

A monthly review of Wisconsin government, taxes and public finance

The Wisconsin Taxpayer



The proposed Marquette Interchange

Transportation Financing in Wisconsin

Under existing plans, shortfalls in state transportation funding are projected in coming decades. Tough choices on both the expenditure and revenue sides of the ledger lie ahead. Rebuilding the southeastern Wisconsin freeway system looms particularly large.

The long-term costs of transportation projects in Wisconsin, as currently planned and proposed, are significant. Funding shortfalls of billions of dollars are projected.

In November 1999, the Wisconsin Department of Transportation (WisDOT) adopted a comprehensive, long-term state highway plan, which calls for spending \$20.4 billion (in 1999 dollars) through 2020 to maintain and improve the state trunk highway system. The system, which includes approximately 11,800 miles of roads and nearly 4,700 bridges, represents about one-ninth of the state's total road mileage, and carries around three-fifths of all traffic. Wisconsin also has more than 100,000 miles of local roads.

Under the plan, through 2020, state and federal revenues are expected to generate around \$15.3 bil-

Also in this issue:

State Spending Increase Ranks 12th
Gaming Compact Revenues Rise
Property Values up 7.3% Statewide
Wisconsin's Revised Estate Tax

State Spending Increase Ranks 12th

Wisconsin's general fund expenditures nearly doubled between 1990 and 2000, according to a survey of state budget officers. In 1990, Badger State spending totalled \$5.8 billion; by 2000, it had risen 93.5% to \$11.3 billion, the 12th-highest percentage increase in the nation. Illinois, with the 22nd-highest increase, was next among neighboring states, followed by Minnesota (26th), Iowa (30th) and Michigan (45th).

Nationally, state budgets grew an average of 63% over the decade. Adjusted for inflation, state spending grew 3.4% annually in the 1980's, compared to 3.6% per year in the 1990's. □

Source: American Legislative Exchange Council.

State Spending Ranked
Rank in 50 States, \$ in Millions

State	1990	2000	% Chg.	
			Amt.	Rk.
Wis.	\$5,837	\$11,294	93.5%	12
Ill.	12,987	23,084	77.7	22
Iowa	2,841	4,763	67.7	30
Mich.	7,304	9,803	34.2	45
Minn.	6,645	11,476	72.7	26

Gaming Compact Revenues Rise

Revenues from gaming compacts between the state and 11 Native American tribes have risen significantly since the compacts were renegotiated in 1998 and 1999, according to the Legislative Audit Bureau.

The Wisconsin Division of Gaming, which also regulates the state's racing and charitable gaming activities, began overseeing Indian gaming in 1992. Prior to fiscal 1999-2000, the division received \$350,000 annually in tribal revenue. As a result of the renegotiated compacts, however, the tribes agreed to pay the state an additional \$21.7 million in 1999-2000 and \$24.0 million in 2000-01. □

Property Values up 7.3% Statewide

Property values in Wisconsin rose 7.3% last year, from \$312.5 billion to \$335.2 billion as of January 1, 2002, the Department of Revenue reported.

Continuing strong demand for vacation and recreational property led to double-digit increases in several northern counties. Menominee (16.9%), Bayfield (15.8%) and Sawyer (15.3%) increased the most.

Residential property values rose 8.7% to \$234.0 billion, while commercial property increased 7.6%, to \$59.2 billion. Manufacturing property went up 3.8% to \$11.0 billion.

Farmland values declined from \$5.1 billion to \$2.8 billion, or 45.4%, due largely to the implementation of use-value assessment of crop and pasture land. Under use-value, farmland is taxed at its value for agricultural use, rather than its market value. □

The Wisconsin Taxpayer

August 2002 Vol. 70 No. 8

Publication Number USPS 688-800

Periodical postage paid

at Madison, Wisconsin

Subscription Price:

One Year, \$12; Three Years, \$28

Published each month by the Wisconsin Taxpayers Alliance

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Transportation Financing in Wisconsin

Continued from page 1

lion (in 1999 dollars), leaving an estimated \$5.1-billion shortfall. Of the \$20.4 billion, \$13.2 billion is projected to be required to finance the rehabilitation of existing pavement and bridges.

The remaining \$7.2 billion is for major capacity expansion and associated rehabilitation work. Overall, rehabilitation work accounts for around four-fifths of the \$20.4 billion.

Over \$5.3 billion of the \$20.4-billion total is projected for the reconstruction of the aging southeast Wisconsin freeway system, including the Marquette Interchange (see "Rebuilding the Marquette" on page 7).

According to WisDOT, the \$15.3-billion total revenue figure for highways assumes that increases based on the state's fuel tax formula, and any increases in vehicle miles traveled, will be offset by inflation and vehicle fuel efficiency over the 21-year planning period. As a result, projected revenues are not expected to rise above current funding levels in inflation-adjusted dollars.

Average annual revenue increases of 2.7% above the inflation rate will be required to fund the plan as now conceived. From 1984 to 1999, annual percentage increases in highway funding averaged approximately 2.9% above inflation.

REVENUES

The total state transportation budget is funded by: state and federal transportation revenues; bonding; and other funds, prima-

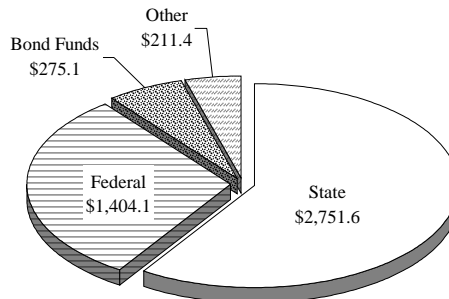
rily payments from local governments and revenues for specific services. In the 2001-03 biennium, nearly 90% of the revenues for the transportation budget comes from state funds and federal highway funds, with the remainder being bond sales and other sources.

As shown in the chart below, in 2001-03, federal transportation aids are projected to provide 30.2% (\$1.40 billion) of the \$4.64 billion in total transportation budget revenues. Approximately 59.3% (\$2.75 billion) will come from state sources (primarily motor fuel taxes and registration fees), while 5.9% (\$275.1 million) will be from bond funds. The remaining 4.6% (\$211.4 million) will be from small program revenues and local payments for individual transportation projects.

Federal Funding

Federal funds for state transportation programs are primarily from the U.S. Department of Transportation (DOT). From 1992

State Transportation Budget, 2001-03
Revenues (Amounts in Millions)



through 1997, federal highway aid funds were distributed according to the federal Intermodal Surface Transportation Efficiency Act (ISTEA), passed in 1991.

Most federal transportation aid received by Wisconsin is from the federal motor fuel tax (18.4 cents per gallon for gasoline and 24.4 cents for diesel fuel). WisDOT officials note that the emphasis on motor fuel tax revenues could bring fluctuations in the level of federal aid in the future. For example, advances in the fuel-efficiency of vehicles, or steep increases in the price of gas (which would reduce travel miles), could severely limit the growth in federal revenue collections, or cause them to decline.

Return on Federal Fuel Tax. As shown in the table, Wisconsin's rate of return on the federal fuel tax (federal highway funds received ÷ fuel taxes paid) has risen above rates prevailing in the late 1980's. The low rate of return in federal fiscal year 1996 was due largely to reductions in the federal aid highway program.

The state's rate was 1.06 in 1999 and 1.07 in 2000, fell to 0.97 in 2001 and rose slightly to 0.98 in 2002. The state's average rate since 1991 has been 0.99, or 99 cents in federal highway funds for every dollar in federal fuel taxes paid.

ISTEA included several "equity guarantees" in the federal funding formula benefiting states that historically had rates of return less than 100%, such as Wisconsin. In particular, a provision guaranteeing each state at least 90% of its payments to the federal highway trust fund was responsible for enabling Wisconsin and other "donor" states to approach, and in some cases exceed, a "dollar-for-dollar" rate of return.

TEA 21. In 1998, Congress passed the Transportation Equity Act for the 21st Century (TEA 21), which will guide federal

"Spendable" Federal Transportation Funds and Return on Federal Dollars
1988 - 2002 (Amounts in Millions)

Year	Return on		
	Highway	Fed. Fuel \$	Transit
1988	\$180.4	\$0.84	na
1989	216.6	0.95	na
1990	220.8	0.90	\$23.0
1991	238.5	0.86	24.0
1992	323.7	1.03	25.9
1993	305.1	1.00	36.8
1994	341.4	1.00	47.8
1995	345.5	0.99	46.3
1996	330.8	0.95	36.9
1997	375.4	1.01	39.6
1998	409.3	0.99	46.1
1999	470.3	1.06	55.9
2000	516.1	1.07	65.9
2001	581.6	0.97	66.1
2002	592.2	0.98	68.6

transportation funding through September 2003. TEA 21 provides funding for federally-aided state and local programs for highways, planning and safety, as well as funding for transit, bicycles, pedestrians and other purposes. Federal legislation that will reauthorize transportation program funding for the next several years is currently being debated.

In the 1999-2001 biennium, Wisconsin received approximately \$1.16 billion in federal transportation aids. The federal government reimburses states for the federal share of the costs they incur, such as those involved in highway construction. Eligible costs for federal transportation aids are detailed in federal authorization laws. The federal government allocates most federal funds for specific uses or mandated programs.

"Spendable" Federal Funds. Wisconsin's "spendable" federal aids (actual federal aid highway and transit funds available to the state) received since 1988 are shown in the table above.

From 1996 to 2001, spendable federal highway funds increased 75.8%, or an average of 11.9% annually, reaching \$581.6 million. Transit aids rose 79.3%, or 12.4% annually, reaching \$66.1 million in 2001.

State Funding

From 1996 to 2001, transportation revenues from state sources increased 23.4%, or an average of 4.3% annually, reaching \$1.28 billion in 2001 (see chart below). From 1991 to 1996, they rose 32.7%, or 5.8% annually.

Wisconsin and Other States. Wisconsin's transportation financing practices are atypical compared to other states. Here, transportation revenues (primarily motor vehicle fuel taxes and registration fees) are deposited into a "unified," or single, fund, segregated from general revenues. This segregated account is the only source of state funding for highways, transit, rail, air, harbors, and bicycle and pedestrian facilities, as well as the state patrol and Division of Motor Vehicles.

Most other states use a combination of vehicle registration fees, fuel taxes, excise taxes, bonding and general fund appropriations to address their transportation needs. Wisconsin does not use general fund revenues to fund transportation.

In other states, gas tax revenues are often dedicated exclusively to highway projects. Many states use sales tax revenues to fund transportation expenditures. In addition, a number of states use general fund revenues to finance much of their contributions to non-highway facilities and services.

Several states also allow local units of government to adopt local motor fuel taxes. Moreover, in many states, local governments have several other optional revenue sources to fund transportation

projects. In Wisconsin, the sole local option tax of this type is the wheel tax, which is currently in place in only the cities of Beloit and Sheboygan. The latter is phasing out the tax.

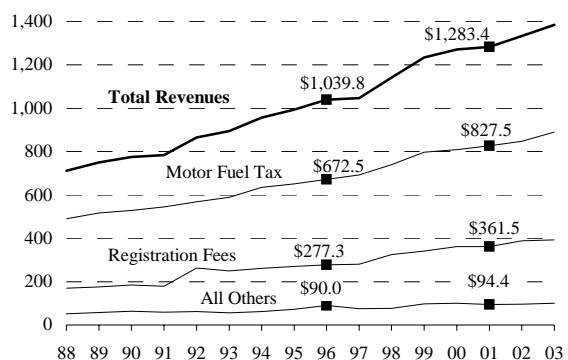
Finance Study Committee. In 1998, the state Transportation Finance Study Committee, created in the 1995-97 biennial budget, issued its final report. The report contained several long- and short-term recommendations for new transportation funding options for the state.

The committee recommended increasing registration fees for motor vehicles and commercial trucks, modifying the motor vehicle fuel indexing formula and increasing the motor vehicle fuel tax.

In addition, it recommended allowing local governments to adopt a partial-cent sales tax to be dedicated to local mass transit projects, and transferring a portion of state sales tax revenue from the sale of autos and auto-related parts and services to the transportation fund.

In the 1997-99 budget act, registration fees were increased for automobiles (from \$40 to the current \$45) and commercial trucks, and the motor fuel tax was increased by one cent.

State Transportation Revenues Rise
By Source of Funds, 1988 - 2003 (Amounts in Millions)



Motor Fuel Taxes and Registration Fees. Wisconsin's fuel tax rates are "indexed," or automatically changed on April 1 of each year based on the two-year average change in the consumer price index.

Motor fuel tax revenues increased an average of 4.2% annually from 1996 to 2001, reaching \$827.5 million in 2001. Revenues are projected to rise 2.5% in 2002 to \$848.3 million, and 5.0% in 2003 to \$890.7 million.

As of April 2002, Wisconsin had the highest state gasoline tax, including environmental fees, among neighboring states, at 31.1 cents per gallon. Other rates, including environmental fees, were: Iowa (21.0 cents per gallon); Illinois (20.1 cents); Michigan (19.9 cents); and Minnesota (22.0 cents).

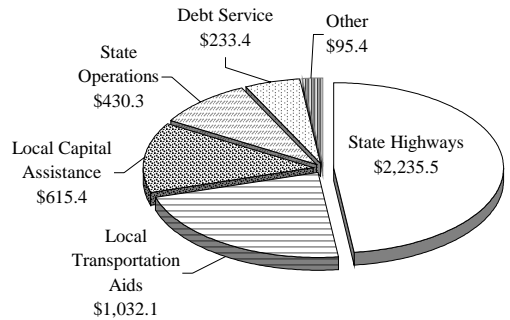
Michigan, Indiana and Illinois charge state sales tax on the purchase of motor fuel, while some local governments in Illinois charge local sales and fuel taxes. As a result, the prevailing rates can be significantly higher; for example, 39.7 cents per gallon in Chicago and 26.9 cents per gallon in Detroit. Nationally, the average for all state and local fees levied in each state's largest city was 22.9 cents per gallon.

In Wisconsin, from 1996 to 2001, registration fee revenues increased an average of 5.4% per year, reaching \$361.5 million in 2001.

Bonding. Transportation revenue bonds are issued by the state to help finance the costs of major highway projects. In general, WisDOT's policy has been to pay about 55% of major highway project costs using revenue bonds, with state and federal funds covering the remaining costs. However, budgeted levels of bonding have historically varied from 50% to 72%.

As of mid-2002, approximately \$1.1 billion of revenue bond debt was outstanding.

State Transportation Budget, 2001-03
Expenditures (Amounts in Millions)



Debt service costs totaled \$84.2 million in 2000, up 4.0% from \$80.9 million in 1999. In 2001, debt service reached \$89.1 million, up 5.8% from 2000.

State transportation bond debt carries an average interest rate of about 5%. Most of the debt consists of 20-year bonds, with a small portion held in short-term notes.

Motor vehicle registration fees are pledged by the state as a repayment source for transportation bondholders; bond principal and interest payments are considered a "first draw" on these collections. Because this revenue source is comparatively stable, bond agencies give the bonds relatively high ratings.

At current bonding levels, debt service is expected to continue to rise, limiting funds available for other programs.

EXPENDITURES

The state transportation budget includes four major expenditure categories: state highways; local transportation programs; WisDOT operations; and debt service and other expenditures.

As shown in the chart above, \$2.24 billion (48.2%) of the \$4.64-billion state transportation budget for 2001-03 will be spent on state highways, \$1.03 billion (22.2%) on local transportation assistance, \$615.4 million (13.3%) on local capital assistance,

Rebuilding the Marquette

Arguably the greatest challenge facing Wisconsin's transportation system over the next decade is rebuilding the Marquette Interchange near downtown Milwaukee.

Traffic volumes on the interchange have more than doubled since its opening in 1968. Today, nearly 300,000 cars and trucks use the interchange daily to travel to downtown Milwaukee, the greater metropolitan region and beyond. The interchange links an estimated one-third of the state's traffic to the rest of the nation.

According to WisDOT, unless improvements are made, it is likely that some bridges comprising the interchange will have posted weight limits or be closed. This would result in traffic, including heavy trucks, being diverted to other highways and streets, leading to more congestion, noise and pollution on the alternate roadways, and to increased travel times. These alternate routes also would face greater safety problems and higher maintenance and repair costs because of the increased traffic.

The majority of the funding for preliminary work on the interchange will come from federal interstate cost estimate (ICE) funds. Based on an April 1999 agreement between the state, the city of Milwaukee and Milwaukee county, \$75.1 million in ICE dollars will be allocated to the project. Beginning in 2003-04, \$45.9 million in funding is provided for the project.

The Marquette Interchange is part of a comprehensive plan to rebuild the southeastern Wisconsin freeway system, expected to cost in total over \$5 billion. Much of the system was built in the 1960's and early 1970's, and is approaching the end of its 40- to 50-year design life. The Southeastern Wisconsin Regional Planning Commission is currently developing alternative plans for reconstructing the network of 270 miles of freeways in seven southeastern counties in the state over the next three decades.

\$430.3 million (9.3%) on agency operations, \$233.4 million (5.0%) on debt service and \$95.4 million (2.1%) on other expenditures, primarily internal operations such as data processing and payments to other state agencies.

From 1996 to 2001, total transportation expenditures rose 34.1%, or an average of 6.0% annually, to \$2.16 billion (see chart on page 8). From 1991 to 1996, they increased 6.7% annually. Total expenditures are projected to increase 5.4% to \$2.28 billion in 2002 and 3.7% to \$2.36 billion in 2003.

State highway expenditures increased 35.9% from 1996 to 2001, or 6.3% annually, reaching \$992.0 million. They rose 5.9% annually from 1991 to 1996. Highway spending is projected to increase 9.7%

to \$1.09 billion in 2002, and 5.5% to \$1.15 billion in 2003.

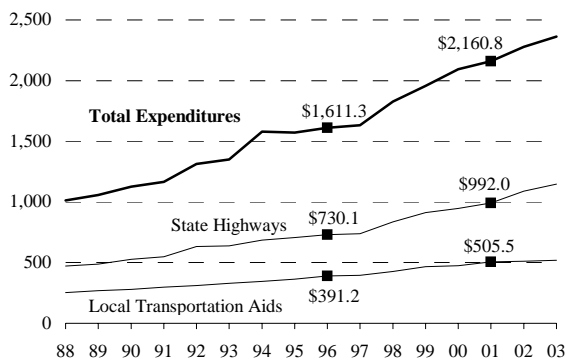
From 1996 to 2001, local transportation aids (not including local capital assistance) increased 29.2%, or 5.3% annually, to \$505.5 million. They went up 5.6% annually from 1991 to 1996. Local transportation aids total \$512.9 million in 2002, up 1.5% from 2001. In 2003, aids are estimated to be \$519.3 million, up 1.3% from 2002.

Highways

In the 1999-2001 biennium, WisDOT spent \$1.94 billion on state highways. State highway expenditures fall into three categories—major highways, rehabilitation and maintenance.

Majors. The major highway program involves addressing the most serious safety,

State Transportation Expenditures
1988 - 2003 (Amounts in Millions)



design and capacity deficiencies on heavily traveled highways of the state trunk highway (STH) system. Major highway projects are typically more complex, costly and controversial than other highway projects.

A major highway project is statutorily defined as a project that involves reconstructing or reconditioning a highway if total project costs exceed \$5 million and other conditions are met. The program is funded through state and federal revenues, and state transportation revenue bonds.

Major highway projects are recommended to the legislature for “enumeration,” or listing in state statutes, after they have been evaluated and ranked by the state’s 14-member transportation projects commission. The commission can recommend projects only if the construction can begin within six years.

The 2001-03 budget for the program includes increases of 5.3% in state funding in 2001-02 to \$231.9 million, and 4.2% in 2002-03 to \$241.6 million. The budget also authorizes bonding to cover 54.8% of project costs in 2001-02 and 53.9% in 2002-03.

Three projects were enumerated in the 2001-03 budget: the STH 17 Rhinelander

relocation in Oneida county; the STH 26 (Janesville to Watertown) project in Rock, Jefferson and Dodge counties; and the Interstate 39/U.S. Highway 51 project (designated as the Wausau Beltline) in Marathon county.

Rehabilitation. This includes upgrading deteriorated pavements and bridges. Improvements generally involve upgrading existing road pavement, adding lanes, traffic and safety improvements, and realigning roadways.

The state highway rehabilitation program consists of three subprograms: existing highways (known as the “3-R” Program for resurfacing, reconditioning and reconstruction); state bridges; and “backbone” rehabilitation. The rehabilitation program addresses structural and design deficiencies in state highway and bridge systems. In general, repair costs and accident rates increase substantially toward the end of a facility’s design life. Highway rehabilitation is a component of the state’s six-year highway improvement program, which is updated every two years to reflect changing funding priorities.

In the 2001-03 budget adjustment act, state lawmakers prohibited WisDOT from using state highway rehabilitation or major highway funds, and certain highway improvement and construction bonding, for southeast Wisconsin freeway rehabilitation projects. The act specifies that the projects, including the Marquette Interchange reconstruction project, may only be funded from appropriations for southeast Wisconsin freeway rehabilitation or with the proceeds of bonds authorized to compensate for a reduction in the amount of federal aid received by the state.

Maintenance and Traffic Operations. These funds are used for snowplowing, distributing road salt, inspecting bridges, main-

taining rest areas, and replacing and installing signs and traffic signals. WisDOT contracts with county highway staff to provide these services.

The legislature provided for a 2001-03 budget of \$358 million for state highway maintenance and operations. This included a 2.7% increase (plus a one-time \$3.5 million to replenish salt reserves) for 2002 and a 1.8% increase for 2003.

The legislature also provided a one-time allocation of \$27.0 million for additional services, with no funding for subsequent years. However, WisDOT is authorized to seek another \$10.0 million to assist in covering anticipated shortages in the maintenance budget in 2003.

Local Transportation Aids

Nearly \$1.65 billion in the 2001-03 state transportation budget is allocated to local transportation. Funds for local programs involve transportation aids and capital assistance. Aids to local units of government include funds for local road construction and maintenance, bridge improvements, capital assistance for airports, rail and harbor facilities, flood damage, and transit operating assistance.

General transportation aids, the largest category of local aid, are distributed to every town, village, city and county. These aids are paid to local governments to assist them in constructing, upgrading, maintaining and policing local roads.

The current transportation aid formula was created in 1988. Through 1993, all municipalities and counties were paid from the same appropriation. Beginning in 1994, separate appropriations were established for counties and municipalities.

General aids are allocated according to a formula based on a six-year spending average or a statutorily set rate-per-mile.

Under the 1999-01 biennial budget, the general transportation aid formula was suspended for calendar year 2001 aid payments. Rather, each municipality received a 2001 aid payment equal to the amount received under the transportation aid formula for calendar year 2000. Under current law, transportation aid payments are again based

The 2001-03 state budget includes nearly \$1.65 billion in funds for local transportation programs, including local aids and capital assistance.

on the formula amount for each county and municipality for calendar year 2002 and thereafter.

State and federal funding increases for programs to assist local governments with local roads have outpaced inflation in recent years. However, local road program funding has not kept pace with the funding increases provided for the major highway development, state highway rehabilitation and mass transit programs, due primarily to substantial increases in federal funding that the state has allocated to these programs.

Transit

Wisconsin's public transit system includes large urban systems, vanpools, shared-ride taxi service, elderly and disabled mobility, and commuter bus and rail service.

Since 1974, the state has provided funding to local transit operating systems. State aid, which totals \$191.2 million in 2001-03, is the largest source of funding for the state's 68 public transit systems, and covers more than 40% of eligible operating costs.

In addition, plans are underway for commuter rail projects in southeast Wisconsin and in Dane county, and for the Midwest

Transportation and Economic Development

The relationship between transportation and economic development is complex. Economic development stimulates transportation demand by increasing the number of workers commuting to and from work, customers traveling to and from services areas, and products being shipped between producers and consumers.

The additional economic activity creates needs for transportation improvements. These improvements can, in turn, increase access to markets, jobs and tourist attractions, reduce travel and transportation costs and increase safety, which, in turn, may stimulate further economic development.

However, the economic effect can depend on the geographic area studied. Transportation developments can have positive impacts, but they can also have “transfer” effects, where economic activity is moved from one area to another. For example, a new highway interchange can reduce transportation costs, leading to development in the area of the interchange. But, some of that additional development may simply be transfers of economic activity from another area. Similarly, a city bypass is likely to transfer economic activity from Main Street to other areas.

Transportation improvements in growing economies are likely to generate positive impacts. In stagnant economies, transfers of activity are likely to occur.

There are also costs associated with transportation improvements. Critics of highway expansions cite the additional pollution associated with increased traffic. They also point to urban sprawl and some of its inefficiencies as a negative impact.

Regional Rail System, a high-speed passenger rail system that would provide city-to-city connections over 3,000 miles of track in nine states, including new passenger rail service from Milwaukee to Madison that could begin as early as 2003.

The Midwest Regional Rail System project includes purchasing high-speed rail equipment, upgrading existing railroad tracks and signals, planning and engineering costs, and developing parking and station facilities.

Over the project’s 10-year implementation cycle, capital costs for the state segment of the system are estimated to exceed \$626 million. Federal funding could cover as much as 80% of that cost, but the state share is expected to be at least \$125 million.

THE ROAD AHEAD

WisDOT’s design for the state’s transportation system is guided by a series of long-

range plans designed to coordinate and integrate several transportation modes.

Beyond the reconstruction of the south-eastern Wisconsin freeway system, there are numerous transportation improvement projects in other parts of the state contained in the plans.

Corridors 2020. Although the relationship between transportation and economic development is complex (see “Transportation and Economic Development in Wisconsin” above), it is clear that much of the economic expansion in the state in recent decades has occurred largely in areas with comparatively well-developed highway networks.

The Corridors 2020 plan, which detailed highway linkages for the statewide multi-modal system, was introduced in August 1988, and updated by WisDOT in July 1990. Projections for the Corridors 2020 highway

network, part of the national highway system, were based on socioeconomic factors, such as the location of urban population and manufacturing centers, and tourism, agricultural and forestry activity, as well as road capacity needs and commercial traffic.

Corridors 2020 envisions a 1,550-mile backbone system of multi-lane divided highways connecting the major economic centers in the state and a 2,100-mile system of two- and four-lane roads linking other significant economic and tourism centers to the backbone system. Under the plan, nearly all cities and villages in the state with a population over 5,000 would be within five miles of either a backbone or connector route.

Translinks 21. In November 1994, WisDOT adopted Translinks 21, a comprehensive, long-range transportation plan that included an update of Corridors 2020. Be-

gun in March 1993, the plan, required by ISTEA, is designed to provide a framework for developing policies, programs, and investments for highway, railroad, transit, airport and other plans through 2020.

Translinks 21 set forth a plan for state and local highways, railroads, transit, airports, harbors, intercity bus, pedestrian travel and bicycles through 2020.

In November 2001, WisDOT began developing its Statewide Long-Range Plan 2030, which will update and build upon Translinks 21 and other plans for individual transportation modes. The plan is currently scheduled to be completed in December 2004. □

DATA SOURCE

Wisconsin Department of Transportation; U.S. Department of Transportation; Legislative Fiscal Bureau; Transportation Development Association; and Wisconsin Transportation Builders Association.

WISCONSIN TRANSPORTATION RESOURCES ON THE INTERNET

State Department of Transportation

(www.dot.state.wi.us)

- Transportation Planning (www.dot.state.wi.us/dtim/bop/planning-index.htm)
- Translinks 21 (www.dot.state.wi.us/dtim/bop/planning-transl.htm)
- Translinks 21 Summary — National Transportation Library (<http://ntl.bts.gov/DOCS/wis21.html>)
- Corridors 2020 — National Transportation Library (<http://ntl.bts.gov/DOCS/transl.html>)

U.S. Department of Transportation

(www.dot.gov)

- Federal Highway Administration — Wisconsin Division (www.fhwa.dot.gov/widiv)

Wisconsin Transportation Builders Association

(www.wtba.org)

Transportation Development Association of Wisconsin

(www.tdawisconsin.org)

Wisconsin's Revised Estate Tax

Wisconsin's revised estate tax takes effect on October 1, 2002. The state legislature passed the revision last year in response to the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which established an eight-year phaseout of the U.S. estate tax. The Wisconsin tax is designed to retain millions in tax revenue that would have been lost with the phaseout.

Prior to the 2001 federal act, Wisconsin's estate tax equalled this state's share of the federal death tax credit. This type of tax, called a "gap" or "pickup" tax, does not lead to an increase in total taxes due on an estate.

Under EGTRRA, the federal government will reduce the credit paid to states by 25% starting in 2002, and eliminate it by 2005. Taxes paid by estates will be phased out over a longer period, through yearly increases in exclusion levels, from \$1 million in 2002 to \$3.5 million by 2009.

Officials estimated that, under the new federal law, Wisconsin would lose approximately \$29 million in death tax credits in the first nine months of 2002. Once the state estate tax revision takes effect, the state will avoid the losses it would otherwise have incurred: \$58 million in 2003-04, \$86 million in 2004-05, \$113 million in 2005-06 and \$120 million by 2006-07 and beyond.

The state law will keep the exclusion amount at \$675,000. This means estates of \$675,000 to \$1 million would be taxed by Wisconsin but not the U.S. government, because of the current federal \$1-million exclusion.

Further complicating the state law is a sunset provision in the federal law, which in 2011 would reinstate the old estate tax unless Congress repeals it permanently. The Wisconsin tax is set to expire earlier, on December 31, 2007; until then, state officials will wait to see what happens in Washington. □

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PERIODICALS

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