

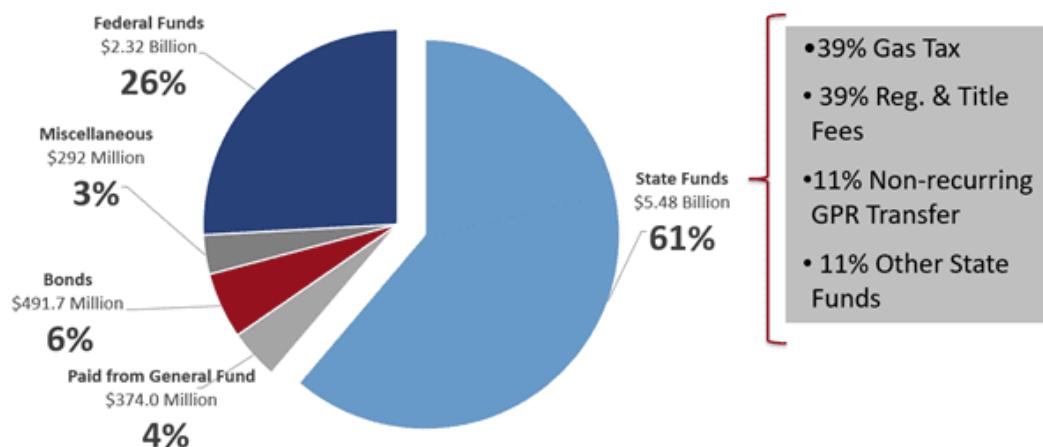
2026 Transportation Resolution

Background Paper

How Wisconsin Funds Transportation

Wisconsin funds transportation with state funds, federal funds, and bond proceeds.

All Funds Budget Overview of Revenue (2025-27)



State Funds

The primary sources of state transportation revenue are the motor fuel tax (commonly called the gas tax) and vehicle registration fees (including titling fees).

Historically, gas tax collections far exceeded revenues from registration and titling fees. However, the gas tax has remained unchanged since 2006, while registration and titling fees have seen periodic adjustments, resulting in the two sources now contributing roughly equal amounts.

To compensate for stagnant dedicated user fees, recent state transportation budgets have increasingly relied on transfers of general purpose revenues (GPR)—sales and income tax—from the state's General Fund. Additionally, transit and debt service on some transportation-related general obligation bonds are funded directly from the General Fund.

Federal Funding

Federal transportation programs provide approximately one-quarter of Wisconsin's total transportation revenue.

Federal highway, bridge and transit funds come mainly from the federal gas tax, supplemented by growing transfers from the federal General Fund to address shortfalls in the Highway Trust Fund (HTF). Since 2008, Congress has transferred \$275 billion from the General Fund to bridge the gap between gas taxes (and other miscellaneous revenue) and HTF spending.

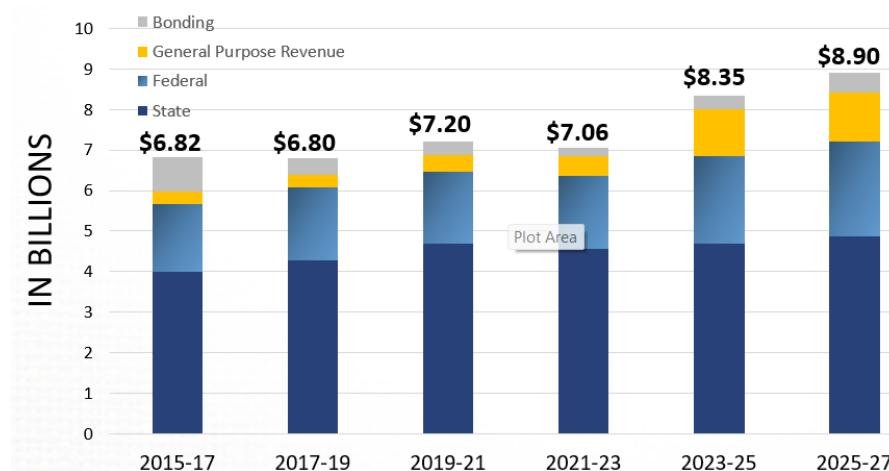
States receive surface transportation funding based on formulas established in multi-year authorization acts and from annual appropriations and competitive discretionary grant programs. The current surface transportation measure expires on September 30, 2026.

Composition of Wisconsin Transportation Fund Revenue

In recent biennia, transportation revenue growth has been driven largely by increased federal funding as well as recurring and one-time contributions from the state's General Fund. While a diverse mix of revenue sources strengthens the fund, this trend also introduces risk. Key uncertainties include:

- The content and funding levels of the next federal surface transportation bill.
- The impact of a reduced state budget surplus and potential economic downturns on the state's ability to continue using General Fund dollars for transportation. (The state's budget surplus was \$7 billion going into the 2023-35 budget, \$4 billion heading into the 2025-27 budget and is projected to be \$2.5 billion as of June 30, 2027, with discussions ongoing on how to spend it.)

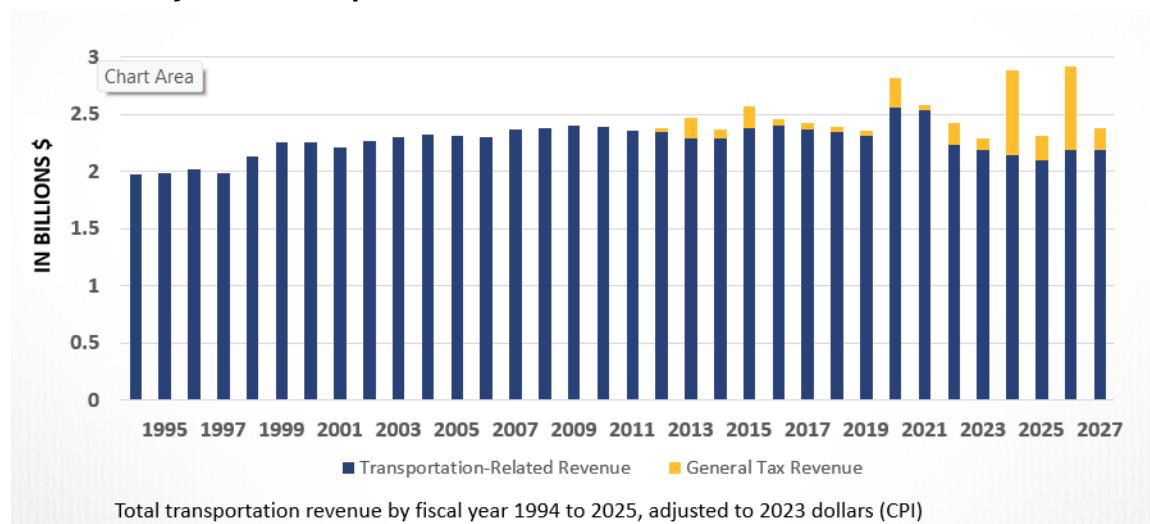
The Source of the Funding Matters



Known, predictable revenue is essential for projects that can take years or decades from planning to completion.

Wisconsin's Traditional User Fees Are Not Keeping Pace

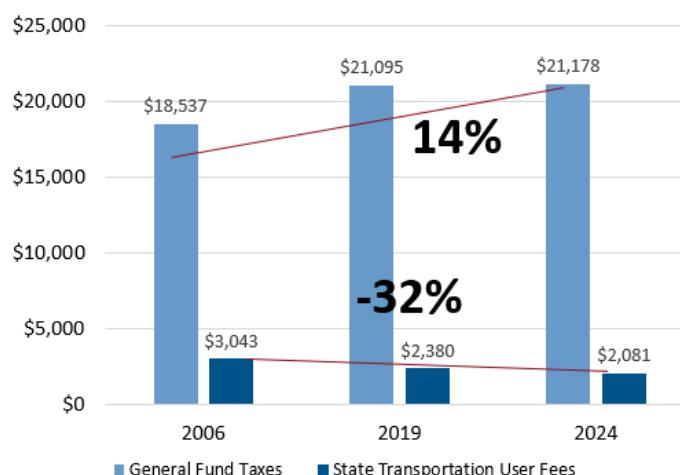
Inflation Adjusted Transportation Revenue Lower Than 2000



Wisconsin repealed gas tax indexing in 2005, with the last adjustment in 2006. As a result, our fixed flat-rate user fees (per gallon or per vehicle) do not grow with the economy the way percentage-based General Fund taxes do, which automatically collect more when prices, incomes, and spending rise. Growth in transportation user fee revenue depends on more vehicles, more miles driven, and more wear and tear on the system.

Comparison of Revenue Growth (2024 Dollars)

IN MILLIONS



- General Fund tax collections (CPI-adjusted): Increased 14%, despite tax cuts, buoyed by rising incomes, prices, and consumer spending.
- Transportation user fee revenue (Wisconsin Construction Cost Index-adjusted): **decreased 32%** despite occasional fee increases.

Transportation user fees have struggled to keep pace with general inflation, much less the unusually high construction cost inflation experienced in 2022 and 2023. Construction inflation is not only more volatile than overall consumer inflation (CPI), but it also tends to run higher over time.

The Predicted 2025-27 Fiscal Cliff

Transportation stakeholders **project a shortfall of more than \$1 billion heading into the 2027-29 biennial budget.** Drivers include:

- The need to replace the current biennium's \$580 million one-time General Fund contribution, up from \$555 million in the 2023-25 biennium. These funds supported another round of the very popular Local Roads Improvement Program – Supplemental and the Agricultural Roads Improvement Program.
- Significant generational projects now in the pipeline, including reconstruction of sections of Wisconsin's 60-year-old Interstate highways reaching the end of their useful life.
- Additional resources are needed simply to maintain program purchasing power.

In the absence of filling the funding gap, projects will need to be delayed or canceled.

The Role of Resolutions to the Larger Effort

In 2025, the Wisconsin Counties Association, the Transportation Development Association, and other partners launched the Transportation Delivers campaign to highlight the vital role transportation plays in supporting Wisconsin businesses and residents. This multi-layered initiative will continue through the 2027–29 budget cycle.

Resolutions adopted by counties, cities, villages, and towns across the state send a powerful, unified message of local support. These resolutions:

- Demonstrate the breadth and depth of grassroots commitment.
- Generate media coverage and social media content.
- Create meaningful opportunities for dialogue with legislators.

Please contact Collin Driscoll at Driscoll@wicounties.org with any questions, and watch for additional updates on the Transportation Delivers campaign.