Summary Highlights of Presentations on Transportation Funding Challenges

Logan Mooberry

May 1st, 2025

The Joint Fiscal Office (JFO) is a nonpartisan legislative office dedicated to producing unbiased fiscal analysis – this presentation is meant to provide information for legislative consideration, not to provide policy recommendations

Transportation Fund Revenue Challenges

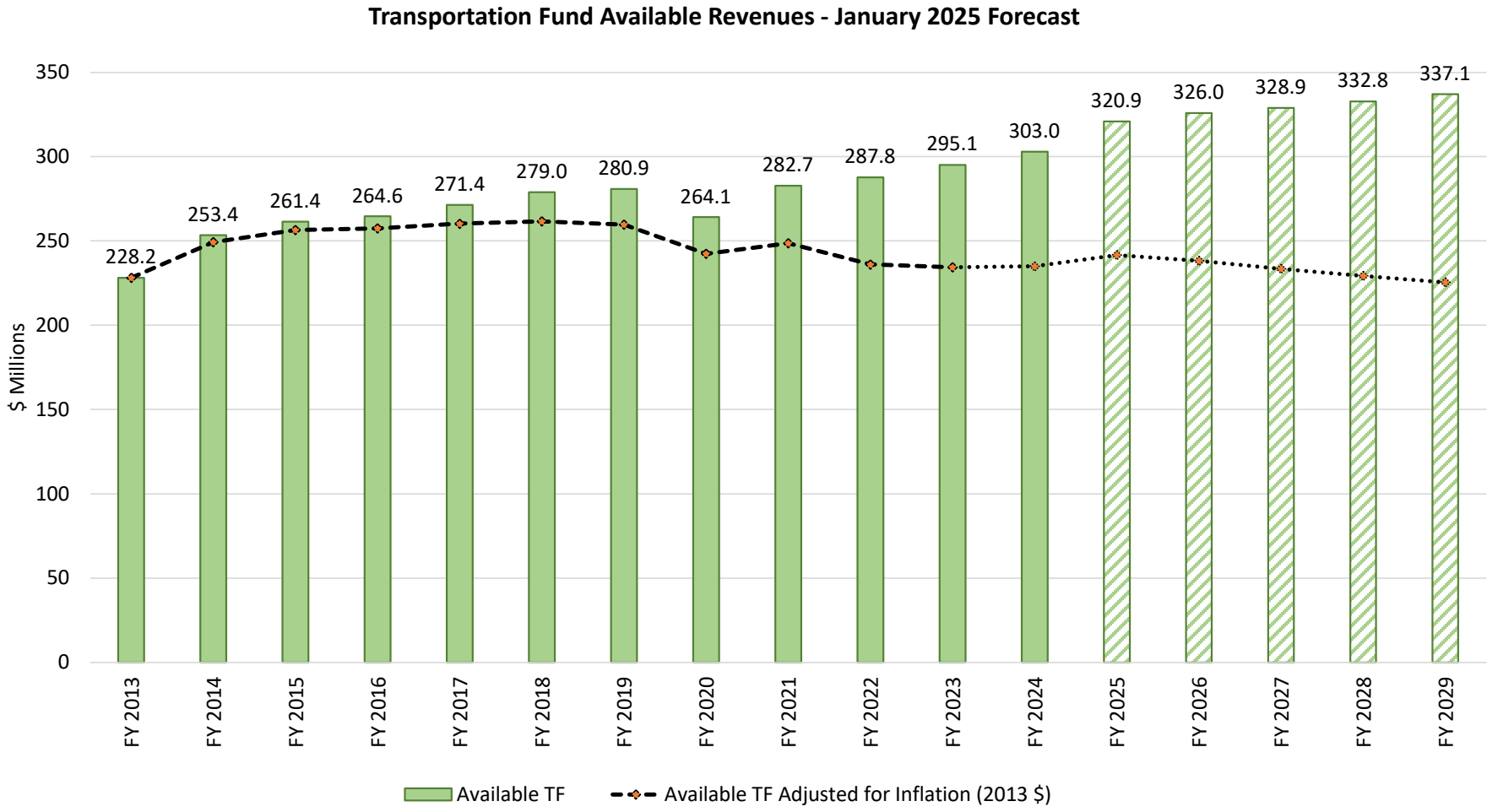
- **Vermont's state transportation revenues are stagnant and not keeping up with inflation.**
  - Improved fuel efficiency and increasing electric vehicle adoption have led to gradual declines in gasoline consumption – a trend that will accelerate in future years.
  - Demographic constraints limit growth in vehicle purchases and motor vehicle fees remain flat.
  - The January 2025 consensus revenue forecast estimates a 1.22% compound annual growth rate in T-Fund Revenues between 2025 and 2030.

- **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 since 2020 per the National Highway Construction Cost Index)

- **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 $30.6 million, which threatens the State's ability to match $149.5 million of federal funds. In FY 2028 the deficit increases to $45.2 million, threatening $220.7 million.

- **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 (Jan 2025)



Data from consensus revenue forecasts. Inflation measured by the Personal Consumption Expenditures index and applies a 3% annual assumption to years after FY 2024.

Transportation Revenue Forecast

Vermont Transportation Revenue Forecast (January 2025) *$ millions*									
Revenue Source	**FY 2023** Actual	**FY 2024** Actual	**FY 2025** *Forecast*	**FY 2026** *Forecast*	**FY 2027** *Forecast*	**FY 2028** *Forecast*	**FY 2029** *Forecast*	**FY 2030** *Forecast*	**Forecast CAGR** FY2025-2030
Gasoline Tax and Assessment (MFTA)	73.8	71.4	71.3	70.7	70.3	69.7	69.0	68.0	-0.94%
Diesel Tax	17.6	17.8	18.0	17.9	17.8	17.6	17.5	17.4	-0.68%
Purchase & Use Tax	94.8	96.6	101.3	105.0	108.3	111.7	115.2	118.7	3.22%
DMV Fees	87.5	93.6	103.6	104.3	105.2	105.9	106.8	107.6	0.76%
Miscellaneous Revenue	21.4	23.6	26.7	28.1	27.3	27.9	28.6	29.3	1.88%
Total Transportation Fund Revenue	**295.1**	**303.0**	**320.9**	**326.0**	**328.9**	**332.8**	**337.1**	**341.0**	1.22%

*Data sourced from the January 2025 consensus revenue forecast

Estimated Transportation Program Needs and Gaps

- "…approximately $317 million starting in FY 2026. This gap is expected to widen due to significantly increased construction costs and the added pressure of inflation on operating expenses. As these financial challenges persist, the funding gap is anticipated to grow."

Preliminary 10-Year Transportation Cost Estimates (millions)										
	FY26	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**	**FY34**	**FY35**
Total Needs	$1,020.10	$1,043.60	$1,069.20	$1,124.30	$1,145.50	$1,202.60	$1,253.50	$1,302.10	$1,359.30	$1,416.20
Total revenues	$703.30	$664.60	$676.70	$688.10	$696.50	$704.10	$711.70	$719.50	$727.60	$736.00
Estimated Funding Gap (Needs – Revenues)	($316.80)	($379.00)	($392.50)	($436.20)	($449.00)	($498.50)	($541.80)	($582.60)	($631.70)	($680.20)

- "Few states fund transportation at levels that approach, match, or exceed even basic needs. In most studies, providing high-level estimates of basic needs…quickly outpaces available funding, but it nonetheless offers a benchmark against which to measure future revenue options."

*Quotes and data sourced from Vermont Transportation Funding Study, 2025

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

- According to data from the Agency of Transportation, there is a projected state match deficit beginning in FY 2027 and continuing in future years.
- The $30.6 million state match deficit in FY 2027 translates to the ability to draw down $149.5 million of federal funds.

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	7.2	7.4	7.7
Total Non Competitive Grant	341.5	347.8	305.8	313.4
Competitive Grants:	-	43.7	102.5	141.0
Total Federal Funding:	341.5	391.5	408.2	454.4
State Match Required	68.6	77.4	79.8	92.4
Original Estimate - State Match Available	67.6	72.8	49.2	47.2
Year-end Reversions/Agency-Directed Savings/Fund Transfers	1.0	4.6	-	-
State Match Surplus/(Deficit)	-	-	(30.6)	(45.2)
Federal Funding at Risk (at 17% match rate)	-	-	(149.5)	(220.7)

*Data sourced from the Agency of Transportation

Paving Projects and Their Costs

- Infrastructure is always deteriorating, as pavement conditions deteriorate the work needed to repair the roads become 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.

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

*Data sourced from the Agency of Transportation

Forecasted Pavement Conditions

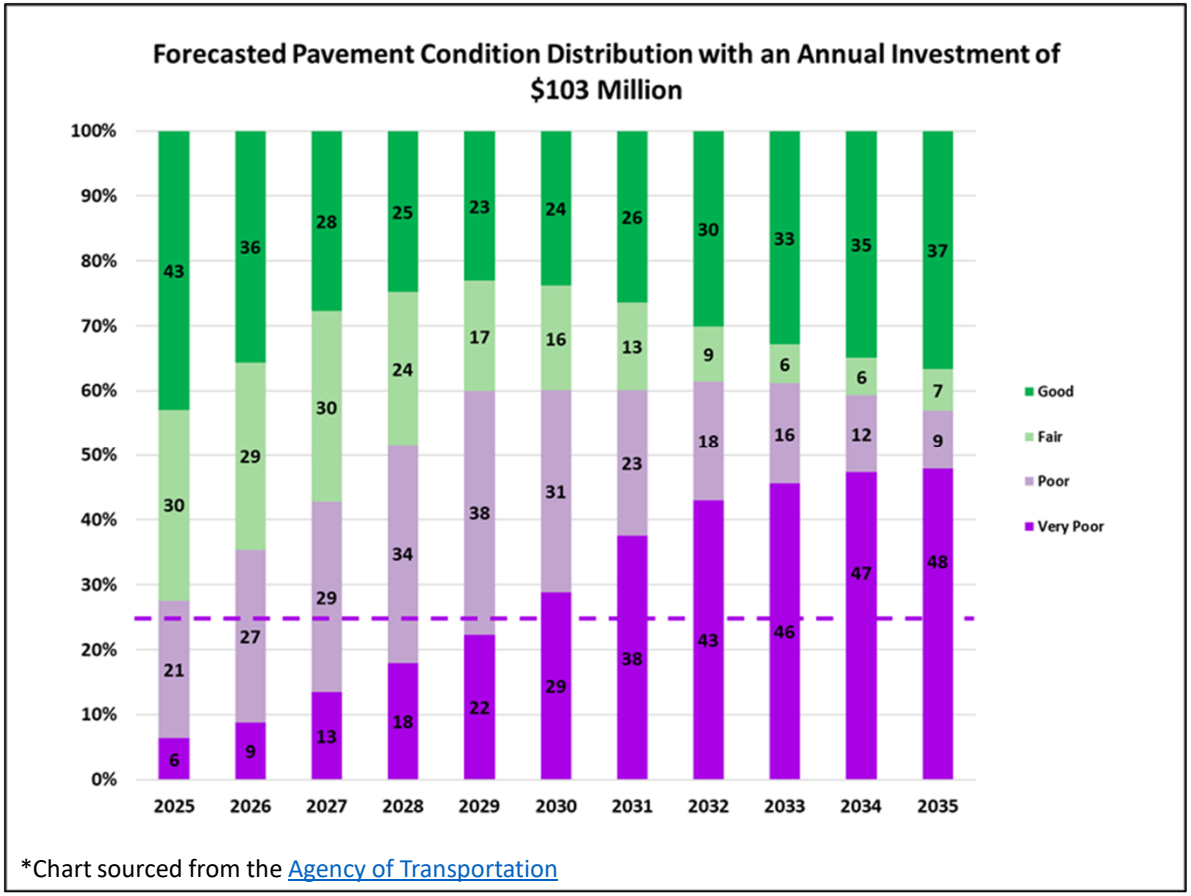
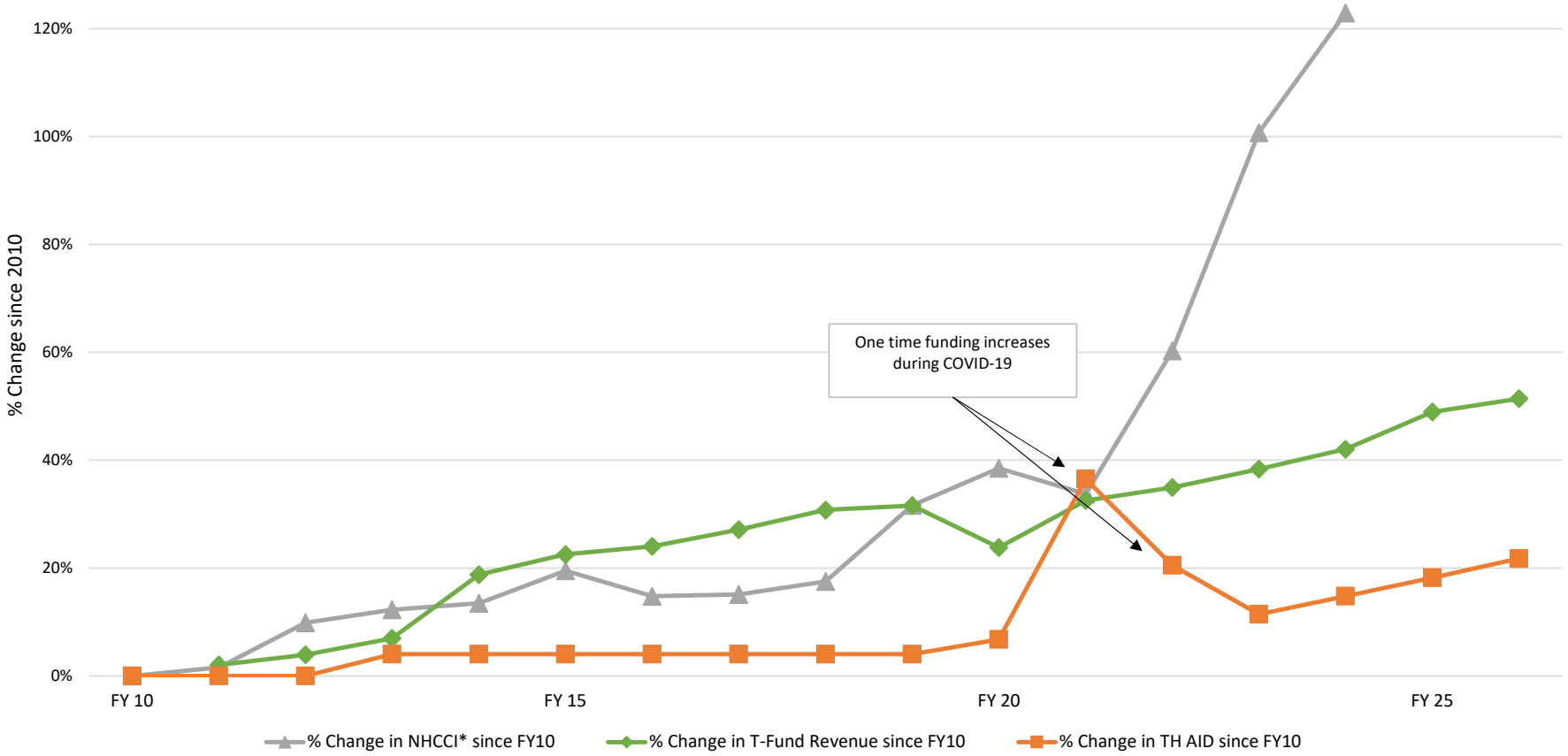


*Chart sourced from the Agency of Transportation

Pavement Conditions

*Graphic sourced from the Agency of Transportation

Comparing the change in T-fund Revenues, TH Aid Appropriations, and the NHCCI* (2010-2026)



*National Highway Construction Cost Index

Public Transit Funding

- "…the table shows that existing revenues are insufficient to maintain current levels of transit service in the aggregate statewide... These [funding] gaps do not include needed expenditures for capital investment in vehicles and facilities. Without filling these funding gaps, service will need to be cut, resulting in a growing body of unmet need, year after year."

Statewide Fiscal Line Item	FY25	FY26	FY27
Federal and State Operating Funds	$46,080,081	$46,091,962	$46,417,790
Operating Expense Net of Local Funds	$46,434,640	$48,832,279	$50,110,829
Capital Expense from Formula Funds	$1,907,618	$0	$0
Reserved ARPA/Urban Formula Funds	$2,262,177	$1,463,658	$0
NET DEFICIT	$0	($1,276,659)	($3,693,039)

*Chart and quote sourced from the 2024 Report on Funding Sources for Public Transit Nonfederal Match