
FISCAL TOPICS

Fiscal Services Division

October 28, 2022



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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:

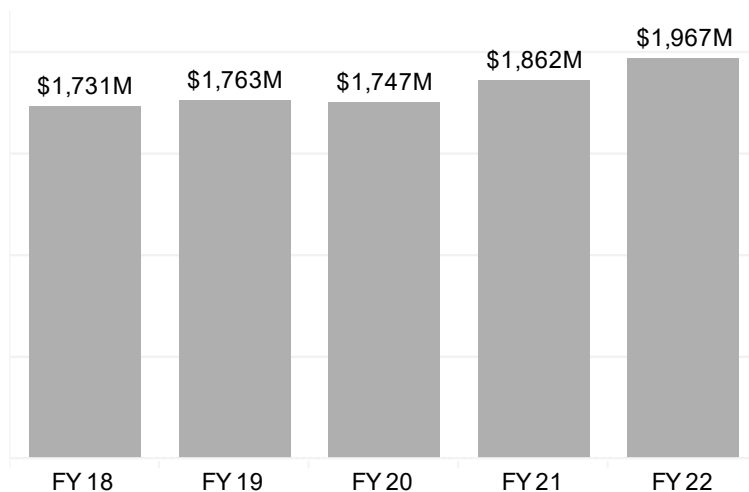
All motor vehicle registration fees and all licenses and excise taxes on motor vehicle fuel, except cost of administration, shall be used exclusively for the construction, maintenance, and supervision of the public highways exclusively within the state or for the payment of bonds issued or to be issued 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 (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 3.3%, but FY 2020, which was impacted by the COVID-19 pandemic, dipped below the prior year. Revenues in FY 2022 continued to rebound due to strong growth in fuel taxes (12.1%) and growth in the fee for new registration (4.9%).

Road Use Tax Fund and TIME-21 Fund Revenues



More Information

Iowa Legislature: www.legis.iowa.gov

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Revenues

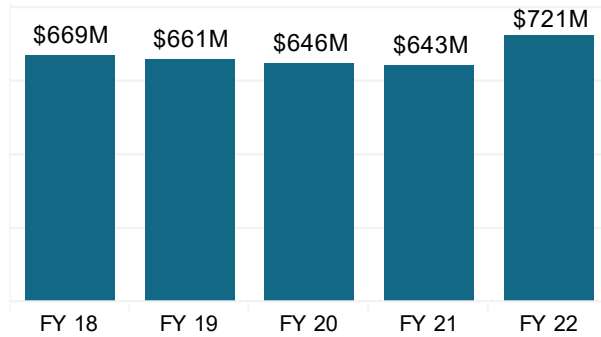
Iowa fuel taxes are set on a per gallon basis and are currently the single largest source of revenue to the RUTF. Taxed fuels include gasoline, ethanol-blended gasoline, diesel, biodiesel, and other fuels used in transportation. The Iowa Department of Revenue, which is responsible for annually setting fuel tax rates based upon the market share of ethanol and biodiesel, has posted [Iowa Fuel Tax rates](#) over time. Total fuel consumption has declined for a number of years, but consumption and taxes paid both increased in FY 2022. The future durability of recent increases is difficult to forecast.

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 100 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 2018 have averaged 3.6% per year.

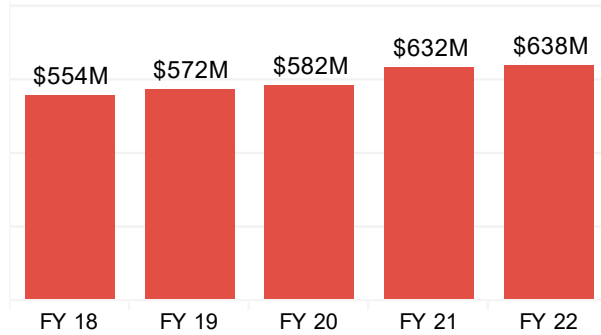
The fee for new registration is 5.0% of the purchase price of a vehicle. Revenues collected are determined by the average cost of vehicles and the number of vehicles that are being purchased. Total revenue from the fee for new registration was 22.7% of the revenue deposited in the RUTF in FY 2022, and has grown at an average of 5.3% in recent years. However, that growth rate is substantially impacted by FY 2021 and FY 2022. 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%. This trend slowed in FY 2022 but still exceeded prior years.

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](#).

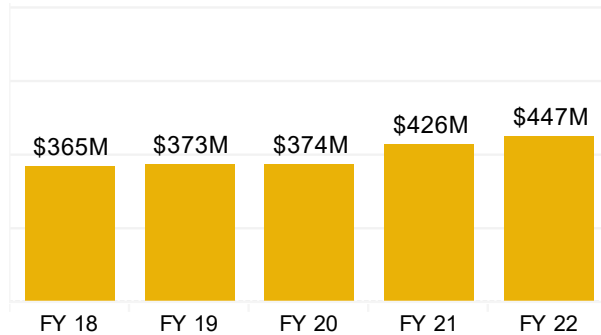
Fuel Taxes



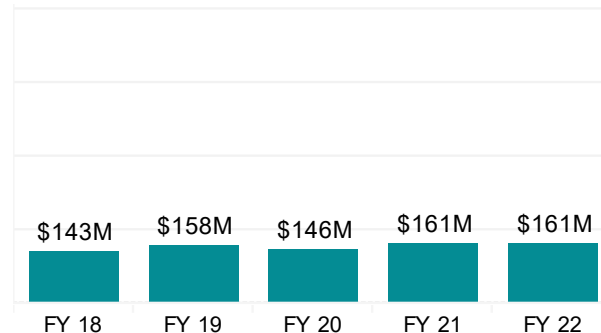
Annual Vehicle Registration Fees



Fee for New Registration



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. 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 2021 | FY 2022 |
|--------------------------------|-------------------------|-------------------------|
| Resources | | |
| Balance Brought Forward | \$ 119,508,849 | \$ 119,849,126 |
| Revenues | | |
| Fuel Taxes | 643,207,399 | 721,016,029 |
| Vehicle Registration Fees | 631,688,194 | 637,543,632 |
| Fee for New Registration | 425,690,339 | 447,322,620 |
| Truck Regis. Fees & Prorate | 80,867,211 | 84,768,166 |
| Statutory Allocations Fund | 61,821,377 | 59,889,940 |
| Other | 18,271,189 | 16,305,041 |
| Total Revenues | 1,861,545,709 | 1,966,845,428 |
| Total Resources | \$ 1,981,054,557 | \$ 2,086,694,554 |
| Expenses | | |
| Appropriation | 55,746,672 | 56,876,223 |
| Statutory Off-the-top | 127,109,240 | 136,235,069 |
| TIME-21 Dist. | 224,970,573 | 224,992,889 |
| Final Distributions | 1,455,777,917 | 1,485,780,572 |
| Total | \$ 1,863,604,401 | \$ 1,903,884,753 |
| <i>Reversions</i> | <i>2,398,970</i> | <i>1,064,211</i> |
| Balance Carried Forward | \$ 119,849,126 | \$ 183,874,013 |

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 Fund 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 2021 | FY 2022 |
|--------------------------|-----------------------|-----------------------|
| Revenues | | |
| Annual Registration Fees | \$ 203,697,850 | \$ 204,656,098 |
| Other Fees | 21,272,723 | 20,336,791 |
| Interest | 29,427 | 7,111 |
| Total Revenues | \$ 225,000,000 | \$ 225,000,000 |
| Expenses | | |
| Final Distributions | 225,000,000 | 225,000,000 |
| Total Expenses | \$ 225,000,000 | \$ 225,000,000 |

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 2021 Distribution | | FY 2022 Distribution | |
|-----------------------|----------------------|----------------|----------------------|----------------|
| | RUTF | TIME-21 | RUTF | TIME-21 |
| Statutory Off-The-Top | \$ 127,109,240 | \$ 0 | \$ 136,235,069 | \$ 0 |
| Appropriations | 55,746,672 | 0 | 56,876,223 | 0 |
| Final Distribution | 1,455,777,917 | 225,000,000 | 1,485,780,572 | 225,000,000 |
| Total | \$ 1,638,633,828 | \$ 225,000,000 | \$ 1,678,891,864 | \$ 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 2021 Distribution | | FY 2022 Distribution | |
|--------------------------|----------------------|----------------|----------------------|----------------|
| | RUTF | TIME-21 | RUTF | TIME-21 |
| Primary Road Fund | \$ 698,501,976 | \$ 135,000,000 | \$ 699,594,640 | \$ 135,000,000 |
| Secondary Road Fund | 359,379,267 | 45,000,000 | 359,941,442 | 45,000,000 |
| Street Construction Fund | 294,106,095 | 45,000,000 | 294,566,164 | 45,000,000 |
| Farm-to-Market Fund | 103,790,578 | 0 | 131,678,326 | 0 |
| Total | \$ 1,455,777,917 | \$ 225,000,000 | \$ 1,485,780,572 | \$ 225,000,000 |

Related Statutes

Iowa Code section [312.2](#)