League of Women Voters of Vermont

Tranportation Study Final Report

Part II: Funding

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Frankie Knibb
Kate Rader
Sonja Schuyler

Introduction

As the 2009 Transportation Study neared its conclusion, the study committee realized that the topic of funding our transportation infrastructure was too big to be included in the study. Therefore at its convention of 2011, the LWVVT adopted an add-on study devoted

Scope: Such a study could include, but is not limited to: identifying funding mechanisms used in other states and considering their possible application in Vermont: considering increased flexibility in allocating and utilizing existing and new funding; and, exploring the role rules and regulations play in governing access to funding.

Historically, gasoline and diesel tax has been the major source of revenue for transportation infrastructure. Other traditional sources are: vehicle tax; property taxes and assessments; General Fund appropriations; income tax; utility tax; sales tax; registration fees; and rental care excise tax.

Because the funding mechanism is so dependent on gas and diesel taxes, improved fuel efficiency, alternative fuels and non-motorized transportation are reducing the funding for the maintenance and expansion of our transportation system.

Most new funding mechanisms under discussion, such as congestion pricing or vehicle miles traveled (VMT) taxes, are not feasible for rural areas because they require more total miles of travel that is typical for a rural area, and because travel distances are longer, VMT taxes raises concerns about regressivity. At a Rural Transportation Funding Summit sponsored by the UVM Transportation Research Center in December, 2008, attendees made the following suggestions for new revenue sources more appropriate for rural areas: carbon tax; mileage-based fee, especially for trucks; more general funding through progressive taxes; a surcharge applied for goods delivered to home or business; public-private partnerships; funding by local entities; and naming rights. In addition, it was felt that the gas and diesel tax could be raised 20 cents to return to its spending power of1957 and then indexed for inflation.

The above was excerpted from two reports by the UVM Transportation Research Center. The full reports can be found at http://www.uvm.edu/~transctr/devsite/?Page=News&storyID=14607Click on Report #002 and Report #003.

An accessible, 9-page summary of Vermont's transportation budget for 2011 can be found at http://www.aot.state.vt.us/Budget.htm.

The Big Picture

Over the past two years League units held public forums on transit funding, met with keylegislators and studied a major report produced by the National Conference of State Legislatures (NCSL) and the American Association of State Highway and Transportation Officials (AASHTO). Go to the lwvofvt.org website to read reports from these activities.

Vermont has a $658.3 million transportation budget. Sixty percent of this budget is from federal funds – the largest source being the federal highway fund at $306 million. In FY2012 Vermont is also receiving $84.5 million in federal FEMA/FHWA funds for Hurricane Irene recovery.

Transportation funding decisions are becoming increasingly critical as system needs continue to overwhelm available resources. Governments face the insolvency of the federal Highway Trust Fund, the declining value of the fuel tax and delayed federal surface transportation authorization, making current resources insufficient to meet the demands of aging infrastructure, growing populations, evolving technologies and changing travel patterns. State legislative and executive branches share responsibilities and interactions in transportation funding and finance, including in the planning process.

While transportation construction costs tend to persistently rise with inflation, 70% of the State's combined transportation fund and transportation infrastructure bond fund revenue is generated by fixed cent per gallon or fixed fee per transaction sources (such as car/truck registrations, purchase taxes and operator licenses). Motor vehicle fees and the purchase and use taxes provide more funds than the gasoline and diesel taxes. Moreover, annual gasoline and diesel tax revenues are currently at the same level generated in 1999-2000 while vehicle miles traveled and consequent wear and tear on the State's highway system has increased by 13.2%. As fuel efficiency continues to improve and vehicles using fuel sources that are not taxed by the transportation fund become more common, the gap between the payments collected from system users and the wear and tear users impose on the system will continue to grow. New revenue sources and consistent revenue streams will be needed to sustain Vermont's transportation infrastructure and support economic prosperity.

In Fall 2011, Governor Shumlin released the State's new comprehensive energy plan. The plan calls for the State to obtain 90% of its energy from renewable sources by 2050. The Plan projects that 25% of all vehicles in Vermont will run on renewables by 2030 and that public transit trips will increase to 8.7 million trips by 2030.

Clearly, all these projected shifts will have an impact on funding transportation in the future. Chris Cole, from the VTrans Department of Policy, Planning and Intermodal Development, spoke at several League forums around the State about this concern. (Notes are available at lwvofvt.org.) If the comprehensive plan is successful, the State will see a significant reduction in revenues from the gas tax and fees. Therefore the State needs to begin the planning process to identify different revenue streams. One option under consideration is a "vehicle miles traveled" fee, a demand based system that would be collected when vehicles are inspected. Such an initiative would have to be coordinated with the federal government and other states. The State would still have to look for ways to generate money from the tourists that visit Vermont. The State is also considering the impact of raising licensing and purchase fees.

Cole expects the State will seek more flexibility from the Federal government in how the State matches Federal transit dollars in the future. The Federal government has already condensed sixteen separate categories into six, giving us more flexibility for implementing intermodal systems. But funding is half of the puzzle; the other half is how to use it. In the aftermath of Hurricane Irene, the State was able to build infrastructure in a short time because it didn't go through the normal process. Projects were completed in two months that would normally take ten years. There was a sense of urgency to get the State fully functional in time for the foliage season. Now the VTrans Innovation Council is working to systematically build into the system mechanisms to shorten the time to design and construct transit projects.

The National Conference of State Legislatures (NCSL) and the American Association of State Highway and Transportation Officials (AASHTO) partnered to produce a 50-state review of transportation governance and finance, based largely on in-depth, original survey research in Spring, 2011. *Transportation Governance and Finance: a 50-State Review of State Legislatures and Departments of Transportation* focuses on transportation finance and on the roles of, and relationships between, state government entities that are most active in transportation issues: state legislatures and, under the authority of governors, state departments of transportation (DOTs). The resulting report offers a diversity of approaches to consider in addressing transportation challenges. The report is available at lwvofvt.org.

The report includes a snapshot on a state by state basis of how transportation funding decisions are made, how transit money is raised and how it is spent. (The complete report on Vermont is available at lwvofvt.org.) In about half the states, state fuel tax revenues are restricted exclusively to highway and road purposes; most other states dedicate these and other transportation-related revenues to general or multimodal transportation purposes. Almost all states allocate transportation funds to local governments either primarily by statutory formulas or by a blend of statutory formulas and state legislative appropriations.

Some states also require further legislative approvals of the use of certain innovative financing tools. For example, of the 31 states and Puerto Rico that had enabling statutes for public-private partnerships (PPPs) as of April 2011, nine states required a form of legislative approval for at least some PPP projects; in addition, Utah and Puerto Rico required legislative approval to convert existing facilities to privately operated toll roads. Likewise, at least four states require further legislative approval or appropriation before grant anticipation revenue vehicle (GARVEE) debt can be issued. Colorado law explicitly delegates this authority to the executive branch, but authorizes GARVEE debt only up to a specified level and requires additional legislative approval for the DOT to exceed the cap; California also statutorily limits GARVEE issuance.

By statute, Vermont transportation-related revenues are deposited into the Transportation Fund and reserved primarily for the VTrans budget, though not restricted by mode (Vt. Stat. Ann. Tit. 19, §§11 et seq.). But transit monies also support other State agencies. One exception is the statutory dedication of a portion of the gasoline tax to the Fish and Wildlife Fund and the Department of Forests, Parks and Recreation (Vt. Stat. Ann. tit. 23, §3106). Another is an allocation of a portion of the motor vehicle purchase and use tax to the Education Fund (1998 Vt. Acts, Act 60). Currently one-third of the revenue from the purchase and use tax is dedicated to the Education Fund. A third exception is an allocation of a portion of total Transportation Fund revenues to non-VTrans state government functions. This allocation is part of the annual political process, with the governor's budget proposing an amount and the General Assembly responding. This allocation has generally decreased each year. Leaguers are being asked to consider whether we should continue to support the diversion of critical transit funds to activities not related to transportation

Several events spotlighted the problems for funding Vermont's transportation system: in December 2011 the Southeast Vermont League of Women Voters Member-at-Large Unit held a public forum on "Stretching our Transportation Dollars: Finding New Money and Rethinking the Money We Have." The panelists included Chris Cole, Director of Policy and Planning for the Vermont Department of Transportation, Matt Mann, Senior Planner from the Windham Regional Commission and State Representative Mollie Burke. The Champlain Valley League of Women Voters presented a forum on local transportation issues and their funding hosted by Channel 17/Town Meeting TV, in March 2012. The panel included Chris Cole, Director of Policy, Planning, and Intermodal Development at VTrans, Christine Forde from Chittenden County Regional Planning Commission, Meredith Birkett from Chittenden County Transportation Authority, and Charlene Wallace from Local Motion. In October, 2012 Senator Dick Mazza, Chairman of the Senate Transportation Committee, came to the Champlain Valley League meeting for an informal roundtable discussion of transportation issues. In November, the Transportation Board, the advisory board for the Agency of Transportation, (VTrans) held a series of public meetings around the state on what it considered to be “Hot Topics” for transportation. Number 1 was Transportation Revenues. A look into the future shows why.

VTrans anticipates an annual shortfall of $200 to $250 million based on a budget like the current budget. Senator Mazza stated that last year the paving budget was $113 million, with much of the money from FEMA and stimulus funds. These sources will not continue in the future. The FEMA money also went for repair and replacement of bridges, many of which were in need of repair before the Irene damage. These sources of funds will dry up in the near future. However, the need to maintain, repair, and replace transportation infrastructure will continue.

What to do about it?

Senator Mazza would look first to federal policy. Over 60% of the FY2013 budget came from federal sources. He believes that a 5-cent increase in the gas tax would solve the problem, but Congress has been unwilling to raise the tax. He would also favor block grants to the states instead of the current system of multiple funding programs. He believes that this program approach is inefficient and often increases costs. For example, one paving program requires replacement of the guardrail, whether or not the existing guardrail needs to be replaced. When asked if the Vermont legislature would raise the gasoline tax, he responded, “I don’t think it will happen this year.”

Vermont Fuel Taxes
Gasoline: $0.20/gal + 2% avg quarterly retail price (MFTIA), includes $0.01 petroleum clean-up fee
Diesel: $0.29/gal (includes MFTIA $0.03)
MFTIA-*Motor Fuel Transportation Infrastructure Assessment*

The Transportation Board put forward many possible ways to raise revenue for discussion:

- Raise taxes
- Index the gas tax to inflation
- Increase registration fees
- Vary registration fees by size, weight, or gas mileage of the vehicle
- Lease space in state rest areas
- Sell naming rights, i.e. bridges, highways, rest areas
- Bike registration fees
- Sell advertisements on state vehicles
- Highway tolls

Highway tolls were discounted as a revenue source by the Board because of the administrative costs and the cost to provide the toll booths. Vermont could not put tolls on the interstate highways because they were federally funded, and these would be the most lucrative highways. Naming rights and advertising on state vehicles did not generate much interest at the meeting held at the Chittenden County Regional Planning Commission. The idea of registering bicycles also did not get much support, although the audience had a large contingent of bicycle advocates. Senator Mazza also mentioned bike registration, but he did not think the idea was very good. The administrative costs would likely be high for the amount of money generated. The audience at that meeting also seemed cool to the idea of leasing space at rest areas.

The most serious discussion was around fuel taxes and fees. Vermont's gas tax has not been raised since 1990 and it is not indexed to inflation. There seemed to be support for raising the tax and indexing it to inflation; however, one attendee reminded the group that in Vermont people often need to travel many miles to get to work and the only viable alternative for them is to drive. There was general recognition that gasoline tax revenue, if rates were left unchanged, would continue to decrease as consumption decreased. Natural gas fueled commercial vehicles are already in use, and more plug-in vehicles are also being used. VTrans is planning "plug-in stations". The group also seemed to think that varied vehicle fees based on weight had merit, since heavier vehicles create more wear and tear on highways.

Position

The state must provide for revenue sources to meet its responsibility for transportation infrastructure. Taxes and fees should be structured to keep pace with inflation and the long term maintenance and replacement of roads, bridges, and other transportation infrastructure. Therefore the League of Women Voters of Vermont supports:

- A gasoline tax based on a combination of a flat fee per gallon and a percentage of the price.
- Indexing the flat portion of the tax to inflation so that the real value of the tax does not decrease over time.
- Increasing the 2% average quarterly retail price per gallon adder to the flat rate, that was set for the Motor Fuel Transportation Infrastructure Assessment (MFTIA).
- An increase in the gas tax as needed to meet long-term infrastructure and other transportation needs.
- Registration fees for private vehicles based on weight as is done for commercial vehicles.
- Weight limits on the federal interstate highway system that are consistent with state limits.

The League of Women Voters of Vermont:

- Opposes the transfer of funds from the state Transportation Fund to state programs and funds that are not transportation related.
- Does not support a miles travelled tax at the state level due to concerns with implementation and fairness in a state where public transportation is not widely available.

Recognizing that the gas tax will be most burdensome to low income Vermonters, the League supports fuel assistance measures to relieve this burden.

Sources

National Conference of State Legislatures (NCSL) and the American Association of State Highway and Transportation Officials (AASHTO) Center for Excellence in Project Finance, *Transportation Governance and Finance: a 50-State Review of State Legislatures and Departments of Transportation*, June 2011.

LWVVT Southeast Unit, *Stretching Tranportation Dollars in Vermont: Finding new Money and Rethinking the Money We Have*, Public Forum, December 15, 2011, with State Representative Mollie Burke; Chris Cole, Director of Policy, Planning and Intermodal Development for the Vermont Department of Transportation; and Matt Mann, Senior Planner with the Windham Regional Commission.

LWV of the Champlain Valley, *Transportation in Chittenden County: What do we need and how do we pay for it?,* Panel discussion on CCTV Channel 17/Town Meeting TV, with Chris Cole, Director of Policy, Planning, and Intermodal Development at VTrans, Christine Forde from Chittenden County Regional Planning Commission, Meredith Birkett from Chittenden County Transportation Authority, and Charlene Wallace from Local Motion, March 29, 2012.

Senator Dick Mazza, Senate Transportation Committee, meeting with LWV of the Champlalin Valley, October 10, 2012

Public Hearing of the VT Agency of Transportation (VTrans)Transportation Board, the advisory board for the Agency of Transportation, November, 2012

VTrans website on Policy, Planning an Intermodal Development, http://vtransplanning.vermont.gov/.