

2011 Road Use Tax Fund (RUTF) Study

A report to the Iowa Legislature, per 2011 Iowa Code Section 307.31

Prepared by Iowa Department of Transportation

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INTRODUCTION

The transportation system is in demand 24/7 and 365 days a year irrespective of neither the weather nor the conditions. Iowa's transportation system is an integral and essential part of society serving commerce and daily functions of all Iowans across the state. A high quality transportation system serves as the artery for economic activity and, the condition of the infrastructure is a key element for our future growth opportunities.

A key component of Iowa's transportation system is the public roadway system owned and maintained by the state, cities and counties. In order to regularly re-evaluate the conditions of Iowa's public roadway infrastructure and assess the ability of existing revenues to meet the needs of the system, the Iowa Department of Transportation's 2006 Road Use Tax Fund (RUTF) report to the legislature included a recommendation that a study be conducted every five years. That recommendation was included in legislation adopted in 2007 and signed into law. The law specifically requires the following (2011 Iowa Code Section 307.31):

- *"The department shall periodically review the current revenue levels of the road use tax fund and the sufficiency of those revenues for the projected construction and maintenance needs of city, county, and state governments in the future. The department shall submit a written report to the general assembly regarding its findings by December 31 every five years, beginning in 2011. The report may include recommendations concerning funding levels needed to support the future mobility and accessibility for users of Iowa's public road system."*
- *"The department shall evaluate alternative funding sources for road maintenance and construction and report to the general assembly at least every five years on the advantages and disadvantages and the viability of alternative funding mechanisms."*

Consistent with this requirement, the Iowa Department of Transportation (DOT) has prepared this study.

Recognizing the importance of actively engaging with the public and transportation stakeholders in any discussion of public roadway conditions and needs, Governor Terry E. Branstad announced on March 8, 2011, the creation of, and appointments to, the Governor's Transportation 2020 Citizen Advisory Commission (CAC). The CAC was tasked with assisting the Iowa DOT as they assess the condition of Iowa's roadway system and evaluate current and future funding available to best address system needs. In particular the CAC was directed to gather input from the public and stakeholders regarding the condition of Iowa's public roadway system, the impact of that system, whether additional funding is needed to maintain/improve the system, and, if so, what funding mechanisms ought to be considered. With this input, the CAC prepared a report and recommendations that were presented to Governor Branstad and the Iowa DOT in November 2011 for use in the development of this study. The CAC's report is available at www.iowadot.gov/transportation2020/pdfs/CAC%20REPORT%20FINAL%20110211.pdf.

The CAC's report was developed utilizing analysis and information from the Iowa DOT. Therefore, the report forms the basis for this study and the two documents are very similar.

EXECUTIVE SUMMARY

Iowa is fortunate to have an extensive public roadway system that provides access to all areas of the state and facilitates the efficient movement of goods and people. However, it is also a tremendous challenge for the state, cities and counties to maintain and improve this system given flattening revenue, lost buying power, changing demands on the system, severe weather, and an aging system.

This challenge didn't appear overnight and for the last decade many studies have been completed to look into the situation and the legislature has taken significant action to begin addressing the situation. In addition, the Iowa DOT and Iowa's cities and counties have worked jointly and independently to increase efficiency and streamline operations. All of these actions have been successful and resulted in significant changes; however, it is apparent much more needs to be done.

A well-maintained, high-quality transportation system reduces transportation costs and provides consistent and reliable service. These are all factors that are critical in the evaluation companies undertake when deciding where to expand or locate new developments. The CAC and Iowa DOT heard from many Iowans that additional investment in Iowa's roadway system is vital to support existing jobs and continued job creation in the state of Iowa.

Beginning June 2011, the CAC met regularly to review material and discuss potential recommendations to address Iowa's roadway funding challenges. This effort included extensive public outreach with meetings held in seven locations across Iowa and through a Transportation 2020 website hosted by the Iowa DOT (www.iowadot.gov/transportation2020).

Over 500 people attended the public meetings held through the months of August and September, with 198 providing verbal or written comment at the meetings or through the website. Comments were received from a wide array of individuals. The public comments demonstrated overwhelming support for increased funding for Iowa's roads. Through the public input process, several guiding principles were established to guide the development of recommendations. Those guiding principles are:

- Additional revenues are restricted for road and bridge improvements only, like 95 percent of the current state road revenue is currently. This includes the fuel tax and registration fees.
- State and local governments continue to streamline and become more efficient, both individually and by looking for ways to do things collectively.
- User fee concept is preserved, where those who use the roads pay for them, including non-residents.
- Revenue-generating methods equitable across users.
- Increase revenue generating mechanisms that are viable now but begin to implement and set the stage for longer-term solutions that bring equity and stability to road funding.
- Continue Iowa's long standing tradition of state roadway financing coming from pay-as-you-go financing. Iowa must not fall into the situation that other states are currently facing where the majority of their new program dollars are utilized to pay the debt service of past bonding.

Based on the analysis of Iowa's public roadway needs and revenue and the extensive work of the Governor's Transportation 2020 Citizen Advisory Commission, the Iowa DOT has identified specific recommendations. The recommendations follow very closely the recommendations of the CAC (CAC recommendations from their report are repeated in Appendix B).

Following is a summary of the recommendations which are fully documented beginning on page 21.

- 1. Through a combination of efficiency savings and increased revenue, a minimum of \$215 million of revenue per year should be generated to meet Iowa's critical roadway needs.**
- 2. The Code of Iowa should be changed to require the study of the sufficiency of the state's road funds to meet the road system's needs every two years instead of every five years to coincide with the biennial legislative budget appropriation schedule.**
- 3. Modify the current registration fee for electric vehicles to be based on weight and value using the same formula that applies to most passenger vehicles.**
- 4. Consistent with existing Code of Iowa requirements, new funding should go to the TIME-21 Fund up to the cap (\$225 million) and remaining new funding should be distributed consistent with the Road Use Tax Fund distribution formula.**
- 5. The CAC recommended the Iowa DOT at least annually convene meetings with cities and counties to review the operation, maintenance and improvement of Iowa's public roadway system to identify ways to jointly increase efficiency. In direct response to this recommendation, Governor Branstad directed the Iowa DOT to begin this effort immediately with a target of identifying \$50 million of efficiency savings that can be captured from the over \$1 billion of state revenue already provided to the Iowa DOT and Iowa's cities and counties to administer, maintain and improve Iowa's public roadway system. This would build upon past joint and individual actions that have reduced administrative costs and resulted in increased funding for improvement of Iowa's public roadway system. Efficiency actions should be quantified, measured and reported to the public on a regular basis.**
- 6. By June 30, 2012, Iowa DOT should complete a study of vehicles and equipment that use Iowa's public roadway system but pay no user fees or substantially lower user fees than other vehicles and equipment.**

BACKGROUND

As part of any study of RUTF revenue and needs, it is important to review background information regarding past studies, conditions, funding and other issues that impact Iowa's public roadway system. This review was a key part of the CAC's early meetings in June 2011.

Past Studies

While the current requirement to conduct a study of roadway needs and revenue is a relatively new requirement, several ad hoc and legislatively mandated studies have been completed in the last ten years in response to the many challenges facing the Iowa DOT and local jurisdictions in addressing roadway needs. These studies are summarized below.

2002 Ad Hoc Study

Recognizing that all jurisdictions in Iowa were facing many challenges to adequately maintain and improve Iowa's public roadways, representatives from the Iowa DOT, cities and counties launched a major initiative to identify actions to increase efficiency and maximize the funding available for roadway maintenance and construction. The group met for over a year and identified several actions to increase the efficiency of operations. These recommendations, described in more detail later in the report, were adopted by the legislature in 2003 and resulted in more funding being available for public roadway maintenance and construction in Iowa.

2006 RUTF Study

While the 2003 legislative actions increased the efficiency of roadway administration, maintenance and construction, it became evident to the legislature that more action was needed. In 2005, the legislature directed the Iowa DOT to undertake a study of the long-range construction and maintenance needs of Iowa's public roadway system and the sufficiency of existing transportation revenues to meet those needs. The 2006 study projected a \$27.7 billion shortfall in revenue to meet all current and future needs over the next 20 years. Recognizing some needs have a greater economic benefit than others, and also recognizing it is not reasonable to secure funding to address all of the needs of Iowa's public roadway system, the needs were further stratified to identify those that are most critical to sustain and grow Iowa's economy. The critical need analysis identified an annual funding shortfall of \$200 million per year. The study included a recommendation that \$200 million in new state road funding be generated and targeted to a fund that directs new money to those most critical needs.

In response to the 2006 RUTF study, the legislature adopted and the governor signed a bill in 2007 that implemented many of the policy recommendations of the study, most notably creation of the Transportation Investment Moves the Economy in the 21st Century (TIME-21) Fund. The bill also included language requiring the Iowa DOT to conduct periodic reviews of the long-range needs of Iowa's public roadway system and sufficiency of existing transportation revenues to meet those needs. Additionally, these periodic reviews are to evaluate alternative funding sources.

The following 2008 legislative session, the legislature adopted a bill, signed by the governor, which modified vehicle registration fee formulas, trailer registration fees and title fees. These changes were phased in over time and began generating TIME-21 revenue during Fiscal Year (FY) 2009, although far below the \$200 million per year critical need funding level. Another important part of the legislation was the elimination of the motor vehicle use tax funding mechanism and implementation in its place of an equivalent "fee for new vehicle registration." While this change did not generate any additional road funding, it extended the protection found in Iowa's Constitution to a greater share of state road funding

because the fee for new vehicle registration is covered by the Constitutional protection where the use tax was not. The result is that now about 95 percent of RUTF revenues are required by Iowa's Constitution to be spent only on roadways.

2008 TIME-21 Study

Recognizing that the revenue increases adopted in 2008 would raise revenue below the critical funding shortfall, the legislature included language to require the Iowa DOT to update the roadway needs and revenue study and determine the funding shortfall. The Iowa DOT completed this study in December 2008 and determined that the critical funding need had increased from \$200 million per year to \$267 million per year. This increase was due to the delay in securing new funding, increased construction costs, severe weather impacts, and deteriorating conditions.

Actions to Increase Efficiency

As documented in these many studies of Iowa's public roadway needs, there are significant funding shortfalls. Iowa's jurisdictions have a long history of taking individual actions to increase efficiency and working as partners to maximize the funding available for roadway maintenance and construction.

As described earlier, even before funding shortfalls were formally documented, Iowa's jurisdictions began meeting in 2002 to study the public roadway system and identify actions to increase efficiency of operations. The group met throughout 2002 and made recommendations that were shared with the legislature. Those recommendations were the basis of subsequent legislation, drafted by the Iowa DOT, and adopted by the legislature in 2003, to accomplish the following:

- Rationalize the Primary Road System by transferring 712 miles to county and city governments.
- Transfer responsibility to the counties for farm-to-market extensions in cities under 500 population.
- Allow the board of supervisors to initiate a change in county road classification to area service "C."
- Establish a study committee to evaluate the distribution of the Street Construction Fund for the Cities.

In addition, the Iowa DOT and individual cities and counties have taken actions to increase operational efficiency that included reductions in staffing, agency reorganizations, consolidation of facilities, reductions in vehicle fleets, sharing of resources (i.e. facilities, staff, and equipment), and many others. Over the last 10 years, counties have reduced staff by approximately 300 people. The Iowa DOT reduced staff by 750 since 2002, eliminated 39 field offices/garages, and reduced the number of vehicles in their fleet. Cities across Iowa have also taken similar actions.

These actions resulted in more funding being available for public roadway maintenance and construction. For example, the Iowa DOT's actions alone reduced operational costs by approximately \$45 million annually making that funding available for road construction.

Iowa's Public Roadway System and Condition

Iowa's public roadway system is comprised of over 114,000 miles of roads with approximately 25,000 bridges. Table 1 is a summary of mileage and vehicle miles of travel (VMT) by jurisdictional responsibility.

Table 1 - Mileage and Vehicle Miles of Travel (VMT) by System

	Mileage* (as of January 1, 2010)	% of Total Mileage	2010 Total VMT (Millions)	% of Total VMT	2010 Large Truck VMT (Millions)	% of Total Large Truck VMT
Primary	9,400.77	8.2%	19,463	61.6%	2,449	92.2%
Secondary	89,866.00	78.7%	5,296	16.8%	183	6.9%
Municipal	14,886.80	13.1%	6,820	21.6%	23	0.9%
Total	114,153.57		31,579		2,655	

Source: Iowa DOT – Office of Transportation Data

*This table and report do not include the small amount of mileage within Iowa's parks and institutions.

While the size of Iowa's public roadway system has not increased significantly over the last two years, the infrastructure burden on Iowans remains significant. Nationally, Iowa ranks fifth in number of bridges and 13th in miles of roadway, yet the state ranks 30th in population and 23rd in land area.

The public roadway system is deteriorating at a rapid rate due to the age of the system. Much of Iowa's public roadway system was built or modernized in the 1940s, 1950s, and 1960s which means there is a wave of infrastructure needs that require significant reinvestment due to their life cycle. An annual study from the Reason Foundation compares the conditions of roads and bridges of each state using data submitted to the Federal Highway Administration. Table 2 is a comparison of Iowa's rankings in several categories from the report published in October 2006 (the time of the 2006 RUTF study), the report published in July 2008 (TIME-21 Study), and the most current report published in September 2010.

Table 2 – Comparison of Iowa's Roadway Condition Rankings from 2006 to 2010

Category	2006 Ranking (based on 2004 data)	2008 Ranking (based on 2006 data)	2010 Ranking (based on 2008 data)	Change 2006 to 2008(2008 to 2010)
Rural Interstate Condition	32nd	32nd	38th	0 (-6)
Urban Interstate Condition	44th	47th	43rd	-3 (+4)
Rural Arterial Condition	45th	43rd	46th	+2 (-3)
Deficient Bridges	32nd	34th	34th	-2 (0)
Urban Interstate Congestion	19th	20th	19th	-1 (+1)

Source: *Annual Report on the Performance of State Highway Systems*. Reason Foundation, David T. Hartgen, Ph.D., P.E., and Ravi K. Karanam, October 2006, July 2008 and September 2010.

While Iowa's rural arterial condition ranking improved slightly between 2006 and 2008, the ranking regressed in 2010. In the other ranking categories, Iowa has lost ground or virtually remained the same over the time period. It is important to note that the data used in this report has a lag time of two years. Therefore, the most current rankings are based on 2008 data which does not reflect the impact recent flooding and severe winters have had on Iowa's public roadway conditions.

Impact of Severe Weather

Iowa has experienced severe weather in recent years which has had a significant short-term and long-term impact on Iowa's public roadway infrastructure. The uncharacteristically severe winter of 2007-2008 significantly impacted the condition of Iowa's public roadway system. According to the State

Climatologist Office, the calendar year of 2008 ranks as the 4th snowiest on record statewide, and comes after a very snowy 2007 year (9th snowiest). Exceptional winter seasons have produced heavy snowfall and many freeze-thaw cycles. This has greatly accelerated pavement and supporting roadbed damage to all roadways, resulting in increased operation costs for all jurisdictions, needing to advance projects costing millions of dollars, and spending the springs repairing damaged roadways.

Flooding events, including on-going flooding in western Iowa, have resulted in severe impacts on infrastructure. The floods of 2008 caused \$19 million in damage on the primary road system and an estimated \$43 million in damage on county road systems in 92 counties. Calendar year 2010 also brought frequent rain, producing flooding along the Maquoketa River and washing out the Lake Delhi dam. A period of consecutive nights of rain soaked central Iowa, producing record or near-record flooding in the Ames and Des Moines areas and locations downstream. Flooding events continued in 2011 with flash floods in the Dubuque area in July and sustained, long-term flooding of the Missouri River in western Iowa that contributed to many road closures and detours due to severe damage to the primary and secondary road system. At the time this study was finalized, the 2011 damage to the primary road system was estimated to total approximately \$46 million. This does not include repairs completed by Iowa DOT forces or damage to city and county roads.

This extreme weather also has an impact on operational expenses for all jurisdictions when the priority is keeping roadways open to traffic in a safe manner. To keep roadways open in extreme weather conditions, whether it is winter weather conditions or flooding, requires extensive labor, equipment, and material resources. These operational costs must be covered using existing budgetary funds; therefore, covering the costs to meet these needs is accomplished by reducing other activities including maintenance and preservation of the roadway system. Deferring maintenance and preservation activities has a long-term negative impact on the roadway system.

In summary, extreme weather conditions cause not only immediate damage to the roadway system but also long-term deterioration reducing the life of the system. These impacts were felt by all Iowans and the frustration they expressed is further evidence of the importance of transportation to our well-being and economy.

Changing Demands on the System

Total travel in Iowa, across all systems, from 1990 through 2010 (the most current available) has increased 36 percent (31.6 billion miles of travel in 2010). During that same period, large truck travel on Iowa's public roadways has grown 42 percent. This continuing increase in large truck travel significantly impacts road and bridge conditions, capacity, operational requirements, and the ultimate life of the roadway.

The number of permits issued by the Iowa DOT for oversize/overweight truck movements has increased approximately 15 percent from 2006 to 2011. Increasing numbers of oversize and overweight movements are due in part to renewable energy developments (wind energy and biofuel plants). The production and installation of wind energy components and the hundreds of thousands of truckloads of corn and soybeans shipped to biofuel plants result in increased wear and tear on the roadway system and, in some locations, congestion. The increased traffic also causes increased safety concerns at intersections near these developments necessitating intersection improvements up to and including construction of new interchanges.

As Iowa continues to be a hub for development of wind energy farms (and also the manufacturing of components for wind energy equipment) and biofuel production, the large and heavy loads are taking a toll on Iowa's roadways. Movement of this equipment and these products has an impact on the condition of roadway infrastructure, safety, and the operational characteristics of the roadway, occasionally resulting in the need for changes in intersection design to handle the large sizes. In addition, due to deteriorating bridge conditions, the movement of heavy components is often inefficient as loads are routed around the state to bridges that can safely handle the weight.

These changing demands on the system accentuate the need to address Iowa's transportation needs in a multimodal approach. Investments in rail, aviation, bicycle/pedestrian, and public transit are necessary to assure that Iowans have access to transportation. Each mode serves a unique role in the movement of goods and people that are vital to growing and supporting Iowa's economy. While the mission of the CAC was to address roadway funding needs, the CAC recognizes the need to invest in all modes of transportation. This was also a message heard through the CAC's public outreach as documented in Appendix A.

Funding

State RUTF/TIME-21

State revenue to the RUTF and TIME-21 Fund comes from various sources as summarized in Table 3 below.

Table 3 – State Road Funding

Funding Source	FY 2011 (estimated)	Percent of Total	State Constitution Requires Funds be Used Only for Roads?
Fuel Tax	\$430 million	36 percent	Yes
Annual Registration Fee	\$470 million	39 percent	Yes
Fee for New Registration	\$240 million	20 percent	Yes
Other*	\$70 million	5 percent	No
Total	\$1.21 billion		

* Driver's license fees, title fees, trailer registration fees, and other miscellaneous fees.

Source: Iowa DOT – Offices of Program Management and Systems Planning

It is important to note that 95 percent of all the revenue that flows into the RUTF/TIME-21 Fund is required by the Iowa Constitution to be spent on Iowa's public roadways and cannot be diverted for non-roadway programs.

Of these funding sources, only fuel tax and pro-rated annual registration fees from commercial vehicles generate funding from out-of-state drivers. The Iowa DOT estimated in their 2008 TIME-21 study that out-of-state drivers generate 20 percent of total travel on Iowa's roadways but provide only 13 percent of state road revenue, while Iowa drivers produce 80 percent of the total travel on Iowa's roadways but provide 87 percent of state road revenue.

Impact of Inflation

Throughout the 1980s and 1990s, state road funding saw relatively high growth from year to year. This was due to rapid growth in travel, little change in fuel efficiency, and elimination of non-roadway appropriations from road funds. Since 2000 (see Table 4 and Figure 1), road funding has remained relatively flat, even experiencing one year where funding fell from the previous year. However, construction cost inflation has had a dramatically negative impact on the buying power of road funding. Over the five-year period from 2004 to 2008, the construction cost index in Iowa (based on actual awarded contracts for excavation, surfacing and structures) grew by 67 percent, the largest five-year increase in construction costs since 1986 when the measure began being tracked.

Construction cost growth slowed in recent years due to the economic recession, however costs are up 5.4 percent over 2010 through the second quarter of calendar year (CY) 2011. FY 2010 saw growth in actual road funding due to the phase in of TIME-21 revenue changes adopted by the legislature in 2008. However, the buying power of FY 2010 revenue is still 24 percent less than the buying power that existed in FY 1997. This compounds the challenges already faced with deteriorating conditions, aging infrastructure, severe weather, and changing demands on the system.

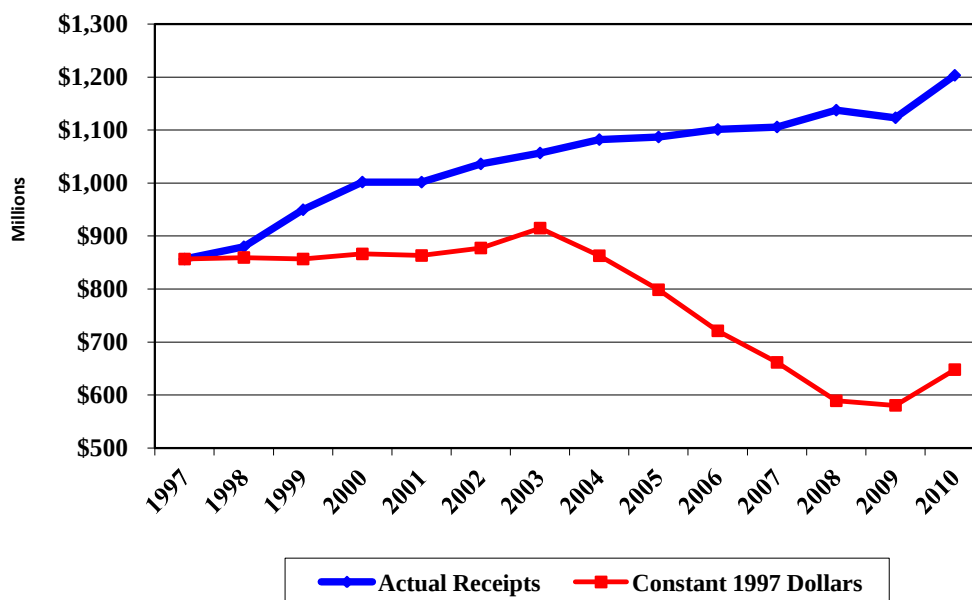
Inflationary pressure has also impacted operational costs. For example, the high cost of fuel increases operations costs for all jurisdictions.

Table 4 – RUTF/TIME-21 Revenue History

Year	RUTF/TIME-21 Revenue Actual Receipts (Millions)	Percent Change from Previous Year	RUTF/TIME-21 Revenue Adjusted to Constant 1997 Dollars Based on Iowa Construction Cost Index (Millions)	Percent Change from Previous Year
1997	\$856	3.1%	\$856	0.4%
1998	\$880	2.7%	\$859	0.3%
1999	\$950	7.9%	\$857	-0.3%
2000	\$1,002	5.5%	\$866	1.1%
2001	\$1,002	0.0%	\$863	-0.4%
2002	\$1,036	3.4%	\$877	1.6%
2003	\$1,057	2.0%	\$915	4.3%
2004	\$1,082	2.4%	\$863	-5.7%
2005	\$1,087	0.5%	\$799	-7.4%
2006	\$1,101	1.3%	\$721	-9.7%
2007	\$1,106	0.4%	\$661	-8.3%
2008	\$1,138	2.9%	\$589	-11.0%
2009	\$1,123	-1.3%	\$580	-1.5%
2010	\$1,203	7.1%	\$648	11.7%

Source: Iowa DOT – Offices of Program Management and Systems Planning

Figure 1 – History of RUTF and TIME-21 Revenue (FY 1997 to FY 2010)



Source: Iowa DOT – Offices of Program Management and Systems Planning

Instability of federal funding

In addition to concerns regarding state revenues for roads, there are increasing concerns about federal funding for roadways. In September 2008, the Iowa DOT came within one week of having to suspend construction lettings of some federal-aid projects in Iowa due to the impending insolvency of the federal Highway Trust Fund (funding for the Highway Trust Fund comes primarily from federal fuel tax). States were notified that only partial federal reimbursements would be made until the Highway Trust Fund received additional funding. Congress passed a last minute transfer of \$8.017 billion in general fund revenue to the Highway Trust Fund to keep federal funds flowing at appropriated levels. This transfer is one of several transfers of general fund dollars in recent years that totaled approximately \$35 billion to keep the Highway Trust Fund solvent.

The end of Federal Fiscal Year (FFY) 2009 saw the end of the latest federal highway and transit authorization bill that is adopted every five to six years to reestablish federal highway and transit transportation funding levels. In recent history, authorization bills are typically passed well after the previous bill expires, but with the challenges facing federal funding, no new bill has been passed in the last two years. Since then, there have been multiple continuing resolutions and extensions to keep federal highway funds flowing. It is unlikely that Congress will approve additional transfers of general fund dollars to the Highway Trust Fund or increase the federal fuel tax. ***Based on current forecasts, the federal Highway Trust Fund in FFY 2013 will only be able to support approximately \$11 billion of appropriations compared with typical appropriations of approximately \$40 billion. Absent congressional action, this could result in dramatic reductions in FFY 2013 appropriations to all states.***

Impact of Alternative Fueled Vehicles and Increasing Fuel Efficiency

Compounding the state and federal funding challenges is the impact that alternatively fueled vehicles and increasing fuel efficiency are having on fuel tax revenues. Today, state fuel taxes make up about 36

percent of state road revenue and federal fuel taxes make up about 91 percent of federal road funds. There has been an increase in the number fuel efficient vehicles due to a number of reasons like the higher cost of fuel.

Recently, the federal government has implemented increases in Corporate Average Fuel Economy (CAFE) standards. For the last several decades, the average fuel efficiency of new model light-duty vehicles averaged around 25 miles per gallon (mpg). With new CAFE standards, the model year 2010 average fuel efficiency increased to 29.2 mpg. CAFE standards require this to increase to over 35 mpg in 2016. In addition, CAFE standards are now proposed for heavy duty vehicles. All of this will encourage increases in fuel efficiency and the use of alternatively fueled vehicles, resulting in a negative impact on fuel tax revenue.

Funding Shortfall

Utilizing the same methodology as was used for the 2006 RUTF study and the 2008 TIME-21 study, the Iowa DOT has assessed the total twenty-year needs to address all administration, maintenance and construction costs for Iowa's public roadway system. In addition, the analysis looked at the subset of most critical needs necessary to support and grow Iowa's economy along with a forecast of revenue. This information was presented to the CAC as preliminary data for their evaluation of city, county and state funding needs and shortfall. The final numbers contained in this study are consistent with the preliminary information provided to the CAC and shared with the public throughout 2011. Following is a summary of the needs analysis.

Table 5 – Total Funding Shortfall

	Twenty-Year Total (in millions)	Average Annual (in millions)
Needs	\$79,800	\$3,990
Revenue*	\$47,300	\$2,365
Shortfall	(\$32,500)	(\$1,625)

* Includes forecasted TIME-21 revenue

As shown in Table 5, over a twenty-year period the funding shortfall to meet all current and future needs of Iowa's city, county and state roadway system is projected at \$32.5 billion. On an annual basis, the funding shortfall is over \$1.6 billion. The estimate of total needs of the roadway system does not take into account the fact that some of the needs have a cost that exceeds the benefits to the state. In an effort to take into consideration the economic benefits of different types of improvements on roadways with different traffic levels, the total needs were further refined to determine critical needs on the system.

The critical need level is the amount of funding necessary to meet the most critical pavement and bridge preservation needs that exist on Iowa's Interstate system, Commercial and Industrial Network, Farm-to-

Market Network, and key city streets. In addition, the critical need level partially supports the following categories of need:

- Capacity improvements on high-volume and CIN roads.
- Reconstruction of high-volume roads with poor pavement.
- Repair/replacement of functionally obsolete bridges on high-volume roads.
- Repair/replacement of structurally deficient bridges on low-volume roads.
- Resurfacing of low-volume roads.

At the Iowa DOT, current and needed investments in stewardship (i.e. construction projects to extend the life and modernize existing infrastructure without adding capacity) and investments to complete currently programmed corridor completion projects cannot both be done as scheduled. At the local level, funding is not available to meet the most critical stewardship needs on the existing infrastructure. Additional revenue is needed to meet these critical needs at the state and local level.

Based on this evaluation of needs and revenues, the updated annual shortfall in meeting Iowa's most critical public roadway needs is \$215 million, in addition to TIME-21 revenues that are still phasing in, as shown in Table 6. This increased critical need is due to worsening system condition caused by continued insufficient investment, the impacts of recurring extremely severe weather and the expectation of continuing cost escalation.

Table 6 – Critical Funding Shortfall

	Twenty-Year Total (in millions)	Average Annual (in millions)
Needs	\$51,600	\$2,580
Revenue*	\$47,300	\$2,365
Shortfall	(\$4,300)	(\$215)

* Includes forecasted TIME-21 revenue

The impacts of this critical funding shortfall are an increasing number of bridges with weight restrictions and bridge closures, deteriorating conditions across the system (including high-level roads critical to the movement of goods and people), increased costs to transportation providers and users, and potential economic losses to the state of Iowa.

It is important to note that, as with the 2006 RUTF study and the 2008 TIME-21 study, even with funding to cover the critical need shortfall, large portions of the system will still continue to experience deteriorating pavement and bridge conditions. By funding the critical need shortfall, improvements can be made on the roadways that will have the greatest impact on sustaining and growing Iowa's economy.

Economic Impact

Addressing the critical funding shortfall by securing additional revenue to invest into the system will have significant short-term and long-term impacts on Iowa's economy. Each year vehicles in Iowa travel over 31 billion miles on Iowa's public roadway system. Nearly \$390 billion worth of freight is hauled. These numbers alone demonstrate the vital role Iowa's public roadways play in our economy. Without

this roadway system people could not get to work; there would be no access to healthcare, education and recreation; farmers would not be able to get their goods to market; and manufacturers would be unable to ship their products or receive supplies. In short, the economy would shut down. But, just having a public roadway system is not enough; the transportation system must be well maintained, efficient, reliable, and accessible.

Manufacturers rely more and more on just-in-time delivery which means much of the inventory they previously kept in their warehouses is now on trucks on the public roadway system for delivery to the plant at the time the manufacturer needs the supplies. It is critical to the economy that the roadway system supports consistent and reliable transportation so that just-in-time delivery is successful. This requires a roadway system that is in good condition, has adequate capacity and is well-maintained, even in inclement weather. The performance of the transportation system is critical to manufacturers, producers and the efficient movement of commerce.

Investments in the public roadway system support the economy through: 1) direct job creation through construction activities; 2) indirect and induced job support; and 3) productivity gains. A 2007 study from the Federal Highway Administration documented that every \$1 billion in highway investment creates or supports 27,800 jobs. (www.fhwa.dot.gov/policy/otps/pubs/impacts/index.htm) Those jobs include the creation of full-time construction jobs (direct jobs), the support of jobs by material purchase and administrative and professional services in the construction industry (indirect jobs), and support of jobs in other industries in the economy when construction industry wages are spent on goods and services (induced jobs). Unlike other public investments to support and enhance the economy, public investments in the roadway system have an almost immediate impact in realizing associated benefits.

In addition to job creation and support, productivity gains are realized by investments that reduce travel times, make travel times more consistent (critical for just-in-time delivery), reduce crashes, and reduce vehicle operating costs. Studies show that every dollar increase in net highway capital (i.e., investments to improve the highway system) creates 30 cents of 'cost saving' producer benefits annually. (Federal Highway Administration, *Frequently Asked Questions about Highways and the economy*, <http://www.fhwa.dot.gov/policy/12a-faq.htm>) The same studies show that, on average, 25 percent of the yearly productivity growth rate in the United States is due to highway investments. Companies across Iowa attest to the importance of the roadway system in terms of location, capacity and condition to their ability to succeed because in today's economy "time is money."

Many areas of the state are seeking public roadway improvements that they believe are critical to support existing and assure future economic development. Transportation costs are a major cost of doing business, which means a high-quality public roadway system is necessary to attract new businesses and support the growth of existing ones.

A well-maintained, high-quality transportation system reduces transportation costs and provides consistent and reliable service. These are all factors that are critical in the evaluation companies undertake when deciding where to expand or locate new developments. The CAC and the Iowa DOT heard from many Iowans that additional investment in Iowa's roadway system is vital to support existing jobs and continued job creation in the state of Iowa.

CITIZEN ADVISORY COMMISSION PROCESS

As discussed in the introduction, Governor Terry E. Branstad established the Governor's Transportation 2020 Citizen Advisory Commission in March 2011 with the following members:

Nancy Richardson, Co-Chair
Coralville, Iowa

Allan Thoms, Co-Chair
Cedar Rapids, Iowa

Scott Cirksena
Clive, Iowa

Jeff Corkery
Peosta, Iowa

Sister Catherine Dunn
Dubuque, Iowa

Geri Huser
Altoona, Iowa

Jim Kersten
Fort Dodge, Iowa

Lindsey Larson
Jefferson, Iowa

Rose Mitchell
West Des Moines, Iowa

Ann Trimble-Ray
Early, Iowa

Dan Wiedemeier
Burlington, Iowa

Larry Winum
Glenwood, Iowa

The following legislators are ex-officio members:

Senator Tom Rielly
Oskaloosa, Iowa

Senator Tim Kapucian
Keystone, Iowa

Representative David Tjepkes
Gowrie, Iowa

Representative Jim Lykam
Davenport, Iowa

The CAC worked for five months, holding public meetings throughout the state to gather citizen input about the state's transportation needs and potential funding options.

The first meeting of the CAC was held June 16, 2011. At this meeting, Iowa DOT staff presented background material to the CAC on recent road fund studies and current roadway conditions. The remaining time was spent discussing funding solutions and the public input process and schedule.

The CAC met again June 27, 2011, to discuss additional background information and to establish a public input schedule.

On July 7, 2011, the CAC heard from city and county officials about the challenges they face in maintaining the local road system and from statewide stakeholders regarding their ideas on road conditions, the sufficiency of current funding to meet need, and preferred ways to raise revenues for Iowa's public roadways.

The CAC then held seven public input meetings through the months of August and September. The locations and dates of the meetings were as follows:

- August 10, 2011 – Bettendorf
- August 17, 2011 – Mason City

- August 24, 2011 – Des Moines
- August 31, 2011 – Storm Lake
- September 7, 2011 – Council Bluffs
- September 14, 2011 – Waterloo
- September 21, 2011 – Mount Pleasant

Following is a map of the meeting locations held across the state.



Each meeting began with an introduction from a co-chair on the reasons why the governor appointed the CAC, who the members of the CAC are, and why the public was asked to participate.

Following the introduction, Iowa DOT staff gave a brief presentation intended to provide the public information on the status of roads and bridges across Iowa and specific information addressing conditions on the surrounding local transportation system. This included background on previous studies and their recommendations, critical needs of the state, funding shortfalls, and options to raise revenue. The meeting was then opened up for input on the importance of Iowa's road system, the condition of the system, impact of the system from the user perspective, views on funding needs and opportunities, and how road funds should be utilized in the future.

In addition to taking verbal and written input at the public input meetings, the CAC felt it was very important to provide all Iowans easy access to the material reviewed by the CAC and have an opportunity to provide input. Therefore, the CAC requested the Iowa DOT establish a Transportation 2020 website (www.iowadot.gov/transportation2020). All of the materials reviewed by the CAC, along with their meeting agendas and minutes, were posted on this website. The website also included a link for the public to provide input which was shared with the CAC. Over 50 comments were submitted via the website.

Public Input Findings

Over 500 people attended the seven public meetings held across Iowa through the months of August and September, with 198 providing verbal or written comment at the meeting or through the website. Comments were received from a wide array of individuals. Following is a summary of input demographics:

- Unaffiliated citizens: 33 percent
- Private industry: 18 percent
- Farmers: Six percent
- Legislators: One percent
- County: 23 percent
- City: 12 percent
- Other public agencies: Seven percent

It is useful to note that well over half of those that provided input were non-governmental.

Among the individuals who spoke, there was overwhelming support for raising additional revenue to help repair roadways. Reasons cited for this support included meeting needs for manufacturing and agriculture, supporting economic development, preserving the valuable public road infrastructure, and creating and supporting jobs.

Over 90 percent of the verbal or written comments were in support of additional funding for Iowa's roads and bridges. Almost two-thirds supported increasing the state fuel tax. Other revenue enhancement ideas supported by some presenters were a one cent tax per bushel of corn/soybeans that would be spent on local in the county from which the revenue was generated, an increase of the fee for new registration from five to six percent, raising the cost of a driver's license, a sales tax on fuel purchases, a flat fee charged on high-fuel efficiency/alternatively fueled/hybrid vehicles, and a fuel tax rate tied to an inflation index. Although most presenters identified raising the state's fuel tax as the preferred option, some discussed it as a short-term solution to meet the current needs and suggested that other revenue generating methods, such as a VMT fee, should be pursued for the long-term sustainability of Iowa's roadways.

Following is a summary of the input related to funding mechanisms:

- Increase fuel tax: 64 percent
- Apply an index to fuel tax rate: Nine percent
- Create a mechanism for alternative fueled vehicles: 11 percent
- Create a one cent per bushel fee: Seven percent
- Implement VMT fee: Five percent
- Increase fee for new registration from 5 percent to 6 percent: Three percent
- Increase driver's license fee: Three percent

The public meetings allowed the CAC to interact and hear from Iowans. In these interactions, the CAC sought input on how important Iowa's road system is to Iowans, their views on its condition and the conditions impact on them personally, whether additional funding is needed and preferred methods for raising that revenue, if additional revenue is not warranted what should be done differently to meet needs, and how current or future road funds should be utilized. The following summarizes these points as discussed by the public:

Importance

Iowa's roads are an asset to the people who use them and are essential for the development of the state, cities, and counties. Iowa produces goods in abundance and roads are vital to getting goods, which may not be produced in one region, to another region inside or outside the state. The trucking industry, often carrying heavy loads, needs good roads to travel faster and safer.

They also look for fast and good service, because that will save them fuel, require fewer repairs, and reduce delays.

Good roads help people travel easily to places where they can work, to support their businesses and industries, and to enjoy a high quality of life. For example, many farmers hold an additional full-time or part-time job in another town or county and good roads get them there safely and efficiently. Good roads also impact development projects and investments, creating jobs through additional opportunities. One speaker noted that rebuilding the streets in a historic district would help create over 1,000 jobs within a million square feet of building space.

In rural Iowa, when people are not traveling to work or for daily services, they are traveling by tractor, combine, semi, or other large farm implements. Local secondary and farm-to-market roads serve an important purpose. In some cases roads and bridges are closed in rural Iowa, due to unsafe conditions, underscoring just how important bridges and roads are for both personal and business needs. A closed bridge can mean as much as a 60-mile additional commute to work, school or emergency services or to deliver grain to the elevator.

Conditions and Impact

Whether the individuals that presented or submitted comments were representing a county, an interest group, political group, or themselves, the consensus opinion was that the condition of Iowa roads is poor to very poor. Years of flat funding and erosion of buying power led to cities and counties straining for resources and facing difficult prioritization decisions. Funding shortfalls have resulted in some county engineers having to quit maintaining some gravel roads and even letting some paved roads deteriorate back to gravel.

Road conditions impact the wear and tear on all vehicles, from county vehicles, public vehicles, transit vehicles, trucking company vehicles, etc. One county representative noted that the county office is receiving claims to their insurance company regarding flattened tires and bent rims due to potholes or other deteriorating road conditions. The trucking industry noted that an increase in revenue to repair roads will reduce the amount of cost they will have on their trucks and benefit the trucking industry in the long run. They state they would rather pay for better road conditions than pay for tires, u-joints, springs, and shocks due to poor road conditions.

Poor roadway conditions have a broad and varied impact. Counties said they are trying to do more with less and are running out of options in order to keep up with maintenance. The insufficient amount of funding the counties have has led to some bridge and road closures. Closed roads require school systems and adjacent land owners to travel more miles to get around the closed bridge or roadway. Once a road or bridge closes, the school system and farmers with large implements and trucks must use the closest available roads, causing those roads to fail faster because of increased and heavier traffic.

Mechanisms to Consider

The public most frequently identified increasing the state fuel tax as the preferred method for raising more funds. Sixty-four percent (126 of 198) of the people supported an increase in the state fuel tax, although at different rates, in different ways, and for different reasons. Many noted that an increase in the state fuel tax is fair and equitable because it is usage-based and it captures revenue from out-of-state users of Iowa's roadways. They also noted the administrative costs to implement would be low compared to other mechanisms because the system is already in place. Of those supporting a state fuel

tax increase, 33 percent (41 of 126) recommended raising the state fuel tax by 10 cents, six percent by eight cents, and 61 percent did not recommend a specific rate.

Although 64 percent of those providing input support raising the state fuel tax, many also did not see the state or federal fuel tax as a long-term, sustainable solution. They noted that vehicles are becoming more fuel efficient and more vehicles are alternatively powered, a trend that is expected to continue and will have a negative effect on fuel tax revenue. To address this in the short-term, some recommended that the state fuel tax be indexed and/or combined with other mechanisms, such as a high fuel efficient/alternative fueled/hybrid vehicle surcharge, to finance the bridge and road system. For the long-term many suggested the state convert to a VMT fee as soon as feasible.

Many of the presenters spoke to the benefits of Iowa's user fee system of registration fees and fuel taxes, all paid only if you use the system. Some spoke to a concern about lost user fees and inequity resulting from alternatively fueled/hybrid/high fuel efficiency vehicles, but there was no consensus presented on how to address this. Other ideas shared by the presenters included a one cent severance tax on corn and soybeans, a one percent increase on the fee for new vehicle registration, a VMT fee, driver's license fee increase, public/private partnerships, and more.

To Be Done Differently

One person did not agree that additional funding was needed for Iowa's bridges and roads. The person explained that the state needs to set priorities to receive the most transportation value out of the fuel taxes; shift more funds to infrastructure needs such as larger natural gas mains and electrical power structures; and educate the driving public to be more understanding.

On several occasions, members of the public spoke about investing more in alternative modes of transportation in order to reduce the demand for roads.

Best Ways to Utilize Funding

The public's perspective on how funds are utilized in an efficient and effective manner lies in their experience as users. In regard to utilizing existing and new funding, the public expressed the funds be used for maintenance and preservation, focusing on fixing the worst first.

Comment Summary

The public meetings allowed the CAC to interact with and hear from Iowans and provided a general sense of which methods to pursue to raise additional revenue. Generally, speakers represented county, city, farming, trucking, economic development, private, general contracting, school, and/or citizen perspectives. The following summarizes the results as it pertains to raising additional revenue, at each meeting location. For a rundown of each comment given to the CAC, please see Appendix A – CAC Public Input Notes.

City/County and Stakeholders – July 7, 2011 at Marriot Courtyard, Ankeny, IA

The CAC traveled to Bettendorf and heard from 15 people. All 15 people expressed support for additional revenue. Mechanisms of which they are supportive of include increasing the state fuel tax, raising the fee for new vehicle registration from 5 percent to 6 percent, developing a minimum fee on alternative-fueled vehicles, and indexing the state fuel tax. There was opposition to bonding and to exploring funding sources that are not constitutionally protected for use only on roadways. In addition, one stakeholder noted their support of passenger rail service as an alternative means of transportation that could help reduce motor vehicle traffic on Iowa's roads.

Bettendorf – August 10, 2011 at Isle Casino Hotel

On August 10, 2011, the CAC traveled to Bettendorf and heard from 21 of the 62 people in attendance. Nineteen individuals expressed support for additional revenue with 15 identifying an increase in state fuel tax as a mechanism to produce additional revenue. One individual supported an increase of eight cents and another individual supported a 10 cent increase. Additional mechanisms mentioned were a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, a one percent increase on fee for new vehicle purchase registrations, a one percent sales tax on fuel purchases, a flat surcharge on all vehicle registrations, and, a public/public partnership. One person spoke against raising the diesel fuel tax rate because of the impact on diesel fuel sales at Iowa businesses resulting from the fuel tax differential with Illinois. In addition, a couple of people noted their support for investing in alternative modes of transportation that could help reduce motor vehicle traffic on Iowa's roads.

Mason City – August 17, 2011 at Music Man Square

On August 17, 2011, the CAC traveled to Mason City and heard from 16 of the 44 people in attendance. One written comment was also submitted. Sixteen individuals expressed support for additional revenue with 12 identifying an increase in state fuel tax as a mechanism to produce additional revenue. One individual supported an increase by eight cents and five individuals supported a 10 cent increase. Two individuals supported either an eight or ten cent increase. Additional mechanisms mentioned were a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, a one cent per bushel measure, an increase in driver's license fees, and eliminating business trade truck licenses.

Des Moines – August 24, 2011 at Embassy Suites

On August 24, 2011, the CAC traveled to Des Moines and heard from 18 of the 75 people in attendance. One written comment was also submitted. Fourteen individuals expressed support for additional revenue with nine identifying an increase in state fuel tax as a mechanism to produce additional revenue. One individual supported an increase by eight cents and three individuals supported a 10 cent increase. Additional mechanisms mentioned were a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, and a one cent per bushel measure. In addition, nine people noted their support for investing in alternative modes of transportation that could help reduce motor vehicle traffic on Iowa's roads.

Storm Lake – August 31, 2011 at Buena Vista University

On August 31, 2011, the CAC traveled to Storm Lake and heard from 27 of the 87 people in attendance. Twenty-five individuals expressed support for additional revenue with fourteen identifying an increase in state fuel tax as a mechanism to produce additional revenue. One individual did not believe that additional funding was needed and another believed funding was needed but stated that he was opposed to a state fuel tax increase. Seven individuals supported a 10 cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, a one cent per bushel measure, a one cent sales tax, an increase in driver's license fees, a tax/fee/license on farm equipment, elimination of the business trade truck license, and bonding.

Council Bluffs – September 7, 2011 at Mid-America Conference Center

On September 7, 2011, the CAC traveled to Council Bluffs and heard from 14 of the 42 people in attendance. One written comment was also submitted. Fourteen individuals expressed support for additional revenue and all identified an increase in state fuel tax as a mechanism to produce additional revenue. Five individuals supported a 10 cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, a one cent per bushel measure, a one percent increase in the fee for new vehicle purchase registration, a one percent sales tax on fuel, an increase in driver's license fees, and a private/public partnership.

Waterloo – September 14, 2011 at Ramada Hotel Convention Center

On September 14, 2011, the CAC traveled to Waterloo and heard from 19 of the 99 people in attendance. Two written comments were also submitted. All 21 individuals expressed support for additional revenue with 18 identifying an increase in state fuel tax as a mechanism to produce additional revenue. Eleven individuals supported a 10 cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, an effort to look at alternative fuel or high efficiency vehicles, a one cent per bushel measure, a one percent sales tax on fuel, a tax/fee/license on large equipment, and a toll road system. In addition, two people noted their support for investing in alternative modes of transportation that could help reduce motor vehicle traffic on Iowa's roads.

Mount Pleasant – September 21, 2011 at Iowa Wesleyan College

On September 21, 2011, the CAC traveled to Mount Pleasant and heard from 23 of the 70 people in attendance. Two written comments were also submitted. Twenty-two individuals expressed support for additional revenue with 17 identifying an increase in state fuel tax as a mechanism to produce additional revenue. Two individuals supported either an eight or ten cent increase and another two individuals supported a ten cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, an effort to look at alternative fuel or high efficiency vehicles, a mileage driven tax, a one percent increase on fee for new vehicle purchase registration fees, an increase in driver's license fees, a flat registration fee across the board, a local option gas tax, a one cent per head in confinements, and a fee for off-road vehicle fuel.

Online Comments

Throughout the seven weeks, people were able to submit comments through the Governor's Transportation 2020 Citizen Advisory Commission webpage on the Iowa DOT website. The CAC received comments from 51 people. Forty-four individuals expressed support for additional revenue with 26 identifying an increase in state fuel tax as a mechanism to produce additional revenue. Three individuals mentioned supporting a ten cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, an effort to look at alternative fuel or high efficiency vehicles, a mileage driven tax, a one percent increase on fee for new vehicle purchase registration fees, a tax/fee/license on farm equipment, and elimination of the business trade truck license. In addition, eight people noted their support for investing in alternative modes of transportation that could help reduce motor vehicle traffic on Iowa's roads.

RECOMMENDATIONS

Based on the analysis of Iowa's public roadway needs and revenue and the extensive work of the Governor's Transportation 2020 Citizen Advisory Commission, the Iowa DOT has identified specific recommendations. The recommendations follow very closely those of the CAC (CAC recommendations from their report are repeated in Appendix B).

As developed and documented by the CAC based on their public outreach, the Iowa DOT strongly concurs with the guiding principles that ought to be the basis for all recommendations involving RUTF revenue generation. Those guiding principles are:

- Additional revenues are restricted for road and bridge improvements only, like 95 percent of the current state road revenue is currently. This includes the fuel tax and registration fees.
- State and local governments continue to streamline and become more efficient, both individually and by looking for ways to do things collectively.
- User fee concept is preserved, where those who use the roads pay for them, including non-residents.
- Revenue-generating methods equitable across users.
- Increase revenue generating mechanisms that are viable now but begin to implement and set the stage for longer-term solutions that bring equity and stability to road funding.
- Continue Iowa's long standing tradition of state roadway financing coming from pay-as-you-go financing. Iowa must not fall into the situation that other states are currently facing where the majority of their new program dollars are utilized to pay the debt service of past bonding.

The Iowa DOT recommends the following:

- 1. Through a combination of efficiency savings and increased revenue, a minimum of \$215 million of revenue per year should be generated to meet Iowa's critical roadway needs.**
As with the last two studies of road funding needs (i.e. the 2006 RUTF study and the 2008 TIME-21 study), there continues to be a clear funding shortfall to meet even the most critical needs of Iowa's public roadway system. As with those previous studies, a specific funding mechanism is not recommended in this study but instead a list of existing and potential mechanisms is included in Appendix D and Appendix E, respectively, for consideration by the legislature. The legislature will also have to consider the proper timing to implement changes to funding mechanisms. The efficiency savings piece of this recommendation is described in more detail in recommendation #5.
- 2. Current Code of Iowa language requires the Iowa DOT to "periodically review the current revenue levels of the road use tax fund and the sufficiency of those revenues for the projected construction and maintenance needs of city, county, and state governments in the future." This study is required every five years. The Iowa DOT recommends the Code of Iowa be changed to require this study be completed every two years timed to coincide with the biennial legislative budget appropriation schedule. In addition, an increased frequency of study will allow the legislature to better respond to changing conditions, changing roadway needs and new technology. If this recommendation is implemented, the next study will be due December 31, 2012.**

3. Modify the current registration fee for electric vehicles to be based on weight and value using the same formula that applies to most passenger vehicles.

Currently, electric vehicles are required to pay an annual registration fee of \$25 if less than five model years old and \$15 if more than five model years old. This is significantly less than paid by similar petroleum fueled passenger vehicles which pay a fee based on the vehicle's weight and value. This is a first step in assuring alternatively fueled vehicles pay an equitable share of RUTF revenue. As part of the Iowa DOT's next RUTF study, anticipated to be due December 31, 2012, additional recommendations may be considered to assure alternatively fueled, hybrid and high fuel efficiency vehicles (including commercial vehicles) pay their equitable share of user fees.

4. Consistent with existing Code of Iowa requirements, any new funding should go to the TIME-21 Fund up to the cap (\$225 million) and remaining new funding should be distributed consistent with the Road Use Tax Fund distribution formula.

5. The CAC recommended the Iowa DOT at least annually convene meetings with cities and counties to review the operation, maintenance and improvement of Iowa's public roadway system to identify ways to jointly increase efficiency. In direct response to this recommendation, Governor Branstad directed the Iowa DOT to begin this effort immediately with a target of identifying \$50 million of efficiency savings that can be captured from the over \$1 billion of state revenue already provided to the Iowa DOT and Iowa's cities and counties to administer, maintain and improve Iowa's public roadway system. This would build upon past joint and individual actions that have reduced administrative costs and resulted in increased funding for improvement of Iowa's public roadway system. Efficiency actions should be quantified, measured and reported to the public on a regular basis.

Beyond the discussion of identifying funding solutions to our road and bridge needs, it is critical that all jurisdictions that own, maintain and improve the nation's road and bridge systems demonstrate to the public these funds are utilized in the most efficient and effective manner. This requires continual innovation in all aspects of transportation planning, design, construction, and maintenance - done in a transparent manner to clearly demonstrate to the public how their funds are being utilized.

As a result of Governor Branstad's direction, the Iowa DOT has begun implementing this recommendation by identifying potential savings and having preliminary discussions with city and county representatives. These discussions will continue and result in the identification of specific efficiency savings and development of implementation strategies. Dependent on the measures identified, additional action may be required by the legislature, Iowa Transportation Commission, and/or other bodies to implement the action. In addition, a formal process will be developed to quantify, measure, and report the result of these actions on a regular basis. Some of the potential measures under consideration include:

- At the Iowa DOT, implement budgetary management policies focused on the delivery of projects ahead of schedule and under budget. Among many benefits, this would free up significant dollars held in reserve to cover project change orders and extra work orders.
- Develop a process to provide Iowa's cities and counties with state funds for roadway improvements instead of federal funds normally allocated to local jurisdictions. The development of roadway projects with federal funding can be burdensome to local jurisdictions due to federal regulations which result in significant inefficiencies. If the federal funding normally allocated to local jurisdictions was instead allocated to the

Iowa DOT in exchange for state revenue from the Iowa DOT, there is an opportunity for significant efficiency gains at the local level.

- Consider opportunities for the Iowa DOT and local jurisdiction partnerships to maximize respective resources utilized for roadway maintenance activities. For example, there may be opportunities for winter maintenance of low-volume primary roads to be contracted to counties at a lower cost. This is similar to what is done in some cases with cities providing winter maintenance of primary road extensions.
- Review Iowa DOT facilities/fleet to assess opportunities to reduce consolidate, and/or privatize. This review would extend into identifying opportunities to partner with local jurisdictions.
- Review investments in Iowa's Interstate system rest areas to assure investments are made at the right time and the right level.
- The Iowa DOT administers the collection of several components of state road funding. Mechanisms can be implemented to assure the collection of that revenue is done in a cost-effective and efficient manner while maximizing the revenue collected.
- Through the development of roadway projects, many state and federal agencies become involved in various manners to review and/or approve aspects of the project. Review opportunities to improve these interactions for the benefit of all parties.

- 6. Iowa DOT should undertake a study looking at vehicles and equipment that use Iowa's public roadway system but pay no user fees or substantially lower user fees than other vehicles and equipment. This study should result in an assessment of whether fee structures should be modified and/or created so that all vehicles and equipment using Iowa's public roadways are paying equitable user fees. This study should be completed by June 30, 2012.**

APPENDIX A

CAC PUBLIC INPUT NOTES

The following summarizes comments from public perspectives unrelated, for, or against any measure to increase road and bridge revenue:

City/County and Stakeholders

On, July 7, 2011, the CAC traveled to Bettendorf and heard from 15 representatives of city, county, banking, contractors, farming organization, regional planning agency, chamber, trucking association, roads associations, and public policy officials.

All 15 representatives expressed support for additional revenue. Mechanisms of which they support are increasing the state fuel tax, raising the fee for new registration from 5 percent to 6 percent, developing a minimum fee on alternative-fueled vehicles, and indexing the state fuel tax. There was some opposition to bonding and to exploring funding sources that are not constitutionally protected. In addition, one stakeholder noted their support of passenger rail service as an alternative means of transportation that could help reduce motor vehicle traffic on Iowa's roads.

- A League of Cities representative noted they know that there is a lot of need for infrastructure money and that they recognize successful economic development relies on good infrastructure.
- A city engineer noted his city has voted to increase their half cent local option sales tax for water/sewer/street infrastructure to a full cent and for larger projects; they have to use property tax general obligation bonds. He said their Road Use Tax Funds in general are used for maintenance, equipment, and personnel rather than overlay and reconstruction projects.
- A city public works director said their Road Use Tax Funds are not able to keep up with operation and maintenance activity costs and thus, they have to shift some maintenance activity costs along with capital improvement project costs to being paid with property tax general obligation bonds.
- A city public works director said they are unable to maintain their street system with Road Use Tax Funds only. They are supplementing them through other sources including GO bonds and gaming revenues.
- A city public works director noted they have been in a preventive maintenance mode, but would switch to doing overlays and just handling complaints if there is not a consistent RUTF.
- A county engineer said recently we have been drawing value out of the system because of the lack of funding and if we continue on this course, the inadequate amount of funding for maintenance and reconstruction will undermine the support of the economy. He said county road department's have continued to make cost saving changes with technological advances and improved efficiencies, but with the current funding level, counties have been forced to make cost cutting changes as well which has reduced service and devalues our road system.
- A public policy analyst said they also want to make it very clear that we also support the existing distribution formula that we now have because it is very important to counties. He said they do strongly support an increase in the Road Use Fuel Tax fee.
- A county engineer representative said the counties have done a lot of things to try to avoid getting to the position of asking for more revenue. Within their own agencies, they have improved their management; have done staff reduction, increased productivity. They have better tools and have changed how they approach projects. They have developed better statewide bridge, culvert and roadway designs and specifications to help contractors be more efficient and bid better. They have also cut costs by shared purchases with other agencies. They have reduced service where

they could. They have accepted reduction of condition and have also realigned the system by going to class C and B roads, doing the road closures where possible and de-pave in some areas. However, this is not enough and at some point you have to admit that you can't save the day through economization. Said there is a substantial need for an increase in the fuel tax because that is the most, despite its recent weakening in terms of vehicles, it is still the most reliable and immediate way to raise revenue.

- An Associated General Contractors representative said the lack of action to fully fund TIME-21 has resulted in the critical needs shortfall getting bigger, an increase in our national status for structurally deficient bridges. Recommended to raise revenues to complete the TIME-21 recommendations, raise the fee for new registration from 5 percent to 6 percent, raise the gas tax at least eight cents, resist bonding, resist exploring funding sources that are not constitutionally protected, develop a minimum fee on alternative-fueled vehicles, and develop a process for the future of an administrative adjustment of gas taxes based on a periodic review of the construction price index.
- An Iowa Good Roads Association representative said they support raising the necessary revenue to meet the critical needs of our state, county and local systems at the \$215 million level estimated by the Iowa DOT. Noted if the gas tax can be offset by additional sources of revenue such as increasing the fee for new registration from the current level of 5 percent to 6 percent then they support that option as being part of the mix. Said they have steadfastly opposed one bonding scheme after another and supports a pay-as-you-go system. Said they have opposed all diversions from the Road Use Tax Fund and do not want to return to the days of the late 80's and early 90's when the legislature was diverting \$115 million annually from the RUTF to support non-road issues. Noted the gas tax, coupled with registration fees, are the best and most fair ways to have those people who use the roads pay for the roads – and a gas tax is the only method we have for collecting fees from those thousands of motorists from out of state who use our road system. Noted that not only does inflation drive up repair costs, but delayed road repairs result in more extensive repairs later and a study by the American Association of State Highway and Transportation Officials (AASHTO) reported every dollar spent to maintain a road today reduces future repair costs from \$6-\$14.
- An Iowa Motor Truck Association representative said companies of all sizes are going to great lengths to identify ways to maximize their efficiency and they are also investing a great deal of money to determine where they can generate a degree of efficiency, any kind of efficiency is important in the delivery of each and every load. Said because of this, the trucking industry and their membership continues to be a strong advocate for good roads. She noted a bad road can impact whether that truck makes money, loses money, delivers the load on time or doesn't deliver it on time and in their industry that is all they are selling. Said a bad road can impact the speed of a truck which, in turn, will impact the fuel efficiency of that truck and then the delays go on and on. Time delays are a very negative impact on the efficiency and the profitability of that load especially in today's just-in-time delivery mindset. Noted that good roads are critical to efficiency; critical to maintenance; and critical to safety in the trucking industry. Like trucking, good roads are essential to the state's economy as well and the truck industry recognizes that they need to pay their fair share in preserving the good roads. Said the Iowa Motor Truck Association (IMTA) opposes any diesel fuel tax increase that is not part of a comprehensive highway construction and maintenance plan. She said they are adamantly opposed to tolling and adamantly opposed to bonding for highway construction as well. They are looking at everything but their position has always been strongly for a gas tax phased in over a two or three-year period.
- An Iowa Farm Bureau representative noted that many of those secondary roads are in poor repair. More than one out of every five Iowa bridges is also considered structurally deficient which is

third worst in the nation and almost doubled the national average. The vast majority of these bridges are maintained by counties and, of course, many of them located in rural areas. They need well maintained rural roads to keep agriculture and our state's economic engine running. They have come to the conclusion that they believe increasing Iowa's fuel tax is the most equitable and sustainable way to meet our roadway funding needs. The fuel tax allows those that use our roads to pay for them and it also allows us to pay for road repairs and construction as we go. Please recommend a fuel tax increase for funding rural roads and bridges that support rural communities and drives the economic engine of our state.

- An Iowa Chamber Alliance representative said Iowa's roads have significant unmet maintenance and preservation needs that restrict the ability to invest in essential expansions and improvements to our highway systems. Noted the Alliance recommends a more equitable funding formula so a larger percentage of road use tax dollars will be allocated to the primary state road system. Stated that federal public policy is encouraging less and less fuel consumption so fuel-based Road Use Tax Fund revenues will continue to face downward pressure and consideration needs to be given to alternative means of generating needed transportation infrastructure revenue. Noted, in addition, the Iowa Chamber Alliance also supports passenger rail service as an alternative means of transportation that could help reduce motor vehicle traffic on Iowa's roads.
- An Iowa Bankers Association representative said the Association's Board of Directors took a formal position to support increased funding for Iowa's road system in 2007 after reviewing a December 2006 report prepared by the Iowa DOT and has maintained a pro-funding position each year since the report was published. Noted the Association believes an increase to the gas tax is an essential funding source. Noted that Iowa bankers also believe our state is uniquely situated for growth and development which presents a huge advantage in attracting new business and manufacturers, which also comes new jobs, new workers, new homes, etc. Said in addition to job support and creation, productivity gains are realized by investments that reduce travel times, reduce crashes, reduce vehicle operating costs and make travel times more consistent (just in time delivery).
- An Iowa Association of Regional Councils representative said they support TIME-21 findings and they support revenue increases for maintenance and development of their transportation infrastructure. Noted they support this within a strong planning framework that they have extensive experience at the regional level.

Bettendorf

On August 10, 2011, the CAC traveled to Bettendorf and heard from 21 of the 62 people in attendance. Generally, speakers represented county, city, farming, trucking, economic development, private contractor, school, and citizen perspectives.

Nineteen individuals expressed support for additional revenue with 15 identifying an increase in state fuel tax as a mechanism to produce additional revenue. One individual supported an increase by eight cents and another individual supported a 10 cent increase. Additional mechanisms mentioned were a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, a one percent increase on fee for new registrations, a one percent sales tax on fuel purchases, a flat fee on all vehicle registrations, and, a public/public partnership. In addition, a couple of people noted their support of investing in alternative modes of transportation that could help reduce motor vehicle traffic on Iowa's roads.

- A city administrator said he would have the CAC consider a public/private partnership for those cities/counties that might be interested in projects to share with the Iowa DOT.
- A town fire department official said the county has targeted 275th Street as a road that needs to be paved. He hoped that the project stays in the program and the project is completed.
- A farmer noted that he farms on 275th Street and that most of his concerns were with that road. He also noted a concern that the gas tax has not increased since 1989 and how it is time to do something because we know our costs are all going to keep increasing.
- A chamber of commerce representative noted the current system was underfunded to meet the needs and noted an investment in passenger rail would lessen congestion and the wear and tear on roads and bridges. Noted that an investment in and an examination of other modes of transportation to be a critical component of any transportation plan the state creates. Stated the chamber of commerce supports full funding of TIME-21 and an examination of the current road use tax fund formula to mirror the TIME-21 formula which would create an equitable funding situation.
- A county supervisor noted that problems have been worse since TIME-21 because the percentage of income that they get from the road use tax fund dropped from 32.5 percent to 20 percent and counties have more roadways than anybody else. He noted the road use tax was the fairest tax and that they need money now in counties; cities need money; and the state needs the money but we need a fair distribution of that money.
- An independent farming organization representative said the farm-to-market roads are his concern because roads are getting more potholes and bridges are being embargoed. He noted his organization supports a modest tax increase on fuel (competitive with surrounding states) so that the farm-to-market system stays viable. He noted that maybe counties and the state could save money by not clearing roads in the winter. He noted wanting to shift money out of Des Moines area to rural areas.
- A city administrator noted the short-term challenge is the need to do something now and he thought the thing that makes the most sense there is a gasoline tax increase. He noted electric cars are becoming more and more popular and he personally likes the idea of the miles driven tax. He noted not liking the idea of a tax on those economical vehicles or electric cars because we are encouraging them. He noted that if it is necessary to raise taxes, then that is the choice he has to make.
- A town mayor said she supports the paving of 275th Street between Long Grove and Donahue. She noted the road use tax fund is the first fund that they tap into at the beginning of their fiscal year, and it is the only one that runs out before the end of the fiscal year. She said she wasn't prepared right now to give the CAC ideas on how to raise additional funding.
- A town mayor said he supports the hard surfacing of 275th Street. Said he could support raising the fuel tax to a certain degree but at some point in time, he thought we may have to look at some alternative funding, whether it is a one cent sales tax or other. He said he has a difficult time going with a use tax where you are going by mileage because he tends to believe that there is a little bit of "big brother" in that.
- A county supervisor said fuel tax is the answer and the CAC has to look at high-efficiency cars with some kind of tax or use. Noted the need to get away from the fuel tax and find an alternative.
- A town fire department official said he is interested in paving 275th Street. He also noted it appears that the gas tax generates a lot of money quickly and he is not too opposed because of wanting to encourage new development. He noted the mileage driven tax on new types of vehicles.
- A school superintendent said he is interested in paving 275th Street too. He personally noted to raise his road use tax because it seemed to make the most sense.

- A county engineer noted 13 years ago, the county passed a local option sales tax that went to the road system and will be looking at another property tax increase. Noted they are trying to keep up with hard winters and summer flooding. Noted he generally supports a fuel tax increase but thought it was a short-term solution because a 10 cent increase barely takes care of all the needs. Noted it would be nice if over the decades that the tax had been a percentage tax or indexed to construction costs.
- A regional planning commission representative feels fairly safe with a board member present already having said that there is certainly a need for a user fee and in the short-term that user fee that already exists probably needs to be increased. She believes fuel tax in the initial short term is probably our best option.
- A truck stop representative noted that the state's fuel tax collections have increased over the years compared to other states and noted Iowa has four of the largest truck stops in the world. Would like to see Iowa remain competitive and would like to see the state lobby for a federal fuel tax increase. Noted that gasoline is one cent lower than diesel fuel right now on your tax rate so she sees no reason for that differential; that should be increased.
- An independent farming organization representative noted there is an issue with embargoes. Noted his organization stands by a gas tax and trying to increase the tax (competitive increase). Noted that he agrees a gas tax increase is a short-term answer but we need to get something going right now.
- An engineering firm representative said a "do nothing" approach is not an option because it is going to cost you more in the end run. Noted we have to rely on all modes of transportation include freight, rail, and passenger rail and all modes. Noted that a \$200 flat fee on vehicle registration per vehicle per year is a fair and equitable solution and would generate, in his estimation, about \$600 million. Noted that a gas tax is not politically popular but is the right thing to do.
- An unaffiliated speaker (citizen) said jobs are so important and we need the transportation infrastructure. Expressed his idea is to add one percent a year onto the sales tax, the fuel as you buy it, one percent one year, two percent, etc., until we get it up to the five or six. The other option is to scrap the fuel tax and put ten percent sales tax on it and be done with it.
- A trucking transportation corporation representative noted well maintained roads and bridges are critical to their operating efficiencies, equipment maintenance, and the safety of their fleet. Noted they support the Iowa Motor Truck Association position on an increase of the state fuel tax (eight cents). Noted an increase in the gas and fuel taxes should be phased in over a period of time (five cents immediately and then another one cent the following year, etc.) and must be solely used in the construction and maintenance of the roads and bridges in the state of Iowa.
- A U.S. 30 Coalition of Iowa representative stated that many of these roads need upgrading and will support the CAC in your decision to increase funding into the system. Asked that new revenues be constitutionally protected. Noted that an increased fuel tax is a quick fix for a short-term success. Noted that as miles per gallon increase, less money will be coming into the system. Encouraged the CAC to explore other opportunities for increased revenue and will support your decision in the next legislative session.
- A county administrator noted her county board had to look at a property tax increase that would be on everyone's bill this fall of 11 cents, to be able to maintain the road system that we have today. Noted everyone needs cash; we all need more money; we all need our infrastructure to be improved or maintained in a lot of ways so please don't change who gets what. Wanted the CAC to tell the legislature to not be stymied by the future but help us today and that probably means using some traditional methods in terms of raising revenue.

Mason City

On August 17, 2011, the CAC traveled to Mason City and heard from 16 of the 44 people in attendance. One written comment was also submitted. Generally, speakers represented county, city, farming, trucking, economic development, private contractor, school, and citizen perspectives.

Sixteen individuals expressed support for additional revenue with 12 identifying an increase in state fuel tax as a mechanism to produce additional revenue. One individual supported an increase by eight cents and five individuals supported a 10 cent increase. Two individuals supported either an eight or ten cent increase. Additional mechanisms mentioned were a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, a one cent per bushel measure, an increase in drivers' license fees, and eliminating business trade truck license.

- A county supervisor said revenues generated by a one cent per bushel measure (and he stressed that he remains neutral on this) should be dedicated to the road system in the county where the revenue originated, both state and county roads. Mentioned that 22 counties in the ISAC's second district are all in favor of a ten cent a gallon tax increase.
- A council of governments' representative noted they had created urban renewal area around wind turbines and had virtually dedicated 100 percent of the revenues, the increment from those urban renewal areas, to road projects. Noted he would certainly recommend raising the fuel tax by eight cents, doubling the driver's fee, and eliminating the business trade truck license. Agreed that assessing a few cents for every bushel of crop delivered to the elevator, feed mill, or ethanol facility makes sense.
- A farmer noted being in favor of raising the state fuel tax eight or ten cents and being tied to inflation index so as to not get into the situations where construction costs are going one way and revenue remains the same. Noted as vehicles are used, the miles could be registered and have a fixed fee for each mile driven. Noted a toll road could also be a system and would like to see more gravel roads closed on a county basis.
- A trucking company owner said he supports the Iowa Motor Truck Association in increasing the gas and fuel taxes as long as those funds are solely used for construction and maintenance on roads and bridges in Iowa. He has heard an eight to ten cent increase mentioned and he would support either. This "pay as you go" system is the most effective method to fund and maintain our system of roads in Iowa. Something needs to be done so owners of alternate fuel/high efficiency vehicles pay their fair share of using the roads.
- A county engineer noted the county has reclassified roads to reduce our maintenance costs, cut staff, grading hard surfaced roads and putting them back to gravel, and are closing bridges. Noted she is in support of an increase in the fuel tax (ten cents) because it generates that out-of-state revenue. Noted that something needs to be considered for the electric cars and the alternate fuel vehicles.
- A county engineer noted that local roads are important to the local economy but are also important to the state of Iowa and any additional revenue that would be generated on the county/local level would be used wisely. Said a fuel tax is about as favorable as anything.
- A county engineer noted that anyone that has lived in a rural area knows what it means to have kids running to school, sporting events, community activities, church, recreation, and work. We drive to them all. Noted his family depends on the road for safe, reliable, all-weather travel for work, school, shopping, mail, medical visits, fire response, and sometimes even fun.
- A county engineer noted that every county engineer and supervisor he has spoken to is definitely in favor of any kind of increase to our road revenue by any kind of combination of the methods.

Noted that he would be requesting that the funding be put back to the old road use tax fund split with the 47.5 percent to the DOT, 32.5 percent to counties, and 20 percent to the cities as opposed to the 60/20/20 split in TIME-21. Noted he would also like to have some sort of increase in place to go along with increase construction costs as we go along each year for inflation.

- A county supervisor thought the state fuel tax (if it is 10 cents, it is 10 cents) is starting point but would like the CAC to increase the fuel tax a half a cent or a cent every year instead of at once. Noted needing some kind of a tax or registration fee on electric vehicles. Noted, in regard to a tax on grain, starting only with corn and that cent goes back to that county or origin.
- An asphalt company believes in “pay as you go” and is not in favor of bonding. Is supportive of a ten cent gas tax that is also indexed to inflation so it isn’t 21 years until we revisit the gas tax. Noted with the gas tax you are tapping into the out-of-state traffic and it just makes sense.
- A county economic development corporation wanted to encourage the CAC to consider looking at U.S. Highway 18 to Okoboji.
- A county supervisor supports a state fuel tax increase by ten cents. Noted hearing the recommendation of one cent per bushel tax on corn but is fearful that if we go that way, you are going to reduce the amount of money we get from the road use tax. Would appreciate it if the split would go back to the old formula before TIME-21 of 42.5 percent to the DOT, 32.5 percent to the counties, and 20 percent for the cities.
- A small trucking business owner disagreed with the support of a state fuel tax increase on diesel but is okay with an increase on gasoline.
- An unaffiliated speaker (citizen) said serious consideration should be given to selling the rest areas in the state since they do not produce revenue. Noted that there is a need to also address alternative fuels because Ruan is converting some of their trucks to natural gas.
- A labor union representative noted that jobs are needed in this county and in Iowa. Said an increase in the state fuel tax will create good jobs for people working on our highways and bridges. Noted being pleased to hear there is support for this.
- A city councilman stated the state fuel tax is the only way you can pull out-of-state money into Iowa.
- (Written Comment) A city councilman requested to have a county road placed on the five year scheduled plan for blacktopping.

Des Moines

On August 24, 2011, the CAC traveled to Des Moines and heard from 18 of the 75 people in attendance. One written comment was also submitted. Generally, speakers represented county, city, farming, trucking, economic development, private contractor, student, and citizen perspectives.

Fourteen individuals expressed support for additional revenue with nine identifying an increase in state fuel tax as a mechanism to produce additional revenue. One individual supported an increase by eight cents and three individuals supported a 10 cent increase. Additional mechanisms mentioned were a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, and a one cent per bushel measure. In addition, nine people noted their support of investing in alternative modes of transportation that could help reduce motor vehicle traffic on Iowa’s roads.

- A trucking company owner expressed support for a gas tax increase, stating that the trucking industry understands the value of the roads and is more than willing to pay their fair share to support good roads. Believes it is instrumental to the success and growth in this state that we

maintain the infrastructure system so we can create jobs. Noted support for a greater percentage of tax increase and they are willing to support the construction and maintenance of the roads.

- A county engineer noted in the last ten years they added 26,000 to their population but the last time they were able to put a gravel-to-pavement farm-to-market project together was 29 years ago. Noted he stands with the DOT and our cities in expressing the need for more funding. Several of the suggestions are viable.
- A county engineer noted all of their problems have gone from bad to embarrassing. Believed the funding shortfall has been so large for so long that even a funding increase today will not bring back the bridges and deterioration that has already occurred throughout the county but gets everyone motivated to ask the Governor and the CAC to advocate for a gas tax increase. Said a per bushel revenue source for the rural counties would help balance what the current road use tax fund, he believes, doesn't do for rural Iowa.
- A Midwest environmental advocacy organization representative said a good strategy would be to have a good rail network around the state. Noted it would include primarily freight rail because that is what we have most of in this state but there is an opportunity to lessen congestion by having a healthy rail network that also includes passenger rail. Said that will lessen congestion, increase efficiency, and will benefit a growing economy.
- A county supervisor said his county is at the point that they can't wait for state funding; they are going to offer their citizens the opportunity to decide the fate of their roads. We just want to know what they want to do. Noted it is vital that we do something. He said he is a use person and would be happy to have somebody read his odometer twice a year because if he uses it, he will pay for it.
- A university student noted the need to take a holistic approach to looking at this issue. Noted the roads need repairing but maybe part of the solution is looking at alternative ways of transportation, and he strongly believes that lies in high-speed rail systems.
- A university student said he also supports high-speed rail.
- A county engineer thought all the county engineers are on record as strongly supporting a state fuel tax increase. Noted that a ten cent fuel tax has been discussed or bounced out as an idea but it isn't going to be enough for them to maintain their current system so they are looking at reducing services, even if something like that goes through.
- A farmer noted that additional funding is needed and that the state fuel tax has not been raised since 1989. Noted not liking to pay more tax but feels a fuel tax increase would be the most equitable and fair way. Noted that an increase in the state fuel tax would just take care of the hole we have now. As vehicles become more fuel efficient, the state fuel tax stream is going to keep decreasing so there has to be other ways. Regarding the cent a bushel on delivered commodities, it was noted that there might be a battle involved with that.
- An advocate for rail passengers stated the federal government has said "we'll pay 80 percent but the state has to pay 20 percent" to re-establish passenger service and said if the CAC has any clout with the Governor and could get him to sign this in, there are millions of dollars at stake.
- A representative of a non-profit organization in downtown Des Moines said Iowa's transportation system fails in the medium distance trips category. Noted the U.S. is going from metropolitan areas that are competitive to mega-regions and those mega-regions use passenger rail and high-speed rail to make that connection. Noted Iowa is not spending enough money on the road system. Noted Iowa needs to continue to maintain and improve the little roads that connect to the big roads but we can't manage our transportation future with two modes (air and road).
- A representative from a commerce and economic development organization is a strong believer that investment in a safe and efficient multi-modal transportation system is a critical component to economic development. Noted the organization has been a strong supporter of the TIME-21

funding formula, which was a successful move in the right direction, and they are very open to looking at new potential sources of surface transportation infrastructure funding provided the cap on the TIME-21 formula is removed. Noted to being very supportive of the passenger rail line initiative.

- A farmer agreed that Iowa needs more funding for roads and bridges. Expressed support for an increase in the state fuel tax because it is the fairest way of spreading the costs to Iowans and to motorists who travel through Iowa, and building TIME-21 funds by increasing state fuel tax by five cents will help maintain our roads and bridges for years to come, attract industries and create jobs and improve our economy.
- An unaffiliated speaker (citizen) stated the CAC should keep in mind other big issues that occur, such as increasing fuel costs, because people's driving habits will change. Noted also that high-speed rail and greenhouse gas production needs to be kept in mind. Wanted bicycles and buses to be part of the overall equation. Proposed a fee based on tying the weight and miles together for fuel efficient vehicles and for vehicles going across the state, maybe a special toll for heavy vehicles might make sense.
- A city councilman suggested to prioritize county roads, restrict weight on non-essential roads, purchase permits for overweight loads if needed, set a fee at the elevator based on weight of the commodity dedicated to priority roads, issue stiff fines for violators on roads and dedicate those to maintenance of the priority roads, increase state fuel (diesel as well as gasoline) tax equal to surrounding states, and put into place a permanent pavement management plan to annually assess the roads. Noted supporting passenger rail and believes it is important that this state support all modes of transportation that are critical to economic development.
- A county engineer acknowledged that the penny per bushel idea was interesting and would support a 10 cent increase in the state fuel tax.
- A citizen proclaimed that the recommendation from the CAC could not be more than three cents a gallon increase or the Tea Party would petition.
- A trucking company representative said that the Iowa Motor Truck Association is in favor of a state fuel tax increase. Mentioned the state fuel tax is probably not the sole source long term and there are going to have to be other mechanisms.
- (Written Comment) An unaffiliated speaker (citizen) noted funding for road improvements is needed and important. Noted a fee for use of all other vehicles is an option as well. Noted high speed rail is also of the utmost importance, as well as all other alternative transportation options.

Storm Lake

On August 31, 2011, the CAC traveled to Storm Lake and heard from 27 of the 87 people in attendance. Generally, speakers represented county, city, farming, trucking, economic development, private, asphalt, and citizen perspectives.

Twenty-five individuals expressed support for additional revenue with fourteen identifying an increase in state fuel tax as a mechanism to produce additional revenue. One individual did not believe that additional funding was needed. Another individual did believe funding was needed but stated that he was opposed to a state fuel tax increase. Seven individuals supported a 10 cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, a one cent per bushel measure, a one cent sales tax, an increase in drivers' license fees, a tax/fee/license on farm equipment, elimination of the business trade truck license, and bonding.

- A town mayor noted that the State has to do something to get a little bit more money and has to do it on a fair basis in order to continue to make our state viable.
- An unaffiliated speaker (citizen) stated that there is no need to increase the state fuel tax at this time but does need to set priorities so we can get the most transportation value out of the fuel taxes that are now collected.
- An unaffiliated speaker (citizen) said he would support a ten cent increase in the fuel tax.
- A citizen expressed opposition to the state fuel tax increase. However, does fully support a surcharge for fuel efficient vehicles. Noted the fuel efficiency and economy was mandated by the federal government without thinking that it was going to cost us in fuel taxes. The more fuel efficient vehicles on the road, the more tax revenue is going to go down.
- Another citizen said the State needs to address the vehicles that are causing damage to the roads because those vehicles do not have a license fee, registration, or sales tax. Noted that anything using hard surface roads needs to be paying license fees, registration fees, sales tax, and state fuel tax.
- A city engineer noted that TIME-21 money has not made a significant impact on their abilities to work on additional projects. Noted the additional TIME-21 has been pretty minimal and the city is using the additional money on maintenance, concrete and asphalt patching, but the money just is not enough, through TIME-21, for reconstruction projects.
- A citizen noted that if the grandfather clause with pickups was eliminated, it would help raise revenue but a regular fee applied to all pickups would be better. Noted wanting the legislative transportation committees to do the right thing by adjusting the state fuel tax for inflation. Noted as far as taxes in our neighboring states, Iowa can easily afford a ten cent per gallon increase and let's pay at the pump; none of this mileage stuff.
- A highway coalition representative urged the CAC to not shrink away from the need to increase the road use tax and to not wait for the perfect application method for increasing revenues.
- A construction company representative wanted any recommended funding measures to also be constitutionally protected.
- A farming organization representative said they are willing to pay their fair share to keep our roads in good shape; that is why we support raising the gas and the fuel prices. Noted ten cents on a gallon of gas sounds like a lot but when he figured out what it is actually costing him extra per year, it is really peanuts.
- A city manager stated that a state fuel tax increase by itself is counterproductive because the federal government is trying to make the nation less oil dependent and requiring manufacturers to produce more fuel efficient vehicles. An increase in the road use tax is a limited benefit. Noted Iowa's commodities are traditionally corn and soybeans but if there was an export tax as it leaves the state that would be paid by an end user that could come back to the state and help.
- A farming organization representative said his organization supports a fuel tax increase. Noted they want it so all people will pay for these things especially the out-of-state people. Noted needing to come up with some way to get a fair share from alternate fuel vehicles.
- An unaffiliated speaker (citizen) pointed out that in 2004, the legislature passed a clause stating that if a community had a population of more than 800, the counties were no longer responsible to maintain the farm-to-market roads within the city limits. Stated the clause needs reevaluated to see how those farm-to-market roads need to be maintained in smaller communities. Noted she thought taxing the farm equipment is a valid way to get some of that money recouped.
- A county supervisor noted being in support of a state fuel tax increase because it looks like a fair tax for everybody to pay and the State can even get some out-of-state money. Stated an annual fee for alternative fueled vehicles sounds like a good idea.

- A public works director acknowledged support of TIME-21 and appreciates what that did for the city. Interested in continuing a program that would look for more road use tax funds.
- A farming organization representative said the lack of investment by Iowa in underfunding its rural roads and bridge infrastructure is felt by all Iowans but especially by farmers. Noted the need to address the deteriorating roads and bridges and increasing Iowa's fuel tax may be the best way to meet our roadway funding needs.
- A county engineer said the main challenge they face in the secondary roads department is a lot of their secondary road system was designed for the mid-20th century and today's agricultural commercial loads are much heavier and larger which adds to the problem.
- A tax watchdog group representative noted being in support of a state fuel tax (10 cent) but not an increase on the sales tax. Noted that road money needs to be earmarked toward transportation. Thought an ethanol tax increase made sense to be brought in line with the other fuel sources. Also thought a tax increase needs some type of an annual adjustment. Stated the per-mile tax makes sense when talking about fuel-efficient vehicles. Stated being in favor of bonding for highway improvements since there are record low interest rates now. Thought design-build could be another alternative.
- A State Senator thought everyone should be aware that if we were to find a new revenue source, there would be a battle as to where that money ought to go – the large metropolitan areas or rural areas, and legislators are not going anywhere without support from the executive branch.
- A grocery store chain representative said roads are very important to his company and noted if fuel taxes (10 cent) and fees are increased, he suggests that the money stay with the road fund.
- A county engineer noted that counties make a lot of things work with a whole lot less money than most other agencies do, and he thought the counties should get credit for that because it is a difficult thing to do. If we are going to demand more of our system, we have to pay more for it.
- An asphalt company representative said the State needs to raise the gas tax by ten cents and also needs to index it to inflation. Noted not being in favor of bonding and believes in a "pay as you go" system.
- A county supervisor noted that the state fuel tax may not be the perfect answer but it seems to be the most fair. Noted the vast majority of the central Iowans he talks to are willing to pay a little more at the pump for new and existing well maintained roads.
- A county engineer said the paved farm-to-market roads are deteriorating at an accelerated rate. He said he wanted everyone to remember that patches are holding the roads together.
- A farming organization representative said he didn't know about road use tax on farm equipment, but if that is done, it needs to stay in the counties so that dollars can be spent by the counties to keep the rural infrastructure going. Said he is in favor of a fuel tax; it is the fairest thing out there. In regard to the one cent bushel tax on the grains, he didn't know how that could be implemented and make it fair as there are livestock feeders that are using grain that would never be taxed.
- An unaffiliated speaker (citizen) said the state fuel tax is the way to go and likes the idea of increasing state fuel tax by 10 cents this year and then increasing tax so much every year until we finally get to the rate needed to take care of our roads and bridges.
- A county engineer said in regard to funding, the counties are becoming more efficient and using more imaginative ways in utilizing the money. Noted that Minnesota collects around \$600,000 a year per county for those heavy loads that come into the county to build and maintain those wind farms. In Iowa, we are limited to \$10 per load and it is typical that we might collect a few hundred dollars in permit fees for the same loads and then pay \$30,000 per mile to replace those roads. That permit system should be changed.

Council Bluffs

On September 7, 2011, the CAC traveled to Council Bluffs and heard from 14 of the 42 people in attendance. One written comment was also submitted. Generally, speakers represented county, city, farming, trucking, economic development, private contractor, and citizen perspectives.

Fourteen individuals expressed support for additional revenue and all identified an increase in state fuel tax as a mechanism to produce additional revenue. Five individuals supported a 10 cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, a mileage driven tax, an effort to look at alternative fuel or high efficiency vehicles, a one cent per bushel measure, a one percent sales tax increase, a one percent sales tax on fuel, an increase in drivers' license fees, and a private/public partnership.

- A national railroad company representative said railroads provide an important private infrastructure protection for the roads. Said if ten percent of the freight that passes through Iowa on trucks were diverted to rail, it could take more than a million trucks off Iowa's highway system each year. Noted that limited resources for infrastructure can be enhanced when public and private entities who are both already investing in the state can identify mutual benefits and the rail industry hopes the CAC will keep in mind its private investment in the state and look for ways we can cooperate so we can both maximize our investment in the infrastructure.
- A city public works director said the city receives \$5.6 million a year from the road use tax fund and 100 percent of it goes to operation and maintenance, but maintaining them is not at their ideal life cycle. Noted an increase in the state fuel tax is going to have to carry the load and it may be a combination of some others but, gas tax is going to have to be the bulk of it. Said he would encourage allowing jurisdictions flexibility because every jurisdiction is somewhat unique so if there is any way each jurisdiction can be allowed to determine its priorities on in its road system, he would strongly support that.
- A regional planning agency representative mentioned they had to cut about a third of the projects they had identified in their 2030 long-range transportation plan because of not enough funds. Noted in the short term, the State will probably need to look at a gas tax increase and in the long term, there are a number of different areas we need to look at whether it be a vehicle miles tax or a sales tax on fuel.
- An asphalt paving representative said that the state is in dire need of any kind of a road user increase and/or a gas tax increase (10 cent). Noted that the state, counties, and cities have been working with about the same amount of money or even less for the last 20 years, since the last gas tax increase in 1989. Said he also thought any increase should go back to the normal gas tax distribution and not TIME-21.
- A county supervisor said the Iowa State Association of County (ISAC) supervisors and engineers will support and have promoted a ten cent state fuel tax increase. Noted it is going to be a combination of increased funding with state fuel tax and any other measures the legislature is willing to pass. Said any county supervisor or elected county official will agree that money should go into the existing road use tax formula and not TIME-21.
- A rural economic development organization representative said the primary area of interest for this group has been the importance of maintaining and enhancing the region's transportation system. Said the state fuel tax or user fee needs to be raised to carry the bulk of the load. Mentioned not being in favor of bonding and urged the full funding of TIME-21.
- A citizen mentioned being in favor of raising the fuel tax for several years and is something that needs to be done to maintain our roads and bridges, especially the rural roads. Said he would like to see a tax increase on the petroleum portion. Noted paying the full six percent sales tax on a

new car seems reasonable. Suggested an increase in driver's license fees could help increase the revenue.

- A chamber of commerce representative noted TIME-21 has been important and they would ask that the CAC continue to fund any state fuel tax increase in that formula. Mentioned the interstate is more important than ever and wants to make sure that economic development piece is considered.
- A civil engineer (citizen) said the fuel tax is the fairest tax we have but thought it should be indexed to the fuel price and operate with a ceiling or floor. Noted fuel efficient vehicles could pay registration fees based on gross vehicle or charge them some kind of BTU charge through their natural gas or electricity.
- A citizen agreed that railroads could help alleviate a lot of the wear and tear on our road systems, particularly with regard to moving multiple heavy loads. Supports an increase in state fuel tax of ten cents per gallon, but would support a 20 cent a gallon tax increase if the road projects funded by the increase were built as complete streets. Noted that public charging stations for electric vehicles are already equipped to collect a use tax or sales tax, but would also tack something on to that vehicle's registration.
- A county engineer is supportive of the ten cent increase and going back to the original road use tax formula as it was prior to TIME-21. Thought a penny per bushel may have some merit since there is going to be more and more product. Something has to be done one way or another because the equipment are not generating one dollar of revenue for roads, but are taking a considerable amount of life out of these roads and bridges.
- A county engineer said there should be options that give a greater value to the number of roads a county has to maintain versus their population and he would rather see it on the old road use tax formula versus the TIME-21 formula.
- A citizen regarded a ten cent increase of the state fuel tax as really the only way to fix the revenue problem. Believed the State did not need to raise fees again (i.e., registrations, titles, new car purchases).
- A county supervisor noted an interest in the statistics regarding truck travel and the proportion they are paying. Noted their proportion is a little less than what should be considered to be their fair share. Noted needing some way to generate more income from those trucks.
- (Written Comment) A county supervisor asked the CAC to consider a fuel surcharge. Said another idea would be a one cent charge per bushel of grain sold with funds being returned to the originating county.

Waterloo

On September 14, 2011, the CAC traveled to Waterloo and heard from 19 of the 99 people in attendance. Two written comments were also submitted. Generally, speakers represented county, city, farming, trucking, economic development, private contractor, and citizen perspectives.

All 21 individuals expressed support for additional revenue with 18 identifying an increase in state fuel tax as a mechanism to produce additional revenue. Eleven individuals supported a 10 cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, an effort to look at alternative fuel or high efficiency vehicles, a one cent per bushel measure, a one percent sales tax on fuel, a look at placing a tax/fee/license on large equipment, and a toll road system. In addition, a couple people noted their support for investing in alternative modes of transportation that could help reduce motor vehicle traffic on Iowa's roads.

- A county engineer noted that money is getting tighter and tighter, and rules are getting tougher and tougher. Noted they have to find ways to cut the cost because they can't just keep closing bridges, which does not work and does not save any money.
- A distribution business representative said the trucking industry is looking for fast, good service with no delays because that is going to save us fuel, less repairs, and less delays. Noted he thought raising fuel taxes is a great option and raising the license fee on high-efficiency vehicles is also a good idea because everybody is going to participate. Noted if a one percent sales tax on gasoline was applied, an average two-car family at \$3.50 gallon gas is going to pay about \$70 a year.
- An unaffiliated speaker (citizen) said he would like more than one choice of transportation options. Noted he would encourage things that are user-based and while toll roads are probably a dirty word in Iowa, it is one that should be considered. Said if the rural roads are breaking down because of large farm equipment, perhaps there needs to be a funding mechanism that captures some of those farm revenues; perhaps there needs to be some sort of tax based on commodities that would generate revenue for the repair of those roads.
- A county engineer noted that infrastructure is deteriorating and we truly need an increase in funding. Noted Iowa roads and bridges can be improved in a timely and efficient manner and she looks forward to the challenges this new revenue will bring, and she believes we can meet the needs and expectations of the citizens of Iowa for a high-quality transportation system with a revenue increase.
- A county engineer said they have a constant decline in the infrastructure. Said he would encourage consideration of a gas tax increase as a start and then any other means and in regard to TIME-21, he said 20 percent for the counties is not right; it should be the way the regular road use tax fund is currently being distributed.
- A county supervisor said they have maxed out their rural fund levy, did some debt service for the road department, and are looking at using some money from their general fund to try to get more dollars to accomplish what is needed. Noted they advocate raising the fuel tax by ten cents and are definitely in favor of using the old formula of 32.5 cents.
- A regional planning agency representative noted the board supports a minimum increase of ten cents for the fuel tax, recognizing that is a short-term fix. Noted that fuel efficiency issues require that we look at other mechanisms to fund roadways but he didn't know if that is a vehicle miles tax. Stated that he was not sure toll roads is the answer due to the nature of Iowa's system.
- A county engineer reiterated the points of raising the gas tax and believes it is not the long-term solution but is a solution that needs to be implemented. Noted a lot of the fuel efficient vehicles are lighter weight and are not damaging the roads as much as the heavy vehicles but obviously, if it is an electric car, they are not paying a dime in fuel tax and they are still putting the rubber on our roads. Questioned if there would be an option to replace some of the county federal-aid funds with local state funds so the counties could have a little more freedom with their limited staff to get projects done quicker and easier.
- A county engineer said he supports an increase in fuel tax and supports those funds going through the road use tax formula for distribution. Noted that TIME-21 is additional money for us and they welcome that money and as long as TIME-21 stays exactly like it.
- A city manager said he supports the position that the fuel tax should be increased by ten cents. Said he thought Illinois has an interesting system where they charge sales tax on the sale of the fuel to the retailer so the retailer then decides how the 5½ percent sales tax is going to be passed on to the consumer; that gives the retailer the choice of how that is done but the state still gets the revenue.

- An unaffiliated speaker (citizen) said no matter what happens as far as the amount that the gas tax or user fee is raised, he thought it has to be tied to inflation so we aren't in the same boat 20 years from now. Noted he thought ten cents is certainly a starting point but maybe we need to go higher because there is no question the roads are deteriorating everywhere you go. We also want to make sure that the alternative fuel cars pay their fair share and the easiest way is vehicle registration since the system is already set up.
- A town mayor said he knows we need an increase in gas tax and that ten cents would be nice. Noted it is something we definitely need to look at for tourism and safety.
- A farming organization representative noted supporting an increase in the state fuel tax by 10 cents and has been advocating for that for some time. They feel it is a user fee and it is equitable, not to mention the vehicles that come out of state would help fix our roads rather than just the residents.
- A county engineer said he supports the ten cents per gallon and that needs to be tied to some kind of consumer price index. Noted he also would support a large equipment fee on agriculture.
- A county supervisor said they are in support of a gas tax user fee increase that would utilize and provide funding for road repair and development. Noted he thought we should go for 14 cents and maybe they will settle at ten cents. Said he thought a user fee for electric and propane when they license their vehicles would be one help and maybe it is a cent per bushel on some commodities that are sold and that be set aside strictly for farm-to-market roads.
- A farmer said he is a firm believer that we need increased funds and would support the ten cent gas tax too.
- A farmer said rural roads and bridges are important and we need a proper and adequate transportation system.
- A rock materials company representative said they support the AGC on a ten cent increase and do not agree with bonding.
- A city mayor said with the fuel efficient vehicles, we have to look at additional ways to garner revenue to make it fair. Noted we need to look at all those mixes because then the burden of funding our roads is spread over all the population. Said he will go one better and say we are fools if we go any less than a 15 cent gallon gas tax and hopes the Governor will sign a gas tax one more time.
- (Written Comment) A chamber of commerce representative noted their support for an increase in the state fuel tax that would be utilized to provide funding for road repair and development.
- (Written Comment) A county supervisor noted they support an increase in the fuel tax and any other innovative way of raising the needed revenue to maintain our road system to move our goods and services within our county and our state.

Mount Pleasant

On September 21, 2011, the CAC traveled to Mount Pleasant and heard from 23 of the 70 people in attendance. Two written comments were also submitted. Generally, speakers represented county, city, farming, trucking, economic development, private, contractor, and citizen perspectives.

Twenty-two individuals expressed support for additional revenue with 17 identifying an increase in state fuel tax as a mechanism to produce additional revenue. Two individuals supported either an eight or ten cent increase and another two individuals supported a ten cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, an effort to look at alternative fuel or high efficiency vehicles, a mileage driven tax, a one percent sales tax increase on car registration, an increase in drivers'

license fees, a flat registration fee across the board, a local option gas tax, a one cent per head in confinements, and a fee for off-road vehicle fuel.

- A county engineer said they are desperately in need of some help with financing and believes a state fuel tax increase would be an appropriate way to do that. Noted they need the latitude to use the money as efficiently as they can because each county has its own particular needs. They desperately need some help with being able to fund maintenance and operations of the road system.
- A county engineer said the gas tax seems to be the most appropriate, as the more you drive, the more you pay. Noted when compared to surrounding states, Iowa's tax is still low. Noted also that TIME-21 legislation did increase funding somewhat, but the bulk of that revenue went to the DOT.
- A county supervisor urged the CAC to look at all funding, especially the state fuel tax, when looking for solutions. Noted that trucks and farm equipment are getting larger and heavier and our current road system is having a tough time handling it.
- A county engineer said with the current system the state has, the user fee is the best way to increase revenue. He said it seems like every funding source that comes along anymore has strings attached. We are going to have to count on the engineers and boards of supervisors at the local level to use that as efficiently as possible.
- A greater partnership (chamber, economic development, businesses, etc.) representative noted that roads are expensive to build and maintain but the costs of not having the needed roads and/or having roads in poor condition is greater. He urged the CAC to identify a method of enhanced revenue for roads. Their view is that there is no fairer way to increase revenue for roads than to tax the roadway users in proportion to their use.
- A development group representative said they are a proponent of finding ways to increase the revenue and finish Highway 61. Noted they believe every funding alternative should be considered and whatever is the fairest. Noted he thought everyone can agree that something needs to be done and they advocate looking at whatever is the fairest way to raise that revenue.
- A highway corridor representative (Kirksville, MO) said they hope to four lane from Jefferson City to Des Moines. Noted they know money is not available now but planning is important and they hope that Iowa will at least start to plan. Said they raised a half cent sales tax in order to four lane between Macon and Kirksville and then they voted themselves another half-cent economic development sales tax to help with the alternate route so they have been helping to finance their own projects.
- A Missouri DOT representative noted that many of the flat revenue, increased costs challenges that the Iowa DOT is facing, Missouri is also facing. Said they are implementing their five year direction to reduce staff, facilities and equipment. Noted they are concentrating on maintaining their system and not a lot of expansion but getting projects ready for when the opportunities come because they want to be able to move quickly if additional funds are available for expansion.
- An asphalt paving representative said we need to raise the revenues to complete the TIME-21 recommendations based on the DOT's updated critical needs study at the level of \$215 million additional funds annually. Noted it is equivalent to a ten cent gas tax increase or could be done through an eight cent increase and an additional one percent on new vehicle purchases. Noted a need to develop a minimum user fee for alternative fuel vehicles that are not currently taxed and develop a process for a future administrative adjustment on the fuel tax whether it is based on a periodic review of construction price indexes so that it takes any future tax increases or fee increases out of the realm of legislative approval.

- A county economic development representative said it seems a fuel tax is an obvious quick way to get money but he would index it to the fuel cost so as the price of gas goes up, we are able to generate more revenue. He also suggested a flat fee across the board on all vehicles.
- A county engineer said he became a lot more creative in finding ways to deal with county roads, bridges, and staffing, regarding the fact the road use tax has not appreciably increased. Suggested the only fair way is to increase the road use tax.
- A pork and grain producer representative said he understands some sacrifices and cuts have been made in order to minimize those effects, but he would strongly urge everyone to take a look at what bureaucratic rules and regulations, through both the state and federal level, have done to affect the difference of dollars between 1997 and today.
- A highway corridor representative said in regard to the fuel tax, don't call it a tax, call it a user fee. Noted people understand user fees because they can understand using the road. Suggested tying it to the cost of living because the ability to pay for the road tax is in the cost of living and if they don't have a raise in the cost of living, you keep it the same.
- A county engineer noted he would rather see the state raise the gas tax rather than the feds because when it goes through the feds, he believes Iowa only gets back about 92 percent and there are always strings attached with the fed funding. Noted Iowa has a local sales tax, and he asked about having a local gas tax where a city or county could impose a one cent tax and maybe raise some money themselves.
- A town mayor said they don't know where they are going to get the funding. Noted they have applied for grants the last two years and haven't been successful and will apply again next year but all they can do is patch; he can't generate that much money so they need help. Questioned the DOT if "would you be willing to buy the road back for \$68,000 plus interest" which would be an extra \$2 at the current interest rates.
- A city planner said he could potentially support some user fees; although, he thought it is a dilemma as far as the cost of fuel as they have a high concentration of lower income folks in Southeast Iowa so he thought it is a challenge to increase fees a lot. A fuel tax fee might be one source.
- A county engineer said they have been doing everything they can locally and above and beyond what they could in terms of raising the additional funds through bonding. Noted he definitely supports an increase in some type of funding; a gas tax increase is useful. Suggested a penny per head on something like confinement buildings with the revenue going to secondary roads. Suggested a tax on the off-road fuel that went toward secondary roads.
- A state senator said we pretty much all agree that more money needs to be put into the system. Said ten years ago we should have taken the index of what we were charging for fuel taxes and fees and put them toward inflation and if we had done that, our problems would be much lower than they are now. Noted whatever solution we find in the future he hopes it will be tied to some type of index whether it is cost of living or inflation. He said he does not support tax increases but this is a critical function of government so it is something we should be dealing with.
- A highway corridor representative said her coalition supports an increase in taxes to fund Iowa's infrastructure needs, provided the funds are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of Iowa roadways. Noted two years ago the discussion was eight cents and it has gone up to ten cents. She thought the members would support what the public is going to come up with.
- A regional planning association representative said he doesn't have specific ideas, but would encourage the CAC to look at long-term positioning for the state revenue sources. Brought up the research that the University of Iowa has been doing on mileage fees versus a fuel tax. Noted looking at a flexible funding source that we can index not only to the price of maintenance and

construction, but also to the amount of impact that vehicles do to a roadway may be a valuable way to look at sustaining revenues in the future for what our needs are as identified in various long-range and five-year plans. Noted with a true user fee, the vehicles travel is really the truest user fee that one could have and there are various ways to index that through impacts to the road, maintenance costs, etc.; that may be the most flexible thing we could look at. He agrees it is a long way from implementation but it may not be needed for a couple decades as the fuel tax is sufficient but it should be ready if it is needed in the future.

- An engineering firm representative thought the fuel tax is probably the fairest way. Noted that ten cents per gallon has been mentioned and he understands that with alternative fuels and more efficient vehicles we are going to have to change to a different form but right now he thought it is really anti-progressive to not base it on fuel. Suggested if it would be going to a mileage tax then we might look at a ton-mile tax so it would encourage smaller vehicles as well, and put that tax on the heavier vehicles that are doing more damage to the roads. Said like a local option sales tax, if there was a local fuel tax that they could apply, the local people are very efficient when using their funds.
- A county engineer said they have maxed out their taxes, cut their staff, and cut their equipment. Noted there is not much more they can do; and yes, the price of gravel is going way up. Said he thought a gas tax is a good way to go.
- A highway corridor representative said he can't give you anything in addition to what has already been said tonight, but if we go according to needs, the more critical needs should be served first.
- (Written Comment) A county supervisor said it is obvious additional funding is needed and increasing the fuel tax seems to be the best alternative. Noted an increase in drivers' licenses would also help make up the funding gap.
- (Written Comment) A county supervisor said that consensus shows that a ten cent increase in state fuel tax is apparent and that it should be done.

Online Comments

Throughout the seven weeks, anyone was able to submit comments through the Governor's Transportation 2020 Citizen Advisory Commission webpage on the Iowa DOT website. The CAC received comments from 51 people.

Forty-four individuals expressed support for additional revenue with 26 identifying an increase in state fuel tax as a mechanism to produce additional revenue. Three individuals mentioned supporting a ten cent increase. Additional mechanisms mentioned were tying state fuel tax to an index, an effort to look at alternative fuel or high efficiency vehicles, a mileage driven tax, a one percent sales tax increase on car registration, a tax/fee/license on farm equipment, and elimination of the business trade truck license. In addition, eight people noted their support of investing in alternative modes of transportation that could help reduce motor vehicle traffic on Iowa's roads.

- A citizen stated she is FOR an increase in the gasoline tax to support better roads in the state.
- A citizen noted that blacktop surfaces might save money in the long run and some control over grain cars on primary and secondary roads is needed because of weight and size.
- A citizen said buying gas is a fair approach method and another idea is a RETURN to NORMAL truck load weights at HARVEST so these overweight trucks QUIT ruining the roads that are not meant for overweight trucks.
- A citizen said raising the fuel tax is fine and monies collected should be used for bridges and roads. Suggested to put a tax on grain wagons.

- A citizen said it is their view that a certain amount of gas tax is needed.
- A citizen asked the CAC to do what is possible to continue funding at current levels for rural roads and bridges.
- A citizen said he is concerned about the desires of some to shift dollars to the more populous cities while leaving the rural transportation system inadequately funded.
- A citizen noted that lower weight limits in the fall and spring embargos on county hard surfaced roads really does hamper production efficiency. Asked to not let Iowa slip to transportation inadequacy by not maintaining and improving our roads.
- A citizen noted if we are to maintain our position as the leading farming state, we need to not only maintain our current level of funding, but provide additional money as well to keep our infrastructure from deteriorating any further. Suggested an increase in the state fuel tax would be the best remedy to solve our funding needs.
- A director of public works discussed improved methods of pavement construction and bridge design that would stretch available dollars and decrease the amount of maintenance and repair that would occur in the future.
- A farmer encouraged the CAC to prioritize Iowa's rural roads and bridges.
- A citizen noted a ten cent fuel tax increase does not even restore the purchasing power of our revenue back to 1989 amounts. Said any consideration for a solution for generating more revenue that does not account for inflation is a mistake.
- A transportation coalition representative noted that an investment is needed and would like to be associated with the CAC.
- A citizen noted that raising the gas tax would be the fair way to increase state revenue for the roads.
- A citizen said he would like to see money from the gas tax spent for his snowmobile allotted toward trails in the rural areas.
- A citizen said now is the right time to raise the states fuel tax.
- A citizen said it is imperative to find funding for our roads and bridges and the best way to raise the funds is through a fuel tax.
- A farmer stressed the importance of maintaining the rural roads and bridges and if revenues need to be raised, an increase in the fuel tax is the fairest way to go.
- A citizen said she supports additional road use taxes in order to maintain roads and is supportive of limiting corporate trucking and farm diesel tax breaks, whether it is in licensing or otherwise.
- A citizen encouraged the CAC to work to get an increase in the fuel tax that we all pay when we buy gasoline.
- A farmer noted we need to raise the fuel tax and use that revenue to replace bridges and upgrade the secondary road system.
- A farmer said it is time to raise the fuel tax since many of the main roads have outlived their lifetime and need to be replaced.
- A citizen said the time is right for a gas tax increase after viewing the flood destruction in western Iowa.
- A citizen said Iowa needs a balanced and integrated transportation system and passenger rail service is one component. Noted history shows that public/private investments in transportation are reasonable and afford good returns.
- A farmer said Iowa's rural roads and bridges need more funding and increasing Iowa's fuel tax is the best way to meet our roadway funding needs.
- A citizen said it is important to fund alternative transportation modes, rail and other public transit, trails and bicycle routes, and pedestrian friendly cities.

- A citizen hopes that the money for rural roads and bridges continue to be a high priority in this state and that the roadways be kept in the best condition as possible.
- A citizen said she was in favor of bringing in the passenger rail service to Des Moines. Noted also that she would support a gas tax or energy tax increase. Noted as electric cars are becoming more and more of a reality, any tax on fuel should also include the “electric fuel.”
- A citizen said it is vital to our emergency responders that counties be given the resources to maintain the roads so they are passable in all weather conditions.
- A citizen said he believed the only way that we are going to be able to service our roads and bridges into the future are by an increase in the gas tax.
- A citizen said she is not one to advocate for increasing taxes, but it seems like if rural roads and bridges have any chance of getting anymore support, we need to increase the gas tax.
- A farmer said Iowa’s rural roads and bridges need more funding and as much as I hate tax increases, perhaps now is the best time to increase the fuel tax.
- A citizen said she would be willing to pay higher property taxes but also would like to see the companies who use the roads most heavily pay their share.
- A citizen said Iowa’s roads are in bad shape and that a 10 cent gas tax and user fee increase would certainly help with funding road improvements.
- A citizen said he feels we need to increase taxes on sales of gasoline to maintain the states, counties, and cities roads. Noted that he feels that by raising fuel taxes, those who use the roads will help to maintain those roads.
- A county supervisor noted that while generating additional revenue is important, he believes it is equally important to focus on cost containment as well.
- A grocery store chain warehouse director thought all untaxed fuel should be eliminated.
- A citizen said if the gas tax were to be raised and these funds committed to rural road and bridge repair, progress can be made toward improving the farm to market road system. Encouraged the CAC to consider all revenue means available to accomplish this goal.
- A citizen noted that additional funding streams must be looked at for support of the infrastructure repair and replacement. Noted whether it is additional sales tax on fuel, tolling, and etc. the situation must be addressed.
- A citizen said that he thinks it is time to update the fuel tax since costs have greatly increased since 1989.
- A citizen said the study by the University of Iowa is the only sensible way to charge motorists for using the road system in the country.
- A citizen urged the CAC to increase funding for our rural roads and bridges. Noted an increase in gas tax would help to rebuild the roads in my county and a ten cent increase would add about \$1 million to our road use fund.
- A citizen commented on the need for more funding for our road system. Noted none of us like tax increases but it is apparently time to look at an increase in Iowa’s fuel tax.
- A transit association director said any discussion should include transit systems and the services they provide. Noted transit has been subject to the same cost increases and lack of funding as the highway funds.
- A citizen noted any discussion must include public transportation and any increase in funding should include public transit.
- A citizen commented that any consideration for raising revenue for highways and transportation should include a portion for the transit systems.
- A citizen noted that the CAC should give considerable attention to the public transit systems throughout the state and any discussion of increased revenue MUST include public transit.

- A citizen said public transit is an integral component of Iowa's overall transportation network that provides economic development and access to jobs for millions of Iowans. Requested that the CAC include a solution for this sector.
- A citizen asked the CAC to remember that public transit fills a very important niche in providing transportation to the transportation disadvantaged citizens of our state. Noted any new revenue for transportation in Iowa should include a portion for public transit.
- A citizen said he would be in favor of increasing the fuel tax and a diesel fuel tax increase would be okay if you could find a way to exempt shipping costs for products we use every day. Noted the tax on commodities has problems and that if a tax was started, the funds should stay in the area that they were collected as the roads traveled on were in those counties. Noted that a registration fee on larger farm equipment is not right.
- A citizen noted that additional funding is needed and realistically we are too far away from a vehicle mileage tax. Noted to increase the fuel tax rates to the average of the surrounding states and then index the tax. Noted to increase the pro-rated registration fees and index the fees. Noted to increase the fees for new registrations and base it on the weight of the vehicles rather than the cost.
- A county engineer said he was definitely in favor of increasing the funding for Iowa's RUTF by using methods that generate an immediate infusion of funds, but also keep up with the future needs of our road system by growing 4-5% per year. Noted the counties need more funding to keep the system from falling apart and it should be distributed by the formula in place before TIME-21.
- A citizen noted being in distress to learn that one of the recommendations is to increase the fees for hybrid vehicles. Asked the CAC to please find a way to treat all vehicles equally according to their road use.

APPENDIX B

CAC RECOMMENDATIONS

The Governor's Transportation 2020 Citizen Advisory Commission believes Iowa's public roadways are facing an annual critical funding need shortfall of \$215 million. In addition, the funding shortfall to meet all the needs of Iowa's public roadway system is much greater as shown in Table 5 on page 11. The lack of adequate funding has resulted in the state and Iowa's cities and counties under investing in the system and utilizing other funding mechanisms such as property tax and bond revenues.

The public we heard from overwhelmingly supports increased state funding for Iowa's roads. In addition, we heard that our recommendations should be based on the following principles:

- Additional revenues are restricted for road and bridge improvements only, like 95 percent of the current state road revenue is currently. This includes the fuel tax and registration fees.
- State and local governments continue to streamline and become more efficient, both individually and by looking for ways to do things collectively.
- User fee concept is preserved, where those who use the roads pay for them, including non-residents.
- Revenue-generating methods are fair and equitable across users.
- Increase revenue generating mechanisms that are viable now but begin to implement and set the stage for longer-term solutions that bring equity and stability to road funding.
- Continue Iowa's long standing tradition of state roadway financing coming from pay-as-you-go financing. Iowa must not fall into the situation that other states are currently facing where the majority of their new program dollars are utilized to pay the debt service of past bonding.

Considering all of this, the Commission recommends that the Iowa DOT include the following recommendations in their 2011 report to the Iowa legislature in order to raise, at a minimum, an additional \$215 million annually in road user fees to be spent by the counties, cities and state on Iowa's roads and bridges. Securing this additional revenue is vital to address deficient bridges on priority city, county and state highways; deteriorating roadway conditions that have the greatest impact on the movement of goods and people; and continued development of corridor projects

1. Increase the state fuel tax rates across the board by eight to ten cents.

The fuel tax is the only significant current source of RUTF revenue that is applied to out-of-state drivers as well as Iowans. The Iowa DOT has estimated that 35 percent of large truck travel in Iowa is from out-of-state trucks and 15 percent of passenger car/small truck travel in Iowa is from out-of-state drivers. In total, approximately 13 percent of RUTF revenue is estimated to be paid by out-of-state drivers primarily due to fuel tax payments.

Estimated Annual Revenue: \$184 million to \$230 million

2. Increase the "Fee for New Registration" from five percent to six percent.

The "fee for new registration" is the five percent fee that is imposed on the sale of new and used motor vehicles and trailers. Raising this fee to six percent will make this fee consistent with the state sales tax rate.

Estimated Annual Revenue: \$50 million

3. Iowa DOT should evaluate and recommend a funding mechanism in their report to the legislature that applies to alternatively fueled, hybrid and high fuel efficiency vehicles (including commercial vehicles). This user fee would account for the fact that those vehicles pay no or limited fuel tax.
Estimated Annual Revenue: Revenue potential will vary based on the recommendation from the Iowa DOT.
4. Consistent with existing Code of Iowa requirements, new funding should go to the TIME-21 Fund up to the cap (\$225 million) and remaining new funding should be distributed consistent with the Road Use Tax Fund distribution formula.
Estimated Annual Revenue: No impact
5. Current Code of Iowa language requires the Iowa DOT to “periodically review the current revenue levels of the road use tax fund and the sufficiency of those revenues for the projected construction and maintenance needs of city, county, and state governments in the future.” This study is required every five years. The Commission recommends the Code of Iowa be changed to require this study be completed every two years timed to coincide with the biennial legislative budget appropriation schedule. In addition, an increased frequency of study will allow the legislature to better respond to changing conditions, changing roadway needs and new technology.
Estimated Annual Revenue: No impact
6. Iowa DOT should at least annually convene meetings with cities and counties to review the operation, maintenance and improvement of Iowa’s public roadway system to identify ways to jointly increase efficiency. This would build upon past joint and individual actions that have reduced administrative costs and resulted in increased funding for improvement of Iowa’s public roadway system. Efficiency actions should be quantified, measured and reported to the public on a regular basis.
Estimated Annual Revenue: Depends on efficiencies and savings identified.
7. Iowa DOT should undertake a study looking at vehicles and equipment that use Iowa’s public roadway system but pay no user fees or substantially lower user fees than other vehicles and equipment. This study should result in an assessment of whether fee structures should be modified and/or created so that all vehicles and equipment using Iowa’s public roadways are paying equitable user fees. This study should be completed by June 30, 2012.
Estimated Annual Revenue: Revenue potential will vary based on the recommendation from the Iowa DOT.

APPENDIX C

MOTOR FUEL TAX RATES BY STATE

9/28/2011

Motor Fuel - Total State Taxes

Sorted by Total Gasoline Tax

(Total state taxes includes per gallon fuel tax and other taxes applied to fuel such as sales tax)

5/02/2011

Rank by Total Gasoline Tax	State	Gasoline Total State Taxes (cents/gal)	Diesel		Gasohol		Gasoline Price Per Gallon	
			Total State Taxes (cents/gal)	Rank	Total State Taxes (cents/gal)	Rank	Average Price 6/12/2011	Rank
1	Connecticut	51.9	39.6	6	51.9	1	\$4.01	3
2	New York	50.7	49.1	4	50.7	2	\$3.96	6
3	Illinois (see notes)	50.6	21.5	36	50.6	3	\$4.03	2
4	California	50.5	60.8	1	50.5	4	\$3.94	7
5	Hawaii	49.4	50	3	49.4	5	\$4.01	3
6	Michigan	43.7	40.4	5	43.7	6	\$3.90	8
7	Indiana	43.6	52.1	2	43.6	7	\$3.81	13
8	Washington	37.5	37.5	8	37.5	8	\$3.89	9
9	Florida	34.4	29.8	16	34.4	9	\$3.63	36
10	Nevada	33.1	28.6	18	33.1	10	\$3.72	25
11	Rhode Island	33.0	33.0	9	33.0	11	\$3.84	11
12	Wisconsin	32.9	32.9	10	32.9	12	\$3.80	14
13	North Carolina	32.8	32.8	11	32.8	13	\$3.61	39
14	Pennsylvania	32.3	39.2	7	32.3	14	\$3.73	23
15	West Virginia	32.2	32.1	13	32.2	15	\$3.76	20
16	Maine	31	32.2	12	31.0	16	\$3.75	22
16	Oregon	31.0	30.3	15	31.0	16	\$3.85	10
18	Georgia	29.2	31.7	14	29.2	18	\$3.58	41
19	Ohio	28.0	28.0	20	28.0	19	\$3.68	28
20	Montana	27.8	28.6	18	27.8	20	\$3.77	18
21	Nebraska	27.3	26.7	23	27.3	21	\$3.78	16
22	Minnesota	27.2	27.6	21	27.2	22	\$3.66	33
23	Vermont	25.7	29.0	17	25.7	23	\$3.84	11
24	Idaho	25.0	25.0	24	25.0	24	\$3.72	25
24	Kansas	25.0	27.0	22	25.0	24	\$3.64	35
26	Utah	24.5	24.5	25	24.5	26	\$3.62	37
27	South Dakota	24.0	24.0	27	22.0	33	\$3.77	18
28	District of Columbia	23.5	23.5	28	23.5	27	\$3.99	5
28	Maryland	23.5	24.3	26	23.5	27	\$3.73	23
28	Massachusetts	23.5	23.5	28	23.5	27	\$3.78	16
31	Delaware	23.0	22.0	34	23.0	30	\$3.68	28
31	North Dakota	23.0	23.0	31	23.0	30	\$3.79	15
33	Kentucky	22.5	19.5	42	22.5	32	\$3.66	33
34	Colorado	22.0	20.5	37	22.0	33	\$3.67	31
34	Iowa	22.0	23.5	28	20.0	39	\$3.68	28
36	Arkansas	21.8	22.8	32	21.8	35	\$3.53	47
37	Tennessee	21.4	18.4	45	21.4	36	\$3.49	49
38	Alabama	20.9	21.9	35	20.9	37	\$3.51	48
39	Virginia	20.2	20.3	38	20.2	38	\$3.58	41
40	Louisiana	20.0	20.0	39	20.0	39	\$3.57	45
40	Texas	20.0	20.0	39	20.0	39	\$3.58	41
42	New Hampshire	19.6	19.6	41	19.6	42	\$3.76	20
43	Arizona	19.0	19.0	43	19.0	43	\$3.60	40
44	Mississippi	18.8	18.8	44	18.8	44	\$3.49	49
44	New Mexico	18.8	22.8	32	18.8	44	\$3.62	37
46	Missouri	17.3	17.3	47	17.3	46	\$3.54	46
47	Oklahoma	17.0	14.0	49	17.0	47	\$3.58	41
48	South Carolina	16.8	16.8	48	16.8	48	\$3.43	51
49	New Jersey	14.5	17.5	46	14.5	49	\$3.69	27
50	Wyoming	14.0	14.0	49	14.0	50	\$3.67	31
51	Alaska	8.0	8.0	51	8.0	51	\$4.24	1
Average		27.6	27.2		27.5		\$3.71	

Source: - Fuel tax data from American Petroleum Institute as of May 2, 2011

- Fuel price data (for regular gasoline) from AAA (www.fuelgaugereport.com) as of June 12, 2011

Notes: - Iowa's tax rate includes 1 cent per gallon underground storage tank fee

- Border states are in **bold red** font.

- Federal fuel tax is not included in analysis but is 18.4 cents per gallon for gasoline/gasohol and 24.4 cents per gallon for diesel

- Price of fuel used for fuel tax calculations in states with sales tax may not correspond to price of fuel shown on this sheet.

- Illinois total state taxes for diesel does not include sales tax because there is a sales tax exemption for B11 or greater biodiesel.

6/12/2011

Motor Fuel - State Excise Taxes
Sorted by State Gasoline Excise Tax
(Does not include other miscellaneous fees and taxes such as sales tax, local tax, etc.)

5/02/2011

Rank by Total Gasoline Tax	State	Gasoline State Excise Taxes (cents/gal)	Diesel		Gasohol		Gasoline Price Per Gallon	
			State Excise Taxes (cents/gal)	Rank	State Excise Taxes (cents/gal)	Rank	Average Price 6/12/2011	Rank
1	Washington	37.5	37.5	2	37.5	1	\$3.89	9
2	California	35.3	18.0	33	35.3	2	\$3.94	7
3	North Carolina	32.5	32.5	3	32.5	3	\$3.61	39
4	Rhode Island	32.0	32.0	4	32.0	4	\$3.84	11
5	Wisconsin	30.9	30.9	5	30.9	5	\$3.80	14
6	Oregon	30.0	30.0	7	30.0	6	\$3.85	10
7	Maine	29.5	30.7	6	29.5	7	\$3.75	22
8	Ohio	28.0	28.0	8	28.0	8	\$3.68	28
9	Minnesota	27.1	27.5	10	27.1	9	\$3.66	33
10	Montana	27.0	27.8	9	27.0	10	\$3.77	18
11	Nebraska	26.4	26.4	12	26.4	11	\$3.78	16
12	Connecticut	25.0	39.6	1	25.0	12	\$4.01	3
12	Idaho	25.0	25.0	14	25.0	12	\$3.72	25
14	Utah	24.5	24.5	16	24.5	14	\$3.62	37
15	Kansas	24.0	26.0	13	24.0	15	\$3.64	35
16	District of Columbia	23.5	23.5	18	23.5	16	\$3.99	5
16	Maryland	23.5	24.3	17	23.5	16	\$3.73	23
18	Delaware	23.0	22.0	22	23.0	18	\$3.68	28
18	Nevada	23.0	27.0	11	23.0	18	\$3.72	25
18	North Dakota	23.0	23.0	19	23.0	18	\$3.79	15
21	Colorado	22.0	20.5	27	22.0	21	\$3.67	31
21	South Dakota	22.0	22.0	22	20.0	26	\$3.77	18
23	Arkansas	21.5	22.5	20	21.5	22	\$3.53	47
24	Kentucky	21.1	18.1	32	21.1	23	\$3.66	33
25	Iowa	21.0	22.5	20	19.0	30	\$3.68	28
25	Massachusetts	21.0	21.0	25	21.0	24	\$3.78	16
27	West Virginia	20.5	20.4	28	20.5	25	\$3.76	20
28	Louisiana	20.0	20.0	29	20.0	26	\$3.57	45
28	Tennessee	20.0	18.0	33	20.0	26	\$3.49	49
28	Texas	20.0	20.0	29	20.0	26	\$3.58	41
31	Illinois	19.0	21.5	24	19.0	30	\$4.03	2
31	Michigan	19.0	15.0	43	19.0	30	\$3.90	8
31	Vermont	19.0	25.0	14	19.0	30	\$3.84	11
34	Arizona	18.0	18.0	33	18.0	34	\$3.60	40
34	Indiana	18.0	16.0	41	18.0	34	\$3.81	13
34	Mississippi	18.0	18.0	33	18.0	34	\$3.49	49
34	New Hampshire	18.0	18.0	33	18.0	34	\$3.76	20
38	Virginia	17.5	17.5	38	17.5	38	\$3.58	41
39	Hawaii	17.0	17.0	39	17.0	39	\$4.01	3
39	Missouri	17.0	17.0	39	17.0	39	\$3.54	46
39	New Mexico	17.0	21.0	25	17.0	39	\$3.62	37
42	Alabama	16.0	19.0	31	16.0	42	\$3.51	48
42	Oklahoma	16.0	13.0	45	16.0	42	\$3.58	41
42	South Carolina	16.0	16.0	41	16.0	42	\$3.43	51
45	Wyoming	13.0	13.0	45	13.0	45	\$3.67	31
46	Pennsylvania	12.0	12.0	47	12.0	46	\$3.73	23
47	New Jersey	10.5	13.5	44	10.5	47	\$3.69	27
48	New York	8.1	8.0	48	8.1	48	\$3.96	6
49	Alaska	8.0	8.0	48	8.0	49	\$4.24	1
50	Georgia	7.5	7.5	50	7.5	50	\$3.58	41
51	Florida	4.0	4.0	51	4.0	51	\$3.63	36
Average		20.9	21.2		20.9		\$3.71	

Source: - Fuel tax data from American Petroleum Institute as of May 2, 2011

- Fuel price data (for regular gasoline) from AAA (www.fuelgaugereport.com) as of June 12, 2011

Notes: - Iowa's tax rate includes 1 cent per gallon underground storage tank fee

- Border states are in **bold red** font.

- Federal fuel tax is not included in analysis but is 18.4 cents per gallon for gasoline/gasohol and 24.4 cents per gallon for diesel

- Price of fuel used for fuel tax calculations in states with sales tax may not correspond to price of fuel shown on this sheet.

APPENDIX D

EXISTING REVENUE SOURCES

(Based on CY 2010 Data)

Type of Financing	Description/Mechanism	Estimated Amount Generated	Advantages	Disadvantages	Collected from out-of-state drivers?
Fuel Tax (452A.3)	Cents per gallon tax on motor fuels, including some alternative fuels. Current rate (as of July 1, 2011): not including the one cent per gallon fee for underground storage tanks. - Gasoline: 21.0 cents per gallon - Gasohol/E-85: 19.0 cents per gallon - Diesel: 22.5 cents per gallon The fuel tax is the only significant current source of RUTF revenue that is applied to out-of-state drivers as well as Iowans. The Iowa DOT has estimated that 35 percent of large truck travel in Iowa is from out-of-state trucks and 15 percent of passenger car/small truck travel in Iowa is from out-of-state drivers. In total, approximately 13 percent of RUTF revenue is estimated to be paid by out-of-state drivers primarily due to fuel tax payments.		- Collection and administration process already in place. - Generally proportional to system usage. - Generates revenue from out-of-state drivers. - Paid by all users of the highway system.	- Increased fuel efficiency results in lower revenue. - Higher fuel prices lead to reduced driving and reduced fuel tax collections. - Fees are fixed and do not adjust for inflation.	Yes (see description)
	Mechanism: Increase fuel tax across the board	\$23 million per year for each cent increase. - A four cent increase would generate \$92 million per year.	- Applies to all vehicle types. - Increases revenue generated from out-of-state drivers. - Results in a modest increase in annual fuel expenditures for the average driver. According to the University of Iowa, the average driver would see the following annual increase in fuel expenditures. 1¢ increase: \$4.75 per year 2¢ increase: \$9.50 per year 3¢ increase: \$14.25 per year 4¢ increase: \$19.00 per year 5¢ increase: \$23.75 per year	Retains ethanol fuel tax reduction.	
	Mechanism: Increase diesel fuel tax only	\$6.5 million per year for each cent increase.	Increases revenue generated from out-of-state drivers.	Increased freight costs for Iowa shippers.	
	Mechanism: Eliminate gasohol/E-85 fuel tax reduction and the Distribution Percentage Adjustment This would result in a fuel tax rate of 20 cents per gallon for gasoline, gasohol, and E-85.	Approximately \$7 million per year.	- Simplifies fuel tax rate administration. - Simplifies fuel tax rate schedule.	May impact consumption of ethanol-blended fuels.	
	Mechanism: Add automatic annual adjustment to fuel tax rates based on an inflation index such as the construction cost index Amount of additional revenue generated is dependent on rate of inflation.	Variable. A three percent adjustment would generate \$14 million per year.	Automatically addresses loss of buying power.	- Could result in significant revenue variations as fuel price changes. - Makes forecasting for programming difficult.	

Type of Financing	Description/Mechanism	Estimated Amount Generated	Advantages	Disadvantages	Collected from out-of-state drivers?
Fee for New Registration (321.105A)	Five percent fee that is imposed on the sale of new and used motor vehicles and trailers		- Collection and administration process already in place. - Provides revenue source based on ability to pay. - Proportional to cost of vehicle.	- Not proportional to system usage. - May discourage sales of motor vehicles. - Fluctuates with economic cycles.	No
	Mechanism: Increase to six percent.	Approximately \$50 million per year	Brings fee in line with state sales tax rate.		
Driver's License Fee (321.191)	A fee charged for the privilege to operate a motor vehicle. \$4 per year (non-commercial) \$8 per year (commercial)		- Collection and administration process already in place. - Does not fluctuate with economic cycles.	Not proportional to system usage.	No
	Mechanism: Double driver's license fee	Approximately \$12 million per year on average			
Registration Fees	Fees charged to register and license vehicles and trailers Fees vary according to the weight and value of the vehicle.		Collection and administration process already in place.	- Not proportional to system usage. - Higher administrative and enforcement costs. - Encourages retention of older vehicles.	Only commercial vehicles that pay a prorated fee based on travel within Iowa.

APPENDIX E

POTENTIAL REVENUE SOURCES

Type of Financing	Description	Advantages	Disadvantages	Collected from out-of-state drivers?
Sales Tax	Assess sales tax on fuel purchases. A one percent sales tax on fuel would generate approximately \$65 million per year based on 2010 fuel usage and prices.	- Provides a mechanism to apply local option sales tax on the purchase of fuel. - Requires less frequent legislative action on fuel tax because revenues will increase as the price of fuel increases.	- Requires enabling legislation. - Administration and collection system would need to be developed. - Because tax is tied to the price of fuel, the amount of tax could change significantly if fuel prices experience large fluctuations.	Yes
Severance Tax on Ethanol	A tax collected by the state either based on a percent of value or a volume-based fee on resources extracted from the earth. Typically charged to producer or first purchaser. To minimize the impact on Iowa drivers, the added cost of the severance tax could be offset with a reduction in fuel tax rate on ethanol-blended fuel. Potential revenue is dependent on rate set and volume produced. Assuming the fuel tax rate is lowered for ethanol-blended fuels to offset the addition of a severance tax, an estimate can be developed. The estimated CY 2010 ethanol production used outside of Iowa is 3.4 billion gallons. A severance tax of one cent per gallon would have generated \$34 million in CY 2010.	- Creates opportunity to generate revenue from sources outside of Iowa. - Compensates for roadway deterioration resulting from usage of system for the production of ethanol.	- Requires enabling legislation. - Administration and collection system would need to be developed. - Potential regulatory issues. - Could put the producer at competitive disadvantage.	Yes
Per-Mile Tax	Tax based on the vehicle miles traveled within a state. Based on the vehicle miles traveled in Iowa in 2010 (31.6 billion), a one cent per-mile fee would generate \$316 million per year.	- Direct measure of actual costs incurred. - Highly related to needs for capacity and system preservation because as travel and revenue increases, the need for capacity and preservation improvements increase. - May be graduated based on vehicle size, weight, emissions or other characteristics.	- Requires enabling legislation. - Administration and collection system would need to be developed. - Potentially high administrative, compliance and infrastructure costs. - Technology needs to mature. - Privacy concerns.	Yes
Transportation Improvement District	Geographic areas are defined and tax imposed within the area to fund transportation improvements with voter approval. Revenue potential varies.	- Satisfies urgent infrastructure needs, which exceed available finances. - Encourages state, local and private-sector partnerships. - Users of the system decide to implement.	- Requires enabling legislation. - Administration and collection system would need to be developed. - May be seen as an equity issue.	Yes, if out-of-state driver makes taxable purchases within geographic area.

Type of Financing	Description	Advantages	Disadvantages	Collected from out-of-state drivers?
Tolling	Implementing fees to travel on road segments. Revenue potential varies based on length of tolled segment and toll rate, but a typical rate is seven cents per mile.	Specific road segments/corridors generate their own revenue.	- Requires enabling legislation. - Expensive to initiate due to needed capital investment. - Ongoing administrative costs. - Requires sufficient traffic levels to generate enough revenue to pay for the costs of tolling, along with the maintenance and construction cost; Iowa may not have any reasonable corridors meeting requirements. - Public resistance may lead to adjustments in travel patterns to avoid tolls. - There are federal restrictions in some cases.	Yes
Development Impact Fees	A fee charged to developers for off-site infrastructure needs that arise as a result of new development.	- Additional source of funding to off-set increased needs due to new development. - Places the cost of improvement on the development that caused the need.	- Typically a local jurisdiction fee and is difficult to apply statewide. - Potential negative impact on future development. - Can be difficult to establish and administer. - Can be an equity issue when costs are passed on to homeowners in the case of a housing development.	No
Bonds for Primary Road System Improvements	A written promise to repay borrowed money at a fixed rate on a fixed schedule. Can be limited to very specific situations, such as projects that exceed a certain dollar threshold, projects that cannot easily be phased over time (border bridges) and/or projects that can reasonably generate sufficient revenue (tolls) to service their own bond debts. Revenue potential varies.	- Allows earlier and faster construction of some facilities. - Satisfies urgent infrastructure need, which exceeds available finances. - Avoids inflationary construction costs.	- Requires enabling legislation. - Requires state or community to extend payments for long periods of time. - Does not generate new money. - May cost more over time due to bond interest. - Requires existing annual resources be used for debt service rather than new needs. - May have a negative impact on statewide transportation decision-making. - Pose staffing issues for government road agencies and road consultants/contractors due to significantly changing annual project expenditure levels and cyclical nature.	Depends on funding mechanism that funds bond repayments.

Type of Financing	Description	Advantages	Disadvantages	Collected from out-of-state drivers?
Public-Private Partnerships (PPPs)	Contractual agreements formed between a public agency and private sector entity that allow private participation in the delivery of transportation projects in one or more of the following areas: project design, construction, finance, operations, and maintenance. Can either be user-fee based (tolls) or non-user-fee based. The non-user-fee based types of PPPs are most viable in Iowa and include design-build and design-build-finance. Revenue potential varies.	• Expedited completion compared to conventional delivery methods. • Avoids inflationary construction costs. • Delivery of new technology developed by private entities. • Purchase of private resources and personnel instead of using constrained public resources.	• Requires enabling legislation. • May be less efficient. • If user-fee based, could lead to higher tolling than under a public-only project. • May limit ability for in-state contractors to participate in construction depending on type of project.	• Depends on mechanism implemented by private owner but would likely generate funding from out-of-state drivers
	Mechanism: Privatization of infrastructure. Typically involves the long-term leasing of toll roads to private sector for up-front payment. Revenue potential varies.	• Influx of one-time capital. • Shifts responsibility to contractor.	• Requires enabling legislation. • Administrative process needed to let, execute, contract, and monitor performance. • Requires high-usage corridor to be marketable; Iowa may not have any candidates. • Built-in toll increases. • Potentially higher tolls to make project profitable. These tolls may result in system inefficiencies as traffic utilizes non-toll roads in lieu of using toll roads. • Requires very long-term decision that removes flexibility. • Very limited ability for in-state contractors to participate in construction.	• Depends on funding mechanism implemented by private owner but would likely generate funding from out-of-state drivers.
	Mechanism: Enable design-build contracting. Design-build involves contractual agreements whereby a single bid is accepted for both the design and construction of a project. A variation of this is the design-build-operate-maintain contract whereby a private contractor is also responsible for operation and future maintenance. 45 states have statutory or administrative provisions that authorize design-build fully or with certain limitations.	• Intended to accelerate construction schedule since some activities can occur simultaneously. • Intended to allow construction to begin sooner • Reduces administrative burden by having one contract and point-of-contact. • Can result in reduced construction costs.	• Requires enabling legislation. • May impact ability of in-state contractors to participate in construction. • Not appropriate for all types of projects. • Potential for cost overruns if scope of work is not properly defined up front.	• N/A

Type of Financing	Description	Advantages	Disadvantages	Collected from out-of-state drivers?
Container Tax	Fee imposed on containers moving through a designated geographic area. Revenue potential varies based on chosen rate and transportation modes to which the container tax would be applied.	Creates opportunity to generate revenue on shipments passing through the state.	- Requires enabling legislation. - Does little to promote efficiency - Ongoing administrative costs.	Yes
Imported Oil Tax	A tax charged on imported oil based on either the volume or value of the imported oil. Revenue potential varies.	Could help promote U.S. energy production.	- Requires enabling legislation. - Imported oil can be used for purposes other than transportation. - Could result in larger free trade issues.	Yes
Tire Tax on Light Duty Vehicles	A tax on light-duty vehicle tires. Could be applied to both new vehicle tires and replacement tires. Revenue potential varies.	- Sustainable source of funds. - Under normal circumstance, a strong link exists between tire wear and system usage.	- Requires enabling legislation. - Would not generate significant revenues. - May have safety ramifications by discouraging the replacement of worn tires.	Yes
Alternative Fuel/High Fuel Efficiency Vehicle Tax	A tax or additional registration fee charged on alternatively fueled vehicles, plug-in hybrids, and/or high-fuel efficiency vehicles. Replaces lost fuel tax revenues associated with the use of these vehicles. A \$100 fee charged on electric vehicles and hybrid vehicles would generate approximately \$1.3 million based on the number of electric and hybrid vehicles registered in Iowa as of July 1, 2011.	Ensures that electric vehicles and high fuel efficiency vehicles pay towards operations and maintenance of the highway system.	- Requires enabling legislation. - Potentially discourages the use of emerging efficient vehicle technologies.	No
Interstate Logo Sign Fees	Annual fee charged for logo signs paid for by businesses advertising their location off an interstate interchange. A 100 percent increase in annual fees, from \$230 to \$460, would generate approximately \$700,000 in additional funds.	Would be easily implemented.	- Would require enabling legislation for funds to be placed in the road use tax fund. - No link to highway use. - Signs are intended to be a service to drivers rather than a source of revenue	No
Agriculture Bushel Tax	A tax charged on each bushel of agriculture based products. Based on estimated 2011 production levels and on-farm grain usage, a \$0.01 a bushel tax would generate approximately \$25,600,000.	- Creates new source of sustainable revenues. - If products are shipped by road, a strong link exists between agriculture production and system usage.	- Requires enabling legislation. - Revenues would fluctuate based on production levels. - Administration and collection system would need to be implemented.	No