

# CHAPTER 5

## FINDING THE MONEY

### Federal Requirements

Federal Regulations<sup>99</sup> state that the total cost of the investments in the plan cannot exceed the estimated funding available over the life of the plan. This estimate of funds must account for maintenance of the existing and planned transportation system. The projected revenues need to be based on historic trends. The revenue projections can include new funds for which a track record exists. For example, if a gas tax increase has been periodically approved by the state legislature, it would be reasonable to assume future increases. But if in the past, approval of a local option sales tax did not occur then, it would not be reasonable to assume that approval would be granted in the future.

### The Importance of Financial Analysis

If you wanted to build a house you would determine how much you could afford to spend. It would be unwise to design a home that would cost \$1 million if your income supports a home costing \$200,000. In addition, any bank looking at your ability to make house payments will look at your other expenses – medical, food, utilities, and other debts. At the same time, your vision of your future home might incorporate some later add-ons if your income goes up. So plan big—as long as

you know the fiscal realities and do not commit to more than you can afford.

The same requirements are placed on preparing a regional transportation plan.

- How much money can we reasonably expect to be available?
- What are our other expenses that will draw upon these resources?
- What new funds might we expect, and on what basis do we expect them?
- What would our desired transportation system cost, including added maintenance for major investments?
- If our transportation “wants” list adds up to more than our resources, what elements are we going to cut—at least until we find more money?

These questions are at the heart of a financially constrained transportation plan and are not much different than any household budget; but the plan deals with billions of dollars.

This chapter covers the sources of funds (income) and the outlay of these funds (expenses). It then looks at how the costs of the desired transportation investments stack up against our expected income, how we might make decisions about what gets done, and where we might look for new revenues to fund the rest of our transportation system. The bottom line is that implement all the road corridors in Chapter 4 of this plan would require another \$628 million, while the expanded transit system presented in Chapter 4 would require another \$1.1 billion to

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<sup>99</sup> Code of Federal Regulations (23 CFR 450), URL: <http://www.washingtonwatchdog.org/documents/cfr/title23/part450.html>, February 23, 2006.

implement. Raising \$1.73 billion over the next 25 years will require increases in fees or taxes.

### A Summary of Transportation Revenues

The following tables show the baseline funding available for transportation during Fiscal Years 2004 and 2005 and revenue levels for a four to five year period were used to project future revenues through 2030. As with any projection, a number of assumptions exist:

- Local revenues were forecasted to grow at a 5% rate (lower than the 5.9% average rate for the past four-year period), to be conservative.

- According to the Idaho Transportation Department (ITD), federal reauthorizations would continue to produce a 30% net increase in revenues to Idaho, through the planning horizon.
- Maintenance-related expenditures would remain at approximately 50% of total expenditures on transportation. This is an assumption that should be further evaluated. The [federal rules](#)<sup>100</sup> do require the plan give consideration to investments needed to maintain the existing system.
- Approximately 77% of capacity-related expenditures (or 38% of total expenditures) would be spent on arterials and highways.
- Treasure Valley cities would match available Section 5307 and 5309 federal transit dollars.

#### Baseline Fiscal Year 04 - 05

Revenues	Highway	Transit	Total
Federal	\$66,456,000	\$7,650,000	\$74,106,000
State	\$41,200,000	\$0	\$41,200,000
Local	\$52,900,000	\$4,020,000	\$56,920,000
Passenger Fares	\$0	\$1,840,000	\$1,840,000
Other	\$0	\$450,000	\$450,000
<b>Total</b>	<b>\$160,556,000</b>	<b>\$13,960,000</b>	<b>\$174,516,000</b>

#### Forecast 2005 to 2030

Revenues	Highway	Transit	Total
Federal	\$2,313,400,000	\$134,780,000	\$2,448,180,000
State	\$1,171,600,000	\$0	\$1,171,600,000
Local	\$2,726,600,000	\$164,650,000	\$2,891,250,000
Passenger Fares		\$54,740,000	\$54,740,000
Other	\$0	\$11,680,000	\$11,680,000
<b>Total</b>	<b>\$6,211,600,000</b>	<b>\$365,850,000</b>	<b>\$6,577,450,000</b>

<sup>100</sup> Code of Federal Regulations (23 CFR 450),  
 URL:<http://www.washingtonwatchdog.org/documents/cfr/title23/part450.html#450.322>

- Transit revenue projections were based upon federal SAFETEA-LU <sup>101</sup> and Valley Regional Transit Section 5309 request.
- Federal Transit Administration funding for transit operations in the Boise urbanized area would be reduced over next two years and be eliminated by 2008, as required under SAFETEA-LU. After the 2010 Census, Boise, Meridian, Nampa and Caldwell would be deemed one urbanized area. As a result, all Section 5307 funding for operations after 2012 would be eliminated.
- ACHD Commuteride program would increase to \$2.7 million by 2009.

### Where Does The Money Come From?

The resources for transportation shown in the Baseline and Forecast tables (page 2) come from three general sources:

- Federal grants
- State-collected funds
- Local funds

These funds are not always available for any purpose; instead they are often restricted to specific activities. In general, some funds are limited to either roadways or public transportation.

Funds may be further limited to specific types of roads or public transportation. This is an important consideration when looking at the types of transportation we would like to have, but lack the resources. It is not always a simple matter to take the funds from other types of transportation.

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<sup>101</sup> SAFETEA-LU – acronym for the transportation bill signed in August 2005 for fiscal years 2005-2009. The transportation bill is titled: *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users*. Details about SAFETEA-LU are available online: <http://www.fhwa.dot.gov/safetealu/index.htm>.

The funding assumptions in Chapter 5 are tied to the corridor prioritizations in Chapter 4. Changes in the assumptions, including construction, equipment and operations costs, will affect what is financially feasible in this plan. Should federal or local funding not meet assumptions in this analysis or costs increase beyond the level assumed, fewer corridors could be improved. Therefore, there is no explicit or implicit guarantee that the corridors can be completed as shown without additional resources.

Note that construction costs have risen significantly since the cost estimates were developed in 2005. Revenues have not kept pace.

### Federal Funds

The federal government is a major funding source of transportation facilities and programs in the U.S. and its territories. Funding authorization comes from legislation approved every six years. The most recent legislation, *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)*, authorizes the federal surface transportation programs for highways, highway safety, and transit for the five-year period 2005-2009; it was signed into law on August 10, 2005 and replaced *Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21)*.

For highways, the size of the federal highway budget is impressive. Note that the amounts authorized<sup>102</sup> in the first four years are larger than the obligation authority<sup>103</sup> amounts. The latter amount is critical, since this is the maximum amount that may be obligated each year. The reason for this is to provide a cushion in case the revenues are not as robust as forecasted.

The withheld amount may be released at some time, if future revenues permit. Several key categories of funding for roadways are under the federal program. The authorizations by each category for Idaho are shown below.

**Authorized Funding/Obligational Authority for Federal Highway Programs - US**  
(In Billions)

	2005	2006	2007	2008	2009	Total
Authorized Amount	\$ 37.7	\$ 38.6	\$ 40.9	\$ 42.3	\$ 33.9	\$ 193.2
Obligational Authority	\$ 34.4	\$ 36.0	\$ 38.2	\$ 39.9	\$ 41.2	\$ 189.5

**Authorized Funding for Federal Highway Programs – Idaho <sup>104</sup>**  
(In Millions)

	Idaho 2006 Revised <sup>105</sup>	2006	2007	2008	2009
Interstate Maintenance	\$35,478	\$36,801	\$37,394	\$37,996	\$38,608
National Highway System	\$47,407	\$49,372	\$50,166	\$50,974	\$51,795
Surface Transportation Program	\$36,055	\$37,876	\$38,291	\$38,843	\$39,469
Bridge Replacement & Rehabilitation	\$15,322	\$15,270	\$15,516	\$15,766	\$16,020
Congestion Mitigation & Air Quality	\$8,084	\$8,365	\$8,499	\$8,636	\$8,775
Recreational Trails	\$1,131	\$1,187	\$1,273	\$1,358	\$1,444
Safety	\$7,812	\$6,925	\$7,061	\$7,199	\$7,339
Rail-Hwy Crossings	\$1,592	\$1,765	\$1,762	\$1,761	\$1,761
Border Infrastructure Program	\$895	\$899	\$1,023	\$1,178	\$1,302
Safe Routes To School	\$990	\$1,000	\$1,000	\$1,000	\$1,000
High Priority Projects	\$27,400	\$27,400	\$27,400	\$27,400	\$27,400
Equity Bonus	\$76,439	\$75,889	\$87,731	\$94,852	\$94,895
<b>Grand Total</b>	<b>\$258,605</b>	<b>\$262,751</b>	<b>\$277,117</b>	<b>\$286,964</b>	<b>\$289,809</b>

<sup>102</sup> Authorized Amount. Upper limit of the amount of funds that can be appropriated for a program established under legislation by Congress. More details about federal budgetary terminology can be found online at [http://www.rules.house.gov/archives/glossary\\_fbp.htm](http://www.rules.house.gov/archives/glossary_fbp.htm)

<sup>103</sup> Obligation Authority. A "ceiling" on the amount of federal assistance that may be promised (obligated) during a specified time period. <http://www.fhwa.dot.gov/safetealu/factsheets/oblim.htm>

<sup>104</sup> Sources: SAFETEA-LU Authorization - <http://www.fhwa.dot.gov/reauthorization/rta-000-1664ar.xls>

<sup>105</sup> Updated Authorization March 21, 2006) - <http://www.fhwa.dot.gov/safetealu/fundtables.htm>

Note that the revisions in March 2006 reduced the initial authorization by \$4 million. Nationally the reduction amounted to \$1.3 billion.

Some of these programs are targeted toward alternate modes of transportation or toward improved technology to reduce congestion or pollution. Others, notably the Surface Transportation Program, may be flexed<sup>106</sup> to roadway construction/maintenance, pathway construction, transit or vanpool vehicle purchases, other transit capital needs, or limited transit operations costs. National Highway System funds may be used under limited circumstances for public transportation. In general, none of the above sources are reliable for ongoing support for public transportation operating costs. A detailed list of Federal Highway Administration programs is located at the end of this chapter.

Financial support for programs comes from the Highway Trust Fund (HTF) established in 1956. Tax revenues directed to the HTF are derived from excise taxes on highway motor fuel and truck related taxes on truck tires, sales of trucks and trailers, and heavy vehicle use. The current federal gasoline tax is 18.4 cents per gallon and 24.5 cents per gallon on diesel. On average, each penny of the federal motor fuel tax produces almost \$1.8 billion in revenues annually. Fuel taxes are by far the largest part of HTF income, constituting 91% of its income in FY 2004.<sup>107</sup> As

noted later, this reliance on the volume of fuel sales can be a weakness.

Federal funding for transit comes under the Federal Transit Administration (FTA) program. SAFETEA-LU provides a combination of trust and general fund authorizations that total \$45.3 billion for public transportation for fiscal years 2005–2009 (\$52.6 billion over the six year period 2004–2009). Just over 80% is derived from the dedicated Mass Transit Account, with only New Starts, Research and FTA Administrative funding coming from the General Fund. All funds, including the General Fund portion, are guaranteed, which means that the guaranteed annual levels are already “paid for” under Congressional budgetary rules. However, guarantees are always subject to change.

The table on the next page shows the breakout of the FTA funding for Idaho transit programs from 2006 through 2009.

Similar to the federal highway funding, federal transit funds are broken into categories of funding. Some can be used in urbanized areas (UZAs)<sup>108</sup> while other funds are intended for services outside the urbanized areas. All of the funding shown is under a formula basis: Idaho does not need to compete for these funds.

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<sup>106</sup> Flexed Funds are funds that can be moved from one category to another. There are some restrictions.

<sup>107</sup> Status of the Federal Highway Trust Fund: 1957-2004. <http://www.fhwa.dot.gov/policy/ohim/hs04/pdf/fe210.pdf>

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<sup>108</sup> Urbanized Area (UZA) – Area that contains a city of 50,000 or more population plus incorporated surrounding areas meeting size or density criteria as defined by the U.S. Census.

## Federal Transit Funding under SAFETEA-LU<sup>109</sup>

Idaho	Urbanized Formula (5307 and 5340)	Jobs Access/ Reverse Commute (5316)	New Freedom (5317)	Non-Urbanized (5311 and 5340)	Elderly & Persons with Disabilities (5310)	Total
2006	\$6,305,257	\$635,508	\$351,633	\$4,889,655	\$537,815	\$12,719,868
2007	\$6,352,302	\$663,139	\$365,157	\$5,071,595	\$557,451	\$13,009,644
2008	\$6,888,822	\$718,400	\$394,460	\$5,484,750	\$596,724	\$14,083,156
2009	\$7,327,233	\$757,544	\$417,000	\$5,796,196	\$622,251	\$14,920,224
<b>Potential Regional Share Based on 2000 Population Share</b>						
2006	\$3,446,000	\$197,978	\$112,277	\$958,395	\$209,467	\$4,924,117
2007	\$3,471,711	\$206,586	\$116,595	\$994,056	\$217,114	\$5,006,063
2008	\$3,764,935	\$223,801	\$125,952	\$1,075,037	\$232,410	\$5,422,134
2009	\$4,004,539	\$235,996	\$133,149	\$1,136,082	\$242,352	\$5,752,117

### Section Funds

**Section 5307** – Provides grants for UZAs for public transportation capital investments and operating expenses in areas under 200,000 population from the Mass Transit Account of the Highway Trust Fund. Operating Assistance for those urbanized areas that grew to be greater than 200,000 in population (such as the Boise UZA) or became part of a larger urbanized area is grandfathered in phases (allows 50% of the FY 2002 allocation to be used for operating assistance in FY 2006, 25% of the FY 2002 allocation in FY 2007, and completely phased out by FY 2008). A new Small Transit Intensive Cities formula was established for urbanized areas under 200,000 that provide more service per capita than do other comparable areas.

**Section 5309** – Provides funding through a discretionary grant program. Funds are not awarded under formula but must be sought in a competitive process—either through an administrative process with FTA or—more commonly—through a legislative process with

the U.S. Congress determining the awards. Over the last several years, Idaho transit agencies, including those in the region, have been successful in obtaining up to \$4 million per year to fund bus purchases, build bus facilities, provide preventive maintenance, purchase vanpool vehicles, build park-and-ride lots, and purchase other equipment. Section 5309 funds cannot be used for operational costs.

### National Funding for Section 5309 Program (In Millions)

	2006	2007	2008	2009
<b>Total 5309</b>	\$822	\$856	\$928	\$984

**Section 5311** – Provides capital and operating assistance for rural and small urban public transportation systems. Provides formula capital and operating grants to states for services in other-than-urbanized areas.

**Section 5310** – Provides funding through a formula program to increase mobility for the elderly and persons with disabilities. Funds are allocated by formula to the states for capital costs of providing services to elderly persons and persons with disabilities. The Idaho

<sup>109</sup> FY 2006-2009 SAFETEA-LU Estimated Apportionment/Allocations by State for Selected FTA Programs. [http://www.fta.dot.gov/documents/SAFETEA-LU\\_FY06-FY09\\_State\\_by\\_State\\_Estimates\\_11\\_08\\_05.pdf](http://www.fta.dot.gov/documents/SAFETEA-LU_FY06-FY09_State_by_State_Estimates_11_08_05.pdf)

Transportation Department awards these funds on a competitive basis each year.

**Section 5316** – Provides funding for local programs that offer job access and reverse commute services to provide transportation for low income individuals who may live in the city core and work in suburban locations. Formula allocations are based on the number of low-income persons, with 60% of funds going to designated recipients in areas with populations over 200,000. 20% of funds go to areas under 200,000, with 20% of funds for non-urbanized areas.

**Section 5317** – Provides funding to encourage services and facility improvements to address transportation needs of persons with disabilities that go beyond those required by the Americans with Disabilities Act. Provides a new formula grant program for associated capital and operating costs. Funds are allocated through a formula based upon population of persons with disabilities. States and designated recipients must select grantees competitively. Projects must be included in a locally-developed human service transportation coordinated plan beginning in FY 2007.

**Section 5340** – Provides funding under New Growing States and High Density States Formula factors. One-half of the funds are made available under the Growing States factors and are apportioned by a formula based on state population forecasts for fifteen years beyond the most recent US Bureau of the Census; amounts apportioned for each state are then distributed between urbanized areas and rural areas based on the ratio of urban/rural population within each state. The High Density States factors distribute the other half of the funds to states with population densities in excess of 370 people per square mile. These funds are apportioned only to urbanized areas within those states.

While federal funds for transit are important, they need to be kept in perspective. Although SAFETEA-LU provided a significant increase for

public transportation programs in Idaho, the total federal transit funding is only 8% of the total federal funding available to roadways. Also, most systems rely on *dedicated* local or state funds for operating costs and for local match of federal capital funds. In part, this is due to recent (1998) federal rules that prohibit the use of federal funds to cover operating costs in UZAs greater than 200,000 in population. As of 2002, the Boise UZA was determined to be larger than 200,000.

In 2004, federal funds accounted for just 8% of the operating revenues for urbanized transit systems. In the U.S., federal funds were 39% of the capital expenses for 2004. Local funds accounted for 29% of the operating expenses and 46% of the capital expenses.<sup>110</sup>

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<sup>110</sup> “National Transit Profile 2004,” National Transit Database, Federal Transit Administration.  
URI:[http://www.ntdprogram.com/ntdprogram/pubs/national\\_profile/2004NationalProfile.pdf#search=%222004%20National%20Transit%20Profile%22](http://www.ntdprogram.com/ntdprogram/pubs/national_profile/2004NationalProfile.pdf#search=%222004%20National%20Transit%20Profile%22)

## State-Collected Funds

Federal funds are of great importance to transportation, but they are not the largest funding source. State-collected funds are the single largest source of funds for transportation. There are two categories of state-collected funds: Highway Distribution Account (HDA) and state sales taxes distributed to local governments.

### *Highway Distribution Account*

Established under the Idaho Constitution in 1941, the Highway Distribution Account (HDA) is the state counterpart of the national Highway Trust Fund. It has been a mainstay of roadway development and maintenance. An important aspect of the HDA is its constitutional restriction to roadway construction and maintenance—not general transportation.

The Idaho Constitution states that,

*...the proceeds from the imposition of any tax on gasoline and like motor vehicle fuels sold or used to propel motor vehicles upon the highways of this state and from any tax or fee for the registration of motor vehicles...shall be used exclusively for the construction, repair, maintenance and traffic supervision of the public highways of this state and the payment of the interest and principal of obligations incurred for said purposes; and no part of such revenues shall, by transfer of funds or otherwise, be diverted to any other purposes whatsoever.*<sup>111</sup>

Court tests of this restriction, more recently concerning use of gas taxes to remediate contamination by leaking underground tanks, have upheld this provision.

The fuel tax was last increased in 1996, when it was increased by 4 cents per gallon to its current level of 25 cents per gallon. Based on inflation

### Highway Distribution Account Revenues and Expenditures (in millions)

Revenue Sources	2000	2001	2002	2003	2004
Fuel Taxes	\$201	\$197	\$201	\$201	\$209
Other Fees/Taxes	\$94	\$116	\$96	\$91	\$92
Total Revenue.	\$294	\$313	\$297	\$293	\$301
<b>Distribution</b>					
Local Roads	\$113	\$119	\$113	\$111	\$114
Law Enforcement	\$15	\$16	\$15	\$15	\$15
ITD	\$168	\$178	\$168	\$166	\$170
Total Distribution	\$297	\$313	\$296	\$291	\$299

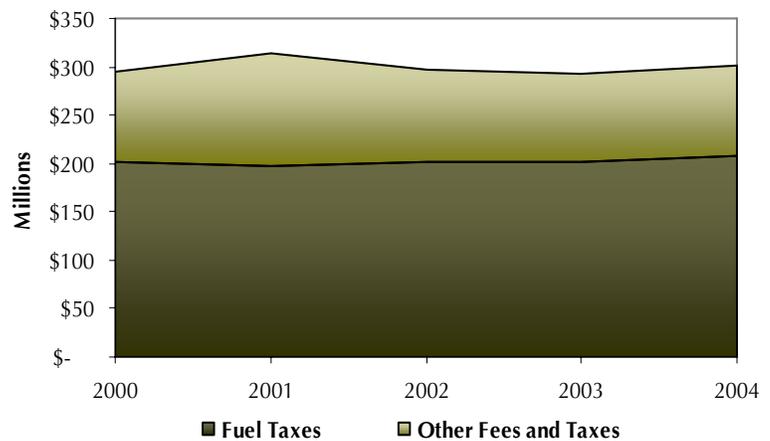
<sup>111</sup> Constitution of the State of Idaho. Article VII-Finance and Revenue, Section 17 – Gasoline Taxes and Motor Vehicle Registration Fees to be expended on Highways. URL: <http://www3.state.id.us/cgi-bin/constretr?scid=003070717.K>

since 1996, a recent study conducted on behalf of the Idaho Transportation Department’s Forum on Transportation Investment <sup>112</sup> concluded that if Idaho had adjusted the 25 cents per gallon tax to reflect cost changes and increases in vehicle miles of travel, the current tax would need to be at least 38 cents per gallon to have the same buying power it had in 1996.

As depicted above, revenues of the HDA have been fairly flat during the past five years. Also, construction costs rose 20% from 2000 to 2004, eroding the effectiveness of the funds. Construction costs increased nearly 5% in 2005, according to one national source.<sup>113</sup>

The cost of materials (steel, asphalt, concrete, etc.) was especially hard hit, with estimated increases of 13% over 2004 prices.<sup>114</sup> Rising energy prices and increased demand both at the national and international levels have led to the dramatic upswing in prices. Note that this same inflation affects the buying power of the Federal Trust Fund, which is also heavily reliant on a unit fuel tax.

**Idaho Highway Distribution Account Revenue Sources**



While the HDA has been a remarkably stable source, improvements in fleet efficiency and changes in vehicle technology have affected its income stream. In addition, the use of a “unit tax” on fuel (a fixed number of pennies per gallon) and a fixed registration fee have degraded the buying power of the revenues. The table on page 9 shows the revenues accruing to the HDA and its distribution (totals may differ due to rounding). To put the HDA funds into perspective, the \$301 million from HDA (2004) is greater than the federal highway funds allocated to Idaho and the federal transit funds combined.

How do the HDA revenues look over the past five years? This is shown in the chart above. During a period of strong statewide growth and remarkable regional growth, the revenues flowing into the HDA remained almost flat. This concerns ITD, which commissioned the Forum on Transportation Investment<sup>115</sup> during 2005 to look

<sup>112</sup> Forum on Transportation Investment – a special committee set up by ITD to investigate future funding needs in transportation throughout the State of Idaho. URL: [http://itd.idaho.gov/info/ti\\_forum/charter.htm](http://itd.idaho.gov/info/ti_forum/charter.htm)

<sup>113</sup> *Quarterly Construction Cost Report*, 2005 Fourth Quarter Issue. Rider Hunt Levett & Bailey. URL: [http://www.riderhunt.com/assets/4th\\_quarter%202005.pdf](http://www.riderhunt.com/assets/4th_quarter%202005.pdf)

<sup>114</sup> Buechner, William, American Road & Transportation Builders Association (ARTBA), November 15, 2005. URL: [http://www.artba.org/economics\\_research/recent\\_statistics/prod\\_price\\_index/prod\\_price\\_index.htm](http://www.artba.org/economics_research/recent_statistics/prod_price_index/prod_price_index.htm)

<sup>115</sup> Forum on Transportation Investment *Report and Recommendations* URL:

at the long term financial prospects for transportation and to recommend options.

Forum participants concluded "...that Idaho's current transportation revenue structure will not meet the pressing transportation funding needs over the next thirty years. The forum found that no single revenue stream could be counted on to adequately address both state and local needs and all modes of transportation. In fact, the forum's analysis found that multiple sources would be necessary to even come close to meeting funding requirements."<sup>116</sup>

#### *Other Sources of Funding*

The other source of funds collected and distributed by the State of Idaho for transportation is the sales tax. In FY 2004, 11.50% of Idaho's sales tax revenue was distributed to local governments. This was done through a complicated formula:

- About 3.24% was distributed directly to cities. Half of this amount was distributed according to population, and the other half was based on the market value of property within each city.
- Another 3.24% of the sales tax revenue was distributed directly to the counties. Each county received a guaranteed annual amount of \$30,000. The rest was distributed according to population.
- In addition, 4.13% of the sales tax was distributed to counties, eligible cities, and non-school taxing districts according to a

complex formula based on amounts received in 1999, current population (for cities and counties), and current property taxes (for other eligible non-school taxing districts).

- Also, eligible taxing districts received \$13.4 million annually in quarterly distributions from state sales tax revenues to replace property tax on agricultural equipment that was exempted from property tax by legislation in 2001.<sup>117</sup>

Nearly \$18 billion in taxable sales and uses occurred in 2004: at the 6% sales tax rate in effect in 2004 over \$1 billion in sales taxes were collected. This put almost \$118 million into local government coffers. Of the \$18 billion in taxable sales and uses, \$11.15 billion could be attributable at the county level; and 48% of these receipts were attributable to the six-county region covered in *Communities in Motion*. More than \$6.6 billion in sales and use taxes came from out-of-state sales or from activities that could not be attributed to a specific county.

The sales tax revenues go into the general revenue of cities, counties and highway districts. Unlike the HDA, sales tax distributions are not restricted as to use. They can be used for any public purpose authorized under Idaho law.

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<http://www.itd.idaho.gov/info/ti.forum/FinalReport/FTI%20Report-Full%20EDITED.pdf> (2.88 MB)

<sup>116</sup> *Report and Recommendations*, Forum on Transportation Investment, page 3.

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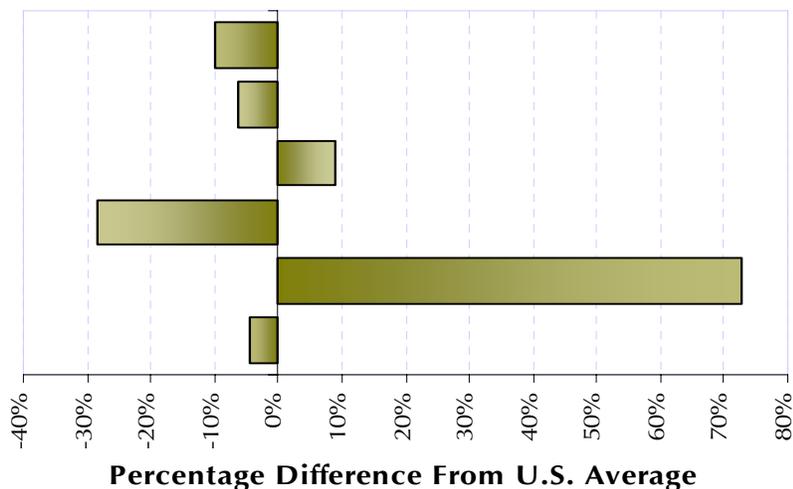
<sup>117</sup> "Sales/Use Tax Reports," Idaho Tax Commission (Sales tax receipts by county). URL:[http://tax.idaho.gov/SalesUseTaxReports\\_directory.htm](http://tax.idaho.gov/SalesUseTaxReports_directory.htm)

## FY 2002 Taxes - Idaho vs. U.S.

### Type of Tax

- Rank 31 - Property
- Rank 27 - Sales
- Rank 22 - Ind. Income
- Rank 30 - Corp. Income
- Rank 3 - Motor Fuels
- Rank 38 - Overall

Rank of 1 = highest tax based on taxes per \$ of income



### Local Funding

The third broad source of transportation funds are those collected at the local level. Local funds are shown separated into roadway and transit funding categories.

#### Roadway Funding

Roadway revenues include

- Property Taxes
- Impact Fees
- Registration Fees

**Property Tax:** The mainstay for local governments in Idaho is the property tax. Even among taxes—never a popular topic – it has been a controversial revenue source, with multiple attempts by the legislature and citizen initiatives to remedy problems. A study by the Idaho Tax Commission in 2002 concluded that, when compared to national averages, Idaho was 10% under the average in terms of property taxes as a percent of income. Idaho was 73% above the

national average in terms of motor fuel taxes as a percent of income.

Under current Idaho code, the property tax is one of the few tax resources available to local governments. No local option tax exists except for a specialized local option tax discussed below under registration fees and a very limited local option tax for resort cities in Idaho.

The amount of property tax that can be budgeted by each taxing district (a city, county, highway district, school district, or other entity legally empowered to levy a property tax) is limited under Idaho Code.<sup>118</sup> This law generally limits an increase to no more than 3% of the previous year's levy, not including any increase based on new construction or annexations. The law allows a larger increase if approved by a supermajority (more than 66.66%) of the voters.

<sup>118</sup> Idaho Code Title 63, Revenue and Taxation, Chapter 8. Levy and Apportionment of Taxes. URL: <http://www3.state.id.us/cgi-bin/newidst?scid=630080002.K>

### Property Tax Funds Used for Roadways by County

	2000	2001	2002	2003	2004
<b>Total for Ada County</b>	\$15,951,066	\$17,234,805	\$18,317,375	\$19,431,213	\$21,158,403
<b>Total for Canyon County</b>	\$4,767,080	\$5,378,004	\$5,761,390	\$6,509,076	\$6,176,687
<b>Total for Boise County</b>	\$3,382	\$1,782	\$4,307	\$4,478	\$134,633
<b>Total for Elmore County</b>	\$854,073	\$1,006,651	\$882,630	\$930,062	\$1,000,360
<b>Total for Gem County</b>	\$39,436	\$993	\$32,377	\$246,326	\$497,120
<b>Total for Payette County</b>	\$602,082	\$638,352	\$943,348	\$988,633	\$621,451
<b>Total Property Tax</b>	\$22,217,119	\$24,260,587	\$25,941,427	\$28,109,788	\$29,588,654

The revenues raised by property taxes are a significant portion of all the roadway entities. The table below summarizes the property tax revenues used for roadways at the county level. Variations in property tax may be greater when the road functions are within a general purpose local government versus a stand-alone highway district.

**Impact Fees:** Impact fees are a relatively new revenue source, particularly in Idaho. Impact fees are assessed on specific new development, often at the time a building permit is issued. They must be tied by an analysis to a specific impact on transportation or some other public infrastructure. In the trades this tie is termed a “rational nexus.”

Existing deficiencies and on-going operations and maintenance costs are not eligible for impact fees—at least not in the eyes of courts which have considered the legitimacy of impact fees. When properly implemented, impact fees can be an equitable and an effective way to fund capital

needs—including new roads, widened roads, and other facilities—by identifying the need for these facilities as a result of growth. (Note that school facilities are not one of the eligible uses for impact fees.) Transit capital needs could also be covered by impact fees.

Idaho Code<sup>119</sup> defines the approach for impact fees in the state. It is a complex process.

Among the requirements the law includes:

- Levels of service must be defined against which the developments may be considered.
- Individual assessments must be permitted under a defined process.
- Refunds must be made if the fees are not spent on eligible projects within five years.
- Eligible projects must be defined in a capital improvement plan tied to a defined growth plan with a horizon no longer than twenty years.

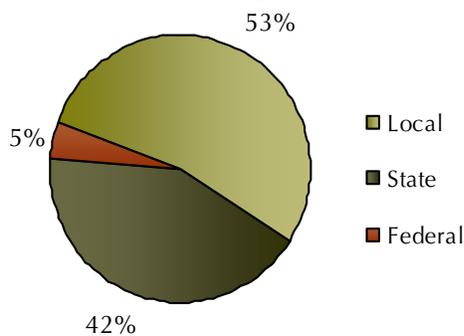
<sup>119</sup> Idaho Code Title 67, State Government and State Affairs. Chapter 82 Development Impact Fees.  
URL: <http://www3.state.id.us/idstat/TOC/67082KTOC.htm>

It is this complexity that deters more jurisdictions from implementing impact fees. In the six county region of *Communities in Motion*, only the Ada County Highway District has a significant portion of its revenues from impact fees, generating 98% of the impact fees collected regionally between 2000 and 2004. Over the past five years, impact fees accounted for 14% of ACHD’s revenue and generated 20% during its peak in 2001. The power of this financial tool and its appeal to citizens -- who frequently demand that “growth pay for itself” -- indicate that other jurisdictions may consider implementing impact fees.

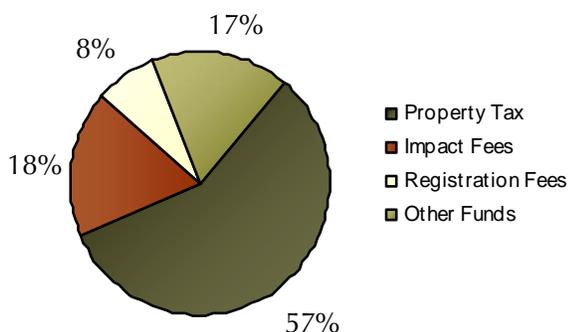
**Registration Fees:** The state collects registration fees that help fund the Highway Distribution Account. But local governments have a local option registration fee available under Idaho Code<sup>120</sup> Title 40, Chapter 8. Any county can pass such a local option registration fee by a simple majority of the votes cast in an election, with the amount of the fee to be no more than twice the amount authorized statewide under Idaho law. As with the state-collected registration fee, the local option version can only be used for roadways.

Unlike the impact fee, a registration fee is fairly simple revenue to collect and manage. There is no requirement for a rational nexus, a twenty-year capital improvement plan, or other features called for by the impact fee legislation. ACHD generated an average of \$3.4 million per year from 2000-2004—about 6% of its budget.

**Sources of Funding for Local Roads**



**Sources of Local Funds: 2000-2004**



*Summary of Local Roadway Funding*

Between 2000 and 2004, an average of \$84.8 million was spent each year on local roads—roads not on the state highway system. Local funds are a significant portion of the revenues constituting more than half the resources. State-generated funds account for another 42% of the funds, with federal sources amounting to just 5%.

The single largest source of local funds is the property tax. As shown in the chart “Sources of Local Funds: 2000 – 2004,” property taxes made

<sup>120</sup> Idaho Code Title 63, Revenue and Taxation, Chapter 8. Levy and Apportionment of Taxes. URL:<http://www3.state.id.us/cgi-bin/newidst?scid=630080002.K>

up 57% of the local road revenue base from 2000-2004. There is wide variation between counties, with Ada County (ACHD) relying on property taxes for 53% of its local revenues, while Canyon County covers 71% of its local revenues with property taxes.

Impact fees were the next largest source, followed by “Other” funds. Other funds could be other fees collected by the roadway entity (such as franchise fees for allowing certain utilities the right to locate in the public right-of-way), interest, and local improvement district fees.

Local option registration fees, while lower than “Other” are probably the biggest cash source available to roadway agencies.

The caution in comparing the two charts on the previous page is that dollars are not equally available by each jurisdiction. Of the total local dollars collected between 2000 and 2004, 76% were collected in Ada County. In 2004, Ada County’s share of the regional population was 59%. Ada County’s take from HDA amounted to 55% of the regional total, so the difference in its resources is not attributable to flaws in the HDA distribution formula.

So what is the reason that the Ada County Highway District (ACHD) has a higher percentage of the region’s local resources? It lies in their implementation of the two local option revenue sources: impact fees and local option registration fees. For each source, ACHD accounted for nearly 100% of the collection. Note that ACHD does not require off-site road improvements any more from developers.

These exactions were traded off in the early 1990s for the more equitable impact fee program. A few years later—and after two unsuccessful votes—ACHD obtained voter approval for a local option registration fee. Elimination of these two sources would represent an \$11 million cut in ACHD’s budget—about one-third of its local revenue collection. It should be noted that costs for roadway construction is substantially higher in Ada County due to high standards such as sidewalks and bicycle lanes.

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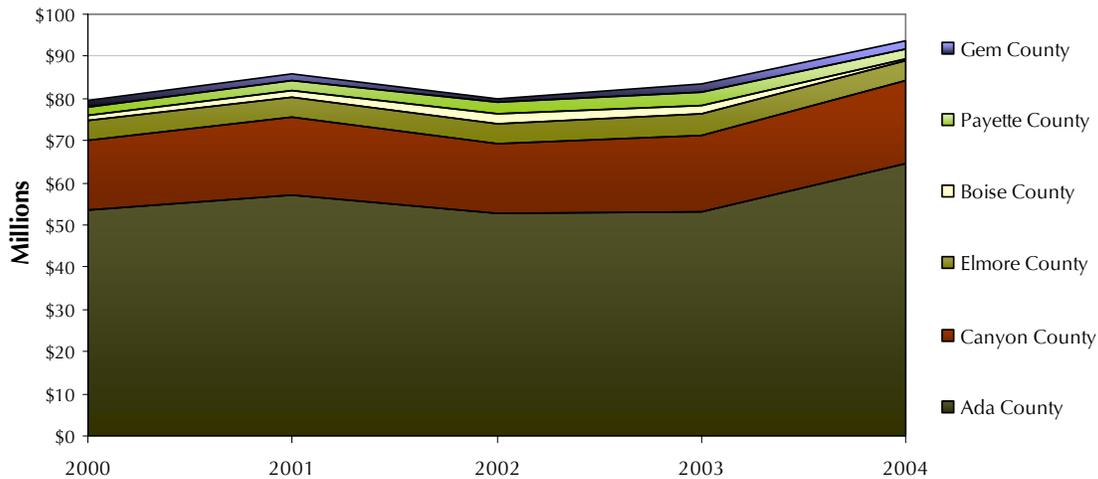
### **Tables on Local Government Funding**<sup>121</sup>

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<sup>121</sup> Information was compiled from the State of Idaho and other sources in 2005. URL: <http://www.communitiesinmotion.org/Documents/datareports/local-revenues.xls>

### Funding Levels by County



The other challenge is similar to that facing the Highway Distribution Account. The revenue base for regional local roads is not responsive to growth. The chart above depicts the total revenue base by county for local roads, so it includes local resources, state-generated funds, and federal. While the total revenue base has increased 18% since 2000, the cost of land and construction has gone up much faster. The National Construction Cost Indicators showed a 21% increase in construction cost between 2000 and 2004.

The *Engineering News Record*,<sup>122</sup> a major trade publication, noted a 4% jump in construction costs nationally from February 2005 to February 2006. Major culprits were energy, asphalt, steel and concrete—all major elements in road construction. Cost of land needed for rights-of-way has increased far more dramatically with raw land prices through the Treasure Valley area

<sup>122</sup> *Engineering News Record*, A McGraw Hill Construction Group publication, Building Index, URL:<http://enr.construction.com/features/conEco/subs/default.asp>

nearing and, in many cases, exceeding \$100,000 per acre. An arterial with a one-hundred foot right-of-way will require at least twelve acres of land per mile—meaning that just the land alone could cost well over \$1 million.

### Transit Funding

Transit revenues are shown separately from roadways since in Idaho there is no separate funding mechanism for transit. While road entities—city, county or highway district—enjoy property tax powers, local vehicle registration fee options, and access to the Highway Distribution Account, the funding options for transit are more restricted:

- Farebox
- Local government contributions
- Federal funds
- Other (interest, advertising)



Valley Regional Transit Smart Cards

*Farebox*

Fares paid by transit riders once were either cash or tokens, which were once commonly used to ride buses, trolleys and trains. While cash is still used, modern systems have moved from tokens to a variety of pass cards and even smart cards, which can be recharged via the Internet. These are much like a debit card to buy services on bus, rail and ferry systems.

The bottom line is that whether cash, tokens or smart cards are used, there are no transit systems in the U.S. which fund themselves 100% with fares. In 2004, U.S. transit services recovered 34% of their operating costs out of fares.<sup>123</sup> Not surprisingly, larger systems serving 1 million or more persons had a higher recovery ratio at 36% than smaller regions which recovered around 18-19% on average. Heavy rail and commuter rail systems, generally operating in the very largest of

cities, did best, recovering 61% and 47% of their costs, respectively. Light rail systems dropped to 26%--close to the 28% recovered in fixed-route bus systems. Demand responsive systems, which frequently are used for persons with disabilities, elderly passengers and in very low density settings, recovered only about 10% of their costs through fares.

Larger systems do come closer to supporting themselves with fares: the catch is that their overall tax support is actually greater per capita than smaller systems with lower fare recovery.

Valley Regional Transit recovered between 11% and 15% of its operating expenses between 2000 and 2004. While its cost per service hour are fairly typical for cities of similar size, trips per service hour are about half of “peer” communities. The table below shows some statistics from fifteen western cities ranging in size

**Peer Cities Comparison**

Area	Service Population	Revenue Hours/ Capita	Trips/ Revenue Hour	Farebox Ratio	Public \$ /Capita	Rail Service				
Albuquerque, NM	498,000	0.6	14	25.7	6	12.70%	12	\$43.66	13	
Anchorage, AK	218,145	1.1	8	16.6	13	18.40%	7	\$74.43	9	
Austin, TX	727,000	1.9	3	26.3	5	3.90%	15	\$146.48	3	
<b>Boise, ID</b>	<b>272,625</b>	<b>0.3</b>	<b>15</b>	<b>11.7</b>	<b>15</b>	<b>11.10%</b>	<b>14</b>	<b>\$24.16</b>	<b>15</b>	
Denver, CO	2,545,000	1.3	5	24.8	8	21.00%	5	\$83.12	7	<b>X</b>
Eugene, OR	272,272	1.2	7	25.5	7	17.70%	8	\$76.87	8	
Las Vegas, NV	1,686,827	0.9	12	32.2	2	37.50%	1	\$36.90	14	
Portland, OR	1,253,502	2.1	1	37.1	1	21.80%	3	\$163.90	2	<b>X</b>
Reno, NV	253,000	1.3	6	23.1	10	26.00%	2	\$70.83	10	
Sacramento, CA	1,035,009	1	9	30.3	3	19.10%	6	\$92.93	5	<b>X</b>
Salt Lake City, UT	1,744,417	0.9	13	18	12	17.30%	10	\$59.11	11	<b>X</b>
San Jose, CA	1,731,400	1	10	22	11	12.50%	13	\$133.85	4	<b>X</b>
Seattle, WA	1,788,300	2	2	27.9	4	21.20%	4	\$178.62	1	<b>X</b>
Spokane, WA	334,857	1.6	4	15.9	14	15.90%	11	\$90.39	6	
Tucson, AZ	720,425	1	11	23.5	9	17.30%	9	\$51.50	12	

<sup>123</sup> “National Transit Summaries and Trends 2004.” National

from smaller than the current regional population to larger than the forecasted regional population. The region ranks at or near the bottom in most indicators.

**Federal Funds:** Federal funds are made available to the region out of the Federal Transit Administration program. As noted above, these funds would amount to nearly \$6 million per year for the region by 2009. Under the federal rules, funds under the Section 5307 program described above can be used to cover 50% of the operating costs not covered by fares. If the operating costs were \$1,000,000, and \$200,000 in fares were collected, up to \$400,000 of federal funds could be used to offset the operating loss. There are some offsetting costs that can alter these percentages.

For the Boise UZA, however, none of these funds will be eligible to cover operating costs after 2008, and the Nampa UZA is likely to be deemed

part of the Boise-Nampa UZA in 2012, after the 2010 Census is analyzed. This means that the operating costs for bus services covering nearly 400,000 people will be ineligible for federal assistance. Note that the funds can be used to cover capital costs such as vehicle purchases, major maintenance, and facility construction. Federal funds can be used for operating costs outside the designated urbanized area, which would permit their use for services in western Canyon County and any services in Boise, Gem, Payette, or Elmore Counties.

**Local Funds:** If fares do not cover the costs of operating transit, where do the funds come from? For most areas, local funds are the main source of local match and operating expenses. As shown below, the Boise transit system receives \$2.7 million in local funds, mostly from the City of Boise.

#### Sources of Funds – Boise Transit Services

	2000	2001	2002	2003	2004
<b>Fare Revenues</b>	\$664,062	\$626,466	\$734,191	\$713,842	\$822,604
<b>Federal Assistance</b>	\$1,745,973	\$2,154,485	\$2,071,322	\$2,541,811	\$3,885,761
<b>Local Funds</b>	\$1,878,969	\$1,890,896	\$2,371,747	\$3,219,491	\$2,656,814
<b>Other</b>	\$122,122	\$184,700	\$120,161	\$120,526	\$45,168
<b>Total Operating Funds</b>	<b>\$4,411,126</b>	<b>\$4,856,547</b>	<b>\$5,297,421</b>	<b>\$6,595,670</b>	<b>\$7,410,347</b>
<b>Fares as a Percent of Total Funds</b>	<b>15%</b>	<b>13%</b>	<b>14%</b>	<b>11%</b>	<b>11%</b>

Local governments can only provide funds for transit out of their general funds, which are based on property taxes, distributions from the state-collected sales tax and miscellaneous fees. Since the general fund is also used to cover costs for police, fire protection, parks, libraries and other government services, competition for the general fund is strong.

### **How are projects budgeted?**

A plan lays out a long-term vision of where the region is going—or perhaps could go—along with goals and strategies to get there. It is similar to a set of plans drawn up for the house discussed at the start of this chapter. The plan is implemented over the years in a series of programs that take the available funding and allocates them for specific projects. Think of a house that can be built in various stages; you would want the basics to be done early, say a kitchen, long before you might want to build a swimming pool.

Transportation program budgets are prepared every one to two years and maintain a five to six year horizon of projects keyed to priorities.

Some of the key programming documents in this region include:

Transportation Improvement Program (TIP). The TIP is required of metropolitan planning organizations (MPOs) under federal regulation. Any transportation project using federal funds or which is “regionally significant”<sup>124</sup> must be

included. No federal funds can be spent on these types of projects unless they are included in the TIP. A TIP is a major implementation tool for the plan, since any project in the TIP must be consistent with the adopted plan.

State Transportation Improvement Program (STIP). State transportation agencies such as the Idaho Transportation Department must prepare a document similar to the TIP that covers statewide projects. Within the planning areas of each MPO, the STIP and TIP must mirror each other. That means that the projects included in each document must show the same scope and costs for each project. Neither document can contain a project not contained in the other. This coordination is essential to ensure that neither the MPO nor the State can force a project through without the other’s agreement.

Capital Improvement Program (CIP). (This type of document may go by other names such as a Five-Year Work Program) There are many projects that do not involve federal funding or occur on regionally significant corridors. Many transportation agencies, including cities, counties and highway districts, prepare CIPs that budget funds for street projects such as construction, widening, bridge reconstruction, traffic signals, roadway reconstruction, overlays, etc. These are often short-term (five to six years) budgetary documents although some agencies, including ACHD, use their CIP as a longer range planning tool.

Transit Development Program (TDP). A TDP is the transit equivalent of a roadway CIP. It is more detailed than a twenty-year plan and lays out a budget for implementing new services in accordance with the plan, programs for replacement and new vehicles, other equipment and facility construction.

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<sup>124</sup> Regionally Significant - regionally significant projects involve new construction of or additional lanes of travel on principal arterials, expressways and freeways or fixed-

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guideway transit systems such as rail or bus rapid transit. The expanded definition can be located at URL: <http://www.communitiesinmotion.org/Documents/datareports/RegionallySignificantDefinitions.pdf>

### Cost of Transportation Projects

Much of this chapter addresses the available resources for implementing transportation projects. While the pool of available dollars is certainly large, it needs to be viewed in the context of what it costs to build, operate and maintain transportation systems. The funds shown on the second page of this chapter regarding the forecast from 2005 to 2030 are not totally available for major capacity projects. In fact, at least half of the resources for roads will go into maintenance.

This takedown is based on reviews of the expenses of regional roadway and transit agencies and the Idaho Transportation Department. The summary is depicted below. Note that when Transit Operations and Maintenance is added to Transit Capital expenses, the total is 8% of the

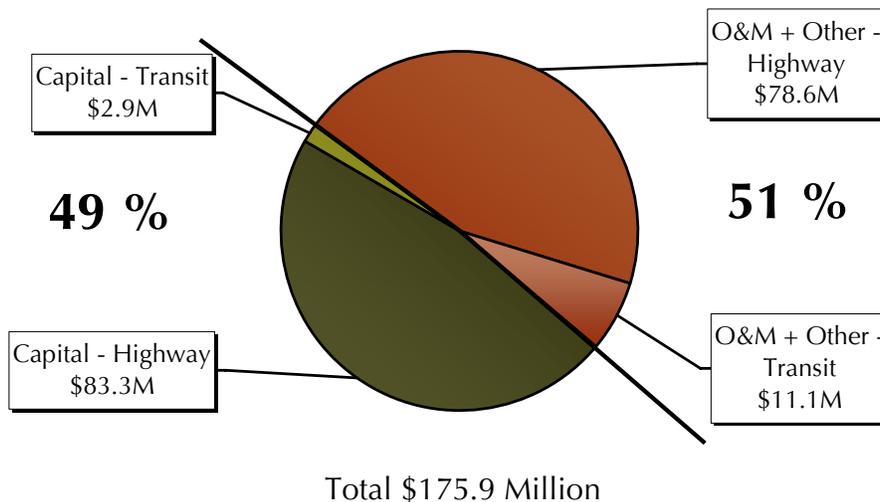
### Available Funds for Major Roadway Projects

	Expense	Balance
Total Revenues Available to Roadways	\$6,211,600,000	\$6,211,600,000
Minus O&M (Existing) (50%)	\$3,105,800,000	\$3,105,800,000
Minus O&M for Local Network	\$ 37,960,000	\$3,067,840,000
Minus Additional Maintenance for Community Choices Network	\$ 107,770,000	\$2,960,070,000
Minus Minor Capital	\$ 700,000,000	\$2,260,070,000

total transportation investment.

With the deduction of minor capital items, including construction and widening of collector roads, signal projects, and intersection improvements, the available funding drops even more, as shown above.

### FY 04-05 Total Expenditures



How does \$2.3 billion for a six-county area across twenty-five years compare with the cost for roadway construction? A consultant working on the *Communities in Motion* project derived standard costs for typical roadway sections by reviewing recent project expenditures in the region. This evaluation is summarized below.

All costs are shown in 2005 dollars, and no inflation factor was applied to either future expenditures or revenues. These factors were used to calculate costs for the corridors shown in the plan, although some more specific estimates were

available and used for some corridors.

As an example, if a new arterial corridor is ten miles long and proposed for five lanes, with half of the corridor in an urban area and half in a rural area, the total cost estimate would be \$144 million. Additional costs could be added if environmental issues existed in the corridor. Structures needed to cross rivers or railroads could also drive up the cost. Note the right-of-way cost factors in the table above. As raw land costs have dramatically increased in just the past year, the right-of-way portion of projects cannot be overlooked.

### Standard Roadway Construction Cost Per Mile Factors

Roadway Type	Construction	Rural Right-Of-Way Cost 35%	Urban Right-Of-Way Cost 50%	Project with Rural Right-Of-Way	Project with Urban Right-Of-Way
<b>Limited Access</b>					
New 4 Lane Section	\$20,173,971	\$7,060,890	\$10,086,986	\$27,234,861	\$30,260,957
Add 2.0 Lanes to Existing	\$11,954,131	\$4,183,946	\$5,977,066	\$16,138,077	\$17,931,197
<b>Principal Arterial</b>					
New 5 Lane Section	\$3,494,409	\$1,223,043	\$1,747,204	\$4,717,452	\$5,241,613
Add 2.0 Lanes to Existing	\$2,003,415	\$701,195	\$1,001,707	\$2,704,610	\$3,005,122
<b>Rural Highway</b>					
New 2 Lane Section	\$672,218	\$235,276	\$336,109	\$907,494	\$1,008,327
New 3 Lane Section	\$794,804	\$278,182	\$397,402	\$1,072,986	\$1,192,207
Add 2.0 Lanes to Existing	\$705,158	\$246,805	\$352,579	\$951,963	\$1,057,736
<b>Boulevard</b>					
New Boulevard Section	\$5,005,037	\$1,751,763	\$2,502,518	\$6,756,800	\$7,507,555
Boulevard Retrofit	\$4,489,141	\$1,571,199	\$2,244,570	\$6,060,340	\$6,733,711
<b>Expressway</b>					
New Expressway Section	\$8,862,386	\$3,101,835	\$4,431,193	\$11,964,221	\$13,293,579
Expressway Retrofit	\$8,259,514	\$2,890,830	\$4,129,757	\$11,150,344	\$12,389,271
<b>Bridge</b>					
Limited Access	\$8,625,000	N/A	N/A	\$8,625,000	\$8,625,000
Principal Arterial	\$7,072,500	N/A	N/A	\$7,072,500	\$7,072,500
Rural Highway	\$3,622,500	N/A	N/A	\$3,622,500	\$3,622,500
Boulevard/ Expressway	\$7,245,000	N/A	N/A	\$7,245,000	\$7,245,000

### Annual Transit Operating Cost at Full Implementation

Description	Routes	Cost
Local bus routes serving Ada County	52	\$67,651,584
Downtown Boise Circulator – 2 routes (start with buses and evolve to a streetcar system)	2	\$2,601,984
Local bus routes serving Canyon County	21	\$27,320,832
Rail - Downtown Caldwell to Downtown Boise	1	\$3,843,840
Rail - Boise Towne Square Mall to Micron	1	\$3,843,840
BRT - State Street from Eagle Road to Downtown Boise	1	\$2,601,984
Express Bus route from		
Caldwell into Boise along Ustick Road	1	\$2,601,984
Nampa into Boise along Franklin Road	1	\$2,601,984
Caldwell into Boise along Chinden Blvd	1	\$2,601,984
Express commuter bus routes between Ada/Canyon and Partnering Counties	5	\$6,504,960
<b>Total</b>	<b>86</b>	<b>\$122,174,976</b>

With construction, rights-of-way, structures and preliminary design and studies, the total cost of the major corridors included in *Communities in Motion* within Ada County and Canyon County comes to \$2.63 billion. The cost of the corridors in the Partnering Counties totals another \$219 million, bringing the total roadway corridors tab to \$2.85 billion—or \$628 million more than the maximum amount of revenues available.

Transit costs in the plan are also high, although still significantly less than the total roadway expenditures. One major difference is that capital costs are a comparatively small share of the overall expense unless investing in very expensive fixed-guideway facilities. Subways, common in the very largest cities, can cost hundreds of millions per mile—a cost only justified by the value of surface land and the congestion of the street system.

A report by an official of the U.S. General Accounting Office in 2002 reviewed “...20 Bus

Rapid Transit lines and 18 Light Rail lines and found Bus Rapid Transit capital costs averaged \$13.5 million per mile for busways, \$9.0 million per mile for buses on high occupancy vehicle (HOV) lanes, and \$680,000 per mile for buses on city streets, when adjusted to 2000 dollars. For the 18 Light Rail lines, capital costs averaged about \$34.8 million per mile, ranging from \$12.4 million to \$118.8 million per mile, when adjusted to 2000 dollars.”<sup>125</sup>

Capital costs for the optimal transit network were estimated at \$270 million to construct a fixed-guideway system along the Union Pacific corridor, a downtown circulator in Boise, and at least one bus rapid transit system along State Street between downtown Eagle and downtown

<sup>125</sup> *Mass Transit, Status of New Starts Program and Potential for Bus Rapid Transit Projects*, Statement of John H. Anderson, Jr., Managing Director, Physical Infrastructure Issues, U.S. General Accounting Office, Testimony before the Subcommittee on Highways and Transit Committee on Transportation and Infrastructure House of Representatives, June 20, 2002, page 10, URL:<http://www.gao.gov/new.items/d02840t.pdf>

Boise. This cost would also include expansion and replacement of buses and construction of a number of stations and intermodal centers related to the transit network.

The operating cost of this system was estimated at \$1.52 billion, assuming a ramping up of service over the next twenty-five years—an average expenditure of \$64 million per year. At full implementation, the annual operating cost of the transit system would be \$122 million per year

### What is the shortfall and what does it mean for the average household?

While the above computation of total transportation costs and the shortfall between costs and revenues is important, numbers with many zeroes behind a dollar sign can be numbing. How does a \$1.7 billion shortfall relate to the average household? When taken across twenty-five years and broken down by the number of households projected to exist in the region by 2030, **the extra funding needed per household to invest in the planned roadway and transit networks would amount to less than \$200 per household per year.** This calculation is shown on the table on the following page.

This does not mean that \$200 per year means

### Household Share of Needed Funding

Roadways Capital	
Unfunded	\$628,600,000
Annual Unfunded (25 year period)	\$25,144,000
Annual share/household (2030 base)	\$71
Transit Capital	
Unfunded	\$179,170,000
Annual Unfunded (25 year period)	\$7,166,800
Annual share/household (2030 base)	\$20
Transit Operating	
Unfunded	\$919,720,000
Annual Unfunded (25 year period)	\$36,788,800
Annual share/household (2030 base)	\$105
Transit Total	
Unfunded	\$1,098,890,000
Annual Unfunded (25 year period)	\$43,955,600
Annual share/household (2030 base)	\$125
Total Plan	
Unfunded	\$1,727,490,000
Annual Unfunded (25 year period)	\$69,099,600
Annual share/household (2030 base)	\$196

nothing for the household budget. Any expense is important. But it amounts to a little more than \$16 per month. What would that translate to in terms of other expenses?

- Two first run movie tickets. No refreshments, however!
- Seven and a half gallons of gasoline (at \$2.25 per gallon).
- One large pizza from a national chain.

### Potential Revenue Sources and Rates

	Rate	Basis
A unit tax on fuel sold in the CIM region	\$0.08	Cents Per Gallon
A sales tax on fuel based on the non-tax portion	4.8%	Based on \$2.12/Gallon With Tax
A fee per registered vehicle	\$157	Fee Per Vehicle
A sales tax	1.14%	Percent
An impact fee on new homes (capital uses only)	\$4,462	Per New Home
A surcharge on income tax	14.9%	Surcharge Rate

- Four mocha lattes.

It becomes a matter of priorities. How important is a better transportation system for the region?

### **What are some of the potential revenue sources that could or should be considered?**

Based on the \$1.7 billion of unfunded investments, what would it take to add enough resources to pay for all the desired roadway corridors and invest in the transit network?

This table provides examples of revenue sources and rates. Except for impact fees, each revenue source is shown with a rate that could generate the entire \$1.7 billion. The calculations are based on 2003 data available for fuel sales, sales tax collection, registered vehicles, home construction and income.<sup>126</sup>

It is possible that, rather than just one of these sources being the total solution, that there would be a mix of sources used. Certainly increases in vehicle registration fees and gas taxes are more likely to accommodate roadway needs. The choice of what sources, if any, would be tapped is up to elected officials and voters.

### **What would it take to tap these sources?**

Any of the above options, except for the impact fee, would require amendments to state law. Barring the provision of a local option registration fee noted earlier, Idaho law does not

grant local option taxing powers to local governments. One exception is under Idaho Code, Title 50, Chapter 10. It allows cities with a population no greater than 10,000 and with a “major” portion of its economy dependent on tourism to submit to its voters a non-property local option tax.

The local option registration fee, which can only be used for roadway purposes, is also constrained to be no more than twice the amount

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<sup>126</sup> Information was compiled from the State of Idaho and other sources in 2005. Since some data was not yet available for 2004, 2003 data were used. URL: [http://www.communitiesinmotion.org/Documents/datareports/taskforce\\_data.xls](http://www.communitiesinmotion.org/Documents/datareports/taskforce_data.xls)

established under Idaho Code,<sup>127</sup> which currently establishes a maximum of \$48 for newer vehicles. Furthermore, changes that would permit a gas or vehicle tax to be used for public transportation or other non-roadway transportation projects would require a change to the Idaho Constitution. However, an increase in the local option registration fee could be sought to remedy the \$628 million needed to construct the roadway portion.

Local option, dedicated taxes for public transportation are not unusual in the U.S. Especially for transit systems in areas with more than 200,000, dedicated taxes are a larger source of funding than general revenues. In 2004, dedicated taxes formed 38% of the financial base for operating costs, versus just 14% for state and local general funds and 7% for federal funds. Where transit agencies had dedicated taxes, sales taxes accounted for 80% of the revenues. Where other local governments collected the dedicated taxes, sales taxes were 67% of the revenue. (Source: National Transit Database 2004) Other dedicated tax sources included property, income, fuel, and other.

To accomplish this will take enabling legislation approved by the Idaho Legislature or by a direct initiative process. The challenge is a long-standing concern about the effects of a local

option tax on the market. Some of the arguments in opposition to a local option tax are:

- Sales taxes collected in the larger urban areas likely to approve a local option tax for transportation would also be borne by residents of more rural areas who shop in the larger metropolitan areas.
- Local option taxes might drive buyers to shop in areas outside the taxing district. This could be especially difficult where the taxing district is near borders with states with no or lower taxes.
- Businesses could face additional administrative costs to track tax collections by special districts.

It is likely that any enabling legislation would require a vote of approval by residents within the district. This is the case with the resort tax under Idaho Code 50-10. Under that legislation, a simple majority is sufficient to approve a local option tax. In many states, any local option tax must be preceded by a capital and operations plan that will provide voters with some assurance as to how the funds will be spent.

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<sup>127</sup> Idaho Statutes, Title 49, Motor Vehicles, Chapter 4 49-402. Motor Vehicle Registration.  
URL:<http://www3.state.id.us/cgi-bin/newidst?scid=490040002.K>

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## Chapter 5 Appendix

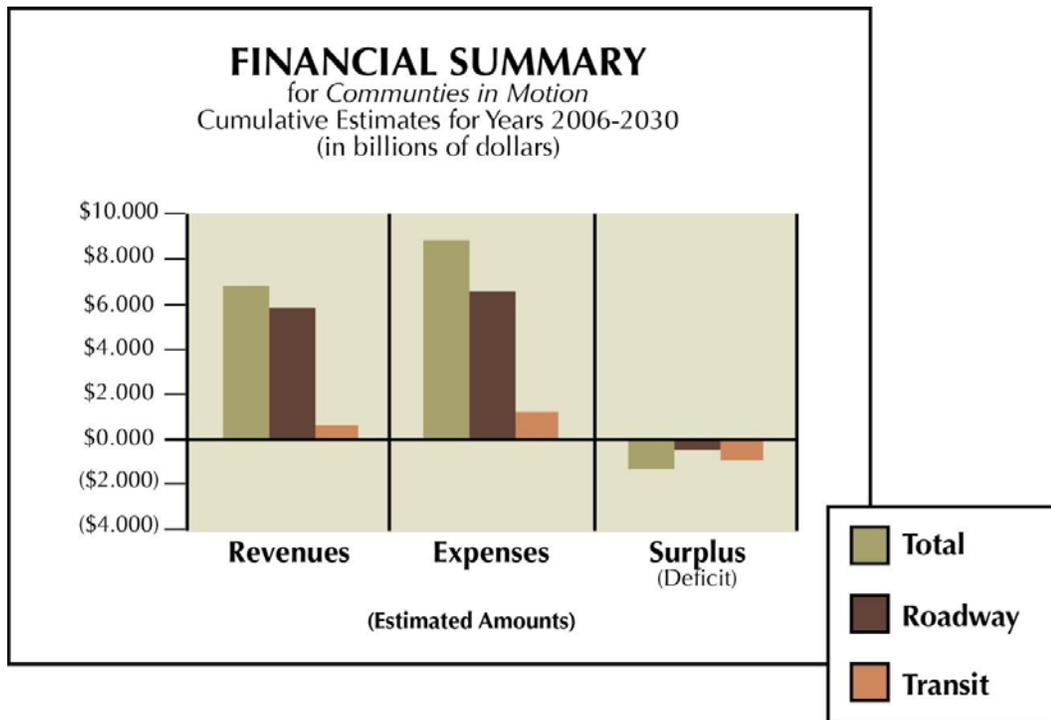
- ❖ *Communities in Motion* Financial Summary
- ❖ Summary List of Federal Highway Programs

## Financial Summary for *Communities in Motion*

Revenues (2006-2030)		Expenses (2006-2030)		Needs and Options	
<b>Roadway</b>		<b>Roadway</b>		<b>Funds Needed</b>	
Federal Grants	\$2,310,000,000	O&M	\$3,310,000,000	Road Corridors	\$630,000,000
State Funds	\$1,170,000,000	Minor Capital	\$700,000,000	Transit	\$1,120,000,000
Local Funds	\$2,730,000,000	CIM Corridors	\$2,830,000,000		
<b>Total</b>	<b>\$6,210,000,000</b>	<b>Total</b>	<b>\$6,840,000,000</b>	<b>Total</b>	<b>\$1,750,000,000</b>
<b>Transit</b>		<b>Transit</b>		<b>Possible Options to Raise Needed Funds</b>	
Federal Grants	\$130,000,000	O&M	\$1,520,000,000	Tax/Gallon of Fuel	\$0.08
State Funds	\$0	Capital	\$270,000,000	Sales Tax on Fuel	4.80%
Local Funds	\$160,000,000			Fee/Motor Vehicle	\$160
Fares & Other	\$380,000,000			Sales Tax	1.14%
<b>Total</b>	<b>\$670,000,000</b>	<b>Total</b>	<b>\$1,790,000,000</b>	Increase Income Tax	14.90%

### Notes

- ❖ O&M expenses (operating & maintenance) are items such as fuel, cleaning, administration, insurance, etc.
- ❖ Capital expenses are items such as construction, vehicles and equipment, land, etc.
- ❖ Any of the sources shown could raise the \$1.75 billion needed.



## Federal Highway Programs

Program	Purpose
Interstate Maintenance	The Interstate Maintenance (IM) program provides funding for resurfacing, restoring, rehabilitating and reconstructing (4R) most routes on the Interstate System. Construction of additional Single Occupancy Vehicle (SOV) lanes continues to be ineligible for IM program funds.
National Highway System	The program provides funding for improvements to rural and urban roads that are part of the NHS, including the Interstate System and designated connections to major inter-modal terminals. Under certain circumstances, NHS funds may also be used to fund transit improvements in NHS corridors.
Surface Transportation Program	The Surface Transportation Program provides flexible funding that may be used by States and localities for projects on any Federal-aid highway, including the NHS, bridge projects on any public road, transit capital projects, and intra-city and intercity bus terminals and facilities.
Bridge Replacement & Rehabilitation	The Highway Bridge Program provides funding to enable States to improve the condition of their highway bridges through replacement, rehabilitation, and systematic preventive maintenance.
Congestion Mitigation & Air Quality	The Congestion Mitigation and Air Quality Improvement Program (CMAQ) provides funding for projects and programs in air quality non-attainment and maintenance areas for ozone, carbon monoxide (CO), and particulate matter (PM <sub>10</sub> , P <sub>2.5</sub> ) which reduce transportation related emissions.
Recreational Trails	The Recreational Trails program provides funds to the States to develop and maintain recreational trails and trail-related facilities for both non-motorized and motorized recreational trail uses. Funds are available to develop, construct, maintain, and rehabilitate trails and trail facilities.
Safety	The program authorizes a new core Federal-aid funding program beginning in FY 2006 to achieve a significant reduction in traffic fatalities and serious injuries on all public roads. Funds may be used for projects on any public road or publicly owned bicycle and pedestrian pathway or trail. Each State must have an SHSP to be eligible to use up to 10 percent of its HSIP funds for other safety projects under 23 USC (including education, enforcement and emergency medical services). It must also certify that it has met its railway-highway crossing and infrastructure safety needs.
Rail-Hwy Crossings	To reduce the number of fatalities and injuries at public highway-rail grade crossings through the elimination of hazards and/or the installation/upgrade of protective devices at crossings.

<p>Border Infrastructure Program</p>	<p>To improve the safe movement of motor vehicles at or across the land border between the U.S. and Canada and the land border between the U.S. and Mexico. This program replaces the TEA-21 Coordinated Border Infrastructure discretionary program which ends after 2005. States may use funds in a border region, defined as any portion of a border State within 100 miles of an international land border with Canada or Mexico, for the following types of improvements to facilitate/expedite cross border motor vehicle and cargo movements: improvements to existing transportation and supporting infrastructure; construction of highways and related safety and safety enforcement facilities related to international trade; operational improvements, including those related to electronic data interchange and use of telecommunications; modifications to regulatory procedures; international coordination of transportation planning, programming, and border operation with Canada and Mexico.</p>
<p>Safe Routes To School</p>	<p>To enable and encourage children, including those with disabilities, to walk and bicycle to school; to make walking and bicycling to school safe and more appealing; and to facilitate the planning, development and implementation of projects that will improve safety, and reduce traffic, fuel consumption, and air pollution in the vicinity of schools. Eligible activities are the planning, design, and construction of projects that will substantially improve the ability of students to walk and bicycle to school. These include sidewalk improvements, traffic calming and speed reduction improvements, pedestrian and bicycle crossing improvements, on-street bicycle facilities, off-street bicycle and pedestrian facilities, secure bike parking, and traffic diversion improvements in the vicinity of schools (within approximately 2 miles). Such projects may be carried out on any public road or any bicycle or pedestrian pathway or trail in the vicinity of schools.</p>
<p>High Priority Projects</p>	<p>The High Priority Projects Program provides designated funding for specific projects identified in SAFETEA-LU. A total of 5,091 projects are identified, each with a specified amount of funding over the 5 years of SAFETEA-LU [1701]. The funds are available only for the activities described for each project in Section 1702 of SAFETEA-LU, subject to the flexibility described above.</p>
<p>Equity Bonus</p>	<p>The Equity Bonus provides funding to states based on equity considerations. These include a minimum rate of return on contributions to the Highway Account of the Highway Trust Fund, and a minimum increase relative to the average dollar amount of apportionments under TEA-21. Selected States are guaranteed a share of apportionments and High Priority Projects not less than the State's average annual share under TEA-21. This program replaces TEA-21's Minimum Guarantee program.</p>
<p>Federal-aid Obligation Limitation</p>	<p>A limitation is placed on Federal-aid highway and highway safety construction program obligations to act as a ceiling on the obligation of contract authority that can be made within a specified time period, usually a fiscal year, regardless of the year in which the funds are authorized. These limits are imposed in order to control the highway program spending in response to economic and budgetary conditions.</p>