

The Transportation Fund

House Ways and Means and House Transportation Joint Hearing

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January 9, 2026



JFO

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Outline of Presentation

1. How Vermont pays for transportation
2. Where the State money come from
3. FY 2025 year end and FY 2026 year-to-date
4. T-Fund revenue challenges



How does Vermont pay for transportation?

VT funds its transportation program through a mix of federal, state, and local funds.

Federal funds

- Comprise the majority of the State’s transportation program (~51% in FY26)
- Typically require a funding match (often 80% federal/20% non-federal, with exceptions).
- Not all AOT activities are federally eligible. Example, DMV and Maintenance are mostly paid for with state funds.

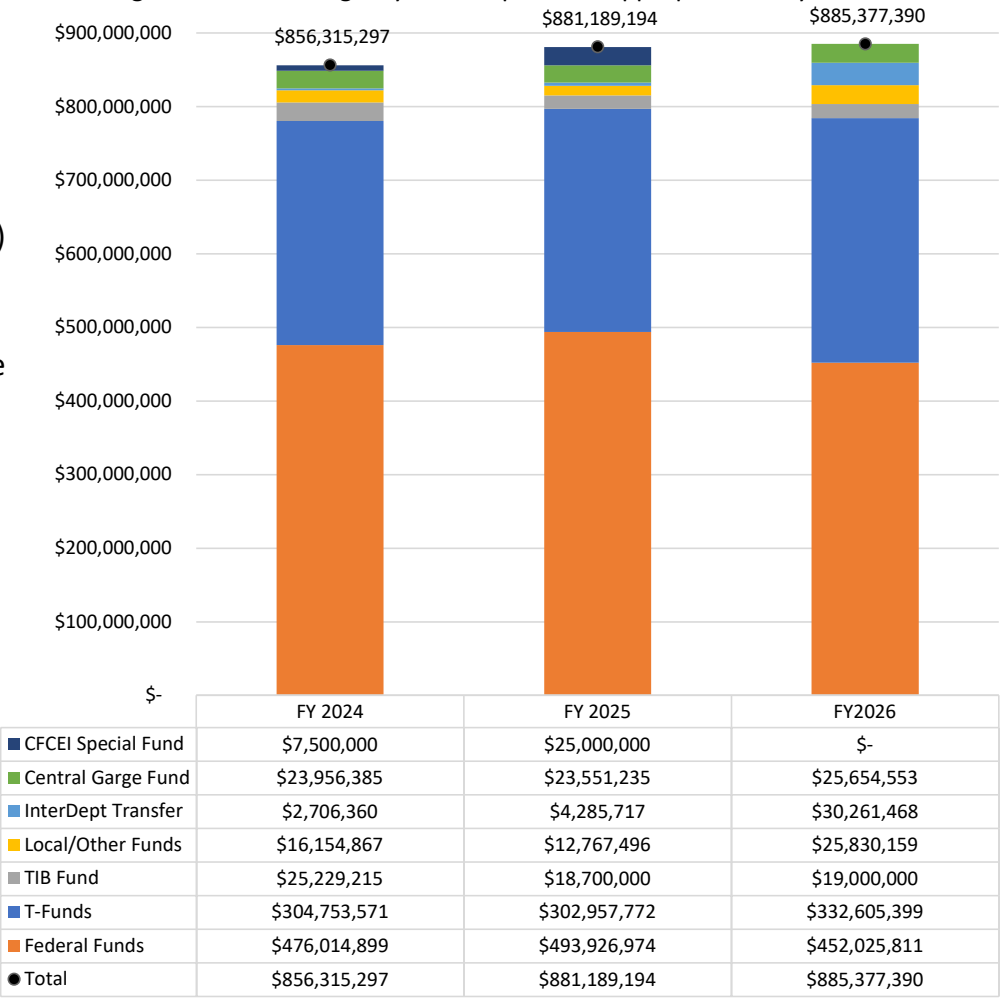
State funds (T-funds, TIB Funds)

- Come primarily from “user fees” paid by vehicle owners/drivers.
- The **Transportation Fund (T-Fund)** is the primary state funding source for AOT
- The **Transportation Infrastructure Bond Fund (TIB Fund)**, supports longer-lasting projects through a dedicated assessment on gas and diesel.

Local funds

- Make up a relatively small portion of the budget
- Largely represent the local match portion for projects in their area.

Figure 1: Vermont Agency of Transportation Appropriations by Fund



Where does the State money come from?

- VT generates most of its transportation fund revenue from 5 main sources.

1. Gasoline Tax and Assessment
2. Diesel Tax and Assessment

3. Purchase & Use Tax
4. DMV Fees

5. Miscellaneous other sources.

In Fiscal Year 2027

- T-Fund** Revenues are projected to be \$321.1M
- TIB Fund** Revenues are projected to be \$16.6M
- T-Fund and TIB Fund revenues are projected to be relatively flat in future years.
 - Gas and Diesel Tax revenues expected to continue to decline.
 - Purchase and Use Tax revenues expected to grow moderately.
- Combined, the funds are forecasted to grow by 1.23% annually (on average) from FY 2026 through FY 2030.

Vermont Transportation Revenue Forecast (July 2025)									
Revenue Source	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	Forecast CAGR FY2026-2030
Gasoline Tax and Assessment (MFTA) Jul-25	73.8	71.4	71.5	71.3	70.9	70.3	69.6	68.6	-0.96%
Diesel Tax Jul-25	17.6	17.8	18.2	18.1	18.0	17.9	17.8	17.6	-0.70%
Purchase & Use Tax Jul-25	94.8	96.6	96.7	99.3	102.3	106.3	110.6	115.3	3.81%
DMV Fees Jul-25	87.5	93.6	100.3	101.7	102.6	103.3	104.2	105.0	0.80%
Miscellaneous Revenue Jul-25	21.4	23.6	26.9	28.1	27.3	27.9	28.6	29.3	1.05%
Total Transportation Fund Revenue - July 2025	295.1	303.0	313.6	318.5	321.1	325.7	330.8	335.8	1.33%
TIB Gasoline Assessment (MFTIA) Jul-25	20.1	17.6	16.1	14.4	14.6	14.2	14.2	14.1	-0.52%
TIB Diesel Assessment and Other Jul-25	2.2	2.2	2.2	2.1	2.0	2.0	1.9	1.9	-2.24%
Total TIB Fund Revenue - Jul 2025				16.5	16.6	16.2	16.1	16.0	-0.74%
Total State Transportation Reven Jul-25	317.4	322.8	331.9	335.0	337.7	341.9	346.9	351.8	1.23%



Gasoline Tax and Assessment

- VT has a **hybrid gas tax system** comprised of a fixed tax portion and two variable assessments
 - A 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.

Fixed Taxes

- 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** fixed tax - a rate unchanged since 1993 – which goes to the Highway Trust Fund.

*Table 1: Gasoline Taxes and Assessments Paid by Vermonters
(as of January - March, 2026)*

Revenue Source	Effective Tax (cents per gallon)	Fund/Purpose
Per-Gallon General Gasoline Tax	11.345	Transportation Fund
	0.380	DUI Enforcement Fund
	0.285	Fish and Wildlife Fund
	0.090	To Dept of Forests, Parks, and Recreation
<i>Total Per-Gallon General Gas Tax</i>	12.100	
Petroleum Cleanup Fee	1.000	Petroleum Cleanup Fund
MFTA Gasoline Assessment (4%) (Motor Fuel Tax Assessment)	13.400	Transportation Fund
MFTIA TIB Assessment (2%) (Motor Fuel Transportation Infrastructure Assessment)	5.010	Transportation Infrastructure Bond (TIB) Fund
Total State Taxes & Assessments	31.510	
Federal Gas Tax	18.400	Federal Highway Trust Fund
Total State + Federal Taxes & Assessments	49.910	



Gasoline Tax and Assessment Continued

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.

- $(\text{Average Retail Price} - \text{Taxes Levied}) \times \text{Assessment \%} = \text{Next Quarter MFTA/MFTIA}$

Vermont Gasoline Taxes and Assessments									
per gallon	a	b	VT State Taxes and Assessments			f = a-b-c-d-e	g = f * 0.04	h = f * 0.02	i = b+c+d+e
	Average Retail Price	Federal Gas Tax	Fixed Gas Taxes	Current Quarter		Tax- Adjusted Price	Next Quarter		Total Federal + State Taxes and Assessments
				MFTA 4%	MFTIA 2%		MFTA 4%	MFTIA 2%	
FY 2025 Q1	\$ 3.4433	\$0.1840	\$0.1310	\$0.1340	\$0.0601	\$ 2.9342	\$0.1340	\$0.0587	\$ 0.5091
FY 2025 Q2	\$ 3.0977	\$0.1840	\$0.1310	\$0.1340	\$0.0587	\$ 2.5900	\$0.1340	\$0.0518	\$ 0.5077
FY 2025 Q3	\$ 2.9658	\$0.1840	\$0.1310	\$0.1340	\$0.0518	\$ 2.4650	\$0.1340	\$0.0493	\$ 0.5008
FY 2025 Q4	\$ 2.9433	\$0.1840	\$0.1310	\$0.1340	\$0.0493	\$ 2.4450	\$0.1340	\$0.0489	\$ 0.4983
FY2026 Q1	\$ 3.0479	\$0.1840	\$0.1310	\$0.1340	\$0.0489	\$ 2.5500	\$0.1340	\$0.0510	\$ 0.4979
FY2026 Q2	\$ 3.0050	\$0.1840	\$0.1310	\$0.1340	\$0.0510	\$ 2.5050	\$0.1340	\$0.0501	\$ 0.5000
FY2026 Q3		\$0.1840	\$0.1310	\$0.1340	\$0.0501				\$ 0.4991
VT Fixed Gas Taxes includes 1 cpg petroleum clean-up fee. Gas tax allocated 11.345 cpg to Transportation Fund, 0.38 cpg to DUI Enforcement Fund, 0.285 cpg to Fish and Wildlife Fund, 0.09 cpg to Dept of Forests, Parks and Recreation. MFTA dedicated to Transportation Fund. MFTIA dedicated to Transportation Infrastructure Bond (TIB) Fund.							\$0.134 min, \$0.180 max	\$0.0396 min, no max	



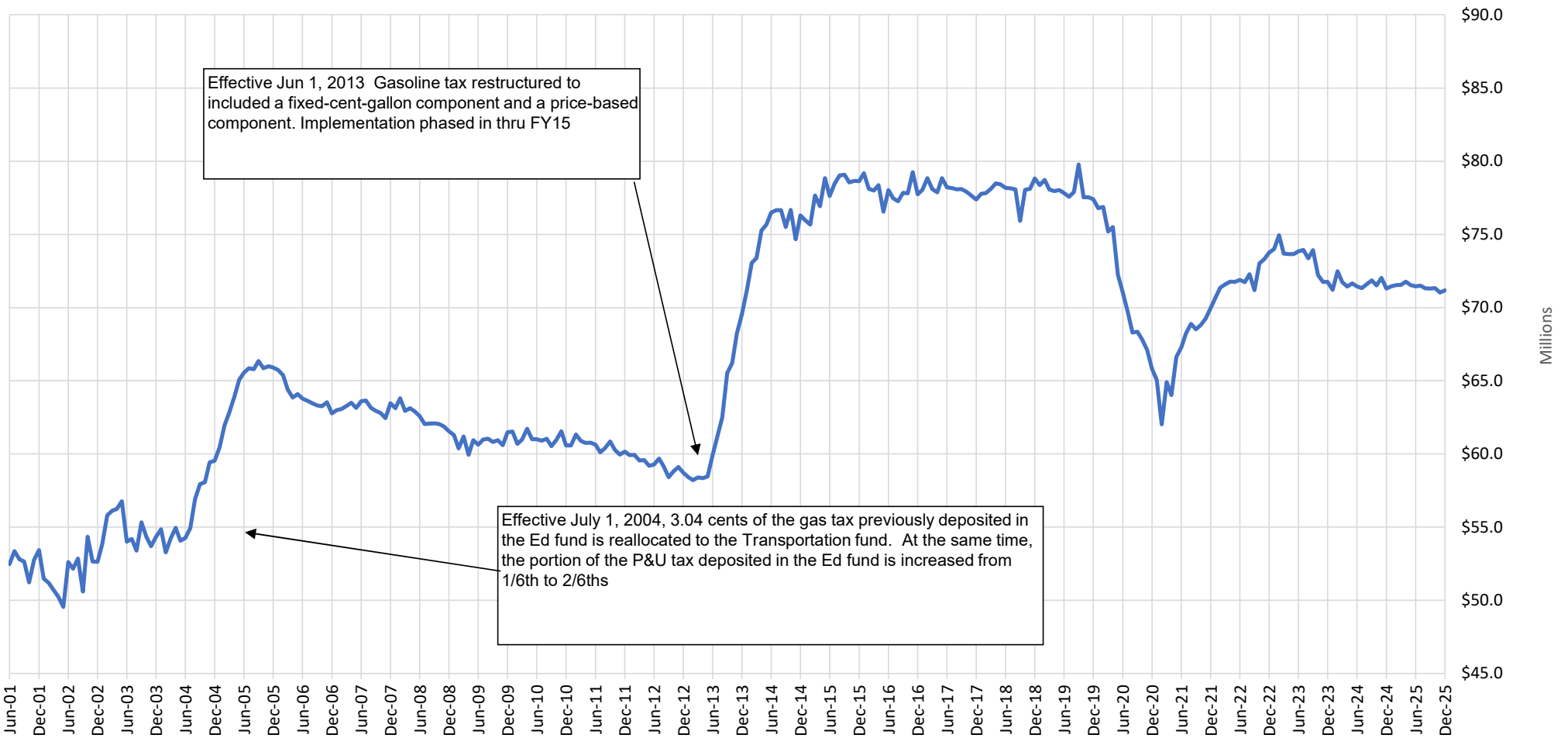
- **Gas taxes have been a declining revenue source**

- Gas consumption peaked in the early 2000's and have been declining since.
- Likely to continue as vehicles continue to become more fuel efficient and alternatively powered vehicles increase in market share.

Gasoline - Rolling 12 month sum of gallons taxed (millions)



Gasoline Tax & Assessment Running 12 Month Total Revenue



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Diesel Tax and Assessment

- 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 FY2026 Diesel is forecast to generate \$18.1 million for the T-Fund and \$2.1 million for the TIB Fund.

- **VT Statutes include several tax-exempt uses for diesel (23 V.S.A. §3003):**

- *Agricultural purposes*
- *State, municipal, school district, fire district, or other governmentally owned vehicles*
- *Uses by any vehicle off the highways of the State*
- *Uses by any vehicle registered as a "farm truck."*
- *Nonprofit public transit systems*

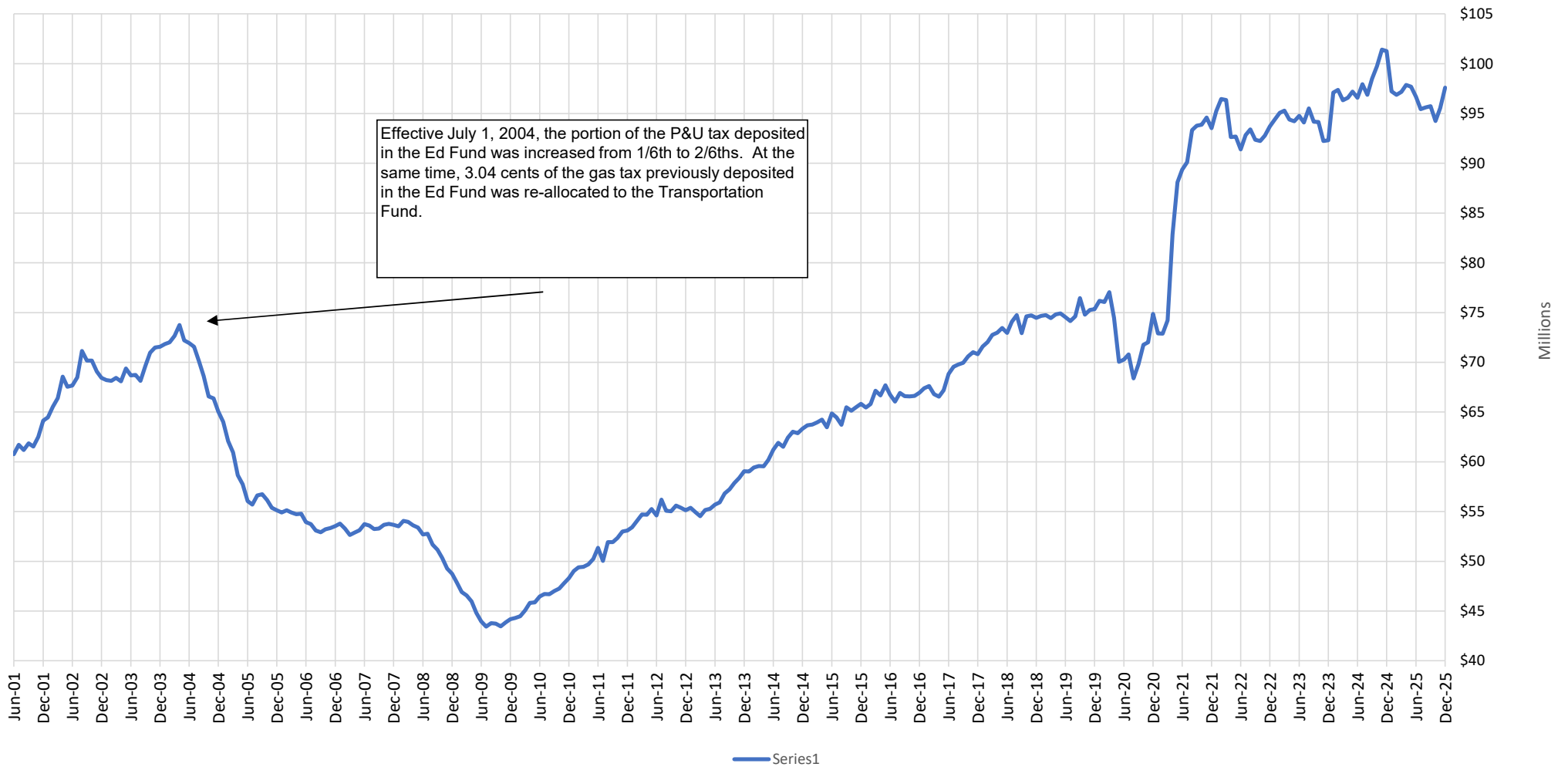


Motor Vehicle Purchase & Use Tax

- **6% tax on the value (less trade-in allowance) of motor vehicle purchases**
 - Collected by DMV at the time of titling or initial registration in VT.
- **9% tax on rental charges for short-term vehicle rentals**
- **2/3 of the total P&U Tax revenue goes to the T-Fund and 1/3 goes to the Education Fund.**
- **In FY 2026 total P&U tax revenue is estimated to be \$148.9 million with \$99.3 million going to the T-Fund and \$49.6 million going to the Ed Fund.**
- **One of the few T-Fund revenue sources that automatically captures inflationary growth.**



P&U Tax to the T-fund Running 12 Month Total Revenue



DMV Fees

- Fees for driver's licenses, vehicle registrations, etc.
 - Expected to generate approx. **\$101.7 million** to the Transportation Fund in FY 2026.
- Fees are set by the Legislature via periodic "Fee Bills." Fees have been at current levels since FY 2024.
 - DMV Registration Fees: <https://dmv.vermont.gov/registrations/fees>
 - DMV Driver's License Fees: <https://dmv.vermont.gov/licenses/fees>

Miscellaneous Revenue

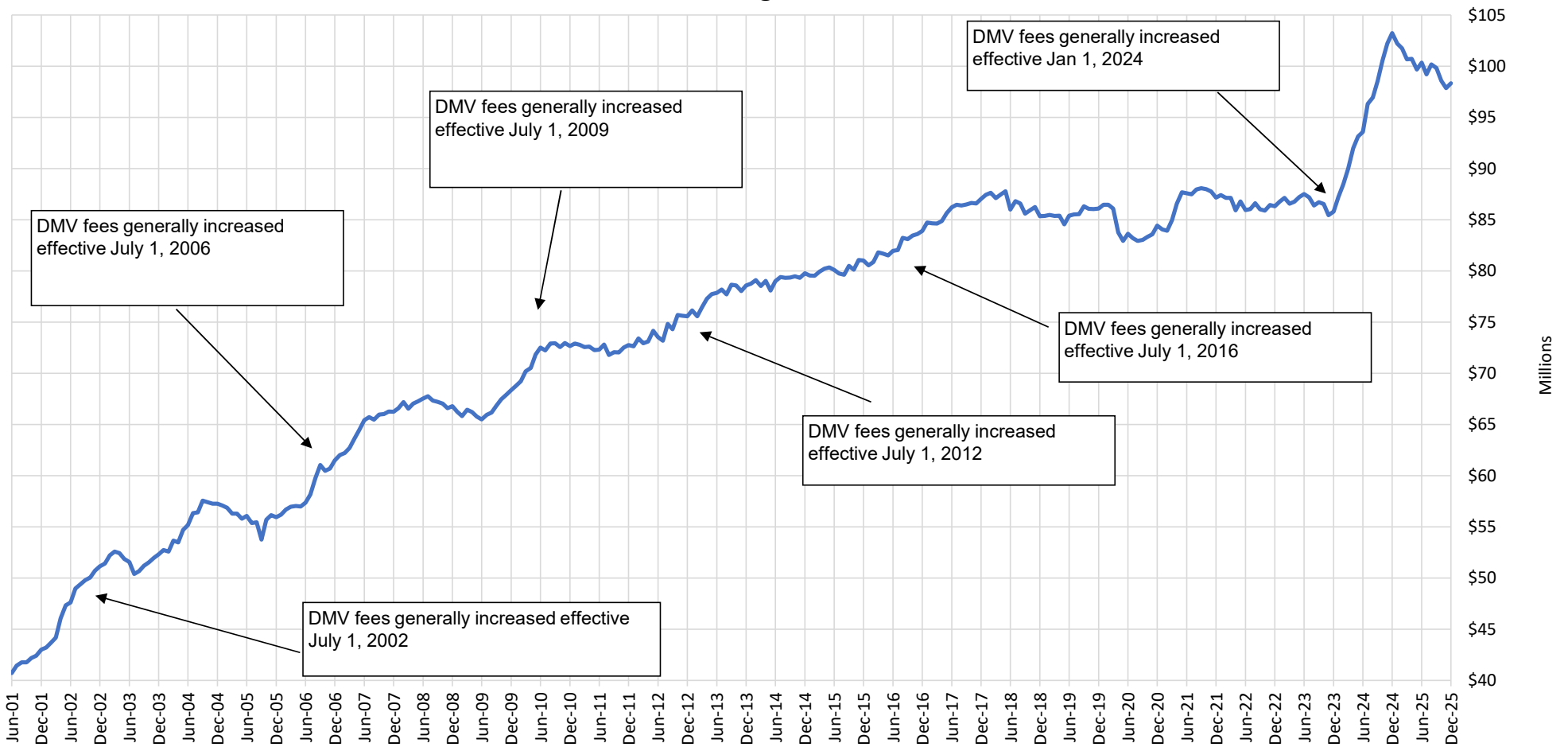
A variety of smaller revenue sources are expected to generate **\$28.1 million** in FY 2026.

Includes:

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



DMV Fees Running 12 Month Total Revenue



FY 2025 year end and FY 2026 year-to-date.



Fiscal Year 2025 Transportation Fund Revenue

- Fiscal Year 2025 ended \$7.4 million below the forecast estimate
- The revenue shortfall was due to underperformance of the Purchase and Use Tax and DMV Fees

Transportation Fund Revenues										
Jun-25		FY 2025 Monthly				Cumulative Year to Date				12 Month Sum
		Actual	Target	vs Target\$	vs Target %	Actual	Target	vs Target\$	vs Target %	Year-over-Year
	Gasoline Tax and Assessment	5,955,250	5,997,495	-42,245	-0.7%	71,454,509	71,300,000	154,509	0.2%	0.0%
	Diesel Tax	1,676,713	1,666,408	10,305	0.6%	18,208,451	18,000,000	208,451	1.2%	2.1%
	Purchase and Use tax	8,059,541	11,242,953	-3,183,411	-28.3%	96,695,682	101,333,333	-4,637,651	-4.6%	0.1%
	DMV Fees	10,060,991	10,484,550	-423,560	-4.0%	100,348,699	103,600,000	-3,251,301	-3.1%	7.2%
	Other fees and taxes	3,021,470	2,726,392	295,077	10.8%	26,853,065	26,700,000	153,065	0.6%	13.7%
	Total	28,773,964	32,117,798	-3,343,834	-10.4%	313,560,407	320,933,333	-7,372,926	-2.3%	3.5%



Transportation Fund Revenue: July Downgrade

- In the July forecast, the Transportation Fund was downgraded in fiscal year 2026 and beyond
- The downgrade is a result of a reduction in projected Purchase and Use Tax and DMV Fee revenue

Vermont Transportation Revenue Forecast (July 2025)									
Revenue Source	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	Forecast CAGR FY2026-2030
Gasoline Tax and Assessment	73.8	71.4	71.5						
Jan-25				70.7	70.3	69.7	69.0	68.0	
Jul-25				71.3	70.9	70.3	69.6	68.6	
Forecast Change				0.6	0.6	0.6	0.6	0.6	-0.96%
Diesel Tax	17.6	17.8	18.2						
Jan-25				17.9	17.8	17.6	17.5	17.4	
Jul-25				18.1	18.0	17.9	17.8	17.6	
Forecast Change				0.2	0.2	0.3	0.3	0.2	-0.70%
Purchase and Use Tax	94.8	96.6	96.7						
Jan-25				105.0	108.3	111.7	115.2	118.7	
Jul-25				99.3	102.3	106.3	110.6	115.3	
Forecast Change				-5.7	-6.0	-5.4	-4.6	-3.4	3.81%
DMV Fees	87.5	93.6	100.3						
Jan-25				104.3	105.2	105.9	106.8	107.6	
Jul-25				101.7	102.6	103.3	104.2	105.0	
Forecast Change				-2.6	-2.6	-2.6	-2.6	-2.6	0.80%
Miscellaneous Revenue	21.4	23.6	26.9						
Jan-25				28.1	27.3	27.9	28.6	29.3	
Jul-25				28.1	27.3	27.9	28.6	29.3	
Forecast Change				0.0	0.0	0.0	0.0	0.0	1.05%
Total Transportation Fund Revenue - Jan 2025	295.1	303.0	313.6	326.0	328.9	332.8	337.1	341.0	
Total Transportation Fund Revenue - Jul 2025				318.5	321.1	325.7	330.8	335.8	1.33%
Forecast Change				-7.5	-7.8	-7.1	-6.3	-5.2	

*Data sourced from the July 2025 Adopted Consensus Revenue Forecast



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Fiscal Year 2026 Agency of Transportation (AOT) Rescission Plan

FY2026 rescission plan:			
2	Program Development	\$ 270,000	Reduce carryforward approved for FY2026 highways projects above estimates from the VTrans Project Information Navigation System (VPINS)
3	Transportation Buildings	\$ 2,000,000	Delay Springfield garage project
4	Transportation Buildings	\$ 85,000	Delay Rutland Snow Removal Equipment (SRE) building improvements
5	Maintenance	\$ 575,000	Reduction in demand-driven equipment servicing or purchasing at Central Garage
6	Maintenance	\$ 415,000	Reduction in tree cutting
7	Maintenance	\$ 300,000	Reduction of preventative culvert maintenance projects
8	Maintenance	\$ 200,000	Reduction of contracted mowing services
9	Maintenance	\$ 150,000	Return or repurpose of devices purchased for the Vermont Asset Management Information System (VAMIS)
10	Policy and Planning	\$ 421,000	Cancellation of the technology project to automate functions prescribed under 19 V.S.A. § 1111
11	Rail	\$ 500,000	Delay Rutland platform project
12	Public Transit	\$ 100,000	Reduction in state match funds for 5339 FTA Capital Projects
13	Travel and conference participation suspension savings	\$ 230,000	Projected savings from travel and conference participation suspension effective 8/1/2025
13a	Program Development	\$ 85,700	
13b	Department of Motor Vehicles	\$ 70,000	
13c	Maintenance	\$ 50,000	
13d	Finance & Administration	\$ 14,600	
13e	Transportation Board	\$ 6,700	
13f	Aviation	\$ 1,500	
13g	Town Highway Vermont Local Roads	\$ 1,500	
14	Position management savings	\$ 2,254,000	Projected position management savings in FY2026 beyond vacancy savings reflected in the FY2026 as passed budget
TOTAL OF ABOVE ITEMS		\$ 7,500,000	

- The forecast downgrade necessitated a rescission plan
- AOT presented that plan and JFC adopted it on September 18



Fiscal Year 2026 Transportation Fund Revenues: July through December

Transportation Fund Revenues										
Dec-25		FY 2026 Monthly				Cumulative Year to Date				12 Month Sum
		Actual	Target	vs Target\$	vs Target %	Actual	Target	vs Target\$	vs Target %	Year-over-Year
	Gasoline tax + assessment	5,588,822	5,633,469	-44,647	-0.8%	36,888,575	37,185,260	-296,685	-0.8%	-0.2%
	Diesel fuel tax	1,695,792	1,757,935	-62,142	-3.5%	9,544,464	9,563,870	-19,406	-0.2%	-0.2%
	MV Purchase & Use tax	9,936,678	7,910,668	2,026,009	25.6%	51,763,803	50,159,057	1,604,746	3.2%	-3.6%
	Motor Vehicle Fees	7,620,284	6,997,928	622,356	8.9%	47,605,679	47,883,059	-277,380	-0.6%	-4.7%
	Other fees & taxes	2,963,461	2,882,306	81,155	2.8%	12,940,751	13,677,192	-736,441	-5.4%	0.2%
Total		27,805,037	25,182,306	2,622,731	10.4%	158,743,272	158,468,439	274,834	0.2%	-2.7%

- Revenues are right on target against the lowered July forecast estimate
- Purchase and Use Tax revenues are the only source currently above target



Transportation Fund Challenges



Transportation Fund Revenue Challenges

Revenues are stagnant and not keeping up with inflation

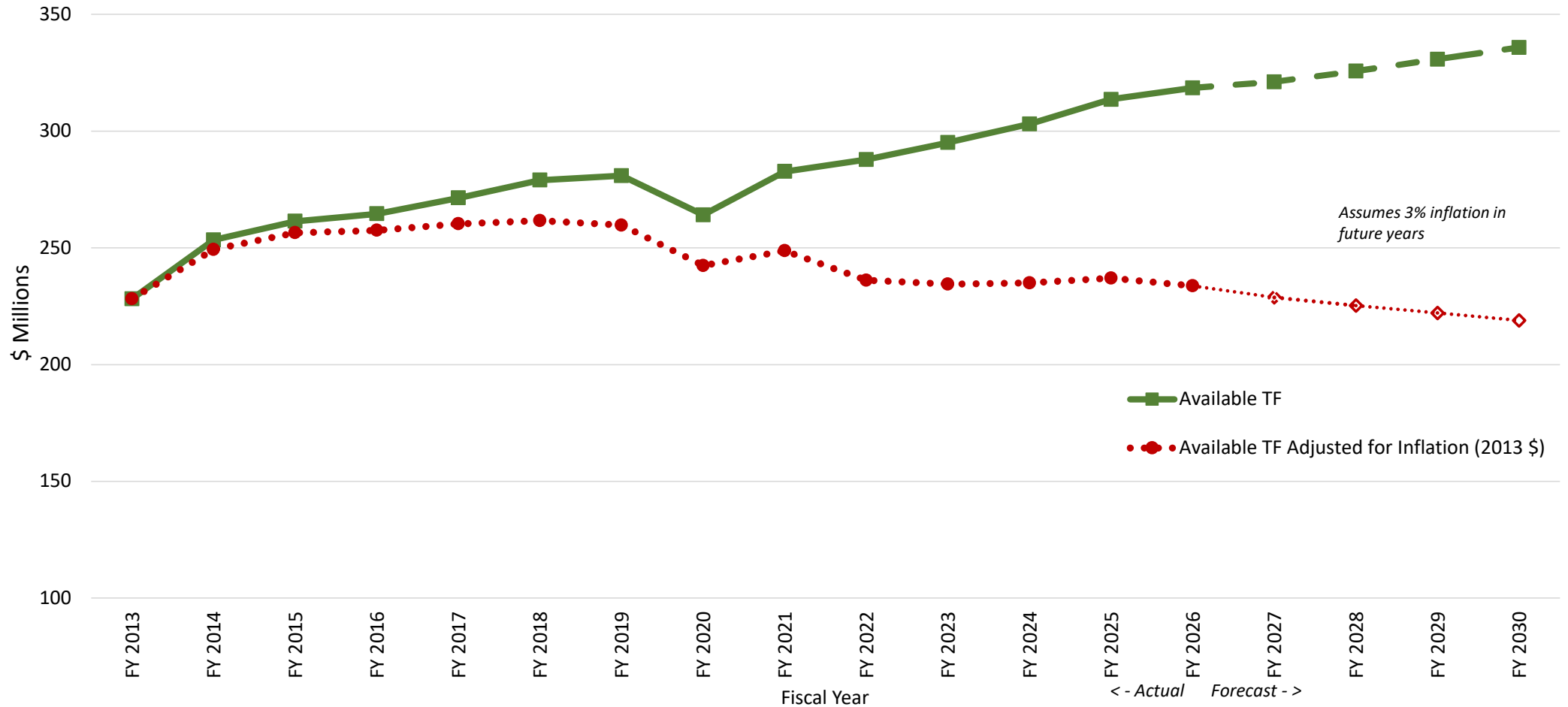
- Improved fuel efficiency and increasing electric vehicle adoption have led to gradual declines in gasoline consumption – a trend that is unlikely to reverse
- Demographic constraints limit growth in vehicle purchases and registrations, leading to flat fee revenues
- The July 2025 consensus revenue forecast estimates a 1.33% compound annual growth rate in Transportation Fund revenues between 2026 and 2030 – a growth rate far below recent inflation levels

Cost pressures are increasing faster than the rate of growth in Transportation Fund revenues

- The construction industry has experienced significant inflationary cost increases post-pandemic (~62% increase, nationally, since 2020 per the [National Highway Construction Cost Index](#))
- Salaries and benefits have also increased significantly in recent years and represent a significant cost pressure on the Transportation Fund



Transportation Fund Revenue - July 2025 Forecast



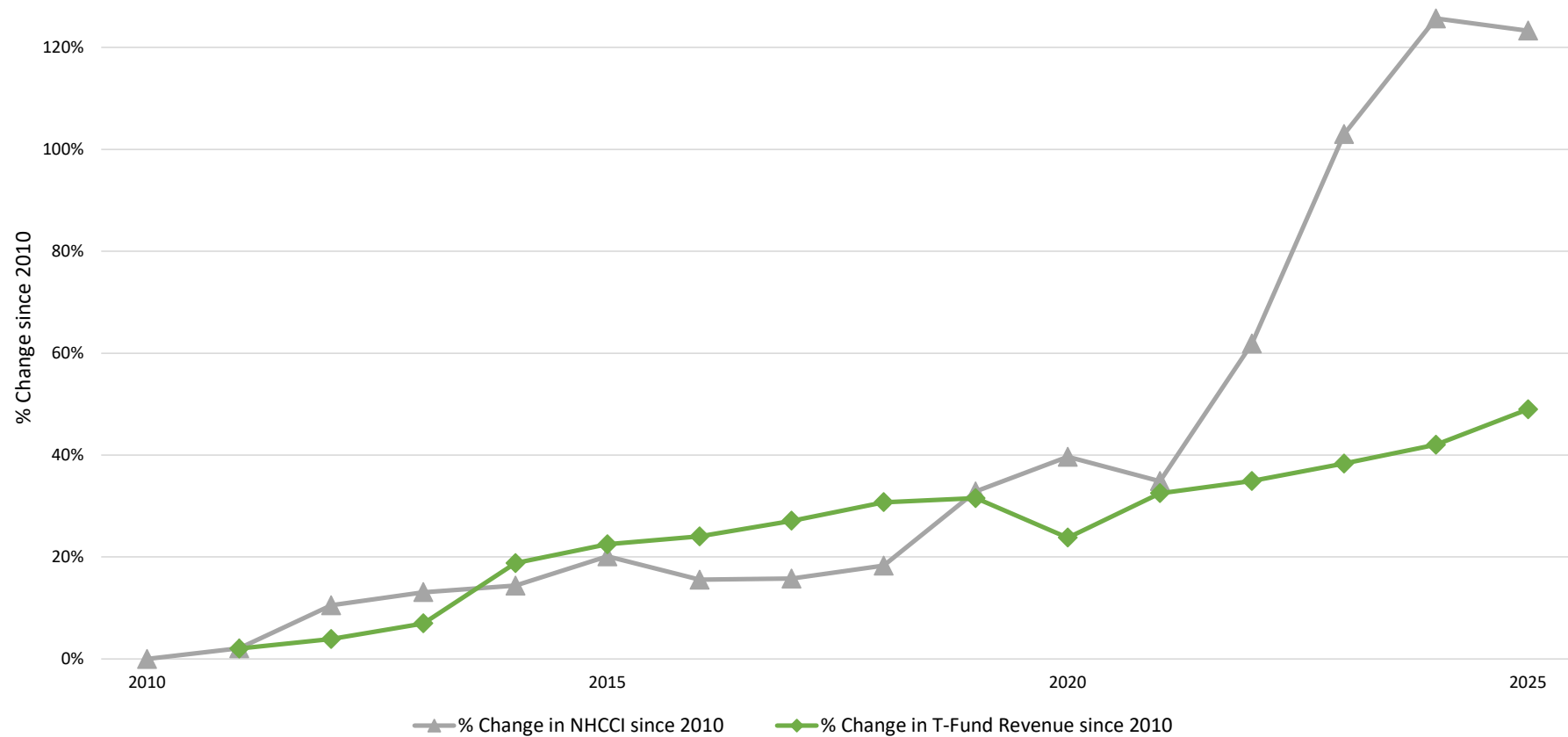
Data from consensus revenue forecasts. Inflation measured by the Personal Consumption Expenditures index and applies a 3% annual assumption to years after FY 2025.



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Percentage Change in Transportation Fund Revenues Compared to the National Highway Construction Cost Index Since 2010



Transportation Fund Revenue Challenges Continued

Federal Funds made up 51% of transportation funding in FY 2026. To draw down these funds, Vermont must be able to contribute a “match” – average 83% federal/17% nonfederal

- Beginning in fiscal year 2027, there is projected to be a State match deficit of \$33.4 million, which could threaten the State’s ability to match \$163 million of federal funds
- In fiscal year 2028, the deficit is projected to increase to \$35 million, threatening \$170.8 million
- In addition to federal match requirements, the State has many other funding needs, such as Town Highway Aid, climate resiliency, general maintenance, etc.

If Vermont does not have the revenue to maximize its federal dollars and keep up with maintenance/capital needs, infrastructure will deteriorate and cost more to address in the future

- Backlogs are difficult to dig out of and often require years of sustained additional investment
- Infrastructure is always deteriorating, and costs typically increase over time – not keeping up with needs leads to significant cost pressures in the future



Agency of Transportation Federal Fund and State Fund Match Outlook (September 2025)

Federal Funds (in Million \$)	Current Law		Projection	
	FY2025	FY2026	FY2027	FY2028
Total IIJA/FHWA Formula Funds	334.9	340.6	298.3	305.8
Additonal Non-Competitive Grants Requiring Application	6.7	7.0	6.9	7.1
Total Non Competitive Grant	341.5	347.6	305.2	312.9
Competitive Grants:	-	41.2	73.1	110.8
Total Federal Funding:	341.5	388.9	378.4	423.7
State Match Required	68.6	77.8	75.5	85.8
Original Estimate - State Match Available	52.0	70.3	42.1	50.8
Year-end Reversions/Agency-Directed Savings/Fund Transfers	17.5	7.5	-	-
State Match Surplus/(Deficit)	(4.7)	-	(33.4)	(35.0)
Federal Funding at Risk (at 17% match rate)	-	-	(163.0)	(170.8)

*Data sourced from the [Agency of Transportation](#)

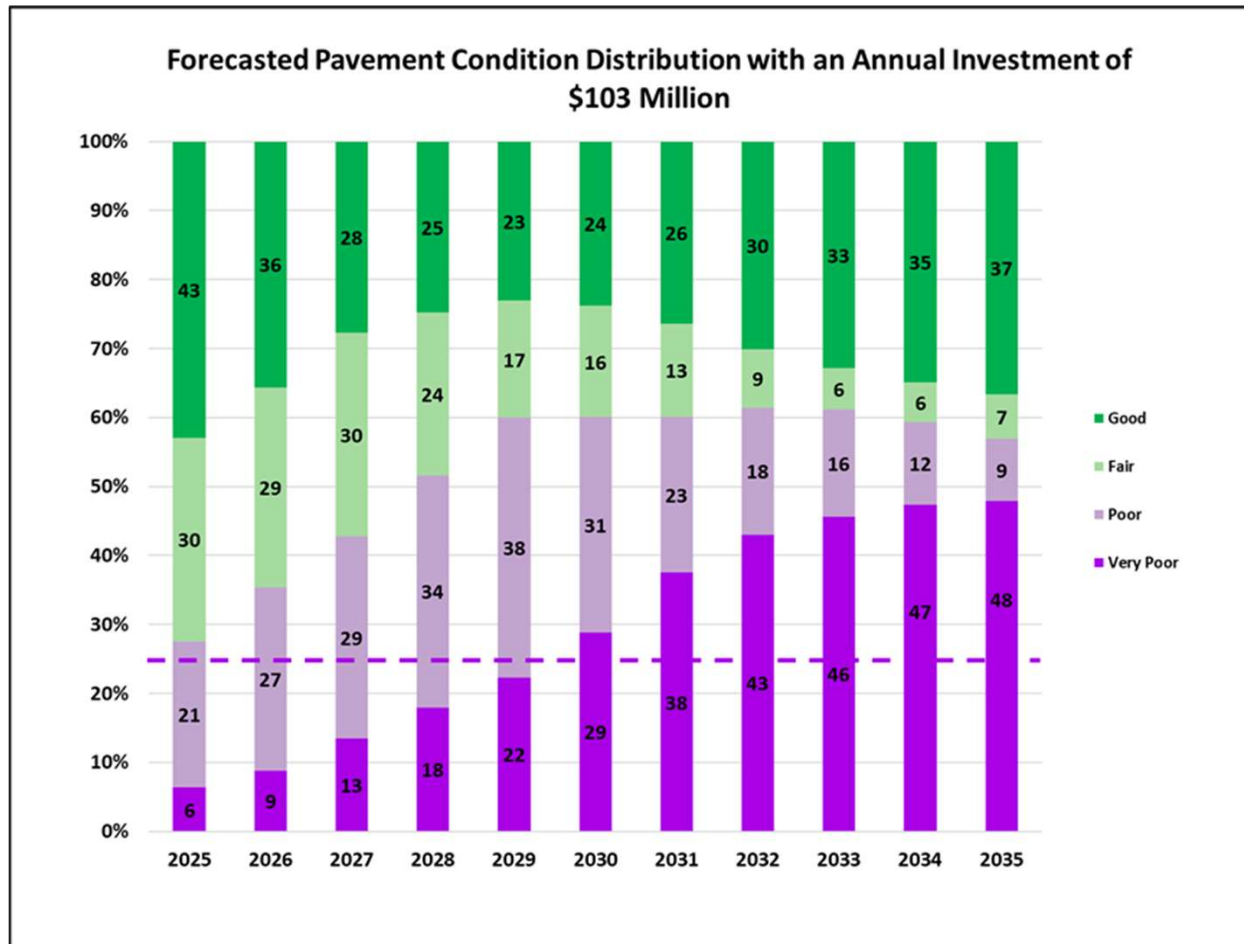


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Forecasted Pavement Conditions



*Chart sourced from the [Agency of Transportation](https://ljfo.vermont.gov)

- In fiscal year 2026, Vermont budgeted \$103 million for paving projects throughout the state
- AOT estimates that if we were to continue paving at this level of investment, by 2030 60% of Vermont pavement would be in poor or very poor condition

