



Associated General Contractors of Iowa

701 East Court Avenue, Suite B • Des Moines, Iowa 50309-4901
800-728-2424 • 515-283-2424 • fax 515-244-6289 • www.agcia.org

October 11, 2007

President
Willie Calderwood
Cedar Valley Corp.
Waterloo

Representative Geri Huser
213 Seventh St. NW
Altoona, IA 50009

Sr. Vice President
Todd Peterson
Peterson Contractors, Inc.
Reinbeck

Dear Representative Huser:

Vice President
Tony Manatt
Wending Quarries, Inc.
DeWitt

On behalf of the Associated General Contractors of Iowa I want to commend you for your service on the TIME 21 funding study committee. In addition, AGC of Iowa commends the legislature for passing and Governor Culver for signing the TIME 21 policy bill last spring. Adoption of these policies in a bi-partisan manner recognizes that the road use tax fund needs more revenues and that those new revenues must be spent in a strategic manner designed to accomplish the most we can within realistic means to repair and expand our aging highway and bridge infrastructure. Your task is to sort through a variety of funding sources to determine their appropriateness and impact on Iowa's driving public and make what we hope will be a bi-partisan recommendation to the next session of the legislature.

Secretary/Treasurer
Robert Cramer
Cramer & Associates, Inc.
Grimes

The AGC of Iowa does not ask for increased fees and taxes on users of Iowa highway system without being satisfied that all other options have been exhausted. That is why we advocated an end of diversions from Iowa's road fund for non-transportation purposes. As a result of the legislature's work between 1995 - 2000 nearly \$118 million of annual diversions were permanently restored to the RUTF.

Past President
Dan Graves
Graves Construction, Co., Inc.,
Spencer

Executive Vice President
Dianne C. Trout, CAE
AGC of Iowa
Des Moines

Beginning in FY 01 we started working closely with the Department of Transportation to identify cost saving measures at the administrative level which resulted in lower overhead costs and personnel numbers. Those savings resulted in more money available for construction and maintenance. AGC/I believes the Iowa Department of Transportation has done more self-analysis on achieving cost savings over the years than any other state department.

Despite all the previously mentioned legislative and department actions it started becoming apparent in late 2001 that the RUTF revenues were not projected to keep up with construction and maintenance needs as well as construction costs. AGC/I specifically stated to the DOT that before tax or fee increases be sought that the recipients of the road fund – state, counties, and cities - must work together for better integration and cooperation in administering our road and bridge system and that policies be pursued to make the system more efficient.

The result was the establishment by the department of the Road Use Tax Fund Study Committee made up of two IDOT officials, two county engineers and two city engineers. The department requested that AGC/I and the Iowa Good Roads Association facilitate the meetings.

Over the course of 2002 numerous meetings were held which resulted in the committee recommending to the legislature a proposal to:

- Transfer jurisdiction of over 700 miles of state roads to local governments
- Transfer of farm to market extensions to the counties
- Allow greater flexibility for counties to initiate changes in road classifications

Those recommendations were adopted by the 2003 general assembly. In addition to the “three legs of the stool” working together to achieve consensus on those proposals it set the framework for the state and local governments to begin analyzing the future financial viability of the RUTF.

In 2005 the legislature, too, was becoming aware that revenues to the RUTF were not keeping up with inflation. That year they passed H.F. 868 requiring IDOT to study the projected construction and maintenance needs of the state, counties, and cities and make recommendations concerning the revenues necessary to support those needs. The mandated study was to be completed by December 31, 2006.

The department commenced this study in the spring of 2005 and used the existing Road Use Tax Fund Study Committee to assist in the analysis of the needs and to make recommendations to the department. AGC/I and the Iowa Good Roads Association were asked to continue as facilitators.

As a facilitator I repeatedly told the committee that to make recommendations to cover all the needs was not feasible. The challenge was to identify those needs that have the most dramatic impact in improving the system at a cost that could be absorbed as easily as possible by the users of the system. While the committee identified \$27 billion in unmet needs over the next twenty years based on the current revenue stream, \$4 billion was determined to be the crucial investment number. Therefore, they recommended the \$200 million per year TIME 21 account to address a 20 year time line. The committee identified a number of funding options, but did not make specific recommendations as to adoption of one over the other or a combination of several.

You have indulged me in this letter by reading a recount of over a decade of previous activity. I did so because AGC/I does not recommend increases in fees and taxes lightly. But we believe now is the time to ask the driving public to bear the increased costs of constructing and maintaining a system they use every day.

AGC/I is going to give you some specific scenarios for you to consider as you seek to develop a funding proposal. The following are based on information we have sought from IDOT and I am sure it can be independently verified by the Fiscal Services Division.

While some are concerned about the “politics” of increasing the gas tax the following chart shows the annual impact of raising all the new money through only a gas tax increase. The national average vehicle drives 13,000 miles annually and that vehicle averages 20mpg in fuel economy.

**Average Impact on Amount Spent for Fuel Annually
by Fuel Tax Rate Increase Level**

Across the Board Fuel Tax Increase	Change in Amount Spent on Fuel Annually
1 cent	\$6.50
2 cents	\$13.00
3 cents	\$19.50
4 cents	\$26.00
5 cents	\$32.50
6 cents	\$39.00
7 cents	\$45.50
8 cents	\$52.00
9 cents	\$58.50

Assumptions:

- Average vehicle is driven 13,000 miles per year
- Average vehicle has a fuel economy of 20 miles per gallon

Even if the sole source of funding to achieve \$200 million immediately is a 9 cent fuel tax increase, the impact per driver averages \$58.50 in increased cost of gas over the year. That 9 cents is a 3.6% increase in the cost of gas when it is \$2.50 per gallon.

As you know there are other sources in addition to or as an alternative to gas taxes. Those outlined in a few selected combinations are in scenarios 1 thru 5. As you can see if a gas tax is not a part of the mix (scenario 1) you won't get to \$200 million in new money even in ten years. Scenarios 2 and 3 do get there in 5 or 10 years. Scenarios 4 and 5 get there in two years.

RUTF Funding Scenarios

Scenario 1 (Does not include fuel tax increase)	Additional Funding (millions)								
	by Fiscal Year								
Revenue Type	2009	2010	2011	2012	2013	2014	2015	2016	2017
Pick-up Registration (to weight-value, grandfather)*		\$4.0	\$13.0	\$22.0	\$32.0	\$41.0	\$47.0	\$51.0	\$54.0
Increase minimum registration fee to \$50 for auto, MPV and pick-up (grandfather)	\$2.1	\$4.3	\$6.7	\$9.3	\$12.0	\$14.6	\$17.2	\$19.9	\$22.5
Delay registration fee adjustments by one year*		\$8.0	\$16.1	\$16.1	\$29.8	\$29.8	\$29.8	\$29.8	\$29.8
Motor Home Registration (increase for inflation, grandfather)*		\$0.9	\$1.7	\$2.5	\$3.3	\$3.8	\$4.3	\$4.6	\$4.9
Travel Trailer Registration Fee (increase for inflation, grandfather)*		\$0.7	\$1.4	\$2.1	\$2.8	\$3.5	\$4.2	\$4.9	\$5.6
Motorcycle Registration Fee (increase for inflation, grandfather)*		\$0.4	\$0.8	\$1.2	\$1.6	\$2.0	\$2.1	\$2.2	\$2.4
Trailer Registration Fee (increase from \$10 to \$20 with no grandfather)	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8
Driver's License Surcharge (institutionalize the current one-time \$3 surcharge)	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
Title Fees (regular increase from \$10 to \$20 and salvage increase from \$2 to \$5)	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1
Total	\$19.5	\$35.7	\$57.1	\$70.6	\$98.0	\$112.1	\$122.0	\$129.8	\$136.6

Scenario 2 (Fuel tax increased 3 cents to achieve \$200 million increase in 2017)	Additional Funding (millions)								
	by Fiscal Year								
Revenue Type	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fuel Tax (3 cent increase)	\$68.0	\$68.0	\$68.0	\$68.0	\$68.0	\$68.0	\$68.0	\$68.0	\$68.0
Pick-up Registration (to weight-value, grandfather)*		\$4.0	\$13.0	\$22.0	\$32.0	\$41.0	\$47.0	\$51.0	\$54.0
Increase minimum registration fee to \$50 for auto, MPV and pick-up (grandfather)	\$2.1	\$4.3	\$6.7	\$9.3	\$12.0	\$14.6	\$17.2	\$19.9	\$22.5
Delay registration fee adjustments by one year*		\$8.0	\$16.1	\$16.1	\$29.8	\$29.8	\$29.8	\$29.8	\$29.8
Motor Home Registration (increase for inflation, grandfather)*		\$0.9	\$1.7	\$2.5	\$3.3	\$3.8	\$4.3	\$4.6	\$4.9
Travel Trailer Registration Fee (increase for inflation, grandfather)*		\$0.7	\$1.4	\$2.1	\$2.8	\$3.5	\$4.2	\$4.9	\$5.6
Motorcycle Registration Fee (increase for inflation, grandfather)*		\$0.4	\$0.8	\$1.2	\$1.6	\$2.0	\$2.1	\$2.2	\$2.4
Trailer Registration Fee (increase from \$10 to \$20 with no grandfather)	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8
Driver's License Surcharge (institutionalize the current one-time \$3 surcharge)	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
Title Fees (regular increase from \$10 to \$20 and salvage increase from \$2 to \$5)	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1
Total	\$85.5	\$101.7	\$123.1	\$136.6	\$164.0	\$178.1	\$188.0	\$195.8	\$202.6

Scenario 3 (Fuel tax increased 5 cents to achieve \$200 million increase in 2013)	Additional Funding (millions)								
	by Fiscal Year								
Revenue Type	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fuel Tax (5 cent increase)	\$110.0	\$110.0	\$110.0	\$110.0	\$110.0	\$110.0	\$110.0	\$110.0	\$110.0
Pick-up Registration (to weight-value, grandfather)*		\$4.0	\$13.0	\$22.0	\$32.0	\$41.0	\$47.0	\$51.0	\$54.0
Increase minimum registration fee to \$50 for auto, MPV and pick-up (grandfather)	\$2.1	\$4.3	\$6.7	\$9.3	\$12.0	\$14.6	\$17.2	\$19.9	\$22.5
Delay registration fee adjustments by one year*		\$8.0	\$16.1	\$16.1	\$29.8	\$29.8	\$29.8	\$29.8	\$29.8
Motor Home Registration (increase for inflation, grandfather)*		\$0.9	\$1.7	\$2.5	\$3.3	\$3.8	\$4.3	\$4.6	\$4.9
Travel Trailer Registration Fee (increase for inflation, grandfather)*		\$0.7	\$1.4	\$2.1	\$2.8	\$3.5	\$4.2	\$4.9	\$5.6
Motorcycle Registration Fee (increase for inflation, grandfather)*		\$0.4	\$0.8	\$1.2	\$1.6	\$2.0	\$2.1	\$2.2	\$2.4
Trailer Registration Fee (increase from \$10 to \$20 with no grandfather)	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8
Driver's License Surcharge (institutionalize the current one-time \$3 surcharge)	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
Title Fees (regular increase from \$10 to \$20 and salvage increase from \$2 to \$5)	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1
Total	\$129.5	\$145.7	\$167.1	\$180.6	\$208.9	\$222.1	\$232.0	\$239.8	\$246.6

Scenario 4 (Fuel tax increased 8 cents to achieve \$200 million increase in 2010)	Additional Funding (millions)								
	by Fiscal Year								
Revenue Type	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fuel Tax (8 cent increase)	\$176.0	\$176.0	\$176.0	\$176.0	\$176.0	\$176.0	\$176.0	\$176.0	\$176.0
Pick-up Registration (to weight-value, grandfather)*		\$4.0	\$13.0	\$22.0	\$32.0	\$41.0	\$47.0	\$51.0	\$54.0
Increase minimum registration fee to \$50 for auto, MPV and pick-up (grandfather)	\$2.1	\$4.3	\$6.7	\$9.3	\$12.0	\$14.6	\$17.2	\$19.9	\$22.5
Delay registration fee adjustments by one year*		\$8.0	\$16.1	\$16.1	\$29.8	\$29.8	\$29.8	\$29.8	\$29.8
Motor Home Registration (increase for inflation, grandfather)*		\$0.9	\$1.7	\$2.5	\$3.3	\$3.8	\$4.3	\$4.6	\$4.9
Travel Trailer Registration Fee (increase for inflation, grandfather)*		\$0.7	\$1.4	\$2.1	\$2.8	\$3.5	\$4.2	\$4.9	\$5.6
Motorcycle Registration Fee (increase for inflation, grandfather)*		\$0.4	\$0.8	\$1.2	\$1.6	\$2.0	\$2.1	\$2.2	\$2.4
Trailer Registration Fee (increase from \$10 to \$20 with no grandfather)	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8
Driver's License Surcharge (institutionalize the current one-time \$3 surcharge)	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
Title Fees (regular increase from \$10 to \$20 and salvage increase from \$2 to \$5)	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1
Total	\$195.5	\$211.7	\$233.1	\$248.6	\$274.9	\$288.1	\$298.0	\$305.8	\$312.6

Scenario 5 (Variable Fuel Tax to get to approximately \$200 million in 2009 and then decrease as other grandfathered revenues increase) Revenue Type	Additional Funding (millions) by Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Fuel Tax (variable but decreasing over time as other revenues increase) #	\$176.0	\$176.0	\$154.0	\$132.0	\$110.0	\$88.0	\$88.0	\$88.0	\$88.0	\$60.0
Pick-up Registration (to weight-value, grandfather)*		\$4.0	\$13.0	\$22.0	\$32.0	\$41.0	\$47.0	\$51.0	\$54.0	
Increase minimum registration fee to \$50 for auto, MPV and pick-up (grandfather)	\$2.1	\$4.3	\$6.7	\$9.3	\$12.0	\$14.6	\$17.2	\$18.9	\$22.5	
Delay registration fee adjustments by one year*		\$6.0	\$16.1	\$16.1	\$29.6	\$29.6	\$29.6	\$29.6	\$29.6	
Motor Home Registration (increase for inflation, grandfather)*		\$0.8	\$1.7	\$2.5	\$3.3	\$3.8	\$4.3	\$4.6	\$4.9	
Travel Trailer Registration Fee (increase for inflation, grandfather)*		\$0.7	\$1.4	\$2.1	\$2.8	\$3.5	\$4.2	\$4.9	\$5.6	
Motorcycle Registration Fee (increase for inflation, grandfather)*		\$0.4	\$0.8	\$1.2	\$1.6	\$2.0	\$2.1	\$2.2	\$2.4	
Trailer Registration Fee (increase from \$10 to \$20 with no grandfather)	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	\$5.8	
Driver's License Surcharge (institutionalize the current one-time \$3 surcharge)	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	
Tire Fees (regular increase from \$10 to \$20 and salvage increase from \$2 to \$5)	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	\$10.1	
Total	\$195.5	\$211.7	\$211.1	\$202.6	\$206.9	\$200.1	\$210.0	\$195.8	\$202.6	

#: Fuel Tax Rate Increase: 8 cents from FY 2009 to 2010

Drops to a 7 cent increase from today's rate in FY 2011

Drops to a 6 cent increase from today's rate in FY 2012

Drops to a 5 cent increase from today's rate in FY 2013

Drops to a 4 cent increase from today's rate in FY 2014 and FY 2015

Drops to a 3 cent increase from today's rate in FY 2016 and beyond

* Revenue increase begins in FY 2010 due to time required to implement changes to the administrative software. Analysis continuing to determine if changes could be implemented sooner.

A point AGC/I wishes to emphatically make clear is that if you go beyond three fiscal years to get to \$200 million new dollars you will seriously impair the ability to do anything meaningful before we begin to get devalued with any form of inflation. Secondly, you may consider doing something less than averaging \$200 million per year over the next twenty years. I can assure you that a great deal of thought went in the \$200 million figure. It can make a difference to the driving public. Anything less will not bring about the corridor expansions or safety improvements in a timely and more cost effective manner.

Therefore AGC/I believes some form of gas tax increase is necessary. We believe it has the lightest financial burden on the public and the polling we have shared with you earlier shows the more information people have about road needs the more likely they are to support an increase.

The poll showed Iowan's are much more likely to support increased revenues if they know the money is constitutionally protected. As you know use tax is not constitutionally protected. AGC/I suggests that you research the feasibility of eliminating the use tax on vehicles subject to registration and replace it at the same percentage amount with some type of fee such as "license or registration fee to purchase" that may indeed give it constitutional protection. This could be done statutorily without changing the constitution, but have the effect of having it covered by current constitutional language. While we do not know if this is feasible, we do know Iowans like their road money to be protected and a constitutional amendment would not be necessary.

None of the scenarios I have provided include the additional penny of use tax should SILO be enacted. This is not because we are not aware that this raises \$54 million for the road fund, we just don't know at this point if there is strong bipartisan support to do this. If the legislature independently enacts this you can consider reducing this mix by that amount.

Or if the legislature does not do SILO you may want to consider extending the use tax which is 5 cents in all local option jurisdictions to 6 cents like all other sales in that area. This will generate significant funds although we do not have an exact figure yet. I suggest you not dedicate that locally but rather it should go to the RUTF. Most local jurisdictions will get more back through the RUTF than what it raises locally because car sales are not evenly distributed around the state.

Finally AGC/I discourages the use of tolling or bonding as a source of funding (unless it is an interstate bridge with the bonds paid by tolls). Use of tolling in Iowa would create a costly administrative apparatus and cost Iowans much more annually than a rise in the gas tax. Bonding gets a few big projects done right away and leaves less available money for the maintenance of those projects or any other road in the state. "Pay as you go" has served Iowans well when it comes to roads and bridges and should continue to be the underlying basis of highway investment.

Thank you for consideration of our views. AGC/I stands ready to assist you in any manner request during your deliberations.

Sincerely,



Scott D. Newhard
Vice President for Public Affairs

cc: Anna Hyatt Crozier
House Democratic Caucus Staff