

Transportation Funding Concepts

Iowa Freight Advisory Council
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Outline

- ◎ Summary of concepts
- ◎ Next steps
- ◎ Comments/questions

Dedicate aircraft use tax revenue to State Aviation Fund

- ⊙ Use tax of six percent currently collected and deposited in General Fund
- ⊙ As a user fee, it is appropriate to consider dedicating this revenue to the State Aviation Fund: ~\$3 million per year
- ⊙ Eliminate need for vertical infrastructure appropriations from Rebuild Iowa Infrastructure Fund (RIIF)

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Allocate General Fund appropriations

- ⊙ **Freight Transportation Fund: \$5.5 million**
 - Controlled by Transportation Commission
 - Fund freight related projects
 - Eliminate need for Railroad Revolving Loan and Grant Program appropriation from RIIF
 - Replaces the Multimodal Fund request
- ⊙ **Transit and Trail Fund: \$6.0 million**
 - Controlled by Transportation Commission
 - Fund transit and trail projects
 - Eliminate need for Public Transit Infrastructure and State Recreational Trails appropriations from RIIF

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**Eliminate state per gallon fuel tax and
replace with state excise sales tax on fuel**

- ⊙ Eliminate the per gallon state fuel tax rate.
- ⊙ Replace with a six percent state excise sales tax charged on wholesale price at the terminal.
- ⊙ Funds are still constitutionally protected
- ⊙ Similar to Virginia model
- ⊙ May not increase revenue early on but would result in increasing revenues over time as fuel prices increase

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**Eliminate state per gallon fuel tax and
replace with state excise sales tax on fuel**

- ⊙ Virginia example
- ⊙ Eliminated their 17.5 cpg fuel tax
- ⊙ Added 3.5 percent wholesale tax on gas
- ⊙ Added 6.0 percent wholesale tax on diesel
- ⊙ Adjusted every six months
 - Dec 1 through May 1 average: July 1 to Dec 31 period
 - June 1 through Nov 30 average: Jan 1 to June 30 period
 - Never less than the average price on Feb 20, 2013
- ⊙ Increased statewide sales tax from 5.0 to 5.3 percent with increase to transportation
- ⊙ Vehicle sales tax increased from 3.0 to 4.15 percent

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Focus federal funding on the primary road system

- ⊙ Implement a process where state primary road funds are allocated to local jurisdictions in exchange for their federal allocation of funds.
- ⊙ Requires a Code change to permit primary road funds to be spent on local roads.
- ⊙ Result in cost and time savings.

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Streamline county treasurer funding for driver's license and vehicle registration services

- ⊙ Eliminate transaction based funding
- ⊙ Increase registration fees retained by county from 4 percent to six percent
- ⊙ Counties that issue driver's licenses also receive \$1.50 per resident in county.
- ⊙ Additional annual funding to County Treasurers: \$3.6 million

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Comments/questions

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DOT Transportation Funding Concepts – Major elements:

- **Everyone pays 6%**
- **Ensure equity of user fees**
- **Align transportation funding to a growth trajectory as Iowa's economy strengthens**
- **Provide incentives to improve rural bridge and road conditions**
- **Ensure competitive transportation options for shipping products and moving people**

DOT Transportation Funding Concepts:

- 1. Dedicate aircraft use tax revenue to the State Aviation Fund**
 - Purpose: A use tax of six percent is collected on the purchase of aircraft in Iowa. Use tax revenues are generated on aviation activity and would be dedicated to the State Aviation Fund to maintain, enhance, and support safety of the air transportation system in Iowa. This would eliminate the need for dedicated airport vertical infrastructure appropriations from Rebuild Iowa Infrastructure Fund (RIIF). Annual Revenue Currently Generated: \$3 million
- 2. Allocate General Fund annual appropriations to the Statutory Allocations Fund for the following new programs**
 - **\$5.5 million to a new Freight Transportation Fund** - will replace need for Railroad Revolving Loan and Grant Program appropriation which was funded from RIIF.
 - **\$6.0 million for a new Transit & Trail Fund** - will replace need for Public Transit Infrastructure Grant and State Recreational Trails program appropriations currently from RIIF.
 - Purpose: These new programs will meet emerging needs in freight, transit and trails, aid with economic development opportunities for high tech job creation, and bring essential flexibility to renewed programs allowing DOT and local jurisdictions to deliver innovative solutions.
- 3. Increase oversize/overweight vehicle permit fees**
 - Purpose: Increasing these fees is necessary to cover the costs associated with issuing these permits and impacts to transportation system from oversize/overweight vehicles. Additional Annual Revenue Generated: Approximately \$10 million per year.
- 4. Increase the Fee for New Registration from 5 percent to 6 percent**
 - Purpose: The Fee for New Registration is similar to a sales tax on the purchase of vehicles. This fee was not increased to six percent at the time the sales tax was increased to six percent. Additional Annual Revenue Generated: Approximately \$60 million.
- 5. Eliminate the state per gallon fuel tax and replace with a state excise sales tax on fuel**
 - Replace per gallon fuel tax with a six percent excise sales tax on fuel applied at the wholesale level.
 - Purpose: Apply the standard six percent excise sales tax on fuel sales will bring growth in revenue and capture inflation as fuel prices increase in future years. Additional Annual Revenue Generated: Initial projections would show variability in first years but then six percent excise sales tax grows over current revenue levels (Iowa Department of Revenue estimates an additional \$467 million would be generated from 2015-2025).
- 6. Apply Local Option Sales Tax (LOST) to fuel sales with move to six percent excise sales tax on fuel sales**
 - Allow Local Option Sales Tax to also apply to fuel sales when all communities in state implement LOST.
 - LOST funding generated from fuel sales must be spent on roads and bridges; however, this LOST funding will not be allowed to be utilized for debt service payments for any existing or future financed transportation project.
 - Purpose: Apply the standard one percent excise sales tax on fuel sales when all local jurisdictions have implemented LOST. Additional Annual Revenue Generated: \$80 million.

7. Apply state excise sales tax on dyed fuel sales

- Dedicate funding to a new *Modern Agriculture Infrastructure Fund* administered by the DOT and Transportation Commission for local roads and streets.
- DOT administered program would ensure funds are used to maximize improvement and removal of structurally deficient bridges and poor rural road conditions. This would address, in a targeted manner, existing structurally deficient bridges to relieve width and weight issues and improve transportation flexibility for the agricultural industry.
- Purpose: Agricultural equipment utilizes the public roadway system at various times in the production and transport of agricultural goods. This use has an impact on roadway conditions that has been an increasing challenge for local jurisdictions as equipment has become larger and heavier. Agricultural equipment is exempt from all existing state roadway user fees so there has been no way to capture user fees for the costs imposed on the system. Additional Annual Revenue Generated: Approximately \$38 million per year.

8. Focus Federal Funding on the Primary Road System

- Implement a process to permit the swapping of federal funding for state primary road funds on local jurisdiction projects. This will require a Code change to permit the use of Primary Road Fund dollars on local jurisdiction roadways.
- Federal funding will be swapped on a dollar for dollar basis with state funds for jurisdictions that do not utilize Automated Traffic Enforcement (ATE). Federal funding will be swapped 50 cents on the dollar with state funds for jurisdictions that utilize Automated Traffic Enforcement (ATE).
- Purpose: The DOT has the expertise and knowledge to more efficiently utilize federal funding. By swapping with state dollars, local roadway projects will be able to be completed in less time and at lower cost. Annual Revenue Currently Generated: N/A

9. Streamline County Treasurer funding for driver's license and vehicle registration services

- Adjust county treasurer funding to eliminate transaction based funding elements.
- Modify amount of Registration Fees retained by County Treasurers from four percent to six percent.
- For county treasurers who issue driver's licenses, provide additional funding of \$1.50 per resident in county.
- Purpose: The transaction fee structure of funding for county treasurers, at times, has been a limiting factor in joint DOT/County service efficiency opportunities. Aligning the county treasurer funding structure for driver's license and vehicle registration will bring a unifying message allowing broader collaboration and service improvement and expansion between DOT and County Treasurers to meet future customer expectations. Annual Funding Currently Retained by County Treasurers: \$27.9 million. Additional Annual Funding Generated for County Treasurers: \$3.6 million.

Summary of Highway Funding (additional revenues)

Fiscal Year	DOT	Local	Total
2015	\$23 million	\$107 million	\$130 million
2016	\$38 million	\$126 million	\$164 million
2017	\$52 million	\$146 million	\$198 million
2018	\$61 million	\$156 million	\$218 million
2019	\$67 million	\$165 million	\$232 million

Other Fund Appropriations:

- State Aviation Fund - \$3 million annually
- Freight Transportation Fund - \$5.5 million annually*
- Transit & Trail Fund - \$6 million annually

*Replaces the \$5.5 million Multimodal Fund proposal from the Governor's FY 2015 budget request.