*Fiscal Facts by Wisconsin Policy Forum*

**Shifts in transportation revenue raise questions about future**

A paradigm shift appears underway in Wisconsin’s state transportation fund as vehicle fees may soon rival fuel taxes as its primary revenue source.

Unanswered questions about when driving returns to pre-pandemic levels will continue to loom over the fund, the state’s primary source of funding for highways, bridges and other transportation projects and programs.

The question of how to grapple with these changes and uncertainties — as well as additional challenges that predated the pandemic — will underlie Gov. Tony Evers’ proposal for the next state budget, as well as state lawmakers’ response.

For decades, fuel tax revenues have been by far the leading revenue source for the state transportation fund, in many years more than doubling the amount collected from vehicle registration fees. Yet fuel tax revenues in Wisconsin and nationally have seen sluggish growth in recent years as growth in vehicle miles traveled has stagnated, and as automobiles have become more fuel-efficient, with a corresponding impact on fuel sales.

The impact has been particularly significant in Wisconsin since 2006, when a law took effect repealing the state’s prior policy of indexing the fuel tax rate to inflation. Since that time, inflation-adjusted revenues have generally fallen as the rate has remained at 30.9 cents per gallon, plus a 2-cent per gallon petroleum inspection fee.

The flattened trajectory of fuel tax collections, coupled with strong growth in vehicle fee revenues, may put the latter on track to approach the former. The implications of this shift are considerable, and warrant thought by policymakers about the merits of different funding strategies.

On one hand, a heightened reliance on vehicle fees would appear to strengthen the financial position of the transportation fund in a future dominated by fuel efficient and electric vehicles.

Conversely, some say fuel taxes are a more equitable way to pay for transportation programs because the amount paid by a taxpayer is linked, through fuel consumption, to the amount of miles driven and choice of vehicle. Environmental advocates often advocate for higher fuel taxes as well, arguing they create an incentive for greater fuel efficiency by motorists and create a connection between the cost of driving and the environmental cost of carbon emissions.

Additional transportation revenue options could include vehicle tolling, which state policymakers directed the Wisconsin Department of Transportation to study in a 2016 report but have not pursued.

A vehicle miles traveled tax or fee is another concept already used for commercial vehicles in four states and being studied for more widespread use. Questions remain about this concept, which likely would hinge on the use of GPS or other technology to track miles driven, including concerns about the ease of implementation and privacy.

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