

Summary

Vermont's public transit providers, working with their state agency partners VTrans and DVHA, are facing significant challenges as SFY 2026 approaches. An already tenuous fiscal outlook has the potential to be catastrophic if federal funding cuts being discussed in Congress are enacted. A cut of up to 29% in Medicaid funding would leave a \$2.9 million gap in the Non-Emergency Medical Transportation program, which would have significant impacts on riders and the transit providers.

This brief document proposes initiatives for the Legislature to consider, including the following:

- Expand pool of volunteer drivers
 - Reduce barriers to sharing of transportation resources
 - Fund additional volunteer coordinators
 - Include check box on DMV forms
 - Establish statewide community driver program
- Investigate mobile dialysis units
- Investigate mobile SUD treatment
- Establish a Public Transit Mobility Special Fund

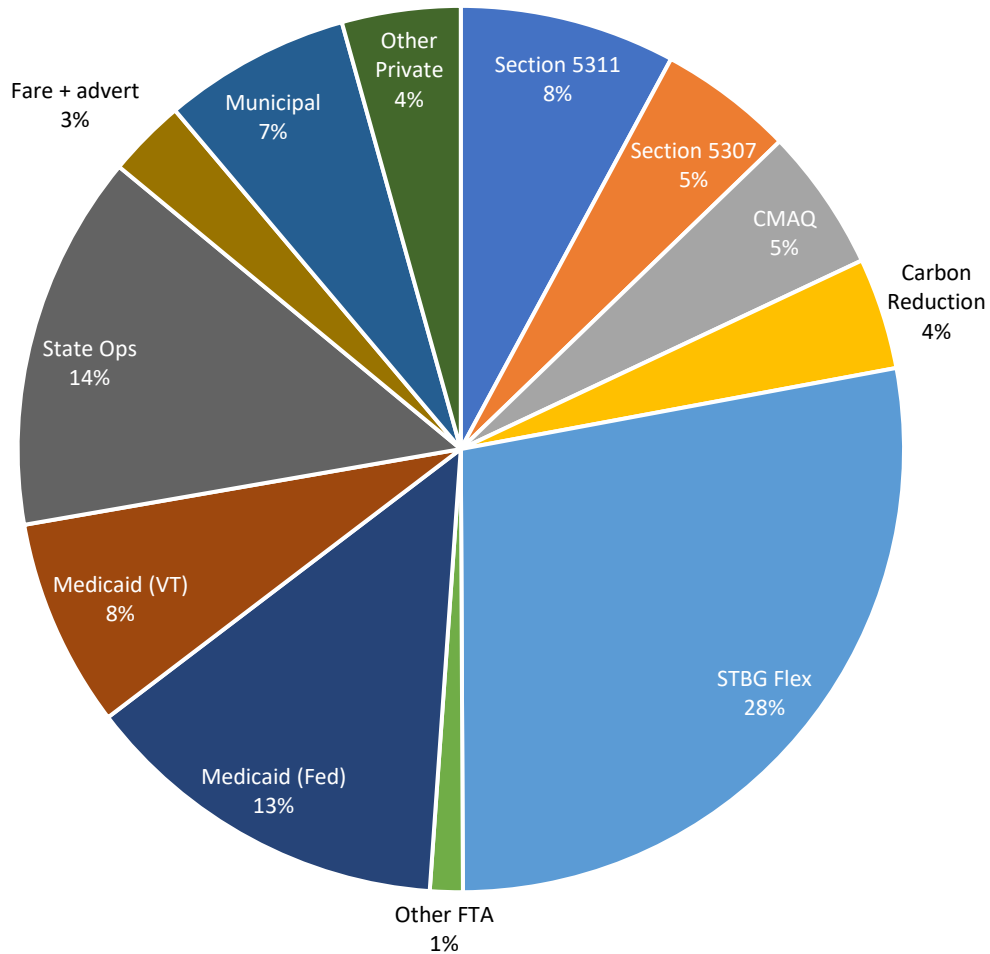
Potential Medicaid Changes

The newest and most worrisome threat to public transit in Vermont is the possibility that the federal government will enact significant cuts to the Medicaid program. The number most often mentioned as an upper bound is a cut of \$88 billion per year (\$880 billion over 10 years), which represents 29% of the Medicaid spending per resident. For SFY 2025, the Vermont Medicaid transportation budget was \$15.6 million, of which 64% was federal money and 36% was state money. Reducing the federal share of Medicaid by 29% would leave a gap of approximately \$2.9 million (assuming the current state funds in the program would not drop). If that much state money were used to backfill a loss of federal Medicaid funds, then state funds would make up roughly 55% of the total Medicaid transportation program. If that were the case, Vermont would qualify for the rules under the “administrative” rate, which are less burdensome than those under the “medical services” rate, and the requirement to use a PMPW formula would no longer apply.

Federal Funding

The table below, and the chart that follows, show how dependent the public transit program in Vermont is on federal funding for operations. Overall, federal funds (including Medicaid) comprise about 65% of the total transit operating budget.

Federal Program	FY2025 Amt.	State Program	FY2025 Amt.	Local/Other	FY2025 Amt.
Section 5311 (Rural formula)	\$5,804,603	Operations	\$10,125,000	Fare + advert.	\$2,108,154
Section 5307 (Urban formula)	\$3,625,957			Municipal	\$5,035,049
Congestion Mitigation/Air Quality	\$3,850,000			Other Private	\$3,191,903
Carbon Reduction	\$3,000,000				
Surface Transportation Block Grant	\$20,547,902				
Other FTA	\$881,619				
Medicaid (Federal)	\$9,984,000	Medicaid (VT)	\$5,616,000		
Total	\$47,694,081		\$15,741,000		\$10,335,107



Short-term Solutions

This section proposes specific solutions for the Vermont Legislature to consider in the 2025 session to assist the transit providers in reducing the cost of service and insuring against the loss of federal funds.

Expand the Pool of Volunteer Drivers

The following actions will work to increase the availability of volunteer drivers and other low-cost transportation resources.

Reduce Barriers to Sharing of Transportation Resources

At present, various state agencies have different requirements for background checks for volunteers and different policies for variances regarding past offenses on a volunteer's record. VPTA proposes two changes to the current legal framework:

1. A variance that allows staff members that have passed any state agency's current background checks to be eligible to provide O&D or Medicaid-funded transportation. While this policy will not increase a transit provider's pool of volunteers, it will effectively expand the pool of drivers who can operate service within the O&D and Medicaid programs.
2. Allow variance requests after ten years or even seven years, depending on the severity and circumstances of the offense, to be reviewed by the funding program. Presently a volunteer may be disqualified from driving under the O&D or Medicaid program because of some criminal offense from 30 years ago. More flexibility is in order to allow for more volunteers without compromising the safety of passengers.

Fund Additional Volunteer Coordinators

The rural transit providers who are most successful at recruiting and retaining volunteer drivers have staff members who are dedicated to this purpose. Hiring additional staff members at agencies without current volunteer coordinators will cost some money, but should more than pay for itself with a greater supply of volunteers, and thus a lower average cost per trip of service.

Include Check Box on DMV Forms

A recommendation in the 2020 Public Transit Policy Plan was to alter license and/or vehicle registration forms at the Department of Motor Vehicles to include a check box allowing people to request more information or an initial contact about becoming a volunteer driver. In spite of marketing campaigns undertaken by many of the state's transit providers, many Vermonters are unaware of the program. This check box, making it easy to identify new potential volunteers, could result in dozens, if not hundreds of new participants in the program. There would be only minimal costs to this initiative, including changing the forms, altering the databases to include this field, and establishing a communication channel for the DMV to provide names and contact information either to VTrans, VPTA or directly to the regional transit provider.

Statewide Community Driver Program

Volunteer drivers receive no compensation for their service, other than a reimbursement for the miles they drive at the approved federal rate (currently 70 cents per mile). A "community driver" would function similar to a volunteer driver, but would receive an hourly stipend for their labor. They could use either their personal vehicle (similar to an Uber driver) or a community car, as described above. This driver would likely be a contractor to the transit provider, rather than an employee. The 2025 Public Transit Policy Plan (in progress) will examine this issue further.

Longer-term Solutions

VPTA is also proposing several concepts for legislative consideration that would improve the fiscal sustainability of public transit in the longer term. Not all of these would require new legislation, but many do entail greater coordination between the transportation and healthcare sectors.

Investigate Mobile Dialysis Units

Kidney dialysis is an essential treatment for many older adults with renal disease, requiring three trips per week to a dialysis center. These trips often entail long distances as the nearest dialysis center to a patient may have no available slots. They also typically involve long waits for the volunteer driver and can be exhausting for the patient.

Instead of forcing patients to make long trips to a dialysis center, the state's healthcare providers should investigate acquiring mobile dialysis units. With the dialysis equipment installed in a van, such as described [here](#), the treatment is brought to the patient, eliminating the cost for the transit provider and making the treatment much easier on the patient. Initial funding would be needed to acquire the mobile units, but they should result in substantial savings over time, as well as better service for dialysis patients.

Investigate Mobile SUD Treatment

In 2024, about 38% of all Medicaid transportation trips involved carrying people to and from opioid treatment centers, amounting to some 112,796 trips during the year. In some communities, such as Barton Village, Orleans and North Troy, several people suffering from Substance Use Disorder live in close proximity to each other. While transit providers make efforts to group these trips together, it is not always possible and vans and cars often make multiple trips from one neighborhood to a distant treatment center every day.

In theory, it should be possible to transport a doctor with medications to the patients, rather than transporting all of the patients to the clinic. A single trip could substitute for multiple trips. There would need to be provisions for security, given that a vehicle full of methadone or suboxone could be an inviting target. This concept requires more study and would need medical providers willing to participate in such a program as well as an investment in secure vans to carry out the treatment.

Study Travel Patterns of High Frequency Riders and Devise Solutions

A related concept is to devise other strategies to serve the needs of high frequency riders. Among all of the trips to opioid treatment centers, 79% are taken by riders who make at least 10 trips per month. Among the nearly 49,000 trips to adult day centers, 87% are taken by riders who make at least 10 trips per month. Transit providers already make efforts to group trips, but additional study could reveal ways to achieve better efficiency and reduce cost.

Require Consolidation Actions to Account for Transportation Costs

The section below on burdens on public transit discussed how state initiatives to consolidate healthcare facilities and/or school districts could result in increased transportation costs. The Legislature could require that any actions that involve consolidation of services explicitly examine the impacts on transportation. As a further step, a portion of any savings achieved through the consolidation could be transferred to the transit program to compensate for the additional distances traveled by transit vehicles.

Invest in Staff to Pursue Philanthropy

The final suggestion is to provide additional funding to transit providers to hire staff members dedicated to fundraising and donor relations. Advance Transit has expended resources in this area

for a number of years and it has paid dividends in the amount of contributions received. This investment could take several years to bear fruit, but it should ultimately result in a more diverse and sustainable funding base.

Public Transit Funding Outlook

Several of the solutions described above will require financial support as the transit providers do not have the financial means to absorb costs required for implementation. In addition, the financial picture for the providers in the immediate future is uncertain and likely challenging.

Fiscal Cliff

The [2023 Nonfederal Match study](#) documented the origins of the fiscal cliff that is being faced by Green Mountain Transit in SFY 2026 and which all of Vermont's rural providers will face in SFY 2027. The large boost in federal spending during the pandemic forestalled for several years shortfalls in operating funding that would otherwise have occurred in 2021. The shortfall is due to a gap between the growth rate in operating costs and the growth rate in revenue. The tight labor market in the aftermath of the pandemic, and the general shortage of drivers with commercial drivers license (CDL) certification, has driven up wage costs significantly. At the same time, the administrative burden associated with demand response programs—especially Medicaid—has forced agencies to hire additional staff members. Volunteer reimbursement rates have risen each year to reach 70 cents per mile in 2025, while the availability of volunteer drivers has dropped about 25% since the onset of the pandemic, forcing agencies to use professional drivers for a higher percentage of trips, thereby raising the average cost per trip. Indeed, in just the Older Adults and Persons with Disabilities transportation program, the cost per trip has more than doubled from \$25 in 2019 to \$53 in 2024.

GMT has already implemented service cuts over the past few months and will continue with further service cuts in June 2025 and beyond. As part of the normal evaluation of route performance, VTTrans is seeking to reduce costs among all of the rural transit providers and has been working with them to eliminate some of the least productive routes, as identified in the Route Performance Report. The possibility of transferring GMT's rural service to lower-cost providers is also partly aimed at reducing costs for service provision statewide.

Increasing Burdens on Public Transit

In some cases, well-intentioned public policies can have unintended or unrecognized impacts on the public transportation system. Proposed consolidations in the healthcare sector or in education can force some people to travel longer distances to reach services that used to be nearby. Similarly, when a national pharmacy chain chooses to close a store, as happened recently in downtown Newport, patrons may need to travel much longer distances to obtain their medications. It is an inconvenience for people who drive themselves, but for someone who depends on public transit, these longer trips result in higher operating costs and the consumption of scarce resources, especially the time made available by volunteer drivers, and may result in people failing to secure the basic medical needs required to maintain their health.

The [Nonfederal Match study](#) discussed six other policies and societal trends which increase the burden on public transit, including aging in place, the opioid epidemic, and access to jobs among others. These factors and the recent initiatives for consolidation assume that public transit will be



there to get people where they need to go, without increasing the resources available to transit providers to actually serve those trips.

Potential Sources of Revenue

Numerous funding studies have considered a wide range of potential new revenue sources. The 2023 Nonfederal Match study suggested four possibilities for new revenue:

- **Retail delivery fee** – Impose new fee in recognition of damage caused to Vermont’s roads by delivery vehicles.
- **Vehicle registration fee** – Increase the fee and consider transition to an *ad valorem* fee to reduce impacts on low-income Vermonters.
- **Utility fee** – Work with Public Utility Commission to institute a fee to account for the increasing role of electric power in transportation.
- **Rental car tax** – Increase existing tax to support mobility, especially in the Burlington area.

Of these, a new **retail delivery fee** seems the most promising, since the others would raise less revenue or take longer to implement. A fee of about 38 cents per delivery would generate about \$2.9 million per year.

Public Transit Mobility Special Fund

The Legislature may consider creating a Public Transit Mobility Special Fund to avoid severe disruptions in essential travel for Vermont’s transit riders and to address specific mobility and related efforts, such as volunteer recruitment and retention efforts and other short-term or long-term solutions described above. The PTMSF would be funded through Legislative appropriations or other sources of funding directed by the Legislature, such as any new revenue source dedicated to public transit. Uses for the fund are listed below.

Replace Lost Federal Funding

The most urgent impetus for creating the fund is to provide a ready source of money to replace any federal funding that is reduced by Congress. The most imminent threat is to the Medicaid program as discussed at the beginning of this document, but there is no guarantee that FTA funding programs are immune from cuts. It may be that FTA funding is relatively secure until the end of the IIJA in 2027, but transit funding could see reductions after that. If both Medicaid and FTA funds were to be reduced, the size of the Public Transit Mobility Special Fund ~~would need to~~ could be increased commensurately.

Having a ready source of funds to replace any lost federal funds is imperative because approximately 80% of all demand-response trips in Vermont (425,000 out of 530,500) are for medical purposes (including access to adult day services). A cut of 29% in federal Medicaid funding could leave up to 60,000 riders stranded. Those who were age 60 or older, or who had a disability, could try to travel under the O&D program, but those funds are already fully utilized, and anyone shifting from Medicaid would just push another rider out of the system. Those under the age of 60, which likely includes most of the riders going to opioid treatment, would have essentially no other resource to use. The Recovery and Job Access program is just a small fraction of the size of the Medicaid program.

Support Capital Program

The Nonfederal Match study discussed the cost implications of falling behind on capital investment. Older vehicles and facilities are more expensive to maintain and less reliable, raising operating costs. If federal programs for operations are not cut, or are cut to a lesser extent than is discussed above, the Public Transit Mobility Special Fund could be used to replace old vehicles or perform facility maintenance and upgrades. Southeast Vermont Transit has been very successful in purchasing used vehicles that are still in good condition at a fraction of the cost of a new vehicle. This allows for faster fleet turnover and maintaining a better overall fleet condition. Using state funds to procure used vehicles is simpler as federal funds have many procurement rules attached.

Another initiative being pursued in the Northeast Kingdom is to procure a fleet of “community cars.” There are residents of the Kingdom who would like to be a volunteer driver but do not own a vehicle that is reliable enough or appropriate for that service. If Rural Community Transportation (RCT) had a fleet of community cars available, these drivers would be able to provide rides and thus expand the pool of volunteer drivers, reducing the average cost of service.

Expand Mobility Programs

Another potential use for money in the Fund is to expand mobility programs. The O&D program carried about 130,000 riders in SFY 2024 at a total cost of \$6.87 million. Of that cost, some 83% was federal money, flexed from the Federal Highway Administration’s Surface Transportation Block Grant. The federal share is higher than the allowed 80% because some of the local match consisted of in-kind dollars, calculated as the value of volunteers’ hours when they drive for an agency. The use of in-kind match reduces pressure on transit providers and their O&D partner agencies to produce cash match from local sources, but it ends up drawing down the federal funds more quickly. Money from the PTMSF could replace the in-kind match and thus stretch the federal dollars further, allowing for more rides to be provided.

Another potential use of the Fund is to expand Mobility for All programs in the state. Almost all existing demand response service in Vermont is restricted to eligible populations: people over the age of 60, people with disabilities, people with low enough income to qualify for Medicaid and who do not have a car available. The concept of Mobility for All is to provide subsidized demand response service to all Vermonters, serving people who otherwise “fall through the cracks.” This includes younger people with low to moderate income who need access to jobs or services but cannot drive themselves. RCT recently approved a Transit Development Plan with an ambitious vision of Mobility for All across the entire Northeast Kingdom and Lamoille County, but thus far there has been no available funding.