fund support to 18.6% of total state transportation revenue.

The largest shifts in general tax revenue have most frequently occurred through one-time transfers such as the \$555.5 million shifted in 2024. However, there are ongoing transfers such as the 2011

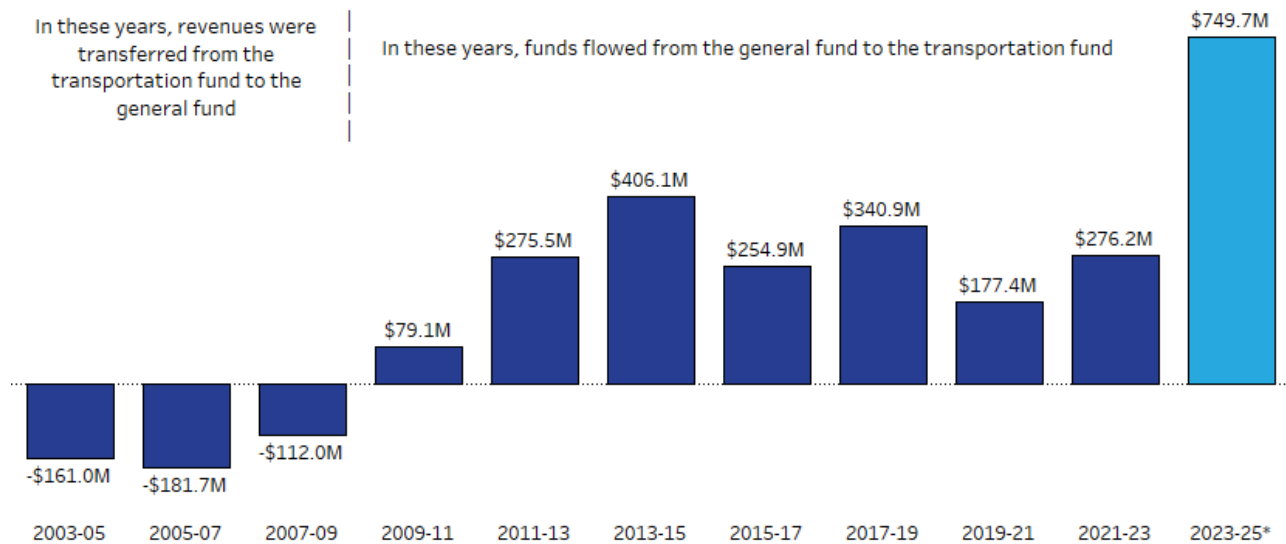


allocation of 0.25% of the state’s general fund collections to the transportation fund by Gov. Scott Walker and state lawmakers, which amounts to an estimated \$48.1 million in 2024 and \$51.7 million in 2025. As noted earlier, the current budget adds another ongoing transfer associated with projected sales taxes on electric vehicles. An additional transfer was made from the local government aid fund to compensate the transportation fund for the lost revenue from taxes on railroad property associated with the repeal of the state’s personal property tax.

In addition to cash transfers, general tax revenue has been used to directly pay for transportation priorities by funding specific budget items, including a one-time appropriation of \$100 million for local roads in fiscal year 2022 and the ongoing funding of transit operating aids beginning in the 2024 fiscal year. Finally, general taxes have been used at times to pay debt for highway projects. Initially, this mechanism repaid transfers out from the transportation fund in the 2000s and early 2010s. However, even after these transfers were repaid, the practice was used in several budgets.

Over the past 11 budgets, the general fund has contributed a net \$2.1 billion to the transportation fund through transfers and debt payments (see Figure 8). Recent surpluses allowed for increases in general tax funding for transportation in the 2023-25 budget, and that could continue in the 2025-27 budget. Yet sustaining this funding for more than two more years may prove challenging.

Figure 8: Nearly \$1 Billion in General Fund Tax Revenue Would Be Used for Transportation in New Budget
Transfers between general and transportation funds by two-year budget cycle, 2003-05 to 2023-25



Source: Legislative Fiscal Bureau. Amounts in the chart represent the net impact of cash transfers out of the transportation fund less general fund supported borrowing for highway projects. *Transfers in 2023-25 do not include the impact of a shift of \$228.7 million in transit funding from the transportation to the general fund.

Borrowing for Transportation Projects

In the face of flat transportation revenues, rising costs to rebuild and rehabilitate the highway system, and relatively low interest rates, the state increased borrowing to help pay for these projects from 2003 to 2015. Borrowing can make sense for highway projects since the bond payments are spread out over the life of these long-term assets, allowing future users to help pay for them.

The state has used several types of borrowing for transportation projects: general obligation bonds that are paid off using all transportation revenues as well as other state taxes, if necessary;



transportation revenue bonds, which are generally paid for using vehicle registration and title fees; and general obligation bonds that are amortized using general fund revenues. The revenue bonds are designated to support the state's major highway development program, which modernizes and rehabilitates Wisconsin highways.

Figure 9 shows the amount of bonds authorized by year. The rise from 2003 to 2005

helped finance the construction of Milwaukee's Marquette Interchange, and the bump between 2009 and 2015 helped pay for a series of major projects. However, the additional borrowing caused a sharp increase in debt payments, which rose from 15.1% of transportation revenue in fiscal year 2013 to 19.0% in 2017. As a result, the state has borrowed much less for roads since 2018.

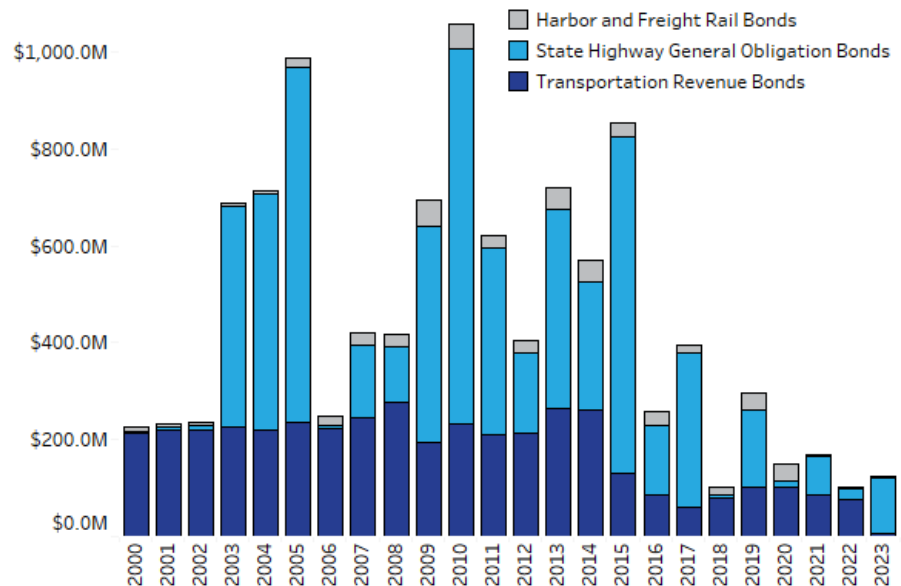
Federal Funds to Wisconsin Up Only Modestly

The U.S. Department of Transportation distributes funds to the states for a wide range of infrastructure projects using both federal general fund revenues and the 18.4 cent per gallon federal gas tax (24.4 on diesel fuel), which was last raised in 1993. Most of these funds are awarded to states using a formula. The allocations had been based on factors such as population, miles of road, and other characteristics, but are now simply based on a percentage of a state's [allocation in 2012](#).

Other federal funds are distributed on a project-by-project basis through a competitive grant process. Wisconsin also receives reallocations of federal funds that are returned by other states and then redistributed. As part of the recent federal Infrastructure Investment and Jobs Act, more funds are distributed by discretionary means, though formula funds still make up most of the allocation. This legislation also led to more direct awards from the federal government to local governments that do not pass through the state (these are not reflected in federal aid numbers shown in Figure 10 on the next page).

The state's federal transportation revenues increased steadily from 1997 to 2004 even when adjusted for inflation, then spiked in 2010 and 2011 because of the American Recovery and Reinvestment Act. Funding modestly lagged inflation in the years after and then rose with the passage of COVID-19 relief measures and the federal Bipartisan Infrastructure Law. State formula allocations are also up, as shown in Figure 10. While federal funds have grown over the last few years, the state's allocation is approximately the same now as in 2011.

Figure 9: Transportation Borrowing Peaked in the Mid-2010s
Authorized state borrowing by year and purpose, 2000 to 2023, adjusted to 2023 dollars

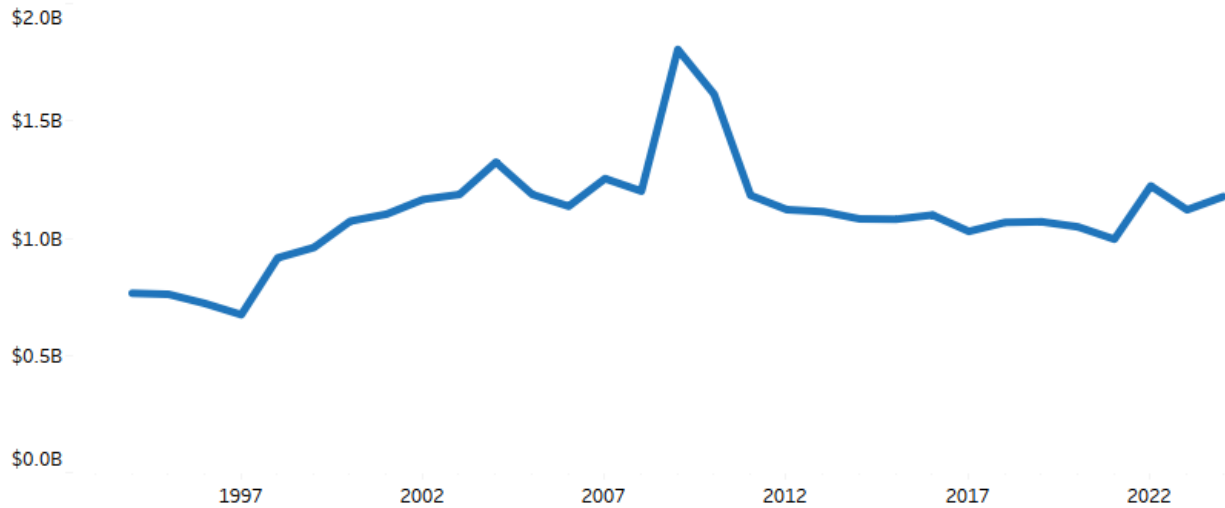


Source: Wisconsin Department of Transportation



Figure 10: Federal Funds Allocated to Wisconsin Peaked in 2009 and Jumped Again in 2022

Inflation-adjusted federal funds distributed to the Wisconsin Department of Transportation in millions of 2023 dollars



Source: Wisconsin Department of Transportation. Note: Does not include federal grants made directly to local governments.

It's worth noting that many local governments used a portion of their COVID-19 relief funds to pay for transportation projects, even though these revenues are not considered transportation funds. The increase in direct federal transportation grants to local governments included in the Infrastructure Investment and Jobs Act may give greater autonomy to local governments but also increases their reporting and fiscal management requirements and makes it harder to track overall federal funding for Wisconsin roads. These recent increases in federal funds, however, are not enough to make up for slow growth in state revenue for transportation.

Summary

The state of Wisconsin faces stagnating collections from its largest sources of transportation revenue: the gas tax and vehicle registration fees. Gas tax collections have slowed because the state stopped indexing the tax rate to inflation, and to a lesser extent because of the slow growth in driving and increases in fuel efficiency that have counteracted a shift by motorists to larger vehicles.

However, an increase in the gas tax rate could still raise substantial revenues over the next decade despite the recent rise in electric vehicles. It would also move the state back toward a model in which motorists pay more when they drive more, and would capture revenue from visiting motorists from other states. Looking out beyond the next decade, the trend toward electric and more fuel-efficient vehicles will likely erode the gas tax's ability to raise revenue.

Slow growth in the state's population and number of vehicles have held back registration fee revenues despite increases in the fees themselves. These fees can be applied to all types of vehicles, including electric, but generally apply only to vehicles registered in the state.

To counter these trends, the state has relied more heavily on general fund revenues to fund transportation spending in recent years and has also benefited from increases in federal aid for roads and highways. However, state officials may not be able to rely on increased revenues for transportation from either of these sources more than a few years into the future.



LARGE PROJECTS DRIVE HIGHWAY SPENDING GROWTH

Paying for Wisconsin’s transportation network has become more expensive even as the money to support that network has lagged. Following the Great Recession, the state used borrowed funds to rapidly increase spending on its highways, but more recently, inflation-adjusted spending has shrunk to its lowest level since 2006. Inflation-adjusted state spending on local roads also has fallen, though more recent budgets have started to arrest this decline.

Finding the right investment level for the overall transportation system in Wisconsin requires balancing the needs of local roads, state highways, transit, and other modes, while considering the revenue available to fund these needs. Recently, diverging levels of state investment have led to improved state highways, but may have contributed to a slowly deteriorating [local road network](#). Going forward, it seems unlikely that the state’s current transportation revenue will be able to address the demands of both the state and local systems.

In this section, we examine the state’s transportation spending and the size and condition of its transportation system. We also use spending data from WisDOT and quality data from both the Federal Highway Administration (FHWA) and WisDOT to show why the state might need to invest more in the transportation system. We then consider future projects and pressures on the system.

First, we review how the state currently allocates its transportation spending. Then, we review how some of the state’s largest programs have changed over time and look at how construction inflation compares to consumer inflation. Finally, we dig into how these factors have combined to impact statewide road quality and transit service.

Statewide Transportation Spending Summary

Wisconsin allocates transportation funding through its budget process in two-year cycles, with funds dedicated to specific types of projects, aids, and grants to local governments, or other state DOT operations like the State Patrol and Division of Motor Vehicles. Figure 11 shows total fund

Figure 11: The State Spends More on State Highways Than Any Other Transportation Priority

Transportation spending by area, 2023-25 Wisconsin budget

State Highways 55.5% of Total Spending \$4,179.0 M	Local Aids 19.3% of Total Spending \$1,449.8 M	Debt Service 11.7% of Total Spending \$876.9 M
	Local Assistance 13.0% of Total Spending \$981.5 M	Other Agencies \$56.0 0.7%
		Operations 7.4% of Total Spending \$559.8 M

Source: Wisconsin Department of Transportation



allocations across six broad categories.³ Here are the basic components of state transportation funding – we will provide more details on each in a later section.

Highway Program – The largest spending category is the state highway program, consuming 46.8% of the 2021-23 transportation budget. These funds pay for reconstructing, expanding, and maintaining the pavement and bridges of the state highway system. Both state and federal funds are spent on state highways.

Local Aids – The local aids program consists of annual aid payments directly to local governments for transportation purposes. The list of eligible purposes includes road construction and maintenance, signal and light upgrades and replacement, a portion of policing costs, and sewer costs associated with road projects. Aids distributed to local governments that run fixed-route transit systems (typically bus services) or shared-ride taxi services are also included under this program. A small amount of other state aids and federal funds also flow through this program.

Local Assistance – Local assistance differs from local aids in that these subprograms focus mostly on providing funds to counties and municipalities for large infrastructure investments rather than day-to-day operations and maintenance. The largest programs in this area include the Local Roads Improvement Program and the newly created Agricultural Roads Improvement Program. These programs provide both guaranteed annual payments and discretionary grants that local governments can apply for based on specific project criteria.

In addition to funds to improve local roads, this program also includes investments in multi-modal infrastructure. It provides millions for improvements in the freight rail, harbor, airport, and transit systems, plus federal funds passed through to local governments.

Debt Payments – Borrowed funds are part of the mix of payment sources for infrastructure projects. The transportation fund makes payments on two types of debt. The first is general obligation borrowing, which is paid off with revenue from the transportation fund, but in the event those revenues are insufficient, the bonds are ultimately backed by the full faith and credit of the state. The second is transportation revenue debt, which is paid using fees from vehicle registrations.

State Operations – This is the smallest part of the department’s budget and includes funding for the State Patrol, Division of Motor Vehicles, and administrative support staff. The State Patrol polices Wisconsin’s highway system, enforces heavy truck regulations, and assists in disaster responses. The Division of Motor Vehicles is responsible for licensing drivers and motor vehicles statewide.

Inflation Is Outpacing Transportation Funding

The rapid rise of inflation in recent years has posed a daunting challenge to the state, with overall costs for goods and services as measured by the Consumer Price Index (CPI) rising 17.7% between 2020 and 2023 alone. However, the real challenge is even greater than that. Road building faces different inflationary pressures than a broad consumer index, since specific inputs such as concrete and steel, heavy machinery, and skilled labor are used in projects.

³ For the purposes of this study, we focus on the total amount appropriated in the state’s two-year budget rather than the total amount of contracts put out for bid or payments made by the state. Sometimes, funds are appropriated in one year and spent much later as projects are completed over time. Generally, the state appropriates enough funding to complete a project before contracts are put out for bid.

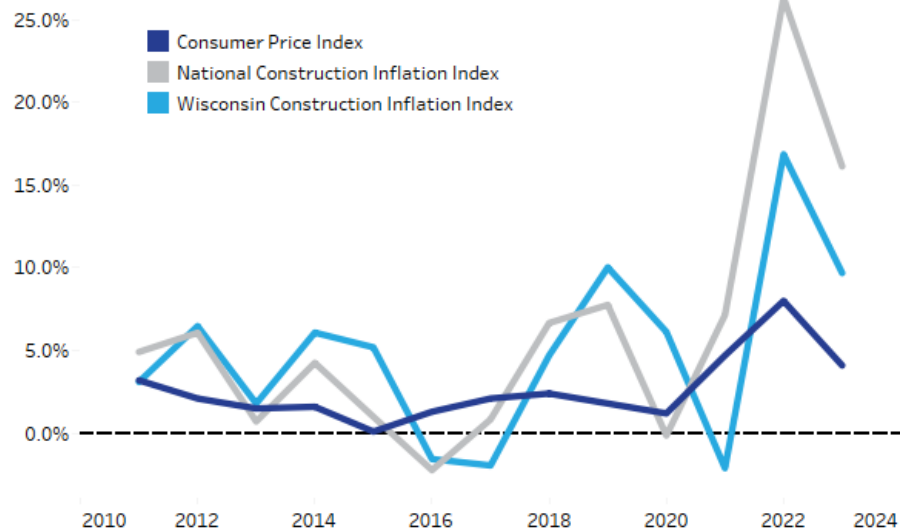


WisDOT and the Federal Highway Administration track these changes in road construction costs, including increased prices for labor and materials. As Figure 12 shows, construction inflation tends to be more volatile than consumer inflation and also outpaced CPI in most years.

Nationally, road construction costs grew by 56.8% between 2020 and 2023, while state construction costs rose 26.6% - substantially greater than CPI. Over

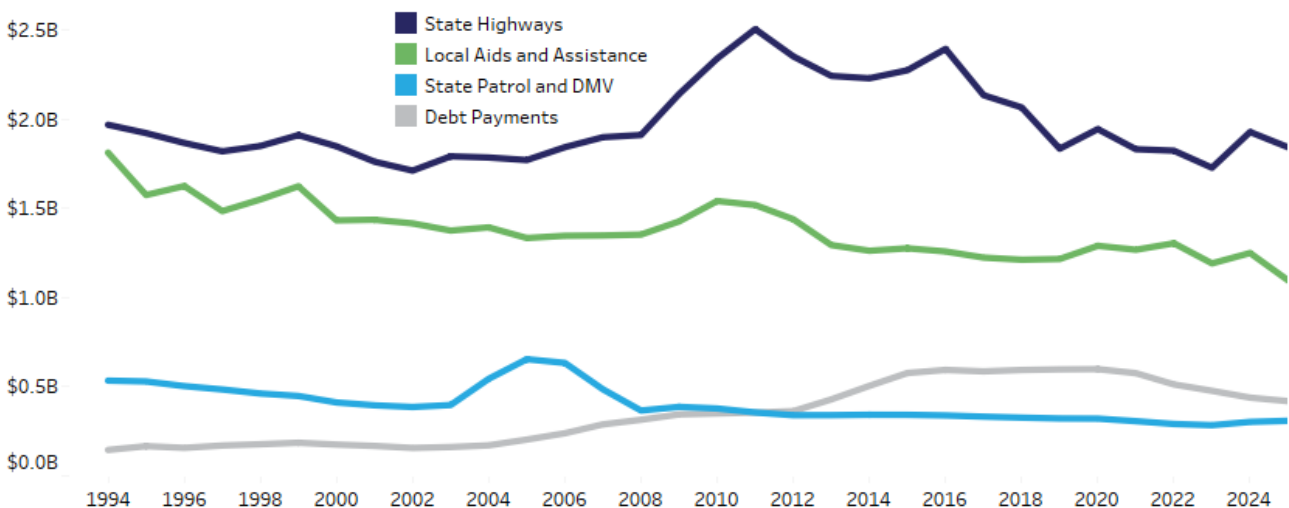
the same time, total state transportation spending only increased by 5.3%. Periods of rapid construction inflation eat away at the highway program's purchasing power, making large projects cost more than budgeted. Despite the pressure from inflation in construction prices, some recent megaprojects like the Zoo Interchange in Milwaukee County have been completed within their budgets, but rising prices will remain an ongoing concern.

Figure 12: Construction Inflation Outpacing Overall Inflation
Annual percentage change in WisDOT construction inflation index, national construction inflation index, and Consumer Price Index, 2010 to 2023



Sources: WisDOT, Federal Highway Administration, and U.S. Bureau of Labor Statistics

Figure 13: State Highway Spending Increased Dramatically from 2008 to 2018
Spending by area, three-year rolling average, 1994 to 2025, inflation adjusted to 2023 dollars



Source: Wisconsin Department of Transportation. Inflation adjusted using Consumer Price Index.



Spending Trends

After adjusting for inflation using CPI, most transportation spending areas have remained flat or gently declined over the past 30 years, as Figure 13 on the previous page shows. The major exception is highway program spending, which increased sharply between 2008 and 2018 and then returned to its previous level in recent budgets. The increases were largely driven by investments in the Zoo Interchange, Marquette Interchange, and the I-94 North-South segment between Milwaukee and the Illinois border, as well as ongoing investments in rehabilitating and expanding highways across the state such as I-41. Addressing all of these needs required roughly doubling the state’s annual investment in highways between 2009 and 2018 compared to the previous period.

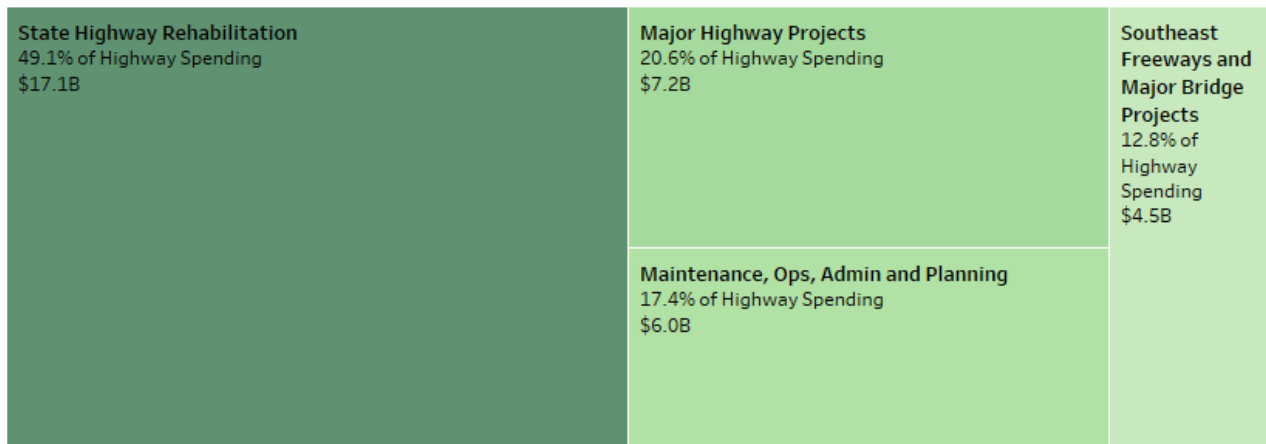
In deploying its limited resources over the last two plus decades, the state has dedicated more funding to the highway system. That is in some sense logical, since the state is directly responsible for these roads. However, since 2017, a growing share of funds in three state budgets have been directed to capital improvements in local roads to address flagging investments in these systems. Overall, these investment patterns led to improved quality on the state’s busiest highways and mixed trends in quality on other parts of the highway system, but local road systems now show a [slight decline in quality](#) and the service areas of local transit operators also declined.

State Highway System

At nearly \$2.0 billion annually, the state’s highway program is more than twice the size of the next largest program in the transportation budget. Figure 14 shows how these funds have been allocated over the last two decades. State highway rehabilitation – the largest subprogram in this area – funds projects that bring existing highways up to current standards, address deteriorating pavement quality, and rehabilitate or replace bridge structures.

This area also includes major highway development, including the Southeast Wisconsin megaprojects. The next of those projects is the reconstruction and expansion of the I-94 East-West corridor in western Milwaukee County. This area also includes funds for high-cost bridge projects such as the Hoan (Milwaukee), Stillwater (connecting Houlton, Wisconsin to Stillwater, Minnesota), and Blatnik (Superior-Duluth) bridges. Finally, the smallest subprogram pays for routine maintenance on the state’s highway system, which covers right-of-way mowing, plowing, and salting of the state’s

Figure 14: Nearly Half of State Highway Funds Go to Rehabilitation
State highway spending by purpose, 2000-2023, including state, federal, and borrowed funds



Source: Wisconsin Department of Transportation



roads. This program also funds state highway operations and safety programs, including on-road messages, traffic monitoring, and other activities.

The impact of the state’s winter weather on its roads should not be underestimated. Wisconsin’s local governments paid more than \$181.3 million in 2021 for snow plowing and salting on state and local roads, according to FHWA data. The highway program contracts with counties to perform this work on state roads. Beyond the direct costs of clearing ice and snow, the cycle of freezing and thawing causes the road surface to expand and contract, eventually causing cracks. Combined, these weather-related factors make it more expensive to maintain a road system in northern climates. As the climate warms, freeze-thaw cycles and large rains and snowfalls may also become more common, potentially driving costs higher.

In addition to maintaining the Interstate highways, the state is responsible for ensuring the quality and adequacy of the rest of its highway system, which includes numbered U.S. and state highways. As with the Interstate system, most of the work done on these highways consists of rehabilitation and repairs, though with some efforts to expand the system. Overall, both the Interstate and state highway systems are mature and no longer growing rapidly – their combined total lane miles have increased only 8% since 2002.

Local Aids

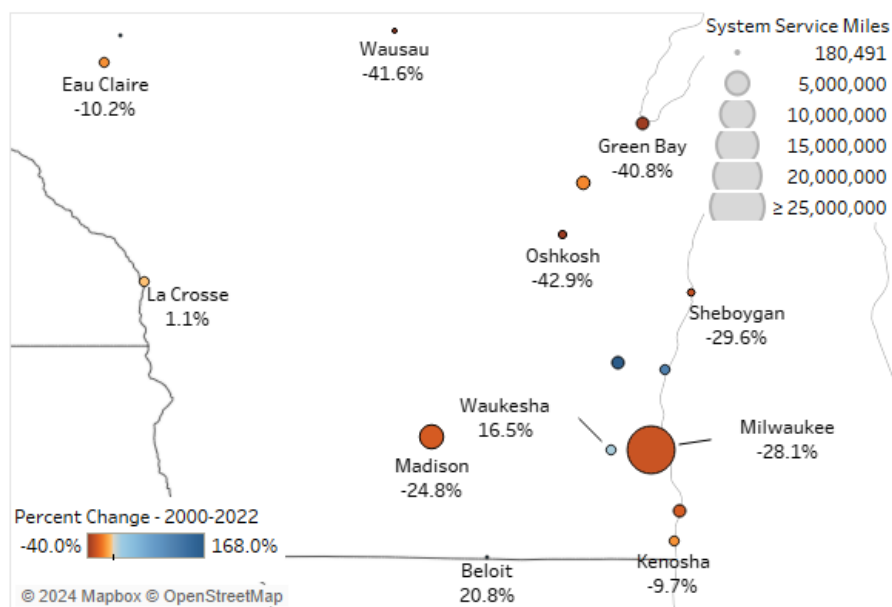
State transportation funding also flows to local governments to help build and maintain their road networks. Aids are distributed through formulas or amounts set by the Legislature and can be spent at the discretion of the recipient within specific limits. When adjusted for inflation, these aids have fallen over the past 30 years.

The largest of these are [General Transportation Aids](#), which are paid to counties, cities, villages, and towns each year based on either a portion of their transportation-related costs or a specific payment rate per mile of road.

Before adjusting for inflation, appropriations for general transportation aids to counties and municipalities have increased from \$337.5 million in 2000 to \$541.4 million in 2025. That’s a 60% increase, or about 1.9% per year, which is well below the growth in CPI (90.7%) over that period. This slow growth in funding is likely one of many factors contributing to the decline in [local road quality](#) identified in our previous research.

Figure 15: Change in Miles of Transit Service Offered by System, 2000-2022

Percent change in vehicle revenue miles of systems that reported to the FTA since 2000



Source: Federal Transit Administration



The state’s Local Roads Improvement Program and the newly created Agricultural Roads Improvement Program also help support capital projects at the local level. Unadjusted ongoing spending in this area has only grown by 1.7% per year between 2000 and 2025. More recent budgets have significantly increased the state’s contribution to capital investments in local roads.

Municipalities and counties that operate bus routes and shared-ride taxi services receive transit aid payments as well. Since 2001 – the year after a major change in state aid for transit – these have grown by 24.7%, or an annual rate of just 1.0%, rising from \$93 million in 2001 to \$116.0 million in 2020. The state also passes some federal transportation aids along to local governments.

The lag in transit aids and other local funding has contributed to service cuts by cities across the state. Figure 15 on the previous page shows local transit service has declined by 25% across the state as measured by vehicle revenue miles – the number of miles driven by buses while serving passengers. Some major transit systems have seen drops of more than 35%, though some smaller agencies have expanded service. As part of the most recent state budget, these aids are now paid for with general tax revenues, not transportation funding.

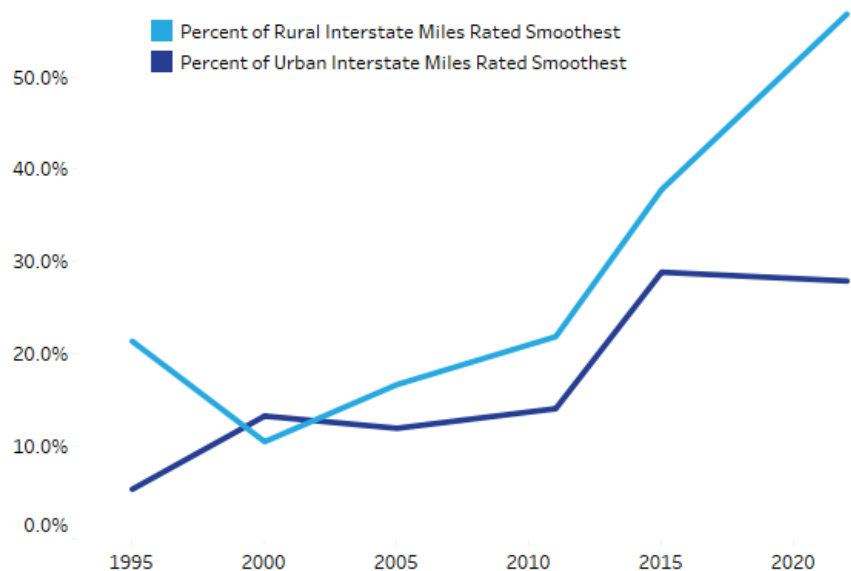
Debt Payments – Transportation debt payments increased rapidly between 2011 and 2018. Since then, these payments have leveled off as a share of transportation revenues as borrowing has slowed, existing debt has been paid off, and vehicle fees have increased. Yet they still comprised about 16.6% of total transportation spending as of 2022.

Debt may rise again in the near future. The most recent budget authorized nearly \$400 million in bonds to pay for the state’s share of the Blatnik Bridge. As the I-94 East-West Corridor and other large transportation projects like the I-41 upgrade, the I-39/90 project from Madison to Wisconsin Dells, and other projects under consideration come online, borrowing will likely increase, especially if the state does not act to increase transportation revenues.

Impact of Spending Trends on Road Conditions

Over time, a shift in spending can lead to changes in road conditions. In Wisconsin, the picture varies based on road type. The quality of the state’s busiest roads has improved, conditions are mixed on other state roads, and local road quality has declined. Using Federal Highway Administration data, Figure 16 shows a substantial improvement in pavement quality on the state’s Interstate system since its

Figure 16: Wisconsin Interstate Quality Has Improved Since 2000
Percent of interstate miles smoothest (<60) on the International Roughness Index



Source: Federal Highway Administration



low point in the late 1990s, especially on rural Interstates. This is not surprising as the state has completed massive rebuilding projects of urban Interstate assets in Milwaukee and Southeast Wisconsin, while converting U.S. Highway 41 to an Interstate and rebuilding stretches of I-90.

Backbone versus Non-Backbone Highways – Looking beyond the Interstate system, we see a similar trend in which the state’s busiest highways, known as the backbone system, have improved and the state’s less traveled highways are in somewhat worse shape than in 2012. Figure 17 shows the share of miles of both kinds of highways rated in poor condition over time. One important caveat, however, is that the non-backbone system has 10,203 centerline miles and the backbone system has only 1,550.

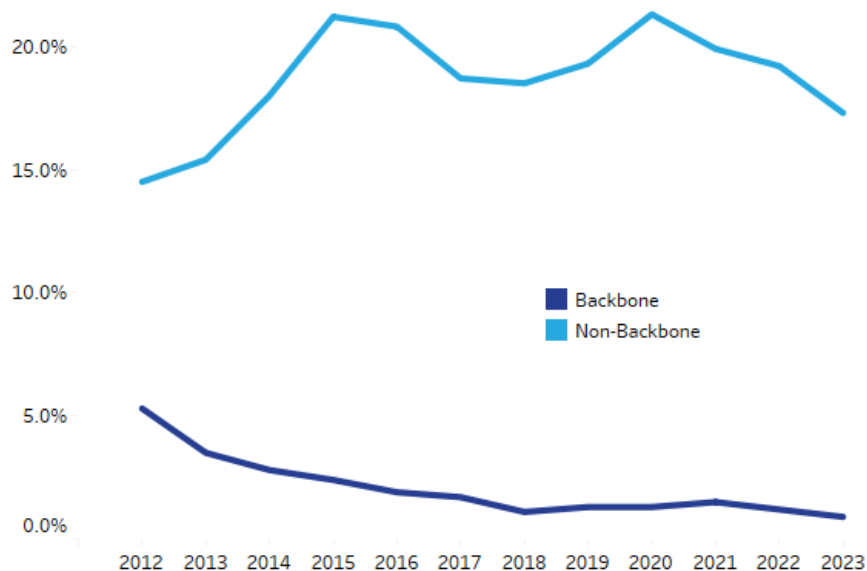
The [Legislative Fiscal Bureau](#) has identified a similar trend in which overall, more miles of state highway are rated in good or excellent condition, but simultaneously more miles are rated in poor condition, with fewer miles rated “fair.” This is especially true for the non-backbone system, as the time between rehabilitation projects grows due to insufficient funding. Figure 17 also shows an increase in poorly rated non-backbone miles between 2013 and 2016 in particular, though the share of these roads in poor condition has fallen over the three most recent years.

It is worth noting that, in times of tight budgets, the state’s [Transportation Asset Management Plan](#) focuses on ensuring the best road quality using the lowest cost methods. That means the state is not necessarily investing in the improvements that would bring the best long-term value to the highway system. For example, a shorter-term application of a seal coat may improve the surface quality of a road for the least cost, but also require additional work more quickly, causing more frequent disruptions for motorists and commerce. A more extensive and expensive repair may provide a better long-term value and lengthen the time between construction-related disruptions, but may not fit within a limited budget. State officials have to decide how to balance more costly projects that provide greater benefit over the long run with limiting spending in the short term.

One issue that our data on pavement quality does not speak to is the quality of the state’s bridges, which help ensure safe, efficient travel. Poor quality bridges have a range of consequences, from the implementation of weight restrictions that cause heavy trucks to take inefficient routes, to potentially catastrophic bridge collapses. To give a sense of the scope of the problem, LFB reported in 2021 that, as of 2019, 224 bridges on only five sections of

Figure 17: Few of Wisconsin’s Busiest Highways Are Rated Poor in Condition

Percent of Wisconsin highway miles rated in poor condition, 2011-2023



Source: Wisconsin Department of Transportation



the interstate system in Southeast Wisconsin need to be replaced by 2040, at an estimated cost of approximately \$5 billion. This suggests the statewide need is likely far higher. While bridge conditions are often addressed as part of highway projects, it may require a focus on bridges to improve statewide conditions.

Local Road Quality Declines

While state highways with the most traffic have improved, our [research shows](#) local road quality has declined, with more segments rated “poor,” “very poor,” and “failed.” Our research has also used data from the state Department of Revenue to show that road construction and maintenance expenditures by local governments only increased by an average annual rate of 1.9% from 2010 to 2022, compared to 2.5% annual growth in CPI over the same time period.

This trend fits with tight state limits on local property tax increases and investments in local transportation programs in the state budget that have not kept pace with inflation over the long-term. It is possible, however, that local road spending may rise, or at least stabilize, in 2024. More recent state budgets have increased investment in some local roads, especially those in rural areas, and have also increased general state aids to local governments known as shared revenue.

It is important here to note that the diverging trends in road quality between the state highway system and local road system are not neutral in their economic impacts. The improving backbone highway system benefits expanding industries like warehousing and shipping and provides access to markets for the state’s manufacturing sector. However, more rural industries such as agriculture and forestry depend on the rural road system and less busy highways. If current quality trends continue, busy highways and the industries connected to them may still enjoy a high-quality system, but local and particularly rural roads are likely to see further deterioration, potentially affecting farms and timber operations. Recent investments in the local system in the past three state budgets attempt to address this, but it is unclear whether these efforts can be sustained.

System Adequacy - Do We Have Enough Roads?

Some argue that instead of expanding the state’s highway system, we should focus on fixing existing infrastructure. Given the overall trend in driving in Wisconsin, where the number of miles traveled statewide has grown slowly, this argument carries some weight. To examine whether the state’s system has been overbuilt, we look at data from the Federal Highway Administration on the number of road miles in each state and the number of miles driven in each state per year.

When we compare the number of miles driven per lane mile on the highway and arterial system, we see an increase of 20% since 2002, meaning each lane mile is now used much more than 20 years ago. In other words, the slow growth

Table 1: Miles Driven per Lane Mile on Wisconsin Highways

State	2002 Miles Driven per Lane Mile	2022 Miles Driven per Lane Mile	Change since 2002
Iowa	3,349	3,369	1%
Illinois	7,038	5,554	-21%
Indiana	6,675	6,039	-10%
Wisconsin	5,030	6,051	20%
Minnesota	6,594	6,748	2%
Michigan	7,287	6,760	-7%

Source: Federal Highway Administration

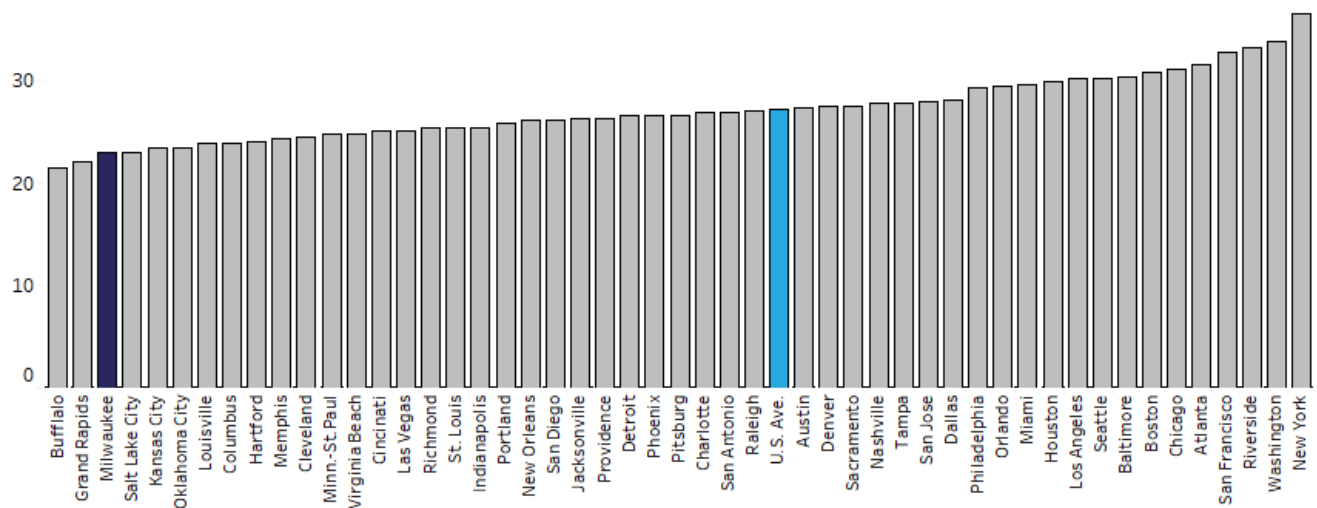


in traffic has outpaced the growth in the total number of lane miles. When compared to other states in the region, Wisconsin shows a much more rapid growth in the number of miles driven per mile of road than our neighboring states, though we are now in the middle of the pack in terms of miles driven per lane mile (see Table 1 on the previous page).

If traffic increases continue, but growth in lane miles slows, then the traffic on the state’s roads would continue to rise. One caution is in order about using traffic per lane mile to gauge whether to build more lanes. Adding lanes often leads to increases in traffic as faster commutes incentivize more motorists to make longer drives, a phenomenon known as induced demand.

Another measure of the adequacy of the state’s highway system is the congestion experienced in the state’s largest city. Workers in Milwaukee tend to have some of the shortest commute times of the top 50 largest metro areas in the country, as [Census Bureau](#) data show in Figure 18.

Figure 18: Milwaukee has Third Shortest Average Commute Time for 50 Largest U.S. Metro Areas
Average one-way commute time in minutes for workers aged 16+ that work outside the home, 2022



Source: U.S. Census Bureau

Summary

The state’s highway system saw substantial increases in investment between 2008 and 2018, and the condition of the system has improved as a result, both in terms of quality and safety. However, those investments have resulted in higher debt payments and crowded out state aid for local roads and transit, which have seen their quality drop.

Looking forward, investments will likely need to grow to pay for major projects like the I-94 East-West freeway expansion and reconstruction of the I-794 Lake Interchange in Milwaukee County, major expansions of I-41 in northeast Wisconsin, and other projects [across the state](#). As state leaders look to fund them, it will be important to keep an eye on how paying for them could impact the state’s ability to maintain increased investments in local roads and other transportation priorities. In the next section, we examine trends in state transportation revenues and other funding sources that pay for these programs. Given the limited natural growth in revenue, both in the past and projected in the future, state leaders likely will face hard choices about whether to raise revenue or limit spending.



A LOOK AT OTHER STATE MODELS

Comparing Wisconsin’s transportation revenues and spending to those of other states provides a fuller picture of how our state stacks up. Overall, Wisconsin spends more per resident on transportation than the national average but less per mile of road. We also pay higher snow removal costs and give greater responsibility for roads to local governments.

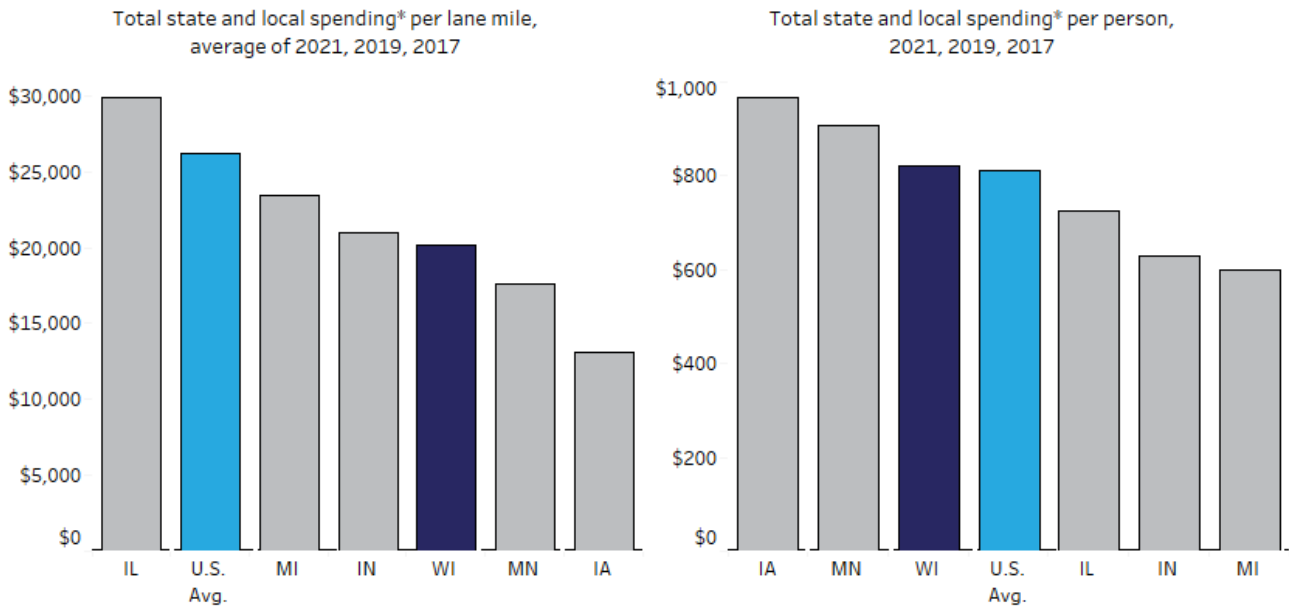
Examining revenues, Wisconsin stands out as one of only 13 states that have not raised their gas tax since 2007, dropping the state tax rate from among the highest in the nation two decades ago to somewhat above average today. Last, Wisconsin motorists pay less in total taxes and fees on their vehicles than their counterparts in neighboring states. In this section, we use state and federal data to highlight the most important similarities and differences between Wisconsin and other states.

Spending Comparisons

The Federal Highway Administration collects data on transportation spending by state and local governments as well as both operating and capital spending. Capital spending includes money spent on building roads and bridges, as well as associated costs such as right-of-way acquisition, storm sewer work, and planning costs. Operations costs include activities such as snow plowing, minor repairs like crack filling, and costs associated with enforcing traffic laws and vehicle regulations. We combine state and local spending into one statewide total because states differ in how they allocate responsibilities over roads between state and local governments. We also exclude principal payments on transportation debt to avoid double counting these costs.

Since highway spending can vary dramatically from year to year, we averaged the three most recent years of available data. Figure 19 shows Wisconsin’s combined state and local spending averaged \$821 per person across 2017, 2019, and 2021. That was 1% higher than the national average of

Figure 19: Wisconsin Spends Less per Mile and More per Person Than the National Average

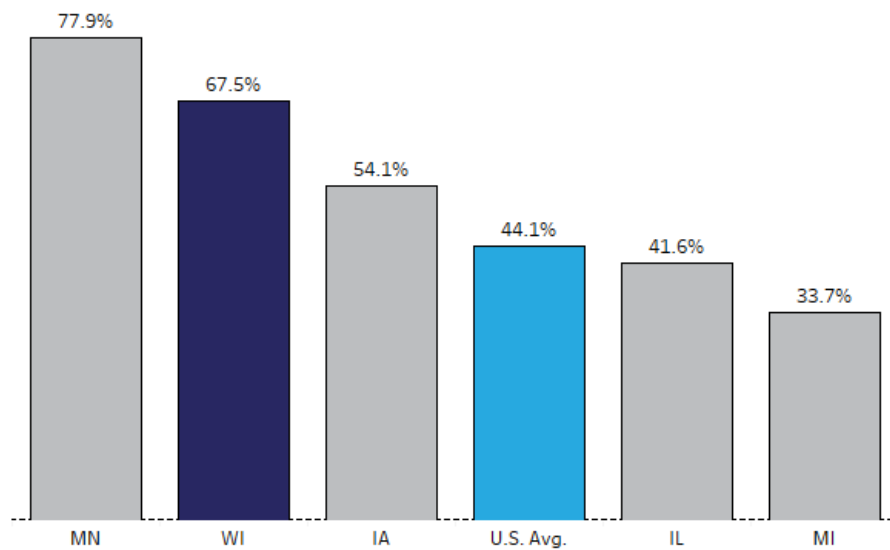


Sources: Federal Highway Admin. & U.S. Census Bureau. *Less principal payments on debt. Three-year average of available data used to smooth variable capital investments.



\$811 and ranked 19th in the country. We ranked third among neighboring states behind Iowa and Minnesota. On a per lane-mile basis, Wisconsin's spending falls to fourth among its neighbors at \$20,166 per mile – well below the U.S. average of \$26,203. On a per mile basis, states that spend more tend to have larger urban areas and higher labor costs, again suggesting that factors other than policy choices by state leaders may drive these differences.

Figure 20: Wisconsin's Local Governments Are Responsible for More Road Work than Most Neighboring States
Percent of total in-state spending by local governments



Source: Federal Highway Administration

When it comes to snowplowing and removal, local governments in Wisconsin spent an average of \$177.0 million annually between 2017 and 2021, working out to approximately \$30 per person and ranking ninth in the country. Southern states typically do not incur these costs, which can eat into the capacity of state and local governments to fund other improvement projects. Freezing and thawing can also damage roads and other infrastructure, shortening the lifespan of these assets.

One noteworthy difference between Wisconsin and its nearest neighbors is the percentage of total road spending that happens at the local level. While less than half of spending nationally takes place at the local level, in Wisconsin nearly 70% of total road spending is done by local governments (see Figure 20). Minnesota has nearly the same split between local and state spending, while other neighboring states spend a far higher percentage at the state level. These differences are likely due at least in part to the fact that Wisconsin counties perform state highway maintenance under contract and have jurisdiction over county highways. Finally, Wisconsin's rural roads tend to be paved, while many roads in places like Iowa and Minnesota are gravel.

Revenue Comparison

We also can compare transportation revenues among states, starting with the share that states draw from general tax revenues such as income and sales taxes. Figure 21 on the next page shows that Wisconsin relies more on transportation taxes and fees to fund roads – and less on general tax revenues – than its nearest neighbors and the U.S. average. Michigan and Minnesota pay for far more of their road spending with general tax revenue, while in 2022 Wisconsin, Indiana, and Iowa used general revenue for only 5% of highway spending.

Nationally, general fund contributions vary widely, with some states like Oklahoma (45%) and New Jersey (44%) covering more than 40% of highway spending with general revenues. A few other states like Maine and Alabama generate all of their highway funding with user fees. About 14.5% of



transportation spending in Wisconsin in 2024 and 2025 will be covered by general tax revenue, bringing the state more in line with the 2022 U.S. average of 14.2%.

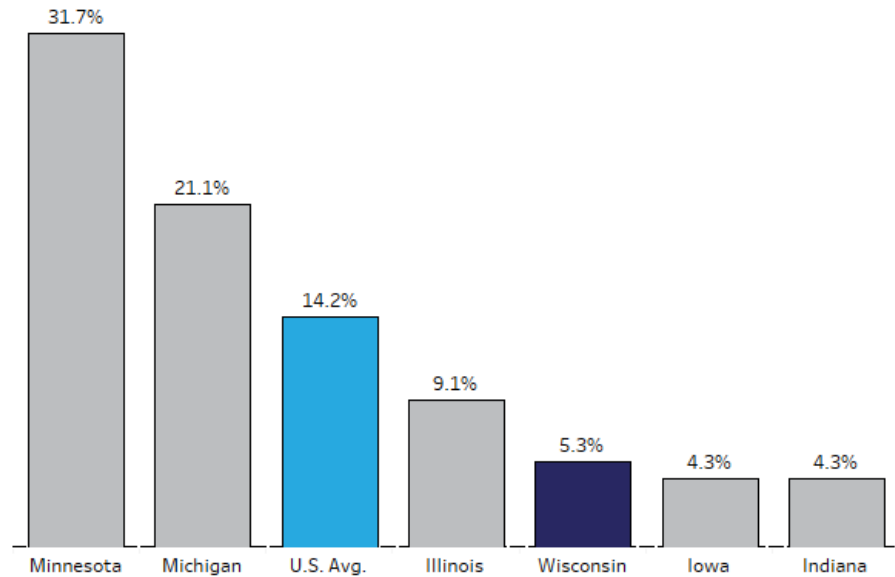
States also vary on their preferred user fee. As Figure 22 shows, Iowa collects 65.1% of its transportation user-fee revenues from registration and title fees. Indiana, on the other hand, relies on the gas tax for 81.0% of its revenues. Illinois collects 23% of its revenues from

tolls. Indiana also has a major toll road operated by a private firm under a contract with the state, so these revenues are not reported as part of the federal data.

Wisconsin outpaced its immediate neighbors in 2022 with 53.7% of its vehicle-related revenues coming from gas taxes. But this split has dropped as the state's registration fee has grown and the gas tax has lagged, so it's noteworthy the state still relies on it so heavily relative to its neighbors.

Figure 21: Wisconsin Roads Depend Less on General Taxes

State general fund spending as a % of transportation spending, 2022



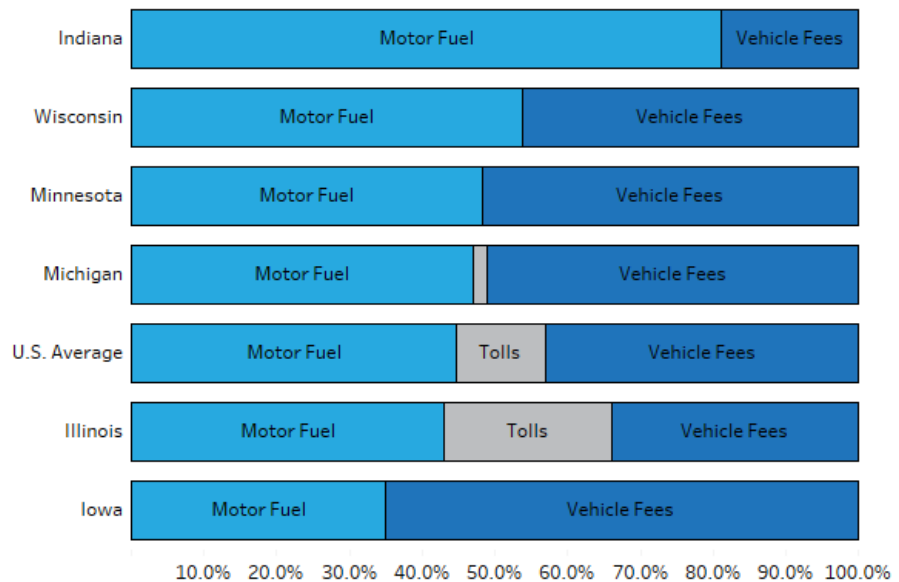
Source: Federal Highway Administration

Gas Tax Comparison

Wisconsin once had one of the highest gas tax rates in the country. Yet after the repeal of indexing in 2006, Wisconsin's rate has remained unchanged while rates rose in many other states. Figure 23 on the next page shows in 2005 Wisconsin's gas tax ranked fourth-highest nationally and was more than 34% higher than the national average. By 2022, the state's tax ranking had fallen to 19th

Figure 22: Wisconsin Is More Reliant On Gas Tax Than Neighboring States

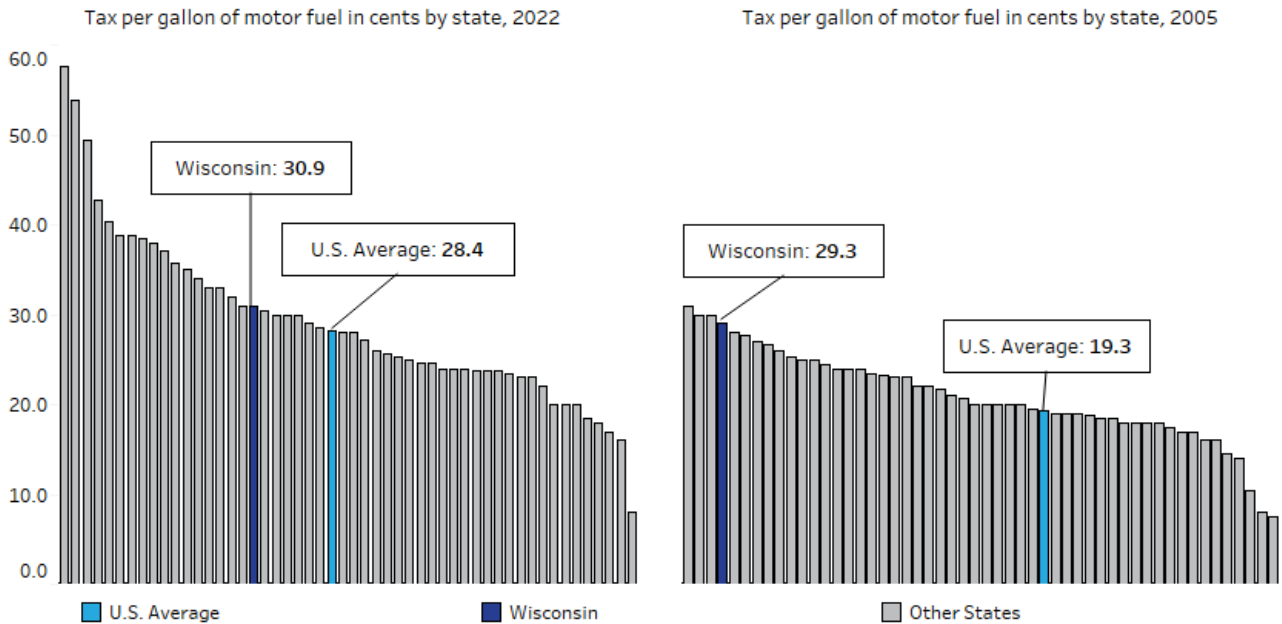
Percent of highway user fees from major sources, 2022



Source: Federal Highway Administration



Figure 23: Wisconsin's Gas Tax Once Nearly Topped the Nation, Now is Close to Average



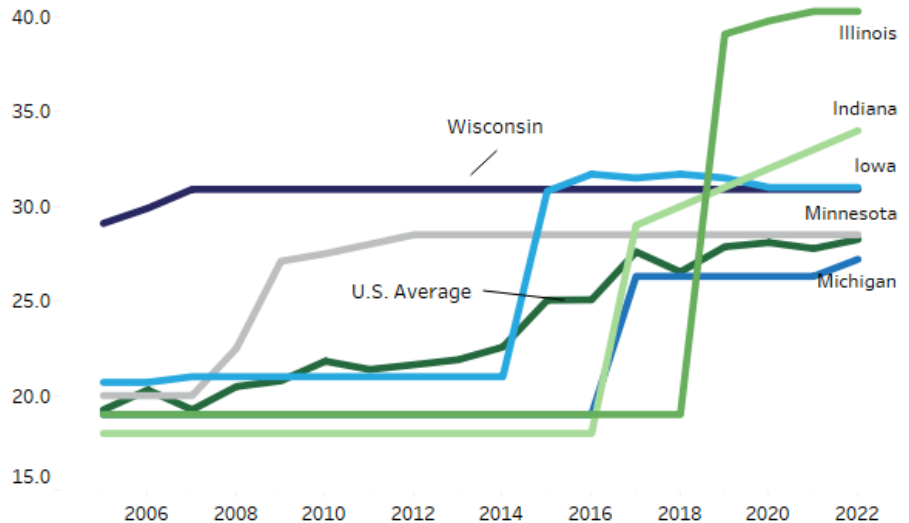
Source: Federal Highway Administration

and was 8.4% above average. In that time, 37 states increased their gas tax, with Pennsylvania leading the way with a 27.6 cent per gallon increase to bring the tax to 57.6 cents in 2022.

It's noteworthy that Wisconsin and some other states exempt motor fuel from sales taxes while some such as Illinois and Indiana impose the state's sales tax on gasoline purchases. Some states use these revenues to fund transportation activities, while others treat them as general revenues and use them for other priorities. In this section, we focus only on the state's motor fuel tax, not additional taxes on gasoline sales such as Wisconsin's two-cent Petroleum Inspection Fee.

Figure 24: Wisconsin's Gas Tax Has Remained Steady Since 2007, While Neighboring States Have Raised Rates

State motor fuel tax in cents per gallon, 2005 to 2022



Source: Federal Highway Administration

As Figure 24 shows, Wisconsin's 30.1 cents per gallon tax in 2007 was nearly 10 cents higher than Iowa's, making it the highest in the region. In the years since, every neighboring state has increased its tax rate. Minnesota raised its gas tax by 8.5 cents per gallon between 2007 and 2012.



Michigan and Iowa made similar increases between 2014 and 2018 while also instituting formulas for adjusting the tax rate in response to inflation and gas prices. Illinois made the biggest increase of all, with a 21.3-cent bump in the price per gallon since 2018, and also allocated a portion of state sales tax revenues from gasoline for transportation purposes.

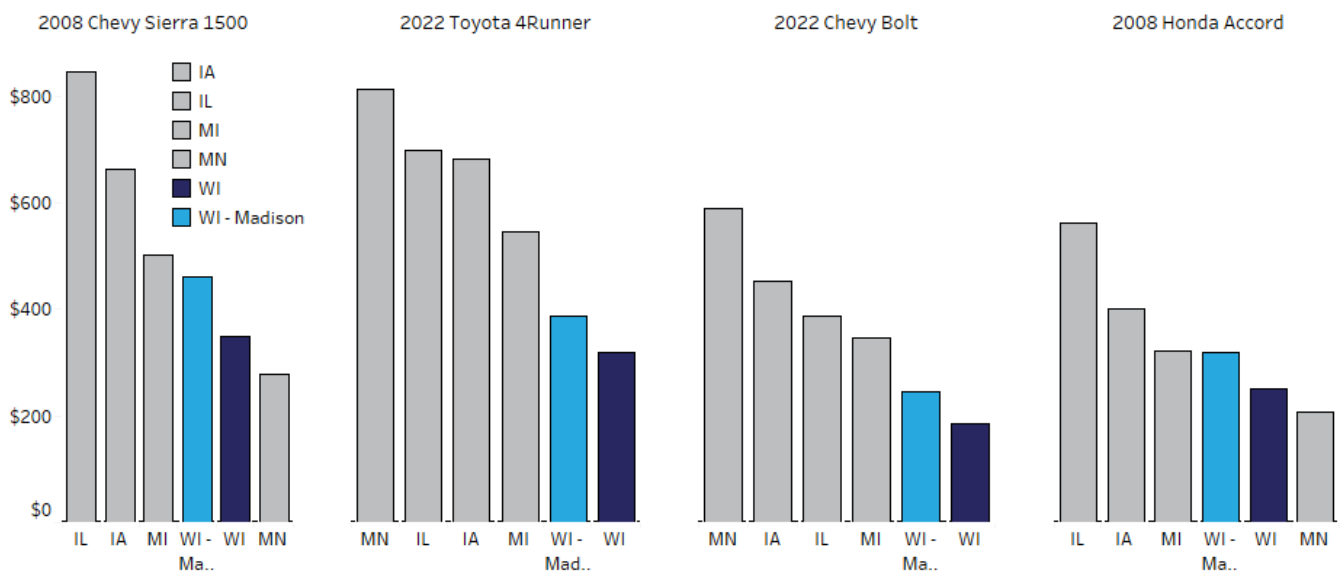
Total Cost of Ownership

States impose registration fees on passenger vehicles in different ways, with some states like Wisconsin charging a flat fee and others determining the fee based on a vehicle’s weight or value or some combination of the two. In addition, some states rely more heavily on registration fees while others depend more on the gas tax. One way to simplify these comparisons is to look at the total cost of owning a specific vehicle, combining both the registration fee and the impact of the gas tax.

The Wisconsin DOT provides a [cost-to-own calculator](#) that allows users to estimate the total cost of ownership of a vehicle, based on its make, model, and year along with the amount of miles driven each year. Figure 25 shows the cost to own different types of vehicles and drive them 12,000 miles per year based on 2022 data (the most recent available).

While not exhaustive, the combinations are representative of a broad range of vehicle types and ages, including a 16-year-old pick-up truck, a new hybrid sport utility vehicle, a new electric vehicle, and an older sedan. In nearly all cases, the cost for Wisconsin motorists to own and drive these vehicles falls below the costs of neighboring states. That is true even in Madison, one of the state’s most expensive places to own a vehicle. In the case of Iowa and Illinois, the difference is largely attributable to the higher gas tax in those states, with less fuel-efficient vehicles paying more at the pump. For Minnesota and Michigan, the difference comes from greater registration fees that consider the value and weight of the vehicle.

Figure 25: For Most Vehicles, Wisconsin’s Road User Fees Are Less Than Neighboring States



Source: Wisconsin Department of Transportation. Note, cost to own includes gas taxes, registration and title fees and other state charges associated with motor vehicle ownership.

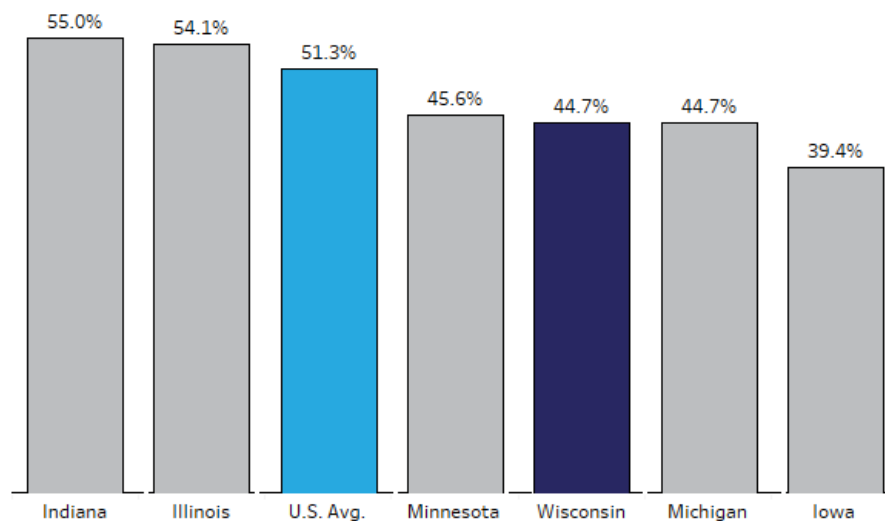


Wisconsin Interstates Match Peers but Trail in National Comparisons

Federal data allow us to compare the quality of Interstate highways using a standard measure known as the [International Roughness Index](#), which splits roadways into eight categories based on the measured roughness of a given mile of pavement. We find that Wisconsin Interstates rank 38th in the nation in the percent of total miles rated in the smoothest category, according to 2022 data. Only 44.7% of Wisconsin's Interstates are rated in the smoothest category, below the national average of 51.3%.

Because Wisconsin's freeze-thaw cycle creates pavement cracks, it is especially harmful to pavement smoothness – the basis of this metric. When comparing the state to its nearest neighbors that deal with similar climate conditions, Wisconsin pavement conditions fall more in the middle of the pack (see Figure 26). The state is just behind Minnesota at 45.6%, tied with Michigan, and ahead of Iowa.

Figure 26: Wisconsin's Interstates Are in Worse Condition Than the National Average, Rank in Bottom 15 Nationally
Percent of state's interstate highway miles rated smoothest on the International Roughness Index, 2021



Source: Federal Highway Administration

Summary

Combined state and local road spending in Wisconsin, at \$821 per capita or just over \$20,166 per lane mile, slightly exceeds the national average of \$811 per capita but trails the national average of \$26,203 per lane mile. Differences in spending rates reflect labor costs, winter weather, and the density and distribution of the state's population, and not just the importance placed by state leaders on good roads. Still, choices about the level of investment and the timing of replacing aging infrastructure do play a role.

Historically, Wisconsin has leaned more heavily on gas taxes and registration fees to fund roads than most other states and less on general tax revenue. Wisconsin also depends more heavily on fuel taxes than most of our neighbors, with over half of the state's revenue coming from the gas tax. Despite the importance of the gas tax to transportation funding, we are the only state in the region and one of only 14 states nationally that have not increased their gas tax rates since 2006.

Going forward, Wisconsin could follow the lead of states like Iowa and Illinois by raising the gas tax. Or, we could continue with our increased reliance on general tax money to pay for roads, as Minnesota and Michigan have done. Whatever choice Wisconsin state leaders make, they will likely be in the company of other Midwestern states.



OPTIONS FOR THE FUTURE

In the face of increasing pressure for transportation investments and stagnant revenue growth over the past 20 years, state leaders have used a mix of increased vehicle registration fees, borrowing, and general fund support. This combination has provided enough funding to improve the quality of the state highway system, but local road conditions and transit services have declined.

Looking forward, the state will likely face similar cost pressures, with needs in both the state highway and local road networks. This section lays out a series of spending scenarios to give a sense of how much money will be needed over the next two state budgets, and analyzes the gap between those needs and existing revenues. We then outline options for covering the funding gap by raising existing state revenues such as the gas tax or introducing new revenue options used in other states.

Forward-Looking Transportation Spending Scenarios

We built three scenarios for the next two state budgets stretching over the next four years, showing high, medium, and low-cost investment options that illustrate the tradeoffs of each alternative. As the state’s highway and local aids programs consume the lion’s share of the transportation budget, our simple scenarios focus on these areas and try to show some basic tradeoffs. Table 2 summarizes the program assumptions and revenue needs of each of the scenarios.

Table 2: Scenarios for Consideration

Scenario	Highway and Local Aids Increase	Supplemental Local Capital Aids	SE Megaprojects (I-94 E-W)	Additional Revenue Needed Annually
Fix The Roads	5%	\$100 Million	Fully Funded	\$413 million
Shrink the Highway Program	2%	None	No Funding	\$88 million
Tighten Our Belt	0%	None	No Funding	None

Source: WPF calculations using WisDOT and LFB data

Our scenarios are based on historical spending trends as well as planned highway reconstruction and expansion projects. Using these trends, we estimated future spending and compared it to projected revenues to determine how much more, if any, was needed to fund each scenario. Below, we report this as the “gap” between estimated revenue and spending for that two-year period. Within each scenario, we qualitatively analyze the likely impact that specific levels of investment would have on the quality of the overall state transportation system. For more details, see the Appendix.

Southeast Freeway Megaprojects and High-Cost Bridges

Over the past two decades, the state has rebuilt the Marquette Interchange, Zoo Interchange, and the I-94 Corridor from Milwaukee to the Illinois border. These projects have focused on the most heavily trafficked and largest interchanges in the state with a significant economic impact. The next project will rebuild and widen I-94 East-West from six to eight total lanes between 70th Street and 16th Street in Milwaukee at an estimated cost of about \$1.7 billion. The project has been approved



by the state and has the federal approvals needed to move forward, though a federal [environmental lawsuit](#) is attempting to halt it. Once this project is finished, the state will likely keep investing in other southeast mega projects, though special funding must be set aside in the budget to do so.

We assume the I-94 East-West project could be finished in six years – the time it took to rebuild the Zoo Interchange. (That \$1.5-billion-dollar project replaced the state’s busiest interchange connecting I-94, I-41, I-894, and other highways.) To keep it on track over a six-year period, the state would need to spend about \$250 million annually. Otherwise, the work could fall behind or crowd out other projects. We assume the I-94 East-West funding will come from existing allocations of federal funds and borrowing equal to 30% of the total cost, which is similar to previous megaprojects. There are additional projects on the horizon, like reconstructing the [I-794 Lake Interchange](#), but they are not far enough along in planning to provide clear estimates. However, it is reasonable to assume there will be a continued need to rebuild highway infrastructure in this part of the state in the future.

Since 2010, the state has also rebuilt the Stillwater Bridge between Minnesota and Wisconsin and the Hoan Bridge in Milwaukee. The Blatnik Bridge between Superior and Duluth will come next at an estimated cost of \$1.8 billion. Wisconsin and Minnesota have each allocated \$400 million for it and the U.S. Department of Transportation will contribute \$1.0 billion. While the 2024 budget has covered Wisconsin’s portion, there could be additional major bridge construction projects over the next four years. Between 2010 and 2024, the state allocated an average of \$50 million per year for high-cost bridge projects. Our scenarios assume the state will continue to need \$50 million per year, with half of those costs funded through borrowing. Some scenarios provide funding for those costs while others assume future projects will be delayed or funded with existing highway funds.

“Fix the Roads”

This more aggressive scenario would provide 5% annual increases for the state’s highway programs and local roads and transit aids, surpassing the state’s official inflation estimate of 3.4%. It also continues the current budget’s \$100 million supplemental capital investments in local roads in each of the next two state budgets at a significant additional cost, as Table 3 shows.

Table 3: Fix the Roads Scenario Details

Transportation Items	2025-27 Budget	2027-29 Budget
Highway Program Annual Increases	5%	5%
SE Megaprojects (I-94 E-W) Annual Funding	\$250 million per year	\$250 million per year
Total Highway Program Borrowing (Including General Obligation and Revenue Bonds)	\$173.5 million	\$173.5 million
Local Road Aids Annual Increases	5%	5%
Supplemental Capital Funding for Local Roads	\$100 million	\$100 million
Gap Between Revenue and Spending	-\$566 million	-\$1.1 billion

Source: WPF calculations using WisDOT and LFB data

This scenario keeps the I-94 East-West project on schedule, with \$250 million in each year between 2026 and 2029. Highway program funding would increase from \$3.6 billion in the current budget to \$4.3 billion in the 2025-27 budget and \$4.7 billion in the 2027-29 budget. Finally, it provides \$50 million per year in state funds for high-cost bridge repairs, with half of that from borrowing. With



these investments, the state’s highway system would likely keep improving, large projects such as I-41 and major bridge repairs could stay on schedule, and the state might also reverse recent declines in local road quality and transit service. In particular, the state and local governments could focus on repairs that provide the best value over time rather than relying on temporary fixes that lead to repeated periods of road construction and delays for drivers. However, this option would require over \$1 billion in new revenue in the 2027-29 budget alone – a major expense for drivers and taxpayers.

“Shrink the State Highway Program”

Under this scenario shown in Table 4, funding for state highway programs and aid for local roads would increase at 2.0% per year, or less than state estimates for road costs. In addition, the budget would not allocate specific I-94 East-West funding or additional funding for capital investments in local roads, leading to greater delays for either I-94 or other state projects and pressure on local infrastructure. Delaying such projects can lead to greater costs from construction inflation.

Table 4: Shrink the State Highway Program Scenario Details

Transportation Items	2025-27 Budget	2027-29 Budget
Highway Program Annual Increases	2.0% increases	2.0% increases
SE Megaprojects (I-94 E-W) Annual Funding	None	None
Total Highway Program Borrowing (Including General Obligation and Revenue Bonds)	\$73.5 million	\$73.5 million
Local Road Aids Annual Increases	2.0%	2.0%
Supplemental Capital Funding for Local Roads	None	None
Gap Between Revenue and Spending	-\$58 million	-\$294 million

Source: WPF calculations using WisDOT and LFB data

These funding increases would limit the impact of inflation but still allow an erosion in transportation funding and highway and local road quality. On the other hand, this option would lessen the need for new revenue, either from tax and fee increases on drivers or from the general fund.

“Tighten Our Belts”

This austere scenario looks at what would happen if state policymakers rely on ongoing general fund support for transportation and provide no increases in traditional transportation revenues. This approach, shown in Table 5, would provide no increases for the state highway program or state aid for local roads and transit and include no additional capital funding for local roads or additional funding for the I-94 East-West project, once again either delaying it or other highway projects.

Table 5: Tighten Our Belts Scenario Details

Transportation Items	2025-27 Budget	2027-29 Budget
Highway Program Annual Increases	0%	0%
SE Megaprojects (I-94 E-W) Annual Funding	Delayed	Delayed
Total Highway Program Borrowing (Including General Obligation and Revenue Bonds)	\$73.5 million	\$73.5 million
Local Road Aids Annual Increases	0%	0%
Supplemental Capital Funding for Local Roads	None	None
Gap Between Revenue and Spending	+\$151 million	+202 million

Source: WPF calculations using WisDOT and LFB data



This scenario would result in worse road quality statewide and impose real impacts on economic activity. However, it could allow state leaders to pay for transit aids out of the transportation fund or nearly eliminate both the ongoing transfer to the transportation fund of 0.25% of general tax revenue and the sales taxes associated with electric vehicles. It would return the state to a traditional transportation funding system but do so through a bare-bones approach.

Revenue Options for Consideration

In our modeling, two of our scenarios show spending surpassing revenue, with annual gaps ranging from approximately \$13 million to \$550 million depending on the year and scenario. Below, we examine a series of options for closing the respective gaps, from increasing existing forms of revenue, to adopting other revenue sources such as tolling or a mileage-based fee on motorists, or cutting transportation spending to match the slow decline in revenue.

To simplify our comparisons, we average the annual gap over the four years in each scenario. We project that a one-cent increase in the motor fuel tax would result in approximately \$35 million in new revenue per year, and any increase could be done in conjunction with reintroducing the practice of indexing the tax rate to inflation to protect the buying power of the revenue generated through the change. We also estimate a \$1 increase in the registration fee would result in approximately \$8.4 million in new revenue. We also assume that federal transportation aid continues to grow slowly. If federal aid payments grew more quickly or actually fell, then that would put less or more pressure on state funding and spending. We also summarize other options for raising revenue such as tolling.

Though these options focus on state funding, counties and municipalities in Wisconsin can already impose or increase wheel taxes to fund roads and transit. State leaders could also provide a local option sales tax that could include transportation spending among the preferred uses. However, this could lead to larger differences in the costs to own a vehicle or purchase goods across the state, as well as greater variation in local road quality. Less wealthy communities might find it difficult to compete with better funded neighbors who can afford to maintain their roads and in turn use them to attract businesses and residents.

Alternative One – Support Roads with Income and Sales Tax Revenues

In this option, both state registration and title fees and the gas tax rate remain at current levels, which would mean transportation revenues would increase by a projected 1% annually in the coming years. The difference between the available funding and what's needed to cover each of the scenarios described above is made up over time with a growing amount of general fund taxes such as those on income and sales. This approach would provide additional funds for roads and still keep the gas tax rate and vehicle fees at their current levels while avoiding new transportation fees such as tolling. It would also bring Wisconsin more in line with other states, which generally make a greater use of general tax revenues for transportation.

The state's general fund is projected to end the current fiscal year with a more than \$3 billion balance, likely allowing this approach to be used in the 2025-27 budget. Yet over time this approach would impact other general fund priorities such as education and health care and might put upward pressure on income and sales taxes. Table 6 on the next page shows the approximate percentage of total projected 2025 general fund revenues that would be dedicated to transportation funding under the various scenarios.



Table 6: Changes to General Fund Support

Scenario	Average Annual Gap	General Fund Support of This Amount Equals:
“Fix the Roads”	\$413 million	% of Transportation Revenue: 23% % of General Fund Revenue: 1.9%
“Shrink the State Highway Program”	\$88 million	% of Transportation Revenue: 8.3% % of General Fund Taxes: 0.4%

Source: WPF calculations using WisDOT and LFB data

Alternative Two – Raise User-Fee Revenue

Our second alternative covers the funding gap by splitting it between gas tax and registration fee increases. It does not include a heavy truck registration fee or a title fee increase. Table 7 shows the increases needed in each of these two revenue sources to cover the costs.

Table 7: Changes to User Fees

Scenario	Average Annual Gap	Tax and Fee Increase Needed
“Fix the Roads”	\$413 million	Registration Fee: \$22 Gas Tax: 5.4 cents per gallon
“Shrink the State Highway Program”	\$88 million	Registration Fee: \$6 Gas Tax: 1.3 cents per gallon

Source: WPF calculations using WisDOT and LFB data

Pursuing increased gas taxes and registration fees would continue the state’s tradition of funding its transportation system with user fees. A gas tax increase would also link the costs for motorists more closely to how much they drive and keep transportation funding from competing with other state priorities. Our analysis also shows that for most vehicles, Wisconsin could increase both the gas tax and registration fees while still keeping costs in line with its nearest neighbors. However, gas tax increases can fall more heavily on some drivers such as rural residents and have not proven especially popular. In [Marquette University Law School polls](#) from 2013 to 2019, survey respondents generally said they preferred not to increase gas taxes or vehicle fees to pay for roads.

Alternative Three – Raise User Fees and Increase General Fund Support

This option uses a three-pronged approach to addressing funding gaps by relying on general fund revenue in addition to gas tax and registration fee increases. Table 8 shows the amount from each revenue source, and the fee increases needed to cover the gaps in revenue for each scenario.

Table 8: Changes to User Fee Increases and General Fund Support

Scenario	Gap	Tax and Fee Increase, General Tax Transfer Needed
“Fix the Roads”	\$413 million	Registration Fee: \$15 Gas Tax: 3.6 cent per gallon New General Tax Transfer: \$126 million
“Shrink the State Highway Program”	\$88 million	Registration Fee: \$4 Gas Tax: 0.9 cent per gallon New General Tax Transfer: \$31 million

Source: WPF calculations using WisDOT and LFB data



Mixing these different types of revenue provides some of the same positive elements for transportation funding as pursuing either of these options alone. However, there would still be some impacts to both motorists and other state priorities such as education.

Alternative Four – New Mileage-Based Fee to Augment the Gas Tax

With the long-term outlook for the gas tax murky, state leaders could choose to consider a fee that is levied on motorists based on vehicle miles traveled instead of fuel purchases. Despite national discussions about this type of fee as early as the [mid-1990s](#), it has only been implemented as a voluntary program in Oregon in 2015 and Utah and Virginia in 2020. [Oregon’s pilot vehicle miles traveled \(VMT\) fee](#) allows drivers to opt into the program and pay a per mile fee based on miles reported with or without a GPS-based tracking system. In exchange, these drivers receive reduced vehicle registration fees and tax credits that effectively defray the cost of the state’s motor fuel tax. As of 2024, however, fewer than [700 people](#) participate in this program.

Utah’s [mileage-based fee](#) applies as an option only to alternative fuel vehicles such as electric cars. These vehicles are subject to an annual fee beyond the typical registration fee, much like the electric vehicle fees in Wisconsin. Alternative vehicle owners can choose instead to pay the mileage-based fee, which could potentially result in lower total payments. Users can report miles either through an in-car recording system, or through photos of the vehicle’s odometer submitted to the Utah DOT. As of May 2024, [8,625 vehicles](#) or 7% of all eligible vehicles, had enrolled in the program.

These examples show mileage-based fees are technologically feasible but remain relatively untested nationally and seemingly unpopular with motorists. While the gas tax may be a better choice for raising revenue over the short term, creating a pilot program for electric vehicle users would allow the state to iron out technical issues and provide a roadmap for implementation once more widespread adoption of alternative fuel vehicles starts to make a bigger dent in gas tax collections.

Table 9 shows what it would take to cover the funding gap if this new fee were applied to all drivers in the state, in addition to existing taxes and fees. These are simple estimates that would need to be refined if state leaders chose to pursue this option.

Table 9: Vehicle Miles Traveled Cost per Driver Estimates

Scenario	Gap	Additional Annual Cost per Driver
“Fix the Roads”	\$413 million	Cost per Driver: \$78
“Shrink the State Highway Program”	\$88 million	Cost per Driver: \$16

Source: WPF calculations using WisDOT and LFB data

Other Options

While our previous options focused on estimating the magnitude of changes to existing fees, there are other approaches that the state could consider to increase available transportation revenue. Table 10 on the next page seeks to show the basic arguments for and against these potential options.



Table 10: Alternative Revenue Options

Option	Pros and Cons	Scale	States in Use
Tolling – Institute open road tolling on the entire Interstate system or on specific stretches to pay for specific projects.	Pros: Directly tied to road use and can pay for either a major improvement or the entire system. Cons: High installation, maintenance, and administrative costs; tends to be unpopular.	Regional to Statewide	28 states, including Illinois, Michigan, Pennsylvania
Sales Tax on Motor Fuel – Apply the state sales tax to motor fuel purchases (currently the state does not apply the tax to these sales).	Pros: Ties revenue increases to inflation in gas prices, resulting in the potential for substantial revenue growth. Cons: This volatile revenue source would add uncertainty to road funding and raise gas prices, especially when oil prices are high.	Statewide	Illinois, Indiana, Michigan, others
Regional Transportation Authorities – Allow regional entities to institute a fee or tax such as a local option sales tax, registration fee, or other source, to pay for road and transit projects.	Pros: Allows regional collaboration about transportation to set investment levels and vehicle fees. Local governments could focus investment on roads or transit, depending on local preferences. Cons: May lead to varying road conditions, transit service, and costs of vehicle ownership in different parts of the state.	Regional/Local	Illinois, Georgia, Michigan, others
Varying Vehicle Registration Fees – Change the basis of vehicle registration fees from a flat fee to one based on the value or weight of the vehicle.	Pros: Could raise additional revenue while tying registration fees to motorists’ ability to pay through greater fees on costly vehicles. Cons: User fee not tied to road use. Could raise cost to own a vehicle.	Statewide	Minnesota, Michigan, seven others
Public-Private-Partnership – Allow companies to invest in and then operate highways. Private firms are paid with tolling revenue or state funds.	Pros: Leverages private capital to pay for highways. Cons: Does not generate new revenue unless a new fee or tax is imposed and reduces control over road conditions by government bodies. Private firms also typically have higher borrowing costs than the state.	Project-Specific	Indiana, Virginia, others
Local Option Sales Tax for Transportation – Allow municipalities and counties to impose a sales tax with the revenue dedicated to transportation purposes.	Pros: Provides additional revenue for transportation and allows local preferences to drive choices about investments. Cons: Could create a patchwork of road conditions and tax rates across the state.	Local	Michigan, Minnesota, others
Right-of-Way Development Fees – Charge fees to utility service providers, like broadband internet providers, for access to road rights-of-way as they expand service.	Pro: May generate more revenue for road repair and maintenance. Con: Increases the cost of installing or maintaining utility infrastructure like broadband internet.	Local	Utah



CONCLUSION

Over the past two decades, the state of Wisconsin has financed and undertaken a series of massive upgrades to its transportation infrastructure, including the Marquette and Zoo interchanges, I-94 North-South, and the Hoan and Stillwater bridges. As the state rebuilt these critical assets, the quality of its busiest highways has improved – a critical gain in a state where trucks freighted with manufactured goods, milk tanks, and pine logs speed from one destination to another. Yet the quality of local roads and transit services has declined and future highway projects loom, including I-94 East-West, the I-794 Lake Interchange, and others.

Since state leaders ended the indexing of the state gas tax to inflation nearly two decades ago, state transportation revenues have lagged as project costs have soared. To scrape by in the years since, the state relied first on borrowing and then on the recent surplus in its general fund, which was \$4.6 billion as of June 2024. These tools should help the state fund transportation in the upcoming 2025-27 budget but will likely prove less reliable in the future as debt payments rise and the general fund balance drops.

Looking back toward past decisions and ahead to future challenges, our report finds:

- Once general fund transfers are excluded, inflation-adjusted transportation revenues in Wisconsin have hit their lowest point since 1998, and spending on the state Highway Program has dropped to its lowest level since 2003.
- Wisconsin's combined state and local highway spending averaged \$821 per person over the three most recent years of data – just above the U.S. average of \$811 – while spending of \$20,166 per mile in the state was well below the national average of \$26,203.
- The gas tax has declined as a revenue source in Wisconsin, falling from the fourth-highest rate nationally in 2005 to 18th in 2022 and from 64.7% of the state's total transportation user-fee revenue to 45.8% over those years. Yet despite the modest rise in electric cars, the gas tax base in the state has remained stable and could still generate new revenues with a rate increase.
- Despite its greater recent use of general fund dollars for transportation, Wisconsin depends less on these income and sales tax revenues to support highways than the average state.

In short, Wisconsin risks falling behind on transportation, and it has few if any shortcuts it can take. Either the state will have to forego spending and sacrifice road quality, or it will have to tap one of a few available funding sources such as the gas tax, vehicle fees, general tax dollars, mileage fees, local taxes and fees, or tolling. Some of these options are admittedly unpopular with voters and will land more heavily on some low-income motorists, such as a gas tax increase disproportionately affecting rural residents. However, a decision to avoid raising revenue will also impact some of these same individuals, likely taking the greatest toll on rural communities and poorer neighborhoods.

As state leaders idle at this current crossroads and debate the next turn for transportation funding in Wisconsin, they are weighing decisions with major implications for drivers' pocketbooks and the economy as a whole. We hope the insights and options in this report serve both voters and elected officials as they consider the best path forward for all of Wisconsin.



APPENDIX

Here we discuss how we modeled transportation revenues and spending to calculate funding gaps. The gap identified in the first two-year period is not carried forward into the next one to avoid overestimating the need by double counting the gaps.

We estimated spending by setting a base level for the Wisconsin Department of Transportation at the amount appropriated in 2025 – the current fiscal year. (In the case of the highway program, we used the average of both fiscal years.) For most highway program and local aids budget items, we then apply inflationary factors between 0% and 5% to estimate total program spending. The Transportation Projects Commission – a state body that approves major transportation projects – assumes 3.4% inflation annually over the next 10 years based on projections from consulting firm [IHS Markit](#). All other existing local aid and assistance programs remain the same as budgeted in 2025. Our scenarios do vary on how much supplementary funding is available to partially or fully replace one-time funding for local capital improvements included in the current budget.

We also model different levels of funding for the I-94 East-West project and different completion times as a result. One important consideration for this project is that deteriorating pavement conditions of this section of freeway will need attention, even if the larger reconstruction project faces delay. While there are other large highway projects planned, including reconstruction and expansion of I-41 from Appleton to De Pere and improvements to US-51 in Dane County, these projects will be supported by existing funds in the Major Highway Development Program. Where appropriate, we assume the department will use borrowing and we include debt service estimates in our calculation of increased costs. Our assumed borrowing levels may be conservative, and increased borrowing would reduce the short-term needs for new funding at the expense of increased debt payments in the future.

We assume no increases for most of the remaining DOT budget, including the State Patrol, Division of Motor Vehicles, and administrative services – a cost-conscious approach that admittedly could prove unsustainable over time. We also use 2025 amounts, with no increase, for estimates of transfers to the Department of Natural Resources, Department of Revenue, and Department of Tourism, expected lapses to the transportation fund, and growth in compensation reserves. To the extent that these costs grow, they will put additional pressure on revenue needs, but these costs are relatively small compared to state highway and local aids programs.

We assume gas tax revenue will continue to grow at approximately 0.5% per year (its 10-year trend), and registration and title fees will grow at approximately 1% per year (its trend since the last increase in 2019). We also assume slow growth in the ongoing transfer of 0.25% of total general fund taxes, and project sales of electric vehicles lower than was anticipated in the 2025 budget, carrying forward the 2024 budget amount and assuming 1% growth in each of the four years. Admittedly, any revenue projection over five years is quite uncertain and the state's needs could turn out to be greater or lesser than we assume.

