



Unraveling the Mystery of Paying for Our Transportation System



2011 Education Series

**Presented by Anne Wescott
Galena Consulting**





**"Turn him to any
cause of policy,
The Gordian Knot
of it he will unloose,
Familiar as his
garter"**

**- Shakespeare
*Henry V***



2011 Education Series

**Presented by Anne Wescott
Galena Consulting**





De-Mystifying Transportation Funding

- ✓ What the money funds
- ✓ Where the money comes from
- ✓ How it can be spent
- ✓ Why its not enough
- ✓ Some alternatives

State and Local Transportation



- ❑ 99,198 Lane Miles
- ❑ 4,139 Bridges
- ❑ Public Transit
- ❑ Ports of Way
- ❑ Sidewalks
- ❑ Signals
- ❑ Bike lanes and bike paths





State and Local Transportation

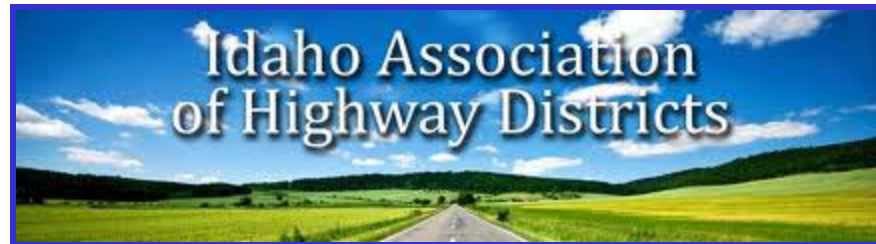
- ❑ Operations = road repairs, maintenance, signals, signs, striping, snow removal, street sweeping, planning
- ❑ Preservation = seal coats, bridge cleaning
- ❑ Restoration = pavement and bridge replacement
- ❑ Expansion = design and construction to accommodate growth, improve safety



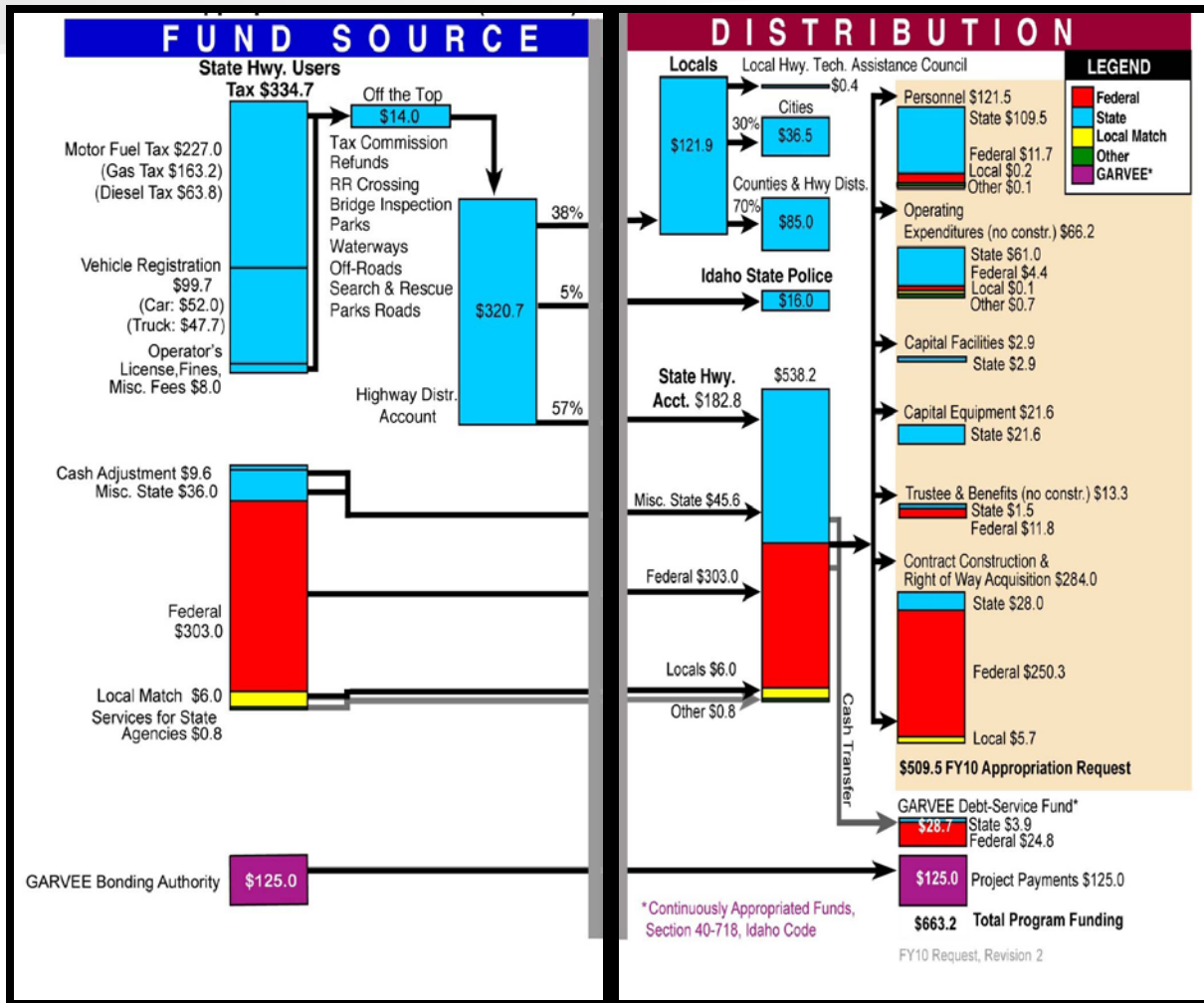
State and Local Transportation

Overseen by 296 different entities

- ❑ 6 ITD Districts
- ❑ 33 Counties
- ❑ 64 Highway Districts
- ❑ 193 Cities



Money In – Money Out





Where the Money Comes From

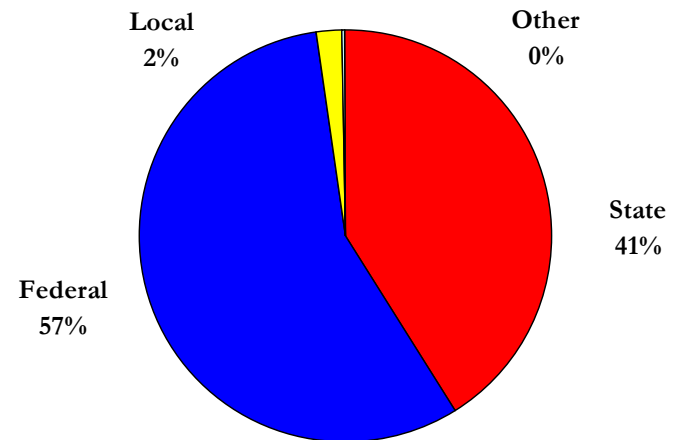
Funding for transportation projects comes from direct users (fuel taxes, registration fees, impact fees, transit fares) and indirect users (income and property taxes, advertising) of the system



Where the Money Comes From

Sources of funding for State transportation projects in Idaho:

State (gas taxes, registration)	41.1%
Federal (gas taxes)	56.7%
Local (property taxes, fees)	1.9%
Other	0.3%

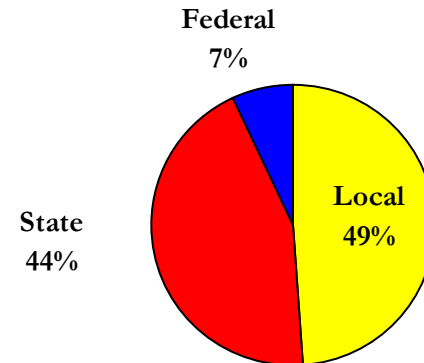




Where the Money Comes From

Sources of funding for Local transportation projects in Idaho:

Local fees and taxes 49% (including impact fees)
State revenue sharing 44%
Federal grants 7%





Where the Money Comes From

Sources of funding for Public Transit:

Federal Transit Administration

Federal Congestion Mitigation and Air Quality (CMAQ) funds

State funds

Local contributions

User fees (including fares)

Advertising revenues



Where the Money Comes From

**Federal Government/Federal Highway Trust Fund ⇒
\$278.4 million to Idaho Transportation Projects in FY2010:**

Gas tax (18.4 cents)	60%
Diesel tax (24.4 cents)	25%
Trucks and Trailers	11%
Tires	1%
Federal Use Tax	3%

Idaho pays \$1 into the Federal Highway Trust, and gets \$1.57 back



Where the Money Comes From

State of Idaho ⇒ \$253.4 million to Idaho Transportation Projects in FY2010:

Gas tax (26 cents)	43%
Diesel tax (25 cents)	18%
Vehicle Registration Fees	28%
State Highway Account	9%
Miscellaneous Revenues	2%

62% of this \$\$ goes to ITD

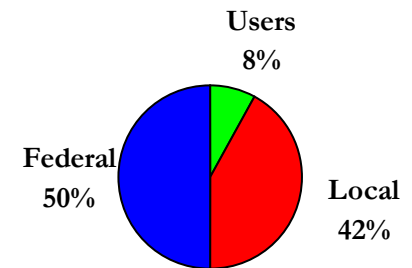
38% of this \$\$ goes to local jurisdictions



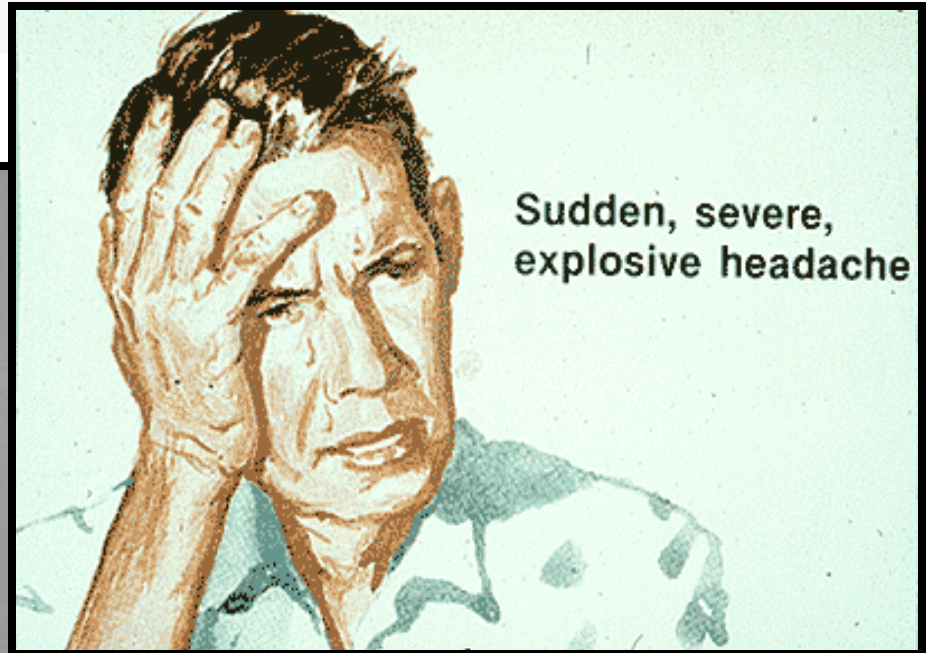
Where the Money Comes From

Funding for Valley Ride in 2010

Local Contributions to capital	2%
Local Contributions to operations	40%
Federal Contributions to capital	17%
Federal Contributions to operations	33%
Generated Revenues (fares and advertising)	8%



Have You Got All That?





The Players in this Game

The Payers

- Drivers of Cars
- Commercial Truck Operators
- Transit Users
- General Federal Taxpayer
- General State Taxpayer

The Middlemen

- Uncle Sam (Federal Highway Trust Fund)
- State of Idaho (Highway Distribution Fund)

The Agencies

- State Highway Account/ITD
- Highway Districts
- Cities
- Counties
- Transit

The Outside Beneficiaries

- Other state agencies (ISP, IPL)



The Setup

Road User/Taxpayer – 15 coins

Commercial Truck Operator – 6 coins

Other States – 1 coin



The Moves Each Player Makes

1st Move – Users Pay the Federal/State Government

- Road User gives 6 coins to Uncle Sam (gas taxes paid)
 - Road User gives 5 coins to Governor Otter (gas taxes and registrations paid)
 - Commercial Truck Operator gives 3 coins to Uncle Sam (gas taxes paid)
 - Commercial Truck Operator gives 3 coins to Governor Otter (gas taxes and registrations paid)
 - Taxpayer gives 2 coins to Uncle Sam (miscellaneous taxes and fees)
 - Taxpayer gives 2 coins to Governor Otter (miscellaneous taxes and fees)
 - Other States give 1 coin to Uncle Sam (“donor state” in current formula)
-
- Uncle Sam should end up with 12 coins
 - Governor Otter should end up with 10 coins
 - Taxpayer should have no coins left



The Moves Each Player Makes

2nd Move – Distribution of the Revenues

- Uncle Sam gives 10 coins to the State Highway Account/ITD
- Uncle Sam gives GARVEE bonding authority to State (no coins)
- Uncle Sam gives 1 coin to public transit
- Uncle Sam gives 1 coin directly to the local entities

- Governor Otter gives 1 coin off the top to other State agencies
- Governor Otter gives 7 coins to the Highway Distribution Account
- Governor Otter gives 1 coin to the State Highway Account
- Governor Otter gives 1 coin to the local entities

- The Highway Distribution Account gives 1 coin to ISP
- The Highway Distribution Account gives 2 coins to local entities
- The Highway Distribution Account gives 4 coins to the State Highway Account/ITD

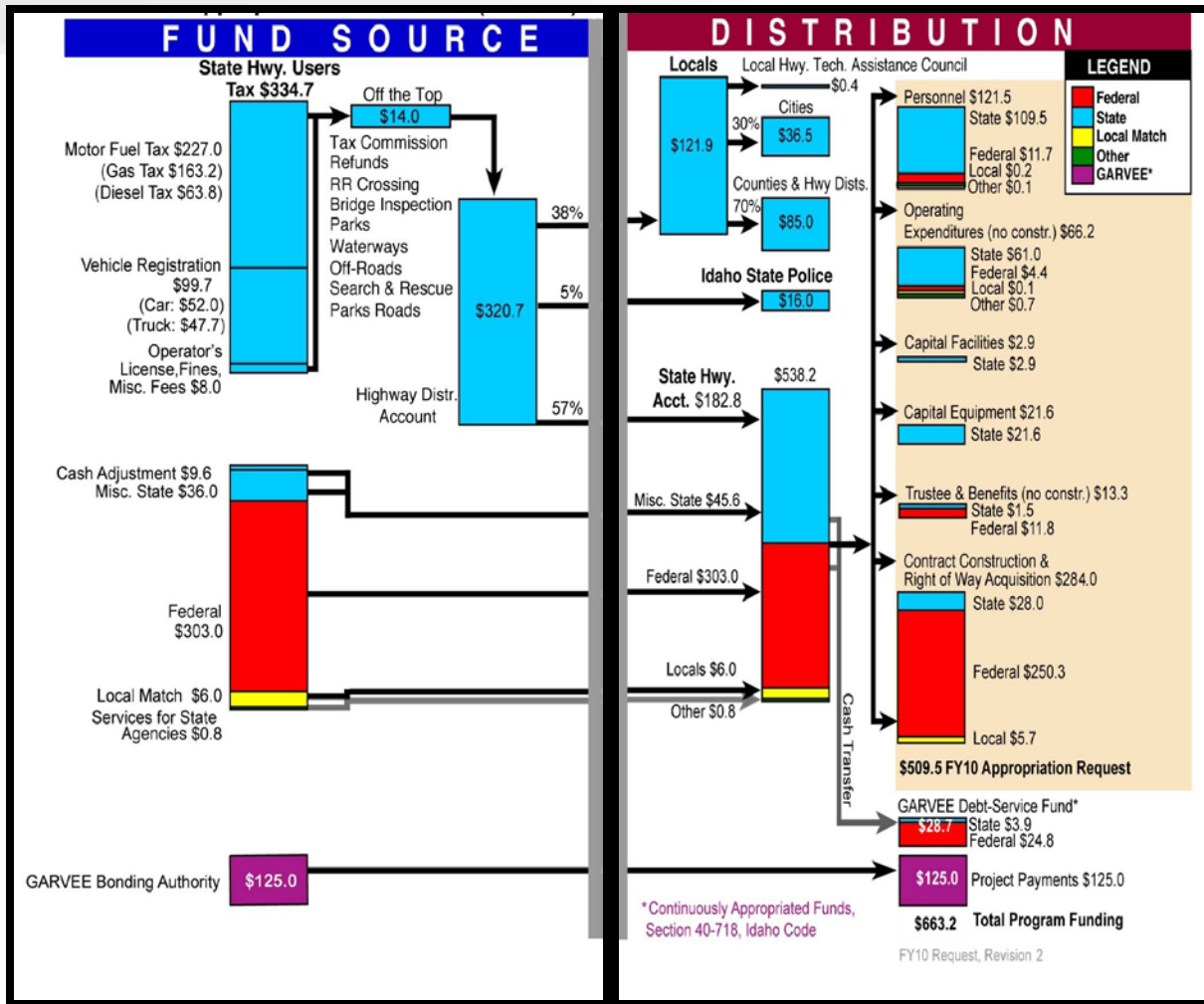


The Moves Each Player Makes

End of the Game – What They Have to Build With

- State Highway Account/ITD has 15 coins for State projects
- Local entities have 4 coins for local projects
- Public transit has 1 coin from this distribution, plus some other coins directly from local entities, and generated revenues

And that's how it works.....





So What's the Big DEAL?

- ❑ **Condition of the Current System is Not Good**
- ❑ **Demand is Increasing**
- ❑ **Overdependence on Federal Dollars**
- ❑ **State and Locals Don't have Extra Funds**
- ❑ **Costs are Increasing**
- ❑ **Lack of Equity**
- ❑ **Risks of doing nothing**

So What's the Big DEAL?

Condition of the Current System is Not Good



- ❑ Half of our bridges are older than their 50 year useful life; 343 are structurally deficient
- ❑ 1/5 of all highway pavement is deficient
- ❑ Result is lane restrictions/congestion, poor air quality, decreased safety, increased wear and tear on vehicles, increased cost to consumer, reduced ability to get businesses to locate in Idaho



So What's the Big DEAL?

Demand is Increasing

- ❑ Idaho has been one of the fastest growing states; this growth is putting a significant demand on the transportation system
- ❑ More vehicles = increased congestion and need for safety improvements
- ❑ More vehicle miles driven = more wear on the system
- ❑ More people = greater demand on public transit
- ❑ Record ridership of Valley Ride despite national decline in ridership



So What's the Big DEAL?

We Depend Too Much on Federal Revenues

- ❑ Federal transportation funding to Idaho is anticipated to shrink
- ❑ Idaho depends on Federal dollars for over 1/2 of its transportation needs; Nevada, Oregon, Utah and Washington depend on federal dollars for about 20% of theirs.
- ❑ Federal funding requires a match
- ❑ Stimulus/Craig-Wyden funds gone



So What's the Big DEAL?

Additional Revenues Not Available from Other Current Sources

- ❑ State of Idaho is facing budget challenges; no “one-time fix” available
- ❑ State fuel taxes not indexed, haven't been increased since 1996, revenues reducing as vehicles become more efficient
- ❑ Counties facing budget challenges
- ❑ Cities facing budget challenges
- ❑ Highway Districts facing budget challenges

So What's the Big DEAL?

Costs are Increasing

- ❑ Construction Costs keep rising
- ❑ Deferred maintenance and reconstruction results in more costly projects “down the road”

So What's the Big DEAL?

Lack of balance/equity between users

2010 Highway Cost Allocation Study

- revenues from automobiles exceed cost responsibility by 47 percent

- revenues from combination trucks fall 33 percent short of cost responsibility

****Some people paying more/less than “fair share” of burden on the roadway system**

So What's the Big DEAL?

Risks of Doing Nothing

- ❑ 94% of Idaho highway users surveyed said that roads and bridges are vital or important to the economy and lifestyle of Idaho
- ❑ Economy depends on infrastructure
- ❑ Will cost more in the future
- ❑ Safety decreasing as congestion and deterioration continues unaddressed
- ❑ New technologies going unused

So What's the Big DEAL?

\$543 million
GAP BETWEEN
AVAILABLE
RESOURCES AND
CURRENT/FUTURE
NEEDS

So What's the Big DEAL?

**Current funding levels are
\$262 million short of
operation, preservation and
restoration funding needs;
and \$281 million short of
capacity and safety needs**



**WHAT
TO DO?**

Governors Task Force on Modernizing Transportation Funding 2009-2010

- ❑ Current and future needs
- ❑ State and local infrastructure
- ❑ Safety is top priority
- ❑ Analyze traditional and nontraditional revenue sources for maintenance & preservation
- ❑ Are users paying for their fair share of costs?

Governors Task Force on Modernizing Transportation Funding 2009-2010

Developed a matrix of potential revenue options with the following criteria in mind:

- ❑ Fairness
- ❑ Equity between users (i.e. cars versus commercial trucks)
- ❑ Equity with out-of-state visitors
- ❑ Ability to generate needed revenue
- ❑ Competitiveness with other states
- ❑ Public acceptance
- ❑ Predictability of revenue
- ❑ Cost effectiveness of implementation
- ❑ Readiness for implementation

Governors Task Force on Modernizing Transportation Funding 2009-2010

December 2010

- Task Force submitted a matrix of a dozen prioritized revenue-raising options but recommended delaying revenue measures until economic conditions warrant.
- **The top ranked option was a fuel tax increase, followed by a fuel transfer fee (would operate like a sales tax on fuel), indexing the fuel tax to inflation, a new excise tax on rental cars, and increases in vehicle registration fees.**
- Task Force Member Jim Kempton, “If you can’t pay for the system you have, you have to start the strategic process of dismantling part of the existing system.”
- Task Force Member Marv Hagedorn, “Taxpayers can’t afford to keep Idaho’s roads and bridges in their current condition.”
- Panel Lt. Governor Brad Little – “Road funding will be discussed by the 2011 Legislature, but concrete revenue proposals are still a year out when we expect economic conditions to improve.”

Governors Task Force on Modernizing Transportation Funding 2009-2010

Other options considered but not highly ranked included

- ❑ Local option sales taxes
- ❑ Local option use taxes
- ❑ Dedication of sales taxes from transportation-related items like auto parts
- ❑ Tax on vehicle miles traveled by users of hybrid and electric vehicles

Possible Analysis?

	<u>Ability to Generate Revenue</u>	<u>Fairness/ Equity</u>	<u>Competitive with Other States</u>	<u>Publicly Acceptable</u>	<u>Predictable Source</u>	<u>Easy to Administer</u>	<u>Easy to Implement</u>	<u>Used for Transit</u>
Increasing fuel tax	\$9M per 1 cent increase	Green	Green	Red	Orange	Green	Green	Red
Fuel transfer fee (sales tax on top of sales per gallon)	\$6M per .25% increase	Green	Orange	Red	Orange	Green	Green	
Indexing fuel tax to inflation	Green	Green	Orange	Orange	Orange	Orange	Green	Red
New excise tax on rental cars	Green	Green	Green	Orange	Orange	Green	Orange	
Increase vehicle registration fees	\$10M per \$10-25 increase	Green	Orange	Orange	Green	Green	Green	Red
Local option sales/use tax (taxing authority to local jurisdictions subject to a vote)	Green	Green	Green	Orange	Green	Green	Green	Green
Dedication of transportation-related sales taxes	Green	Green	Orange	Orange	Orange	Green	Orange	
Tax on hybrid/electric vehicles (to capture vehicle miles traveled)	\$27M annually	Green	Orange	Red	Orange	Red	Red	



Questions and Discussion



2011 Education Series

Presented by Anne Wescott

Galena Consulting

