

Vermont Agency of Transportation

Federal Transportation Policy Update

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PRESENTATION TO THE SENATE COMMITTEE ON TRANSPORTATION



The Role of Federal Transportation Funding in Vermont

- **Federal transportation funds account for over half the state transportation budget, depending on competitive grant funding and disaster recovery funding. Federal funds are used to:**
 - Cover 80%-90% of costs associated with highway and bridge projects along the federal-aid highway system (in some cases, the federal share can increase to 95% or more). Formula-based.
 - Includes bike and pedestrian facilities, transportation alternatives, and park and rides.
 - Includes all bridges, including town bridges of 20ft or longer, regardless of whether they are on the federal-aid system.
 - Cover 50%-80% of costs for public transit operating and capital assistance to Vermont's transit providers. Formula-based.
 - Covers 90% of costs for capital improvements at state-owned airports. Competitive grants-based.
 - Covers 80% of costs for capital improvements for state-owned railroads. Competitive grants-based.

The Role of Federal Transportation Funding in Vermont

The type of federal transportation funds varies by program

**Dedicated
formula
funds**

Highways
80%-90%+
formula funds

Transit
50%-80%
formula funds

Aviation
90% grant
funds

Rail
80% grant funds

**Competitive
Grants**

How Federal-Aid Highway Funding Works

- Every 5 years (generally) Congress approves a multi-year transportation authorizing law which provides funding to states (the transportation bill).
- The current transportation bill is the Infrastructure Investment and Jobs Act (IIJA) and it expires in September 2026).
- The transportation bill is financed through the Highway Trust Fund (HTF) - a federal account that collects revenue principally through transportation-related excise taxes, primarily federal taxes on gasoline (18.4 cents per gallon) and diesel fuel (24.4 cents per gallon) + General Funds which average approximately 20% of all funds distributed to states.
- The federal gas tax has not been increased since 1993, and General Funds make up the gap between authorized funding in the transportation bill and actual receipts of the HTF.
- Federal-aid funds come to Vermont in several buckets and are for specific types of transportation projects.

Federal-Aid Highway Funding Buckets

- National Highway Performance Program – Highways and bridge work along the National Highway System (Interstate highways and other major defense / freight corridors).
- Surface Transportation Block Grant Program – Other state highways, town bridges (20ft+), Transportation Alternatives, Recreational Trails.
- Highway Safety Improvement Program – Safety projects along the federal-aid system.
- Railway-Highway Crossings Program – Grade crossing improvements.
- Congestion Mitigation and Air Quality Program – Air quality projects and services.
- Metropolitan Planning – For the Chittenden County RPC to undertake planning.
- National Highway Freight Program – Highway and freight rail projects.
- Carbon Reduction Program – Projects and services resulting in carbon reduction.
- PROTECT Resilience Program – Projects to render the transportation system for resilient.

Federal-Aid Highway Funding Buckets under the IIJA

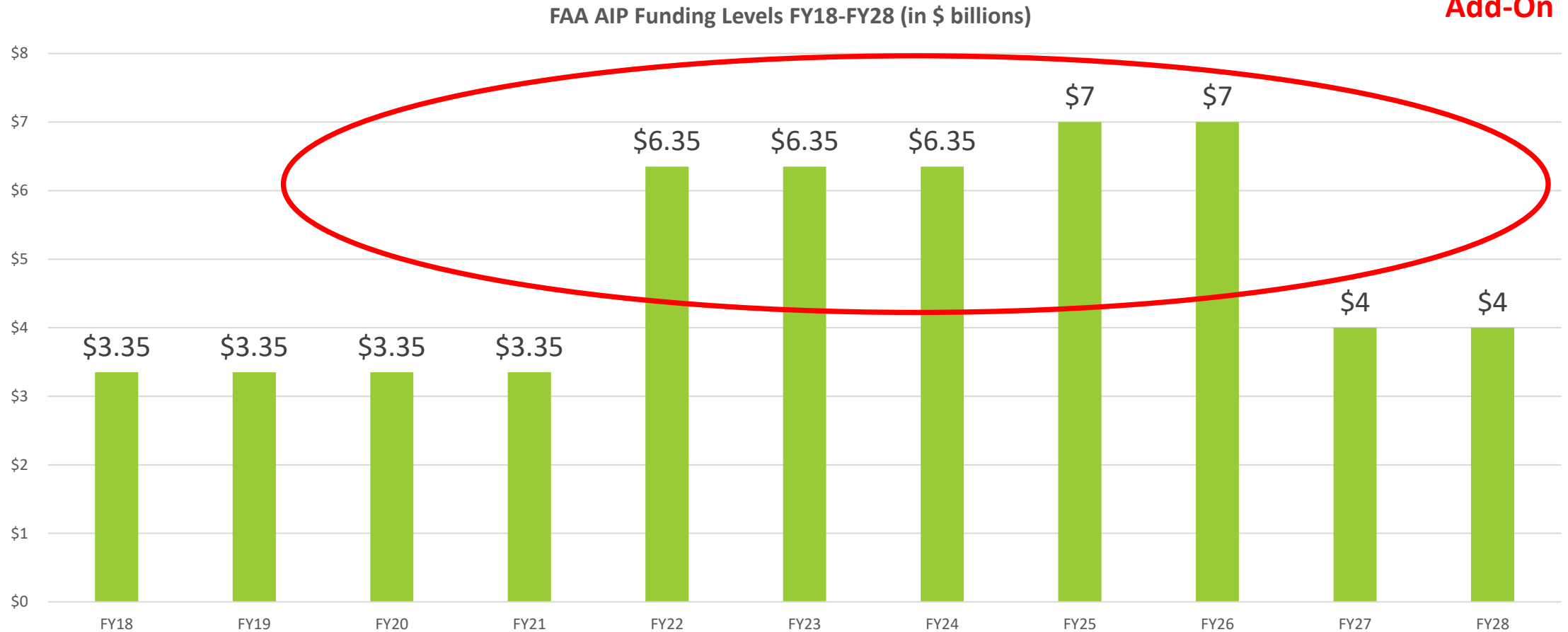
Highway Formula Funds			
Core Formula Program	IIJA (FFY22-26)	FAST Act (FFY16-20)	Difference
National Highway Performance Program	\$756,858,447	\$602,560,063	\$154,298,384
Surface Transportation Block Grant Program	\$368,201,406	\$301,662,088	\$66,539,318
Highway Safety Improvement Program	\$79,699,166	\$60,181,283	\$19,517,883
Rail-Highway Grade Crossing Program	\$6,125,000	\$5,875,000	\$250,000
Congestion Mitigation & Air Quality Program	\$67,169,526	\$61,440,092	\$5,729,434
Metropolitan Planning	\$14,391,711	\$10,886,721	\$3,504,990
National Highway Freight Program	\$36,628,901	\$32,310,882	\$4,318,019
Carbon Reduction Program	\$32,831,293	\$0	\$32,831,293
PROTECT Program	\$37,331,531	\$0	\$37,331,531
<i>Subtotal Core</i>	<i>\$1,399,236,981</i>	<i>\$1,074,916,129</i>	<i>\$324,320,852</i>
General Fund Supplementals			
GF Bridge Program	\$225,000,000	\$0	\$225,000,000
GF Electric Vehicle Program	\$21,215,761	\$0	\$21,215,761
<i>Subtotal GF</i>	<i>\$246,215,761</i>	<i>\$0</i>	<i>\$246,215,761</i>
Grand Total	\$1,645,452,742	\$1,074,916,129	\$570,536,613

IIJA Reauthorization

- Uncertainty over what comes after September 2026 when the IIJA needs to be reauthorized.
- The IIJA was a unique piece of legislation in that it combined elements of the 5-year transportation authorization + economic stimulus components through significant General Funds and 20 new competitive grant programs totaling approximately \$100 billion.
- Economic stimulus components were incorporated to mitigate the economic impacts associated with COVID-19.
- We don't have a crystal ball to predict the future. Two historic examples to draw from:
 - 2008 Financial Crisis – Vermont received approximately \$300 million in American Recovery and Reinvestment Act of 2009 transportation funding to stimulate the economy. This funding was expended and was not continued in the next 5-year transportation bill.
 - The Federal Aviation Administration (FAA) Reauthorization Act of 2024 was recently passed and included a 20% increase in Airport Improvement Program funding in year 1 and level funding in subsequent years. Not only were IIJA stimulus components phased-out but funding levels maybe insufficient to account for recent and anticipated inflation levels.

The Impact of the IIJA on the Airport Improvement Program

**IIJA Aviation
Add-On**



IIJA Reauthorization Issues for Vermont

- Vermont is highly dependent on federal funds to maintain transportation infrastructure and is very sensitive to changes to programs and funding levels.
- The unknowns heading into the IIJA Reauthorization include:
 - Will the General Fund programs for bridges and NEVI continue?
 - What will happen to IIJA formula such as Carbon Reduction and PROTECT Resilience?
 - What will happen with the 20 new discretionary grant programs?

Questions / Comments?

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