

[Gas tax showdown on the horizon](#)

Culver opposes an increase, but a broad coalition is lining up on the other side

By [Jason Hancock](#) 2/9/09 12:03 PM

A face-off is brewing over an increase to Iowa's fuel tax, but the divide is not breaking down along typical partisan lines.



Sen. Tom Rielly, chair of the Senate Transportation Committee, said bills are being drafted in both legislative chambers to increase the state's fuel tax.

Democratic Gov. Chet Culver has said repeatedly that he [does not want lawmakers to raise the gas tax](#). He is joined in his opposition by Senate Minority Leader Paul McKinley, R-Chariton, along with some conservative lawmakers in both legislative chambers.

Supporters of the increase include Democratic leadership in both the House and the Senate, with Senate President Jack Kibbie, D-Emmetsburg, becoming the issue's champion when he [declared a "war on potholes"](#) on the legislative session's opening day.

But the Democrats aren't alone. Conservative groups like the Iowa Farm Bureau and state chambers of commerce have also supported the idea, and several prominent Republicans, including Rep. Dave Tjepkes, the ranking Republican on the House Transportation

Committee, and potential gubernatorial candidate and state Secretary of Agriculture Bill Northey, have said they think the idea has merit.

Even the group Iowans for Tax Relief, a highly influential organization within the Republican Party of Iowa, has not come out against the tax increase. It has announced it will remain neutral on the plan.

While it appears everyone agrees that Iowa's roads and bridges are in desperate need of repair, how to pay for it could end up becoming the showdown that defines the 2009 General Assembly.

Is it good policy?

Supporters of the fuel tax contend that Iowa needs more money to maintain the road system and make improvements to support economic development. A 10-cent increase in fuel taxes would raise an additional \$210 million annually for city, county and state road projects, said state Sen. Tom Rielly, D-Oskaloosa, chairman of the Senate Transportation Committee.

One of the biggest selling points of the increase, Rielly said, is that studies show 20 percent of the new funds will be paid by motorists from outside Iowa.

“The average Iowan would only end up paying about \$52 more a year than they do right now,” he said. “I don't think people should have to pay anything more, but if we don't pay now we will all pay much more later.”

Iowa motorists now pay estimated state taxes of 21 cents per gallon for regular gasoline; 19 cents per gallon for ethanol-blended gasoline; 17 cents per gallon for E-85 fuel; and 22.5 cents per gallon for diesel fuel. The state hasn't raised the tax since 1989.

If federal gas taxes are added, Iowa motorists pay [a total of 40.1 cents per gallon](#), according to a study by the American Petroleum Institute, a Washington, D.C.-based trade group. The Iowa gas tax total ranked 32nd nationally and was below the national average of 48.4 cents per gallon.



Gov. Chet Culver made his case for a \$700 million state bonding proposal while surrounded by stud-bare and plastic-covered walls at the Cedar Rapids Public Works Building. (photo by Lynda Waddington)

A possible gas tax increase failed to gain traction among legislators last year amid a lack of support from Culver and high prices at the gas pump.

“Last year the governor said ‘no,’” said Craig Lang, president of Iowa Farm Bureau. “This year he has never used the words ‘under no circumstances.’ I think with enough bipartisan support he would sign it.”

In lieu of a gas tax increase, lawmakers last year approved increases in vehicle registration fees expected to gradually generate \$165 million annually for road projects. But a report in December by the Iowa Department of Transportation said road and bridge conditions are worsening because of [insufficient investment and the impact of extreme weather](#).

These problems are coupled with rising construction costs and a flattening of state and federal revenues, which reduces the buying power of state and local agencies, Rielly said.

Over the past five years, the costs associated with the primary materials used in road construction have increased by an average of 12 percent per year. At the same time, Rielly said, revenues from the road fuel tax have remained relatively static, growing only 1 percent per year.

According to DOT data, costs for roadway excavation have more than doubled. In 1989, the last time the fuel tax was increased, \$9.90 bought 10 cubic yards. The same amount in 2006 paid for only 4 cubic yards. Asphalt prices have doubled as well, with \$209.50 buying 10 tons in 1989 to 5 tons in 2006. Cement, reinforced steel, structural steel and concrete prices also have increased.

“The fuel tax is the only thing I’ve seen that’s fair and equitable to pay for vital infrastructure needs,” said Rielly, who also believes bills are being crafted in both chambers and should be ready to be assigned to subcommittees soon.

The agricultural economy

“I recently went to an agriculture forum in Pella,” said Lang. “The thing everyone wanted to talk about was roads. They didn’t want to talk about the damage to crops caused by last summer’s flooding. They wanted to talk about the terrible state of rural roads.”

The agricultural economy will suffer if Iowa continues to ignore the state of its roadways, Lang said.

Many observers believe one reason Culver opposes the increase is that he is seeking re-election next year. A Des Moines Register poll last year found that a majority of Iowans

do not support a gas tax increase. However, agricultural concerns have Northey, one of Culver's potential rivals in 2010, saying the time is right to move on the tax.

"I think generally with [agriculture] folks, a pay-as-you-go gas tax makes the most sense to address those road concerns," Northey said.

"I think everyone has been looking around for other options and there is no magic pot of money sitting around to do those things. I think most folks like the consistency of a gas tax that is going to be there not only this year and next year but as other projects need to happen it will be there down the road. "

Northey told the Iowa Independent that the fact that money from the gas tax would go into the road use fund is also a plus, since it is constitutionally protected from being spent on anything except road and bridge repair.



Iowa Agriculture Secretary Bill Northey

"The state of our roads has a lot of people in the state that would usually oppose something like this starting to support it," he said. "I think everybody knows we have to do something or we'll end up with real problems down the road."

Not everyone is convinced, first and foremost among them Culver.

"Given that the nation is in the midst of a recession, the governor does not feel this is a time when people should pay higher taxes, whether at the gas pump or anyplace else," said Phil Roeder, Culver's deputy chief of staff.

"With so much financial uncertainty across the country, we want to make sure people can hold on to their hard-earned money."

Roeder said Culver's \$700 million bonding proposal is a better way to address a wide range of infrastructure projects, including roads and bridges, and does so with existing revenue, not tax increases.

House Speaker Pat Murphy, D-Dubuque, said two separate bonding bills will be put forward, one costing \$160 million to pay for projects approved last year and another to deal with infrastructure needs. Senate Majority Leader Mike Gronstal, D-Council Bluffs, said opinions vary on whether bonding and a gas tax increase are mutually exclusive, which is why legislation to fund infrastructure repair will take a while to craft.

Rielly said he would like to see more detail to Culver's bonding plan and would hate to see the money spent on roads that have to be fixed again in 10 years.

"We will still be paying for them in 20 years," he said. "But there are lots of other projects the money could pay for."

The bonding money could feasibly be spent on projects that do not include roads and bridges, Rielly said. He cited a possible new sewer system in Ottumwa that is estimated to cost \$180 million as an example of ways bonding could have a positive impact.

"Sewer systems, power grids, projects like this could be good candidates for the bonding money," Rielly said.

Senate Minority Leader McKinley is opposing both bonding and a gas tax increase, saying the state can do a better job prioritizing existing budget expenditures without increasing its debt or the tax burden on citizens.

Opponents also contend that gas tax collections are slowing as cars get more miles on each gallon, and as gas prices force Americans to reduce their driving. Hitching Iowa's infrastructure future to this funding source could have dire consequences down the road.

But the House Transportation Committee's Tjepkes, a Republican from Gowrie, said on Iowa Public Television's "Iowa Press" that he believes [Republicans will be willing to work with Democrats on the gas tax.](#)

"I would tend to support a gas tax increase under certain circumstances," he said.

Ultimately, most agree it will be up to Culver. The idea will die if he indicates he will veto any gas tax increase, something he's stopped short of so far.

"I've said to our caucus it's a three-legged stool, the House, the Senate and the governor's office, and any time you leave one leg of the stool out you kind of fall down on a painful spot," Gronstal said.