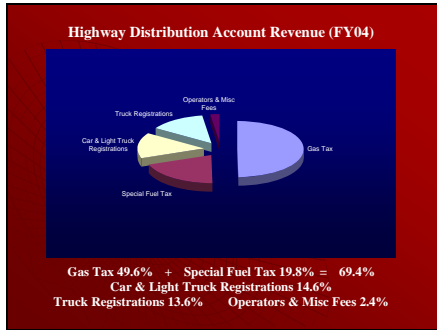


1

GAS TAX & HIGHWAY DISTRIBUTION ACCOUNT REVENUE

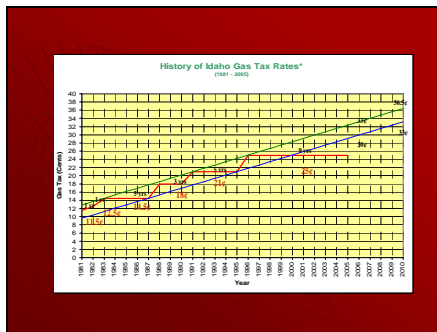
Dwight discussed revenue sources for the Highway Distribution Account (HDA).

2

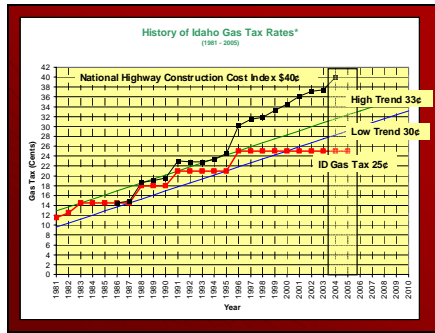


The Gas Tax (49.6%) and Special Fuel Tax (19.8%) comprise 69.4% of the total revenue collected. If we are to sizably increase the amount of HDA revenue to meet projected needs, then increasing fuel tax is currently the most efficient method. Increases in the other revenue sources in the Highway Distribution Account do not currently contribute enough to fund the shortfall, but should be considered in the mix. A recommendation to increase fuel taxes would be the largest component.

3



Over the years, the Idaho legislature has been mindful and diligent to highway needs and raised Gas Tax Rates and registration accordingly. If we were to draw straight lines connecting the highs and lows, we would have a "band" that depicts historical fuel tax increases and projects future rates. To stay within the band, fuel tax should be somewhere between 30¢ -- 33¢.



If the National Highway Construction Cost Index that Jim talked about earlier is considered the fuel tax would be about 40¢. Jim's index protocols estimate 37¢ and 41¢.

All scenarios indicate that the current fuel tax needs to be addressed. There is good reason to believe that Idaho's fuel tax should be raised to at least be in the "band" range, and more than likely should be indexed.

Questions/Comments:

Why didn't we raise taxes as the backlog and shortfalls have increased? Answer: The 10-year 25¢ gas tax is a reaction to several things:

1. Under TEA-21, Idaho was apportioned 62% more federal funds. Unfortunately, we have not always had enough state funds to meet the required match and locals especially have struggled to raise funds to match federal funds for many of their projected needs.
2. Idaho's elected officials have been reticent to raise taxes during financial hard times. Many of the other states also have not raised taxes. 5 states now use indexing for fuel taxes.

Chairman Kempton: The last gas tax increase was very difficult for legislators because of their no tax pledge and other mitigating circumstances. Unfortunately, transportation needs are too costly to ignore. We can't afford to not discuss methods for increasing revenue. We all recognize that fuel prices are going up, but we also recognize that the reported shortfall is a fair estimate. Transportation needs are real and continue whether addressed or not.

Does the increase in fuel costs decrease the amount of fuel that is consumed? Answer: Yes. Fuel costs directly impact personal expendable income. In August, national fuel consumption was down 4%.

