

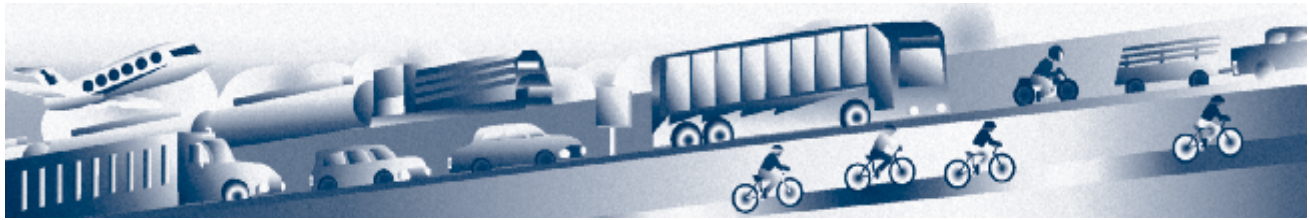


# **FORUM ON TRANSPORTATION INVESTMENT**

**4<sup>TH</sup> MEETING**

**FUTURE FINANCE OPTIONS**

**JUNE 28, 2005**



# FORUM ON TRANSPORTATION INVESTMENT

## FUTURE FINANCE OPTIONS

### MINUTES

**Additional documents sent to members, but not mentioned in these minutes:**

[Kempton Letter to Forum 62205.doc](#); [agenda 062805 final.doc](#)

[Interim Summary FTI Revenue presentation061705.pdf](#)

**June 28, 2005 – 9:00 AM to 4:00 PM**

**Holiday Inn, 3300 S. Vista Ave., Boise, Idaho**

#### **Welcome and Introductions – Jim Kempton, Chair**

Jim welcomed all attending and introduced a new member – Patrick Armstrong, with Idaho Sand & Gravel. He is replacing John Ferguson, who is no longer able to participate. Jim also mentioned that lunch today will have red snapper. Those members, who need to claim expense reimbursement, should get the form from Linda Emry at the back table.

Jim noted that the meeting today will differ from previous meetings in that today we will hold more discussions as a group, with less presentations of information.

He then began with an **Overview of Forum Goal and Final Recommendations**. [Overview of Forum Goal & Final Recommendations.ppt](#). Jim pointed out that our previous meetings have presented information on Idaho's future and the surface transportation that may be needed to support it. "What will we have to have in 2035?" "What do we have to do to meet those future needs?" He pointed out that the Forum has broadened its scope from the original picture of 2006 to 2030 to 2035, but this broader scope is still well within reason for the Forum to examine our transportation system this far into the future.

Jim pointed out that the Forum's goal in the Charter is two-fold. First, we are to establish an understanding of the needs and demands for transportation improvements and the available options for financing and funding Idaho's transportation system; and secondly, make recommendations to the ITD Board on how to shape future investment in Idaho surface transportation system. The Forum has three core focus areas: 1) review current financing/funding options; 2) understand the demand for improving Idaho's transportation system and summarize projected needs; and 3) assess future innovative financing and revenue options. In the first 5 meetings we have set agendas that have informed the members about Idaho's future growth, current financing options, current and future transportation system needs, and today we will review other financing options. The Forum's last two meetings in November will be devoted to drafting the Forum's recommendations that will be presented to the ITD Board.

Jim noted that the Forum recommendations would:

- Be by consensus not necessarily unanimous;
- Establish a range of transportation needs;
- Categorize current funding options and proposed changes if appropriate;
- Propose future funding, criteria for ranking/prioritizing surface transportation demands, etc.
- Make other recommendations as deemed necessary.

Jim went on to point out that in meeting #3 held April 28, 2005, the projected surface transportation needs to 2035 totaled \$20 billion. The listing focused on projects of wants/needs as gathered by transportation experts throughout the state. The members questioned what funds will be available to meet these projected needs and are all the proposed projects really needed? Jim also noted that recently, a building permit moratorium has been started in Valley County because of land speculation coming out of the proposed Indian Valley highway that is one of the proposed GARVEE projects.

Jim then went on explain that he had reviewed information from Legislative Services on ITD spending & appropriations for 1996 to 2004 and using regression analysis to forecast projected revenue needs to 2035 and came up with a projected total from this method of \$22 billion. [Regression Prediction.xls](#) This total is very similar to the previous prediction given at the June 28 meeting; although arrived at in a very different method.

The regression predictions may become less accurate as time passes, but the predicted total basically relates to a \$1 billion per year expenditure. Jim asked: “Do we have a funding base that could handle these predicted expenditures? Do we have the mechanisms to sustain these expenditures?” In 1993, the whole Idaho state budget was less than \$1 billion! At the Northwest Power and Conservation Council where I work, one of our goals is regional energy conservation. To achieve desired levels of energy conservation in out-years, progress must be steadily achieved on an annual basis. Peaks and valleys in achieving energy conservation are not desirable. Like energy conservation, transportation out-year funding objectives in the aggregate will be best met if annual revenue is accumulated on a planned basis that avoids random peaks and valleys. In developing recommendations for the Board, I feel this Forum should develop recommendations for achieving out-year funding objectives in the aggregate that encourage steady planned progress in related revenue contributions. This process cannot begin too soon if an approximately \$22B investment in the Idaho transportation infrastructure (un-inflated new construction) is to be achieved by 2035.

I would now like to turn the program over to Lisë Stewart, our facilitator, who will lead us in an all member discussion/review of **“What we have learned so far.”**

### **“What We Have Learned So far.” - Facilitated All-Member Discussion – Lisë Stewart**

Thank you, Jim. Before I begin, let’s take a few minutes to do a quick introduction of the members and the audience.

- Member Introduction – 42 members-[sign in-member.doc](#)
- Other Attendees – 33 audience-[sign in-audience.doc](#)

After reviewing the previous meetings, I have come to the conclusion that you members consistently bring key priorities and themes to the forefront. I have put these together in a few PowerPoint slides and I would like us to look at these and then discuss whether they fairly represent your feelings and whether you agree or disagree. I also have a couple of flip charts and as we discuss things today I will try to capture further ideas/thoughts for consideration and if needed a ‘holding tank’ listing for further investigation.

[Priorities and Themes-Lise.ppt](#) To begin, there are common themes that run throughout our meetings and your input. These common themes are:

- Ensure safety and security in travel; decrease the risk of injury or property damage on, in and around transportation facilities.
- Maintain the existing system of roads, bridges, public transportation, aviation, passenger rail/ports.
- Relieve congestion to ensure the smooth flow of people and goods throughout the entire system.
- Broaden access to opportunities and essential services for those who cannot or choose not to drive.
- Facilitate the efficient movement of goods using all modes of transportation.
- Ensure Idaho's continued economic competitiveness by providing a safe, reliable and efficient transportation system.
- Protect Idaho's environment and natural resources by making investments that are not only sensitive to the environment, but also provide and encourage environmentally beneficial transportation choices.
- Enhance the quality-of-life in our communities through transportation

Additionally, at the April 28<sup>th</sup> break-out sessions, you were asked to brainstorm important factors/criteria to use for ranking wants and needs. Four basic areas were identified.

- Service Characteristics – 38% -- safety, multi-modal solutions, coordinated infrastructure (roads, water, sewer, etc.), congestion relief, statewide system (circulation), and public transit.
- Planning & Quality of Life – 35% -- land-use linked to transportation system, long-term plan/growth, quality of life, environmental impact (air & water quality), sustainability, and regional significance.
- Economic Impacts – 16% -- cost/benefit, economic growth, facilitate commerce, and rural economic development.
- Funding – 11% -- how to pay, leverage federal funds (Medicaid & public transit), and using available resources for construction.

The top five factors/criteria were:

- Land use linked to transportation system
- Long-term plan/growth (coordinated plans)
- Safety
- Cost Benefit
- How to Pay - Funding

Additionally, other key concerns are:

- Participation and Prioritization
- Need for Transportation and 'Buy-In'
- Multi-Modality
- Managed Growth
- Economic Development – Cost of Commerce
- Environmental Impact
- Transportation Research and Technology Transfer
- Recreational Access and Tourism (although not a high score, it is a significant topic)
- Funding and Sustainability (innovative/not traditional – need more information)

You members are quick to recognize that one or more of the above mentioned items may need to come to the top. The point of any transportation decision should be based on factors at the time. You are less concerned about the money than about how/why and the planning/criteria used to make the decision. You want a thoughtful/integrated approach to transportation investments.

The members had no additional comments and a general consensus was agreed upon that Lisë's presentation matched their conclusions. Lisë asked to be contacted if anyone had further comments or ideas.

Lisë then noted that today's meeting will focus on Funding and Sustainability. She asked the members for any of their thoughts and concerns pertaining to this topic. [Discussion-Morning.doc](#) The discussion focused on public transit, changes for land use planning, and changes from fossil fuels to bio-fuels. Additional information was distributed to the members – **Transit Funding 101**. [Transit Funding 101.doc](#)

### **“What's the Delta -- Current Revenue (\$ available) compared to Future Revenue Needs? – Dwight Bower [Delta Difference-Dwight Bower.doc](#)**

Dwight reviewed information that was previously presented about current funds available to ITD, Local Highway Jurisdictions, and Public Transportation. He broke down the spending for capital costs, maintenance/operations, and administration. He also presented figures on projected 30-yr needs, available funding for the next 30 years, and the funding shortfall.

To meet the projected 30-yr capital improvement needs, an additional \$264.5 million would be needed each year.

### **Railroad 101 – Rail Freight Issues and Future Opportunities – Ed Mc Kechnie, Vice President of Operations and Strategic Planning for WATCO Companies**

[Bio Ed McKechnie.doc](#); [RRState\\_USSummary.pdf](#); [RRState\\_ID.pdf](#);  
[WATCO Railroad presentation.doc](#)

Ed reviewed Railroad 101 information and went on to review Idaho's railroad network and the issues facing the short line system. He summarized that states can't continue to pour concrete, but must focus on all modes of transportation. Freight transportation remains strong and railroads are working to improve their system. The big catch is that customers must be educated and investments funded. The advantage to railroad infrastructure investments is that you get a 50 year commitment that service will be there.

He also suggested that the Idaho Forum on Transportation Investment recommend that:

- Idaho invest \$2 million a year for three years, with ITD directed to invest in capacity of sidings, branch line preservation, and railcars; and
- Conduct an annual analysis of work and if favorable, continue investment past the initial three years

**Gary Maring, Senior Associate of Cambridge Systematics, luncheon speaker (replaced Jack Basso, who was unable to attend). [Bio Gary Maring.doc](#)**

Gary Maring is a Senior Associate of Cambridge Systematics with more than 35 years of experience in transportation policy, planning, financing, economic, ITS, freight, and intermodal transportation issues. Mr. Maring is an expert in Federal finance and Highway Trust Fund revenue issues. Since joining Cambridge Systematics in January 2003, he has contributed to several intermodal freight studies in California, Florida, and Minnesota including assessing financing options for several freight projects; contributed to the Hudson Institute/AASHTO/APTA 21<sup>st</sup> Century Finance study; and contributed substantially to the FHWA Future Directions in Innovative Finance Study.

Gary spoke from the national perspective for funding transportation investments. [Gary Maring presentation.doc](#) He reported on a study sponsored by the U.S. Chamber of Commerce and others that was to identify funding mechanisms to meet national surface transportation investment needs for the next 25 years. The study was divided into 2 phases: Phase 1-short-term funding options out to 2015; and Phase 2-assess longer-term strategies to 2030.

The Phase 1 findings are as follows.

1 Finding – There is a National Funding Gap. Current transportation revenue at all levels federal, state, local is not sufficient, with an estimated gap of \$38 billion to maintain and \$92 billion needed to improve the transportation system.

#2 Finding – There is a Federal Funding Gap. The existing revenue streams to the Highway Trust Fund are falling short of meeting the federal share. The next 11 years prediction is that the shortfall will be \$415 billion to maintain and \$1 trillion to improve.

#3 Finding – The Highway Trust Fund will be deficit as early as 2010. If the shortfall continues in national funding, the Highway Trust Fund will have depleted all money reserves and be deficit as early as 2010.

#4 Finding – Short-Term Solutions. Indexing the federal motor fuel tax would have the most immediate and substantial impact on the revenue shortfall. Other revenue and financing tools (eliminate user fee exemptions, tolling, tax credit bonding, etc.) could also have a modest impact. These solutions would only generate about 70% of what is needed to fund the national gap.

The Phase 2 portion of the study recognizes that a fuel tax-based revenue system will become increasingly more vulnerable sometime around 2010. Numerous alternatives must be considered to meet the future transportation needs. The study continues to explore other revenue options and will report these later.

**Transportation Finance Initiatives – A National Review, Tom Warne, Tom Warne and Associates, LLC [tw-Finance Initiatives-A National Review.doc](#), [Transportation Finance Initiatives-US 2005-tw.doc](#)**

Tom began by noting from Gary Maring’s presentation that the federal government is not going to fully fund projected transportation needs. The states will have to supply the bulk of the money needed. He then reviewed revenue options being used by other states. The two hyperlinked documents above detail what Tom reviewed and also what many states are proposing or have passed recently. Tom reviewed

- Advertising on Highways,
- Auto Registration Fees,
- General Sales Tax,
- Impact Fees,
- Indexing of Fuel Tax ,
- Local Sales/Fuel Tax,
- Property Tax,
- Tourism Tax, and
- Vehicle Mileage Tax.

Bottom line – Federal money is not going to be there. For states to be successful in passing tax-raising legislation, they need to establish projects/programs, set a schedule, and include a sunset clause. Additional funding is needed for all transportation modes. Everything is on the table and should be considered.

**Revenue Options Review/Discussion – Dwight Bower and Lisë Stewart** [Revenue Options.ppt](#)  
[Summary Report on Transportation Innovative Financing and Revenue Options 061505.doc](#) [Flip](#)  
[Charts June 28 Meeting.doc](#)

Dwight and Lisë opened the review by asking members to give their opinions as to the pro/con/general view of the revenue options as follows. The Flip Charts document (see above) covers the information that was generated. Dwight and Lisë proposed sending the Revenue Option lists out to solicit further member input. This will be done prior to next meeting and additional reports and discussion will be held then.

**Summary Session (Tom Warne summarized today's meeting/outcomes)**

- Forum Goal and Final Recommendation by Jim Kempton -- The review was very useful to refocus on the Forum's goal and the type of recommendations that should be considered. Also Jim's regression analysis, with a \$22 billion estimate, really points out that Idaho has needs and will need to increase its funding to meet them.
- Lisë's reporting of your top 5 ranking priorities for transportation projects (safety, land use linked to transportation plans, long-term planning/growth, cost benefit, and funding) are very in line with nationwide concerns. The land use issue is becoming a real concern for infrastructure decisions and many issues need to be addressed.
- Ed Mc Kechnie's Railroad 101 and the AASHTO rail report certainly underlines the need to invest in rail freight. If freight doesn't move by rail, then the default is trucking, which is facing staggering pressure from many areas. Investment in all modes of transportation continues to be a priority issue.
- Dwight's presentation of "What is the Delta" showed a need to double revenue in the next 35 years. How to come up with additional revenue is difficult to determine, but the need will continue to grow if the shortfall is not addressed.
- Finally, the breadth of the Revenue Options shows that there are numerous ways to increase funding. There is no single answer, but multi-faceted approach will probably be used. The Forum can recommend a range of options to meet a range of needs.
- Question – Cecil Ingram-Recent projects have been dealing with increased materials costs (gravel). The state owns this resource and probably should be using more to cut costs in all projects and to improve maintenance efficiency. Why is this not being pursued or what restrictions are imposed that limits this use?

**Revise 5<sup>th</sup> Meeting Objectives**

Jim pointed out that when the 5<sup>th</sup> meeting was planned at the time the Forum was being formed, it was very hard to predict what subjects would need to be explored. Jim proposed that similar to today's meeting, the Forum will engage in discussions that fulfill the following meeting objectives.

**Forum on Transportation Investment  
Meeting #5 Objectives**

**Working with Forum's Long Range Surface Transportation Vision**

1. Achieve consensus as to the Forum's long range assessment of Idaho surface transportation; (as related to) perceptions and underlying assumptions about planning processes.
2. Further refine the adequacy of current financial tools and assess whether new financial tools and revenue sources should be incorporated into FTI recommendations to the Idaho Transportation Board.

**5<sup>th</sup> Meeting Information**

The next meeting will be held Tuesday, September 13<sup>th</sup> at Templin's in Post Falls. More information will be sent later.

**Adjourn**

Jim thanked everyone for their participation, thoughts, and interest. The active exchanges, diversification of subjects and general discussion throughout the day is very beneficial as we move to developing a consensus of the Forum's recommendations.

The meeting was adjourned.