

March 12, 2012

Clarissa Smith
Federal Highway Administration (HPPI-10)
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

RE: FHWA-536 (Local Highway Finance Report)

We are submitting, herewith, the referenced report in File 536DE11.xls, which conforms to “A Guide to Reporting Highway Statistics.”

The municipalities in Delaware, comprising 57 cities and towns, do not receive federal-aid for highways and streets. However, the cities and towns receive municipal aid from DelDOT’s Transportation Trust Fund (TTF) on an annual basis. [The Municipal Street-Aid fund](#) amounted to \$4 million for FY 2011 in Delaware as indicated below, along with other statistical data.

2007-2011 Population, Street Mileage and Municipal Aid						
Year	Population	% Change	Street Mileage	% Change	TOTAL AID	% Change
		Previous Year		Previous Year	FY-June 30	Previous Year
2007	252,701	2.23%	769.22	3.72%	5,000,000	0.00%
2008	257,575	1.93%	780.80	1.51%	5,500,000	10.00%
2009	261,339	1.46%	785.90	0.65%	6,000,000	9.09%
2010	262,909	0.60%	787.61	0.22%	0	-100.00%
2011	271,441	3.25%	794.31	0.85%	4,000,000	

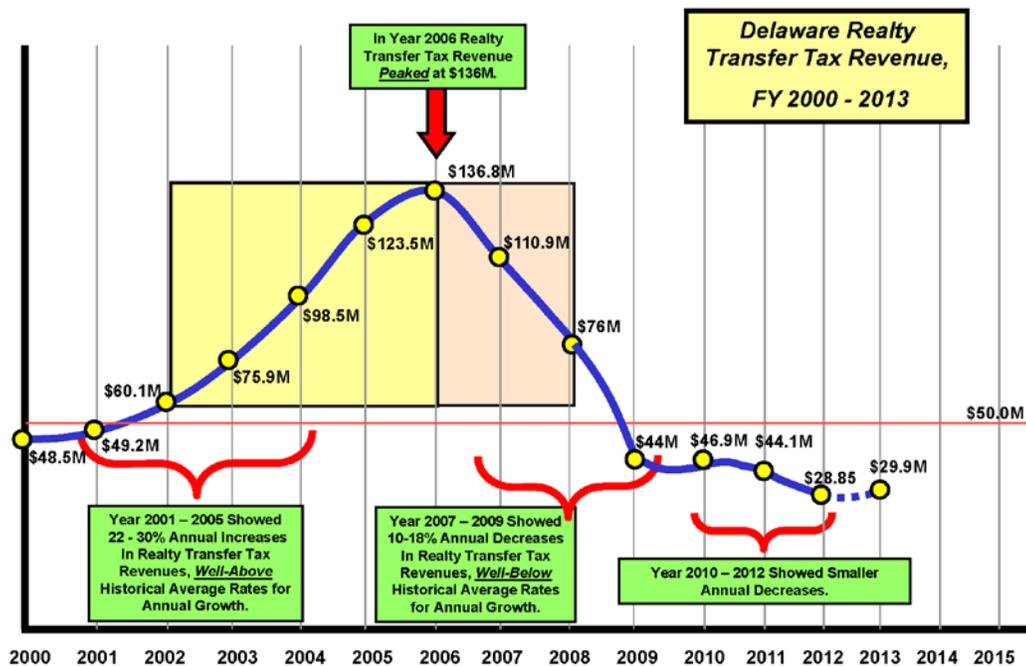
Since 2007, the municipal population has increased by 7.42% and the street mileage increased by 3.26%, while the Municipal Street Aid has declined by 20%. For the Fiscal year 2010, which ended on June 30, 2010, there were no state funds available for municipal aid.

Apart from the Municipal Aid, the General Fund appropriation through state legislation includes \$11.475 million from the Transportation Trust Fund. The 62 Delaware legislators receive \$175,000 each, plus an additional \$0.625 million, which was appropriated collectively for drainage projects statewide from the Transportation Trust Fund.

All 57 municipalities of the state use Municipal Street Aid funds to repair, repave, maintain street lights, and make other safety improvements in their jurisdiction. Therefore, the municipalities are unable to provide some of the essential maintenance work required because of inadequate funds.

Delaware has a Realty Transfer Tax, which is 3% of a property’s sale price. The buyer and the seller pay 1.5% each. Depending on the location of property, the revenues from the Realty

Transfer Tax are split between the state and the municipality, or the state and the county. The annual revenues are presented along with future projections as shown below.



Source: Delaware Economic Financial Advisory Committee (March 1012 Report)
<http://finance.delaware.gov/defac/dec11/revenues.pdf>

One of the major sources of revenue for Delaware municipalities is the property transfer tax. As the above display shows, the trend shows a loss of realty transfer revenues for the past several years. The decline in value of residential houses, as a result of the subprime mortgage debacle, has contributed to the loss.

On the other side, home buyers have had tax breaks which helped the housing market. Current lower mortgage interest rates have also helped home owners with refinancing. But for the real estate market to bounce back, both accelerated construction of new housing projects and further structural adjustments within the economy are essential. Also, increases in employment, consumer confidence and spending are critical for enhancing municipal revenues.

Presently, municipalities are seeking innovative ways to generate revenues. One of the options is to increase the number of speed traps located in the municipalities throughout the state. The locations are indicated at [The National Speed Trap Exchange](#). Average motorists are paying hefty traffic tickets, while the municipalities are benefitting. Likewise red light running video cameras under the [Electronic Red Light Safety Program](#) (ERSLP) have been generating increased revenue for municipalities. The City of Dover and the City of Wilmington both received sizable increases generated from this program, but still have substantial budget shortfalls.

It is not clear when disbursement from the TTF to municipalities will go back to their historical highs. But it seems there is a need to review the state formula-based distribution of the Municipal Street-Aid fund for equity in the distribution to small towns when these programs are reevaluated.

In some states, the municipal bonds have defaulted in recent years, and are at risk for the near future. There are 57 municipalities in Delaware. Only four municipalities have reported “Bonds Outstanding” under the title Local Highway Debt Status as indicated below.

Municipalities	2011 Closing Debt	City Contact Person
Wilmington	6,674,302	Robert Johnson
Dover	1,550,000	Donna Mitchell
Milford	230,347	Jeffrey Portmann
Middletown	1,365,000	Louis Vitola
Total	9,819,649	

So far, most of the municipalities in Delaware have maintained excellent bond ratings. But, most recently, the revenue short falls are being felt at not only the state level, but at the city, town, and county levels as well. Not all municipalities have fully funded pension and health care plans.

Finally, some financial managers of municipalities have found that the existing FHWA-536 instructions are not user-friendly. Many of the small municipalities have a difficult time in determining the percentage of distribution of Highway Law Enforcement funds, especially where the municipality officials carry out multiple functions. Perhaps a drop down menu might be helpful.

More details on the municipalities are on the internet site: [Local Highway Finance Report \(FHWA -536\)](#).

Sincerely,

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cc: Marc Dixon, FHWA DelMar- Delaware Division Office
Tyrone Crittenden, Program Manager, DelDOT

File name: 536_2011.Doc
Attached Excel File Name: 536DE11.xls