

Subject to approval of the Committee
Minutes
Governor's Transportation Funding Task Force
Meeting
August 31, 2010
10:00 a.m. – 4:00 p.m.
East Wing Room 40, Garden Level
Boise, ID

Members Present: Chairman Brad Little; Senator Bert Brackett; Senator John McGee; Senator Chuck Winder; Senator Shawn Keough; Representative Bill Killen; Representative Leon Smith; Representative Dennis Lake; Representative Marv Hagedorn; Gordon Cruickshank, Valley County Commissioner; Jim Kempton, President, Idaho Public Utilities Commission; Darrell Manning, Idaho Transportation Board Chairman; Jim Riley, President, Intermountain Forest Association; Mark Bowen, CH2M Hill and Past Chair, Boise Metro Chamber of Commerce; Jerry Whitehead, Idaho Transportation Board; and Representative JoAn Wood via conference call.

Others Present: Dave Carlson; Jim Voorhees; Tom Cole; David Tolman; Matt Stoll; Dennis Tanikuni; Lance Holmstrom; Charlie Rountree; Sue Higgins; Benjamin Davenport; Lorraine Dennis; David Bennion; Skip Smyser; Heather Wheeler; Amy Luft; Swttki; Betsy Russell; Kathy Fowers; Karen Doherty; Sandra Mitchell; Phylis King; Ken Burgess; Bryce Millar; Brain Ness; Dustin Kuck; David Hensley; Mollie McCarty; Doug Benzon; Bob Thompson; and Tim Greeley.

Chairman Little welcomed everyone and suspended approval of the July minutes until next meeting.

Senator Keough submitted a conflict of interest letter for the record.

Chairman Little began discussion on the additional revenue options. He gave an overview of the updated matrix and said the rankings are a result of what was learned in either the Germane Committees, legislature or through testimony.

Chairman Little asked for clarification on the recreation incentives option.

Gordon Cruickshank said it was suggested to him by constituents to invite more people to Idaho to recreate who would then buy more fuel; an incentive approach.

Representative Hagadorn stated the excise tax on studded tires in not a lot of revenue, but can raise people's consciousness. There are other alternatives that could lead to maintenance savings.

Chairman Little asked for clarification on the prepaid excise tax option.

Representative Killen explained it was his suggestion of a mileage based rating system on tires.

Chairman Little clarified it is actually part of the excise tax on tires option.

Chairman Little discussed the sales tax on fuel option. How we currently tax fuel and the problems with putting a sales tax on it at the retail or wholesale level. He asked the Idaho Transportation Department (ITD) to send the report from the Tax Commission to the members, and to have Dan John placed on the next agenda.

Representative Hagedorn asked if it included the tribes.

Chairman Little replied that is one of the issues to be considered because there is currently an exemption in code for the tribes for all sales tax.

Chairman Little noted that the HOT lanes, toll roads and congestion pricing options were dropped from the list, and questioned what has the most potential for significant revenue generation. There are some items that will not resolve the issue, but should be considered.

Jim Kempton explained the Cost Allocation Subcommittee recommendations. The Subcommittee met on August 24 to discuss the Highway Cost Allocation Study (HCAS). The HCAS contractor, Battelle, responded to questions and the principle stakeholders (Idaho Trucking Association, AAA of Idaho and Associated Logging Contractors) gave testimony. He explained there were two qualifications within the Subcommittee's recommendation. He also clarified the Subcommittee gave input to Battelle on seven policy options; including a vehicle miles tax (VMT).

Mark Bowen stated the Highway Cost Allocation Study is a dynamic and working model. The role of the Subcommittee was to refrain from making policy recommendations outside the task force.

Jim Kempton said the members are receiving additional information today submitted by the Idaho Trucking Association in supplement from the August 24 meeting. He also explained there are policy issues contained within the HCAS, which provides a foundation for the task force's consideration. He also affirmed the contactor presented a valid study.

Chairman Little asked what the Idaho Transportation Board's thinking was; since they paid for the study.

Darrell Manning answered the Board will continue to use the information and expressed that all users are under paying for the cost of construction and maintenance it is not just an equity program.

Representative Lake asked why the study included fines and penalties.

Doug Benzon answered the fines and penalties are a very small source of revenue and were distributed evenly across all areas.

Representative Smith asked how the Board plans to approach the legislature on the redistribution of the revenue load.

Darrell Manning responded that the Board has not had an opportunity to review the study in detail yet, but will address it as funding changes are considered.

Representative Hagedorn asked if the cost allocation program has the ability to build in economic and social factors.

Doug Benzon stated the model only reflects pure numbers beyond that it is a policy decision. He noted Oregon's study is more comprehensive where they are adding environmental factors.

Jerry Whitehead asked if it is possible to calculate loss of revenue if we raised fuel tax and registration fees higher than the surrounding states.

Doug Benzon responded it was possible. There is an economic factor that shows if the rates are raised to a certain point people will attempt to shift away from higher costs or find alternatives.

Chairman Little stated he would like the members to come to consensus on how they make recommendations regarding cost allocation factors within their final report.

Representative Smith suggested taking action to adopt the Subcommittee recommendation. He stated they need to give consideration to GARVEE; cited 30% highway dollars are used to fund debt service.

Senator Winder indicated the last report required under 20%, which is funded by federal revenue – the state is not obligated to repay with state funds.

Senator Keough stated there are some concerns with GARVEE and how the contractor attributed cost to trucks; some disagree on that allocation.

Chairman Little pointed out GARVEE has been approved by the legislature and that the HCAS is a tool and part of our recommendations.

Representative Killen noted the study is not perfect, however, it provides the exact framework we asked for. He made the motion to accept the Highway Cost Allocation Study as written.

Senator Keough seconded the motion.

Representation Lake asked if the language of the motion mirrors the written recommendations submitted by **Jim Kempton**.

Representative Killen affirmed.

Chairman Little called for acceptance of the motion. All members responded in the affirmative.

Chairman Little introduced **Tom Cole, Lance Holmstrom and Matt Stoll**.

Tom Cole reviewed the operation, preservation and restoration revenue needs for the state system of \$160M, and the enhance capacity and safety of \$283M.

Lance Holmstrom reviewed the operation, preservation and restoration revenue needs for the local system of \$127M, and the enhance capacity and safety of \$62M.

Senator Winder asked why the enhancement figure is not larger than the operations.

Lance Holmstrom explained it was how they calculated their operations, preservations and restoration numbers; which had originally showed an unfunded need of \$92M.

Chairman Little asked if a lot of the capacity needs are paid by developers.

Lance Holmstrom replied yes; the local highway jurisdictions have added lane miles that have been paid by the users and developers.

Representative Hagedorn asked if the numbers have been updated to today's costs.

Tom Cole stated they have not updated them, however, with noted declining costs, the producer price index is now showing an upward trend. Overall the cost would be higher if they had updated them.

Matt Stoll explained the location and function of the five Metropolitan Planning Organizations (MPOs). He reviewed the overlapping operation, preservation and restoration revenue needs for the MPOs; \$24M and \$17M within the state and local programs respectively, and the overlapping enhance capacity and safety of \$58M and \$41M within the state and local programs respectively. He also summarized the funding scenarios for all the entities.

Jim Kempton explained his analysis portion of the funding scenarios for additional revenue indicating his numbers are considerably smaller than the overall operations, preservation and restoration figures. He also noted his state number includes capacity from 1994 to 2010.

Jim Kempton presented his "Idaho Surface Transportation Funding Need an Expenditure Analysis" in terms of a regression analysis to verify needs. It included an ITD pre and post - HIRE (Hiring Incentives to Restore Employment Act - passed by congress), expenditure analysis, HDA (Highway Distribution Account) revenue collected, ITD expenditures, ITD and local highway jurisdiction expenditure tracks, local highway jurisdiction expenditure resource comparisons, hypothetical state revenue replacement and a summary.

Representative Hagedorn asked in respect to the "ITD Post-HIRE Expenditure Analysis" chart who paid the difference between the federal money coming in at \$100M and the expenditure of \$190M.

Jim Kempton replied it is state money from the highway distribution account.

Gordon Cruickshank asked if his calculations included timber dollar revenues.

Jim Kempton replied no; it is only an expenditure analysis.

Jim Kempton summed up his presentation stating in a general broad sense, using a regression analysis, one will come close to ITD's scenario 2. One cannot correlate the two; however, allowing for a plus or minus 10-20%, a regression analysis does support ITD figures. He also added there needs to be an increased emphasis on local highway jurisdiction expenditures.

Chairman Little asked what the Forum on Transportation Investment (FTI) derived needs was.

Jim Kempton affirmed the FTI reported need was \$205M and was adjusted to \$240M in 2008 by ITD for inflation.

Representative Lake asked in respect to the summary chart - of the \$359M shortfall, is \$247M derived because of a loss in buying power.

Jim Kempton replied the \$138.1M for inflation (plus the Locals \$109M) does account for some of it.

Senator McGee remarked after all the independent analyses are presented we can see they are within \$200M of each other. He commended **Jim Kempton** on his efforts.

Chairman Little asked amongst the analyses; Kempton's, the task force survey, ITD and FTI, was there anything different in the methodology between ITD's scenario 2 and the FTI.

Tom Cole answered the FTI looked at capacity and enhancement only. The scenario 2 option did take into consideration the FTI, highway needs studies and input from the statewide district offices.

Representative Hagadorn asked why the ITD performance reviews and efficiencies and reported savings are not reflected in the projected shortfalls.

Chairman Little replied the efficiencies efforts should be continued by the state and locals, and acknowledged there needs to be a way to build efficiencies into cost savings overtime.

Jim Kempton stated he used the CPI (Consumer Price Index) index for his analysis whereas the producer price index more accurately reflects the cost of materials. He commended that one would have to pick up a lot of dollars in efficiencies to offset expenditures.

Chairman Little thanked **Jim Kempton** for his work on the expenditure analysis and ITD. He said it will serve as a tool for the executive branch, ITD Board and legislature to further analyze, and provided a different approach to verifying the needs.

David Bennion reported on the conclusions and recommendations of the Public Transportation Subcommittee. He thanked all of the task force members and support for their hard work and help.

David Bennion stated the general consensus of the Subcommittee is there is a need. He noted the local issues need to be dealt locally; it is a point of how they strategically develop funding opportunities. He stated the Subcommittee considered a number of potential funding mechanisms and recommend the five following options; user fees, local option sales tax, local option resort tax, local option real property tax, and impact fees. He also clarified this would be a regional plan that goes to the public through their networks and would also define performance measures, goals and milestones.

David Bennion also stated the Subcommittee did not feel the state should get into the business of funding public transportation, but rather provide incentives.

Mark Bowen asked if the recommendation is good for rural delivery systems. He noted it addressed populated urban areas.

David Bennion replied it was a broad list of options to address rural needs if local governments desired. There is no funding for public transportation in state budgets; however they do recognize the need.

Mark Bowen followed-up to ask if the intent of the five funding recommendations is to include rural levels too.

Senator Keough added the intent was to provide a toolbox of options because each area has different needs giving them the opportunity to work through the ballot box within their community.

Chairman Little thanked the Subcommittee for its work stating it was requested from the Governor to address 20 year transportation system needs - including public transportation.

Representative Smith made a motion that the "Suggested Regional Plan Requirements/Funding Conditions" and attachments be accepted for consideration at a later time and a determination of what parts they want to recommend to the legislature.

Senator McGee seconded the motion.

Chairman Little called for acceptance of the motion. All members responded in the affirmative.

Chairman Little asked the members what they would like to see on the agenda for the next meeting.

Mark Bowen said he would like the process of pulling recommendations and a timeline.

Chairman Little asked if the task force wants to take a position on the Idaho State Police (ISP) and Idaho Department of Parks and Recreation (IDPR) funding issue.

Senator McGee suggested the members receive the legislative report provided by the Task Force to Identify Alternative Funding Source for ISP and IDPR.

Representative Killen understood their charge to be two parts; a recommendation report to the Governor and proposed legislation by Dec. 1.

Chairman Little asked if the HCAS report is finished or still pending additional work.

Doug Benzon replied the report is done but he will be available for questions.

Senator Winder asked if they can receive an update on GARVEE as it relates to the HCAS report; debt service and projected share of federal revenues and how it impacted the analysis.

Chairman Little asked ITD to also provide a funding update on fuel tax and registration fees.

Chairman Little requested the Public Transportation Subcommittee's revenue options be added to the total matrix of options.

Representative Killen clarified the PT Subcommittee did not want to imply that their recommendations were exclusively for public transportation.

Representative Hagadorn asked if the blanks can be filled in for the additional revenue options; such as revenue collection method and potential revenue.

Chairman Little recognized some of the additional options are broad based, but instructed ITD to do what they can. He then reviewed the list of additional matrix items and made assignments.

Chairman Little engaged the task force in selecting the next meeting, which will be held on October 8.

Representative Lake expressed his frustration with the money spent on GARVEE. He does not see where there is a buy down reflected in the identified needs.

Chairman Little said the task force will look at the GARVEE program and asked ITD to provide the impact to the Statewide Transportation Improvement Plan (STIP) with and without GARVEE.

Senator McGee commented all cost savings from several projects should be considered, and taken from a global and objective viewpoint of what is being measured.

Representative Lake reiterated there was the ability to spend additional dollars to do operations, preservation and restoration and is looking for the buy down.

Chairman Little stated the meeting minutes from the July meeting, along with a proposed agenda, will be sent to the task force members.

Chairman Little adjourned the meeting at 2:48 p.m.