

LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE & PERSONNEL COMMITTEE

ITEM 6, FILE # 050443

SEPTEMBER 8, 2005

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File Number 050443 is an ordinance establishing a municipal motor vehicle registration fee for motor vehicles registered in Wisconsin and customarily kept in the city of Milwaukee.

OVERVIEW

1. State law authorizes any municipality or county to enact an ordinance creating a municipal or county vehicle registration fee (“MVR fee”) for automobiles and light trucks weighing 8,000 pounds or less (s. 341.35, Wis. Stats. and ch. Trans 126, Wis. Adm. Code). Once a local vehicle registration fee ordinance is created, the fee must be paid annually in conjunction with vehicle registration renewal or at the time of registration of a newly-purchased vehicle.
2. The state Division of Motor Vehicles keeps \$0.10 of each MVR fee collected (to cover its costs of collecting and administering the fee) and remits the balance to the municipality on a monthly basis. No administrative activities are necessary at the local level.
3. As of December 29, 2004, there were 341,805 vehicles registered in the City of Milwaukee to which a MVR fee would be applicable.
4. State law requires that all revenues from a motor vehicle registration fee be used “only for transportation related purposes.”
5. Presently, two Wisconsin municipalities – the cities of Beloit and Sheboygan – have MVR fees. Other jurisdictions that used a local vehicle registration fee in the past include Marathon County and the cities of Amery and Kenosha. At the national level, Chicago, Memphis and Omaha have imposed local vehicle registration fees.

DISCUSSION

1. This ordinance creates an annual \$20 municipal motor vehicle registration fee for every light motor vehicle (automobile, station wagon or truck with a gross weight of not more than 8,000 pounds) registered in Wisconsin and customarily kept in Milwaukee. Vehicles which are exempt from state registration fees or which pay a special state fee of \$5 are exempt from the MVR fee.
2. The effective date for the MVR fee ordinance will be 61 days after the city clerk notifies the Wisconsin Department of Transportation that the City of Milwaukee has enacted an MVR fee ordinance and the amount of the fee. The ordinance requires the city clerk to perform this notification within 10 days of passage and publication of the ordinance. Therefore, if the Common Council passes the ordinance at the special September 12 Common Council meeting, the following implementation timeline is possible:

Publication of ordinance:	September 22, 2005
City clerk notification of DOT:	September 30, 2005
Effective date of ordinance:	December 1, 2005

3. Since state law provides that DOT shall pay all vehicle registration fees collected during any month to the municipality within 30 days of the end of the month (in this case, the end of December, 2005), the City of Milwaukee would receive its first payment from DOT sometime in January, 2006. Therefore, the City would receive 12 monthly payments from DOT in 2006.
4. In accordance with the legal requirement that all MVR fee revenues be used for transportation-related purposes, the ordinance provides that revenues collected through the City's MVR fee shall be deposited in an enterprise fund to be known as the "Transportation Fund" and used only to defray City costs for transportation-related purposes, including the portion of street and alley project costs which is assessable to property owners.
5. From 2000 to the present (2005 year-to-date), the portion of assessable street projects recommended for approval by the Public Improvements Committee following public hearings has fallen from 94% to 60%, while the portion of assessable alley projects recommended for approval has fallen from 93% to 50%. Since property owner objections to assessments play a large role in the decline in the rate of street and alley project approval, the establishment of the MVR fee and the Transportation Fund, along with the corresponding reduction or elimination of special assessments, is likely to increase the proportion of projects approved by the Common Council. As a result, the MVR fee should aid the City in reducing its backlog of street and alley reconstruction projects, many of which have been postponed for one or more 5-year periods.
6. While it is anticipated that MVR fee revenues will be used to reduce or eliminate special assessments, any balance remaining in the Transportation Fund after this reduction or elimination of special assessments could be used to reduce the City's property tax levy (i.e., substitute tax-levy funding of street and alley capital projects with Transportation Fund revenues).

FISCAL IMPACT

Assuming that the \$20 MVR fee would be imposed on approximately 342,000 vehicles, and that the City would receive fee payments from the Wisconsin Department of Transportation in each of the 12 months in 2006, the MVR fee will produce an estimated \$6.8 million in revenues during 2006.

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 LRB-Fiscal Review Section
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