State DOT Revenue Shortfalls and Strategies
An Iowa Case Study

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Topics

- Funding crisis in the making (perfect storm)
  - Large/aging system
  - Increasing demands
  - Flattening revenues
  - Hyperinflation
- Steps to address the crisis
  - Actions to increase efficiency
  - Study of needs and revenues
  - Legislative action
- Current status
- Lessons learned
Iowa’s public road system

Miles by jurisdiction:
- Counties: 90,075 miles (60.8%)
- Cities: 14,339 miles (21.8%)
- State: 9,373 miles (17.4%)

Vehicle miles of travel (total = 31.6 billion)
## Iowa’s Fuel Tax Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Gasoline</th>
<th>Gasohol</th>
<th>Diesel</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989</td>
<td>$0.20</td>
<td>$0.19</td>
<td>$0.225</td>
</tr>
<tr>
<td>2006</td>
<td>$0.21</td>
<td>$0.19</td>
<td>$0.225</td>
</tr>
<tr>
<td>2006 (if tax rate kept up with the Consumer Price Index)</td>
<td>$0.324</td>
<td>$0.307</td>
<td>$0.364</td>
</tr>
<tr>
<td>2006 (if tax rate kept up with the Construction Cost Index)</td>
<td>$0.38</td>
<td>$0.361</td>
<td>$0.427</td>
</tr>
</tbody>
</table>
Loss of buying power

Roadway excavation
1989 - 10 cubic yards/$8.90
2006 - 4 cubic yards/$9.90

60% decline in buying power

Hot-mix asphalt surfacing
1989 - 10 tons/$200.50
2006 - 5 tons/$209.50

39% decline in buying power

Portland cement concrete surfacing
1989 - 100 square yards/$1,401
2006 - 53 square yards/$1,401

47% decline in buying power

Reinforcing steel
1989 - 1000 pounds/$380
2006 - 5280 pounds/$380

47% decline in buying power

Structural steel
1989 - 1000 pounds/$1,000
2006 - 661 pounds/$1,000

39% decline in buying power

Structural concrete
1989 - 100 cubic yards/$116,381
2006 - 52 cubic yards/$16,931

18% decline in buying power
RUTF Committee

- Created in 2002 consisting of DOT, city and county officials
- Study ways to increase efficiency
- Recommendations adopted by legislature in 2003
  - Transfer of jurisdiction
  - Small city jurisdictional responsibility
  - Reduced maintenance standards for low-volume county roads
Legislatively mandated study (2005)
Due by December 31, 2006
Identify long-term construction and maintenance needs for all public roads and sufficiency of existing revenues to meet those needs.
Recommendations on future funding levels
FUNDING SHORTFALL: $27.7 billion over 20 years!
Road Use Tax Fund (RUTF) Study Summary

- No changes recommended to existing RUTF revenue and distribution formula
- Create a *Transportation Investment Moves the Economy in the 21st Century* (TIME-21) Fund
- Utilize a variety of revenue sources to provide $200 million in new revenue for the TIME-21 Fund (could be phased-in)
- TIME-21 fund distribution
  - state: 60 percent
  - counties: 20 percent
  - cities: 20 percent
- TIME-21 funding will be targeted within each system to support and enhance Iowa’s economy
Accelerated Development of Key CIN Corridors
Status

- HF 932 signed by Governor on May 25, 2007
  - Created TIME-21 Fund
  - Defined distribution and targeting of fund
    - 60 percent to DOT: For use on access-Iowa highways, CN highways (priority to projects around renewable fuel developments), and Interstate highways.
    - 20 percent to Counties: For use on county road bridges and on farm-to-market roads (priority for projects that support economic development and job creation).
    - 20 percent to Cities: To improve and sustain the city street system.
  - Requires regular review (every five years) of needs and revenue including alternative funding sources.
  - Established legislative committee to develop funding proposal by January 15, 2008
Status (continued)

- **Interim Committee**
  - Met three times
  - Concluded the $200 million per year was justified and needs to be reached within two to three years.
  - No final funding recommendation

- **Both House and Senate Transportation Committees have passed funding bills**
  - No fuel tax
  - Registration fees
  - Title fees and other miscellaneous fees
  - Generate approximately $125 million in FY 2012
Funding Issues

- **Fuel Tax**
  - High cost of fuel
  - True cost of a fuel tax increase
  - Non-Iowans
  - Politics

- **Pickup Trucks**
  - Grandfathering
  - Differentiation by use
  - Politics
Lessons Learned

- Regularly evaluate funding needs and mechanisms and report to legislature
- Educate the public - Get the word out
  - Condition of system
  - Administrative efficiency
- Understand the politics
- Be patient