LOCAL-OPTION TRANSPORTATION FUNDING

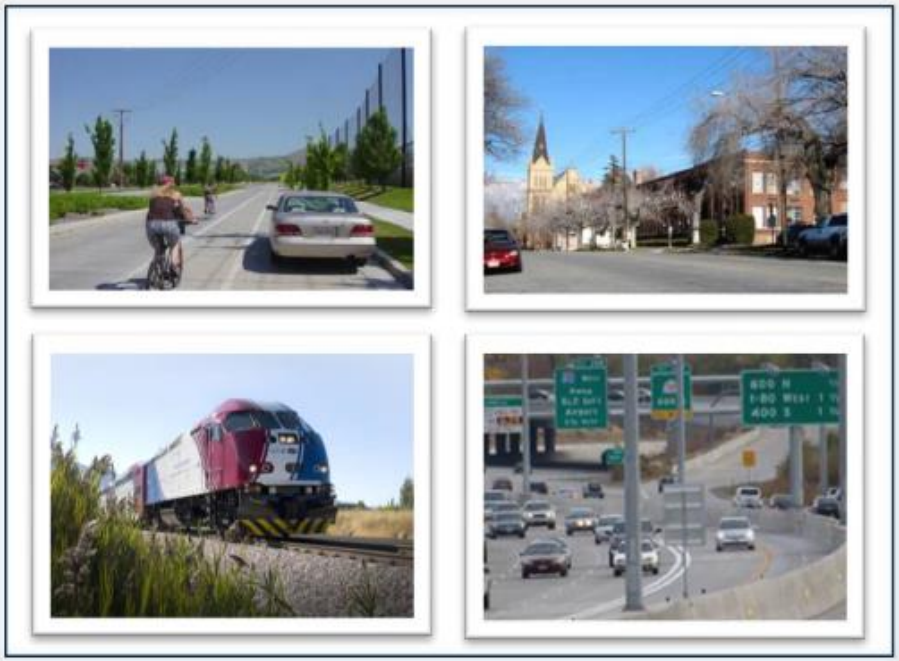
October 16, 2013

Utah Legislative Interim

Transportation Interim Committee

WHAT WAS THE BASIS FOR DETERMINING THE NEED

Utah’s Unified Transportation Plan



UTAH'S UNIFIED TRANSPORTATION PLAN: 2011-2040

CMPO Cache Metropolitan Planning Organization

Unified Transportation Planning DIXIE METROPOLITAN PLANNING ORGANIZATION

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

UDOT udot.utah.gov

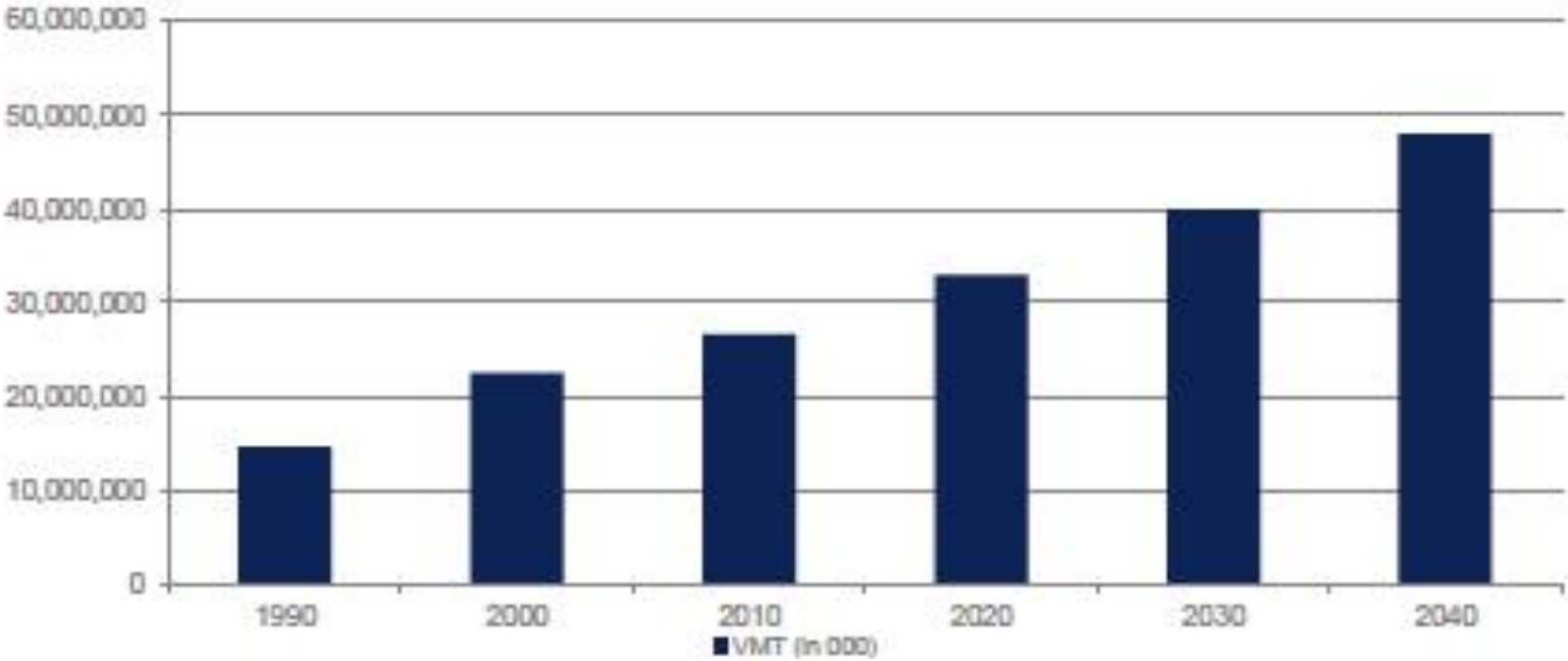
UTA

WASATCH FRONT REGIONAL COUNCIL

THE MAINTENANCE AND OPERATION PROBLEM

Future Challenges

Annual vehicle miles traveled (VMT) statewide expected to grow more than 80% from 26.6 billion in 2010 to 48 billion by 2040

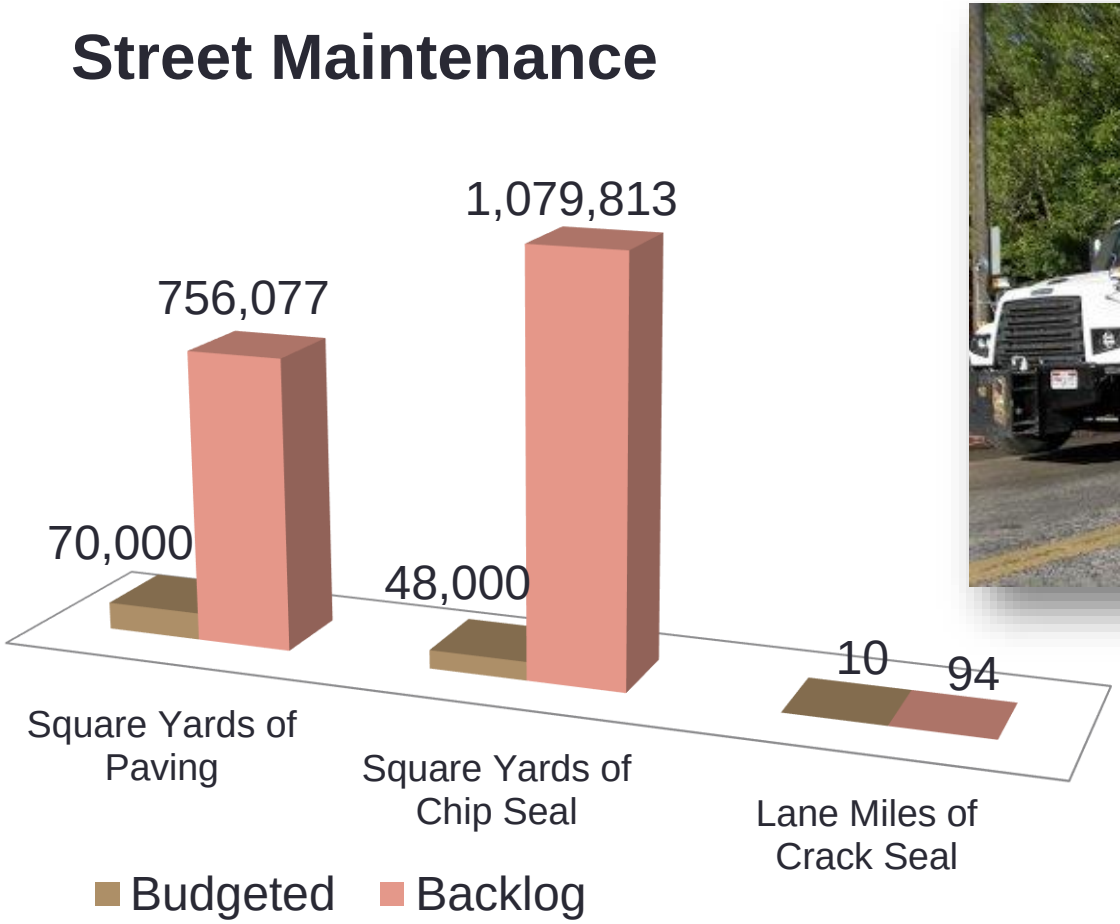


The Cost of Deferring Maintenance

Provided by the Salt Lake Chamber of Commerce 2013 Public Policy Guide

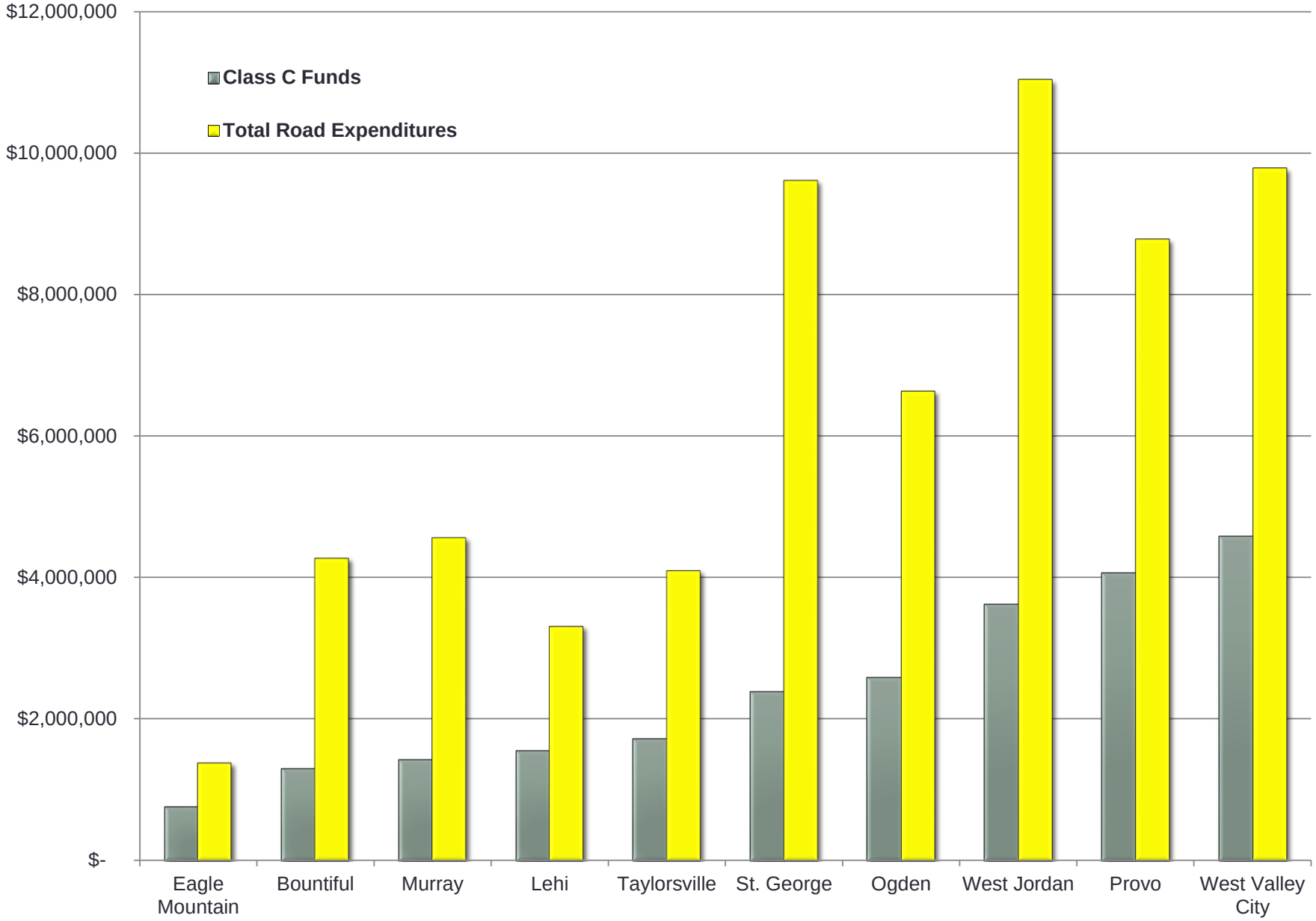
Infrastructure Maintenance Backlog

State of Current Infrastructure --- One City's Example



THE FUNDING PROBLEM

FY 2011 Municipal Highway Funds vs. Municipal Expenditures

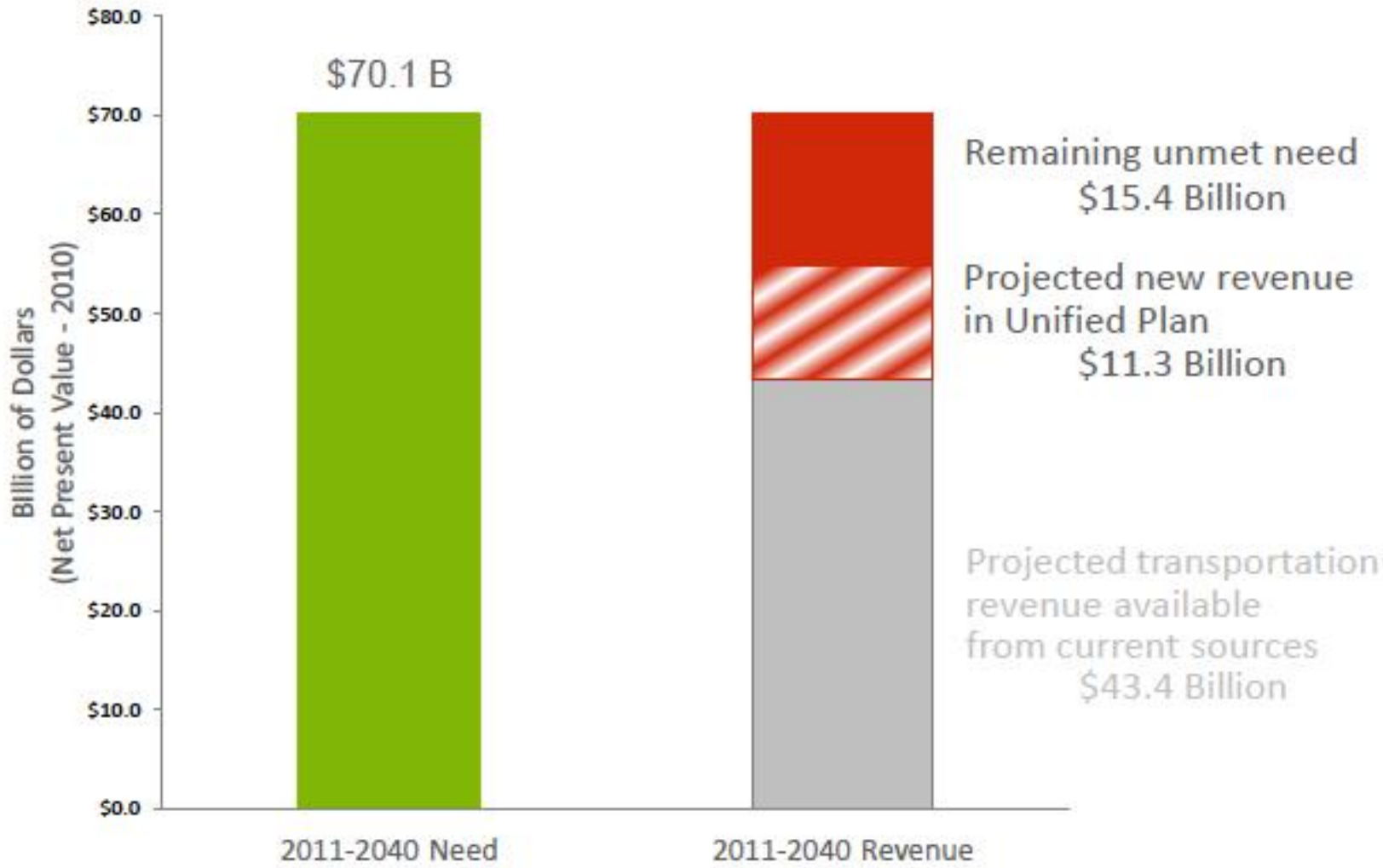


Provided by the State Auditor Local Government Finance Report (Ut-2 form)

Gas Tax Dynamics

- The Problem:
  - Since the last gas tax increase in 1997, inflationary pressure on the “user fee” has diminished the purchasing power by 40%
  - During that same time period, road material costs have increased by 300%
  - Maintaining 35,000 miles with the equivalent of 4 cents/gallon is not sustainable
  - Maintenance is cheaper than repair but we can’t keep up with either

Projected new revenue would partially close the funding gap



Breakdown of the Need

- $70.1 Billion Total Need by 2040
  - Financially Constrained the Unified Transportation Plan to $54.7 Billion
  - Current Revenues (est.) generate $43.4 Billion

- Funding Gap is $11.3 Billion between financially constrained Unified Transportation Plan and current funding

- $3-4 Billion in City/County Needs (Capacity and Maintenance)
- $4 Billion in State Needs (Capacity and Maintenance)
- $3 Billion in Transit Needs (Capacity and O/M)
- Plus Active Transportation (trails/paths) investment complementing all modes

THE FUNDING PROPOSAL

What We Explored:
Authorized Local Option and Dedicated Tax Comparison of States

	Washington (21)*	Oregon (11)	California (3)	Nevada (4)	Utah (8)	Idaho (30)	Arizona (10)	New Mexico (39)	Colorado (7)	Wyoming (36)	Montana (37)
Gas Tax (Local Option)	√	√	√	√				√			√
Vehicle Tax (Local Option)	√	√	√	√	√	√					√
Employment Tax (Local Option)	√	√							√		
Sales Tax (Dedicated)	√		√	√	√		√	√	√	√	
Property Tax (Dedicated)	√	√	√	√		√	√		√	√	
Other**	√		√	√		√			√		
Total Revenue Sources	**6**	**4**	**5**	**5**	**2**	**3**	**2**	**2**	**4**	**2**	**2**

*State Metropolitan Urban Density Ranking

** Other Includes: Real Estate Transfer Taxes, Severance, Food and Beverage, Development Impact, and Mortgage Recording

Our Proposal:

- A 3% local-option fuel user fee
  - Equivalent to a 10 cent motor fuel tax
  - Approved by county legislative body
  - All revenues flow to local governments (cities & counties)

- Working through distribution of funds
  - Distribution among participating counties, and their cities
  - Based largely on current B&C allocation
  - Some county-wide discretion for regional projects

- This plan only addresses the city/county road issues
  - Approximately $3 Billion in need (Unified Transportation Plan)
  - Generates roughly $3 Billion over the next 27 years (2040)

Why it Works

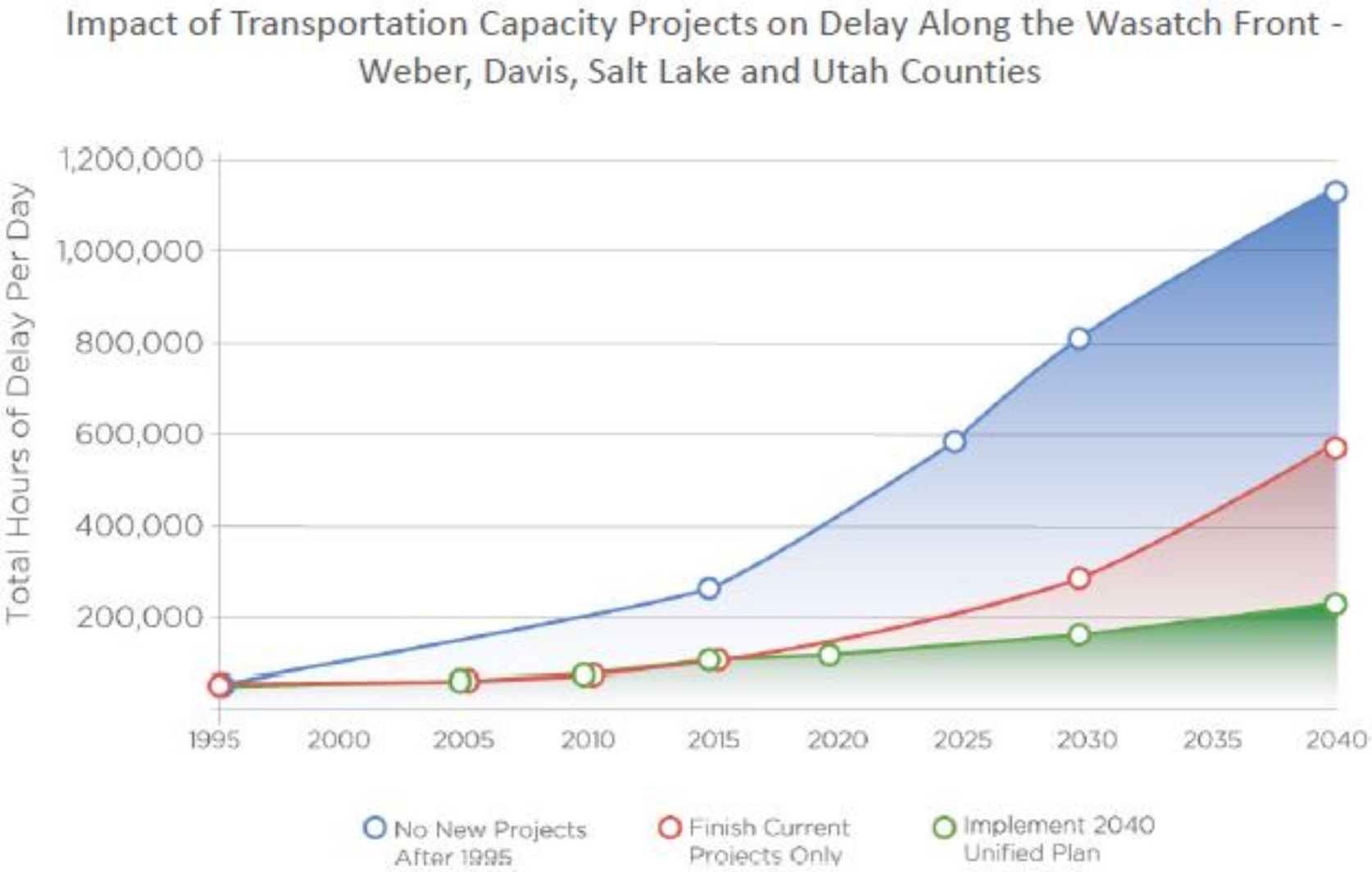
- 3% user fee provides nexus between users and benefits
  - Percentage based fee addresses inflationary pressure on the fund
- Administratively it will be converted to a “Cents/gallon” tax for the purposes of collection
  - Reduces the collection burden from thousands of retail outlets to only needing to collect from a limited number of distributors
  - Worked with Tax Commission on these logistics
- While working through final details of distribution we are trying to balance needs with the ability to generate funds (i.e. Rural-Urban Dynamics)
  - Counties, Cities, and MPO’s have all been a part of the discussion

What Is Next?

- This proposal addresses the city/county road issue ($3 Billion over next 27 years)
- Funding for Transit and State roads as identified in the Unified Transportation Plan still need to be addressed
- We are working on a 5 year implementation plan to address the comprehensive need; state and transit still outstanding

THE BENEFITS OF INVESTMENT

Benefits of Past Investments in Transportation



The Cost of Deferring Maintenance

Provided by the Salt Lake Chamber of Commerce 2013 Public Policy Guide