Transportation Funding Study

SENATE TRANSPORTATION COMMITTEE, JANUARY 17, 2025

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



2024 Transportation Bill (Act 148, Section 35)

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



Project Initiation Stakeholder involvement

Needs and
Evaluation of
Transportation
Funding and
Revenue
Initiatives

Options for addressing funding and revenue issues

Final Report



- Funding examples/studies to evaluate
- Funding mechanisms& prioritization
- Composition of stakeholder groups
- Financial analysis
- Guiding principles and their application

6 stakeholder interviews

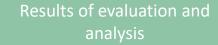
evaluation & analysis
of transportation
funding issues and
identification of
sustainable alternative
revenue mechanisms
to support needs over
next 10 years

Develop options for addressing transportation funding and revenue issues which address components of Task 3









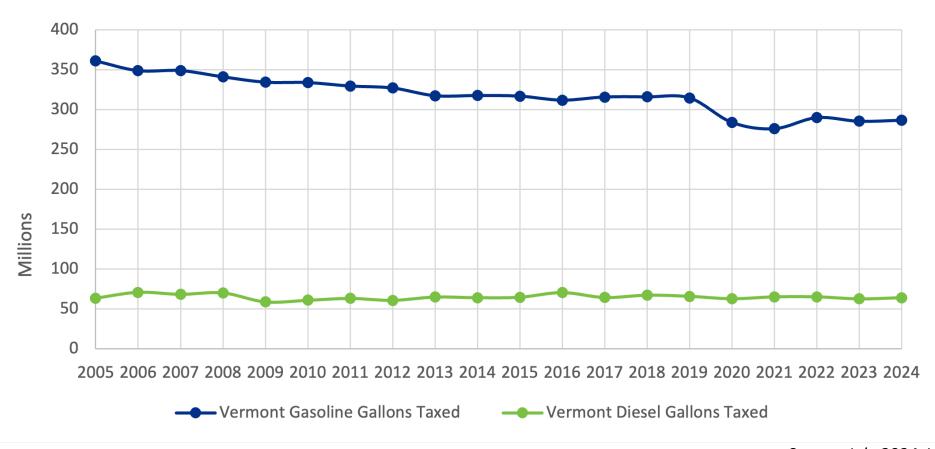
Report on transportation funding options



	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Pavement Needs (NHS and Non-NHS)	\$198.5	\$208.4	\$218.8	\$229.7	\$241.2	\$253.3	\$265.9	\$279.2	\$293.2	\$307.9
Bridge Needs (NHS and Non-NHS) (Includes Long Town										
Bridges)	\$187.4	\$196.8	\$206.6	\$217.0	\$227.8	\$239.2	\$251.2	\$263.7	\$276.9	\$290.8
Rail	\$51.8	\$52.7	\$53.7	\$54.7	\$57.7	\$58.8	\$59.9	\$61.1	\$62.3	\$63.6
Roadway Reconstruction/Improvements	\$82.7	\$86.8	\$91.2	\$95.7	\$100.5	\$105.5	\$110.8	\$116.4	\$122.2	\$128.3
Safety and Traffic Operations	\$59.5	\$62.5	\$65.6	\$68.9	\$72.4	\$76.0	\$79.8	\$83.8	\$88.0	\$92.4
Aviation	\$13.0	\$18.9	\$25.9	\$39.2	\$16.4	\$29.0	\$29.6	\$26.3	\$29.7	\$30.0
Public Transit	\$58.5	\$59.1	\$60.2	\$58.6	\$58.4	\$57.1	\$58.7	\$59.7	\$60.3	\$61.5
Bike and Pedestrian	\$21.7	\$13.2	\$13.2	\$15.4	\$16.3	\$15.0	\$15.4	\$16.0	\$16.2	\$16.1
Transportation Alternatives	\$3.4	\$4.9	\$5.0	\$4.9	\$4.8	\$5.1	\$5.2	\$5.3	\$5.3	\$5.5
Park and Ride	\$1.2	\$2.5	\$2.5	\$2.0	\$2.1	\$2.4	\$2.3	\$2.3	\$2.3	\$2.4
Maintenance and Buildings	\$114.1	\$114.9	\$117.8	\$123.7	\$129.9	\$136.4	\$143.2	\$150.4	\$157.9	\$165.8
Environmental Policy and Sustainability	\$30.4	\$20.5	\$1.0	\$1.0	\$1.0	\$1.1	\$1.1	\$1.1	\$1.2	\$1.2
Central Garage	\$24.1	\$24.7	\$25.4	\$26.1	\$26.9	\$27.7	\$28.5	\$29.4	\$30.3	\$31.2
Policy and Planning	\$14.5	\$14.9	\$15.4	\$15.8	\$16.3	\$16.8	\$17.3	\$17.8	\$18.3	\$18.9
Rest Area	\$2.3	\$1.9	\$1.9	\$2.0	-	\$2.0	\$2.1	\$2.1	\$2.1	\$2.2
Finance and Administration	\$25.5	\$26.6	\$27.6	\$28.7	\$29.9	\$31.1	\$32.3	\$33.6	\$35.0	\$36.4
Town Highway Programs	\$47.5	\$48.4	\$49.4	\$50.3	\$51.3	\$52.3	\$53.4	\$54.5	\$55.6	\$56.8
Program Development Administration	\$34.6	\$35.4	\$36.3	\$37.4	\$38.5	\$39.7	\$40.9	\$42.1	\$43.4	\$44.7
DMV	\$49.3	\$50.4	\$51.8	\$53.0	\$51.8	\$54.1	\$55.7	\$57.4	\$59.1	\$60.8
Total Needs	\$1,020.1	\$1,043.6	\$1,069.2	\$1,124.3	\$1,145.5	\$1,202.6	\$1,253.5	\$1,302.1	\$1,359.3	\$1,416.2
Estimated Funding Gap	(\$316.8)	(\$379.0)	(\$392.5)	(\$436.2)	(\$449.0)	(\$498.5)	(\$541.8)	(\$582.6)	(\$631.7)	(\$680.2)
(Needs – Revenues in \$ millions)										

Estimated Transportation Program Needs and Gaps

Historical Gallons of Fuel Taxed in VT



Source: July 2024, Vermont Joint Fiscal Office

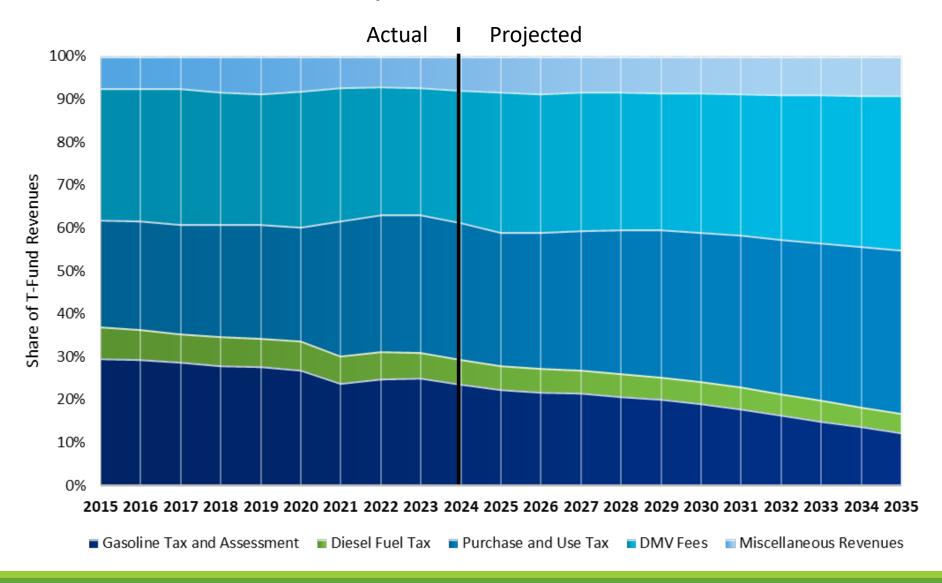


Current Sources of Funding

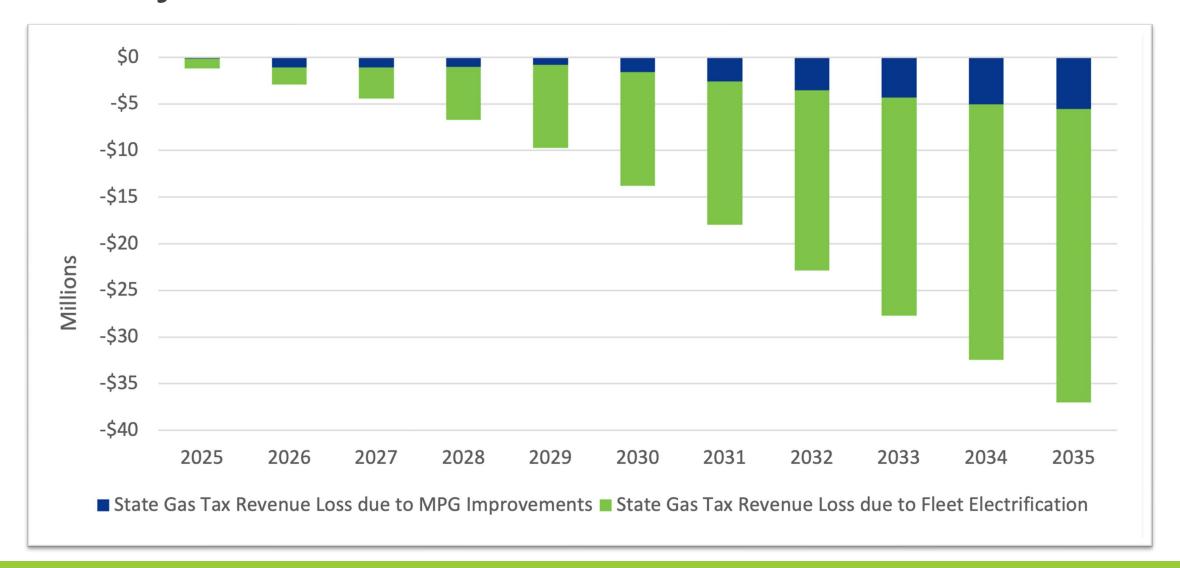
- **Fuel Taxes:** Vermont levies fixed and variable gas and diesel taxes, including assessments based on retail fuel prices, with revenues supporting the Transportation Fund (T-Fund) and the Transportation Infrastructure Bond Fund (TIB Fund).
- Vehicle Purchase & Use Tax: A 6% tax on new and registered 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

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



Evaluating Measures for Alignment with Guiding Principles

•	Mechanism is capable of strong alignment with guiding principle
•	Mechanism is capable of some alignment with guiding principle
•	Mechanism is poorly capable of alignment with guiding principle

Revenue Mechanisms	Revenue Potential	Revenue Sustainability	Revenue Flexibility	Appropriateness for State-level Implementation	Ease/Cost of Implementation, Administration & Enforcement	Promotion of Efficient Use	Consistency with State Climate and Other Transportation- related Goals & Policies	User and Beneficiary Equity	Equity Across Income Groups	Geographic Equity
Gasoline Tax Indexing			•	•	•		•		•	•
Diesel Tax Indexing	•	•	•	•	•	•	•	•	•	
Mileage-Based User Fees: Light Duty Vehicles	•	•	•	•	•	•	•	•	•	•
Mileage-Based User Fees: Medium and Heavy-Duty Vehicles	•	•	•	•	•	•	•	•	•	•
Retail Delivery Fees	•	•	•	•	•	•	•		•	•
Transportation Network Company Fees	•	•	•	•	•	•	•	•	•	•
MPG-Based Registration Fee				•	•	•	•		•	
Tire Fees				•			•			

Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

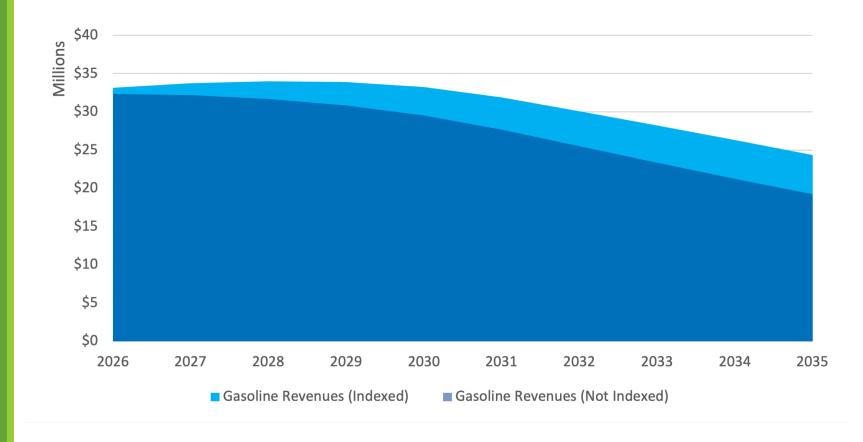
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

Gas Tax Indexing



Gas Tax Indexing

Diesel Tax Indexing

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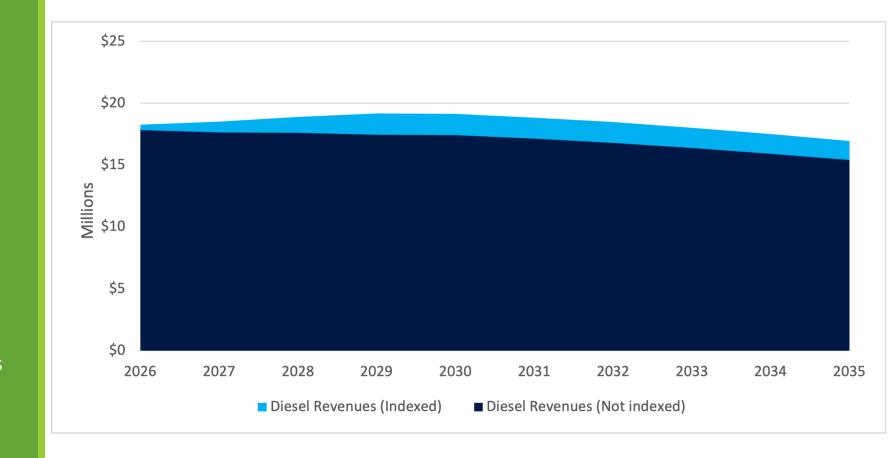
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

Diesel Tax Indexing



Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty EVs

MBUF for Medium- and Heavy-Duty

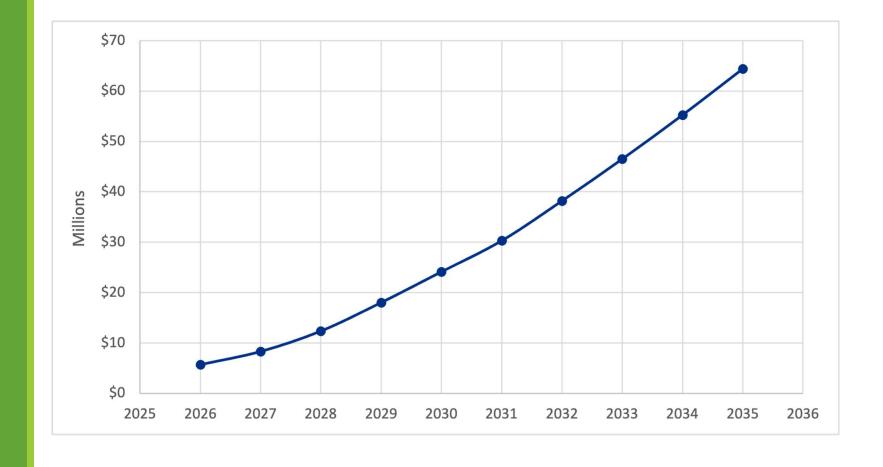
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

MBUF for Light-Duty EVs



Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

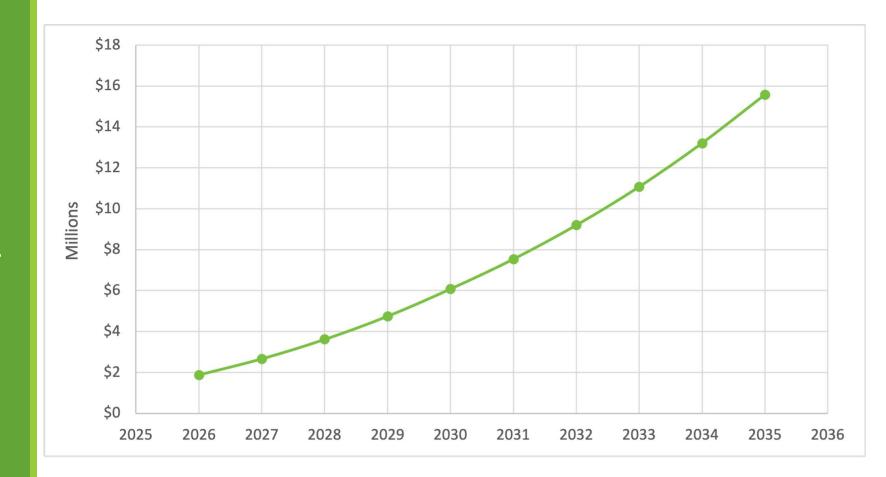
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

MBUF for Mediumand Heavy-Duty EVs



Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

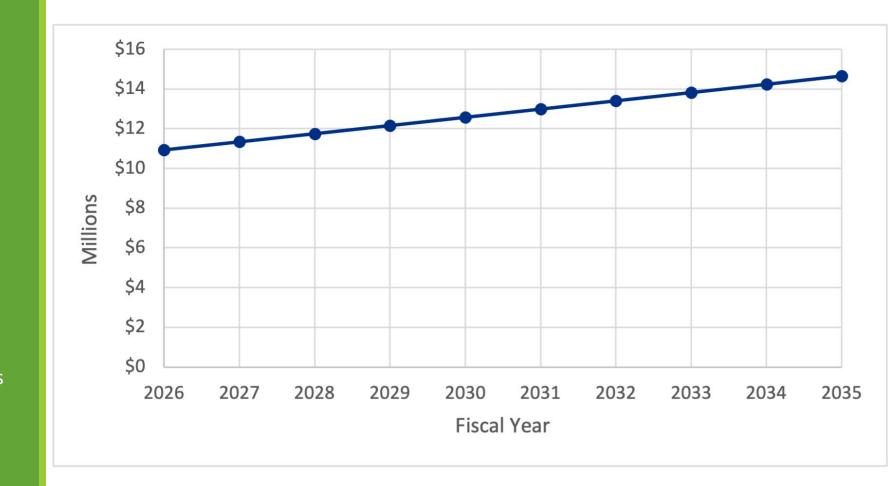
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

Retail Delivery Fees



Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

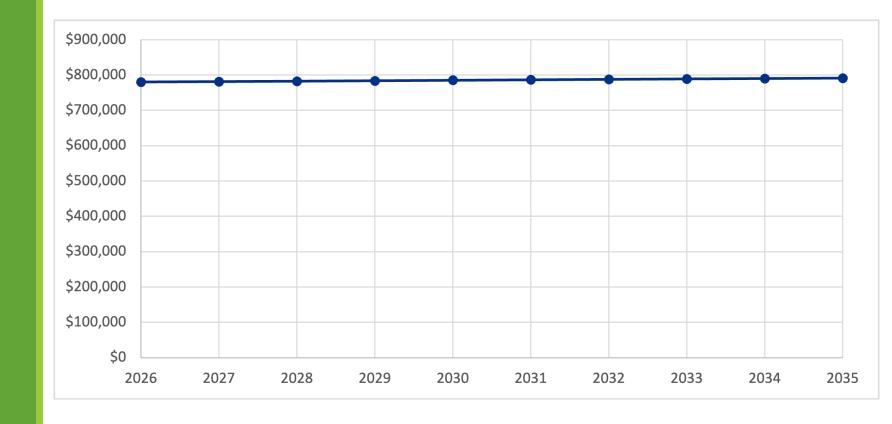
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

TNC (Ridehailing) Fees



Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

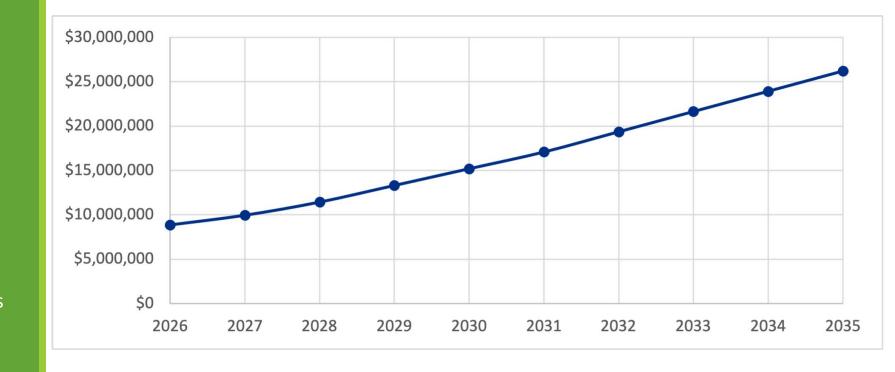
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

MPG-based Registration Fees



Gas Tax Indexing

Diesel Tax Indexing

MBUF for Light-Duty

MBUF for Medium- and Heavy-Duty

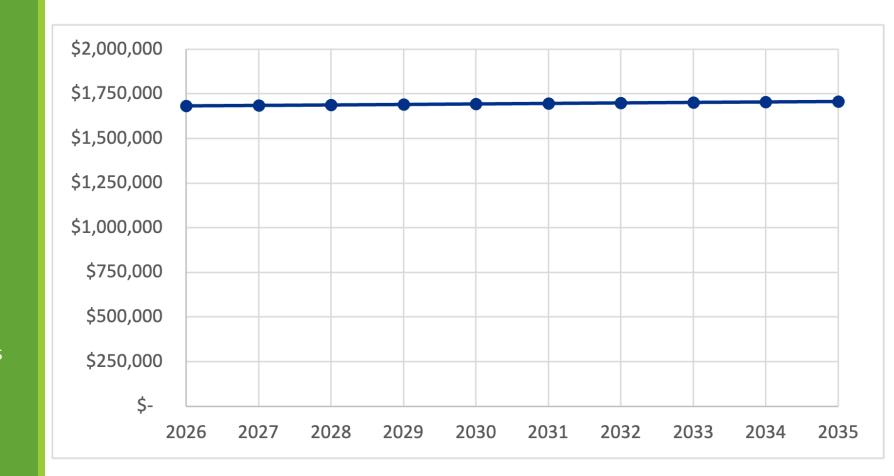
Retail Delivery Fees

Transportation Network Company Fees

MPG-based Registration Fees

Tire Fees

Tire Fees



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)

Long-Term Revenue Growth Trends				
Gasoline Tax Indexing				
Diesel Tax Indexing				
MBUF - LDV				
MBUF – MDV/HDV				
Retail Delivery Fee				
TNC Fee				
MPG-Based Registration Fee				
Tire Fee	♠			



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