

Legislative Report

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News to Use:

“But Project 60’s success – and in large measure Idaho’s success – depends on our willingness to address the infrastructure challenges we face – not only roads and bridges, but energy transmission, water supply, information networks and educational resources.”

And with that statement, the Governor of Idaho embraced the business community agenda put forward by the IACI membership. Project 60 is the name for the goal of achieving a 60 billion dollar GDP within Idaho. We were close prior to the downturn in the economic picture, but that means now, more than ever, we must invest to position Idaho to become the leader in economic recovery. In his State of the State address, the Governor charted a course for 2009 that included dramatic and unprecedented cuts in state government. Reaction to the speech has been somewhat predictable. K-12 education has never seen a year-over-year actual cut. An actual 5 1/3% reduction will set up debates that will drive much of the session, which is sure to be lengthy.

“So, what is the Governor’s Transportation Plan?” The Governor believes that all existing and new revenue should be spent by priority and utilized as efficiently as possible, with measurable and reportable results that meet the expectations set forth in this plan. This will be achieved with the following measures:

- A 10% cut in all administrative costs at the Idaho Transportation Department (ITD) effective immediately.
- Restricted account for all new revenue: All new revenue will be placed into a separate restricted account and prioritized and designated for maintenance and operations of Idaho’s highways and bridges.
- Annual Accountability Report: The Director of the ITD will be required to complete this report and provide copies to the Governor, ITD Board, and the Chairs of both the House and Senate Transportation Committees. This report will include:
 - a) The amount of all revenue generated in that year (including all new revenue) showing where and how it was spent according to established priorities; and
 - b) Progress on the implementation of recommendations from the Legislative OPE Audit, the Peer Review, the Governor’s 2007 Efficiency Report, and the CEO review.
- Idaho CEO Peer Review of ITD: The Governor will be asking several CEOs from Idaho’s top performing businesses to collectively review how ITD operates and make recommendations from the private industry perspective. This group will evaluate and establish specific performance expectations of the ITD Director and the Board. They will provide direction to ITD on implementing nationwide best practices and creating new standards for both performance and delivery of services.

The Governor has reduced the overall target number to \$174 million from the original \$240 million, which is over 27% less than previously requested. Much of the lower request is to be made up with efficiencies in the dollars to be spent on maintaining the transportation system.

A. **Fuel tax: raise 2 cents per year for 5 years (\$88 million)**

Idaho’s current fuel tax rate is 25 cents per gallon and has not been raised since 1996. It generates 70 percent of the revenue for the highway distribution account. Each penny per gallon increase would net \$8.8 million to the Highway Distribution Account (HDA). The fuel tax is considered to be one of the purest “user pay” taxes and is about the only way to ensure that out-of-state motorists are helping pay for the Idaho roads they are using.

The Governor’s Plan would add two cents per gallon per year for the next five years. This would generate \$17.6 million dollars of new revenue per year with a total at the end of five years of \$88 million dollars of ongoing revenue. There will also be an increase to Idaho Code 63-2424 for the annual gaseous fuels tax. This is where a person can pay an annual fee for compressed gaseous fuels in lieu of paying by the gallon at the time of purchase. This was NOT raised in 1996 when the fuel tax was raised from 21 to 25 cents.

B. Vehicle Registration Fees: change fee structure in year one then raise 10%-12.5%-15%-17.5% for each year for the next four years (\$51 million)

Another major source of revenue is the vehicle registration fee (16.2 percent of the HDA). The registration fee for passenger cars is based on the age of the vehicle. There are five categories but only three set fees. \$40.0 million revenue was received from passenger cars in FY08. Current registration ranges from \$24 to \$48 per vehicle depending on age.

The Governor’s Plan would change the current tiered structure to:

Vehicle	# of Vehicles	Current Fees	Year one:	Yr. 1: New Fees	Yr. 2: +10%	Yr. 3: +12.5%	Yr. 4: +15%	Yr. 5: +17.5%
1-2 years old	205,802	\$48	+ \$24	\$72	\$79.20	\$89.10	\$102.47	\$120.40
3-4 years old	125,020	\$36	+ \$24	\$60	\$66.00	\$74.25	\$85.39	\$100.33
5-6 years old	132,084	\$36	+ \$12	\$48	\$52.80	\$59.40	\$68.31	\$80.26
7-8 years old	133,331	\$24	+ \$12	\$36	\$39.60	\$44.55	\$51.23	\$60.20
Over 8 years	664,389	\$24	+ \$6	\$30	\$33.00	\$37.13	\$42.69	\$50.17
	1,260,626							

With all five tiers, the state would generate about \$15 million of new revenue in the first full year of implementation. In year one there will be no percentage increase added. There will then be a 10%-12.5%-15%-17.5% increase each year over the next four years of the plan. At the end of year five there will be approximately \$51 million dollars of ongoing revenue generated per year. NOTE: Because Idaho allows two-year registration and vehicle owners pay registration fees in different months throughout the year, a percentage of the new revenue expected in year one might not be collected until year 2.

C. All others registered at county level: motorcycles, trailers, cabs, buses, etc. fees will be raised in line with cars (\$1.7 million) after 5 years

There are \$2.5 million in other county registrations that include motorcycles, hearses, wreckers, ambulances, cabs, buses & etc. The Governor’s Plan would adjust these items to a new schedule of fees in year one and then be raised the same as cars; 10%-12.5%-15%-17.5% for the next 4 years this would raise a total of \$1.7 million of new revenue at the end of year five.

D. Light Truck Registration: change fee structure in year one then raise the same as cars for the next four years (\$ 9.3 million)

All light trucks from 8,000 to 60,000 pounds are registered at the county level and fall under two categories, farm/non-commercial and commercial. Also the current fee structure is linked to registration for cars/pickups with the fee for the lightest truck equal to the fee of the newest cars. NOTE: Farm/Non-Commercial trucks have the option of registering for a portion of the year in addition to having a reduced registration rate.

The Governor’s Plan would keep light trucks “linked” to cars by setting the fee of the lightest truck (8,000 pounds) equal to the newest car. Similar to cars, there will be a change to this new fee structure in year one, which will generate \$2.45 million and then a 10%-12.5%-15%-17.5% (approximately \$1-2 million) increase per year for the next four years. This would generate \$9.3 million dollars of new revenue at the end of five years.

The chart below reflects this plan:

Farm/NC Truck in Pounds	# of Trucks	Current Fees	Year One:	New Rate Yr. 1	Yr. 2 +10%	Yr. 3 +12.5%	Yr. 4 +15%	Yr. 5 +17.5%
8,000-16,000	46,431	\$48.00	+\$24	72.00	\$79.20	\$89.10	\$102.47	\$120.40
16,001-26,000	10,817	\$61.08	+\$24	84.08	\$93.59	\$105.29	\$121.08	\$142.27
26,001-30,000	1,763	\$91.68	+\$24	115.68	\$127.25	\$143.15	\$164.63	\$193.44
30,001-40,000	1,012	\$130.08	+\$24	154.08	\$169.49	\$190.67	\$219.28	\$257.65
40,001-50,000	4,209	\$188.28	+\$24	212.28	\$233.51	\$262.70	\$302.10	\$354.97
50,001-60,000	1,486	\$311.88	+\$24	335.88	\$369.47	\$415.65	\$478.00	\$561.65
Commercial Truck in Pounds	# of Trucks	Current Fees		New Rate Yr. 1	Yr. 2 +10%	Yr. 3 +12.5%	Yr. 4 +15%	Yr. 5 +17.5%
8,000-16,000	26,228	\$48.00	+\$24	72.00	\$79.20	\$89.10	\$102.47	\$120.40
16,001-26,000	7,658	\$143.40	+\$24	167.40	\$184.14	\$207.16	\$238.23	\$279.92
26,001-30,000	419	\$223.80	+\$24	247.80	\$272.58	\$306.65	\$352.65	\$414.36
30,001-40,000	656	\$291.60	+\$24	315.60	\$347.16	\$390.56	\$449.14	\$527.74

40,001-50,000	688	\$360.00	+\$24	384.00	\$422.40	\$475.20	\$546.48	\$642.11
50,001-60,000	794	\$515.40	+\$24	539.40	\$593.34	\$667.51	\$767.63	\$901.97

E. Heavy Truck Registration: raise existing fees 5% in year one (\$2.4 million)

All heavy trucks (60,000 GVW and over) are registered at the state level based on the set fee schedule. The Governor's Plan would raise the registration fee for trucks by 5% in year one, generating \$2.5 million of new revenue. Also, during the 2009 interim, the Governor will form a Task Force on Truck Registration to look into the current registration system and, if inequities are found, then make recommendations on a better system for Idaho.

F. Rental Car Tax: set a 6% tax (\$2 million)

Currently, there is no state excise tax on rental cars in Idaho. A 6% tax on rental car fees would yield approximately \$2.0 million. The Governor's Plan would create a new Chapter 45, Title 63, Idaho Code, by imposing a tax on all short-term leases or rentals of motor vehicles not exceeding thirty (30) days. This plan would exempt vehicles registered for 8001 pounds or more, moving vans, and rentals, temporarily replacing vehicles being repaired. This plan will add a 6% rental car tax on all rental cars in Idaho in year one. This would generate \$2 million of new ongoing revenue which will be placed in the HDA.

G. Ethanol Exemption: Eliminate the Ethanol Exemption (\$4.1 million)

Several years ago there were exemptions from the 25 cent fuel tax for ethanol placed in Idaho Code sections 63-2401 and 63-2407, to benefit the ethanol industry and help get this industry started. Since that time, the ethanol industry has developed rapidly to the point that 25% of all gasoline sold in Idaho is blended with ethanol. Of the 660 million gallons of gasoline taxed in Idaho, 165 million gallons of that is gasohol. This results in 2.5 cents/gallon loss of revenue due to ethanol in gasoline (10% of 25 cents) which is \$4.13 million in lost revenue annually. The Governor's Plan would eliminate the ethanol exemption in year one by amending sections 63-2401 and 63-2407 of Idaho Code, which would recover \$4.13 million of lost revenue which will be placed in the HDA.

H. ISP 5%: Shift the 5% ISP receives from fuel tax to General Fund (\$16 million)

The Idaho State Police (ISP) receives 38.2% or \$15.9 million of their budget from the Highway Distribution Account. The Governor believes that ISP has responsibilities far beyond patrolling Idaho roads. Because they now have a statewide mission of investigation and supervision, it should receive its entire budget from the general fund. The Governor's Plan would shift this 38.2% of ISP funding from the fuel tax to the general fund over the next five years. This would shift \$3.2 million of revenue per year with a total at the end of five years of \$16 million of ongoing revenue. The Governor will set the 2009 number at \$18 million for ISP.

Finally, the Governor outlined a pathway for future action to improve the funding and system of transportation in Idaho. Beyond just money, he is seeking a more efficient system with appropriate and fair resources.

A. Governor's Task Force on Truck Transportation: Set up a Governor's task force during the summer of 2009 to study the validity and perceived inequities of the Idaho Truck Registration System and all other truck-related questions on permits, weights, etc.

B. Sales of autos, auto parts and tires: Request that the Idaho Tax Commission set up a system to track the sales of all tires, auto parts, and auto sales starting in year one.

C. Replace the 3% Fuel Tax to Parks and Recreation: Request that the Idaho Dept of Parks & Recreation show how the 3% (\$4.7 million) of fuel tax revenue is spent and identify dedicated fund sources to replace it

D. Review Fuel Tax System: Further study the fuel tax system looking at topics such as non-fuel taxed vehicles (i.e., electric cars), vehicle miles tax (VMT), etc.