Observations and Analysis of Vehicle Use Fees in Idaho

Prepared for the 2005 ITD Forum on Transportation Investment
By Paul Sudmeier, President and CEO of the Idaho Trucking Association
Dated: December 6, 2005

I am pleased to provide to the task force four Exhibits and some remarks that I hope will be useful in arriving at sound recommendations to deal with the funding shortfall we have identified.

Exhibit A is from the Highway Needs Assessment Study of 1995. The fees and state ranking speak for themselves. This is the source for determining that Idaho's fees for cars and light vehicles are in the last ten out of fifty in the country. No more recent study has been completed. There is no reason to believe the relationships are different today than in 1995.

Exhibit B is a compilation by the American Transportation Research Institute (ATRI) showing the fees imposed on heavy trucks by the various states. This is the source for ascertaining that the fees imposed by Idaho on heavy trucks are in the ten highest in the nation. These data were gathered subsequent to the time that the ton-mile tax on trucks over 60,000 GVW was replaced by a schedule of extremely high registration fees, which, in effect account for the national ranking of Idaho's use fees on heavy trucks being essentially the same today as they were prior to the change of taxation methods. This is to be expected since the fees were designed to be revenue neutral. Forum members might be interested to know that twenty-three states at one time or another have taxed trucks by means of a weight-distance (ton-mile) scheme. All states have scrapped these inefficient, widely subject to evasion and expensive-to-administer arrangements except for four states (OR, KY, NM and NY).

Exhibit C is the schedule of registration fees for Idaho vehicles at Gross Vehicle Weight (GVW). It does not go into the various options available at reduced fees for Farm trucks, for example, or low mileage operations. The most significant aspects of this chart for purposes of FTI should be, one, the low rates for vehicles up to 60,000 pounds and, two, the percentage jump at 60,001 GVW. This has worked its way into Idaho Code today due primarily to one event that occurred twenty-three years ago. Trucks having a GVW from 26,001 to 60,000 were subject to a ton-mile tax for many years ending in 1982. When the Legislature replaced the ton-mile tax with a registration fee that was intended to be revenue neutral, a mistake was made, either purposefully or inadvertently, in determining the annual mileage per vehicle. Had a more accurate (or politically acceptable) breakeven point been determined in that critical process in 1982, the license fee for a vehicle @ 58,000 GVW, for example, might be more than double what it is today. Fees for vehicles @ 60,001 GVW and above were set in 2001 in an environment in which much greater scrutiny was in effect due to the oversight of the Fourth District Court following litigation that resulted in the finding that Idaho's long standing ton-mile taxation of heavy trucks was illegal. One other interesting thing to note about Idaho's approach to setting fees is that, in the case of vehicles up to 8,000 pounds GVW (which is all cars and pickups up to ¾ ton) the State already has accepted and incorporated the concept that more expensive vehicles should pay more for an annual license than cheaper vehicles, assuming you can equate value to age. Specifically, it costs half as much to license a nine-year old car than a one-year old car. If this

notion were taken from the level of $24.00 and $48.00 to $240.00 and $480.00 the State would be well on its way to satisfying future funding needs.

Exhibit D is from the Cost Allocation Study commissioned by ITD in 1993. A careful reading of the conclusions is required in order to differentiate between the "state only" cost responsibility and the combined "state and federal cost responsibility". This is important because Idaho being a donee state with respect to federal highway funds will always appear to have vehicles underpaying in both absolute and relative terms. By looking at the state responsibility alone the reader can see the finding clearly, namely that heavy trucks in Idaho are overpaying their cost responsibility by thirty-seven percent.

Let's be clear about one thing: trucks have a higher cost responsibility than light vehicles and should, therefore, pay more. The key question, of course, is how much more. There is no question that pavements, entrances and exits to freeways, Ports of Entry, certain kinds of bridges, runaway truck ramps, all require an investment higher than what would be necessary if there were no truck traffic. (Although it is an interesting question whether roads wouldn't still need to be built to the same standards to accommodate military traffic, firetrucks, utility vehicles, household delivery vans, snowplows, etc.) But is not commonly considered that the vast majority of expenses connected with building and maintaining roadways have nothing to do with the weights of vehicles. Among these are: right of way acquisition, engineering, signage, lane control (striping), snow plowing, salt and sand (or mag chloride) application, debris removal, incident management and, of course, department overhead. Most states impose fees on a typical heavy truck that are ten times higher than the fees charged for a typical car or pickup. The consultants hired by ITD to do the Cost Allocation Study in 1993 also testified that ten times was a fair ratio. But the practice of Idaho charging over thirty times as much is irresponsible and constitutes a burden on the economics of transportation in Idaho that could very well impair competitiveness and hamper economic development.

Many people who have been around the Idaho Legislature for a while can tell you that fees for heavy trucks in Idaho are as high as they are because that's the way the Union Pacific Railroad wanted them. Besides, it sure made legislators' lives easier to defer year after year the unpleasant job of raising fees for constituents' vehicles, which were invariably comprised of more cars and pickups than heavy trucks. But this has gone on too long. In the November 29 meeting of the task force Chairman Kempton presented some powerful material on the opportunity costs and psychological impact of failing to enact increases in user fees when costs are rising, revenue is flattening and future demand is certain to be greater than ever. The overdependence on revenue from one type of vehicle must give way to an impartial consideration of all classes of vehicles paying their share, with no class subsidizing another.

I look forward to continuing to participate in the process of identifying a set of recommendations to fund Idaho's future needs. It is certainly a better prospect, although potentially uncomfortable for some, than not providing the quantity and quality of infrastructure that Idahoans need.

If there is any question about what I've presented here or if there is interest in seeing more of the studies I have referenced, I would be pleased to provide further detail.

EXHIBIT A

Total Taxes and Fees - Automobiles

State	Taxes and Fees			Rank		
	Compact	Midsize	Fullsize	Compact	Midsize	Fullsize
Alabama	$202.18	$257.74	$239.80	31	31	32
Alaska	$88.48	$107.80	$107.80	50	50	50
Arizona	$366.60	$547.14	$625.38	15	13	13
Arkansas	$235.82	$353.67	$400.30	26	24	24
California	$376.72	$545.30	$610.50	13	15	15
Colorado	$323.87	$474.27	$534.26	18	18	18
Connecticut	$469.79	$673.06	$751.56	6	7	7
Delaware	$129.38	$167.00	$167.00	42	42	44
Florida	$126.06	$162.45	$172.45	44	44	41
Georgia	$326.90	$476.37	$543.83	16	17	17
Hawaii	$231.96	$308.26	$326.36	27	29	29
Idaho	$134.57	$170.48	$170.48	40	40	42
Illinois	$166.96	$209.20	$209.20	32	35	35
Indiana	$400.66	$547.00	$634.00	10	14	12
Iowa	$230.80	$322.00	$344.00	28	27	28
Kansas	$561.23	$839.28	$968.47	2	2	2
Kentucky	$164.16	$232.61	$254.62	33	32	31
Louisiana	$116.30	$156.50	$159.50	48	47	46
Maine	$389.39	$571.64	$649.88	12	11	11
Maryland	$717.57	$1,069.75	$1,246.25	1	1	1
Massachusetts	$413.73	$590.04	$663.89	8	9	9
Michigan	$160.24	$227.00	$237.00	34	33	33
Minnesota	$238.30	$352.50	$367.50	25	26	26
Mississippi	$392.44	$577.80	$658.20	11	10	10
Missouri	$292.92	$429.62	$495.01	22	22	20
Montana	$308.51	$448.28	$497.18	20	19	19
Nebraska	$483.63	$698.39	$781.65	5	5	5
Nevada	$316.89	$445.29	$490.93	19	20	21
New Hampshire	$326.33	$482.63	$553.31	17	16	16
New Jersey	$135.11	$159.90	$159.90	38	45	45
New Mexico	$124.59	$173.50	$173.50	45	38	39
New York	$152.48	$209.47	$217.26	36	34	34
North Carolina	$222.25	$299.85	$321.37	29	30	30
North Dakota	$132.22	$163.00	$183.00	41	43	38
Ohio	$119.38	$157.00	$157.00	47	46	47
Oklahoma	$246.12	$353.19	$393.94	23	25	25
Oregon	$127.96	$169.00	$169.00	43	41	43
Pennsylvania	$134.88	$173.10	$173.10	39	39	40
Rhode Island	$495.70	$717.60	$808.51	4	4	4
South Carolina	$213.58	$310.39	$346.67	30	28	27
South Dakota	$457.07	$675.05	$772.85	7	6	6
Tennessee	$111.30	$145.50	$145.50	49	49	49
Texas	$157.60	$191.80	$191.80	35	36	36
Utah	$296.43	$435.00	$490.42	21	21	22
Vermont	$120.64	$148.00	$148.00	46	48	48
Virginia	$546.33	$810.90	$931.52	3	3	3
Washington	$405.87	$592.57	$664.29	9	8	8
West Virginia	$375.41	$551.42	$618.11	14	12	14
Wisconsin	$151.60	$191.10	$191.10	37	37	37
Wyoming	$245.83	$362.31	$415.12	24	23	23
Average	$273.29	$388.65	$430.65			

Idaho and bordering states are highlighted for reference.

Exhibit 29

EXHIBIT B

pg 1

Annual State and Federal Highway User Taxes On A Typical 5-Axle Tractor-Semitrailer Combination

As of October 2004

Fed fuel HVUT & FET

State	Annual Registration & Weight Fees ($)	State Ranking by Annual Registration & Weight Fees	Diesel Fuel Tax Rate ($)	State Ranking by Diesel Fuel Tax Rate	Fuel Tax on 20,870 Gallons ($)	Third Structure Tax Rate ($/mile)	Third Structure Tax on 80,000 Miles ($)	Total Annual State Hwy User Fees ($)		Total State and Federal Hwy User Fees	State Ranking by $ Total
Alabama	801	44	0.19	37	3,965	-	-	4,766.49	8,959	13,725	43
Alaska	331	49	0.08	49	1,670	-	-	2,000.68	8,959	10,960	50
Arizona	3,960	2	0.26	17	5,426	-	-	9,386.46	8,959	18,345	4
Arkansas	1,370	29	0.225	26	4,696	-	-	6,065.98	8,959	15,025	32
California	2,850	7	0.278	10	5,802	-	-	8,652.14	8,959	17,611	7
Colorado	4,277	1	0.205	32	4,278	-	-	8,555.56	8,959	17,515	9
Connecticut	1,586	23	0.3	5	6,261	-	-	7,847.30	8,959	16,806	13
Delaware	1,300	31	0.22	28	4,591	-	-	5,891.62	8,959	14,851	34
Florida	1,048	37	0.2907	7	6,067	-	-	7,115.20	8,959	16,074	22
Georgia	737	45	0.1171	48	2,444	-	-	3,180.99	8,959	12,140	49
Hawaii	827	42	0.16	45	3,339	-	-	4,166.36	8,959	13,125	46
Idaho	3,389	4	0.25	19	5,218	-	-	8,606.75	8,959	17,566	8
Illinois	3,814	3	0.296	6	6,178	-	-	9,991.82	8,959	18,951	3
Indiana	1,987	12	0.27	13	5,635	-	-	7,622.17	8,959	16,581	16
Iowa	1,705	21	0.225	25	4,696	-	-	6,400.98	8,959	15,360	29
Kansas	1,770	17	0.26	16	5,426	-	-	7,196.46	8,959	16,155	20
Kentucky	1,430	26	0.187	38	3,903	0.0285	2,280	7,612.91	8,959	16,572	17
Louisiana	514	47	0.2	35	4,174	-	-	4,688.20	8,959	13,647	44
Maine	3,215	5	0.263	14	5,489	-	-	8,704.07	8,959	17,663	6
Maryland	1,852	13	0.2425	23	5,061	-	-	6,913.22	8,959	15,872	25

State	Annual Registration & Weight Fees ($)	State Ranking by Annual Registration & Weight Fees	Diesel Fuel Tax Rate ($)	State Ranking by Diesel Fuel Tax Rate	Fuel Tax on 20,870 Gallons ($)	Third Structure Tax Rate ($/mile)	Third Structure Tax on 80,000 Miles ($)	Total Annual State Hwy User Fees ($)	Federal Fuel, Heavy Vehicle Use and Excise Taxes	Total State and Federal Hwy User Fees	State Ranking by $ Total
Massachusetts	1,450	25	0.21	31	4,383	-	-	5,832.91	8,959	14,792	35
Michigan	1,699	22	0.239	24	4,988	-	-	6,687.17	8,959	15,646	27
Minnesota	1,772	16	0.2	34	4,174	-	-	5,946.20	8,959	14,905	33
Mississippi	2,951	6	0.18	41	3,757	-	-	6,707.78	8,959	15,667	26
Missouri	1,730	19	0.17	43	3,548	-	-	5,278.07	8,959	14,237	39
Montana	1,296	32	0.2775	12	5,791	-	-	7,087.70	8,959	16,047	23
Nebraska	1,286	33	0.248	20	5,176	-	-	6,462.01	8,959	15,421	28
Nevada	2,576	9	0.2775	11	5,791	-	-	8,367.70	8,959	17,327	10
New Hampshire	712	46	0.18	40	3,757	-	-	4,468.78	8,959	13,428	45
New Jersey	1,258	34	0.175	42	3,652	-	-	4,910.43	8,959	13,869	42
New Mexico	190	50	0.21	30	4,383	0.0438	3,502	8,074.95	8,959	17,034	12
New York	991	39	0.3195	2	6,668	0.039	3,120	10,779.32	8,959	19,738	2
North Carolina	973	40	0.246	21	5,134	-	-	6,107.27	8,959	15,066	30
North Dakota	1,071	35	0.21	29	4,383	-	-	5,453.91	8,959	14,413	37
Ohio	1,372	28	0.28	9	5,844	-	-	7,215.88	8,959	16,175	19
Oklahoma	993	38	0.13	47	2,713	-	-	3,706.23	8,959	12,665	48
Oregon	509	48	0	50	-	0.1316	10,528	11,037.13	8,959	19,996	1
Pennsylvania	1,715	20	0.312	3	6,511	-	-	8,226.75	8,959	17,186	11
Rhode Island	1,056	36	0.3	4	6,261	-	-	7,317.30	8,959	16,276	18
South Carolina	820	43	0.16	44	3,339	-	-	4,159.36	8,959	13,118	47
South Dakota	1,482	24	0.22	27	4,591	-	-	6,073.62	8,959	15,033	31
Tennessee	1,420	27	0.18	39	3,757	-	-	5,176.78	8,959	14,136	40
Texas	857	41	0.2	33	4,174	-	-	5,031.20	8,959	13,990	41
Utah	1,821	14	0.245	22	5,113	-	-	6,934.40	8,959	15,893	24
Vermont	1,741	18	0.26	15	5,426	-	-	7,167.46	8,959	16,126	21
Virginia	1,342	30	0.195	36	4,070	-	-	5,411.85	8,959	14,371	38
Washington	1,792	15	0.28	8	5,844	-	-	7,635.88	8,959	16,595	15
West Virginia	2,552	10	0.2535	18	5,291	-	-	7,842.80	8,959	16,802	14
Wisconsin	2,067	11	0.321	1	6,699	-	-	8,766.59	8,959	17,726	5
Wyoming	2,637	8	0.14	46	2,922	-	-	5,558.94	8,959	14,518	36

The chart figures fees for a typical 5-axle tractor-semitrailer combination weighing 80,000 lbs. The registration fees are figured for an interstate vehicle traveling entirely intrastate, which doesn't happen but allows for comparison at full fees. Fees are also those that apply to carriers based in that state and include semitrailer plate fees and registration surcharges. Other fees such as operating authority fees and property, sales, and excise taxes are not included and would affect total carrier costs and state ranking. AZ, CA, CO, ME, MN, MS, MT, NV, ND, SD, UT, WA, and WY registration fees contain a valuation component; figured on a $100,000 vehicle.

State Tax Source: State Laws, American Trucking Associations, Inc.
Federal Tax Source: Federal Highway Administration

EXH B

pg 2

Exhibit C

GVW	Registration Fee	Per Ton Increase From Previous Bracket
Up to 8,000 lbs.	48.00 (1)	
8,001 - 16,000 lbs.	48.00	0
16,001 - 26,000 lbs.	143.40	10
26,001 - 30,000 lbs.	223.80	23
30,001 - 40,000 lbs.	291.60	19
40,001 - 50,000 lbs.	360.00	14
50,001 - 60,000 lbs.	515.40	31
60,001 - 62,000 lbs.	1,560.00	348
76,001 - 78,000 lbs.	3,160.00	200
78,001 - 80,000 lbs.	3,360.00	200

(1) For vehicles up to two years old.
Cost is less for older vehicles.

EXHIBIT D

that projected street and highway expenditures by local governments of about $30 million will be supported by almost no locally collected highway user revenues. [pages 2-21 to 2-23, 2-25 to 2-27, and 3-21 to 3-23]

3. Light vehicles as a whole -- autos, pickups, and vans -- are expected to be paying significantly less in state highway user taxes and fees (14%) than their cost responsibility for all state highway-related programs. As shown in Exhibit 2, these light vehicles are expected to be paying an average of 1.3 cents per mile of travel during the five year period; whereas, their cost responsibility is estimated to be 1.5 cents per mile. Exhibit 2 summarizes the study's results based on the most widely accepted methods and criteria used in state highway cost allocation studies. [pages 3-13 to 3-16]

4. Also shown in Exhibit 2 is the fact that all heavy trucks as a whole -- those with six or more tires -- are expected to be paying more than their fair share of state highway-related costs (by 37%). For the five year period, trucks are projected to pay an average of 6.6 cents per mile; whereas, their cost responsibility is estimated to be 4.8 cents per mile. This is due to two important factors: (a) heavy trucks are paying the ton-mile tax and it appears to be well-enforced, and (b) only a small proportion of state revenues are currently programmed for construction on Interstate highways where most heavy truck travel occurs. [pages 3-13 to 3-16]

5. When state and Federal highway user revenues are combined and compared with combined cost responsibility for state and Federal highway programs, the results are quite different from the results based exclusively on all state programs, as in findings #3 and #4 above. Because of the fact that Idaho is expected to receive a net surplus of about $50 million of Federal aid above Federal taxes collected in the state as stated in #2 above, both light vehicles and trucks are expected to be underpaying their cost responsibility for state plus Federal programs, as shown in Exhibit 3. The underpayment is 16 percent for light vehicles and 10 percent for trucks. These underpayments would decrease if actual Federal aid drops below current projections; however, an increase in state taxes and program expenditures might be required to offset a substantial drop in Federal aid. [pages 3-16 to 3-19]

6. The data on which the first three exhibits are based are shown in summary form in Exhibit 4. This exhibit shows how the most important single criterion of equity is calculated -- the ratio of revenues paid by vehicles to their cost responsibility. As shown in the exhibit, this ratio -- often called the equity ratio -- is 0.86 for autos and pickups and 1.37 for trucks for all state programs. The exhibit also shows that the equity ratio is 0.84 and 0.90 for these two major vehicle classes for state plus Federal programs