



Department of Transportation Operations

ISSUE

This **Issue Review** reviews the recent history of appropriations made to the Iowa Department of Transportation (DOT) in the annual Transportation Appropriations Act and for salary adjustment often funded in the Standing Appropriations Act. The Acts appropriate funding from the Road Use Tax Fund (RUTF) and Primary Road Fund (PRF) to support DOT facilities, salaries, and administration related to the construction, maintenance, and supervision of Iowa roads.

AFFECTED AGENCIES

Iowa Department of Transportation

CODE AUTHORITY

Iowa Code chapters [307](#), [312](#), and [313](#)

BACKGROUND

The current funding structure for road construction was established in [1949](#) with the formation of the RUTF. The RUTF formula distributes the majority of state road funding, and allocates resources to the state's primary (state roads), secondary (county roads), and municipal roadway systems (city roads).¹ Today, the RUTF is funded by fuel taxes, registration and title fees, new vehicle registration fees, the balance from the Statutory Allocations Fund (SAF),² and several other revenue sources. The Iowa Constitution Article [VII](#), Section [8](#) requires that:

All motor vehicle registration fees and all licenses and excise taxes on motor vehicle fuel, except cost of administration, shall be used exclusively for the construction, maintenance and supervision of the public highways exclusively within the state or for the payment of bonds issued or to be issued for the construction of such public highways and payment of interest on such bonds.

Prior to distribution for road construction, funding from the RUTF is appropriated by standing appropriations set forth in Iowa Code section [312.2](#), and appropriations enacted in the annual Transportation Appropriations Act. These appropriations reduce funding available for distribution to the road jurisdictions, impacting the state, counties, and cities. A full list of statutory off-the-top allocations and enacted appropriations for FY 2015 is available in a [Fiscal Topic](#).

¹ Primary highways are under the jurisdiction of the DOT, secondary roads are under the jurisdiction of counties, and municipal roads are under the jurisdiction of cities.

² The Statutory Allocations Fund was established in 2008 and receives revenue from trailer, title, driver's license, and other vehicle taxes and fees. The balance of this fund is transferred to the RUTF at the close of each fiscal year. 2008 Iowa Acts, ch. [1113](#).

The RUTF formula, displayed below, distributes funding to the major road funds after standing and annual appropriations occur.

- 47.5% to the PRF
- 24.5% to the Secondary Road Fund
- 8.0% to the Farm-to-Market Fund
- 20.0% to the City Street Construction Fund

Funding for salaries and operations is appropriated each year in the annual Transportation Appropriations Act from the RUTF and PRF. Although the DOT receives transfers to the PRF by formula, these dollars fund construction contracts and do not support salaries or construction administration. This means increases in fuel tax revenue, registration fees, or other road revenues are unavailable for salaries or operations unless the General Assembly appropriates the funding to the DOT.

Transportation Appropriations Act

Unlike the majority of state government, the operating budget for the DOT is funded entirely from non-General Fund sources. These appropriations provide funding for key DOT responsibilities including but not limited to the highway construction program, road safety, support services, licensing and registration activities.³ Attachment C provides a more detailed review of DOT activities by appropriation units that receive funding. Typically, the Act includes appropriations from the RUTF and PRF. Appropriations from the RUTF reduce funding distributed by the formula by reducing state, county, and city road funding, and PRF appropriations reduce funding for PRF construction contracts. Therefore, the share appropriated from each fund reduces construction funding from the Act for the supported activity. Table 2 displays appropriation trends from these funds. Appropriations from the RUTF are intended to reflect that the funded service supports the entire road system. Appropriations from the PRF support activities impact the primary road system, such as the implementation of the Iowa Highway Program required to design, plan, and build highway projects.

Another key aspect of the Transportation Appropriations Act is that several functions receive two line-item appropriations: one from the RUTF and one from the PRF. For instance, a line-item appropriation is made from the RUTF and the PRF to the Motor Vehicle Division. Historically, the percentage of support provided by each fund is static. In the case of the Motor Vehicle Division, the RUTF provides 96.0% and the PRF provides 4.0% of the support for that division. Conversely, 100.0% of the Highway Division's funding is from the PRF. Each appropriation from the RUTF or PRF appropriations reduces funding available for road construction. In addition, appropriations from the RUTF reduce funds available for transfer to cities and counties, and PRF appropriations reduce funding for primary road construction. **Table 1** illustrates the percentage of funding from each fund for several appropriations, and **Attachment A** reviews a history of funding appropriated from each fund.

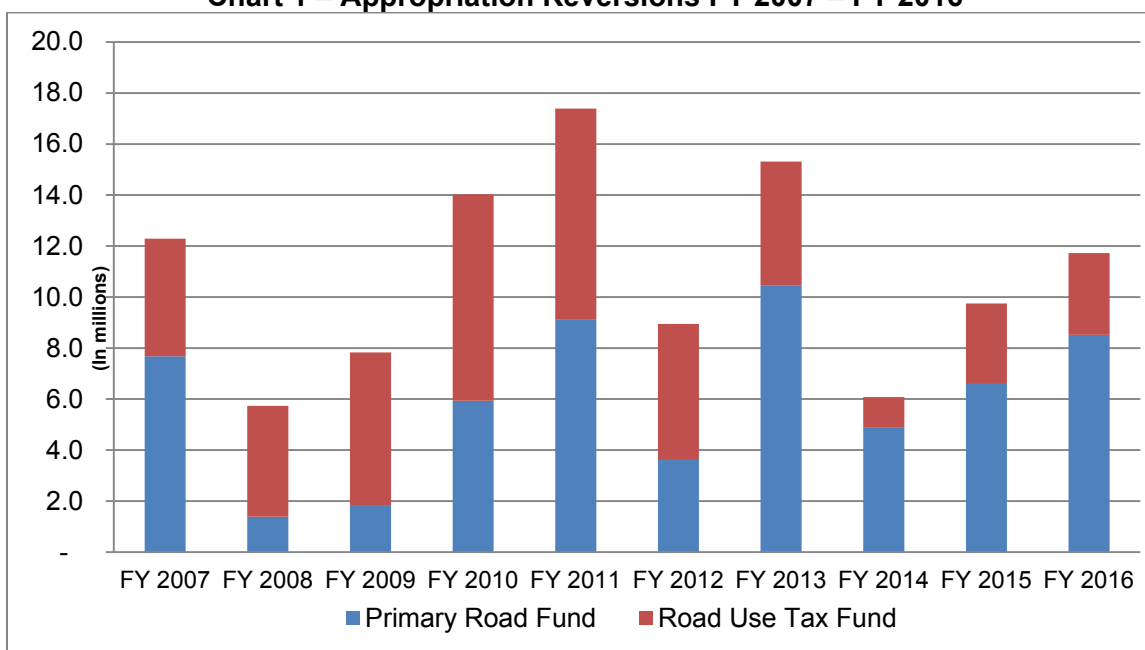
³ Appropriations also support federally required activities. These activities include but are not limited to maintaining a commercial driver's license program, commercial vehicle safety enforcement, and size and weight enforcement. Failure to implement federal requirements may impact federal highway funding.

Table 1 – FY 2016 Multi-Fund Appropriations
(in millions)

	RUTF		PRF	
Motor Vehicles Division	\$35.9	96%	\$ 1.5	4%
Operations and Finance Division	40.3	14%	40.3	86%
Performance and Technology Division	0.5	14%	3.1	86%
Planning & Programming Division	0.4	5%	8.3	95%
Highway Division	-	0%	238.6	100%
Dept. of Administrative Services (DAS)	0.3	14%	1.5	86%
Unemployment Compensation	0.0	5%	0.1	95%
Workers' Compensation	0.1	4%	3.4	96%
Indirect Cost Recoveries	0.1	12%	0.6	88%
Auditor Reimbursement	0.1	14%	0.4	86%

Finally, appropriations to the DOT for operations are required to revert at the end of the fiscal year in which they were appropriated. This means that unexpended funds are returned to either the RUTF or PRF, benefiting the highway program or counties and cities. Chart 1 depicts a history of reversions from the RUTF and the PRF.

Chart 1 – Appropriation Reversions FY 2007 – FY 2016



In addition to appropriations in the Transportation Appropriations Act, in previous years the DOT received funding for salary adjustment. Last funded in FY 2009, the salary adjustment appropriation funded for the growing cost of current full-time-equivalency (FTE) positions. The cost of an FTE position increases every year due to benefit and insurance costs and the Collective Bargaining Agreement, and are not under the DOT's discretion. The DOT may not use this funding for discretionary items. In years without salary adjustment appropriations, the DOT funds the increased FTE costs within existing resources. From FY 2010 through FY 2014, additional funding was not requested for salary expenses, and funding was not appropriated through salary adjustment. For FY 2015 and FY 2017, the DOT received partial increases in the annual Transportation Appropriations Act for the increased cost of current FTE positions. During this same period, state agencies that rely on General Fund appropriations have not received salary adjustment funding.

RECENT CHANGES AND APPROPRIATION HISTORY

For FY 2017, the DOT announced changes that will reduce staffing levels and the number of DOT facilities. The DOT attributed these changes to the increased cost of FTE positions that were unfunded in FY 2017. The DOT estimated approximately 67.0 vacant FTE positions will remain open during FY 2017, but no layoffs would occur.⁴ However, the DOT is anticipating additional expenses to offset reduced FTE positions. The Highway Program for FY 2017 planned for an increase in outside consulting services of \$10.0 million. The DOT will close nine facilities including seven garages and two driver's license stations. A map displaying statewide garages is in **Attachment C**. The mileage serviced by closing garages will be consolidated under existing garage facilities. The DOT estimates that facility consolidation reduces expenses and results in additional efficiencies. The DOT is also closing two driver's license stations in Clay and Carroll counties. The DOT has located driver's license kiosks in the Clay and Carroll courthouses, and online license renewal is available. The General Assembly will need to provide authorization to Clay and Carroll counties if they decide to issue driver's licenses. These changes may result in delays in the delivery of services.

Appropriation History

Total appropriations made to the DOT for FY 2007 - FY2017 are shown in **Table 2**. Over the years reviewed, total appropriations to the DOT have varied. After a large increase in FY 2008, total appropriations remained relatively flat from FY 2009 to FY 2013. FY 2014 marked the first year of sustained higher funding levels compared to the rest of the time period. Funding declined slightly in FY 2015 and increased in FY 2016 and FY 2017. From FY 2009 to FY 2017, funding has averaged 1.0% growth per year, with increases becoming more common by FY 2014.

Operations appropriations are also displayed in **Table 2**, and are a subset of the appropriations total. The appropriations fund the five operation appropriation units in the DOT (described in **Attachment B**) and include funding for salaries, supplies, equipment, and administration. Appropriations to the DOT for operations were more varied than total appropriations to the DOT. From FY 2007 to FY 2017, operations appropriations have grown at an average of 1.9% per year, but annual changes have ranged from an increase of 9.7% (FY 2008) to a decrease of 3.4% (FY 2012). Since FY 2008, appropriations for operations have grown at 0.7% per year. From FY 2013 to FY 2017, appropriations to the DOT for operations increased by an average of 1.3% per year.

⁴ The Highway Program for FY 2017 planned for an increase in outside consulting services of \$10.0 million. The DOT anticipated this increase will be required to offset FTE reductions.

Table 2 – Appropriations to the DOT
(in millions)

	RUTF	PRF	Total	Operations Subtotal	Annual Change
FY 2007	\$ 47.4	\$ 269.1	\$ 316.5	\$ 292.6	4.5%
FY 2008	49.2	291.6	340.8	321.0	9.7%
FY 2009	49.4	291.0	340.5	318.4	-0.8%
FY 2010	50.5	302.4	352.9	332.2	4.3%
FY 2011	49.2	301.7	350.9	332.4	0.1%
FY 2012	47.8	297.3	345.1	321.3	-3.4%
FY 2013	47.6	303.1	350.7	324.3	1.0%
FY 2014	47.8	313.1	360.9	324.5	0.1%
FY 2015	48.2	310.2	358.4	329.0	1.4%
FY 2016	48.2	315.3	363.5	335.3	1.9%
FY 2017	50.1	320.6	370.8	342.6	2.2%

*Totals may not add due to rounding

Changes in funding from FY 2007 to FY 2017 were generally driven by a few key factors, including fuel and salt costs, capital expenses, and changes to salary funding. Below is a brief summary of the reason for additional funding each year. Note that these increases are not all permanent and include several one-time purposes.

- **FY 2007:** Increased funding supported training and addressed equipment depreciation. The DOT received an increase of \$9.6 million for salary adjustment.
- **FY 2008:** Increased funding supported fuel and salt expenses, support for new lane miles, and driver's license issuance in counties. The DOT received an increase of \$10.0 million for salary adjustment.
- **FY 2009:** Increased funding supported utility payments to the Department of Administrative Services (DAS) and the implementation of a new permitting system in the Motor Vehicle Division. The DOT received an increase of \$8.6 million for salary adjustment. This is the last year that a salary adjustment bill was enacted.
- **FY 2010:** Increased funding supported the central issuance of driver's licenses, deferred maintenance, increased salt and fuel costs, support for additional lane miles, and utility payments to the DAS.
- **FY 2011:** Increased funding supported driver's license issuance, increased salt expenses, and capital expenses. Utility payments to the DAS decreased.
- **FY 2012:** Funding for operations decreased due to the implementation of the State Employee Retirement Incentive Program (SERIP).⁵ Funding to support materials and equipment, capital expenses, and scale replacement at weigh stations increased.
- **FY 2013:** Increased funding supported additional lane miles and increased salt, depreciation, and traffic marking expenses.
- **FY 2014:** Increased funding supported capital expenses including deferred maintenance, garage roofs, and HVAC. The DOT also received a supplemental appropriation to fund the purchase of salt supplies.
- **FY 2015:** Increased funding for salaries in the Motor Vehicle and Highway Divisions. The DOT also received additional support for DAS utilities, deferred maintenance, and HVAC improvements. The DOT also received funding to establish the Traffic Operations Center in Ankeny.
- **FY 2016:** Increased funding supported office supplies, IT equipment, utilities, and depreciation in the DOT operations divisions. The DOT also received additional funding for

⁵ 2010 Iowa Acts, ch. [1005](#), SERIP was an early retirement program that provided financial incentives to state employees that retired early.

maintenance of Motor Vehicle Division facilities, rest stops, Americans with Disabilities Act (ADA) improvements, and software to support law enforcement.

- **FY 2017:** The DOT received increased funding to support personnel costs in the Transportation Appropriations Act. The DOT also received increased funding for indirect costs and workers' compensation.

DOT Actual Operation Expenditures

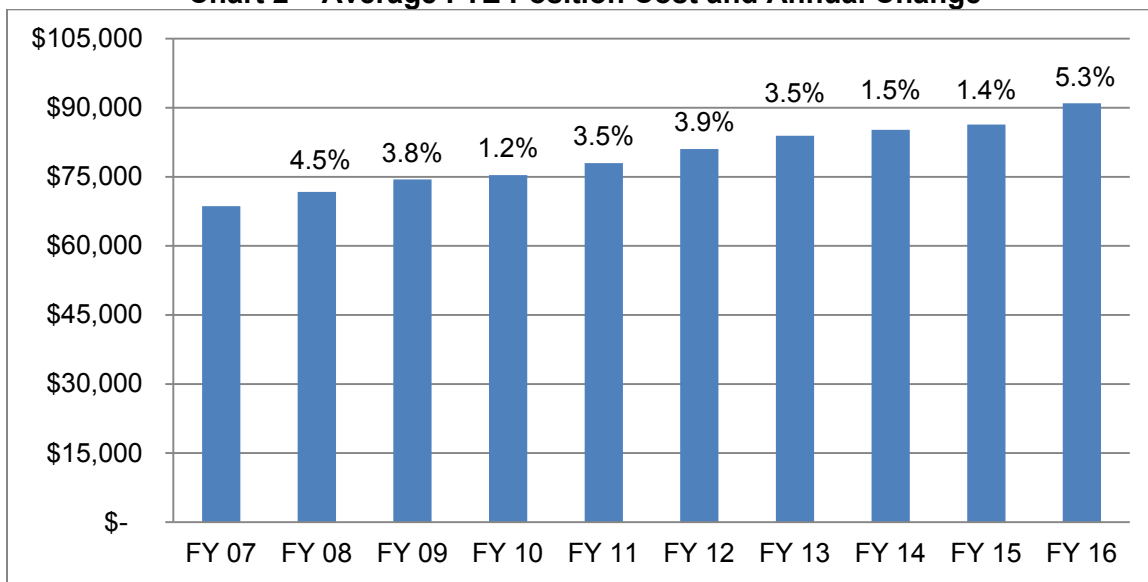
A high-level review of the expenditure of funds appropriated for operations reveals modest growth in the total expenditure by the DOT divisions. **Table 3** reflects changes in expenditures that averaged an annual increase of 0.4% from FY 2011 to FY 2016. For each year reviewed, with the exception of FY 2014, when funding from other revenue sources provided additional support, appropriated funding exceeded expenditures, resulting in a reversion of funding in those years.

Table 3

Operation Actual Expenditures										
(in millions)										
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Contracts and Transfers	\$ 18.4	\$ 18.0	\$ 18.1	\$ 16.9	\$ 17.7	\$ 16.9	\$ 16.3	\$ 17.8	\$ 17.9	\$ 18.6
Equipment & Repairs	10.5	10.5	12.0	12.7	11.6	10.8	9.3	10.0	11.1	11.8
Personal Services	209.4	219.9	228.3	226.8	223.4	228.7	230.4	234.8	235.4	236.6
Supplies & Materials	25.4	31.2	36.2	38.0	37.8	32.7	28.4	28.0	30.7	34.3
Veh. Oper. and Deprec.	24.6	30.9	28.8	29.4	30.8	29.3	31.8	34.3	31.2	28.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.2
	\$ 288.4	\$ 310.5	\$ 323.4	\$ 323.9	\$ 321.3	\$ 318.4	\$ 316.2	\$ 324.9	\$ 326.3	\$ 330.3
Annual Change		7.7%	4.1%	0.2%	-0.8%	-0.9%	-0.7%	2.8%	0.4%	1.2%

Over the time period reviewed, the share of total expenditures consumed by individual budget items has gradually shifted. From FY 2007 to FY 2016, nonpersonnel items either grew slowly or remained static, with the exception of supplies and materials that received an increase in FY 2016. Concurrently, expenditures on personal services and salaries have grown at a modest rate of 1.4%. A few key factors have suppressed growth in salary expenditures. In FY 2010 and FY 2011, FTE positions maintained by the DOT began to decline (FTE positions will be discussed later). In FY 2012, the passage of SERIP led to a decline in appropriations for operations. Expenditures for personal services and salaries increased in FY 2012 due to increased growth in the costs of an FTE position. Ultimately, the growth in the cost of personal services and salaries has resulted in a shift of operational resources to fund FTE positions. In FY 2007, 72.6% of operations funding was expended on personal services. By FY 2016, personal services were 82.1% of operations expenses.

Although total expenditures on personal services and salaries grew modestly, the cost of individual FTE positions increased faster. **Chart 2** displays the average cost of an FTE position in the DOT and the annual growth rate in FTE position costs. The average annual increase for FTE positions was 3.2% from FY 2008 through FY 2016. By FY 2016, the full cost of an FTE position averaged \$90,900.

Chart 2 – Average FTE Position Cost and Annual Change

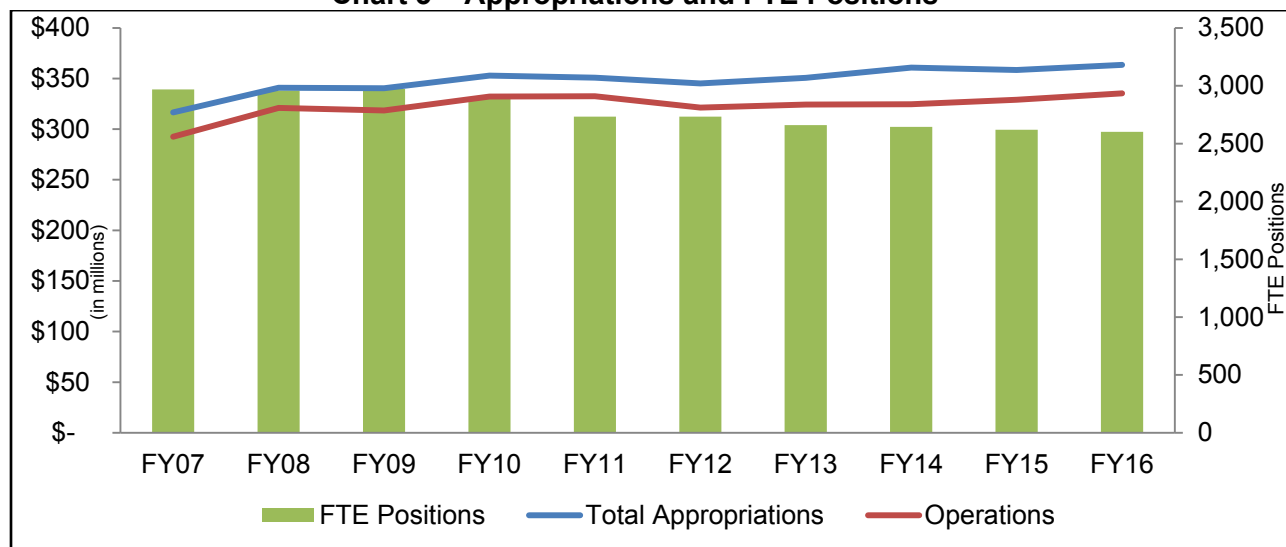
As previously noted, appropriations for operations increased at an average of 1.9% per year from FY 2007 to FY 2015, a growth rate below the average annual increase for the cost of an FTE position. Salaries constitutes the majority of operational expenses. In FY 2007, FY 2008, and FY 2009, funding was appropriated for the increased cost of these FTE positions in the Salary Adjustment Act. Since FY 2009, the DOT has received two appropriations increases to fund additional salary costs in FY 2015 and FY 2017. In FY 2015, the Highway and Motor Vehicle Divisions received additional funding for salaries.⁶ In FY 2017, all DOT Divisions received funding for salaries. Over this time frame, FTE utilization by the DOT has decreased from a peak in FY 2009. During this period, the average cost of an FTE position in the DOT has exceeded average FTE position costs for the rest of state government. However, by FY 2015, the situation was reversed and the average FTE position for the rest of state government exceeded the average cost of an FTE position in the DOT.

Chart 3 displays total appropriations, operations appropriations, and FTE utilization by the five operating divisions.⁷ Over the time period reviewed, FTE utilization has gradually declined from a peak of 3,018 in FY 2009 to 2,680 FTE positions in FY 2015. Factors that likely contributed to declining FTE utilization include SERIP and the increasing cost of an average FTE position. In the case of SERIP, 355 employees participated in the program, and by FY 2015, 123 of the positions included in SERIP were refilled.

⁶ The only other state agency to receive an appropriation from non-general fund sources to fund salary adjustment in recent years was the Department of Public Safety for Gaming Enforcement Special Agents.

⁷ As noted, these positions only reflect positions that receive appropriated moneys. The DOT also maintained another 89.0 FTE positions in FY 2015 that do not receive appropriated funding. The positions support operation of the State Aviation Program, Highway Beautification Program, and Materials and Equipment Revolving Fund.

Chart 3 – Appropriations and FTE Positions



The DOT has indicated that additional salary funding will be necessary to maintain the current workforce. At the beginning of the 2016 Legislative Session, the DOT indicated that the current level of FTE utilization was the DOT-desired staffing level and requested funding to sustain that level. For FY 2017, the DOT requested a funding increase of \$9.7 million to maintain existing staffing levels in addition to increases for other items that received funding (see page 4). Estimated increases for FY 2018, FY 2019, and FY 2020 exceed \$6.0 million each year.⁸ The General Assembly provided an additional \$4.6 million of the \$9.7 million requested to fund salary increases in FY 2017.

CONCLUSION

Appropriations to the DOT provide essentially all funding that supports the DOT’s five major operating divisions. Since FY 2009, funds for operations have been funded exclusively in the annual Transportation Appropriations Act. From FY 2007 to FY 2017, appropriations have increased by an average of 1.8% a year, with operations costs increasing by an average of 1.9%. Annual increases became less common beginning with FY 2009. This is partially due to the enactment of SERIP, that resulted in an appropriation decrease, and unfunded increases to the costs of an FTE position. Over the same time frame, the operating budget of the DOT has shifted toward personnel expenses. The shift is due in large part to the increasing costs of FTE positions that averaged \$90,900 in FY 2016.

Despite the shift, decreases in FTE utilization have occurred over the last 10 years. From FY 2007 to FY 2016, FTE positions have decreased by 366. The DOT indicated the likelihood for a reduction in FTE positions during the 2016 Legislative Session, and announced actual changes in July 2016. An estimated 67 vacant FTE positions will remain open during FY 2017, and nine facilities will close. The DOT is also anticipating an expenditure increase of \$10.0 million to fund outside professional services that support highway construction.

Additional changes in services and staffing levels may need to be addressed in the future. This trend is reflected in other areas of state government. FTE positions have declined and departments must become more efficient in the delivery of services or reduce services.

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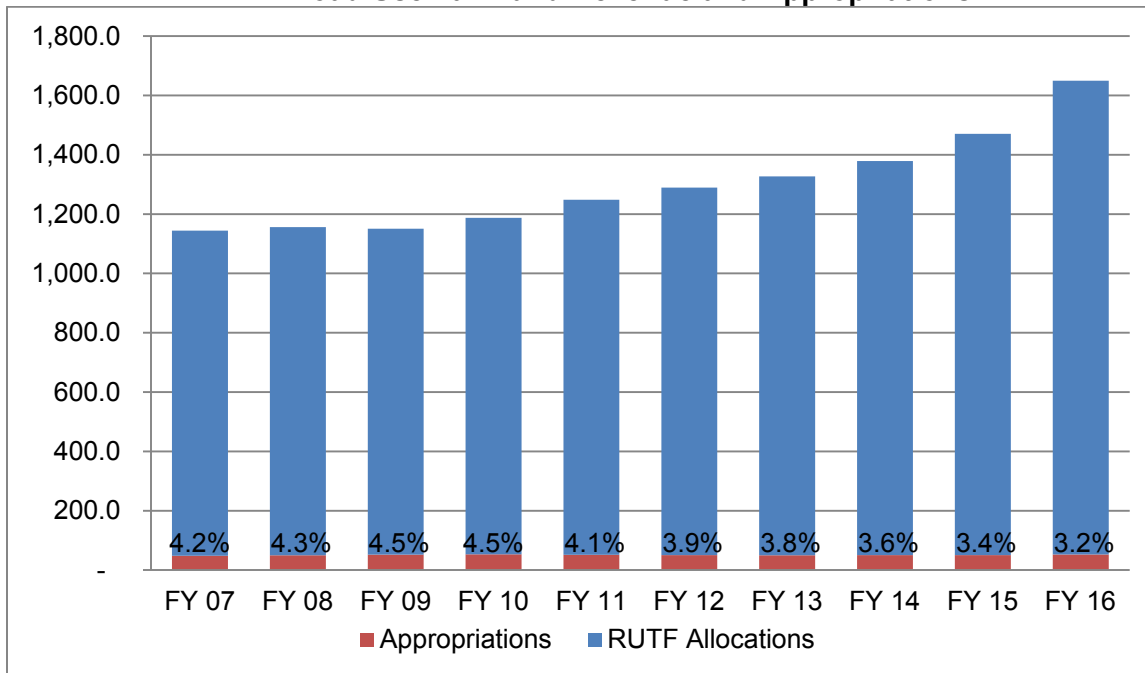
⁸ A new collective bargaining agreement (CBA), effective for FY 2018 and FY 2019, has not been negotiated. Once the new CBA is complete, these estimates will likely change.

Attachment A

Appropriations from the Road Use Tax Fund (RUTF)

Funding for DOT operations is appropriated from two road funds: the RUTF and Primary Road Fund (PRF). In addition to funding Department Operations, these funds also back road construction contracts used to expand, repair, and resurface roads and bridges in counties, cities, and on primary roads. Therefore, an increase in funds appropriated to the DOT will reduce funding available for these contracts. Relatively recent law changes have increased the total revenue collected by the RUTF and distributed to the PRF, counties, and cities. In 2008, the TIME-21 Act amended annual registration fees to adjust with changing car prices. The Act adopted a different distribution formula for up to \$225.0 million in additional revenue. In 2015, the General Assembly enacted an increase of 10.0 cents to the Motor Fuel Excise Tax. The impact of these changes is to steadily increase revenue for road funding beginning in FY 2010.

Road Use Tax Fund Revenue and Appropriations



The above table displays revenue to the RUTF and appropriations from the RUTF. The RUTF revenue grew by an average of less than 1.8% from FY 2007 to FY 2009. Beginning in FY 2010, revenue has increased by an average of 5.3%. Increased revenue is due to the enactment of the TIME-21 Act¹, that increased registration fees, and the Transportation Funding – Fuel Taxes, Permit Fees and Use of Funds Act.² Appropriations have not increased by a similar rate. The share of the RUTF appropriated is displayed in red, and the share of total RUTF revenue that was appropriated is displayed just above the red bar. Since FY 2008, appropriations from the RUTF have increased. However, appropriations from the RUTF have decreased as a total share of RUTF revenue due to revenue growth. As a result, appropriations from the RUTF were 3.2% of total revenue in FY 2016 as opposed to 4.5% in FY 2009.

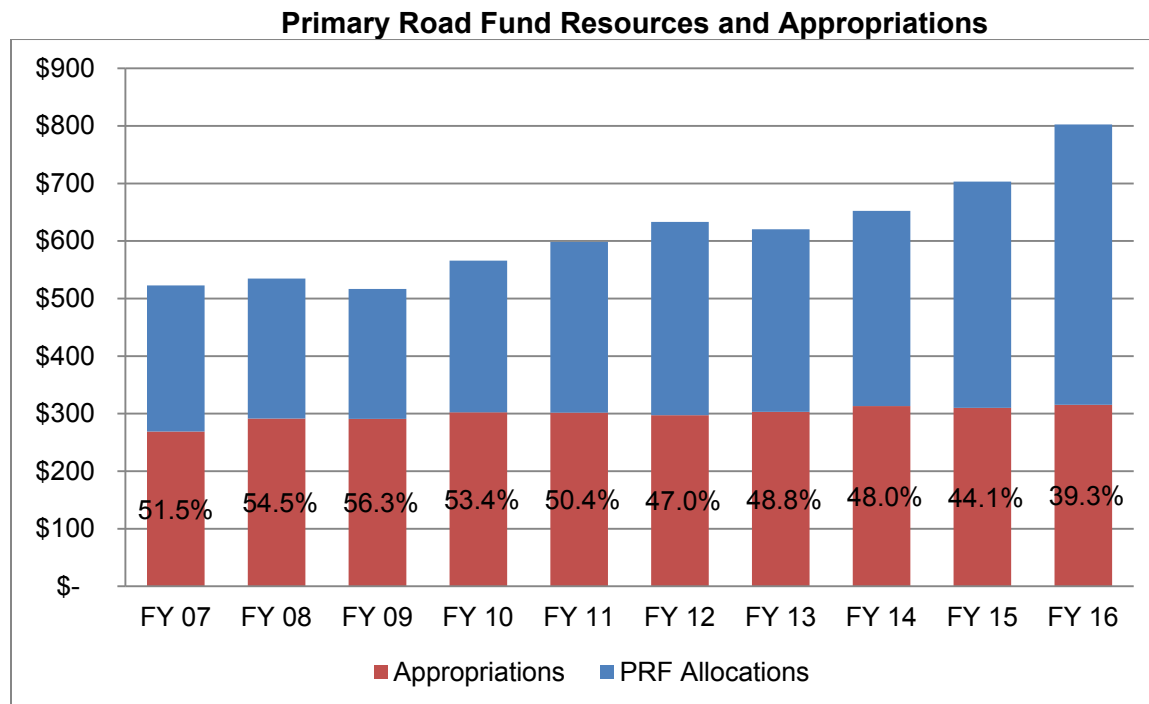
¹ 2008 Iowa Acts, ch. [1113](#).

² 2015 Iowa Acts, ch [2](#).

Attachment A (continued)

Appropriations from the Primary Road Fund (PRF)

Appropriations and revenue trends from the PRF are similar to RUTF trends. The PRF receives 47.5% of the RUTF revenue after off-the-top and annual appropriations are deducted. Appropriations from the PRF are then made to fund DOT operations that support the Primary Road System. The table below displays PRF resources and appropriations. Available resources in the PRF were fairly flat from FY 2006 to FY 2009, but then began to grow more quickly beginning in FY 2010. Similar to the RUTF, appropriations from the PRF grew at a slower rate. As a result, the share of the PRF that was appropriated has decreased from a high of 56.3% in FY 2009 to a low of 39.3% in FY 2016.



Attachment B

The DOT receives operations funding through five operations appropriation units, each with several bureaus to support specific functions. The operation of these units, including salaries, is funded entirely from moneys appropriated by the General Assembly in the Transportation Appropriations Act.

- **Highway Division:** The Division develops, designs, constructs, and maintains the state's Primary Road System, including primary roadways and bridges. The Division oversees maintenance projects on highways and bridges, the Adopt-A-Highway Program, roadside management, rest area administration, road weather information systems, traffic safety, safety management systems, snow and ice control, and general operation and preservation of the highway system. The Division's responsibilities also include research and development, transportation-related environmental investigations and compliance, ensuring consistency with engineering practices, acquiring right-of-way easements, and providing technical assistance and consultation with local jurisdictions.
- **Motor Vehicle Division:** The Division is responsible for administering and enforcing federal and state motor vehicle laws and regulations, including testing, licensing, and sanctioning of all drivers. The Division maintains and oversees driver and vehicle-related functions including all driver history files, central issuance of driver's licenses, crash reports, vehicle titles, vehicle registrations, driver offenses, permits, county-based registrations, weigh stations, issuance of special plates, driver safety and education, and commercial vehicle inspections. The Division also enforces federal motor carrier safety standards and hazardous materials regulation, carries out investigations, and issues commercial vehicle citations.
- **Operations Division:** The Division is responsible for facilities management, procurement of, administering the central motor pool, human resources, financial management, deferral and state policy development, and Iowa legislative programs.
- **Planning and Programming Division:** The Division is responsible for developing both long-range and short-range transportation plans, forecasting road funding revenues, developing the Five-Year Transportation Improvement Program, developing city, county, and state transportation maps, and administering several grant programs and financial assistance programs. The Division also forecasts traffic, maintains the DOT traffic and roadway conditions databases, administers the Iowa Clean Air Attainment Program, and coordinates activities with the Metropolitan Planning Organizations and Regional Planning Affiliations. The Division acts as a liaison to the different federal counterpart agencies and provides technical assistance related to the multimodal transportation systems as well.
- **Performance and Technology Division:** The Division is responsible for performance and asset management, process improvement, research, and strategic planning. The Division coordinates research activities and strategic communication. The Division also provides publicly available information regarding the transportation system and DOT operations. A few examples include [infrastructure condition maps](#), [safety data](#), [construction projects](#), and [winter operations](#).

Iowa Department of Transportation Maintenance Garage Closures - 2016

