

# Lessons Learned from the Centennial Highway Fund and

## Things that need to be considered in a new CHF Program

Clint Topham, June 2003

The 2003 Legislature appointed an Interim Study Committee (the Transportation Planning Task Force) to evaluate Transportation Funding for Utah. At their meeting on June 4, 2003 I gave testimony about the history of creation of the Centennial Highway Fund which was initiated by the Legislature in 1996. I mentioned that I felt there are some lessons which were learned from implementation of the CHF that should be considered if the Legislature either significantly modifies the current CHF or creates a new one. Several are listed below:

1. **The Statewide Transportation Improvement Program (STIP), funded from the State Highway Fund, which includes the UDOT highway preservation program, needs to be kept whole and not be negatively impacted by a new Centennial Highway Fund.** That was supposed to be the case with the first CHF but it did not happen. Some ways that the STIP was hurt by CHF and should be avoided in the future include:
  - <sup>32</sup> ~~\$250~~ million per year of Federal Funding was dedicated to the CHF. This was done on the assumption that Utah would receive at least that much in increased funding when TEA-21 was enacted and that we would also receive a windfall from hosting the Olympics. STIP projects ended up taking a back seat to CHF projects because the \$250 million was spent on CHF projects regardless of whether that much increase was realized or not.
  - Several user fees, including the fuel tax, were assessed but all were pledged to the CHF. Essentially all increases in fees since 1987 have gone to the CHF and none to the STIP. Inflation in STIP costs has gone unfunded during that time.
  - CHF funding was held harmless and shortfalls were made up from the STIP funding. When actual funds were sought to account for UDOT efficiencies, which were never envisioned as hard dollars, they were transferred from STIP funding to the CHF.
2. **Projects committed to in the original CHF Program should still be built.** The original CHF was a statewide program which received broad legislative support, partially because it included an array of projects from throughout the State. Many who supported it were leery of having the program change and having their projects dropped and were assured that would not happen. Priorities do change over time, and some projects have already been abandoned by those who originally supported them, but those which remain, which are still wanted by local officials and the public, should remain on any new program which may be developed.
3. **The Use of General Funds, to supplement user fees, is essential to the long term financial viability of the CHF.** In the mid-1990's it was recognized that reconstruction of I-15 and addressing other highway capacity needs in Utah was impossible if only user

fees (mainly from fuel taxes) were available. User fees were to be a major part of the funding program and at that time the fuel tax was increased by 5 cents per gallon, vehicle registration fees were increased and several other user fees were adjusted. The rate of these taxes was such that Utah had one of the highest transportation user fee structures in the country. Even with that, over \$100,000,000 per year from General Funds was necessary to balance the CHF over the ten-year period.

There is continued dialogue about whether, or to what degree, general funds should be used to supplement transportation. Given the fact that the economy is so heavily dependant on the transportation system it is not only appropriate but essential. Recent data shows that the economic backbone of Utah is located along the I-15 corridor in Utah, Salt Lake, Davis and Weber Counties.

4. **The "Rules of the Game" need to be negotiated and agreed to, prior to implementation of the program.** After about three years of operation of the CHF, UDOT and the Legislature were somewhat at odds about several issues regarding development of the program. UDOT drafted a document which was amended and adopted by the legislature which spelled out how several of the issues would be addressed. An agreement on the rules under which the program will be implemented should be reached prior to adoption of a new CHF or significant modification of the old one.
5. **Any new or revised funding program needs to be financially balanced.** When developing the funding plan for the original CHF, it was recognized that at the end of the 10-year funding cycle, many other transportation needs would have emerged and that it wouldn't be wise to have a large debt at the end of the period. Indeed, many additional construction projects have been identified which is much of the impetus behind the current interim study. The reductions to general fund contributions implemented by the Legislature last year and increased costs to CHF projects have caused the current CHF to be out of balance by some \$1.4 billion. If this scenario plays out, the current fund will come to a close in a few years and available resources will then have to be used to retire the debt and not be available for currently identified and future needed projects.
6. **A few UDOT identified projects will need to be included in the new CHF Program.** There will be a limited number of projects, like I-80 between I-15 and Parley's Canyon, which won't be identified by legislators or local elected officials as needed but because of safety or physical condition and because they will be high enough in cost that they won't be able to be accommodated on the STIP, they will have to be included in a new CHF Program.
7. **Transit will need to be a consideration in development of a new CHF.** As major highway projects are identified and brought forward through the NEPA process, alternatives must be considered and transit is always a viable alternative. While not necessarily advocating changing the policy of restricting the State Transportation Fund, at the time of establishing a new fund the policy needs to be revisited. It would be very helpful when developing reasonable alternatives in the NEPA process to know logical funding levels for transit and highways so that only those which can be reasonably funded would be considered.