

# HIGHWAY AIDS IN WISCONSIN AND TOWN ANALYSIS FOR SELECTED COUNTIES

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## SYNOPSIS

While total State aids represent over one-half of all taxes collected by the State government, highway aids paid by the State have steadily increased until they now account for 50 percent of all State aids. Total highway cash receipts and disbursements have been steadily increasing, but a tapering-off process has set in which may indicate an upper limit is being reached. Motor vehicle user revenues have likewise experienced a sharp increase but have not as yet surpassed highway cash disbursements. However, motor vehicle user revenues have as yet given no sign of approaching a limit. The unexpended balance of State highway funds has been increasing in recent years.

Eight representative counties were selected, and highway finance data for all towns in these counties were prepared for analysis. During the years of this study (1933-1936), of all highway aids received by towns of each of the selected counties, over 90 percent came from the State, and less than 10 percent from the county governments. Average town highway revenues were about 15 percent of all town revenues, 1927-1936. Average highway disbursements were about 20 percent of all town disbursements, 1927-1936.

While highway aid payments to local units have become more centralized in the State government, control over the expenditure of these aids remains to a large extent in local hands.

For town units of government in Wisconsin, there is some evidence, although it may not be sufficient to be conclusive, to indicate that the effect of highway aid payments on financial practices of local town governments is to reduce highway revenues coming from other sources and not to affect highway disbursements.

In Wisconsin at present there are neither records available to the highway commission that will enable it to trace highway aids to their final disbursement nor records available that will show the immediate source of the funds disbursed for highway purposes. This confusion is due in large part to the fact that highway aids are paid directly into the general fund of the local unit and may be spent for general government operations.

If the Highway Commission is to develop a new method of highway aid distribution, and properly defend it, it must be given authority to require reports from the lesser units that will enable the Commission to trace the effect of the present method of paying highway aids, both upon the highway plant itself as well as upon the total financial operations of the receiving unit.

Although the subject of highway aids in Wisconsin and their effects upon local financial practices appears at first sight to be one of purely local interest, when certain pertinent factors are considered, it is evident that Wisconsin's problems, although unique in some respects, are nevertheless in general similar to those being faced by other States. There are perhaps two good reasons why a study of Wisconsin data should be of general interest; first, the State has a long history of highway aid payments, and secondly,

there are records available which, while not entirely satisfactory, lend themselves to analysis.

Because highway development throughout the country is attaining maturity in the sense that the primary systems have been improved to a relatively satisfactory degree, the problem of highway financing is becoming more acute. Before the primary systems were brought to their present degree of improvement, there was little pressure brought by local units to obtain more than a modest

share of highway revenue for local road needs.

The situation at present is quite the reverse and not only are the local units pressing for additional highway user revenues, but other groups are insisting that a part of these revenues be used for other than highway purposes. Therefore, it behooves those concerned with highway administration to study all phases of the highway finance problem.

Wisconsin's methods of highway finance, like those of most States, have undergone considerable change during the past two decades. The burden of underwriting highway costs has, to a large degree, shifted from the general property owner to the motor vehicle user. With the exception of minor fees, in Wisconsin the collection and distribution of motor vehicle user revenues is the responsibility of the State. After costs incidental to collecting the revenues have been deducted, the balance is then paid into the general fund of the State and is then, by statute, appropriated to the Highway Commission. A portion of these funds is later distributed as highway aids to the lesser units of government in accordance with statutory provisions.

While many theories as to how best to distribute State highway aids have been advanced, the purpose of this paper is to determine, if possible, the effect of the present method of distribution upon the financial operations of the units receiving the aids.

#### DEFINITIONS OF TERMS

##### *Subventions or Aids*

Subventions or aids are funds paid by a central governmental agency to lesser units, which bear no required relationship to the amounts derived from the residents of the receiving unit.

##### *Shared Taxes*

A shared tax is a payment to a municipal unit of government and represents a

predetermined percentage of the amount of a given tax which has been paid by the residents of such units. Thus, the characteristic which distinguishes the subventions from the shared tax is that the subvention to any given governmental unit bears no required relationship to the amounts derived from the residents of that unit, while the shared tax represents the unit's share of a tax which has been paid by the residents of the unit concerned. In Wisconsin, no shared taxes are specifically earmarked for highway purposes. In some States, due to the method of collecting motor vehicle revenues, the payments to, or the amount of such revenue retained by, the local units are classified as shared taxes. In Wisconsin these payments are considered State highway aids and are so treated in this study.

##### *Highway Privilege Tax<sup>1</sup>*

The State legislature of Wisconsin in 1931 enacted a law prohibiting the local governmental units from levying a personal property tax against motor vehicles. In lieu of the income such units had derived from this source, the State reimburses them from revenues it receives from motor vehicle imposts. This payment to local units is the so-called "Highway Privilege Tax" and, inasmuch as the Highway Commission feels that many of the local units are using these funds for highway purposes, and further, due to the fact that many of the units consider these funds as available exclusively for highway purposes, they are considered

<sup>1</sup>Section 20 49-2 of Wisconsin Statutes reads " Each town, village and city shall receive an amount equal to twenty percent of the net registration fees derived from motor vehicles customarily kept in such town, village or city in the fiscal year ended the previous thirtieth day of June, but in no case less than the approximate amount collected by said municipalities from the property tax on motor vehicles levied in the year 1930 as computed under chapter 22 of the laws of 1931 "

in this study as State aids for highways and appear in local transactions beginning in 1932.

### *Town Highway Revenues*

Town highway revenues comprise, in this study, total State and county highway aids received plus general property tax levies for highway purposes as indicated in town budgets.

#### AIDS IN WISCONSIN

There are, in general, three forms of financial assistance that a central governmental agency may render a local unit. Among these is the shared tax, of which, as has already been indicated, none are specifically earmarked for highway purposes in Wisconsin.

A second form of financial assistance that may be rendered by a central agency to a lesser unit is that occurring when the central agency takes over a function heretofore performed by the local unit. This is not a common practice in Wisconsin but in some States the entire responsibility for building and maintaining a system of secondary highways has been assumed by the central State government.

The third and perhaps most important type of central agency financial assistance is the "State aid." These are usually outright grants to local units—some definite in amount and others based upon arbitrary percentages (of a fixed fund) developed and enacted into law by the legislature. This is the type of assistance with which this study deals, and its interest centers on State aids for secondary and local highways.

Aids paid by Wisconsin governmental units may be classed into four general groups according to purpose of payment. highway aids, educational aids, charitable aids, and other aids. The "other aids" include a few miscellaneous aids, small in both amount and relative importance.

Behind aid payments there are several

recognized aims and desires, four of which, perhaps the most important ones, are outlined as follows:

*Equalization of Opportunity*—Historically, probably the first aim of aid payments was to equalize opportunity. This was, and still is, the primary reasoning behind the educational aids and follows from one of the basic tenets for the preservation of democracy, namely, mass education.

*Stimulus to Local Incentive*—The aids here serve as a subsidy to economically poor districts and assist them to maintain governmental operations and thereby keep authority and responsibility in local hands.

*Reduction of Local Tax Levies*—A further aim has been to reduce local taxes, and in some cases to shift the burden from one class of tax payers to another.

*Economy of Operation*—A most important purpose of aid payments has been an attempt to promote economy of operation by encouraging the consolidation of unduly small units and thereby increase efficiency of administration.

The various types of aids may serve one or several of these purposes, and it is readily conceivable that two aids may serve contradictory purposes that tend to nullify or partially offset each other. The general trend has been to shift some of the demands on the local unit with limited taxing power, to the central unit with relatively fewer demands upon it and a relatively greater taxing ability.

Highway aids have a particular set of purposes. Of the many that may have been foremost in the minds of the members of the legislatures when aid statutes were passed are the following:

(1) A desire to stimulate local highway development.

(2) Because of the increase in motor vehicle registration, to build up the highways of the State to some preconceived standard and still allow the control to be vested with the local units. In

other words, to subsidize the construction of a desired highway system.

(3) To provide partially for the maintenance of the various highway systems.

(4) To meet the demands of political pressure groups such as those arising when the motor fuel tax laws were adopted. With the passage of these acts came the demand from the local units for increased State aids. The position taken was that inasmuch as their citizens were making their relative contribution to the fuel tax, they were, therefore, entitled to increased State assistance both to construct and maintain their local roads. This position was in some respects in contradiction to the attitude previously assumed by most of the legislatures which had felt that inasmuch as local roads were in reality land service roads they should be financed with local funds

(5) To decrease the financial burden borne by general property for highway construction and maintenance.

The true purposes of highway aids, in practice, undoubtedly embrace one or more of the above, plus others.

In Wisconsin there are four types of State highway aids. These are paid from State highway funds which, as previously indicated, consist of motor user revenues.

The disbursement of these funds is very rigidly controlled by statute and very little discretionary power is left to the Highway Commission, even insofar as expenditures of funds allocated for State trunk highway purposes are concerned.

This situation can probably be best illustrated by outlining the distribution of the revenue accruing to the State Highway Commission for the 1939 fiscal year. The net amount available was about \$32,000,000. From this total aid payments were made as follows:

*To counties for county trunk highways*—\$4,400,000 is allotted, 40 percent in

proportion to motor vehicle registration and 60 percent in proportion to road mileage, and in addition, \$65 per mile for each mile of county trunk highway.

*To towns, cities, and villages*—\$4,120,000 representing \$65 per mile for each mile of town roads and village streets, and from \$130 to \$520 per mile graduated according to population for city streets.

*To towns, cities and villages*—A highway privilege tax of approximately \$3,700,000. This aid is in lieu of a personal property tax heretofore levied against motor vehicles\* by local units and now prohibited by State law.

*Miscellaneous aids*—Totaling approximately \$275,000.

From the remainder there was apportioned to counties under statute, \$8,000,000 "for construction of the State trunk highway system and bond retirement." Although this money is supposedly for State trunk construction, a large share of the funds are used to retire bonds which have previously been issued by the counties for State trunk development. This requirement in the fiscal year 1939 was about \$4,000,000. The remaining \$4,000,000, although available for current State highway construction, had to be expended according to statutory provision; i.e., to counties on a 40-60 basis.

Out of the remaining \$11,500,000, approximately \$750,000 was needed to meet certain statutory minimum payments which were not included in the aid payments previously mentioned.

An additional amount of about \$6,000,000 was needed to meet the costs of State trunk highway maintenance agreements with the counties, and about \$1,250,000 was similarly required for the removal of snow.

Thus, from the original amount of approximately \$32,000,000 there is available, to be used for the improvement of State trunk highways at the discretion of

the State Highway Commission, only about \$3,500,000.

Whereas the statutes outline in general the purpose for which the various State highway aids are to be used by the local units, it is, nevertheless, true that the State Highway Commission has little, if any, direct control over the expenditure of these funds. There is only one exception to this general situation. This applies to those aids being granted to cities for the maintenance of streets connecting State trunk highways. These streets must be maintained in accordance with standards prescribed by the State Highway Commission, and if they are not so maintained, the Commission is empowered to withhold aid payment until a state of improvement satisfactory to the Commission has been reached. This is the only instance in which the State Highway Commission is empowered to withhold highway aids.

In addition to the foregoing State highway aids, lesser units of government are receiving additional highway aids paid them by the counties. These are paid from whatever funds are available in the county treasury and are listed as follows:

(1) Aids paid by the various county boards which, acting through their highway committees, have power, under the statutes, to construct or improve or to aid in constructing or improving any road or bridge in the county with county funds. Obviously, the amount of aid paid under this provision is in direct proportion to the work undertaken by county initiative.

(2) Mandatory aids for so-called prospective State highways.<sup>2</sup> When the town petitions the county for aid, it is mandatory that the counties pay such aids to improve such highways not to exceed, however, \$2,000 in any one year.

<sup>2</sup> Prospective State highways are all county trunk highways and certain town roads which have been approved by the State Highway Commission as possible additions to the State trunk system.

(3) Bridge aid: When towns construct or repair bridges on highways maintained by them, they are entitled to county aid—the amount of the aid varying with, and depending upon, the assessed valuation of the town involved.

The counties generally, because of their ability to contact more readily the local units, and in some instances by prosecuting the work themselves, have more control over local expenditures of county highway aid funds.

The apparent intent of the legislature in enacting highway aid legislation seems to have been to decentralize both the responsibility and the authority for highway development; to place into the hands of the lesser units of government sufficient State aid monies so that, when augmented by local funds, a reasonable amount of revenue would be available to meet local highway needs; then, too, by setting out definite provisions requiring cooperative action and approval between governmental units regarding certain classes of highways, to create adequate and unified highway systems.

#### TRENDS IN STATE AIDS

In order to bring the highway aid picture into proper perspective, it is necessary to consider briefly all State revenues and aid payments.

All classes of State aids paid in Wisconsin have grown rapidly in the past decade. Educational aids have been steadily increasing since 1900, as shown on Figure 1. Charitable aids have had their period of greatest growth during the past ten years. Highway aids came in as a new class in 1912 and have been growing rapidly ever since. A few miscellaneous aids have made their appearance in recent years, the most important of which is the highway privilege tax, included on Figures 1 and 2 in the "other aids" classification. This treatment has been purposely used, for there is not entire agreement that the highway privilege tax is properly classed

as a highway aid. These latter payments range between \$3,500,000 and \$4,000,000 annually and account for over 90 percent of the total dollars in the so-called "other aids" classification. In this analysis these payments are treated as highway aids. In dollar value, total State aids in

by the State government. There was, however, a decided decrease in aid payments in the years 1933-1934, due to an action taken by the Wisconsin Emergency Board<sup>3</sup> which resulted in withholding some of the State highway aids due the local units during these years. These amounts are set forth in Table 1. The absolute dollar increases and decreases for these two items, total State aids and total State government taxes, are depicted graphically on Figure 3.

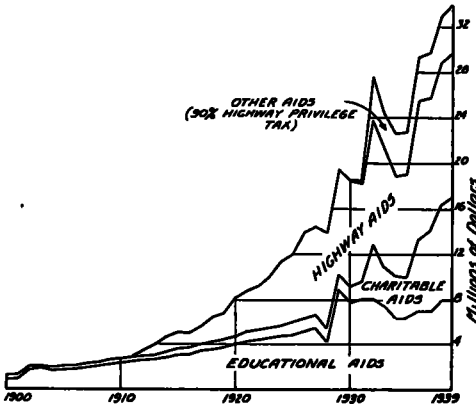


Figure 1. Trend of state aids. From records of the Wisconsin Tax Commission as compiled by the State Wide Planning Survey.

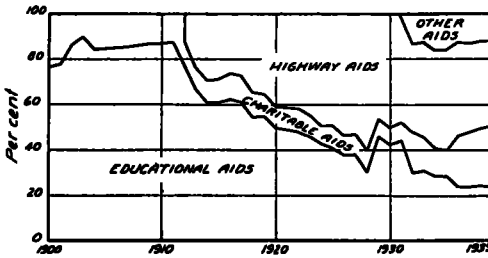


Figure 2. Relative importance of the four classes of state aids. From the records of the Wisconsin Tax Commission.

1939 equalled \$33,925,401, as contrasted with \$1,211,296 in 1900.

When each of the four classes of aids is represented as a percentage of total aids, the relative importance of the various classes of State aids is clearly indicated. Figure 2 is a graphic presentation of these data.

Total State aids have increased steadily with the increase in the total taxes raised

TABLE 1  
HIGHWAY AIDS WITHHELD BY WISCONSIN STATE EMERGENCY BOARD

<i>Fiscal Year 1932-1933</i>	
Highway Privilege Tax	\$720,178
Local Roads and City and Village Streets	815,831
<i>Fiscal Year 1933-1934</i>	
County Trunk Aids	600,000
Local Roads and City and Village Streets	818,403
<i>Fiscal Year 1934-1935</i>	
Local Roads and City and Village Streets	1,026,001 <sup>1</sup>

<sup>1</sup> These aids were paid in 1935-1936.

The trend for both State highway cash receipts and State highway cash disbursements has been sharply up for the past 25 years. Both have been affected severely enough by the depression period to show a reversal of the trend. It now appears that a tapering off process has begun and an upper limit of both total highway cash receipts and disbursements is being approached. Figure 4 illustrates the relationship between cash receipts and

<sup>3</sup> The State Emergency Board created by the legislature, the personnel of which consists of the governor and the chairmen of both the State Senate and the Assembly Finance Committees, is vested with power under the statutes to withhold certain departmental appropriations not exceeding 25 percent in any one year.

cash disbursements of State highway funds, the yearly balances, and the building up of an unexpended balance. The latter is shown cumulatively.

At two times, in a period of over 20 years, cash disbursements were greater

This is in reality an unexpended book balance, which totalled \$27,068,930 at the end of the fiscal year 1939 (Fig. 4) This apparent diversion is the subject of much controversy in Wisconsin. Many editorials have appeared in the State's leading newspapers, some condemning and others approving the practice. During the 1939 legislative session a resolution was adopted calling for an amendment to the State's constitution to prohibit diversion. If a similar resolution is again

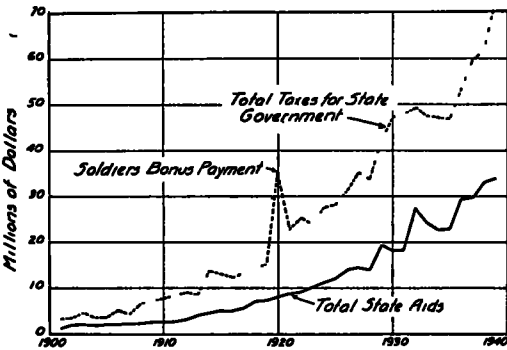


Figure 3. Total state taxes and total aids distributed. From Wisconsin Tax Commission Bulletins 76, 80, 85, 92.

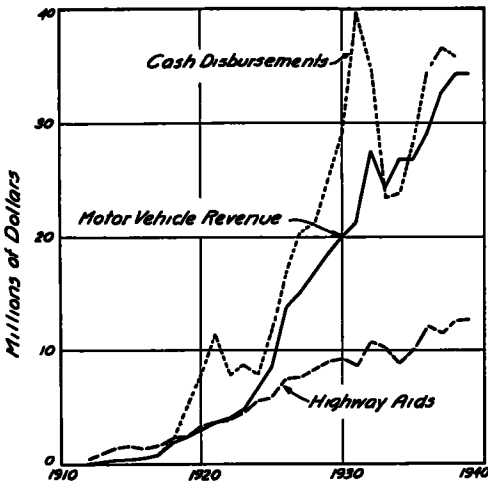


Figure 5. Cash disbursements as compared to motor vehicle revenues and highway aid payments. From Wisconsin Tax and Highway Commissions.

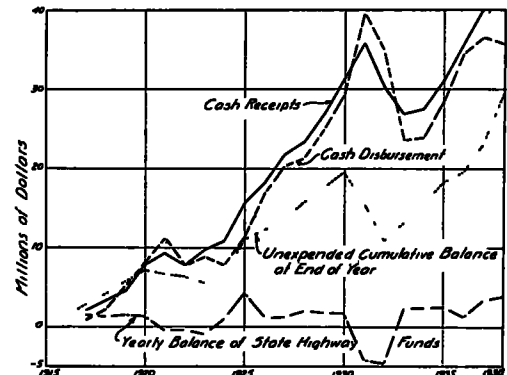


Figure 4. Total state highway cash receipts, disbursements and unexpended balance, July 1, 1917 to July 1, 1939. From Wisconsin Highway Commission.

than cash receipts. These were the fiscal years 1919 through 1922 and 1931 through 1933. The difference between these cash receipt and cash disbursement items for any one year comprises the yearly balance for that year. The sum of all surpluses minus the sum of all deficits will give the cumulative balance as of any given year.

adopted by the forthcoming legislature, the problem will then be submitted to the voters for their action. It is, therefore, to be hoped that within a reasonably short time the Wisconsin voters will have an opportunity to register their approval or disapproval of highway fund diversion.

At only one time (1933-1934) since 1917 have motor vehicle revenues collected by the State equalled cash highway disbursements, which indicates that Federal aid monies plus county bond issue funds have played a prominent part in the State's highway financing; especially is this true when the unexpended balance

is considered. For illustration, see Figure 5.

As seen in Figure 5, highway aids have increased gradually. Any fluctuations are minor, and at present, these aids bid fair to increase for some time to come.

#### ANALYSIS OF FISCAL HIGHWAY ITEMS BY TOWN TOTALS IN SELECTED COUNTIES<sup>4</sup>

The detailed analysis in this report is confined to eight counties. These were selected on the basis of two indices: one confined solely to economic factors, and one including both economic and highway aid payment factors. Although it was possible to obtain data for State highway aid payments from 1900-1939, it was necessary to confine this analysis to the ten-year period 1927-1936.

Examination of available highway finance data of local units, disclosed it to be impossible to present an analysis of each class of political unit complete to the same degree; i.e., for county, city, village, and town governments. By way of example, for cities a complete figure of total highway revenue cannot be obtained because usually there are no levies against general property for highway purposes shown in the annual city reports to the Tax Commission. The unit for which the most complete data could be obtained was the town; hence, this unit is our major consideration.

A town in Wisconsin is a rural unit of government. It is incorporated, and elects its own town officers who are responsible for town operations, just as are city or village officials. When it is realized that approximately 70 percent of the total highway mileage in Wisconsin is the responsibility of town officers, the importance of the towns in any analysis covering highway operations becomes clear.

<sup>4</sup> Counties Selected: Brown, Chippewa, Crawford, Douglas, Milwaukee, Oneida, Portage, and Washington

The highway finance data available for towns included highway aids (both State and county), general property tax levies for highways, total highway revenue, and total highway disbursements. The general property tax item represents the sum of four items, these are detailed in the Tax Commission reporting forms which are used by the towns in reporting their fiscal operations.

1. Highway taxes for local purposes—these constitute revenues raised locally to meet local highway needs and, in this study, are reported as indicated in the town budgets.

2. Highway taxes paid to counties—these were taxes levied by the town and paid to the county for special highway benefits received by the town from the county.

3. Highway and bridge aids paid to counties—these were town levies and represent the towns' share of county highway and bridge costs.

4. Special assessments for pavements.

It is necessary to point out that there are several cautions to observe in applying statistical procedures to data taken directly from municipal reports. This is true regardless of the governmental unit being analyzed. The analysis of hundreds of financial reports of counties, cities, villages, and towns discloses the fact that in most cases careful examination and study must be made if inaccurate conclusions are not to be drawn.

This is not due to the lack of a proper municipal accounting system nor to the lack of accuracy in compilation of figures. The difficulty arises because the municipal accounting systems are designed primarily to disclose the general over-all financial transactions during any given year. Therefore, any conclusions drawn from an analysis of the figures purporting to show the activities of any particular municipal department are apt to be erroneous unless certain adjustments to the



data are made. Municipal affairs may be efficiently and honestly managed and the records well kept, and yet the financial report may fail to disclose the true municipal transactions regarding any particular field of endeavor.

In many municipalities both receipts and expenditures may be inflated through duplications. An instance of this is the possible case where the State turns over aids designated for towns to the county as a disbursing agency. These aids then appear as county receipts and expenditures and, although usually, are not always treated by the county as an agency transaction. When, however, these aids are finally received by the towns, they are treated as receipts of the town and, of course, when expended, are treated as town expenditures. It would seem that such transactions occurring between the various levels of government should be easily discovered and duplications eliminated in the final tabulation. When it is realized that the fiscal year closings of the units involved are not uniform, resulting in lags in both receipts and disbursements, the difficulty of reconciliation is immediately understood. In Wisconsin the fiscal year closings are: State—June 30; counties and cities—December 31; towns and villages—March 31.

An example of deflation occurs in the data for State and county highway aids to towns in Wisconsin, prior to 1932. Here the county received highway aids from the State to be turned over to the towns. However, in many instances the county simply performed the highway work for the towns and in payment therefore kept the State highway aids already in its hands and intended for the town unit. Thus, the amounts so spent are in reality town receipts and town highway disbursements although in this instance they do not appear as such in the town financial reports.

Total highway aids to all towns in each of the selected counties have increased

greatly over the ten-year period studied, 1927–1936. There are notable peaks in highway aids paid to towns in the years 1932, 1934, and 1936 with much smaller amounts paid in the interim years, 1933 and 1935.<sup>5</sup> This upward trend in dollar

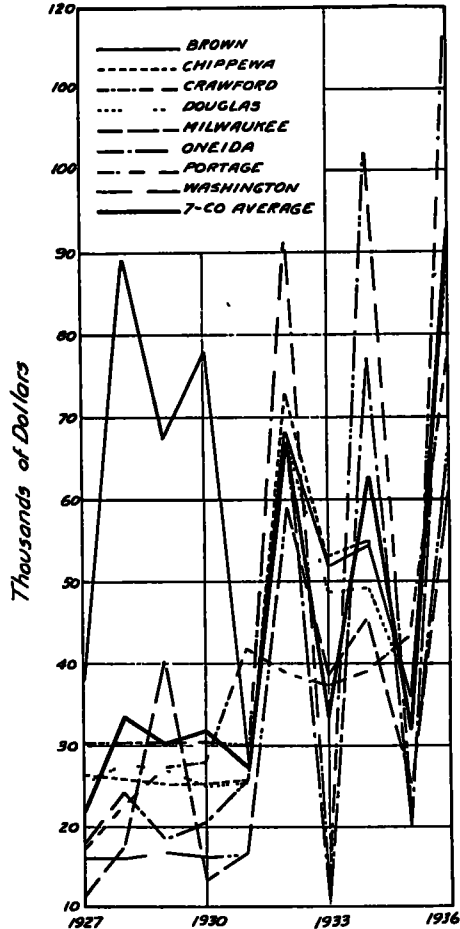


Figure 6. Total Highway Aids in All Towns in Each County

volume of highway aids is very significant as it is an indication of how, in recent years, the motor vehicle user has paid

<sup>5</sup> It is thought that these fluctuations are due to lags in receipt of the aids and also to the different fiscal years of the units involved (State, county, and town).

substantially greater portions of highway costs, for the source of the funds from which State highway aids are paid is the motor vehicle user revenues. The trend here referred to is graphically shown on Figure 6.

It is noted that in the illustration for these eight-county data, a seven-county average is used. This practice is followed uniformly on all succeeding figures. The

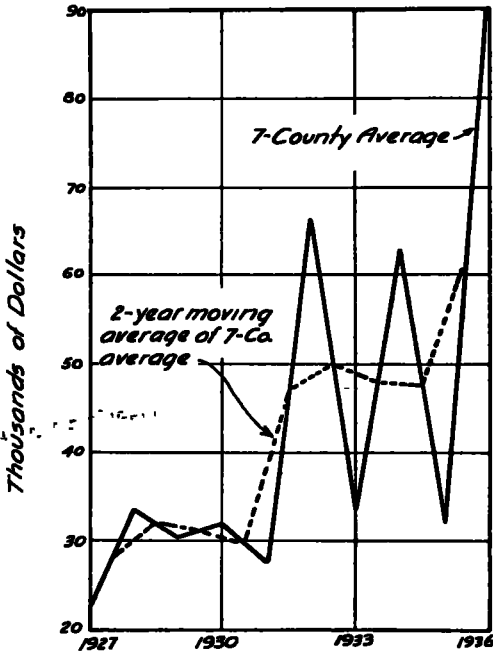


Figure 7. Average Total Highway Aids in the Counties

county omitted from the average is Milwaukee County, and this is done because data for Milwaukee County are in no way comparable to data for the other counties and would distort the illustration if included in the averages. Certain relative figures for Milwaukee County will illustrate This single county out of 71 counties had 24.7 percent of the 1930 State population, had 21.3 percent of the State motor vehicle registration (1938), and received 17.1 percent of the total State aids in 1938.

When a two-year moving average was applied to the seven-county average, the data revealed that this upward trend continued through the depression and the latest figure (1935-1936) shows a further increase in highway aids. (See Fig. 7.)

Total property tax levies for highway purposes of all towns in each of the

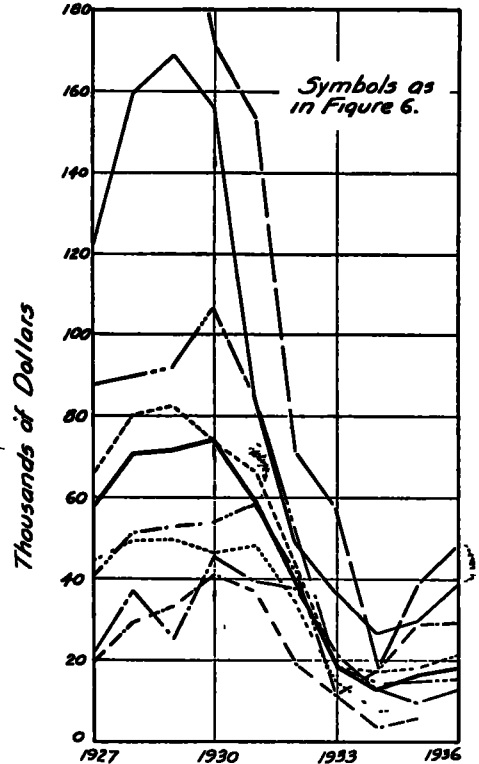


Figure 8. Total Highway Property Tax Levies of All Towns in Each County

selected counties have experienced a remarkable decline since 1930. The seven-county average revealed these levies to be at a high of \$75,000 in 1930 and at less than \$20,000 for 1933-1936. Whereas Figure 6 illustrated the shift of highway costs to the motor vehicle user, the data used in developing Figure 8 illustrate the shift of highway costs from the general property owner. Well illus-

trated, too, on Figure 8 is the remarkable narrowing of the range, in general property levies for highways for all towns in the selected counties, in the years following 1932.

Total highway disbursements by all towns in the selected counties have followed general business conditions, high in the period 1927–1931, low in the period 1932–1935, with greater expenditures on highways in 1936. An examination of the data<sup>6</sup> further reveals that the seven-county average trend for town highway disbursements corresponds more closely to the seven-county average trend of total town receipts and total town disbursements than to the seven-county average trend of total town highway revenue. The town highway disbursements data are illustrated on Figure 9 for each of the selected counties except Milwaukee.

Figure 10 portrays the part played by revenues for highway purposes in the entire revenue schedule of the towns. With the exception of towns in Milwaukee County, town revenues raised specifically for highways generally ranged between 7 and 20 percent of all revenues, for the ten-year period, 1927–1936. Towns of Chippewa and Crawford Counties reveal the most even trend, ranging between 12 and 20 percent. There is considerable variation before 1932 in revenue raised specifically for highways as a percent of all revenue and considerable uniformity after 1932 for all towns in all selected counties.

Notable peaks in the highway revenue curve appear in 1932, 1934, and 1936. As will be shown in a later figure, these peaks can be accounted for almost entirely by increased highway aid payments received in those years. The difference in percent among towns in these counties narrowed from 10 percent before 1932 to (roughly

5 percent after 1932, again showing a trend to uniformity since 1932.

Figure 11 gives two averages of the data on Figure 10, the seven-county average and the two-year moving average of the seven-county average. This smoothing out of the data reveals that total revenues received by towns for highway purposes have been running about 15 percent of all

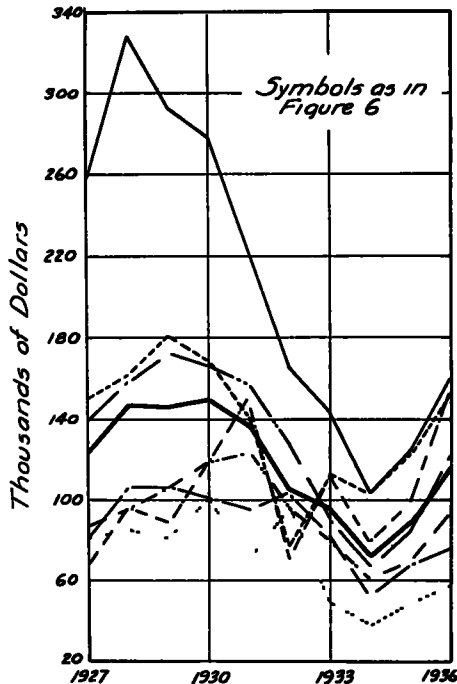


Figure 9. Total Highway Disbursements of All Towns in Selected Counties

revenues received, and that this percentage decreased slightly to 12.5 percent in the depression years, 1933 and 1934, following which it again rose towards its former 15 percent level; this relatively stable position of town highway revenues in the total town revenue schedule means, of course, that highway revenues have fluctuated in the same proportion that other revenue items have.

The ratio of town highway disbursements to total town disbursements has ranged between 11 and 27 percent ap-

<sup>6</sup> Shown in Figures 6–17. Tabulations of the data are available at the office of the Highway Research Board.

proximately; for the most part the ratio ranged between 15 and 25 percent. For the one year 1934, the ratio suddenly decreased, and here the range was between 10 percent and 20 percent. The

ward until 1934, falling to 20 percent in 1931, and to 14 percent in 1934. After 1934 the ratio increased and reached 21 percent in 1936. Thus, it can be said that the average ratio of town highway disbursements to total town disbursements for the towns of the seven selected counties for the ten-year period 1927-

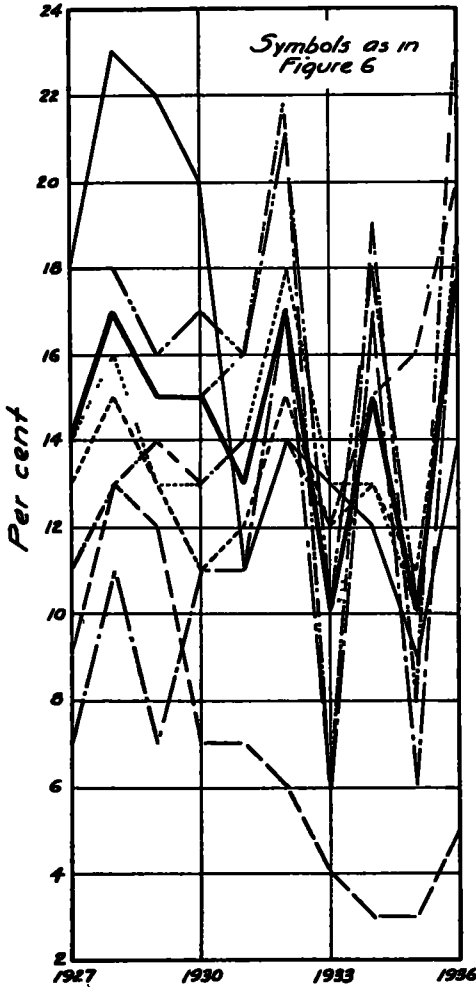


Figure 10. Revenues of Towns for Highway Purposes as Percentage of Total Town Revenue

seven-county average was, for the year 1927, slightly over 20 percent, and rose to its highest point in the ten-year period between 1927-1936 in 1928 when it rose to 24 percent. This ratio gradually decreased and the trend continued down-

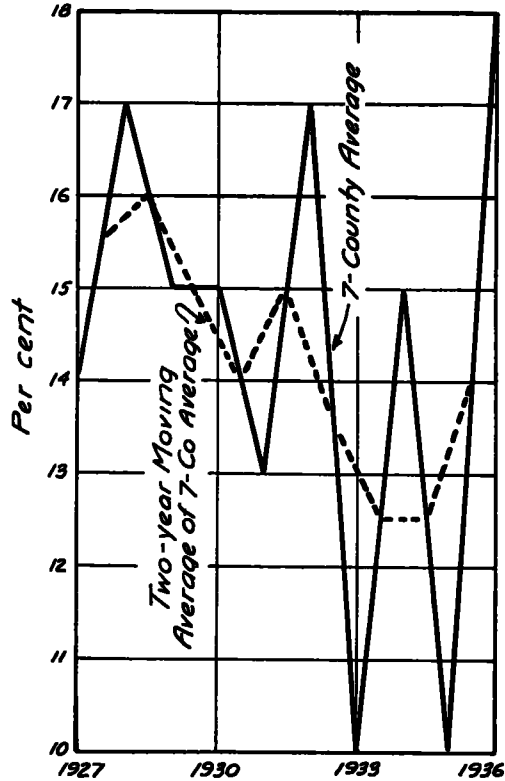


Figure 11. Average revenues of towns for highway purposes as percentage of total revenues.

1936 was 20 percent. These facts are graphically shown on Figure 12.

It is interesting to note, in connection with these same data, that while town revenues for highway purposes are typically 15 percent of all town revenues, town highway disbursements are roughly 20 percent of all town disbursements. On the assumption that all town revenues

substantially equal all town disbursements, the existence of these ratios may indicate a recognition by some local officials that local roads and streets serve more than the motor vehicle user, and, therefore, are, to some extent, the responsibility of local government.

Further confirmation of this possible recognition is illustrated on two succeeding figures (16 and 17) where it is shown

in the interim years 1933 and 1935. These peaks and valleys are due chiefly to the effect of fluctuations in highway aids. (See illustration of highway aids in absolute dollars, Fig. 6.)

An interesting disclosure here is that the towns of the rather economically poor

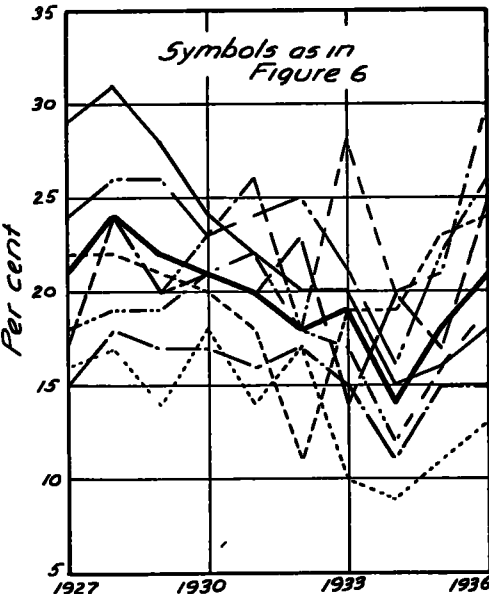


Figure 12. Total town highway disbursements as a percentage of total town disbursements.

that highway revenues stood at approximately two-thirds of highway disbursements for the 1927-1932 period, and slightly more, about 80 percent or four-fifths, for the 1932-1936 period, with a slight down trend in 1936.

The percentage of total highway aids received by towns to total highway disbursements by towns shows a significant variation in the ten-year period studied (1927-1936). The trend of the ratio has been decidedly up with notable peaks in the years 1932, 1934, and 1936 and valleys

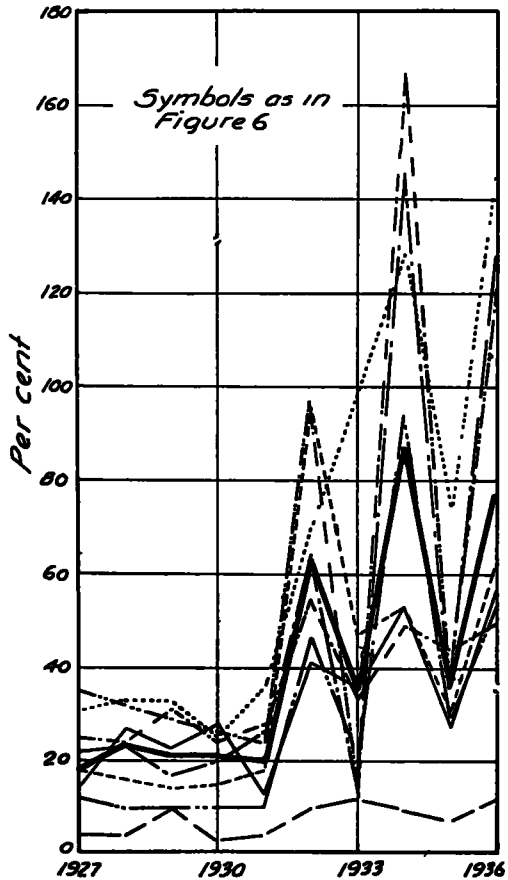


Figure 13. Total highway aids to towns as percentage of total highway disbursements by towns.

counties of Douglas, Oneida, and Portage received, in 1934 and 1936, highway aids greater than all their highway disbursements. (See Fig. 13.) In 1935, it may appear that an attempt was made to keep highway disbursements from great fluctuation despite irregularity in highway

aid receipts; however, an analysis of the data indicates that although highway disbursements have increased substantially in all three counties for the three-year period (1934-1936), total highway aids received have been greater than total highway disbursements during this same period for each of the three counties.

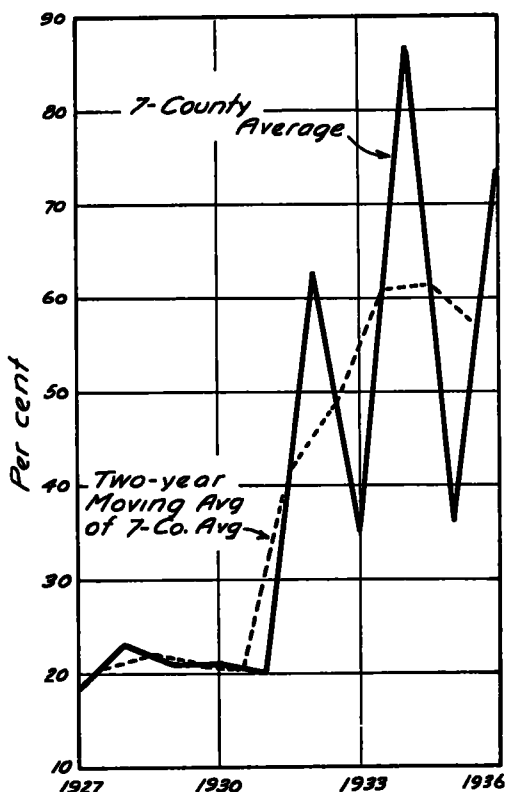


Figure 14. Average total highway aids to towns as percentage of total highway disbursements by towns.

Thus, other governmental activities of the towns in these counties were subsidized via highway aids. This subsidy is greater when one realizes there are in addition to aids, some general property tax funds collected specifically for highways. This indicates that, in Wisconsin, highway users of the counties in the southern half of the State are paying for

governmental activities (other than highway) of towns in some northern counties, since most of the highway aids paid to towns are State aids.

The remarkable increase in highway aids as a percentage of highway disbursements is better shown on Figure 14, where the two-year moving average is given. In the years previous to 1932, total highway aids to towns were about 20 percent of total highway disbursements by towns; after 1932 came the sharp increase, with highway aids in 1934, 1935, and 1936 accounting for 60 percent of highway disbursements by towns. Hence, there is this tendency in recent years to offset town disbursements on town roads with State and county highway aids, which are almost wholly State. Therefore, we may say that the motor vehicle user is paying in excess of 50 percent of the disbursements on local town roads, roads which are believed to serve primarily the adjacent properties and the local community regardless of the motor vehicle user. It is believed that this percentage contribution represents a greater subsidy from motor vehicle user revenue for land service roads than most advocates among road authorities had hoped for or perhaps even desired.

The ratio of total highway property tax levies<sup>7</sup> by towns to total highway disbursements by towns has decreased sharply in recent years and the seven-county average has dropped from a level of approximately 50 percent in the 1927-1929 period to somewhat less than 20 percent in the 1933-1936 period. The trend of this ratio contrasts sharply with the trend of the previously mentioned ratio (total highway aids to towns as a

<sup>7</sup> These levies are taken from the "Statement of Taxes" which, in Wisconsin, are budgetary items, the proceeds going into the general fund and, therefore, may not be specific levies, but they do indicate the amount set up in the local budgets as being needed for highway purposes

percentage of highway disbursements by towns, illustrated on Fig 13) where the seven-county average is shown to have risen from 20 percent in 1927-1930 to more than 50 percent for 1933-1936. It is further noted that the trend of this highway property tax ratio is uniformly down for all of the selected counties. For illustration, see Figure 15.

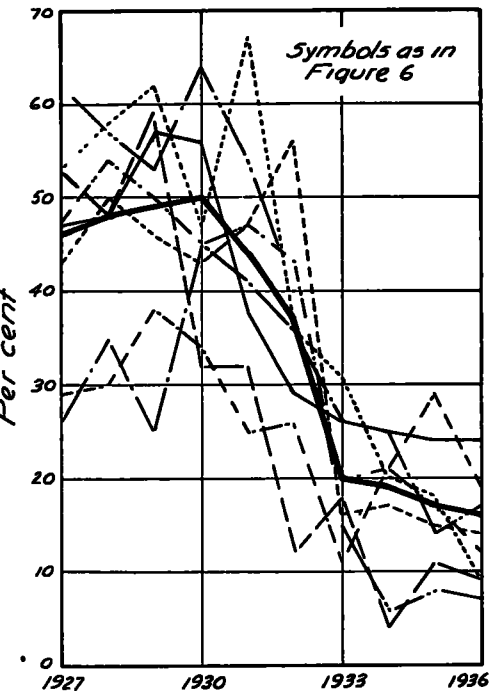


Figure 15. Total highway property tax levies by towns as percentage of total highway disbursements by towns.

Along with this increased uniformity, the variation (high minus low county figure) has narrowed and the range in percent has dropped considerably. In the years prior to 1932, the variation was 30 percent to 40 percent. After 1932 this variation hovered around 20 percent. Also in more recent years highway property tax levies have ranged between 5 and 25 percent of highway disbursements by towns.

Indications are that property taxes for highway purposes are of diminishing importance as a revenue raiser for highway disbursements, and that the enactment of the highway privilege tax, effective in 1932, has resulted in a marked shifting

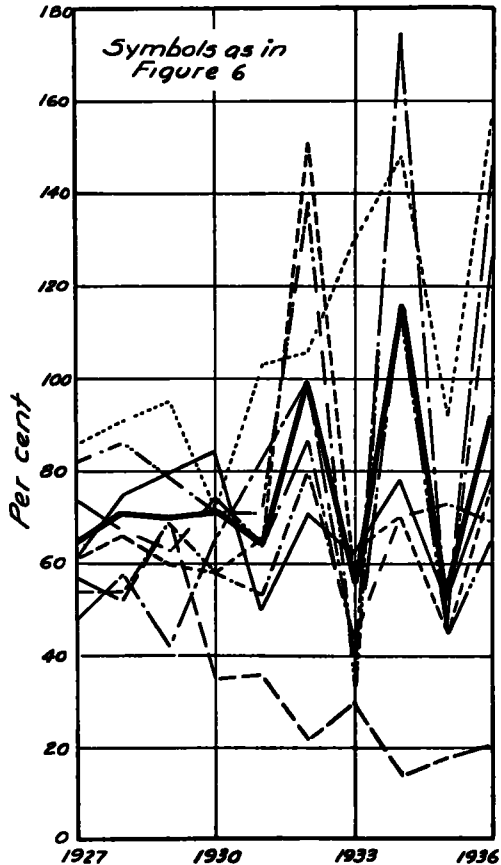


Figure 16. Total highway revenue of towns as percentage of total highway disbursements by towns.

of the burden of highway costs from the general property owner to the motor vehicle user.

Figure 16, Highway Revenues as a Percent of Highway Disbursements, is a graph summarizing the data shown on Figures 13 and 15; i.e., total town highway property tax levies (Fig 15) plus

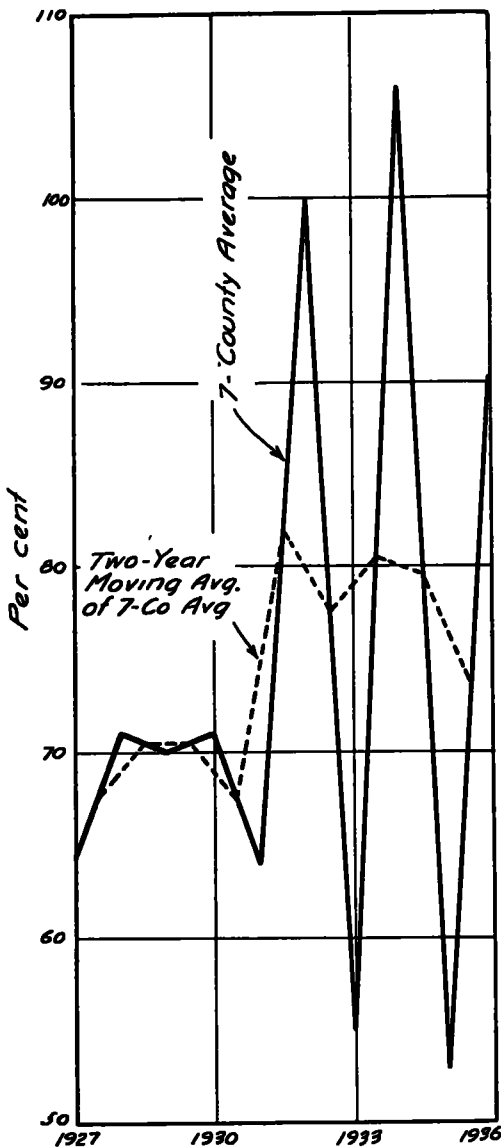


Figure 17. Average total highway revenue of towns as percentage of total highway disbursements of towns.

total highway aids (Fig. 13) equals total town highway revenue.<sup>8</sup> The total of

<sup>8</sup> Town highway debts have not been included in this study, but are relatively unimportant being less than \$900 00 per town in the year 1938.

these is shown as a percentage of total town disbursements for highway purposes. As anticipated, the trends on Figures 16 and 13 are very similar due to the preponderance of aid payments in town highway revenues, and, of course, the peaks and valleys again appear. Towns of Milwaukee County stand out in contrast to the trend indicated by towns of the other seven counties. Data for towns in this county do not have the very marked peaks and valleys, and the slope of the trend is definitely down.

There is also evidence that towns of the poorer counties (Douglas, Oneida, and Portage) receive more money for highways (ostensibly) than they spend on highways. This indicates a contribution to the general fund of these towns from a highway source. Towns of the economically better counties usually fall short of their highway disbursements in monies specifically raised or allocated for these purposes.

The averages for the data on Figure 16 are shown on Figure 17. The two-year moving average of the seven-county average indicates two fairly level trends: one prior to 1932, and the other subsequent to 1932. Previous to 1932, total highway revenue of towns was about 70 percent of total highway disbursement of towns, leaving 30 percent to come from other sources. After 1932, highway revenue jumped up to the 80 percent level, leaving still less to come from the general fund of the governmental unit. It is to be observed, however, that there is an indication on the chart of a slight slope in the trend toward the 70 percent level and a consequent increase in the amount to come from the general fund for highway disbursements. Data for the following year may easily controvert this tendency, however.

#### SUMMARY

While no exhaustive analysis has been undertaken, the material presented has



revealed sufficient information to warrant several noteworthy findings.

Figures 1 to 5 present the State picture. The receipts and disbursements are those to and from the State government. Remarkable is the growth of highway aids to the point where they approximate half of all the State aid payments in 1939. Noteworthy, too, is the fact that charitable aids represent more than a fourth of all aid payments in 1939.

State aids have grown with State tax collections and aids have, for 40 years, represented 30 to 60 percent of State taxes, with the trend decidedly up toward the 60 percent level for recent years.

As anticipated, the trend in State highway cash receipts and cash disbursements has been sharply up, with a big dip in the depression years, 1932-1935. It appears that these receipts and consequent disbursements may be reaching their limits, however. The unexpended balance of State highway funds has, as a cumulative figure, been increasing since 1932. Motor vehicle user revenues, however, do not exceed cash disbursements, indicating the importance, during this period of rapid highway development, of other sources of revenues for highway activities; namely, Federal aid monies and funds provided by county highway bond issues.

Figures 6 to 17 deal exclusively with an examination of the data for the towns of the eight counties selected for study. The data available are not sufficient to allow many conclusions to be drawn as to the effect of the present policy of highway aid distribution in Wisconsin. However, there may be observed the ranges within which receipts and expenditures have fluctuated and the slope in the trends of data that are available. To reveal trends more clearly, seven-county averages and two-year moving averages have been computed.

Analysis of these averages indicates that State highway aids to towns have been much more important than county

highway aids. In the more recent years of this study, 1932 and 1936, 90 percent of the highway aids paid to towns have come from the State and only 10 percent from the counties. This condition indicates the importance of the State as an aid paying agency and should some day make more State supervision over local highway disbursements feasible. When it is realized that at present there are approximately 1800 towns, cities, and villages within the State, receiving and disbursing highway aids, with little, if any, control over such funds by the State, the need of more centralized supervision—if unified and well planned highway systems are to be established—becomes clear.

Specific town highway revenues have ranged between 10 percent and 20 percent of all town revenues for the entire ten-year period, 15 percent being the figure most typical. It is interesting to note the relatively stable position of highway revenues in the total revenue schedule of the towns over this ten-year period, as it indicates that highway revenue has fluctuated in the same proportion that other revenue items of the towns have.

Highway disbursements compared to all disbursements have fluctuated around 20 percent, with the range being roughly 15 to 25 percent. The trend was generally down from 1928 to 1934 but has since returned to the 20 percent level. There is suggested here that highway disbursements, being typically 20 percent of all disbursements, are greater than specific highway revenues, these being typically 15 percent of all revenues. This suggestion is given confirmation by comparing Figures 10 and 12 where it is shown that highway revenues, as related to total revenues stood at approximately two-thirds of highway disbursements as related to total disbursements for the 1927-1932 period and slightly more, about 80 percent or four-fifths, for the 1932-

1936 period, with a slight down trend in 1936.

Here, then, is the proof that specific highway revenues have not equalled 100 percent of town highway disbursements, and the down trend in 1936 may indicate realization of the fact that there are beneficiaries of town highway development other than the motor vehicle user and, therefore, to a certain extent, the cost of such development is a direct obligation of general government. However, from the foregoing comparison there does appear the fact that highway revenue has in some cases, for the poorer counties, been in excess of highway disbursements in some years. Here the motor vehicle user is paying some of the costs of general government.

Highway aids and highway property taxes have done an about face in their relative importance to highway disbursements. Previous to 1932, highway aids represented about one-fifth of highway disbursements, while highway property taxes have accounted for a little less than one-fifth of these disbursements.

This condition has been notable since the enactment of the highway privilege tax; the burden of underwriting highway expenditures has shifted largely from the property owner to the motor vehicle user.

In absolute terms highway aids have been sharply up, highway property tax levies have been sharply down, while highway disbursements, on the decline from 1930 to 1934, have since increased, although in 1936 they had not reached the level of the 1928 to 1930 period. Registration fees and gas taxes have been yielding more with a strong tendency to centralization in aid payments but with control over aid expenditures remaining to a large extent in local hands. The cumulative unexpended highway balance is still being increased. Highway Commission reports reveal almost no expansion of the mileages of various highway

systems; modernization and improvement of existing mileages is the present activity.

While this study, because of its limitations, does not allow a conclusion to be drawn as to the merits or demerits of Wisconsin's highway aid paying plan, the result of the present method of distributing such aid can be said to be: to pay aids directly to lesser governmental units from highway user revenues while not retaining either control over or knowledge of their expenditure. Whereas it is no doubt true that these aids are for the most part being expended for highway purposes, nevertheless, there are no records available to the Highway Commission that will enable it to trace these highway aids to their final disbursement, or records available that will show the source of all funds disbursed for highway purposes. This confusion is due to the fact that highway aids are paid directly into the general fund of the local unit and may be spent for general government operations. In this study it has been assumed that where highway disbursements are greater than highway aids, highway aid funds were used on highways.

It is, therefore, obvious that until the State Highway Commission is given sufficient authority to allow it to insist upon reports from lesser governmental units, reports which will enable it to trace the use being made of highway aids, or until supervisory power is granted the Commission to oversee highway aid expenditures, it will be impossible for any new equitable principle of highway aid distribution to be evolved and properly defended.

#### RECOMMENDATIONS

It may be said that, in general, the present principle of distributing State highway aids, is to apportion them roughly in proportion to need, as expressed primarily by miles of road and modified, in some instances, by population density and by motor vehicle registration.

(Reference is made, of course, to the regulations governing the apportionment of aids for county trunks on the bases of relative motor vehicle registrations and mileage; and to towns, villages, and cities on the basis of relative mileages.)

Inasmuch as no new and defensible highway aid program can be developed, by either brief or extensive study of the data in the form now available, it is recommended that there be further research on this subject and use made of the material now being collected and compiled by the Highway Planning Survey, that information on local highway transactions be embodied in municipal reports to the State Highway Commission; that fiscal years of the various political units coincide, at least as to the reporting date of highway transactions; that these reports include complete information regarding highway receipts, disbursements, and debt transactions. In this connection, it must be realized that to insist upon too much detailed information is fraught with considerable danger, for it may result in the needed cooperation being withheld.

The Planning Survey has recently completed the "Road Use" and "Motor Vehicle Allocation" studies. These studies indicate the number and type of motor vehicles registered, their usual place of residence, the average license fees paid, the number of miles traveled per gallon of fuel consumed, and the driving habits of the owners as to both highways used and annual average miles traveled. Thus, both the use made of the various highway systems as well as the place of residence of the user is disclosed. Obviously, these are extremely important factors and must be considered in connection with any anticipated change in the aid-paying method.

The Traffic and Inventory Departments are compiling data on road surface, curves, grades, sight distances, traffic volume, and other factors. This mate-

rial, when analyzed should enable a reasonable estimate to be made of the needs of the various highways systems. The Road Life Division is engaged in a study of both the life and costs, by surface types, of the mileage comprising the State trunk system.

The Planning Survey fiscal studies provide for a tabulation that will indicate the direct benefits of highway improvements as determined from motor vehicle miles of traffic on the highways, as well as a table that will indicate the dollar contributions, by population groups within the State, to highway costs by systems. (As yet, no attempt has been made to estimate the intangible benefits accruing from highway improvements.) The importance of these tables in any analysis having to do with highway aid payments is clear.

It would seem that the material already developed by the Highway Planning Survey, together with that now in process, will, when properly analyzed and correlated with complete fiscal data, offer the State Highway Commission an opportunity to develop a new method for distributing highway aids. It is believed that such a method based on more factual data than is at present available will be more logical than would any theoretical method that could be advanced at this time.

However, if the State Highway Commission is to develop a new formula for the distribution of highway aids, and properly defend it, it must be given authority to insist upon completely informative reports from all the lesser governmental units. What is needed, are reports which will enable the Commission to trace the effect of the present method of paying highway aids, both upon the highway plant itself as well as upon the total financial operations of the receiving unit; it is reasonable to believe that the legislature, before adopting any contemplated change in the aid-paying method,

will insist upon complete factual data that will enable it to compare the effects of the proposed method, with the one now in operation.

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