



Financial Plan

In 2012, COMPASS commissioned a financial analysis, *Financial Forecast for the Funding of Transportation Facilities and Services 2012-2040*, for *Communities in Motion 2040* (CIM 2040).¹ The analysis estimated funds available for the operation, preservation, and expansion of transportation systems within the COMPASS region through 2040. For CIM 2040 2.0, COMPASS staff updated that base forecast with the most recent available data to more accurately predict available funding through 2040.

The COMPASS Board of Directors has adopted a funding policy for CIM 2040 2.0 to use federal funds to maintain the existing transportation system and to strategically address regional priorities as identified in the regional long-range transportation plan.² This policy guides how federal funds are programmed (budgeted) through this plan and the Regional Transportation Improvement Program (TIP).³ COMPASS continually works to secure funding to address these important regional priorities.

The transportation system needs that are funded or prioritized in this plan are based on the regional vision and goals, including safety, mobility of people and goods, and managing congestion. Data from the congestion management process (CMP),⁴ a systematic approach for analyzing, identifying, monitoring, and managing congestion, were used to identify congestion mitigation needs in the development of this plan and the TIP. The funded capital projects and non-capital projects discussed below reflect the measures and targets for monitoring congestion and include management strategies to mitigate or reduce the impact of congestion on the transportation system.

WHY PREPARE A FINANCIAL FORECAST?

Assessing the financial capacity of CIM 2040 2.0 is important for several reasons. First, federal rules require that plans produced by metropolitan planning organizations such as COMPASS include only projects that have a reasonable expectation of being funded. This is due in part to the fact that plans must demonstrate that the future transportation system will conform to federal air quality regulations.⁵

Just as important, local and state officials and citizens need to know the financial situation facing transportation over the next 20-plus years so they can plan, govern, and participate effectively.

AGENCIES INCLUDED IN THE ANALYSIS

The financial analysis takes into consideration plans and operations of the 15 public agencies in Ada and Canyon Counties that provide transportation services and infrastructure:

- Ada County Highway District/Commuteride
- Canyon Highway District No. 4
- City of Caldwell
- City of Greenleaf
- City of Melba
- City of Middleton
- City of Nampa
- City of Notus
- City of Parma
- City of Wilder
- Golden Gate Highway District No. 3
- Idaho Transportation Department
- Nampa Highway District No. 1
- Notus-Parma Highway District No. 2
- Valley Regional Transit



Treasure Valley Transit and Boise State University also provide limited public transportation services but are not included in this analysis.⁶

Overview of Transportation Agencies

The following provides a brief overview of the transportation agencies included in the financial forecast.

Ada County Highway District (ACHD). Ada County is unique in Idaho and the nation in that it has a single, county-wide highway district with an independently elected commission. ACHD maintains roadways and makes improvements throughout the county, except for public roads under Idaho Transportation Department (ITD) jurisdiction. No cities have roadway jurisdiction in Ada County.

ACHD Commuteride. ACHD Commuteride is a program of the Ada County Highway District. ACHD Commuteride's mission is to promote smart commute options through education, ride-share services, and effective partnerships. ACHD Commuteride is best known for its vanpools, with routes that extend from Ontario, Oregon, on the west to Mountain Home on the east, and from Emmett on the north to Melba on the south. While most vanpools bring commuters into Boise-area employment centers, there are also reverse routes such as the route from the City of Boise to the Mountain Home Air Force Base. In fiscal year 2017, Commuteride provided a total of 180,757 one-way passenger trips in approximately 80 vanpool routes.

Canyon County agencies. Unlike Ada County, the cities in Canyon County have jurisdiction over their roadways. The Cities of Nampa, Caldwell, Middleton, and Parma have their own road departments; the remaining smaller cities contract with highway districts to maintain roads within the city limits. The four highway districts that serve the smaller cities and unincorporated areas in Canyon County are Nampa Highway District No. 1, Notus-Parma Highway District No. 2, Golden Gate Highway District No. 3, and Canyon Highway District No. 4.

Idaho Transportation Department. ITD has jurisdiction over state and federal roadways throughout the state and also has programs addressing rail and air transportation. ITD District 3 comprises 10 counties in southwest Idaho, including Ada and Canyon Counties. These 10 counties contain 45.7% of the state's population; Ada and Canyon Counties alone contain 39.2% of the state's population.⁷

Valley Regional Transit (VRT). VRT was established by vote in 1998 as the Regional Public Transportation Authority for Ada and Canyon Counties. It operates ValleyRide, which provides fixed-route bus services within and between Ada and Canyon Counties. VRT currently has five transit centers and over 900 bus stops in the two counties. VRT also provides paratransit services, door-to-door service for people who have special needs and live within three-quarters of a mile of a fixed route. In addition to these services, VRT provides multiple specialized transportation services that connect low-income, minority, and senior residents to medical services, employment opportunities, and recreation. In FY2017, VRT reported over 1.6 million one-way passenger trips on all types of public transportation services (excluding ACHD Commuteride, which is described above).



OVERVIEW OF AGENCY BUDGET CATEGORIES

In any given year, transportation agency revenues may exceed expenditures, or vice versa, but over the long term, revenues and expenditures must balance.

Agency budgets include these cost categories:

- Operations: administration, utilities, fuel, labor, insurance, etc.
- Preservation and rehabilitation (maintenance): sweeping roadways, patching potholes, applying chip seals and overlays, repairing and replacing equipment, and replacing bridge decks
- Expansion: building new roads or bridges, expanding current roads or bridges, and adding new services and equipment, such as buses

Another category, debt service, is sometimes added. An example of debt service is included in the recent widening on Interstate 84, which was initially paid for with Grant Anticipation Revenue Vehicle (GARVEE) bonds that will be paid back with future federal funds.

Transportation agencies budget for debt service and operating costs first, then preservation and rehabilitation costs. By estimating future revenues, then subtracting estimated future operations, maintenance, and preservation costs, agencies can determine if there are funds left for new capacity, such as adding lanes or buses.

This process is similar to budgeting for a home (Figure 1). If a homeowner knows her income (revenue), the cost to operate and maintain the home (mortgage, utilities, routine upkeep), and the cost to preserve/rehabilitate the home (larger repairs such as replacing a broken furnace), she can figure out if she has enough money left for something new, like a kitchen remodel or an additional room.

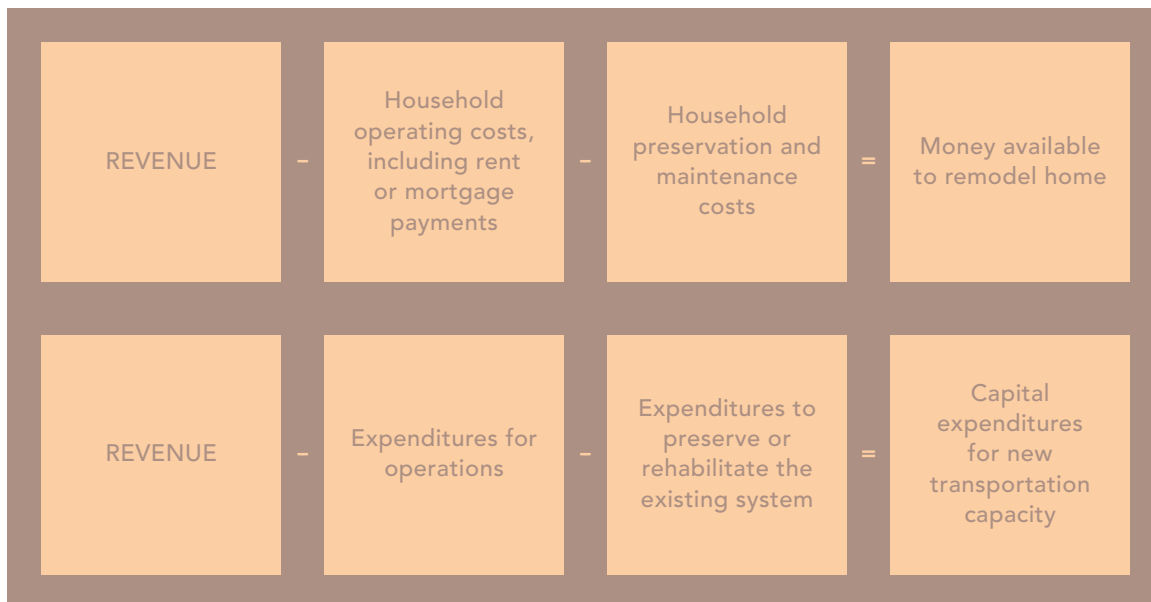


Figure 1. The budgeting process used by transportation agencies is similar to that of a homeowner.

REVENUE ASSUMPTIONS

Funds for transportation infrastructure and services come mainly from federal, state, and local taxes (Figure 2).

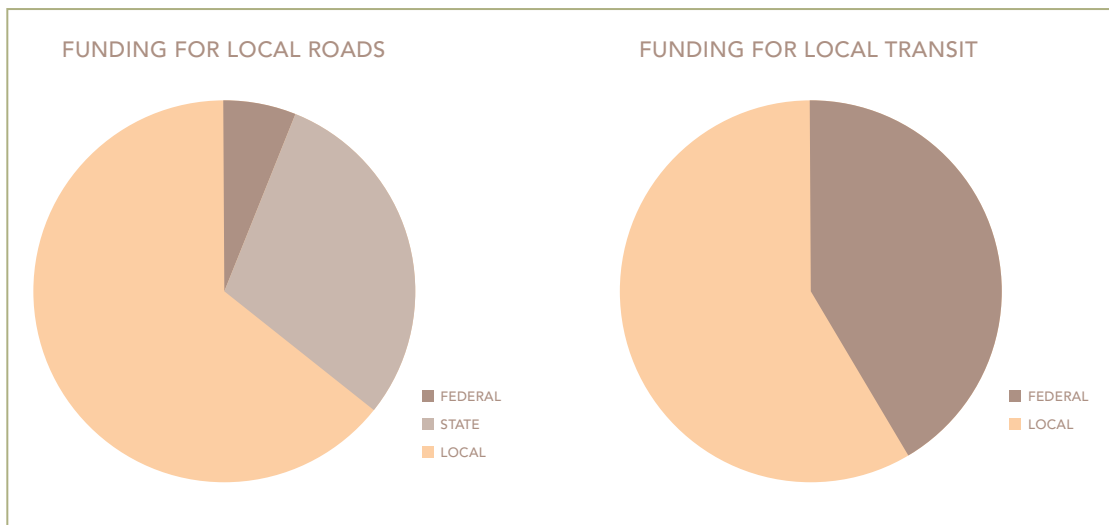


Figure 2. Transportation funding sources, Ada and Canyon Counties (approximate values based on a 23-year projected average)

Federal Funding Sources for Roadways and Transit

The Highway Trust Fund is the primary source of federal funds for local roads and many transit projects across the country. It is funded by the federal fuel tax, which has been fixed since 1993 at 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel.

In December 2015, the Fixing America’s Surface Transportation Act (FAST Act) was signed into law, authorizing federal funding for transportation for a five-year period (FY2016-2020).⁸ This was the first transportation authorization bill in over a decade to provide long-term funding certainty for transportation infrastructure, planning, and investment. Most federal programs realized slight annual increases of authorized funding, although the actual annual appropriations are sometimes less than the authorized amounts.

Several federal funding programs address transportation. Most of these also require some level of local cost share, or “local match,” which typically comes from state or local funding, described below.

The National Highway Performance Program is the largest federal funding program, with \$168.9 million apportioned to Idaho in 2018; most of this is used on Idaho’s state and federal highway system. The Surface Transportation Block Grant Program, with \$78.9 million in 2018 for Idaho, provides flexible funding that may be used by state and local jurisdictions to preserve and improve the conditions and performance of any road, pedestrian, bicycle, or transit capital project on any federal-aid eligible facility. The Boise Urbanized Area received approximately \$9.3 million for local projects specifically within the Boise area. Jurisdictions outside the Boise Urbanized Area compete for funds against similarly sized jurisdictions across the state.

For projects specific to non-motorized modes, such as pathways and other alternative transportation needs, the FAST Act extended the funding category called the Transportation Alternatives Set-Aside Program. Almost \$5.7 million was apportioned to Idaho in 2018, with \$439,000 specifically for projects in the Boise Urbanized Area.



Based on the US Congress' reluctance to increase the federal fuel tax and a very modest increase in total fuel usage over time, the COMPASS financial analysis anticipates only a 1% increase per year in overall federal transportation funding allocated to Idaho for the period 2023–2040. For the period 2018–2022, the financial analysis used the federal funding amounts from the FY2018–2022 Regional Transportation Improvement Program,⁹ which reflect funds already programmed (budgeted) for projects.

The FAST Act also authorized increases in most public transportation funding programs. Most federal public transportation funding is based on a formula that is tied heavily to transit ridership.

State Funding Sources for Roadways

In 2015, the Idaho Legislature increased the state fuel tax by 7 cents to 32 cents per gallon.¹⁰ This was the first increase in state fuel tax since 1996. The increase amount was earmarked only for maintenance projects for roads and bridges. This legislation (House Bill 312) also increased vehicle registration fees and created a fee on electric and hybrid cars (the fee for gas hybrid vehicles was eliminated in 2017; the fee for plug-in hybrids remains). Additionally, the bill created the Surplus Eliminator Fund, which directed half of any General Fund surplus to transportation projects in FY2016 and FY2017 (the other half goes to the Budget Stabilization Fund, also known as the "rainy-day account"). All Surplus Eliminator funds were allocated to state facilities.

In 2017, the Idaho Legislature passed Senate Bill 1206, known as the "GARVEE bill,"¹¹ which allowed a portion of the highest-priority unfunded project in CIM 2040 (widening I-84 in Canyon County) to be funded. The bill also included a new funding source for transportation expansion and congestion mitigation and adjusted the Surplus Eliminator funds. ITD and COMPASS applied for a nationally competitive grant, Infrastructure for Rebuilding America (INFRA), which brought an additional \$90 million into the region in 2018 for the I-84 project. This will allow some of the GARVEE funding initially budgeted for a 2.8-mile portion of I-84 to be used for other projects. GARVEE bonds begin as state funds, but will be paid back using federal-aid funding.

The transportation expansion and congestion mitigation funds (known as TECM) use sales tax transfers and cigarette tax revenue. The funds are limited to the state highway system to address and mitigate transportation congestion.

Finally, as part of the GARVEE bill, the Idaho Legislature modified the Surplus Eliminator program to split available funds 60% to state facilities and 40% to local facilities. Funds are still earmarked for maintenance projects, but also include a provision for pedestrian safety projects for children on the state and local systems. The program was extended for two years, through FY2019.

State fuel taxes make up a large portion (67%) of Idaho's Highway Distribution Account, which allocates money to ITD and local jurisdictions. Vehicle registration fees on cars and trucks supply the remaining percentage. The COMPASS financial analysis assumes a 1.4% per year increase in state funding for local jurisdictions, based on population growth and relatively modest increases in fuel sales. Highway Distribution Account funds can be used for any type of road project, but not for transit services.

Local Funding Sources for Roadways

Property Taxes

Property taxes are the single-largest source of local funding for roads and are assessed directly by the highway districts. In Canyon County, the highway districts return a portion of the property tax revenue to the



cities within their boundaries that have roadway jurisdictions (Caldwell, Greenleaf, Melba, Middleton, Nampa, Notus, Parma, and Wilder). To determine the anticipated increase in property tax revenues through 2040, the financial analysis took into account the allowable inflation rate of 3% and the anticipated rate of increase in households in the jurisdiction. This blended rate was applied to the average amount of property taxes collected per year between 2010 and 2015, compounded through 2040.

Impact Fees

Additional funding for ACHD and the City of Nampa comes from impact fees collected on new development; the fees are designed to partially recover the costs associated with the increase in traffic on major streets in the general area of the development. Impact fee levels can increase with inflation, but revenues depend on a relatively volatile local construction market.

Under Idaho law, impact fees can recover just the “proportionate” costs associated with improving capacity. The fees cannot be used for existing problems, repairs, safety enhancements, transit, or improvements such as sidewalks that do not expand the road system. To determine the impact fee revenues that may be available through 2040 in these two jurisdictions, the financial analysis again applied a blended rate of inflation and household growth to average annual impact fees from 2010 to 2015, compounded through 2040.

In ACHD’s 2016 Capital Improvements Plan (2016-2035), of \$840.1 million total costs for roadway improvements, \$478.2 million, or 57%, are eligible for funding with impact fees. The City of Nampa collects impact fees for growth-related intersection and bridge/culvert costs.

Vehicle Registration Fees

ACHD and ITD both collect vehicle registration fees. The fee is a fixed amount for all vehicles, so revenue will only grow if the Idaho Legislature increases the rate, the number of licensed vehicles increases, and/or voters approve a local increase in registration fees. The latest statewide increase in registration fees (passed by the Idaho Legislature) was put into effect in 2015. ACHD requested a local vehicle registration fee increase on the ballot in November 2018; the measure did not pass.

Other Local Revenue Sources

Other local revenue sources include items such as interest earnings and bond proceeds. The City of Nampa has historically supplemented its transportation budget by periodically issuing General Obligation bonds and intends to continue this practice. But, like a loan, bonds must be repaid with revenue from existing or new sources.

Local Funding Sources for Transit Services

Local transit funding comes from rider fares, service contributions from local institutions such as Boise State University, employer pass sales, contributions from local governments and other entities, and advertising revenues. Currently, fares cover approximately 8% of local transit operations costs. VRT is reviewing opportunities to increase fare revenues by improving the productivity of services as well as potentially changing the fare structure. Contributions from local jurisdictions are also expected to increase over time.

Eligible Uses for Funding Sources

The table in the [Appendix](#) summarizes transportation funding sources, how they can legally be used, and which require local matching funds. The adopted funding policy for CIM 2040 2.0 directs the use of federal



funds to maintain the existing transportation system and to strategically address regional priorities as identified in the regional long-range transportation plan.

OPERATIONS, MAINTENANCE, AND PRESERVATION ASSUMPTIONS

The financial analysis assumes that operations and preservation/reconstruction expenditures for roads and transit will trend at their historic levels. The financial analysis applied a 4% annual inflation rate to the average of 2010–2015 actual expenditures to estimate annual expenditures for operations, maintenance, and preservation. This method provides a reasonable estimate of future expenditures, but makes broad assumptions about current road conditions and whether historic spending patterns are sufficient to keep roads adequately maintained. Discussions with roadway agencies indicate that roadway conditions vary across the region, with some agencies having deferred maintenance needs to address.

VRT and Commuteride may fall behind in bus and van replacements. Based on the size and age of the current vehicle fleet, current annual expenditure levels for bus replacements may be insufficient over the long term.

If roadway and transit agencies are not able to address deferred maintenance, it is reasonable to expect that preservation/reconstruction expenditures in future years will trend higher than historic levels, even after adjusting for inflation. The cost to maintain or reconstruct a badly deteriorated roadway is greater than the cost to preserve a well-maintained roadway.

FUNDED CAPITAL PROJECTS

CIM 2040 2.0 includes over \$1.5 billion in funded transportation capital improvements between 2018 and 2040. These projects are listed as short-term funded projects (2018–2023),¹² and long-term funded projects (2024–2040).¹³

NON-CAPITAL FEDERALLY FUNDED PROJECTS

The following ten categories of projects describe non-capital federally funded investments in the transportation system during the first five years of this plan (FY2018–2022). The percentages shown correspond to the cost of all projects budgeted for that five-year period. These categories account for approximately 26% of the total funds; the remaining funds are budgeted for capital projects (above).

Roadway Maintenance

Twenty-five roadway maintenance projects are funded over the next five years throughout Ada and Canyon Counties. These projects cover a range of maintenance elements, such as seal coating and resurfacing of existing roadways, at a total cost of **\$76.9 million**, or about 10% of the FY2018–2022 budget.

Public Transportation

Twenty-four public transportation projects are funded over the next five years throughout Ada and Canyon Counties. These projects cover bus service operations, maintenance of existing facilities, and bus replacements, with a combined cost of **\$61.5 million**, or about 8% of the FY2018–2022 budget.

Bridge Rehabilitation and Replacement

Four bridge rehabilitation or replacement projects are funded over the next five years throughout Ada and Canyon Counties. Bridge project costs range from about \$2 million to \$12 million depending on the length of



bridge and type of structure. These bridge projects have a total cost of **\$15.6 million** and consume about 2% of the FY2018–2022 budget.¹⁴

Studies/Planning/Special Projects

Six studies, planning efforts, or special projects are funded over the next five years throughout Ada and Canyon Counties. These projects range from supporting planning efforts for various municipalities to conducting a bridge hydraulic study. These types of projects have a combined cost of **\$10.7 million**, or a little over 1% of the FY2018–2022 budget.

Safety

Thirteen safety projects are funded over the next five years throughout Ada and Canyon Counties. These projects cover a range of elements such as sidewalk improvements and road and railroad intersection improvements, at a total cost of **\$4.9 million**. While these 13 projects specifically categorized as “safety” consume less than 1% of the FY2018–2022 budget, nearly all construction projects (part of the 74% of funding budgeted for capital projects) include safety components.

Intelligent Transportation System (ITS)

ITS is the application of sensing, analysis, control, and communication technologies to improve transportation safety, mobility, and efficiency. Two ITS projects are funded over the next five years throughout Ada and Canyon Counties, including the installation of adaptive signal technology to numerous intersections. These projects cost **\$4.8 million**, or less than 1% of the FY2018–2022 budget.

Travel Demand Management (TDM)

TDM is a general term for strategies that result in more efficient use of transportation resources. Four TDM projects are funded over the next five years throughout Ada and Canyon Counties. These projects include improvements to the ACHD Commuteride program and account for a total of **\$2.5 million**, or less than 1% of the FY2018–2022 budget.

Paved Pathways

One paved pathway project is funded during the next five years—a bicycle and pedestrian underpass at State Highway 44 on the west side of the City of Eagle. This project costs **\$541,000**, or less than 1% of the FY2018–2022 budget.

System Support

One project includes set-aside funds, called “system support,” for future cost overruns in the program. There is **\$142,000** available for cost overruns, less than 1% of the FY2018–2022 budget.

Bicycle/Pedestrian Enhancement

One bicycle/pedestrian enhancement project is funded during the next five years to provide secure bicycle facilities on the Boise State University campus. This project costs **\$110,000**, or less than 1% of the FY2018–2022 budget.



Local Investments

Local transportation agencies in Ada and Canyon Counties are projected to spend, on average, \$218 million each year on the local road system between 2018 and 2040. This includes maintenance and operational costs (maintenance, equipment, administration, other), but does not include deferred maintenance or major corridor and transit improvements to offset the effects of the area’s projected growth through 2040. It is estimated that, in 2017, local agencies in Ada and Canyon Counties deferred about one-third of their needed maintenance.

AVAILABLE STATE FUNDING FOR NEW ROADWAY CAPACITY

ITD estimates approximately \$783 million will be available for capacity and safety improvements on the state system within Ada and Canyon Counties through 2040. This is based on obtaining statewide competitive funding as well as approximately \$15 million per year in TECM funds discussed earlier. Surplus Eliminator funds will also provide an additional source of funding for maintenance projects in the Treasure Valley—if the Idaho Legislature continues the program. The current Surplus Eliminator program sunsets in fiscal year 2019.

AVAILABLE LOCAL FUNDING FOR NEW ROADWAY CAPACITY

Based on the assumptions discussed above, the financial analysis estimates that funding available for local roadway expansion (adding capacity to the system) in Ada and Canyon Counties during 2018–2040 will be about \$703 million, cumulatively. This was determined by taking estimated available revenues and subtracting estimated expenditures for operations and preservation/reconstruction. The amount remaining is what is available for roadway expansion.

The total funds available for local roadway expansion, 2018–2040, in inflated dollars, are:

Ada County: \$612 million

Canyon County: \$91 million

Total: \$703 million

The main source of this local funding is impact fees. Impact fees must be used for funding the additional proportionate capacity required from new development and may not be used for maintenance or repair of the existing system.

The financial analysis indicates that the costs for operations and preservation/reconstruction begin to outpace the revenues available for those purposes in about 2026, after which something—such as increasing revenue, further postponing maintenance, or cutting service—will be needed to keep the system financially sound (Figure 3). Funds for expanding the roadway system will be depleted at this point for all agencies except ACHD and the City of Nampa, which collect impact fees. Impact fee revenues compose the bulk of the estimated available funds by 2025 (Figure 4).

AVAILABLE FUNDING FOR TRANSIT EXPANSION

VRT is the transit authority for Ada and Canyon Counties and oversees the ValleyRide bus system. ACHD’s Commuteride vanpool program operates in both counties as well, but all of its routes must connect to or travel through Ada County. VRT is exploring expanding vanpools to other parts of the region.

In its **ValleyConnect 2.0** plan, VRT pointed out that, in 2017, people in the two-county region spent far more

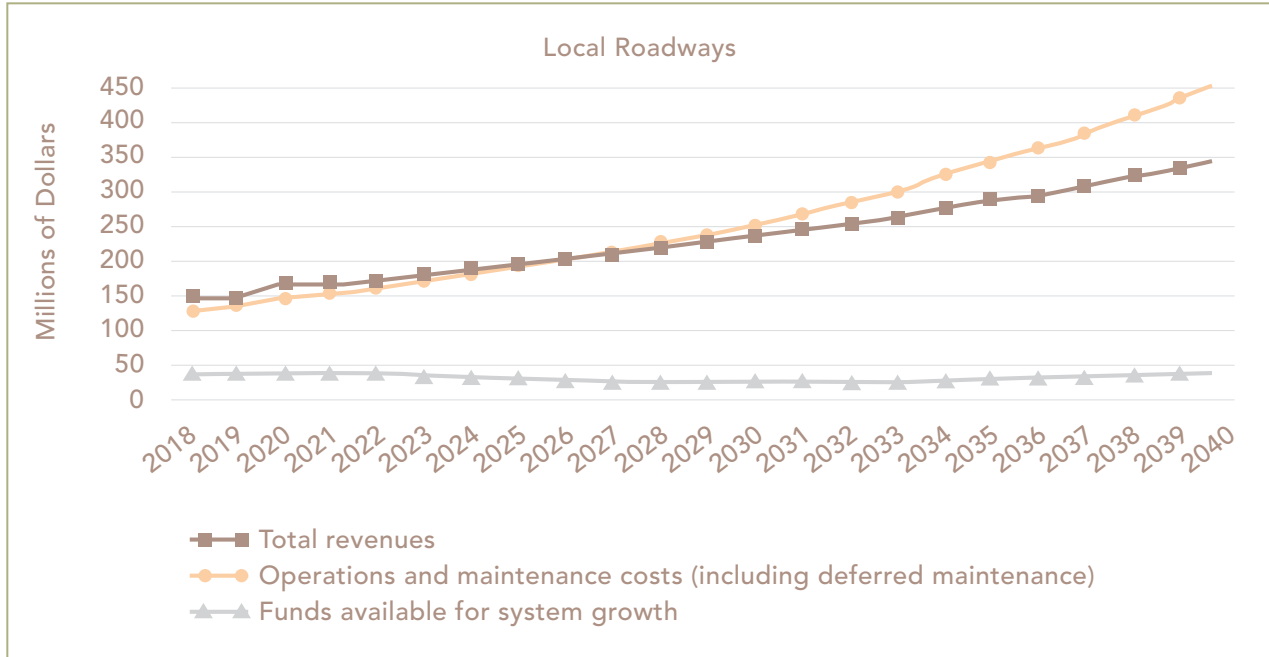


Figure 3. Future revenues, expenditures, and remaining funds available for system growth on local roadways, Ada and Canyon Counties combined, assuming 4% inflation for expenditures

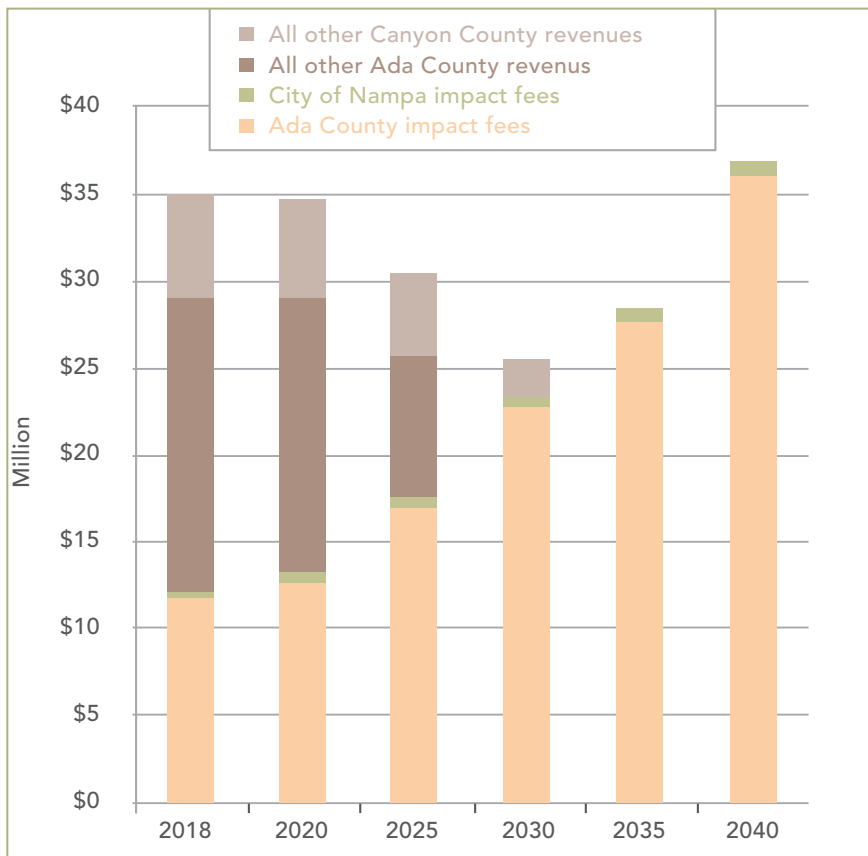


Figure 4. Estimated annual revenue available for local roadway system expansion projects



on maintaining and operating their own vehicles than is spent on fixed-route operations. The roughly \$15 million per year invested in fixed-route transit operations is only 1% of what the public spends on driving, about \$1.5 billion a year, according to VRT's estimate.¹⁵

The current contributions from local municipalities to VRT are insufficient to maintain existing service levels, which are approximately 25% of the service needed for the long term. VRT developed Valley**Connect** 2.0 as a plan to grow transit service levels to meet future levels of transit service envisioned in *Communities in Motion 2040 2.0*. Based on Valley**Connect** 2.0, VRT plans to increase directly generated revenues (e.g., by improving the productivity of the existing network and increasing fare sales and advertising revenues) and to work with local jurisdictions to identify new revenues that will allow VRT to quadruple fixed-route transit services and grow specialized services to fill gaps in the transit network. Additionally, VRT will aggressively pursue competitive grant opportunities to help expand transit service in Ada and Canyon Counties. Without additional revenue from both existing and new sources, VRT will be forced to reduce existing service to match available funding.

In fact, in October 2018, the VRT Board of Directors voted to approve service changes to fine-tune the routes to best serve the most people and peak ridership times. The changes will take effect in January 2019 and will reduce or eliminate service in some areas through rerouting or less frequent service, and improve service in areas with more riders and destinations. For example, State Street and Vista Avenue in Boise will have more frequent service, both extended past 9 pm; Garden City routes will only run during peak periods to serve higher ridership times; and Meridian north of I-84 will lose all service to improve performance of intercounty routes. To close the 2019 budget shortfall, the Nampa area will also see a reduction in service, as east Nampa will have only peak period service. Service in Canyon County will face additional challenges unless more funding is secured by 2020.

The COMPASS financial analysis assumes municipalities will maintain their current levels of contributions to VRT over time, adjusted for inflation. Regardless, costs are assumed to increase more rapidly than revenue, with a deficit projected as soon as FY2019 (Figure 5).

The result is similar to many roadway agencies, although the VRT deficit is experienced earlier and with greater severity in relative terms. No funds will remain for increasing the level of transit service. Even if the federal funding boost under the FAST Act remains, it is not enough to counter a long-term deficit. Without additional revenue from existing or new sources, the potential consequence of this gap could be reductions in transit service to match available funding.

The financial situation for the ACHD Commuteride vanpool program is somewhat stable, as 100% of its base costs (fuel, maintenance, and administration) are covered by rider fares, which are adjusted annually to cover those costs. However, federal funding is needed to cover 80% of its vehicle replacement costs (20% is covered with local funds). From 2012 through 2018, Commuteride costs amounted to roughly \$1.6 million per year, with about 80 vans in operation during 2017. Capital needs average \$540,000 per year. Based on current assumptions, Commuteride can sustain its existing level of service, but it will need federal funds to replace vans as they reach the end of their useful life. Projected federal funding will fall short starting in 2023. There are insufficient resources within the program to expand vanpool services.

FUTURE COSTS

The previous discussion and analyses include inflation and point to the inadequacy of projected available revenues to meet the future transportation system needs. These regional future needs have been analyzed



and prioritized to guide COMPASS in funding additional projects, should additional revenues become available.¹⁶

To estimate the cost of these additional needs, when the cost was not available from the sponsoring agency, COMPASS developed a cost estimator that used sketch-level project cost estimates based on industry standards and a unit-cost estimation methodology. For roadway projects, this method considered the types of project improvements and provided a standardized cost for each component of the project, including construction, design, right-of-way, environmental review, and other intangible costs such as engineering and contingency. Cost estimates for public transportation projects were developed using the Remix planning tool and costs of comparable projects, if the cost estimates were not available from previous studies and plans.

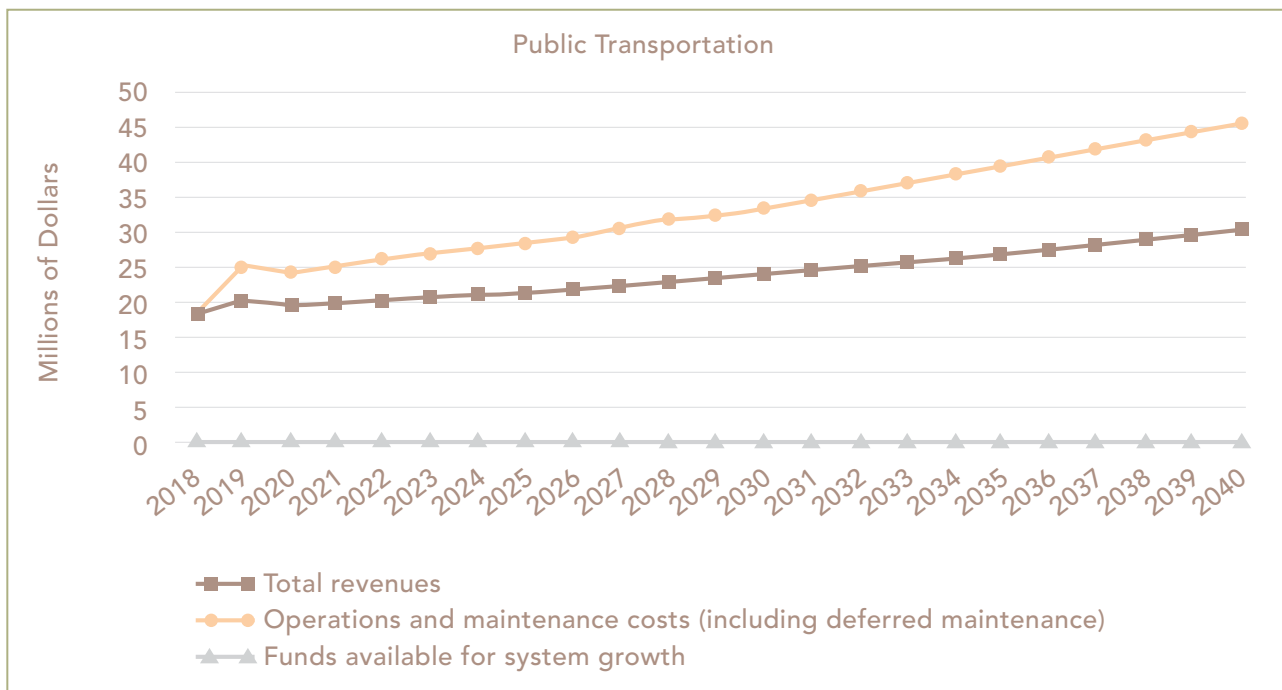


Figure 5. Annual public transportation revenues, operations and maintenance expenditures, and remaining funds available for increasing service levels

FUNDING OUTLOOK

Of all the revenue sources, only property tax revenues, impact fees, and transit fares are likely to keep pace with inflation. Increasing other revenue streams such as fuel taxes and registration fees requires congressional, legislative, local government, or voter approval.

Despite recent increases in state transportation funding, there is still an estimated shortfall of \$235 million per year to meet transportation needs in the Treasure Valley. As shown in Table 1, there are \$11.8 billion in transportation needs to the year 2040, but only \$6.4 billion in funding, leaving an overall funding shortfall of approximately \$5.4 billion, or \$235 million per year (rounded). This shortfall takes into account the cost of all funded projects and the estimated costs of the unfunded needs, including deferred maintenance. Some unfunded needs do not include cost estimates; therefore, the total shortfall is inherently conservative and will grow as additional cost estimates become available.



Table 1. Summary of projected transportation needs, revenues, and shortfall to year 2040

| | Total Need | Total Revenues | Total Shortfall |
|--|-------------------------|------------------------|-------------------------|
| Short-term funded projects* | \$745,561,000 | | |
| Long-term funded projects* | \$792,221,000 | | |
| Unfunded state system projects | \$1,103,806,000 | | |
| Unfunded local system projects | \$1,195,614,000 | | |
| Unfunded public transportation system | \$1,706,420,000 | | |
| Local other expenses† | \$5,280,232,000 | | |
| Deferred maintenance, local roads† | \$805,594,000 | | |
| Deferred maintenance, transit | \$171,240,000 | | |
| Projected revenues for local transportation agencies | | \$5,561,177,000 | |
| Projected revenues for ITD†† | | \$885,082,000 | |
| Total | \$11,800,688,000 | \$6,446,259,000 | |
| Long-term shortfall | | | -\$5,354,429,000 |

*Links go to lists of funded capital projects; total needs also include the 10 categories of non-capital projects listed above.

†Does not include roadways on the state (ITD) transportation system

††Equal to ITD's short- and long-term funded projects

POTENTIAL SOURCES OF NEW OR ADDITIONAL REVENUE

With a transportation funding shortfall of \$235 million per year, COMPASS continually strives to increase transportation funding with new or enhanced revenue sources. This includes educating the public on transportation funding issues, working with Congress and the Idaho Legislature¹⁷ in support of transportation funding legislation, and applying for one-time grant funds. Several potential sources of additional funding have been explored, from existing fees and taxes that could be enhanced to other types of revenue (Table 2).

Local option sales tax is one of the primary funding sources used elsewhere in the nation. It is currently not available for use in the Treasure Valley. In 2007, COMPASS and VRT worked with local governments and private organizations across Idaho to craft local option tax legislation. A coalition, Moving Idaho Forward, backed legislation introduced in the 2008 session. The Idaho House leadership wanted provisions to require a constitutional change requiring two-thirds vote to pass a local option tax. This provision, along with other restrictions, and concerns about the restrictions voiced by local governments, resulted in the legislation being killed in committee.

A new local option sales tax bill was introduced in the Idaho Legislature in 2014, but did not make it out of committee. COMPASS continues to strongly support local option taxing authority to address transportation issues.



Table 2. Examples of possible sources to raise \$235 million per year in Ada and Canyon Counties (\$946 per household, or \$342 per person, per year, based on 248,397 households and 688,110 persons in 2018)

| Existing taxes and fees that could be enhanced to raise \$235 million per year | | | | | |
|--|--|---|--|--|---|
| Tax/Fee Source | Tax Type | Added Rate | Current Rate | Total Rate | Current Legal Uses |
| Unit fuel tax | Fixed cents per gallon | \$0.73 | \$0.32 | \$1.05 | Roadway construction and maintenance |
| Sales tax on fuel | Percentage of price (less state/federal unit tax) | 42.3% | 0.0% | 42.3% | Potentially any transportation but needs legal review |
| Vehicle registration fee | Dollars per vehicle | \$458 | Up to \$69 plus up to \$48 additional in Ada County | Up to \$575 | Roadway construction and maintenance |
| Sales tax on goods | Percentage of price | 7.9% | 6.0% | 13.9% | Any transportation |
| Income tax | Added to existing tax | 31.0% | Variable | Variable | Any transportation |
| Property tax | Percentage of assessed value | 0.761% for two-county region | Example rates: 0.101% ACHD 0.145% Canyon Highway District #4 | Variable | Any transportation |
| Other potential funding sources | | | | | |
| | Type | Probable Benefit | | Current Legal Uses | |
| Impact fees | Variable fee paid when a building permit is issued. | Can be high revenue. ACHD received almost \$20 million in 2016. | | Capital needs to be tied to effects of growth. Cannot be used for maintenance and operations, existing problems, or non-capacity improvements such as landscaping or drainage. | |
| Tolls | Variable charge. Often applied to limited-access facilities such as expressways, tunnels, and bridges. | Can be high revenue. Nationally, toll revenue was 6% of all roadway revenues in 2012. | | Typically limited to construction and maintenance of the specific facility (e.g., toll road) and any feeder highways. | |
| Vehicle miles of travel fees | Road usage charge for number of miles driven. | Can be high revenue. | | Legal uses are unclear. To be a fee, the charge has to be tied to a specific benefit conferred upon the user. | |
| Rental car tax | An add-on to the base fee. | Low. Currently 6% but ranges up to 18% nationally. | | Fee base is tied to use of transportation system. | |



SUMMARY

Ada and Canyon Counties have an unmet transportation funding need of \$235 million per year to 2040. While revenues are likely to increase through 2040, costs for operations and preservation/rehabilitation are expected to increase at a faster rate. This means that only agencies with funding dedicated to expansion—specifically, impact fees—will have long-term capacity to expand. To allow for new transportation capacity and services, there is a need to increase existing revenue streams and/or develop new funding sources.



NOTES

- 1 *Financial Forecast for the Funding of Transportation Facilities and Services 2012-2040*, prepared for COMPASS by Honey Creek Resources, Inc., and BBC Research & Consulting, Inc., http://www.compassidaho.org/documents/prodserv/CIM2040/financial_report_final_2013.pdf
- 2 "Unfunded Needs," CIM 2040 2.0, <http://compassidaho.org/CIM2040-2.0/unfunded-needs>
- 3 "Transportation Improvement Program," COMPASS, <http://www.compassidaho.org/prodserv/transimprovement.htm>
- 4 "Congestion Management Process," COMPASS, <http://www.compassidaho.org/prodserv/cms-intro.htm>
- 5 "General Information for Transportation and Conformity," US Environmental Protection Agency, <https://www.epa.gov/state-and-local-transportation/general-information-transportation-and-conformity>
- 6 *Public Transportation*, CIM 2040 2.0, http://www.compassidaho.org/documents/prodserv/CIM2040_20/TechDocs/PublicTransportation.pdf
- 7 US Census Bureau, Population Estimates Program, 2017, <https://www.census.gov/data/tables/2017/demo/popest/nation-total.html>
- 8 Fixing America's Surface Transportation Act, <http://www.fhwa.dot.gov/fastact>
- 9 See note 3.
- 10 Idaho House Bill 312, 2015, <https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2015/legislation/H0312A8.pdf>
- 11 Idaho Senate Bill 1206, 2017, <https://legislature.idaho.gov/wp-content/uploads/sessioninfo/2017/legislation/S1206.pdf>
- 12 *Short Term Funded (Budgeted) Regional Capital Transportation Projects*, CIM 2040 2.0, http://www.compassidaho.org/documents/prodserv/CIM2040_20/TechDocs/Short_Term_Funded.pdf
- 13 *Long Term Funded (Budgeted) Regional Capital Transportation Projects*, CIM 2040 2.0, http://www.compassidaho.org/documents/prodserv/CIM2040_20/TechDocs/Long_Term_Funded.pdf
- 14 Projects that add travel lanes on bridges or overpasses are included as capital projects.
- 15 *Freedom to Move: ValleyConnect 2.0*, Valley Regional Transit, https://www.valleyregionaltransit.org/media/1415/valleyconnect2_apr18_final.pdf
- 16 See note 2.
- 17 "Legislative Services," COMPASS, <http://www.compassidaho.org/prodserv/legislative.htm>

APPENDIX

Funding Usage by Transportation Funding Source

| Funding Category | Annual Funding Amounts | | Formula Allocation | Roadways | | | | | | | | | | | Transit | | | | | Other | | | | | Local match | Geographic | Inflation-Sensitive | Comments | |
|--|------------------------|----------------------------|--------------------|--------------|----------------|-------------------|------------------------------------|--------|------------------------------------|-------------------|---------|------------|----------------|-------------------------|--------------|----------|--------------|----------|------------|-------------|-----------------------|----------------------|------------------------|-----------------------|-------------|------------|---------------------|---|--|
| | Statewide | Regional | | Construction | Reconstruction | Major Maintenance | Operations and Routine Maintenance | Safety | Intelligent Transportation Systems | Access Management | Freight | Interstate | State Highways | Functionally Classified | Any Roadways | Flexible | Construction | Vehicles | Operations | Maintenance | Carpooling/Vanpooling | Pathways / Sidewalks | Landscape/ Streetscape | Historic Preservation | | | | | Environmental Mitigation |
| Federal Funding* (Federal Highway Administration, FHWA)^{1,2} | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Congestion Mitigation and Air Quality Improvement Program (CMAQ) (23 U.S.C. 149) | \$12,700,000 | NA | | ● | | | ● | ● | | ● | | | | ● | ● | ● | ● | | | ● | ● | | ● | ● | | | 7.34% | X | Emissions reduction. CMAQ can be rolled into STP where no qualifying air quality non-attainment or maintenance area exists. |
| Federal Lands Access Program (FLAP) (23 U.S.C. 204) | \$14,710,000 | Discretionary | X | ● | ● | ● | ● | ● | ● | | | | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | 7.34% | X | Only transportation needs in or serving federal lands (US Forest Service, Bureau of Land Management, National Park Service, etc.). |
| Highway Safety Improvement Program (HSIP) (23 U.S.C. 148) | \$16,330,000 | Discretionary | | ● | ● | ● | ● | ● | ● | | | | | ● | ● | | | | | | ● | ● | | ● | | 0-7.34% | | Strategies, activities, or projects to improve safety on public roads consistent with the State Strategic Highway Safety Plan (SHSP). | |
| Metropolitan Planning (PL) (23 U.S.C. 134) | \$1,630,000 | \$1,041,000 | X | | | | | | | | | | | | | | | | | | | | | ● | | 7.34% | X | Planning within or affecting urbanized planning areas. | |
| National Highway Freight Program (23 U.S.C. 167) | \$7,780,000 | Discretionary | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | | | | | | | | ● | ● | | 7.34% | X | Capital funding to improve freight movement on prioritized freight corridors. | |
| National Highway Performance Program (NHPP) (23 U.S.C. 119) | \$165,420,000 | Discretionary | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | | | | ● | ● | ● | ● | ● | ● | | 7.34% | | Work limited to National Highway System (NHS) roadways. Transit capital projects must benefit an NHS-controlled access roadway. |
| Surface Transportation Program (STP) State (23 U.S.C. 133) | \$43,720,000 | Discretionary | | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● | ● | ● | | | | ● | ● | ● | ● | ● | ● | | 7.34% | | Work generally limited to roads designated on federal aid system--collector or arterial. Operating costs not covered. |
| STP Transportation Management Area (TMA) (population 200,000+) (23 U.S.C. 133) | \$8,940,000 | \$8,280,000 | X | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● | ● | ● | | | | ● | ● | ● | ● | ● | ● | | 7.34% | X | Work generally limited to roads designated on federal aid system--collector or arterial. Operating costs not covered. |
| STP Urban (population 5,000-200,000) (23 U.S.C. 133) | \$8,080,000 | \$1,900,000 | X | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● | ● | ● | | | | ● | ● | ● | ● | ● | ● | | 7.34% | X | Work generally limited to roads designated on federal aid system--collector or arterial. Operating costs not covered. |
| STP Rural (population < 5,000 or unincorporated) (23 U.S.C. 133) | \$12,540,000 | Discretionary | X | ● | ● | ● | | ● | ● | ● | ● | ● | ● | ● | ● | ● | | | | ● | ● | ● | ● | ● | ● | | 7.34% | X | Work generally limited to roads designated on federal aid system--collector or arterial. Operating costs not covered. |
| Transportation Alternatives Program (TAP) ³ | \$5,600,000 | \$433,000 | X | ● | | | | | | | | | | ● | ● | | | | | ● | ● | ● | ● | ● | | 7.34% | X | Projects that support "alternative" (non-motorized) transportation options. | |
| Federal Funding* (Federal Transit Administration, FTA)^{1,4} | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Metropolitan Planning - Section 5305 | \$440,000 | \$270,000 | X | | | | | | | | | | | | | | | | | | | | | ● | | 20% | X | Planning within or affecting urbanized areas. | |
| Urbanized Area - 5307 | \$10,220,000 | \$5,700,000 | X | | | | | | ● | | | | | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | 20-50% | X | Primarily limited to services in urbanized areas of Ada and Canyon Counties |
| Enhanced Mobility of Seniors and Individuals with Disabilities - 5310 | \$1,430,000 | \$ 495,000 + Discretionary | X | | | | | | ● | | | | | | ● | ● | ● | ● | | ● | ● | | | ● | | 20-50% | X | Services for elderly and persons with disabilities. | |
| Rural Areas - 5311 | \$8,080,000 | Discretionary | X | | | | | | ● | | | | | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | | 20-50% | X | Primarily limited to areas outside of urbanized areas. |
| Buses & Bus Facilities - 5339 | \$2,750,000 | \$550,000 | X | | | | | | ● | | | | | | ● | ● | | ● | ● | ● | ● | ● | ● | ● | | 20% | X | Capital projects for buses and bus facilities. | |

KEY
 ● Fully available to this use ● Available with some conditions
 Blank squares = Not available to this use

APPENDIX

Funding Usage by Transportation Funding Source, *continued*

| Funding Category | Annual Funding Amounts | | Formula Allocation | Roadways | | | | | | | | | | | | | Transit | | | | | Other | | | | | | Local match | Geographic | Inflation-Sensitive | Comments |
|---|------------------------|---------------|--------------------|--------------|----------------|-------------------|------------------------------------|--------|------------------------------------|-------------------|---------|------------|----------------|-------------------------|--------------|----------|--------------|----------|------------|-------------|-----------------------|----------------------|------------------------|-----------------------|--------------------------|----------|---------------------|-------------|------------|---------------------|--|
| | Statewide | Regional | | Construction | Reconstruction | Major Maintenance | Operations and Routine Maintenance | Safety | Intelligent Transportation Systems | Access Management | Freight | Interstate | State Highways | Functionally Classified | Any Roadways | Flexible | Construction | Vehicles | Operations | Maintenance | Carpooling/Vanpooling | Pathways / Sidewalks | Landscape/ Streetscape | Historic Preservation | Environmental Mitigation | Planning | Match federal funds | | | | |
| State-Generated Funding | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Highway Distribution Account (fuel taxes + vehicle registration fees) | \$353,800,000 | \$30,906,699 | X | ● | ● | ● | ● | ○ | ○ | ○ | | | | ● | | | | | | | | | | | | | ○ | N/A | | | Construction and maintenance of highways and bridges. |
| Sales Tax ⁵ | \$1,638,300,000 | \$188,167,926 | X | ● | ● | ● | ● | ● | ● | ● | | | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | N/A | | X | Portion of sales tax collected by state and distributed to local governments. |
| Locally Generated Funding | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Property Taxes ⁶ | \$1,795,700,000 | \$748,980,000 | | ● | ● | ● | ● | ● | ● | ● | | | | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | N/A | X | X | Subject to 3% cap on increase in taxes collected for jurisdiction. |
| Local Option Registration Fees ⁷ | Not Applicable | \$9,500,000 | | ● | ● | ● | ● | ○ | ○ | ○ | | | | ● | | | | | | | | | | | | | ○ | N/A | X | | Ada County Highway District currently only entity with local registration fee. Used for roadway construction and maintenance. |
| Impact Fees ⁷ | Not Applicable | \$17,802,000 | | ○ | | | | | | | | | ○ | | | | | | | | | | | | | | | N/A | X | X | Ada County Highway District and City of Nampa are only entities to adopt impact fees system for roads. Only capacity issues qualify. |
| Fares ⁸ | Not Applicable | \$2,110,000 | | | | | | | | | | | | | ● | ● | ● | ● | ● | | | | | | | | | N/A | | | |

* Only federal funds are allocated via *Communities in Motion*. Note that the rules for federal, state and local funds are complex in regard to allowed uses and conditions. This table is intended to provide a highly simplified overview of permitted uses.

KEY
 ● Fully available to this use ○ Available with some conditions
 Blank squares = Not available to this use

1. Federal funding reflects allocations under Fixing America's Surface Transportation (FAST) Act. These amounts are subject to change. Obligation limits have been applied.
2. Permitted uses for Federal Highway Administration funds shown in *A Guide To Federal-Aid Programs And Projects*, www.fhwa.dot.gov/federalaid/projects.pdf.
3. The statewide share of TAP funds not allocated based on population may be converted to STP funds. As STP funds they can be used for any purpose for which STP funds are deemed eligible.
4. Permitted uses for Federal Transit Administration funds: <https://www.transit.dot.gov/regulations-and-guidance/fta-circulars/final-circulars>
5. Idaho Tax Commission. Regional is distribution to all local governments, including special districts, cities and counties (used 0502 Sales Tax - Cities & Counties on page 2). (Not transportation-specific)
6. Idaho Tax Commission. Includes all property taxes collected for local governments, including counties, school districts, highway districts, cities, etc. (Not transportation-specific)
7. Ada County Highway District, FY2018 budget, <http://achdidaho.org/Documents/Budget/2018Budget/FY2018BudgetFull.pdf>
8. Fares include passenger fares on Valley Regional Transit and Commuteride vanpool fees.