*Fiscal Facts by Wisconsin Policy Forum*

**Pandemic changes in travel patterns hammer state transportation revenues**

The surprise blow of COVID-19 has hammered key state transportation revenues in Wisconsin, leaving them short of projections for the current two-year budget cycle and raising questions about whether they will fully rebound after the pandemic.

The last 11 months markedly reduced the number of miles driven by Wisconsinites — and all Americans — as many have worked from home, cut back on shopping or travel, or faced unemployment or personal economic crises as a result of the pandemic.

One consequence has been a hit to revenues that flow into the state’s transportation fund, the primary source to pay for roads and other infrastructure. The fund’s top revenue sources, fuel taxes and vehicle registration and title fees, fell short of projections by more than $116 million combined in the 2020 fiscal year that ended June 30.

The 2021 fiscal year may increase the shortfall. However, a coming infusion of federal transportation relief funds from a package enacted in December may erase part or all of this gap. A preliminary estimate in December from the American Association of State Highway and Transportation Officials found it could provide Wisconsin about $188 million in transportation funding. Increases in vehicle registration and title fees enacted in the 2019-21 budget also have mitigated some of the funding challenges resulting from COVID-19.

The efficacy of vaccines to protect against COVID-19 offers hope for a potential return to normalcy as soon as the second half of 2021. While this is likely to be good news for state transportation finances, there is considerable uncertainty about how quickly, if at all, travel patterns and trends might revert to a pre-pandemic trajectory.

If enough residents choose to keep working from home or shopping online, some of the recent changes in driving habits may become lasting. Recent national VMT estimates suggest that even after state and local restrictions were eased after the initial months of the pandemic, driving increased but did not return to pre-pandemic levels.

State officials are forecasting less driving and fuel consumption in the upcoming 2022 fiscal year that starts July 1. In late 2020, WisDOT projected fuel tax revenues would remain below 2020 levels for the next two years. Total revenues in 2022 are projected to be the lowest since 2013.

The transportation fund also has longstanding pressures that predate the coronavirus, including stagnant fuel tax revenues and the 2006 decision to stop indexing the fuel tax rate to inflation.

Challenges will likely remain for state policymakers in reconciling the state’s transportation spending needs with available revenue. A lingering pandemic or long-term shift toward less driving could exacerbate the problem.

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