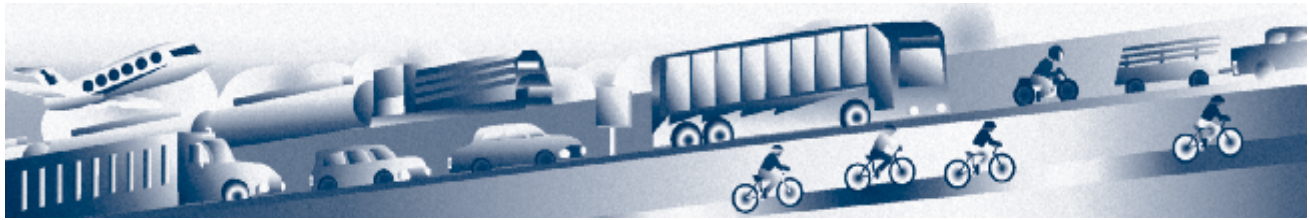


FORUM ON TRANSPORTATION INVESTMENT

5TH MEETING

ASSESS LONG RANGE SURFACE TRANSPORTATION & REVENUE SOURCES

SEPTEMBER 13, 2005



FORUM ON TRANSPORTATION INVESTMENT

ASSESS LONG RANGE SURFACE TRANSPORTATION AND REVENUE SOURCES

MINUTES

Additional documents not included in these minutes:

[agenda 091305-final.doc](#), [sign in form-members.doc](#), [sign in form-audience.doc](#)

September 13, 2005 – 10:00 AM to 5:00 PM

Red Lion Templin's Hotel on the River, 414 E 1st Av, Post Falls, Idaho

Welcome and Introductions – Jim Kempton, Chair

Jim welcomed all attending (32 members, 27 audience) and asked them to introduce themselves. Vice Chair, Tom Dale, commented that the pilot landing the plane at the Spokane airport did an excellent job of landing considering zero visibility due to fog.

Meeting #5 Objectives – Jim Kempton, Chair

Jim noted that today's meeting was originally scheduled to be the last of the information-gathering meetings focusing on surface transportation – demographics and economy, current funding sources, transportation needs/vision, and revenue strategies. The Forum meetings were then programmed for two additional meetings to 1) draft recommendations and 2) finalize a 'recommendations' report for the Idaho Transportation Board. At the last meeting, today's meeting objectives were revised to allow additional review/consideration of revenue tools and funding ([5th Meeting Objectives.ppt](#)). Objective #2 - Refine adequacy of current financial tools and assess financial and revenue resources - has been incorporated in today's meeting agenda and you are encouraged to voice your thoughts and concerns.

Jim pointed out that for Objective #1 - Assess surface transportation planning processes - Forum members were asked to review Idaho's Transportation Vision (available via <http://itd.idaho.gov/planning/reports/idahofuturetravel/idahofuturetravel.pdf>) prior to the meeting today. Idaho's Transportation Vision is a product of public input and guides ITD's 5-year planning process to identify transportation projects for funding obligation. Forum members have also voiced concerns about land use planning, congestion, safety, equity to all, and cost/benefit.

Past meetings have been very productive and we have reviewed a vast amount of information. Very soon we must face the daunting task of categorizing and distilling transportation issues into a product that we can support and defend. The Idaho Transportation Department and our consultant, HW Lochner, recognize that the Forum needs more time to identify, consider, and craft meaningful conclusions and recommendations and so with your support, I would like to suggest adding another meeting to focus on developing conclusions and identify recommendations. We will address changes in our meeting schedule later this afternoon.

Fuel Tax Indexing Protocols – Jim Kempton, Chair

Jim then went on to discuss fuel tax indexing protocols as a way to view transportation funding that will be necessary to meet the 30-year estimate of approximately \$20 billion for surface transportation capital improvement. [Indexing protocols.ppt](#) He noted that the charts are not a forecasting tool, but rather a technically-derived procedure that could be used to compare past legislative fuel tax increases with other increase scenarios. Whenever considering methods to increase revenue for the Highway Distribution Account, fuel tax is the largest revenue generator and the most accepted method by taxpayers. Since 1986, Idaho's fuel tax has risen as transportation infrastructure needs have been presented. In 1995 (the last gas tax increase), the legislature was presented with critical bridge needs and raised the gas tax rate to meet the funding shortfall.

There are numerous ways to index fuel tax. Other states have used - cost of living and/or inflation and other variations. Another method that could tie the index directly to highway users is motor vehicle registrations (MVR) or average annual vehicle miles traveled (AAVMT), with a 3-year average to facilitate a more even annual percentage of increase.

For motor vehicle registrations in 2005, an estimate for indexed fuel tax would equal 37.1¢. An estimate for indexed average annual vehicle miles traveled would equal 41.5¢. Each method shows that from 1986, Idaho's fuel tax is within range of the estimates for indexed tax until 2000 when indexed estimates begin to increase dramatically above the 1995 fuel tax level of 25¢ (enacted in 1996). From an indexed fuel tax standpoint, the graph titled 'Estimated \$ Uncollected; 2000-2005' shows approximately \$452.14 million has gone uncollected. Additionally, if a construction cost index (which uses costs of components of construction items), is used to estimate indexed fuel tax, 40¢ in 2004 would reflect increasing construction costs. In either case, state construction funding through 2005 without an adjusted fuel tax has apparently been accommodated by substituting Federal Highway Trust (FHWA) funds. [CCI Comparison Handout.ppt](#)

Fuel tax that is indexed to various items is a very viable way to establish appropriate fuel tax rates. Since 1996 we have let fuel taxes slip below revenue needs. We can not afford to continue this practice. A 5-10¢ tax increase would not be unreasonable. We all recognize that the legislators are concerned about increasing taxes, but we must not let these concerns mask our findings or dilute our recommendations to the Idaho Transportation Board. Idaho needs a reliable, adequate revenue base. The last 10 years have not seen the state move in that direction.

Question/Comments:

Public Transportation gets Medicaid funding for transporting Medicaid patients. The legislature wants to cap this type of funding and use a flat rate, but transit's costs and needs continue to grow. We need to include something to address this in the recommendations.

To raise a lot of revenue (by the bucketful), we need to consider alternate revenue sources and how these could be used.

Final Report 30-Year Surface Transportation Capital Improvement Needs Update/ Acceptance – Dwight Bower [30 yr CI Needs-FINAL .pdf](#)

At the April meeting, HW Lochner presented a draft report titled "*Idaho's Projected Surface Transportation Capital Improvement Needs (2005 to 2035)*." Lochner collected the data from state and local transportation providers and transit providers. The project lists were proposed by those most closely involved with our surface transportation systems. We encouraged Forum members to review the information and if there were errors or additional information, we would continue to collect/revise the information as needed. I would like to update you on additions that have been collected and ask for your acceptance of the final report distributed to each of you today.

Since the April meeting, we have collected additional information from Nez Perce County, Blackfoot, and the ITD Aeronautics Division. No deletions to the draft report were submitted. [CI NEEDS-Final Report.ppt](#)

- Projects from Nez Perce County totaled \$62,307,000. Revisions were made in the report for the North Central Idaho project listings.
- Five (5) additional projects from Blackfoot were submitted without estimated prices. The projects were added. The South East Idaho totals remained the same.
- The ITD Aeronautics Division submitted a separate listing for Idaho Airport Intermodal Improvement 10-Year Cost Estimate (2004 \$) that totaled \$220,922,000. A separate listing was made and a separate total line was added to the Surface Transportation Capital Improvement Needs (2205-2035) matrix (see page 3 of the final report).
- With these additions, the revised Statewide Surface Transportation Total is \$20,101,666,523 (2005 \$). Idaho's Interstate system needs are estimated at \$4.5 billion; State Highway needs are estimated at \$8 billion; Local transportation needs are estimated at \$6.3; Public Transit needs are estimated at \$1 billion; and Airport-connecting surface transportation needs are estimated at \$221 million.

Idaho's Projected Surface Transportation Capital Improvement Needs (2005 to 2035) represents an informed conjecture of Idaho's future needs and by no means indicates that the projects will ever be funded or completed. The data is a vision of surface transportation needs from transportation providers' point of view. The report does not claim to be anything more than possible future capital improvement needs.

More importantly, the projected total gives us an estimate of the revenue funding levels that would be needed to construct Idaho's future transportation system. Thirty years into the future is very hard to predict, but certainly the data gathered in this report could represent future needs for Idaho's surface transportation system. We would like to have your acceptance of this final report.

Question:

Why was the Airport Intermodal listing for only 10 years rather than 35 years? Answer: They were only able to supply us with a 10-year listing. We felt that the information was important and should be added to at least recognize their intermodal needs.

The Final Report was accepted as printed and distributed.

Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users (SAFETEA-LU) – Reauthorization and How It Effects Idaho's Transportation Funding – Dwight Bower [SAFETEA-LU reauthorization .ppt](#)

Dwight began by reviewing changes that will be enacted in the recently passed federal reauthorization bill -- SAFETEA-LU. He noted that this bill is a 6-year reauthorization and that the first 2 years are past, thus discussions are already beginning for the next authorization bill.

The good news is that SAFETEA-LU authorized a 30.32% overall increase in funding. Contract authority has a guaranteed \$286.5 billion, highways \$241 billion, and transit \$52.6 billion. Core programs now include safety. Earmark projects (national and regional significance, TIPs, etc.) are eligible for 9.7% and New Programs including Safe Routes to School, Freight Intermodal Distribution Pilot, etc., are eligible for 0.37%.

Congress recognized the funding for the Highway Trust Fund is decreasing, so commissions to examine the future of the Highway Trust Fund and future revenue needs were authorized. Design-Build restrictions were removed and Bridge Preservation is now eligible for repair funding. The National Transit funding saw increases in many programs-20% match retained, 85% increase in 5311 (rural area transit). Idaho's Transit program could see as much as a 200% increase in some programs. The National Highway Safety Program focused on each state having an operational Comprehensive Highway Safety Plan by 2007 and allowed greater funding flexibility. The Rural Road Safety program was included and is especially important as it recognizes that 2-lane/rural roads have 2½ to 3 times the fatality rate.

Idaho's average annual apportionment is estimated at \$271 million. Additionally, a list of High Priority Projects (\$158,062,000) is included. Projects #139, #140, #141, #142, and #143 (\$10 million) are in addition to our formula apportionments. Additionally, the funds for project #652 are allocated directly from FTA to Valley Ride regional transit authority. The funds are included in the draft STIP. Idaho received a 30.32% reauthorization increase, which is the all-states average. The 90.50% (minimum allocation) states were raised to 92% rather than their requested 95%. Handouts -- [FHWA-RTA.doc](#) and [Idaho High Priority Projects.doc](#)

Questions/Comments:

The Sandpoint bypass project is not in the earmarked list. Why? Answer: The Sandpoint project is already in the current STIP and is scheduled to use regular obligated funds.

Being able to track project programming, funding, obligation, and actual building is very confusing and sometimes the project does not get built even though the public thinks it is scheduled. I think the public deserves a better explanation of projects and what/where they are in the process.

Earmarked projects require a 20% match, while other local projects can sometimes qualify for a sliding scale match from federal lands. The earmarked projects may not be funded because of these match restrictions.

“What's the Revised Delta -- Revenue Available) Compared to Future Needs? – Dwight Bower [DELTA DIFFERENCE-rev.ppt](#)

Idaho fared well with the 30.32% apportioned increase from SAFETEA-LU. Using my previous Delta Difference presentation:

- ITD's available total funds for capital improvements increased from \$283.4 M to \$325.2 M;
- Local Highway Jurisdictions increased from \$105.7 M to \$128.2 M; and
- Public Transportation increased from \$8.06 M to \$10.5 M (this total may be even more as the Transit program is put into effect.).

Using the revised figures from the Final 30-yr Capital Improvement Needs Report (up slightly) and the increased funding from SAFETEA, the 30 year shortfall decreased from \$7.95 billion to \$6.1 billion, with a yearly funding shortfall of \$203.5 million. Although this is less than last meeting's shortfall total, it still predicts a sizeable funding shortfall that should be addressed for Idaho to meet estimated capital improvement needs.

Gas Tax and Highway Distribution Account Revenue – Dwight Bower [Gas Tax & HDA Revenue.ppt](#)

Dwight then went on to discuss revenue sources for the Highway Distribution Account (HDA). The Gas Tax (49.6%) and Special Fuel Tax (19.8%) comprise 69.4% of the total revenue collected. If we are to sizably increase the amount of HDA revenue to meet projected needs, then increasing fuel tax is currently the most efficient method. Increases in the other revenue sources in the Highway Distribution Account do not contribute enough to fund the shortfall, but should be considered in the mix. A recommendation to increase fuel taxes would be the largest component.

Over the years, the Idaho legislature has been mindful and diligent to highway needs and raised Gas Tax Rates and registration accordingly. If we were to draw straight lines connecting the highs and lows, we would have a “band” that depicts historical fuel tax increases and projects on in the future. To stay within the band, fuel tax should currently be somewhere between 30¢ -- 33¢. If the National Highway Construction Cost Index that Jim talked about earlier is considered the fuel tax would be about 40¢. Jim's index protocols estimate 37¢ and 41¢. All scenarios indicate that the current fuel tax needs to be addressed.

Jim and I have not conferred on these proposed gas tax protocols, but from these simple mathematical demonstrations, there is good reason to believe that Idaho's fuel tax should be raised to at least be in the “band” range, and more than likely should be indexed.

Questions/Comments:

Why didn't we raise taxes as the backlog and shortfalls have increased? Answer: The 10-year 25¢ gas tax is a reaction to several things:

1. Under TEA-21, Idaho was apportioned 62% more federal funds. Unfortunately, we have not always had enough state funds to meet the required match and locals especially have struggled to raise funds to match federal funds for many of their projected needs
2. Idaho's elected officials have been reticent to raise taxes during financial hard times. Many of the other states also have not raised taxes. 5 states now use indexing for fuel taxes.

Chairman Kempton: The last gas tax increase was very difficult for legislators because of their no tax pledge and other mitigating circumstances. Unfortunately, transportation needs are too costly to ignore. We can't afford to not discuss methods for increasing revenue. We all recognize that fuel prices are going up, but we also recognize that the reported shortfall is a fair estimate. Transportation needs are real and continue whether addressed or not.

Does the increase in fuel costs decrease the amount of fuel that is consumed and the amount of fuel taxes collected? Answer: Yes. Fuel costs directly impact personal expendable income. In August, national fuel consumption was down as much as 4%.

I really question projected capital improvement projects for bicycle trails in the Final Report. Why would they be funded when other things might have higher priority? Answer: All of the projects in the Final Report were not prioritized or approved. They are only best-guess predictions of future needs. Any project would have to be meet project requirements and approvals to be built.

Jim Kempton: Thank you all for your discussions and comments.

We will now adjourn to the room down the hall for lunch. Today's lunch speaker is Tom Warne. He will talk about the recently published *Hudson Report*. This room will be locked, so you can leave things here if you want to.

Lunch Presentation -- 2010 And Beyond – A Vision of America's Transportation Future, Published by the Hudson Institute Fulfillment Center, Tom Warne, contributor/project manager. [Hudson Report tw.ppt](#) To contact the Hudson Institute: Hudson Institute, PO Box 1020, Noblesville, IN 46061, ph 888 554-1325, online bookstore: <http://www.hudson.org>

Tom explained that the Hudson Institute is a conservative think-tank organization that produces work on social issues in education and other nationwide areas of concern. The purpose of the **2010 and Beyond** project was: *“To produce a defining policy document on the future of transportation from which public and private sector leaders will be able to chart our nation’s course in this critical area.”*

The report was primarily developed by the following contributors.

- **21st Century Transportation Finance**-Cambridge Systematics, Lance Grenzeback
As was previously presented by Gary Maring (June 28 lunch speaker), the nation’s current revenue mechanisms are inadequate to meet needs, both to maintain and improve. Suggested mid-term solutions are 1) increase and index motor fuel tax, 2) increase tolling, and 3) issue tax credit bonds. Long-term solution is to develop and institute a vehicle mileage-based program. The report also points out that even if all currently proposed strategies are implemented, a funding gap remains. By 2009 the Highway Trust Fund balance is predicted to go to zero.
- **21st Century Freight Mobility**-ICF Consulting, Sergio Ostria
Trucking remains the work horse for freight mobility. One finding noted is that if we don’t invest in rail freight movement, trucking by default will move the freight on our highway system. The West Coast Ports continue to have increasing traffic. Wal-Mart is China’s 5th largest trading partner spending \$15 billion on Chinese-made products in 2003. Although air freight is predicted to grow by 4%, the tonnage moved remains relatively small. Factors that could impact freight mobility are: 1) widening of the Panama Canal would shift port traffic to the East coast, 2) continued “explosive” growth in the Chinese economy, 3) “second wave” of the IT/Internet revolution, and 4) system disruptions.
- **Transportation, Technology and the 21st Century Vehicle**-Weiland Consulting Company, Rick Weiland
A host of concerns ranging from privacy issues to cost and incentives continue to slow vehicle technology implementation. Safety devices and computer technologies are possible, but the consumer wants to interact and be entertained before they are willing to pay additional costs.
- **Technology Implications** for 21st Century Transportation Systems-Delcan, Richard Mudge
A linkage between the vehicle and the transportation system (highway, railroad, etc.) through a communications backbone must be in place. Global economy requirements must be kept in mind.
- **Transportation and the Global Economy**-Hudson Institute, Irwin Stelzar
Transportation is the competitive factor in market pricing. World trade and the internet have changed people’s expectations and transportation’s role in the supply-chain economics is extremely important.
- **Transit Futures**-Jeffrey A. Parker & Associates, Jeff Parker
Transit funding should be reliable and robust and all transit modes must work as one. Mobility management - one ticket/many modes method of movement will be the norm in future travel and freight movement. Communication systems that service all modes of transportation are needed.
- **21st Century Demographic Influences** on Transportation-Hudson Institute, Herb London
U.S. population is predicted to be 553 million by 2050, with most growth coming from immigration. Additionally, our population will age (26% over 60 by 2050).
- **Project Manager**-Thomas R. Warne, Tom Warne and Associates
The project was a 2-year effort to define national transportation issues and possible solutions. Financial sponsors were diverse with approximately \$1 million spent for research. The data comes from credible, capable contributors, and was reviewed by 60 additional experts. Many of the subjects are similar to what this Forum has looked at, but from the national point of view.

The Hudson report developed four (4) policy issues ([2010 and Beyond-policy recommendations.doc](#)):

- **Policy Issue #1 – Transportation Finance – Transportation investments must be funded from a comprehensive set of revenue choices that are sustainable and reflect consumer choice.** Net-new revenues must be found that are sustainable and reliable.
- **Policy Issue #2 – Mobility Management – The United States must establish a transportation system where all modes operate as one in a Mobility Management environment.**

- **Policy Issue #3 – Technology Deployment -- The United States must advance the rapid deployment of technology in all aspects of its transportation system to achieve optimal safety, security, and operational benefits into the future.** Congress must address tort liability to encourage development and usage of new safety features (i.e., variable cruise control).
- **Policy Issue #4 – Freight Systems -- Establish freight transportation systems, including highway, rail, ports, river, and air, as critical interrelated components contributing to our nation’s role in the global economy.** State freight programs are needed to address multi-modality uses.

Questions/Comments

What has the feedback been so far? Answer: The report has only been out for a few months, but AASHTO’s John Horsley praised the publication recently.

Revenue Options Review/Discussion – Lisë Stewart [Summary Report on Revenue Ideas.doc](#)

Lisë explained the process that was used at the last meeting to review Revenue Options and also reported on additional comments that were received from members that didn’t attend. She noted that the members tended to review the revenue options for fairness and equity and favor options that would be indirect rather than direct (i.e., someone else pays). The Summary Report reflects the compiled data.

She then went on to explain that today we will continue our discussion by considering the various lists of responses and then try to develop a consensus (by voting for the top 5) of the most favored options. She pointed out that for today’s voting, the ‘parking lot’ lists and the non-revenue generator list would not be voted on.

A general discussion about the revenue option lists as to 1) whether some items are revenue-generating, 2) whether revenue goes to Highway Distribution Account (HDA), 3) dedicated funds restricted from transit, and 4) other questions and/or suggestions. “Funding of ISP with State General Funds” and “Highway District Boundary Adjustments” was moved to Parking Lot #1. “Tire Fees/Taxes” and “Toll Roads & Bridges” were added to the voting list. (Refer to Flip Chart/**Secretary** Notes. [Flip Chart & Secretary Notes.doc](#).)

Lisë reminded the members that we are voting to determine trends of consensus for the various revenue options. The voting results ([Voting Results.doc](#)) were as follows:

Votes	Item
26	Increase Vehicle Registration Fees
24	Increase Fuel Tax
20	Impact Fees
15	Index Vehicle Registration
11	Index Fuel Tax
9	Dedicated Sales Tax on Transportation-Related Sales
8	Tire Fees / Taxes
8	Toll Roads & Bridges
5	Allow Ads on State Facilities
4	Wind Farms
4	Increase Title Fees
2	Diesel Fuel Tax on Railroads
1	Sales Tax on Fuel
1	Vehicle Miles Traveled (WMT) Fees
1	Parking Charges
1	Property Tax (Personal)

These results along with further input solicited by e-mail will be discussed at the next meeting.

Subject Headings for Forum Recommendations – Dwight Bower [Outline of Draft Recommendations.ppt](#)

Dwight reviewed suggested subject headings for the Forum’s recommendation report. The beginning of the report would capture information that has been presented and discussed at the first 5 meetings – Idaho Demographics and Economy, Current Funding Sources, Identified Needs/Vision, and Revenue Sources. The rest of the report would summarize the Forum’s conclusions and recommendations. Two additional subject areas were suggested -- National Trends/Reports/Issues, and Building Public Trust. The Lochner staff will begin drafting this information to present at the next meeting.

It was suggested that full explanations on how we have arrived at our conclusions should be included. The National Trends section should include trends for gas/construction costs/and state revenue levels. The Capital Improvement section should also explain that the report focused on the process of gathering a wide-angle 30-year perspective from subject matter experts of Idaho's capital improvement needs rather than the details of the project lists. The project lists are possible project predictions; that are not programmed or required to be built; and imply flexibility in Idaho's future transportation system.

The addition of another meeting will give us time to look at various factors that effect transportation investment and then work our way to conclusions that can be crafted into recommendations. At the next meeting we would focus on what we have learned, then discuss what issues are related, review funding sources/solutions/etc. that could address the issues, and then draft conclusions and recommendations.

Suggested discussion ideas for next meeting could include:

- Transit funding -- funding issues/strategies – conclusion/recommendation;
- Revenue sources -- authority/restrictions/regional needs – conclusion/recommendation;
- Infrastructure deterioration -- funding shortfall/safety impact -- conclusion/recommendation;
- Freight issues – law/private industry/modality – conclusion/recommendation;
- Land use/transportation reform – law/policy/regional authority – conclusion/recommendation.

Additional Meeting – Chairman Kempton

Chairman Kempton reminded the members that today's voting on revenue options is not the last word on revenue sources. At the next meeting we will continue to review revenue sources, issues, and recommendations.

As was mentioned this morning, an additional meeting has been suggested to allow the Forum time to identify, consider, and craft conclusions and recommendations. The original meeting schedule was to have a November 1 meeting to draft recommendations and then a November 31 meeting for final recommendations. We need to review previous meetings' information and craft conclusions and possibly recommendations. We can still meet on November 1 and then reset the following meeting for the first week of December to draft recommendations and set a final meeting at the beginning of January to complete the Forum's report and recommendations. The meeting objectives can be reorganized without any major changes for this additional meeting.

Without objection, we will meet on November 1 to revisit previous information and draw conclusions. Additionally, a meeting in December and one in January will be scheduled as soon as we have had time to review possible dates. No objections were made.

Summary -- Tom Warne

- Jim's and Dwight's discussions and charts on fuel tax are good visuals of how we haven't kept pace with transportation funding. No matter how you look at it, fuel tax revenues are not keeping up with transportation infrastructure needs.
- The additional SAFETEA-LU funds for Idaho is very good news, but as Dwight pointed out, we still have a yearly funding shortfall of \$203.5 million to meet projected 30-year capital improvement needs.
- None of the revenue sources that have been discussed are used for transit funding, even though during previous discussions, the consensus was that transit should have reliable, sustainable funds.
- Optimizing revenue is an excellent way to re-focus on funding issues.
- Not all revenue sources raise substantial amounts of money – bus advertising does not raise very much money. Examples of the estimated values for the top 3-5 revenue options would be very helpful.
- Medicaid's funding for transportation has not been explored in our discussions. Over 70% of federal money is spent on Medicaid.
- Issues about freight mobility/efficiency/productivity and maximizing truck weights are items that should be considered in the Forum's conclusions/recommendations. Policy issue – CanaMex freight has weight/axle/length coordination issues. The Hudson report did not address size/weight issues, but global coordination of size/weight will impact freight mobility.

- Building roads cheaper/faster/better through ‘best practices’ should be included in recommendations.
- Need a sampling of statewide road conditions/level of service. Simple population growth causes road capacities to be deficient. The projected capital improvement lists are based on perceived deficiencies in capacity.
- “What aren’t we doing because we don’t want to acknowledge 30-year predictions?”

Approval of June 28 Meeting Minutes

Jim noted that a few changes need to be made in the last meeting minutes. He will send to the secretary to revise them. Paul Sudmeier moved and Joe Haynes seconded that the minutes be approved with these noted changes. The motion was approved.

Adjourn

Jim thanked everyone for coming. It is a pleasure working with each one of you.

The meeting was adjourned.