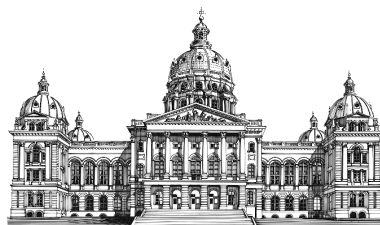


# Iowa Legislative Fiscal Bureau

Dennis Prouty  
(515) 281-5279  
FAX 281-8451



State Capitol  
Des Moines, IA 50319  
November 5, 1992

## 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 paper is intended to provide background information on how the RUTF operates and the types of programs funded.

### AFFECTED AGENCIES

Departments of Transportation, Public Safety, Inspections and Appeals, and 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 use of a 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. Approximately 45% of revenues are derived from fuel taxes, 33% from vehicle registration and title fees, 15% from use tax on motor vehicle sales, and 7% 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 8.0% formula distribution for the Farm-to-Market Road Fund (item No. 3 on Table 4). In FY 1992, 41% 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, 4% to the Revitalize Iowa's Sound Economy (RISE) Fund, and 11% 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.

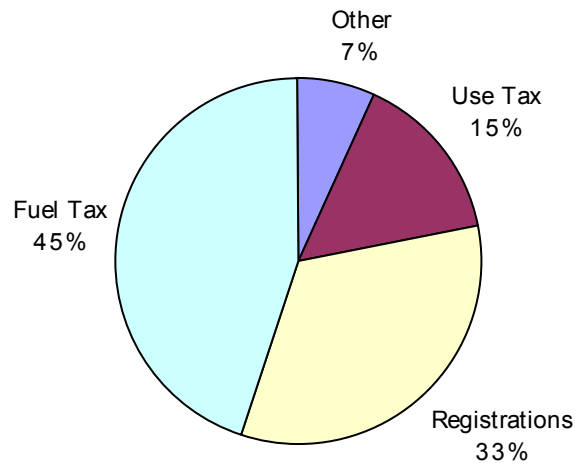
## **BUDGET IMPACT**

The General Assembly passed several laws effecting the RUTF during the 1992 Legislative Session. These include:

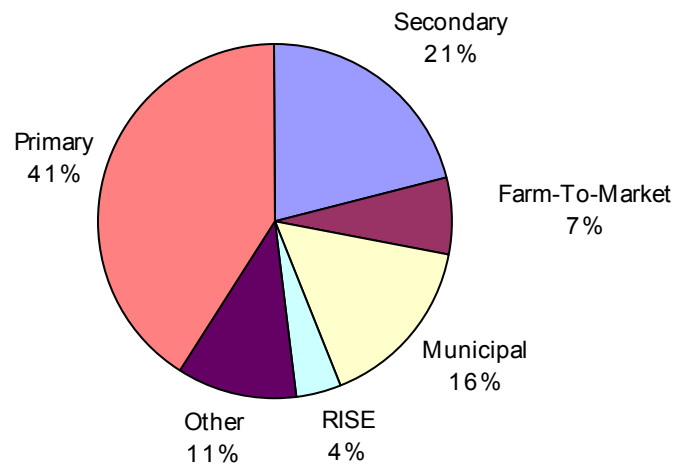
- Increasing the multi-purpose vehicle registration fee, estimated to generate \$10.0 million in revenue annually beginning in FY 1993.
- Funding of an ethanol program, estimated to cost the RUTF \$4.0 million per year for five years beginning in FY 1994.
- Reallocating the first \$2.0 million in overweight fine collections to the General Fund.
- Consolidating the Department of Public Safety's Communications Division with the State Patrol, shifting a \$3.0 million annual cost from the General Fund to the RUTF.
- Shifting \$290,000 in funding for pari-mutuel law enforcement and \$509,000 for the final lease-purchase payment on the Automated Fingerprint Information System (AFIS) from the General Fund to use tax receipts.
- Depositing the one penny increase on motor vehicle use tax into the GAAP Deficit Reduction Fund. While this action will generate approximately \$30.0 million annually for the General Fund it does not reduce the current level of use tax receipts deposited to the RUTF.

STAFF CONTACT: David Reynolds (Ext. 16934))

**Chart 1**  
**FY 1992 Road Use Tax Fund Revenues**



**Chart 2**  
**FY 1992 Road Use Tax Fund Allocations**



**ROAD USE TAX FUND FORMULA**  
(All Tables in Millions)

TABLE 1

**RECEIPTS**

	Actual FY 1991	Actual FY 1992	Estimated FY 1993	Estimated FY 1994	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997
Motor Vehicle Fuel Tax	\$ 325.44	\$ 319.57	\$ 317.30	\$ 315.00	\$ 317.90	\$ 320.00	\$ 323.00
Registration & Title Fees	225.03	231.42	240.10	245.50	249.80	254.20	258.50
<b>Total Use Tax Receipts</b>	<b>116.80</b>	<b>119.76</b>	<b>151.94</b>	<b>154.88</b>	<b>157.75</b>	<b>160.75</b>	<b>163.75</b>
1. 20% to General Fund			-30.39	-30.98	-31.55	-32.15	-32.75
2. Underground Tank Loan	-12.00	-14.48	-15.30	-15.30	-15.30	-15.30	-15.30
3. Armory Construction - DPD		-1.76					
4. Local AFIS - DPS	-0.26	-0.37	-0.25				
5. AFIS Mainframe - DPS			-0.51				
6. Pari-Mutuel Enforcement - DPS			-0.29				
7. Court Ave. Bridge - DGS		-0.38					
8. Ethanol Program				-4.00	-4.00	-4.00	-4.00
Net Use Tax	104.54	102.78	105.20	104.60	106.90	109.30	111.70
Underground Tank Fees	12.89	14.91	15.30	15.30	15.30	15.30	15.30
Driver License Fees	8.56	16.23	11.00	5.60	10.30	15.50	11.00
Interest	19.90	14.88	12.00	12.00	12.00	12.00	12.00
Weight Fines	1.81	1.81					
Special Plate Revenue	0.02	0.17	0.20	0.20	0.20	0.20	0.20
Reversions	1.29	1.09	1.00	1.00	1.00	1.00	1.00
<b>TOTAL RECEIPTS</b>	<b>\$ 699.48</b>	<b>\$ 702.86</b>	<b>\$ 702.10</b>	<b>\$ 699.20</b>	<b>\$ 713.40</b>	<b>\$ 727.50</b>	<b>\$ 732.70</b>

TABLE 2

**DISTRIBUTION BY COMPONENT**

	Actual FY 1991	Actual FY 1992	Estimated FY 1993	Estimated FY 1994	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997
Primary Road Fund	\$ 283.32	\$ 285.44	\$ 300.04	\$ 297.58	\$ 303.07	\$ 308.43	\$ 309.57
Secondary Road Fund	154.79	148.64	147.42	146.22	148.98	151.75	152.33
Farm-To-Market Road Fund	50.49	47.55	47.15	46.73	47.63	48.54	48.73
Municipal Road Fund	109.74	115.13	114.14	113.07	115.33	117.59	118.07
RISE Fund	26.33	26.36	9.33	9.37	9.44	9.44	9.44
Off-the-Top Allocations*	74.81	79.74	84.02	86.23	88.94	91.76	94.57
<b>TOTAL DISTRIBUTIONS</b>	<b>\$ 699.48</b>	<b>\$ 702.86</b>	<b>\$ 702.10</b>	<b>\$ 699.20</b>	<b>\$ 713.40</b>	<b>\$ 727.50</b>	<b>\$ 732.70</b>

\* 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 RUTE**

	Actual FY 1991	Actual FY 1992	Estimated FY 1993	Estimated FY 1994	Estimated FY 1995	Estimated FY 1996	Estimated FY 1997
<b>Total Receipts</b>	<b>\$ 699.48</b>	<b>\$ 702.86</b>	<b>\$ 702.10</b>	<b>\$ 699.20</b>	<b>\$ 713.40</b>	<b>\$ 727.50</b>	<b>\$ 732.70</b>
<b>Off-the-Top Allocations</b>							
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.)	7.70	7.60	7.60	7.70	7.70	7.70	7.70
4. RISE							
State (to Primary Rd. Fd.)	16.99	17.01	16.97	17.03	17.16	17.16	17.16
City	8.49	8.50	8.48	8.52	8.58	8.58	8.58
County	0.85	0.85	0.85	0.85	0.86	0.86	0.86
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	4.57	4.56	4.54	4.64	4.73	4.76
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	2.50	2.50	2.50	2.50	2.50	2.50	2.50
14. Highway Safety Projects	3.50	3.51	3.51	3.50	3.57	3.64	3.66
15. Dr. License Suspension Service	0.16	0.16	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)	0.57	0.63	0.90	0.91	0.93	0.96	0.99
18. Odometer Fraud Fund (Use Tax)	0.20	0.20	0.20	0.20	0.20	0.20	0.20
19. Public Transit (Use Tax)	5.84	5.99	6.08	6.20	6.31	6.43	6.55
20. Trails (Use Tax)	1.00	1.00	1.00	1.00	1.00	1.00	1.00
21. Motorcycle Education Fund (Use Tax)	0.22	0.41	0.30	0.30	0.30	0.30	0.30
22. County Treasurers Equipment		0.65	0.65	0.65	0.65	0.65	0.65
23. DOT Appropriation	23.69	25.34	27.03	28.10	29.22	30.38	31.58
24. State Patrol	25.06	28.04	31.57	32.76	34.05	35.39	36.79
25. DOM Support Staff	0.06	0.06	0.06	0.06	0.06	0.06	0.06
26. Agency Scale Facility	0.05						
27. Scale Lot Paving	0.25	0.12					
28. Driver's License Manufacture Costs	0.50	0.72	0.57	0.57	0.57	0.57	0.57
29. Scenic Routes	0.50						
30. Patrol Radios	0.15						
31. Radar & Scanner Units	0.16	0.40	0.15				
32. Denison Patrol Post	0.22						
33. IDOP Administration		0.03	0.04	0.04	0.04	0.04	0.04
34. Environment Protection Charge Refunds	0.01	0.03	0.03	0.03	0.03	0.03	0.03
35. Tax Refunds	1.24	0.10	0.10	0.10	0.10	0.10	0.10
36. Special Plate Funds	0.02	0.17	0.20	0.20	0.20	0.20	0.20
<b>TOTAL OFF-THE-TOP ALLOCATIONS</b>	<b>\$ 122.34</b>	<b>\$ 127.20</b>	<b>\$ 131.42</b>	<b>\$ 133.83</b>	<b>\$ 136.74</b>	<b>\$ 139.56</b>	<b>\$ 142.37</b>
<b>TOTAL AVAILABLE FOR DISTRIBUTION</b> (Receipts less Off-the-Top Allocations)	<b>\$ 577.14</b>	<b>\$ 575.66</b>	<b>\$ 570.68</b>	<b>\$ 565.37</b>	<b>\$ 576.66</b>	<b>\$ 587.94</b>	<b>\$ 590.33</b>

TABLE 4

**FORMULA DISTRIBUTION FROM THE RUTE**

	Actual <u>FY 1991</u>	Actual <u>FY 1992</u>	Estimated <u>FY 1993</u>	Estimated <u>FY 1994</u>	Estimated <u>FY 1995</u>	Estimated <u>FY 1996</u>	Estimated <u>FY 1997</u>
1. Primary Road Fund (47.5%)	\$ 271.32	\$ 273.44	\$ 271.07	\$ 268.55	\$ 273.91	\$ 279.27	\$ 280.41
2. Secondary Road Fund (24.5%)	147.09	141.04	139.82	138.52	141.28	144.05	144.63
3. Farm-to-Market Road Fund (8%)	48.99	46.05	45.65	45.23	46.13	47.04	47.23
4. Municipal Road Fund (20%)	109.74	115.13	114.14	113.07	115.33	117.59	118.07
<b>TOTAL FORMULA DISTRIBUTION</b>	<b><u>\$ 577.14</u></b>	<b><u>\$ 575.66</u></b>	<b><u>\$ 570.68</u></b>	<b><u>\$ 565.37</u></b>	<b><u>\$ 576.66</u></b>	<b><u>\$ 587.94</u></b>	<b><u>\$ 590.33</u></b>