



STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE

MEMORANDUM

TO: Senate Committee on Finance

FROM: Chris Rupe, Senior Fiscal Analyst

SUBJECT: Proposed DMV Fee Adjustments

DATE: April 13, 2023

H.479, as passed by the House, would adjust most fees collected by the Department of Motor Vehicles (DMV) to reflect inflationary growth since the last time the fees were increased (July 2016). The annualized amount of additional revenue from these increases is approximately \$21.5 million to the Transportation Fund.

Background and Context

The Infrastructure Investment and Jobs Act (IIJA) is expected to bring approximately \$1.7 billion of formula and competitive transportation funds to Vermont over the life of the bill. This represents an increase of approximately \$600 million over the levels authorized in the previous federal transportation bill (the FAST Act). Recurring core formula funds from the Federal Highway Administration (FHWA) alone are expected to increase by \$324 million (approximately 30%). These additional federal dollars will require non-federal match funds to draw down. Although exceptions exist, the standard match formula for FHWA funding is 80/20 – in other words, one State dollar leverages four federal dollars.¹

While additional federal funds present a significant opportunity for Vermont to invest in its infrastructure, Vermont must have sufficient non-federal funds available to draw down the federal funding. The January 2023 consensus revenue forecast expects current law State transportation revenues to grow at a compound annual rate of 1.13 percent from FY 2023 through FY 2028 – a relatively flat growth rate at a time of high inflationary pressures. AOT has previously forecasted a revenue gap of approximately \$68 million during FY 2025 and FY 2026 between expected current law Transportation Fund revenues and anticipated federal match needs to maximize formula and competitive funding opportunities.²

¹ See testimony of Chris Rupe, JFO, to House Committee on Ways and Means, February 24, 2023.

<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/Transportation/W~Chris%20Rupe~Transportation%20Funding%20Outlook~2-24-2023.pdf>

² See testimony of Bradley Kukenberger, AOT, to House Committee on Transportation, January 25, 2023.

<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Transportation/Governor's%20Proposed%20FY%202024%20Budget/Agency%20of%20Transportation%20Budget/Agency->

Proposed DMV Fee Adjustments

As proposed, DMV fees that primarily accrue to the Transportation Fund that had most recently been adjusted effective July 1, 2016³ would be adjusted by 19.8 percent – a rate commensurate with the growth in the Personal Consumption Expenditures (PCE) Chain-Type Price Index from July 2016 through December 2022.⁴ For administrative simplicity, most revised fees are rounded up to the nearest whole dollar with the exception of unrounded truck and bus registration fees.

Based on the number of units transacted for each fee during FY 2022, adjusting the DMV fees as proposed is expected to yield approximately \$20.5 million of additional revenue to the Transportation Fund annually for a full year of implementation.⁵ However, some margin of error should be expected because not all DMV fees are collected at consistent rates from year to year. For example, customers may switch between 2-year and 4-year operator’s licenses or 1-year or 2-year vehicle registrations. Limitations in legacy data systems at DMV also create a lack of precision for estimating certain transactions. Additionally, several other pending pieces of legislation may reduce future revenues from specific fees by approximately \$217,000 below current levels, which is not factored into the estimate.⁶

In addition to DMV fees, the statutory maximum amount of Purchase & Use Tax due for vehicles weighing 10,100 lbs. or more⁷ would be adjusted by 19.8 percent, from \$2,075 (6 percent of a \$34,583 taxable vehicle transaction) to \$2,486 (6 percent of a \$41,433 taxable vehicle transaction). This maximum has customarily been adjusted in prior fee bills. Projections assuming constant unit data from FY 2022 levels expect this modification could generate up to \$1.16 million of additional revenue for the Transportation Fund and \$580,000 for the Education Fund for a full year of implementation. However, a perfectly linear relationship cannot be assumed since it is unlikely a constant number of transactions would hit the “cap” at its higher level. It is likely, therefore, that some lesser degree of additional revenue than estimated would actually be collected.

The proposed fee adjustments would be made effective **January 1, 2024**, to accommodate the scheduled testing and implementation of the DMV core modernization project. If these adjustments are effective by that date, additional revenue in FY 2024 is expected to be slightly less than half of the full-year estimates reflected above (a total of approximately \$8 million - \$9 million) to account for seasonal variation in transaction activity and potential timing issues related to processing.

[wide%20Budget%20and%20Funding%20Options/Witness%20Documents/W~Bradley%20Kukenberger~Agency%20of%20Transportation%20Revenue%20and%20Budget%20Pressures%20FY25-FY27~1-25-2023.pdf](#)

³ See [2016 Acts and Resolves No. 159](#).

⁴ The PCE increased from 104.218 to 124.809 over this period – cumulative growth of 19.8%.

<https://fred.stlouisfed.org/series/PCEPI>

⁵ For a summary chart of all proposed changes to DMV fees:

<https://legislature.vermont.gov/Documents/2024/WorkGroups/House%20Ways%20and%20Means/Bills/H.479/W~Chris%20Rupe~2023%20DMV%20Fee%20Analysis~3-21-2023.pdf>

⁶ [H.53](#), as passed by the House, would reduce Transportation Fund revenues from license reinstatement fees by approximately \$200,000 annually. [S.92](#), as introduced by the Senate Transportation Committee, would reduce Transportation Fund revenues from certain overweight truck permits by approximately \$17,000 annually.

⁷ See [32 V.S.A. §8903\(a\)\(2\)](#).