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**Final report
Highway Commission Funding
Subcommittee of the Joint
Standing Committees on
Transportation**

H64-1

HIGHWAY COMMISSION FUNDING SUBCOMMITTEE
OF THE
JOINT STANDING COMMITTEES ON TRANSPORTATION
FINAL REPORT
SUBMITTED TO THE IOWA LEGISLATIVE COUNCIL
NOVEMBER, 1970

HIGHWAY COMMISSION FUNDING SUBCOMMITTEE
of the
JOINT STANDING COMMITTEES ON TRANSPORTATION

Final Report

The Highway Commission Funding Subcommittee was created by the joint standing Committees on Transportation of the General Assembly as authorized by House Concurrent Resolution 136 and the Legislative Council. The Subcommittee was directed to conduct a study to determine "the exact amount of funds available to the state highway commission, the manner of expending and allocating such funds, the priorities given to the allocation and expenditure of such funds for the construction or improvement of interstate and primary highways and in general the budgetary processes exercised by the state highway commission". Transportation Committee Chairmen Senator Clifton C. Lamborn and Representative Leroy S. Miller appointed the following legislative and nonlegislative members to the Subcommittee:

Representative Leroy S. Miller, Chairman
Senator Vernon H. Kyhl, Vice Chairman
Senator Leslie C. Klink
Senator Bass Van Gilst
Representative Keith H. Dunton
Representative Dewey E. Goode
Mr. Warren Davison (advisory)
Mr. Raymond P. Henely (advisory)
Mr. Richard Hileman (advisory)
Mr. William F. Sueppel (advisory)
Mr. Chet Sloan (advisory)
Mr. Derby D. Thompson (advisory)
Mr. Ed Ellsworth (advisory)

The Subcommittee's organizational meeting was held on June 4, 1970, chaired by Representative Leroy S. Miller. The Subcommittee adopted its permanent rules and elected Senator Vernon H. Kyhl as Vice Chairman. Mrs. Elizabeth Isaacson of the Chief Clerk's Office and Mr. Thane R. Johnson of the Legislative Service Bureau served as staff assistants to the Subcommittee.

Subcommittee Study Objectives

The Subcommittee held six meetings during the 1970 interim. The Subcommittee categorized its study assignment as follows:

1. Review of the past, present, and projected financial resources of the primary road fund.

2. Review of the allocation and expenditure of primary road fund.
 - a. Primary road funds specifically appropriated for purposes other than construction.
 - b. Primary road funds expended for construction purposes.
3. Review of primary road fund expenditure priorities.
4. Other related areas including staff vacancies, job classification, and organizational structure of the State Highway Commission.

The Subcommittee requested and received informational reports and verbal testimony from the Director of Highways, the Chief Engineer, the Deputy Chief Engineer-Development, the Deputy Chief Engineer-Operations, the Director of Finance, Director of Planning, Director of Road Design, Director of Bridge Design, the Director of Right-of-Way, and the Director of Support Services.

Research and Drafting Assistance

The Legislative Service Bureau assisted the Subcommittee by collecting and distributing informational and research material, scheduling meetings and testimony, assisting Mrs. Isaacson with the preparation of minutes of the meetings and preparing and revising drafts of recommendations and bills.

General Conclusions

At its final meeting on November 16, 1970, the Subcommittee adopted its recommendations which are attached as addenda to this report and approved the following general conclusions:

1. Due to time limitations, the Subcommittee is aware that this study was somewhat superficial; however, it does believe that the major objectives of the study have been achieved.
2. After review of financial resources of the State Highway Commission, the Subcommittee concludes that adequate financial resources are available to the State Highway Commission to finance programs which can be designed and constructed by the present staff of the Commission; however, primary road fund resources are inadequate to meet the current or projected highway needs in this state. A chart presenting the past, present and projected finan-

cial resources of the State Highway Commission is attached as an addendum to this report. A second chart presenting the past, present and projected expenditures of the Commission was requested, but due to recent program changes by the Commission, it is not available in final form for inclusion in this report.

3. The Subcommittee concludes that while the sufficiency rating method of highway programming is theoretically and ideally suited to the determination of highest priority projects, it has not proven satisfactory in providing for the uniform improvement of all highways under the jurisdiction of the Commission.
4. The Subcommittee concludes that the Commission's policy of programming projects far in excess of its financial or staff capabilities tends to alienate public opinion on those projects which cannot possibly be achieved.
5. The Subcommittee concludes that although salary considerations may be a substantial factor causing the high vacancy rate in critical staff positions, other factors including job classifications, changes in the organizational structure, and the lack of individual prerogatives in accomplishing assigned responsibilities, may also be significant factors.

Recommendations

The recommendations of the Highway Commission Funding Subcommittee are as follows:

1. Whereas, the Fifty-second General Assembly established a highway study committee which, during the 1947-49 biennium, studied the highway needs of the state and, among its fifteen recommendations, recommended the establishment of the road use tax fund and the allocation of ten percent of the retail sales tax receipts to the road use tax fund; and

Whereas, a 1948 study indicated that the retail sales taxes collected on motor vehicle tires and accessories equaled approximately eleven percent of the retail sales tax collections in that year; and

Whereas, the Fifty-third General Assembly established the road use tax fund and allocated ten percent of the retail sales tax collections to such fund; and

Whereas, each succeeding General Assembly kept faith with the principle that the road use tax fund should

receive retail sales tax receipts derived from road user sources until the Sixty-first General Assembly failed to allocate ten percent of the third cent added to the retail sales tax which also applies to tires, accessories and services performed on motor vehicles; and

Whereas, the First Regular Session of the Sixty-third General Assembly further broke faith with this principle by appropriating \$3.4 million of the ten percent of two-thirds of the retail sales tax receipts for other purposes during the 1969-71 biennium; and

Whereas, the Second Regular Session of the Sixty-third General Assembly appropriated all of the ten percent of two-thirds of the net retail sales tax receipts for other purposes and transferred a similar amount from the Primary Road Fund to the counties and municipalities for their streets and highways on the premise that the Primary Road Fund has excess money; and

Whereas, the Primary Road Fund would not have excess money if the Iowa State Highway Commission implemented its five-year primary road construction program as provided in section 307.5, subsection 13, Code 1971, and discontinued the practice of adding new construction projects each year to its program giving the new projects priority over those projects previously scheduled, and would give appropriate consideration to the deteriorated condition of the rural primary highways;

Now, Therefore, the Highway Commission Funding Subcommittee recommends that the Sixty-fourth General Assembly divert no further tax revenue otherwise allocated to the road use tax fund because such revenue is generated by highway users and should logically be spent for the administration, construction and maintenance of streets and highways, and that section 422.69, subsection 5, Code 1971, be amended to provide that ten percent of the net retail sales tax revenue be allocated to the road use tax fund to meet the additional highway maintenance cost, to compensate for vehicular traffic which is exempt from road use taxes, and to reflect the general economic benefits derived from the highway systems in this state.

2. The Highway Commission Funding Subcommittee recommends that the Iowa State Highway Commission maintain a uniform, understandable accounting and budgeting system so that statistical comparisons can be made with continuity from year to year.

3. The Highway Commission Funding Subcommittee recommends that the Iowa State Highway Commission accelerate the improvement of the approximately eighty miles of graveled highways and the approximately two thousand miles of paved highways having a width of less than twenty-two feet to assure the proper improvement or disposition of all such highways under its jurisdiction prior to January 1, 1976, and that future programming reflect the uniform improvement of all types of highways under its jurisdiction.
4. The Highway Commission Funding Subcommittee recommends that the Iowa State Highway Commission abandon the current practice of uniform design on all highways under its jurisdiction and design individual highways to standards appropriate for the traffic and project conditions thereon.
5. The Highway Commission Funding Subcommittee recommends that the Iowa State Highway Commission place greater emphasis on filling vacancies in the vital functions of highway design, construction and maintenance, and that the Iowa State Highway Commission and the Merit Employment Commission review the job qualifications and salary schedules and implement a personnel program which will attract and retain experienced, qualified personnel in the phases of planning, design, right-of-way and inspection.
6. The Highway Commission Funding Subcommittee recommends that the Iowa State Highway Commission program construction which is in substantial balance with its financial capabilities but which retains sufficient flexibility to permit construction projects within a five-year period to approximately balance with its incomes.
7. Since it is the basic function of the Iowa State Highway Commission to design, construct and maintain the highways under its jurisdiction, the Highway Commission Funding Subcommittee recommends that the Iowa State Highway Commission should place in its table of organization a greater authoritative position to those departments responsible for the design, construction and maintenance functions and relegate the other services and divisions to their proper position.
8. The Highway Commission Funding Subcommittee recommends that the Iowa State Highway Commission and the Merit Employment Commission cooperate in any action to establish a branch office of the Department of Merit Employment at the administrative offices of the Iowa State Highway Commission in Ames, Iowa, and that the approval of personnel classification changes be required by the Merit Employment Commission only.

9. Since the General Assembly should protect the rights of individual property owners and also facilitate the timely acquisition of right-of-way for highway construction purposes, the Highway Commission Funding Subcommittee endorses the enactment of an Eminent Domain Study Committee recommendation relating to the dispossession of a landowner under condemnation proceedings for highway purposes.

10. The Highway Commission Funding Subcommittee recommends that the Sixty-fourth General Assembly authorize the joint standing Committees on Transportation to establish a continued study of the fiscal and budgetary policies of the State Highway Commission, financial resources available to the Commission, and the methods and priorities given to the allocation and expenditure of its financial resources.

A Bill Recommended by the
Highway Commission Funding
Subcommittee.

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act relating to the allocation of sales tax receipts.

2 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

3 Section 1. Section four hundred twenty-two point sixty-nine
4 (422.69), subsection five (5), Code 1971, is amended as follows:

5 5. During the last quarter of each fiscal year an amount
6 equal to ten percent of the net receipts ~~from two-thirds~~ of the
7 sales tax collected under division IV of this chapter for the
8 fiscal year, less the amount transferred during such fiscal
9 year for motor vehicle registration plates, shall be transferred
10 to the road use tax fund created by section 321.1. The remain-
11 der of the net receipts from the sales tax shall be credited to
12 the general fund.

13

EXPLANATION

14 This bill increases the amount of sales tax receipts which
15 are transferred to the road use tax fund from ten percent of
16 two-thirds of the net receipts from two cents of the sales tax
17 to ten percent of the net receipts from three cents of the
18 sales tax.

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