

Fiscal Year 2027 Transportation Fund Challenges



Overview

- Transportation fund year end
- Revenue outlook so far this year
- Big picture transportation fund revenue challenges



Fiscal Year 2025 Transportation Fund Revenue

- Fiscal Year 2025 ended \$7.4 million below the forecast estimate
- The revenue shortfall was due to underperformance of the Purchase and Use Tax and DMV Fees

Transportation Fund Revenues										
		FY 2025 Monthly				Cumulative Year to Date				12 Month Sum
Jun-25		Actual	Target	vs Target\$	vs Target %	Actual	Target	vs Target\$	vs Target %	Year-over-Year
Gasoline Tax and Assessment		5,955,250	5,997,495	-42,245	-0.7%	71,454,509	71,300,000	154,509	0.2%	0.0%
Diesel Tax		1,676,713	1,666,408	10,305	0.6%	18,208,451	18,000,000	208,451	1.2%	2.1%
Purchase and Use tax		8,059,541	11,242,953	-3,183,411	-28.3%	96,695,682	101,333,333	-4,637,651	-4.6%	0.1%
DMV Fees		10,060,991	10,484,550	-423,560	-4.0%	100,348,699	103,600,000	-3,251,301	-3.1%	7.2%
Other fees and taxes		3,021,470	2,726,392	295,077	10.8%	26,853,065	26,700,000	153,065	0.6%	13.7%
Total		28,773,964	32,117,798	-3,343,834	-10.4%	313,560,407	320,933,333	-7,372,926	-2.3%	3.5%



Transportation Fund Revenue: July Downgrade

- In the July forecast, the Transportation Fund was downgraded in fiscal year 2026 and beyond
- The downgrade is a result of a reduction in projected Purchase and Use Tax and DMV Fee revenue

Vermont Transportation Revenue Forecast (July 2025)									
Revenue Source	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	Forecast CAGR FY 2026-2030
Gasoline Tax and Assessment	73.8	71.4	71.5						
Jan-25				70.7	70.3	69.7	69.0	68.0	
Jul-25				71.3	70.9	70.3	69.6	68.6	
Forecast Change				0.6	0.6	0.6	0.6	0.6	-0.96%
Diesel Tax	17.6	17.8	18.2						
Jan-25				17.9	17.8	17.6	17.5	17.4	
Jul-25				18.1	18.0	17.9	17.8	17.6	
Forecast Change				0.2	0.2	0.3	0.3	0.2	-0.70%
Purchase and Use Tax	94.8	96.6	96.7						
Jan-25				105.0	108.3	111.7	115.2	118.7	
Jul-25				99.3	102.3	106.3	110.6	115.3	
Forecast Change				-5.7	-6.0	-5.4	-4.6	-3.4	3.81%
DMV Fees	87.5	93.6	100.3						
Jan-25				104.3	105.2	105.9	106.8	107.6	
Jul-25				101.7	102.6	103.3	104.2	105.0	
Forecast Change				-2.6	-2.6	-2.6	-2.6	-2.6	0.80%
Miscellaneous Revenue	21.4	23.6	26.9						
Jan-25				28.1	27.3	27.9	28.6	29.3	
Jul-25				28.1	27.3	27.9	28.6	29.3	
Forecast Change				0.0	0.0	0.0	0.0	0.0	1.05%
Total Transportation Fund Revenue - Jan 2025	295.1	303.0	313.6	326.0	328.9	332.8	337.1	341.0	
Total Transportation Fund Revenue - Jul 2025				318.5	321.1	325.7	330.8	335.8	1.33%
Forecast Change				-7.5	-7.8	-7.1	-6.3	-5.2	

*Data sourced from the July 2025 Adopted Consensus Revenue Forecast



Fiscal Year 2026 Agency of Transportation (AOT) Rescission Plan

FY2026 rescission plan:		
2	Program Development	\$ 270,000
3	Transportation Buildings	\$ 2,000,000
4	Transportation Buildings	\$ 85,000
5	Maintenance	\$ 575,000
6	Maintenance	\$ 415,000
7	Maintenance	\$ 300,000
8	Maintenance	\$ 200,000
9	Maintenance	\$ 150,000
10	Policy and Planning	\$ 421,000
11	Rail	\$ 500,000
12	Public Transit	\$ 100,000
13	Travel and conference participation suspension savings	\$ 230,000
13a	Program Development	\$ 85,700
13b	Department of Motor Vehicles	\$ 70,000
13c	Maintenance	\$ 50,000
13d	Finance & Administration	\$ 14,600
13e	Transportation Board	\$ 6,700
13f	Aviation	\$ 1,500
13g	Town Highway Vermont Local Roads	\$ 1,500
14	Position management savings	\$ 2,254,000
TOTAL OF ABOVE ITEMS		\$ 7,500,000

Reduce carryforward approved for FY2026 highways projects above estimates from the VTrans Project Information Navigation System (VPINS)

Delay Springfield garage project

Delay Rutland Snow Removal Equipment (SRE) building improvements

Reduction in demand-driven equipment servicing or purchasing at Central Garage

Reduction in tree cutting

Reduction of preventative culvert maintenance projects

Reduction of contracted mowing services

Return or repurpose of devices purchased for the Vermont Asset Management Information System (VAMIS)

Cancellation of the technology project to automate functions prescribed under 19 V.S.A. § 1111

Delay Rutland platform project

Reduction in state match funds for 5339 FTA Capital Projects

Projected savings from travel and conference participation suspension effective 8/1/2025

Projected position management savings in FY2026 beyond vacancy savings reflected in the FY2026 as passed budget

- The forecast downgrade necessitated a rescission plan
- AOT presented that plan and JFC adopted it on September 18



Fiscal Year 2026 Transportation Fund Revenues: July through November

Transportation Fund Revenues										
		FY 2026 Monthly				Cumulative Year to Date				12 Month Sum
Nov-25		Actual	Target	vs Target\$	vs Target %	Actual	Target	vs Target\$	vs Target %	Year-over-Year
Gasoline tax + assessment		6,244,268	6,161,232	83,036	1.3%	31,299,753	31,551,792	-252,039	-0.8%	-1.4%
Diesel fuel tax		1,493,803	1,529,140	-35,337	-2.3%	7,848,672	7,805,936	42,736	0.5%	-2.6%
MV Purchase & Use tax		8,353,542	7,057,588	1,295,954	18.4%	41,827,125	42,248,388	-421,263	-1.0%	-5.8%
Motor Vehicle Fees		6,493,042	7,217,463	-724,421	-10.0%	39,985,395	40,885,131	-899,736	-2.2%	-4.3%
Other fees & taxes		1,732,784	2,136,135	-403,351	-18.9%	9,977,290	10,794,886	-817,595	-7.6%	1.7%
Total		24,317,439	24,101,558	215,880	0.9%	130,938,235	133,286,132	-2,347,897	-1.8%	-3.5%

- Revenues continue to underperform, even against the lowered July forecast estimate
- Purchase and Use Tax revenues made up ground in November but year to date remains below target



Transportation Fund Revenue Challenges

Revenues are stagnant and not keeping up with inflation

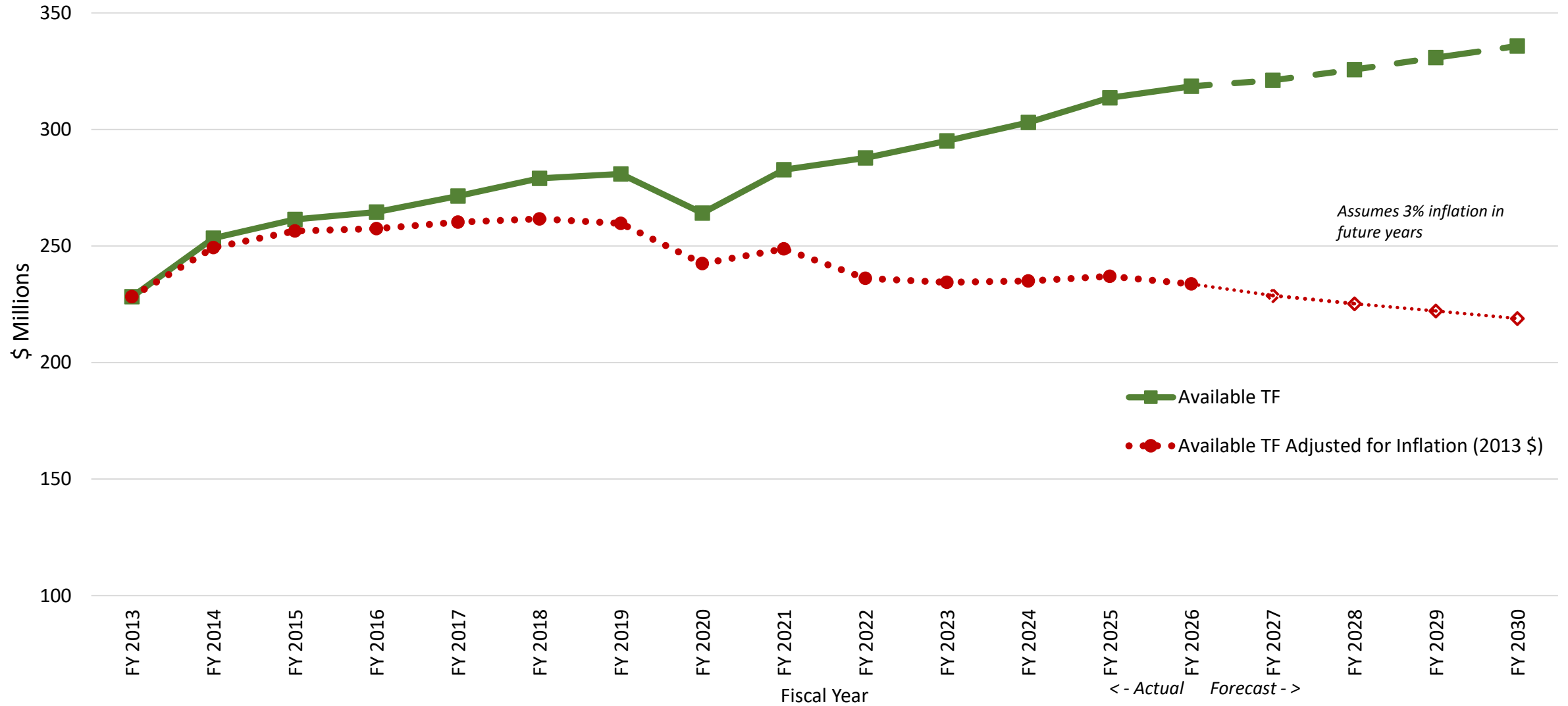
- Improved fuel efficiency and increasing electric vehicle adoption have led to gradual declines in gasoline consumption – a trend that is unlikely to reverse
- Demographic constraints limit growth in vehicle purchases and registrations, leading to flat fee revenues
- The July 2025 consensus revenue forecast estimates a 1.33% compound annual growth rate in Transportation Fund revenues between 2026 and 2030 – a growth rate far below recent inflation levels

Cost pressures are increasing faster than the rate of growth in Transportation Fund revenues

- The construction industry has experienced significant inflationary cost increases post-pandemic (~62% increase, nationally, since 2020 per the [National Highway Construction Cost Index](#))
- Salaries and benefits have also increased significantly in recent years and represent a significant cost pressure on the Transportation Fund



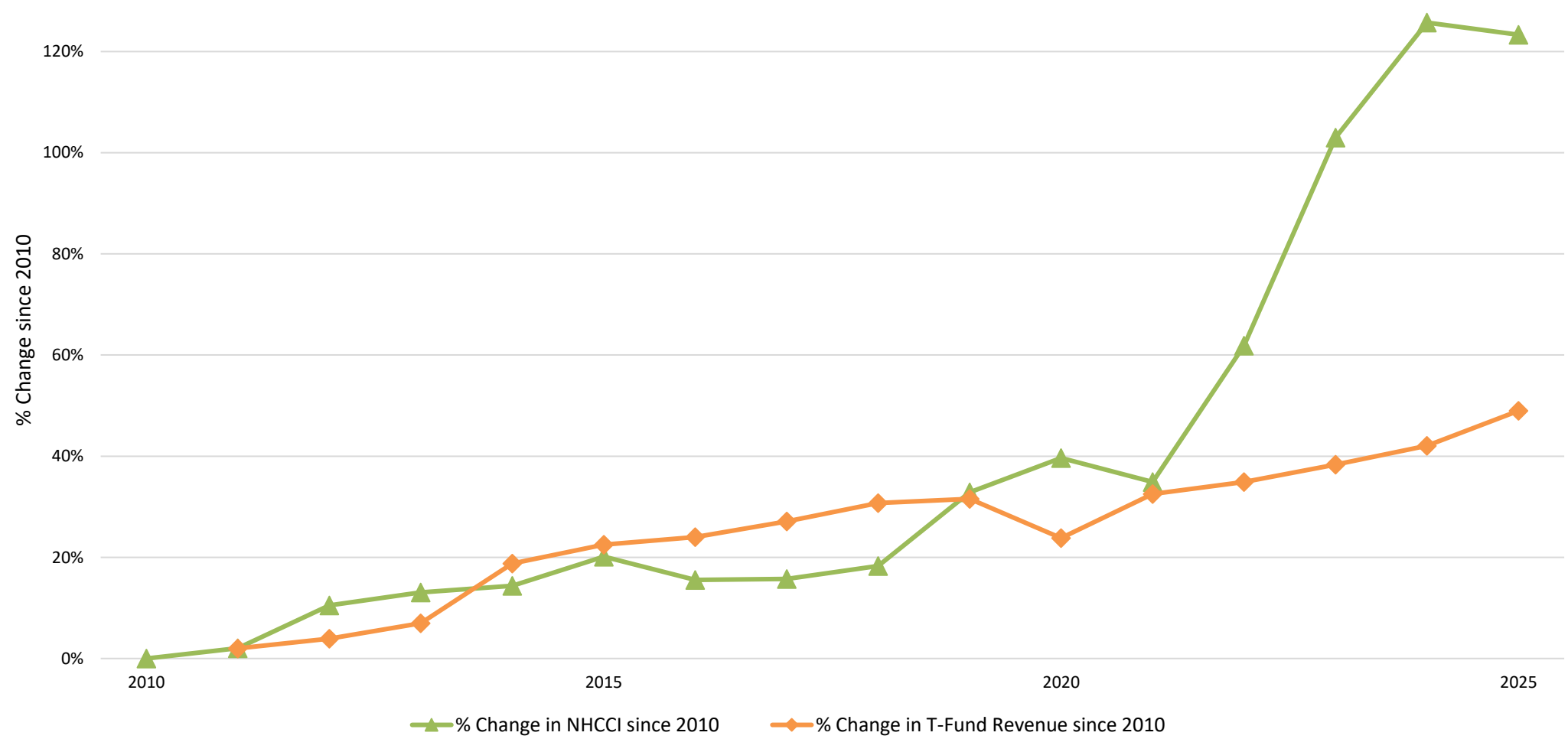
Transportation Fund Revenue - July 2025 Forecast



Data from consensus revenue forecasts. Inflation measured by the Personal Consumption Expenditures index and applies a 3% annual assumption to years after FY 2025.



Percentage Change in Transportation Fund Revenues Compared to the National Highway Construction Cost Index Since 2010



Transportation Fund Revenue Challenges Continued

Federal Funds made up 51% of transportation funding in FY26. To draw down these funds, Vermont must be able to contribute a “match” – average 83% federal/17% nonfederal

- Beginning in fiscal year 2027, there is projected to be a State match deficit of \$33.4 million, which could threaten the State’s ability to match \$163 million of federal funds
- In fiscal year 2028, the deficit is projected to increase to \$35 million, threatening \$170.8 million
- In addition to federal match requirements, the State has many other funding needs, such as Town Highway Aid, climate resiliency, general maintenance, etc.

If Vermont does not have the revenue to maximize its federal dollars and keep up with maintenance/capital needs, infrastructure will deteriorate and cost more to address in the future

- Backlogs are difficult to dig out of and often require years of sustained additional investment
- Infrastructure is always deteriorating, and costs typically increase over time – not keeping up with needs leads to significant cost pressures in the future



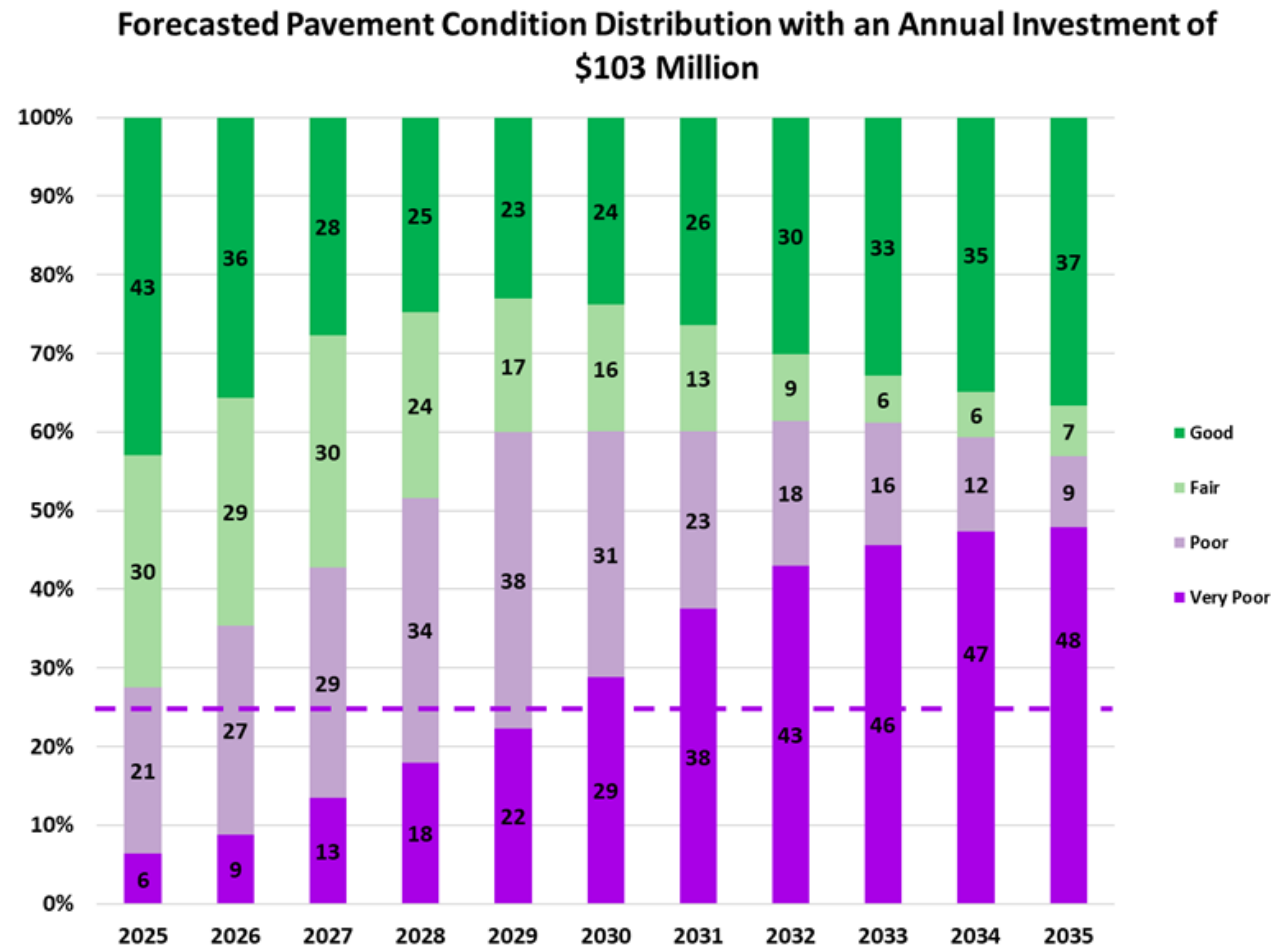
Agency of Transportation Federal Fund and State Fund Match Outlook (September 2025)

Federal Funds (in Million \$)	Current Law		Projection	
	FY2025	FY2026	FY2027	FY2028
Total IIJA/FHWA Formula Funds	334.9	340.6	298.3	305.8
Additonal Non-Competitive Grants Requiring Application	6.7	7.0	6.9	7.1
Total Non Competitive Grant	341.5	347.6	305.2	312.9
Competitive Grants:	-	41.2	73.1	110.8
Total Federal Funding:	341.5	388.9	378.4	423.7
State Match Required	68.6	77.8	75.5	85.8
Original Estimate - State Match Available	52.0	70.3	42.1	50.8
Year-end Reversions/Agency-Directed Savings/Fund Transfers	17.5	7.5	-	-
State Match Surplus/(Deficit)	(4.7)	-	(33.4)	(35.0)
Federal Funding at Risk (at 17% match rate)	-	-	(163.0)	(170.8)

*Data sourced from the [Agency of Transportation](#)



Forecasted Pavement Conditions



*Chart sourced from the [Agency of Transportation](#)

- In fiscal year 2026, Vermont budgeted \$103 million for paving projects throughout the state
- AOT estimates that if we were to continue paving at this level of investment, by 2030 60% of Vermont pavement would be in poor or very poor condition



Some of What the General Assembly Has Done So Far

- **FY20-26:** Utilized COVID-related funding and IIJA Funding
- **FY22:** Repaid TIB bonds using COVID-related funding, freeing up ~\$2.5M per year
- **FY23:** Used \$43.5 million of General Fund for EV incentives and IT Modernization
- **FY24:** Increased DMV fees, raising over \$20 million annually
- **FY24-26:** Set aside \$45 million, over three years, in one-time funding to be used for federal match requirements
- **FY26:** Eliminated the \$20.25 million annual JTOC appropriation to State Police

