

November Vote: Constitutional Amendment

In addition to electing a new legislature and governor, Wisconsinites will vote on a constitutional amendment in this November's election.

TRANSFERS TO END?

State law considers gas taxes and various driver and vehicle registration fees as user charges to be held in a segregated transportation fund. If passed, the amendment would require that these revenues remain in the transportation fund and be used solely for transportation purposes. The amendment aims to prevent the transfer of transportation monies to other funds, as the state did for much of the prior decade to avoid general fund deficits.

Background

The state constitution forbids the legislature from borrowing to close deficits in the state's general fund, where most major state taxes, e.g. income and sales, are placed. Borrowing for capital projects like roads and bridges is permitted.

During 2003-11, the governor and lawmakers approached each new biennia facing the likelihood that expenditures would exceed revenues, and a deficit, illegal in Wisconsin, would result. State officials turned to the transportation fund to erase anticipated budget shortfalls, shifting revenues from gas taxes, driver licensing fees, and vehicle registration fees to the general fund. In order to replace the displaced funds, they authorized borrowing for transportation needs.

All told, during 2003 through 2011, the state shifted \$1.4 billion from the transportation fund to the general fund. Simultaneously, the legislature authorized nearly \$1.2 billion of general obligation debt for transportation purposes.

Increased use of revenue bonding exacerbated the problem. Revenue bonding increased 26.1% from \$136.1 million in 2003 to \$171.7 in 2011. Due to the rise in borrowing, burdensome debt service payments resulted. While these payments claimed about 7% of transportation fund revenue during 1998-2002, they represented 16% in 2013.

The Amendment

The proposed amendment, which aims to halt this practice, reads:

All funds collected by the state from any taxes or fees levied or imposed for the licens-

ing of motor vehicle operators, for the titling, licensing, or registration of motor vehicles, for motor vehicle fuel, or for the use of roadways, highways, or bridges, and from taxes and fees levied or imposed for aircraft, airline property, or aviation fuel or for railroads or railroad property shall be deposited only into the transportation fund or with a trustee for the benefit of the department of transportation or the holders of transportation-related revenue bonds.

The Debate

Pros. Fundamentally, amendment proponents see it as a guarantee to transportation users that the earmarked taxes and fees they pay are used as promised. They argue that the amendment is needed to prevent further interfund transfers that have helped leave the transportation fund with heavy debt. And, they point out that a majority of states, including most of Wisconsin's neighbors, constitutionally restrict the use of transportation user fees.

Cons. Opponents of the amendment question the wisdom of denying the legislature needed budget flexibility during times of fiscal crisis that transfers from the transportation fund allow. They wonder whether it is fair to give transportation programs a "free pass" during recessions, while other programs must be cut or taxes increased.

Additionally, some question whether a permanent constitutional remedy to an occasional practice is "overkill." Transportation transfers could be prevented by statutory restrictions instead of by constitutional amendment.

What's Next?

The amendment has already passed both the assembly and senate in two consecutive legislative sessions. Come November, voters will make the final decision. If more than 50% approve, Wisconsin's constitution will be amended, making it unconstitutional to spend gas taxes and vehicle registration fees on anything other than the maintenance and upkeep of Wisconsin's transportation system. □

DATA SOURCES:

Wisconsin Department of Justice; Wisconsin Legislative Fiscal Bureau; Wisconsin Department of Revenue; 2013 Assembly Joint Resolution 2.