

Subject to Approval by the Committee

Governor's Task Force on Transportation Funding
Highway Cost Allocation Subcommittee Meeting
August 24, 2010
9:00 a.m. – 4:00 p.m.

Members present: Co-Chairman Jim Kempton, President, Idaho Public Utilities Commission; Co-Chairman Mark Bowen CH2M Hill and Past Chair, Boise Metro Chamber of Commerce; Senator Shawn Keough; Representative Bill Killen, James Riley, President, Intermountain Forest Association; and Senator John McGee and Representative JoAn Wood via conference call.

Others present were: Idaho Transportation Department (ITD) staff - Dave Tolman, Doug Benzon, Mollie McCarty, Bob Thompson, Lorraine Dennis, and Linda Emry. Patrick Balducci Battelle; Dustin Kuck Governor's Office; Dave Carlson (AAA of Idaho), Kathy Fowers (Idaho Trucking Association); Jerry Deckard (Associated Logging Contractors); Skip Smyser (Connelly and Smyser Chartered); Jim Voorhees (Canyon Highway District); Benjamin Davenport Risch Pisca; Ken Burgess (COMPASS/Varitas); and Bryce Millar.

Co-Chairman Kempton welcomed the members. He asked for approval of the April 29, 2010 meeting minutes. Senator Keough made a motion to accept the minutes and all members affirmed.

Co-Chairman Kempton introduced the principal stakeholders who would be addressing the Subcommittee, requested prepared testimony if available, and declared each would have ten minutes to present followed by any questions from the Subcommittee.

Skip Smyser, representing the Idaho Trucking Association, noted the value of the trucking industry to Idaho and the economy. All goods go through trucks, which the agriculture community is depended upon. It fuels the economy. The last cost allocation study stated trucks were paying more than their fair share and stated the difference from then and now is GARVEE. The industry was never told that GARVEE projects were being done because of trucking. They thought it was for congestion and cars. Trucks were made out to be the villain; however the industry has supported the Governor's initiatives to increase the gas tax and registration.

Jerry Deckard, representing the Associated Logging Contractors (ALC), stated the ALC represents all Idaho based logging truckers varying from 1 to 100 fleets. He believes the study used a less than adequate methodology. Mr. Deckard explained there should be a nominal registration fee for all trucks and a vehicle mileage traveled charge; for example, \$500 registration fee plus 5 to 10-cent per mile charge. Idaho is the only state using a mileage ban system, which is not equitable. The current system does not obtain revenue neutrality. A

mileage based system would be fair for all. He closed by stating there has to be a better way to conduct commerce in Idaho.

Dave Carlson, representing AAA of Idaho, supported the highway cost allocation study results and shared observations and recommendations. AAA of Idaho endorses a weight distance tax with rates based on vehicle miles traveled by all vehicle classes.

Co-Chairman Kempton introduced Patrick Balducci of Battelle to respond to questions regarding the Highway Cost Allocation Study (HCAS) Preliminary Report.

Patrick Balducci offered opening comments about the HCAS Report. The highway cost allocation process has been active and evolving over the last 83 years. There have been 86 highway cost allocation studies performed in 30 states at the federal level. Factors such as the impact of the trucking industry on the local economy are beyond the scope of any HCAS. Specialized analysts perform the analysis and leave the decisions to policy-makers. He also remarked that Battelle received detailed data from ITD in multiple areas of analytical interest. Data included information related to vehicle miles travelled, weigh-in-motion, revenue forecasts, actual revenues collected, tax rate information, and expenditure data at the project level by category and class of vehicle.

Patrick Balducci reviewed 27 written questions submitted by principal stakeholders, Subcommittee members and ITD. Answers were prepared in advance of the Subcommittee meeting and provided to all interested participants at the meeting. (Reference attached document "Battelle Responses to Questions and Comments Regarding the 2010 Idaho Highway Cost Allocation.") Additional questions were addressed during Battelle's presentation.

Questions posed by the Subcommittee Members during the presentation:

Page 2, Q2: Co-Chairman Kempton questioned the sensitivity of the analysis to rural effects when most HCAS cost allocation assignments applied more generally to state and federal highways and major rural highways. In this regard, he asked Mr. Balducci how would he characterize the term "very small (impact)."

Patrick Balducci responded they had received questions similar to this when they performed the Nevada HCAS. They looked at variables with the understanding of the relationships of different vehicles to create a reasonable range of positive discrepancies. They found small reasonable shifts in the variables affected the results only slightly. The model remained consistent and stable.

Page 7, Q2 (1st): Rep. Killen asked: With the emphasis on vehicle miles travelled (VMT) becoming much greater, is there a particular mechanism for tracking.

Patrick Balducci replied that it depends on the technology used and growth of it overtime. They looked at what is being implemented by the Dutch who is soliciting technologies. Any of the

technology based methods would incur higher administrative costs than under a fuel tax system in terms of the percent collection, and auditing costs. There are also significant advantages too with a VMT system; such as equity with alternative fuel vehicles.

Page 7, Q2 (2nd) Jim Riley wanted an example, or an average, of the allocation of construction costs to bridges.

Patrick Balducci said they have a breakdown of bridge expenditures and how they were allocated. It shows for reconstructed bridges and maintenance projects the percentage that was allocated to vehicles at certain weights. He will provide follow-up information.

Page 7, Q2 (2nd): Co-Chairman Bowen asked if Mr. Balducci could put some context around the assignment of costs.

Patrick Balducci explained one side of the argument is if the projects are capacity driven then cost should be assigned accordingly, based on VMT. On the other hand, if capacity is added the system has to be built stronger to accommodate heavy truck traffic so as to not exclude. The study uses an incremental method for bridges and pavements, based on facilities for width and depth that are allocated to all vehicle classes. However, when strength, length and dept are added those costs are allocated to heavier vehicle classes. There is further argument on doing a study which is using margin instead of average costs. We do not have a marginal tax structure. VMT is collected and takes into account truck usage on roadway systems.

Page 7, Q2 (2nd): Sen. Keough asked if the GARVEE projects where looked at differently in terms of VMT; such as those in the treasure valley versus other parts of the state.

Patrick Balducci replied they take projects then break them down into expenditure elements which are then assigned to functional classes of roads. They would not treat interstate urban highway projects differently than Coer d'Alene, for example. They also apply VMT by functional class of roadway system for each vehicle configuration; all of which goes into a HCAS.

Page 9, Q7: Co-Chairman Kempton asked in relation to the maintenance management system, how far back data was collected and how much variance was there between points of time that data was collected.

Patrick Balducci stated he was not sure on the specific variance; however, it might have been a single point of time. The breakdown of the expenditures by type was performed by ITD and they broke it out into different functional classes of road systems.

Page 9, Q7: Co-Chairman Bowen asked what is the net impact on the model as far as the distribution of cost from a high level perspective and is there a long term implication on the outcome.

Patrick Balducci replied In terms of changes overtime; that fine level of detail, he did not believe there would be a large impact. It would not undermine the credibility of the study.

Page 10, Q10 – Doug Benzon offered a map showing the various locations of the weigh-in-motion counters. Senator Keough requested a copy of the map.

Supplemental questions posed by the Subcommittee Members:

Co-Chairman Bowen asked from the historical cost allocation studies, past 83 years, have there been any fundamental challenges to the models or processes.

Mr. Balducci responded as time has evolved, from the first study in 1936, so too has the generations of the model and computation. It is a complex process which they have applied NAPCOM. They used a state-of-the-art practice that is the most accepted, widely used and tested model throughout the country. Since the FHWA 1997 study, lessons were learned and applied at the state level.

Mr. Balducci concluded his presentation. He stated the task force needs to make decisions on sound data and based on the questions discussed and testimony received, he saw no need to make any modifications to the study.

Co-Chairman Kempton reconvened the meeting for the afternoon session.

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

Co-Chairman Kempton summarized the HCAS Study Q&A session and initiated discussion on formulating recommendations to the Task Force.

Representative Killen motioned to adopt the study as presented with the written Battelle Q&A responses as an addendum.

Co-Chairman Bowen asked with the highway cost allocation model being turned over to ITD, could we do various sensitivity analysis for the task force.

Doug Benzon replied once he received training on how to use the model, he could run analyses on new proposals.

Co-Chairman Bowen followed-up by asking if the process was easy and flexible.

Doug Benzon cited an example from another study of having to complete over 50,000 computations for one analysis. He said some can be straight forward and others are very complex; for example, if we move to a different taxing structure.

Senator Keough questioned the viability of entering new data into the model, especially if it becomes the foundation for future studies.

Doug Benzon offered if inputs change they can make changes through the analysis; however, if the assumptions changed then the impact would be extensive.

Senator Keough followed-up by asking if the assumptions on maintenance costs changed, could the model be updated.

Doug Benzon replied yes, but he would need training in order to make the changes. His goal is to complete a new study every four to five years using an updated model.

Jim Riley stated he is working on understanding what the key assumptions are that the model functions on and wants to garner that information from Battelle, as requested.

Co-Chairman Kempton informed Subcommittee members they could introduce an amended motion if desired.

Jim Riley asked, in relation to GARVEE, if it is appropriate to look at “state funding only” or state and federal funding, and from this perspective if they (the Subcommittee) are taking a position on specific scenarios in the study.

Co-Chairman Kempton stated they could recommend consideration of “debt service only” or “full GARVEE.”

Jim Riley offered his preference for the Task Force to examine data on policy assumptions from the state funding and debt service only perspective.

Co-Chairman Bowen stated they should not give policy recommendations to the Task Force. They should endorse the model with further clarifications of assumptions; noting there are policy implications subject to debate.

Representative Killen expressed he wants to move the study forward to the Task Force; however, not preclude the receipt of additional information.

Co-Chairman Kempton stated the proposed motion as he understood it:

“To adopt the Highway Cost Allocation Study Preliminary Report as presented with the understanding that ITD will have the capability for further refinement upon receipt of new information when and if submitted; further that the full task force be provided with documents submitted at the HCAS Subcommittee meeting on Aug. 24, 2010.”

Jim Riley questioned what the Subcommittee should do about the policies. He cited the HCAS report that addressed Subcommittee policy criteria that was used in developing cost allocations

options in the Battelle HCAS Preliminary Report. He wanted to be clear the Subcommittee is not taking any final position on the relative merit of those policy options.

Co-Chairman Bowen concurred with Jim Riley's remarks.

Co-Chairman Kempton worked with Subcommittee members to develop qualifications to the amended motion that would address the concerns of Mr. Riley and Co-Chairman Bowen.

Qualifications of the HCAS Subcommittee to be attached to the amended motion were:

- 1) ***The HCAS Subcommittee notes that there are policy questions implicit in the 2010 Idaho Highway Cost Allocation Study (Preliminary Report, Table S.1., page v.) related to surface transportation expenditure of federal dollars and GARVEE dollars.¹ In recent media releases, the media has often focused on policy options in Table S.1. that include expenditure of federal dollars and “full GARVEE “ dollars without consideration of the fact that there are equity ratio options that involve neither federal expenditure or “full GARVEE” expenditure. The HCAS Subcommittee makes the recommendation to adopt the preliminary report as it is written and makes no recommendation on the policy options contained in Table S.1., or any other policy related section, of the preliminary report.***
- 2) ***The HCAS Subcommittee notes that, assuming no unexpected delays, the time frame estimated by ITD to have the “... capability for further refinement (of equity ratio calculations) upon receipt of new information when, and if, submitted is approximately January 2011; i.e. at the beginning of the 2011 Idaho legislative session.***

Co-Chairman Kempton called for the a vote on the amended motion with qualifications attached. The following members affirmed - Rep. Killen, Sen. McGee, Sen. Keough, Jim Riley, Co-Chair Kempton, and Co-Chair Bowen. Members opposed – Rep. Wood. Absent – Sen. Malepeai.

Dave Tolman asked if the HCAS preliminary report status could be changed to “final.”

Co-Chairman Kempton instructed ITD staff to wait until the Aug. 31 Task Force meeting.

Meeting adjourned 1:30 p.m.

¹ 2010 Idaho Highway Cost Allocation Study, Preliminary Report. Balducci and Stowers, July 2010, Table S.1., page v.