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Fiscal Note

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H.944 – An act relating to the fiscal year 2027 Transportation Program and miscellaneous changes to laws related to transportation

As recommended by the Senate Committee on Finance, Draft 1.1[1i]

Bill Summary

The fiscal year 2027 Transportation Bill adopts and amends Vermont's annual Transportation Program. It contains numerous statutory amendments and funding authorizations related to transportation. The funding authorizations included in H.944 are subject to appropriations in the fiscal year 2027 appropriations bill.

Background and Details

The following sections have a fiscal impact.

Section 6: PILOT Special Fund

This section proposes that, after fulfilling all State payments in lieu of property taxes (PILOT), Municipal Grand List Stabilization Program payments, and any amounts appropriated from the PILOT Special Fund to the Department of Taxes for expenses related to Grand List and approval assistance, 75% of any remaining revenue from that year's local option tax (LOT) would be transferred to the Local Option Municipal Transportation Special Fund. This amount is estimated to be $143,250 in fiscal year 2027 and $486,000 in fiscal year 2028. Revenue from this fund would be appropriated as specified in section 8 of this bill beginning in fiscal year 2028.

Section 7: Local Option Municipal Transportation Special Fund

This section would create the Local Option Municipal Transportation (LOMT) Special Fund. The purpose of the Fund would be to provide additional aid for town highways. The Fund would consist of PILOT Fund money transferred pursuant to Section 6 of this bill, as well as any other amounts transferred to it.

Section 8: State Aid for Town Highways

This section would add that a portion of the annual revenue transferred to the LOMT Special Fund may be appropriated to General State aid for town highways, State aid for town highway structures, or the Class 2 Town Highway Roadway Program. Any funds appropriated pursuant to this section must be supplemental to the existing statutorily-required funding amounts. Additionally, the statutory annual inflationary adjustment shall not apply to funds appropriated from the LOMT Special Fund.

[1] *The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this fiscal note is meant to provide information for legislative consideration, not to provide policy recommendations.*

Section 9: General State Aid for Town Highways

This section proposes to make a one-time $3 million appropriation from the PILOT Special Fund to the Agency of Transportation (AOT). This appropriation would provide additional money to towns through General State aid to town highways.

Section 10: General Fund Transfer

This section would transfer $10.4 million from the General Fund to the Transportation Fund.

Section 13: Transportation Infrastructure Bonds

This section would authorize the State Treasurer to issue transportation infrastructure bonds in fiscal years 2028-2032. The Capital Debt Affordability Advisory Committee would report to the House and Senate Committees on Transportation each year an estimate of the maximum amount of bonding that could be prudently authorized. Any amount of bonding proposed to be authorized between 2028 and 2032 would be subject to approval by the General Assembly.

Section 14: Transportation Infrastructure Bond Proposal

This section would require AOT to prepare and submit two Transportation Program proposals for fiscal year 2028. One proposal would reflect a Transportation Program that includes the use of transportation infrastructure bond proceeds and the other would not.

Section 16 & 18: Mileage Based User Fee

These sections would establish a mileage-based user fee (MBUF) for battery electric vehicles (BEVs) registered in the state. The MBUF would go into effect on January 1, 2026 and BEVs would be assessed a 1.4 cent per mile fee. A vehicle's MBUF would be assessed based on the number of miles driven during its mileage reporting period. A mileage reporting period is the time between the two most recent vehicle inspections. Vehicle odometer readings would be recorded during the inspection and reported to the Department of Motor Vehicles (DMV). Once DMV determines the number of miles a vehicle has driven, it would calculate the vehicle's MBUF by multiplying the number of miles driven by 0.014 and send notice to the owner of the amount assessed. There would be a maximum assessment amount of $178. Except for during the initial transition period, discussed later, a vehicle's owner could choose from 4 different options when paying for the assessed MBUF, which are laid out below.

MBUF Payment Options

1. **Lump Sum Payment**
   Following the conclusion of a mileage reporting period, the owner would be assessed an MBUF amount based on the miles driven during that period. The owner would then be required to pay the full amount of the MBUF at or prior to the renewal of the vehicle's registration, the termination of the vehicle's registration, or the sale of the vehicle.
2. **Pay-as-you-go (Pay-go)**
   Owners would be required to self-report the number of miles driven to the DMV at times and in manners as required by the Commissioner of Motor Vehicles. Once miles have been reported, DMV would calculate and assess an MBUF. The owner would then have 30 days to pay the assessed MBUF amount. At the end of a mileage reporting period, the amount paid via the pay-go option would be reconciled with actual miles driven. If actual miles driven are greater than miles reported, the owner would be assessed the additional amount on their next bill; if actual miles driven are less, they would receive a credit on their next bill.
3. **Estimated Payment**
   Owners would be assessed an MBUF at the time of vehicle registration based on the average annual vehicle miles traveled by pleasure cars in Vermont. Owners would have 45 days after assessment to pay the full amount or enter into an agreement to make monthly or quarterly payments. Like the pay-go option, at the end of a mileage reporting period the amount paid via the estimated payment

option would be reconciled with actual miles driven and the owner would be issued either a credit or an additional assessment.

4. **Flat Rate**
   Owners could forego being assessed an MBUF based on the number of miles driven and instead opt to pay a flat fee rate of $178. Under the flat rate option, the owner would be assessed this fee at the conclusion of each mileage reporting period. The owner would then be required to pay the full amount of the MBUF at or prior to the renewal of the vehicle's registration, the termination of the vehicle's registration, or the sale of the vehicle. Owners who opt for the flat rate option would not be required to report vehicle mileage to the DMV.

For vehicles that are being newly registered in the state, owners would be able to choose from the pay-go option, the estimated payment option, or the $178 flat fee option. Additionally, if the DMV is unable to determine the number of miles travelled by a vehicle, the owner would be assessed a default rate of $178.

Transition

In calendar years 2027 and 2028, vehicles registering prior to completing their first mileage reporting period would be required to pay, at the time registration, a one-time road usage charge (RUC) of $89 for a one-year registration or $178 for a two-year registration. Once the vehicle has completed its first mileage reporting period, the assessed MBUF amount would be reduced by the amount of the RUC paid. Additionally, if a vehicle owner is not required to pay a RUC in 2027 or 2028 but instead paid the EV infrastructure fee at their most recent registration, they would receive a credit against the first MBUF assessment equal to the amount paid. Any credit remaining after the payment of the initial MBUF would carry forward to the future. As an alternative to this, owners could opt to pay the $178 flat rate fee instead.

Fiscal Implications

Due to the necessity of a transition period, the variety of possible inspection and registration timelines, multiple payment options, and owner choices, a precise estimate of the fiscal impact of this program is not possible. The information provided on the following paragraphs attempts to provide a reasonable estimate of the possible fiscal impacts but in doing so necessarily makes use of various assumptions, such as BEV adoption growth rate and the distribution of registration and inspection occurrences. Actual numbers may vary depending on individual circumstances and actions.

It is estimated that the average BEV in Vermont drives approximately 11,000 miles per year. At an MBUF assessment rate of 1.4 cents per mile, this would equate to an average MBUF of $154 per year. In fiscal year 2027, all BEVs that register would be subject to the RUC discussed above. Assuming that there are 13,500 BEVs in Vermont and that BEV registration and inspections occur equally throughout the calendar year, in fiscal year 2027, the MBUF is estimated to generate between $0 and $600,000. In fiscal year 2028, some BEVs would be required to pay the RUC and some would have completed their first mileage reporting period and be assessed an MBUF. Revenues in fiscal year 2028 are estimated to be between $1.1 million and $1.3 million. In fiscal year 2029, all BEVs would be paying an MBUF and revenue generated is estimated to be between $1.8 million and $2.9 million. All revenue generated from the MBUF would be deposited into the Transportation Fund.

Under current law, once an MBUF for BEVs has been enacted, the current $89 annual EV infrastructure fee that is paid by BEVs at the time of registration is repealed. The repeal of this fee will decrease revenues into the Transportation Fund. Estimated revenue loss is $600,000 in fiscal year 2027, $1.3 Million in 2028, and $1.5 million in 2029.

Table 2: **Estimated MBUF Fiscal Impacts ($ Million)**			
	FY 2027	**FY 2028**	**FY 2029**
MBUF Revenue	$0 - 0.6	$1.1 - 1.3	$1.8 - 2.9
EV Infrastructure Fee Revenue Loss	$(0.6)	$(1.3)	$(1.5)
Net Revenue	**$(0.6) - 0**	**$(0.2) - 0**	**$0.3 - 1.2**

MBUF revenues would change in accordance with the adoption rate of BEVs in the state. Additionally, collections have the potential to fluctuate with changes in average annual vehicle miles driven. It is estimated that MBUF revenue would continue to grow as BEVs become an increasingly larger share of Vermont's vehicle fleet.

Section 17: EV Infrastructure Fee

This section proposes to change how the revenues from the annual and biennial EV infrastructure fee on plug-in hybrid electric vehicles would be allocated. Currently, at the time of registration, plug-in hybrid electric vehicles are required to pay a $44.50 annual or $89 biennial EV infrastructure fee. The revenues from this fee are deposited into the Transportation Fund and then sent to the Agency of Commerce and Community Development (ACCD) to be used to increase access to EV charging infrastructure. This section proposes adjusting the process so that these revenues are no longer sent to ACCD but instead deposited into the Transportation Fund to be appropriated for general transportation purposes.

Section 33: Transportation Alternative Grant Program

This section proposes to increase the maximum amount of money that can be awarded through the Transportation Alternative Grant Program from $300,000 to $600,000. This section would also remove the limitation that 50% of grant funds be awarded to environmental mitigation projects and add that when choosing projects, AOT shall give preferential weighting to sand and salt shed projects and bike and pedestrian projects.

Section 34: Fiscal Year 2027 Transportation Alternative Grant Program

This section proposes that in fiscal year 2027, grants up to a maximum of $1.2 million may be issued from the Transportation Alternatives Grant Program. In future years, the maximum grant award amount would revert to $600,000.

Section 36: Drive Electric Vermont

This section would appropriate $242,000 in one-time funding from the Transportation Fund to AOT for the continuation of its partnership with Drive Electric Vermont. The appropriation would be used on activities that support increased ownership and use of electric vehicles.

Section 39: Demand Response Medical Transports

This section would appropriate $400,000 in one-time funding from the Transportation Fund to AOT to provide grants to public transit agencies to support the recruitment and retention of volunteer drivers and mobility management activities related to medical transports.

[i] *The full fiscal note history is available on the fiscal tab of the bill page on the General Assembly website and can be pulled up through a bill number search on the JFO page.*