

Vermont's Transportation Budget and Revenue Sources

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January 14th, 2025



JFO

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Outline

1. Review of the Process
2. How does Vermont pay for transportation?
3. Where does the State money come from?
4. Where does the State money go?
5. Federal Funds
6. Considerations for Legislators
7. Questions?



Review of Process

- **Transportation committees work on 2 “omnibus” bills every year (and sometimes other smaller bills as applicable)**
 - Transportation Bill – generally referred to as the T-Bill – Starts in the House
 - Miscellaneous Motor Vehicle bill – Starts in the Senate
- **T-Bill**
 - Amends and approves the yearly Transportation Program (also know as the White Book)
 - The White Book is proposed by the Governor early in the session. It contains the projects and programs expected to be undertaken in the upcoming 4 years.
 - The T-Bill, by adopting the white book, provides the “spending authority” to pursue those projects – but not the money to fund them.
 - The money to do the projects (the “appropriations authority”) is contained in the Big Bill – but only for the upcoming fiscal year.

The T-bill can also include other transportation related polices or initiatives not proposed by the governor.

- **Miscellaneous Motor Vehicle bill**
 - Contains miscellaneous changes to motor vehicle laws
- **Mid-year adjustments to the current year’s budget occur during the Budget Adjustment Act (BAA) early in the calendar year.**



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 (~56% in FY25)
- 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.

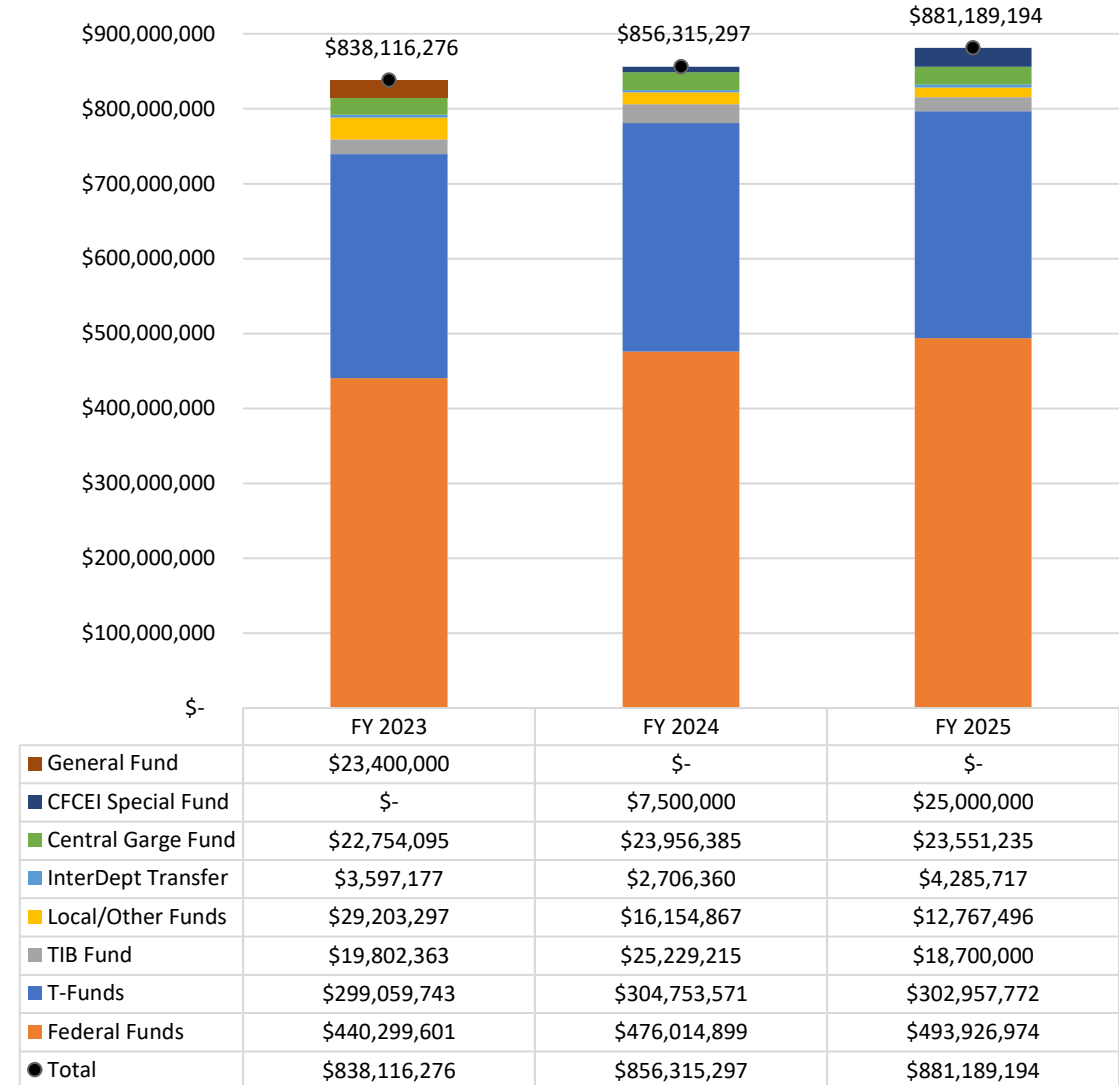
State funds (T-funds, TIB Funds)

- 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.

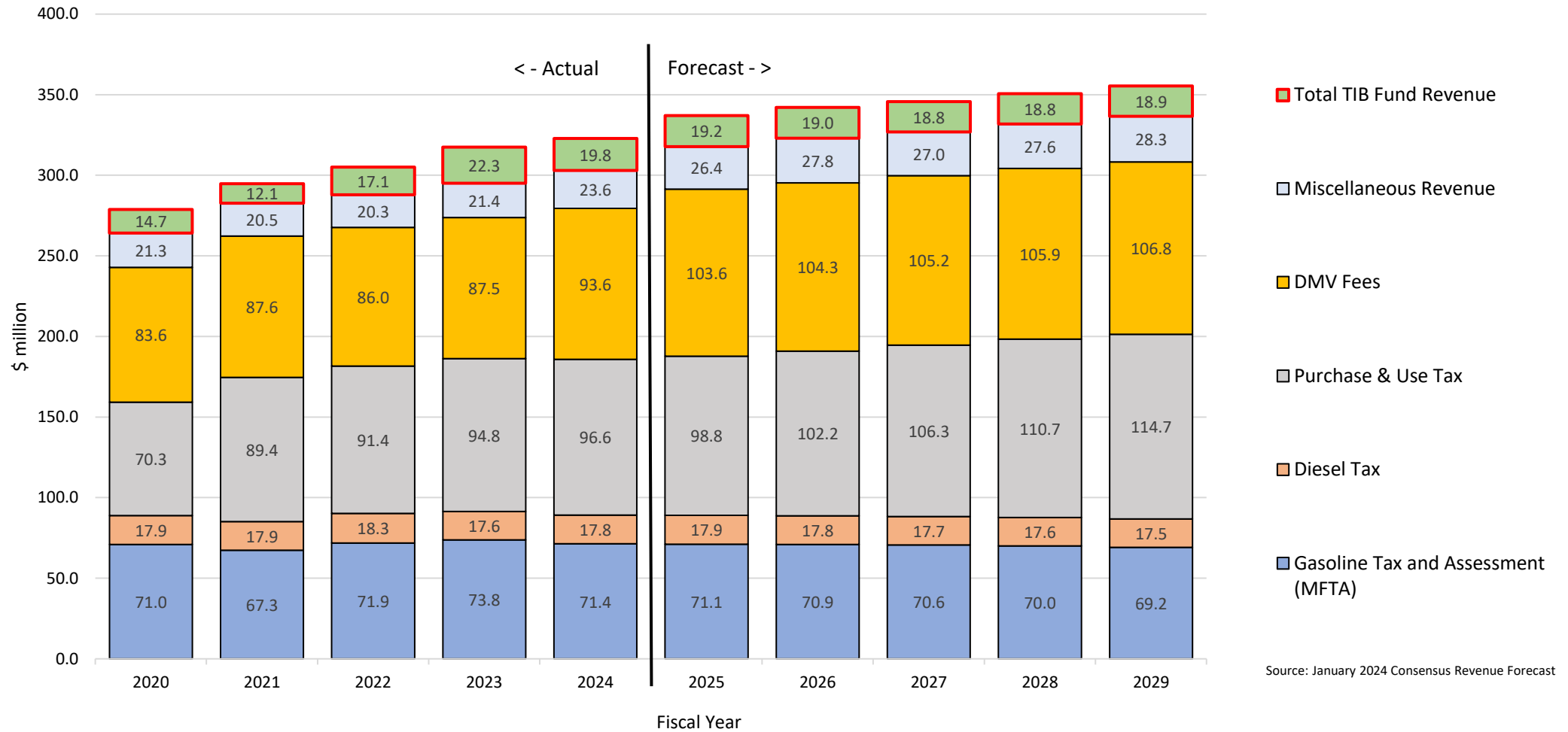
In Fiscal Year 2026

- T-Fund Revenues are projected to be \$323M
- TIB Fund Revenues are projected to be \$19M
- 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 1.34% annually (on average) from FY2025 through FY2029.
- Will costs grow by 1.34% annually?

Vermont Transportation Revenue Forecast (July 2024)								
\$ millions								
Revenue Source	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Forecast CAGR
	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	FY2025-2029
Gasoline Tax and Assessment (MFTA)	73.8	71.4	71.1	70.9	70.6	70.0	69.2	-0.67%
Jul-24								
Diesel Tax	17.6	17.8	17.9	17.8	17.7	17.6	17.5	-0.56%
Jul-24								
Purchase & Use Tax	94.8	96.6	98.8	102.2	106.3	110.7	114.7	3.80%
Jul-24								
DMV Fees	87.5	93.6	103.6	104.3	105.2	105.9	106.8	0.76%
Jul-24								
Miscellaneous Revenue	21.4	23.6	26.4	27.8	27.0	27.6	28.3	1.75%
Jul-24								
Total Transportation Fund Revenue - July 2024	295.1	303.0	317.8	323.0	326.8	331.8	336.5	1.44%
TIB Gasoline Assessment (MFTIA)	20.1	17.6	17.0	17.0	16.8	16.9	17.0	0.04%
Jul-24								
TIB Diesel Assessment and Other	2.2	2.2	2.2	2.1	2.0	1.9	1.9	-3.25%
Jul-24								
Total TIB Fund Revenue - July 2024	22.3	19.8	19.2	19.0	18.8	18.8	18.9	-0.31%
Total State Transportation Revenue	317.4	322.8	337.0	342.0	345.6	350.6	355.4	1.34%
Jul-24								



Vermont Transportation Fund and TIB Fund Revenue Forecast (January 2024)



Source: January 2024 Consensus Revenue Forecast



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 October - December, 2024)

Revenue Source	Effective Tax (cents per gallon)	Fund/Purpose	Description/Statute Citation
Per-Gallon General Gasoline Tax	11.345	Transportation Fund	23 V.S.A. § 3106(a)(1)(A)
	0.380	DUI Enforcement Fund	23 V.S.A. § 1220a(b)(3)
	0.285	Fish and Wildlife Fund	0.375 cents is distributed 76% to Fish and Wildlife Fund, 24% to Department of Forests, Parks, and Recreation for natural resource management. 23 V.S.A. § 3106(d).
	<u>0.090</u>	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	10 V.S.A. § 1942
MFTA Gasoline Assessment (4%) (Motor Fuel Tax Assessment)	13.400	Transportation Fund	Calculated quarterly based on 4% of average tax-adjusted retail prices of prior quarter. Minimum of 13.4 cents, maximum of 18 cents. 23 V.S.A. § 3106(a)(1)(B)(ii).
MFTIA TIB Assessment (2%) (Motor Fuel Transportation Infrastructure Assessment)	5.870	Transportation Infrastructure Bond (TIB) Fund	Calculated quarterly based on 2% of average tax-adjusted retail prices of prior quarter. Minimum of 3.96 cents, no maximum. 23 V.S.A. § 3106(a)(1)(B)(i).
Total State Taxes & Assessments	32.370		
Federal Gas Tax	18.400	Federal Highway Trust Fund	
Total State + Federal Taxes & Assessments	50.770		



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.

(Average Retail Price – Taxes Levied) x Assessment % = Next Quarter MFTA/MFTIA

Vermont Gasoline Taxes and Assessments										
per gallon	a	b	c		d	e	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	VT State Taxes and Assessments		Tax-Adjusted Price	Next Quarter		Total Federal + State Taxes and Assessments		
			Fixed Gas Taxes	Current Quarter		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		\$0.1840	\$0.1310	\$0.1340	\$0.0518					
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		

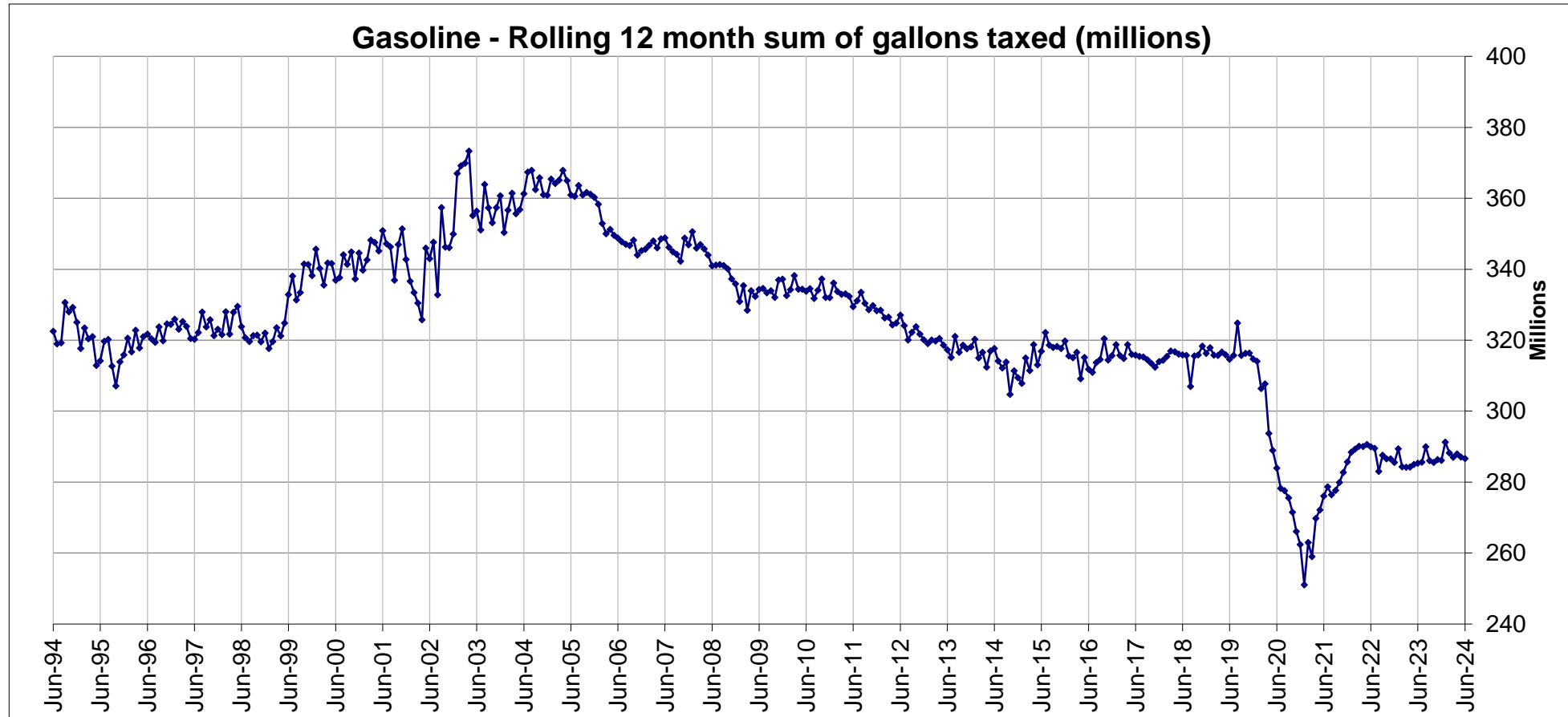


Trends Over Time: Gasoline Revenue

- **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.

VT expects to tax ~285 million gallons of gas in FY 2026. At that rate, each \$0.01 tax increase would yield approximately \$2.85 million of additional revenue.



Diesel Taxes and Assessments

- 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 FY2025,

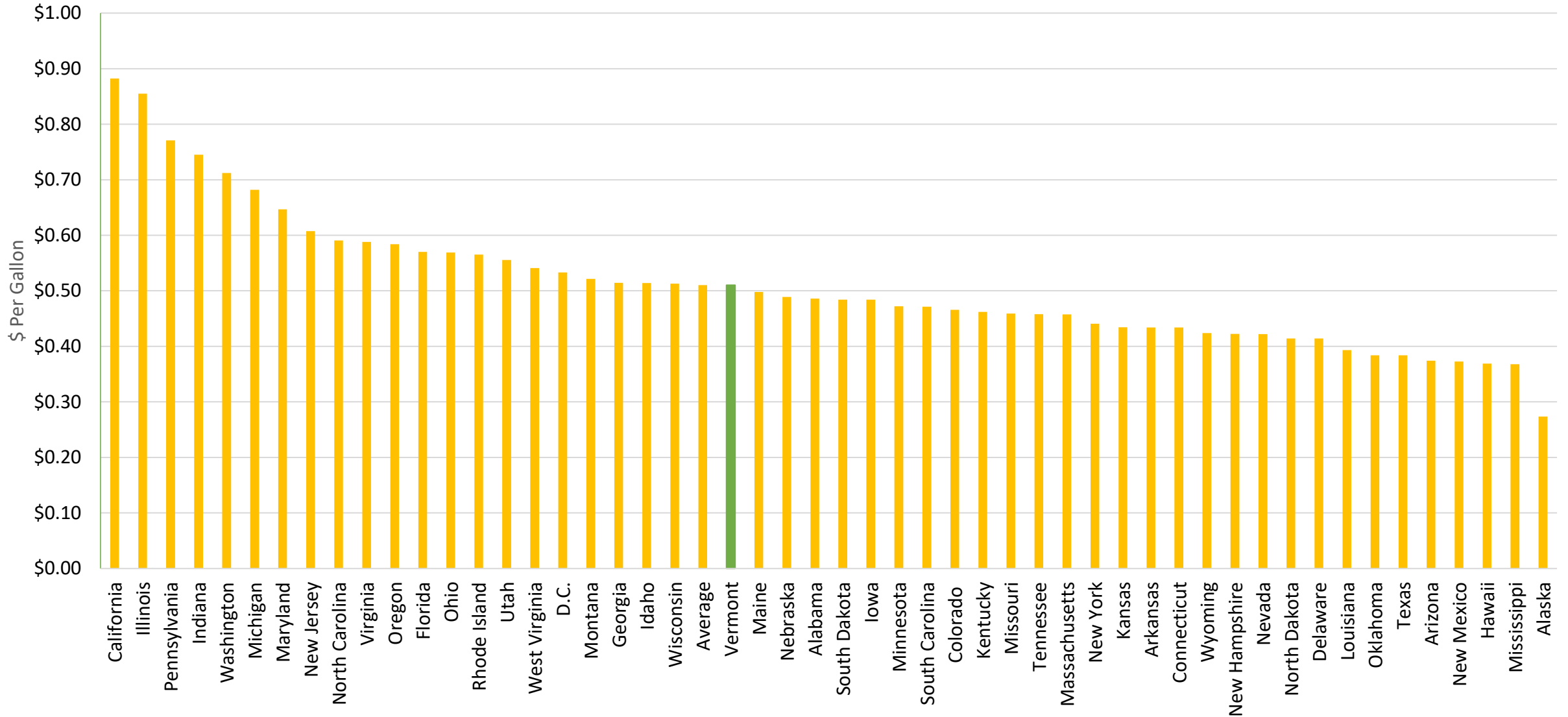
- Diesel is forecast to generate \$17.8 million for the T-Fund and \$2.1 million for the TIB Fund based on 67.1 million taxable gallons.
- While not a large share of VT's transportation revenues, diesel revenues are expected to remain relatively flat over time.

- 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*



Total Federal and State Motor Fuel Taxes



As of July 2024. Data source: U.S. Energy Information Administration, [federal and state motor fuel taxes](#)



Motor Vehicle Purchase & Use Tax

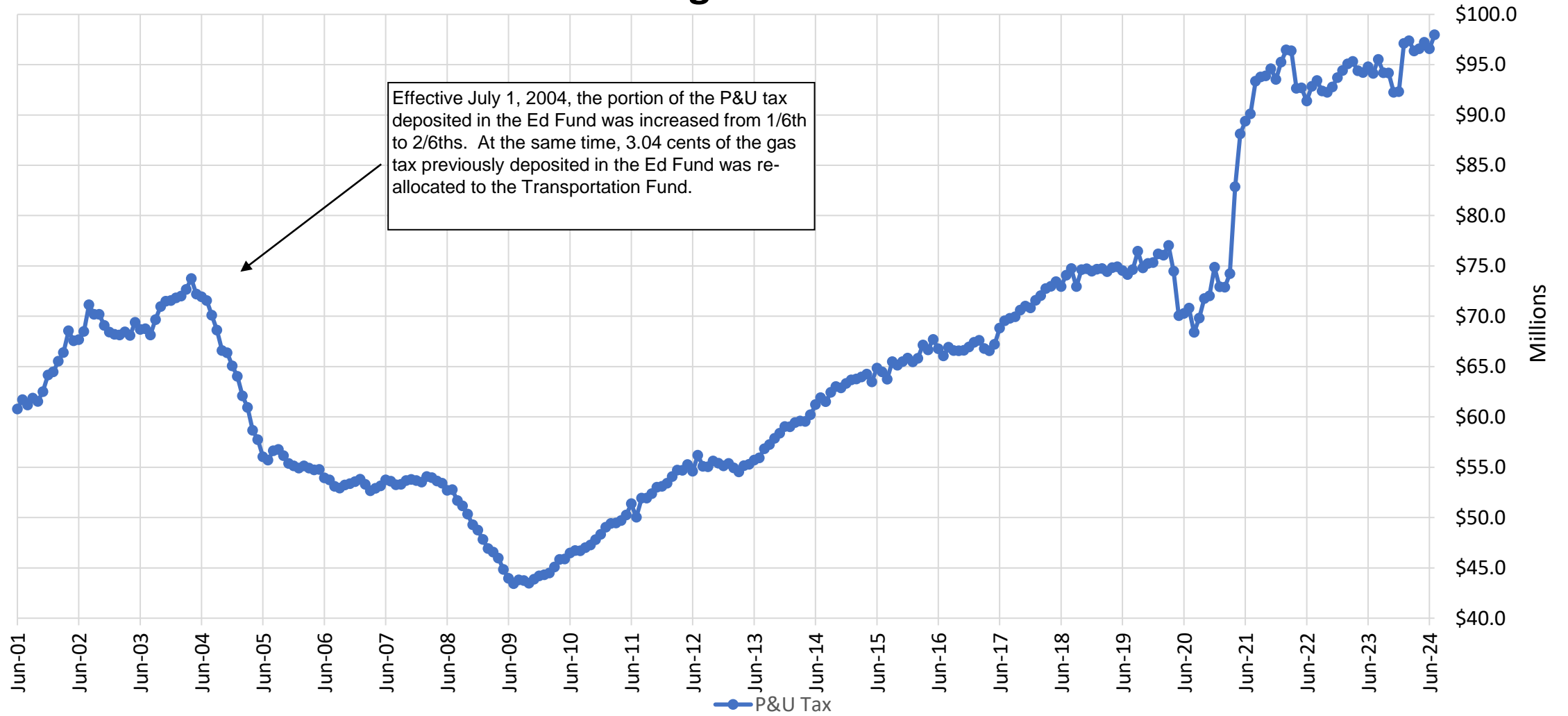
- **6% tax on the value (less trade-in allowance) of motor vehicle purchases**
 - Collected by DMV at the time of titling or initial registration in VT.
 - **You cannot evade the tax by buying a car in a state that has no sales tax on vehicles!**
- **9% tax on rental charges for short-term vehicle rentals**

- **2/3 of the total P&U Tax revenue goes to the T-Fund and 1/3 goes to the Education Fund.**
 - In FY2026 P&U forecasted to generate \$102.2M to T-Fund.

- **In recent years, P&U collections have reached historic highs and are currently forecasted to remain substantially above pre-pandemic levels and are expected to represent a growing share of the T-Fund over time.**



P&U Tax Running 12 Month Total Revenue



DMV Fees

- Fees for driver's licenses, vehicle registrations, etc.
 - Expected to generate approx. **\$103.6 million** to the Transportation Fund in FY 2025.
- 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

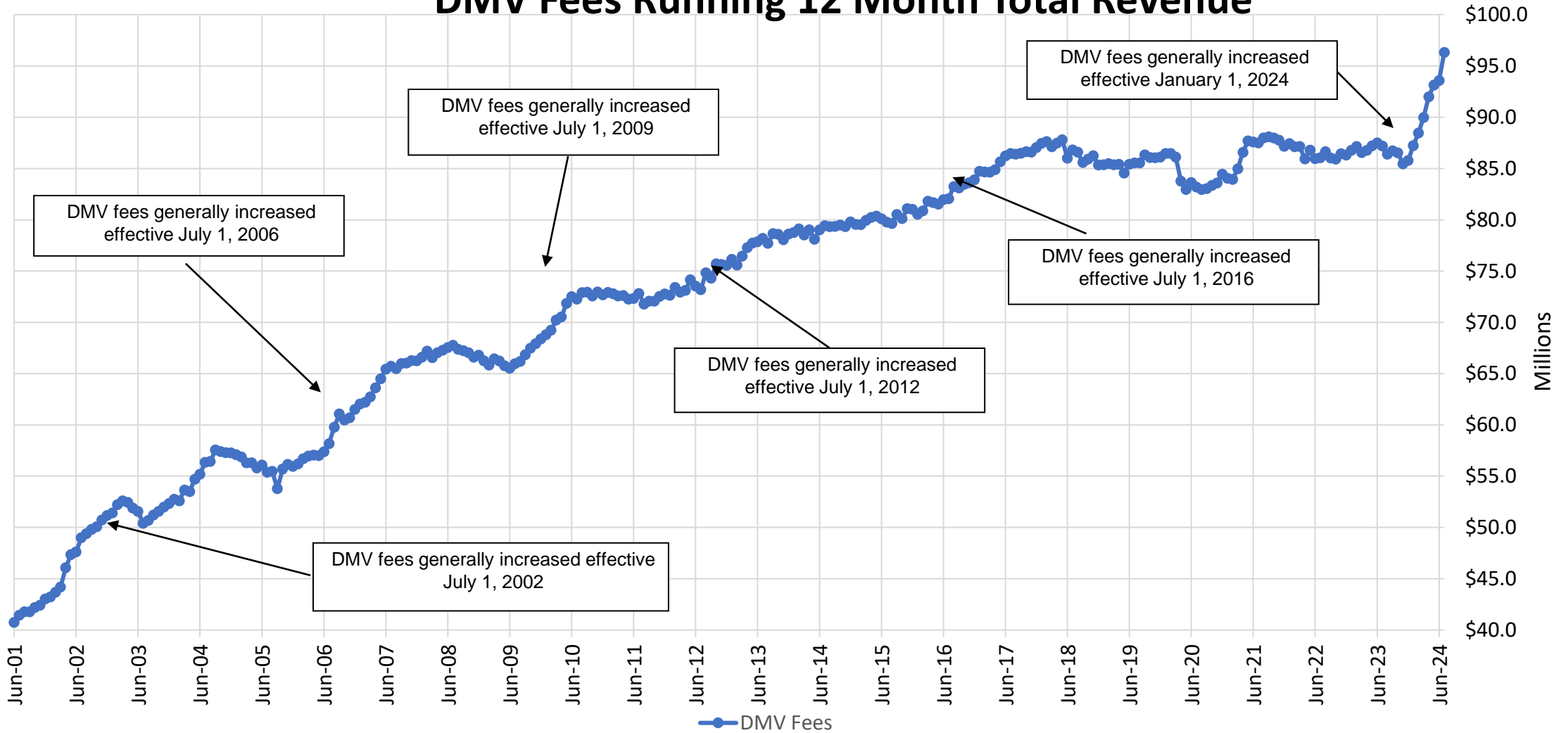
A variety of smaller revenue sources are expected to generate **\$27.8 million** in FY 2025.

Includes:

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



DMV Fees Running 12 Month Total Revenue



Where does the State money go?

- The vast majority of T-Fund dollars are appropriated to the Agency of Transportation for “white book” projects
- Other appropriations and statutory transfers:
 - Appropriation to BGS for Information Center maintenance/operations
 - Pay Act and 27th payroll costs for AOT
 - State Police “JTOC” Appropriation
 - Transfer to Recreation Trails Fund
 - Transfer to Downtown Fund
 - Transfers to/from the T-Fund Stabilization Reserve to maintain its balance at 5% of prior year appropriations.
 - And more!
- TIB Funds are currently appropriated to support the Agency of Transportation on a “paygo” basis.
 - TIB Bonds can be used to pay for projects that will have a useful life of at least 10 years.
 - Originally created to cover all debt service obligations of transportation infrastructure bonds that are due in the current fiscal year
 - As of June 2022 there are no outstanding TIB bonds. If the State decides to issue more TIB Bonds in the future, TIB Funds pay the debt service costs *first*.

Transportation Fund Operating Statement Department of Finance & Management 7-29-2024	FY 2023 Final	FY 2024 Final
Revenues		
Current Law Revenues	295,139,681	303,049,868
Prior Year Refund of Expenditures	5,546	55,186
Federal Reimbursements	3,120,413	175,539
Total Revenue	298,265,640	303,280,593
Carry forward balance	15,342,989	25,984,426
Total State Funds	313,608,629	329,265,020
Appropriations		
AOT Appropriations	299,059,742	304,753,571
Information Centers	4,059,343	4,235,134
Pay Act/27th Week Payroll	1,502,420	2,500,000
Transportation Debt Service	502,135	
JTOC Appropriations	20,250,000	20,250,000
Contingent Approps / Ex Receipts	0	250,000
Current Year Reversions/Rescissions	(34,787,029)	(12,468,190)
Net Budget Adjustments	(6,700,000)	0
Total Appropriations	283,886,611	319,520,515
Pre-Transfer balance	29,722,018	9,744,505
Transfers		
Transfer (to)/from Downtown Fund	(523,966)	(523,966)
Transfer (to)/from Central Garage Fund	(1,557,843)	0
Transfer (to)/from Recreational Trail Fund	(370,000)	(370,000)
Transfer (to)/from Other funds	148,336	(180,331)
Transfer (to)/from Stabilization Reserve	(1,434,119)	1,165,212
Net Transfers	(3,737,592)	90,915
Ending Balance	25,984,426	9,835,419
Bond Reserve	0	0
Stabilization Reserve Balance	15,359,542	14,194,331
5% Maximum Balance	15,359,542	14,194,331



Federal Funds

- **There are three general categories of federal transportation funds:**
 - Formula Funds
 - Earmarks
 - Competitive Grants
- **Most Federal transportation funds come to the state through formula funds**
 - These are the annual funds specified in a reauthorization act.
 - Formula funds are typically tied to particular programs and “allowable uses”.
 - Some formula funds are flexible and can be moved around, but with limitations – federal funds almost always have strings attached.
- **Federal “earmarks” are funds that are tied to a specific project and generally cannot be used for any other purpose.**
- **States are also eligible to apply for numerous competitive grants.**
- **Match Requirement**
 - The typical match requirement is 80% federal and 20% state. Interstate projects at 90% federal and 10% State are the major exception.
 - The Feds ensure that the match is paid by releasing federal funds on a reimbursement basis.
 - VT relies on federal funds to fund a majority of this Transportation budget so ensuring the state can meet its match requirement and draw down all available federal funds is crucial.



Considerations for Legislators

- State costs are increasing faster than state revenue is projected to grow.
- Gasoline consumption is estimated to continue to decline but will still be used for years to come.
 - What does the new “user fee” paradigm look like as gas taxes become increasingly obsolete?
 - Mileage based User Fee (MBUF)?
 - Different registration costs for certain vehicles?
 - Fees for charging?
 - Repeal and replace the gas tax with an alternative, or pursue a “yes, and”?
- How to balance climate policy goals with funding “core” transportation needs? Deferring maintenance and repairs increases future costs.
- VT greatly benefits from federal formula funds, but most federal funds come with a state match requirement. The state should ensure it has enough non-federal revenue to draw down all its available federal funds.
- State transportation dollars are highly flexible, but they are limited and demand for them is high **Be mindful of tradeoffs and opportunity costs!**



Questions?

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<https://lifo.vermont.gov/subjects/transportation>

