



Memo

To: Chair Westman; Members of the Senate Committee on Transportation

Date: April 15, 2026

From: Patrick Murphy, State Policy Director

Re: Mileage-based User Fee for (All) Battery-Electric Vehicles

This memo is to summarize how the Agency arrived at the concept of a mandatory mileage-based user fee for battery-electric vehicles, following past legislative intent and lessons learned from voluntary pilot programs.

In 2023, the General Assembly authorized the Agency to apply for a competitive federal grant through the Strategic Innovation in Revenue Collection (SIRC) program, established by the Bipartisan Infrastructure Law. The authorizing language in [2023 Act 62](#) outlined the legislature’s vision for the program, including that this would apply to all battery-electric vehicles (BEVs) registered in Vermont.

In 2024, the Agency submitted its required [legislative report](#), which includes detailed recommendations and decision points for the program, including compliance mechanisms like a higher flat fee at the 98th percentile and a registration hold if any MBUF balance had not yet been settled. The report also assumed (see section on “Subject Vehicles”) that the MBUF program would apply to all BEVs, based on the language in 2023 Act 62.

Later in 2024, with a letter of support from the Chairs of House and Senate Transportation, the Agency applied for a [SIRC grant](#) and was awarded \$3 million in federal funds to implement a mandatory mileage-based user fee program for electric vehicles. Prior grant funds have gone to voluntary pilot and research programs, but the strength of Vermont’s program was in its simplicity, its leveraging of existing systems and processes, and ability to demonstrate a viable path forward not only for Vermont, but other states.

In 2025, the General Assembly further clarified the original authorizing language for MBUF program development in [2025 Act 43](#), reiterating that the fee would apply to all battery-electric vehicles starting on January 1, 2027 and restating the intent to obtain user compliance through a higher flat fee at registration renewal.

After executing our grant agreement with FHWA in Fall 2025, the Agency began working in earnest to negotiate an agreement with DMV’s IT contractors to guarantee implementation of MBUF program for all battery-electric vehicles by January 1, 2027, committing \$1.2 million in funds to the development of the IT infrastructure. It is the Agency’s position that a voluntary program, which would allow an EV driver to decide whether to participate in a mileage-based user fee or not, is unworkable in its design and does not align with what the State has committed to developing with the use of \$3 million in funds from the Federal Highway Administration.

The Statement of Work (SOW), which is incorporated by reference into the Agency’s grant agreement with FHWA is included in the attached. Because many competitive grants were held for a lengthy review by the new federal administration, FHWA did approve an updated timeline to reflect a later start date for the grant (September 2026) and implementation date for the program (January 1, 2027). No other modifications to the SOW were accepted by FHWA, and FHWA is increasingly anxious for awarded projects like Vermont’s to demonstrate and share results that will help inform possible fixes to the Federal Highway Trust Fund.