



COPY

BRAD LITTLE
LIEUTENANT GOVERNOR

December 1, 2010

VIA HAND-DELIVERY

Honorable C.L. "Butch" Otter
Idaho State Capitol
P.O. Box 83720
Boise, ID 83720

Dear Governor Otter:

I am pleased to share with you the recommendations of the Governor's Task Force on Modernizing Transportation Funding in Idaho. It was my honor to chair this committee and to work with members who selflessly gave their time, energy and unique expertise to this important effort. I believe the work of the Task Force will provide a blueprint for addressing Idaho's crucial transportation needs in the future.

Throughout this process, I believe the Task Force was able to examine the efficiencies and credibility of the Idaho Transportation Department. ITD worked tirelessly to provide information to the Task Force, and I feel that their solid efforts were invaluable to the final outcome.

First, and perhaps most importantly, the Task Force members solidly confirmed Idaho's real and significant transportation funding shortfall. We learned that revenue amounts in the \$200 million range would only cover needs to maintain the transportation infrastructure we already have. Other needs for capacity and safety enhancement were also determined to be well into the \$200 million range - if not higher. This is very concerning for a state that is one of the fastest growing in the nation.

The Task Force did not make a recommendation for how revenue enhancement should be timed or phased in, due to the volatility of our current economy. There was agreement that now is not the time to address this growing problem. However, several members expressed concern that waiting will only make the problem worse and more costly to solve - another problem for our struggling economy. Clearly, Idaho's transportation funding challenge must be addressed as soon as possible to ensure a strong economy for our great state and avoid leaving an unacceptable burden for our next

Honorable C.L. "Butch" Otter

December 1, 2010

Page 2

generation. As a wise man once said, "Deferring necessary maintenance is the equivalent of deficit spending." If revenue generation is not forthcoming, I recommend we ask ITD and locals to prioritize limited resources for only the most vital needs.

At the Task Force's final meeting last week, the members voted to submit to you and the Legislature a list of revenue options that were ranked by the task force members. The rankings considered everything from fairness to revenue predictability to cost and ease of implementation. This information will be tremendously beneficial when revenue enhancement is pursued.

Please find this information attached, along with the Task Force's final resolution and other recommendations that address several key areas such as cost equity and public transportation.

Very truly yours,

A handwritten signature in black ink, appearing to read "Brad Little", written in a cursive style.

Brad Little

BL/ad
Encls.

**GOVERNOR’S TASK FORCE ON MODERNIZING
TRANSPORTATION FUNDING IN IDAHO
FINAL RESOLUTIONS
December 1, 2010**

WHEREAS, Governor C.L. “Butch” Otter, established the “Governor’s Task Force on Modernizing Transportation Funding in Idaho” (hereinafter Task Force); and

WHEREAS, the Task Force was asked by the Governor to:

- Consider both traditional and nontraditional sources of revenue for maintenance and preservation of highways and bridges including, but not limited to, the rates, methods and manner of calculating any and all taxes, fees and registrations relating to fuels, motor vehicles, and motor carriers, and
- Consider whether all users are paying their reasonably equitable proportion of highway and road costs; and

WHEREAS, the Task Force at their first meeting on August 6, 2009, adopted eight principles to guide their work: 1) Safety as a top priority, 2) open to all funding sources, 3) include State and Local systems, 4) funding and finance framework must generate sufficient resources to meet current and future needs, 5) users should bear costs to the greatest extent possible, 6) address equity, 7) use a 20-year perspective, and 8) incorporate dynamic models; and

WHEREAS, the Task Force in a series of meetings from August, 2009 through November, 2010, heard testimony and presentations on transportation issues from numerous members of the public, consulting firms, transportation-related organizations, and State and local governments, on various topics including, but not limited to:

- Public transportation funding, needs and potential funding sources (including 2004 Public Transportation Task Force summary)
- Local highway jurisdiction funding and needs
- Metropolitan Planning Organization funding and needs
- Enhancing system capacity
- Local Mobility Network System
- Cost estimates for rural and small urban transit needs
- Highway Cost Allocation and the 2010 Highway Cost Allocation Study for Idaho

WHEREAS, the Task Force agreed with studies and projections showing that federal aid transportation funds (which provide the majority of funding for transportation projects in Idaho) will remain essentially flat or decrease for the foreseeable future and cannot be relied upon to solve the lack of adequate transportation funding in Idaho; and

WHEREAS, for economic competitiveness, it is essential we invest in a sustainable and effective road and highway system to protect existing jobs and compete for new and better careers and thriving businesses; and

WHEREAS, local jurisdictions have different funding needs, the current distribution formula may not meet all funding needs; and

WHEREAS, the Idaho Transportation Department presented information to the Task Force concerning improving efficiency through the use of performance management and performance measures, the Statewide long-range transportation plan and management systems for ITD; and local governments presented the results of the Local Highway Efficiency Summit, including the use of best management practices, cooperative agreements and activities, and the efficient use of manpower, equipment and materials for local agencies; and

WHEREAS, the Public Transportation Subcommittee held four meetings to study the needs and funding of public transportation in Idaho, and made recommendations to the Task Force concerning the establishment of regional transportation plans as determined by either regional transit authorities, joint power agreements among local governments, or single jurisdictions with specific revenue sources to be pursued to fund public transportation, and performance measures, goals and milestones to be measured during implementation of the plans; and

WHEREAS, the Office of Performance Evaluations (Legislative) Audit released in January 2009 found that current funding for transportation cannot keep pace with the growth in costs to meet Idaho's basic transportation needs, and that a significant revenue increase is merited; and

WHEREAS, information presented to the Task Force has shown that the needs on both the State and local transportation systems far exceed the revenues that are currently available to address those needs, and the Task Force studied funding scenarios for additional revenue necessary to address transportation system needs, and, through a survey of the Task Force members, derived average additional amounts of \$155 million annually as necessary for operation, preservation and restoration of the state system, \$107 million annually for the local systems, \$207 million annually as necessary for capacity and safety enhancement for the state system and \$74 million for the local system; and

WHEREAS, studies have shown that delaying the required maintenance of pavements and bridges beyond the ideal maintenance schedule due to lack of funding results in significantly

increased per year costs to maintain the roadway and bridges, eventually requiring them to be restored to new; and

WHEREAS, the Task Force believes it is in the State's best interest to move toward a transportation financing system that is more evenly balanced between State and federal funds, and that it is crucial to have State funds available to match federal funds made available to Idaho; and

WHEREAS, having accepted the 2010 Highway Cost Allocation Study prepared for Idaho by the Battelle Memorial Institute, the Task Force believes the State should maintain a balanced system of cost responsibility between broad classes of vehicles, but should do so in a way that does not place an undue financial burden on a single class of highway users or hamper the competitiveness of Idaho businesses; and

WHEREAS, the Task Force supports full compliance with current law resulting in increased collection of tax revenues through reduction of fuel tax fraud and avoidance; and

WHEREAS, the Task Force heard presentations on and studied numerous potential transportation revenue sources and, through a survey of the Task Force members, rated each of these options according to criteria such as "fairness," "public acceptance," "predictability," "cost effectiveness of implementation," "readiness," "competitiveness," and "out of state equity," and ranked these options according to their average rating on a revenue options matrix, with the intent of using these potential funding sources as a basis for recommending options to the Governor and Legislature for increasing revenue for transportation programs in Idaho.

NOW, THEREFORE BE IT RESOLVED:

The Governor's Task Force on Modernizing Transportation Funding in Idaho makes the following recommendations: That the Task Force, strongly supporting a nationally standardized use-based fee system in the future for transportation, recommends a mileage and use-based system of raising transportation revenue. This use-based system could include a vehicle miles traveled fee as technology, privacy issues, and public acceptance allows.

BE IT FURTHER RESOLVED, the Task Force recommends:

- 1) The final report of the committee be forwarded to the Governor and the Legislature which identifies the level of need for funding Idaho's transportation system and lists, in priority fashion, the tools that could be used to achieve the funding when the Governor and the Legislature have determined that conditions warrant an increase.**

- 2) Aligning revenue enhancement to improve cost equity among various vehicle classes based on State funds and the GARVEE “debt service” analysis provided in the 2010 Idaho Highway Cost Allocation Study, which shows automobiles currently have an equity ratio of 1.08 and combination trucks have an equity ratio of .86 and consider phasing these changes over several years.**
- 3) Implementing the recommendations of the Public Transportation Subcommittee to allow local jurisdictions to increase funding for public transportation using the options outlined in the public transportation portion of the revenue options matrix.**
- 4) The germane committees examine the revenue allocation formula to local jurisdictions to evaluate whether the amount needs to be increased or decreased consistent with user-pay principles. Further, the germane committees examine implementing new methods to allocate funds to local jurisdictions in a manner that incentivizes efficiency and ensures funds are allocated in a manner that can be most efficiently employed.**
- 5) Accepting the recommendation of the Legislative Alternative Funding Task Force, so long as the Constitutional restriction on fuel tax specific to road revenue is satisfied, to continue the 3% distribution from the state fuel tax to the Idaho Department of Parks and Recreation. This would require action in the 2011 Legislature to repeal a portion of HB 376 and HB 457 pertaining to the Idaho Department of Parks and Recreation.**
- 6) Concurring with the recommendation of the Legislative Alternative Funding Task Force to address a legislated shift of funds from ISP to the State Highway Account (Idaho Transportation Department).**