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COMMUNITY PLANNING ASSOCIATION

of Southwest Idaho

Transportation Financial Report
July 2007

Report No. 16-2007

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1. Transportation Construction Cost Indices.

Under the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and its associated regulations, accounting for inflation is a new requirement in the preparation of regional long-range transportation plans and transportation improvement programs. The following information was obtained from a report published by the Washington State Department of Transportation. [1] The WSDOT information was revised to establish a 1996 base of 100 as shown in the following table:

Construction Cost Indices Adjusted to a 1996 Base								
	Washington	FHWA	California	Colorado	Oregon	South Dakota	Utah	Composite
1990	89	91	96	73	79	84	73	83
1991	98	90	91	78	88	86	72	86
1992	87	88	90	78	81	84	72	83
1993	85	90	95	81	85	88	86	87
1994	85	96	100	84	83	90	77	88
1995	100	102	97	86	102	100	94	97
1996	100	100	100	100	100	100	100	100
1997	112	109	105	99	111	111	93	106
1998	94	106	108	111	105	112	83	103
1999	97	114	117	112	115	127	81	109
2000	103	122	123	120	110	135	75	113
2001	104	121	129	111	96	115	87	109
2002	112	123	119	106	121	116	87	112
2003	117	125	125	108	127	121	72	114
2004	137	128	182	118	120	152	87	132
2005	142	153	225	180	153	147	148	164
2006	184	176	236	180	184	185	167	187

While there is a good deal of variation between the sources, the dramatic run-up in costs since 2003 is seen clearly in all sources. There are several reasons, including rising global oil demand, increased prices for concrete and steel due to China's economic growth, and domestic reconstruction in the Gulf following a series of major disasters. The composite rate is used in following analyses.

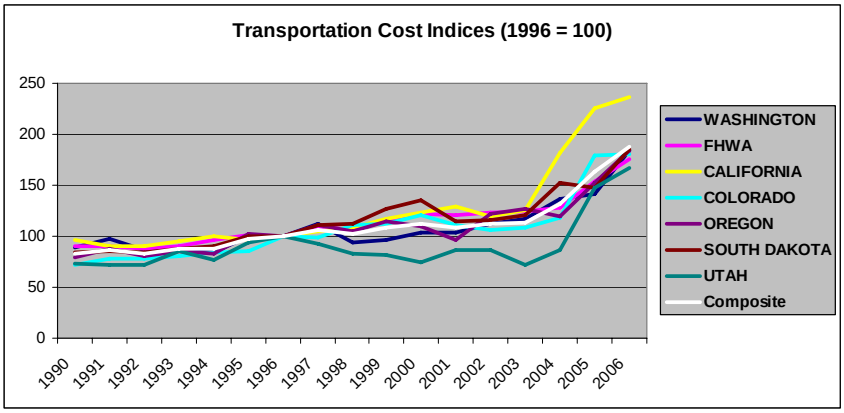

Figure 1 - Transportation Cost Indices

[1] _____. "Construction Cost Indices." Washington State Department of Transportation. Found in June 2007 at http://www.wsdot.wa.gov/biz/construction/CostIndex/CostIndexPdf/CostIndexData.pdf.

2. Highway Distribution Account Receipts.

This table shows receipts for the Idaho Highway Distribution Account (HDA). In Ada County HDA funds accounted for up to 35% of Ada County Highway District's revenues between 2000 and 2006, but as much as half the revenue for Canyon County road agencies. For the Idaho Transportation Department (ITD), HDA provided 37% of its budget in 2006. In fact, ITD relies upon HDA for its local match and for its general operations and maintenance budget. This provides a sense of how critical HDA is to local and state transportation investments.

HDA depends on the 25 cents per gallon fuel tax for most of its revenue, and the tax rate has not changed since 1996. This date provided the reason to reset the cost indices to a base year of 1996. Using the indices, the table below indicates how greatly the real value of these dollars has eroded. This is portrayed graphically in Figure 2.

Highway Distribution Account Receipts: 1996-2006
Adjusted Amounts Based on Composite Cost Indices

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Actual	226,134	228,352	232,727	244,927	294,186	313,484	297,376	292,905	300,838	308,717	314,861
Adjusted	226,134	216,257	226,507	224,748	261,342	287,560	265,313	257,510	227,892	188,284	168,012

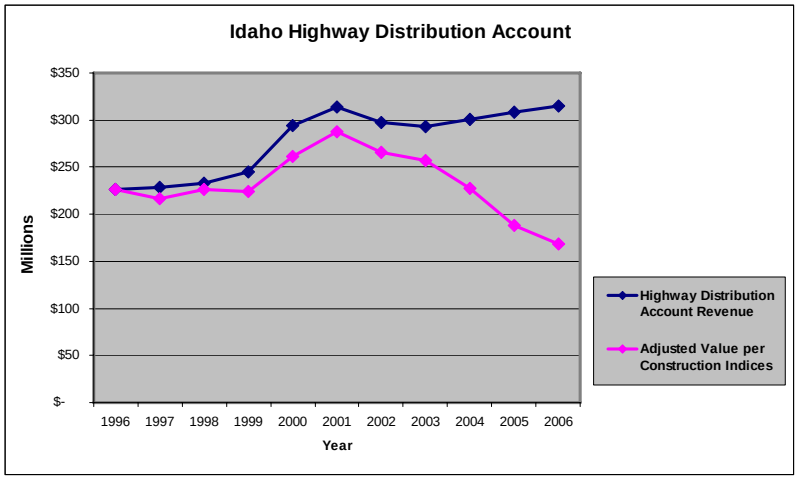

Figure 2 - Highway Distribution Account

When adjusted for growth in population, the picture is even grimmer. In 1996, the HDA revenue was $188 per capita but when adjusted for inflation, by 2006 it dropped to $115 per capita. The peak was in 2001, when HDA yielded $218 per capita. **To match the 1996 revenue per capita, the current tax of 25 cents per gallon would need to be increased to 41 cents per gallon.**

The revenue decline is due to two factors:

- The rapid escalation in transportation costs since 2002.
- A stable level of fuel consumption in Idaho. The HDA revenues match the gasoline sales data maintained by the Federal Highways Administration. [2] Whether the flat demand is due to smaller, more efficient vehicles or a decline in driving—or both—is unknown.

[2] Motor Fuel Data by State. Office of Highway Policy Information. Federal Highway Administration. Web site found in June 2007 at http://www.fhwa.dot.gov/policy/ohpi/qfuel.htm

3. Idaho Transportation Department Revenues and Expenditures.

The Idaho Transportation Department (ITD) had total revenues of $448 and $487.3 millions in 2005 and 2006, respectively. The sources of revenue and the distribution of expenses for 2006 are shown in Figures 3 and 4.

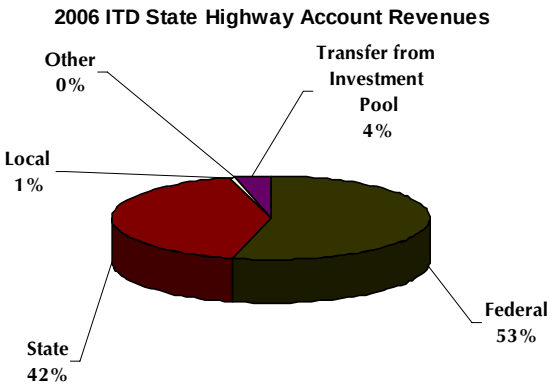

Figure 3 - 2006 ITD Revenues

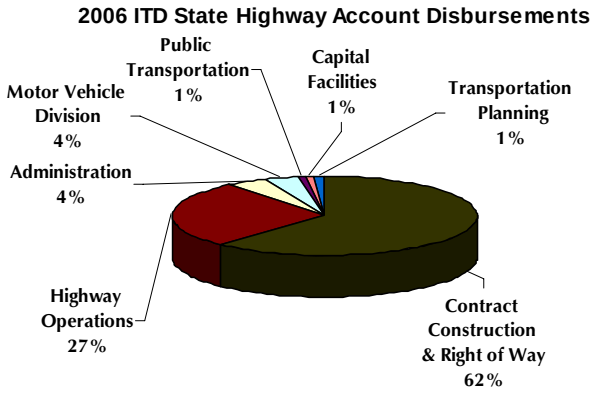

Figure 4 - 2006 ITD Expenditures

Federal and State sources, of which 93% came from HDA, made up 95% of ITD's budget. Contracted construction and rights-of-way consumed 62% of its budget, while operations (routine maintenance and staff) took 27%. Reliance on federal funding and HDA, neither indexed for inflation, account for much of the financial problems. The federal gas tax, now at 18 cents per gallon, has not been increased in 10 years. (Both revenue and expenditure patterns were very similar for 2005.)

Figure 5 illustrates the change GARVEE makes in the budgeted revenue stream for ITD. In 2007, GARVEE accounts for 24% of ITD funds, dropping federal and HDA to 34% and 37%, respectively. While not yet available, it is reasonable to assume that the influence of GARVEE will increase the contract construction share of disbursements seen above for 2006.

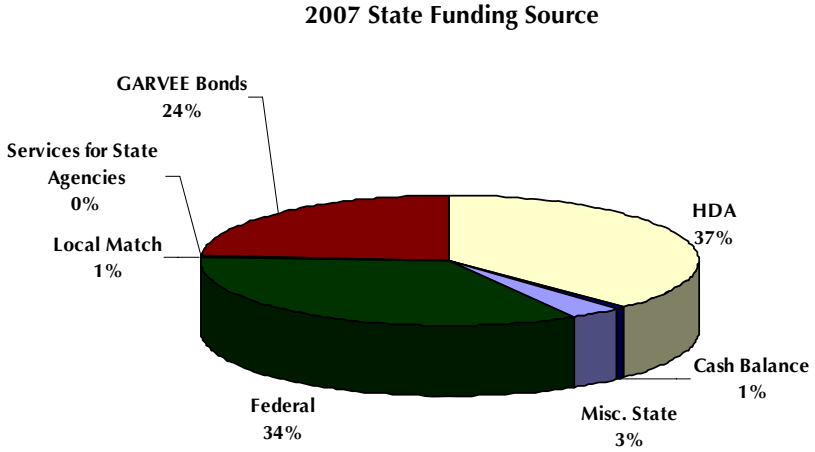

Figure 5 - 2007 Budgeted Revenues

Note the 2007 percentages for ITD reflected budgeted—not actual—revenues.

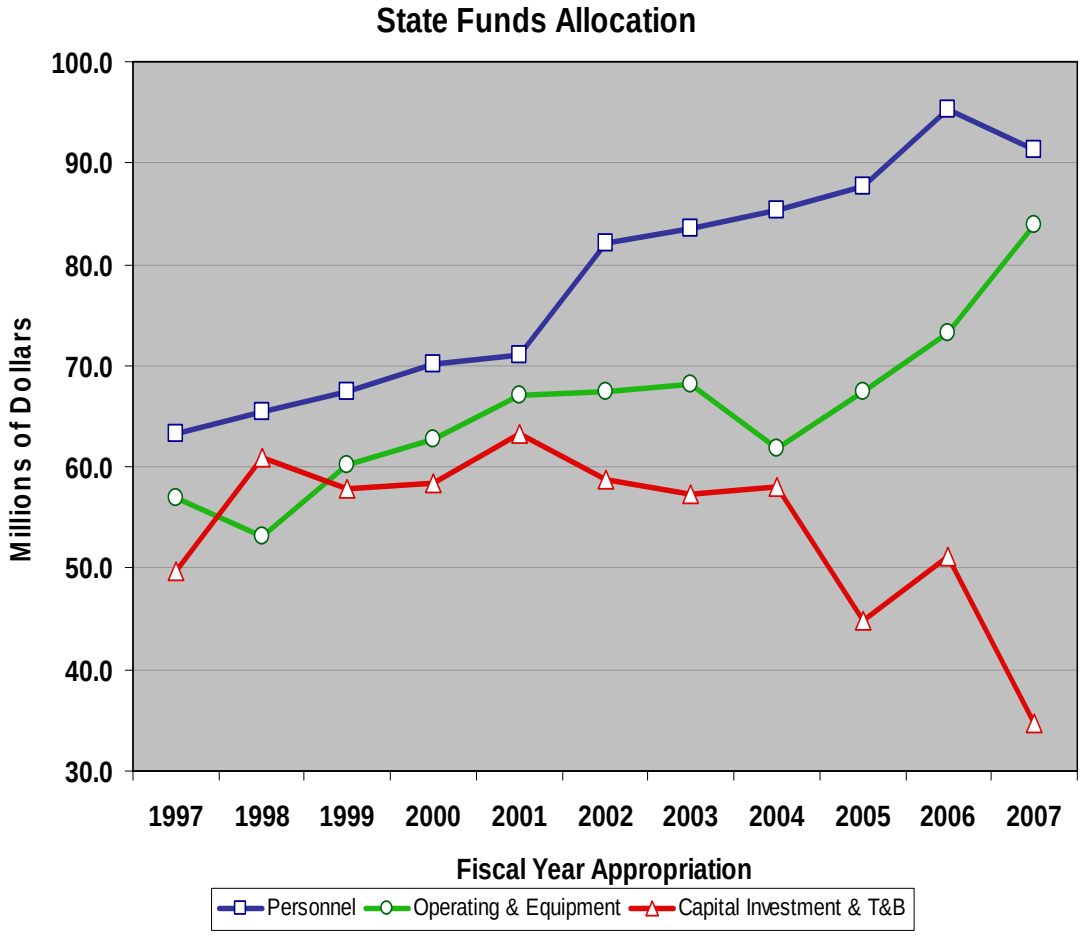

Figure 6 - ITD Allocation of State Funds

Figure 6 depicts ITD's expenditures of state-generated funds from 1997-2007. (Expenditures for 2007 based on budget, not actual.) It depicts a marked drop in expenditures for capital investment since 1997, as funding for operations and personnel consumes an increasing share. Since ITD is dependent on state funds for local match on federally funded projects, this trend reveals a problem with depending on federal funds. Even if federal dollars were to go up in the future, ITD may lack state funds to match them. (Source for Figure 6 is a presentation made to the Idaho Transportation Board in June 2007.)

4. Local Roadway Agencies Revenues and Expenditures and Roadway Maintenance Activity.

Local roadway funding tends to be much less reliant on federal funding than ITD funding. The total revenues for Ada County (ACHD) and Canyon County (the four highway districts plus the cities) are shown in the table below.

	2000	2001	2002	2003	2004	2005	2006
Ada	53,383,860	57,217,331	52,732,215	53,044,690	64,679,096	70,921,109	68,223,534
Canyon	16,625,466	18,431,448	16,661,956	18,046,929	19,445,745	21,664,539	22,185,847

While these amounts appear to show a picture of revenue increases, the same cost indices were applied to the local roadway revenues, with the results shown in the following figures.

While Ada revenue gained from 2003 to 2004, it was the result of a surge in impact fees. **By 2006, the regional buying power had lost nearly $40 million compared to the "real" dollars.** At the same time, use of impact fees and property taxes provided a better cushion against inflation than does reliance on flat unit gas taxes, which are the basis for the HDA and federal highway trust fund. The diversity of local roadway funding is shown in the following graphics for fiscal year 2006.

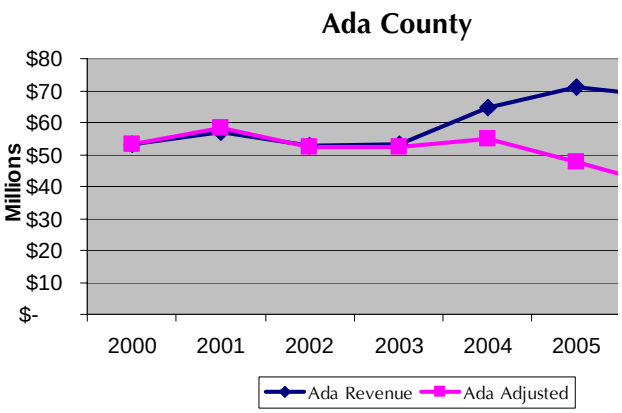

Figure 7 - Ada County Roadway Revenues

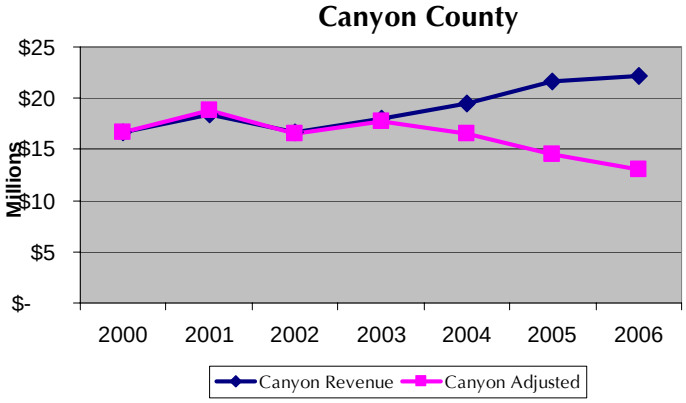

Figure 8 - Canyon County Transportation Revenues

Both counties have approximately the same share of property tax funds, but Ada County's use of impact fees and local registration fees provide 22% of its budget. Note that federal funds constitute only a tiny percentage of either County's budget, especially compared to ITD's reliance on federal funds for the lion's share of its budget.

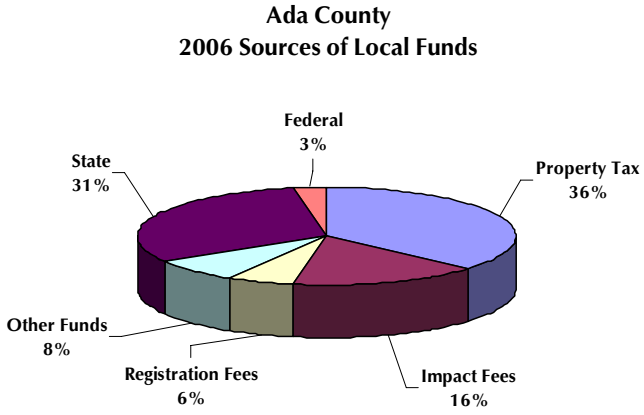

Figure 9 - Sources of 2006 Ada Roadway Revenues

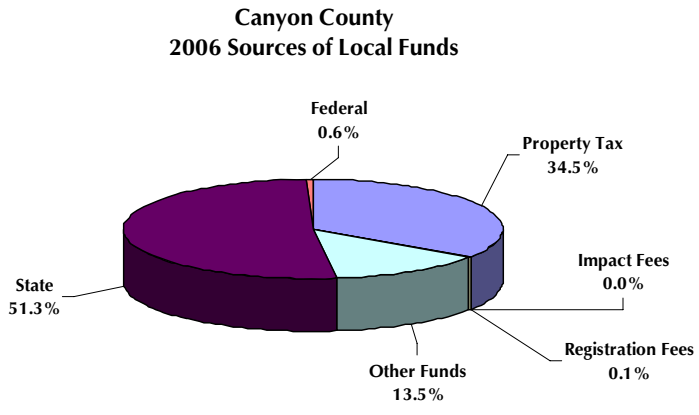

Figure 10 - Sources of 2006 Canyon Roadway Revenues

Where these funds are spent is also informative. Relatively small percentages of either county's budgets went for new construction in 2006. Ada County's six percent compares to 24% of its budget going into new construction in 2000.

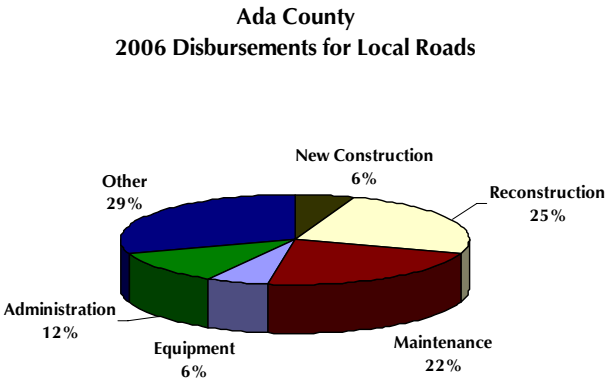

Figure 11 - 2006 Ada Roadway Disbursements

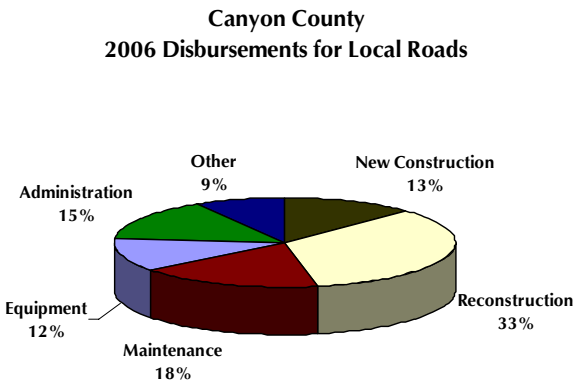

Figure 12 - 2006 Canyon Roadway Disbursements

Maintenance and reconstruction, the latter of which can incorporate capacity expansion, are much bigger consumers of the transportation dollar. While limited information yet is available to review trends in pavement condition, information was obtained as to the number of miles of various seal coatings were done in 2005 and 2006. Seal coats are thin layers of asphalt, sometimes combined with gravel, designed to improve impermeability of the asphalt and traction. It is somewhat akin to painting a house. The paint protects wood that is still sound, but painting rotten wood is an exercise in futility.

The combined total road mileage (centerline miles) was 3,991 in 2005 and 4,095 in 2006. This includes roadways classified as local, and most of the increase is attributable to developer-built roads within subdivisions. Assuming a road needs a seal coat every seven years, a certain percentage of miles should be coated each year to maintain surface quality. The following figure summarizes the seal coating data and compares it to the theoretical number of miles that would have been done under a seven-year schedule.

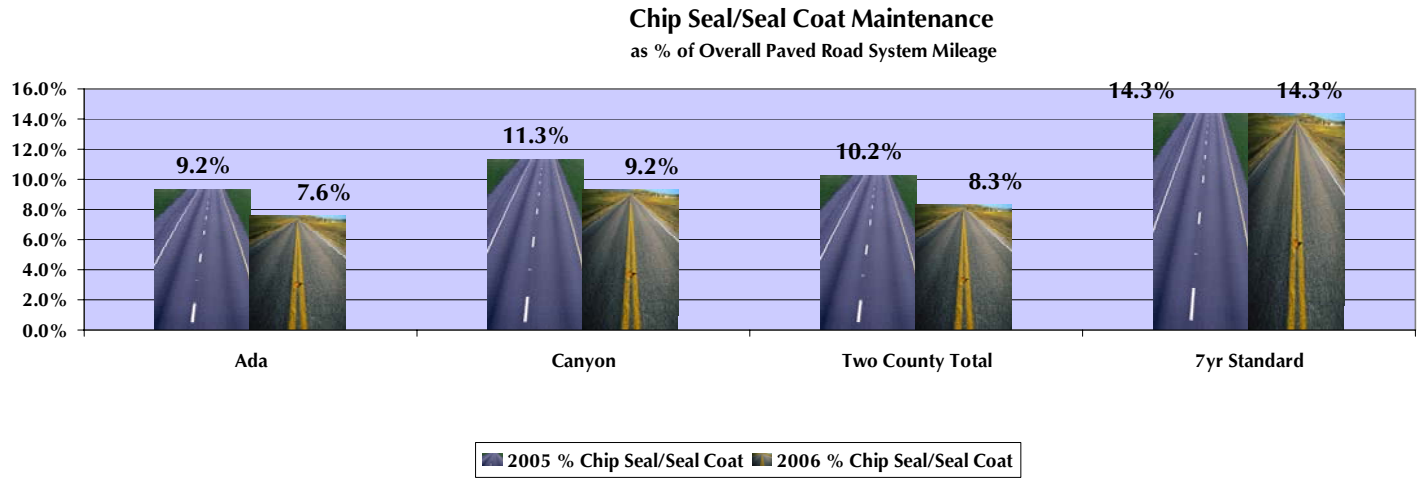

Figure 13 - Seal Coating Investments

A similar inventory was attempted for overlays, treatments of 2″ or more of asphalt intended to replace worn or degraded surfaces and where subsurface deterioration has not occurred. Generally, depending on weather, soil conditions and truck traffic, an asphalt pavement is good for 20-25 years between overlays. (It also assumes that seal coats and other routine maintenance are being carried out.) Failure to do an overlay when warranted can lead to a total road reconstruction, which can cost 5-10 times more than an overlay.

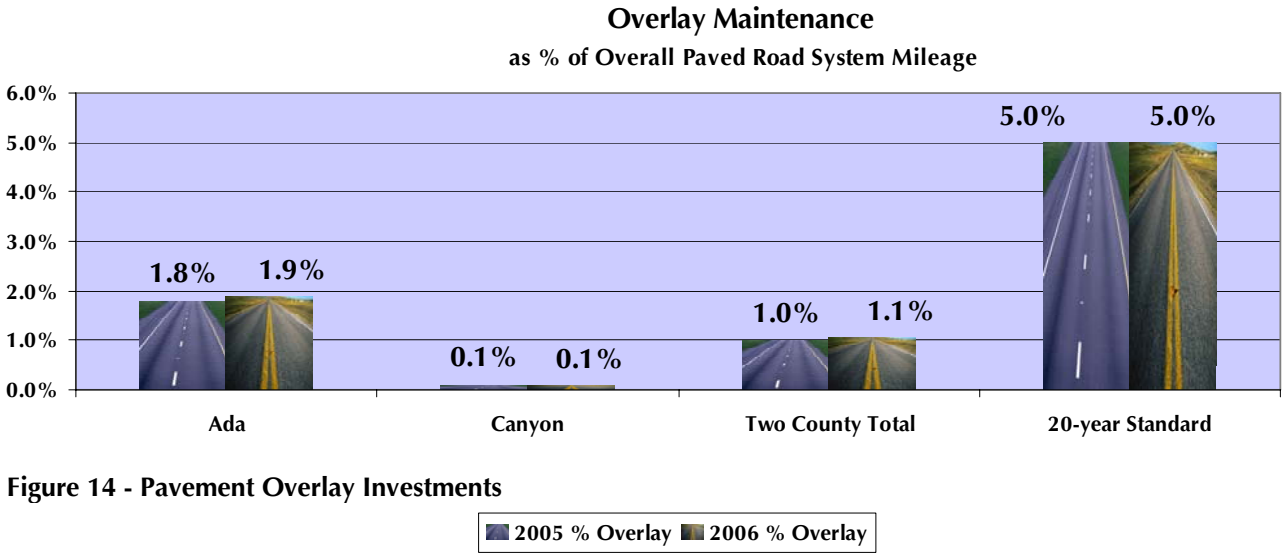

Figure 14 - Pavement Overlay Investments

Results are too preliminary to put much weight on two years data. Staff will work with local and state road agencies to refine reporting on both seal coating and overlay. Since roadway mileage reported as "paved" could include surface treatments for dust control, too, the process needs to be adjusted to obtain more accurate results. Over time this data should improve awareness of the appropriate level of effort for maintenance.

COMPASS staff will work with local and state road agencies and with the Local Highway Technical Advisory Council, which is promoting use of pavement management systems across the state. These systems provide a means to track pavement condition and establish procedures for treatment.

Overall Conclusions.

The buying power of transportation funding has been sharply eroded since 2003. An inflation-sensitive funding mechanism(s) is needed to avoid continued loss. Maintenance and reconstruction are becoming the major components in most agencies' budgets—not an unreasonable policy given the need to protect this immense investment. The ability of agencies' to fund expansion of the roadway network or to add other features, such as pathways and landscaping, will be contingent upon expanded revenues.

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