

F I N A L R E P O R T

INFRASTRUCTURE FUNDING FORMULA STUDY COMMITTEE

May, 1988

BACKGROUND INFORMATION

The Infrastructure Funding Formula Study Committee was established by the Legislative Council for the purpose of conducting a comprehensive review of the fairness and effectiveness of Iowa's Road Use Tax Formula with its recommendations to be designed to enhance the quality of Iowa's current infrastructure system, as well as plan for the maintenance of the infrastructure system in future decades.

Members of the Study Committee were:

Senator C. Joseph Coleman, Co-chairperson
Representative Deo Koenigs, Co-chairperson
Senator Richard F. Drake
Senator Michael E. Gronstal
Senator Kenneth Scott
Senator John E. Soorholtz
Representative Raymond Lageschulte
Representative Dennis May
Representative Emil S. Pavich
Representative Donald R. Platt
Mr. Michael Audino, Atlantic
Mr. Don Hattery, Cedar Rapids
Ms. Leann Peters, Ottumwa
Ms. Helen Petersen, Waterloo
Mr. Virgil Umthun, Eagle Grove

MEETINGS

The Study Committee conducted four meetings. In the meeting held on September 3, 1987, the Study Committee heard presentations from Professor David Forkenbrock, University of Iowa; Professor Phil Baumel, Iowa State University of Science and Technology; and Mr. Warren Dunham and Mr. Ian MacGillivray of the State Department of Transportation.

At the October 1, 1987 meeting, the Study Committee received testimony and comments from Mr. C. W. Sloan, Iowa Good Roads Association, Inc.; Mr. Royce Fichtner, Iowa County Engineers'

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Association; Mr. Joe C. Armbricht, County Supervisors Association; Mr. R. Scott Weiser, Iowa Motor Truck Association; Mr. Willard Hansen, Associated General Contractors of Iowa; Mr. Lane Palmer, Bureau of Planning and Research of the Department of Economic Development; and Mr. David H. Long, League of Iowa Municipalities.

At the October 28, 1987 meeting, the Study Committee received testimony and comments from Mr. Adrian Brink, American Association of Retired Persons and Mr. Ken Morrow, Transportation Chair, Older Iowans' Legislature, and had preliminary discussions about the proposed recommendations of the Study Committee.

At the November 13, 1987 meeting, the Study Committee received additional testimony and comments from Mr. Ian MacGillivray, State Department of Transportation, and discussed and adopted its recommendations.

RECOMMENDATIONS

1. The Study Committee recommends that the Legislative Council approve the conduction of a study on the allocation of moneys from the Iowa Road Use Tax Fund. It was suggested that the study be conducted by Professor David J. Forkenbrock, Professor James W. Stoner, and Professor Phil Baumel. It was the consensus of the Study Committee that the study was to be independently conducted and that it was to be conducted on a nonpartisan basis without bias being introduced into the study from legislators.

2. The Study Committee approved the attached resolution which called on the Seventy-second General Assembly to adopt a fuel tax increase of two to four cents per gallon and that the General Assembly establish the goal of appropriating from the general fund the current nonroad-related diversions of road use tax revenues, other than funding of public transit, with the added goal of reducing annually nonroad-related diversions of road use tax revenues to the Division of Highway Safety and Uniformed Force of the Department of Public Safety by one-tenth of current amounts so that by the 1997-1998 fiscal year all such diversions are eliminated and paid through general fund appropriations.

Some of the reasons cited in the resolution for the increase in gas tax revenues was that the 1986 Quadrennial Needs Study showed a \$5.6 billion road use tax fund shortfall in buying power by the year 2005, and that in 1974 the average person paid \$133.33 a year toward the road use tax fund in fuel taxes but in 1986 the average person contributed only \$61.54 a year.

Some of the reasons cited in the resolution for the elimination of the diversions from the road use tax fund was

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that since the mid-seventies, the nonroad-related fuel tax exemptions, special appropriations, and diversions of road use tax revenue had escalated to \$68 million per year which is the equivalent of 4.5 cents of fuel tax or one-half of all the fuel tax increases passed by the General Assembly in the past 22 years, that during the inflationary period 1971 through 1984 the general fund's purchasing power increased 66 percent but the road use tax fund's purchasing power decreased 23 percent (in constant dollars), and that the diversions included such items as wind erosion control barriers for soil conservation, planting of shrubs and trees, cost of purchasing certificates of title and registration forms, supplies and the cost of prison labor for manufacturing registration plates, moneys for state and federal odometer law enforcement, moneys to the railroad assistance fund, and appropriations for the salary and support of the Iowa Highway Safety Patrol.

3. The Study Committee's final recommendation was the attached bill which provided that annually \$16.4 million of lottery revenue be credited to the RISE fund with one-half of the amount for use by counties on secondary road projects and the other half for use by cities on city street projects, that the amount of revenue collected from one cent per gallon excise tax on motor fuel, special fuel, and diesel fuel be credited to the RISE program for use of the state Department of Transportation on primary road projects and that the amount of revenue collected on another cent per gallon excise tax on motor fuel, special fuel, and diesel fuel be credited directly to the primary road fund.

1 HOUSE CONCURRENT RESOLUTION NO. ____
2 BY (PROPOSED INFRASTRUCTURE FUNDING FORMULA STUDY
3 COMMITTEE)
4 A House/Senate Concurrent Resolution relating to the amount
5 and use of road tax revenues.
6 WHEREAS, twenty-two states add additional moneys
7 from their general fund to their road fund; and
8 WHEREAS, since the mid-seventies, the nonroad-
9 related fuel tax exemptions, special appropriations,
10 and diversions of road use tax revenue have escalated
11 to sixty-eight million dollars per year which is the
12 equivalent of four point five cents of fuel tax or
13 one-half of all the fuel tax increases passed by the
14 General Assembly in the past twenty-two years; and
15 WHEREAS, during the inflationary period 1971
16 through 1984 the general fund's purchasing power in
17 constant dollars increased sixty-seven percent but the
18 road use tax fund's purchasing power in constant
19 dollars decreased twenty percent; and
20 WHEREAS, the diversions of road use tax revenue
21 have included such items as wind erosion control
22 barriers for soil conservation, plantings of shrubs
23 and trees, cost of purchasing certificate of title and
24 registration forms, supplies and the cost of prison
25 labor for manufacturing registration plates, moneys
26 for state and federal odometer law enforcement, moneys
27 to the railroad assistance fund, and appropriations
28 for the salary and support for the Division of Highway
29 Safety and Uniformed Force of the Department of Public
30 Safety; and

1 WHEREAS, the 1986 Quadrennial Needs Study by the
2 state Department of Transportation shows a five point
3 six billion dollars road use tax fund shortfall in
4 buying power by the year 2005; and

5 WHEREAS, in 1974 the average person paid one
6 hundred thrity-three dollars and thirty-three cents a
7 year toward the road use tax fund in fuel taxes but in
8 1986 the average person contributed only sixty-one
9 dollars and fifty-four cents a year; NOW THEREFORE,

10 BE IT RESOLVED BY THE HOUSE, THE SENATE CONCURRING,
11 That the Seventy-second General Assembly adopt a fuel
12 tax increase of two to four cents per gallon; and

13 BE IT FURTHER RESOLVED, That the General Assembly
14 shall hereby establish the goal of appropriating from
15 the general fund the current nonroad-related
16 diversions of road use tax revenues, other than
17 funding of public transit, with the added goal of
18 reducing annually nonroad-related diversions of road
19 use tax revenues to the Division of Highway Safety and
20 Uniformed Force of the Department of Public Safety by
21 one-tenth of current amounts so that by the 1997-1998
22 fiscal year all such diversions are eliminated and
23 paid through general fund appropriations.

24 COMPANION TO LSB 7679SI

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LSB 6501IS 72

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SENATE FILE _____
BY (PROPOSED INFRASTRUCTURE FUNDING
FORMULA STUDY COMMITTEE BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to expenditures on roads and providing a standing
2 appropriation.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. _____ H.F. _____

1 Section 1. Section 99E.10, subsection 1, Code Supplement
2 1987, is amended by adding the following new lettered
3 paragraph immediately following paragraph d:

4 NEW LETTERED PARAGRAPH. e. An annual amount of sixteen
5 million four hundred thousand dollars which shall be remitted
6 in equal installments to the treasurer of state and credited
7 to the RISE fund created under section 315.2.

8 Sec. 2. Section 312.2, subsection 16, unnumbered paragraph
9 1, Code Supplement 1987, is amended to read as follows:

10 The treasurer of state, before making the allotments
11 provided for in this section, shall credit monthly from the
12 road use tax fund to the revitalize Iowa's sound economy fund,
13 created under section 315.2, and to the primary road fund,
14 divided equally between each, the revenue accruing to the road
15 use tax fund in the amount equal to two thirds of the revenues
16 collected under each of the following:

17 Sec. 3. Section 315.4, Code 1987, is amended by striking
18 the section and inserting in lieu thereof the following:

19 315.4 ALLOCATION OF FUND.

20 Moneys credited to the RISE fund shall be allocated as
21 follows:

22 1. Moneys credited to the RISE fund pursuant to section
23 312.2, subsection 16, shall be for use of the department on
24 primary road projects.

25 2. Fifty percent of the moneys credited to the RISE fund
26 pursuant to section 99E.10, subsection 1, shall be for use of
27 counties on secondary road projects.

28 3. Fifty percent of the moneys credited to the RISE fund
29 pursuant to section 99E.10, subsection 1, shall be for use of
30 cities on city street projects.

31 EXPLANATION

32 This bill provides that annually \$16,400,000 of lottery
33 revenue shall be credited to the RISE fund with one-half of
34 the amount for use of counties on secondary road projects and
35 the other half for use of cities on city street projects.

1 The bill also provides that the amount of revenue collected
 2 from one cent per gallon excise tax on motor fuel, special
 3 fuel, and diesel fuel be credited to the RISE program for use
 4 of the state department of transportation on primary road
 5 projects and that the amount of revenue collected on another
 6 cent per gallon excise tax on motor fuel, special fuel, and
 7 diesel fuel be credited directly to the primary road fund.

8 COMPANION TO LSB 7169IS

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