Summary of Vermont’s Transportation Funding Challenges

Joint Fiscal Committee

September 17,2025

Transportation Fund Revenue Challenges

Vermont's state transportation 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 T-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 year and represent a significant cost pressure on the transportation fund.

Transportation Fund Revenue Challenges Continued

To draw down federal funds, Vermont must be able to contribute a "match" – Avg. 83% federal/17% nonfederal

- The IIJA substantially increased the amount of federal transportation funds coming to Vermont. The need to match these additional funds represents a fiscal pressure on the Transportation Fund.
- Beginning in FY 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 FY 2028, the deficit increases 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.