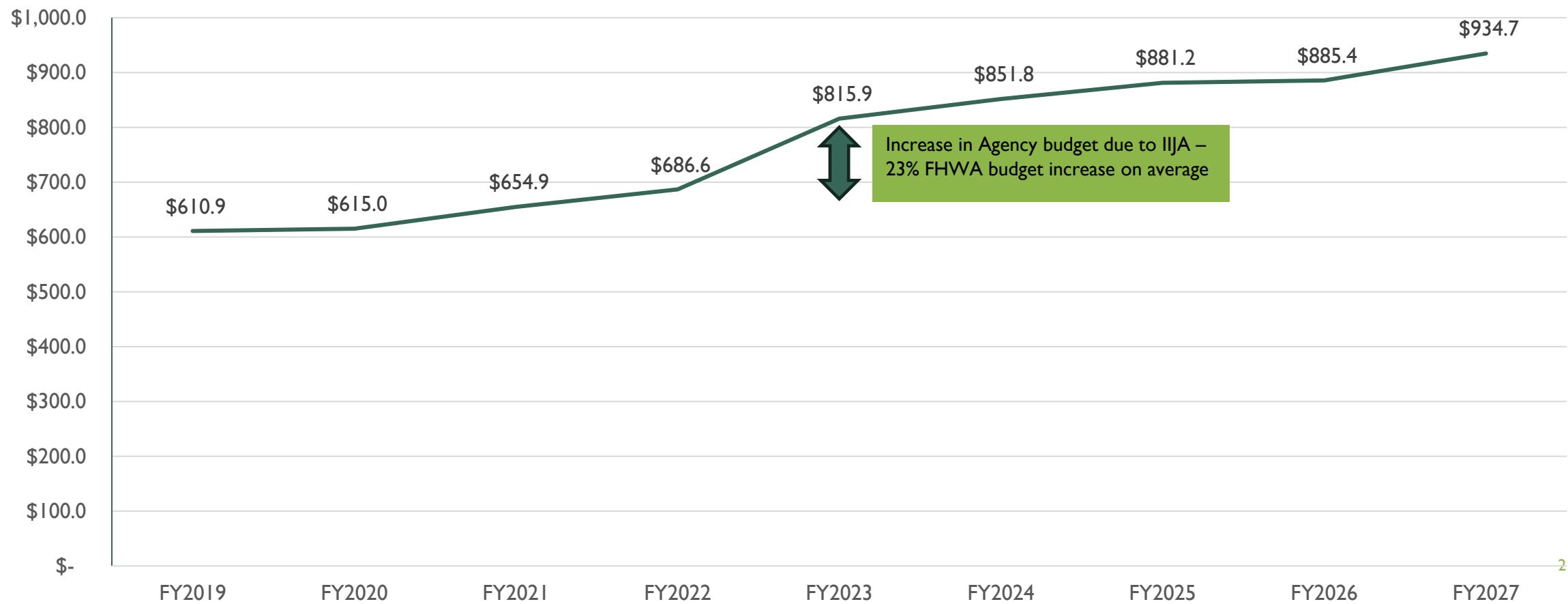


FY2027 GOVERNOR'S
RECOMMENDED BUDGET
OVERVIEW

JOE FLYNN, SECRETARY
JANUARY 21, 2026

AGENCY OF TRANSPORTATION

AOT BUDGET OVER LAST NINE FISCAL YEARS



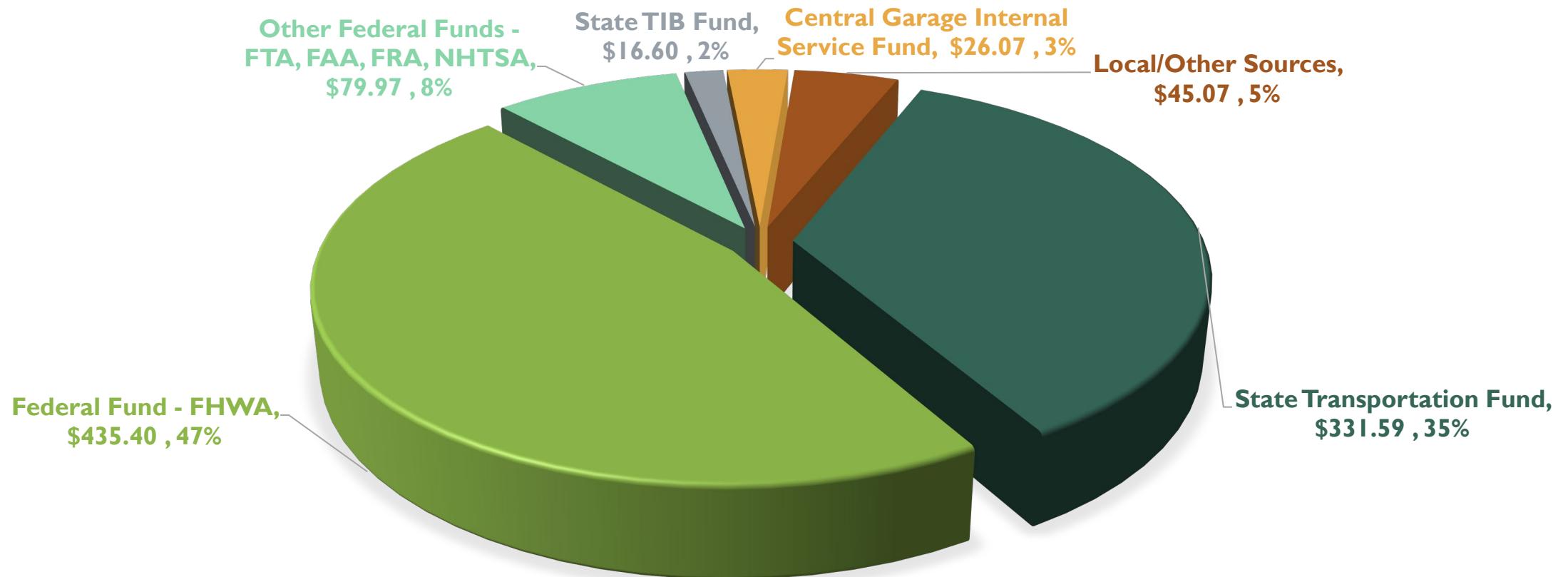
AGENCY BUDGET OVERVIEW

Fund Source	FY2026 As Passed	FY2027 Gov Rec	Increase (Decrease)	Percent Change
Transportation Fund	332,605,399	331,592,355	(1,013,044)	-0.30%
Federal	452,025,811	515,369,691	63,343,880	14.01%
Local/Other	56,091,627	45,070,425	(11,021,202)	-19.65%
TIB Fund	19,000,000	16,600,000	(2,400,000)	-12.63%
Central Garage Fund	25,654,553	26,070,502	415,949	1.62%
Total	885,377,390	934,702,973	49,325,583	5.57%

Primarily attributed to fewer July 2024 flood project costs – FEMA federal, FEMA state match through AOA IDT, and FHWA state match through AOA IDT – and IDT spending authority changes for FY2027 MOUs with other state agencies and departments

Attributed to the Governor's Recommended budget language which notwithstanding statutory language apportioning one third of the Purchase & Use tax to the Education Fund and instead diverts static, decreasing amounts of the Purchase & Use tax to the Education Fund over the next four years. In the FY2027, this proposal equates to an additional \$10M available to the Transportation Fund, of which the Governor's Recommended budget allocates 93% towards state match for FHWA highways projects and 7% towards maintenance tree cutting projects.

FY2027 REVENUE SOURCES



IMPACT OF GOVERNOR'S RECOMMENDED BUDGET LANGUAGE ON THE PURCHASE & USE TAX

Governor's Recommended budget language:

Sec. E.516 16 V.S.A. § 4025(a) is amended to read:

§ 4025. Education Fund

(a) The Education Fund is established to comprise the following:

~~(5) one-third of the revenues raised from the purchase and use tax imposed by 32 V.S.A. chapter 219, notwithstanding 19 V.S.A. § 11(1); the amount received from the purchase and use tax imposed by 32 V.S.A. chapter 219 shall be as follows: \$41,900,000 for the fiscal year beginning July 01, 2026; \$31,900,000 for the fiscal year beginning July 01, 2027; \$21,900,000 for the fiscal year beginning July 01, 2028; and, \$11,900,000 for the fiscal year beginning July 01, 2029. 16 V.S.A. § 4025(a)(5) shall be repealed for the fiscal year beginning July 01, 2030.~~

EXPLANATION:

Transitions the current one-third Purchase & Use Tax, received by the Department of Motor Vehicles and deposited into the Education Fund, back to the Transportation Fund beginning in fiscal year 2027. All proceeds from the Purchase & Use Tax will be returned to the Transportation Fund beginning in fiscal year 2031.

Effect to the Transportation Fund:

\$ in millions	Consensus Ed Fund P&U Tax Current Law	Ed Fund P&U Tax Governor's Recommend	Additional TFund P&U Tax Governor's Recommend
FY27	51.9	41.9	+10.0
FY28	53.5	31.9	+21.6
FY29	55.2	21.9	+33.3
FY30	56.8	11.9	+44.9
FY31	58.3	0	+58.3

CONSENSUS REVENUE FORECAST UPDATE – FY2026 & FY2027

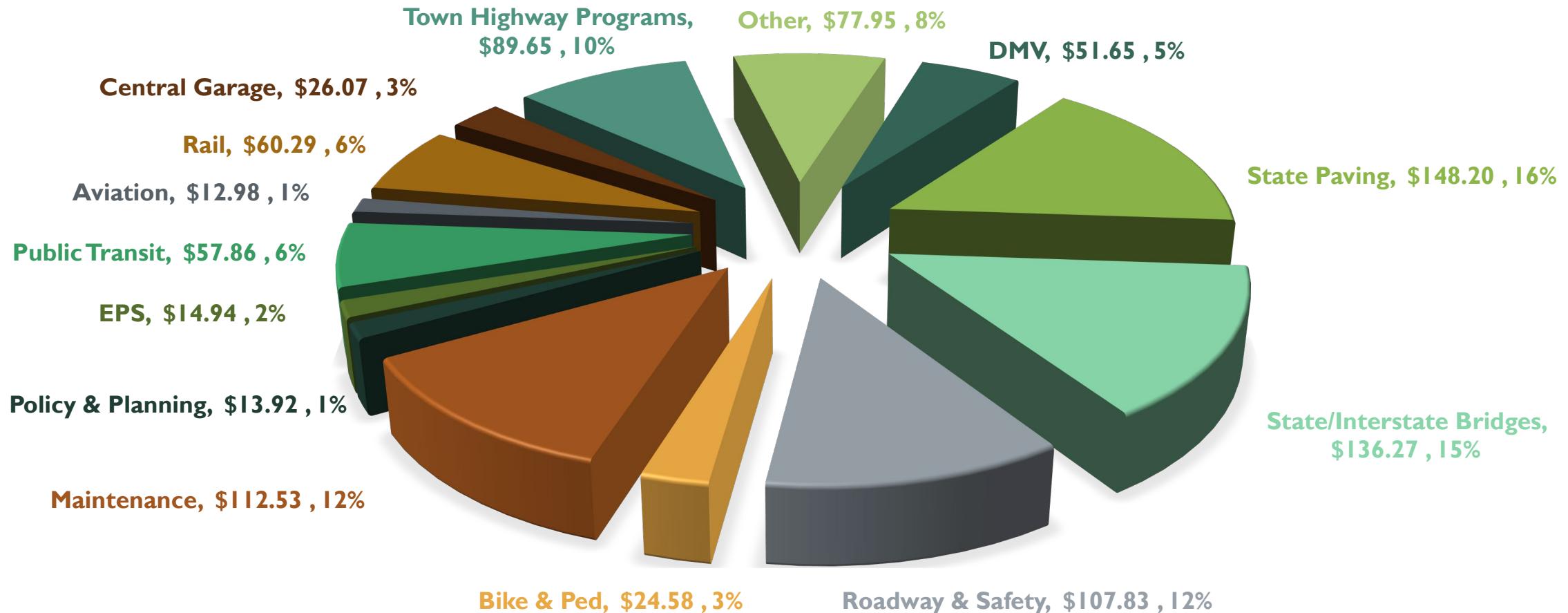
Difference from July 2025 Forecast:

- TF:
 - -\$1.5K impact in FY2026 + +\$800K impact in FY2027 for a total impact of -\$700K across both fiscal years
- TIB:
 - -\$200K impact in FY2026 + -\$100K impact in FY2027 for a total impact of -\$300K across both fiscal years

Adjustments to the FY2027 Gov Rec budget to account for January 2026 forecast:

- The net -\$700K TF impact will temporarily be absorbed by the Transportation Fund Budget Stabilization Reserve at the end of FY2026. AOT is prepared to offer reversions for the FY2027 BAA equivalent to the net impact, bringing the Transportation Fund Budget Stabilization Reserve back up to its 5% maximum in FY2027. Reversions will come from an expected FHWA reimbursement of the July 2024 flood administrative costs.
- The net -\$300K TIB impact will be absorbed by the unallocated fund balance of the TIB fund.

FY2027 GOVERNOR'S RECOMMENDED AGENCY BUDGET



PROGRAM DEVELOPMENT BUDGET

	FY2026	FY2027	Change	Change
	As Passed	Gov Rec	Inc. / (Dec.)	%
PROGRAM DEVELOPMENT				
Paving	102,907,857	148,200,421	45,292,564	44.0%
Interstate Bridge	45,544,891	51,302,678	5,757,787	12.6%
State Highway Bridge	77,872,921	84,963,305	7,090,384	9.1%
Roadway	67,659,113	53,945,152	(13,713,961)	-20.3%
Traffic & Safety	45,834,796	53,883,774	8,048,978	17.6%
Park & Ride	2,435,740	1,976,211	(459,529)	-18.9%
Bike & Pedestrian Facilities	21,879,965	24,576,873	2,696,908	12.3%
Transportation Alternatives	6,471,054	4,514,362	(1,956,692)	-30.2%
Program Development				
Administration	40,704,263	39,986,968	(717,295)	-1.8%
Total Program Development	411,310,600	463,349,744	52,039,144	12.7%
REST AREAS	1,190,246	450,000	(740,246)	-62.2%

- Each program contains funds for Preliminary Engineering, Right of Way Acquisitions and Construction for projects.
- Construction projects per Program for FY27 include:
 - 44 Paving projects
 - 21 Interstate Bridge projects
 - 55 State Highway Bridge projects
 - 49 Roadway projects
 - 20 Traffic and Safety projects
 - 3 Park and Ride projects
 - 34 Bike & Pedestrian projects
 - 22 Transportation Alternative projects
 - 1 Rest Area Improvement project

DISTRICT MAINTENANCE & FLEET

	FY2026	FY2027	Change	Change
	As Passed	Gov Rec	Inc. / (Dec.)	%
MAINTENANCE	117,227,043	112,526,675	(4,700,368)	-4.0%
CENTRAL GARAGE	25,654,553	26,070,502	415,949	1.6%

Salary & Benefits	\$54,087,931
District + HQ Operating Expenses	\$23,169,693
Central Garage Fleet Expenses	\$15,023,792
BGS Fleet Costs	\$318,330
Major Maintenance - Facilities repair and upkeep	\$1,500,000
Environmental Program	\$446,473
Hazardous Materials	\$116,442
Vegetation Management	\$67,000
Bridge Maintenance (BMTT- Projects, etc)	\$2,500,000
Salt - Based on 5 year average and 5% increase anticipated	\$12,865,000
Federal Aid Projects	\$2,432,014
TOTAL	\$112,526,675

PLANNING, ENVIRONMENTAL, AND INTERMODAL DEVELOPMENT

	FY2026	FY2027	Change	Change
	As Passed	Gov Rec	Inc. / (Dec.)	%
<u>POLICY & PLANNING</u>	15,047,615	13,922,850	(1,124,765)	-7.5%
<u>ENVIRONMENTAL POLICY & SUSTAINABILITY</u>	9,514,007	14,944,538	5,430,531	57.1%
<u>PUBLIC TRANSIT PROGRAM</u>	52,695,234	57,855,147	5,159,913	9.8%
<u>AVIATION</u>	13,417,465	12,980,880	(436,585)	-3.3%
<u>RAIL</u>	61,887,348	60,289,410	(1,597,938)	-2.6%
<u>RAIL TRAILS</u> *included in Maintenance in FY26 budget	0	3,635,029	3,635,029	100%
Total Policy, Environmental and Intermodal Programs	152,561,669	163,627,854	11,066,185	25.58%

Policy & Planning

- 238 municipalities actively engaged in regional and statewide Transportation Planning Initiative
- Processed 450 permits for driveways, utilities, and other work in highway right-of-way
- Processed the 2025 mileage certificates and published and mailed to municipalities 315 updated town highway maps

Environmental Policy & Sustainability

- \$12.7M Electric Vehicle and Charging Infrastructure Deployment
- \$1.3M Resilience and Adaptation Projects
- \$1.3M Environment, Energy Efficiency, Carbon Reduction, and Resilience Planning and Implementation Oversight

Rail

- 43 rail projects across 24 VT towns (11 counties)
- 15 bridges projects
- 8 rail crossing safety projects
- 14 FEMA projects

Rail Trails

- 4 trails totaling 145 miles of rail banked trails
- 32 communities engaged in 4 Rail Trail Councils
- 79 bridges inspected; 677 culverts inspected; 282 miles of trail mowed; 30 miles resurfaced
- 20 rail trail projects across 30 VT towns
- Processed 36 special use permits; managed 461 active agreements (lease agreements; crossings; utility agreements)
- 551,470 "trips" (counts on all four (4) trails)
- 461 Trail Friendly Businesses

Aviation

- 20 aviation projects across 8 towns (8 counties)
- Rutland / Southern VT Regional Airport terminal apron reconstruction
- Franklin County State Airport Perimeter fence completion
- Conducting large scale review and modernization of airport policies and rules

PUBLIC TRANSIT

	FY2026 As Passed	FY2027 Gov. Rec.	Change % Inc./Dec.	
<u>State</u>	10,007,534	9,947,447	-0.60%	
<u>Ops</u>	5,740,250	5,740,250	0%	
<u>CMAQ/O&D/ CRP</u>	11,500,000	11,950,000	3.91%	
<u>Admin</u>	3,590,000	3,950,000	10.03%	
<u>Maintenance</u>	3,250,000	2,960,000	-9.00%	
<u>Capital</u>	12,535,250	16,485,250	31.51%	Spend down of previously awarded funds
<u>GMT-Urban</u>	4,000,000	4,750,000	18.75%	
<u>Other</u>	2,072,200	2,072,200	0%	VW funds, Training, Go VT, MTI, etc.
	52,695,234	57,855,147	9.79%	Mostly capital projections. 3% w/o capital

- 3.74% decrease in Ridership in SFY 2025.
- 4% increase in total system costs in SFY 2025.
- 6 Microtransit services in operation (Morrisville, Windsor, Manchester, Middlebury, Derby/Newport, and Springfield)
- GMT-Urban Awarded \$6.85M in federal funds for buses and capital projects.
- FFY 2026 competitive grant app will focus on non-electric vehicle needs.
- Mobility and Transportation Innovation (MTI) grant program awarded \$1.02M in federal and state funds for transportation demand management (TDM) projects (\$419K fed) and Volunteer driver programs (\$600k in –funds).
- RCT has incorporated GMT-Rural's Franklin/Grand Isle transit services and TVT is on schedule to take on GMT-Rural's Washington Country operations by July 1, 2026. This reduces the overall number of rural providers from 7 to 6.

ADMINISTRATION, TRANSPORTATION BUILDINGS, AND TRANSPORTATION BOARD

	FY2026	FY2027	Change	Change
	As Passed	Gov Rec	Inc. / (Dec.)	%
<u>ADMINISTRATION</u>	26,545,463	25,489,292	(1,056,171)	-4.0%
<u>TRANSPORTATION</u>				
<u>BUILDINGS</u>	2,500,000	1,700,000	(800,000)	-32.0%
<u>TRANSPORTATION</u>				
<u>BOARD</u>	204,171	195,304	(8,867)	-4.3%

Administration

- Position reduction in FY26.

Transportation Buildings

- Increase in statewide maintenance
- Barton salt shed scheduled for replacement

DEPARTMENT OF MOTOR VEHICLES

	FY2026	FY2027	Change	Change
	As Passed	Gov Rec	Inc. / (Dec.)	%
<u>DEPT. OF MOTOR VEHICLES</u>	49,518,301	51,645,376	2,127,075	4.3%

- Third party contract needs including FAST M&O, E-Permitting, automated testing system, Driver Tutorials, CVIEW, and NMVTIS: +\$1.34M
- FY26 Budget Overall Increase of \$2.13M or 4.3%.
 - Personal Services – Net Increase of \$3.45M (9.49%).
 - \$1.35M increase in Salaries & Wages for Vacancy Savings of 5% including fringe benefits.
 - \$769k increase in Fringe Benefits.
 - Operating Costs – A net decrease of \$1.33M (10.19%)
- Finance & Logistics continues to oversee the Vermont Strong Plate Distribution, which includes managing plate distribution, accounting for sales, and providing weekly updates on funds received, as well as ensuring distribution to the intended recipients.
- The Core Modernization Project achieved a significant milestone with Driver Service's go-live date on November 11, 2025, both on time and under budget. Continuing these modernization efforts, the new e-Permitting system was launched in December 2025. This system is designed to reduce administrative tasks and ensure the timely processing of permits, helping companies comply with regulations and safely transport loads. The initiative reflects a commitment to leveraging technology to enhance the permitting process, supporting the trucking industry while maintaining the safety and integrity of Vermont's highways and roads.

TOWN HIGHWAY PROGRAMS

	FY2026	FY2027	Change	Change
	As Passed	Gov Rec	Inc./(Dec.)	%
<u>TOWN HIGHWAY BRIDGES</u>	37,793,406	30,278,382	(7,515,024)	-19.9%
<u>TH STRUCTURES</u>	7,200,000	7,394,400	194,400	2.7%
<u>TH CLASS 2 ROADWAY PROGRAM</u>	8,600,000	8,832,200	232,200	2.7%
<u>TH - NONFEDERAL DISASTERS</u>	1,150,000	1,150,000	0	0.0%
<u>TH - FEDERAL DISASTERS</u>	4,000,000	4,000,000	0	0.0%
<u>TH AID PROGRAM</u>	30,418,736	31,240,042	821,306	2.7%
<u>TH CLASS 1 SUPPLEMENTAL GRANTS</u>	128,750	128,750	0	0.0%
<u>TH VERNONT LOCAL ROADS</u>	481,452	481,452	0	0.0%
<u>MUNICIPAL MITIGATION ASSISTANCE PROGRAM</u>	6,893,000	6,143,000	(750,000)	-10.9%
Total "Town Highway" Programs	96,665,344	89,648,226	(7,017,118)	-7.3%

- All Town Highway program funding meets the statutory requirements of 19VSA 306