



The State of New Hampshire
Department of Environmental Services



Robert R. Scott, Commissioner

January 16, 2018

The Honorable Norman L. Major
Chair, House Ways and Means Committee
Legislative Office Building, Room 202
Concord, NH 03301

RE: HB 1763, An act establishing a road usage fee and making an appropriation therefore

Dear Chair Major and Members of the Committee:

Thank you for the opportunity to comment on HB 1763. This bill establishes a road usage fee for motor vehicles registered to travel on New Hampshire roads based on the fuel economy (miles per gallon, or equivalent for vehicles operating on other fuels) of the vehicle, to be collected at the time of annual registration of the vehicle and deposited in a separate restricted road usage account within the highway fund. An appropriation is made to the department of safety to implement the road usage fee. The New Hampshire Department of Environmental Services (NHDES) supports equity relative to contribution to the use of New Hampshire's roadways, but has concerns with this bill.

Motor vehicles are the primary source of emissions of oxides of nitrogen and volatile organic compounds in the state. These pollutants react in the presence of sunlight and heat to form ground level ozone, a respiratory irritant that is the primary component of smog. The transportation sector is also the largest single source of greenhouse gas emissions in the state. In order to reduce emissions from this sector, NHDES has consistently encouraged New Hampshire residents and visitors to reduce the amount of miles they drive, utilize public transportation systems, use cleaner vehicle fuels and drive fuel efficient vehicles. These strategies result in a cleaner and healthier environment for our residents and visitors. Therefore, NHDES is concerned that the mechanism proposed by this bill could send a market signal that is counter to our efforts in this sector and provide an incentive for residents to drive more and continue to operate older, more polluting vehicles beyond their normal lifespan.

The intent of this legislation is to address the decline in road toll revenue. The decrease in revenue is related, primarily, to three factors that have reduced fuel usage: a reduction in total vehicle miles traveled (VMT) due to changing demographics and economic factors; increasing fuel efficiency of the vehicle fleet as a whole; and, to a very minor degree at present¹, the increasing use of electric vehicles (EV) and plug-in hybrid vehicles (PHEV). This problem, and its myriad potential solutions, raises complex issues and has been the subject of three recent study commissions², which

¹ Electric vehicles currently represent less than one quarter of one percent of the passenger vehicles registered in New Hampshire.

² HB 515 (2009); HB 1144 (2012); HB 460 (2015)

collectively recognized the need to find an equitable solution to funding the state's transportation system.

In 2015, HB 460 established the most recent commission to review this issue. The HB 460 commission report stated that the "upward trend in vehicle fuel efficiency is a positive trend from an environmental impact and should be encouraged," and noted that the funding issues facing New Hampshire are similar to those faced by other states and the nation as a whole. Among the recommendations, the report noted that a solution should not "penalize one group of vehicle owners relative to others" nor should it "create a disincentive for environmentally sound movements forward in fuel efficiency and reduced driving behaviors." NHDES was pleased to have served on that commission and agrees that this issue merits serious consideration by the General Court. Nevertheless, NHDES is concerned that HB 1763 may be perceived as a penalty to owners of highly efficient vehicles (many of whom have paid a premium for that efficiency and, therefore, already pay a higher vehicle registration fee on an annual basis) and signal that fuel efficiency and reducing miles driven are no longer important in New Hampshire.

A potential technical issue related to this proposed legislation is that the mechanism for identifying a precise or current fuel economy number for a particular vehicle is not readily apparent. There is not a clear-cut relationship between the federal fuel economy database and the Vehicle Identification Number. Additionally, the formula used to calculate fuel economy was revised in 2008 to more accurately reflect real-world driving conditions. This revision resulted in lower fuel economy estimates for newer vehicles. The fuel economy ratings for pre-2008 vehicles were not revised and, therefore, this approach could potentially penalize older model year vehicles. In addition, fuel economy ratings are periodically revised as manufacturers provide updated information to the National Highway and Traffic Safety Administration. However, the revised ratings are not necessarily incorporated into the existing fuel economy database maintained by the US Environmental Protection Agency, but are rather published as separate updates. Keeping abreast with these important updates and ensuring a vehicle owner is not over- or under-charged may prove difficult.

NHDES understands the genesis of this bill and need for a solution to the road toll deficit. NHDES also concurs that all users of the state's roadways should contribute toward the cost of maintaining the system. However, it is critical to be equitable in that assessment and to balance state policies relative to road toll income with those that seek to encourage fuel efficiency and advanced technologies due to the economic and environmental benefits of reduced use of petroleum fuels.

As a final note, NHDES has participated in regional discussions with Electrify America (EA), the Volkswagen subsidiary tasked with investing \$2 billion nationally in zero emission vehicle (ZEV) support infrastructure, which is inclusive of electric vehicle (EV) charging infrastructure. It is clear that EA will prioritize investment of their funds in states that have policies that are supportive of and

The Honorable Norman L. Major
Chair, House Ways and Means Committee
January 16, 2018
Page 2

promote ZEVs and EVs. The policy proposed here can easily be perceived as a penalty on EVs and could lead to reduced or zero investment of EA funds in New Hampshire.

Thank you again for the opportunity to comment on HB 1763. Should you have further questions or need additional information, please feel free to contact either Craig A. Wright, Director, Air Resources Division, (Craig.Wright@des.nh.gov , 271-1088) or Rebecca E. Ohler, Administrator, Technical Services Bureau, (Rebecca.Ohler@des.nh.gov , 271-6749).

Sincerely,



Robert R. Scott
Commissioner

cc: Sponsors of 1763: Representatives Major, Ohm, Henle, Almy

