

# State DOT Revenue Shortfalls and Strategies An Iowa Case Study

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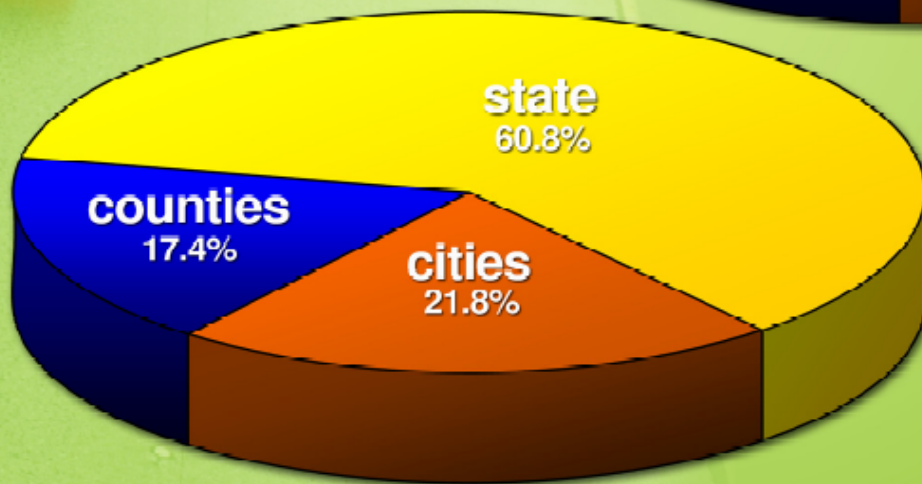
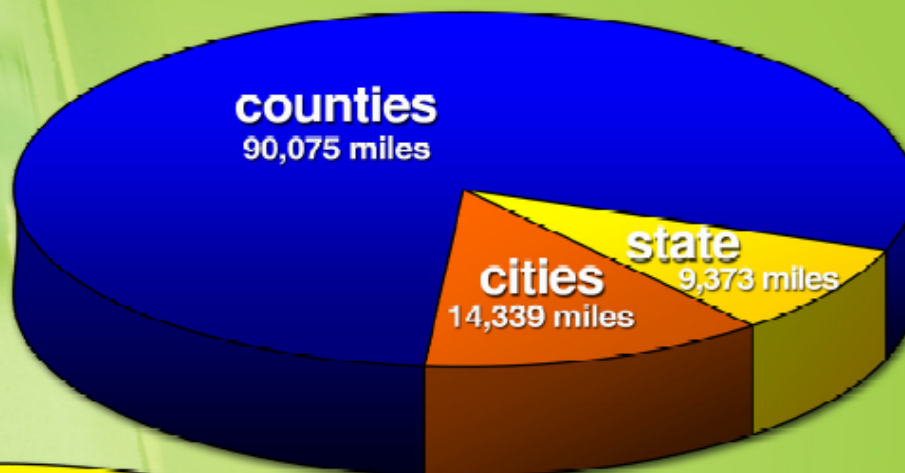
# Topics

- 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



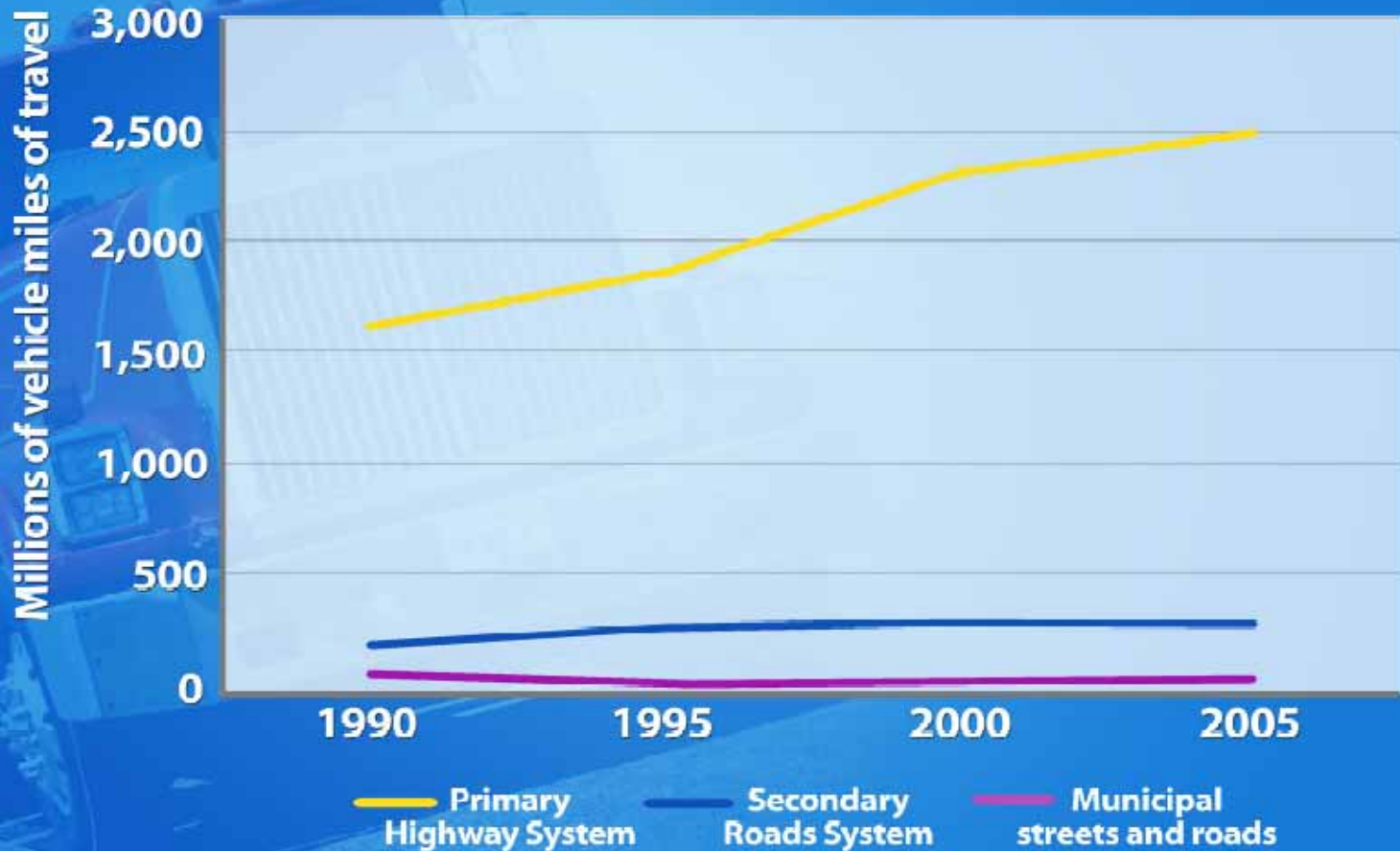
# Iowa's public road system

Miles by jurisdiction




Vehicle miles of travel  
(total = 31.6 billion)

# Freight transportation



# Iowa's fuel tax rates



Year	Gasoline	Gasohol	Diesel
<b>1989</b>	<b>\$0.20</b>	<b>\$0.19</b>	<b>\$0.225</b>
<b>2006</b>	<b>\$0.21</b>	<b>\$0.19</b>	<b>\$0.225</b>
<b>2006</b> (if tax rate kept up with the Consumer Price Index)	<b>\$0.324</b>	<b>\$0.307</b>	<b>\$0.364</b>
<b>2006</b> (if tax rate kept up with the Construction Cost Index)	<b>\$0.38</b>	<b>\$0.361</b>	<b>\$0.427</b>



# Loss of buying power



60% decline in buying power

## Roadway excavation

1989 - 10 cubic yards/\$9.90  
2006 - 4 cubic yards/\$9.90



50% decline in buying power

## Hot-mix asphalt surfacing

1989 - 10 tons/\$209.50  
2006 - 5 tons/\$209.50



47% 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 - 528 pounds/\$380



34% decline in buying power

## Structural steel

1989 - 1000 pounds/\$1,000  
2006 - 661 pounds/\$1,000



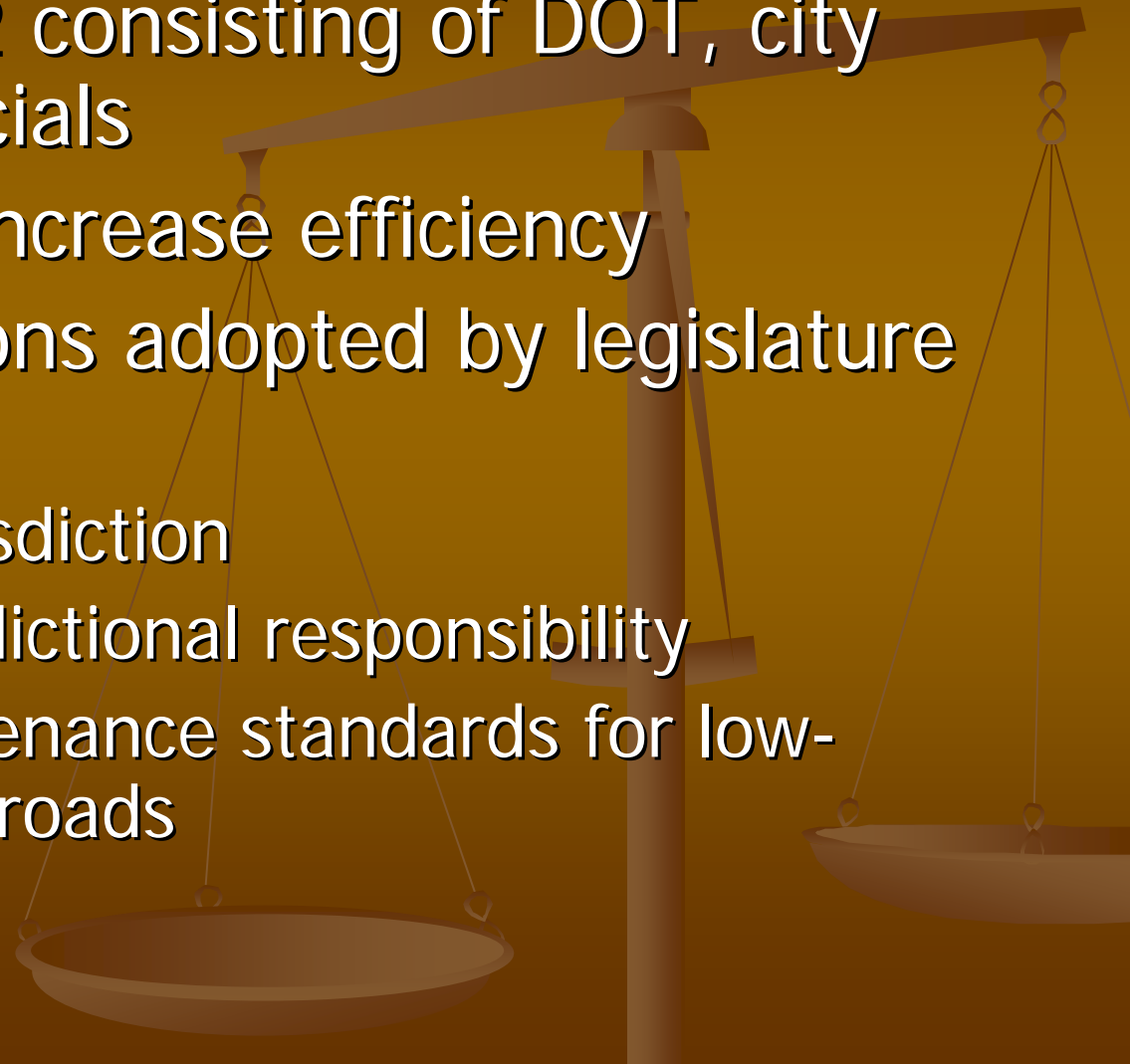
48% decline in buying power

## Structural concrete

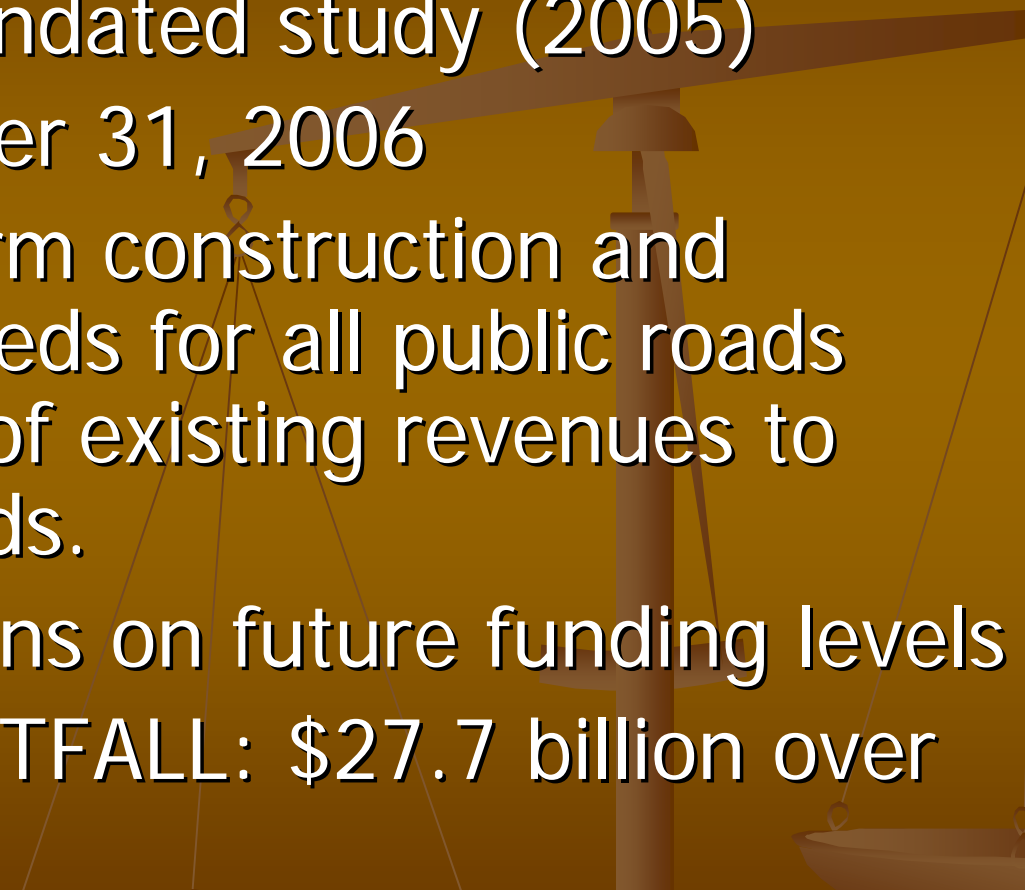
1989 - 100 cubic yards/\$16,931  
2006 - 52 cubic yards/\$16,931

# 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



# RUTF Study

- 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!
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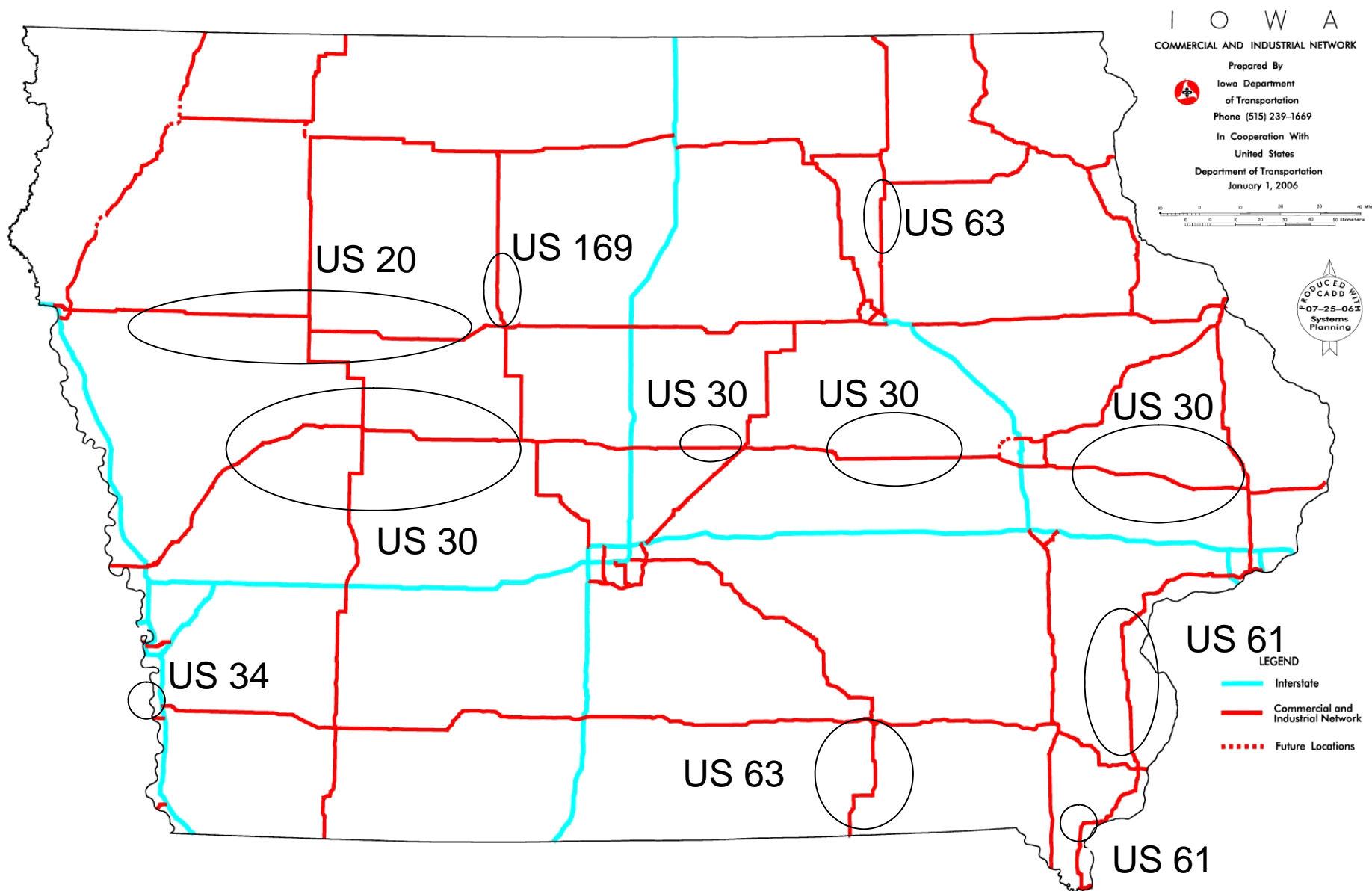


# Road Use Tax Fund (RUTF)

## Study Summary

- ▶ No changes recommended to existing RUTF revenue and distribution formula
- ▶ Create a *Transportation Investment Moves the Economy in the 21<sup>st</sup> 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, CIN 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

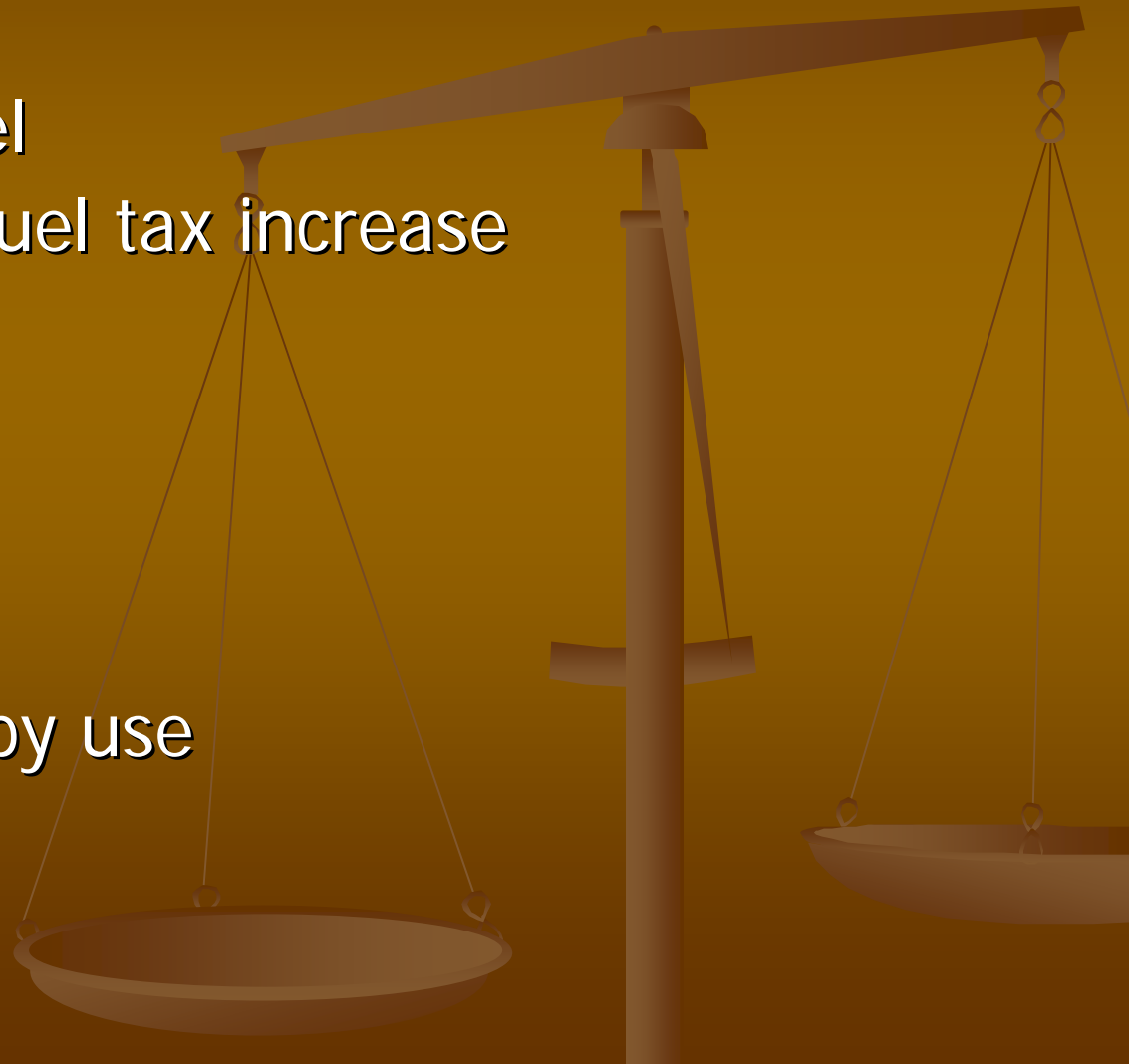
# Status (continued)

- 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-lowans
  - 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
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