



# Iowa General Assembly

## 2007 Committee Briefings

Legislative Services Agency – Legal Services Division

<http://www.legis.state.ia.us/asp/Committees/Committee.aspx?id=210>

### TIME-21 TRANSPORTATION FUNDING STUDY COMMITTEE

**Meeting Dates:** [December 19, 2007](#) | [November 19, 2007](#) | [October 17, 2007](#)

**Purpose.** This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <http://www.legis.state.ia.us/>, or from the agency connected with the meeting or topic described.

### TIME-21 TRANSPORTATION FUNDING STUDY COMMITTEE

December 19, 2007

**Co-chairperson:** Senator Thomas Rielly

**Co-chairperson:** Representative Geri Huser

**Overview.** The TIME-21 Transportation Funding Study Committee is charged with addressing the funding needs of the Transportation Investment Moves the Economy in the Twenty-first Century (TIME-21) Fund created in 2007 Iowa Acts, ch. 200 (H.F. 932), for funding of roads and highways. This was the Committee's third and last meeting.

**Caucus Report on Submitted Proposal.** A member from each caucus from the Senate and the House of Representatives reported on the reception by the appropriate caucus of the Committee's proposal of the last meeting which was based upon the Associated General Contractors of Iowa's proposal. The general result was disfavor for an increase in the fuel tax, especially since the Governor had expressed his dislike for such an increase, and a lack of consensus in each caucus for the remaining provisions contained in the proposal.

**Motions for Committee Recommendations.** Senator Steve Warnstadt made a motion that the provisions contained in the Committee proposal be taken to the caucuses, except for the increase in fuel tax, and without any dollar or percentage increases, as the Committee's recommendation. This meant, if adopted, that the Committee would recommend increased funding from an extension of the registration fees for commercial/agricultural trucks, special trucks, and personal pickup trucks; increases in driver's license fees; increases in trailer registration fees; and an increase in title fees.

Co-chairperson Huser proposed the following two amendments to the original motion: that the General Assembly change the use tax on motor vehicles to a charge at the time of registration in order to make the revenues constitutionally protected and provide language that authorizes the Governor to spend State General Fund moneys to meet road and bridge safety needs in the event of an emergency.

Senator John Putney moved to amend Senator Warnstadt's original motion to strike it and replace it with language recommending that the Committee members shall continue to consider all sources of funding except the fuel tax. It was agreed that Co-chairperson Huser's amendments be considered separately. Senator Putney's amendment was adopted.

Co-chairperson Huser's amendment to make the use tax a part of the registration fee was adopted. Co-chairperson Huser's other amendment to authorize the Governor to spend State General Fund moneys for road and bridge safety in emergency situations was withdrawn and a substitute amendment was proposed which would require the Department of Transportation to research the authority of the Governor and Executive Council to utilize or spend State General Fund moneys for road and bridge purposes in emergency situations. This proposal was adopted.

**Recommendations.** The Committee concluded its work after making the following recommendations:

- The members of the Committee would continue to consider all revenue sources, except the fuel tax, for the funding of the TIME-21 Fund.
- The General Assembly should change the use tax on motor vehicles to a charge at the time of registration of the motor

vehicle so as to make the revenues constitutionally protected.

- The Department of Transportation research the authority of the Governor and Executive Council to utilize or spend General Fund of the State moneys for road and bridge purposes in emergency situations.

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## **TIME-21 TRANSPORTATION FUNDING STUDY COMMITTEE**

November 19, 2007

**Co-chairperson:** Senator Thomas Rielly

**Co-chairperson:** Representative Geri Huser

**Overview.** The TIME-21 Transportation Funding Study Committee is charged with addressing the funding needs of the Transportation Investment Moves the Economy in the Twenty-first Century (TIME-21) Fund created in 2007 Iowa Acts, chapter 200 (H.F. 932), for funding of roads and highways. This was the Committee's second meeting.

**Department of Transportation.** Mr. Stuart Anderson, Director of the Office of Systems Planning, Department of Transportation (DOT), provided the Committee with the information it requested at the October 17, 2007, meeting. The information contained a graph indicating the Iowa gas prices and gas tax comparison with statewide vehicle miles of travel; a chart of average price of regular unleaded gas compared to the average fuel price for calendar years 1980 to the present; a summary of the road funding status in Illinois, Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin; a pie chart of state highway revenues and allocations for FY 2005-2006 for Iowa and South Dakota; and a summary of trailers registered in Iowa during calendar year 2006. In addition, Mr. Anderson provided a new tab 12 for DOT's binder that was previously issued. This new tab 12 provided the effects of implementing additional funding mechanisms requested at the previous Committee meeting. These involved increasing the minimum registration fee to \$65 for automobiles, minivans, SUVs, and pickup trucks; and adjusting the weight-value formula by extending the year each adjustment to the formula occurs by one year, two years, three years, and four years.

**Department of Revenue.** Mr. Dave Casey, Department of Revenue (DR), gave a presentation on constitutional questions relating to the Road Use Tax Fund (RUTF), motor vehicle use tax fraud, caveat on changing motor vehicle use tax rate, and administrative issues. Under the topic constitutionality relating to RUTF, Mr. Casey stated that Article VII, section 8, of the Iowa Constitution specifically restricts the use of motor vehicle registration fees and excise taxes on motor fuel for road construction and maintenance. Based upon this, he concluded that registration fees and motor fuel taxes are to be included in RUTF but that the use tax on motor vehicles and the environmental protection fee charged are not required to be included. Mr. Casey stated that the two major reasons for motor vehicle tax fraud is the statement of an incorrect purchase price, especially when the sale is made between individuals, and registration of a vehicle outside of Iowa, especially where there is no sales or use tax imposed in that state. In discussing the changing of the use tax rate on motor vehicles, Mr. Casey emphasized that the Streamlined Sales Tax Project was designed for sales tax collection and that the use tax on motor vehicles is not sales tax. This would permit the changing of the use tax rate without being in violation of the Streamlined Sales Tax Agreement. He added that another approach would be to reclassify the state use tax as a separate distinct excise tax.

Mr. Casey's discussion on administrative issues indicated that the easiest tax to administer is the motor fuel tax and thus any increase would not cause the DR problems in collection because the tax is collected as it is brought into the state and any exemptions are provided by means of refunds. Motor vehicle use tax is easy to administer when vehicles are purchased from a dealer because the tax is paid then. He suggested that if the use tax is to be increased without an across-the-board increase in the sales and use tax rates, it might be better to reclassify the use tax as a separate excise tax. Mr. Casey stated that to impose the sales tax on motor fuel would require a new administrative system since it is not presently taxed under the sales tax. It would be more difficult to collect it from suppliers and exporters than the gas tax. He mentioned that a proposal for a severance tax on exported ethanol is not really a severance tax but would be an export tax and there is not a current system in place for collecting such a tax.

**Committee Discussion.** The Committee focused its discussion on what funding options should be used to provide the added revenue of \$200 million per fiscal year. A proposal was put before the Committee based upon the Associated General Contractors of Iowa proposal that would raise the motor fuel tax across-the-board by 4 cents; increase a driver's license fee by 50 percent with the present \$3 surcharge added to it; adjust various registration fees, including a minimum \$50 fee; increase the flat fee for trucks based upon weight and age, new noncommercial and nonfarm pickup trucks purchased after January 1, 2009, would pay registration fees based upon the weight and value formula similar to personal automobiles, extend the weight and value formula adjustment schedule, and reduce the weight and value formula fee by 5 percent on January 1, 2010, and another 5 percent on January 1, 2011; increase trailer registration fees from \$10 per year to \$20 per year for trailers weighing 1 ton or less and from \$10 per year to \$30 per year for trailers weighing more

than 1 ton; and increase title fees from \$10 to \$20 and salvage title fees from \$2 to \$5. The proposal was added to for purposes of determining the fiscal impact as follows: establish a minimum \$65 or \$125 registration fee, beginning January 1, 2009; charge new 3-ton, 4-ton, and 5-ton pickup trucks a fee based upon the weight and value formula; increase the fees for 6-ton to 12-ton trucks; extend the weight and value formula adjustment schedule; and include the current \$3 surcharge as a permanent part of the registration fees beginning July 1, 2008.

The DOT was instructed to provide fiscal impacts of this proposal as adjusted.

The Committee agreed to take this adjusted proposal with the revenue impacts to the members' respective caucuses and the Governor for use as a starting point in negotiations for a final proposal.

**Next Meeting Date.** A next meeting date was scheduled, contingent upon approval by the leadership. If approved, this meeting is to be held on Wednesday, December 19, 2007, at 10:00 a.m. in Room 102 of the State Capitol Building.

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## **TIME-21 TRANSPORTATION FUNDING STUDY COMMITTEE**

October 17, 2007

**Co-chairperson:** Senator Thomas Rielly

**Co-chairperson:** Representative Geri Huser

**Overview.** The TIME-21 Transportation Funding Study Committee is charged with addressing the funding needs of the Transportation Investment Moves the Economy in the Twenty-first Century (TIME-21) Fund created in 2007 Iowa Acts, chapter 200 (H.F. 932), for funding of roads and highways.

**Introductory Comments.** Ms. Nancy Richardson, Director of the Department of Transportation (DOT), described the four components of the situation with regard to transportation in Iowa. These include the fact that Iowa is in the top 10 in regards to road miles and bridges with the infrastructure having been constructed between 1940-1960; the use of the roads has increased each year with commercial use increasing at a faster pace than private automobiles; a flattening of revenue sources with growth since 2000 of only 1 percent; and the cost of maintenance and construction soaring in the last few years.

**Recap of Public Hearings.** Co-chairperson Rielly and Senator John Putney provided a recap of public hearings held across the state during the 2007 Legislative Session. The recap involved the concerns and recommendations presented at the public hearings held in Johnston, Fort Dodge, Logan, Oskaloosa, Toledo, Clinton, Marion, and Waterloo. The comments related to concerns about the transportation system, e.g., the need for maintenance, barge traffic, airports, and bike trails, and to the methods for obtaining additional revenue, e.g., gas tax increase, pickup truck registration fee increase, and all user fee increases. Senator Putney stated that a common denominator at the hearings was increasing pickup truck registration fees.

**DOT Resource Binder.** Mr. Stuart Anderson, Director of the Office of Systems Planning at DOT, provided the Committee members with a TIME-21 resource binder. The binder contains 12 chapters that deal with various aspects related to Iowa's transportation system, especially funding sources. Information included the DOT's Road Use Tax Fund (RUTF) Study submitted to the General Assembly in December 2006, RUTF formula changes and fuel tax rates, historic RUTF revenue, transportation-related fine data, other states' revenue sources and tax rates, and a summary of potential Iowa funding mechanisms. Mr. Anderson discussed in depth the potential Iowa funding mechanisms. These were separated into two general categories. One is the current RUTF revenue sources and involves the increases in fuel tax, use tax on motor vehicles, driver's license fees, registration fees, and other miscellaneous fees. The second category involves potential RUTF revenue sources including sales tax on fuel purchases, severance tax on exported ethanol, pre-mile tax, transportation improvement districts with the authority to levy taxes, bonds, privatization, tolling, and development impact fees.

**Effects of Revenue Sources.** Dr. Paul Hanley, Director of Transportation Research at the Public Policy Center at the University of Iowa, discussed the anticipated impacts of an increase in the state fuel tax as it relates to passenger vehicles. He noted that, when surveyed, people overestimate the amount of fuel taxes, both federal and state, that a person pays in a year. It is estimated that the average amount is approximately \$500 per year. Considering only the state fuel tax the average amount per year per vehicle varies from a low of \$62 to a high of \$227. Dr. Hanley indicated that a three-cent-per-gallon fuel tax increase would increase the amount paid per year per vehicle by \$9 to \$33 depending on the vehicle miles traveled. He noted that the tax-to-income ratio by various income groups indicates that the fuel tax is progressive with regard to low to middle income levels but is regressive when seen from middle to high income levels. In regard to registration fees, if such fees are based upon the valuation of the vehicle, the fees are progressive in nature.

**Transportation Funding.** Dr. Don Racheter, Public Interest Institute at Iowa Wesleyan College, stated his belief that

transportation is a needed government service. He added that whenever possible there should be a connection between the user and the funding of transportation needs. Thus heavy trucks would pay higher registration fees and tolls might be used as a revenue source. He opined that if the state wishes to assist farmers and other groups it should do so on a case-by-case basis rather than a blanket exemption or reduced fees for certain vehicles or pickup trucks. He commented on various funding approaches. These were bonding, which results in paying more; severance tax on ethanol, which is a disincentive if other states do not also do it; license fees, which are disproportionate to usage; use tax, which is also not tied to usage; and registration fees, which are best tied to usage by basing them on weight with a flat rate.

**Committee Discussion.** The Committee discussed how much money should be made available to the TIME-21 Fund and the sources of the funding. It was agreed that \$200 million each fiscal year should be available with the amount being phased in over two to three years. The types of funding which the Committee will continue to consider is the fuel tax, use tax on motor vehicles, driver's license fees, registration fees, other miscellaneous fees, transportation improvement districts, privatization, tolls for bridges, development impact fees, public-private partnerships, and design and build agreements. A letter is to be sent to the Governor from the co-chairpersons seeking his views on the amount and funding sources which he considers acceptable.

**Next Meeting Date.** The second meeting of the Committee is scheduled for Monday, November 19, 2007, at 9:00 a.m. in Room 103, Supreme Court Chamber, of the State Capitol Building.

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