

F I N A L R E P O R T

LOCAL EFFORT HIGHWAY FUNDING JOINT SUBCOMMITTEE OF THE SENATE AND HOUSE STANDING COMMITTEE ON TRANSPORTATION AND THE STANDING COMMITTEE ON WAYS AND MEANS

December, 1978

Pursuant to the directive found in section 25 of House File 491, the Local Effort Highway Funding Joint Subcommittee was organized and Representative Robert Krause and Senator Cloyd E. Robinson were elected Co-chairpersons of the Subcommittee. In addition to the Co-chairpersons the following individuals were appointed members of the Subcommittee:

Senator Richard F. Drake
Senator Calvin O. Hultman
Senator C. W. Hutchins
Senator Bass Van Gilst
Representative William W. Dieleman
Representative William H. Harbor
Representative Arlo Hullinger
Representative Ray Lageschulte

The Subcommittee held one meeting on September 25, 1978 at which time members of the public and members of the Iowa Department of Transportation were asked to testify before the Subcommittee to determine whether the current provisions which distribute road use tax funds to the counties are adequate. Beginning July 1, 1981 such distributions to counties are to be reduced if the county does not make a minimum effort equal to at least 75 percent of the county and county-municipal levy under section 309.7 of the Code. Beginning July 1, 1981 counties which do not meet the minimum local effort will have state road use tax fund allocation reduced in an amount equal to the difference between 75 percent of the taxing authority of the county and the amount the county actually raised with tax levy funds allocated from the county and other miscellaneous funds.

The Subcommittee received testimony from Mr. Ian MacGillivray from the Planning and Research Division, the Iowa Department of Transportation. Mr. MacGillivray explained that the purpose of the local effort provision is to encourage communities to raise locally, sufficient funds to augment funds from the road use tax fund. He added that the concern that was expressed by the Legislature seemed to be that because counties receive distributions from the road use tax fund based upon need, counties which do not levy sufficient local property tax to augment distributions from the road use tax fund to build adequate road systems may be receiving higher distributions from the road use tax fund because of higher needs. The intended incentive seems to be to encourage that road needs be met with locally raised tax dollars. In effect, he concluded, other counties which are raising the maximum property tax dollars are losing state road use tax

funds to counties that are not making the same type of local property tax effort.

Mr. Bob Anderson from the State Department of Transportation explained that it is difficult to provide comparable data for the cities because of their number and county comparisons require that information be aggregated from one-half of each of two successive calendar years in order to arrive at dollars expended on a fiscal year basis. Mr. Anderson stated that for the fiscal year 1976 the total farm to market road fund and secondary road fund represented 49.9 percent of the road funds available to counties but that this percentage will increase to 58.4 percent by the year 1980.

It was explained to the Subcommittee that because some of the counties, in an effort to meet road construction needs, have allocated revenue sharing funds to the road construction program, the total amount the counties spent for road construction may exceed 100 percent of the maximum that the county could have levied from the county and county-municipal levy of section 309.7 of the Code. Thus, although the county did not levy the maximum amount that it could have, the county subsidized the property tax revenue dollars with the infusion of federal revenue sharing dollars.

It was explained that if the local effort penalty clause was operating in 1976, three counties would have lost some road use tax funds and in 1977 fifteen counties would have lost some road use tax funds.

Because of the recent adoption of the intent language of H.F. 491 in the 1978 Session of the Legislature, the State Department of Transportation was unable to furnish detailed information on the impact of the local effort incentive for city road construction. It was explained that the Department is aggregating information and that this information will be available to the Legislature for consideration during the 1979 interim.

The Subcommittee unanimously agreed to postpone further action concerning both distribution to cities and counties of available road use tax funds until more detailed information is available which, Mr. MacGillivray stated, would probably be in September of 1979. The Subcommittee requested that the Department carefully evaluate the impact upon counties and cities that would be penalized and when the local effort provision becomes effective. If the impact is substantial, the Subcommittee requested that the Department immediately inform the Legislature so that corrective action could be taken prior to implementation of the local effort provisions in subsection 8 of section 312.2 of the Iowa Code beginning July 1, 1981.

The Subcommittee recommended that an interim subcommittee meet after September of 1979 to review information from the State Department of Transportation which assesses the impact of the reduction of funds to counties and cities for failing to adequately support local road systems with local funds.