PRIMARY ROADS AND THEIR MUNICIPAL EXTENSIONS

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at

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From June 1948 to April 1949, a period of ten months, no new contract was let and no new construction project was undertaken on the primary roads or the extensions of primary roads in cities and towns.

"Why not?" you immediately ask. "Why this construction holiday? There were plenty of things that needed to be done on the primary road system. Having just recently gone through four years of war, with construction work shut down by Government order; having had no adequate maintenance during the war period; having been just plain "beat up" by the heavy war traffic; having suffered through three years of early postwar shortages of men, material and machines and having been called upon to carry a rapidly increasing volume and weight of traffic in the postwar period, surely a ten month holiday in the letting of primary road construction contracts does not make sense. What is the answer?"

The answer is that the primary road fund was broke.

Before the war a law was passed placing a ceiling of seventeen million dollars per year on the primary road fund. All receipts in the primary road fund in any year in excess of $17,000,000 were required to be transferred to the farm to market road fund. Out of the $17,000,000 annual primary road fund about $8,300,000 per year had to be used for the payment of principal and interest of primary road bonds, previously issued by the counties. That took nearly half of the primary road fund income.

Maintenance of primary roads had to be paid out of the primary road fund. Before the war primary road maintenance cost $4,000,000 per year. In harmony with the general price increase growing out of the war, the cost of primary road maintenance bounced up to $6,000,000 in the fiscal year 1948 and to $7,000,000 in the fiscal year 1949. The ceiling on the primary road fund remained <u>fixed</u> - $17,000,000 per year.

The cost of engineering inspection and administration of highway work by the State Highway Commission, likewise paid out of the primary road fund, increased from $1,000,000 per year, prewar, to $1,700,000 in the fiscal year 1948 and to $2,000,000 in the fiscal year 1949. The ceiling on the primary road fund remained fixed - $17,000,000 per year.

Several other miscellaneous items of expense (cost of litigation, workmen's compensation, weighing of trucks and buses on the highways, etc.) had to be paid out of the primary road fund before any primary road fund income could be considered as available for construction work.

As prices increased in the postwar period these several items of miscellaneous primary road fund expense ate up the $17,000,000 of annual primary road fund income permitted under the ceiling. Nothing was left for construction. In fact, for the fiscal year ended June 30, 1948, as noted in the Highway

Study Committee's report, only $49,000 of the $17,000,000 state primary road fund income for that year remained available for construction after meeting the payments on bonds, interest, maintenance, engineering, inspection, administration, workmen's compensation, litigation, traffic weighing, and miscellaneous other items of expense. That is an average of less than $500 per county for construction. In the latter part of the summer of 1948 we advised the Highway Study Committee that with the contracts then outstanding; without letting any more contracts for construction and without opening up any more construction projects, the balance in the primary road fund on July 1, 1949, would be about $250,000 - an amount only one eighth of the minimum working balance below which this fund should never go. Such was the condition when the 53rd General Assembly met in January 1949.

The postwar construction, reconstruction and improvement of primary roads started out bravely in 1946, struggled through three precarious postwar years dodging shortages and handicaps all along the way, picked up speed from year to year-

from $8,600,000 let in fiscal year 1946

to $12,700,000 let in fiscal year 1948,

lived through the first three postwar years largely on balances accumulated during the war when by Government order highway construction work was shut down and then lurched to a stop in 1948, (out of gas), when the war accumulated primary road fund balances ran out.

The Highway Study Committee pushed our "empty-tank" highway problem up to the door of the 53rd General Assembly and said, "Fill'er up." and they filled 'er up.

The 53rd General Assembly met the issue squarely. It

a. Did away with the $17,000,000 primary road fund ceiling.

b. Provided additional sources of highway revenue from the road user, which we estimate will amount to $15,216,000 in 1950.

c. Created a road use tax fund in the state treasury which we estimate will amount to about $58,687,000 in 1950.

d. Provided for the distribution of the road use tax fund among the various road systems or funds (primary, farm to market, secondary road construction and cities and towns) on the percentage basis.

e. Gave the primary road fund 42.0% of the road use tax fund.

f. Appropriated $5,000,000 from the state general fund to the primary road fund.

g. Repealed all primary road bond laws, thus putting all future primary road construction strictly on the pay-as-you-go basis.

h. Passed several bills simplifying and correcting highway administrative procedures.

i. Passed several bills particularly relating to secondary road matters, which do not come within the scope of this paper.

That was a good job. It puts the State of Iowa well up in front among all the states on highway laws. It puts the 53rd General Assembly well up in front on highway legislation among all the Iowa General Assemblies since this state began the remodeling and modernizing of its highway code nearly forty years ago.

The full impact of this new legislation on our highway problem has not yet been developed. That is because

a. Increased motor vehicle registration fees levied by this new legislation were not collected in 1949. They will first be collected in 1950.

b. Our highway problem is so vast - runs into so many hundreds of millions of dollars - that a period of years will be required for this legislation, or any other legislation that might conceivably be passed, to make any appreciable effect thereon.

That the highway laws of the 53rd General Assembly have "breathed the breath of life" into our sagging primary road construction program is easily demonstrated. In the ten month period previous to April 1949, the letting of contracts for primary road construction was shut down for lack of funds. In the eight month period following April 1949, the primary road construction contracts let have aggregated $16,000,000. That amount is one-fourth more than in any previous postwar year. In fact that amount ($16,000,000) is one-third of all the primary road construction contracts let since the war ended in 1945. We estimate that an additional $16,000,000 of primary road construction contracts can be let and financed in the calendar year 1950. The primary road fund income from the state road use tax fund in 1950 is now estimated at $24,648,000. The old $17,000,000 ceiling on the annual primary road fund is gone.

Future years give promise of some further expansion of the primary road construction and reconstruction program. In 1950 about $4,600,000 must be paid on presently outstanding primary road bonds and interest on such bonds. These bond and interest payments take that much primary road money away from the construction program. The last of these outstanding bonds will be paid off and retired in 1950. That $4,600,000 bond item will not appear again as a primary road fund obligation. Assuming the same rate of income in 1951 as in 1950 we should be able in 1951 to expand the primary road improvement program to $20,600,000.

Still further expansion of the primary road improvement program may be in store through an increase in Federal road aid. A new Federal aid road bill must be passed by Congress at its next session if Federal participation in highway work is to continue. There is every reason to believe that such a bill will be passed. The American Association of State Highway

Officials, at a recent meeting in Chicago, decided to recommend that the new bill authorize $810,000,000 per year for aid to the states in road improvements. The present law authorizes $450,000,000 per year. Since the Government is collecting about $1,300,000,000 per year from the road user in gasoline tax and excise taxes on motor vehicles, tires, oil and accessories, it appeared to the highway officials that the use of about two-thirds of these funds for the improvements of roads is not an unreasonable request.

Congress may or may not approve this request. If these additional Federal funds are authorized then, available in 1951, Iowa's allotment of Federal road funds for primary roads and their municipal extensions will be about $12,181,000 per year - an increase of $5,850,000 per year over the present allotments. In that event a primary road construction program of $26,450,000 could be financed in 1951.

Would a construction program of $26,450,000 per year be big enough to satisfy the demand for primary road improvements? No. A program of $50,000,000 per year or twice that amount would not satisfy the demand. Everybody wants his particular road built first. That obviously is impossible. Some road can be built first. Some road must be built last.

The primary road improvement program recommended by the Highway Study Committee, and in all substantial respects, enacted into law by the 53rd General Assembly is a twenty year program. It contemplates doing $482,000,000 worth of primary road improvements in twenty years. That is an average annual program of $24,100,000 per year. That program may be within our grasp beginning in 1951. In the meantime we now have about all the funds that we can spend efficiently and economically while we are building up and expanding our highway organization to handle the larger task ahead.

But a twenty year program means that the funds required to build the whole program become available at the rate of five percent per year. We must not expect that 25.0%, or 50.0%, of the program can be built in any one year with only 5.0% of the funds.

Much has been said about farm to market roads. Much of what has been said about farm to market roads is founded on misunderstanding, self-interest or just plain nonsense. At the risk of overstepping the bounds of the topic assigned to me and encroaching on the "secondary roads" subject, assigned to Mr. Mahoney, I feel that I should say something about farm to market roads, particularly about farm to market road funds.

The farm to market road system includes about 35,000 miles of the principal secondary roads. Anout 75.0% of the farm to market road mileage is now surfaced. Much of this surfaced farm to market road mileage is not in proper condition for the traffic on these roads. They will have to be regraded and reconstructed. An appreciable portion of this farm to market road mileage now carries a traffic too heavy for an untreated gravel, stone, or shale surface. A better and dustless surface (blacktop or some cheap form of pavement) will have to be provided on these heavier traffic farm to market roads. It will cost about $230,000,000 to adequately improve the farm to market road system.

The farm to market road fund receives and includes 15.0% of the road use tax fund and all Federal aid secondary road funds. The annual income in the farm to market road fund under present law is approximately

From state road use tax funds------------	$8,800,000
From Federal aid secondary road funds--	3,500,000
Total per year--------------------------	$12,300,000

During the war, when highway construction was shut down, and in the early postwar years, when highway construction was sorely harrassed and stymied by shortages of just about everything needed in road building, considerable balances accumulated in the farm to market road fund. The letting of farm to market road contracts per year did not keep up with the farm to market road fund income per year. These excess farm to market road funds ~~could have been~~ spent, thrown away, wastsed in part on extravagant prices, ill-concieved projects, and inadequate plans. The counties and the Highway Commission did not choose to follow that policy. They preferred to proceed in an orderly manner and get the most for the money spent.

The letting of farm to market road contracts started slowly after the close of the war and has grown in volume each year since. The record of contracts let is

Fiscal	year	1946	$2,300,000
"	"	1947	4,800,000
"	"	1948	6,000,000
"	"	1949	11,300,000

The rate of letting farm to market road contracts now exceeds the rate of income in the farm to market road fund. From November 30, 1948 to November 30, 1949, the farm to market road contracts let aggregated $12,900,000. During the present fiscal year, which ends June 30, 1950, $15,000,000 to $16,000,000 of farm to market road contracts will be let. There is good reason to believe that the letting of farm to market contracts will be stepped up to $18,000,000 during the fiscal year which will end June 30, 1951. The estimated farm to market road fund income under present law is $12,300,000 per year.

Unobligated farm to market road fund balances reached their peak at $24,124,000 (both State and Federal) on July 1, 1949. They are now beginning to be used up. This unobligated balance went down to $21,900,000 on December 1, 1949, and will from hereon decrease at an accelerating rate.

So long as the farm to market road fund income remains at about $12,300,000 per year, there appears to be no real necessity for pushing the rate of farm to market road lettings above $18,000,000 per year. That rate we expect to reach in the next fiscal year. That rate of letting contracts ($18,000,000 per year) will use up the accumulated unobligated balances of farm to market road funds in about four years. The letting of contracts will then have to drop back to $12,300,000 per year - the estimated rate of income. That would be an orderly, economical, and proper manner of using up the present unobligated farm to market road fund balances.

A comparison of prices and volume of highway work contracted in Iowa with those of our neighboring states is is in order. The U. S. Bureau of Public Roads issues quarterly a tabulation showing the quantity of various classes or items of work placed under contract and the prices therefor in all states and on all Federal aid road projects. For the first three quarters of 1949 (January 1 to September 30, 1949) this tabulation shows

1. That the amount or volume of Federal aid highway work (both primary and secondary) placed under contract in Iowa was

(a) More than four times the amount of such work placed under contract in either Nebraska or South Dakota.

(b) Two and one-half times the amount of such work placed under contract in Minnesota.

(c) Twice the amount of such work placed under contract in Missouri, Wisconsin, or Illinois.

and

2. That the weighted average unit contract prices for Federal Aid highway work in Iowa are below such prices in any of the six states which surround Iowa;

5.0% below Minnesota,
10.0% below Nebraska,
11.0% below Wisconsin
19.0% below South Dakota,
24.0% below Missouri
42.0% below Illinois

In view of all these circumstances, I can only conclude that the accomplishments and future prospects with respect to primary roads - and farm to market roads - and, I feel sure, other secondary roads also, are good.

The 53d General Assembly did a swell job of revamping our highway laws and of giving a transfusion to our anemic highway finances. Sure, they did not pass three major highway administrative bills recommended by the Highway Study Committee, but that is not "cramping our style" in this two-year period. The 54th General Assembly can take a look at those bills next year. In the meantime no harm has been done to the highway program. Sure, they did not give the primary road fund as large a percentage of the state road use tax fund as the Highway Study Committee recommended; but they did kill the $17,000,000 ceiling on the primary road fund and bury it under an estimated $7,648,000 per year of new primary road money. (Peace be to its ashes.) They did dig up an estimated $15,216,000 per year additional road use tax funds for the benefit of all roads. They did set up what I am pleased to believe is the best highway financing structure of any state in the Union, and they did a lot of other good things for the advancement of our highway program which I will not attempt to enumerate here.

The counties (most of them) are doing a good job on the farm to market roads. It is no mean accomplishment to make the surveys, prepare the plans, buy the right of way, supervise construction, and make final settlement on \$15,000,000 worth of farm to market road work in one year.

It must be remembered that while toiling with this farm to market road job, the counties must also wrestle with the problem of maintaining the entire secondary road system of 93,000 miles, which costs about \$24,000,000 per year, and they must also plan, execute, supervise, and be accountable for about \$22,000,000 per year of other secondary road construction paid for from their own secondary road construction funds.

A very large majority of the counties are doing all right on the farm to market road job. A relatively small minority of the counties are "dragging their heels". Steps are being taken to "build a fire" under the counties in this minority group.

The State Highway Commission is "pushing right up against the collar" on the primary road program. Funds are being placed under contract as rapidly as they are becoming available. In this two-year period, the laws have supplied about all the funds we could use efficiently and well. If, as suggested above, more funds become available for primary road construction in the next biennium, we will be ready for them. If by the 54th or 55th General Assembly it should appear that primary road construction and reconstruction is not progressing at a sufficiently rapid rate, and if the people should desire to provide more funds to build more primary roads in less time, we will be ready for that also.

Iowa's highway program is beginning to roll. We are getting value received for the money spent.