



C.L. "BUTCH" OTTER
GOVERNOR

April 11, 2017

The Honorable Lawrence Denney
Secretary of State
State Capitol
Boise, ID 83702

Dear Mr. Secretary,

I hereby advise you that I have transmitted to you today the following Senate Bill, which was allowed to become law without my signature:

S 1206

as prescribed by the Constitution.

Transportation has been one of the central focuses and primary frustrations of my three terms as governor.

From the mistrust and misunderstandings that stifled our efforts in 2009 to the collaborative successes of 2015, we have made halting but very real progress toward securing a safer and more effective system of roads and bridges for Idaho motorists. We enacted the first fuel tax increase since 1996, along with vehicle registration increases and a "surplus eliminator" mechanism aimed at addressing our maintenance and repair backlog. And the Idaho Transportation Department has never been more efficient, effective or motivated to succeed.

Yet the gap between what's been accomplished and what remains to be done remains wide. Our transportation funding streams are tenuous, subject to federal reductions and too dependent on fuel tax revenue that is relatively diminishing as vehicles become more and more efficient.

So while I object to significant portions of this legislation for the reasons outlined below, the imminent and ongoing risk to our citizens and the negative impact on our key corridors of commerce are too great to keep Senate Bill 1206 from becoming law. What's more, the prospects for meaningful action to generate additional long-term funding for Idaho's roads and bridges in an election year are too remote to let this opportunity pass.

That being said, I am troubled by the determination – particularly in the House of Representatives – that General Fund revenue now must be an ingredient of any transportation revenue plan. I have said repeatedly and clearly that I oppose putting transportation in direct competition with education and our other constitutional and statutory commitments for General Fund revenue. So while I hope that lawmakers will reconsider the provision carving out 1 percent of State sales tax revenue from our General Fund, House leadership has expressed to me that such reconsideration is highly unlikely. But that is a discussion for the interim and beyond. Immediate needs require immediate action, and with all its flaws Senate Bill 1206 provides at least a short-term response.

Beyond what I consider its unwelcome draw on sales tax receipts, I withhold my signature from this legislation because it includes a dicey permanent diversion of funding from other sources. It also eliminates a requirement that some existing revenue be used only for maintenance and repairs and cuts out useful local accountability measures from an earlier version of the bill. I would encourage further consideration of both those issues.

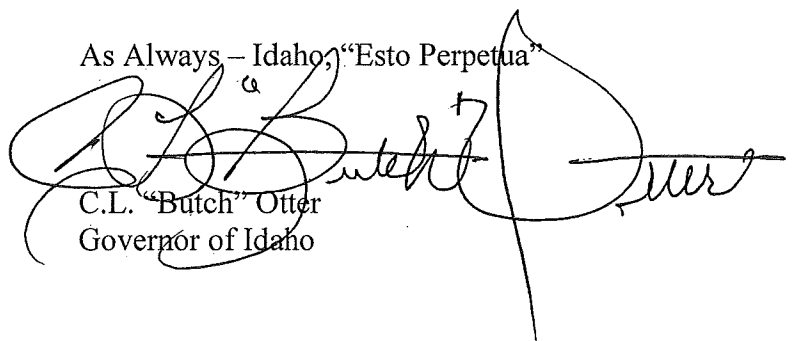
Even those portions of the bill for which I expressed my early support violate my user-pay, pay-as-you-go philosophy toward transportation funding. But while increasing our bonded indebtedness by issuing up to \$300 million in additional GARVEE bonds authorized by this legislation is not my preferred option, it at least provides a noncompetitive revenue source for large construction projects like that on an already dangerously congested Interstate 84. I also remain relatively confident that our federal highway funding distributions will continue to cover debt service on our GARVEE bonds. So despite my misgivings, the pressing safety issues on I-84 compel my grudging approval.

It is worth noting that members of legislative leadership and the germane committee chairs gave me little hope that substantive changes would be favorably considered in the 2018 session. So it appears that the mission of providing a more fiscally sound and sustainable answer to Idaho's transportation funding needs will be passed along to the next governor and Legislature.

I advise and implore them to look beyond quick fixes to proposals that are fiscally responsible within the context of all our budgetary demands, not dependent on year-to-year financial windfalls – either federal or State – and sustainable beyond a near-term window. It also should enable and encourage local highway jurisdictions – which have taxing authority of their own – to become more self-sufficient and accountable to their constituents by becoming less dependent on State-generated revenue.

I hope future deliberations will more broadly consider such measures as a fee on vehicle miles traveled to supplement the fuel tax and vehicle registration fees as the core elements of how we pay for the roads that safely connect us in order effectively grow the economy that sustains us.

As Always – Idaho, "Esto Perpetua"



C.L. "Butch" Otter
Governor of Idaho