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## FISCAL TOPICS

Fiscal Services Division

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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## Road Use Tax Fund and TIME-21 Fund

### Introduction and Summary

The Road Use Tax Fund (RUTF) is the primary source of funding for construction, maintenance, and administration of Iowa's highways. The Fund consists primarily of revenues that are constitutionally protected. This protection, established in 1942, requires the following.

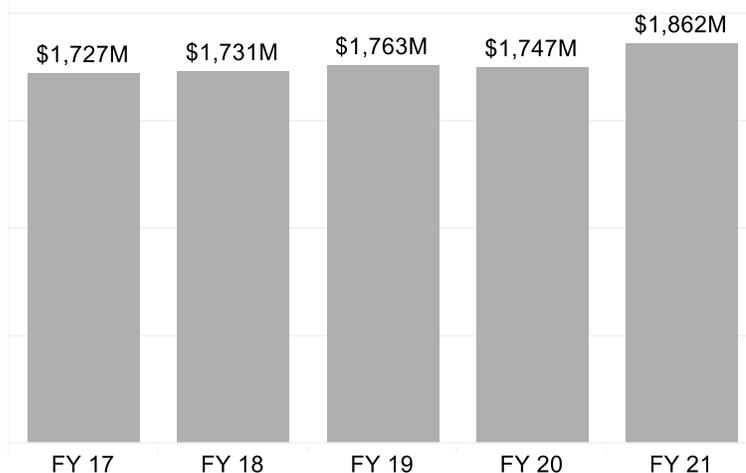
*All motor vehicle registration fees and all licenses and excise taxes on motor vehicle fuel, except cost of administration, shall be used exclusively for the construction, maintenance and supervision of the public highways exclusively within the state or for the payment of bonds issued or to be issued for the construction of such public highways and payment of interest on such bonds.*  
(Iowa Constitution Article VII Section 8)

The Road Use Tax Fund revenue is collected by the State Treasurer and distributed to the Department of Transportation (DOT), counties, and cities by formula. Currently, 47.5% is allocated to the DOT for primary roads, 24.5% to counties for secondary roads, 8.0% to counties for farm-to-market roads, and 20.0% to cities, after other distributions and appropriations are taken off the top.

In addition to the RUTF, the Transportation Investment Moves the Economy in the 21st Century Fund (TIME-21 Fund) was established. This fund, which is capped at \$225.0 million, receives transfers from the RUTF that are a portion of annual registration fees, a portion of fees paid for a certificate of title, and a portion of trailer registration fees. Prior to the establishment of the TIME-21, these fees had been deposited in the RUTF.

Between the two Funds, total available revenue collected by the State has grown in recent years, but unevenly. Growth has averaged 1.9%, but FY 2020, which was impacted by the COVID-19 pandemic, dipped below the prior year. Revenues in FY 2021 rebounded due to strong vehicle sales and growth in annual registration fees. However, the sustainability of this growth rate in the future is unclear.

**Road Use Tax Fund and TIME-21 Fund Revenues**



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### More Information

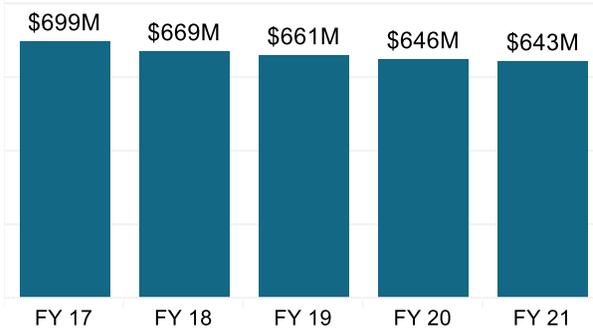
Iowa Legislature: [www.legis.iowa.gov](http://www.legis.iowa.gov)

LSA Staff Contact: Adam Broich (515.281.8223) [adam.broich@legis.iowa.gov](mailto:adam.broich@legis.iowa.gov)

**Revenues**

Iowa fuel taxes are set on a per gallon basis and are currently the single largest source of revenue to the RUTF. Taxed fuels include gasoline, ethanol-blended gasoline, diesel, biodiesel, and other fuels used in transportation. The Iowa Department of Revenue, which is responsible for annually setting fuel tax rates based upon the market share of ethanol and biodiesel, has posted [Iowa Fuel Tax rates](#) over time. Total fuel consumption has generally declined for a number of years. This trend has caused a gradual decline in fuel tax revenues. The chart to the right displays year-end totals of fuel taxes deposited in the RUTF.

**Fuel Taxes**



For most Iowa vehicles, annual vehicle registration fees are based on the price and weight of the vehicles. The fee is equal to 1.0% of the fixed price, as determined by the DOT, plus 40 cents for each additional one hundred pounds of weight (Iowa Code section [321.109\(1\)](#)). The fee is reduced over time based on the age of the vehicle. Revenues due to annual vehicle registration fees have increased steadily since 2009, which was the last time the fee was changed. Total revenue from these registration fees will soon be the largest source of RUTF revenue. Annual increases since FY 2017 have averaged 4.5% per year.

**Annual Vehicle Registration Fees**



The fee for new registration is 5.0% of the purchase price of a vehicle. Revenues collected are determined by the average cost of vehicles and the number of vehicles that are being purchased. Total revenue from the fee for new registration is about 22.0% of the revenue deposited in the RUTF, and has grown at an average of 4.3% in recent years. However, that growth rate is substantially impacted by FY 2021. The COVID-19 pandemic reduced the number of vehicles purchased at the end of FY 2020, which likely pushed demand into FY 2021. In FY 2021, both vehicle prices and vehicle sales increased, resulting in a year-over-year revenue increase of 13.9%.

**Fee for New Registration**



The RUTF also receives funding from a number of smaller revenues. The most significant of these are the remaining balance of the Statutory Allocation Fund and Truck Registration. The Statutory Allocation Fund transfers funding to the RUTF at the end of the fiscal year. This Fund consists of driver's license fees and trailer registration fees. Truck registration fees are based on the weight of the vehicle as determined by Iowa Code section [321.122](#).

**Other Revenues**



**Fund Activities and Accrual Process**

Several of the revenues deposited in the RUTF are subject to accruals. Accruals occur when revenues attributable to economic activity that occurred prior to June 30 are received after June 30. These revenues are counted as occurring within the fiscal year that the relevant economic activity took place. However, distributions are made as revenue is received without regard to which fiscal year the revenues will be credited to. This results in balances that are carried forward from one fiscal year to the following fiscal year. This process means that the balance brought forward must be considered when comparing revenues to distributions.

**Road Use Tax Fund Revenues and Expenditures**

	FY 2020	FY 2021
<b>Resources</b>		
Balance Brought Forward	\$ 187,377,288	\$ 119,508,843
<b>Revenues</b>		
Fuel Taxes	645,684,693	643,207,399
Vehicle Registration Fees	581,598,954	631,688,194
Fee for New Registration	374,193,117	425,690,339
Truck Regis. Fees & Prorate	83,452,551	80,867,211
Statutory Allocations Fund	38,937,663	61,821,377
Other	23,438,218	18,271,195
<b>Total Revenues</b>	<b>1,747,305,196</b>	<b>1,861,545,715</b>
<b>Total Resources</b>	<b>\$ 1,934,682,484</b>	<b>\$ 1,981,054,558</b>
<b>Expenses</b>		
Appropriation	54,508,514	55,746,672
Statutory Off-the-top	127,018,316	127,109,240
TIME-21 Dist.	224,917,183	224,970,573
Final Distributions	1,410,488,508	1,455,777,917
<b>Total</b>	<b>\$ 1,816,932,521</b>	<b>\$ 1,863,604,402</b>
<i>Reversions</i>	<i>1,758,880</i>	<i>2,398,970</i>
<b>Balance Carried Forward</b>	<b>\$ 119,508,843</b>	<b>\$ 119,849,126</b>

The TIME-21 Fund receives a portion of fees associated with certificates of titles, a portion of trailer registration fees, and revenues from annual registration fees. The first \$392.0 million of annual registration fees are deposited into the RUTF. Fees collected above this amount are transferred from the RUTF to the TIME-21 Funds until the fund reaches its statutory maximum of \$225.0 million. After TIME-21 has reached \$225.0 million, fees subject to the TIME-21 allocation remain in the RUTF.

**TIME-21 Fund Revenues and Expenditures**

	FY 2020	FY 2021
<b>Revenues</b>		
Annual Registration Fees	\$ 204,220,127	\$ 203,697,850
Other Fees	20,697,056	21,272,723
Interest	82,817	29,427
<b>Total Revenues</b>	<b>\$ 225,000,000</b>	<b>\$ 225,000,000</b>
<b>Expenses</b>		
Final Distributions	225,000,000	225,000,000
<b>Total Expenses</b>	<b>\$ 225,000,000</b>	<b>\$ 225,000,000</b>

### Distributions

Prior to final distribution, RUTF revenues are allocated to off-the-top standing statutory allocations and appropriations that are made annually. Statutory allocations are laid out in Iowa Code section [312.2](#) and determined by formula or by a set amount. A full description of off-the-top standing statutory allocations has been published in **Fiscal Topic:** [Statutory Off-the-Top Allocations from the Road Use Tax Fund — FY 2020](#). Annual appropriations to the DOT and other State agencies are also made at this point. A full list of appropriations to State agencies is attached to this document. Additional information on the TIME-21 Fund is available in **Fiscal Topic:** [Transportation Investment Moves the Economy in the Twenty-First Century \(TIME-21\) Fund](#).

### Road Use Tax Fund and TIME-21 Fund Distributions

	FY 2020 Distribution		FY 2021 Distribution	
	RUTF	TIME-21	RUTF	TIME-21
Statutory Off-The-Top	\$ 127,018,316	\$ 0	\$ 130,666,173	\$ 0
Appropriations	54,508,514	0	55,746,672	0
Final Distribution	1,410,488,508	225,000,000	1,455,777,917	225,000,000
Total	\$ 1,592,015,338	\$ 225,000,000	\$ 1,642,190,762	\$ 225,000,000

### Final Distributions Detail

Final distributions from the RUTF and TIME-21 Fund are made to four road funds that distribute funding to the Iowa DOT, county governments, and city governments. These funds are distributed based upon set percentages determined in Iowa Code section [312.2](#). Distributions from the RUTF are as follows: the Primary Road Fund receives 47.5%, the Secondary Road Fund receives 24.5%, the City Street Construction Fund receives 20.0%, and the Farm-to-Market Fund, which is under the jurisdiction of counties, receives 8.0%. The TIME-21 Fund distributes funding to the road funds as follows: The PRF receives 60.0%, the Secondary Road Fund receives 20.0%, and the City Street Construction Fund receives 20.0%.

### Final Road Use Tax Fund and TIME-21 Fund Distributions

	FY 2020 Distributions		FY 2021 Distributions	
	RUTF	TIME-21	RUTF	TIME-21
Primary Road Fund	\$ 670,392,657	\$ 135,000,000	\$ 698,501,976	\$ 135,000,000
Secondary Road Fund	344,917,022	45,000,000	359,379,267	45,000,000
Street Construction Fund	282,270,592	45,000,000	294,106,095	45,000,000
Farm-to-Market Fund	112,908,237	0	103,790,578	0
Total	\$ 1,410,488,508	\$ 225,000,000	\$ 1,455,777,917	\$ 225,000,000

### Related Statutes

Iowa Code section [312.2](#)