**Fiscal Facts: A “TUF” Dilemma Over Local Transportation Funding**

More Wisconsin municipalities are reacting to mounting budget constraints by imposing a transportation fee on property owners based on estimated use of local infrastructure.

Wisconsin’s cities, villages, and towns have faced increasingly difficult fiscal decisions in recent years as their two primary revenue sources, local property taxes and state aid, have been subject to tight constraints. In recent months, rising inflation has added another major budgetary pressure.

These factors have caused some municipalities to revisit the short list of new revenue options that may be allowed by state law. Increasingly, local leaders have turned to borrowing as well as other options such as local vehicle registration fees, also known as wheel taxes.

An option already in use by municipalities in other states – and which more communities here are adopting or considering – are usage-based fees such as transportation utility fees (TUFs). As their name suggests, transportation utility fees are based on the premise that public infrastructure such as roads should be treated as a public utility, like water or electricity. Under this model, users are charged for transportation infrastructure based on one of various potential metrics that estimate their usage of it.

The city of Wisconsin Rapids, the villages of Pewaukee and Weston, and the towns of Buchanan and Gibraltar are among the Wisconsin communities that have adopted a transportation utility fee, while the city of Watertown has adopted a transportation user fee, and the city of Neenah, a transportation assessment replacement fee. Five of these have been adopted since 2018.

Municipalities considering these fees include the cities of Appleton, Hudson, Oshkosh, Tomahawk, and Wauwatosa, and the village of Greendale. This is not a comprehensive list, since no statewide source tracks these fees, but it should include many of the communities looking to this option.

Comparing wheel taxes to TUFs, as a flat fee on all vehicles regardless of cost, wheel taxes are simpler to administer but tend to fall disproportionately on lower-income motorists. Transportation utility fees are more complex to implement but may also fall less heavily on those least able to pay them.

Municipal leaders contend they do have the authority to collect transportation usage fees under the state’s laws and Constitution. Some groups disagree, and have challenged the legality of these fees in a pair of lawsuits currently working their way through the state court system.

An Outagamie Circuit Court judge recently upheld one such challenge, striking down the Buchanan fee; that decision is expected to be appealed. A judge has yet to rule in the other case, a challenge to the village of Pewaukee fee.

Looking ahead, the outcomes of these cases on transportation usage fees are almost certain to influence whether more communities follow suit in adopting them.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at* [*wispolicyforum.org*](https://wispolicyforum.org/research/state-tax-burden-up-but-overall-burden-still-falling/)*.*