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TRANSPORTATION

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OVERVIEW

Vermont's transportation infrastructure is a complex and interconnected web that stretches from Canaan to Brattleboro, from Bennington to Alburgh, and all points in between. The network includes more than 14,000 miles of roads, thousands of bridges and culverts, airports, railroads, sidewalks and bikepaths. Ownership and maintenance is varied but, more often than not, municipalities own and maintain a system crucial to most facets of life in Vermont.

Municipalities face substantial financial strain, as limited funding (primarily the local property tax) is balanced against infrastructure needs, such as paving and reconstruction, bridge repair, culvert replacement, and general maintenance, in addition to all other municipal priorities.

Adding to that funding strain is the need to find state and local dollars to match federal dollars made available by the passage of a federal transportation authorization last fall. The Safe, Accountable, Flexible, Efficient Transportation Enhancement Act: A Legacy for Users (commonly known as "SAFETEA-LU") has provided Vermont with an opportunity to invest in transportation infrastructure by allocating more than \$300 million for earmark projects over the five-year life of the bill. However, coming up with the revenue needed to make the federal match and continue to fund previously identified projects and priorities was a significant challenge faced by lawmakers during the last Legislative session – and one that will continue to challenge them in coming sessions.

As state transportation dollars become tied up in that quest to match federal dollars and compensate for underperforming Transportation Fund revenue sources, increases for local highway aid programs are endangered. As the table on page 5 indicates, local highway aid programs are relegated to essentially level-funding despite double-digit increases in material and fuel costs associated with transportation projects. Municipal officials are left with the distasteful choice of either deferring much needed projects or increasing local property taxes to make up for stagnant state assistance.

THE SYSTEM

Roads

Vermont's transportation network's most significant component is its system of roads and highways. Roughly 80 percent (11,382 miles)¹ of the state's 14,090-mile road system is comprised of roads maintained and operated by municipal governments. State highways (2,388 miles) and the interstate highway system (320 miles) make up the remaining 20 percent.

ROADS ARE SPLIT INTO FOUR “CLASSES”:

- ❑ **Class 1.** There are 135 miles of Class 1 town highways, which are extensions of state-numbered highway routes.
- ❑ **Class 2.** There are more than 2,700 miles of Class 2 town highways, which often connect towns and feature heavier traffic than normal.
- ❑ **Class 3.** The more than 8,500 miles of Class 3 roads represent all other town highways “negotiable under normal conditions all seasons of the year by a standard manufactured pleasure car.” Class 3 roads may or may not be paved.
- ❑ **Class 4.** All other remaining roads that have been legally established. There is no exact figure of the mileage these roads represent. The municipality has limited responsibility for maintaining Class 4 roads. Class 4 roads do not factor into the state highway aid formula nor are they eligible for state funding. The ancient roads/unidentified corridor debate has centered on roads legally established as Class 4 town highways.

Bridges and culverts

Bridges are another major piece of Vermont’s transportation infrastructure, as numerous rivers, brooks, and streams crisscross the state. Unfortunately, many of these bridges are rapidly deteriorating. Towns own and maintain nearly 1,600 of the more than 2,800 bridges exceeding 20 feet in length, 3,200 bridges of less than 20 feet, and an unknown (though large) number of culverts. A significant number of bridges (453)² inspected by the state in recent years have been found to be “structurally deficient.”

More than half (260) of those structurally deficient bridges are municipally owned, and that does not include the unknown number of bridges with spans less than 20 feet that are structurally deficient. (Those spans are not inspected by the Agency, and therefore checked less frequently, if at all.) A bridge is considered structurally deficient if it is rated 4 or less on a scale ranging from 0 to 9. Bridges rated 4 or less have at least one component considered to be in poor condition (e.g., the deck).

Less well known is the condition of the thousands of large (6' to 20' in diameter) and small (6' or less in diameter) culverts throughout the state. A comprehensive inventory has not been completed, though numerous entities (municipalities, regional planning commissions and the Agency of Transportation) have been making efforts to fully account for the location and condition of Vermont’s many culverts. Replacing culverts is a costly endeavor, generally requiring a town to dig up a section of its roadway and divert traffic while the culvert work is underway. All transportation-related construction involving more than one acre must also address issues related to stormwater management.

MUNICIPAL TRANSPORTATION FUNDING

When it comes to funding transportation in Vermont, the options are limited. Municipalities have two primary sources of funding for transportation projects: local property taxes and state aid and grant programs. The amount of general state aid towns receive is based on road mileage and Transportation Fund revenue made available by the Legislature. Some state aid programs are set up like grant programs – they require towns to apply through their district transportation administrators and require local matches for certain projects.

With the exception of the Town Highway Bridge program, all town highway aid programs are ineligible for federal funding. That means that the funding for those programs comes entirely from the state’s Transportation Fund – a fund that has underperformed (less revenue than in previous years or than projected) in the past few years and is expected to underperform again in coming fiscal years.

The corollary impact of reductions in the level of state aid or level-funding of the local highway and bridge programs

can be an increase in local property taxes. Forced to re-examine transportation plans and priorities, towns are generally left with the option of either increasing local property taxes to raise the additional revenue needed for transportation projects or deferring those projects. Those towns that choose to defer pay the price, as the spiraling costs of materials, fuel, etc. increase the cost of highway repair, replacement and reconstruction projects.

While presenting Vermont with a tremendous opportunity to invest in its infrastructure, the passage of SAFETEA-LU last fall only increased the pressure on the state's small pool of transportation funding sources. Because the Act is full of federal earmarks (money allocated for specifically named projects), the state and local governments will need to come up with funding to match. With the anemic performance of a Transportation Fund that finished the 2006 fiscal year with an estimated deficit of \$5.8 million, finding new revenue or recapturing revenue transferred elsewhere will remain a challenge in the future.

State funding for municipal highway aid programs increased 14 percent between the 2006 and 2007 fiscal years, due in large part to an influx of federal money for the Town Highway Bridge program. Funding for the other local highway aid programs increased by six percent. At the same time, the average price of highway and street construction increased 16.4 percent and the average cost of asphalt paving and block manufacturing rose by 27.6 percent³.

Overall, funding for local highway and bridge aid has increased at an average of 3.8 percent each year over the past decade. That figure is somewhat misleading since, in four of those 10 years, funding either stayed level with the previous year or decreased from the year before it.

The table below shows the funding level for the municipal programs over a period of three fiscal years. For a more complete breakdown of funding for the local highway aid and bridge programs over the past decade, see the table on page 5.

TOTAL STATE AND FEDERAL DOLLARS (IN MILLIONS OF DOLLARS)			
Town Program	FY 05 Final	FY 06 Final	FY 07 Approved
Town Highway Grants	\$24.98	\$24.98	\$24.98
Town Highway Bridges ⁴	\$19.55	\$18.99	\$25.57
Town Highway Class 2 Roadway	\$4.25	\$4.75	\$5.75
Town Highway Structures	\$3.49	\$3.49	\$3.49
Town Highway Emergency Fund ⁵	\$0.00	\$0.06	\$1.25
Town Hwy. Class 1 Supplemental	\$0.13	\$0.13	\$0.13
Total State Dollars	\$39.98	\$37.30	\$39.09
Total State & Federal Dollars	\$52.40	\$52.40	\$61.17

MUNICIPAL TRANSPORTATION PRIORITIES

With the consistent underperformance of the Transportation Fund and the challenge of making the federal match, any increase in state funding for local highway aid programs is uncertain. The only area a municipality can turn to is the local property tax. Vermont residents are already saddled with a heavy property tax burden – they rely on that revenue to pay for municipal services and the escalating cost of public education.

Another factor that complicates transportation funding is the continued siphoning of Transportation Fund revenue to pay for General Fund expenses, such as public safety. In FY 2007, \$35.4 million will be moved from the Transportation Fund to the General Fund to pay, primarily, for the state police. Transportation Fund revenue accounts for more than two-thirds of the state police's \$45 million appropriation in FY07. While discussing the Transportation Fund shortfall, estimates of new revenue that would be needed in FY07 were as high as \$24 million. The \$35.4 million transfer to the General Fund would have more than covered the amount of revenue needed to make the match and boost funding for the local highway aid programs – with dollars to spare and without an increase in motor vehicle fees.

Other options, such as increases in the gas and diesel taxes, have been discussed but ultimately removed from consideration as gas prices consumers face at the pump have risen substantially. There has also been an unwillingness to bond for large construction projects, something municipalities commonly engage in when they need to fund large-scale infrastructure projects.

VLCT RECOMMENDATIONS

Given these funding pressures, VLCT recommends the following actions to help relieve the funding crisis, provide much-needed resources to push forward with transportation projects around the state, and make the federal match:

- Continue to reduce the percentage and cap the actual number of dollars of non-transportation related expenditures from the Transportation Fund, with the aim of determining Transportation Fund responsibility to pay for public safety on Vermont's transportation network.**
- Increase State Transportation Fund tax rates and/or fees, including gas and diesel taxes, motor vehicle and truck fees, and other revenue sources.**
- Develop alternative and/or innovative funding sources, including local option taxes with revenue sharing provisions, general obligation bonds, revenue from General Fund sources (if the JTOC transfer is not eliminated), revenue bonds and Federal Highway Grant Anticipation Revenue Vehicles (GARVEE) bonds in order to meet the needs of Vermont's local transportation infrastructure.**
- Continue to aggressively seek out and utilize the most efficient and effective transportation solutions that emphasize conservation of total life-cycle costs. Apply this approach to the full implementation of the Vermont Design Standards as well as to project oversight and management, alternative funding, bidding and contracting methods.**

THE PROGRAMS

Town Highway Grants.

Annual awards to towns based on the number of class 1, 2, or 3 road miles in the municipality. There is no match requirement, except municipalities must expend no less than \$300 per mile of local tax revenues on their highways. 19 V.S.A. § 307. Use of funds is restricted to highway and bridge construction, improvement, or maintenance, or the non-federal share of public transit assistance. 19 V.S.A. § 306(a)(5).

Town Highway Bridge Program.

Makes state assistance available for repair, reconstruction or replacement of bridges with a span of six feet or more on Class 1, 2, or 3 town highways. 19 V.S.A. § 306 (c). There is a requirement for a 10 percent local match for replacement and 5 percent for rehabilitation.

Class 2 Town Highway Roadway Program.

Provides an annual appropriation to municipalities for resurfacing, rehabilitation or reconstruction of paved or unpaved class 2 town highways. 19 V.S.A. § 306 (h). Towns must apply on a project-by-project basis. The match requirements are 80% state/20% local if towns adopt applicable road and bridge standards and submit a road network inventory to the District Transportation Administrator. If towns do not meet these prerequisites, the match requirements are 70% state/30% local. The project cap is \$175,000.

Town Highways Structures Program.

Provides funds for competitive grants to municipalities to repair and replace bridges and culverts. 19 V.S.A. § 306 (e). Bridges must have a clear span greater than six feet, and culverts greater than 36 inches. The project cap is \$150,000. Match requirements are 90% state/10% local if towns adopt applicable road and bridge standards and submit a road network inventory to the District Transportation Administrator. If towns do not meet these prerequisites, the match requirements are 80% state/20% local.

Town Highway Emergency Fund.

An annual appropriation for emergency aid in repairing, building and rebuilding class 1, 2, or 3 highways and bridges that have been damaged by a man-made or natural disaster of such magnitude that state aid is “necessary to preserve the public good.” 19 V.S.A. § 306 (d).

Class 1 Supplemental.

Provides an annual appropriation for supplemental aid to municipalities having Class 1 town highways with more than two lanes.

Vermont Local Roads Program.

Provides much needed technical assistance and training for road commissioners and other town officials.

LOCAL HIGHWAY AID AND BRIDGE PROGRAMS STATE FUNDING – FY97 THROUGH FY07⁶								
Fiscal Year	Town Hwy. Aid	Class 2 Paving and Rehabilitation	Town Highway Structures	Class 1 Supplemental	Town Highway Bridge⁷	Town Highway Emergency Fund⁸	Fiscal Year Total	Pct Increase from Previous Fiscal Year
1997	21.25	3.00	2.25	0.125	12.30	0.30	39.23	0.00%
1998	21.25	3.63	2.25	0.125	12.40	0.75	40.41	2.92%
1999	21.5	3.63	2.25	0.125	10.60	0.75	38.86	-3.99%
2000	21.5	3.63	2.75	0.125	16.30	0.75	45.06	13.76%
2001	21.5	3.63	3.15	0.125	16.80	0.75	45.96	1.96%
2002	23.86	4.25	3.49	0.129	18.40	0.75	50.88	9.68%
2003	23.86	4.25	3.49	0.129	21.30	0.18	53.21	4.38%
2004	23.86	4.25	3.49	0.129	22.20	0.75	54.68	2.68%
2005	24.98	4.25	3.49	0.129	19.55	0.00	52.40	-4.35%
2006	24.98	4.75	3.49	0.13	18.99	0.06	52.40	0.00%
2007	24.98	5.75	3.49	0.13	25.57	1.25	61.17	14.34%
Total Increase	3.73	2.75	1.24	0.005	13.27	0.95	21.95	
Avg FY Pct. Increase	1.41%	6.45%	3.69%	0.35%	5.21%	1.88%	3.76%	

¹ Mileage figures provided by the Vermont Agency of Transportation. Mileage as of January 1, 2006, located on-line at <http://www.aot.state.vt.us/planning/Documents/HighResearch/Publications/milrpt06.pdf>

² From the Vermont Agency of Transportation’s 2006 Annual Report of the Structures Section of Program Development.

³ Source: the American Road and Transportation Builders Association, based on the Bureau of Labor Statistics producer and commodity price indices.

⁴ Includes state and federal aid only, no local match.

⁵ Does not include the \$1.5 million approved by the state Emergency Board and Joint Transportation Oversight Committee at their July 18th meeting.

⁶ In millions of dollars.

⁷ Includes state and federal aid only; no local match.

⁸ FY07 figure does not include additional \$1.5 million appropriated by state Emergency Board at its July 18, 2006 meeting.