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February 15, 2011

Senator Michael Thibodeau, Senate Chair
Representative Stacey Fitts, House Chair
Joint Standing Committee on Utilities, Energy and Technology
Senator Roland Collins, Senate Chair
Representative Richard Cebra, House Chair
Joint Standing Committee on Transportation
Maine State House
Augusta, ME 04333

Dear Senators Thibodeau and Collins and Representatives Fitts and Cebra;

I am writing to report on the "Transportation Efficiency Working Group", which was included in LD 1786 An Act Regarding Energy Infrastructure Development enacted as Public Law 2010, Chapter 655, from the 124th Legislature's Second Session. Included in the legislation was a provision for the Governor's Office of Energy Independence and Security (OEIS) to convene a working group in order to "examine and make recommendations regarding transportation efficiency initiatives funded by the revenues collected in the energy infrastructure benefits fund".

The purpose of LD 1786 was to create three statutory energy infrastructure corridors on state-owned land and to create a process for energy infrastructure development in both statutory and petitioned corridors. The revenues generated from such development is to be deposited in the Energy Infrastructure Benefits Fund in which 20% of the revenues are to be deposited in the Transportation Efficiency Fund administered by the Department of Transportation for the following uses:

> "The fund must be used by the department to increase the energy efficiency of or reduce reliance on fossil fuels within the transportation system within the State. Uses of the fund may include, but are not limited to, rail, public transit, car and van pooling, zero-emission vehicles, biofuel and other alternative fuel vehicles, congestion mitigation and air quality initiatives that increase the energy efficiency of or reduce reliance on fossil fuels within the transportation system. The department must consider the transfer of funds to the Maine Turnpike Authority for uses consistent with this subsection. Any transfer to the Maine Turnpike Authority under this subsection in any calendar year may not exceed 10% of debt service payable by the Maine Turnpike Authority on its bonds in that calendar year."

As you know, the working group was directed by members of the 124th Legislature and performed by OEIS under the former administration. OEIS and MaineDOT's input is a result of policy decisions and views expressed by the former administration. Accordingly, this report cannot and should not be considered the work product of the LePage administration. If and when the Utilities, Energy and Technology and/or the Transportation Committee of the 125th Legislature holds public hearings or directs further work in furtherance of this report, the LePage administration will provide policy input at that time.

Currently, there is no revenue in either account as no energy infrastructure development projects have been built. However, we have recently learned that Bangor Hydro and National Grid have a proposed transmission project.

Pursuant to the statute, OEIS convened a working group with representatives from the following state agencies and organizations:

- Representatives of the Maine Department of Transportation (required)
- Representative of the Efficiency Maine Trust (required)
- Representative of the Maine Department of Environmental Protection
- Representative of Environment Northeast
- Representative of the Conservation Law Foundation
- Representative of the Greater Portland Council of Governments
- Representative of GOMaine
- Representative of the Bicycle Coalition of Maine
- Representative of the Natural Resources Council of Maine

OEIS held two face-to-face working group meetings and a final teleconference in order to examine and craft recommendations regarding the allocation of revenues from the energy infrastructure benefits fund for transportation-related purposes and the use of the Transportation Efficiency Fund established in the statute.

Attached is a list of specific recommendations that the working group stakeholders submitted and agreed that revenues in the Transportation Efficiency Fund should fund. (Please note that *subject to review of broader transportation priorities*, MaineDOT is in agreement with the majority of these recommendations, with the exception of the "Alternative Fuel Infrastructure" and the designation of specific routes for expansion of the GO MAINE program.)

In reviewing the legislation, the working group had questions regarding the administration of the Transportation Efficiency Fund by DOT and whether DOT is required to spend the money directly and/or could grant the money to other Maine organizations to implement a specific program or project. The working group recommends that both should be possible in regard to administration of the Fund.

If you have any questions regarding the legislation or the working group's recommendations, please do not hesitate to contact me.

Sincerely,

John M. Kerry

John M. Kerry, Director
Governor's Office of Energy Independence and Security

Prepared by the Governor's Office of Energy Independence and Security, 1/5/11

Transportation Working Group Recommendations for Transportation Efficiency Fund Uses

1) Transit Capital and Operating funds – In the past, the state has bonded for a share of the local match for capital. Typically, the Federal Transit Administration provides 80%, the state pays 10% and the local communities pay 10%. In recent years the policy at MaineDOT has been that the state would pay 15% if the equipment is an alternatively fueled vehicle, allowing the local communities to pay just 5%. Last year, there was no transit capital in the highway bond, which means municipalities are on the hook for the full 20%.

The greatest challenge for transit providers is operating funds. The percentages vary by provider (based on their "fare box return") but presently, FTA urban and rural funds can be used to pay for up to 50% of operating costs. Greater Portland METRO, for example, takes in approximately 25% of those costs through fares. The other 25% is assessed to the member municipalities and represents only a portion of the overall local share. Furthermore, it is possible that the Portland MSA will exceed 200,000 in population from the recent census. If that happens, the PACTS MPO will become a Transportation Management Area and the transit providers will no longer be allowed to uses urban funds for operating – meaning that the local towns will be responsible for ~75% of their operating costs!

2) Alternative Fuel Infrastructure – If the state is to reduce its dependence on imported petroleum, it must begin to transition its vehicles to alternative fuels such as: natural gas, propane, electricity, biodiesel and other renewable fuels that are being developed – some of them right here in Maine. The biggest impediment to anyone considering an AFV is the availability of alternative fuel. The state could dedicate some of the proceeds of the fund to leveraging private investment in infrastructure and vehicles. The sites would be publicly accessible and located where they could serve anchor fleets. In addition, a portion of the funds could go directly into the State's Clean Fuel Vehicle Fund https://www10.informe.org/webshop_ifw/index.php?storeID=7. This would allow FAME to offer low interest loans for developing infrastructure and purchasing Alt Fuel Vehicles. (MaineDOT does not support this measure.)

3) GO Maine Program - The GO MAINE commuter vanpool program plays an important role in Maine by "increasing the energy efficiency of or reducing reliance on fossil fuels within the transportation system," providing convenient, comfortable, money and energy-saving commuter travel to and from work for many Maine citizens. Projected capital needs for expanding vanpool services total $1,268,000. Projected capital needs for replacing existing vehicles in the fleet total $1,186,000. Combined, the total projected capital needs of the GO MAINE vanpool program between 2010 and 2014 = $2,454,000. Combined total annual passenger boardings for this vehicle total equals = 370,440. (MaineDOT provisionally supports expanding the GO MAINE program, but exact routes will be dependant upon need at the time of available funding.)

PROJECTED NEW ROUTES

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1. Sanford > Kittery (1)
2. Sanford > Biddeford-Saco (1)
3. Sanford > Kennebunk (1)
4. Kittery-York-Wells > Portland (1)
5. Lakes Region > Portland (2)
6. Auburn-Lewiston > Portland (4)
7. Portland > Auburn-Lewiston (2)
8. Bath-Brunswick > Portland (2)
9. Portland-Topsham > Augusta (4)
10. Augusta > Topsham-Portland (4)
11. Bangor > Augusta (2)
12. Aroostook area > DFAS-Limestone (2)
13. Skowhegan > Augusta (1)
14. Pittsfield-Newport > Bangor (2)
15. Ellsworth > Bangor (1)
16. Dover-Foxcroft > Bangor (1)
17. Millinocket > Bangor (1)
18. Rockland-Belfast > Bangor (1)
19. Belfast > Augusta (1)
20. Rumford-Mexico > Augusta (1)
21. Portland > Freeport-Brunswick (2)

Total need = 37 vehicles (rough breakdown: 20 13-passenger full-size, 17 7-passenger minivans)
Together, these new vanpool vehicles and routes placed in service would equate to 191,016 passenger boardings annually.

REPLACEMENTS
6 - 2003, 2004, 2005 full-size vehicles should be replaced soon
8 – 2007 full-size vehicles should be replaced in 2012
3 – 2008 full-size vehicles should be replaced in 2013
5- 2009 full-size vehicle should be replaced in 2014
10 – 2009 minivans should be replaced in 2014

The current vehicles that require replacement over the next 5 years equate to 179,424 passenger boardings annually.

BUDGET 2010 THRU 2014

New Route Vehicles

20 13-passenger @ $43,000 = $860,000
17 7 passenger @ $24,000 =$408,000

Replacement Vehicles

22 13-passenger @ $43,000 = $946,000
10 7-passenger @ $24,000 = $240,000

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TOTAL PROJECTED NEED 2010 THRU 2014 = $2,454,000

4) Safe Routes to School Program -The Transportation Enhancements program brings federal dollars to MaineDOT. The funds are required to be spent on one of 12 eligible uses. These uses include bicycle and pedestrian safety education and infrastructure projects. In Maine, a competitive process accepts applications from municipalities for improvements to the built environment that emphasize bicycle and pedestrian safety, opportunities for economic development, and improved transportation linkages. The funds require a 20% municipal match.

Similarly, the Safe Routes to School (a federally-mandated program through the Fed. Trans. Bill) provides funds for bicycle and pedestrian safety projects within a 2-mile radius of an elementary or middle school. In this case the federal funds can pay for 100% of the project. Safe Routes to School encouragement activities are also supported through these funds.

In 2010, 45 Communities applied for a total of $36 million dollars of bicycle and pedestrian safety improvements in Maine. In past years, MaineDOT has only been able to fund approximately $8 million per biennium using federal transportation dollars.

Examples include sidewalks leading to schools, bicycle facilities such as the Kennebec River Rail Trail and improving the accessibility (per ADA guidelines) of existing sidewalks and bike/pedestrian bridges.

It is critical for bicycle and pedestrian safety that the road system includes sidewalks, shoulders, and safe and visible crossings, where needed and feasible. Investing in these improvements are critical to reducing energy use and clean air. Providing safe access for bicyclists and pedestrians on the transportation system and improving village environments are also key elements necessary to address key economic, safety, and mobility issues in Maine.

Additional funds could assist in meeting the needs of additional communities across Maine, particularly those without the tax base to fund the 20% match requirement.

5) Biodiesel -- MaineDOT would support expanding its biodiesel fleet to include large trucks and work vehicles.