

MEMORANDUM

To: MPO Policy Committee
From: Scott Bogle, Senior Transportation Planner
Date: January 3, 2019
RE: NHDOT Budget Request to Governor and Legislature

At the October meeting of the MPO Policy Committee NHDOT Commissioner Victoria Sheehan and Deputy Commissioner Chris Waszczuk gave a presentation on Federal and State funding challenges facing New Hampshire's transportation system, and the Department's intention to ask for new revenue in the SFY2020-2021 state budget. They asked for MPO support of this request, and assistance in raising awareness among member communities of unmet need and looming potential losses in Federal funding and the implications of this for the state. An overview of their key points is below. These were discussed with the MPO Technical Advisory Committee at their December meeting, and the TAC voted to recommend that the Policy Committee endorse the Department's request at the January MPO meeting.

New Hampshire is highly dependent on Federal transportation funding. NHDOT's ability to deliver non-Turnpike projects in the Ten Year Plan (TYP) is heavily dependent on Federal funding. State gas tax and vehicle registration revenues are used by NHDOT primarily to fund highway operations and maintenance, as well as funding the Betterment, State Aid Highway and State Aid Bridge programs. These programs typically fund small projects that would not be eligible for, or a good fit for, Federal funding. At current revenue levels the State Highway Fund lacks resources to match Federal funds for larger projects.

Use of Turnpike Toll Credits to match Federal highway funds reduces overall resources - While Federal highway funds typically require a 20% non-Federal cash match, New Hampshire for years has not provided cash match for Federally-funded projects on the TYP. Rather these are matched with Turnpike toll credits. Toll credits are not actual cash. The Federal Highway Administration (FHWA) allows our state to count tolls generated on the Turnpike system as "paper match" allowing use of 100% Federal funding for projects. Ultimately this reduces the amount of work that can be done. New Hampshire can currently access approx. \$158 million in Federal transportation funding annually. If paired with 20% state cash match as intended under Federal regulations, this would allow approximately \$197 million of projects to be completed annually. By depending on toll credits as match, New Hampshire can only complete \$158 million worth of projects annually – 20% less work than intended.

New Hampshire's transportation system is falling behind. At projected funding levels, there will be more bridges on the state Red List at the end of the current Ten Year Plan than at the beginning of the Plan, as new bridges are added to the Red List faster than they can be rehabilitated given current resources. Of 5,600 miles of state roads, 1,142 miles (20% of the system) are not eligible for federal funding. These facilities (Tier 3 & 4 roads) have the highest percentage of poor and very poor condition roads across the

state road system. No funding exists to reconstruct or perform major rehabilitation of these roads. There is inadequate funding for replacement and upgrade of failed or undersized culverts, a critical need to make the transportation system resilient to more frequent and severe storms that cause flooding and washouts. Similarly, while demand for public transit and senior transportation is growing with demographic shifts, no state funding exists for public transit operations aside from short-term highway mitigation projects.

Federal funding is at risk. Revenue to the Federal Highway Trust Fund (HTF) is primarily derived from fuel taxes. The Federal gas tax was last increased in 1993. Inflationary increases in construction costs have eroded the buying power of the Highway Trust Fund, as has increased fuel efficiency and growing use of alternative fuel vehicles. Annual HTF outlays to maintain current spending levels plus inflationary adjustments are projected to exceed revenues by \$16 billion in FY2020, rising to \$23 billion by FY2027. The FAST Act has closed this gap with Federal General Fund dollars out to FY2020, but the next Congress may not allow this to continue in the next transportation reauthorization bill. If Congress doesn't allocate more General Fund revenues and doesn't take action to increase Highway Fund revenues, then USDOT apportionments to the states will drop 50% in 2021. This would cripple most states' highway and transit programs, and especially New Hampshire's given our lack of State revenues.

NHDOT will seek to address some of these issues with its SFY2020-2021 Budget request. Likely NHDOT requests for the coming biennium and legislative session include the following:

- New state revenues adequate to provide cash match on the Federally funded highway program, reducing dependence on toll credits and increasing capacity to deliver projects. **The specific dollar value of this request is yet to be determined.**
- Restoration of \$200,000/year in State operating assistance for public transit. This is a small number far below contributions in peer states. However it is an important source of match to leverage Federal Transit Administration funds and it will be critical to public transit agencies' ability to maintain service and address emerging needs.
- Expansion of the Turnpike system along I93 approximately one mile north from Exit 14 to north of Exit 15 in Concord. This would allow the major Bow-Concord I93 Improvements project to be funded through the turnpike system, accelerating the project and freeing up over \$130 million in federal funds for other priorities.

Requested Action: *The RPC MPO has long been on record supporting increased state revenues to maintain and modernize New Hampshire's transportation system, including expanding transportation choices. The Commissioner asked each Regional Planning Commission to endorse the Department's request and convey information on the problems described here to member municipalities. The MPO Technical Advisory Committee endorsed these requests at their meeting in December, though sought further information on the proposed mechanism(s) to generate new State Highway Fund revenue. Staff ask the MPO Policy Committee to consider the Department's proposal and vote to send a letter of endorsement to the Governor.*