



**STATE OF VERMONT**  
HOUSE OF REPRESENTATIVES

**MEMORANDUM**

To: Rep. Robin Scheu, Chair, Committee on Appropriations  
From: Rep. Matt Walker, Chair, Committee on Transportation  
Date: February 26, 2025  
Subject: State fiscal year 2026 budget

**Introduction**

Thank you for the opportunity to comment on the State fiscal year 2026 Governor's recommended budget as it relates to transportation matters.

The House Committee on Transportation is deeply concerned that funding for transportation programs is not keeping up with rising costs. According to a recent report by the Agency of Transportation,<sup>1</sup> Transportation Fund revenues grew at an average annual rate of 1.7 percent between fiscal year 2015 and fiscal year 2024. Meanwhile, construction and personnel costs have been rising steeply in recent years. Because of this, the number of miles that the Agency of Transportation is able to pave each year is dropping, funding for much-needed municipal infrastructure improvements is relatively flat, and the State is less able to build a resilient transportation network to support Vermonters and Vermont's economy. It is with this in mind that the Committee provides the following recommendations to support the long-term health of the Transportation Fund and the State's Transportation Program.

**Discontinue the Annual Use of Transportation Fund Monies to Support the State Police**

The Committee supports the proposal in the Governor's recommended budget to discontinue the Transportation Fund's \$20,250,000.00 annual support for the State Police, which is commonly referred to as the "JTOC Transfer." Those funds are sorely needed to support the State's ability to keep up with expected nonfederal match needs and the growth in base costs. Without those funds in the fiscal year 2026, the Agency of Transportation will be required to cancel or postpone 11 paving projects, one road

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<sup>1</sup> Report of the Vermont Transportation Funding Study, Agency of Transportation, January 15, 2025, available at: [https://legislature.vermont.gov/assets/Legislative-Reports/TransportationFundingStudy\\_Act148-sec35\\_01152025.pdf](https://legislature.vermont.gov/assets/Legislative-Reports/TransportationFundingStudy_Act148-sec35_01152025.pdf).

project, 14 rail projects, and seven aviation projects, as well as reduce the amount of salt and employee overtime available for winter road maintenance.

### **Reallocate the Revenues from the Purchase and Use Tax to the Transportation Fund**

As enacted, the stated purpose of the Motor Vehicle Purchase and Use Tax “is to improve and maintain the State and interstate highway systems [and] to pay the principal and interest on bonds issued for the improvement and maintenance of those systems....”<sup>2</sup> However, one-third of those revenues are currently used to support the Education Fund. The Committee requests that those revenues gradually be reallocated to the Transportation Fund over a period to ensure more sustainable funding for the State’s Transportation Program moving forward. The Committee acknowledges the significant funding challenges faced by the State’s education system and is proposing a gradual reallocation of the Motor Vehicle Purchase and Use Tax to ensure that the transition can occur in concert with any reforms to the State’s education funding system. The Committee believes that this gradual reallocation of the Motor Vehicle Purchase and Use Tax to serve its original intended purpose will help ensure the ongoing health of the Transportation Fund in a manner that supports the maintenance and improvement of the State’s transportation infrastructure.

### **Funding to Establish a Mileage Based User Fee for Battery Electric Vehicles**

In 2023, the General Assembly directed the Agency of Transportation to seek federal grant funding to establish a mileage-based user fee (MBUF) for Electric Vehicles (EVs). The Agency was awarded a grant for this purpose but because of the different policy priorities of the new administration, the U.S. Department of Transportation is unlikely to execute the grant and provide the funds to the Agency. Nevertheless, the MBUF is important for ensuring the long-term health of the Transportation Fund because EVs do not pay the gas and diesel taxes that have historically provided a significant portion of the revenue for the Fund. The Committee requests that the Budget include a one-time \$3,000,000.00 appropriation from the General Fund to allow the Agency to move forward with developing the MBUF. Upon implementation, the MBUF is projected to generate in excess of \$5,000,000.00 in annual revenues, with that amount growing as the number of EVs increases.

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<sup>2</sup> 32 V.S.A. § 8901; *see also* 32 V.S.A. § 8912 (“The taxes collected under this chapter shall be paid into and accounted for in the Transportation Fund.”).