

Primer on Vermont's Transportation Taxes and Revenue Sources

House Committee on Ways and Means

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January 26, 2023



Agenda

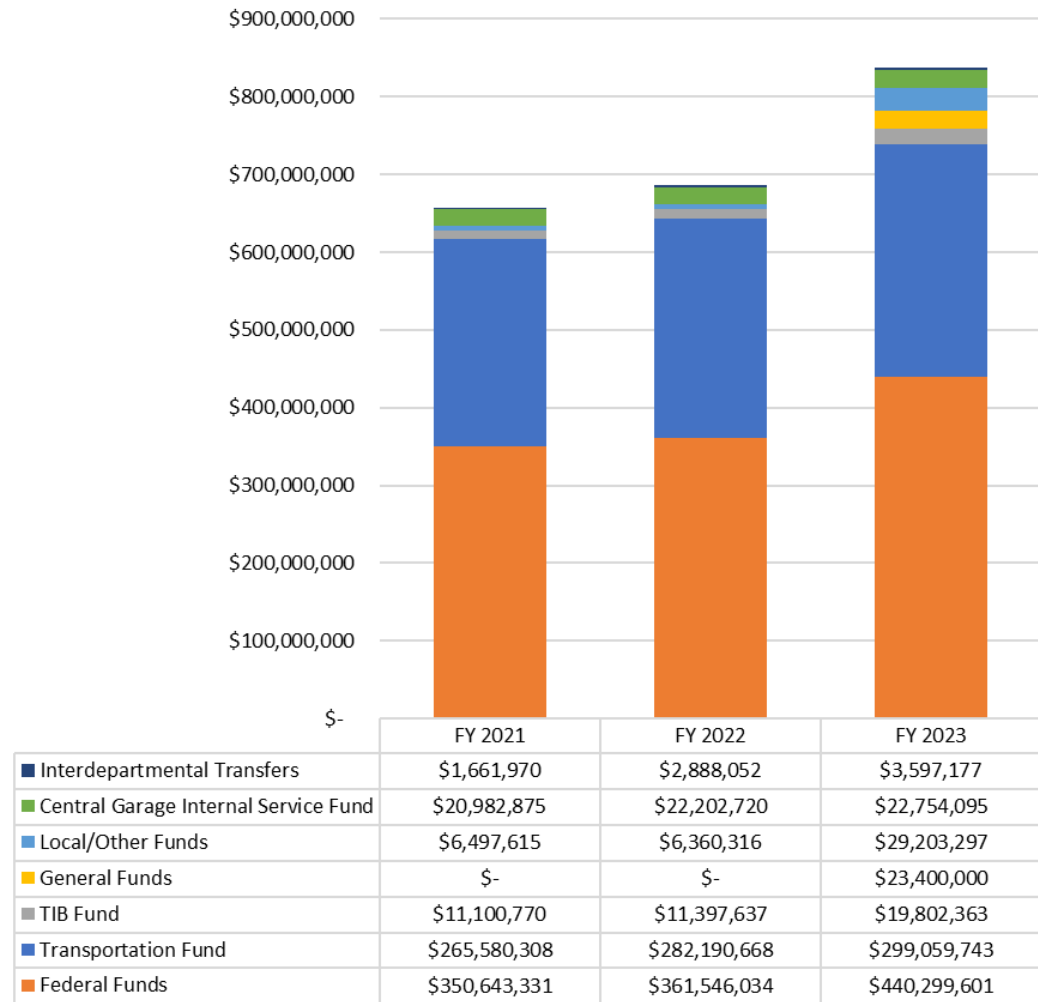
1. How does Vermont pay for transportation?
2. Where does the State money come from?
3. Where does the State money go?
4. Federal Funds
5. Considerations for Legislators
6. Questions?



How does Vermont pay for transportation?

- Like other states, VT funds its transportation program through a mix of state, local, and federal funds.
- Federal formula funds comprise the majority of the State’s transportation program and typically require a match (often 80% federal/20% non-federal, with exceptions).
- Not all AOT activities are federally eligible. For example, DMV and Maintenance are mostly paid for with state funds.
- State funds come primarily from “user fees” paid by vehicle owners/drivers and are deposited into the **Transportation Fund (T-Fund)**.
 - The T-Fund is the primary state funding source for AOT, and also supports the VT State Police and some other programs.
 - A second, sub-fund – the **Transportation Infrastructure Bond Fund (TIB Fund)**, supports longer-lasting projects through a dedicated assessment on gas and diesel. TIB Funds are currently used on a “paygo” basis but can also pay debt service on TIB Bonds.
 - VT previously issued 3 series’ of TIB Bonds but all outstanding bonds were refunded as of June 2022 resulting in no future debt service costs – but capacity exists to fund any needed future debt issuances.
- Unlike many states, VT funds its transportation program mostly on a pay-as-you-go (“paygo”) basis with minimal borrowing or alternative financing arrangements.

Vermont Agency of Transportation Appropriations
(As Passed)



Where does the State money come from?

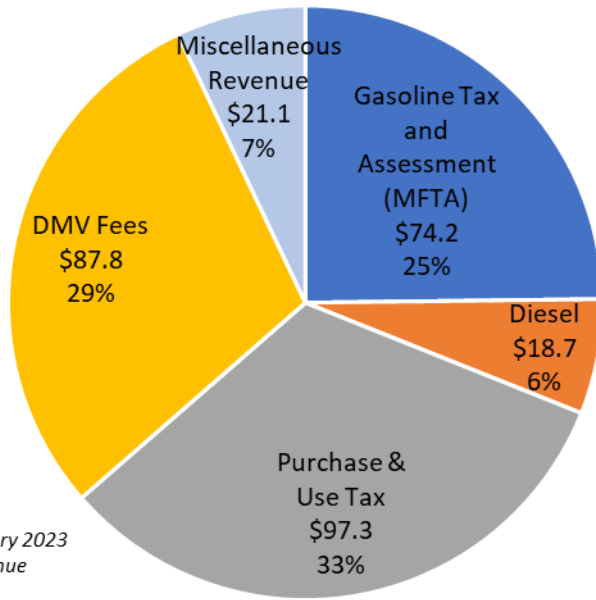
- VT generates transportation revenue from **motor fuel taxes, taxes on vehicle transactions, license and registration fees, and miscellaneous other sources.**
- AOT uses these funds to match federal funds, operate DMV, grant to municipalities, and maintain the transportation system.
- T-Fund and TIB Fund revenues are projected to be relatively flat in future years. Gasoline expected to decline, P&U to increase.
- January 2023 forecast downgraded the T-Fund by **-\$1.0 million** and TIB Fund by **-\$1.8 million (-\$2.8M impact)**
- Combined, the funds are forecasted to grow by **1.13% annually (on average) from FY2023 through FY2028.**
- **Will costs grow by 1.13% annually?**

Vermont Transportation Revenue Forecast (January 2023)																							
\$ million																							
Revenue Source	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	Forecast CAGR											
	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	FY2023-2028											
Gasoline Tax and Assessment (MFTA)	Jul-22	78.2	77.8	71.0	67.3	71.9																	
	Jan-23						78.2	76.0	76.1	76.2	76.9												
	Forecast Change						-4.0	-2.7	-3.0	-3.7	-5.0	-0.88%											
Diesel	Jul-22	18.9	18.6	17.9	17.9	18.3																	
	Jan-23						18.8	18.9	19.1	19.4	19.6												
	Forecast Change						-0.1	-0.1	-0.1	-0.1	-0.1	1.05%											
Purchase & Use Tax	Jul-22	73.0	74.5	70.3	89.4	91.4																	
	Jan-23						94.2	96.2	99.0	102.1	105.3												
	Forecast Change						3.1	2.6	2.9	3.0	3.4	2.89%											
DMV Fees	Jul-22	86.0	85.4	83.6	87.6	86.0																	
	Jan-23						87.8	88.6	89.9	90.9	92.1												
	Forecast Change						87.8	88.6	89.9	90.9	92.1	93.1	1.18%										
Miscellaneous Revenue	Jul-22	23.0	24.6	21.3	20.5	20.3																	
	Jan-23						21.1	21.7	22.2	22.8	23.5												
	Forecast Change						21.1	21.7	22.2	22.8	23.5	24.2	2.78%										
Total Transportation Fund Revenue - July 2022											279.0	280.9	264.1	282.7	287.8	300.1	301.4	306.3	311.4	317.4			
Total Transportation Fund Revenue - January 2023																299.1	301.2	306.1	310.6	315.7	320.2		1.37%
Forecast Change																-1.0	-0.2	-0.2	-0.8	-1.7			
TIB Gasoline Assessment (MFTIA)	Jul-22	12.9	14.6	12.7	10.2	15.1																	
	Jan-23						21.6	19.7	20.4	20.8	21.4												
	Forecast Change						19.8	17.3	16.2	16.4	16.9	17.2	-2.78%										
TIB Diesel Assessment and Other	Jul-22	2.0	2.1	2.0	1.9	1.9																	
	Jan-23						2.0	2.0	2.1	2.1	2.1												
	Forecast Change						2.0	2.0	2.1	2.1	2.1	2.1	0.78%										
Total TIB Fund Revenue - July 2022											14.9	16.6	14.7	12.1	17.1	23.6	21.7	22.5	22.9	23.5			
Total TIB Fund Revenue - January 2023																21.8	19.3	18.3	18.5	19.0	19.3		-2.42%
Forecast Change																-1.8	-2.4	-4.2	-4.4	-4.5			
Total State Transportation Revenue - July-22											293.9	297.5	278.8	294.8	304.9								
Jan-23																323.7	323.1	328.8	334.3	340.9	339.5		1.13%
Forecast Change																-2.8	-2.6	-4.4	-5.2	-6.2			



Transportation Fund Revenues (FY23 Forecast)

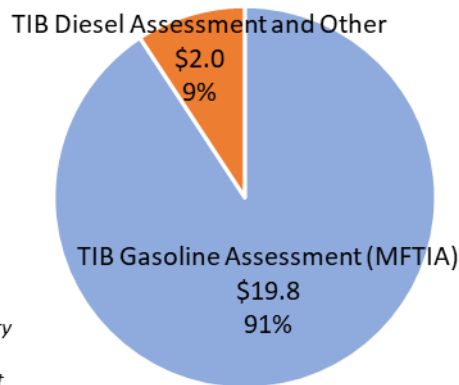
\$299.1 million total



Data from January 2023
Consensus Revenue
Forecast

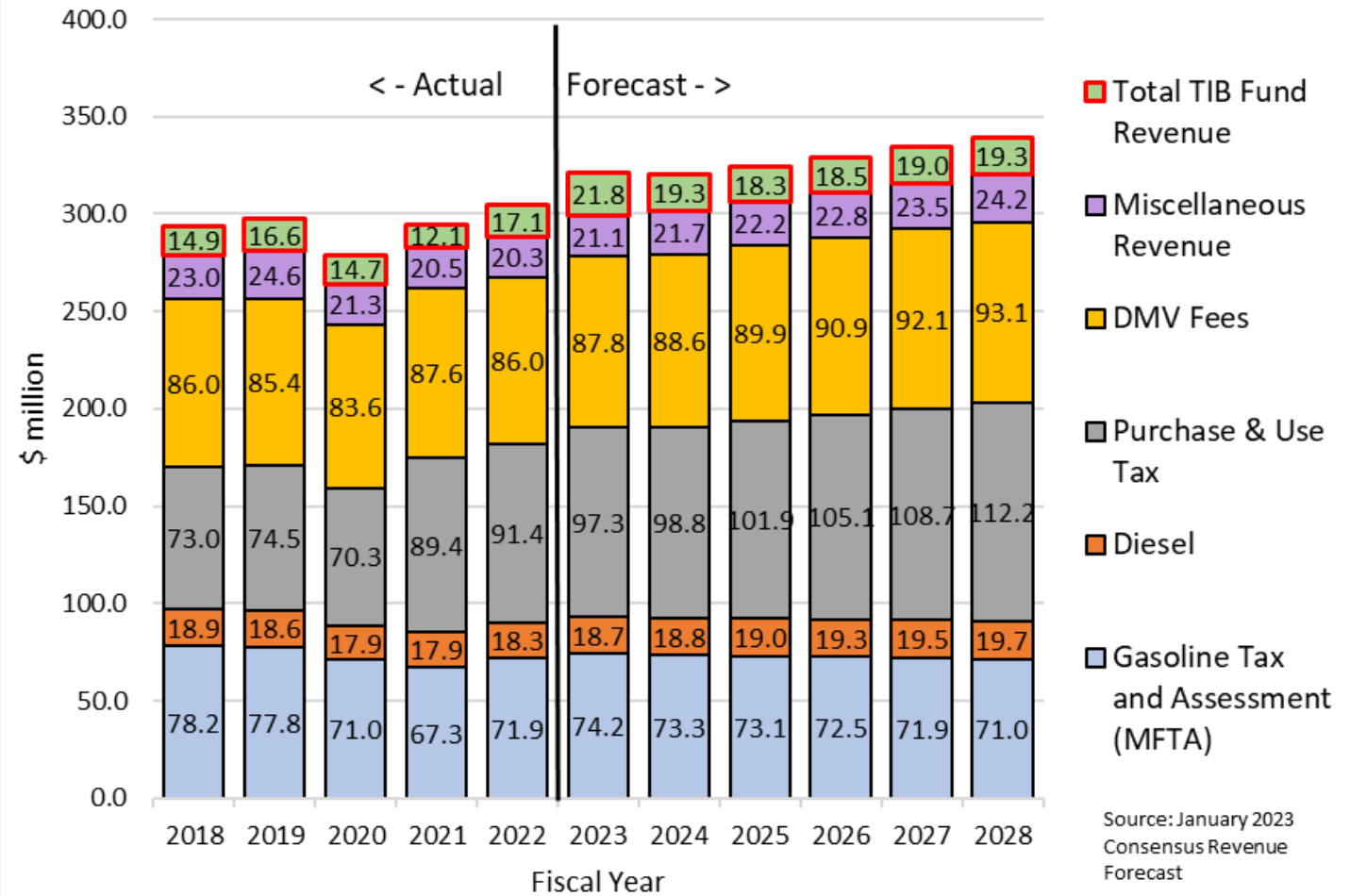
TIB Fund Revenues (FY23 Forecast)

\$21.8 million total



Data from January
2023 Consensus
Revenue Forecast

Vermont Transportation and TIB Revenue Forecast (January 2023)



Source: January 2023
Consensus Revenue
Forecast



Gasoline Taxes

- VT has a **hybrid gas tax system** comprised of fixed taxes and two variable assessments that are calculated quarterly based on price.
 - Hybrid system allows for a degree of sensitivity when higher prices may reduce demand and increase costs.
- All gas taxes and assessments are levied as cents per gallon at the **distributor level** and collected by **DMV** monthly.
 - Taxes are not collected at the retail point of sale. Instead, they are reflected in the cost paid by the retailer for a fuel delivery from a distributor.
- State fixed taxes total **\$0.131**:
 - \$0.121 gasoline tax is deposited *primarily* in the Transportation Fund.
 - \$.01 Petroleum Cleanup Fee is deposited in the Petroleum Cleanup Fund
- The federal government levies an additional **\$0.184** tax - **rate unchanged since 1993** – which goes to the Highway Trust Fund.

Vermont Gasoline Levies (as of Jan-Mar 2023)			
Revenue Source	Effective Tax (cents per gallon)	Fund/Purpose	Description/Statute Citation
Per-Gallon General Gasoline Tax	11.345	Transportation Fund	23 V.S.A. § 3106(a)(1)(A)
	0.380	DUI Enforcement Special Fund	23 V.S.A. § 1220a(b)(3)
	0.285	Fish and Wildlife Fund	0.375 cents is distributed 76% to Fish and Wildlife Fund, 24% to Department of Forests, Parks, and Recreation for natural resource management. 23 V.S.A. § 3106(d).
	<u>0.090</u>	To Dept of Forests, Parks, and Recreation	
<i>Total Per-Gallon General Gas Tax</i>	12.100		
Gasoline Assessment (4%) (Motor Fuel Tax Assessment)	13.400	Transportation Fund	Calculated quarterly based on 4% of average tax-adjusted retail prices of prior quarter. Minimum of 13.4 cents, maximum of 18 cents. 23 V.S.A. § 3106(a)(1)(B)(ii).
TIB Assessment (2%) (Motor Fuel Transportation Infrastructure Assessment)	6.500	Transportation Infrastructure Bond (TIB) Fund	Effective tax recalculated quarterly based on 2% of average tax-adjusted pump prices of prior quarter. Minimum of 3.96 cents, no maximum. 23 V.S.A. § 3106(a)(1)(B)(i).
Petroleum Cleanup Fee	<u>1.000</u>	Petroleum Cleanup Fund	10 V.S.A. § 1942
Total State Taxes and Assessments	33.000		
Federal Gas Tax	<u>18.400</u>	Federal Highway Trust Fund	
Total State and Federal Taxes and Assessments	51.400		



Gasoline Assessments

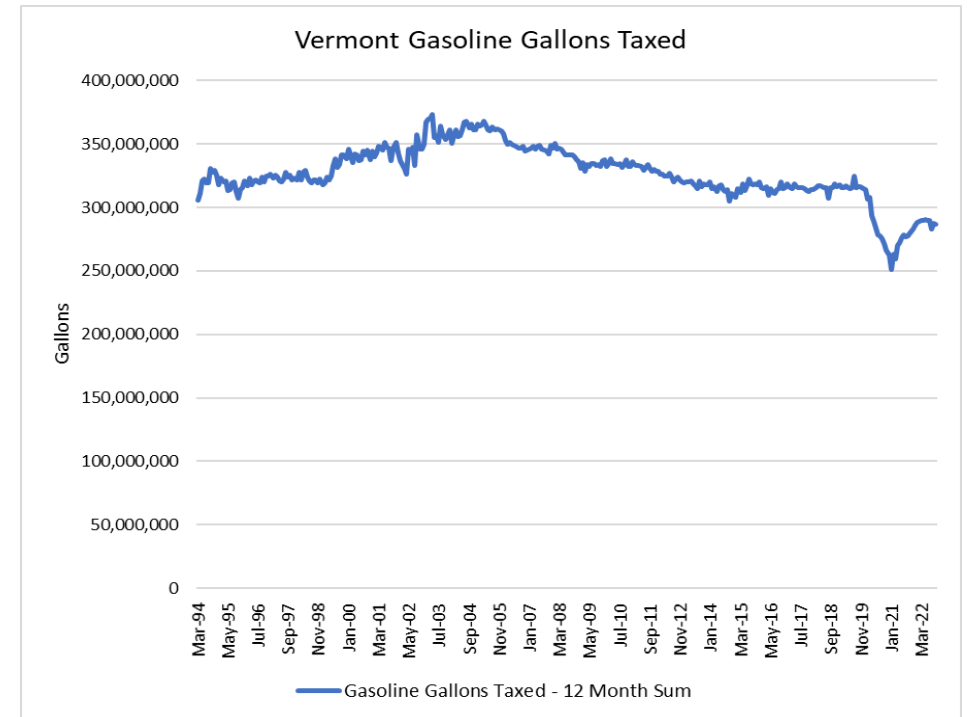
- **VT levies 2 variable gasoline assessments:**
 - **4% Motor Fuel Tax Assessment (MFTA) to the T-Fund**
 - Minimum of \$0.1340 (<\$3.87 at the pump) and maximum of \$0.18 (>\$5.08 at the pump)
 - **2% Motor Fuel Transportation Infrastructure Assessment (MFTIA) to the TIB Fund**
 - Minimum of \$0.0396 (<\$2.48 at the pump) and no maximum
- **Assessments are calculated based on the tax-adjusted average retail price of regular gas during the *prior* quarter.**
- Department of Public Service surveys average retail gas prices each month and publishes data online.
- DMV looks at the average retail prices for the prior calendar quarter, then deducts all of the state and federal taxes and assessments levied during the quarter to reach a tax-adjusted price.
- DMV will then apply the 4% and 2% assessment rates to the tax-adjusted average price for the prior quarter to calculate how much to charge in assessments in the future quarter (or whether any minimums or maximums should apply). The assessments are converted from a percentage to a cent-per-gallon equivalent and charged to fuel distributors.

Vermont Gasoline Assessment Calculation Method								
	a	b	c	d	e	f = a-b-c-d-e	g = f*0.04	h = f*0.02
	Average Retail Price	VT Fixed Gas Taxes	Federal Tax	Current Quarter		Tax-Adjusted Price	Next Quarter	
				MFTA 4%	MFTIA 2%		MFTA 4%	MFTIA 2%
FY 2022 Q1	\$ 3.0660	\$ 0.1310	\$ 0.1840	\$ 0.1340	\$ 0.0478	\$ 2.5692	\$ 0.1340	\$ 0.0514
FY 2022 Q2	\$ 3.3200	\$ 0.1310	\$ 0.1840	\$ 0.1340	\$ 0.0514	\$ 2.8196	\$ 0.1340	\$ 0.0564
FY 2022 Q3	\$ 3.5533	\$ 0.1310	\$ 0.1840	\$ 0.1340	\$ 0.0564	\$ 3.0479	\$ 0.1340	\$ 0.0610
FY 2022 Q4	\$ 4.4866	\$ 0.1310	\$ 0.1840	\$ 0.1340	\$ 0.0610	\$ 3.9766	\$ 0.1591	\$ 0.0795
FY 2023 Q1	\$ 4.4300	\$ 0.1310	\$ 0.1840	\$ 0.1591	\$ 0.0795	\$ 3.8764	\$ 0.1551	\$ 0.0775
							\$0.134 min, \$0.180 max	\$0.0396 min, no max



Trends Over Time: Gasoline Revenue

- VT expects to tax 294.6 million gallons of gas in FY 2024, per the January 2023 consensus revenue forecast. At that consumption rate, each \$0.01 tax increase would yield approximately \$2.9 million of additional revenue.
- Gas taxes have been a declining revenue source over time – a trend that is expected to continue as vehicles continue to become more fuel efficient and alternatively powered vehicles increase market share.
 - Gas consumption peaked in FY2005 at approx. 360 million gallons.
 - Jan 2023 revenue forecast expects FY2023 gasoline TF revenues to be \$4M less than FY2018 and decline at an average annual rate of **-0.88%** through FY2028 (see Slide 4).
 - Gas is likely to continue to be sold for the foreseeable future despite growing EV adoption – but gas taxes will represent a smaller share of transportation revenue (holding all else equal).
- **COVID-19 and its aftermath significantly impacted gas tax revenues.**
 - 2020-2022: Reduced travel volumes and working from home significantly reduced demand for gas, especially earlier in the pandemic. FY2021 total TF and TIB gas revenues were \$14.9 million (-16%) below FY2019.
 - 2022: Higher prices due to geopolitical events increased assessment revenues. Prices climbed above the \$3.87 threshold to cause the 4% MFTA to increase above its \$0.1340 minimum during first half of FY23.



Diesel Taxes and Assessments

- VT levies 2 fixed taxes on diesel, plus a Petroleum Cleanup Fee:

\$0.28 Diesel Tax to the T-Fund

\$0.03 Diesel TIB Assessment to the TIB Fund

\$0.01 Petroleum Cleanup Fee to the Petroleum Cleanup Fund

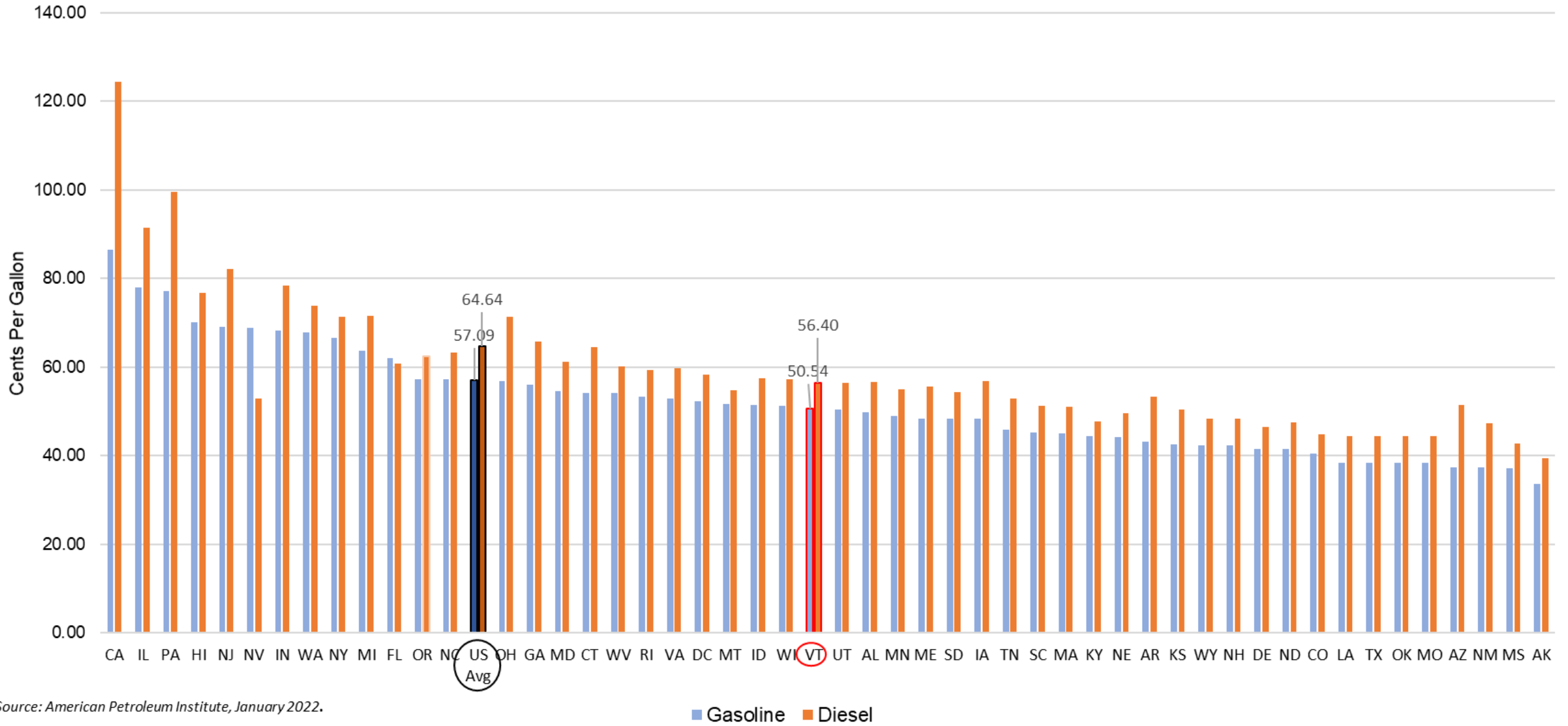
\$0.32 Total VT Diesel Taxes and Assessments

An additional federal diesel tax of \$0.244 also applies, for a total rate of **\$0.564**.

- In FY2023, diesel is forecast to generate \$18.7 million for the T-Fund (6.3% of fund total) and \$2.0 million for the TIB Fund (9.2% of fund total) based on approx. 66.8 million taxable gallons. A \$0.01 increase in the tax rate would be expected to yield approximately \$670,000 additional revenue.
- While not a large share of VT's transportation revenues, diesel revenues have been (and are expected to be) relatively flat over time.
- Like gasoline, diesel taxes are collected at the distributor level by DMV.
- VT Statutes include several tax-exempt uses for diesel (23 V.S.A. §3003):
 - *Agricultural purposes not conducted on the highways of the State*
 - *State, municipal, school district, fire district, or other governmentally owned vehicles for official purposes*
 - *Uses by any vehicle off the highways of the State*
 - *Uses by any vehicle registered as a "farm truck."*
 - *Nonprofit public transit systems*
- International Fuel Tax Agreement captures revenue from cross-state commercial trucking but represents a small share of VT's diesel revenue (~\$150k-\$250k).



Total State and Federal Gasoline and Diesel Taxes by State



Source: American Petroleum Institute, January 2022.

As of January 2022. Figure reflects weighted averages calculated by API to account for county/metro variations in tax rates in some states.



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Motor Vehicle Purchase & Use Tax

- **6% tax on the taxable value (less trade-in allowance) on motor vehicle purchases or initial registrations.**
 - Cap of \$2,075 (6% of \$34,583) for trucks >10,099 lbs.
- **Collected by DMV at titling or initial registration in VT. You cannot evade the tax by buying a car in a state that has no sales tax on vehicles!**
- **9% of rental charge for short-term vehicle rentals**
- **2/3 of the total P&U Tax revenue to the T-Fund, 1/3 to the Education Fund.**
 - FY23: P&U forecasted to generate \$97.3M to T-Fund (32.5% of T-Fund total), \$48.6M to Education Fund (6.7% of non-property tax fund total).
- **Statutory exceptions (32 V.S.A. § 8911):**
 - Vehicles owned, registered, or rented by the federal government, state, or political subdivision
 - Vehicles owned or leased by religious or charitable institutions or volunteer fire companies
 - Vehicles owned and operated by a dealer
 - Nonregistered motor vehicles
 - Credit is given for sales/use tax already paid on the vehicle to another state.
 - Transfers between an individual and a business entity they control
 - Vehicles adapted for use by persons with permanent physical disabilities.
 - Vehicles acquired by veterans with financial assistance from the US Department of Veterans Affairs
 - Vehicles acquired as excess government property or purchased with 100% federal funds.
 - ...and others
- **In recent years, P&U collections have reached historic highs:**
 - Pandemic-related economic assistance boosted consumer demand for new and used vehicles.
 - Supply chain issues limited new vehicle inventory, which put upward pressure on prices for both new and used vehicles.
- **P&U collections could be hindered a bit if vehicle inventory shortages persist or economic conditions deteriorate, but are currently forecasted to remain substantially above pre-pandemic levels and are expected to represent a growing share of the T-Fund over time.**



DMV Fees

- Fees for driver's licenses and vehicle registrations are expected to generate approx. **\$87.8 million** to the Transportation Fund in FY 2023 (29.4% of the T-Fund total).
- Fees are set by the Legislature via periodic "Fee Bills." Fees have been at current levels since FY 2017.
 - DMV Registration Fees: <https://dmv.vermont.gov/registrations/fees>
 - DMV Driver's License Fees: <https://dmv.vermont.gov/licenses/fees>

Miscellaneous Revenue

A variety of smaller revenue sources are expected to generate **\$21.1 million** in FY 2023 (7.1% of the T-Fund total)

- Overweight permits
- Jet Fuel sales tax
- Railroad income
- Traffic civil penalties
- Inspection sticker fees
- Title certificate fees
- *...and many more minor revenue sources*



Where does the State money go?

- The vast majority of T-Fund dollars are appropriated to the Agency of Transportation.
- Other appropriations and statutory transfers:
 - Appropriation to BGS for Information Center maintenance/operations
 - Pay Act and 27th payroll costs for AOT
 - Debt Service for transportation-related G.O. bonds
 - State Police “JTOC” Appropriation
 - Transfer to Central Garage Fund
 - Transfer to Recreation Trails Fund
 - Transfer to Downtown Fund
 - Net of transfers to/from other funds (e.g. 12% of motorboat registrations, transfers to/from TIB fund).
 - Transfers to/from the T-Fund Stabilization Reserve to maintain its balance at 5% of prior year appropriations.
- TIB Funds are currently appropriated to support the Agency of Transportation on a “paygo” basis.
 - TIB Bonds can be used to pay for projects that involve rehab/reconstruction/replacement of bridges and culverts, as well as roads, railroads, airports, and necessary buildings with a remaining useful life of at least 30 years.
 - As of June 2022 there are no outstanding TIB bonds.
 - If the State decides to issue more TIB Bonds in the future, TIB Funds pay the debt service and reserve costs *first*.
 - TIB Funds can be used on a paygo basis for projects that involve rehab/reconstruction/replacement of bridges, culverts, roads, railroads, airports, and necessary buildings with a remaining useful life of at least 10 years.

Transportation Fund Operating Statement

	FY2021 Final	FY 2022 Final
Revenues		
Current Law Revenues	282,714,986	287,846,728
Prior Year Refund of Expenditures	27,288	530,210
New Revenue	0	0
Federal Reimbursements	0	18,081,251
Est. Reversions	0	0
Current Year Reversions	1,360,563	0
Direct Applications & Reversions	0	0
Total Revenue	284,102,837	306,458,188
Carry forward balance	24,162,691	28,594,984
Total State Funds	308,265,528	335,053,172
Appropriations		
AOT Appropriations	254,180,308	282,190,668
Waterfall appropriations	0	0
Information Centers	3,911,594	3,911,594
Pay Act / FY11 27th Payroll	3,911,750	4,250,000
Transportation Debt Service	540,918	521,606
JTOC Appropriations	13,350,000	20,250,000
Contingent Approps / Ex Receipts	0	0
Other appropriations	12,300,000	0
Current Year Reversions/Rescissions	(4,949,317)	(3,933,027)
Net Budget Adjustments	(3,376,240)	0
Total Appropriations	279,869,013	307,190,841
Pre-Transfer balance	28,396,515	27,862,331
Transfers		
Transfer (to)/from General Fund		
Transfer (to)/from Downtown Fund	(523,966)	(4,023,966)
Transfer (to)/from Central Garage Fund	(1,005,358)	(1,428,431)
Transfer (to)/from Other Reserves	0	0
Transfer (to)/from Recreational Trail Fund	(370,000)	(370,000)
Transfer (to)/from Other funds	(51,007)	(4,708,271)
Transfer (to)/from Stabilization Reserve	2,148,800	(1,988,675)
Transfer (to)/from Vision Reserve	0	0
Transfer (to)/from Bond Reserve	0	0
Closing Recon Entries	0	0
Transfer (to)/from Bridge Fund	0	0
Net Transfers	198,469	(12,519,343)
Ending Balance	28,594,984	15,342,989
Bond Reserve	0	0
Stabilization Reserve Balance	11,936,748	13,925,423
5% Maximum Balance	11,936,748	13,925,423
Reserve Balance vs Maximum	0	0



Federal Funds

- The vast majority of federal transportation funds come to states through formula – but states are also eligible to apply for numerous competitive grants.
 - State incurs the cost, then the feds reimburse their share (typically 80%, with exceptions).
 - Paid from Federal Highway Trust Fund (mainly gas and diesel taxes), plus transfers and supplemental appropriations from general funds.
- Federal transportation funds are authorized through multi-year bills (e.g. MAP-21, FAST Act, IIJA/Bipartisan Infrastructure Law).
 - IIJA = 5 year authorization (from FFY2022-2026).
 - Appropriations also needed to fully fund the programs/activities authorized in the IIJA
- FHWA formula funds are usually available for obligation for three subsequent years. For example, STBG funds made available in FFY2022 are available for obligation through the end of FFY2025. The IIJA, therefore, includes 5 years of highway funding that can be obligated over 8 fiscal years.
- Federal fiscal years don't align with state fiscal years, and fiscal years don't align with the construction season – and projects may take several seasons to complete. Many variables impact the final price of a project. *Hence the need for flexibility and planning!*
- Federal highway formula funds are flexible and may be transferred between funding streams with limitations – but federal funds almost always have strings attached!
- IIJA represents a roughly 30% increase in core federal formula funds for VT, and a 50% increase when considering the new NEVI and Bridge Programs included in IIJA.

Table 2: Vermont Anticipated Federal Highway Formula Apportionments Under IIJA (\$ millions)

Core Highway Trust Fund Formula Programs	FAST Act (FFY2016-2020)	IIJA (FFY2022-2026)	Difference
National Highway Performance Program	602.6	756.9	154.3
Surface Transportation Block Grant	301.7	368.2	66.5
Highway Safety Improvement Program	60.2	79.7	19.6
Rail-Highway Grade Crossing Program	5.9	6.1	0.3
Congestion Mitigation & Air Quality Program	61.4	67.2	5.7
Metropolitan Planning	10.9	14.4	3.5
National Highway Freight Program	32.3	36.6	4.3
Carbon Reduction Program	0	32.8	32.8
PROTECT Program	0	37.3	37.3
	1,074.9	1,399.2	324.3
General Fund Supplemental Programs			
Bridge Formula Program	0	225.0	225.0
National Electric Vehicle Infrastructure	0	21.2	21.2
GRAND TOTAL	1,074.9	1,645.5	570.5

Note: FAST Act operated under 1-year extension in FFY2021.

Vermont also receives funds from the FAA and FTA for airports and public transit, respectively. VT also receives funds from FMCSA (motor carrier enforcement) and FRA (railroad projects)



Projected Funding Gap

- In 2022, VTrans expected a funding gap would emerge beginning in FY 2024 (~\$31M)
 - Represents the gap between projected T-Fund revenues and the Agency's estimate for their future costs – including drawing down anticipated federal IIJA funds.
- In January 2023, VTrans revised its analysis to reflect an expected funding gap between available state match and need of \$10.95 million in FY 2024, \$33.3 million in FY 2025, and \$34.8 million in FY 2026 (totaling \$79 million).
 - That \$79 million would leverage federal funds to result in approximately \$420.5 million of total investment.
- VTrans proposed a budget for FY 2024 that balances through a \$10.95 one-time General Fund transfer to the T-Fund, plus \$20.7 million of T-Fund reversions of unspent appropriations.
- FY 2024 Govrec reserves \$68.2 million of General Funds for transfer to the T-Fund in FY 2025 and 2026 to meet state matching requirements for federal IIJA funds in those years.

Federal Match Gap FY2024 – FY2027

	State Fiscal Year						
	Actual 2021	Appropriation 2022	STIP 2023	STIP 2024	STIP 2025	Estimate 2026	Estimate 2027
IIJA: Core Highway Programs	248,648,616	268,875,131	270,674,848	276,723,044	282,904,300	290,082,986	301,684,292
IIJA Act: General Fund Bridge Program	-	-	45,000,000	47,001,980	48,035,819	49,236,714	-
IIJA Act: General Fund Electric Vehicle Program	-	-	4,243,152	4,243,152	4,243,152	4,243,152	-
IIJA: Sub-Total:	248,648,616	268,875,131	319,918,000	327,968,176	335,183,271	343,562,853	301,684,292
Public Transit:	-	-	-	-	16,981,191	17,413,301	-
INFRA Competitive Program Minimum:	-	-	-	-	-	50,000,000	-
Bridge Competitive Program Minimum:	-	-	-	-	50,000,000	-	-
Congressional Earmarks:	-	-	-	960,000	5,000,000	5,000,000	-
Rail Competitive Grants:	-	-	-	-	33,333,333	33,333,333	-
Airport Improvement Program:	-	-	-	-	10,000,000	10,000,000	-
Total Federal Funding:	248,648,616	268,875,131	319,918,000	328,928,176	450,497,795	459,309,487	301,684,292
State Match Required	38,605,939	43,048,159	58,710,557	60,364,083	82,674,237	84,230,314	55,324,271
State Match Available	38,605,939	43,048,159	58,710,557	49,438,103	49,330,970	49,480,336	50,320,336
State Match Surplus/(Deficit)	-	-	-	(10,925,980)	(33,343,268)	(34,749,978)	(5,003,935)
FY24 Governor's Rec. General Fund Transfers	-	-	-	10,925,980	33,343,268	34,749,978	-
Adjusted Surplus/(Deficit)	-	-	-	0	0	(0)	(5,003,935)

January 2023



Considerations for Legislators

- VT greatly benefits from federal formula funds (small state minimums, legacy funding levels that carried forward into future laws). But with IJJA, federal funds are growing faster than the State's non-federal transportation revenues. **VT could struggle to generate enough non-federal revenues to draw down all of its available federal funds.**
- **Gasoline consumption is likely to continue to decline, but still occur for decades.**
 - What does the new “user fee” paradigm look like as gas taxes become increasingly obsolete?
 - Road User Charges/Vehicle Miles Traveled fees?
 - Different registration costs for certain vehicles?
 - Fees for charging?
 - Repeal and replace the gas tax with an alternative, or pursue a “yes, and” strategy to capture revenue from alternatively fueled vehicles without repealing the gas tax?
- **Inflation has been relatively high.**
 - Erodes purchasing power.
 - Higher operating costs
 - No Fee Bill since FY 2017.
- State transportation dollars are highly flexible, but they are limited and demand for them is high (maintenance costs, aid to towns, higher employee costs, etc.) You can either use \$1 of T-Fund for those priorities or use that \$1 to leverage federal funds (turn \$1 of state money into \$5 of total project investments). **Be mindful of tradeoffs and opportunity costs! Try to leverage federal funding when possible to maximize impact.**



Questions?

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<https://ljfo.vermont.gov/subjects/transportation>

2023 Committee Primer: https://ljfo.vermont.gov/assets/Subjects/Transportation-Notices-and-Issues/5561bf39ed/2023-2024_Transportation_Committee_Primer.pdf

