Summary of Vermont's Transportation Funding Challenges

Joint Transportation Oversight 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

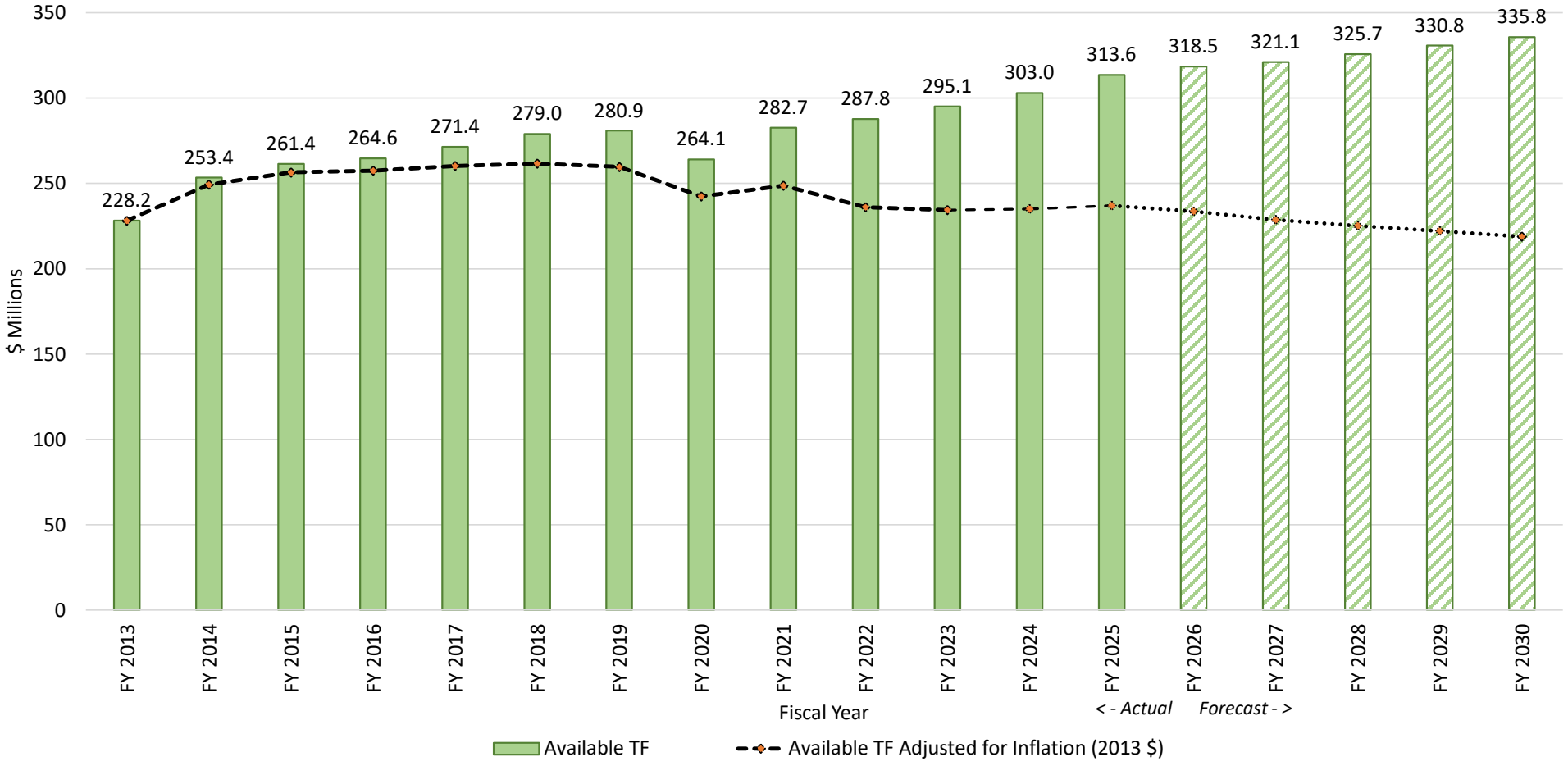
To draw down federal funds, Vermont must be able to contribute a "match" – Avg. 83% federal/17% nonfederal

- 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.

Transportation Fund – Past and Forecast (July 2025)

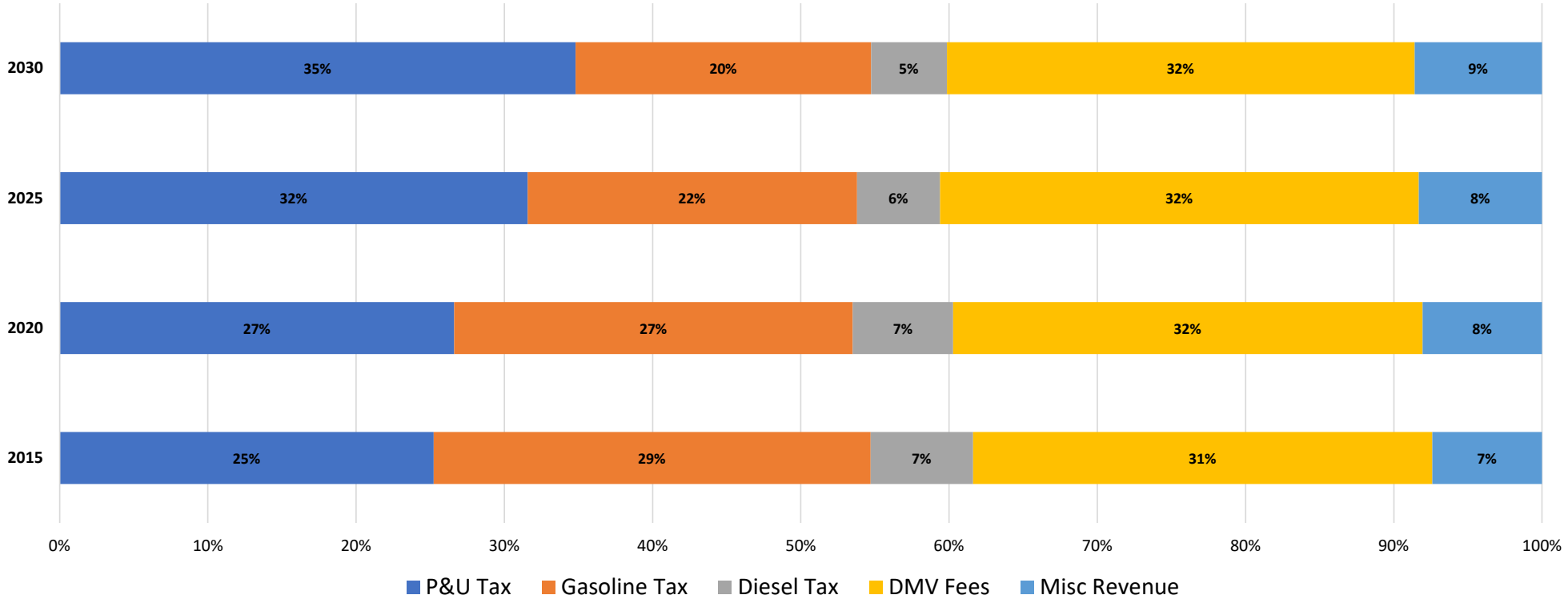


Data from consensus revenue forecasts. Inflation measured by the Personal Consumption Expenditures index and applies a 3% annual assumption to years after FY 2025.

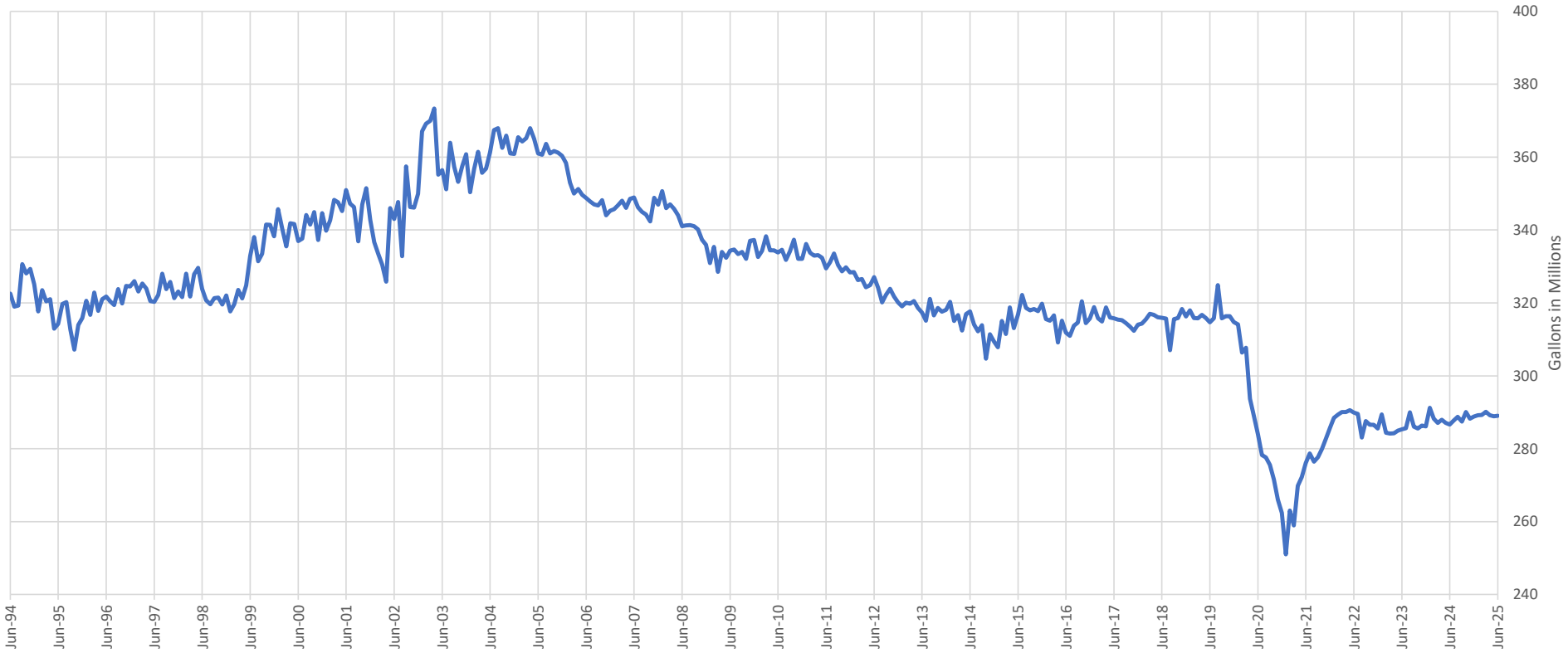
Vermont Transportation Revenue Forecast (July 2025)									
Revenue Source	**FY 2023** Actual	**FY 2024** Actual	**FY 2025** Actual	**FY 2026** *Forecast*	**FY 2027** *Forecast*	**FY 2028** *Forecast*	**FY 2029** *Forecast*	**FY 2030** *Forecast*	**Forecast CAGR** FY2026-2030
Gasoline Tax and Assessment	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	-0.96%
Forecast Change				*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	
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	-0.70%
Forecast Change				*0.2*	*0.2*	*0.3*	*0.3*	*0.2*	
Purchase & 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	3.81%
Forecast Change				*-5.7*	*-6.0*	*-5.4*	*-4.6*	*-3.4*	
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	0.80%
Forecast Change				*-2.6*	*-2.6*	*-2.6*	*-2.6*	*-2.6*	
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	1.05%
Forecast Change				*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	
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 consensus revenue forecast

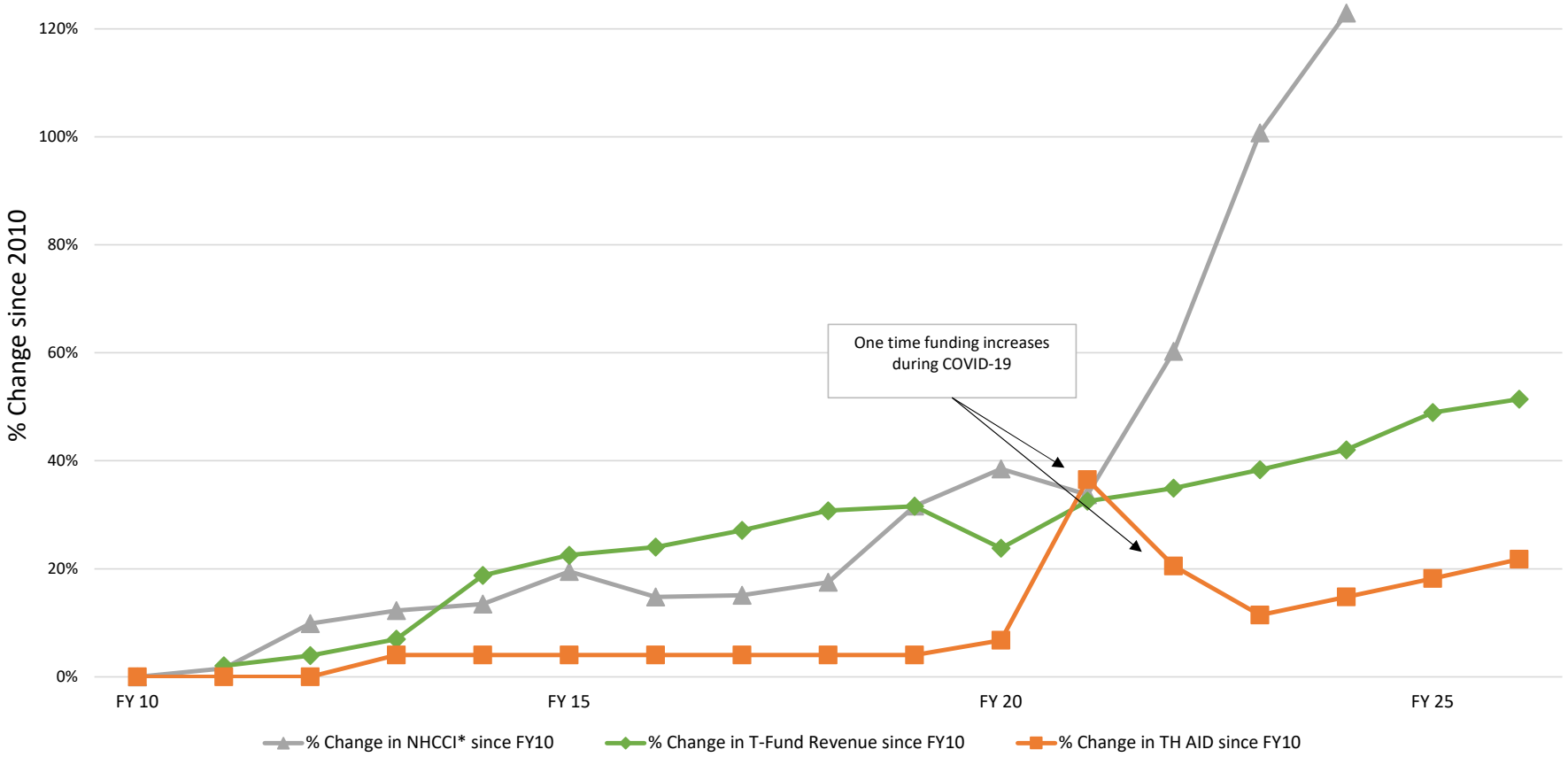
T-Fund Revenue by Category as a % of Total Revenues



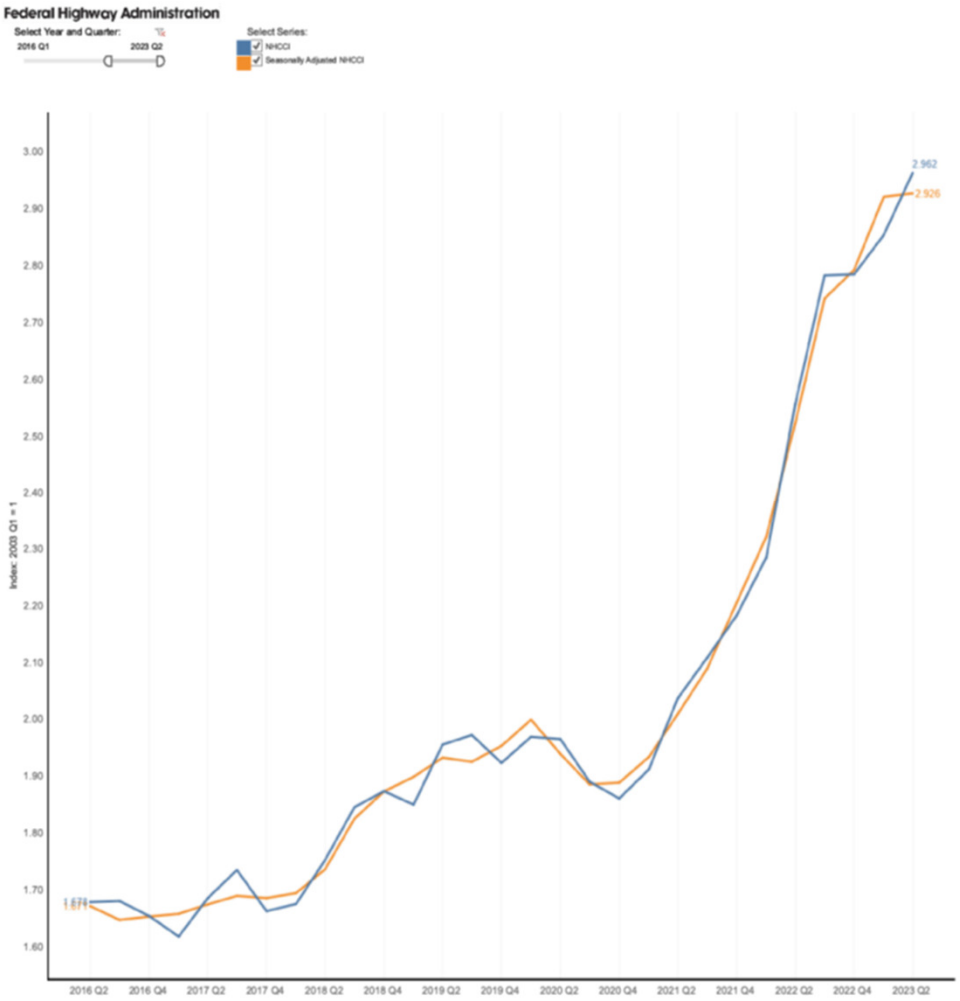
Gallons of Gasoline taxed in Vermont, 1994-2025 - 12 Month Rolling Sum



% Change in T-fund Revenues, Town Highway Aid Appropriations, and the NHCCI* (2010-2026)



*National Highway Construction Cost Index



NATIONAL HIGHWAY CONSTRUCTION COST INDEX

54% INCREASE
4TH QTR ’20 TO
1ST QTR ‘23

Paving Projects and Their Costs

- Infrastructure is always deteriorating, as pavement conditions deteriorate the work needed to repair the roads become more extensive and more expensive.
- Not keeping up with needs will lead to significant cost pressures in the future as backlogs are difficult to dig out of and often require years of sustained additional investment.

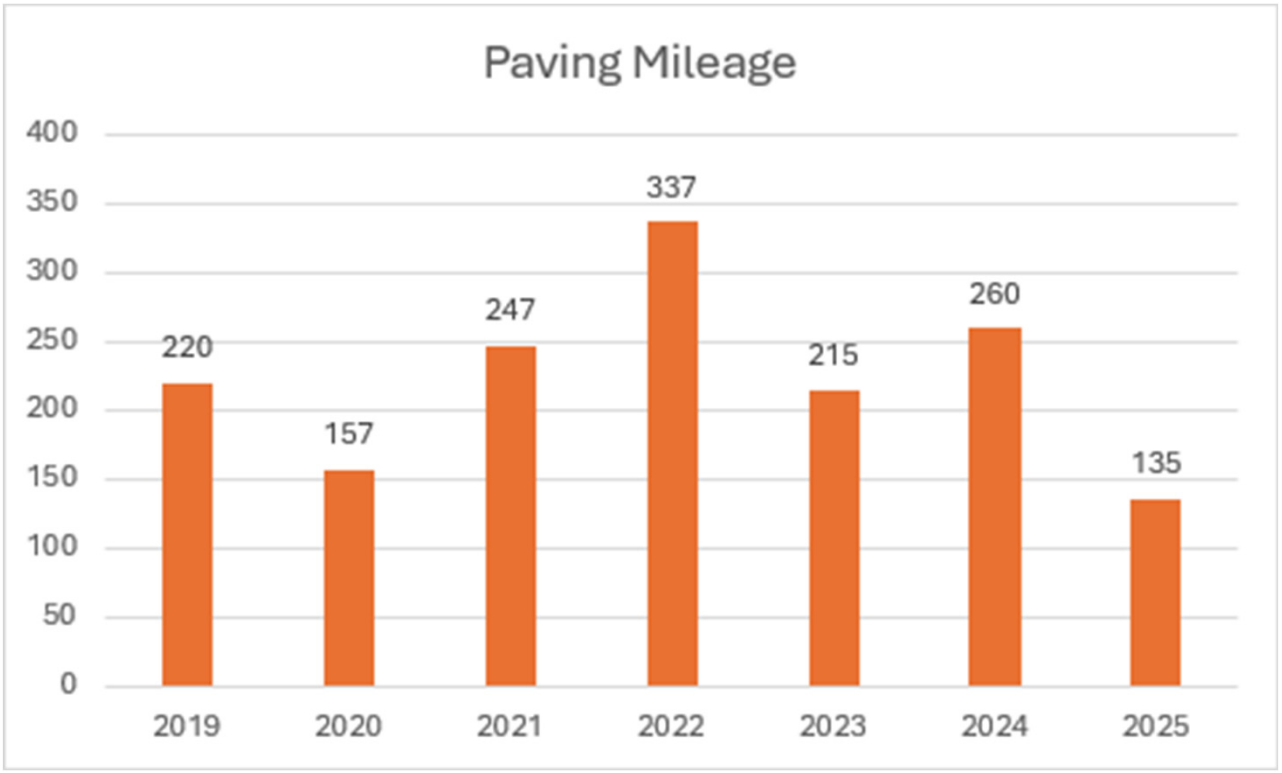
Paving Project Types	Est. Cost Per Mile	Description
Maintenance Paving	**$150k-200k**	District Leveling, Band-aid for poor roads until we can get back and do a better treatment.
Preservation	**$300k-400k**	Keeping good roads good. Keeps the road in good condition for about 6-8 years.
Level and Overlay/Mill and Fill	**$600k-750k**	Our most common treatment for roads in poor condition. Adds limited life in good condition.
Class 1 Mill and Fill	**$1.5m-2.5m**	Town Highway treatment. Expensive because of traffic and utilities.
Pulverize and Overlay/Reclaim	**$1.5m-2.5m**	Our most intensive treatment. Brings the roadway back to good condition with extended life.
Reconstruction	**$5m-15m**	Only done in rare occurrences.

*Data sourced from the Agency of Transportation

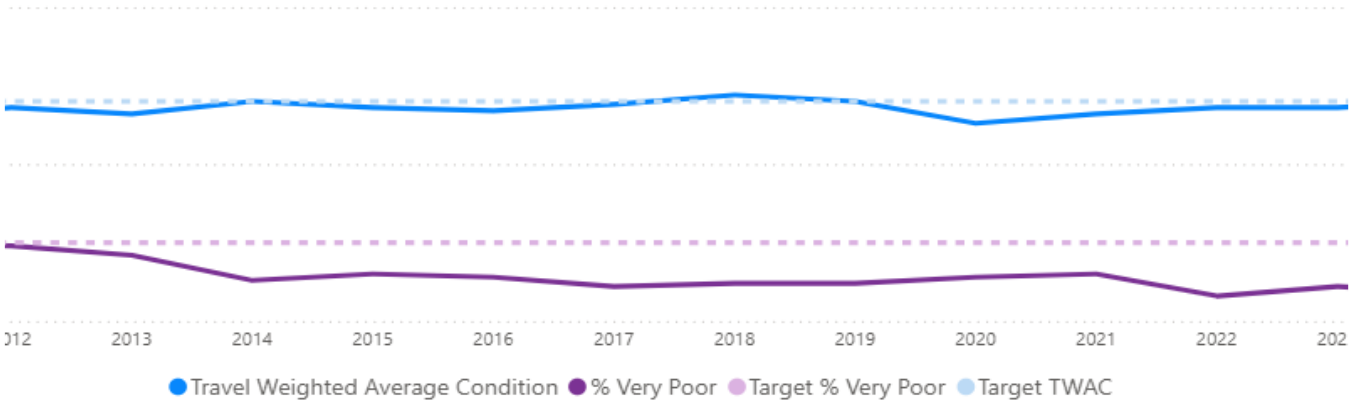
- Paving is just one critical infrastructure need, the same logic applies to bridges and structures, rail, aviation, general maintenance, environmental mitigation, public transit, municipal aid, etc.


GOOD
FAIR
100 GOOD 80 FAIR 65 POOR 40 VERY POOR 0
PCI
POOR
VERY POOR

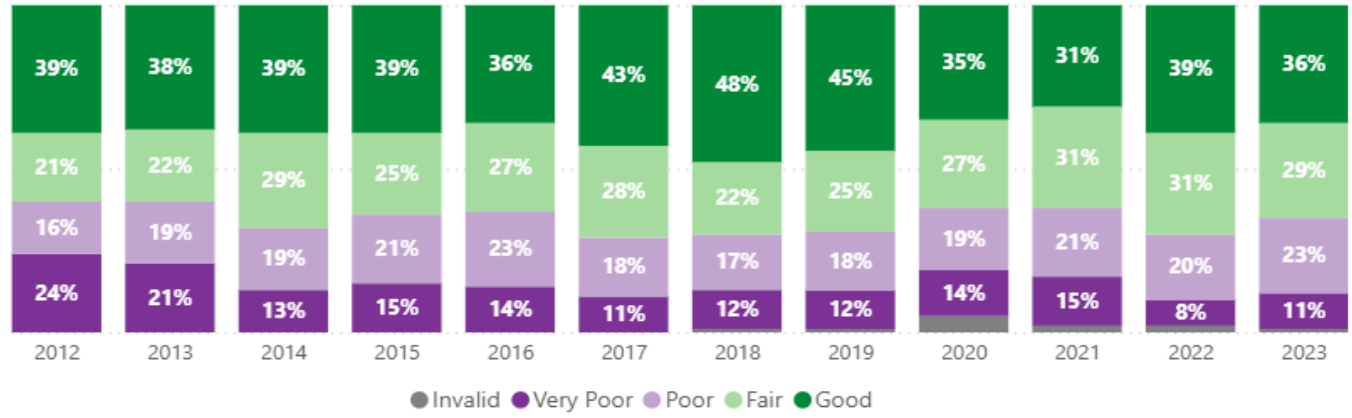
Historical Paving Mileage

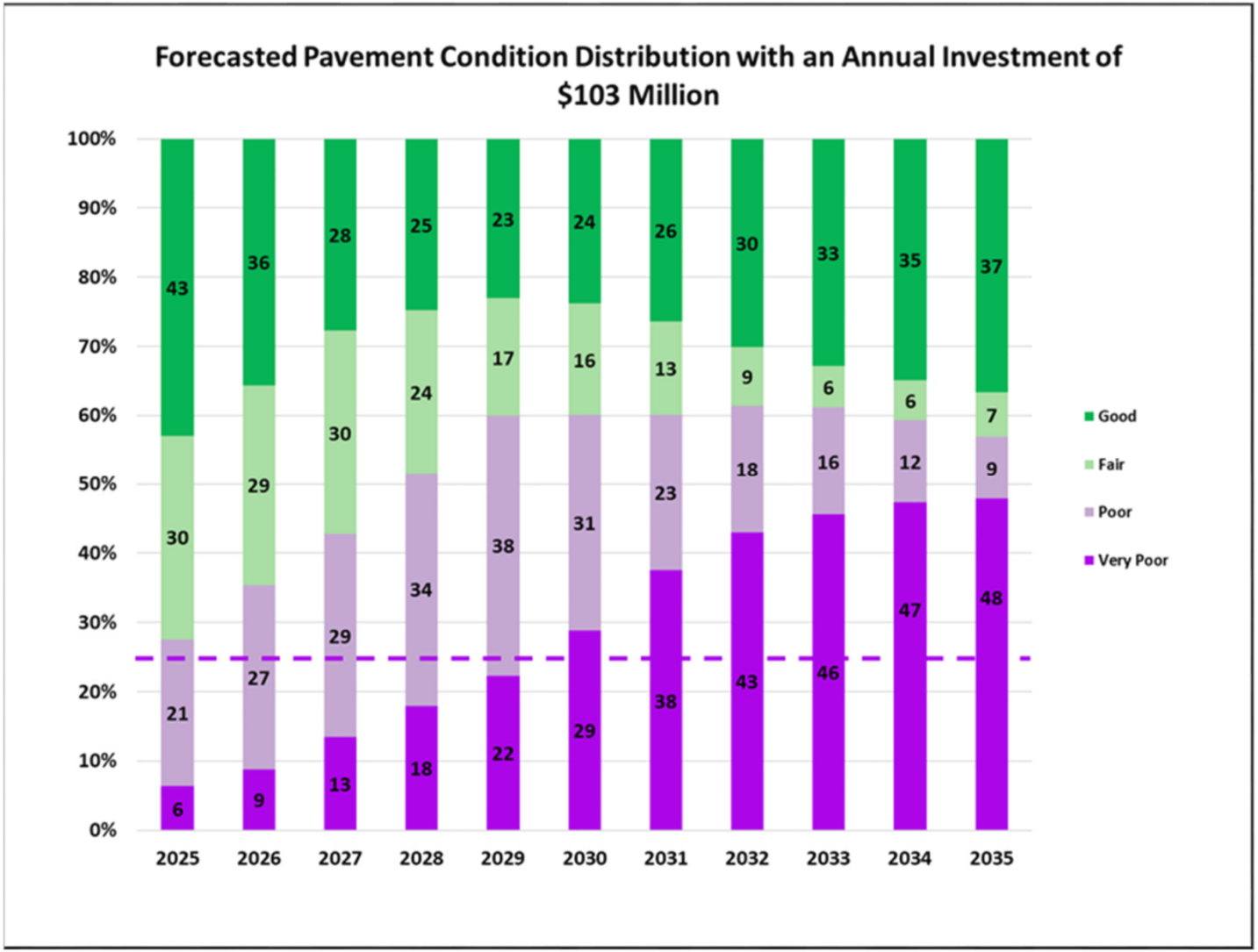


Performance Measures



Historic Condition




Forecasted Pavement Condition Distribution with an Annual Investment of $103 Million
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2025
2026
2027
2028
2029
2030
2031
2032
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12
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37
7
9
48
Good
Fair
Poor
Very Poor

Things we've 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 $20+ million annually.
- **FY24-26:** Set aside $45 million, over three years, in one-time funding to be used to meet federal match requirements.
- **FY26:** Eliminated the $20.25 million annual JTOC Transfer.

*Not an exhaustive list.