Spending Our Transportation Dollars Wisely

December 2007

POLICY STUDY

No. 07-4

PUBLIC INTEREST INSTITUTE

by

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POLICY STUDY
December 2007
No. 07-4
Public Interest Institute

Dr. Don Racheter, President

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POLICY STUDIES are published by Public Interest Institute *at* Iowa Wesleyan College, a nonpartisan, nonprofit, research and educational institute whose activities are supported by contributions from private individuals, corporations, companies, and foundations. The Institute does **not** accept government grants.

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Our transportation system has problems that must be solved in order to keep both individuals and the economy flowing. The tragedy of the bridge collapse in Minnesota earlier this year brought the number of deficient bridges to the public's attention. In many areas drivers can see (and feel) that roads are no longer in the same condition as when they were initially constructed.

The forecast for Iowa's transportation future is dire, according to the Iowa Department of Transportation (IDOT). The IDOT has projected that for the 20-year period from 2005 to 2024, the state will need to spend \$67.2 billion on Iowa's public roadway system. Federal, state, and local government revenue for the road system is forecasted to total \$39.5 billion. This will leave the state with a shortfall in road spending of \$27.7 billion over the 20-year period. However, recognizing that the transportation funding is unlikely to increase by that amount, the IDOT has indicated that a minimum of \$200 million per year in new funding is necessary to meet the most critical needs.

The Iowa Legislature's Transportation Investment Moves the Economy in the 21st Century (TIME-21) Funding Study Committee members are considering the list of options presented by the IDOT, which encompass increasing current revenue sources, such as an increase in the gasoline tax, as well as potential sources of funding that are not currently utilized. The federal government is also facing proposals to increase the federal tax on gasoline

One factor that has contributed to the discussion of increasing transportation revenue is the rising cost of the materials and labor needed for construction of highways or roadways. The increasing cost of construction materials results in less "bang for the buck" of transportation revenue. There is also the risk that an increase in the fuel tax or other proposals that would raise the amount of revenue available to spend on transportation projects will encourage even higher prices for road projects. When the government is paying the tab, there is often no thought given to economizing or trying to keep costs down.

An issue at the federal level that impacts state transportation spending is the earmarking of federal funds for a specific project. If Congress would give up the privilege of earmarking funds, more of the current funding could be used for transportation projects such as critical bridge repair, rather than spending current funds on bike paths and museums, then raising additional taxes for higher-priority projects.

Providing an adequate transportation system is a legitimate and necessary function of government. We would hope, however, that elected and other government officials would be careful stewards of our tax dollars, spending them on projects that have a high priority, such as the repair of deficient bridges or maintaining highways that are important to a smoothly-running economy, and ensuring that the funds that are spent are spent wisely, not wasted.

"When the government is paying the tab, there is often no thought given to economizing or trying to keep costs down."

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Introduction

Elected officials at the state and federal levels are looking at proposals to increase the funds available for highway construction and road and bridge maintenance and repair. Increasing the gas tax is the most talked-about option to raise additional revenue. Providing an adequate transportation system is a legitimate and necessary function of government. We would hope, however, that elected and other government officials would be careful stewards of our tax dollars, spending them on projects that have a high priority, such as the repair of deficient bridges or maintaining highways that are important to a smoothly-running economy, and ensuring that the funds that are spent are spent wisely, not wasted.

"Providing an adequate transportation system is a legitimate and necessary function of government."

History of the Gas Tax

Not long after the invention of the automobile, state governments looked to the owners of those vehicles to provide the revenue necessary to fund the ever-growing demand for roads. "By 1914, all states had instituted motor vehicle licensing."[1] As more funds were needed for additional road construction and maintenance, Oregon was the first state in the nation to implement a gasoline tax in 1919, at a rate of one cent per gallon.[2] Other states quickly followed, and ten years later all of the then 48 states had adopted a gas tax.[3] "Gasoline taxes met with little public resistance and in fact became quite popular with the general public. Citizens saw the benefit principle in action, as gas taxes served mostly as user fees, generating revenue for more and better roads."[4]

Iowa first adopted a gas tax of two cents per gallon in 1925.[5] In 1942, the Iowa Constitution was amended to add Article VII, Section 8 regarding motor vehicle fees and fuel taxes:

> All motor vehicle registration fees and all licenses and excise taxes on motor vehicle fuel, except cost of administration, shall be used exclusively for the construction, maintenance and supervision of the public highways exclusively within the state or for the payment of bonds issued or to be issued for the construction of such public highways and the payment of interest on such bonds.[6]

This Constitutional Amendment maintains the principle that licensing fee and gas tax revenue is to be used for the benefit of those who pay the fee or tax, namely for building and keeping up the roads used by those drivers.

The various increases in the motor fuel tax in Iowa can be seen in Table 1. Since July 1, 2002 — the start of a new state fiscal year — the gasoline tax rate has been determined "based on the percentage of ethanol blended fuel that is sold during the previous calendar year."[7] The current tax rate in Iowa is 20.7 cents per gallon of gasoline and 22.5 cents per gallon of diesel fuel.[8] Ethanol blended gasoline, both the 10% blend and E-85, are currently taxed at the rate of 19 cents per gallon.[9] Iowa also collects an additional one cent per gallon to go toward the state's Underground Storage Tank program.

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Table 1. Motor Fuel Tax Rates in Iowa

Date enacted or changed	Rate on Gasoline - per gallon	Rate on Diesel Fuel - per gallon
1925	2 ¢	2 ¢
1943	3 ¢	3 ¢
1945	4 ¢	4 ¢
1953	5 ¢	5 ¢
1955	6 ¢	6 ¢
1957	7 ¢	7 ¢
1965	7 ¢	8 ¢
1978	8.5 ¢	10 ¢
1981	13 ¢	13.5 ¢
1982	13 ¢	15.5 ¢
1985 (July 1)	15 ¢	16.5 ¢
1986 (July 1)	16 ¢	17 ¢
1987	16 ¢	18.5 ¢
1988	18 ¢	20.5 ¢
1989	20 ¢	22.5 ¢
2002 (July 1)	20.1 ¢	22.5 ¢
2003 (July 1)	20.3 ¢	22.5 ¢
2004 (July 1)	20.5 ¢	22.5 ¢
2005 (July 1)	20.7 ¢	22.5 ¢
2006 (July 1)	21 ¢	22.5 ¢
2007 (July 1)	20.7 ¢	22.5 ¢

Source: "Iowa Tax Rate History," Iowa Department of Revenue, <http://www.state.ia.us/tax/taxlaw/TaxHistory.html#Motor>.

"This Constitutional Amendment maintains the principle that licensing fee and gas tax revenue is to be used for the benefit of those who pay the fee or tax, namely for building and keeping up the roads used by those drivers."

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At the federal level of government, a "temporary" gas tax of one cent per gallon was imposed in 1932, during the Great Depression.[10] The federal tax was not accepted as the tax had been in the states, due in part to the fact that the revenue went into the general fund, rather than towards road building and maintenance exclusively. Gradually the tax was made permanent and raised to the current federal tax rate of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel, with other rates per gallon for special fuels.[11]

In 1956 Congress created the Federal Highway Trust Fund to direct gas tax and other revenue into a special fund rather than the general fund. Today, most of the revenue raised from the gas tax goes into the Highway Trust Fund, with one cent per gallon of the tax on most fuels going towards the Leaking Underground Storage Tank Trust Fund.[12]

Iowa's Road System

The Iowa Department of Transportation (IDOT) and Iowa's counties and cities are responsible for the nearly 114,000 miles of highways, roads, and streets and close to 25,000 bridges in our state.[13] The "Primary Road System," consisting of the state's interstates and numbered Iowa and U.S. routes, handles the bulk of the traffic in our state. These 9,373 miles of road carry just over 60 percent of the 31 billion miles that vehicles travel on Iowa's public roadway system each year.[14] Large truck travel is increasing in Iowa, as are the number of commuters that travel outside of their county of residence to work.

Our transportation system has problems that must be solved in order to keep both individuals and the economy flowing. The tragedy of the bridge collapse in Minnesota earlier this year brought the number of deficient bridges to the public's attention. In many areas drivers can see (and feel) that roads are no longer in the same condition as when they were initially constructed.

"Our transportation system has problems that must be solved in order to keep both individuals and the economy flowing."

The Reason Foundation tracks the condition of state-owned roads and publishes an annual report documenting the performance of state highway systems. This year's report indicates that "the percent of roads in poor condition fell sharply for both the interstate and rural primary roads … the percentage of bridges rated deficient also improved slightly."[15] However, several problems were outlined in the report as well. "The condition of secondary and local roads continues to worsen … and one quarter of the nation's bridges are still rated 'deficient'; at the current improvement rate it will take 50 years to eliminate bridge deficiencies."[16]

The Reason Foundation report ranks Iowa as 35th among the 50 states in overall performance for 2005, a "sharp decline" from a ranking of 23 in 2000.[17] Iowa reported that 2.07 percent of the mileage of rural interstates was "poor" in 2005 while 16.99 percent of urban interstate mileage was in poor condition. Only two states reported a higher percentage of poor urban interstates than Iowa. For major rural highways, Iowa reports that 2.49 percent are in poor condition.[18]

Proposals for the Future

In December 2006 the Iowa Department of Transportation reported on "Iowa's current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs" to the Iowa Legislature. The forecast for Iowa's transportation future is dire, according to the IDOT. "As with the rest of the nation, Iowa is on the verge of a transportation crisis. This is the result of flattening revenues, dramatically increasing construction costs, aging infrastructure, increasing usage, and deferred maintenance. While the system is not yet broken, it is at the tipping point where the cost to recover will grow exponentially if action is not taken now."[19]

The IDOT has projected that for the 20-year period from 2005 to 2024, the state will need to spend $67.2 billion on Iowa's public roadway system. Federal, state, and local government revenue for the road system is forecasted to total $39.5 billion. This will leave the state with a shortfall in road spending of $27.7 billion over the 20-year period.[20] However, the IDOT recognizes that the shortfall of $27.7 billion "represents an ideal level of investment which cannot be fully funded in light of the needs that exist for all levels of government and the services they provide."[21] As a result, the IDOT, city, and county officials determined that "the minimum amount of new funding needed today to meet the most critical needs to sustain and enhance Iowa's economy is $200 million per year."[22]

The Department's report to the Legislature recommended creating a Transportation Investment Moves the Economy in the 21st Century (TIME-21) Fund. The Iowa Legislature adopted legislation earlier this year to create the TIME-21 Fund, as well as the TIME-21 Transportation Funding Study Committee. The four Senators and four Representatives on this Committee are charged with looking at the options for raising additional transportation revenue and making recommendations to the Legislature for possible action during the 2008 Legislative session.[23] The Committee has

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held meetings to hear from the public as well as experts on the issue of transportation funding for the future. Committee members are considering the list of options presented by the IDOT's report, which encompass increasing current revenue sources, such as an increase in the gasoline tax, as well as potential sources of funding that are not currently utilized. Appendix 1 of this Policy Study is a list of the funding options presented by the IDOT and the amount of new revenue these options are projected to raise. The most-discussed of the options is an increase in the state's motor fuel tax for gasoline, gasohol, and diesel fuels. IDOT projections indicate that each additional cent of tax would generate approximately $22 million per year in additional funds for transportation spending.[24] Governor Culver, however, has indicated that he is reluctant to increase the gasoline tax while gas prices remain close to $3 per gallon.[25]

The federal government is also facing proposals to increase the federal tax on gasoline. "In the wake of the August 1, 2007, Minneapolis bridge collapse, Rep. Jim Oberstar (D-MN), Chairman of the House Transportation and Infrastructure Committee, proposed a 5-cents-per-gallon increase in the federal excise tax on gasoline. Oberstar believes the hike would raise $25 billion over three years for critical bridge repairs across the United States."[26]

"Increasing cost of construction materials results in less "bang for the buck" of transportation revenue."

Will More Revenue Alleviate the Transportation Crisis?

One factor that has contributed to the discussion of increasing transportation revenue is the rising cost of the materials and labor needed for construction of highways or roadways. "Since 2003 the Consumer Price Index has increased approximately 9.1 percent while the corresponding roadway Construction Cost Index has increased 28.2 percent."[27] Areas of the United States that have been hit with storm or fire destruction drive up demand for construction materials, increasing the price. "Other factors include demand for steel in China and the high cost of importing cement from Mexico."[28] Asphalt prices have also surged, due to the rising price of crude oil. Asphalt is "the black goo left over after gasoline is refined from oil. As oil companies squeeze more gasoline out of every barrel of crude, the supply of asphalt goes down, and the price goes up. Liquid asphalt is mixed with rock and sand to make the blacktop applied to road surfaces."[29]

Increasing cost of construction materials results in less "bang for the buck" of transportation revenue. The IDOT report highlights this issue. "The Iowa DOT, cities, and counties are spending as much or slightly more, but buying far less for their money … In 1989, the last time the fuel tax was significantly increased, it cost about $140,000 per mile to resurface a two-lane roadway. Today, that same improvement costs about $290,000 per mile."[30]

There is also the risk that an increase in the fuel tax or other proposals that would raise the amount of revenue available to spend on transportation projects will encourage even higher prices for road projects. As we recall with the scandal of the $600 hammers purchased by the Pentagon, when the government is paying the tab, there is often no thought given to economizing or trying to keep costs down. This same phenomenon can be seen today in our public university system. The more funding the government provides to subsidize higher education, the less incentive there is for public universities to control costs. "Federal grants, tax credits and deductions, and government-subsidized loans have soared 151% over the past ten years after inflation, to $94 billion last year … This 'has reduced colleges' desire to save any money,' says Frederic J. Fransen of the Center for Excellence in Higher Education."[31] Even with, or because of, this increase in funding, the cost of higher education has grown much faster than inflation. "Since 1983 the cost of keeping colleges running has outpaced the Consumer Price Index by 48%, according to the Commonfund Institute, a nonprofit that compiles a higher-education price index."[32]

The price of roadway construction has also grown at rates higher than inflation. As the IDOT report noted, the Construction Cost Index has outpaced the Consumer Price Index since 2003. The IDOT report includes information on the annual price trends for highway construction in Iowa. As can be seen in Figure 1, which replicates the information from the IDOT report, the trend for construction prices has been mostly upward, rising dramatically from 1986 to 2006. It is interesting to note that the largest percentage increase from year to year occurred from 1989 to 1990 when the annual price trend jumped 14.9 percent (See Table 2.). This coincides with the increase in the motor fuel tax in Iowa that occurred in 1989, "the last time the fuel tax was significantly increased,"[33] according to the IDOT report, when the tax on gasoline and diesel fuel was raised by two cents per gallon.

An issue at the federal level that impacts state transportation spending is the earmarking of federal funds for a specific project. Members of Congress designate funds for particular projects in their districts in the

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"There is also the risk that an increase in the fuel tax or other proposals that would raise the amount of revenue available to spend on transportation projects will encourage even higher prices for road projects."

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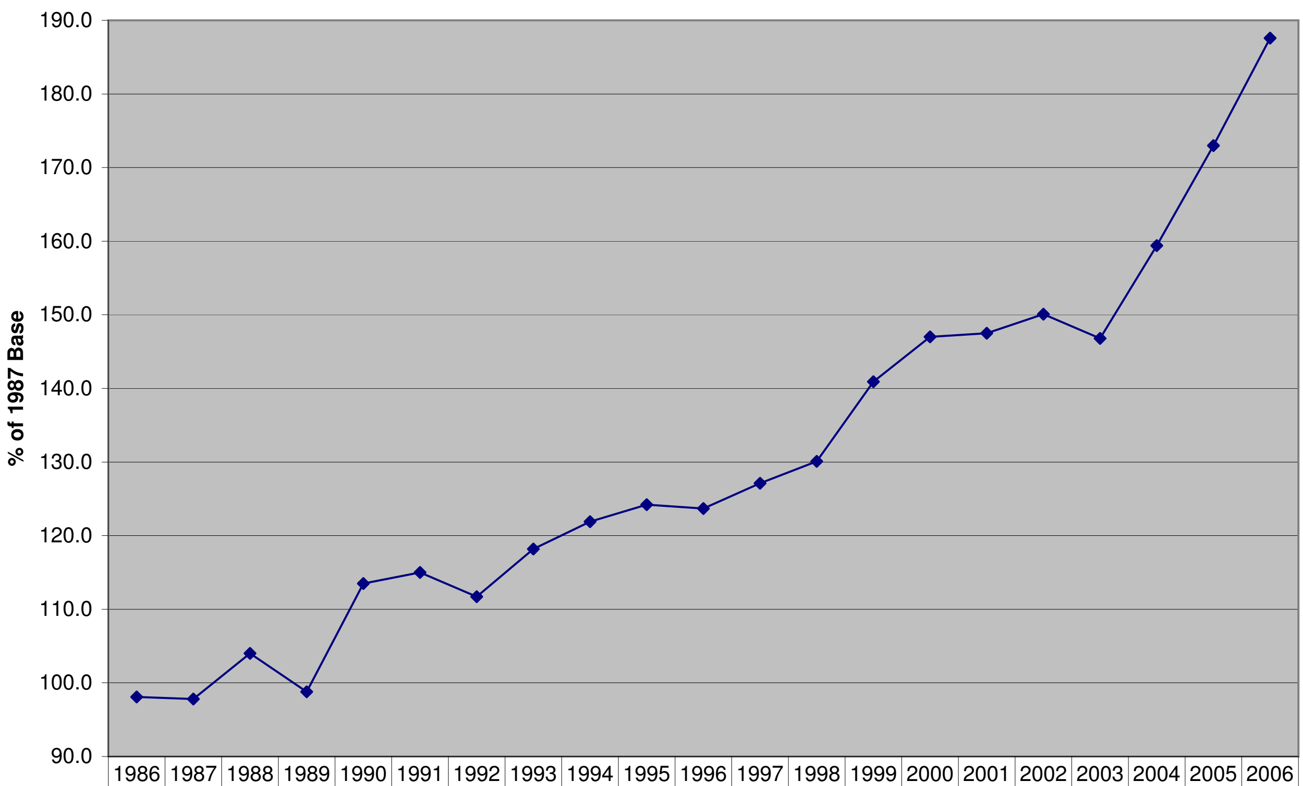
highway bills that are adopted every few years to authorize spending. These earmarks have grown drastically, from ten demonstration projects included in the 1982 highway bill to 6,373 earmarked projects in the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) highway bill.[34] While at least some of the Congress member's constituents obviously support the earmarked project, this is what the Iowa DOT has to say about federal earmarks:

> The high number of earmarks included in SAFETEA-LU and subsequent appropriations bills impacts the Iowa DOT's, cities', and counties' ability to program funds efficiently for their core systems. Sometimes earmarks are provided that cover only a small

Figure 1. Annual Price Trends for Highway Construction in Iowa



	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Iowa	98.1	97.8	104.0	98.8	113.5	115.0	111.7	118.2	121.9	124.2	123.7	127.1	130.1	140.9	147.0	147.5	150.1	146.8	159.4	173.0	187.6

Source: Iowa DOT- Office of Contracts; from "Study of Iowa's Current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs," A report to the Iowa Legislature, per Section 85, House File 868, 81st General Assembly, prepared by the Iowa Department of Transportation, December 29, 2006, p. 32.

Table 2. Annual Price Trends for Highway Construction in Iowa

Year	% of 1987 Base	% change year to year
1986	98.1	
1987	97.8	-0.3%
1988	104.0	6.3%
1989	98.8	-5.0%
1990	113.5	**14.9%**
1991	115.0	1.3%
1992	111.7	-2.9%
1993	118.2	5.8%
1994	121.9	3.1%
1995	124.2	1.9%
1996	123.7	-0.4%
1997	127.1	2.7%
1998	130.1	2.4%
1999	140.9	8.3%
2000	147.0	4.3%
2001	147.5	0.3%
2002	150.1	1.8%
2003	146.8	-2.2%
2004	159.4	8.6%
2005	173.0	8.5%
2006	187.6	8.4%

Source: Iowa DOT- Office of Contracts; from "Study of Iowa's Current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs," A report to the Iowa Legislature, per Section 85, House File 868, 81st General Assembly, prepared by the Iowa Department of Transportation, December 29, 2006, p. 32.

> portion of the total project cost. This requires the Iowa DOT, city, and county governments to come up with the remaining, and sometimes significant, funds for the project. In addition, earmarks can result in programming challenges for governments as they try to do the projects they deem the highest transportation priorities, yet maximize the use of funds earmarked for other projects on their system.[35]

U.S. Representative Oberstar's proposal to raise the federal gas tax by five cents per gallon demonstrates a lack of ability to prioritize by those elected to Congress. The Congressman's proposal is projected to raise $25 billion over three years for bridge repairs across the United States. To point out the dire need for this additional funding that taxpayers should supply without hesitation, "Rep. Oberstar told the *Rochester Post-Bulletin*, 'If you're not prepared to invest another five cents in bridge reconstruction and road reconstruction, then God help you.'"[36]

Interestingly, the 6,373 earmarks in the 2005 highway bill totaled $24.2 billion in federal funds — funds that could have gone instead to the bridge and road repairs that Rep. Oberstar now believes

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"Earmarks can result in programming challenges for governments as they try to do the projects they deem the highest transportation priorities."

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are a desperate need.[37] While all earmarked projects were worthy to someone, it seems that even prior to the tragedy in Minneapolis, funds for bridge repair should have been a higher priority than "$6 million for graffiti elimination in New York [or] $2.95 million to Alaska for a film about state roads," just two of the more than six thousand earmarks in the highway bill.[38]

According to Mary E. Peters, U.S. Secretary of Transportation, "only 60 percent of federal gas taxes go to the construction and maintenance of highways and bridges. Thirty percent goes to … public transit facilities … [and] the remaining 10 percent is diverted to other project — currently 6,000 projects — including bike paths, museums, nature trails, historic building repairs, and so forth."[39] If Congress would give up the privilege of earmarking funds, more of the current funding could be used for transportation projects such as critical bridge repair, rather than spending current funds on bike paths and museums, then raising additional taxes for higher-priority projects.

"Even prior to the tragedy in Minneapolis, funds for bridge repair should have been a higher priority than '$6 million for graffiti elimination in New York [or] $2.95 million to Alaska for a film about state roads.'"

Long Term Ideas for Improving Transportation Funding

While reining in the use of earmarks would improve the ability to prioritize transportation projects, an even better proposal is to devolve federal gas tax collection back to the states. Rather than having a gasoline tax collected by both the federal and state governments, the federal government could repeal its gas tax and allow the states to collect all gas tax revenue. Thus, state governments, rather than the federal government, would have the primary responsibility for building and maintaining the country's transportation system.

How would Iowa fare under such a system? A recent Heritage Foundation study looks at the federal highway program by state to compare the "share of the tax revenues paid into the [federal highway] trust fund to the share they receive of trust fund spending."[40] Looking at the data from FY 1956 — the year the federal highway trust fund was created — to FY 2005, Iowa shows a net gain, but a very small gain. Over this 50-year period, Iowa has paid in 1.269 percent of the funds in the federal highway program, and has received 1.279 percent of those funds back from the federal highway program — for a ratio of 1.008 — just over the 1.0 ratio that would be considered "breaking even."[41] However, if we just look at the most recent year for which data is available in the Heritage Foundation report — FY 2005 — Iowa is a net loser. For FY05 Iowa paid in 1.233 percent of the total federal trust funds, but received only 1.077 percent, a payback of only 87.3 percent on our investment.[42] If Iowa, rather than the federal government, had been the sole taxing authority for motor fuels, our state would have received roughly the same amount of funding (more in FY05) without federal government involvement.

While devolution of federal gas taxes to the states would be supported by some, other states such as Alaska would be in extreme opposition to such a proposal. Alaska is the biggest winner in the federal highway program, according to the Heritage Foundation report. "In FY 2005, [Alaska's] motorists paid only $66.3 million in fuel taxes into the [federal] trust fund but received a staggering $490.4 million in trust fund spending."[43]

Additionally, two of the IDOT's proposals for raising additional revenue warrant a special mention, as they have the potential to ensure that those who are using the transportation system are also the ones paying for its construction and upkeep. One of the IDOT's proposals is to impose tolls on some segments of road. So long as the tolls from a segment of road were dedicated to the maintenance of that same segment of road, the tolls paid by the drivers would benefit those same drivers by going toward better-maintained roads and improvements. This proposal should be melded with another IDOT proposal, to create Public-Private Partnerships (PPPs). States such as Illinois and Indiana have created PPPs by leasing portions of their toll roads to private companies. The states receive funding upfront to tend to their other transportation projects, while the private company receives the tolls collected — and thus has an incentive to keep the toll road well-maintained to attract drivers. The contracts between the states and the private companies include provisions regarding "toll rates and possible increases … as well as limits on the return on investment for the concessionaire."[44] In Indiana, the state received $3.85 billion for a 75-year lease on the 157-mile Indiana Toll Road. The state was able to retire some debt, then deposit the remaining funds which "are earning approximately $500,000 in interest per day."[45]

The IDOT report also proposes a per-mile tax, a tax based on the vehicle miles traveled within the state. Concerns have been raised that as more hybrid and fuel efficient vehicles are on the roads, those drivers

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"The IDOT report also proposes a per-mile tax, a tax based on the vehicle miles traveled within the state."

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are contributing less toward road maintenance through the gasoline tax. "Oregon is experimenting with a pilot project that charges road users based on the actual mileage they drive, rather than using gasoline consumption as a rough proxy for miles traveled … The 280 individuals who volunteered for the test program are charged 1.2 cents for each mile they drive rather than paying traditional gasoline taxes."[46] If the Oregon pilot project is deemed successful, a per-mile tax system could be considered in the future to ensure that all drivers are contributing in a fair manner to the transportation system.

Conclusion

"Federal, state, and local governments must assure the taxpayers that an increase in transportation funding is truly necessary and that the funds will be spent on those projects with the highest priority first."

The Iowa Department of Transportation has produced a study that outlines the future needs of our state's transportation system. Whether the gas tax will be increased or some of the other IDOT proposals will be implemented will be decided by Iowa Legislators and Governor Culver. Asking those individuals who live and drive in our state to provide the revenue to build and maintain the transportation system in our state brings us closer to the principle that the cost of our road system should be paid by those who use the road system. Federal, state, and local governments must assure the taxpayers that an increase in transportation funding is truly necessary and that the funds will be spent on those projects with the highest priority first. Care should also be taken to ensure that tax revenue that is invested in the transportation system is receiving the most "bang for the buck" possible.

Endnotes

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[5]"Iowa Tax Rate History," Iowa Department of Revenue, <http://www.state.ia.us/tax/taxlaw/TaxHistory.html#Motor> (November 5, 2007).
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[7]"Notes to State Motor Fuel Excise and Other Tax Rates," American Petroleum Institute, <http://www.api.org/policy/tax/stateexcise/upload/July_2007_Notes.pdf> (November 5, 2007). For more on how the tax rate is determined each year, read Iowa Code Section 452A.3.
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[16]Ibid.
[17]Ibid, p. 31.
[18]Ibid, pp. 15-20.
[19]"Study of Iowa's Current Road Use Tax Funds," p. 2.
[20]Ibid, p. 7.
[21]Ibid, p. 2.
[22]Ibid, p. 3.
[23]For more information, visit the TIME-21 Transportation Funding Study Committee's website <http://www4.legis.state.ia.us/aspx/Internet/Committees/Committee.aspx?id=210>.
[24]"Study of Iowa's Current Road Use Tax Funds," p. 8.
[25]Bret Hayworth, "Iowa gas tax, vehicle fees could be going up," *Sioux City Journal* online, September 7, 2007, <http://www.siouxcityjournal.com/articles/2007/09/07/news/local/5c61200c14c769b48625734f000eeb56.txt> (November 1, 2007).
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[30]"Study of Iowa's Current Road Use Tax Funds," p. 51.
[31]Alex Davidson, "Economics 101," *Forbes*, November 12, 2007, p. 146.
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[33]"Study of Iowa's Current Road Use Tax Funds," p. 51.
[34]Williams, pp. 11-12.
[35]"Study of Iowa's Current Road Use Tax Funds," pp. 35-36.
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[39]Sommer, p. 2.
[40]Ronald D. Utt, Ph.D., "Restoring Regional Equity to the Federal Highway Trust Fund," The Heritage Foundation *Backgrounder*, No. 2074, October 9, 2007, p. 3.
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[42]Ibid.
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[44]Geoffrey F. Segal, Adrian T. Moore, and Matthew J. Brouillette, "The Emerging Paradigm: Financing and Managing Pennsylvania's Transportation Infrastructure and Mass Transit," Commonwealth Foundation *Policy Report*, March 2007, p. 5.
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Appendix 1.

Summary of the revenue options the Iowa Department of Transportation's "Study of Iowa's Current Road Use Tax Funds (RUTF) and Future Road Maintenance and Construction Needs" suggests to generate an additional $200 million in annual revenue.

The revenue options are divided into two categories in the report: options for generating increased revenue from existing RUTF revenue sources and potential new RUTF revenue sources.

A. To generate increased revenue from existing RUTF revenue sources:

- **Increase the per-gallon tax on all motor fuels (gasoline, gasohol, and diesel).** Each additional cent generates approximately $22 million for the RUTF.
- **Adjust the fuel tax annually based on an inflation index.** For example, a three percent increase in the CPI applied to the current fuel tax rates would generate an additional $13 million annually.
- **Increase the vehicle registration fee for pickup trucks, equalizing it with automobiles**. If applied to all currently-registered three-, four-, & five-ton pickups, it would generate approximately $57 million annually. If the increase applies only to model year 2009 and later, additional revenue is phased in, reaching an estimate of $40 million by CY 2011.
- **Increase the minimum vehicle registration fee.** Increasing the minimum fee at $50 (up from a variable amount for autos and $35 for trucks) will generate approximately $19 million annually in additional revenue for the RUTF.

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- **Increase the use tax imposed on the sale of new and used motor vehicles and trailers from five percent to six percent.** This will generate approximately $40 million annually.

- **Double the driver's license fee.** This will generate approximately $12 million annually.

- **Make the current $3 surcharge assessed through 6/30/08 for the driver information system update a permanent charge.** This would generate approximately $1.5 million annually, beginning in FY 2009.

B. Potential new RUTF revenue sources.

- **Assess a sales tax on fuel purchases.** A one percent sales tax on fuel would generate approximately $43 million per year based on fuel prices in November 2006.

- **Impose a severance tax on exported ethanol.** The tax would be based either on a percent of value or a volume-based fee on resources extracted from the earth that are exported out of the state. A severance tax of one cent per gallon would generate approximately $9.75 million per year.

- **Impose a per-mile tax.** A tax based on the vehicle miles traveled within the state would generate $316 million per year (based on the vehicle miles traveled in Iowa in 2005).

- **Create Transportation Improvement Districts and impose taxes within the district to fund transportation improvements with voter approval**. Revenue potential varies.

- **Issue Bonds for primary road system improvements.** This allows projects to go forward faster, while promising to repay borrowed money at a fixed rate on a fixed schedule. Revenue potential varies.

- **Privatize some roads.** Long-term leasing of toll roads to private sector for up-front payment. Revenue potential varies.

- **Impose tolls on some road segments.** Revenue potential varies depending on length of road segments and toll rates. Typical rate is six cents per mile.

- **Impose Development Impact Fees.** Charge developers a fee for off-site infrastructure needs that arise as a result of new development. Revenue potential varies.

- **Create Public-Private Partnerships (PPPs).** PPPs allow private participation in the delivery of transportation projects. Revenue potential varies.

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