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TO: Joint Transportation Oversight Committee
FROM: Jayna Morse, Director of Finance and Administration, Transportation
DATE: September 30, 2025
SUBJECT: Agency of Transportation Briefing per 2025 Act 43 Section 5

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The Agency of Transportation (AOT) is providing the following briefing to the committee per 2025 Act 43 Section 5:

(a) A summary of federal funding that has been received to date, federal funding that is anticipated later in the State fiscal year, federal funding that is delayed, and federal funding that has been reduced or subject to rescission;

Since the start of the state fiscal year 2026, \$49,960,754 in additional Federal Highway Administration (FHWA) federal funding was received via FHWA’s “August redistribution” process. This process allows AOT to utilize funds which had already been contained within AOT’s FHWA federal fiscal year 2025 State Apportionment figure. On or near October 1st, the AOT finance team expects receipt of AOT’s FHWA federal fiscal year 2026 State Apportionment, equivalent to \$291,039,804, and \$49,518,000 from FHWA general funds, comprised of \$45,000,000 from the Bridge Formula Program and \$4,518,000 from the National Electric Vehicle Infrastructure Formula Program. AOT is not currently aware of any federal funding that is delayed, reduced, or subject to rescission.

(b) A summary of the Transportation Fund revenues to date in State fiscal year 2026;

At the Emergency Board meeting held in July, an updated FY2026 revenue forecast was adopted that is \$7.5M less than the forecast used to construct the FY2026 budget adopted by the Legislature. The table below summarizes the net effect on estimated revenue collection for the Transportation Fund for FY2026 through FY2030 as a result of the July 2025 consensus revenue forecast.

	FY2026	FY2027	FY2028	FY2029	FY2030
TF - July 2025 Forecast	\$ 318,500,000	\$ 321,100,000	\$ 325,700,000	\$ 330,800,000	\$ 335,800,000
TF - January 2025 Forecast	\$ 326,000,000	\$ 328,900,000	\$ 332,800,000	\$ 337,100,000	\$ 341,000,000
TF - Net Effect	\$ (7,500,000)	\$ (7,800,000)	\$ (7,100,000)	\$ (6,300,000)	\$ (5,200,000)

According to the Agency of Administration Monthly Revenue Press Release Report for July 2025: “Revenues in the Transportation Fund fell short of their \$24.8 million July consensus target by -\$0.4 million, or -1.5%, yielding \$24.5 million in total, driven by Motor Vehicle Purchase & Use (MvP&U) Tax and Other Fees. MvP&U Tax revenues were -\$0.5M, or -7.1%, below monthly consensus expectations, and Other Fees were -\$0.1 million, or -7.0%, below target.”

(c) A summary of the impacts on the fiscal year 2026 Transportation Program that are caused by changes in the State Transportation Fund revenues from the consensus forecast or delays or reductions in federal funding;

Pursuant to 32 V.S.A. § 704(b)(1), AOT submitted an FY2026 Transportation Fund Rescission Plan to the Joint Fiscal Committee. This rescission plan was approved at the Joint Fiscal Committee's September 18, 2025 meeting.

The plan can be found here: https://ljfo.vermont.gov/assets/Meetings/Joint-Fiscal-Committee/2025-09-18/FY2026-TF-Rescission-Plan_September-2025_Submitted-9-10-25.pdf

An addendum to the plan, containing additional description to plan line items, can be found here: https://ljfo.vermont.gov/assets/Meetings/Joint-Transportation-Oversight-Committee/2025-09-17/FY2026-TF-Rescission-Plan-Addendum_September-2025_Submitted-9-12-2025.pdf

Line items 3 and 11 were projects detailed in AOT's FY2026 "white book", otherwise known as the approved FY2026 Transportation Program.

(d) A summary of any legislative action that may be necessary to address reductions in State revenues or federal funding;

Given that the rescission plan was approved at the Joint Fiscal Committee's September 18, 2025 meeting, AOT does not believe further legislative action is necessary at this time.

(e) A summary of the status of State and federal funding for the design of the mileage-based user fee pursuant to the provisions of 2023 Acts and Resolves No. 62, Secs. 27-29, as amended by Sec. 17 of this act;

AOT received notification from FHWA on September 15, 2025 that the Strategic Innovation for Revenue Collection (SIRC) grant to fund the development of a Mileage Based User Fee Program for All Electric Vehicles has been fully executed and the project for \$3,000,000 has been authorized in FHWA's Financial Management and Information System. \$700K of previously appropriated Transportation Funds for the non-federal match for the SIRC grant reside in the FY2026 Environmental Policy and Sustainability budget, having been a part of AOT's approved FY2025 to FY2026 carryforward request to the Secretary of Administration.

(f) The Agency's progress in designing the mileage-based user fee.

In concert with the advancement of the grant agreement efforts with our federal partners, AOT has been communicating with the Agency of Digital Services (ADS) to plan for the state requirements for IT projects, specifically addressing the IT Activity Business Case & Cost Analysis; work with ADS has been ongoing for a number of months and they are in the process of developing a scope of work for the project. Once this is completed, a third-party vendor will be engaged to review the IT elements. Once the third-party vendor review is completed, contract amendments can advance with DMV's IT vendors, FAST and Parsons.

In order to implement this project in the most cost-effective manner, AOT plans to utilize the services of the two vendors which already manage major DMV ITS platforms; FAST, which is overseeing the DMV modernization project and Parsons, which oversees the Automated Vehicle Inspection Program. Prior investments in the modernization of DMV IT services can be leveraged to implement the Mileage Based User Fee program without having to engage an additional IT vendor/system. Additional resources planned to implement the Mileage Based User Fee system include concept of operations, business rules, education and outreach for communicating with the public, legislature and other interested parties regarding the implementation of this system to collect fees from owners of all electric vehicles.

Given the timeframe required to secure the federal funding, it is anticipated that the Mileage Based User Fee Program will commence on January 1, 2027, as required in 2023 Acts and Resolves No. 62, Secs. 27–29 as amended by Act 43 of 2025, Sec. 17.