

City of Milwaukee: Distributive Impacts of a Local Vehicle Registration Fee

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Problem Statement

- We examined how the imposition of a \$20 local vehicle registration fee would affect residents in the City of Milwaukee.
- Primary Focus: Would the fee affect certain groups of residents disproportionately?

Fee Parameters

- \$20 local vehicle registration fee, paid in addition to \$75 state vehicle registration fee.
- Department of Transportation collects \$0.10 per registration, then passes the remaining revenue to the City.
- Estimated revenue of \$20 fee for City, \$6.8 million (Legislative Reference Bureau, 2005).
- Revenue must be used for transportation-related costs.

Policy Alternatives

- Status quo: No local vehicle registration fee
- Vehicle registration fee of \$20, no property tax offset
- Vehicle registration fee of \$20, revenue used to offset property taxes

Evaluation Criteria

- Socioeconomic equity
 - Fee as a percentage of income
 - Higher-income vs. lower-income residents

- Homeownership equity
 - Renters vs. homeowners

- Geographic equity
 - Comparisons across Milwaukee aldermanic districts

Three Methods of Analysis

- Summary Statistics
 - Analyze statistical information for the City of Milwaukee

- Case Study Comparison
 - Compare experiences of Beloit, Memphis, and Indianapolis

- Regression Analysis
 - Statistical analysis controlling for demographic characteristics

Summary Statistics

- Socioeconomic Equity

- A flat \$20 fee is regressive.
- This table assumes one vehicle per household.
- Even for lower-income households, the fee represents a very small percentage of income.

Household income	\$20 fee as % of income
\$15,000	0.13%
\$30,000	0.07%
\$60,000	0.03%
\$100,000	0.02%

Summary Statistics

	No Vehicles	One Vehicle	Two Vehicles	Three Vehicles	Four or More Vehicles
Average Household Income	\$16,252	\$27,295	\$46,846	\$56,544	\$55,408
Proposed Fee as Percentage of Household Income	Not Applicable	0.07%	0.09%	0.11%	0.14%

Source: U.S. Census Bureau, 2000

Socioeconomic Equity

- When household income and number of vehicles per household are taken into account we see that the fee does not exacerbate socioeconomic inequities.

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Summary Statistics

- Homeownership Equity
 - Renters occupy nearly 55 percent of the occupied housing units.
 - Homeowners represent 58 percent of vehicle owners.
 - Homeowners would pay a larger proportion of total fee revenue and would also benefit from potential property tax relief.

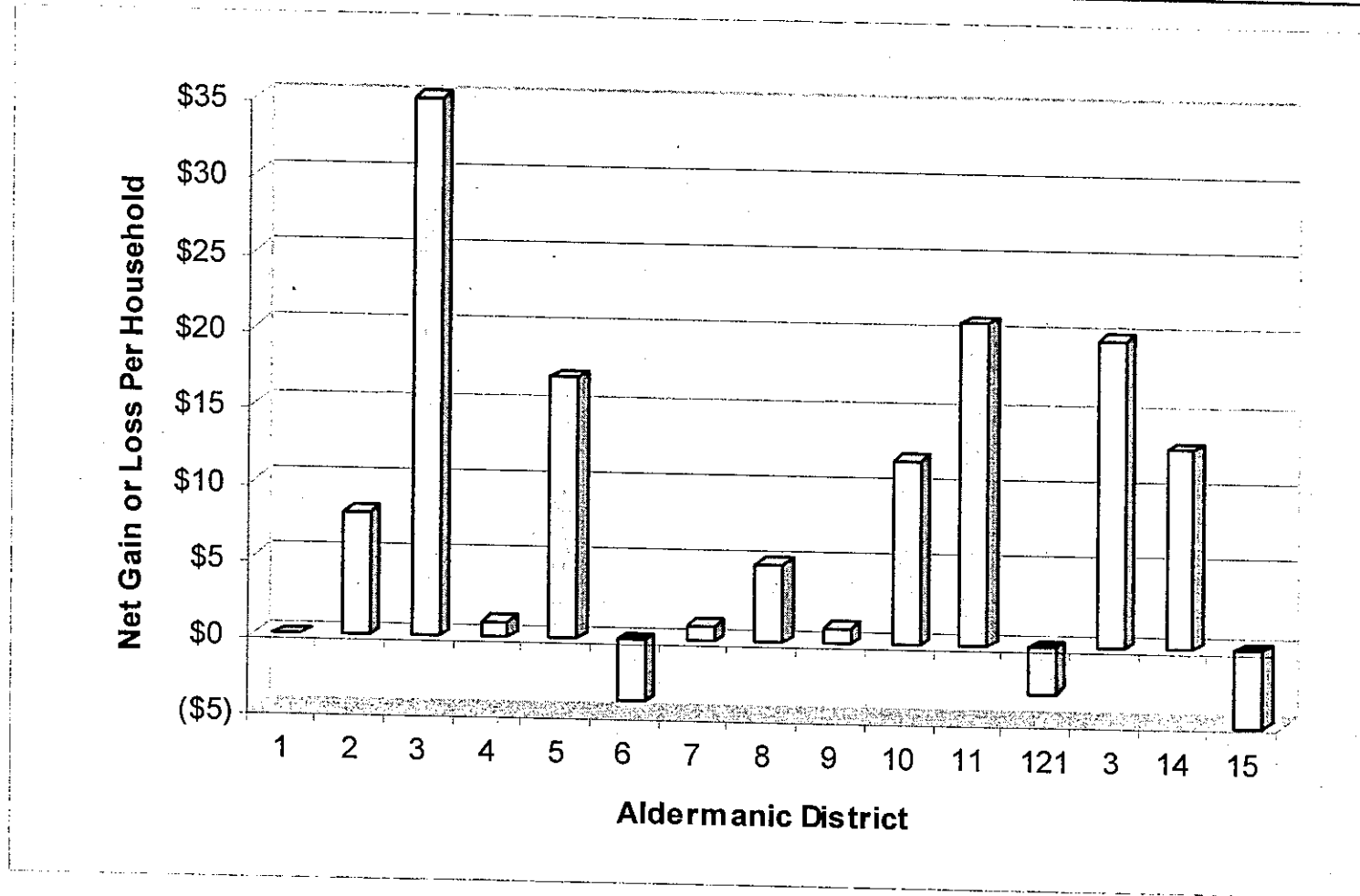
Property Tax Offset: Net Gain or Loss by Household

Impact of Property Tax Offset on a \$100,000 Home:*

Original City Property Tax Amount	\$	969
City Property Tax with Offset		<u>(929)</u>
Reduction in City Property Tax	\$	40
Less: Vehicle Registration Fee		<u>(20)</u>
Net Gain for the Household	\$	<u>20</u>

*Using 2000 Census and tax levy data.

Net Gain or Loss by Household for Each Aldermanic District



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Case Study Comparison

- Beloit, Memphis, and Indianapolis
 - Vehicle registration fees provide a stable revenue source for all three cities.
 - Each city's fee comprises a very small percentage of income.

- California
 - Sliding scale fee structure.
 - Lower-income vehicle owners pay over twice the state average in vehicle registration fees as a percentage of income.

Case Study Comparison

- Milwaukee has higher proportions of renters compared to the other cities.
- Milwaukee has a higher population density.
- Milwaukee has higher property values making the potential property tax offset more regressive.

Regression Analysis

- Factors of analysis
 - Median Income
 - Owner-Occupancy Rate
 - Aldermanic District

Regression Analysis

	Flat Fee – No Offset	Flat Fee – With Property Tax Offset
Median Income	Higher income areas pay less	Higher income areas pay less (greater degree)
Owner-Occupancy Rate	High homeownership areas pays more	High homeownership areas pay less
Aldermanic District	One district pays less; other 14 about equal	5 districts pay less at expense of 10

Recommendation: \$20 Flat Fee Without Offset

- Advantages over status quo (no fee):
 - Additional \$6.8 million in annual revenue.
 - Revenue source is stable and diversified (i.e., from non-property tax source).

- Disadvantages over status quo (no fee):
 - \$20 local fee increase occurs soon after \$20 increase in state vehicle registration fee.

Recommendation: \$20 Flat Fee Without Offset

- Without property tax offset, disproportionate impact on lower-income residents is minimal.
- Imposing the fee with a property tax offset would make the fee more regressive.
 - Increases burden on renters and lower-income residents, who do not directly benefit from property tax reduction.

Additional Information

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