

## Lunch & Learn Presentation

### Road Funding February 25, 2013

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# History of Iowa Road Funding

- Territorial road funding
  - Labor requirements – 1834
  - Personal, property, and liquor taxes funding – 1836
  - Federal intervention funding – 1839
  - Tolls – 1839 *Burlington and Iowa River Turnpike ‘toll for every 10 miles set on every carriage, wagon, horse, mule, and every head of cattle, sheep and hogs*
- Early road funding enacted by the General Assembly
  - Road Poll Tax – 1897 *...all able-bodied males between age 21 and 45 must perform two days of labor on the roads between April 1 and October 1.*
  - Vehicle registration fees – 1904 *\$8.00 for any vehicle registered fewer than 5 successive years having 20 horse power or less, plus forty cents for each horse power in excess of 20. More than 4 years graduated registration fee*
  - Tax levies – 1909 *County Bridge tax = five mills on a dollar, county road building & grading = two mills on a dollar of assessed value not within city limits*
  - Federal funding and the first Primary Road Fund – 1913 to 1919
  - Bonding – 1919 to 1927 *Limited to 3% of the actual value of the taxable property within the county*
  - Gas taxes – 1924 *\$3.00 license fee for each gasoline pump. 3-cents per gallon added to the tax structure in 1927*

# Road Use Tax Fund (RUTF) Establishment

- Road Use Tax Fund creation – 53rd GA, Chapter 122 (April 1949)
- 1949 Constitutional amendment:
  - “Section 8, Article VII, Iowa Constitution, except for administrative costs, all vehicle registration fees, license fees, and motor vehicle fuel taxes are mandated to be spent for the construction, maintenance, and supervision of the State’s public highways. The use tax on motor vehicles and equipment, however, is exempt from the constitutional mandate.”

# Recent Targeted Road Improvement Programs

- **1985 – Revitalize Iowa’s Sound Economy (RISE)**
  - Promote economic development through improvement or construction of roads and streets
  - Assist communities to attract industries to Iowa and to expand existing industry
  - Since inception more than \$365.0 million in RISE funding has been approved for 768 projects (April 2012) and has assisted in the creation or retention of 58,321 jobs and \$19.0 billion in capital investment
- **1988 – Commercial and Industrial Network (CIN)**
  - Program designed to focus on the 2,300+ mile network of noninterstate primary roads determined by five criteria
  - Legislature directed Department to allocate a minimum of \$30.0 million from the Primary Road Fund to beginning in 1991
  - 10.0% of the Fee for New Registration revenue generated pursuant to Iowa Code section 321.105A
- **2008 – SF 2420 (TIME-21 Act) restructured the revenues for the RUTF**
  - TIME-21 capped at \$225.0 million (estimated revenue generated in FY 2013 at \$137.6 million)
  - Primary Road System funds spent on the Interstate System and the Commercial and Industrial Network
  - County funding targeted toward replacing deficient bridges and Farm-to-Market Road System
  - City funding expended on the overall street network as determined by each community
  - Distribution of TIME-21 funding
    - 60.0% Primary Road Fund
    - 20.0% Secondary Road Fund
    - 20.0% Street Construction Fund

# Road Use Tax Fund Revenues and Allocations

## Estimated FY 2013 (dollars in millions)

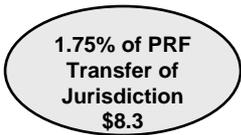
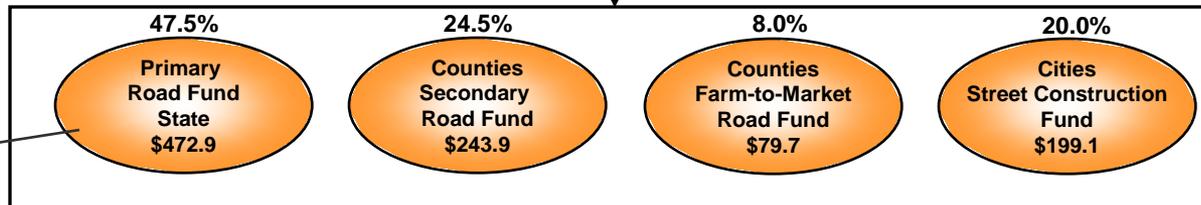
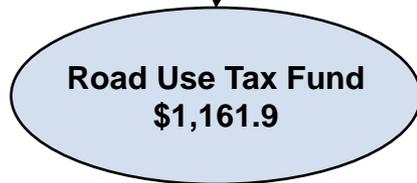
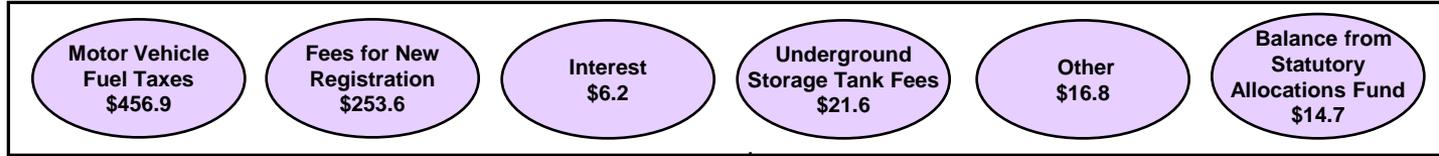
**Motor Vehicle Registration Fees \$509.5 million**

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**\$392.0 million**

Fees in Excess of \$392.0 million

Revenues



Note: Numbers may not total due to rounding.

# Road Use Tax Fund

## Off-the-Top Allocations and Appropriations

### *Examples*

- Statutory Allocations (§ 312.2)
  - Primary Road Fund – Commercial & Industrial Network
  - Revitalize Iowa's Sound Economy (RISE)
  - Park and Institutional Roads
  - Highway Safety Projects
  - Living Roadway Trust Fund
  - City/County Bridge Funds
  - County Treasurers Equipment
  - Driver's License Personal Delivery of Service
- Annual Appropriations
  - DOT Motor Vehicle Division
  - Driver's License Costs (Lease)
  - 511 Travel/Weather Information Systems
  - State Auditor Reimbursement
  - DAS Utility Services
  - DIA – Driver License Revocation Hearings
  - Workers Compensation
  - Unemployment Compensation
  - Motor Vehicle Division Field Facility Maintenance

# Road Use Tax Fund Distributions

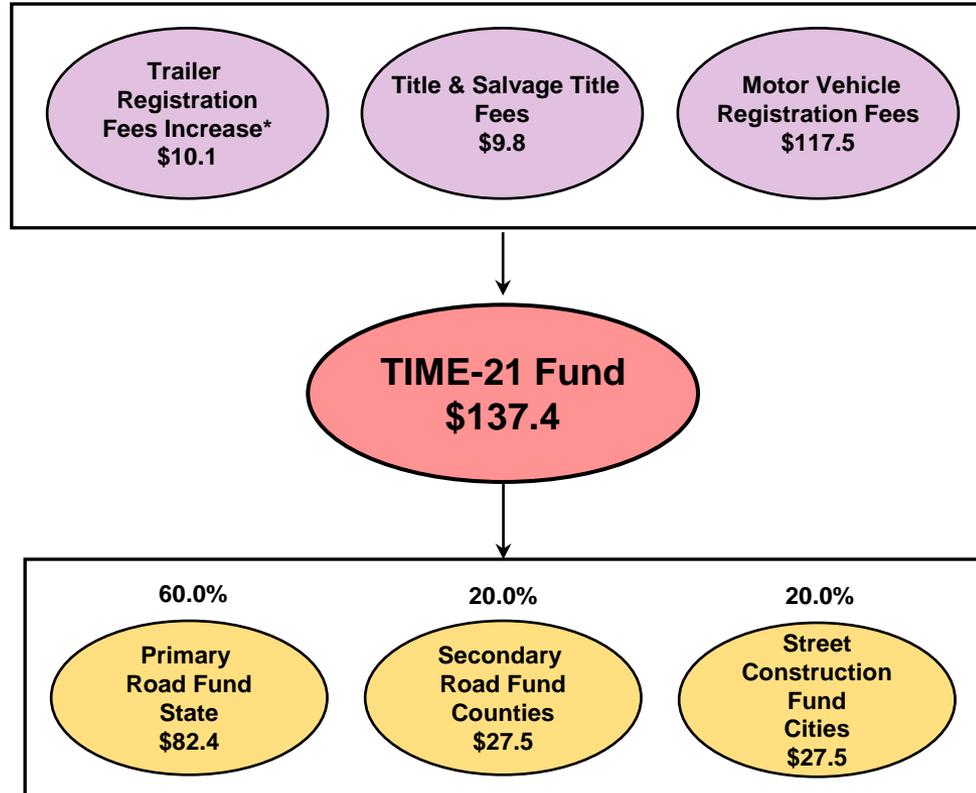
In accordance with Code § 312.2

- After the Off-the-Top Allocations and Appropriations – RUTF funds disbursed as follows:
  - Primary Road Fund (State) - 47.5%
    - 1.75% of this distribution goes to the Transfer of Jurisdiction Fund
  - Secondary Road Fund (Counties) - 24.5%
  - Farm-to-Market Road Fund (Counties) - 8.0%
  - Street Construction Fund (Cities) - 20.0%

# Other Road Funds: TIME-21 Fund

## Estimated FY 2013 Revenues & Allocations

(Dollars in Millions)



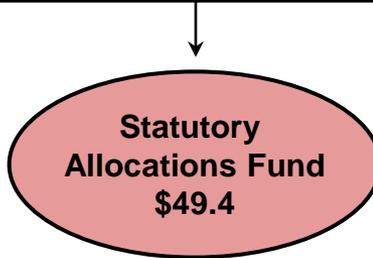
\*Senate File 2420 (enacted in 2008) increased trailer fees from \$10 to \$20 or \$30, depending on whether it is a small or large trailer. The initial \$10 for these fees is deposited in the Statutory Allocations Fund. The increase, either \$10 or \$20, is deposited in the TIME-21 Fund. Small trailers, paying \$20, account for 71.0% of total trailers registered.

# Other Road Funds: Statutory Allocations Fund

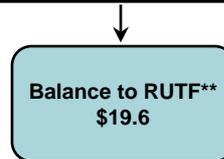
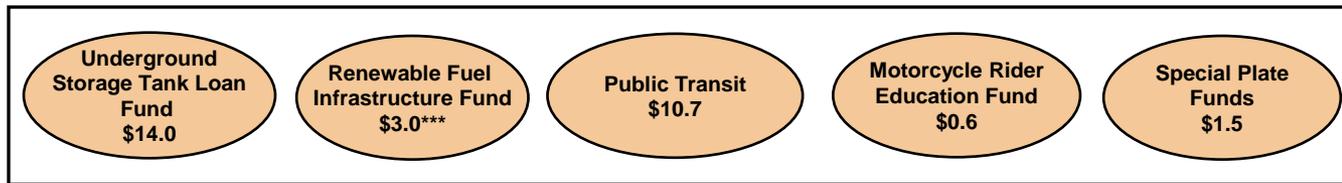
## Estimated FY 2013 Revenues & Allocations

(Dollars in Millions)

### Revenues



### Order of Allocations



\*Includes the use tax on mobile homes and manufactured homes and on leased vehicles not subject to registration.

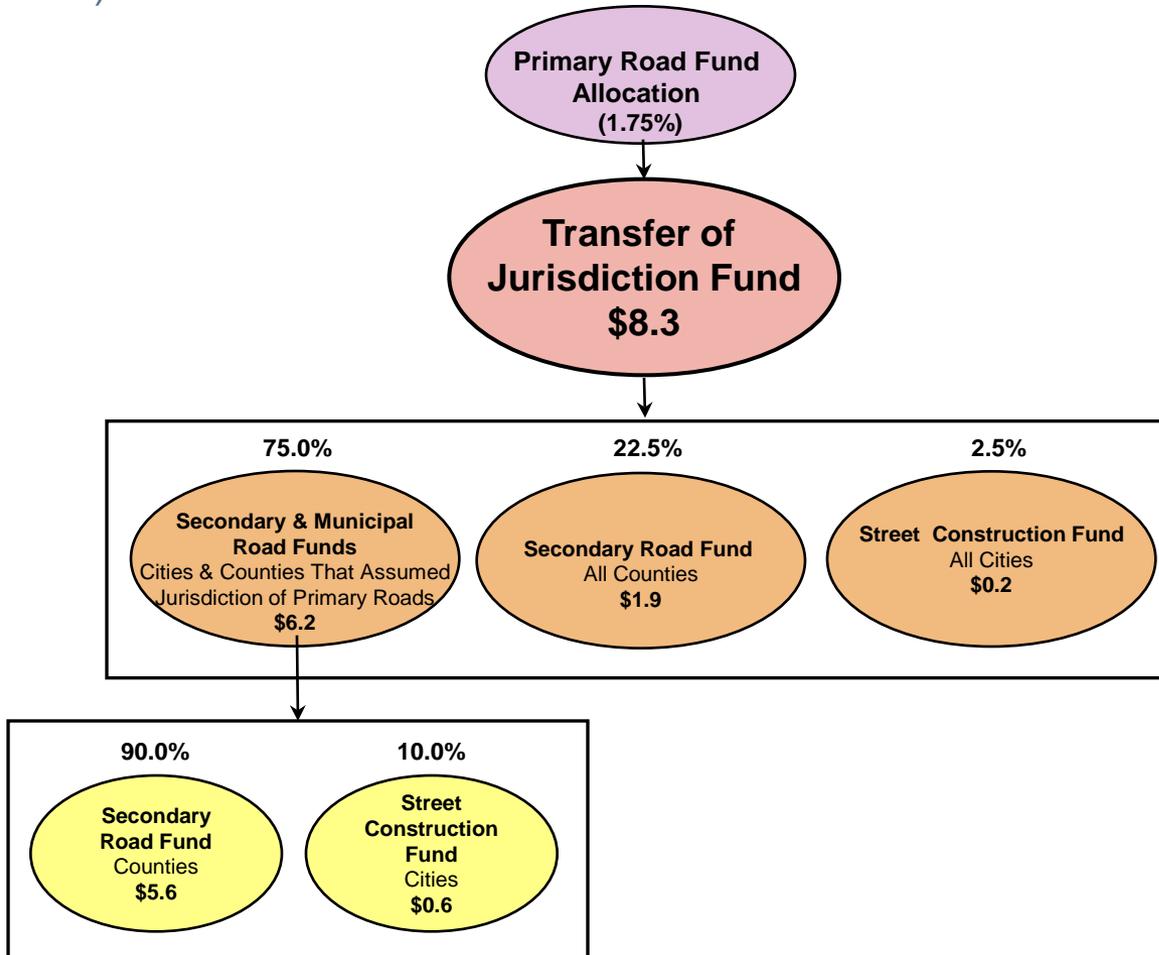
\*\*Due to accounting procedures, the balance of the SAF transfers to the RUTF in FY 2013.

\*\*\*The allocation to the Renewable Fuel Infrastructure Fund became effective July 1, 2011, with the enactment of SF 531 (Biofuel Retail and Production Incentives Act) during the 2011 Legislative Session.

# Other Road Funds: Transfer of Jurisdiction Fund

## Estimated FY 2013 Revenues & Allocations

(Dollars in Millions)



**Notes:** In FY 2005, the jurisdiction and control of approximately 400 miles of Farm-to-Market road extensions in cities with a population of less than 500 were transferred to the respective counties (not shown in the above table). As a result, a portion of Municipal Road Fund from those cities is transferred monthly to the Secondary Road Fund of the respective counties. The total amount transferred is estimated at \$2.1 million annually.

The Transfer of Jurisdiction Fund sunsets on June 30, 2013. After that, 1.75% of the Primary Road Fund will be distributed as follows: 90.0% to Secondary Road Fund and 10.0% to Street Construction Fund.

# Total Road Fund Distribution by Jurisdiction

Estimated FY 2014

(In Millions)

## State

• Primary Road Fund Formula Distribution	\$ 473.02
• Commercial & Industrial Network	28.30
• Revitalize Iowa's Sound Economy	23.16
• TIME-21	82.53
• Other Statutory Allocations per § 312.2	20.13
• Transfer of Jurisdiction	- 8.28
• Appropriations (Transportation bill)	45.89
Total	<u>\$ 664.75 *</u>

## Counties

• Secondary Road Fund Formula Distribution	\$ 243.98
• Farm-to-Market Formula Distribution	79.67
• Revitalize Iowa's Sound Economy	5.79
• TIME-21 § 312A.3(1)	27.51
• Other Statutory Allocations per § 312.2	9.94
• Transfer of Jurisdiction	7.42
• Appropriations (Transportation bill)	1.41
Total	<u>\$ 375.72</u>



\* Of the FY14 estimated state distribution a total of \$303.1 million will be expended for DOT operations

# Total Road Fund Distribution by Jurisdiction

Estimated FY 2014 (Continued)

(In Millions)

## Cities

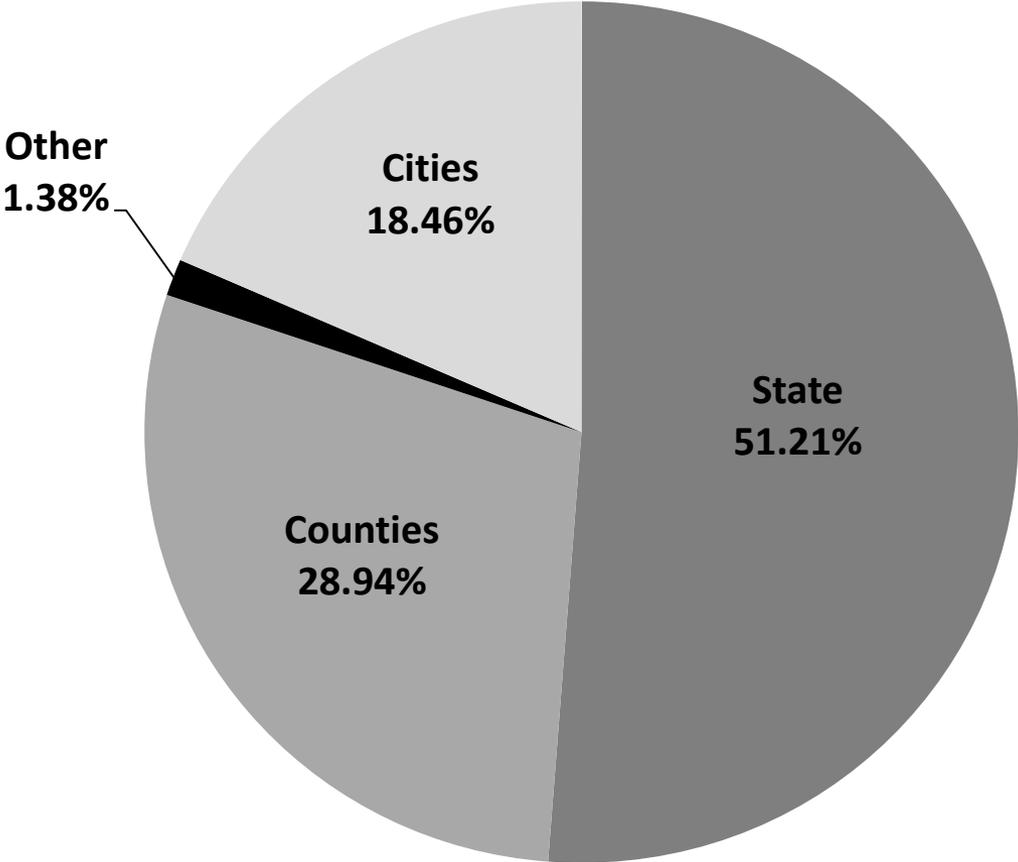
• Street Construction Fund Formula Distribution	\$ 199.17
• TIME-21 § 312A.3(1)	27.51
• Revitalize Iowa's Sound Economy	11.58
• Other Statutory Allocations per § 312.2	.50
• Transfer of Jurisdiction	<u>.86</u>
Total	<u>\$ 239.62</u>

## Other

• Other Statutory Allocations per § 312.2	\$ 12.06
• Appropriations (Admin/Reg & Trans bills)	<u>5.91</u>
Total	<u>\$ 17.97</u>

# Total Road Fund Distribution by Jurisdiction

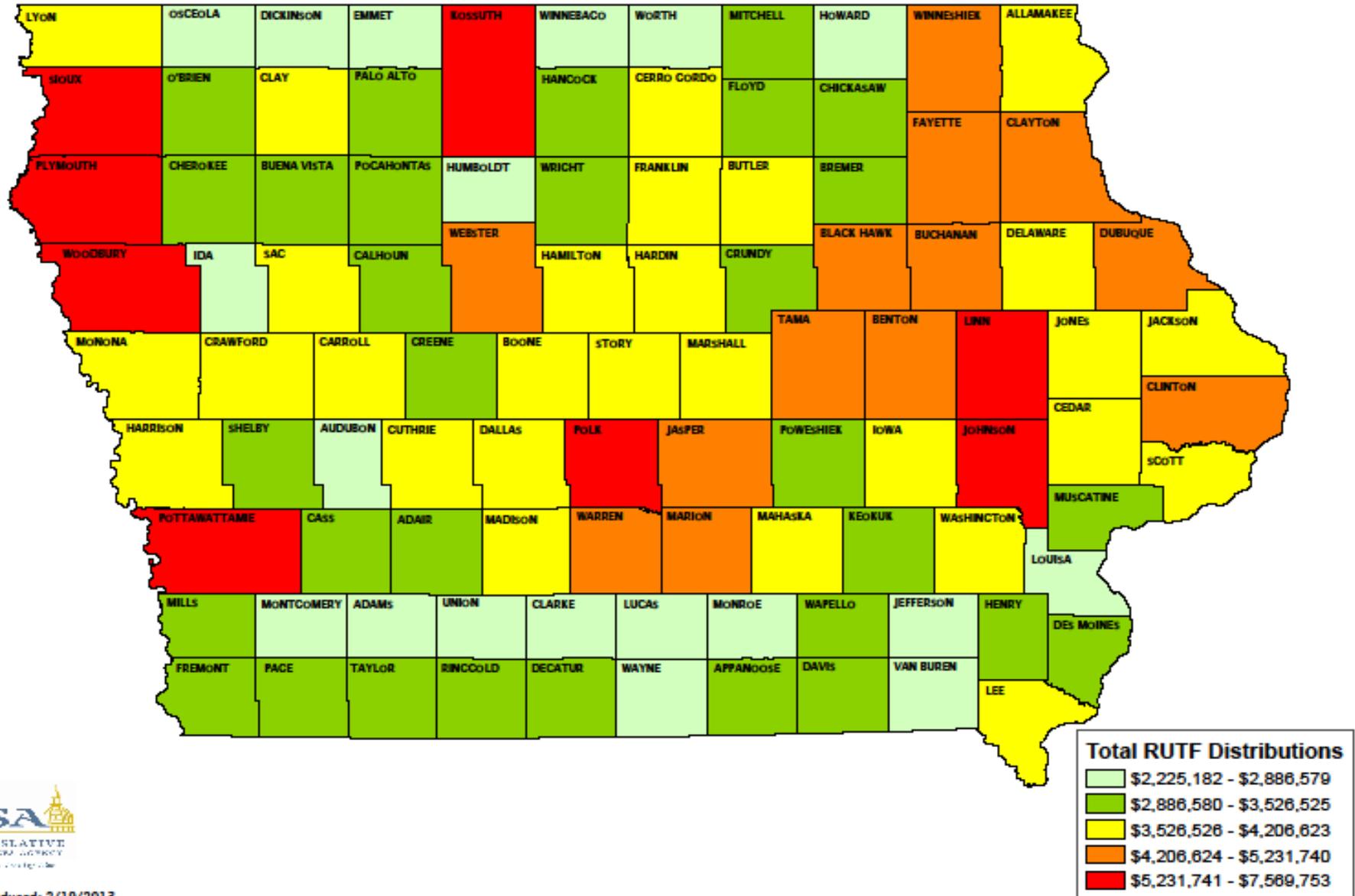
Estimated FY 2013  
(In Millions)



Figures may not add due to rounding

# RUTF Distributions by County

## FY 2013 Estimated



# Surrounding State Transportation Funding Comparisons

State	Fuel taxes	Sales tax on gas or diesel	Motor vehicle or rental car sales tax	Vehicle registration, license, or title fees	Vehicle or truck weight fees	Traffic camera fees	Tolls	General Fund	Interest Income	Other
Iowa	X		X	X		X			X	Mobile home/other vehicle tax, casino tax, licenses/permits/fees
Kansas	X			X	X		X	X		Sales tax, compensating use tax
Illinois	X			X	X	X	X	X	X	License permits/fees, logo signing, impact fees
Minnesota	X		X	X	X			X	X	License permits/fees, fines, congestion pricing
Missouri	X		X	X	X	X		X	X	Rail regulation fees
Nebraska	X		X	X				X	X	License permits/fees, investment income, train-mile tax
South Dakota	X	X	X	X	X			X	X	License permits/fees, Railroad Board fund
Wisconsin	X		X	X	X			X	X	License permits/fees, taxes on other modes

# Road Funding Future Concerns

- \$215.0 million critical needs shortfall – 2011 Transportation 20/20 Recommendations:
  - Increase the state fuel tax rates across the board by eight to ten cents
  - Increase the “Fee for New Registration” from 5.0% to 6.0%
  - The DOT should evaluate and recommend a funding mechanism in their report to the General Assembly that applies to alternatively-fueled, hybrid, and high fuel efficiency vehicles (including commercial vehicles)
  - New funding should go to the TIME-21 Fund up to the cap (\$225.0 million) and remaining new funding should be distributed consistent with the RUTF distribution formula
  - The Iowa Code 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
  - By June 30, 2012, the 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
- Federal Highway Trust Fund fiscal cliff:
  - General fund liquidity transfers exceeding \$51.0 billion since September 2008 to fund the national highway program at status quo level
  - Absent further General Fund liquidity transfers, federal highway obligations will be reduced by \$31.0 billion and the Iowa share is estimated at \$250.6 million in 2015
  - Iowa program will shift primarily to stewardship projects intended to extend the life of existing infrastructure

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