

VERMONT

Transportation Funding Initiative

Legislative Session: Governor Peter Shumlin (D) signed this bill into law on April 29, 2013.

Title of Legislation: “An Act Relating To The State’s Transportation Program and Miscellaneous Changes To The State’s Transportation Laws” — House Bill 510

Sponsor of Legislation: The House Committee on Transportation

Overview: Vermont enacted a two-percent sales tax on gasoline as well as a 0.8 cent decrease in the per gallon tax, and a two-cents per-gallon diesel tax increase —phased in over two years— that will generate \$28 million per year to support road and bridge improvements. This new law is expected to generate \$28 million from a 2 percent sales tax assessment increase on gasoline. The price of diesel per gallon will increase by 2 cents-per-gallon in 2013, and it will increase another cent in 2014.

The Vermont legislature wanted to raise the fuel tax in order to match the \$56 million in federal funds that would go towards fixing roads and bridges in Vermont. Governor Peter Shumlin and state policymakers argued that Vermont would not be able to spend a portion of the federal money without the tax increase. This new gas tax legislation raised the tax by 2 percent, and the tax is paid by the distributors, meaning that the stations determine how much motorists pay.¹ Due to motorists using less gas and thus the state having less revenue to pay for road maintenance, this bill modified the gas tax and instead of paying the tax per gallon, motorists will now pay the tax as a percentage amount.² In addition to the gas increase, diesel will also go up by 2 cents-per-gallon on July 1, 2013.

Overview of Legislative Campaign

According to GOVERNING, Vermont was able to successfully raise its gas tax because of three central factors. Vermont was able to implement the gas very quickly; the bill went into effect on May 1st, which was only a couple days immediately following the bill’s passage.

Tax increase tied to clearly defined “need.” Vermont was in a position where it could lose the ability to receive matching funds from the federal government. In addition, the state government commissioned a group to study Vermont’s long-term funding challenges. The group reported that Vermont had a \$240 million deficiency. The report’s findings highlighted the urgency of Vermont’s transportation funding problem; Brian Searles, the commission chair and Vermont Transportation Secretary, said that the “publication of [the] report really opened up a lot of eyes.”³ The chair of the House Transportation Committee, Mr. Patrick Brennan (R), defended the tax increase because of the strong need for transportation funding.

¹ “Vermont Gas Tax to Increase.”

² Burlington Free Press

³ Holeywell, 5/17/13

Strong support from both the Governor and both legislative chambers. The governor played a central role in this legislative victory, and Governor Shumlin successfully brokered a negotiation that ultimately allowed both the House and Senate to pass the bill in the same day.⁴ There were initially competing policy positions over the diesel and gas tax increases; House Transportation Chair Patrick Brennan (R-Colchester) supported higher gas taxes in 3 to 4 years and lower diesel tax increases, while Senate Transportation Chair Dick Mazza (D-Grand Isle) preferred a lower gas tax increase to avoid hurting Vermont commuters.⁵ After negotiations with Governor Shumlin, House Speaker Smith, and these two committee chairs, these leaders reached a compromise.

Mr. Searles, the commission chair and Vermont Transportation Secretary, said the fact that the state leaders were knowledgeable about the transportation finance issues allowed the legislative process to work more effectively. Although the House's proposal included indexing the gas tax to inflation and no diesel fuel tax, both sides were able to negotiate a one-time appropriation and an increase in the diesel tax to account for the revenue. The House and Senate debated whether or not truckers should face an increase in diesel gas taxes.⁶ In the end, Governor Shumlin, together with the leadership in both the House and Senate, were able to reach a compromise on the content of the legislation, and the chair of the House Transportation Committee, Mr. Patrick Brennan (R), said that all sides were "in agreement on the approach we'd take...we had to do some fine tuning, but in the end, we both raised money."⁷

Swift Implementation. The legislative process moved quickly, and the law was implemented just a few days after it was signed into law. This quick implementation of the law allowed the state of Vermont to collect more revenue because it was able to start the tax earlier than if it would have had to wait until July 1st to begin.

Proponents of HB 510

This legislation received support from the Governor as well as from public officials in both the House and the Senate. The state leadership's support for this tax increase played an instrumental role in the bill's passage.

House Speaker Shap Smith: Supported bill because of the immense need for federal revenue.⁸

Governor Peter Shumlin: "We have a leaky bucket in the transportation fund...if we don't repair it, we're not going to be able to make the progress on roads and bridges that are crumbling before our eyes. Bipartisan consensus, the right choice to make, even though we all hate it."⁹

Rep. Patrick Brennan (R-Chittenden), Chairman of the House Transportation Committee

⁴ Rudarakanchana, April 24, 2013

⁵ Rudarakanchana, April 24, 2013

⁶ Dillon, April 25, 2013

⁷ Holeywell, May 17, 2013

⁸ Vermont House Backs Gas Tax Rise Despite Republican Objections."

⁹ LeBlanc, May 2, 2013

Opposition to HB 510

There were various groups that opposed this proposal for different reasons. Some argued that this was a regressive tax that disproportionately hurt low-income individuals who would be forced to pay a larger percentage of their income on this tax increase. Other groups, such as the Vermont Truck and Bus Association, opposed this bill because of the diesel gas tax increase.

Private Sector Opposition

- **The Vermont Grocers Association**
- **The Vermont Petroleum Association**
- **Vermont Truck and Bus Association:** This organization was specifically opposed to the diesel tax increase.

Lawmakers in Opposition

- **House Republican Leader Don Turner**
- **Rep. Brian Savage (R-Swanton):** “Working Vermonters will again be the brunt of this choice to raise the gas and diesel taxes...our small businesses, along the New Hampshire and Massachusetts border are already at significant disadvantage and this will make it worse.”¹⁰

Polling Data

- Poll: 56% Opposition to Gas Tax Increase.

Text of Legislation

<http://www.leg.state.vt.us/docs/2014/Acts/ACT012.pdf>

¹⁰ Dillon, Vermont Public Radio. <http://vtgop.org/h-510-gas-tax-vote-explanation/>
<http://www.onegop.com/release/politics/national/vermont/gop-shocked-gas-tax>

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