

MINUTES
SENATE TRANSPORTATION COMMITTEE

DATE: Thursday, January 18, 2018

TIME: 1:30 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Brackett, Vice Chairman Nonini, Senators Keough, Winder, Hagedorn, Den Hartog, Lodge, Harris, and Buckner-Webb

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Brackett** convened the Senate Transportation Committee (Committee) at 1:35 p.m.

VOTE ON GUBERNATORIAL APPOINTMENT: Having heard from Charles Kemper at the previous Committee meeting on his reappointed to the Aeronautics Advisory Board, **Chairman Brackett** told the Committee he would welcome a motion on the reappointment. **Chairman Brackett** said that he was very impressed by Mr. Kemper, especially with his knowledge and expertise of the state's current fleet and the purchase of a new aircraft.

MOTION: **Senator Winder** moved that the reappointment of Charles Kemper to the Aeronautics Advisory Board to serve a term beginning January 31, 2018 and expiring on January 31, 2023, be confirmed. The motion was seconded by **Senator Harris**. The motion passed by **voice vote**. **Senator Harris** agreed to carry the reappointment on the Senate floor.

GUBERNATORIAL APPOINTMENT: **Chairman Brackett** welcomed Jerry Whitehead, Chairman of the Idaho Transportation Board (ITB), to the Committee to introduce Jim Kempton of Albion, Idaho who is being re-appointed to the ITB.

Mr. Whitehead said that he was before the Committee to reintroduce Jim Kempton for reappointment to the ITB. In the last six years, Mr. Kempton took on two important chairmanships for the ITB: (1) updating board policies since the ITB was created; and (2) implementation of trucks capable of carrying 129,000 pound loads on Idaho's highways. **Mr. Whitehead** asked the Committee to reappoint Mr. Kempton. Mr. Whitehead turned the podium over to Mr. Kempton.

Mr. Kempton introduced himself as an ITB member from District 4 in Central Idaho. He continued that ITB focuses on maintaining and updating the infrastructure of the State. The role of ITB is to support the Idaho Transportation Department (ITD). Under the leadership of ITD Director Brian Ness, the image of ITD has successfully turned around, especially since the time Mr. Kempton served as a member of the legislature and chairman of the House Transportation and Defense Committee. ITB's move towards horizontal pathways for ITD employees has increased productivity and motivation which has resulted in national award recognitions for ITD. **Mr. Kempton** concluded that it was a pleasure to be on the ITB. He stated that it is unique in its makeup, it is easy to work with, it is multi-dimensional in the background of each of the board members, and its apolitical. His objective is to move the transportation system and infrastructure of Idaho forward. **Mr. Kempton** said he would stand for questions.

Senator Hagedorn thanked Mr. Kempton for his service. In the committees where they served together, **Senator Hagedorn** said that Mr. Kempton brings logic, knowledge and thought to ITB. **Senator Hagedorn** stated he could not think of a better representative from District 4.

Chairman Brackett noted that Mr. Kempton served on the Governor's Task Force on Modernizing Transportation. The Task Force produced a report that has stood the test of time and has been invaluable going forward with the challenges in transportation funding. **Chairman Brackett** asked what Mr. Kempton thought were the greatest challenges the ITB will face in the next five years. **Mr. Kempton** said the most significant challenge is funding. He thanked the Committee for the funding they have already brought when they raised the fuel tax last year. The problem is the ITB has not found a self-sustaining revenue source that will provide the amount of income needed for the future. There are studies in Washington on mileage-recorded data that may reveal options. This is not an easy question: Where is the closest nexus to transportation costs and transportation use in all of the tools used to collect revenue? The two options are mileage, that can be converted to fuel use, and the sale of vehicles, which the Legislature may want to consider. Otherwise the funding situation would be to force action onto local highway jurisdictions whose property tax option becomes more troublesome as time passes.

Senator Hagedorn said there was a bill about ten years ago that allowed license plates on tractor-trailers, the North America plate. Without any advertising at all, it brought in over \$1 million to ITD. We're advertising our red-star drivers license but not the North America plate. Indiana and one other state emulated Idaho's plate and were able to secure UPS, FedEx and some other large trucking companies. That market resulted in significant funding for those states. **Senator Hagedorn** asked why ITB or ITD haven't taken advantage of the authorization they have to advertise and sell those plates in order to increase the funding coming into Idaho for transportation. **Mr. Kempton** said that in the six years he's been a member of the ITB it has never been brought to the board as a proposal. He will inquire and respond to the question after he speaks with Director Ness and staff. There were no further questions or comments.

Chairman Brackett thanked Mr. Kempton for appearing before the Committee. The vote on his reappointment will take place at the next Committee meeting.

**PASSED THE
GAVEL:**

Chairman Brackett passed the gavel to Vice Chairman Nonini.

**ADMINISTRATIVE
RULES:**

Vice Chairman Nonini thanked the Chairman. He welcomed Cynthia Adrian, Tax Policy Specialist for the Idaho State Tax Commission (ISTC), and asked her to present the two ISTC dockets before the Committee for review.

**DOCKET NO.
35-0105-1701:**

IDAHO MOTOR FUELS TAX ADMINISTRATIVE RULES: **Ms. Adrian** said there are three rules in this docket that were all negotiated. ISTC asked the Department of Administration if they could simply delete the existing rules and start over with updated and clarifying language. That was not possible; therefore, the docket contains blue strike-through old language and red underlined new language. **Vice Chairman Nonini** pointed out that a clean copy of the resulting text was provided in their notebook. **Ms. Adrian** said Rule 270 outlines the documentation that the taxpayer must maintain to support his refund claim. The changes simply clarify those documentation requirements. Rule 290 outlines the procedure for the refund claims for non-taxable miles. Nothing was added or deleted, just clarifying language. Rule 292 gives directions for refund claims for paid time off (PTO) and auxiliary engines. The proposed revisions simply reformat and clarify. **Ms. Adrian** said she would stand for questions.

Senator Harris thanked Mr. Adrian for the simplified and clarifying language.

Senator Den Hartog asked who the primary users of this docket were and the annual number of refund claims with the amount refunded. She also wanted to know the scope of whom this rule impacts. **Ms. Adrian** deferred to Don Williams, Tax Policy Specialist for ISTC. **Mr. Williams** said the people who would be affected by this docket are any taxpayer who uses fuel in a non-taxable manner, whether gasoline or diesel. Idaho has a large number of claims from around the state. They can file a claim with their income tax return or separately. For specific numbers, he would have to follow-up at a later time. There were no further questions or comments.

MOTION: **Senator Harris** moved to adopt **Docket No. 35-0105-1701**. **Senator Den Hartog** seconded the motion. The motion passed by **voice vote**.

DOCKET NO. 35-0105-1702: **IDAHO MOTOR FUELS TAX ADMINISTRATIVE RULES:** **Ms. Adrian** said there is one rule in this docket that was not negotiated because it represents an International Fuel Tax Agreement (IFTA) rewrite. The change was adopted in the 2017 Legislative Session. The rule only adds those changes to IFTA. **Ms. Adrian** stood for questions. There were no questions.

MOTION: **Senator Lodge** moved to adopt **Docket No. 35-0105-1702**. **Senator Winder** seconded the motion. The motion passed by **voice vote**.

PASSED THE GAVEL: Vice Chairman Nonini passed the gavel back to Chairman Brackett.

PRESENTATION: **Chairman Brackett** welcomed Bruce Agnew, Director of the Cascadia Center in Seattle, Washington, a private, non-profit transportation policy center. He represents the Pacific NorthWest Economic Region (PNWER) and will present an overview of PNWER's regional transportation initiatives and issues.

Mr. Agnew thanked the Chairman and the Committee for this opportunity. He and Senator Winder co-chair PNWER's transportation committee. Matt Morrison, Executive Director of PNWER, regrets not being available to make this presentation.

Mr. Agnew said PNWER is a ten-member organization consisting of five Northwest states and five provinces and territories in Canada. The U.S. Ambassador considers PNWER the "gold standard" for North American relations. **Mr. Agnew** referred to Idaho as the "crossroads" state. From a transportation perspective, Idaho has three interstate highways, two robust class-one railroads, a short-haul rail line, and a Columbia/Snake river system with the Port of Lewiston and its barge traffic. Idaho is unique because of the private/public council established by the Governor that oversees PNWER affairs. There are four issues PNWER has focused on:

(1) PNWER provides access to international markets in rail. The genesis of this issue began in Alberta, Canada. A major producer of fertilizer and potash complained about getting their product from the interior of Alberta to the Asia/Pacific market, primarily by rail through crowded ports where their product experienced bottlenecks and delays. PNWER was able to address the infrastructure issues and regulatory policies. However, it is an ongoing issue for PNWER. In recent years, there have been challenges from the agricultural community with regard to oil trains bringing loads to refineries in Puget Sound which has resulted in reduced rail capacity for agricultural commodities. However, the oil market has softened making this concern not as high of a priority as it had been.

(2) Old oil tank storage rail cars are a safety issue for PNWER. To address this issue, PNWER brought together the class-one railroads, the regulatory agencies in the U.S. and Canada, and the emergency responders, particularly in rural communities. The resulting intense session focused on improving training, improving access, and the placing of clean-up materials. The railroads appreciated an independent and fair venue to talk about safety.

(3) Technology and transportation include: autonomous vehicles that operate in the freight area and in personal transportation; vehicles connected to the cloud; electric vehicles; and shared vehicles like Uber in urban areas.

(4) Infrastructure Finance; especially with regard to the interface between the federal government and the states, and similarly for Canada. Congress passed the Fixing America's Surface Transportation (FAST) Act in 2015 and the new Administration is proposing a major infrastructure investment program for the country — about \$200 billion of federal money to match non-federal money (that could include state funds, port funds, and private equity) to reach \$1 trillion of infrastructure investment. A major challenge with this proposal is how rural states will be able to access these funds.

Mr. Agnew continued that a unique aspect of PNWER is it brings U.S. and Canadian entities to each others territories to see how they do business. Canada has made a \$6 billion investment in trade-related infrastructure from Manitoba to Vancouver, British Columbia. Canada has figured out a way to expedite permitting for important security and transportation projects by putting them on a fast-track.

Section 1441 of the FAST Act authorized \$12 million for a competitive grant program to accelerate transportation projects. Congress is working on providing the funding. If funded, PNWER would provide expertise to local governments, beyond what the states can do, in applying for and accessing federal funds.

Mr. Agnew concluded his remarks with a discussion of the July Annual Summit Conference in Spokane, Washington. Discussions are in the works with Burlington Northern Santa Fe (BNSF) Railway Company about providing a train trip from Spokane to Sandpoint, Idaho. Two specific sections will be the focus of the conference: (1) Infrastructure Finance issues; and (2) Autonomous Connect for Electric Vehicles and what that would mean to states. **Mr. Agnew** thanked the Committee and stood for questions.

Chairman Brackett stated that the BNSF had initiated an additional rail crossing bridge across Lake Pend Oreille at Sandpoint, which should relieve the bottleneck in east/west rail travel. He asked if there has been any changes in oil rail traffic; he wondered if it was holding steady given the pipelines that the U.S. is building. **Mr. Agnew** replied that he heard from the agricultural community that the rail capacity crunch has eased in the last two years. This is a result of a continuing lower world market price for oil. The other issue that affects Idaho and Montana in particular is that there has been major battles in the Puget Sound regarding the development of new terminals for transporting energy. Prognosis for oil in the future is steady or slowing. Without the export market, no increase in oil traffic is expected.

Senator Hagedorn asked how Vancouver, British Columbia funded the 17 newly constructed overpasses. **Mr. Agnew** answered that they launched because of a major investment from the Canadian government in 2006; it was called the Asia/Pacific Gateway. The Province of British Columbia invested a great deal of money, the port and the local government put funding in, and the private sector levied a premium on their members to come up with several hundred million dollars. The private sector piece was what made the project work. There was a crisis in Vancouver and a solution was needed. They also decided to partly use private funds to build their rail transit line between downtown Vancouver and the airport in advance of the 2010 Olympic Games. Not only did they mix private and public funds, they were able to work out a labor agreement with the unions. Canada has many good examples of the private and public sectors working together.

Senator Winder said it is a pleasure to work with Mr. Agnew who is knowledgeable and brings invaluable experience to PNWER's transportation committee. One of the biggest challenges is how to get private sector money into our transportation system to meet the growth needs of Idaho. **Senator Winder** thanked Mr. Agnew for his presentation.

ADJOURNED: There being no further business before the Committee, **Chairman Brackett** adjourned the meeting at 2:25 p.m.

Senator Brackett
Chair

Gaye Bennett
Secretary