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# Transportation Funding Study

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SENATE TRANSPORTATION COMMITTEE, JANUARY 17, 2025

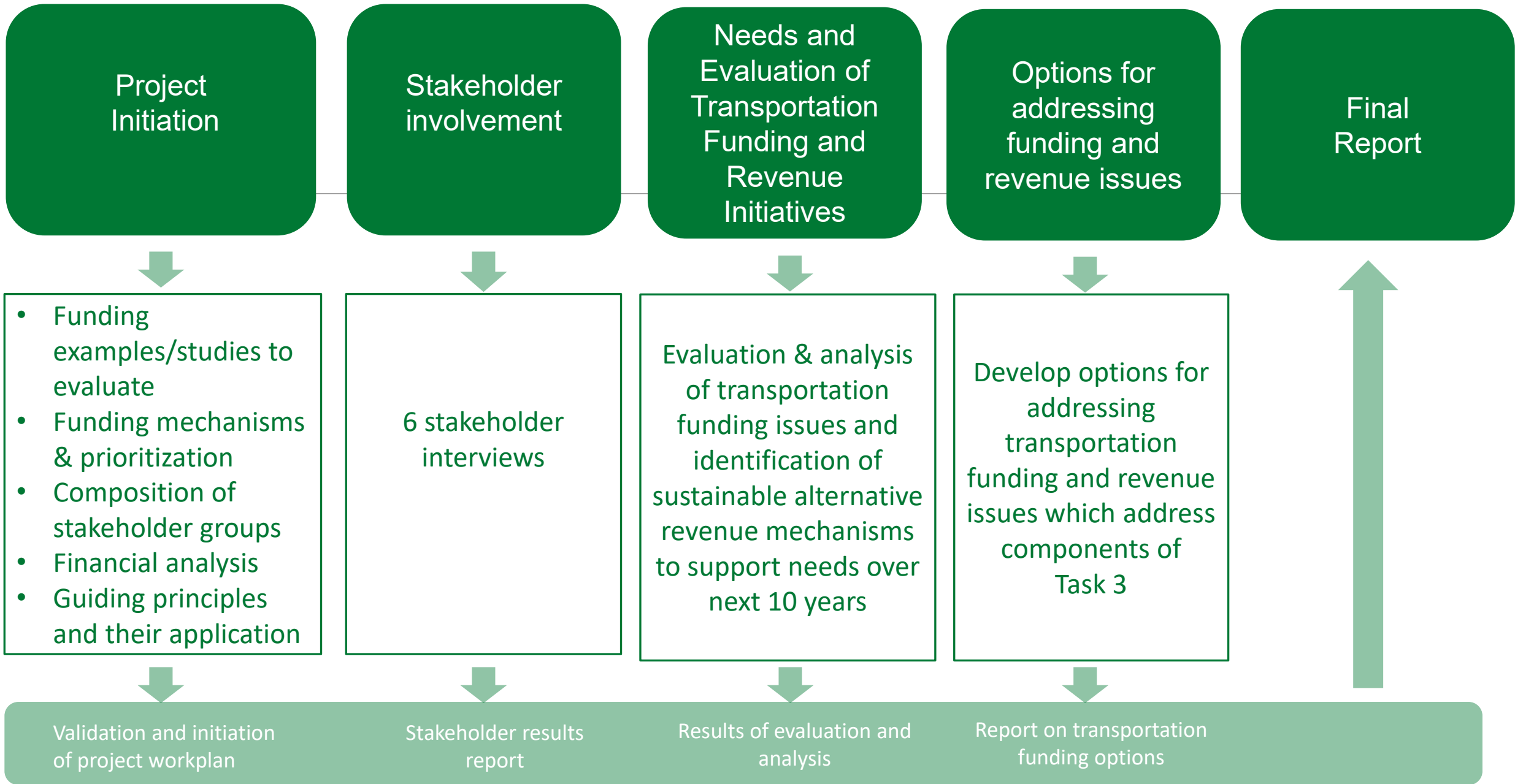
PATRICK Ó. MURPHY, STATE POLICY DIRECTOR, AGENCY OF TRANSPORTATION

# 2024 Transportation Bill (Act 148, Section 35)

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

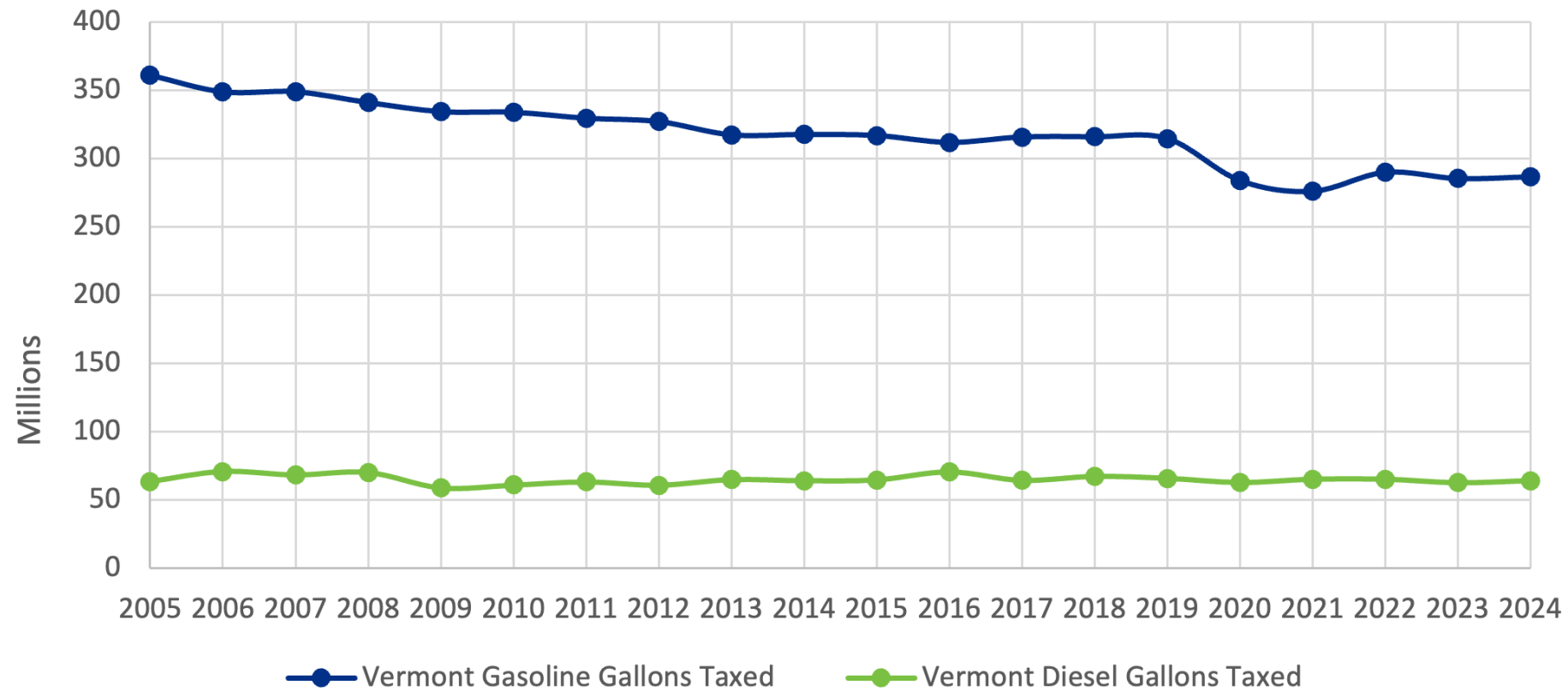
- **Evaluate current funding levels**, sustainability of revenue sources and distribution method
- **Analyze future trends** such as inflation, safety needs, racial equity, electric vehicles, and climate change.
- **Explore new funding approaches** and alternative solutions used by other states.
- **Evaluate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

# Estimated Transportation Program Needs and Gaps

# Historical Gallons of Fuel Taxed in VT



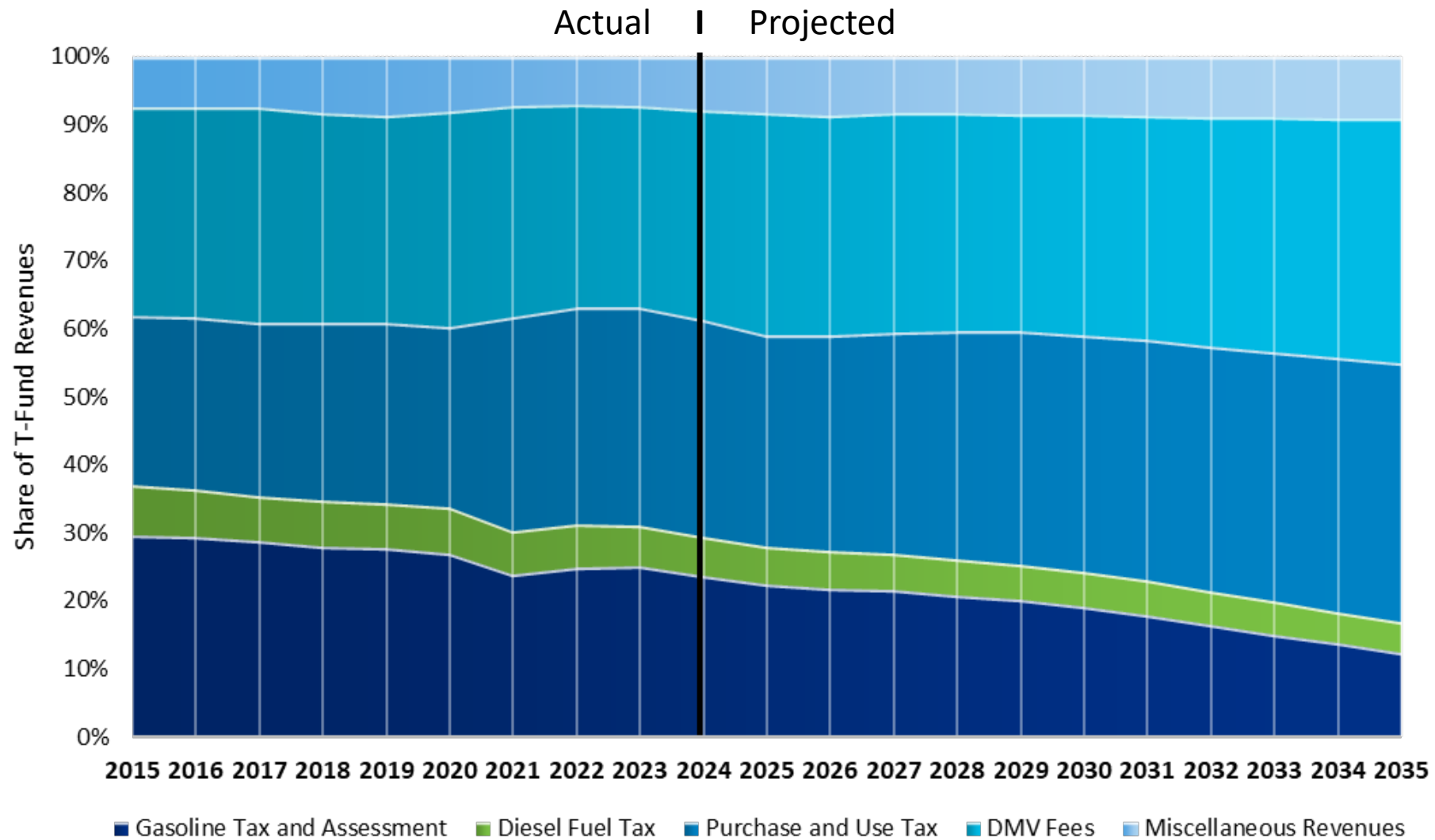
Source: July 2024, Vermont Joint Fiscal Office

# Current Sources of Funding

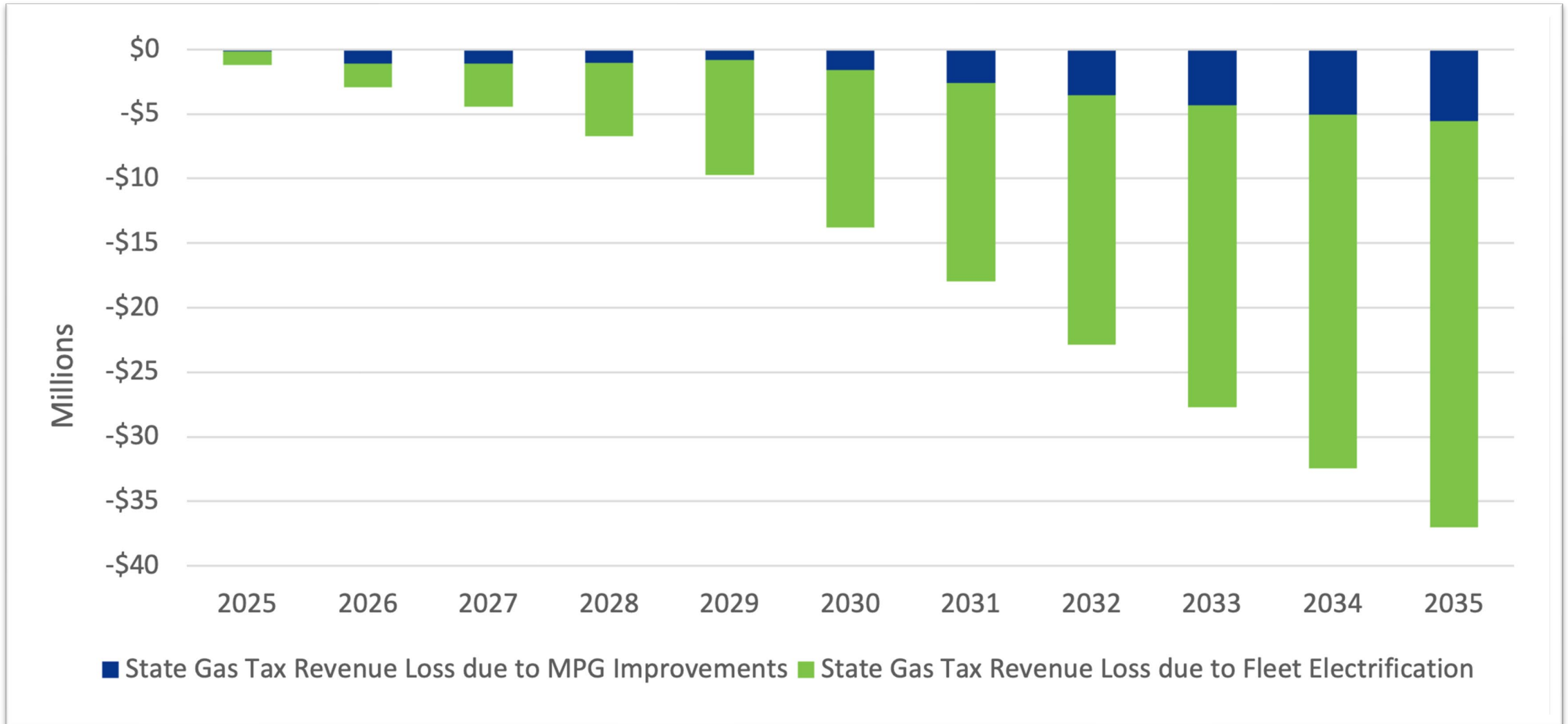
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- **Fuel Taxes:** Vermont levies fixed and variable gas and diesel taxes, including assessments based on retail fuel prices, with revenues supporting the Transportation Fund (T-Fund) and the Transportation Infrastructure Bond Fund (TIB Fund).
- **Vehicle 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

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**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



# Potential Revenues

## Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

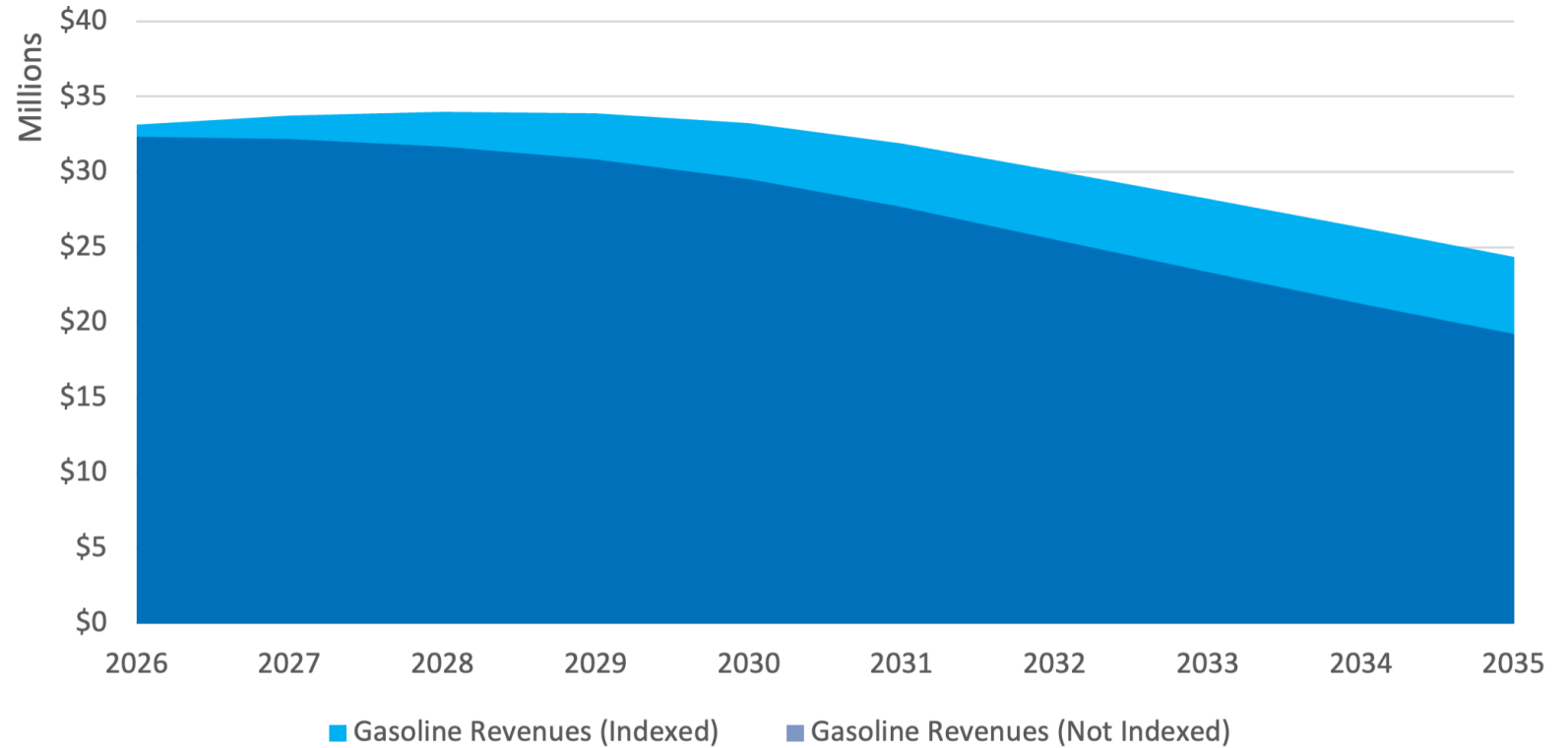
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

# Gas Tax Indexing



# Diesel Tax Indexing

## Potential Revenues

Gas Tax Indexing

**Diesel Tax Indexing**

MBUF for Light-Duty

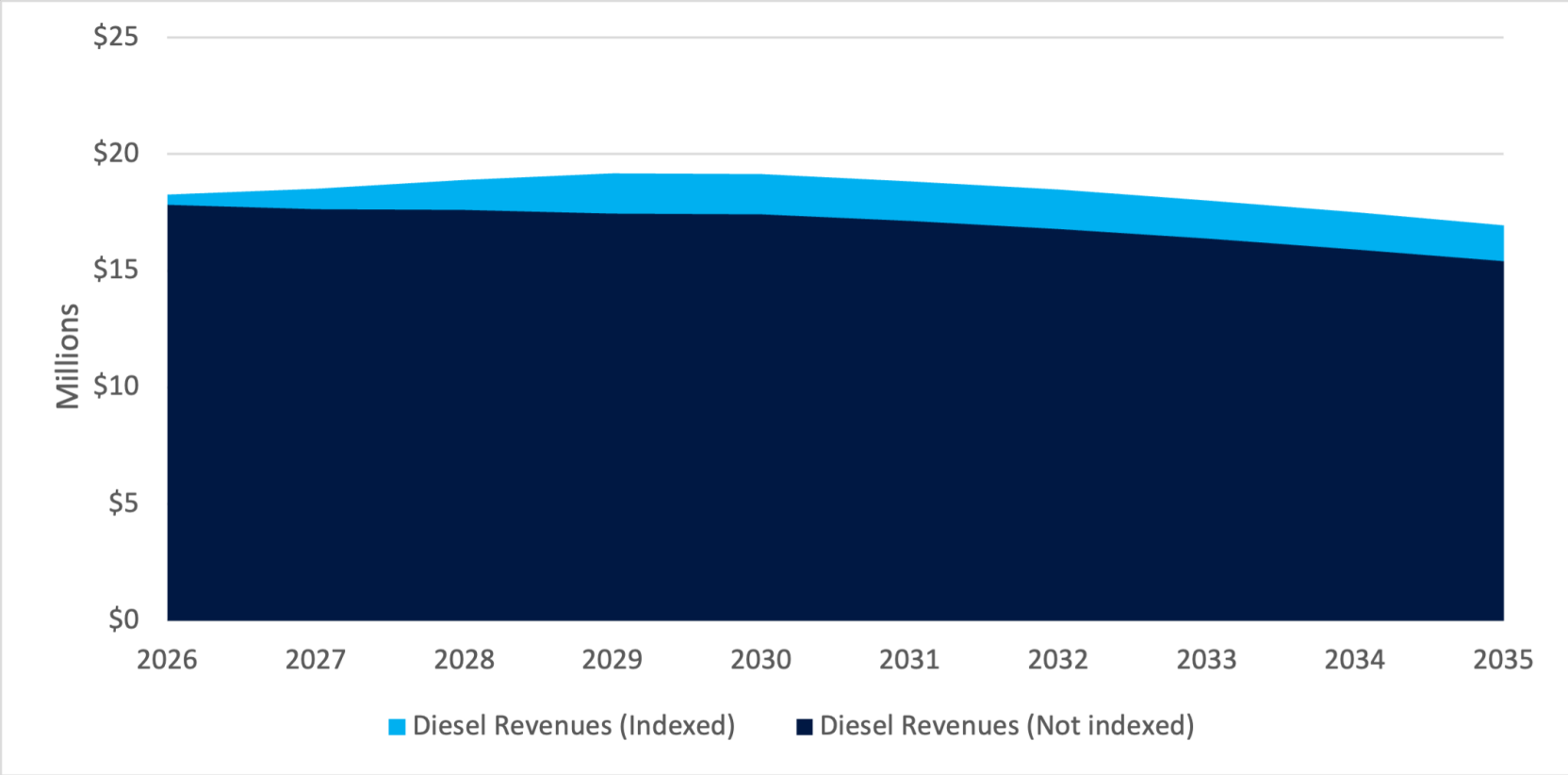
MBUF for Medium- and Heavy-Duty

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 EVs**

MBUF for Medium- and Heavy-Duty

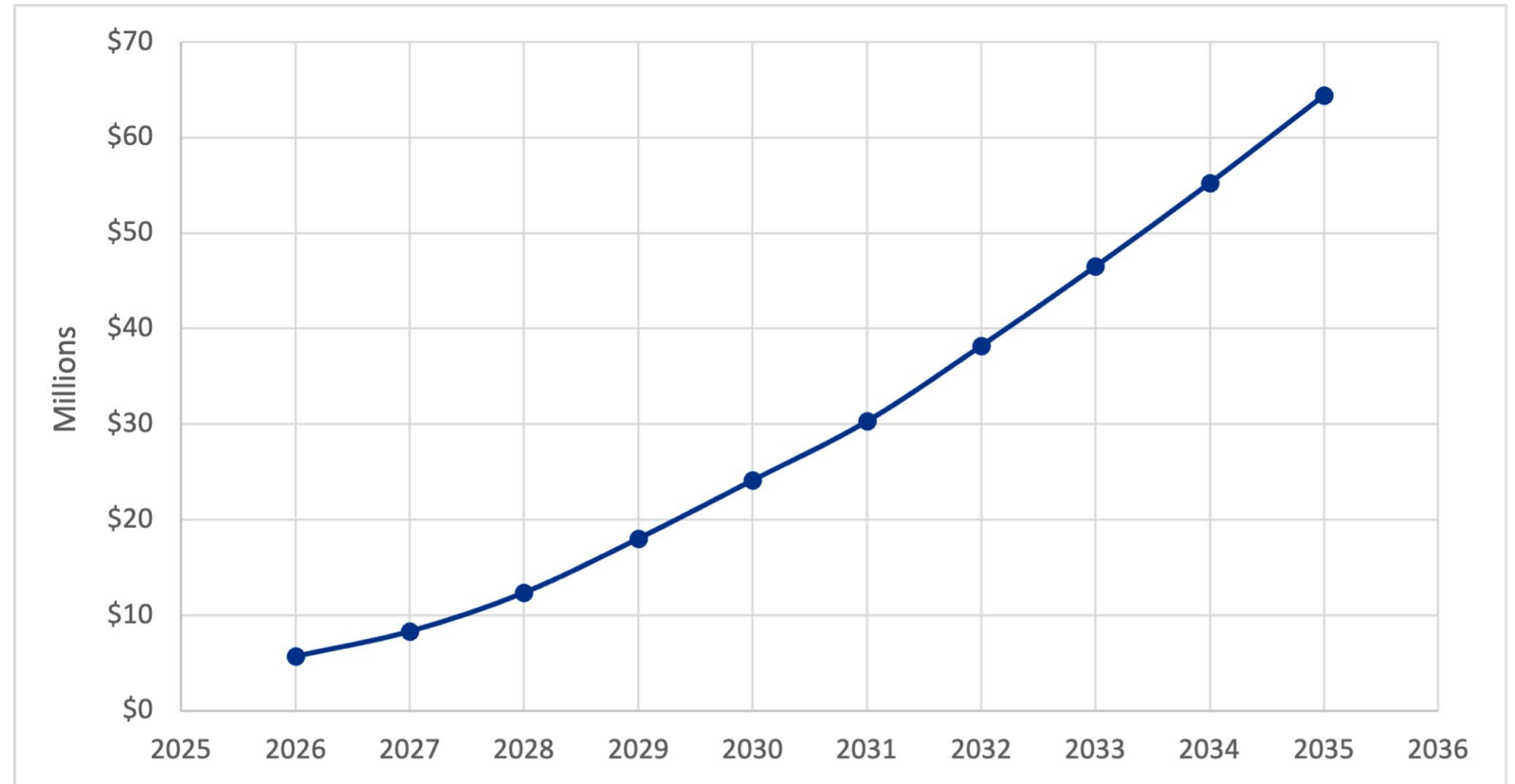
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

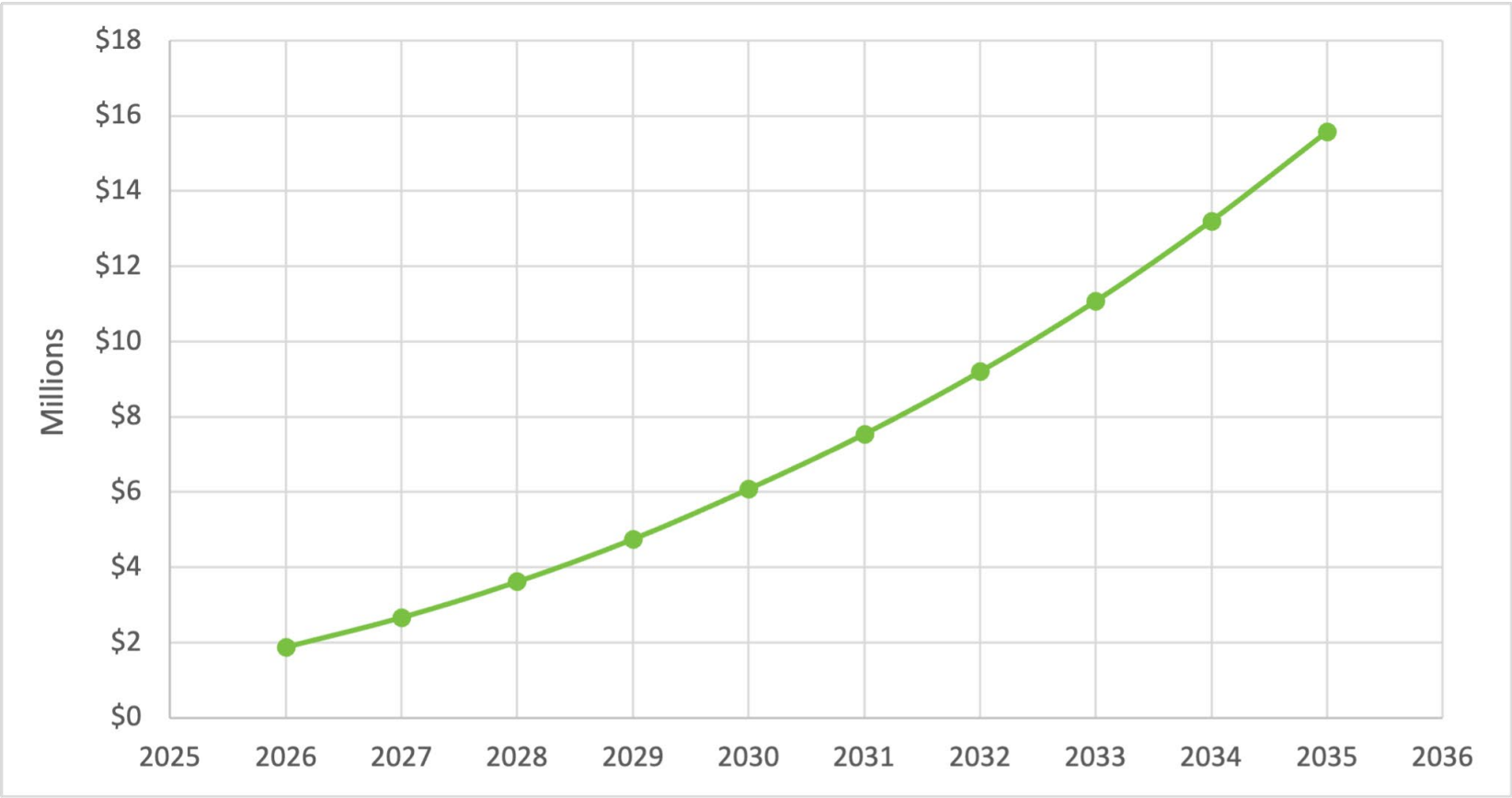
# MBUF for Light-Duty EVs



# 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

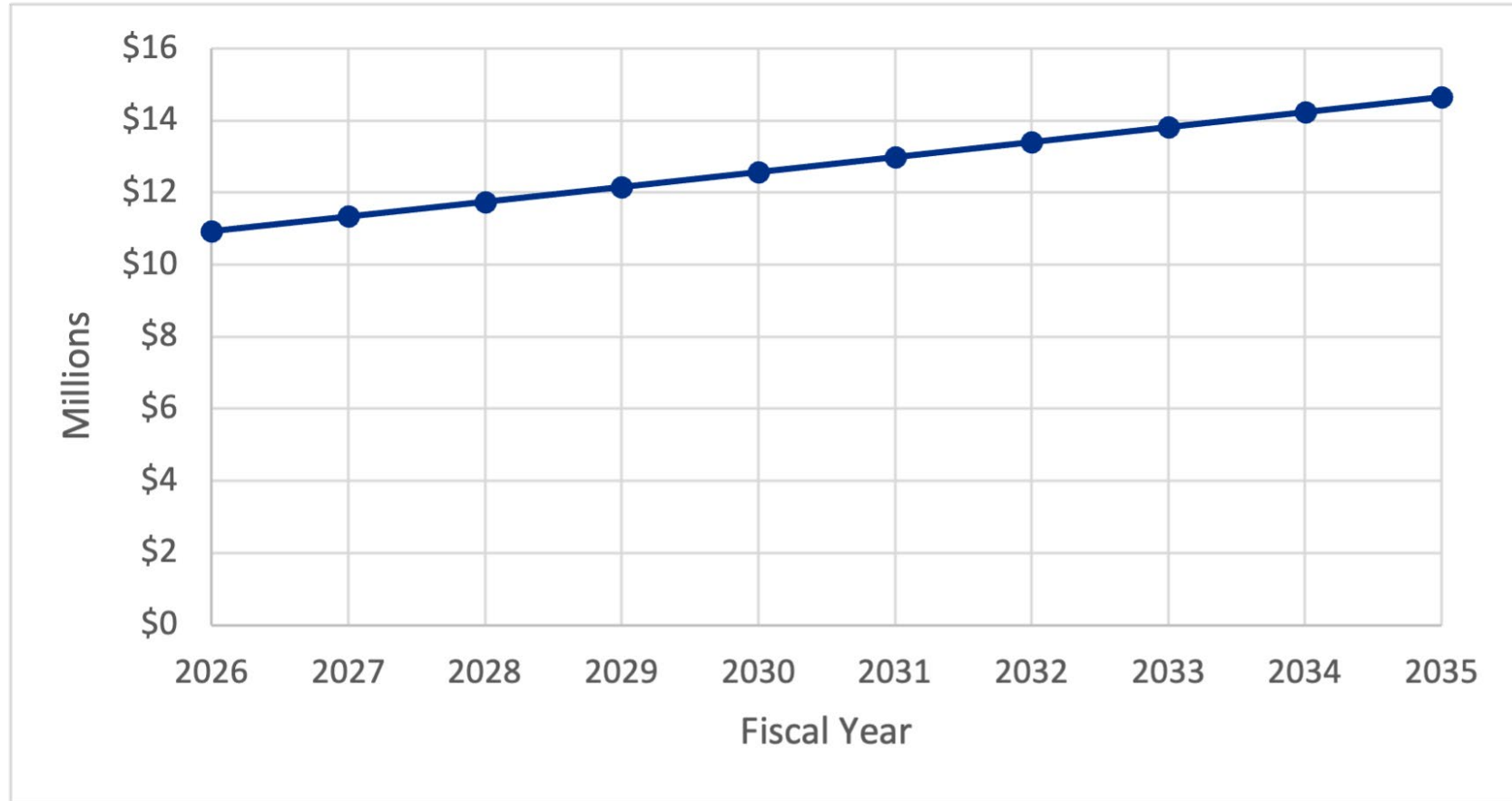
## **Retail Delivery Fees**

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

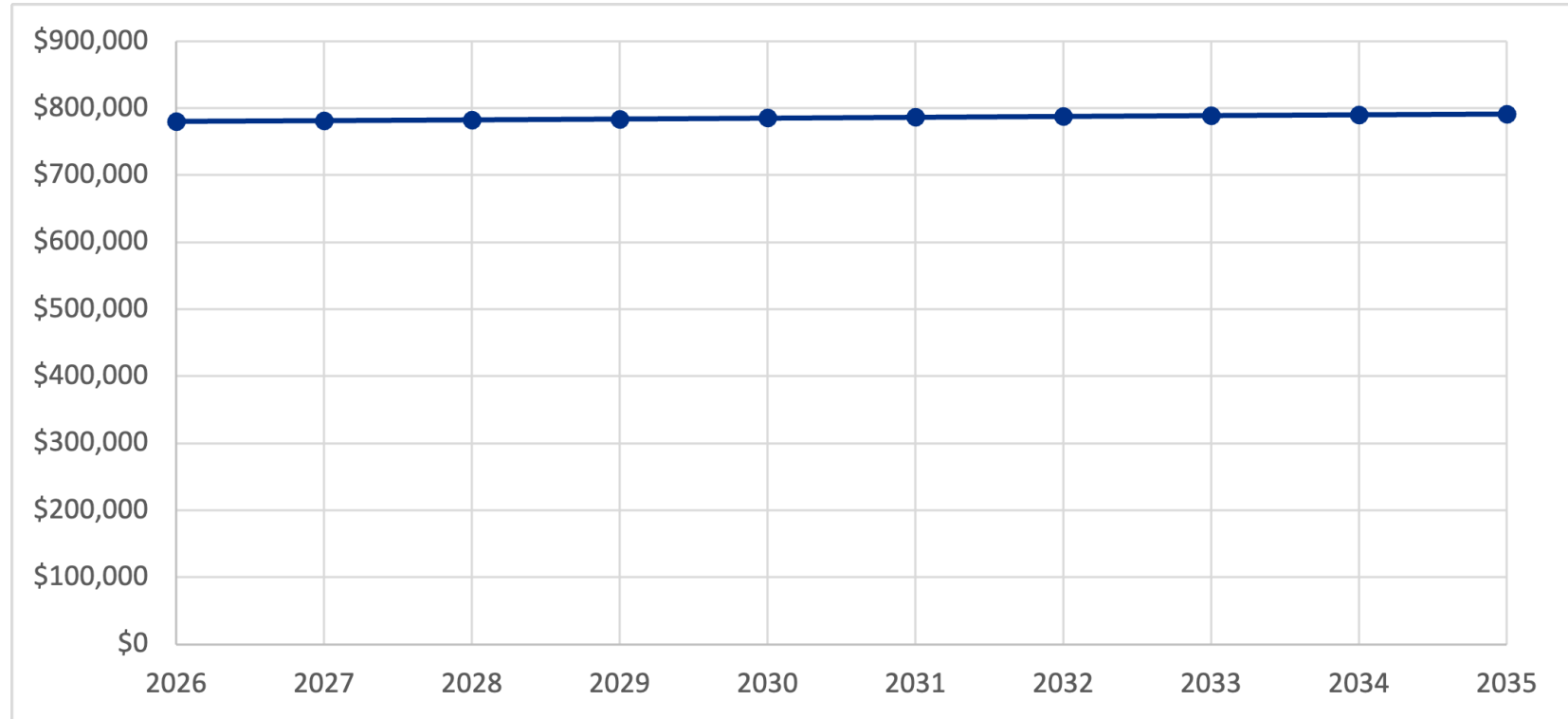
MBUF for Medium- and Heavy-Duty

Retail Delivery Fees

**Transportation Network  
Company Fees**

MPG-based Registration Fees

Tire Fees

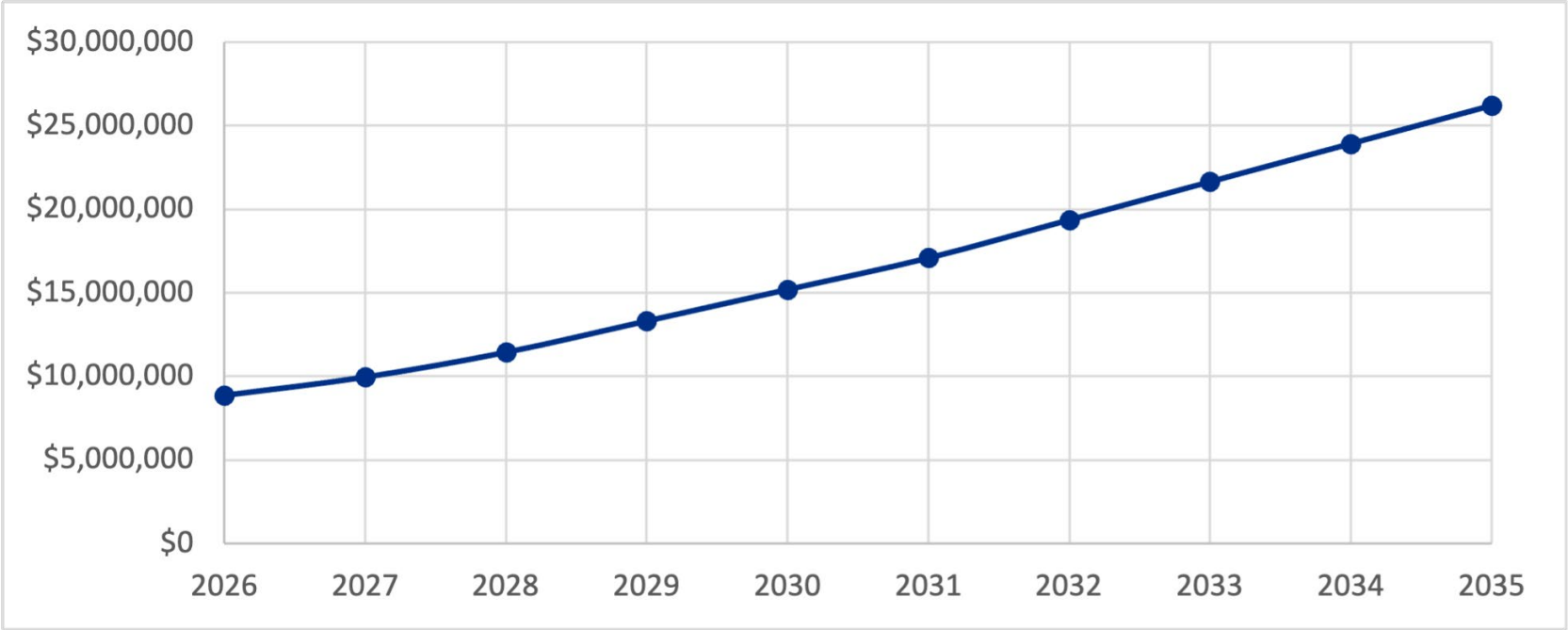




# MPG-based Registration Fees

## 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

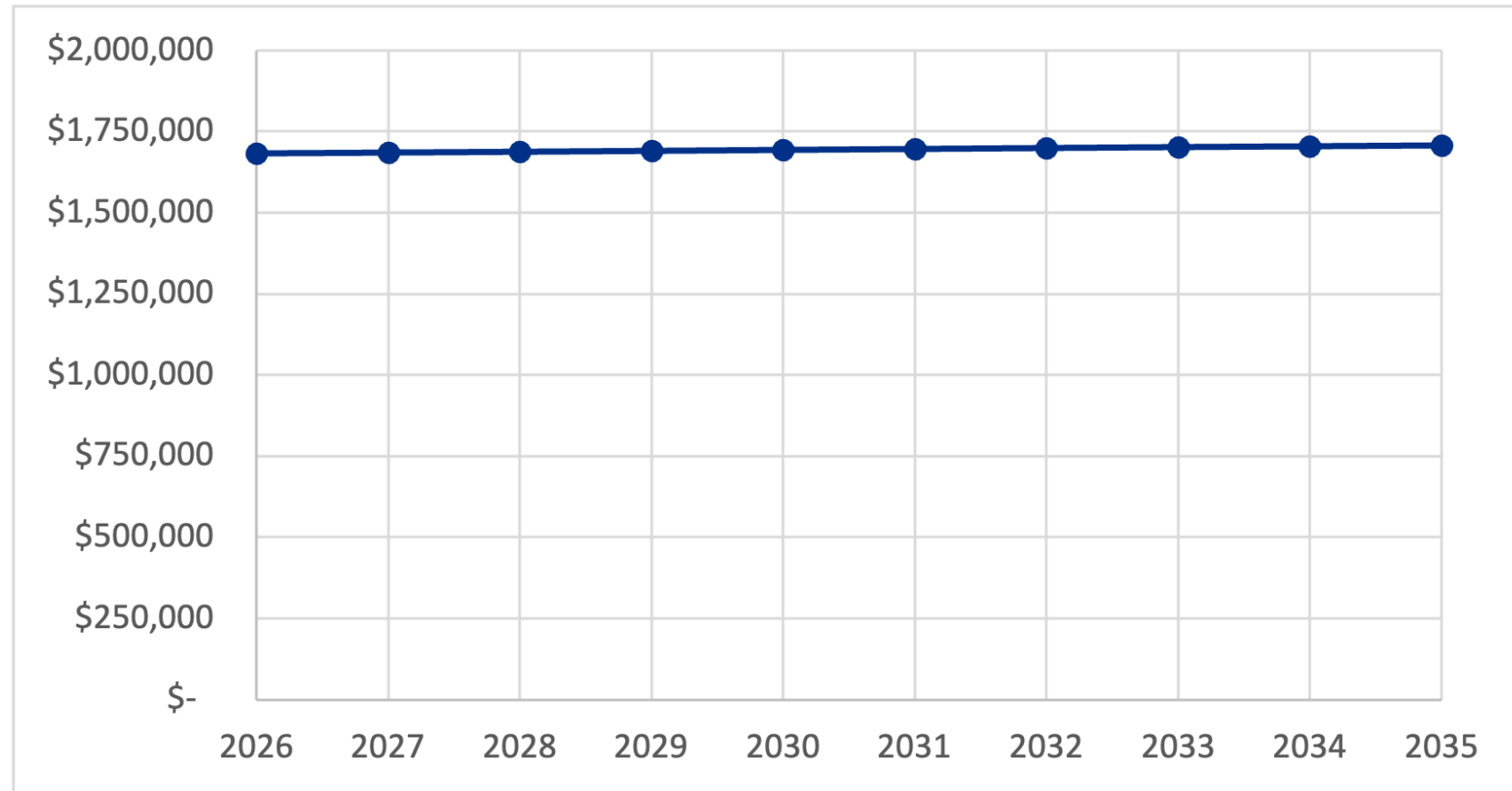
Retail Delivery Fees

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

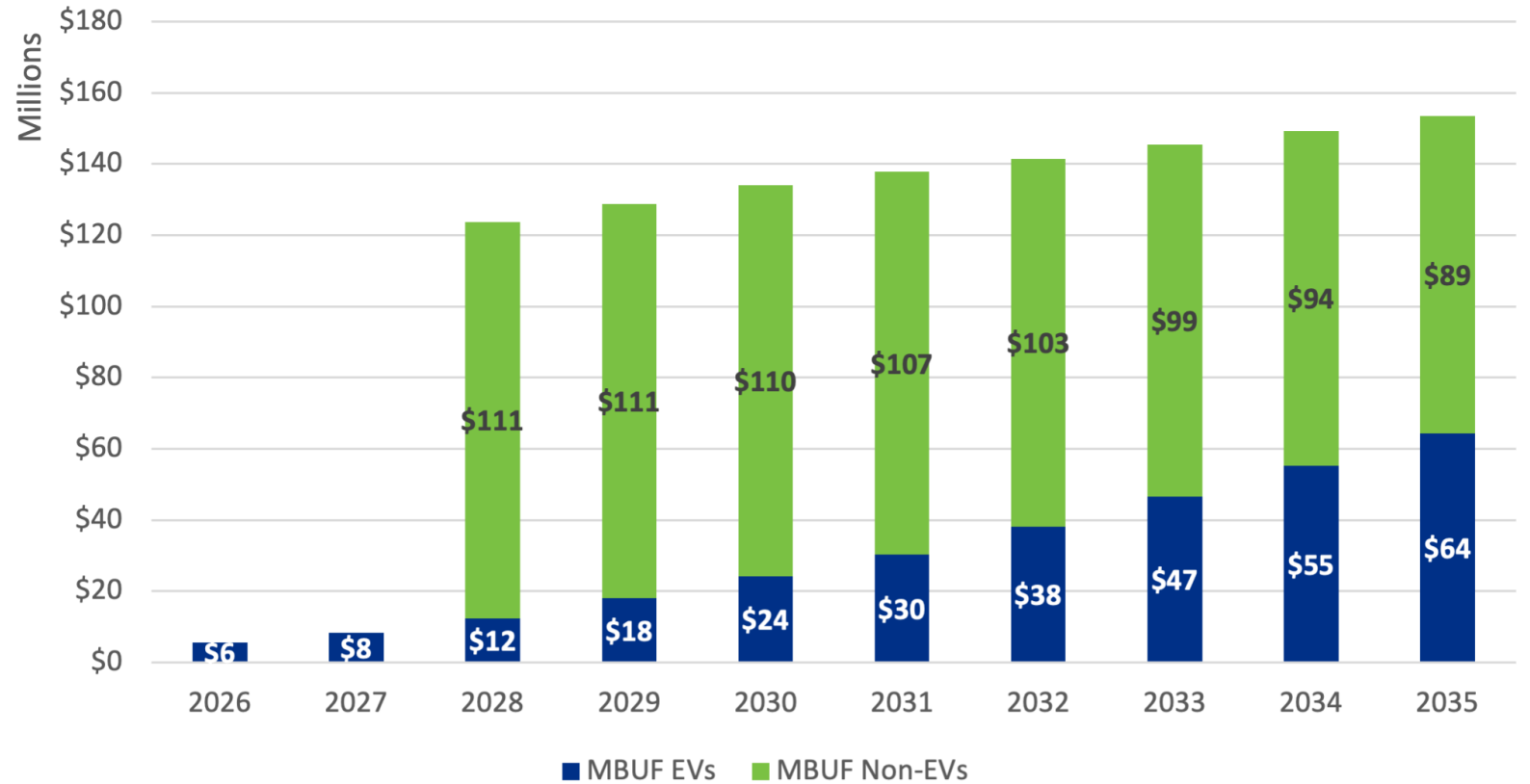
Retail Delivery Fees

Transportation Network Company Fees

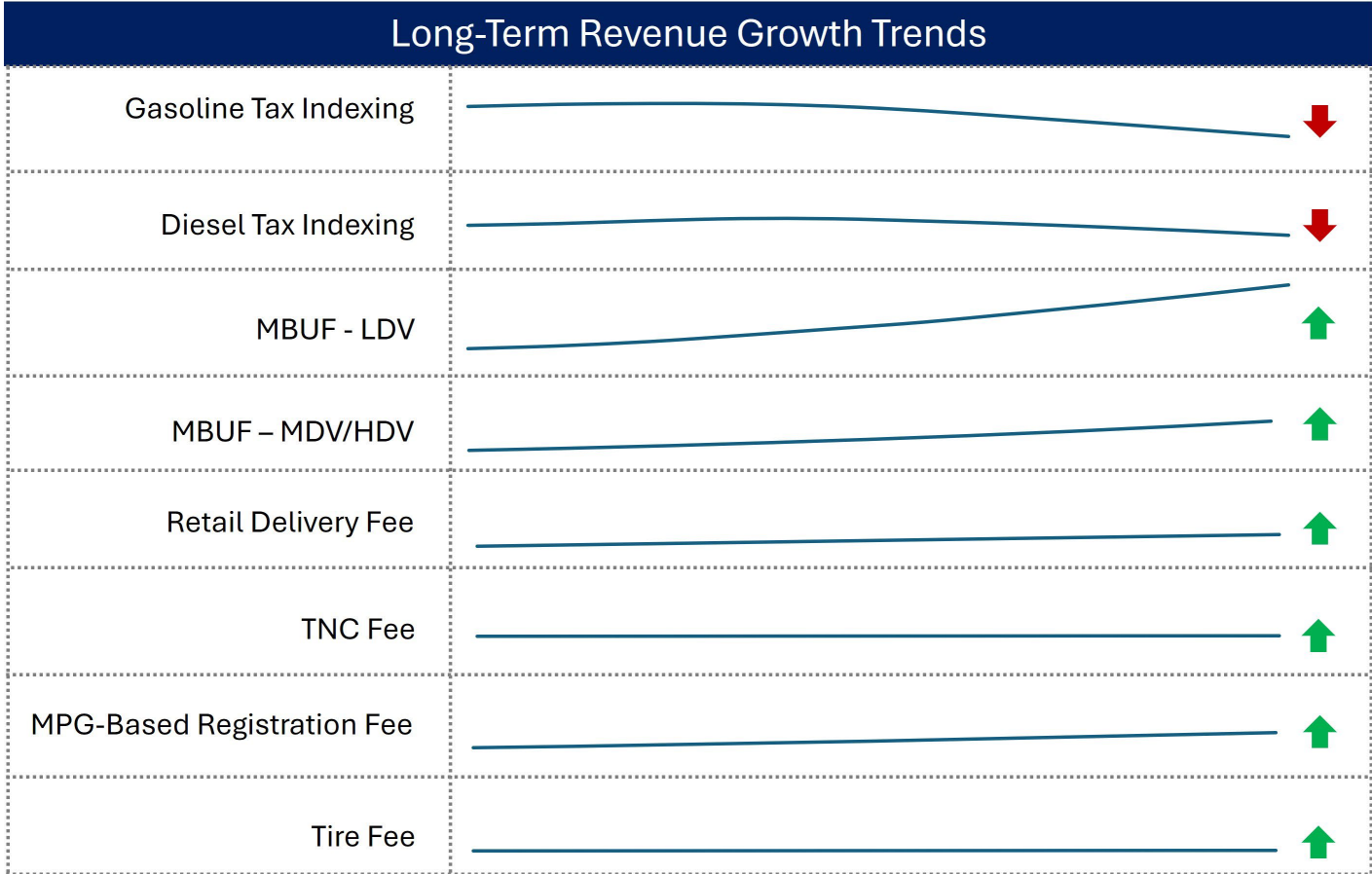
MPG-based Registration Fees

Tire Fees

# MBUF for All Light-Duty



# Potential Revenue Generation Trends (10-year)



# Contact

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