



**STATE OF VERMONT**  
HOUSE OF REPRESENTATIVES

**MEMORANDUM**

To: Rep. Robin Scheu, Chair, House Committee on Appropriations  
From: Rep. Matt Walker, Chair, House Committee on Transportation  
Date: February 20, 2026  
Subject: State fiscal year 2027 budget

**Introduction**

Thank you for the opportunity to comment on the State fiscal year 2027 Governor's recommended budget as it relates to transportation matters.

The Committee on Transportation is appreciative of the Committee on Appropriations' work last year on the "JTOC Transfer." Those funds enabled the State to keep up with its nonfederal match needs, address ongoing growth in base costs, include additional projects in the Transportation Program, and provide additional funds for winter road maintenance.

Nevertheless, Vermont continues to experience significant transportation funding challenges. Transportation Fund revenues are estimated to increase by only 1.5 percent relative to last fiscal year while construction costs have risen by roughly 62 percent since 2020. This impacts both State and local transportation infrastructure. In a typical year, the Agency of Transportation can only fund about one-third of municipal grant requests, delaying numerous municipal projects. The State and local maintenance backlog is growing and transportation infrastructure throughout Vermont is deteriorating. At current transportation funding levels, the Agency projects that roughly 60 percent of State roads will be in poor condition by 2030.

For fiscal year 2027, the ongoing funding challenges created an estimated \$33,400,000.00 shortfall in the State match for federal funding, which could impact the State's ability to access roughly \$163,000,000.00 in federal funding. To address the shortfall, the Agency constructed a budget that includes:

- a reduction in force of 31 positions, which is in addition to 34 positions eliminated as part of the fiscal year 2026 recession plan;
- use of the federal indirect cost rate to obtain federal reimbursement for overhead and operating expenses, which reduces the amount of federal funding available for projects in this year's Transportation Program;
- reductions in stockpiled supplies, salt, and the usage of overtime; and
- reductions in the State match available for projects.

Even with these efforts, the deficit is projected to grow in future years. The Committee on Transportation is deeply concerned about these ongoing funding challenges and hopes to continue working with the Committee on Appropriations to address them.

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

The Committee supports the Governor's proposal to gradually reduce the amount of Purchase and Use Tax (PUT) revenues that are allocated to the Education Fund and to reallocate that money to the Transportation Fund. The \$10,000,000.00 proposed to be reallocated in fiscal year 2027 will provide the State match for roughly \$53,000,000.00 in federal funding. The staged reduction in PUT revenues allocated to the Education Fund in future years will help to partially address the State's transportation funding challenges.

However, by itself, the gradual reallocation of PUT revenues will not be enough to address the Transportation Fund's ongoing revenue challenges. Additional revenue enhancements may be necessary to place the Transportation Fund on sustainable financial footing. Because of this, the Committee will continue to explore potential opportunities to increase the revenue dedicated to the Transportation Fund, including implementation of the mileage-based user fee, identification of items currently subject to sales and use tax that should be subject to the PUT, and examination of other potential revenue sources.

The Committee understands that the proposed reallocation of the PUT revenues to the Transportation Fund is intertwined with the ongoing education funding challenges and appreciates that the Committee on Appropriations is faced with numerous demands for limited State funds. The Committee on Transportation is committed to continuing to work with the Committee on Appropriations to develop a sustainable revenue framework for the Transportation Fund.

**Other Language in the Governor's Proposed Budget**

The Committee supports the other transportation-related language in the Governor's proposed budget.