CHAPTER 12

FINDING THE MONEY

Federal Requirements

Federal regulations[1] state that the total cost of the investments in the plan cannot exceed the estimated funding available over the life of the plan. Specifically, the "funded" projects and services have to be within the projected revenues. Only these funded projects and services can be used to determine air quality conformity. The unfunded projects and services can be described in the plan, a category that the US Department of Transportation calls "illustrative"; this plan simply calls them "unfunded." That means these projects and services are included for information only.

The 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, 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?

[1] Code of Federal Regulations (23 CFR 450), URL: http://www.washingtonwatchdog.org/documents/cfr/title23/part450.html, February 23, 2006.

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

This chapter covers the sources of funds (revenue) 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 to implement all the road corridors in Chapter 5 of this plan while maintaining and operating the total road system would require another $3.9 billion, while the expanded transit system presented in Chapter 6 would require another $1.5 billion to implement. Raising $5.4 billion over the next 25 years will require increases in fees or taxes. (These figures reflect inflation across time.)

Purpose of *Funding Transportation Needs*

In spring 2009, COMPASS commissioned a study to examine transportation funding issues in preparation for the update of *Communities in Motion*. *Funding Transportation Needs* examined financial assumptions and looked at anticipated inflation and growth of future revenues for future transportation improvements and maintenance. Federal rules require metropolitan transportation plans, such as *Communities in Motion*, to be fiscally constrained, meaning:

A full report of *Funding Transportation Needs* can be viewed at http://www.compassidaho.org/reports.htm

- Base revenues can only consider current sources, with reasonable assumptions for increases based on historic patterns.
- Project expenses must be inflated to the "year of expenditure."
- The plan must address maintenance of the existing transportation system.

The *Funding Transportation Needs* study focused on Ada and Canyon Counties. It addresses funding and expenses for local roadways, state highways, and public transit.

The Economic Setting

Unsettled economic times affect this financial outlook. Major issues include:

- Construction costs skyrocketed from 2003 to 2007, resulting in rapidly escalating construction and maintenance costs.
- High crude oil prices flattened fuel demand in 2008, resulting in flat federal and state revenues and increasing roadway and transit costs such as asphalt and fuel.
- Beginning in 2006, construction activity slowed, resulting in declines in local impact fee revenues and sales tax revenues.

- Starting in 2008, the housing crisis threatened local property tax revenues through dropping values and delinquencies in tax payments. Declines in auto sales and other retail activities reduced sales taxes and vehicle fees.
- The Federal Highway Trust Fund is depleted, with record federal budget deficits.

In the face of these and other uncertainties, the approach taken by the consultant was to evaluate ranges of probabilities for the forecast.

Roadway Revenue Assumptions

- Federal funding for roadway and transit will increase at minimum levels.
- The Idaho Transportation Department's (ITD's) share of Highway Distribution Account (HDA) funds will be fully committed to existing projects or matching federal grants. No changes to HDA allocation formulas were assumed.
- No change in the state and federal fuel tax rates.
- Modest increases in Idaho fuel usage at a rate of 0.9% per year—half the 1981-2007 average growth rate.
- Regional property tax revenues at an average rate of 2.3% each year.
- Impact fees increase 2.0% per year.
- Local option registration fees increase 4.0% per year.
- Local roads will rely more on local revenue and less on state revenue.
- Federal funding share of local roadway expenses will decrease from 11% to 8%.

Total annual roadway revenues could be $318 million.

Based on these assumptions, by year 2035, local roadway revenues (less state system revenue) could be approximately $231 million per year, up from approximately $115 million in 2010. Total roadway revenues in the two-county area, including state system, could total $318 million by 2035.

Roadway Costs

Key findings regarding updated *Communities in Motion* project costs include:

Local Road maintenance and operations alone will likely cost about $190 million (annual) by 2035.

- Inflation has increased the cost of existing *Communities in Motion* projects from about $2.6 billion, in 2005 dollars, to $3.1 billion, in 2009 dollars.
- Short term (2010-2014) inflation rates are anticipated to be 2.8%.
- Long term (2015-2035) inflation rates are estimated to be 4.0%, consistent with Federal Highway Administration's guidance.
- With forecasted inflation, the cost of building the corridors in *Communities in Motion* could be $7.1 billion over the life of the plan, with a 50% probability that costs would be higher.
- Local road maintenance and operations alone will likely cost about $190 million (annual) by 2035.
- The annual deficit for just the local road entities could be $200 million by 2035, with a cumulative deficit between $1 and $1.6 billion by 2035.
- By 2035 the total annual roadway funding deficit (including local and state roads) could be up to $427 million.

The roadway deficit could range from $2.8 billion within Ada and Canyon Counties to as much as $3.9 billion.

- Given the uncertainty of any forecasting, the study concluded that within Ada and Canyon Counties the cumulative deficit could range from $2.8 billion to $3.9 billion--with an 80% probability that it would be greater than $2.8 billion.

Transit Revenue Assumptions

- Revenues for local transit stem from federal and local sources, with minimal state transit funding.
- Federal funding accounts for about 40% of Valley Regional Transit's (VRT) annual budget and is used for operations, preventative maintenance, capital expenditures, and other activities.
- Federal transit funds could escalate at a rate of 5.8% each year; however, after 2012, federal rules may prevent using federal funds for operating costs. In 2009 this amounted to 15% of operating costs--$1.7 million.[2]

After 2012, federal funds may not be available for transit operating costs.

- Local government contributions and operating revenues (bus fares and advertising revenues) generated $8.5-$9.0 million in revenue in 2009.
- Local funds for transit would increase in the near-term to recover the lost revenues. Starting in 2011 it is assumed that local revenues increase at the rate of inflation plus the rate of local population growth.
- There would be no dedicated local-option revenue source for transit or roadway investment and operations.

[2] The federal rules were changed in 1998 to eliminate federal coverage of most operating costs for urbanized areas with more than 200,000 people. This threshold was reached in the Boise/Meridian UZA after the 2000 Census. It is likely the 2010 Census will conclude that the Boise, Meridian, Nampa and Caldwell would be one urbanized area. As a result, all Section 5307 funding for operations after 2012 would be eliminated.

Transit Costs

- The study considered two levels of transit service above the current level:
  - VRT's High Growth Alternative, which would improve the regional bus system and ultimately support a rail system. This system would cost approximately $1.25 billion including capital through 2035, with an annual operating cost of $63.3 million in 2035 (with inflation) (Figure 12-1). Capital costs would total $212.9 million with inflation through 2035—but this cost does not include regional rail construction.
  - The *Communities in Motion* bus and rail system, which would provide rail service between Nampa and Boise. At full implementation, the system would cost $4.1 billion including capital through 2035, with an annual operating cost of $231.5 million in 2035 (with inflation).

Figure 12-1: Transit Operating and Capital Costs

- Capital costs would total $1.36 billion with inflation through 2035, including rail construction.
- The base or current level system was projected to grow with population and would total $840 million through 2035. Total costs would be $60.1 million in 2035 (with inflation). No rail or other high-capacity transit services would be implemented.
- The annual funding gap between *Communities in Motion* and current would be $253 million by 2035.

Conclusions of the Study

Roadways

The future is a numbers game. With the major federal and state revenue sources not adjusted for a 4% inflation rate, the costs outpace the growth in revenue. Across time, the compounding of the difference in growth rates (revenue vs. costs) becomes critical. Local agencies will be taking in $231 million by 2035 under the "most likely" scenario. By that same year, local maintenance, equipment, and administration will consume $237 million. Major capital costs for 2035 alone will be $193 million. When the ITD revenues are added, the total pot rises to $318 million by 2035, but the added state costs push total expenditures to $745 million—leaving a total roadway deficit of $427 million. Between 2009 and 2035, the cumulative deficit could reach $3.9 billion. Of that amount, around $1.62 billion would be local roadways.

This rising gap between forecasted revenues and costs is shown in two charts (Figures 12-2 and 12-3). Figure 12-2 shows the gap with ITD costs and revenues. The "zigzag" in the early years represents the GARVEE (Grant Anticipation Revenue Vehicle) program. GARVEE is debt-financing of projects throughout Idaho, with a large portion being spent on I-84. The GARVEE bonds will be paid back with future federal funds. This payback has been subtracted from future revenue streams. Figure 12-3 shows just the local roadway side for Ada and Canyon Counties.

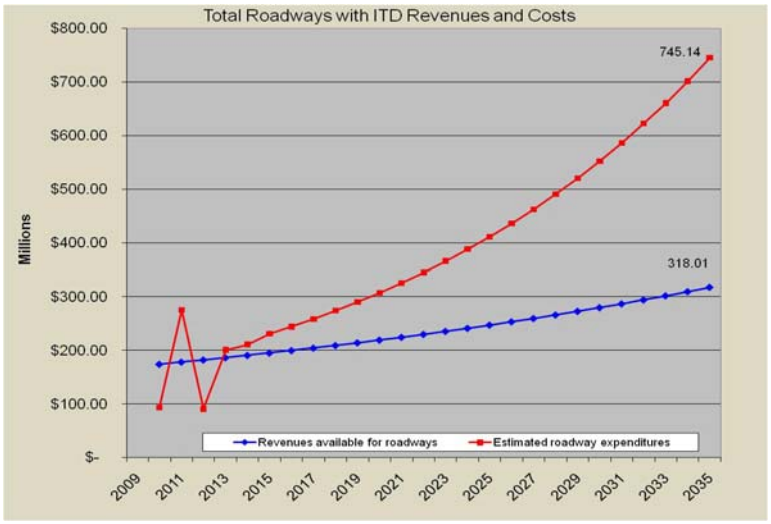

Figure 12-2: Local/State Revenues and Expenditures

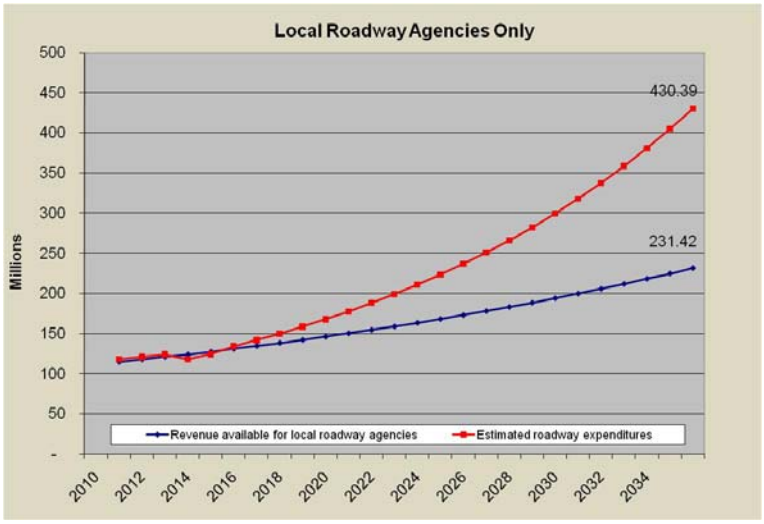

Figure 12-3: Local Road Revenues and Expenditures

Roadway Maintenance

As noted above, maintenance costs on the local roadways alone in Ada and Canyon Counties will total $190 million in 2035. This expense was based on the approximate 3,500 lanes miles of local roads in Ada County and the 3,100 lane miles of local roads in Canyon County. Within the region there is another 1,440 lane miles of ITD roads. There are 266 bridges in Ada County, with another 284 bridges in Canyon County. These totals include local and ITD structures (20 feet or more in length). Of these, 30 are structurally deficient today and 47 are functionally obsolete. Structurally deficient means that a physical element of the bridge (abutments, piers, decks, webbing, etc.) is below accepted standards. Functionally obsolete means the bridge is inadequate to meet current travel demands (e.g., too narrow). Bridges can fall into both categories. [3]

ITD has 2,551 lane miles to maintain in District 3 (southwest Idaho) alone—nearly 12,000 lane miles across Idaho. In addition, ITD has responsibility for 1,777 bridges. ITD has calculated that within the next 10 years, half of the state system bridges will be 50 years or older—at or beyond their useful life. [4]

[3] Source: Federal Highway Administration web page at http://www.fhwa.dot.gov/bridge/nbi.htm
[4] Source: ITD web page at http://itd.idaho.gov/revenue/aging.html.

Increasingly, these bridges will need investments such as deck replacement or even totally new structures (replace abutments and piers along with the deck). Brian Ness, ITD Director, has noted that the current pace of bridge replacement will require bridges to last 120 years—not a likely scenario.

The need to increase the percentage of funds spent on maintenance means that fewer funds will be available to widen roads or build new roads. The conservative estimate in *Funding Transportation Needs* was that just the local system maintenance needs would consume half the total revenue available for roads over the next 25 years. The crisis facing the state system led to removing most of the planned ITD corridors from the funded category.

Where Does The Money Come From?

The resources for transportation 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.

The funding assumptions in Chapter 12 are tied to the corridor prioritizations in Chapter 5. 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 (see Appendix E). 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 21st Century* (TEA-21). Due to other federal priorities, reauthorization of SAFETEA-LU, which should have occurred in 2009, has been delayed. A "continuing resolution" by Congress has extended its terms. It is probable that SAFETEA-LU's successor won't be acted upon until late 2010 or even sometime in 2011.

Federal Highway Funds

For highways, the size of the federal highway budget is impressive. Note that the amounts authorized[5] in the federal legislation are often larger than the obligation authority[6] 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 in Table 12-1.

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[7] 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 in Appendix E.

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

[5] 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

[6] 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

[7] Flexed Funds are funds that can be moved from one category to another. There are some restrictions.

[8] Status of the Federal Highway Trust Fund: 1957-2004. http://www.fhwa.dot.gov/policy/ohim/hs04/pdf/fe210.pdf

Table 12-1: Authorized Funding for Federal Highway Programs – Idaho [9]

(in millions)

	2005	2006	2007	2008	2009
Authorized Amount (National)	$37,660.0	$38,560.0	$40,880.0	$42,250.0	$33,870.0
Idaho – By Funding Category					
Interstate Maintenance	$35.5	$36.8	$37.4	$38.0	$38.6
National Highway System	$47.4	$49.4	$50.2	$51.0	$51.8
Surface Transportation Program	$36.1	$37.9	$38.3	$38.8	$39.5
Bridge Replacement & Rehabilitation	$15.3	$15.3	$15.5	$15.8	$16.0
Congestion Mitigation & Air Quality	$8.1	$8.4	$8.5	$8.6	$8.8
Recreational Trails	$1.1	$1.2	$1.3	$1.4	$1.4
Safety	$7.8	$6.9	$7.1	$7.2	$7.3
Rail-Hwy Crossings	$1.6	$1.8	$1.8	$1.8	$1.8
Border Infrastructure Program	$0.9	$0.9	$1.0	$1.2	$1.3
Safe Routes To School	$0.9	$1.0	$1.0	$1.0	$1.0
High Priority Projects	$27.4	$27.4	$27.4	$27.4	$27.4
Equity Bonus	$76.4	$75.9	$87.7	$94.9	$94.9
Grand Total	**$258.6**	**$262.7**	**$277.1**	**$287.0**	**$289.8**

Table 12-2: Federal Transit Funding under SAFETEA-LU[10]

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	$6,106,144	$635,508	$310,456	$4,889,655	$537,815	$12,964,073
2007	$6,352,302	$663,139	$322,397	$5,071,595	$557,451	$13,470,082
2008	$6,888,822	$718,400	$359,408	$5,484,750	$596,724	$14,588,976
2009	$7,327,233	$757,544	$379,945	$5,796,196	$622,251	$15,454,565
Potential Regional Share (Non-Urbanized Areas Formula Based on 2000 Population Share)						
2006	$3,446,000	$198,000	$112,000	$958,000	$209,000	$4,923,000
2007	$3,584,942	$207,000	$117,000	$994,000	$217,000	$5,119,942
2008	$3,887,721	$224,000	$126,000	$1,075,000	$232,000	$5,544,721
2009	$4,135,087	$236,000	$133,000	$1,136,000	$242,000	$5,882,087

[9] Sources: SAFETEA-LU Authorization - http://www.fhwa.dot.gov/reauthorization/rta-000-1664ar.xls

[10] FY 2006-2009 SAFETEA-LU Estimated Apportionment/Allocations by State for Selected FTA Programs. http://www.fta.dot.gov/index_6536.html

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. Table 12-2 shows the breakout of the FTA funding for Idaho transit programs from 2006 through 2009.

Federal Transit Funds

Similar to the federal highway funding, federal transit funds are broken into categories of funding. Some can be used in urbanized areas[11] while other funds are intended for services outside urbanized areas. All of the funding shown is under a formula basis: Idaho does not need to compete for these funds.

Section 5307. Provides grants for urbanized areas for public transportation capital investments and operating expenses in areas less than 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 urbanized area) 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 provides more service per capita than do other comparable areas.

Table 12-3: National Funding for Section 5309 Program (in millions)

	2006	2007	2008	2009
Total 5309	$822	$856	$928	$984

Section 5309. Provides funding through a discretionary grant program, (Table 12-3). 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.

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.

[11] 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.

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 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 FY2007.

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 15 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 urbanized areas greater than 200,000 in population. As of 2002, the Boise urbanized area was determined to be larger than 200,000.

In the U.S. in 2008, federal funds accounted for just 7% of the operating revenues for urbanized transit systems but accounted for 40% of the capital expenses.

Local funds accounted for 30% of the operating expenses and 47% of the capital expenses. State sources covered 26% of operating expenses and 12% of capital expenses. Fares covered 31% of operating expenses but 0% of capital expenses. The balance of costs were covered by "other," which could be from sales of assets, refunds, lottery proceeds, etc.[12] Of the $52.6 billion spent on urbanized area transit, 69% went to operating costs.

> *…the proceeds from the imposition of any tax on gasoline and like motor vehicle fuels … 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.*
>
> - Idaho Constitution Art. VII

State-Collected Highway 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 and state sales taxes distributed to local governments.

Highway Distribution Account

Established under the Idaho Constitution in 1941, the HDA is the state counterpart of the national Highway Trust Fund (Table 12-4). 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[13] limits fuel taxes and vehicle registration fees to roadway purposes. 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.

[12] "National Transit Profile 2008," National Transit Database, Federal Transit Administration. http://www.ntdprogram.gov/ntdprogram/data.htm. Tables TS-1 and TS-2.

[13] 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?sctid=003070717.K

Table 12-4: Highway Distribution Account Revenues and Expenditures (in millions)

Revenue Sources	2000	2003	2004	2005	2006	2007	2008	2009
Fuel Taxes	$201	$201	$209	$210	$213	$223	$219	$205
Other Fees/Taxes	$94	$91	$92	$99	$102	$108	$108	$106
Total Revenue.	$295	$293	$301	$309	$315	$331	$327	$312
Distribution[14]								
Local Roads	$113	$111	$113	$117	$119	$127	$124	$118
Law Enforcement	$15	$15	$15	$15	$16	$17	$16	$16
ITD	$168	$166	$170	$175	$179	$189	$186	$178

Based on inflation since 1996, a 2005 study conducted on behalf of the Idaho Transportation Department's Forum on Transportation Investment [15] concluded that if Idaho had adjusted the 25 cents per gallon tax to reflect cost changes and increases in vehicle miles of travel, the fuel tax would need to be at least 38 cents per gallon in 2004 to have the same buying power it had in 1996.

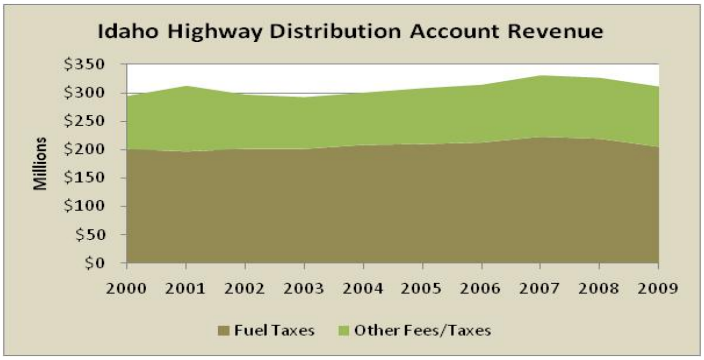

Figure 12-4: Highway Distribution Account Revenue

As depicted in Figure 12-4, revenues of the HDA have been fairly flat during the past ten years. But while the revenue picture was flat, the cost of construction escalated a great deal. The cost of materials (steel, asphalt, concrete, etc.) was especially hard hit, with estimated increases of 13% over 2004 prices.[16] Rising energy prices and increased demand both at the national and international levels lead to the dramatic upswing in prices. Note that this same inflation affects the buying power of the Federal Trust Fund, also heavily reliant on a unit fuel tax. Note that prices slumped after 2006 and dropped significantly as the economy cooled off in early 2009.

[14] Transit services not eligible for HAD distribution under Idaho Constitution.

[15] 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

[16] 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

Figure 12-5 depicts the change in transportation construction prices since 1990.[17]

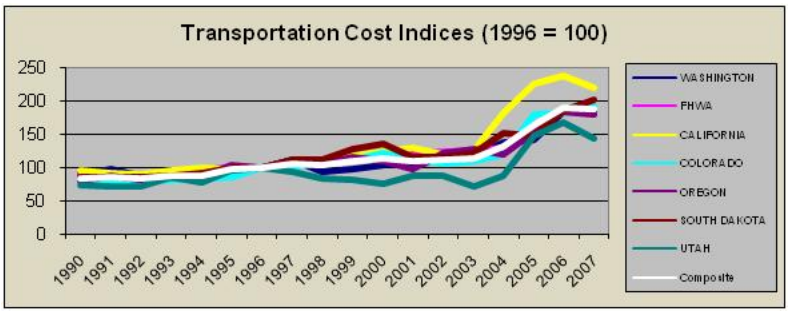

Figure 12-5: Transportation Cost Inflation

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. Figure 12-6 shows the revenues accruing to the HDA and its distribution (totals may differ due to rounding).

To put the HDA funds into perspective, the $312 million from HDA (2009) is greater than the federal highway and transit funds allocated to Idaho.

The reliance on the state fuel tax and its lack of growth over the past 10 years concerns ITD, which commissioned the Forum on Transportation Investment[18] during 2005 to look 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."[19]

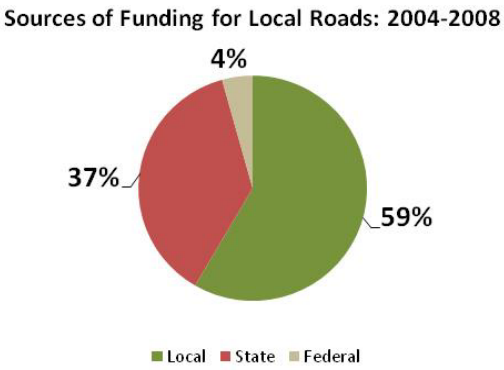

Figure 12-6: Sources of Funding for Local Roads

[17] Source: Washington State Department of Transportation.
[18] Forum on Transportation Investment *Report and Recommendations* URL: http://www.itd.idaho.gov/info/ti.forum/FinalReport/FTI%20Report-Full%20EDITED.pdf (2.88 MB)
[19] *Report and Recommendations*, Forum on Transportation Investment, page 3.

Other Sources of State Funding

The other source of funds collected and distributed by the state of Idaho for transportation is the sales tax. More than $20 billion in taxable sales and uses occurred in 2004: at the 6% sales tax rate in effect in 2009 over $1.2 billion in sales taxes were collected. This was down from $1.34 billion collected in 2008. In FY 2009, 11.50% of Idaho's sales tax revenue was distributed to local governments. This was done through a complicated formula.[20] This put almost $138 million into local government coffers. 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.

Local Highway Funds

The third broad source of transportation funds are those collected at the local level (Figure 12-7). Local funds are shown separated into roadway and transit funding categories.

Summary of Local Roadway Funding

Roadway revenues include:

- Property Taxes
- Impact Fees
- Registration Fees

Between 2004 and 2008, an average of $103.5 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 37% of the funds, with federal sources amounting to just 4%.

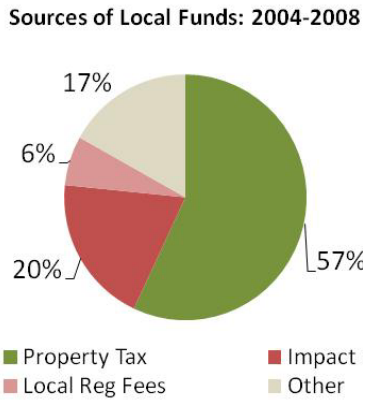

Figure 12-7: Sources of Local Funding for Roads

Property tax. The single largest source of local funds is the property tax. As shown in Figure 12-7, property taxes made up 57% of the local road revenue base from 2004-2008. There is wide variation between counties, with Ada County (Ada County Highway District or ACHD) relying on property taxes for 53% of its local revenues, while Canyon County covers 71% of its local revenues with property taxes.

[20] *2009 Annual Report.* Idaho Tax Commission. URL: http://tax.idaho.gov/reports/EPB00033_11-13-2009.pdf

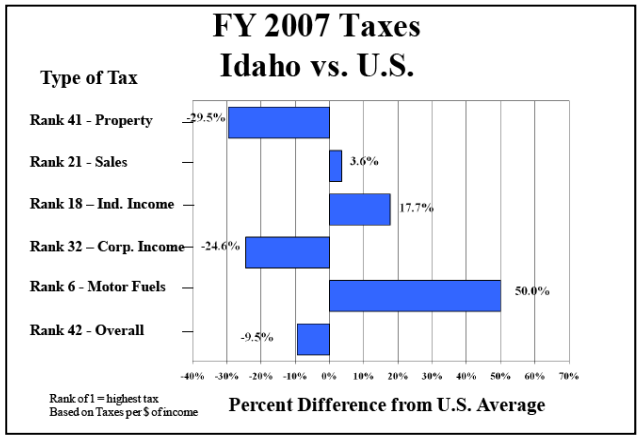

Figure 12-8: Ranking of Idaho Tax Rates in US

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 using 2007 data concluded that, when compared to national averages (Figure 12-8), Idaho was almost 30% under the average in terms of property taxes as a percent of income. On the flip side, Idaho was 50% above the national average in terms of motor fuel taxes as percent of income. [21]

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.[22] 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.

The revenues raised by property taxes are a significant portion of all the roadway entities. Table 12-5 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.

[21] *State and Local Tax Burden Analysis: Executive Summary. FY 2007 Taxes.* Idaho Tax Commission. Found on line at http://tax.idaho.gov/reports/EPB00074_12-02-2007.pdf

[22] Idaho Code Title 63, Revenue and Taxation, Chapter 8. Levy and Apportionment of Taxes. URL:http://www3.state.id.us/cgi bin/newidst?sctid=630080002.K

Table 12-5: Property Tax Funds Used for Roadways by County

	2000	2004	2005	2006	2007	2008
Ada	$15,951,066	$21,158,403	$22,797,735	$24,946,582	$27,373,600	$29,559,358
Canyon	$4,767,080	$6,176,687	$6,903,486	$7,663,086	$8,275,026	$9,134,933
Two County	$20,718,146	$27,335,090	$29,701,221	$32,609,668	$35,648,626	$38,694,291
Boise	$3,382	$134,633	$235,570	$143,975	$150,038	$14,185
Elmore	$854,073	$1,000,360	$1,022,628	$1,172,027	$1,438,436	$1,190,455
Gem	$39,436	$497,120	$399,001	$557,193	$364,039	$302,469
Payette	$602,082	$621,451	$740,818	$835,916	$1,385,411	$1,760,854
Surrounding Counties	$1,498,973	$2,253,564	$2,398,016	$2,709,111	$3,337,924	$3,267,963
Total	$22,217,119	$29,588,654	$32,099,237	$35,318,779	$38,986,550	$41,962,254

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. Legally, 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 the courts that 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 be covered by impact fees if the Idaho Code (Section 67-8203(24)) were amended to list transit as an eligible expense.

Idaho Code[23] 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 eight 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.

[23] Idaho Code Title 67, State Government and State Affairs. Chapter 82 Development Impact Fees. URL:http://www3.state.id.us/idstat/TOC/67082KTOC.html

It is this complexity that deters more jurisdictions from implementing impact fees. In the six county region of *Communities in Motion*, only ACHD has a portion of its revenues from impact fees, generating virtually 100% of the impact fees collected regionally between 2004 and 2008.

Over the past five years, impact fees accounted for 17% of ACHD's revenue and generated 20% during its peak in 2005, when they totaled $14.5 million. In 2008, impact fees fell to $12.8 million, and ACHD's 2010 budget showed only $6 million projected. [24]

The power of this financial tool appeals to citizens, who frequently demand that "growth pay for itself." Outside of Ada County, other cities and highway districts elect to use "exactions." These are specific requirements put on a development and may include building roads, improving intersections, or other measures tied to specific impacts identified for a proposed development.

Registration fees. The state collects registration fees that help fund the Highway Distribution Account. Local governments also have a local option registration fee available under Idaho Code[25] 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 20-year capital improvement plan, or other features called for by the impact fee legislation. ACHD generated $19.8 million from 2004-2008—about 6% of its budget. In November 2008, voters approved a doubling of the registration fee, so this source will likely exceed impact fees until development rebounds. Canyon, Elmore and Gem Counties have also implemented such fees.

Geographic Distribution of Funding

The caution in presenting funding at a regional level is that dollars are not equally available by each jurisdiction. Of the total local dollars collected between 2004 and 2008, 77% were collected in Ada County. Ada County's share of the regional population was 59% according to the U.S. Census Bureau. Ada County's share of state funding from HDA and other sources amounted to 54% of the regional total from 2004-2008, so the difference in its resources is not attributable to flaws in the HDA distribution formula.

So what is the reason that ACHD has a higher percentage of the region's locally derived funds? It lies in three areas:

- Implementation of impact fees
- Implementation of local option registration fees
- A diverse and valuable property tax base

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[24] *Fiscal Year 2009-2010 Budget.* Ada County Highway District. Found on-line at http://achdidaho.org/Departments/Administration/Budget_2010.aspx Budget Summary, p. 2.

[25] Idaho Code Title 63, Revenue and Taxation, Chapter 8. Levy and Apportionment of Taxes. URL:http://www3.state.id.us/cgi-bin/newidst?sctid=630080002.K

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 as much as a $20 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 land values, difficult construction environments (high traffic and proximity of development), and urban standards such as sidewalks and bicycle lanes.

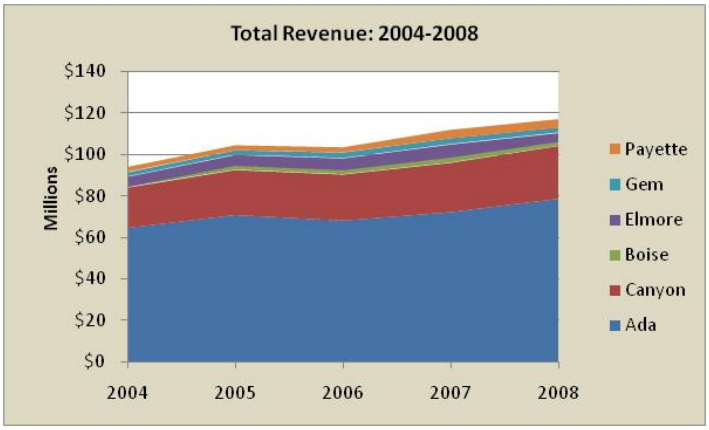

Figure 12-9: Total Local Roadway Revenue by County

The other challenge is similar to that facing the HDA. The revenue base for regional local roads is not responsive to growth. Figure 12-9 depicts the total revenue base by county for local roads, so it includes local resources, state-generated funds, and federal funds. While the total revenue base has increased 25% since 2000, much of that increase was driven by local sources. State derived revenue only increased 17%, while federally derived revenue fell by 25%. (Note that this statistic does not include Idaho Transportation Department expenditures.) Declines in property values and impact fees will erode the revenue base for local agencies.

The 2006 plan noted the run-up in project costs. Major culprits were energy, asphalt, steel, and concrete—all elements in road construction. Cost of land needed for rights-of-way had increased far more dramatically with raw land prices through the Treasure Valley area nearing and, in many cases, exceeding $100,000 per acre. Note that many of these costs, especially land costs, have been reduced by the economic slump, but the question is whether a rebound in global, national, and local economies will trigger a resurgence in materials, labor and land costs.

Transit Funds

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

Valley Regional Transit
Smart Cards

Farebox

Fares paid by transit riders once were either cash or tokens. 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 2008, U.S. transit services recovered 31% of their operating costs out of fares.[26] Not surprisingly, larger systems serving 1 million or more persons had a higher recovery ratio at 35% than smaller regions which recovered around 18% 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 10-11% of its operating expenses between 2004 and 2008, which is not unusual for smaller regions. While its cost per service hour is fairly typical for cities of similar size, trips per service hour are about one-half of "peer" communities. Table 12-6 shows some statistics from mostly western metro areas ranging in size from 87,000 to 1.7 million. The larger areas would be more similar to this region when it is 1.046 million people. The region ranks at or near the bottom in most indicators.

[26] "National Transit Summaries and Trends 2008." National Transit Database, Federal Transit Administration. Found on-line at http://www.ntdprogram.gov/ntdprogram/pubs/national_profile/2008NationalProfile.pdf

Table 12-6: Service-Area Performance Statistics - Fiscal Year 2007[27]

#	Area	Population	Farebox Ratio *	Operating $ per Capita	Operating $ per Trip	Trips/ Capita	Revenue Hours/ Capita
1	Iowa City, IA**	85,247	12.5%	$90.27	$1.41	64.0	1.7
2	Fort Collins, CO	118,652	14.4%	$64.56	$4.43	14.6	0.9
3	Abilene, TX	107,051	12.6%	$23.49	$4.22	5.6	0.7
4	Springfield, IL	132,100	9.3%	$65.07	$6.49	10.0	0.9
5	Topeka, KS	122,377	13.0%	$55.01	$3.93	14.0	0.8
6	Boise/Nampa, ID	272,625	11.3%	$29.80	$7.39	4.0	0.4
7	Salem, OR	206,500	10.1%	$128.14	$4.74	27.0	1.5
8	Reno, NV	319,977	23.0%	$103.88	$3.66	28.4	1.2
9	Lincoln, NE	241,167	15.0%	$37.44	$4.83	7.8	0.6
10	Eugene, OR	272,272	16.7%	$119.87	$3.29	36.4	1.3
11	Stockton, CA	564,539	12.7%	$57.10	$8.12	7.0	0.5
12	Madison, WI	237,433	20.2%	$188.54	$3.46	54.6	2.0
13	Bakersfield, CA	437,236	21.7%	$44.41	$3.03	14.6	0.7
14	Lansing, MI	276,898	12.7%	$117.69	$3.05	38.6	1.4
15	Spokane, WA	334,857	13.2%	$151.06	$5.00	30.2	1.8
16	Tacoma, WA	732,435	16.0%	$130.46	$6.58	19.8	1.2
17	Albuquerque, NM	498,000	11.1%	$75.11	$3.90	19.2	0.8
18	Tucson, AZ	532,000	16.4%	$105.34	$3.08	34.2	1.5
19	Salt Lake City, UT	1,744,417	14.0%	$94.84	$4.00	23.7	0.9
20	Austin, TX	1,012,638	8.6%	$134.66	$4.01	33.6	1.4
21	Chattanooga, TN	155,554	25.6%	$87.31	$4.61	18.9	1.3
22	Portland, OR	1,253,502	22.9%	$269.99	$3.36	80.3	2.2
	Average	400,189	14.8%	$90.67	$4.44	24.1	1.1

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.

Note that the federal funds can be used to cover capital costs such as vehicle purchases, major maintenance, and facility construction. Federal funds also can be used for operating costs outside the designated urbanized area--western Canyon County and any services in Boise, Gem, Payette, or Elmore Counties.

[27] Source: U.S. Department of Transportation. Federal Transit Administration. National Transit Database Report for FY 200. Found on-line at http://www.ntdprogram.gov/ntdprogram. This report is only available for areas receiving FTA Section 5307 funds.

In 1998, the federal rules were changed to not allow federal funds being used to cover operating costs in areas greater than 200,000 populations. Operating costs include drivers', dispatchers' and managers' wages; fuel; insurance; utilities; marketing; and other non-capital expenses. Under the federal rules, funds under the Section 5307 program described above can be used to cover 50% of the operating losses—costs not covered by fares—within the Nampa/Caldwell area. 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. However, without a series of waivers to this rule, the Boise/Meridian urbanized area would not qualify to use federal funds for operating costs. The Nampa urbanized area is likely to be deemed part of the Boise/Nampa urbanized area in 2012, after the 2010 Census is analyzed. This means that the operating costs for bus services covering nearly 500,000 people will be ineligible for federal operating assistance. Continuing to provide the same level of service would require several million more dollars in local public funds.

Local Government Contributions

If fares do not cover the full 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 in Table 12-7, the urbanized area transit system received $5.3 million in local funds in 2008, mostly from the City of Boise.

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.

Table 12-7: Sources of Funds – Valley Regional Transit Services

	2004	2005	2006	2007	2008
Fare Revenues	$822,604	$753,682	$706,326	$918,925	$960,287
Federal Assistance	$3,885,761	$3,825,921	$3,978,039	$3,119,031	$2,498,488
Local Funds	$2,656,814	$3,085,722	$2,648,826	$3,887,403	$5,281,288
Other	$45,168	$67,105	$64,388	$198,697	$101,705
Total Operating Funds	$7,410,347	$7,732,430	$7,397,579	$8,124,056	$8,841,768
Fares as a Percent of Total Funds	11%	10%	10%	11%	11%

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 are discussed below.

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"[28] 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 ITD must prepare a STIP, a document similar to the TIP but 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)

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. A CIP is required by Idaho law in order to collect development impact fees, and has a time horizon of up to 20 years. Depending on its time horizon, a CIP may be either a mid-range or a long-range capital planning document. In the case of ACHD, its CIP serves as a long-range (20 years) planning document, while its Five Year Work Plan serves as a mid-range (7 year) planning document.

[28] Regionally Significant - regionally significant projects involve new construction of or additional lanes of travel on principal arterials, expressways and freeways or fixed-guideway transit systems such as rail or bus rapid transit.

Transit Development Program

A Transit Development Program is the transit equivalent of a roadway CIP. It is more detailed than a 20-year plan and lays out a budget for implementing new services in accordance with the plan, programs for replacement and new vehicles and other equipment, and facility construction.

Cost of the Transportation System

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 in this chapter regarding the forecast from 2009 to 2035 are not totally available for major capacity projects. In fact, most of the resources for will go into maintenance and operations.

Roadways

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.

With construction, rights-of-way, structures and preliminary design, and studies, the total cost of the major corridors in *Communities in Motion* within Ada County and Canyon County was estimated at $2.63 billion. The cost of the corridors in the Partnering Counties totaled another $219 million, bringing the total roadway corridors tab to $2.85 billion—or $628 million more than the maximum amount of revenues available. Cost inflation since 2005 would raise the Ada and Canyon corridors to $3.13 billion (Figure 12-10).

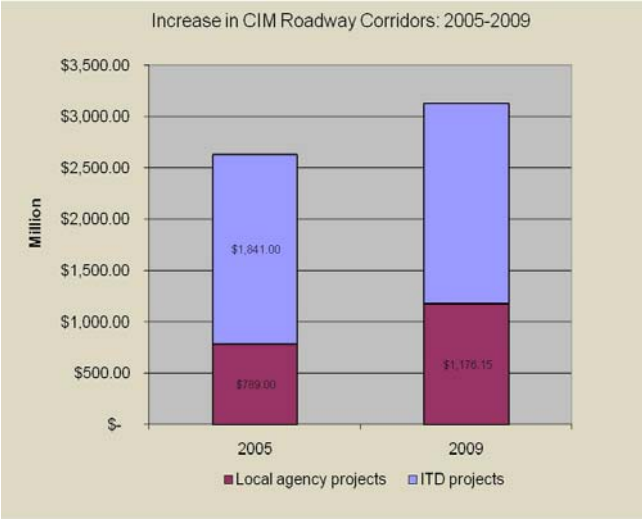

Figure 12-10: Change in Roadway Cost Estimates

The challenge across the next 25 years grows with inflation. As noted in the report, *Funding Transportation Needs,* many of the financing mechanisms for roadways are not inflation sensitive. With a 4% inflation rate assumed for most of the period between now and 2035, the deficit between revenues and roadway needs will grow. The cumulative deficit could be as high as $3.9 billion and will certainly be more than $2 billion. Total costs for state and local road maintenance, administration, and capital needs could near $10.1 billion across the next 25 years. Revenues for this period would total $6.2 billion.

The per capita expense within Ada and Canyon Counties on roadways is approximately $310 per person (2010). By 2020, if a fully funded roadway investment program were in place, this would rise to almost $500 per person. This compares with the $30 per capita spent on transit in Ada and Canyon Counties shown in Table 12-6.

This forecast of revenues is based on a number of assumptions. Perhaps the most critical concerns revenues based on gas taxes. The analysis "optimistically" assumed fuel consumption would increase at 0.9% per year—half the rate of growth seen over the past 20 years. It also assumed no increase in the federal or state gas tax rates of 18.3 and 25 cents per gallon. A gas tax rate set to automatically respond to inflation would be beneficial.

Transit

Transit costs for the "Optimal System" plan (Chapter 6) 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 (rail, bus rapid transit, etc.) 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.

Capital costs for the optimal transit network were estimated at $1.36 billion to construct a fixed-guideway system along the Union Pacific corridor, a downtown circulator in Boise, a bus rapid transit system along State Street between downtown Eagle and downtown Boise, provide for bus expansion and replacement, and provide appropriate facilities such as maintenance garages, transfer centers, etc.

The operating cost of this system was estimated at $2.75 billion, assuming a ramping up of service over the next 25 years. At full implementation, the annual operating cost of the transit system would be $232 million by 2035. With capital costs that would be $313.11 million by 2035, compared to the base operating and capital cost of $60.06 million. (Figure 12-11).

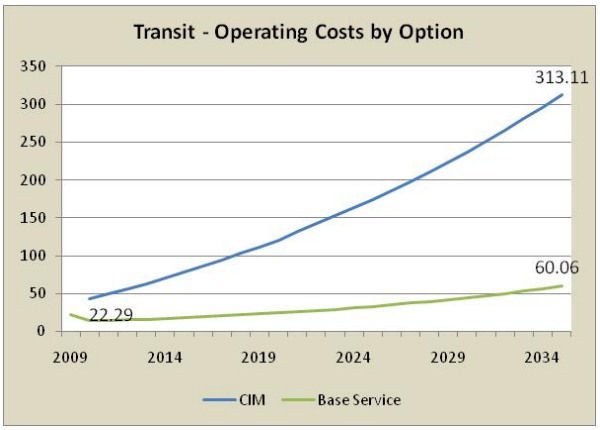

Figure 12-11: Optimal Transit System Cost Compared to Base System

Revenues will fall $2.66 billion short of funding the Optimal System over the next 25 years, and this is with the assumption that federal funding will be available to cover up to 80% of the capital costs.

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."[29]

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 $6.6 billion shortfall relate to the average household? When taken across 25 years and broken down by the number of households projected to exist in the region by 2035, the extra funding needed per household to invest in the planned roadway and transit networks would amount to another $98 million just to cover 2010 needs—about $430 per household in 2010.

This does not mean that $430 per year is painless for your household budget. Any expense is important. But it amounts to around $36 per month. 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?

There are options. While federal funds will continue to be a significant source of funding for regional transportation, as will state-collected gas and registration fees, funding collected in the region and under the control of local agencies could provide a major source of revenue over the next 25 years. There are several options presented in Table 12-8 for consideration. These are not intended to show all the options that might be done. Rather these are examples that are commonly used as local option taxes.

[29] *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

Table 12-8: Examples of Revenue Sources

Tax/Fee Source	Current Legal Uses
Unit fuel tax	Roadway construction and maintenance
Sales Tax on Fuel	Potentially any transportation but needs legal review
Vehicle Registration Fee	Roadway construction and maintenance
Sales Tax on Goods	Any transportation
Income Tax	Any transportation
Property Tax	Any transportation
Other Sources	**Current Legal Uses**
Impact Fees	Capital needs tied to effects of growth. Cannot be used for maintenance and operations, existing problems, or non-capacity improvements such as landscaping, drainage, etc. Under current Idaho law, cannot be used for transit.
Tolls	Typically limited to construction and maintenance of the specific facility, e.g., a tollroad. May need new state legislation.
Vehicle Miles of Travel Fees	To be a fee, the charge has to be tied to a specific benefit conferred upon the user. May need new state legislation.
Rental Cars Fees	Fee base is tied to use of transportation system. May need new state legislation.

Based on the $6.5 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?

Table 12-9 provides examples of revenue sources and rates. The calculations are based on 2007 data available for fuel sales, sales tax collection, registered vehicles, home construction, and income.[30]

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. Rates were estimated for some of the more likely options.

[30] Information was compiled from the State of Idaho and other sources in 2007. URL: http://www.compassidaho.org/documents/prodserv/rltp/taskforce_data.pdf

Table 12-9: Possible Sources to Raise $98 Million*

		Approximately $430 per household for 2010.		
Tax/Fee Source	**Tax Type**	**Added Rate**	**Current Rate**	**Total Rate**
Unit fuel tax	Fixed cents per gallon	$0.285	$0.245	$0.53
Sales Tax on Fuel	Percentage of Price (Less State/Federal Unit Tax)	12.0%	0.0%	12.0%
Vehicle Registration Fee	Dollars per Vehicle	$205	up to $60 + $48 in Ada	up to $313
Sales Tax on Goods	Percentage of Price	1.7%	6.0%	7.7%
Income Tax	Surcharge on Existing Tax	14.2%	n.a.	n.a.
Property Tax	Percentage of Assessed Value	0.17%	0.09% ACHD 0.11% CHD4	n.a.

* This amount is for a single year. $98 million would cover the gap between existing revenues and the amount needed to fully fund maintenance and operations, new capital, and an expanded public transportation system. This revenue would be in addition to existing revenues for roadways and transit.

What Would it Take to Tap These Sources?

Any of the options, except for the impact fee and property tax, 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 established under Idaho Code,[31] 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 or a local option fuel tax could be sought to provide the added revenue for roadways.

[31] Idaho Statutes, Title 49, Motor Vehicles, Chapter 4 49-402. Motor Vehicle Registration. URL:http://www3.state.id.us/cgi-bin/newidst?sctid=490040002.K

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 borders states with no sales tax or lower tax rates.
- 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.

In 2007, COMPASS and Valley Regional Transit 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 in local option to require a constitutional change requiring a 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. No new legislation was attempted in the 2009 or 2010 sessions.