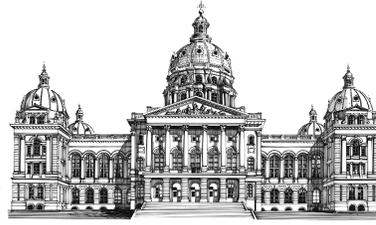

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Road Use Tax Fund Overview

ISSUE

Approximately \$700 million is collected annually and distributed through the Road Use Tax Fund (RUTF). These funds are primarily used for the construction and maintenance of highways. However, there is a growing concern that RUTF dollars are increasingly being used to fund programs and projects not related to the construction, maintenance or administration of highways. This *Issue Review* is intended to provide background information on how the RUTF operates and the types of programs funded.

PRIMARY AGENCIES AFFECTED

Departments of Transportation
Public Safety
Inspections and Appeals
City and county governments

BACKGROUND

The RUTF is comprised of revenues originating from various sources. The major sources include: taxes on fuels; fees collected on vehicle registrations, titles and driver licenses; and use tax collected on motor vehicle purchases and related equipment. All vehicle registration fees, license fees, and motor vehicle fuel taxes are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of the State's public highways. However, the use tax on motor vehicles and equipment is exempt from this constitutional mandate.

All revenues deposited in the RUTF are distributed by formula to the Primary, Secondary, Farm-to-Market, and Municipal Road Funds which are used by State and local jurisdictions for the construction and maintenance of roads. However, before the RUTF revenues are distributed through the formula, various allocations and appropriations are made from the Fund for programs, equipment purchases, and departments' operations (referred to as "off-the-top" allocations).

CURRENT SITUATION

Table 1 shows the various revenues deposited to the RUTF (See Attachment A). Approximately 46% of revenues are derived from fuel taxes, 34% from vehicle registration and title fees, 15% from use tax on motor vehicle sales, and 5% from other sources (See Chart 1). Prior to the use tax revenue being deposited into the Fund, various programs and projects are funded which reduces the amount of revenue deposited into the Fund.

Table 2 shows the total distribution by component. In this table all "off-the-top" allocations attributed to a particular road fund are added to the formula allocation for that respective fund. For example, the \$1.5 million "off-the-top" allocation for farm-to-market roads (Item No. 2 on Table 3) is added to the 8% formula distribution for the Farm-to-Market Road Fund (Item No. 3 on Table 4). In FY 1993, 44% of the revenue was deposited into the Primary Road Fund, 21 % into the Secondary Road Fund, 7% to the Farm-to-Market Road Fund, 16% to the Municipal Road Fund, 1 % to the Revitalize Iowa's Sound Economy (RISE) Fund, and 1 1 % was distributed as "off-the-top" allocations for other individual programs and projects (See Chart 2).

Table 3 shows the various "off-the-top" allocations made from the Fund. Several "off-the-tops" are deposited directly into one of the four road funds. These "off-the-tops" have the name of the road fund in parentheses. This table also indicates the amount of revenue available for distribution through the formula after the "off-the-tops" are subtracted from the receipts.

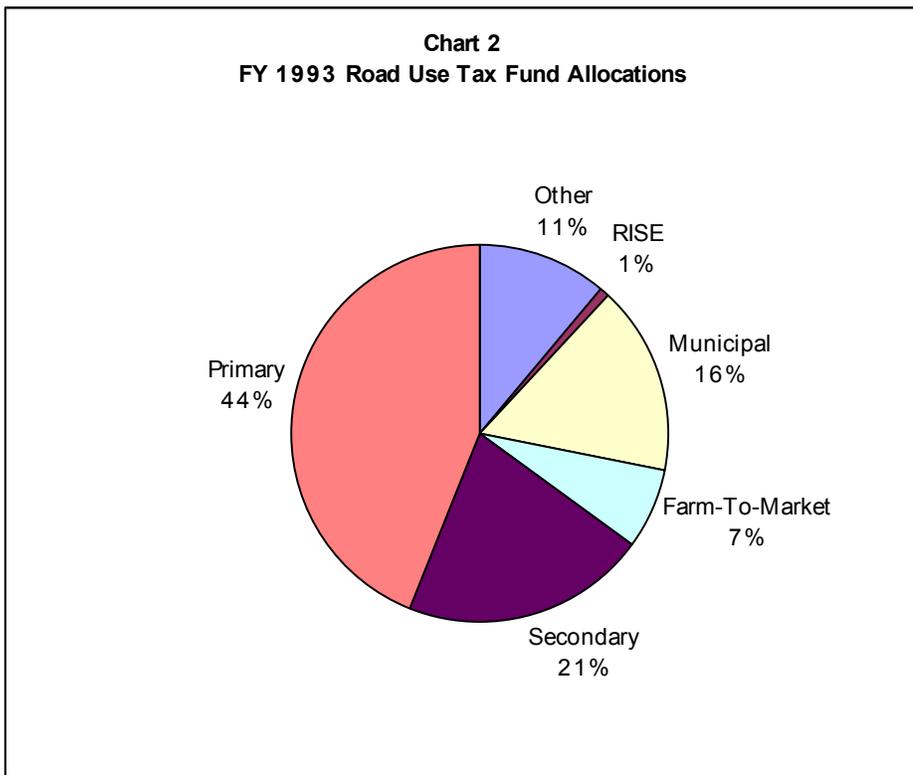
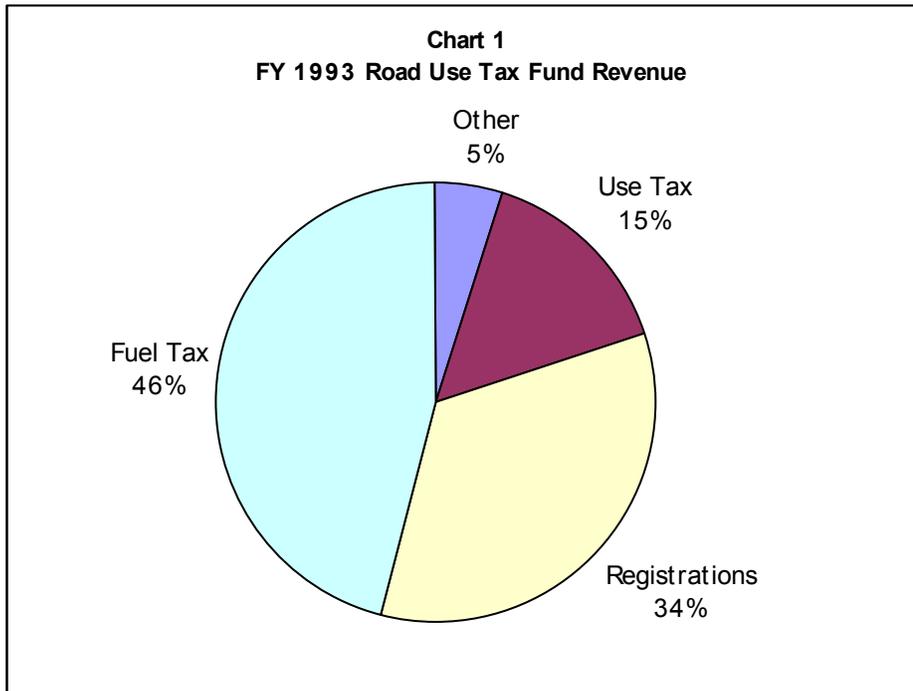
Table 4 shows the distribution of the net RUTF revenues available through the formula to the four road funds. Current law mandates that 47.5% of these revenues be deposited into the Primary Road Fund, 24.5% to the Secondary Road Fund, 8.0% to the Farm-to-Market Road Fund, and 20.0% to the Municipal Road Fund.

BUDGETARY ASSUMPTIONS

The following is a list of assumptions that were made in projecting the Road Use Tax Fund to FY 1998.

- Overall revenue to the Road Use Tax Fund will increase 5.5% over the next 5 years. Fuel Tax revenue will grow by 3.7% and registration and title fees will increase 14.5% by FY 1998.
- Twenty percent of the motor vehicle use tax will continue to be deposited into the GAAP Deficit Reduction Fund.
- The Department of Public Safety will continue to receive appropriations from the Use Tax to fund Pari-Mutuel Law Enforcement and maintenance of the Automated Fingerprint Identification System (AFIS).
- Funding of an ethanol program from Use Tax revenues will cost an estimated \$4.0 million per year for 5 years beginning in FY 1994.
- The appropriation to the Department of Inspections and Appeals will increase 4.0% per year.
- Operations for the State Patrol and the Department of Transportation will increase 4.0% per year over the next 5 years.

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ROAD USE TAX FUND FORMULA
(All Tables in Millions)

TABLE 1
RECEIPTS

	Actual FY 1992	Actual FY 1993	Estimated FY 1994	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997	Estimated FY 1998
Motor Vehicle Fuel Tax	\$ 319.25	\$ 327.23	\$ 328.10	\$ 331.20	\$ 334.00	\$ 336.70	\$ 339.40
Registration & Title Fees	230.59	242.01	254.00	259.00	265.00	271.00	277.10
Total Use Tax Receipts	120.01	152.09	149.87	149.88	150.25	150.63	150.75
1. 20% to GAAP Fund		-30.42	-29.97	-29.98	-30.05	-30.13	-30.15
2. Underground Tank Loan	-14.48	-15.30	-15.30	-15.30	-15.30	-15.30	-15.30
3. Armory Construction - DPD	-1.76						
4. Local AFIS - DPS	-0.37	-0.25					
5. AFIS Mainframe Maintenance - DPS		-0.51	-0.19	-0.20	-0.20	-0.20	-0.20
6. Pari-Mutuel Enforcement - DPS		-0.29	-0.30	-0.30	-0.30	-0.30	-0.30
7. Court Ave. Bridge - DGS	-0.38						
8. Ethanol Program			-4.00	-4.00	-4.00	-4.00	-4.00
Net Use Tax	103.03	105.32	100.10	100.10	100.40	100.70	100.80
Underground Tank Fees	14.91	16.38	15.30	15.30	15.30	15.30	15.30
Driver License Fees	16.23	11.04	7.00	10.70	15.20	11.00	9.50
Interest	14.93	8.91	7.50	7.60	7.70	7.70	7.80
Weight Fines	1.81	0.12					
TOTAL RECEIPTS	\$ 700.75	\$ 711.00	\$ 712.00	\$ 723.90	\$ 737.60	\$ 742.40	\$ 749.90

TABLE 2
DISTRIBUTION BY COMPONENT

	Actual FY 1992	Actual FY 1993	Estimated FY 1994	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997	Estimated FY 1998
Primary Road Fund	\$ 285.26	\$ 305.76	\$ 303.94	\$ 308.60	\$ 313.86	\$ 314.89	\$ 317.15
Secondary Road Fund	148.55	150.37	149.32	151.67	154.31	154.77	155.84
Farm-To-Market Road Fund	47.52	48.12	47.76	48.51	49.37	49.52	49.87
Municipal Road Fund	115.06	116.55	115.64	117.52	119.68	120.06	120.93
RISE Fund	26.36	9.33	9.51	9.62	9.69	9.76	9.86
Off-the-Top Allocations*	78.00	80.87	85.83	87.98	90.69	93.40	96.23
TOTAL DISTRIBUTIONS	\$ 700.75	\$ 711.00	\$ 712.00	\$ 723.90	\$ 737.60	\$ 742.40	\$ 749.90

* This total does not include the following off-the-top allocations: Primary, Farm-to-Market, Secondary, Municipal, RISE, and Secondary and Urban. These off-the-top allocations were added to their respective fund.

TABLE 3
OFF THE TOP ALLOCATIONS FROM THE RUTF

	Actual FY 1992	Actual FY 1993	Estimated FY 1994	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997	Estimated FY 1998
Total Receipts	\$ 700.75	\$ 711.00	\$ 712.00	\$ 723.90	\$ 737.60	\$ 742.40	\$ 749.90
Off-the-Top Allocations							
1. Primary (to Primary Rd. Fd.)	11.50	11.50	11.50	11.50	11.50	11.50	11.50
2. Farm-to-Market (to Farm-to-Market Rd. Fd.)	1.50	1.50	1.50	1.50	1.50	1.50	1.50
3. Secondary (to Secondary Rd. Fd.)	7.60	7.60	7.66	7.70	7.70	7.70	7.70
4. RISE							
State (to Primary Rd. Fd.)	17.01	16.97	17.29	17.48	17.61	17.74	17.94
City	8.50	8.48	8.65	8.74	8.81	8.87	8.97
County	0.85	0.85	0.86	0.87	0.88	0.89	0.90
5. Functional Class. Board Expenses	0.01	0.01	0.01	0.01	0.01	0.01	0.01
6. Park & Institutional Roads	4.55	4.62	4.63	4.71	4.79	4.83	4.87
7. Secondary & Urban (to Primary Rd. Fd.)	0.50	0.50	0.50	0.50	0.50	0.50	0.50
8. Living Roadway	0.25	0.25	0.25	0.25	0.25	0.25	0.25
9. Railroad Crossing Surface Repair Fund	0.90	0.90	0.90	0.90	0.90	0.90	0.90
10. Railroad Crossing Safety Fund	0.70	0.70	0.70	0.70	0.70	0.70	0.70
11. Secondary Bridge	2.00	2.00	2.00	2.00	2.00	2.00	2.00
12. City Bridge	0.50	0.50	0.50	0.50	0.50	0.50	0.50
13. License Plate Production	2.00	2.00	2.00	2.00	2.00	2.00	2.00
14. Highway Safety Projects	3.50	3.55	3.56	3.62	3.69	3.71	3.75
15. Dr. License Suspension Service	0.16	0.23	0.23	0.23	0.23	0.23	0.23
16. Rail & Air Contingency (Use Tax)	0.75						
17. Dept of Inspection & Appeals (Use Tax)	0.63	0.90	0.92	0.95	0.99	1.03	1.07
18. Odometer Fraud Fund (Use Tax)	0.18	0.24	0.20	0.20	0.20	0.20	0.20
19. Public Transit (Use Tax)	6.00	6.08	5.99	6.00	6.01	6.03	6.03
20. Trails (Use Tax)	1.00	1.00	1.00	1.00	1.00	1.00	1.00
21. Motorcycle Education Fund (Use Tax)	0.28	0.24	0.28	0.28	0.28	0.28	0.28
22. County Treasurers Equipment	0.65	0.65	0.65	0.65	0.65	0.65	0.65
23. DOT Appropriation	24.59	24.50	26.90	27.70	28.80	29.94	31.13
24. State Patrol	28.04	31.57	34.15	35.50	36.90	38.36	39.87
25. DOM Support Staff	0.06	0.06	0.06	0.06	0.06	0.06	0.06
26. Scale Lot Paving	0.12		0.18				
27. Drivers License Manufacture Costs	0.57	0.57	0.57	0.57	0.57	0.57	0.57
28. Radar & Scanner Units	0.40	0.15					
29. IDOP Administration	0.03	0.04	0.05	0.05	0.05	0.05	0.05
30. Environment Protection Charge Refunds	0.03	0.03	0.03	0.03	0.03	0.03	0.03
31. Tax Refunds	0.10	0.10	0.10	0.10	0.10	0.10	0.10
TOTAL OFF-THE-TOP ALLOCATIONS	<u>\$ 125.46</u>	<u>\$ 128.27</u>	<u>\$ 133.79</u>	<u>\$ 136.28</u>	<u>\$ 139.19</u>	<u>\$ 142.10</u>	<u>\$ 145.23</u>
TOTAL AVAILABLE FOR DISTRIBUTION	<u><u>\$ 575.29</u></u>	<u><u>\$ 582.73</u></u>	<u><u>\$ 578.21</u></u>	<u><u>\$ 587.62</u></u>	<u><u>\$ 598.41</u></u>	<u><u>\$ 600.30</u></u>	<u><u>\$ 604.67</u></u>
(Receipts less Off-the-Top Allocations)							

TABLE 4
FORMULA DISTRIBUTION FROM THE RUTF

	<u>Actual</u> <u>FY 1992</u>	<u>Actual</u> <u>FY 1993</u>	<u>Estimated</u> <u>FY 1994</u>	<u>Estimated</u> <u>FY 1995</u>	<u>Estimated</u> <u>FY 1996</u>	<u>Estimated</u> <u>FY 1997</u>	<u>Estimated</u> <u>FY 1998</u>
1. Primary Road Fund (47.5%)	\$ 273.26	\$ 276.80	\$ 274.65	\$ 279.12	\$ 284.25	\$ 285.14	\$ 287.22
2. Secondary Road Fund (24.5%)	140.95	142.77	141.66	143.97	146.61	147.07	148.14
3. Farm-to-Market Road Fund (8%)	46.02	46.62	46.26	47.01	47.87	48.02	48.37
4. Municipal Road Fund (20%)	115.06	116.55	115.64	117.52	119.68	120.06	120.93
TOTAL FORMULA DISTRIBUTION	<u>\$ 575.29</u>	<u>\$ 582.73</u>	<u>\$ 578.21</u>	<u>\$ 587.62</u>	<u>\$ 598.41</u>	<u>\$ 600.30</u>	<u>\$ 604.67</u>