
Transportation Funding Study

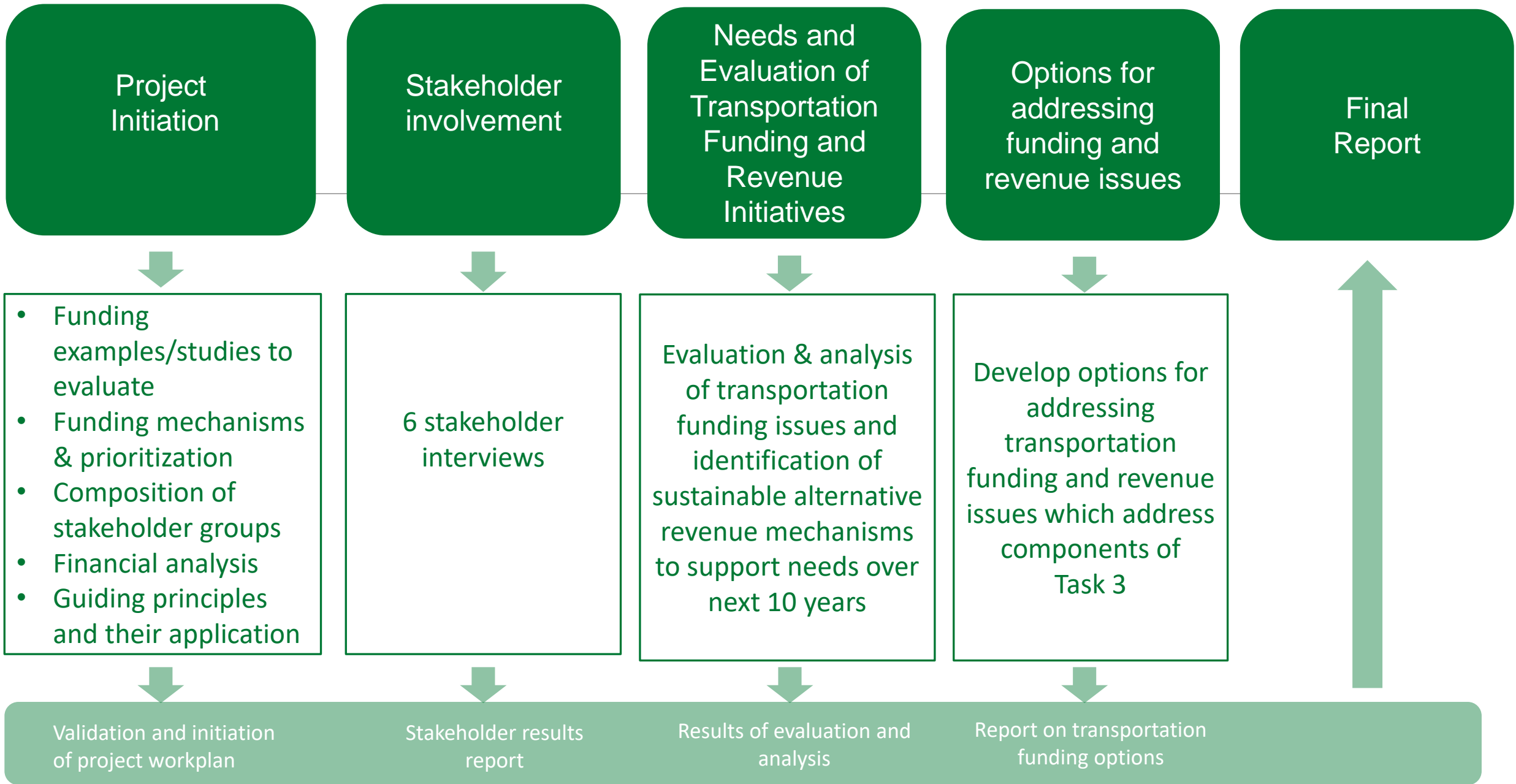
HOUSE TRANSPORTATION COMMITTEE, JANUARY 23, 2025

PATRICK Ó. MURPHY, STATE POLICY DIRECTOR, AGENCY OF TRANSPORTATION

2024 Transportation Bill (Act 148, Section 35)

In 2024, the Vermont Legislature directed AOT to study future funding options:

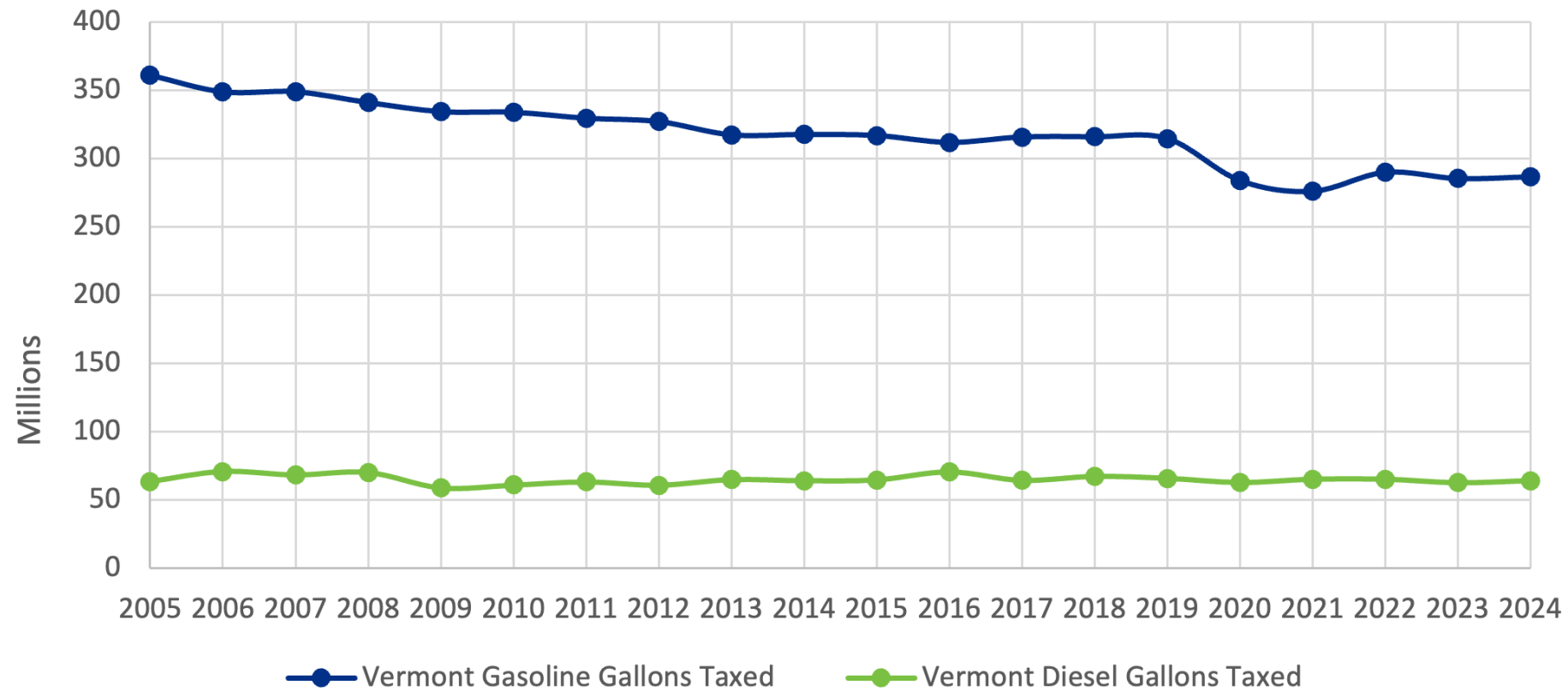
- **Evaluate current funding levels**, sustainability of revenue sources and distribution method
- **Analyze future trends** such as inflation, safety needs, racial equity, electric vehicles, and climate change.
- **Explore new funding approaches** and alternative solutions used by other states.
- **Evaluate how a mileage-based user fee (MBUF)**, along with other funding mechanisms, could provide sustainable funding.
- **Develop revenue generation projections** for various funding mechanisms



| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Pavement Needs (NHS and Non-NHS) | \$198.5 | \$208.4 | \$218.8 | \$229.7 | \$241.2 | \$253.3 | \$265.9 | \$279.2 | \$293.2 | \$307.9 |
| Bridge Needs (NHS and Non-NHS) (Includes Long Town Bridges) | \$187.4 | \$196.8 | \$206.6 | \$217.0 | \$227.8 | \$239.2 | \$251.2 | \$263.7 | \$276.9 | \$290.8 |
| Rail | \$51.8 | \$52.7 | \$53.7 | \$54.7 | \$57.7 | \$58.8 | \$59.9 | \$61.1 | \$62.3 | \$63.6 |
| Roadway Reconstruction/Improvements | \$82.7 | \$86.8 | \$91.2 | \$95.7 | \$100.5 | \$105.5 | \$110.8 | \$116.4 | \$122.2 | \$128.3 |
| Safety and Traffic Operations | \$59.5 | \$62.5 | \$65.6 | \$68.9 | \$72.4 | \$76.0 | \$79.8 | \$83.8 | \$88.0 | \$92.4 |
| Aviation | \$13.0 | \$18.9 | \$25.9 | \$39.2 | \$16.4 | \$29.0 | \$29.6 | \$26.3 | \$29.7 | \$30.0 |
| Public Transit | \$58.5 | \$59.1 | \$60.2 | \$58.6 | \$58.4 | \$57.1 | \$58.7 | \$59.7 | \$60.3 | \$61.5 |
| Bike and Pedestrian | \$21.7 | \$13.2 | \$13.2 | \$15.4 | \$16.3 | \$15.0 | \$15.4 | \$16.0 | \$16.2 | \$16.1 |
| Transportation Alternatives | \$3.4 | \$4.9 | \$5.0 | \$4.9 | \$4.8 | \$5.1 | \$5.2 | \$5.3 | \$5.3 | \$5.5 |
| Park and Ride | \$1.2 | \$2.5 | \$2.5 | \$2.0 | \$2.1 | \$2.4 | \$2.3 | \$2.3 | \$2.3 | \$2.4 |
| Maintenance and Buildings | \$114.1 | \$114.9 | \$117.8 | \$123.7 | \$129.9 | \$136.4 | \$143.2 | \$150.4 | \$157.9 | \$165.8 |
| Environmental Policy and Sustainability | \$30.4 | \$20.5 | \$1.0 | \$1.0 | \$1.0 | \$1.1 | \$1.1 | \$1.1 | \$1.2 | \$1.2 |
| Central Garage | \$24.1 | \$24.7 | \$25.4 | \$26.1 | \$26.9 | \$27.7 | \$28.5 | \$29.4 | \$30.3 | \$31.2 |
| Policy and Planning | \$14.5 | \$14.9 | \$15.4 | \$15.8 | \$16.3 | \$16.8 | \$17.3 | \$17.8 | \$18.3 | \$18.9 |
| Rest Area | \$2.3 | \$1.9 | \$1.9 | \$2.0 | \$2.1 | \$2.0 | \$2.1 | \$2.1 | \$2.1 | \$2.2 |
| Finance and Administration | \$25.5 | \$26.6 | \$27.6 | \$28.7 | \$29.9 | \$31.1 | \$32.3 | \$33.6 | \$35.0 | \$36.4 |
| Town Highway Programs | \$47.5 | \$48.4 | \$49.4 | \$50.3 | \$51.3 | \$52.3 | \$53.4 | \$54.5 | \$55.6 | \$56.8 |
| Program Development Administration | \$34.6 | \$35.4 | \$36.3 | \$37.4 | \$38.5 | \$39.7 | \$40.9 | \$42.1 | \$43.4 | \$44.7 |
| DMV | \$49.3 | \$50.4 | \$51.8 | \$53.0 | \$51.8 | \$54.1 | \$55.7 | \$57.4 | \$59.1 | \$60.8 |
| Total Needs | \$1,020.1 | \$1,043.6 | \$1,069.2 | \$1,124.3 | \$1,145.5 | \$1,202.6 | \$1,253.5 | \$1,302.1 | \$1,359.3 | \$1,416.2 |
| Estimated Funding Gap | (\$316.8) | (\$379.0) | (\$392.5) | (\$436.2) | (\$449.0) | (\$498.5) | (\$541.8) | (\$582.6) | (\$631.7) | (\$680.2) |
| (Needs – Revenues in \$ millions) | | | | | | | | | | |

Estimated Transportation Program Needs and Gaps

Historical Gallons of Fuel Taxed in VT

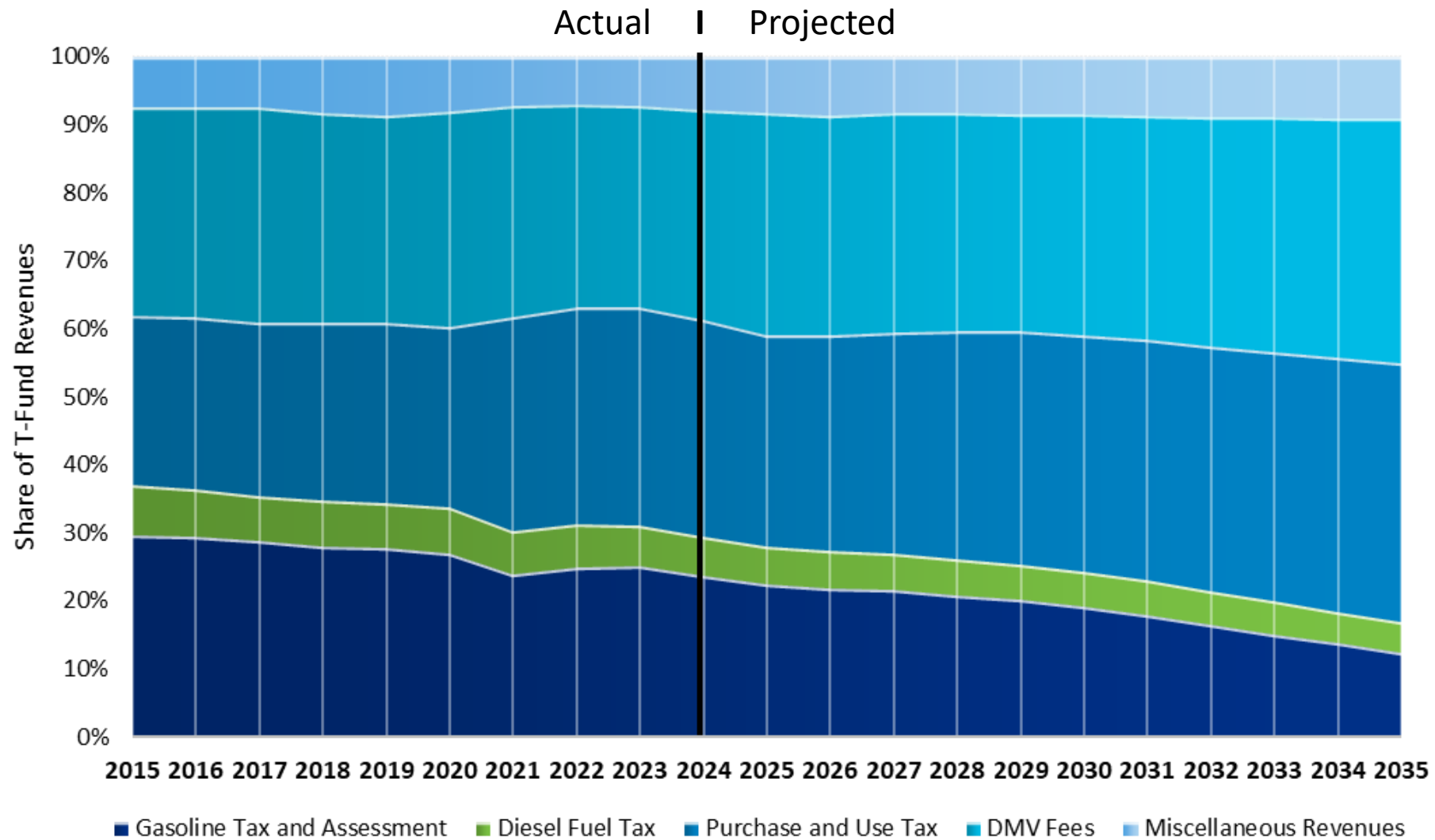


Source: July 2024, Vermont Joint Fiscal Office

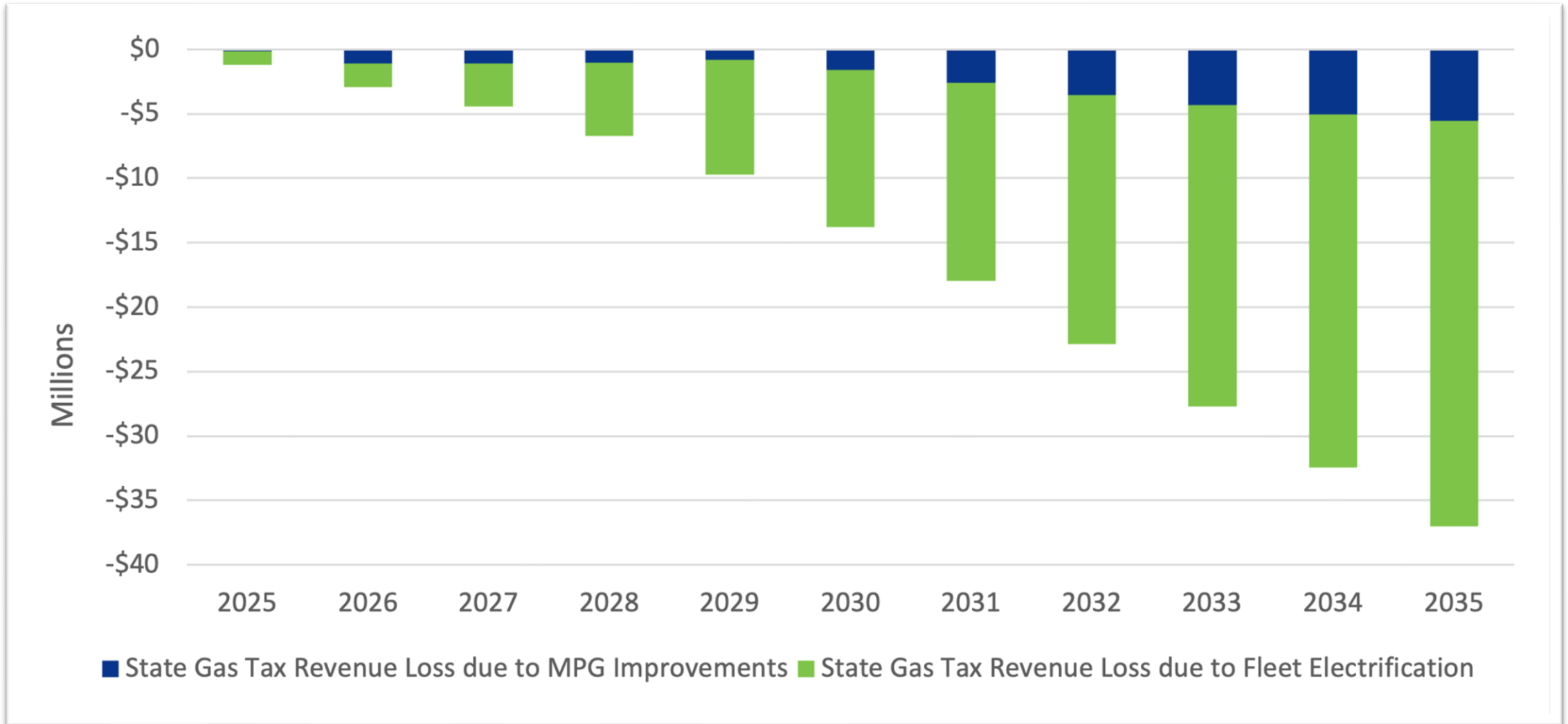
Current Sources of Funding

- **Fuel Taxes:** Vermont levies fixed and variable gas and diesel taxes, including assessments based on retail fuel prices, with revenues supporting the Transportation Fund (T-Fund) and the Transportation Infrastructure Bond Fund (TIB Fund).
- **Vehicle Purchase & Use Tax:** A 6% tax on new and registered vehicles, with 4% allocated to the T-Fund and 2% to the Education Fund, providing a significant and growing share of transportation funding.
- **DMV Fees:** Charges for vehicle registrations, licenses, and permits, steadily increasing to support transportation operations and infrastructure.
- **Other Revenues:** Includes overweight permits, jet fuel taxes, and inspection fees, contributing a smaller, fluctuating share to the T-Fund.
- **Federal Funding:** Approximately 54% of Vermont's annual transportation funding comes from federal programs like the Federal Highway Administration, mainly for capital projects.

Share of Transportation Fund Revenues



Projected decline in fuel tax revenue






















































































Approach to Analysis

Guiding Principles were developed to help evaluate how each potential revenue mechanism performs relative to the goals and policy priorities identified as important in Vermont:

- Revenue potential
- Revenue sustainability
- Revenue flexibility
- Appropriateness for state-level implementation
- Ease and cost of administration
- Promotion of efficient use
- Consistency with state climate and transportation goals
- User equity
- Equity across racial and income groups
- Geographic equity

Evaluating Measures for Alignment with Guiding Principles

| | |
|---|---|
|  | Mechanism is capable of strong alignment with guiding principle |
|  | Mechanism is capable of some alignment with guiding principle |
|  | Mechanism is poorly capable of alignment with guiding principle |

| Revenue Mechanisms | Revenue Potential | Revenue Sustainability | Revenue Flexibility | Appropriateness for State-level Implementation | Ease/Cost of Implementation, Administration & Enforcement | Promotion of Efficient Use | Consistency with State Climate and Other Transportation-related Goals & Policies | User and Beneficiary Equity | Equity Across Income Groups | Geographic Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Gasoline Tax Indexing |  |  |  |  |  |  |  |  |  |  |
| Diesel Tax Indexing |  |  |  |  |  |  |  |  |  |  |
| Mileage-Based User Fees: Light Duty Vehicles |  |  |  |  |  |  |  |  |  |  |
| Mileage-Based User Fees: Medium and Heavy-Duty Vehicles |  |  |  |  |  |  |  |  |  |  |
| Retail Delivery Fees |  |  |  |  |  |  |  |  |  |  |
| Transportation Network Company Fees |  |  |  |  |  |  |  |  |  |  |
| MPG-Based Registration Fee |  |  |  |  |  |  |  |  |  |  |
| Tire Fees |  |  |  |  |  |  |  |  |  |  |

Potential Revenues

Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

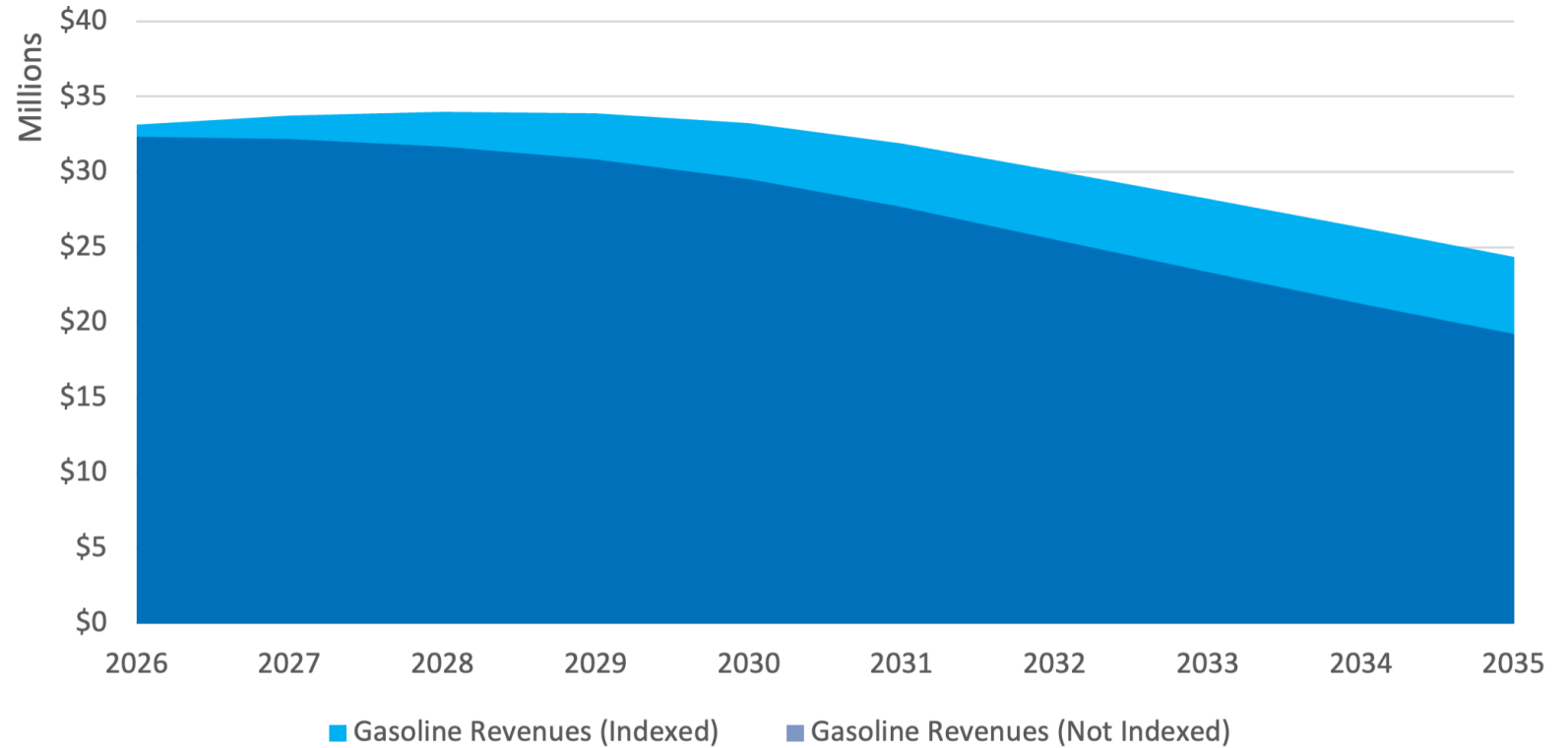
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

Gas Tax Indexing



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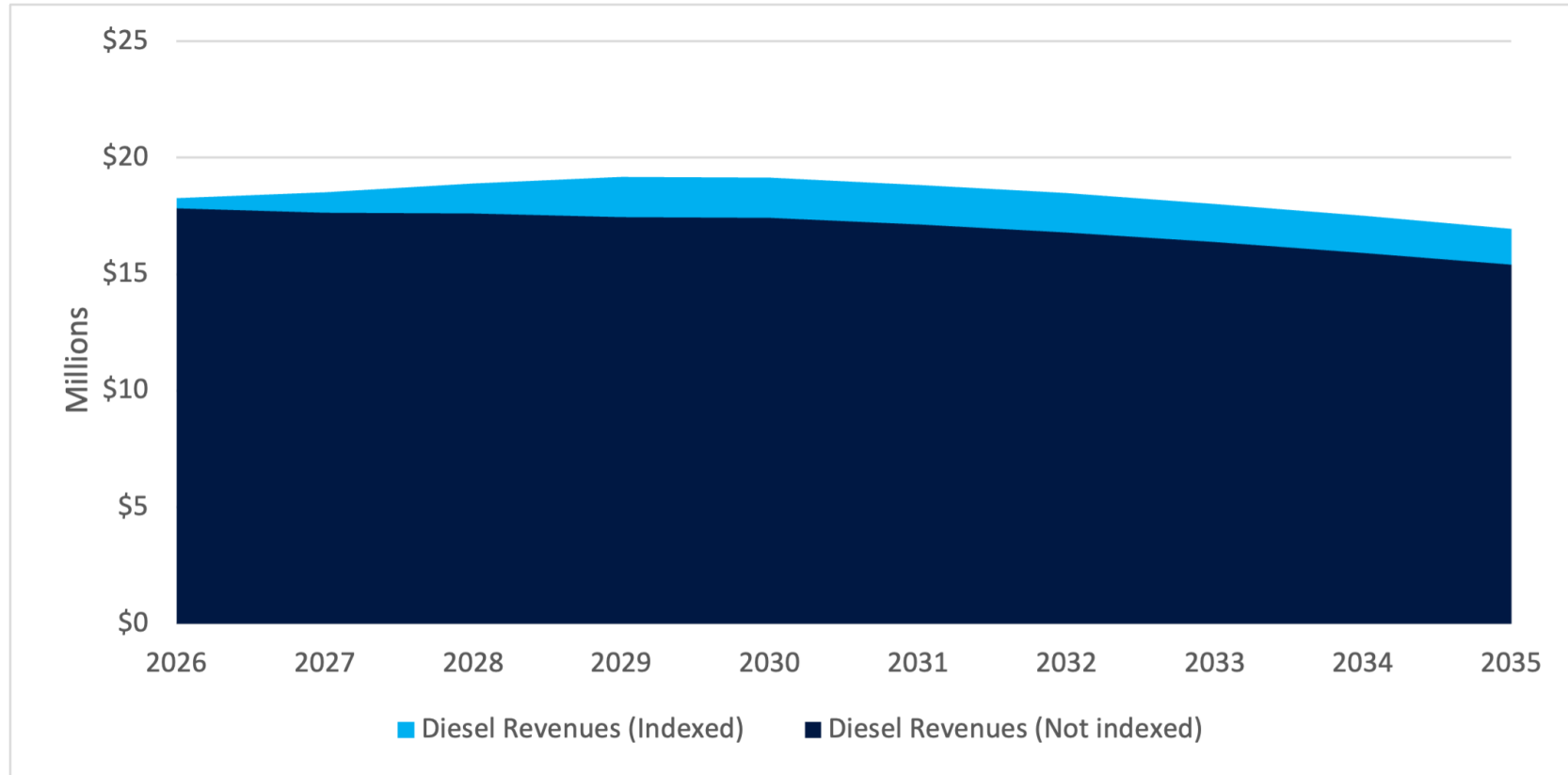
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

Diesel Tax Indexing



MBUF for Light-Duty EVs

Potential Revenues

Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty EVs

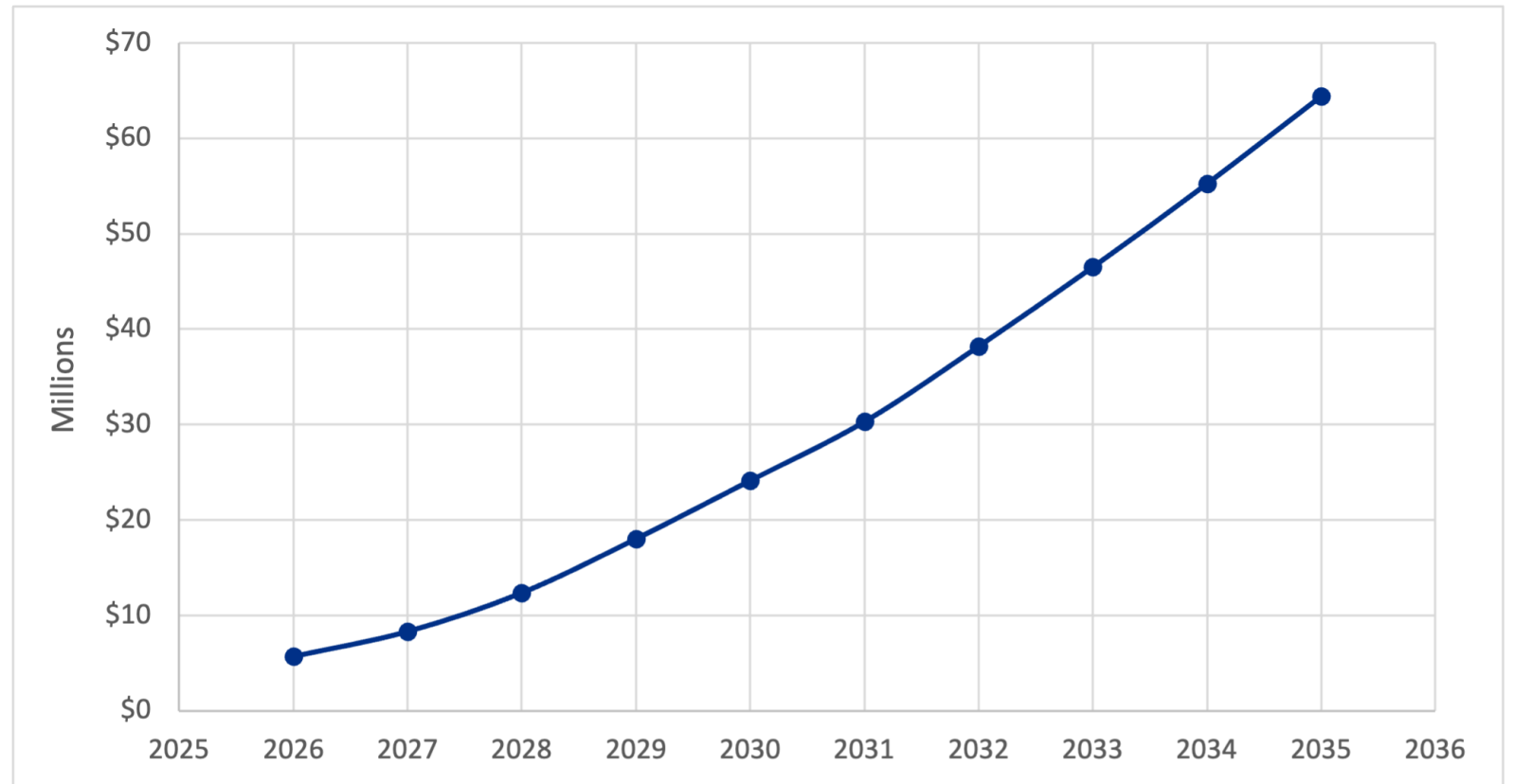
MBUF for Medium- and Heavy-Duty

Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

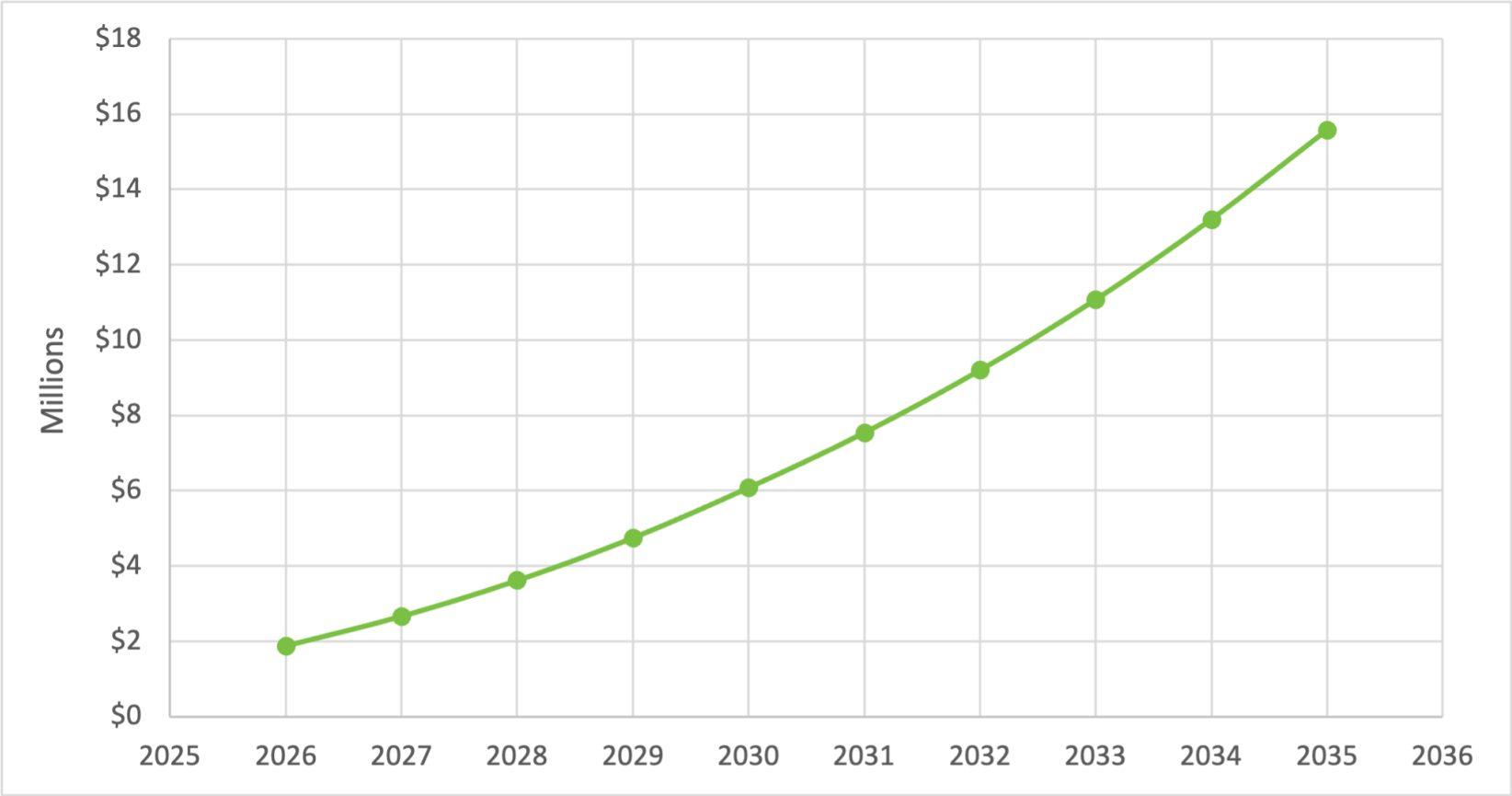
Tire Fees



MBUF for Medium- and Heavy-Duty EVs

Potential Revenues

- Gas Tax Indexing
- Diesel Tax Indexing
- MBUF for Light-Duty
- MBUF for Medium- and Heavy-Duty**
- Retail Delivery Fees
- Transportation Network Company Fees
- MPG-based Registration Fees
- Tire Fees



Potential Revenues

Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

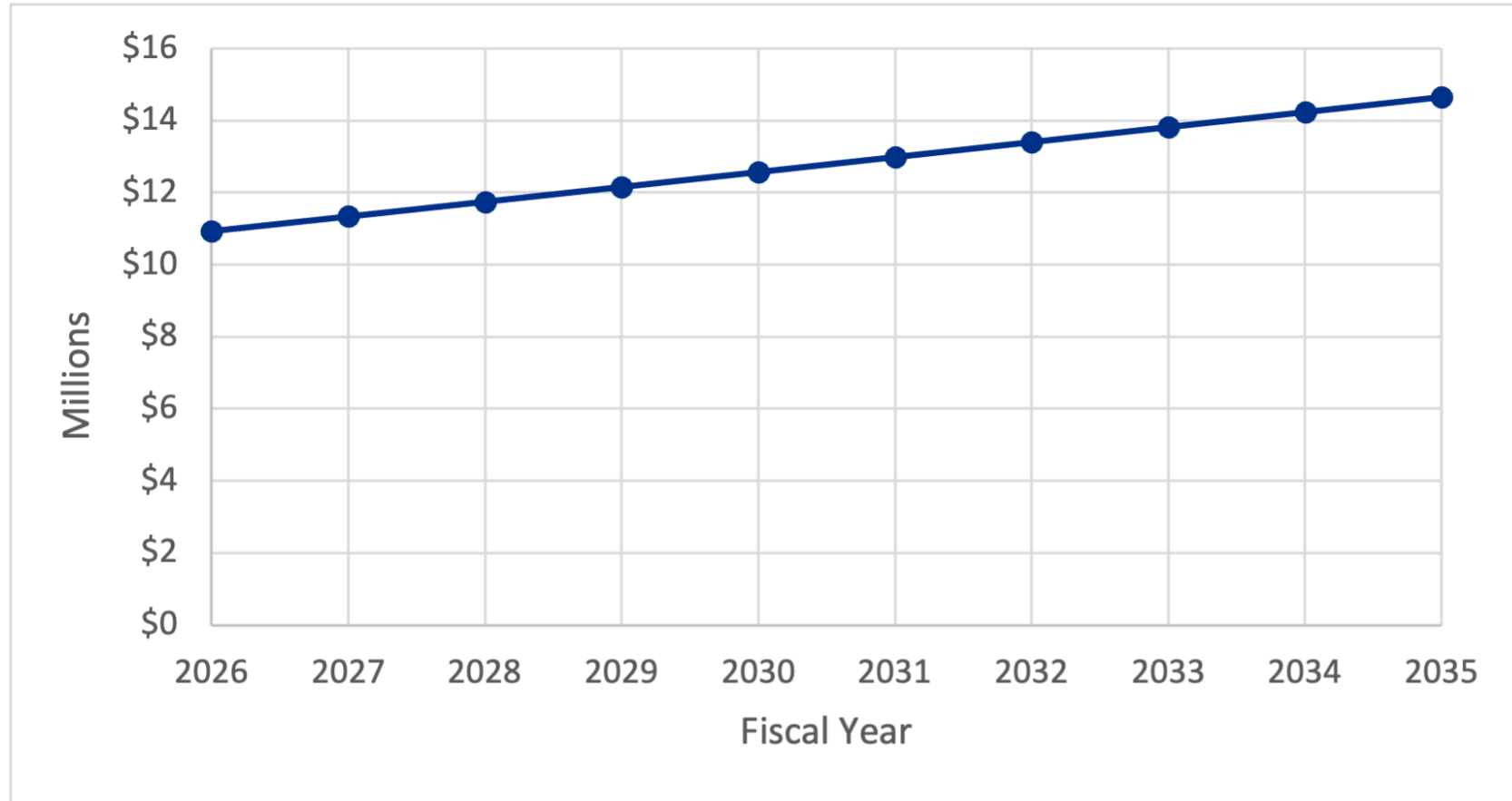
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

Retail Delivery Fees



TNC (Ridehailing) Fees

Potential Revenues

Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

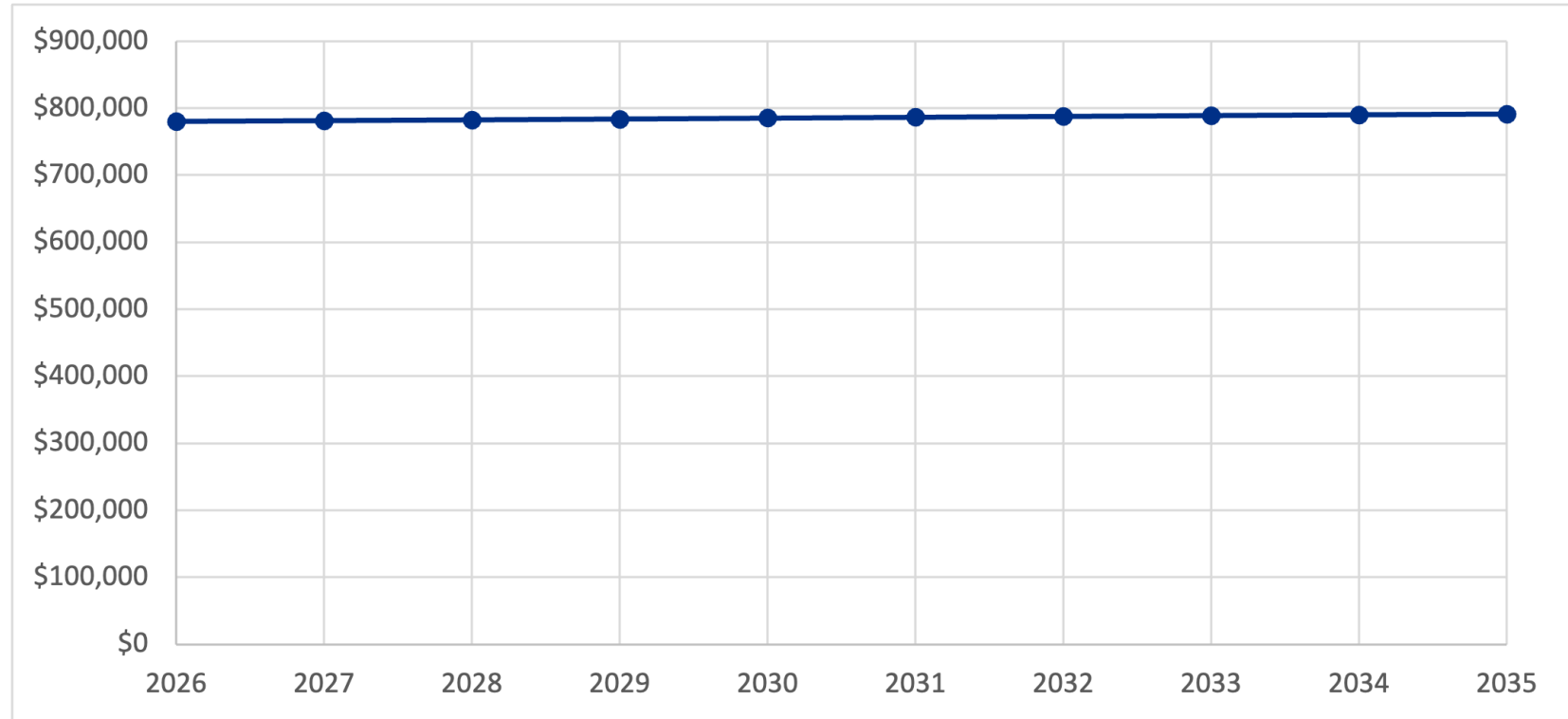
MBUF for Medium- and Heavy-Duty

Retail Delivery Fees

**Transportation Network
Company Fees**

MPG-based Registration Fees

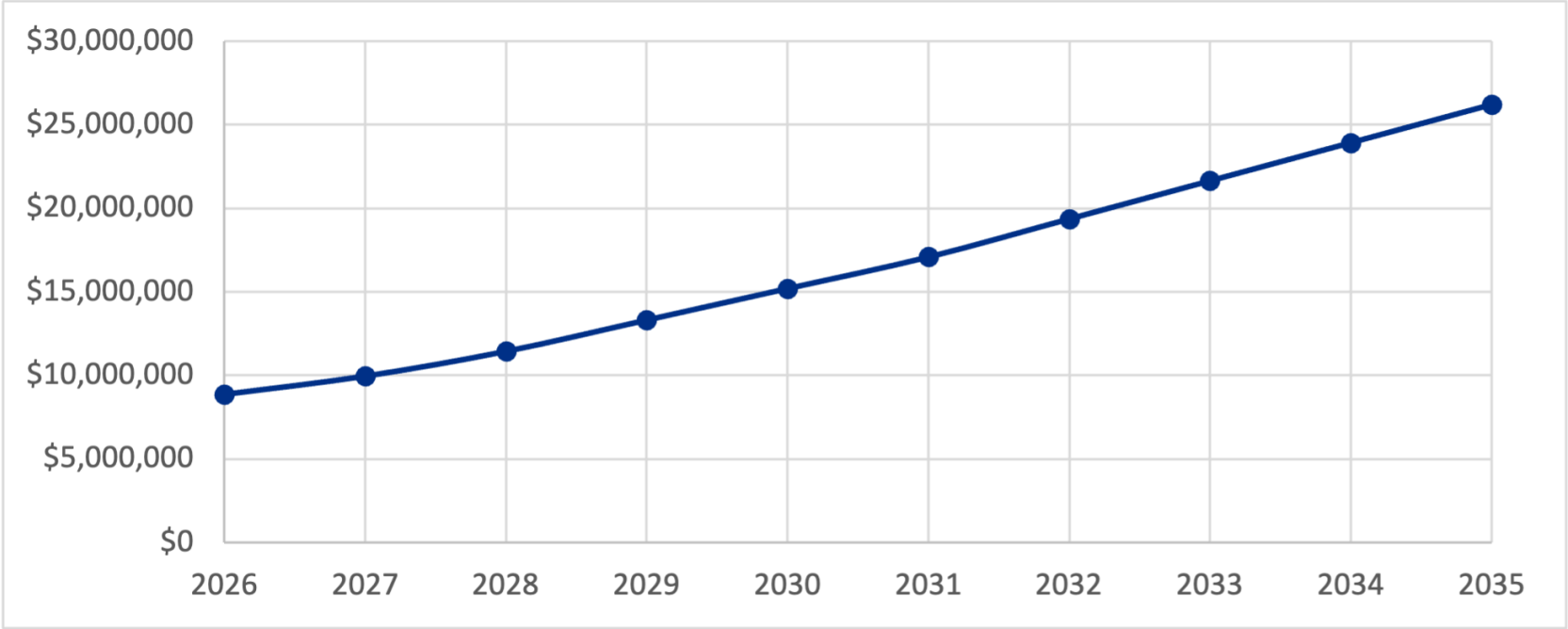
Tire Fees



MPG-based Registration Fees

Potential Revenues

- Gas Tax Indexing
- Diesel Tax Indexing
- MBUF for Light-Duty
- MBUF for Medium- and Heavy-Duty
- Retail Delivery Fees
- Transportation Network Company Fees
- MPG-based Registration Fees**
- Tire Fees



Potential Revenues

Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

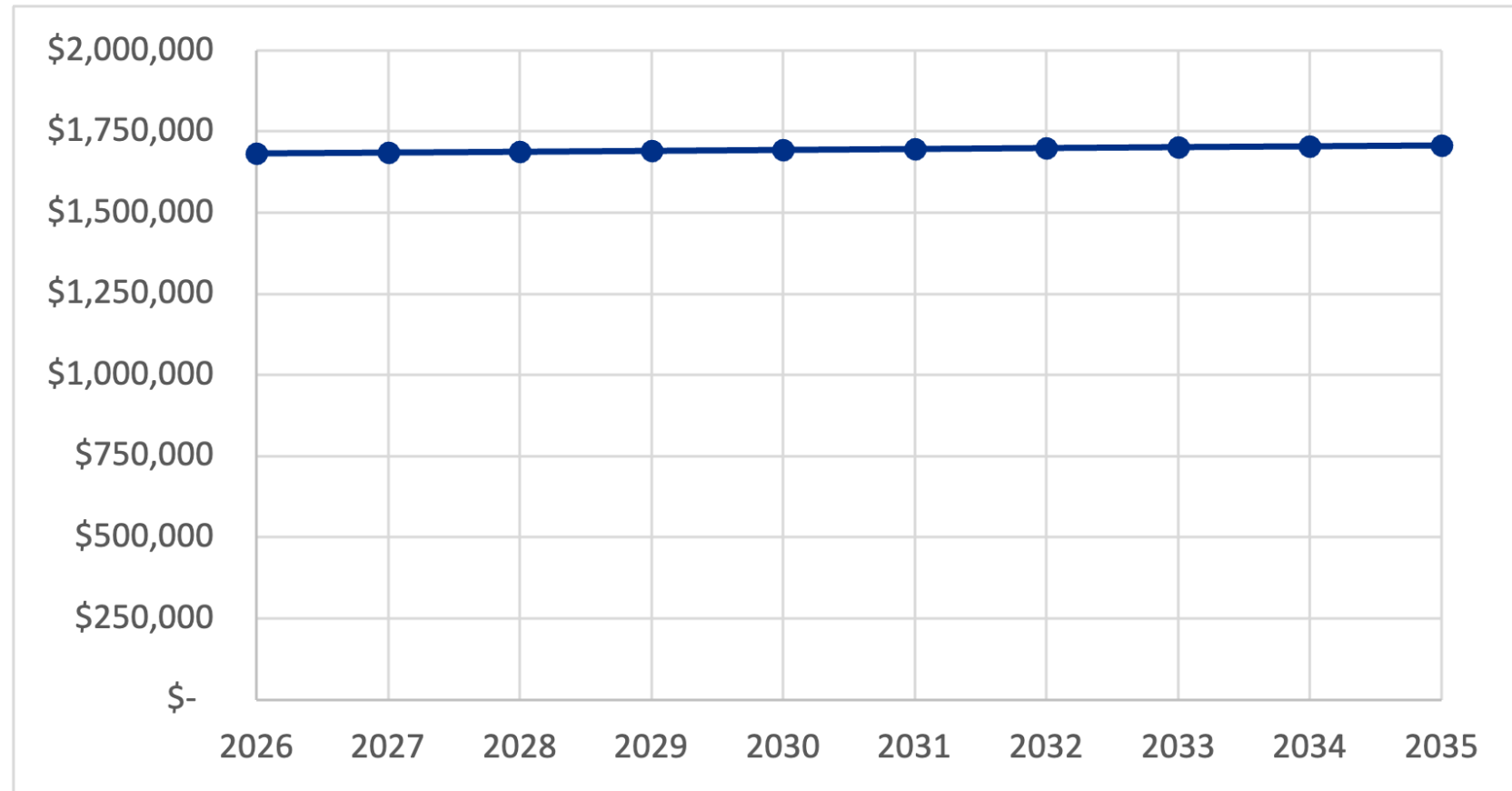
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

Tire Fees



Potential Revenues

Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

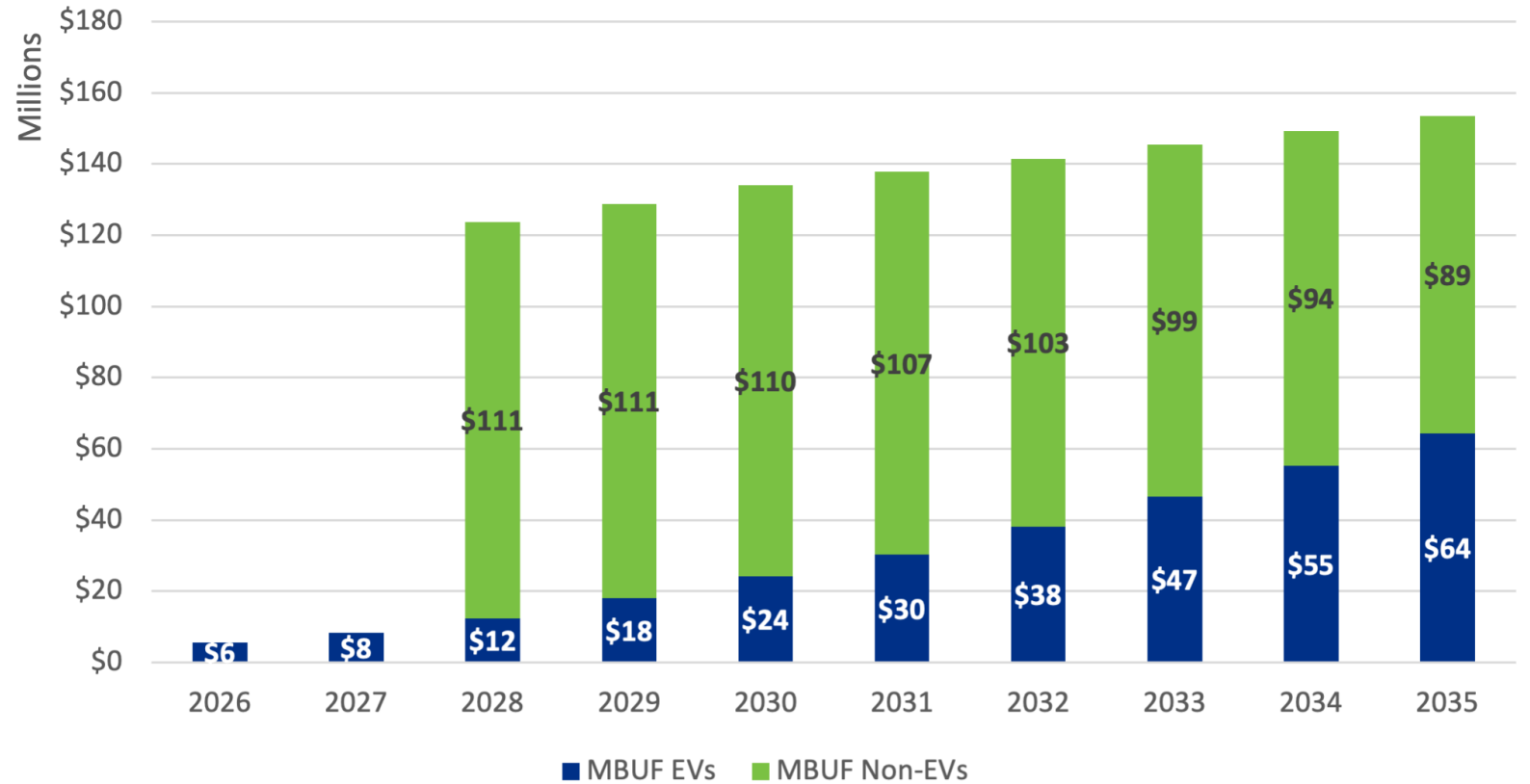
Retail Delivery Fees

Transportation Network Company Fees

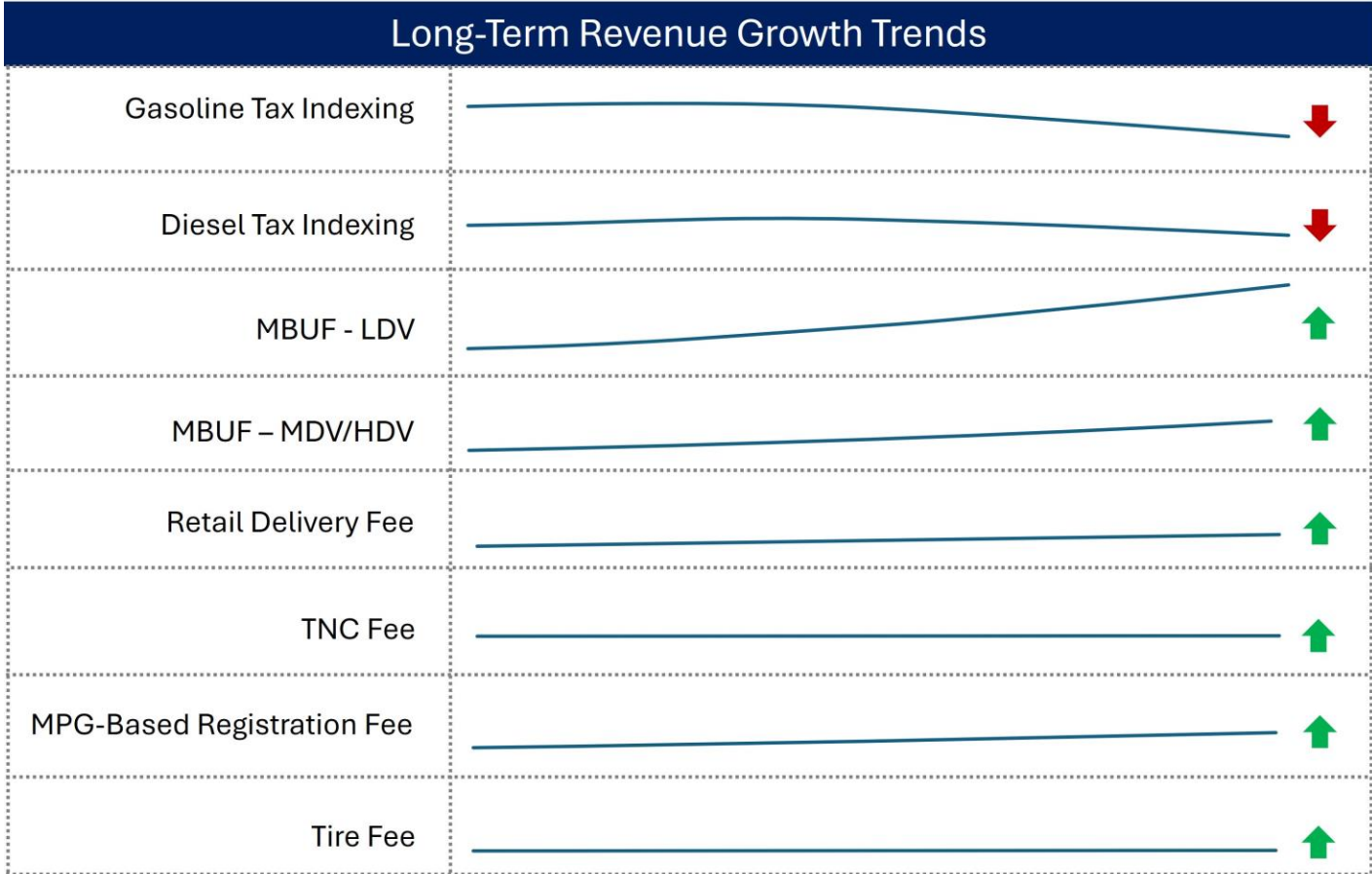
MPG-based Registration Fees

Tire Fees

MBUF for All Light-Duty



Potential Revenue Generation Trends (10-year)



Contact

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